

CMP: Rs 59

Rating: Buy

Target Price: Rs 76

Stock Info

BSE	502180
NSE	SHREDIGCEM
Bloomberg	DIGV IN
Routers	SRDC.BO
Sector	Cement
Face Value (Rs)	10
Equity Capital (Rs mn)	1418
Mkt Cap (Rs mn)	8456
52W H/L (Rs)	67/18
Avg Yearly Vol (in 000')	1037

Shareholding Pattern %

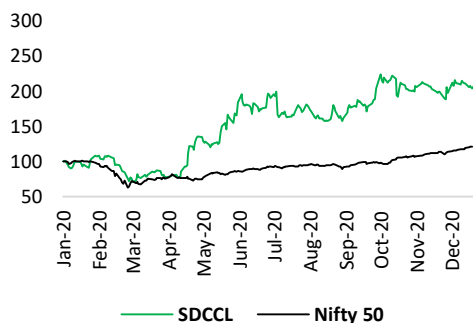
(As on December 2020)

Promoters	56.87
Public & Others	43.13

Stock Performance (%)

	3m	6m.	1 Yr
Shree Digvijay Cement	-4.2	6.4	106.3
Nifty50	17.5	25.5	15.0

Shree Digvijay Cement Price Chart



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Shree Digvijay Cement Company Limited (SDCCL) delivered robust performance in Q3FY21 both on YoY and QoQ front although the results were below our expectation on all fronts. Net Revenue grew by 17.2% YoY, & 47.9 % QoQ to Rs 1435 mn in Q3FY21, below our expectation of Rs 1640 mn. EBIDTA grew by 32.4 %YoY and 157% QoQ to Rs 270 mn below our expectation of Rs 310 mn, growth in EBIDTA was backed by healthy growth in top line and better operational efficiency. EBIDTA margin expanded by 215 bps YoY and 799 bps QoQ bps to 18.8%. PAT grew by 47% YoY and 444 % QoQ to Rs 141 mn below our estimates of Rs 180 mn mainly due to rise in operating profit and higher other Income. PAT margin expanded 200 bps YoY & 717 bps QoQ to 9.8%.

Operational Highlights :

- Company delivered strong performance in Q3FY21. Net Revenue grew by 17.2% YoY, & 47.9 % QoQ to Rs 1435 mn in Q3FY21 Sales volume grew by 13.2%YoY & 44% QoQ to 3.01 lakh tonnes. Realization /tonne grew by 3.6% YoY and 2.7% QoQ to Rs 4766. EBIDTA grew by 32.4 %YoY and 157% QoQ to Rs 270 mn, growth in EBIDTA was backed by healthy growth in top line and better operational efficiency. EBIDTA margin expanded by 215 bps YoY and 799 bps QoQ bps to 18.8%. EBIDTA /tonne grew by 17% YoY & 78.5% QoQ to Rs 897. PAT grew by 47% YoY and 444 % QoQ to Rs 141 mn below our estimates of Rs 180 mn mainly due to rise in operating profit and higher other Income. PAT margin expanded 200 bps YoY & 717 bps QoQ to 9.8%.
- On June 01, 2020 the turbine and generator of Waste Heat Recovery plant got damaged. During the previous quarter, the company had lodged insurance claim for recovering cost of damage to the equipment's and loss of profit on account of increase in power cost. SDCCL had accounted for Rs.16 mn as reimbursement of power cost against the additional cost of power incurred during the previous quarter and accounted Rs.10 mn as other income in current quarter under machinery break down claim which is a one time gain.
- On July 28, 2020, SDCCL Logistics Limited was incorporated as a wholly owned subsidiary of the Company, having paid up capital of Rs.1,00,000 (10,000equity shares of Rs.10 each). Accordingly, the company has presented consolidated financial results for the quarter ended December 31, 2020, quarter ended September 30, 2020 and nine months ended December 31, 2020 with no comparative figures since this being the first year of consolidation.

Valuation and Outlook

At CMP of Rs 59, SDCCL is trading at EV/EBIDTA multiple of 7.5(x) to its FY20 EBIDTA of Rs 1009 mn . We are positive on the company owing to phenomenal business recovery in last quarter and as demand for cement continuous to be encouraging going ahead. Company's continuous focus on optimizing manufacturing cost and maximizing sales is expected to lead to future growth. Also company's monopoly in oil well cement, customer centric approach good management and reasonable valuations compared to it other peers augurs well for the company. However, factors such as company's limited scale of operation, low market share do remain concern for the company. We value the stock at a EV/EBIDTA multiple of 7x to its FY22E EBIDTA of Rs 1235 mn to arrive at a target price of Rs 76 which gives potential upside of 29.5% from current level. We upgrade our rating from Hold to Buy on the stock.

Q3FY21 Results (Standalone basis)

Rs mn	Q3FY21	Q3FY20	Q2FY21	YOY	QOQ
Net Revenue	1,435	1,224	970	17.2%	47.9%
Operating Costs	319	288	134	10.8%	138.1%
Employee cost	97	86	96	12.8%	1.0%
Other Expenses	749	646	635	15.9%	18.0%
EBITDA	270	204	105	32.4%	157.1%
<i>EBITDA margin %</i>	<i>18.8%</i>	<i>16.7%</i>	<i>10.8%</i>	<i>215bps</i>	<i>799bps</i>
Depreciation	67	62	67	8.1%	0.0%
EBIT	203	142	38	43.0%	434.2%
Other Income	21	5	7	320.0%	200.0%
Finance cost	6	2	4	185.0%	42.5%
Exceptional Item	-	-	-	-	-
PBT	218	145	41	50.6%	432.4%
Tax Expense	77	49	15	57.1%	413.3%
Effective tax rate %	35.3%	33.8%	36.6%	148bps	-131bps
PAT	141	96	26	47.2%	443.5%
<i>PAT margin %</i>	<i>9.8%</i>	<i>7.8%</i>	<i>2.7%</i>	<i>200bps</i>	<i>717bps</i>
EPS (Rs)	0.90	0.70	0.10	28.6%	800.0%

