



TM

SYSTEMATIX INSTITUTIONAL EQUITIES

Systematix

Institutional Equities

22 July 2025

## Sagar Cements Ltd

## Strong Quarter: Positive Outlook

## RESULT UPDATE

**Sector:** Cement **Rating:** BUY  
**CMP:** Rs 269 **Target Price:** Rs 326

## Stock Info

Sensex/Nifty	82,200 / 25,167
Bloomberg	SGC IN
Equity shares (mn)	131
52-wk High/Low	Rs.279/ 155
Face value	Rs.2
M-Cap	Rs.34Bn/ USD 0.4Bn
3-m Avg traded value	Rs 34Mn

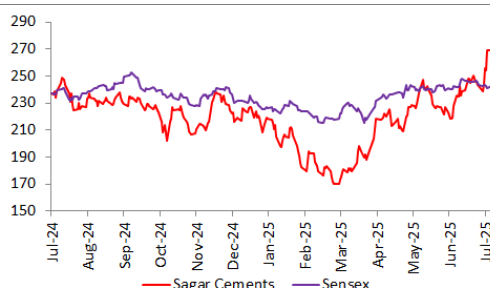
## Financial Snapshot (Rs bn)

Y/E Mar	FY25	FY26E	FY27E
Sales	22.6	26.9	28.9
EBITDA	1.4	4.3	5.3
PAT	(1.8)	0.1	0.7
EPS (Rs)	-13.4	1.0	5.2
PE (x)	-16.5	231.9	42.3
EV/EBITDA (x)	29.4	9.8	7.7
RoE (%)	-9.6	0.7	3.9
RoCE (%)	-1.6	3.1	4.4
Dividend yield (%)	0.0	0.0	0.0

## Shareholding pattern (%)

	Jun-25	Mar-25	Dec-24
Promoter	48.3	48.3	48.3
-Pledged	-	-	-
FII	2.6	2.6	2.6
DII	17.9	18.0	17.9
Others	31.2	31.1	31.2

## Stock Performance (1-year)



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Sagar Cement's Q1 numbers were a positive surprise as Revenue/EBITDA/PAT beat estimates due to better-than-expected realizations. Revenue grew by 19.6% YoY (+1.9% QoQ) to Rs6.7bn vs our est. of Rs5.6bn. This growth was supported by volumes as well as realizations. Volumes were up by 11.5% YoY (-15.4% QoQ) to 1.43mt (vs our est. of 1.35mt). Blended Realization improved by 7.3% YoY and 20.4% QoQ to Rs4,690/tn. EBITDA rose sharply on both YoY and QoQ basis. EBITDA/tn doubled on YoY basis and stood at Rs849 vs Rs364 in Q1FY25 due to stronger realizations and improved opex/tn. EBITDA margin expanded by 978bps YoY to 18.1%. Raw material cost/tn saw a substantial decline of 50.6% on a YoY basis and 48.6% QoQ and stood at Rs360. Power and fuel cost/tn declined marginally by 1.1% YoY but rose 12.1% on QoQ basis to Rs1,574. Freight cost/tn increased 7.2% YoY and 10.2% QoQ to Rs906. Opex/tn declined by 8.5% YoY and 1.1% QoQ to Rs3,615. The company reported a net profit of Rs75mn after consistently reporting net loss in the past 4 quarters. Trade Volumes stood at 52% of total sales vs 53% in Q1FY25. Average lead distance for the quarter was 255kms, same as Q1FY25. Debt to equity ratio stood at 0.86x (vs 0.74x in Q1FY25). Capacity utilization for the quarter stood at 54%. The clinker conversion ratio improved to 1.41x vs 1.37x last quarter. The share of blended cement during the quarter stood at 52%. The company is trading at 9.8x/7.7x FY26E/FY27E EV/EBITDA. We forecast a 14%/96% CAGR in revenue/EBITDA over FY25-FY27E backed by an 8% volume growth rate. We revise our Revenue/EBITDA estimates upwards by 5.8%/48.5% for FY26E and 3.3%/19.1% for FY27E backed by stronger realizations. We raise our target price to Rs326 and maintain BUY, valuing the company at 10x FY27E EV/EBITDA.

**Capacity Expansion Update:** Sagar Cements' expansion plan at Dachepalli to increase clinker capacity from 1.85 MTPA to 2.31 MTPA and cement capacity from 2.25 MTPA to 3.0 MTPA is progressing as per schedule and is expected to be completed by end of FY26. The company is also enhancing grinding capacity at its Jeerabad (MP) facility from 1.0 MTPA to 1.5 MTPA at a capex of Rs1.2 bn, to be funded through a mix of internal accruals and debt. In addition, a 6 MW solar power plant is planned at Jeerabad at a cost of Rs0.2 bn, also funded through the same means.

