INSTITUTIONAL RESEARCH

Sagar Cements

Robust offtake in Q2FY27E; major capex over

We maintain ADD on Sagar Cements (SGC) with an unchanged TP of INR 190/share (SOTP-based, Sep'28E). We interacted with the management over business outlook. Management noted strong volume offtake in Q2FY27E, driven by robust demand in Andhra and Telangana; hence, we estimate SGC's consolidated volume will accelerate to 23% YoY (+2% QoQ despite the monsoon impact). However, cement prices have been subdued amid rising fuel and packing cost pressure. We estimate margin will come off to ~INR 240/MT (vs INR 424/362 per MT QoQ/YoY) on subdued pricing and continued cost spike. Given the robust Q2 volume offtake, SGC is confident of achieving 7mn MT grey cement sales and is hopeful of margin recovery Q3FY27 onward as it expects cement prices to increase further in Oct'26 (over and above the price hike taken in Sep'26). SGC has completed its major expansions and will focus on asset sweating and margin recovery. We estimate consolidated volume/EBITDA CAGR of 10/16% over FY26–29E and expect the planned land sale and slowdown in capex outgo to lead to net debt to EBITDA coming off to below 3x in FY29E vs 5.5x in FY26.

- **Robust volume growth in Q2FY27E amid depressed margin:** SGC noted cement demand has been very strong in its core Andhra/Telangana markets, leading to robust sales of >20% YoY (consolidated volumes). Its trade sales share has also improved to >55% vs ~50% in the past six quarters. Cement prices, however, remained weak through a large part of the quarter, with price recovery (~INR 200–300/MT) only after 10th September. Hence, management expects flattish to marginal fall in NSR QoQ. Incentive accruals (INR 39/MT in Q1) are expected to remain flattish as SGC has moved to accrual-based accounting. On the opex front, owing to its earlier fuel inventory, SGC expects ~INR 50/MT QoQ fuel-cost inflation. Rising fuel costs are expected to further drive its energy cost by ~INR 100–150/MT in Q3. Even packing costs are on the rise and will push up opex in Q2. Thus, we estimate margin will slump to ~INR 240/MT (vs INR 424/362 per MT QoQ/YoY).
- **Andhra Cements' (ACL) expansion completed, focus on growth and margin:** SGC completed the last leg of its major on-going expansions as it commissioned the brownfield cement expansion (0.7mn MT) at its ACL subsidiary at the end of Sep'26. Thus, SGC's consolidated clinker/cement capacity increased to 7/12mn MT respectively. Earlier, in Q1FY27, SGC increased its Madhya Pradesh subsidiary (Satguru) capacity by 0.5mn MT. Management mentioned that it will not take up further expansion for now and will focus on sweating the capacity as well as improving profitability. It also guided that ACL's profitability will improve on cost stabilization and higher utilization.
- **Vizag land monetization:** Management is confident that it will be able to sell a part of the total 105-acre land parcel in Vizag in H2FY27, as demand for the parcel is strong and the pending approval is expected soon. We estimate SGC will earn ~1/1.8/0.7bn from the total land sales during FY27/28/29E.
- **Andhra Cements' merger to be completed by early FY28:** In Jun'26, SGC announced a share-swap ratio of 29 shares of Sagar Cements for every 98 shares of Andhra Cements, in which minority shareholders own a 25% stake. This will lead to the issuance of 6.8mn new equity shares of SGC, resulting in 5% equity dilution. SGC expects to complete the merger by early-FY28, with promoters' holding coming off to 46% vs 48% currently.

ADD

CMP *(as on 29 Sep 2026)*	INR 147
Target Price	INR 190
NIFTY	22,716

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 190	INR 190
EBITDA revision %	FY27E *(7.0)*	FY28E *(4.4)*

KEY STOCK DATA	
Bloomberg code	SGC IN
No. of Shares (mn)	131
MCap (INR bn) / ($ mn)	19/200
6m avg traded value (INR mn)	12
52 Week high / low	INR 259/142

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(16.2)	(7.9)	(41.2)
Relative (%)	(10.7)	(6.5)	(31.5)

SHAREHOLDING PATTERN (%)	Mar-26	Jun-26
Promoters	48.33	48.33
FIs & Local MFs	18.48	18.39
FPIs	1.67	1.61
Public & Others	31.52	31.68
Pledged Shares	30.00	30.00

Source : BSE

Pledged shares as % of total shares

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- **Outlook**: In this note, we have lowered our FY27/28E EBITDA estimates by 7/4% respectively, factoring in subdued cement pricing amid rising energy and packing cost pressure. We also introduce our FY29E financial estimates in this note. Over FY26–29E, we estimate consolidated volume CAGR of 10%, driven by expansion ramp-up. While we expect margin to compress to ~INR 430/MT in FY27E (vs INR 462/MT in FY26) on rising cost pressure, we estimate it to recover to INR 552/MT by FY29E on reduction in cost pressure, op-lev gains, and an increase in low-cost green-power share.

