

July 22, 2025

## Profitability expected to improve substantially...

**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%)

**Q1FY26 performance:** Revenue improved by 19.6% YoY (+1.9% QoQ) to Rs 670.7 crores as sales volume improved by 11.3% YoY (-15.4% QoQ) to 1.43 mtpa and realization improved by 7.5% YoY (+20.5% QoQ). EBITDA/ton improved by 133.7% YoY (+290.1% QoQ) to Rs 851/ton. Subsequently, EBITDA came at Rs 121.5 crore (+160.1% YoY, +229.8% QoQ). On PAT level, the company reported a profit of Rs 7.5 crore as against net loss of Rs 32.2 crore in Q1FY25 and net loss of Rs 73.1 crore in Q4FY25

### Investment Rationale

- **Improvement in capacity utilization to drive volume growth:** Consolidated volume grew ~11% YoY in Q1FY26, led by pick-up in demand and improvement in capacity utilisation across its units (including subsidiaries). Overall capacity utilisation stood at ~54% during the quarter (though subsidiary unit at MP operated at 90%+ utilisation). We believe that company's utilisation levels to improve during FY26E-27E (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, which implies growth of 9% YoY. Moreover, company is in process of expanding its total cement capacity to 11.75 mtpa by FY27E (from 10.5 mtpa at present) by adding 1.25 mtpa (Dachepalli – 0.75 mtpa & Jeerabad – 0.50 mtpa) by Q4FY26E/Q1FY27E. We estimate volume CAGR of 12.7% over FY25-27E to 7.0 mtpa in FY27E
- **EBITDA/ton to improve substantially going forward:** During Q1FY26, company reported EBITDA/ton of Rs 851/ton (vs Rs 364/ton in Q1FY25), led by sharp improvement in sales realisation across its selling markets. Going ahead, we believe that company's operational performance to improve meaningfully over FY26E-27E (as compared to FY25), factoring in improvement in realisations, production ramp-up of Andhra Cements & other units, continuous focus on improving operational efficiencies (mainly through increase in share of green power to 30-35% by FY27E and 50% by FY30E from 16% at present) and positive operating leverage. The company targets ₹ 250-300/ton of savings in total cost going forward. We estimate an improvement in EBITDA/ton to ₹ 764/ton in FY27E (from ₹ 256/ton in FY25)

### Rating and Target Price

- Operational performance is expected to improve over FY26E-27E. We expect revenue to grow ~18% CAGR over FY24-27E while EBITDA is expected to grow at ~95% & PAT to turn positive by FY27E
- We maintain **BUY** on Sagar Cements with a revised target price to Rs 305 (based on 9.5x EV/EBITDA on FY27E and Rs 24/share for 107-acre land at Vizag)

### Key Financial Summary

(₹ crore)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Revenues	1,597	2,230	2,505	2,258	12.2%	2,636	3,121	17.6%
EBITDA	276	153	246	141	-20.0%	352	535	94.7%
EBITDA margin (%)	17.3	6.9	9.8	6.2		13.4	17.1	
Net Profit	59	30	(43)	(210)		(68)	61	
EPS (₹)	5.0	2.3	(3.3)	(16.1)		(5.2)	4.7	
EV/EBITDA (x)	17.1	30.3	18.6	33.0		13.7	9.0	
EV/ton (\$)	67.4	52.1	51.1	52.1		50.6	47.1	
RoCE (%)	7.1	6.3	2.5	(2.2)		4.0	8.8	
RoE (%)	4.7	1.5	(2.7)	(11.0)		(4.2)	3.6	

Source: Company, ICICI Direct Research



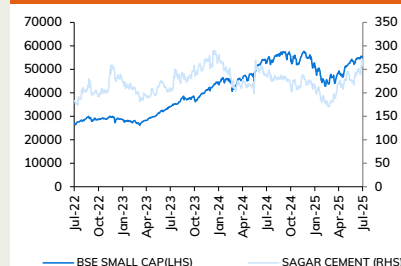
### Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	3,385
FY25 Gross Debt (Rs Crore)	1,428
FY25 Cash (Rs Crore)	164
EV (Rs Crore)	4,650
52 Week H/L (Rs)	279 / 155
Equity Capital	13.1
Face Value	2.0

### Shareholding pattern

	Jun-24	Sep-24	Mar-25	Jun-25
Promoter	48.3	48.3	48.3	48.3
FII	2.6	2.6	2.6	2.6
DII	17.1	17.5	18.0	17.9
Others	32.0	31.5	31.1	31.2

### Price Chart



### Recent Event & Key risks

(1) Slowdown in demand (2) Delays in capacity expansion (3) Increase in commodity prices (4) High competition

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## Q1FY26 Result Highlights:

