Sagar Cement (SAGCEM)

CMP: ₹130 | Target ₹ 135 (+4%) | Target Period: 12 months | HOLD

November 3, 2026

Cost measures & pricing factor remains key monitorable...

About the stock: Sagar Cement is a south based cement player with a cement capacity of 11.75 million tonnes (mtpa).

- In terms of region wise capacity, Andhra Pradesh accounted for ~49%, followed by Telangana (~26%), Odisha (~13%) & Madhya Pradesh (~13%)

Q2FY27 performance: Revenue increased by 17.2% YoY (flat QoQ) to Rs 705.4 crore as volume growth of 25.6% YoY (-6.4% QoQ) was negated by decline in realization (-6.7% YoY, -6.1% QoQ). EBITDA/ton decreased by 29.7% YoY (-41.2% QoQ) to Rs 265/ton. EBITDA came at Rs 45.3 crore (-11.7% YoY, -37.4% QoQ). On PAT level, the company reported a loss of Rs 51.5 crore

Investment Rationale:

- **Capacity utilization to support volume growth over FY26-FY28E**: Company reported robust volume growth of 25.6% YoY in Q2FY27, led by healthy demand and improvement in capacity utilisation across its units. Overall capacity utilisation stood at ~63% during this quarter (vs ~52% in Q2FY26). We estimate volume CAGR of ~13% over FY26-28E, supported by improvement in company's utilisation levels across all the capacities along with further ramp-up of its subsidiary Andhra Cements (which is still running at ~43% utilisation). Management has also maintained its guidance of sales volume of 7 mtpa for FY26E (implies ~15% YoY) and ~8-8.25 mtpa volume growth for FY28E (implies double-digit growth YoY). Moreover, company is in process of expanding its total cement capacity to 12 mtpa by FY28E (from 11.75 mtpa at present) by adding 0.25 mtpa at Gudipaud (expected in FY28E)
- **EBITDA/ton to improve led by cost saving measures and operational efficiencies**: Company reported EBITDA/ton of Rs 265/ton (-29.7% YoY), mainly due to lower realisations and higher fuel & packaging costs. Going ahead, we believe that there might be some pressure on margin in near term due to rising input cost led by geo-political uncertainties. However, we expect overall profitability to recover gradually, led by improvement in realisations (management expects improvement of about ~₹500/ton in Q3FY27 vs Q2FY27), production ramp-up of Andhra Cements & other units, positive operating leverage, and continuous focus on improving operational efficiencies led by increase in green power consumption to 50% by FY30 (from ~19% at present) and TSR share of 25% (from ~2% at present). We estimate EBITDA/ton of Rs 650/ton in FY28E (in-line with management expectation of Rs ~650/ton)

Rating and Target Price:

- We have trimmed our EBITDA estimates for FY27E/28E, factoring in rising input costs. Considering the company's lower-than-industry profitability profile and elevated debt (Net debt/EBITDA at 3x in FY28E), we see limited room for valuation re-rating.
- We maintain our **HOLD** rating on Sagar Cement with a revised target price of Rs 145 (based on 6x EV/EBITDA on FY28E basis and Rs 27/share for 107-acre land at Vizag)

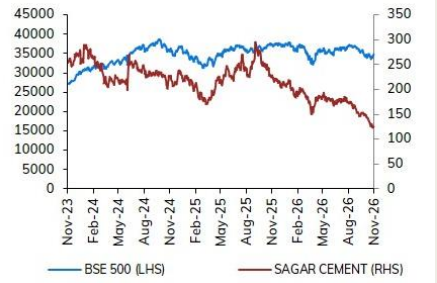
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	1,699
FY26 Gross Debt (₹ Crore)	1,672
FY26 Cash (₹ Crore)	25
EV (₹ Crore)	3,346
52 Week H/L (₹)	237 / 121
Equity Capital	13.1
Face Value	2.0

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Sept-26
Promoter	48.3	48.3	48.3	48.3
FII	1.8	1.7	1.6	1.6
DII	18.4	18.5	18.4	18.1
Others	31.5	31.5	31.7	32.0

Price Chart



Key risks

(i) Slowdown in Demand

(ii) Delays in capacity expansion

(iii) Increase in commodity prices

(iv) High competition

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials (₹ Crore)	FY23	FY24	FY25	FY26	3-year CAGR (FY23-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Revenues	2,230	2,505	2,258	2,650	5.9%	3,108	3,488	14.7%
EBITDA	153	246	141	292	24.0%	344	484	28.8%
EBITDA margin (%)	6.9	9.8	6.2	11.0		11.1	13.9	
Net Profit	30	(43)	(210)	(11)		(82)	22	
EPS (₹)	2.3	(3.3)	(16.1)	(0.8)		(6.3)	1.7	
EV/EBITDA (x)	19.3	11.7	21.0	11.5		10.3	6.9	
EV/ton ($)	29.7	28.8	29.7	33.6		31.8	29.4	
RoCE (%)	6.3	2.5	(2.2)	2.2		3.3	7.6	
RoE (%)	1.5	(2.7)	(11.0)	(0.7)		(5.1)	1.3	

