

Robust performance likely to continue with top management and strong industry tailwinds

Arihant Capital values your support in the Asiamoney Brokers Poll 2021 for Institutional Team. We request your ballot



<http://www.asiamoney.com/brokers>

**CMP: Rs 95**

**Rating: Accumulate**

**Target Price: Rs 111**

**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)	13569
52W H/L (INR)	98/43
Avg Yearly Vol (in 000')	949

**Shareholding Pattern %**

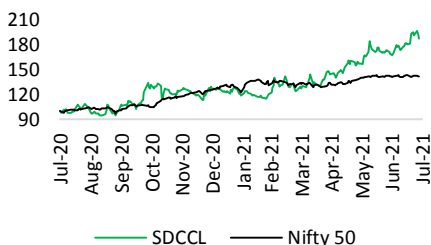
(As on June 2021)

Promoters	56.65
Public & Others	43.35

**Stock Performance (%)**

	1m	3m.	1Yr
Shree Digvijay Cement	15.9	35.6	63.5
Nifty50	0.2	5.9	40.8

**Shree Digvijay Cement Price Chart**



**Abhishek Jain**

[abhishek.jain@arihantcapital.com](mailto:abhishek.jain@arihantcapital.com)

022-422548871

**Shrey Gandhi**

[Shrey.gandhi@arihantcapital.com](mailto:Shrey.gandhi@arihantcapital.com)

022 4225 4865

**Shree Digvijay Cement Company Limited (SDCCL) delivered strong performance in Q1FY22 beating our estimates on all fronts. Company delivered strong performance on YoY basis backed by healthy cement demand and lower base. However QoQ performance was impacted as second wave of covid impacted cement consumption in the quarter. Net Revenue grew by 76.8% YoY, however declined by 11.5% QoQ to INR 1547 mn above our expectation of INR 1371 mn . Healthy top line growth on YOY basis was mainly due to rise in sales volume & realization/tonne. Sales volume grew by 62.6% YoY, however declined by 14.5% QOQ to 2.96 lakh tonnes above our expectation of 2.0 lakh tonnes. Realization /tonne grew by 8.7% YoY and 1.3% QOQ to INR 5227 below our expectation of INR 6855.**

**EBIDTA grew by 94.8% YoY however declined by 13.4% QoQ to INR 409 mn above our expectation of INR 342 mn, Growth in EBIDTA on YoY basis was backed by healthy growth in top line and better operational efficiency. EBIDTA margin expanded by 244 bps YoY, however contracted by 56 bps QoQ to 26.4%. Pressure on margin on QoQ basis was mainly due to rise in cost of production amid steep rise in coal and diesel prices and higher employee cost. Employee expenses stood flat on YoY basis however increased by 24.7% QoQ to INR 96 mn. EBIDTA /tonne grew by 19.8% YoY & 1.3 % QoQ to INR 1381 below our expectation of INR 1710.**

**PAT grew by 119% YoY however declined by 20.7% QoQ to INR 217 mn above our estimates of INR 165 mn. YoY growth in PAT was led by healthy growth in top line and better operating profit. However decline in topline and operating profit coupled with sharp decline in other Income on QoQ basis led to decline in PAT on QoQ basis. Other Income declined by 9% YoY and 51% QoQ to INR 10 mn. PAT margin expanded by 271 bps YoY and contracted by 162 bps QoQ to 14% in Q1FY22.**

**Valuation and Outlook**

At CMP of INR 95, SDCCL is trading at EV/EBIDTA multiple of 8.1(x) & 6.1(x) to its FY22E & FY23E. 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 improved market sentiments. Despite steep rise in coal and diesel prices which led to increase in cost of production company was still able to maintain healthy operating profit margin of 26.4% for Q1FY22 led by better operational efficiency. Going ahead we expect operating margin to grow from 20.9% in FY21 to 26.8% in FY23E backed by healthy top line growth and cost control measures taken by company. Also company's monopoly in oil well cement, customer centric approach and reasonable valuations compared to its other peers augurs well for the company. However company's limited scale of operation and low market share remain the concerns for the company. We value the stock at a EV/EBIDTA multiple of 7.5x to its FY23E EBIDTA of INR 1819 mn to arrive at a target price of INR 111 which gives potential upside of 16.7% from current level. We assign Accumulate rating on the stock.

