

CMP: ₹ 189

Target: ₹ 220 (17%)

Target Period: 12 months

January 22, 2026

BUY

## Improving utilisations to drive growth...

**About the stock:** Sagar Cement is a south based cement player with a cement capacity of 10.5 million tonnes (mtpa). In terms of region wise capacity, Andhra Pradesh accounted for ~48%, followed by Telangana (~29%), Odisha (~14%) & Madhya Pradesh (~10%)

**Q3FY26 performance:** Revenue increased by 4.7% YoY (-1.9% QoQ) to Rs 590.5 crore as volume growth of 7.5% YoY (+8.8% QoQ) negated the impact of lower realisation (-2.6% YoY, -9.8% QoQ). Total cost/ton declined by 2.3% YoY (-7.7% QoQ), mainly on account of lower RM cost and positive operating leverage. However, EBITDA/ton declined by 6.9% YoY (-32.6% QoQ) to Rs 254/ton, mainly on account of lower realization. Subsequently, EBITDA came at Rs 37.7 crore (+0.1% YoY, -26.6% QoQ). On PAT level, the company reported a loss of Rs 64.1 crore as against net loss of Rs 54.5 crore in Q3FY25 and net loss of Rs 44.2 crore in Q2FY26.

### Investment Rationale

- Volume growth expected to outpace industry growth on capacity ramp-up:** Consolidated volume grew ~12% YoY in 9MFY26, led by pick-up in demand and improvement in capacity utilisation across its units (including subsidiaries). Overall capacity utilisation stood at ~54% during 9M (though subsidiary unit at MP operated at ~95% utilisation). We believe that company's utilisation levels to improve during FY26E-28E (as compared to FY25) across all the capacities considering the further ramp-up of existing units. Management guides sales volume of 6 mtpa for FY26E (implies 9% YoY) and 7 mtpa for FY27E. Moreover, company is in process of expanding its total cement capacity to 12 mtpa by FY28E (from 10.5 mtpa at present) by adding 1.5 mtpa (Dachepalli – 0.75 mtpa, Jeerabad – 0.50 mtpa and Gudipadu – 0.25 mtpa). We estimate volume CAGR of ~11% over FY25-28E to 7.5 mtpa in FY28E
- EBITDA/ton to improve substantially going forward:** During 9MFY26, company reported EBITDA/ton of Rs 493/ton (vs Rs 273/ton in 9MFY25), led by better sales realisation across its selling markets and improvement in cost structure. Going ahead, we believe that company's operational performance to improve meaningfully over FY26E-28E (as compared to FY25), factoring in improvement in realisations, production ramp-up of Andhra Cements & other units, continuous focus on improving operational efficiencies and positive operating leverage. By 2030, company targets green power share of 50% (from 22% at present) and TSR share of 25% (from 5.4% at present). We estimate an improvement in EBITDA/ton to ₹ 792/ton in FY28E (from ₹ 256/ton in FY25)

### Rating and Target Price

- Operational performance is expected to improve meaningfully over FY26E-28E. Over the period FY25-28E, we expect revenue to grow ~14% CAGR while EBITDA is expected to grow at ~62%. PAT to turn positive by FY28E
- Net debt/EBITDA is estimated to come down sharply to 2.2x by FY28E (from 9x in FY25), led by debt reduction and improvement in profitability
- We maintain **BUY** on Sagar Cements with a revised target price to Rs 220 (based on 7x EV/EBITDA on FY28E)



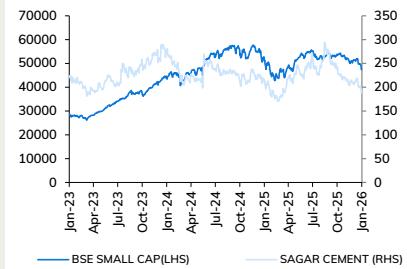
### Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	2,470
FY25 Gross Debt (Rs Crore)	1,428
FY25 Cash (Rs Crore)	164
EV (Rs Crore)	3,735
52 Week H/L (Rs)	300 / 155
Equity Capital	13.1
Face Value	2.0

### Shareholding pattern

	Sep-24	Mar-25	Jun-25	Sep-25
Promoter	48.3	48.3	48.3	48.3
FII	2.6	2.6	2.6	2.6
DII	17.5	18.0	17.9	17.9
Others	31.5	31.1	31.2	31.2

### Price Chart



### Recent Event & Key risks

- Slowdown in demand
- Delays in capacity expansion
- Increase in commodity prices
- High competition