## Valuation &amp; outlook

On the back of robust demand and a strong pricing landscape, SGC is well on track to improve efficiency and profitability through its various cost initiatives. The company is aggressively working towards ramping up its green power share and its massive capex towards upgrading the Dachepalli plant will rope in substantial cost savings. We believe the company is well positioned to leverage stable input prices and enhanced operating efficiency with higher utilization once the new plants are commissioned. We maintain a BUY on the company with a TP of Rs326 valuing the company at 10x FY27E EV/EBITDA.

Investors are advised to refer through disclosures made at the end of the research report.

## Con Call key takeaways

### Cost:

- Power and fuel costs rose in Q1, driven by higher clinker production as the company is building up inventory ahead of the scheduled maintenance shutdown at its Andhra Pradesh plant
- Freight cost/tn is expected to remain in the same range due to increased movement of volumes from the AP plant
- EBITDA/tn for FY26 is guided at Rs600/tn

### Price Scenario

- In Q1, region-wise price hikes were seen in AP & Telangana (Rs50–55/bag), Tamil Nadu (Rs35–40/bag), Maharashtra (Rs20/bag), and Odisha (Rs10–15/bag), while MP remained flat
- Prices in the geographies they operate have declined by Rs5/bag from the Q1 exit levels

### Guidance

- Reiterate 6mt volume in FY26
- The management is positive about the demand outlook in the southern region and expects the demand to grow 8 to 9% in FY26

### Capex

- Rs 360Cr is guided for FY26 out of which Rs 260Cr is allocated to the Andhra Pradesh plant, Rs 80Cr at Jeerabad and Rs 20Cr maintenance capex
- FY27 capex of Rs 150Cr is estimated
- Grinding unit at AP and Dachepalli to be commissioned between Q4FY26 and Q1FY27
