

# Sagar Cements Ltd.

**BUY**

Sector: Cement

01<sup>st</sup> August 2025

Key Changes	Target	Rating	Earnings	Target	Rs. 292
Stock Type	Bloomberg Code	Sensex	NSE Code	CMP	Rs. 243
Small Cap	SGC:IN	81,186	SAGCEM	Return	+20%

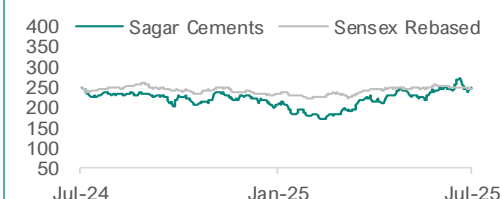
Data as of: 31-07-2025 18:00 hrs

Company Data			
Market Cap (Rs.cr)	3,176		
52 Week High — Low (Rs.)	279-155		
Enterprise Value (Rs.cr)	4,376		
Outstanding Shares (cr)	13.1		
Free Float	21%		
Dividend Yield	0.0%		
6m average volume (cr)	1.38		
Beta	1.1		
Face value Rs.	2.0		

Shareholding (%)	Q3FY25	Q4FY25	Q1FY26
Promoters	48.3	48.3	48.3
FII's	2.6	2.6	2.6
MFs/Insti	17.9	18.0	17.9
Public	9.3	9.3	8.5
Others	21.8	21.8	22.6
Total	100.0	100.0	100.0
Promoter encumbrance (%)	79.9	80.8	80.8

Price Performance	3 Month	6 Month	1 Year
Absolute Return	14.7%	18.1%	-0.4%
Absolute Sensex	1.0%	4.9%	-0.7%
Relative Return*	13.7%	13.2%	0.3%

\*over or under performance to benchmark index



Consolidated (cr)	FY25A	FY26E	FY27E
Sales	2,258	2,707	3,133
Growth (%)	-9.9	19.9	15.7
EBITDA	141	391	502
EBITDA Margin (%)	6.2	14.4	16.0
Adj. PAT	-183	-39	55
Growth (%)	-216.1	78.5	239.7
Adj. EPS	-14.0	-3.0	4.2
Growth (%)	-216.1	78.5	239.7
P/E	-17.4	-80.8	57.9
P/B	1.8	1.9	1.9
EV/EBITDA	32.0	12.0	9.0
ROE (%)	-10.0	-2.3	3.2
D/E	0.9	1.0	1.0

Author: Vincent K A - Sr. Research Analyst

## Higher realization improves margins...

**Sagar Cements Ltd. (SCL), established in 1985, is a South Indian cement manufacturer with a capacity of ~10.5MT (South-8MT, Central-1MT, East-1.5MT). SCL has a total captive power capacity of 102.96MW.**

- Q1FY26 revenue rose ~20% YoY, driven by strong volume growth of ~11% YoY and improved realizations of ~7% YoY.
- EBITDA surged 160% YoY, with margins expanding 980 bps to ~18%, driven by higher realizations, incentive income, and operational efficiencies.
- Reported net profit of Rs. 7.5cr (compared to Rs.73cr loss QoQ/ Rs.32cr loss YoY) due to margin expansion and incentive income.
- The company has guided for volume growth of 9% and an EBITDA/ton of ~Rs.600 for FY26 (Rs. 256 in FY25).
- Clearance for monetization of 107 acres (valued at ~Rs.350 cr, part of the Andhra Cements acquisition) is progressing, with approvals expected by early Q3FY26 and completion anticipated over FY26–FY27.

## Outlook & Valuation

SCL has a healthy demand outlook aided by the govt's strong focus on infra and housing. Ramp-up at newly acquired assets along with higher realisation and cost efficiency measures should continue to support strong EBITDA/ton. Cement capacity expansion initiatives are advancing at Dachepalli (0.75 MTPA), Jeerabad (0.5 MTPA), and Gudipadu (0.25 MTPA) to take the total to 12 MTPA by H1FY27. Efforts are underway to optimize freight (including the reduction of lead distances) and to lower the clinker factor, with the objective of driving greater cost efficiency. SCL is planning to add 31.35 MW of green power projects, including solar and WHRS, across multiple sites, aiming to achieve a 50% green power mix by FY30. Fuel prices have softened on a YoY basis but have witnessed volatility recently. **We value SCL at 10x FY27 EV/EBITDA to arrive at a target price of Rs. 292 and upgrade to BUY rating.**