- Revenue increased by 19.6% YoY to Rs 670.7 crores led by strong volume growth of 11.3% YoY (to 1.43 mtpa) and realisation improvement of 7.5% YoY. Sequentially, revenue is up 1.9%, as volume de-growth of 15.4% QoQ negated the effect of 20.5% improvement in realization.
- EBITDA/ton increased substantially by 133.7% YoY (+290.1% QoQ) to Rs 851/ton, mainly on account of improved realization and operational efficiencies.
- Subsequently, EBITDA came at Rs 121.5 crore (+160.1% YoY, +229.8% QoQ). Total Cost/ton declined by 3.9% YoY (+4.6% QoQ) on account of lower raw material cost on YoY basis.
- On PAT level, the company reported a profit of Rs 7.5 crore as against net loss of Rs 32.2 crore in Q1FY25 and net loss of Rs 73.1 crore in Q4FY25

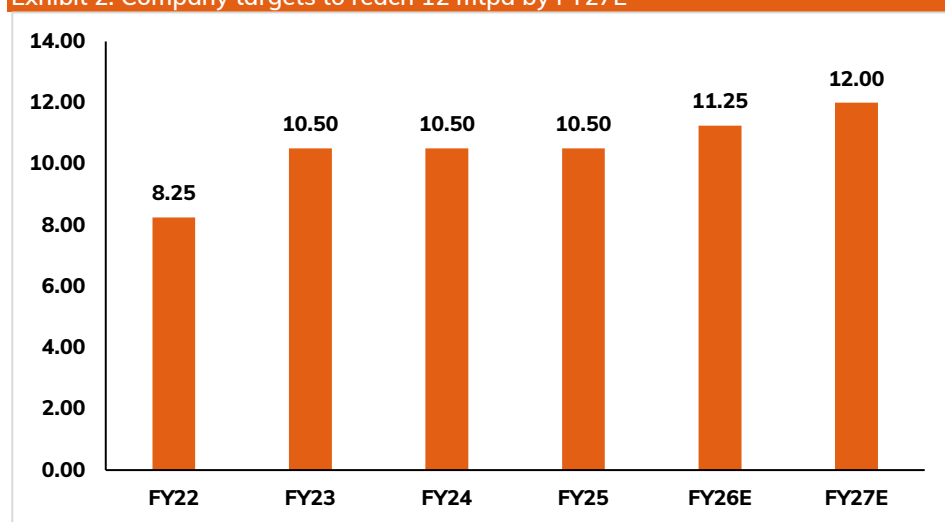
## Recent earnings call highlights:

- The cement sector exhibited robust performance in Q1FY26, supported by sustained government infrastructure spending and improved traction from individual house builders (IHBs). The demand recovery was further aided by a low base effect due to last year's general and state elections. Pricing across key regions remained steady, while power and fuel costs showed limited volatility, enabling margin expansion for the industry
- Management expects prices to remain broadly stable, with minor downside risk of Rs 5/bag. Q1FY26 saw strong price recovery - AP/Telangana by Rs 50-55/bag followed by Tamil Nadu at Rs 35-40/bag, Maharashtra - Rs 20/bag and Odisha Rs 10-15/bag
- For FY26, management has maintained a volume guidance of 6 mtpa which implies ~9% YoY. Management expects South India demand to grow at 8-9% in FY26. For FY27, company targets volume of 7 mtpa.
- Management expects EBITDA/ton of ~Rs 600/ton for FY26E.
- Utilization levels for plants in this quarter - Mattampally - 54%, Gudipadu - 77%, Bayyavaram - 66%, Jeerabad - 94%, Jajpur - 83%, Dachepalli - 32%
- Balance Sheet metrics for Q1FY26 were as follows: Gross Debt - Rs 1556 crore, Net debt - Rs 1374 crore, Debt to Equity - 0.65x, Cash & bank balances - Rs 182 crore
- Total Capex amount for FY26 is Rs 360 crore (Rs 260 crore for Dachepalli clinker & grinding unit followed by Rs 80 crore for Jeerabad capacity expansion (1 to 1.5 mtpa) and Rs 20 crore for maintenance)
- Capex timeline - Dachepalli clinker line is expected to commission by Sep-Oct 2025 and grinding unit is expected by Q4FY26 to Q1FY27E. Jeerabad expansion is expected by Q4FY26 to Q1FY27
- Capex will be funded via a mix of debt and internal accruals. Company is also in process of raising funds through diluting stake in Andhra Cements via Rights issue (from 90% to 75% as per SEBI guidelines)
- Incentives reported in Q1FY26 were Rs 34 crore and additional Rs 12 crore expected during Q2/Q3FY26
- Clarity on Vizag land deal expected by Oct 2025. Expected potential land monetization value is Rs 350 crores which will be realised in parts. Rs 100-150 crore targeted in FY26 (subject to govt. clearance by Oct 2025) and balance to be realized over 2-2.5 years