Source: Company, ICICI Direct Research

Q2FY27 – Result highlights

- Revenue increased by 17.2% YoY (flat QoQ) to Rs 705.4 crore as volume growth of 25.6% YoY (-6.4% QoQ) was negated by decline in realisation (-6.7% YoY, -6.1% QoQ)
- Total cost/ton decreased by 4.6% YoY (-2.1% QoQ), mainly on account of lower RM cost and negative operating leverage
- EBITDA/ton decreased by 29.7% YoY (-41.2% QoQ) to Rs 265/ton. Subsequently, EBITDA came at Rs 45.3 crore (-11.7% YoY, -37.4% QoQ)
- On PAT level, the company reported a loss of Rs 51.5 crore as against loss of Rs 44.2 crores in Q2FY26
- For H1FY27, revenue increased by 11% YoY as volume growth of 19% YoY was negated by decline in realisation of 6.7% YoY. EBITDA/ton stood at Rs 355/ton (vs Rs 620/ton in H1FY26)

Recent earnings call highlights

- Cement sales volume grew supported by resilient demand across key markets of the company. Management retained its FY27E volume guidance of ~7 mtpa and is targeting ~8–8.25 mtpa in FY28E
- Management expects cement demand in its key markets to remain healthy over the next two years. Year-to-date demand growth was ~15% in Andhra Pradesh and Telangana, ~2–3% in Karnataka, ~10% in Tamil Nadu, ~12% in Kerala, ~10% in Maharashtra and ~7.5–8% in Madhya Pradesh; Odisha was broadly flat.
- Management expects FY27E EBITDA of ~₹350–375 crore, translating to ~₹525–550/ton of EBITDA/ton, lower than its earlier expectation of ~₹410 crore due to higher input costs.
- Management expects EBITDA/ton to improve to ~₹650 in Q3FY27, provided the recent price hikes sustain. It indicated an expected realisation improvement of ~₹500/ton versus Q2FY27, partly offset by an estimated ~₹200/ton increase in costs. Additional savings of ~₹50–75/ton could accrue from operating leverage and efficiency improvements.
- For FY28, management is targeting EBITDA of ~₹500 crore, assuming cement volumes of 8–8.25 mt and EBITDA/ton of approximately ₹650/ton.
- Plant-wise utilisation during Q2FY27 stood at 73% at Mattampally, 85% at Gudipadu, 52% at Bayavaram, 72% at Jirabad, 38% at Jajpur and 57% at Dachepally. Management expects overall utilisation to improve to ~65–70% in H2FY27, with a similar level targeted for FY28, assuming demand momentum sustains.
- In South India, cement prices increased by ~₹20/bag in September in both trade and non-trade segments. In October, non-trade prices rose by a further ~₹20/bag, while trade prices increased by ~₹5/bag. Across the company's markets, average realisation improved by ~₹500/ton from the end of August to October, before GST adjustments.
- Fuel costs increased by ~₹200/ton up to August, but management expects costs to remain broadly stable until January 2027, with landed fuel cost remaining below US$2 per million kcal. If the company shifts to spot procurement thereafter, an additional price increase of ~₹200/ton may be required to offset the cost impact. The fuel mix is now largely domestic, with limited petcoke sourced from South Africa and the US.
- Management expects Andhra Cements to achieve operational breakeven in H2FY27 or in Q1FY28, as it needs to add around 20,000–30,000 tons/month to its current volumes
- Gross debt stood at ₹1,735 crore as of September 2026, including ₹1,482 crore of long-term borrowings; cash and bank balances were ₹106 crore. Management expects debt to remain broadly stable in Q3FY27 and decline from Q4FY27.
- Management stated goal is to reduce net debt from ~₹1,450–1,600 crore to below ~₹700 crore over the next two years, with debt reduction of ~₹250

crore annually from FY28E onwards, apart from land monetisation proceeds.