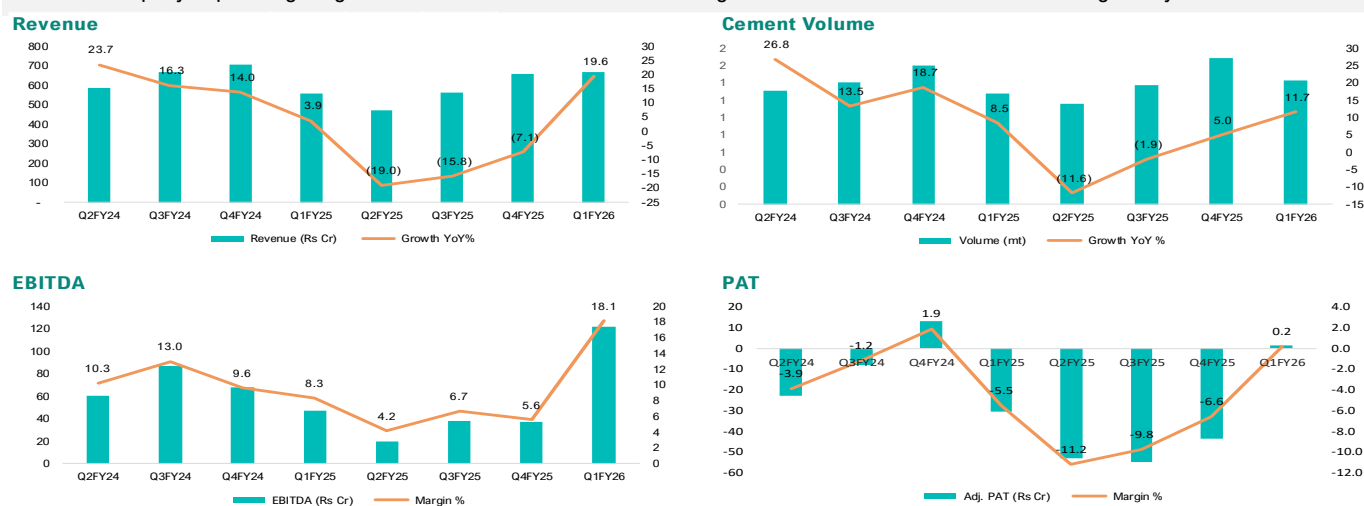
## Quarterly Financials Consol.

Rs. cr	Q1FY26	Q1FY25	YoY Growth (%)	Q4FY25	QoQ Growth (%)
Sales	671	561	19.6	658	1.9
EBITDA	121	47	160.1	37	229.8
Margin (%)	18.1	8.3	980bps	5.6	1250bps
EBIT	67	(9)	-804.6	(22)	410.1
PBT	24	(48)	150.3	(93)	125.8
Rep. PAT	1	(31)	104.0	(71)	101.7
Adj PAT	1	(31)	104.0	(44)	102.8
EPS (Rs)	0.1	-2.4	104.0	-3.3	102.8



## Key Highlights...

- Sales volume for FY26 is guided to be 6MT. The company does not want to compromise on the pricing vis-à-vis the volume. SCL received an incentive of Rs. 34cr in Q1FY26 (Rs. 46cr expected in FY26)
- Raw material cost per ton during Q1 FY26 was Rs. 586 per ton as against Rs. 785 per ton during Q1 FY25, while power & fuel cost per ton was Rs. 1,574 per ton as against Rs. 1,596 per ton during Q1 FY25.
- The green power mix is expected to be at 22%-23% by the end of FY27. Currently it is at 16%.
- Capex amount is expected to be ~Rs.360cr for FY26 and Rs.150cr for FY27. However, net debt is expected to be maintained at the same levels of Rs.1.4bn, as the capex amount is a mix of internal accruals and equity.
- Plant-wise utilisation in FY25: Mattampally-54%, Gudipadu-77%, Bayyavaram-66%, Jeerabad-94%, Jajpur-83%, and Dachepalli-32%.
- The company is planning a rights issue of ~Rs.130-140cr for reducing the stake in Andhra Cements to the regulatory limit of ~75%.



