

Rating Update
January 23, 2024 | Mumbai**Shree Digvijay Cement Co. Limited**

Update as on January 23, 2024

This update is provided in continuation of the rating rational below.

The key rating sensitivity factors for the rating include:

Upward factors

- Considerable revenue growth and operating margin over 18-20% leading to higher accruals
- Sustained financial risk profile

Downward factors

- Sharp decline in realisations or operating rates impacting the revenue and profitability margins with operating margin dropping to below 12%
- Sizeable stretch in working capital cycle or large, debt-funded capex weakening financial risk profile especially liquidity

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL Ratings seeks regular updates from companies on the business and financial performance. CRISIL Ratings is, however, awaiting adequate information from Shree Digvijay Cement Co. Limited (SDCL) which will enable us to carry out the rating review. CRISIL Ratings will continue provide updates on relevant developments from time to time on this credit.

CRISIL Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the Company

Incorporated in November 1944, SDCCCL and manufactures cement at the coastal township of Digvijaygram (Sikka) in Jamnagar District of Gujarat. Company has installed capacity of 1.2 MTPA. Company is listed on NSE and BSE.

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Rating Rationale

November 09, 2022 | Mumbai

Shree Digvijay Cement Co. Limited 'CRISIL A/Stable/CRISIL A1' assigned to Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.100 Crore
Long Term Rating	CRISIL A/Stable (Assigned)
Short Term Rating	CRISIL A1 (Assigned)

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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned '**CRISIL A/Stable/CRISIL A1**' ratings to the bank facilities of Shree Digvijay Cement Co. Limited (SDCL).

The rating reflects established market position in the cement industry, comfortable operating efficiencies, and healthy financial risk profile. These strengths are partially offset by moderately working capital-intensive operations, exposure to intense competition and to risks related to volatility in raw material prices and susceptibility to risks related to the commoditised nature of products and cyclicity in the cement industry.

Analytical Approach

For arriving at the ratings, CRISIL Ratings taken consolidated approach for Shree Digvijay cement Co Ltd (SDCCL) and its wholly owned subsidiary, SDCCL Logistics Limited.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation

Key Rating Drivers & Detailed Description

Strengths:

Established market position in Western India

Company is an established player in the cement industry with a long track record of more than 5 decades and has installed capacity of 1.2 million tonnes per annum (MTPA). Company manufactures cement of various kinds viz. Ordinary Portland Cement (OPC), Portland Pozzolana Cement (PPC), Sulphate Resisting Portland Cement (SRPC), and Oil Well Cement (OWC) and other Special Cements. The products are marketed under the brands "Kamal" and "Cement Ka Sardar".

Abundant availability of limestone in its captive mines along with waste heat recovery – 4.5 MW adequate to meet 25-30% of its requirement. Aside this, Company has also recently signed hybrid power contract for a capacity of 8.10 MW hybrid wind and solar power with Continuum Energy and benefit derive from January 2023 onwards. Hence WHR along with hybrid power contracts would constitute over 65% of power need of company.

Comfortable operating efficiencies

Company has healthy operating efficiencies, marked by healthy operating margin and healthy return on capital employed (RoCE) driven by high economies of scale and experienced management. The operating margin and ROCE were 18.8% 29.5% in FY22.

Healthy financial risk profile

Net worth and TOL/ANW were healthy at around Rs 296 crore and 0.51 time, respectively as of March 31, 2022. Debt protection metrics were also robust with interest coverage of 89 time for fiscal 2022. The financial risk profile is expected to be strengthened over the medium term.

Weakness:**Moderately working-capital intensive operations**

Operations of company were moderately working capital intensive with gross current assets of 134 days in FY22, because of inventory of 90 days and controlled debtor of 8 days. Over the medium term, GCA days expected to remain at similar level.

Exposure to intense competition and to risks related to volatility in raw material prices

Cement players, including SDCL, are susceptible to fluctuations in the prices of coal/petcoke, various raw material (other than limestone which is captively available), packing material and diesel. Against this, exposure to intense competition and limited product differentiation limits the pricing flexibility of players.

Susceptibility to risks related to the commoditised nature of products and cyclicity in the cement industry

Capacity additions in the commoditised cement industry tend to be sporadic because of long gestation periods associated with setting up of new facilities and numerous players adding capacities during the peak of a cycle. This has led to unfavourable price cycles for the sector in the past. Cyclical downturns in the industry result in slow offtake, constraining the operating rate and the ability of players to pass on any rise in input costs.

Liquidity: Strong

Liquidity is strong with healthy cushion between net cash accruals and term debt obligation. Company has healthy liquid funds of over Rs 92 crore as on March 31, 2022, and steady cash accrual. The excess net cash accrual will be deployed predominantly to fund incremental working capital requirements and capex for capacity expansion, if any. Current ratio was healthy at over 1.9 times as on March 31, 2022. Low gearing and healthy networth support financial flexibility and provide cushion in case of any adverse condition or downturn in the business.

Outlook: Stable

CRISIL Ratings believes SDCL will continue to benefit from established market position in western market and healthy financial risk profile.

Rating Sensitivity Factors**Upward factors**

- Considerable revenue growth and operating margin over 18-20% leading to higher accruals
- Sustained financial risk profile

Downward factors

- Sharp decline in realisations or operating rates impacting the revenue and profitability margins with operating margin dropping to below 12%
- Sizeable stretch in working capital cycle or large, debt-funded capex weakening financial risk profile especially liquidity

About the Company.

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Key Financial Indicators

Particulars	Unit	2022	2021
Revenue	Rs crore	629.7	505.6
Profit After Tax (PAT)	Rs crore	55.3	53.9
PAT Margin	%	8.7	10.7
Adjusted debt/adjusted networth	Times	-	-
Interest coverage	Times	89.7	78.5

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the `Annexure – Details of Instrument` in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities – including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating assigned and outlook
NA	Cash Credit	NA	NA	NA	15.00	NA	CRISIL A/Stable
NA	Letter of Credit	NA	NA	NA	85.00	NA	CRISIL A1

Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
SDCCL Logistics Limited	Full	Wholly owned subsidiary

Annexure - Rating History for last 3 Years

Instrument	Current			2022 (History)		2021		2020		2019		Start of 2019
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	15.0	CRISIL A/Stable		--		--		--		--	--
Non-Fund Based Facilities	ST	85.0	CRISIL A1		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	15	HDFC Bank Limited	CRISIL A/Stable
Letter of Credit	85	HDFC Bank Limited	CRISIL A1

This Annexure has been updated on 09-Nov-2022 in line with the lender-wise facility details as on 09-Nov-2022 received from the rated entity

Criteria Details

Links to related criteria
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Approach to Financial Ratios
CRISILs Criteria for Consolidation
CRISILs Criteria for rating short term debt

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