

CMP: INR 71

Rating: Hold

Target Price: INR 78

Stock Info

BSE	502180
NSE	SHREDIGCEM
Bloomberg	DIGV IN
Routers	SRDC.BO
Sector	Cement
Face Value (INR)	10
Equity Capital (INR mn)	1,423
Mkt Cap (INR mn)	10,214
52W H/L (INR)	98/56
Avg Yearly Vol (in 000')	669

Shareholding Pattern %

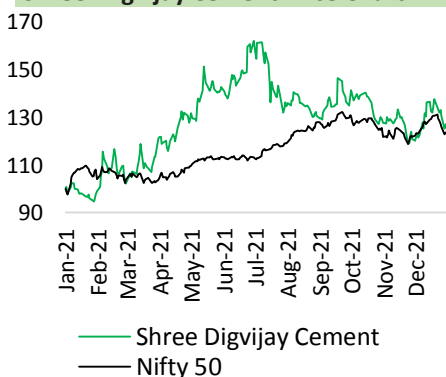
(As on December, 2021)

Promoters	56.19
Public & Others	43.81

Stock Performance (%)

	1m	3m	12m
Shree Digvijay Cement	7	(9)	28.7
Nifty 50	(0.7)	(6.8)	21.5

Shree Digvijay Cement Price Chart



Abhishek Jain

abhishek.jain@arihantcapital.com

022-422548871

Shrey Gandhi

Shrey.gandhi@arihantcapital.com

022 4225 4865

Shree Digvijay Cement Company Limited (SDCCL) reported weak set of numbers in Q3FY22 especially on the operational front. Net Revenue grew by 5.6% YoY, however declined by 1.5% QOQ to INR 1516 mn above our expectation of INR 1200 mn. Topline growth on YOY basis was mainly due to rise in realization/tonne. Sales volume de grew by 4.7% YoY, and 2.7 QOQ to 2.87 lakh tonnes in line our expectation of 2.70 lakh tonnes. Volume was impacted amid lower demand and also plant shut down in quarter. Realization /tonne grew by 10.8% YoY and 1.3% QoQ to INR 5282 above our expectation of INR 4000. Company managed to achieve good realization growth amid improved blended portfolio along with consumption of alternate fuel.

EBIDTA declined by 29% YoY and 31% QoQ to INR 191 mn below our expectation of INR 198 mn, EBIDTA margin contracted by 622bps YoY, and 533 bps QoQ to 12.6%. Operating cost increased substantially by 12.5% YoY and 8.9% QoQ to INR 1062 led by high fuel and transportation cost beside this muted topline growth led by plant shutdown and low demand also impacted the margins. EBIDTA /tonne declined by 26% YoY & and 29% QoQ to INR 666 in line with our expectation of INR 660.

PAT declined by 48% YoY and 46% QoQ to INR 73 Mn below our estimates of INR 96 mn.. PAT margin contracted by 494 bps YoY and 389 bps QoQ to 4.8% in Q3FY22. Poor operating performance, decline in other income and rise in effective tax rate led to contraction in margin.

Other Income declined by 55% YoY and remained flat QoQ to INR 9 Mn. Effective tax rate increased to 38.1% in Q3FY22 from 35.6% in Q3FY21 and Q2FY22.

Valuation and Outlook

At CMP of INR 71, SDCCL is trading at EV/EBIDTA multiple of 4.2(x) & 3.6(x) to its FY23E & FY24E. We have downgraded our rating from Accumulate to Hold and have a cautious view on the company led by company's poor Q3FY22 performance, company's limited scale of operation and low market share. We believe although demand is likely to improve to some extent in Q4, however margin pressure is likely to continue as input cost are likely to remain high and it will be difficult for the company to pass on to its clients because of limited scale of operation and stiff competition from other players.. We value the stock at a EV/EBIDTA multiple of 4.3x to its FY24E EBIDTA of INR 1981 mn to arrive at a target price of INR 78 which gives potential upside of 9.9%% from current level.

Q3FY22 Results

INR mn	Q3FY22	Q3FY21	Q2FY22	YOY	QOQ
Net Revenue	1,516	1,435	1,539	5.6%	-1.5%
Operating Costs	1,062	944	975	12.5%	8.9%
Employee cost	98	97	96	1.0%	2.1%
Other Expenses	165	124	192	33.1%	-14.1%
EBITDA	191	270	276	-29.3%	-30.8%
<i>EBITDA margin %</i>	<i>12.6%</i>	<i>18.8%</i>	<i>17.9%</i>	<i>-622bps</i>	<i>-533bps</i>
Depreciation	78	67	74	16.4%	5.4%
EBIT	113	203	202	-44.3%	-44.1%
Other Income	9	20	9	-55.0%	0.0%
Finance cost	4	6	3	-33.3%	33.3%
Exceptional Item	-	-	-	-	-
PBT	118	217	208	-45.6%	-43.3%
Tax Expense	45	77	74	-41.6%	-39.2%
Effective tax rate %	38.1%	35.5%	35.6%	265bps	256bps
PAT	73	140	134	-47.9%	-45.5%
<i>PAT margin %</i>	<i>4.8%</i>	<i>9.8%</i>	<i>8.7%</i>	<i>-494bps</i>	<i>-389bps</i>
EPS (Rs)	0.51	0.99	0.93	-48.5%	-45.2%

Particulars	Q3FY22	Q3FY21	Q2FY22	YOY	QOQ
Sales Volume (Lactonne)	2.87	3.01	2.95	-4.7%	-2.7%
Sales in Lakhs	15,160	14350	15,390	5.6%	-1.5%
Realization/tonne	5282	4767	5217	10.8%	1.3%
EBIDTA in lakhs	1910	2700	2760	-29.3%	-30.8%
EBIDTA/tonne	665.5	897.0	935.6	-25.8%	-28.9%