**Q1FY22 Results ( Standalone basis)**

INR mn	Q1FY22	Q1FY21	Q4FY21	YOY	QOQ
<b>Net Revenue</b>	<b>1,547</b>	<b>875</b>	<b>1,749</b>	<b>76.8%</b>	<b>-11.5%</b>
<b>Operating Costs</b>	<b>915</b>	<b>484</b>	<b>1,049</b>	<b>89.0%</b>	<b>-12.8%</b>
Employee cost	96	96	77	0.0%	24.7%
Other Expenses	127	85	151	49.4%	-15.9%
<b>EBITDA</b>	<b>409</b>	<b>210</b>	<b>472</b>	<b>94.8%</b>	<b>-13.4%</b>
<i>EBITDA margin %</i>	<i>26.4%</i>	<i>24.0%</i>	<i>27.0%</i>	<i>244bps</i>	<i>-56bps</i>
Depreciation	71	66	68	7.6%	4.4%
<b>EBIT</b>	<b>338</b>	<b>144</b>	<b>404</b>	<b>134.7%</b>	<b>-16.4%</b>
Other Income	10	11	20	-9.1%	-50.7%
Finance cost	4	3	6	33.3%	-29.8%
Exceptional Item	-	-	-	-	-
<b>PBT</b>	<b>344</b>	<b>152</b>	<b>419</b>	<b>126.3%</b>	<b>-17.9%</b>
Tax Expense	127	53	145	139.6%	-12.5%
Effective tax rate %	36.9%	34.9%	34.6%	205bps	227bps
<b>PAT</b>	<b>217</b>	<b>99</b>	<b>274</b>	<b>119.2%</b>	<b>-20.7%</b>
<i>PAT margin %</i>	<i>14.0%</i>	<i>11.3%</i>	<i>15.6%</i>	<i>271bps</i>	<i>-162bps</i>
<b>EPS (Rs)</b>	<b>1.52</b>	<b>0.70</b>	<b>1.93</b>	<b>117.1%</b>	<b>-21.2%</b>

Particulars	Q1FY22	Q1FY21	Q4FY21	YOY	QOQ
Sales Volume ( Lactonne)	2.96	1.82	3.46	<b>62.6%</b>	<b>-14.5%</b>
Sales in Lakhs	15471	8750	17846	<b>76.8%</b>	<b>-13.3%</b>
Realization/tonne	5227	4808	5158	<b>8.7%</b>	<b>1.3%</b>
EBIDTA in lakhs	4090	2100	4720	<b>94.8%</b>	<b>-13.3%</b>
EBIDTA/tonne	1381.8	1153.8	1364.2	<b>19.8%</b>	<b>1.3%</b>

**Valuation**

Particular ( INR in Mn)	FY23E
EV/EBIDTA (x)	7.5
EBIDTA	1,819
EV	13640
Cash & bank	2,438
Debt	299
M Cap	15779
No Shares	142.3
Fair Value (INR) ( TP)	111
CMP (INR)	95
Upside (%)	16.7