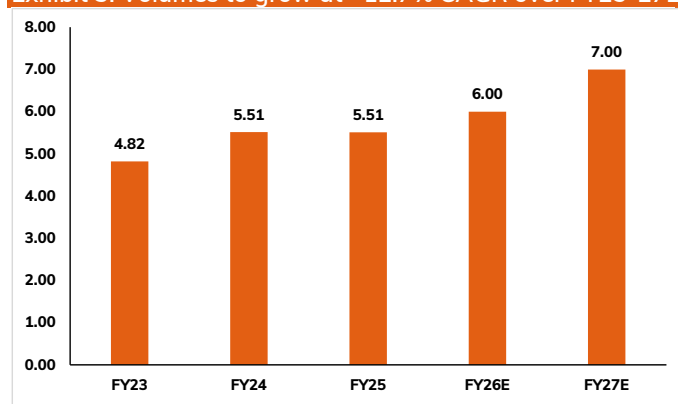
**Exhibit 1: Quarterly Analysis**

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Comments
Operating Income	670.7	560.6	19.6	658.0	1.9	Revenue grew YoY led by healthy volume growth and improvement in sales realisation
Other income	4.2	8.3	-49.5	3.5	20.4	
Total Revenue	674.9	568.9	18.6	661.5	2.0	
Raw materials costs	83.8	100.5	-16.5	122.3	-31.4	
Employees Expenses	34.0	30.4	11.7	34.4	-1.1	
Other Expenses	70.4	71.4	-1.5	90.8	-22.5	
Total Expenditure	549.2	513.9	6.9	621.2	-11.6	
EBITDA	121.5	46.7	160.1	36.8	229.8	EBITDA increased YoY, led by better sales realisation & operational efficiencies
EBITDA margins (%)	18.1	8.3	978 bps	5.6	1251 bps	
Interest	47.1	46.4		47.3		
Depreciation	54.7	56.2	-2.7	58.4	-6.4	
Tax	16.4	-15.4	-206.9	-19.5	-184.2	
PAT	1.2	-28.4	-104.3	-70.8	-101.7	

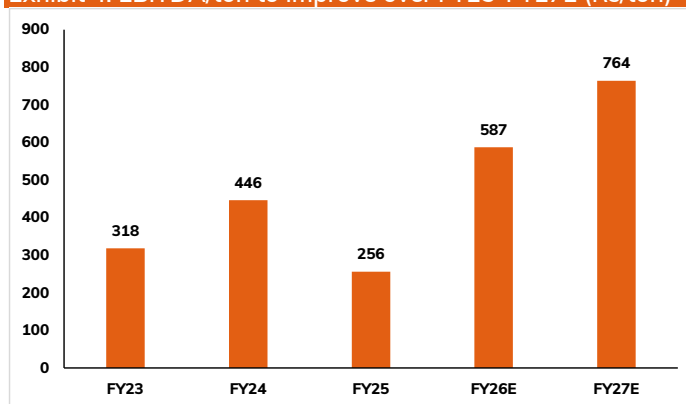
Source: Company, ICICI Direct Research

**Exhibit 2: Company targets to reach 12 mtpa by FY27E**


Source: Company, ICICI Direct Research

**Exhibit 3: Volumes to grow at ~12.7% CAGR over FY25-27E**


Source: Company, ICICI Direct Research

**Exhibit 4: EBITDA/ton to improve over FY25-FY27E (Rs/ton)**


Source: Company, ICICI Direct Research

## Financial summary

**Exhibit 5: Profit and loss statement**

₹ crore

(₹ Crore)	FY24	FY25	FY26E	FY27E
Revenue	2,504.6	2,257.6	2,635.8	3,121.3
% Growth	12.3	(9.9)	16.8	18.4
Other income	54.1	21.4	23.0	25.0
Total Revenue	2,504.6	2,257.6	2,635.8	3,121.3
% Growth	12.3	(9.9)	16.8	18.4
Employee Expenses	117.3	133.1	143.7	155.2
other expenses	305.6	296.9	326.6	359.2
Total Operating Expenditure	2,258.7	2,116.6	2,283.5	2,586.4
Operating Profit (EBITDA)	245.9	141.1	352.3	534.8
% Growth	60.5	(42.6)	149.7	51.8
Interest	184.8	188.1	195.7	205.0
PBDT	115.2	(25.6)	179.7	354.8
Depreciation	214.1	230.8	243.3	259.1
PBT before Exceptional Item:	(98.9)	(256.4)	(63.6)	95.7
Total Tax	(32.1)	(66.9)	(15.3)	23.0
PAT before MI	(52.0)	(216.7)	(48.3)	72.7
PAT	(43.4)	(209.8)	(68.3)	61.2
EPS	(3.3)	(16.1)	(5.2)	4.7

