

**CMP: INR 72**

**Rating: Accumulate**

**Target Price: INR 81**

**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)	10,420
52W H/L (INR)	98/56
Avg Yearly Vol (in 000')	540

**Shareholding Pattern %**

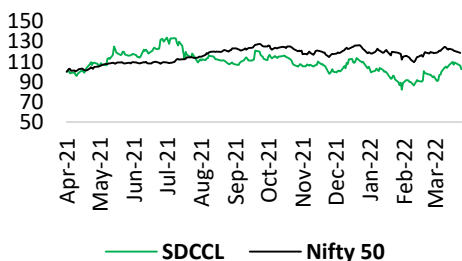
(As on March, 2022)

Promoters	56.12
Public & Others	43.88

**Stock Performance (%)**

	1m	3m	12m
Shree Digvijay Cement	6.4	2.1	0.8
Nifty 50	(0.6)	(0.4)	16.2

**Shree Digvijay Cement Price Chart**



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*Shree Digvijay Cement Company Limited (SDCCL) reported weak set of numbers on YoY basis. Net Revenue declined by 3.3% YoY, however grew by 11.6% QOQ to INR 1,692 mn below our expectation of INR 1,734 mn. Topline growth on QoQ basis was mainly due to rise in sales volume. Sales volume de grew by 6.1% YoY, and grew by 13.2% QOQ to 3.25 lakh tonnes marginally above our expectation of 3.22 lakh tonnes. Volume on YoY basis was impacted amid lower demand and also plant shut down in in Q3FY22. Realization /tonne grew by 3% YoY and declined by 1.4% QoQ to INR 5,206 below our expectation of INR 5,419.*

*EBIDTA declined by 37.6% YoY and grew by 53.9% QoQ to INR 294 mn above our expectation of INR 208 mn, EBIDTA margin contracted by 955 bps YoY, and expanded by 478 bps QoQ to 17.4%. Operating cost increased substantially by 11.3% YoY to INR 1169 led by high energy cost and competitive scenario. EBIDTA /tonne declined by 33.5% YoY & and grew by 35.9% QoQ to INR 904 above our expectation of INR 650*

*PAT declined by 52.9% YoY and grew by 76% QoQ to INR 129 Mn above our estimates of INR 105 mn.. PAT margin contracted by 804 bps YoY and grew by 281 bps QoQ to 7.6% in Q4FY22. Poor operating performance, decline in other income and rise in effective tax rate on YoY basis led to contraction in margin. Other Income declined by 40% YoY and grew by 33% QoQ to INR 12 Mn. Effective tax rate increased to 39.2% in Q4FY22 from 34.6% in Q4FY21.*

**Other Important Highlights**

- Company has produced and sold highest ever cement volume of 12 lakh MT with 16% YoY growth
- Company has executed a share purchase agreement for making investment and purchase of 8.10 MW hybrid wind and solar power. The Hybrid power contract will generate 37% of power requirement of company.
- From FY23 company is entering into concessional tax regime of 25%.
- Company has declared a dividend of 3.5 per share.

**Valuation and Outlook**

At CMP of INR 72, SDCCL is trading at EV/EBIDTA multiple of 5.8(x) & 5.1(x) to its FY23E & FY24E. We assign Accumulate rating on the stock and have a positive view on the company. Despite challenging times faced by the cement sector company was able to record highest cement production and sales in the history of the company. Company was able to achieve 100% capacity utilization with highest production and sales. We expect cement demand to be good in the longer run considering government thrust on infrastructure and real estate demand growing. On the cost efficiency front Company has executed a share purchase agreement for making investment and purchase of 8.10 MW hybrid wind and solar power. The Hybrid power contract will generate 37% of power requirement of plant put together with WHRS will constitute 65% of company power needs which will help in considerable saving in cost of power.

We value the stock at a EV/EBIDTA multiple of 6.1x to its FY24E EBIDTA of INR 1,774 mn to arrive at a target price of INR 81 which gives potential upside of 12.7% from current level.

**Q4FY22 Results**

INR mn	Q4FY22	Q4FY21	Q3FY22	YOY	QOQ
<b>Net Revenue</b>	<b>1,692</b>	<b>1,749</b>	<b>1,516</b>	<b>-3.3%</b>	<b>11.6%</b>
<b>Operating Costs</b>	<b>1,169</b>	<b>1,050</b>	<b>1,062</b>	<b>11.3%</b>	<b>10.1%</b>
Employee cost	87	77	98	13.0%	-11.2%
Other Expenses	142	151	165	-6.0%	-13.9%
<b>EBITDA</b>	<b>294</b>	<b>471</b>	<b>191</b>	<b>-37.6%</b>	<b>53.9%</b>
<i>EBITDA margin %</i>	<i>17.4%</i>	<i>26.9%</i>	<i>12.6%</i>	<i>-955bps</i>	<i>478bps</i>
Depreciation	91	68	78	33.8%	16.7%
<b>EBIT</b>	<b>203</b>	<b>403</b>	<b>113</b>	<b>-49.6%</b>	<b>79.6%</b>
Other Income	12	20	9	-40.0%	33.3%
Finance cost	3	4	4	-25.0%	-25.0%
Exceptional Item	-	-	-	-	-
<b>PBT</b>	<b>212</b>	<b>419</b>	<b>118</b>	<b>-49.4%</b>	<b>79.7%</b>
Tax Expense	83	145	45	-42.8%	84.4%
Effective tax rate %	39.2%	34.6%	38.1%	454bps	102bps
<b>PAT</b>	<b>129</b>	<b>274</b>	<b>73</b>	<b>-52.9%</b>	<b>76.7%</b>
<i>PAT margin %</i>	<i>7.6%</i>	<i>15.7%</i>	<i>4.8%</i>	<i>-804bps</i>	<i>281bps</i>
<b>EPS (Rs)</b>	<b>0.90</b>	<b>1.93</b>	<b>0.51</b>	<b>-53.4%</b>	<b>76.5%</b>

