

CMP: Rs 72

Rating: Buy

Target Price: Rs 90

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)	10202
52W H/L (INR)	75/22
Avg Yearly Vol (in 000')	1129

Shareholding Pattern %

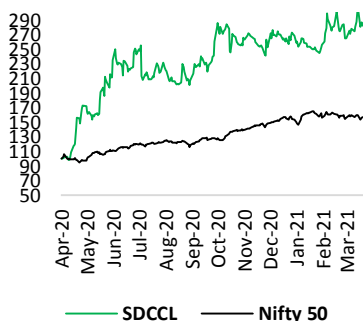
(As on March 2021)

Promoters	56.80
Public & Others	43.20

Stock Performance (%)

	3m	6m.	1 Yr
Shree Digvijay Cement	20.6	14.0	21.2
Nifty50	7.5	26.7	58.4

Shree Digvijay Cement Price Chart



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Shree Digvijay Cement Company Limited (SDCCCL) delivered robust performance in Q4FY21 both on YoY and QOQ front . Net Revenue grew by 36.3% YoY, & 21.9% % QoQ to INR 1749 mn in Q4FY21 below our expectation of INR 1830 mn . Healthy top line growth was mainly due to rise in sales volume & realization/tonne. Sales volume grew by 30.1%YoY & 15% QOQ to 3.46 lakh tonnes. Realization /tonne grew by 6.9% YoY and 8.2% QOQ to INR 5158.

EBIDTA grew by 52.3%YoY and 74.9% QoQ to INR 472 mn above our expectation of INR 340 mn, growth in EBIDTA was backed by healthy growth in top line, better operational efficiency and reduction in Employee cost. Employee expenses declined by 17%YoY and 22% QoQ to INR 77 Mn EBIDTA margin expanded by 284 bps YoY and 818 bps QoQ bps to 27%. EBIDTA /tonne grew by 17.1% YoY & 52.1% QoQ to INR 1364. PAT grew by 18% YoY and 93.7 % QoQ to INR 274 mn above our estimates of INR 260 mn mainly due to rise in operating profit and higher other Income. Other Income rose by 84.5% YoY, however declined by 3.3% QoQ to INR 20 mn.

PAT Margin contracted by 243 bps YoY and rose by 580 bps QOQ to 15.6% PAT margin contracted YoY basis due to higher effective tax rate and & higher finance cost.

Operational Highlights :

- The Board has recommended a Dividend of INR. 2.50/- (i.e. 25%) per equity share of Rs. 10/- each on 14,22,92,276 fully paid Equity Shares for the year ended March 31, 2021, aggregating to INR 355.7 mn
- The Company expects that it will exercise the option permitted under section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019 in FY 2022-23. Accordingly the Company has re-measured its deferred tax assets (net) positions and on basis of the rate prescribed under section 115BAA, has taken the full effect to Statement of profit and loss during the year ended March 31, 2020.
- Tax expenses for year ended March 31, 2020 includes tax benefit of INR 66.2 mn on account of re-measurement of deferred tax assets(net).

Valuation and Outlook

At CMP of INR 72, SDCCCL is trading at EV/EBIDTA multiple of 8.6(x) to its FY21 EBIDTA of INR 1050 mn . We are positive on the company owing to phenomenal business recovery in previous quarters and as demand for cement continues to be encouraging going ahead backed by government focus on infrastructure, Affordable housing, healthcare and rural and social development. Cement plant operation have been stabilized which will help in increasing production. Also company's monopoly in oil well cement, customer centric approach good management and reasonable valuations compared to its other peers augurs well for the company. We value the stock at a EV/EBIDTA multiple of 6.5x to its FY23E EBIDTA of INR 1649 mn to arrive at a target price of INR 90 which gives potential upside of 24.6% from current level. We maintain our Buy rating on the stock.

Q4FY21 Results (Standalone basis)

INR mn	Q4FY21	Q4FY20	Q3FY21	YOY	QOQ
Net Revenue	1,749	1,283	1,435	36.3%	21.9%
Operating Costs	1,049	751	944	39.7%	11.1%
Employee cost	77	93	97	-17.2%	-20.6%
Other Expenses	151	129	124	17.1%	21.8%
EBITDA	472	310	270	52.3%	74.9%
<i>EBITDA margin %</i>	<i>27.0%</i>	<i>24.2%</i>	<i>18.8%</i>	<i>284bps</i>	<i>818bps</i>
Depreciation	68	64	67	6.3%	1.5%
EBIT	404	246	203	64.3%	99.1%
Other Income	20	11	21	84.5%	-3.3%
Finance cost	6	2	6	185.0%	0.0%
Exceptional Item	-	-	-	-	-
PBT	419	255	218	64.2%	91.8%
Tax Expense	145	23	77	530.9%	88.4%
Effective tax rate %	34.6%	9.0%	35.3%	2563bps	-63bps
PAT	274	232	141	18.0%	93.7%
<i>PAT margin %</i>	<i>15.6%</i>	<i>18.1%</i>	<i>9.8%</i>	<i>-243bps</i>	<i>580bps</i>
EPS (Rs)	1.93	1.64	0.99	17.7%	94.9%