  Subsequently, we estimate consolidated EBITDA CAGR of 16% over the same period. We roll forward our SOTP valuations to Sep'28E from Mar'28E. We ascribe 70% weight to 6.5x Sep'28E EBITDA and 30% weight to replacement valuation at USD 65/MT (for its 12mn MT cement capacity), leading to an unchanged TP of INR 190/share. We maintain ADD on the stock.

Key financials (consolidated)

INR mn	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net Sales	25,046	22,576	26,500	30,286	33,648	36,522
EBITDA	2,459	1,411	2,920	3,014	3,903	4,603
APAT	(545)	(1,894)	(111)	(1,196)	(569)	(32)
AEPS (INR)	(4.17)	(14.49)	(0.85)	(9.15)	(4.14)	(0.23)
EV/EBITDA (x)	16.9	29.8	15.8	12.2	9.0	7.4
EV/MT (INR bn)	4.1	4.0	4.4	3.1	2.9	2.8
P/E (x)	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*
RoE (%)	(2.7)	(9.9)	(0.6)	(6.4)	(3.0)	(0.2)

Source: Company, HSIE Research

Key operational assumptions

	FY24	FY25	FY26	FY27E	FY28E	FY29E
Cement Cap (mn MT)	**10.1**	**10.5**	**10.5**	**12.0**	**12.0**	**12.0**
Sales Volume (mn MT)	**5.6**	**5.7**	**6.3**	**7.0**	**7.7**	**8.3**
YoY change (%)	*13.9*	*0.7*	*11.7*	*11.0*	*10.0*	*8.0*
Utilisation (%)	*55.9*	*53.9*	*60.2*	*58.5*	*64.3*	*69.4*
(Rs/ MT trend)						
NSR	**4,456**	**3,989**	**4,192**	**4,318**	**4,361**	**4,383**
YoY change (%)	*(1.4)*	*(10.5)*	*5.1*	*3.0*	*1.0*	*0.5*
Raw Materials	732	761	797	837	828	836
Power & Fuel	1,694	1,408	1,356	1,478	1,478	1,464
Freight costs	840	811	818	821	821	821
Employee cost	209	235	236	211	211	207
Other expense	544	525	523	542	517	503
Total Opex	**4,018**	**3,739**	**3,730**	**3,888**	**3,855**	**3,830**
YoY change (%)	*(4.5)*	*(6.9)*	*(0.2)*	*4.2*	*(0.8)*	*(0.6)*
EBITDA per MT	**437**	**249**	**462**	**430**	**506**	**552**

Source: Company, HSIE Research

Estimates revision summary (consolidated)

INR bn	FY27E New	FY28E New	FY27E Old	FY28E Old	FY27E *Chg %*	FY28E *Chg %*
Net Sales	30.29	33.65	29.99	33.16	*1.0*	*1.5*
EBITDA	3.01	3.90	3.24	4.08	*(7.0)*	*(4.4)*
APAT	(1.20)	(0.57)	(1.11)	(0.35)	*8.0*	*60.6*
AEPS	(9.15)	(4.14)	(8.47)	(2.71)	*8.0*	*52.7*

Source: Company, HSIE Research

Financials

Consolidated Income Statement

YE Mar (INR mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenues	**25,046**	**22,576**	**26,500**	**30,286**	**33,648**	**36,522**
Growth %	***12.3***	***(9.9)***	***17.4***	***14.3***	***11.1***	***8.5***
Raw Material	4,116	4,308	5,037	5,868	6,390	6,970
Power & Fuel	9,522	7,970	8,574	10,369	11,406	12,196
Freight Expense	4,721	4,589	5,174	5,758	6,334	6,841
Employee cost	1,173	1,331	1,492	1,477	1,625	1,722
Other Expenses	3,056	2,969	3,304	3,800	3,990	4,189
EBITDA	**2,459**	**1,411**	**2,920**	**3,014**	**3,903**	**4,603**
EBIDTA Margin (%)	***9.8***	***6.2***	***11.0***	***10.0***	***11.6***	***12.6***
EBITDA Growth %	***60.5***	***(42.6)***	***107.0***	***3.2***	***29.5***	***17.9***
Depreciation	2,141	2,308	2,397	2,551	2,650	2,712
EBIT	**318**	**(897)**	**523**	**463**	**1,253**	**1,892**
Other Income (Including EO Items)	541	214	216	107	58	77
Interest	1,848	1,881	1,970	2,135	2,010	1,840
PBT	**(989)**	**(2,564)**	**(1,231)**	**(1,565)**	**(699)**	**128**
Tax	(358)	(601)	(1,223)	(470)	(245)	45
Minority Int	(87)	(69)	103	100	115	115
RPAT	**(434)**	**(2,098)**	**(111)**	**(146)**	**1,181**	**668**
EO (Loss) / Profit (Net Of Tax)	111	(204)	-	1,050	1,750	700
APAT	**(545)**	**(1,894)**	**(111)**	**(1,196)**	**(569)**	**(32)**
APAT Growth (%)	***n/a***	***n/a***	***n/a***	***n/a***	***n/a***	***n/a***
AEPS	**(4.2)**	**(14.5)**	**(0.8)**	**(9.1)**	**(4.1)**	**(0.2)**
AEPS Growth %	***n/a***	***n/a***	***n/a***	***n/a***	***n/a***	***n/a***