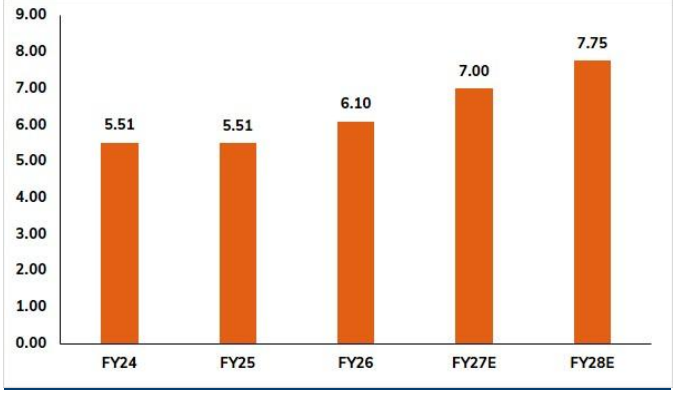
- The company expects total net monetisation proceeds of around ₹350 crore from its Vizag land, including an advance of ~₹150 crore. Management expects to receive some advance before the end of FY27
- The only pending WHR project is at Andhra Cements, which is planned for FY28. Once commissioned, it is expected to generate savings of around ₹1.5 crore/month. The company is also planning a 7–8 MW solar plant at Jirabad in FY28, which is expected to generate annual savings of approximately ₹4–4.5 crore once operational.
- The company expects incentives of ~₹30 crore annually for the Jirabad unit and a further ~₹50 crore over the next 2–2.5 years.
- The board has approved capex for the superfine building materials business, with land identified at Ghalsi in West Bengal. Operations are expected to commence by the end of Q3FY27, while the ultra-fine GGBS facility at Bayavaram is expected to start contributing from around mid-Q4FY27. Management expects the business to generate ₹25–30 crore EBITDA in FY28, its first full year of operations, at an estimated 35–40% EBITDA margin. Total capex is projected at ~₹60 crore over 18 months, along with around ₹20 crore of working capital

Exhibit 1: Q2FY27 consolidated result overview (₹ crore)

Particulars	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comments
Operating Income	705.4	601.9	17.2	706.1	-0.1	Revenue grew YoY led by robust volume growth
Other income	2.4	4.3	-44.2	2.4	1.7	
Total Revenue	707.8	606.2	16.8	708.5	-0.1	
Raw materials costs	132.3	180.7	-26.8	126.9	4.3	
Employees Expenses	37.9	39.2	-3.2	36.4	4.4	
Other Expenses	70.4	71.4	-1.5	90.8	-22.5	
Total Expenditure	660.1	550.5	19.9	633.7	4.2	
EBITDA	45.3	51.3	-11.7	72.4	-37.4	
EBITDA margins (%)	6.4	8.5	-210 bps	10.3	-383 bps	Margins impacted on account of lower realization
Interest	55.2	46.5		52.2		
Depreciation	61.3	55.7	10.0	59.2	3.6	
Tax	-17.2	-2.3	634.2	-8.5	102.4	
PAT	-43.8	-42.3	3.5	-23.1	89.4	

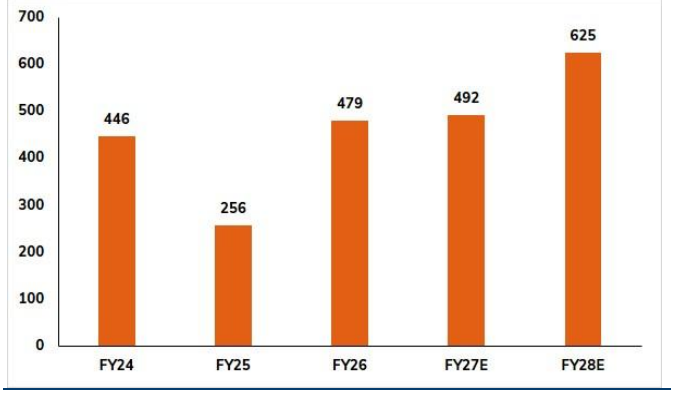
Source: Company, ICICI Direct Research

Exhibit 2: Volumes to grow at ~13% CAGR over FY26-28E



Source: Company, ICICI Direct Research

Exhibit 3: EBITDA/ton trend over FY27E-FY28E



Source: Company, ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Revenue	2,257.6	2,650.0	3,108.0	3,487.5
% Growth	(9.9)	17.4	17.3	12.2
Other income	21.4	21.6	23.7	26.1
Total Revenue	2,257.6	2,650.0	3,108.0	3,487.5
% Growth	(9.9)	17.4	17.3	12.2
Employee Expenses	133.1	149.2	162.6	178.9
Other expenses	296.9	330.4	375.0	421.9
Total Operating Expenditure	2,116.6	2,358.0	2,763.6	3,003.3
Operating Profit (EBITDA)	141.1	292.0	344.4	484.2
% Growth	(42.6)	107.0	17.9	40.6
Interest	188.1	197.0	221.5	221.5
PBDT	(25.6)	116.6	146.6	288.8
Depreciation	230.8	239.7	254.9	259.8
PBT before Exceptional Items	(256.4)	(123.1)	(108.3)	29.0
Total Tax	(66.9)	(122.3)	(26.0)	7.0
PAT before MI	(216.7)	(0.7)	(82.3)	22.0
PAT	(209.8)	(11.1)	(82.3)	22.0
EPS	(16.1)	(0.8)	(6.3)	1.7