Particulars	Q4FY21	Q4FY20	Q3FY21	YOY	QOQ
Sales Volume (Lactonne)	3.46	2.66	3.01	30.1%	15.0%
Sales in Lakhs	17846	12830	14346	39.1%	24.4%
Realization/tonne	5158	4823	4766	6.9%	8.2%
EBIDTA in lakhs	4720	3100	2700	52.3%	74.8%
EBIDTA/tonne	1364.2	1165.4	897.0	17.1%	52.1%

Valuation

Particular (INR in Mn)	FY23E
EV/EBIDTA (x)	6.5
EBIDTA	1,649
EV	10718
Cash & bank	2,347
Debt	299
M Cap	12766
No Shares	142.3
Fair Value (INR)	90
CMP (INR)	72
Upside (%)	24.6

Financial Statement

Income Statement

Y/E March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E
Revenues	4,365	4,698	5,028	5,483	6,018
Change (%)	5.6%	7.6%	7.0%	9.1%	9.7%
Cost of Goods Sold	2,851	2,864	3,056	3,071	3,250
Employee costs	290	344	366	395	427
Other expenses	959	482	556	603	692
Total operating Expense	4,100	3,690	3,978	4,069	4,369
EBITDA	265	1,009	1,050	1,415	1,649
Other Income	46	22	63	55	60
Depreciation	240	248	268	311	354
Interest	39	18	16	24	24
PBT	33	765	829	1,134	1,331
Extra-ordinary	0	0	0	0	0
PBT after ext-ord.	33	765	829	1,134	1,331
Tax	13	201	289	396	464
Rate (%)	38.5%	26.3%	34.9%	34.9%	34.9%
PAT	20	564	540	739	867
Change (%)	-84.8%	2688.4%	-4.3%	36.8%	17.3%

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	2,143	2,726
Net Worth	2,197	2,764	3,111	3,566	4,149
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	1152	1527
Capital Employed	3,653	3,798	4,317	5,001	5,975
Application of Funds					
Net Block	1,945	1,865	1,715	1,991	2,267
Deffered 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	115	126
Inventories	579	649	750	774	819
Cash & bank balance	362	744	1,239	1,705	2,347
Loans & advances & other CA	64	58	102	102	102
Total current assets	1,142	1,549	2,198	2,696	3,394
Total Assets	3,653	3,798	4,317	5,001	5,975

Financial Statement

Cash Flow Statement

Y/E March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E
PBT	33	765	829	1,134	1,331
Depreciation	240	248	268	311	354
Interest & others	24	0	-14	-11	-11
Cash flow before WC changes	284	1,026	1,094	1,445	1,685
(Inc)/dec in working capital	-290	44	-6	-29	-26
Operating CF after WC changes	-6	1,070	1,088	1,416	1,658
Less: Taxes	-10	-129	-139	-396	-464
Operating cash flow	-16	941	949	1,020	1,194
(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	744	918
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	468	642
Opening balance of cash	299	359	742	1,236	1,705
Closing balance of cash	359	742	1,236	1,705	2,347

Source: Company, Arianth Research

Key Ratios

Y/E March (INR Mn)	FY19	FY20	FY21	FY22E	FY23E
Per share (Rs)					
EPS	0.1	4.0	3.8	5.2	6.1
BVPS	1.8	5.7	5.7	7.4	8.6
CEPS	15.5	19.5	21.9	25.1	29.2
DPS	-	-	-	-	-
Valuation (x)					
P/E	503.3	18.0	19.0	13.9	11.8
P/BV	39.1	12.5	12.7	9.8	8.4
P/CEPS	4.6	3.7	3.3	2.9	2.5
EV/EBITDA	38.5	9.3	8.6	6.0	4.8
Return Ratios (%)					
Gross Margin	34.7%	39.0%	39.2%	44.0%	46.0%
EBIDTA Margin	6.1%	21.5%	20.9%	25.8%	27.4%
PAT Margin	0.5%	12.0%	10.7%	13.5%	14.4%
ROE	0.9%	20.4%	17.4%	20.7%	0.0%
ROCE	1.0%	24.8%	23.1%	28.7%	29.1%
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	1.1	1.0
Inventory Days	74	83	90	92	92
Receivable Days	11	8	8	8	8
Payable days	44	37	37	34	33

Source: Company, Arianth 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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