Source: Company, HSIE Research. NA: not applicable

Consolidated Balance Sheet

YE Mar (INR mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
SOURCES OF FUNDS						
Share Capital	261	261	261	261	275	275
Reserves And Surplus	19,151	16,967	16,668	16,522	17,929	18,598
Total Equity	**19,412**	**17,228**	**16,929**	**16,784**	**18,204**	**18,873**
Minority Int	**785**	**715**	**1,680**	**1,680**	**1,440**	**1,440**
Long-term Debt	12,492	11,363	14,067	14,067	12,067	8,767
Short-term Debt	1,921	3,095	3,017	3,017	3,017	5,589
Total Debt	**14,412**	**14,458**	**17,084**	**17,084**	**15,084**	**14,356**
Deferred Tax Liability	(325)	(990)	(1,917)	(1,917)	(1,917)	(1,917)
Long-term Liab+ Provisions	1,352	1,229	1,468	1,412	1,412	1,424
TOTAL SOURCES OF FUNDS	**35,637**	**32,641**	**35,243**	**35,042**	**34,222**	**34,176**
APPLICATION OF FUNDS						
Net Block	32,503	31,085	32,286	33,235	31,285	30,513
Capital WIP	147	1,232	1,158	358	858	1,358
Other Non-current Assets	840	882	1,678	938	1,032	1,135
Total Non-current Investments	-	-	-	-	-	-
Total Non-current Assets	**33,489**	**33,200**	**35,121**	**34,531**	**33,175**	**33,006**
Inventories	3,075	2,736	3,127	3,634	4,139	4,383
Debtors	2,077	2,042	2,259	2,726	3,028	3,287
Cash and Cash Equivalents	2,668	1,700	1,075	1,164	1,276	1,259
Other Current Assets (& Loans/adv)	842	535	1,159	1,239	1,325	1,418
Total Current Assets	**8,663**	**7,012**	**7,620**	**8,763**	**9,768**	**10,346**
Creditors	5,183	3,275	3,460	4,240	4,711	5,113
Other Current Liabilities & Provns	1,333	4,296	4,038	4,012	4,009	4,063
Total Current Liabilities	**6,515**	**7,571**	**7,498**	**8,252**	**8,720**	**9,176**
Net Current Assets	**2,147**	**(559)**	**122**	**511**	**1,048**	**1,170**
TOTAL APPLICATION OF FUNDS	**35,637**	**32,641**	**35,243**	**35,042**	**34,222**	**34,176**

Source: Company, HSIE Research

Consolidated Cash Flow

YE Mar (INR mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Reported PBT	(841)	(2,835)	(1,231)	(1,665)	(814)	13
Non-operating & EO Items	(584)	(114)	(195)	943	1,692	623
Interest Expenses	1,848	1,881	1,970	2,135	2,010	1,840
Depreciation	2,141	2,308	2,397	2,551	2,650	2,712
Working Capital Change	1,537	1,144	(786)	384	(519)	(230)
Tax Paid	(96)	(44)	1	470	245	(45)
OPERATING CASH FLOW (a)	**4,004**	**2,339**	**2,156**	**4,817**	**5,264**	**4,914**
Capex	(2,489)	(1,299)	(4,161)	(2,700)	(1,200)	(2,440)
Free Cash Flow (FCF)	1,640	1,188	(1,940)	2,225	4,122	2,550
Investments	489	18	(26)	-	-	-
Non-operating Income	126	148	65	107	58	77
INVESTING CASH FLOW (b)	**(1,875)**	**(1,133)**	**(4,122)**	**(2,593)**	**(1,142)**	**(2,363)**
Debt Issuance/(Repaid)	(359)	(160)	2,263	-	(2,000)	(728)
Interest Expenses	(1,756)	(1,921)	(1,844)	(2,135)	(2,010)	(1,840)
FCFE	(474)	(893)	(1,521)	90	112	(17)
Share Capital Issuance	-	-	876	-	-	-
Dividend	(92)	(92)	-	-	-	-
FINANCING CASH FLOW (c)	**(2,206)**	**(2,173)**	**1,296**	**(2,135)**	**(4,010)**	**(2,567)**
NET CASH FLOW (a+b+c)	**(77)**	**(967)**	**(670)**	**90**	**112**	**(17)**
Closing Cash & Equivalents	**2,180**	**1,701**	**1,030**	**1,164**	**1,276**	**1,259**