- Capex will be funded through a mix of debt and internal accruals

### Balance Sheet

- The company's gross debt and net debt stand at Rs15.5bn and Rs13.7bn respectively.

### Others

- Vizag land sale expected to be concluded by end of FY26

## Exhibit 1: Result snapshot

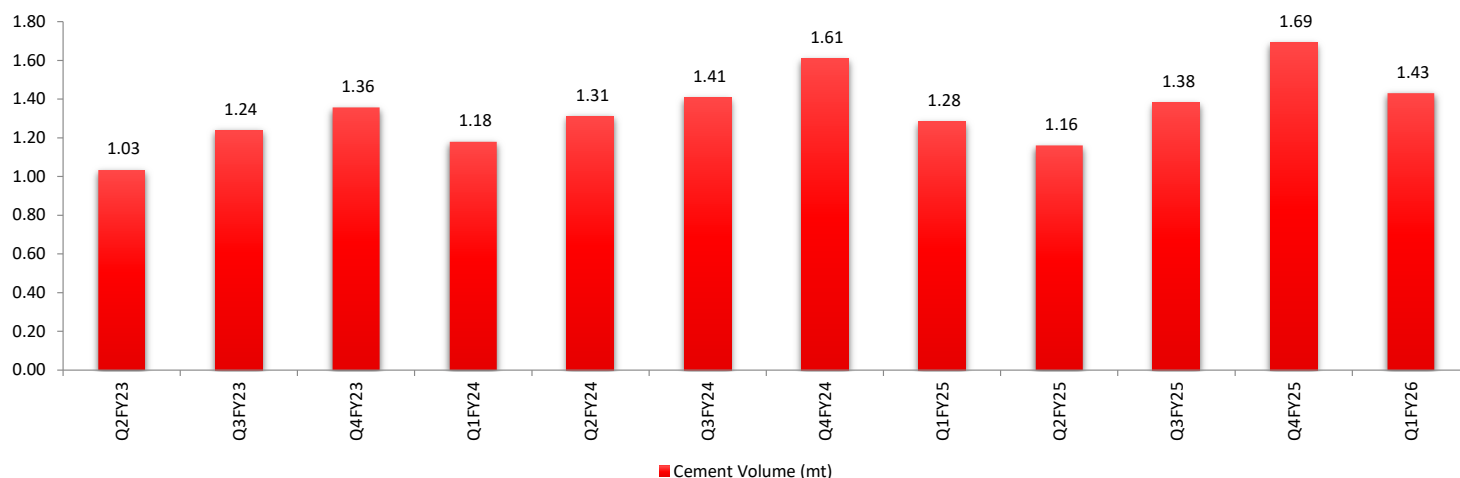
Particulars (Rs mn)	Q1FY26	Q1FY25	Q4FY25	YoY (%)	QoQ (%)	Our Estimates	Deviation (%)
Revenue (Incl.OOI)	6,707	5,606	6,580	19.6	1.9	5,560	20.6
<b>EBITDA</b>	<b>1,215</b>	<b>467</b>	<b>368</b>	<b>160.1</b>	<b>229.8</b>	<b>590</b>	<b>105.7</b>
<i>EBITDA Margin (%)</i>	<i>18.1</i>	<i>8.3</i>	<i>5.6</i>	<i>978bps</i>	<i>1251bps</i>		
<b>PBT</b>	<b>239</b>	<b>(476)</b>	<b>(654)</b>	<b>-</b>	<b>-</b>		
Tax	164	(154)	(195)	-	-		
<i>Effective Tax Rate (%)</i>	<i>68.7</i>	<i>32.3</i>	<i>29.8</i>	<i>-</i>	<i>-</i>		
<b>Recurring PAT</b>	<b>75</b>	<b>(322)</b>	<b>(459)</b>	<b>-</b>	<b>-</b>	<b>(305)</b>	<b>(124.5)</b>
Extord. Items	-	-	272	-	-		
<b>Reported PAT</b>	<b>75</b>	<b>(284)</b>	<b>(731)</b>	<b>-</b>	<b>-</b>	<b>(305)</b>	<b>(124.5)</b>
<i>PAT Margin (%)</i>	<i>1.1</i>	<i>(5.1)</i>	<i>(11.1)</i>	<i>-</i>	<i>-</i>		
Blended Realization (Rs/tn)	<b>4,690</b>	<b>4,369</b>	<b>3,894</b>	<b>7.3</b>	<b>20.4</b>		
Total volumes (mt)	1.4	1.3	1.7	11.5	(15.4)		
<i>Capacity Utilization (%)</i>	<i>54</i>	<i>49</i>	<i>64</i>	<i>560bps</i>	<i>(990)bps</i>		
<b>Blended EBITDA (Rs/tn)</b>	<b>849</b>	<b>364</b>	<b>218</b>	<b>133.3</b>	<b>289.8</b>		
Per ton cost (Rs)	Q1FY26	Q1FY25	Q4FY25	YoY (%)	QoQ (%)		
Raw Material Cost	360	730	702	(50.6)	(48.6)		
Staff Cost	238	237	203	0.2	16.9		
Power and Fuel Cost	1,574	1,593	1,405	(1.1)	12.1		
Freight Cost	906	844	821	7.2	10.2		
Other Expenditure	537	548	523	(2.2)	2.6		
<b>Total Cost</b>	<b>3,615</b>	<b>3,952</b>	<b>3,654</b>	<b>(8.5)</b>	<b>(1.1)</b>		

