Sagar Cement (SAGCEM)

ICICI Direct

CMP: ₹176 | Target ₹ 185 (+5%) | Target Period: 12 months | HOLD

July 28, 2026

Cost savings measures remain a key monitorable…

About the stock: Sagar Cement is a south based cement player with a cement capacity of 11 million tonnes (mtpa).

- In terms of region wise capacity, Andhra Pradesh accounted for ~48%, followed by Telangana (~29%), Odisha (~14%) & Madhya Pradesh (~10%)

Q1FY27 performance: Revenue increased by 5.3% YoY (-10.3% QoQ) to Rs 706.1 crore as volume growth of 12.5% YoY (-12.3% QoQ) was negated by decline in realisation (-6.4% YoY, +2.3% QoQ). EBITDA/ton decreased by 47% YoY (+1.3% QoQ) to Rs 451/ton. Subsequently, EBITDA came at Rs 72.4 crore (-40.4% YoY, -11.2% QoQ). On PAT level, the company reported a loss of Rs 28.1 crore

Investment Rationale:

- **Volume growth to be supported by increase in capacity utilization**: Consolidated volume grew ~13% YoY in Q1FY27, led by pick-up in demand and improvement in capacity utilisation across its units. Overall capacity utilisation stood at ~63% during this quarter (vs 56% in Q1FY26). We believe that company's utilisation levels to improve and support volume growth during FY27E-28E (as compared to FY26) across all the capacities considering the further ramp-up of existing units (including subsidiary Andhra Cements which is also running at ~41% utilisation). Management guides sales volume of 7 mtpa for FY26E (implies ~15% YoY) and double-digit volume growth for FY28E. Moreover, company is in process of expanding its total cement capacity to 12 mtpa by FY28E (from 11 mtpa at present) by adding 1 mtpa (Dachepalli – 0.75 mtpa which is expected by Q3FY27 and Gudipadu – 0.25 mtpa which is expected in FY28E). We estimate volume CAGR of ~13% over FY26-28E to 7.8 mtpa in FY28E
- **Operational efficiencies to support EBITDA per ton improvement**: During Q1FY27, company reported EBITDA/ton of Rs 451/ton (vs Rs 851/ton in Q1FY26), mainly due to lower realisations and input cost pressure. Going ahead, we believe that operational performance is likely to be impacted in near term due to cost pressure led by geo-political uncertainties (management guides Rs 100/ton increase in cost for FY27E). However, we expect overall profitability to recover from H2FY27E, led by improvement in realisations, production ramp-up of Andhra Cements & other units, continuous focus on improving operational efficiencies and positive operating leverage. By FY30, Company targets green power share of 50% (from 22% at present) and TSR share of 25% (from 2.39% at present). We estimate EBITDA/ton of Rs 521/ton for FY27E (in-line with management guidance of Rs 500-550/ton) and Rs 674/ton for FY28E (vs Rs 479/ton in FY26)

Rating and Target Price:

- We cut our EBITDA estimates by 17%/12% for FY27E/28E, factoring in higher 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 also downgrade our rating to **HOLD** on Sagar Cement with a revised target price of Rs 185 (based on 7x EV/EBITDA on FY28E basis and Rs 27/share for 107-acre land at Vizag)

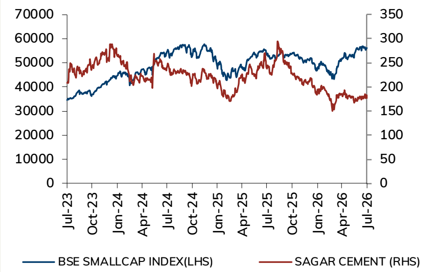
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	2,300
FY26 Gross Debt (₹ Crore)	1,607
FY26 Cash (₹ Crore)	21
EV (₹ Crore)	3,887
52 Week H/L (₹)	300 / 149
Equity Capital	13.1
Face Value	2.0

