

CMP: ₹ 310

Target: ₹ 390 (26%)

Target Period: 12 months

BUY

Aug 17, 2021

Five for one share stock split executed...

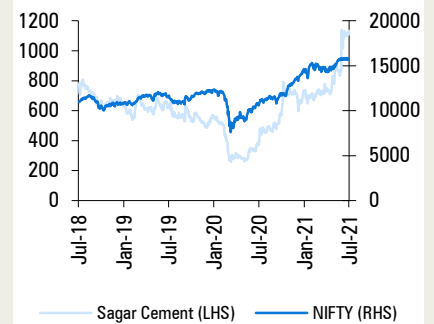
Shares of Sagar Cement have been split on August 17, 2021 (ex-date) pursuant to the board and shareholder approval granted for sub-division of shares in its meetings on July 1, 2021 and July 28, 2021, respectively. The record date for the same has been fixed as August 18, 2021. Subsequently, the shares of the company have been split in the 1:5 ratio — an equity share with existing face value of ₹ 10 has been sub-divided into five equity shares of ₹ 2 face value each. Consequently, the share price has changed to ₹ 304/share from ₹ 1518/share (closing price as on August 2016). Given the strong demand outlook, we expect the company's growth trajectory to accelerate further with timely commissioning of new 2.5 MT capacity from September 2021 onwards. We expect revenue and EBITDA CAGR of 30.8% and 27.3%, respectively, in FY21-23E. At the current market price of ₹ 311/share, the stock is still trading at attractive valuations of 6.4x FY23E EV/EBITDA leaving decent scope for further upside. Hence, our target price has also been revised upwards to ₹ 390/share (i.e. by raising multiple to 8.0x FY23E EV/EBITDA) vs. earlier target price of ₹ 340/share (i.e. ₹ 1,700/share before stock split or 7x FY23E EV/EBITDA). Accordingly, we continue to reiterate our **BUY** rating on the stock.



Particulars

Particular	Amount
Market Capitalization	₹ 3643 Crore
Total Debt (FY21)	₹ 810 Crore
Cash and Investments (FY21)	₹ 255 Crore
EV	₹ 4197 Crore
52 week H/L	₹ 732/236
Equity capital	₹ 23.5 Crore
Face value	₹ 10

Price Performance



Key risk to our call

- Any delay in commissioning of new capacities
- Volatility in prices of key inputs like coal/petcoke.

Research Analyst

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Key Financial Summary

Particulars	FY18	FY19	FY20	FY21	3 year CAGR (%)	FY22E	FY23E	2 year CAGR (%)
Sales	1038.1	1217.6	1175.2	1371.3	9.7	1685.9	2347.6	30.8
EBITDA	151.3	149.4	185.5	400.4	38.3	451.3	648.5	27.3
EBITDA (%)	14.6	12.3	15.8	29.2		26.8	27.6	
PAT	26.3	13.6	26.5	185.6	91.9	189.2	323.7	32.1
EPS (₹)	12.9	5.8	11.3	79.0		80.5	137.7	
EV/EBITDA	27.0	27.7	22.4	10.5		9.8	6.4	
EV/Tonne (\$)	136	111	103	105		76	72	
RoNW	3.4	1.6	2.7	15.4		13.7	19.1	
RoCE	8.1	6.4	7.2	15.3		15.2	22.0	

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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