Source: Company, Systematix Institutional Research

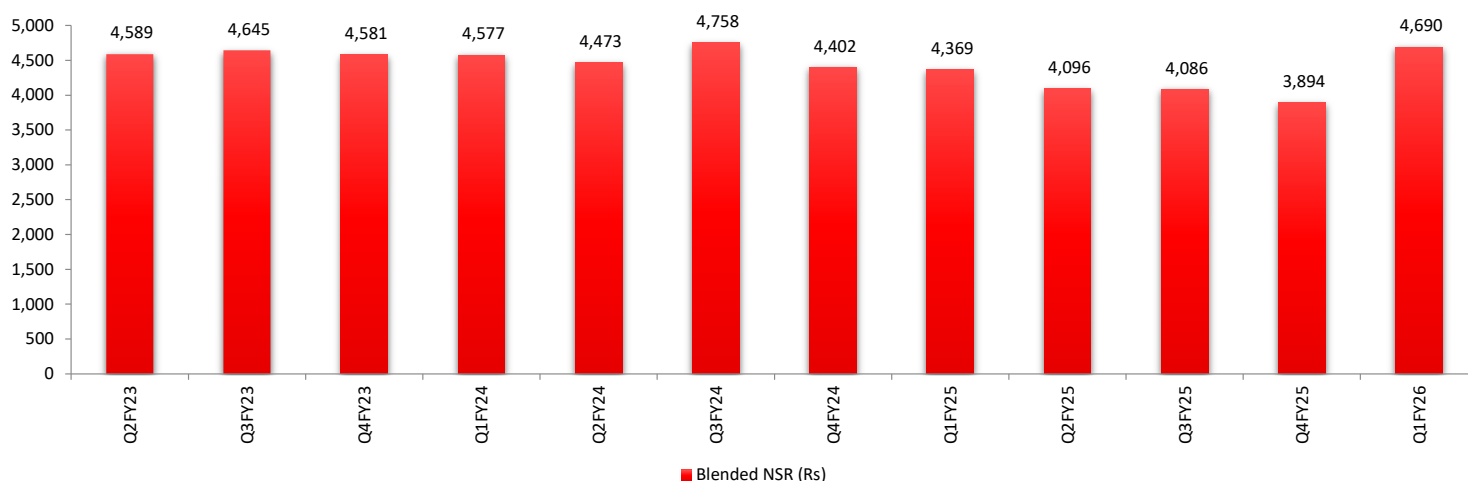
## Exhibit 2: Change in estimates

Key parameters	FY26E			FY27E		
(Rs bn)	Old	New	% Chg	Old	New	% Chg
Volume (mtpa)	6.0	6.0	(0.3)	6.5	6.5	(0.6)
Revenue	25	27	5.8	28	29	3.3
EBITDA	2.9	4.3	48.5	4.5	5.4	19.1
Net profit	-0.7	0.1	-	-0.2	0.7	-
FDEPS (Rs)	(5.5)	1.0	-	2.1	5.7	-

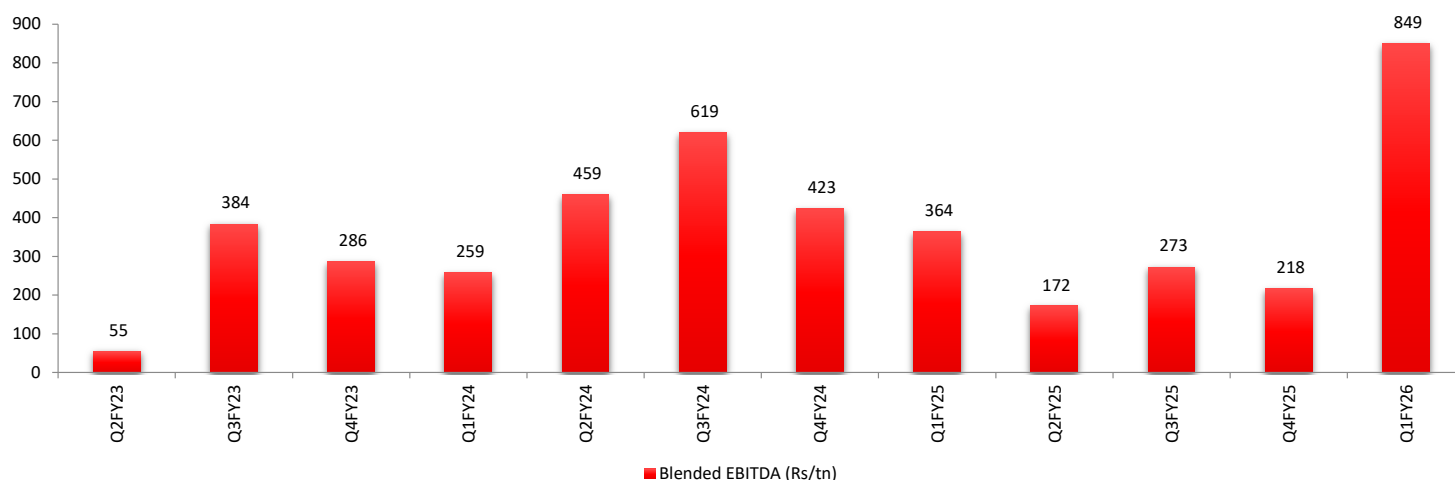
Source: Company, Systematix Institutional Research

**Exhibit 3: Quarterly sales volumes**

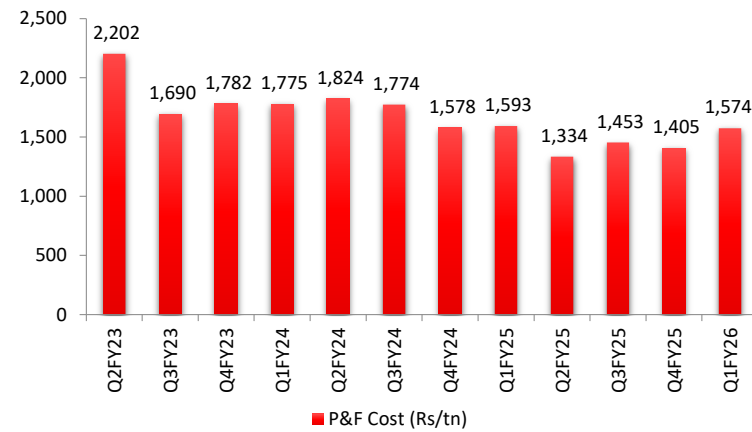
Source: Company, Systematix Institutional Research

