

Sagar Cements

Andhra Cements revamp on the cards

We visited the integrated unit (IU) of Andhra Cements (ACL) at Dachepalli, in the Palnadu district of Andhra Pradesh. Sagar Cements (SGC) owns 90% stake in its subsidiary Andhra Cements, which it had acquired through NCLT in 2023. Under SGC, ACL's capacity enhancement, refurbishment, and cost reduction programs are progressing well, and are expected to turn around its profitability. Further, ACL is also working on a rights issue for FY26, which will both reduce SGC's stake to 75% and infuse additional equity in the company, supporting the balance sheet. ACL will monetize the Vizag plant land gradually over the next few years, once it receives the requisite approvals in FY26. We maintain ADD on Sagar Cements (SGC), with an unchanged TP of INR 265/share (valued at an average of 6.5x FY27E EBITDA and FY27E EV/MT of USD 70/MT). The recent rebound in cement prices across the southern region, and ongoing revamp in ACL operations should drive up SGC's consolidated EBITDA margin to ~INR 560/MT over FY26-27E. We also expect SGC's net debt to EBITDA to cool off to 3.6x in Mar-27E, from 9x in Mar-25.

- **Andhra Cements (ACL) revamp expected in FY26:** ACL is increasing the clinker/cement capacity of the IU at Dachepalli from 1.85/2.25mn MT currently to 2.3/3mn MT by the end of FY26 (on track). The plant has access to ~315mn MT of limestone reserves. The IU plant also has 30MW CPP. The ongoing revamp/expansion includes installing a new six-stage preheater and 6MW solar power plants. The management noted that the new preheater will be commissioned around Sep-25. Of the total capex of INR 4.7bn, ACL spent INR 0.75bn in FY25 and the rest will be spent in FY26/27E.
- **ACL's margin to turn around following revamp and recent cement price rebound:** ACL has been making operating losses since FY20; it reported EBITDA loss of INR 372/MT in FY25. This is expected to reverse in FY26, led by major cost reductions as well as regional pricing improvement. SGC expects ACL's energy cost to reduce by ~INR 150/MT from the new pre-heater and 6MW solar power. A large thermal power plant is becoming operational near ACL's plant, which will increase fly-ash availability at almost 40-50% lower cost, further reducing production cost by ~INR 100/MT (~50% blended cement production). As the expansions stabilize, ACL's utilization will improve, adding to op-lev gains and further lowering opex. Also, the recent rebound in the previously falling cement prices (by ~INR 40-60/bag across south) should support ACL's margin turnaround in FY26E, in our view.
- **Vizag land monetization:** The management is expecting requisite approvals for the sale of 105 acres of plant land in Vizag in FY26. It will then start liquidating the same over the next few years. The land sale is expected to generate cash of ~INR 3.5bn (post-capital gain tax).
- **Rights issue on anvil should add to balance sheet strength:** SGC owned 95% promoters' stake in ACL when it acquired it under NCLT. Thereafter, SGC reduced its stake to 90% through an open offer. It plans to reduce it further to 75% (as mandated by SEBI) to achieve a minimum public shareholding of 25%, through a planned rights issue this year, which will also strengthen ACL's and SGC's consolidated balance sheets.

ADD

CMP (as on 20 Jun 2025)	INR 228
Target Price	INR 265
NIFTY	25,112

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 265	INR 265
EBITDA	FY26E	FY27E
revision %	-	-

KEY STOCK DATA

Bloomberg code	SGC IN
No. of Shares (mn)	131
MCap (INR bn) / (\$ mn)	30/345
6m avg traded value (INR mn)	17
52 Week high / low	INR 267/155

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	29.0	5.8	(9.6)
Relative (%)	21.1	0.2	(16.0)

SHAREHOLDING PATTERN (%)

	Dec-24	Mar-25
Promoters	48.31	48.33
FIs & Local MFs	17.87	18.01
FPIs	2.64	2.58
Public & Others	31.18	31.08
Pledged Shares	38.59	39.05

Source : BSE

Pledged shares as % of total shares

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Consolidated key operational and financial assumptions

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Sales (mn MT)	3.3	3.1	3.2	3.6	4.9	5.6	5.7	6.0	6.6
YoY (%)	22.8	(6.0)	0.9	14.0	36.9	13.9	0.7	6.0	10.0
NSR (INR/MT)	3,653	3,752	4,339	4,431	4,519	4,456	3,989	4,228	4,207
YoY (%)	(4.5)	2.7	15.6	2.1	2.0	(1.4)	(10.5)	6.0	(0.5)
Opex (INR/MT)	3,205	3,160	3,072	3,666	4,208	4,018	3,739	3,651	3,650
YoY (%)	(1.9)	(1.4)	(2.8)	19.3	14.8	(4.5)	(6.9)	(2.4)	(0.0)
EBITDA (INR/MT)	448	592	1,267	765	310	437	249	577	556
YoY (%)	(19.6)	32.1	113.9	(39.6)	(59.4)	40.9	(43.0)	131.3	(3.5)