## Per Tonne Analysis

	Q1FY26	Q1FY25	YoY Growth	Q4FY25	QoQ Growth
Cement Volume (MT)	1.4	1.3	11.7	1.7	-15.4
Cost of materials consumed	586	785	-25.3	723	-18.9
Employee Expenses	238	237.7	0.0	203	16.9
Power & Fuel	1,574	1,596	-1.4	1,405	12.1
Freight & forwarding	906	846	7.0	821	10.2
Other expenses	537	550	-2.4	523	2.6
Total expenses	3,841	4,015	-4.3	3,676	4.5
Realisation (inc. RMC)	4,690	4,380	7.1	3,894	20.4
EBITDA	849	365	132.8	218	289.8

## Sum of the parts (SOTP) valuation

Particulars	Basis	Base	Multiple	Value (Rs. cr.)	Value per share
Cement business	FY27E EV/EBITDA	502	10	4,901	
Less: Net Debt				1,359	
				3,541	271
Land value for monetisation (Rs. 350 cr, applied for monetization).	Market value	350	At 20% discount	280	21
Total					292

## Change in Estimates

	Old estimates		New estimates		Change (%)	
Year / Rs cr	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	2,567	3,036	2,707	3,133	5.5	3.2
EBITDA	330	465	391	502	18.3	7.9
Margins (%)	12.9	15.3	14.4	16.0	120bps	10bps
Adj. PAT	-62	29	-39	55	36.6	89.3
EPS	-4.7	2.2	-3.0	4.2	36.0	90.9



## Consolidated Financials

### PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Revenue</b>	<b>1,597</b>	<b>2,228</b>	<b>2,505</b>	<b>2,258</b>	<b>2,707</b>	<b>3,133</b>
% change	16.5	39.5	12.4	-9.9	19.9	15.7
<b>EBITDA</b>	<b>276</b>	<b>151</b>	<b>246</b>	<b>141</b>	<b>391</b>	<b>502</b>
% change	-31.1	-45.2	62.5	-42.6	176.8	28.4
Depreciation	93	156	213	231	236	236
<b>EBIT</b>	<b>183</b>	<b>-4</b>	<b>32</b>	<b>-90</b>	<b>155</b>	<b>265</b>
Interest	92	202	185	188	197	201
Other Income	12	222	54	21	24	31
<b>PBT</b>	<b>103</b>	<b>16</b>	<b>-84</b>	<b>-284</b>	<b>-18</b>	<b>96</b>
% change	-63.2	-84.5	-625.8	-239.6	93.7	633.4
Tax	45	10	-32	-67	7	24
Tax Rate	43.7%	62.8%	38.1%	23.6%	-40.1%	25.0%
<b>Reported PAT</b>	<b>69</b>	<b>29</b>	<b>-43</b>	<b>-210</b>	<b>-39</b>	<b>55</b>
Adj	1	3	15	-27	0	0
<b>Adj PAT</b>	<b>68</b>	<b>26</b>	<b>-58</b>	<b>-183</b>	<b>-39</b>	<b>55</b>
% change	-63.3	-61.0	-318.4	-216.1	78.5	239.7
No. of shares (cr)	11.8	13.1	13.1	13.1	13.1	13.1
<b>Adj EPS (Rs.)</b>	<b>5.9</b>	<b>2.5</b>	<b>-4.4</b>	<b>-14.0</b>	<b>-3.0</b>	<b>4.2</b>
% change	-63.3	-65.0	-318.4	-216.1	78.5	239.7
DPS (Rs.)	1	1	1	1	1	1
CEPS (Rs.)	13.7	13.9	11.9	3.7	15.0	22.3

### BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	163	210	262	164	233	318
Accounts Receivable	131	147	208	204	222	232
Inventories	209	279	308	274	298	348
Other Cur. Assets	259	168	85	56	85	99
Investments	315	0	0	0	0	0
Gross Fixed Assets	2,565	4,072	4,710	4,803	5,236	5,386
Net Fixed Assets	1,951	2,699	3,123	2,985	3,182	3,096
CWIP	101	99	15	123	50	50
Intangible Assets	97	95	127	123	123	123
Def. Tax (Net)	15	288	140	155	155	155
Other Assets	219	211	89	93	44	51
<b>Total Assets</b>	<b>3,460</b>	<b>4,196</b>	<b>4,356</b>	<b>4,177</b>	<b>4,394</b>	<b>4,472</b>
Current Liabilities	418	501	632	702	712	757
Provisions	56	63	12	16	15	17
Debt Funds	1,511	1,479	1,462	1,502	1,727	1,677
Other Liabilities	220	516	310	234	267	304
Equity Capital	24	26	26	26	26	26
Reserves & Surplus	1,232	1,611	1,915	1,697	1,646	1,690
Shareholder's Fund	1,255	1,637	1,941	1,723	1,672	1,716
<b>Total Liabilities</b>	<b>3,460</b>	<b>4,196</b>	<b>4,356</b>	<b>4,177</b>	<b>4,394</b>	<b>4,472</b>
<b>BVPS (Rs.)</b>	<b>102</b>	<b>121</b>	<b>142</b>	<b>126</b>	<b>122</b>	<b>125</b>

### CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Net inc. + Depn.</b>	<b>162</b>	<b>185</b>	<b>170</b>	<b>21</b>	<b>197</b>	<b>291</b>
Non-cash adj.	9	-3	-33	0	0	0
Other adjustments	86	-26	121	94	211	218
Changes in W.C	-170	20	154	114	4	-12
<b>C.F. Operation</b>	<b>88</b>	<b>175</b>	<b>400</b>	<b>234</b>	<b>412</b>	<b>497</b>
Capital exp.	-361	-118	-226	-138	-360	-150
Change in inv.	-427	183	75	8	0	0
Other invest.CF	4	157	13	15	0	0
<b>C.F – Investment</b>	<b>-784</b>	<b>222</b>	<b>-188</b>	<b>-113</b>	<b>-360</b>	<b>-150</b>
Issue of equity	11	350	0	0	0	0
Issue/repay debt	685	-521	-29	-158	225	-50
Dividends paid	-6	-9	-9	-9	-11	-11
Other finance.CF	-75	-185	-176	-192	-197	-201
<b>C.F – Finance</b>	<b>615</b>	<b>-366</b>	<b>-221</b>	<b>-217</b>	<b>17</b>	<b>-262</b>
Chg. in cash	-81	32	-8	-97	69	85
Closing cash	143	175	167	70	139	225

### RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Profitab. &amp; Return</b>						
EBITDA margin (%)	17.3	6.8	9.8	6.2	14.4	16.0
EBIT margin (%)	11.4	-0.2	1.3	-4.0	5.7	8.5
Net profit mgn.(%)	4.3	1.2	-2.3	-8.1	-1.5	1.8
ROE (%)	5.6	1.8	-3.2	-10.0	-2.3	3.2
ROCE (%)	3.8	2.9	2.4	0.1	6.7	5.6
<b>W.C &amp; Liquidity</b>						
Receivables (days)	27.6	22.8	25.9	33.3	28.8	26.5
Inventory (days)	38.0	39.9	42.7	47.0	38.6	37.7
Payables (days)	384.8	247.6	379.5	464.6	460.5	398.8
Current ratio (x)	1.0	1.0	0.9	0.6	0.6	0.7
Quick ratio (x)	0.4	0.4	0.5	0.3	0.3	0.4
<b>Turnover &amp; Leverage</b>						
Gross asset T.O (x)	0.7	0.7	0.6	0.5	0.5	0.6
Total asset T.O (x)	0.5	0.6	0.6	0.5	0.6	0.7
Int. coverage ratio (x)	2.0	0.0	0.2	-0.5	0.8	1.3
<b>Adj. debt/equity (x)</b>	<b>1.2</b>	<b>0.9</b>	<b>0.8</b>	<b>0.9</b>	<b>1.0</b>	<b>1.0</b>
Valuation						
EV/Sales (x)	2.4	2.0	1.7	2.0	1.7	1.4
EV/EBITDA (x)	14.1	29.4	17.8	32.0	12.0	9.0
P/E (x)	42.1	120.1	-55.0	-17.4	-80.8	57.9
P/BV (x)	2.3	1.9	1.6	1.8	1.9	1.9



## Recommendation Summary (last 3 years)



Dates	Rating	Target
06-Nov-23	Accumulate	274
18-Mar-24	Buy	246
06-Jun-24	Buy	258
31-Jul-24	Buy	299
02-Dec-24	Accumulate	250
05-Feb-25	Accumulate	242
05-Jun-25	Accumulate	264
01-Aug-25	BUY	292

Source: Bloomberg, Geojit Research

## Investment Rating Criteria

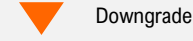
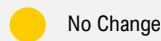
Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

### Not rated/Neutral

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**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

#### Symbols definition:



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