### Research Analyst

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### Key Financial Summary

(₹ crore)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Revenues	1,597	2,230	2,505	2,258	12.2%	2,609	2,948	3,366	14.2%
EBITDA	276	153	246	141	-20.0%	303	430	594	61.5%
EBITDA margin (%)	17.3	6.9	9.8	6.2		11.6	14.6	17.7	
Net Profit	59	30	(43)	(210)		(119)	(35)	109	
EPS (₹)	5.0	2.3	(3.3)	(16.1)		(9.1)	(2.7)	8.4	
EV/EBITDA (x)	13.8	24.4	14.8	26.5		13.6	9.5	6.3	
EV/ton (\$)	54.3	41.8	40.9	41.8		46.0	41.0	37.7	
RoCE (%)	7.1	6.3	2.5	(2.2)		2.4	5.6	11.4	
RoE (%)	4.7	1.5	(2.7)	(11.0)		(7.4)	(2.2)	6.5	

Source: Company, ICICI Direct Research

## **Q3FY26 Result Highlights:**

- Revenue increased by 4.7% YoY (-1.9% QoQ) to Rs 590.5 crore as volume growth of 7.5% YoY (+8.8% QoQ) negated the impact of lower realisation (-2.6% YoY, -9.8% QoQ).
- Total cost/ton declined by 2.3% YoY (-7.7% QoQ), mainly on account of lower RM cost and positive operating leverage.
- However, EBITDA/ton declined by 6.9% YoY (-32.6% QoQ) to Rs 254/ton, mainly on account of lower realization. Subsequently, EBITDA came at Rs 37.7 crore (+0.1% YoY, -26.6% QoQ).
- On PAT level, the company reported a loss of Rs 64.1 crore as against net loss of Rs 54.5 crore in Q3FY25 and net loss of Rs 44.2 crore in Q2FY26.
- For 9MFY26, revenue was up by 16% YoY as sales volume increased by 12% YoY and realisation improved by 4.3% YoY. EBITDA/ton stands at Rs 493/ton (vs Rs 273/ton in 9MFY25)

## **Recent earnings call highlights:**

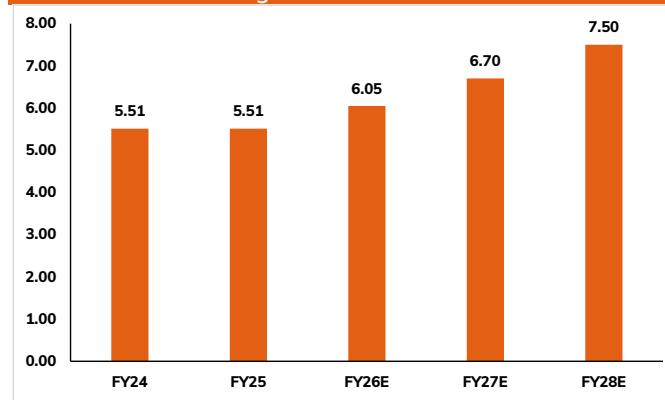
- Cement demand was weak in the first half of Q3FY26 due to extended monsoons and festive disruptions but improved meaningfully toward the latter part of the quarter. Management indicated that the pickup has continued into Q4FY26
- Management reiterated high single-digit growth for Andhra Pradesh & Telangana, flat to marginal growth for Tamil Nadu, and 3-5% growth for Karnataka, broadly in line with prior commentary
- Sales volume guidance for FY26 has been revised and maintained at ~6.0 mtpa, up from earlier 5.8 mtpa, reflecting improved demand and price trends. Management reaffirmed ~7.0 mtpa volume outlook for FY27E
- Non-trade prices saw ₹15–20 per bag increases in Jan 2026, which were largely realized across South Indian markets.
- Trade price hikes were attempted at similar levels, but realizations were lower at ₹5–10 per bag, partly due to festival season (Pongal) and market resistance. Madhya Pradesh saw earlier hikes of ~₹10 per bag toward end-November, mainly in non-trade
- Management expects ₹500–550/ton EBITDA for Q4FY26E, factoring partial price hikes and some year-end pricing pressure. Full-year FY26 EBITDA is expected to be ~₹500–525/ton
- Fuel mix has shifted from petcoke to a combination of domestic coal and imported coal, helping mitigate petcoke price volatility. Management does not expect any major power & fuel cost increase in the near term; for FY27, fuel costs may rise by ~2–3%, subject to market conditions
- Cement grinding capacity at Jeerabad will expand from 1.0 mtpa to 1.5 mtpa by early Q1FY27E, improving operating leverage as the plant is already running near full utilization.
- Cement capacity addition at Dachepalli is expected by August 2026, supporting volume growth and regional supply balance
- Total FY26 capex is guided at ~₹489 crore, largely toward ongoing expansions, WHR, and efficiency projects
- FY27 capex is budgeted at ~₹291 crore, primarily maintenance and completion of existing projects, with no large greenfield capex planned
- Land monetisation is in advanced stages, with only final government policy approvals pending. Company expects to realize ~₹350 crore net (post costs & taxes) over the next ~18 months, likely in multiple tranches. Proceeds will be used primarily to reduce debt, strengthening the balance sheet rather than funding new capex