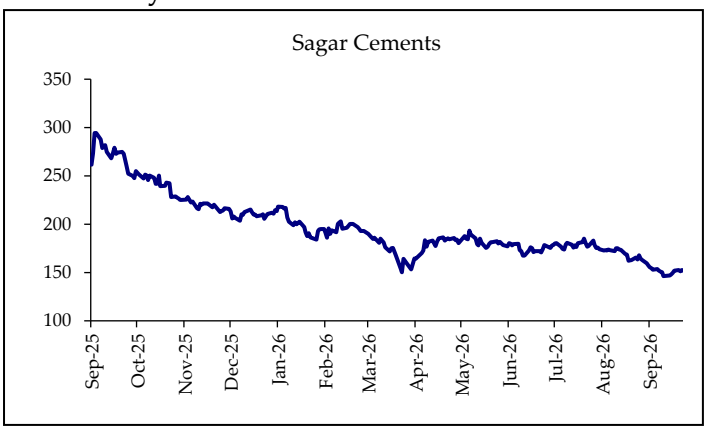
Source: Company, HSIE Research

Key Ratios

	FY24	FY25	FY26	FY27E	FY28E	FY29E
PROFITABILITY %						
EBITDA Margin	9.8	6.2	11.0	10.0	11.6	12.6
EBIT Margin	1.3	(4.0)	2.0	1.5	3.7	5.2
APAT Margin	(2.2)	(8.4)	(0.4)	(3.9)	(1.7)	(0.1)
RoE	*(2.7)*	*(9.9)*	*(0.6)*	*(6.4)*	*(3.0)*	*(0.2)*
RoIC	*1.0*	*(2.9)*	*1.7*	*1.4*	*3.8*	*5.9*
RoCE	*2.4*	*(2.0)*	*2.2*	*1.6*	*3.8*	*5.8*
EFFICIENCY						
Tax Rate %	36.2	23.4	99.4	30.0	35.0	35.0
Fixed Asset Turnover (x)	0.5	0.5	0.5	0.6	0.6	0.6
Inventory (days)	45	44	43	44	45	44
Debtors (days)	30	33	31	33	33	33
Other Current Assets (days)	25	23	39	26	26	26
Payables (days)	76	53	48	51	51	51
Other Current Liab & Provns (days)	39	89	76	65	59	55
Cash Conversion Cycle (days)	(15)	(42)	(10)	(14)	(7)	(4)
Net Debt/EBITDA (x)	4.8	9.0	5.5	5.3	3.5	2.8
Net D/E	0.6	0.7	0.9	0.9	0.7	0.6
Interest Coverage	0.2	(0.5)	0.3	0.2	0.6	1.0
PER SHARE DATA (INR)						
EPS	(4.2)	(14.5)	(0.8)	(9.1)	(4.1)	(0.2)
CEPS	12.2	3.2	17.5	10.4	15.1	19.5
Dividend	0.7	-	-	-	-	-
Book Value	154.5	137.3	142.4	141.3	142.9	147.7
VALUATION						
P/E (x)	n/a	n/a	n/a	n/a	n/a	n/a
P/Cash EPS (x)	18.2	70.4	12.7	14.2	9.7	7.5
P/BV (x)	1.5	1.7	1.7	1.1	1.1	1.1
EV/EBITDA (x)	16.9	29.8	15.8	12.2	9.0	7.4
EV/MT (INR bn)	4.14	4.00	4.40	3.05	2.92	2.84
Dividend Yield (%)	0.5	-	-	-	-	-
OCF/EV (%)	9.6	5.6	4.7	13.2	15.0	14.4
FCFF/EV (%)	3.9	2.8	(4.2)	6.1	11.8	7.5
FCFE/M Cap (%)	(1.6)	(3.1)	(5.2)	0.5	0.6	(0.1)

Source: Company, HSIE Research

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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