Particulars	Q4FY22	Q4FY21	Q3FY22	YOY	QOQ
Sales Volume ( Lactonne)	3.25	3.46	2.87	-6.1%	13.2%
Sales in Lakhs	16,919	17490	15,160	-3.3%	11.6%
Realization/tonne	5206	5055	5282	3.0%	-1.4%
EBIDTA in lakhs	2940	4710	1910	-37.6%	53.9%
EBIDTA/tonne	904.6	1361.3	665.5	-33.5%	35.9%

**Valuation**

Particular ( INR in Mn)	FY24E
EV/EBIDTA (x)	6.1
EBIDTA	1,774
EV	10,820
Cash & bank	1,256
Debt	390
M Cap	11,686
No Shares	144
Fair Value (INR) ( TP)	81
CMP (INR)	72
Upside (%)	12.7

## Financial Statement

## Income Statement

Y/E March (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
<b>Revenues</b>	<b>4,698</b>	<b>5,028</b>	<b>6,293</b>	<b>6,843</b>	<b>7,390</b>
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
<b>Other expenses</b>	<b>482</b>	<b>556</b>	<b>625</b>	<b>684</b>	<b>739</b>
Total operating Expense	<b>3,690</b>	<b>3,978</b>	<b>5,125</b>	<b>5,201</b>	<b>5,617</b>
<b>EBITDA</b>	<b>1,009</b>	<b>1,050</b>	<b>1,168</b>	<b>1,642</b>	<b>1,774</b>
Other Income	22	63	43	68	74
Depreciation	248	268	314	374	435
Interest	18	16	15	15	15
<b>PBT</b>	<b>765</b>	<b>829</b>	<b>882</b>	<b>1,321</b>	<b>1,398</b>
Extra-ordinary	0	0	0	0	0
<b>PBT after ext-ord.</b>	<b>765</b>	<b>829</b>	<b>882</b>	<b>1,321</b>	<b>1,398</b>
Tax	201	289	329	330	349
Rate (%)	26.3%	34.9%	37.3%	25.0%	25.0%
<b>PAT</b>	<b>564</b>	<b>540</b>	<b>554</b>	<b>991</b>	<b>1,048</b>
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
<b>Sources of Funds</b>					
Share Capital	1,414	1,423	1,440	1,440	1,440
Reserves & Surplus	1,350	1,688	1,682	2,389	3,154
<b>Net Worth</b>	<b>2,764</b>	<b>3,111</b>	<b>3,122</b>	<b>3,829</b>	<b>4,594</b>
Long term debt	1	0	0	0	0
Short term debt	302	269	351	370	390
<b>Total Debt</b>	<b>303</b>	<b>269</b>	<b>351</b>	<b>370</b>	<b>390</b>
Other Liabilities & Provisions	731	937	1,151	1,147	1,197
<b>Capital Employed</b>	<b>3,798</b>	<b>4,317</b>	<b>4,624</b>	<b>5,346</b>	<b>6,181</b>
<b>Application of Funds</b>					
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
<b>Non Current Asset</b>	<b>2,249</b>	<b>2,119</b>	<b>2,309</b>	<b>3,004</b>	<b>3,326</b>
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
<b>Total current assets</b>	<b>1,549</b>	<b>2,198</b>	<b>2,315</b>	<b>2,342</b>	<b>2,855</b>
<b>Total Assets</b>	<b>3,798</b>	<b>4,317</b>	<b>4,624</b>	<b>5,346</b>	<b>6,181</b>

## Financial Statement

### Cash Flow Statement

Y/E March (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
<b>PBT</b>	<b>765</b>	<b>829</b>	<b>882</b>	<b>1,321</b>	<b>1,398</b>
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
<b>(Inc)/dec in working capital</b>	<b>44</b>	<b>-6</b>	<b>-374</b>	<b>-7</b>	<b>-63</b>
Operating CF after WC changes	1,070	1,088	812	1,679	1,371
Less: Taxes	-129	-139	-239	-330	-349
<b>Operating cash flow</b>	<b>941</b>	<b>949</b>	<b>573</b>	<b>1,348</b>	<b>1,022</b>
(Inc)/dec in F.A + CWIP	-165	-276	-354	-354	-354
(Pur)/sale of investment	0	0	0		
<b>Cash flow from investing</b>	<b>-137</b>	<b>-968</b>	<b>-399</b>	<b>-322</b>	<b>-322</b>
<b>Free cash flow (FCF)</b>	<b>782</b>	<b>673</b>	<b>219</b>	<b>994</b>	<b>668</b>
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
<b>Cash flow from financing activities</b>	<b>-421</b>	<b>-211</b>	<b>-560</b>	<b>-299</b>	<b>-299</b>
<b>Net inc /(dec) in cash</b>	<b>384</b>	<b>-230</b>	<b>-386</b>	<b>727</b>	<b>401</b>
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
<b>Per share (Rs)</b>					
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
<b>Valuation (x)</b>					
P/E	18.0	19.0	18.7	10.5	9.9
P/BV	12.5	12.7	12.0	7.6	7.0
P/CEPS	3.7	3.3	3.3	2.7	2.3
EV/EBITDA	9.3	8.6	8.2	5.8	5.1
<b>Return Ratios (%)</b>					
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%
<b>Leverage Ratio (%)</b>					
Total D/E	0.1	0.1	0.1	0.1	0.1
<b>Turnover Ratios</b>					
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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