Source: Company, HSIE Research

Financials

Consolidated Income Statement

YE Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenues	15,969	22,295	25,046	22,576	25,367	27,764
Growth %	16.4	39.6	12.3	(9.9)	12.4	9.5
Raw Material	2,253	4,222	4,116	4,308	4,566	5,123
Power & Fuel	5,157	8,935	9,522	7,970	7,856	8,469
Freight Expense	2,786	3,889	4,721	4,589	4,864	5,404
Employee cost	856	993	1,173	1,331	1,504	1,729
Other Expenses	2,160	2,725	3,056	2,969	3,117	3,367
EBITDA	2,758	1,532	2,459	1,411	3,459	3,672
EBITDA Margin (%)	17.3	6.9	9.8	6.2	13.6	13.2
EBITDA Growth %	(31.1)	(44.5)	60.5	(42.6)	145.2	6.1
Depreciation	927	1,558	2,141	2,308	2,322	2,484
EBIT	1,831	(26)	318	(897)	1,138	1,188
Other Income (Including EO Items)	134	547	541	214	1,335	2,875
Interest	925	2,016	1,848	1,881	1,823	1,934
PBT	1,040	(1,495)	(989)	(2,564)	649	2,128
Tax	449	(331)	(358)	(601)	214	702
Minority Int	(100)	(205)	(87)	(69)	(69)	(69)
RPAT	692	302	(434)	(2,098)	504	1,495
EO (Loss) / Profit (Net Of Tax)	-	1,260	111	(204)	-	-
APAT	692	(958)	(545)	(1,894)	504	1,495
APAT Growth (%)	(62.9)	(238.6)	n/a	n/a	n/a	196.6
AEPS	5.9	(7.3)	(4.2)	(14.5)	3.9	11.4
AEPS Growth %	(62.9)	(224.6)	n/a	n/a	n/a	196.6

Source: Company, HSIE Research. NA: not applicable

Consolidated Balance Sheet

YE Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
SOURCES OF FUNDS						
Share Capital	235	261	261	261	261	261
Reserves And Surplus	12,319	19,685	19,151	16,967	17,379	18,782
Total Equity	12,554	19,946	19,412	17,228	17,641	19,044
Minority Int	540	702	785	715	715	715
Long-term Debt	13,266	12,784	12,492	11,478	12,478	11,478
Short-term Debt	1,816	1,973	1,921	2,980	2,980	2,980
Total Debt	15,082	14,757	14,412	14,458	15,458	14,458
Deferred Tax Liability	823	90	(325)	(990)	(990)	(990)
Long-term Liab+ Provisions	783	1,027	1,352	1,229	1,245	1,262
TOTAL SOURCES OF FUNDS	29,783	36,521	35,637	32,641	34,069	34,489
APPLICATION OF FUNDS						
Net Block	20,481	31,682	32,503	31,085	29,664	33,180
Capital WIP	1,005	992	147	1,232	3,232	232
Other Non-current Assets	1,587	645	840	882	970	1,067
Total Non-current Investments	3,147	-	-	-	-	-
Total Non-current Assets	26,219	33,318	33,489	33,200	33,866	34,479
Inventories	2,086	2,709	3,075	2,736	3,044	3,332
Debtors	1,203	1,332	2,077	2,042	2,283	2,221
Cash and Cash Equivalents	1,746	2,257	2,668	1,683	1,242	1,362
Other Current Assets (& Loans/adv)	2,236	1,232	842	551	584	619
Total Current Assets	7,270	7,530	8,663	7,012	7,154	7,534
Creditors	2,210	3,088	5,183	5,783	5,073	5,553
Other Current Liabilities & Provns	1,497	1,239	1,333	1,788	1,878	1,972
Total Current Liabilities	3,706	4,327	6,515	7,571	6,951	7,524
Net Current Assets	3,564	3,203	2,147	(559)	203	9
TOTAL APPLICATION OF FUNDS	29,783	36,521	35,637	32,641	34,069	34,489