**Exhibit 4: Quarterly NSR rose 7.3% as cement prices recovered considerably in the southern region**

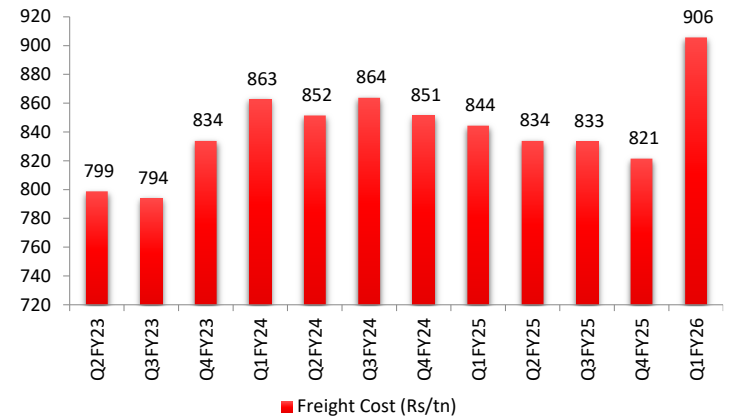
Source: Company, Systematix Institutional Research

**Exhibit 5: Blended EBITDA/tn improved to Rs849 in Q1FY26 vs Rs364 in Q1FY25**

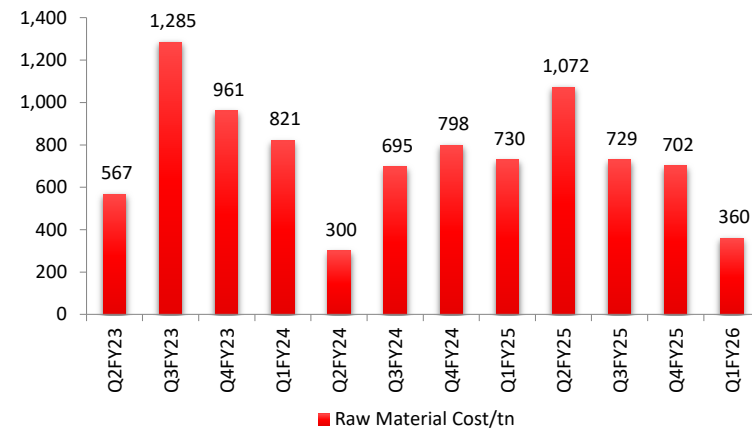
Source: Company, Systematix Institutional Research

**Exhibit 6: P&F Cost/tn marginally down by 1% YoY & up 12.1% QoQ**

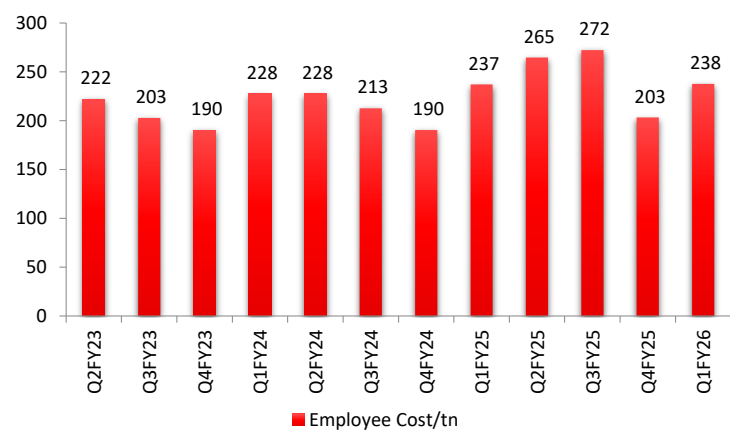
Source: Company, Systematix Institutional Research

**Exhibit 7: Freight Cost/tn grew 7.2% YoY and 10.2% QoQ**

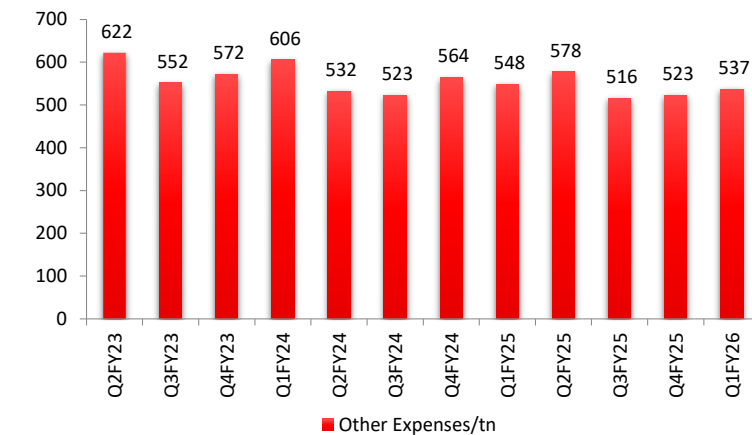
Source: Company, Systematix Institutional Research

