

CMP: INR 63

Rating: Accumulate

Target Price: INR 73

Stock Info

BSE	502180
NSE	SHREDIGCEM
Bloomberg	DIGV IN
Routers	SRDC.BO
Sector	Cement
Face Value (INR)	10
Equity Capital (INR mn)	1,440
Mkt Cap (INR mn)	9001
52W H/L (INR)	97/52
Avg Yearly Vol (in 000')	319

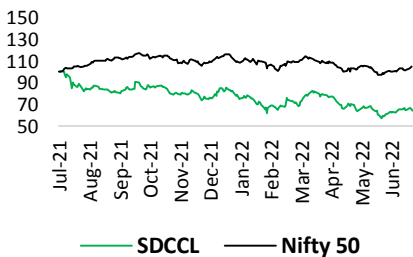
Shareholding Pattern %

(As on September 2022)

Promoters	56.12
Public & Others	43.88

Stock Performance (%)	1m	3m	12m
Shree Digvijay Cement	5.5	-13.5	-33.3
Nifty 50	9.65	0.99	9.58

Shree Digvijay Cement Price Chart



Shree Digvijay Cement Company Limited (SDCCL) reported weak set of numbers in Q1FY23 and were below our estimate on all front. Net Revenue grew by 4.2 % YoY, however declined by 4.7% QOQ to INR 1,612 mn below our expectation of INR 1,710 mn. Sales volume de grew by 3.0% YoY, and 11.7 % QOQ to 2.87 lakh tonnes below our expectation of 3.22 lakh tonnes. Volume was impacted amid lower demand. Realization /tonne grew by 7.5% YoY and 7.9% QoQ to INR 5,618 below our expectation of INR 5,700.

EBIDTA declined by 24.2% YoY and grew by 5.4% QoQ to INR 310 mn below our expectation of INR 342 mn, EBIDTA margin contracted by 721 bps YoY, and expanded by 185 bps QoQ to 19.2%. Operating cost increased substantially by 15.7% YoY to INR 1059 led by high energy cost due to supply disruption. EBIDTA /tonne declined by 21.8% YoY & and grew by 19.4% QoQ to INR 1080 below our expectation of INR 1140

PAT declined by 21.2 YoY and grew by 32.6% QoQ to INR 171 Mn below our estimates of INR 205 mn. PAT margin contracted by 342 bps YoY and grew by 298 bps QoQ to 10.6%. . Poor operating performance impacted bottom line.

Valuation and Outlook

At CMP of INR 63, SDCCL is trading at EV/EBIDTA multiple of 5.0(x) & 4.4(x) to its FY23E & FY24E . We maintain Accumulate rating on the stock and have a positive view on the company.. We expect cement demand to be good in the longer run considering government thrust on infrastructure and real estate demand growing which in turn will benefit the company. During the quarter company has regained the position as a leading supplier of oil well cement by bagging largest order from oil producing companies which will lead to strong performance in coming quarters. On the cost front with the reduction in fuel cost from past few weeks we believe input cost to stabilize and thus aid in margin expansion. Company's focus on optimizing cost and optimizing manufacturing facility will help in achieving high productivity levels. We value the stock at a EV/EBIDTA multiple of 5.4x to its FY24E EBIDTA of INR 1,774 mn to arrive at a target price of INR 73 which gives potential upside of 15.1% from current level.

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Q1FY23 Results

INR mn	Q1FY23	Q1FY22	Q4FY22	YOY	QOQ
Net Revenue	1,612	1,547	1,692	4.2%	-4.7%
Operating Costs	1,059	915	1,169	15.7%	-9.4%
Employee cost	101	96	87	5.2%	16.1%
Other Expenses	142	127	142	11.8%	0.0%
EBITDA	310	409	294	-24.2%	5.4%
<i>EBITDA margin %</i>	<i>19.2%</i>	<i>26.4%</i>	<i>17.4%</i>	<i>-721bps</i>	<i>185bps</i>
Depreciation	88	71	91	23.9%	-3.3%
EBIT	222	338	203	-34.3%	9.4%
Other Income	13	10	12	30.0%	8.3%
Finance cost	4	4	3	0.0%	33.3%
Exceptional Item	-	-	-	-	-
PBT	231	344	212	-32.8%	9.0%
Tax Expense	60	127	83	-52.8%	-27.7%
Effective tax rate %	26.0%	36.9%	39.2%	-1094bps	-1318bps
PAT	171	217	129	-21.2%	32.6%
<i>PAT margin %</i>	<i>10.6%</i>	<i>14.0%</i>	<i>7.6%</i>	<i>-342bps</i>	<i>298bps</i>
EPS (Rs)	1.19	1.52	0.90	-21.7%	32.2%

Particulars	Q1FY23	Q1FY22	Q4FY22	YOY	QOQ
Sales Volume (Lactonne)	2.87	2.96	3.25	-3.0%	-11.7%
Sales in Lakhs	16,123	15471	16,919	4.2%	-4.7%
Realization/tonne	5618	5227	5206	7.5%	7.9%
EBIDTA in lakhs	3100	4090	2940	-24.2%	5.4%
EBIDTA/tonne	1080.1	1381.8	904.6	-21.8%	19.4%