Source: Company, HSIE Research

Consolidated Cash Flow

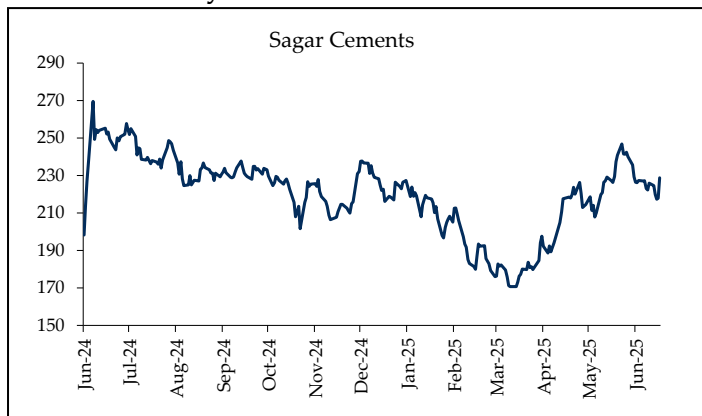
YE Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Reported PBT	1,040	185	(841)	(2,835)	718	2,197
Non-operating & EO Items	(24)	(2,057)	(584)	(114)	(1,335)	(2,875)
Interest Expenses	925	2,016	1,848	1,881	1,823	1,934
Depreciation	927	1,558	2,141	2,308	2,322	2,484
Working Capital Change	(1,700)	197	1,537	1,144	(1,275)	232
Tax Paid	(298)	(148)	(96)	(44)	(214)	(702)
OPERATING CASH FLOW (a)	870	1,752	4,004	2,339	2,039	3,271
Capex	(7,883)	(4,485)	(2,489)	(1,282)	(2,900)	(3,000)
Free Cash Flow (FCF)	(7,013)	(2,734)	1,515	1,057	(861)	271
Investments	(12)	4,515	489	1	-	-
Non-operating Income	56	1,670	126	148	1,335	2,875
INVESTING CASH FLOW (b)	(7,839)	1,700	(1,875)	(1,133)	(1,565)	(125)
Debt Issuance/(Repaid)	6,873	(5,206)	(359)	(160)	1,000	(1,000)
Interest Expenses	(752)	(1,779)	(1,756)	(1,921)	(1,823)	(1,934)
FCFE	(892)	(9,719)	(600)	(1,024)	(1,684)	(2,664)
Share Capital Issuance	105	3,429	-	-	-	-
Dividend	(59)	(92)	(92)	(92)	(91)	(91)
FINANCING CASH FLOW (c)	6,167	(3,647)	(2,206)	(2,173)	(915)	(3,026)
NET CASH FLOW (a+b+c)	(802)	(196)	(77)	(967)	(441)	119
Closing Cash & Equivalents	1,740	1,549	2,180	1,701	1,242	1,362

Source: Company, HSIE Research

Key Ratios

	FY22	FY23	FY24	FY25	FY26E	FY27E
PROFITABILITY %						
EBITDA Margin	17.3	6.9	9.8	6.2	13.6	13.2
EBIT Margin	11.5	(0.1)	1.3	(4.0)	4.5	4.3
APAT Margin	4.3	(4.3)	(2.2)	(8.4)	2.0	5.4
RoE	5.4	(5.7)	(2.7)	(9.9)	2.8	7.8
RoIC	8.9	(0.1)	1.0	(2.9)	3.8	3.8
RoCE	7.6	1.6	2.4	(2.0)	7.4	11.9
EFFICIENCY						
Tax Rate %	43.1	22.2	36.2	23.4	33.0	33.0
Fixed Asset Turnover (x)	0.7	0.6	0.5	0.5	0.5	0.5
Inventory (days)	48	44	45	44	44	44
Debtors (days)	27	22	30	33	33	29
Other Current Assets (days)	87	31	25	23	22	22
Payables (days)	51	51	76	93	73	73
Other Current Liab & Provns (days)	52	37	39	49	45	43
Cash Conversion Cycle (days)	60	9	(15)	(42)	(19)	(20)
Net Debt/EBITDA (x)	4.8	8.2	4.8	9.1	4.1	3.6
Net D/E	1.0	0.6	0.6	0.7	0.8	0.7
Interest Coverage	2.0	(0.0)	0.2	(0.5)	0.6	0.6
PER SHARE DATA (INR)						
EPS	5.9	(7.3)	(4.2)	(14.5)	3.9	11.4
CEPS	13.8	4.6	12.2	3.2	21.6	30.4
Dividend	0.7	0.7	0.7	0.7	0.7	0.7
Book Value	111.4	158.0	154.5	137.3	140.4	151.2
VALUATION						
P/E (x)	43.1	98.8	(68.7)	(14.2)	59.1	19.9
P/Cash EPS (x)	18.4	49.7	18.7	72.1	10.5	7.5
P/BV (x)	2.4	1.5	1.5	1.7	1.7	1.6
EV/EBITDA (x)	15.7	27.7	17.2	30.2	12.5	11.8
EV/MT (INR bn)	5.23	5.15	4.02	4.06	3.92	3.62
Dividend Yield (%)	0.3	0.3	0.3	0.3	0.3	0.3
OCF/EV (%)	2.0	4.1	9.5	5.5	4.7	7.5
FCFF/EV (%)	(16.1)	(2.5)	3.9	2.8	1.1	7.2
FCFE/M Cap (%)	(2.8)	(27.0)	(1.6)	(2.9)	(1.2)	0.7

Source: Company, HSIE Research

1 Yr Price History**Rating Criteria**

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

Disclosure:

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