**Exhibit 8: RM Cost/tn fell sharply by 50.6% YoY & 48.6% QoQ**

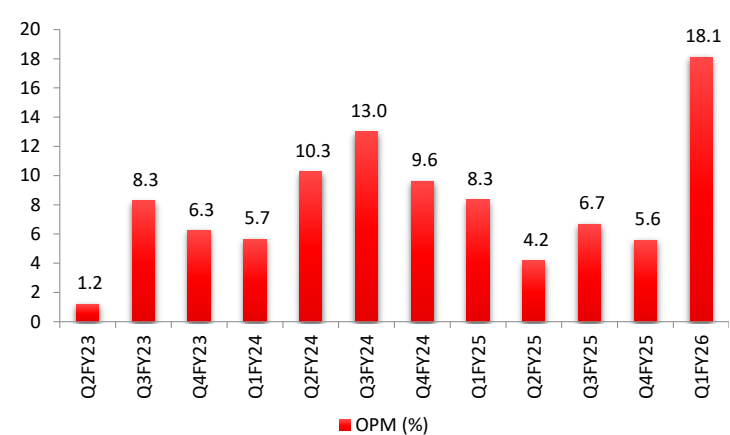
Source: Company, Systematix Institutional Research

**Exhibit 9: Employee Cost/tn was flat YoY but up 16.9% QoQ**

Source: Company, Systematix Institutional Research

**Exhibit 10: Other expenses/tn fell 2.2% YoY and 2.6% QoQ**

Source: Company, Systematix Institutional Research

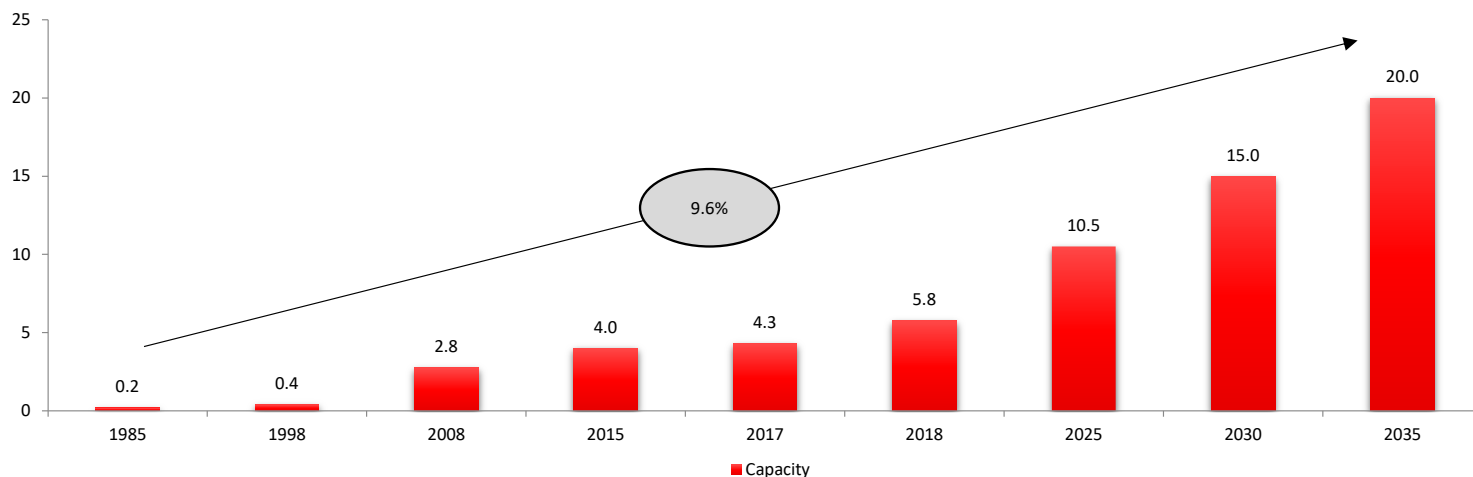
**Exhibit 11: Margin stood at 18.1% in Q1FY26 vs 8.3% in Q1FY25**

Source: Company, Systematix Institutional Research

**Exhibit 12: Plant wise capacity**

Plants	Capacity	Captive power	Thermal Power	Green energy	Limestone resources	Markets
	MTPA	MW	MW	MW	MnT	
<b>Integrated Plant</b>						
Mattampally, Telangana	3.0	28.2	18.0	10.2	392.3	AP, TS, TN, OD, MH
Gudipadu, Andhra Pradesh	1.3	31.0	25.0	6.0	164.0	AP, KA, TN, TG, KE
Jeerabad, Madhya Pradesh	1.0	5.4		5.4	70.7	Western MP, GJ, RJ, MH
Dachepalli, Andhra Pradesh	2.2	30.0	30.0		315	TG, AP, TN & KA
<b>Grinding Unit</b>						
Bayyavaram, Andhra Pradesh	1.5	8.4		8.4		AP and South OD
Jajpur, Odisha	1.5					OD, WB, JH
<b>Total</b>	<b>10.5*</b>	<b>97.0</b>	<b>73.0</b>	<b>24.0</b>	<b>828.1</b>	