Valuation

Particular (INR in Mn)	FY24E
EV/EBIDTA (x)	4.3
EBIDTA	1,981
EV	8517
Cash & bank	2,916
Debt	315
M Cap	11119
No Shares	142.3
Fair Value (INR) (TP)	78
CMP (INR)	71
Upside (%)	9.9

Financial Statement

Income Statement

Y/E March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Revenues	4,365	4,698	5,028	5,914	6,786	7,390
Change (%)	5.6%	7.6%	7.0%	17.6%	14.8%	8.9%
Cost of Goods Sold	2,851	2,864	3,056	3,371	3,732	4,065
Employee costs	290	344	366	432	489	532
Other expenses	959	482	556	651	746	813
Total operating Expense	4,100	3,690	3,978	4,453	4,967	5,410
EBITDA	265	1,009	1,050	1,461	1,819	1,981
Other Income	46	22	63	59	68	74
Depreciation	240	248	268	311	354	397
Interest	39	18	16	24	24	24
PBT	33	765	829	1,185	1,508	1,633
Extra-ordinary	0	0	0	0	0	0
PBT after ext-ord.	33	765	829	1,185	1,508	1,633
Tax	13	201	289	413	526	570
Rate (%)	38.5%	26.3%	34.9%	34.9%	34.9%	34.9%
PAT	20	564	540	772	982	1,064
Change (%)	-84.8%	2688.4%	-4.3%	42.9%	27.3%	8.3%

Source: Company, Arihant
Research

Balance Sheet

Y/E March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Sources of Funds						
Share Capital	1,414	1,414	1,423	1,423	1,423	1,423
Reserves & Surplus	783	1,350	1,688	2,176	2,874	3,653
Net Worth	2,197	2,764	3,111	3,599	4,297	5,076
Long term debt	0	1	0	0	0	0
Short term debt	403	302	269	283	299	315
Total Debt	403	303	269	283	299	315
Other Liabilities & Provisions	1053	731	937	1202	1607	1664
Capital Employed	3,653	3,798	4,317	5084	6203	7055
Application of Funds						
Net Block	1,945	1,865	1,715	1,991	2,267	2,543
Deferred Tax Asset	166	103				
Other Non-Current Assets	400	281	404	314	314	315
Non Current Asset	2,511	2,249	2,119	2,305	2,581	2,857
Investments	0	0	0	0	0	0
Debtors	137	98	107	124	142	154
Inventories	579	649	750	850	941	1,025
Cash & bank balance	362	744	1,239	1,703	2,438	2,916
Loans & advances & other CA	64	58	102	102	102	102
Total current assets	1,142	1,549	2,198	2,778	3,623	4,198
Total Assets	3,653	3,798	4,317	5,084	6,203	7055

Financial Statement

Cash Flow Statement

Y/E March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E	FY24E
PBT	33	765	829	1,185	1,508	1,633
Depreciation	240	248	268	311	354	397
Interest & others	24	0	-14	-11	-11	-11
Cash flow before WC changes	284	1,026	1,094	1,495	1,862	1,641
(Inc)/dec in working capital	-290	44	-6	-64	-49	-41
Operating CF after WC changes	-6	1,070	1,088	1,432	1,813	1,600
Less: Taxes	-10	-129	-139	-413	-526	-570
Operating cash flow	-16	941	949	1,019	1,287	1,031
(Inc)/dec in F.A + CWIP	-171	-165	-276	-276	-276	-276
(Pur)/sale of investment	0	0	0	0		
Cash flow from investing	-41	-137	-244	-244	-244	-244
Free cash flow (FCF)	-78	782	673	743	1,011	755
Loan raised/(repaid)	150	-400	0	-	-	
Equity raised	0	0	15	0	0	0
Interest & others	-34	-21	-14	-24	-24	-24
Dividend	0	0	-212	-284	-284	-284
Cash flow from financing activities	116	-421	-211	-308	-308	-308
Net inc /(dec) in cash	59	384	494	467	735	479
Opening balance of cash	299	359	742	1,236	1,703	2,438
Closing balance of cash	359	742	1,236	1,703	2,438	2,916

Source: Company, Arianth Research

Key Ratios

Y/E March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Per share (Rs)						
EPS	0.1	4.0	3.8	5.4	6.9	7.5
BVPS	1.8	5.7	5.7	7.6	9.4	10.3
CEPS	15.5	19.5	21.9	25.3	30.2	35.7
Valuation (x)						
P/E	496.3	17.8	18.7	13.1	10.3	9.5
P/BV	38.6	12.4	12.5	9.3	7.6	6.9
P/CEPS	4.6	3.6	3.2	2.8	2.4	2.0
EV/EBITDA	37.9	9.2	8.4	5.7	4.2	3.6
Return Ratios (%)						
Gross Margin	34.7%	39.0%	39.2%	43.0%	45.0%	45.0%
EBIDTA Margin	6.1%	21.5%	20.9%	24.7%	26.8%	26.8%
PAT Margin	0.5%	12.0%	10.7%	13.0%	14.5%	14.4%
ROE	0.9%	20.4%	17.4%	21.4%	0.0%	0.0%
ROCE	1.0%	24.8%	23.1%	29.6%	31.9%	29.4%
Leverage Ratio (%)						
Total D/E	0.2	0.1	0.1	0.1	0.1	0.1
Turnover Ratios						
Asset Turnover (x)	1.2	1.2	1.2	1.2	1.1	1.0
Inventory Days	74	83	90	92	92	92
Receivable Days	11	8	8	8	8	8
Payable days	44	37	37	35	33	33

Source: Company, Arianth Research

Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st 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
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

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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