Source: Company, ICICI Direct Research

**Exhibit 6: Cash flow statement**

₹ crore

(Rs Crore)	FY24	FY25	FY26E	FY27E
Profit after Tax	(43.4)	(209.8)	(68.3)	61.2
Depreciation	214.1	230.8	243.3	259.1
Interest	184.8	188.1	195.7	205.0
Cash Flow before WC changes	355.6	209.1	370.6	525.3
Changes in inventory	(36.6)	33.9	(44.1)	(75.6)
Changes in loans & Advances	(0.4)	0.1	(0.0)	(0.2)
Changes in other current assets	42.6	30.3	(8.2)	(9.7)
Net Increase in Current Assets	(72.7)	67.1	(86.5)	(146.6)
Changes in creditors	209.5	60.1	100.5	5.3
Changes in provisions	1.1	(0.6)	2.7	(0.7)
Net Inc in Current Liabilities	217.3	110.0	109.5	32.6
Net CF from Operating activities	500.2	386.1	393.6	411.4
Changes in deferred tax assets	(45.9)	(14.0)	-	-
(Purchase)/Sale of Fixed Assets	(211.8)	(197.5)	(360.0)	(150.0)
Net CF from Investing activities	(221.4)	(275.8)	(374.5)	(164.6)
Dividend and Dividend Tax	(9.2)	-	(7.8)	(7.8)
Net CF from Financing Activities	(228.6)	(207.1)	63.5	(199.9)
Net Cash flow	50.2	(96.8)	82.6	46.9
Opening Cash/Cash Equivalent	210.5	260.6	163.8	246.4
Closing Cash/ Cash Equivalent	260.6	163.8	246.4	293.4

Source: Company, ICICI Direct Research

**Exhibit 7: Balance sheet**

₹ crore

(₹ Crore)	FY24	FY25	FY26E	FY27E
Equity Capital	26.1	26.1	26.1	26.1
Reserve and Surplus	1,914.4	1,696.7	1,620.5	1,673.9
Total Shareholders funds	1,940.5	1,722.8	1,646.6	1,700.0
Total Debt	1,439.0	1,428.0	1,695.0	1,708.0
Total Liabilities	3,702.9	3,414.0	3,604.8	3,671.2
Acc: Depreciation	1,588.5	1,819.3	2,062.6	2,321.6
Net Block	3,112.6	2,957.2	2,977.2	3,038.1
Capital WIP	14.7	123.2	220.0	50.0
Total Fixed Assets	3,265.0	3,231.8	3,348.5	3,239.4
Non Current Assets	229.1	247.3	261.7	276.3
Inventory	307.5	273.6	317.7	393.4
Debtors	207.7	204.2	238.3	299.3
Other Current Assets	74.8	44.5	52.7	62.4
Cash	260.6	163.8	246.4	293.4
Total Current Assets	861.4	697.6	866.7	1,060.2
Current Liabilities	518.3	578.3	678.8	684.1
Provisions	11.9	90.0	91.0	92.0
Total Current Liabilities	652.6	762.6	872.1	904.7
Net Current Assets	208.8	(65.0)	(5.4)	155.5
Total Assets	3,702.9	3,414.0	3,604.8	3,671.2

Source: Company, ICICI Direct Research

**Exhibit 8: Key ratios**

(Year-end March)	FY24	FY25	FY26E	FY27E
EPS	(3.3)	(16.1)	(5.2)	4.7
Cash per Share	19.9	12.5	18.9	22.4
BV	148.5	131.8	126.0	130.1
EBITDA Margin	9.8	6.2	13.4	17.1
PAT Margin	(1.7)	(9.3)	(2.6)	2.0
RoCE	2.5	(2.2)	4.0	8.8
RoIC	1.0	(3.0)	3.5	8.9
EV / EBITDA	18.6	33.0	13.7	9.0
P/E	(64.5)	(17.9)	(49.5)	55.3
EV / Net Sales	1.8	2.1	1.8	1.5
Sales / Equity	1.3	1.3	1.6	1.8
Market Cap / Sales	1.4	1.5	1.3	1.1
Price to Book Value	1.7	2.0	2.1	2.0
Asset turnover	0.7	0.7	0.8	0.9
Debtors Turnover Ratio	14.7	11.0	11.9	11.6
Creditors Turnover Ratio	6.1	4.1	4.2	4.6
Debt / Equity	0.7	0.8	1.0	1.0
Current Ratio	1.1	0.8	0.8	1.0
Quick Ratio	0.5	0.4	0.4	0.5

Source: Company, ICICI Direct Research

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