Source: Company, Systematix Institutional Research, \* excludes Vizag

**Exhibit 13: Vision to double every 10 years**

Source: Company, Systematix Institutional Research

**Exhibit 14: Valuation Summary**

FY27E	EBITDA	Multiple	Enterprise Value
	(Rs bn)	(X)	(Rs bn)
Cons. EBITDA	5	10	54
Less: net debt / (cash)			13
Add: CWIP			1
Equity value			43
<b>Target price per share</b>			<b>326</b>

Source: Company, Systematix Institutional Research

**Exhibit 15: Key assumptions table**

Particulars	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Cement sales volume (mt)	3.2	3.6	4.8	5.5	5.5	6.0	6.5
Blended Realisation (Rs/ton)	4,285	4,436	4,645	4,546	4,097	4,505	4,552
EBITDA (incl. other income) (Rs/tn)	1,251	766	319	446	256	721	836
<b>Per ton cost</b>							
Raw material	749	626	880	747	782	797	805
Employee cost	239	238	207	213	242	246	249
Power & Fuel	817	1,433	1,862	1,728	1,446	1,406	1,353
Freight	732	774	810	857	833	812	797
Other expense	497	600	568	555	539	522	512
<b>Total Cost</b>	<b>3,034</b>	<b>3,670</b>	<b>4,326</b>	<b>4,099</b>	<b>3,841</b>	<b>3,783</b>	<b>3,716</b>

Source: Company, Systematix Institutional Research

# FINANCIALS (CONSOLIDATED)

## Profit & Loss Statement

YE: Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
<b>Net Sales</b>	<b>22,295</b>	<b>25,046</b>	<b>22,576</b>	<b>26,945</b>	<b>29,408</b>
Growth (%)	39.6	12.3	(9.9)	19.4	9.1
<b>Expenditure</b>	<b>20,764</b>	<b>22,587</b>	<b>21,166</b>	<b>22,631</b>	<b>24,008</b>
<b>EBITDA</b>	<b>1,532</b>	<b>2,459</b>	<b>1,411</b>	<b>4,314</b>	<b>5,400</b>
Growth (%)	(44.5)	60.5	(42.6)	205.7	25.2
<b>EBITDA margin (%)</b>	<b>6.9</b>	<b>9.8</b>	<b>6.2</b>	<b>16.0</b>	<b>18.4</b>
Depreciation	1,558	2,141	2,308	2,443	2,510
<b>EBIT</b>	<b>-26</b>	<b>318</b>	<b>-897</b>	<b>1,871</b>	<b>2,890</b>
Other Income	2,227	541	214	225	236
Interest expenses	2,016	1,848	1,881	1,894	1,921
<b>PBT</b>	<b>185</b>	<b>-989</b>	<b>-2,564</b>	<b>201</b>	<b>1,205</b>
<b>Tax</b>	<b>89</b>	<b>-321</b>	<b>-1,081</b>	<b>77</b>	<b>459</b>
Effective tax rate (%)	48.0	32.4	42.2	38.1	38.1
<b>Adjusted PAT</b>	<b>96</b>	<b>-521</b>	<b>-1,754</b>	<b>125</b>	<b>746</b>
Growth (%)	(83.8)	(641.6)	237.1	(107.1)	498.6
<b>Net Margin (%)</b>	<b>0.4</b>	<b>(2.1)</b>	<b>(7.8)</b>	<b>0.5</b>	<b>2.5</b>
<b>Reported PAT</b>	<b>96</b>	<b>-521</b>	<b>-1,754</b>	<b>125</b>	<b>746</b>
Growth (%)	(83.8)	(641.6)	237.1	(107.1)	498.6