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	48.3	48.3	48.3	48.3
FII	2.8	1.8	1.7	1.6
DII	17.4	18.4	18.5	18.4
Others	31.4	31.5	31.5	31.7

Price Chart



Key risks

(i) Slowdown in Demand

(ii) Delays in capacity expansion

(iii) Increase in commodity prices

(iv) High competition

Research Analyst

Vijay Goel
vijay.goel@icicisecurities.com

Deep Lapsia
deep.lapsia@icicisecurities.com

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%	3,014	3,457	14.2%
EBITDA	153	246	141	292	24.0%	357	522	33.8%
EBITDA margin (%)	6.9	9.8	6.2	11.0		11.8	15.1	
Net Profit	30	(43)	(210)	(11)		(57)	65	
EPS (₹)	2.3	(3.3)	(16.1)	(0.8)		(4.4)	5.0	
EV/EBITDA (x)	23.3	14.1	25.3	13.5		11.6	7.4	
EV/ton ($)	35.7	34.9	35.7	39.6		36.9	34.1	
RoCE (%)	6.3	2.5	(2.2)	2.2		3.8	8.8	
RoE (%)	1.5	(2.7)	(11.0)	(0.7)		(3.5)	3.8	

Source: Company, ICICI Direct Research

Q1FY27 – Result highlights

- Revenue increased by 5.3% YoY (-10.3% QoQ) to Rs 706.1 crore as volume growth of 12.5% YoY (-12.3% QoQ) was negated by decline in realisation (-6.4% YoY, +2.3% QoQ).
- Total cost/ton increased by 2.5% YoY (+2.4% QoQ), mainly on account of higher RM cost, power and fuel costs and other costs.
- EBITDA/ton decreased by 47% YoY (+1.3% QoQ) to Rs 451/ton. Subsequently, EBITDA came at Rs 72.4 crore (-40.4% YoY, -11.2% QoQ).
- On PAT level, the company reported a loss of Rs 28.1 crore as against net profit of Rs 7.5 crores in Q1FY26

Recent earnings call highlights

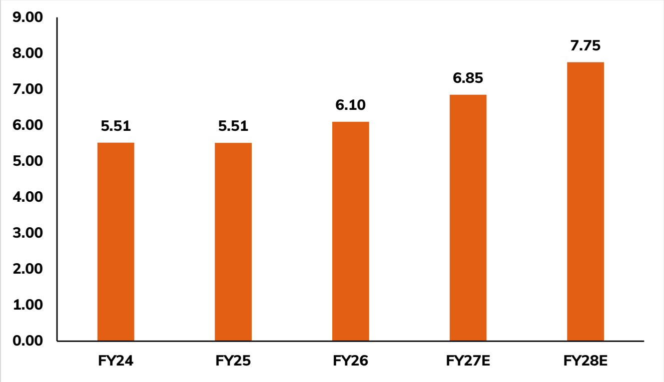
- Management maintained its FY27E volume guidance of ~15% growth (7 mtpa), driven by strong demand. It also expects double-digit volume growth in FY28E
- Management expects South India demand to grow 8-10% in FY27, supported by Amaravati development, Telangana's housing scheme, and improving private construction activity.
- Management reiterated its FY27E EBITDA/ton guidance of ₹500-550/ton, supported by stable pricing and cost savings from the commissioning of Gudipadu WHRS, Jeerabad expansion and the new Andhra cement mill
- Cement prices have remained broadly flat from March exit till July, with only minor fluctuations. Management expects pricing to remain stable and believes the industry will eventually require price increases to offset persistent cost inflation
- Management expects fuel, raw material and other operating costs to increase by around ₹100/tonne during FY27E. However, ongoing cost-saving initiatives are expected to fully offset this inflation, resulting in a largely neutral net impact
- Q2FY27E is expected to witness temporary cost pressure due to planned maintenance shutdowns at Mattampally and Jeerabad, along with inventory cost adjustments from clinker stocking. Management expects these headwinds to reverse during H2FY27
- Management stated that no major expansion capex is planned until the end of FY28E, apart from ongoing projects and annual maintenance capex. The current ongoing capex is around ₹240 crore, while annual maintenance capex is expected at ₹30-40 crore
- The recently commissioned Gudipadu WHRS is expected to generate around ₹25/ton savings at the consolidated level, while savings at the Jeerabad plant could be around ₹125/ton
- Andhra Cements' capacity utilisation has improved from below 30% at acquisition to ~50% currently, with management targeting ~60% utilisation by end-FY27 and 60-70% utilisation over the medium term
- Management expects to monetise the Vizag land after receiving the final government approval, with ₹150 crore expected to be realised in FY27 and another ~₹200 crore in FY28