## Exhibit 1: Quarterly Analysis

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
Operating Income	590.5	563.9	4.7	601.9	-1.9	Revenue grew YoY led by healthy volume growth
Other income	1.8	4.8	-62.0	4.3	-57.8	
Total Revenue	592.4	568.7	4.2	606.2	-2.3	
Raw materials costs	87.1	102.1	-14.7	180.7	-51.8	
Employees Expenses	37.0	37.6	-1.4	39.2	-5.5	
Other Expenses	70.4	71.4	-1.5	90.8	-22.5	
Total Expenditure	552.9	526.2	5.1	550.5	0.4	
EBITDA	37.7	37.6	0.1	51.3	-26.6	EBITDA remained flat YoY on account of lower realisation
EBITDA margins (%)	6.4	6.7	-30 bps	8.5	-215 bps	
Interest	50.3	48.1	46.5			
Depreciation	63.0	58.6	7.6	55.7	13.2	
Tax	-9.7	-9.8	-0.5	-2.3	315.8	
PAT	-57.6	-55.1	4.6	-42.3	36.1	

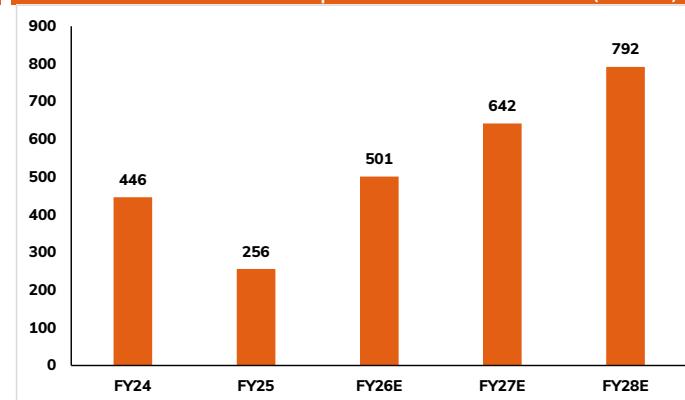
Source: Company, ICICI Direct Research

## Exhibit 2: Volumes to grow at ~11% CAGR over FY25-28E



Source: Company, ICICI Direct Research

## Exhibit 3: EBITDA/ton to improve over FY25-FY28E (Rs/ton)



Source: Company, ICICI Direct Research

## Financial summary

## Exhibit 4: Profit and loss statement

(₹ Crore)	FY25	FY26E	FY27E	₹ crore FY28E
Revenue	2,257.6	2,609.3	2,947.7	3,365.6
% Growth	(9.9)	15.6	13.0	14.2
Other income	21.4	14.5	16.0	17.5
Total Revenue	2,257.6	2,609.3	2,947.7	3,365.6
% Growth	(9.9)	15.6	13.0	14.2
Employee Expenses	133.1	149.2	167.9	188.9
other expenses	296.9	308.4	336.2	366.4
Total Operating Expenditure	2,116.6	2,306.0	2,517.4	2,771.6
Operating Profit (EBITDA)	141.1	303.2	430.2	594.1
% Growth	(42.6)	114.9	41.9	38.1
Interest	188.1	194.1	207.5	177.0
PBDT	(25.6)	123.6	238.7	434.6
Depreciation	230.8	236.1	266.8	270.9
PBT before Exceptional Items	(256.4)	(112.5)	(28.0)	163.7
Total Tax	(66.9)	(5.6)	(6.7)	39.3
PAT before MI	(216.7)	(106.9)	(21.3)	124.4
PAT	(209.8)	(119.4)	(35.1)	109.3
EPS	(16.1)	(9.1)	(2.7)	8.4