Valuation:

Particular (Rs in Mn)	FY22E
EV/EBIDTA (x)	7.0
EBIDTA	1,235
EV	8648
Cash & bank	2,436
Debt	250
M Cap	10834
No Shares	141.8
Fair Value (Rs)	76
CMP (Rs)	59
Upside (%)	29.5

Financial Statement

Income Statement

Y/E March (Rs Mn)	FY18	FY19	FY20	FY21E	FY22E
Revenues	4,133	4,365	4,699	5,114	5,746
Change (%)	31.3%	5.6%	7.7%	8.9%	12.4%
Cost of Goods Sold	2,513	2,851	2,428	2,711	2,873
Employee costs	269	290	344	348	373
Other expenses	873	959	917	1,125	1264
Total operating Expense	3,655	4,100	3,689	4,184	4,511
EBITDA	478	265	1,009	931	1,235
Other Income	64	46	22	30	40
Depreciation	229	240	248	269	291
Interest	107	39	18	26	23
PBT	206	33	766	666	962
Extra-ordinary	0	0	0	0	0
PBT after ext-ord.	206	33	766	666	962
Tax	73	13	201	175	253
Rate (%)	35.2%	38.5%	26.3%	26.3%	26.3%
PAT	134	20	565	491	709
Change (%)	-213.2%	-84.8%	2691.7%	-13.1%	44%

Source: Company, Aриhant Research

Balance Sheet

Y/E March (Rs Mn)	FY18	FY19	FY20	FY21E	FY22E
Sources of Funds					
Share Capital	1,414	1,414	1,414	1,418	1,418
Reserves & Surplus	771	783	1,343	1,834	2,543
Net Worth	2,185	2,197	2,764	3,252	3,961
Long term debt	0	0	0	250	250
Short term debt	250	403	0	0	0
Total Debt	250	403	0	250	250
Other Liabilities & Provisions	1106	1053	1189	1391	1723
Capital Employed	3,541	3,653	3,953	4,893	5,934
Application of Funds					
Net Block	2,007	1,945	1,885	2,048	2,211
Deffered Tax & other libilty	165	166	103	103	104
Other Non-Current Assets	394	400	272	272	272
Non Current Asset	2,566	2,511	2,259	2,422	2,586
Investments	0	0	0	0	0
Debtors	121	137	98	107	120
Inventories	440	579	649	668	724
Cash & bank balance	320	362	744	1,627	2,436
Loans & advances & other CA	94	64	203	68	68
Total current assets	975	1,142	1,694	2,470	3,348
Total Assets	3,541	3,653	3,953	4,893	5,934

Financial Statement

Cash Flow Statement

Y/E March (Rs Mn)	FY18	FY19	FY20	FY21E	FY22E
PBT	206	33	766	666	962
Depreciation	229	240	248	269	291
Interest & others	89	24	0	9	6
Cash flow before WC changes	520	284	1,026	948	1263
(Inc)/dec in working capital	515	-290	45	27	-37
Operating CF after WC changes	1,034	-6	1,071	975	1225
Less: Taxes	-18	-10	-129	-175	-253
Operating cash flow	1,016	-16	942	800	973
(Inc)/dec in F.A + CWIP	-152	-171	-165	-163	-163
(Pur)/sale of investment	0	0	0	0	0
Cash flow from investing	-124	-41	-137	-141	-141
Free cash flow (FCF)	866	-78	783	637	810
Loan raised/(repaid)	-710	150	-400	250	-
Equity raised	0	0	0	0	0
Interest & others	-105	-34	-17	-26	-23
Dividend	0	0	0	0	0
Cash flow from financing activities	-815	116	-421	225	-23
Net inc /(dec) in cash	77	59	385	884	809
Opening balance of cash	222	299	359	743	1,627
Closing balance of cash	299	359	743	1,627	2,436

Source: Company, Arihant Research

Key Ratios

Y/E March (Rs Mn)	FY18	FY19	FY20	FY21E	FY22E
Per share (Rs)					
EPS	0.9	0.1	4.0	3.5	5.0
BVPS	15.5	15.5	19.5	22.9	27.9
CEPS	2.6	1.8	5.7	5.4	7.1
DPS	-	-	-	-	-
Valuation (x)					
P/E	62.5	412.4	14.8	17.0	11.8
P/BV	3.8	3.8	3.0	2.6	2.1
P/CEPS	23.0	32.1	10.3	11.0	8.4
EV/EBITDA	17.2	31.5	7.5	7.3	4.8
Return Ratios (%)					
Gross Margin	39.2%	34.7%	48.3%	47.0%	50.0%
EBIDTA Margin	11.6%	6.1%	21.5%	18.2%	21.5%
PAT Margin	3.2%	0.5%	12.0%	9.6%	12.3%
ROE	6.1%	0.9%	20.4%	15.1%	17.9%
ROCE	10.2%	1.0%	27.5%	18.9%	22.4%
Leverage Ratio (%)					
Total D/E	0.1	0.2	0.0	0.1	0.1
Turnover Ratios					
Asset Turnover (x)	1.2	1.2	1.2	1.0	1.0
Inventory Days	64	74	98	90	92
Receivable Days	11	11	8	8	8
Payable days	51	44	37	38	36

Source: Company, Arihant Research

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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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