## Financial Statement

## Income Statement

Y/E March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E
<b>Revenues</b>	<b>4,365</b>	<b>4,698</b>	<b>5,028</b>	<b>5,914</b>	<b>6,786</b>
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
<b>Other expenses</b>	<b>959</b>	<b>482</b>	<b>556</b>	<b>651</b>	<b>746</b>
Total operating Expense	<b>4,100</b>	<b>3,690</b>	<b>3,978</b>	<b>4,453</b>	<b>4,967</b>
<b>EBITDA</b>	<b>265</b>	<b>1,009</b>	<b>1,050</b>	<b>1,461</b>	<b>1,819</b>
Other Income	46	22	63	59	68
Depreciation	240	248	268	311	354
Interest	39	18	16	24	24
<b>PBT</b>	<b>33</b>	<b>765</b>	<b>829</b>	<b>1,185</b>	<b>1,508</b>
Extra-ordinary	0	0	0	0	0
<b>PBT after ext-ord.</b>	<b>33</b>	<b>765</b>	<b>829</b>	<b>1,185</b>	<b>1,508</b>
Tax	13	201	289	413	526
Rate (%)	38.5%	26.3%	34.9%	34.9%	34.9%
<b>PAT</b>	<b>20</b>	<b>564</b>	<b>540</b>	<b>772</b>	<b>982</b>
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
<b>Sources of Funds</b>					
Share Capital	1,414	1,414	1,423	1,423	1,423
Reserves & Surplus	783	1,350	1,688	2,176	2,874
<b>Net Worth</b>	<b>2,197</b>	<b>2,764</b>	<b>3,111</b>	<b>3,599</b>	<b>4,297</b>
Long term debt	0	1	0	0	0
Short term debt	403	302	269	283	299
<b>Total Debt</b>	<b>403</b>	<b>303</b>	<b>269</b>	<b>283</b>	<b>299</b>
Other Liabilities & Provisions	1053	731	937	1202	1607
<b>Capital Employed</b>	<b>3,653</b>	<b>3,798</b>	<b>4,317</b>	<b>5084</b>	<b>6203</b>
<b>Application of Funds</b>					
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
<b>Non Current Asset</b>	<b>2,511</b>	<b>2,249</b>	<b>2,119</b>	<b>2,305</b>	<b>2,581</b>
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
<b>Total current assets</b>	<b>1,142</b>	<b>1,549</b>	<b>2,198</b>	<b>2,778</b>	<b>3,623</b>
<b>Total Assets</b>	<b>3,653</b>	<b>3,798</b>	<b>4,317</b>	<b>5,084</b>	<b>6,203</b>

## Financial Statement

### Cash Flow Statement

Y/E March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E
<b>PBT</b>	<b>33</b>	<b>765</b>	<b>829</b>	<b>1,185</b>	<b>1,508</b>
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
<b>(Inc)/dec in working capital</b>	<b>-290</b>	<b>44</b>	<b>-6</b>	<b>-64</b>	<b>-49</b>
Operating CF after WC changes	-6	1,070	1,088	1,432	1,813
Less: Taxes	-10	-129	-139	-413	-526
<b>Operating cash flow</b>	<b>-16</b>	<b>941</b>	<b>949</b>	<b>1,019</b>	<b>1,287</b>
(Inc)/dec in F.A + CWIP	-171	-165	-276	-276	-276
(Pur)/sale of investment	0	0	0	0	
<b>Cash flow from investing</b>	<b>-41</b>	<b>-137</b>	<b>-244</b>	<b>-244</b>	<b>-244</b>
<b>Free cash flow (FCF)</b>	<b>-78</b>	<b>782</b>	<b>673</b>	<b>743</b>	<b>1,011</b>
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
<b>Cash flow from financing activities</b>	<b>116</b>	<b>-421</b>	<b>-211</b>	<b>-308</b>	<b>-308</b>
<b>Net inc /(dec) in cash</b>	<b>59</b>	<b>384</b>	<b>494</b>	<b>467</b>	<b>735</b>
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, Aриhant Research

### Key Ratios

Y/E March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E
<b>Per share (Rs)</b>					
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
<b>Valuation (x)</b>					
P/E	664.0	23.8	25.0	17.5	13.8
P/BV	51.6	16.5	16.7	12.5	10.1
P/CEPS	6.1	4.9	4.3	3.8	3.1
EV/EBITDA	50.7	12.5	11.7	8.1	6.1
<b>Return Ratios (%)</b>					
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%
<b>Leverage Ratio (%)</b>					
Total D/E	0.2	0.1	0.1	0.1	0.1
<b>Turnover Ratios</b>					
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, Aриhant Research

## Arihant Research Desk

Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 <sup>st</sup> Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

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%

Research Analyst Registration No.	Contact	Website	Email Id
<b>INH000002764</b>	<b>SMS: 'Arihant' to 56677</b>	<a href="http://www.arihantcapital.com">www.arihantcapital.com</a>	<a href="mailto:instresearch@arihantcapital.com">instresearch@arihantcapital.com</a>

**Disclaimer:** This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.  
1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800 Fax. 022-42254880