Source: Company, ICICI Direct Research

## Exhibit 5: Cash flow statement

(Rs Crore)	FY25	FY26E	FY27E	₹ crore FY28E
Profit after Tax	(209.8)	(119.4)	(35.1)	109.3
Depreciation	230.8	236.1	266.8	270.9
Interest	188.1	194.1	207.5	177.0
Cash Flow before WC changes	209.1	310.9	439.2	557.2
Changes in inventory	33.9	(40.9)	(40.8)	(50.4)
Changes in loans & Advances	0.1	(0.0)	(0.2)	(0.1)
Changes in other current assets	30.3	(20.7)	(8.5)	(10.4)
Net Increase in Current Assets	67.1	(72.0)	(69.2)	(84.9)
Changes in creditors	60.1	93.7	87.1	107.6
Changes in provisions	(0.6)	2.6	0.2	0.9
Net Inc in Current Liabilities	110.0	101.4	151.2	105.5
Net CF from Operating activities	386.1	340.3	521.2	577.8
Changes in deferred tax assets	(14.0)	-	-	-
(Purchase)/Sale of Fixed Assets	(197.5)	(490.0)	(295.0)	(50.0)
Net CF from Investing activities	(275.8)	(521.2)	(296.3)	(61.3)
Dividend and Dividend Tax	(9.2)	-	-	(7.8)
Net CF from Financing Activities	(208.8)	212.9	(390.5)	(514.8)
Net Cash flow	(98.5)	31.9	(165.6)	1.7
Opening Cash/Cash Equivalent	262.2	163.7	195.6	30.0
Closing Cash/ Cash Equivalent	163.7	195.6	30.0	31.7

Source: Company, ICICI Direct Research

## Exhibit 6: Balance sheet

(₹ Crore)	FY25	FY26E	FY27E	₹ crore FY28E
Equity Capital	26.1	26.1	26.1	26.1
Reserve and Surplus	1,696.5	1,577.1	1,542.1	1,643.5
Total Shareholders funds	1,722.7	1,603.3	1,568.2	1,669.7
Total Debt	1,428.0	1,835.0	1,652.0	1,322.0
Total Liabilities	3,413.9	3,701.5	3,483.4	3,254.9
Acc: Depreciation	1,759.0	1,995.1	2,261.9	2,532.8
Net Block	2,957.2	2,934.3	3,312.5	3,131.6
Capital WIP	123.2	400.0	50.0	10.0
Total Fixed Assets	3,231.8	3,485.6	3,513.9	3,292.9
Non Current Assets	247.3	278.5	279.8	291.1
Inventory	273.6	314.5	355.3	405.7
Debtors	204.2	214.5	234.2	258.2
Other Current Assets	44.5	65.2	73.7	84.1
Cash	163.7	195.6	30.0	31.7
Total Current Assets	697.4	801.3	704.9	791.5
Current Liabilities	578.3	672.0	759.1	866.8
Provisions	90.0	91.0	92.0	93.0
Total Current Liabilities	762.6	864.0	1,015.2	1,120.7
Net Current Assets	(65.2)	(62.7)	(310.3)	(329.2)
Total Assets	3,413.9	3,701.5	3,483.4	3,254.9

Source: Company, ICICI Direct Research

## Exhibit 7: Key ratios

(Year-end March)	FY25	FY26E	FY27E	₹ crore FY28E
EPS	(16.1)	(9.1)	(2.7)	8.4
Cash per Share	12.5	15.0	2.3	2.4
BV	131.8	122.7	120.0	127.7
EBITDA Margin	6.2	11.6	14.6	17.7
PAT Margin	(9.3)	(4.6)	(1.2)	3.2
RoCE	(2.2)	2.4	5.6	11.4
RoIC	(3.0)	2.1	5.1	10.9
EV / EBITDA	26.5	13.6	9.5	6.3
P/E	(13.1)	(20.7)	(70.5)	22.6
EV / Net Sales	1.7	1.6	1.4	1.1
Sales / Equity	1.3	1.6	1.9	2.0
Market Cap / Sales	1.1	0.9	0.8	0.7
Price to Book Value	1.4	1.5	1.6	1.5
Asset turnover	0.7	0.8	0.9	1.1
Debtors Turnover Ratio	11.0	12.5	13.1	13.7
Creditors Turnover Ratio	4.1	4.2	4.1	4.1
Debt / Equity	0.8	1.1	1.1	0.8
Current Ratio	0.8	0.8	0.8	0.8
Quick Ratio	0.4	0.4	0.4	0.4

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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