Source: Company, Systematix Institutional Research

## Cash Flow

YE: Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
<b>PBT (Ex-Other income)</b>	<b>185</b>	<b>-841</b>	<b>-2,835</b>	<b>201</b>	<b>1,205</b>
Depreciation	1,558	2,141	2,308	2,443	2,510
Interest Provided	-11	1,712	1,881	1,894	1,921
Other Non-Cash items	-30	-448	-114	-225	-236
Chg in working cap	197	1,537	1,144	-513	-94
Tax paid	-148	-96	-44	-77	-459
<b>Operating Cashflow</b>	<b>1,752</b>	<b>4,004</b>	<b>2,339</b>	<b>3,724</b>	<b>4,847</b>
Capital expenditure	-1,177	-2,258	-1,382	-2,800	-1,400
<b>Free Cash Flow</b>	<b>574</b>	<b>1,746</b>	<b>958</b>	<b>924</b>	<b>3,447</b>
Other income	-3,321	-488	18	-15	-
Investments	6,198	871	230	225	236
<b>Investing Cashflow</b>	<b>1,700</b>	<b>-1,875</b>	<b>-1,133</b>	<b>-2,590</b>	<b>-1,164</b>
Equity Capital Raised	3,429	-	-	-	-
Loans Taken / (Repaid)	-5,196	-331	-110	2,545	2,045
Interest Paid	-1,779	-1,756	-1,921	-1,894	-1,921
Dividend paid (incl tax)	-92	-92	-92	-	-
Income from investments	-	-	-	-	-
Others	-28	-28	-50	-	-
<b>Financing Cashflow</b>	<b>-3,666</b>	<b>-2,206</b>	<b>-2,173</b>	<b>651</b>	<b>124</b>
<b>Net chg in cash</b>	<b>-214</b>	<b>-77</b>	<b>-967</b>	<b>1,785</b>	<b>3,807</b>
Opening cash position	1,964	1,749	1,672	1,637	3,422
Add: Bank Balance other than					
Cash & Equiv	356	949	932	-	-
<b>Closing cash position</b>	<b>2,105</b>	<b>2,621</b>	<b>1,637</b>	<b>3,422</b>	<b>7,229</b>

Source: Company, Systematix Institutional Research

## Balance Sheet

YE: Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Equity share capital	261	261	261	261	261
Reserves & surplus	19,685	19,151	16,967	17,091	17,837
<b>Net worth</b>	<b>19,946</b>	<b>19,412</b>	<b>17,228</b>	<b>17,353</b>	<b>18,098</b>
Minority Interest	702	785	715	700	700
Secured Loans					
Unsecured Loans					
<b>Loan Funds</b>	<b>14,721</b>	<b>14,390</b>	<b>14,280</b>	<b>16,825</b>	<b>18,870</b>
Net Deferred Taxes	1,036	1,080	556	556	556
<b>Total Liabilities</b>	<b>37,449</b>	<b>37,036</b>	<b>34,140</b>	<b>36,826</b>	<b>39,650</b>
<b>Net block</b>	<b>30,257</b>	<b>31,126</b>	<b>29,572</b>	<b>29,929</b>	<b>28,819</b>
Capital WIP	992	147	1,232	1,232	1,232
Investment	-	-	-	-	-
<b>Current Assets</b>	<b>7,386</b>	<b>8,621</b>	<b>6,975</b>	<b>9,792</b>	<b>14,181</b>
Inventories	2,709	3,075	2,736	3,265	3,564
Sundry Debtors	1,332	2,077	2,042	2,437	2,659
Cash and Bank	2,105	2,621	1,637	3,422	7,229
Loans and Advances	5	9	8	9	10
Other current assets	1,235	839	552	659	719
<b>Current Liab &amp; Prov.</b>	<b>4,353</b>	<b>6,526</b>	<b>7,626</b>	<b>8,154</b>	<b>8,650</b>
<b>Net current assets</b>	<b>3,033</b>	<b>2,095</b>	<b>-651</b>	<b>1,638</b>	<b>5,532</b>
<b>Total Assets</b>	<b>37,449</b>	<b>37,036</b>	<b>34,140</b>	<b>36,826</b>	<b>39,650</b>

Source: Company, Systematix Institutional Research

## Ratios

YE: Mar	FY23	FY24	FY25	FY26E	FY27E
<b>Profitability (%)</b>					
EBITDA Margin	6.9	9.8	6.2	16.0	18.4
Net Margin	0.4	(2.1)	(7.8)	0.5	2.5
ROCE	(0.0)	0.5	(1.6)	3.1	4.5
ROE	0.6	(2.6)	(9.6)	0.7	4.2
RoIC	0.0	(0.0)	(0.0)	0.0	0.0
<b>Per Share Data (Rs)</b>					
EPS	0.7	-4.0	-13.4	1.0	5.7
CEPS	13	12	4	20	25
BVPS	153	149	132	133	138
DPS	1	1	-	-	-
<b>Valuations (x)</b>					
PER	300.6	-55.5	-16.5	231.9	38.7
P/CEPS	17.5	17.8	52.2	11.3	8.9
P/BV	1.4	1.5	1.7	1.7	1.6
EV / Sales	1.9	1.6	1.8	1.6	1.4
EV / EBITDA	27.1	16.5	29.4	9.8	7.5
Dividend Yield (%)	0.3	0.3	-	-	-
<b>Gearing Ratio (x)</b>					
Net Debt/ Equity	0.7	0.7	0.8	1.0	1.0
Net Debt/EBIDTA	8.5	5.8	10.0	3.8	3.5
Working Cap Cycle (days)	-20.9	-154.2	-231.0	-231.0	-231.0

Source: Company, Systematix Institutional Research



## DISCLOSURES/APPENDIX

## I. ANALYST CERTIFICATION

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