Valuation

Particular (INR in Mn)	FY24E
EV/EBIDTA (x)	5.4
EBIDTA	1,774
EV	9578
Cash & bank	1,256
Debt	390
M Cap	10445
No Shares	144
Fair Value (INR) (TP)	73
CMP (INR)	63
Upside (%)	15.1

Financial Statement

Income Statement

Y/E March (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
Revenues	4,698	5,028	6,293	6,843	7,390
Change (%)	7.6%	7.0%	25.2%	8.7%	8.0%
Cost of Goods Sold	2,864	3,056	4,122	4,106	4,434
Employee costs	344	366	378	411	443
Other expenses	482	556	625	684	739
Total operating Expense	3,690	3,978	5,125	5,201	5,617
EBITDA	1,009	1,050	1,168	1,642	1,774
Other Income	22	63	43	68	74
Depreciation	248	268	314	374	435
Interest	18	16	15	15	15
PBT	765	829	882	1,321	1,398
Extra-ordinary	0	0	0	0	0
PBT after ext-ord.	765	829	882	1,321	1,398
Tax	201	289	329	330	349
Rate (%)	26.3%	34.9%	37.3%	25.0%	25.0%
PAT	564	540	554	991	1,048
Change (%)		-4.3%	2.5%	79.1%	5.8%

Source: Company, Arianth Research

Balance Sheet

Y/E March (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
Sources of Funds					
Share Capital	1,414	1,423	1,440	1,440	1,440
Reserves & Surplus	1,350	1,688	1,682	2,389	3,154
Net Worth	2,764	3,111	3,122	3,829	4,594
Long term debt	1	0	0	0	0
Short term debt	302	269	351	370	390
Total Debt	303	269	351	370	390
Other Liabilities & Provisions	731	937	1151	1147	1197
Capital Employed	3,798	4,317	4,624	5,346	6,181
Application of Funds					
Net Block	1,865	1,715	1,843	2,197	2,551
Deferred Tax Asset	103				
Other Non-Current Assets	281	404	466	807	775
Non Current Asset	2,249	2,119	2,309	3,004	3,326
Investments	0	0	0	0	0
Debtors	98	107	134	146	157
Inventories	649	750	1,267	1,260	1,361
Cash & bank balance	744	1,239	833	856	1,256
Loans & advances & other CA	58	102	81	81	81
Total current assets	1,549	2,198	2,315	2,342	2,855
Total Assets	3,798	4,317	4,624	5,346	6,181

Financial Statement

Cash Flow Statement

Y/E March (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
PBT	765	829	882	1,321	1,398
Depreciation	248	268	314	374	435
Interest & others	0	-14	-20	-21	-21
Cash flow before WC changes	1,026	1,094	1,186	1,686	1,434
(Inc)/dec in working capital	44	-6	-374	-7	-63
Operating CF after WC changes	1,070	1,088	812	1,679	1,371
Less: Taxes	-129	-139	-239	-330	-349
Operating cash flow	941	949	573	1,348	1,022
(Inc)/dec in F.A + CWIP	-165	-276	-354	-354	-354
(Pur)/sale of investment	0	0	0		
Cash flow from investing	-137	-968	-399	-322	-322
Free cash flow (FCF)	782	673	219	994	668
Loan raised/(repaid)	-400	0	-	-	
Equity raised	0	15	28	0	0
Interest & others	-21	-14	-16	-15	-15
Dividend	0	-212	-284	-284	-284
Cash flow from financing activities	-421	-211	-560	-299	-299
Net inc /(dec) in cash	384	-230	-386	727	401
Opening balance of cash	359	744	514	128	856
Closing balance of cash	742	514	128	856	1,256

Source: Company, Aриhant Research

Key Ratios

Y/E March (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
Per share (Rs)					
EPS	4.0	3.8	3.8	6.9	7.3
BVPS	5.7	5.7	6.0	9.5	10.3
CEPS	19.5	21.9	21.7	26.6	31.9
Valuation (x)					
P/E	15.8	16.6	16.4	9.2	8.7
P/BV	11.0	11.1	10.5	6.6	6.1
P/CEPS	3.2	2.9	2.9	2.4	2.0
EV/EBITDA	8.1	7.3	7.1	5.0	4.4
Return Ratios (%)					
Gross Margin	39.0%	39.2%	34.5%	40.0%	40.0%
EBIDTA Margin	21.5%	20.9%	18.6%	24.0%	24.0%
PAT Margin	12.0%	10.7%	8.8%	14.5%	14.2%
ROE	20.4%	17.4%	17.7%	25.9%	22.8%
ROCE	24.8%	23.1%	24.6%	30.2%	26.9%
Leverage Ratio (%)					
Total D/E	0.1	0.1	0.1	0.1	0.1
Turnover Ratios					
Asset Turnover (x)	1.2	1.2	1.4	1.3	1.2
Inventory Days	83	90	112	112	112
Receivable Days	8	8	8	8	8
Payable days	37	37	36	33	33

Source: Company, Aриhant 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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