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Profit after Tax	(209.8)	(11.1)	(82.3)	22.0
Depreciation	230.8	239.7	254.9	259.8
Interest	188.1	197.0	221.5	221.5
Cash Flow before WC chg	209.1	425.5	394.1	503.3
Changes in inventory	33.9	(39.1)	(53.4)	(44.7)
Changes in loans & Adv	0.1	0.1	(0.3)	(0.1)
Changes in other CA	30.3	(27.4)	(12.4)	(10.3)
Net Increase in CA	67.1	(207.5)	(104.2)	(87.3)
Changes in creditors	60.1	(232.3)	58.5	49.4
Changes in provisions	(0.6)	3.5	1.4	1.2
Net Inc in Current Liabilities	110.0	1.0	78.4	66.0
Net CF from Op activities	386.1	219.0	368.3	482.0
Chg in deferred tax assets	(14.0)	(71.8)	-	-
(Pur)/Sale of Fixed Assets	(197.5)	(352.3)	(330.0)	(50.0)
Net CF from Invest activities	(275.8)	(392.4)	(341.6)	(59.6)
Dividend and Dividend Tax	(9.2)	-	-	-
Net CF from Fin Activities	(208.8)	28.4	(21.5)	(421.5)
Net Cash flow	(98.5)	(145.0)	5.2	0.9
Opening Cash/Cash Equ	262.2	163.7	18.7	23.9
Closing Cash/ Cash Equ	163.7	18.7	23.9	24.8

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Equity Capital	26.1	26.1	26.1	26.1
Reserve and Surplus	1,696.5	1,666.8	1,584.5	1,606.5
Total Shareholders' funds	1,722.7	1,692.9	1,610.6	1,632.7
Total Debt	1,428.0	1,672.0	1,872.0	1,672.0
Total Liabilities	3,413.9	3,741.7	3,859.4	3,681.4
Acc: Depreciation	1,759.0	1,998.6	2,253.5	2,513.3
Net Block	2,957.2	3,055.0	3,195.9	3,026.1
Capital WIP	123.2	115.8	50.0	10.0
Total Fixed Assets	3,231.8	3,344.4	3,419.5	3,209.7
Non-Current Assets	247.3	401.0	412.5	422.1
Inventory	273.6	312.7	366.1	410.9
Debtors	204.2	225.9	264.0	296.2
Other Current Assets	44.5	71.9	84.3	94.6
Cash	163.7	18.7	23.9	24.8
Total Current Assets	697.4	759.9	869.4	957.6
Current Liabilities	578.3	346.0	404.5	453.9
Provisions	90.0	91.0	92.0	93.0
Total Current Liabilities	762.6	763.6	842.0	908.0
Net Current Assets	(65.2)	(3.7)	27.3	49.6
Total Assets	3,413.9	3,741.7	3,859.4	3,681.4

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
EPS	(16.1)	(0.8)	(6.3)	1.7
Cash per Share	12.5	1.4	1.8	1.9
BV	131.8	129.5	123.2	124.9
EBITDA Margin	6.2	11.0	11.1	13.9
PAT Margin	(9.3)	(0.4)	(2.6)	0.6
RoCE	(2.2)	2.2	3.3	7.6
RoIC	(3.0)	1.6	2.6	6.8
EV / EBITDA	21.0	11.5	10.3	6.9
P/E	(9.0)	(153.5)	(20.6)	77.1
EV / Net Sales	1.3	1.3	1.1	1.0
Sales / Equity	1.3	1.6	1.9	2.1
Market Cap / Sales	0.8	0.6	0.5	0.5
Price to Book Value	1.0	1.0	1.1	1.0
Asset turnover	0.7	0.8	0.9	1.1
Debtors Turnover Ratio	11.0	12.3	12.7	12.5
Creditors Turnover Ratio	4.1	5.7	8.3	8.1
Debt / Equity	0.8	1.0	1.2	1.0
Current Ratio	0.8	0.9	1.0	1.0
Quick Ratio	0.4	0.5	0.5	0.5

Source: Company, ICICI Direct Research

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