Exhibit 1: Q1FY26 consolidated result overview (₹ crore)

Particulars	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
Operating Income	706.1	670.7	5.3	787.0	-10.3	Revenue grew YoY led by robust volume growth
Other income	2.4	4.2	-43.2	11.2	-78.7	
Total Revenue	708.5	674.9	5.0	798.2	-11.2	
Raw materials costs	126.9	83.8	51.3	152.1	-16.6	
Employees Expenses	36.4	34.0	6.9	39.0	-6.7	
Other Expenses	70.4	71.4	-1.5	90.8	-22.5	
Total Expenditure	633.7	549.2	15.4	705.4	-10.2	
EBITDA	72.4	121.5	-40.4	81.5	-11.2	
EBITDA margins (%)	10.3	18.1	-785 bps	10.4	-10 bps	Margins impacted on account of lower realisation and higher costs
Interest	52.2	47.1		53.1		
Depreciation	59.2	54.7	8.3	66.3	-10.7	
Tax	-8.5	16.4	-151.7	-126.7	-93.3	
PAT	-23.1	1.2	-1994.3	87.6	-126.4	

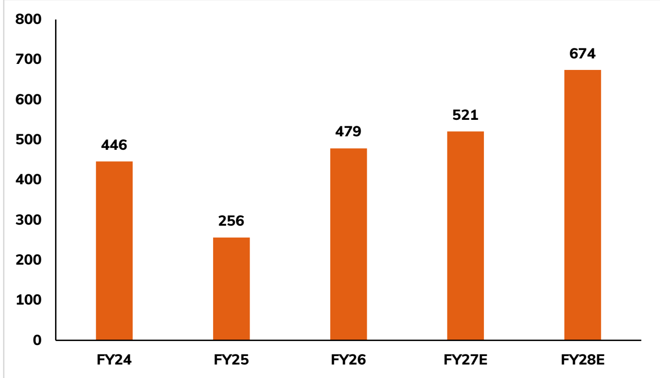
Source: Company, ICICI Direct Research

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	3,014.0	3,456.5
% Growth	(9.9)	17.4	13.7	14.7
Other income	21.4	21.6	23.7	26.1
Total Revenue	2,257.6	2,650.0	3,014.0	3,456.5
% Growth	(9.9)	17.4	13.7	14.7
Employee Expenses	133.1	149.2	167.1	187.1
other expenses	296.9	330.4	373.4	421.9
Total Operating Expenditure	2,116.6	2,358.0	2,657.1	2,934.0
Operating Profit (EBITDA)	141.1	292.0	356.9	522.5
% Growth	(42.6)	107.0	22.2	46.4
Interest	188.1	197.0	208.8	204.9
PBDT	(25.6)	116.6	171.8	343.6
Depreciation	230.8	239.7	247.1	257.5
PBT before Exceptional Items	(256.4)	(123.1)	(75.3)	86.1
Total Tax	(66.9)	(122.3)	(18.1)	20.7
PAT before MI	(216.7)	(0.7)	(57.3)	65.4
PAT	(209.8)	(11.1)	(57.3)	65.4
EPS	(16.1)	(0.8)	(4.4)	5.0

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Profit after Tax	(209.8)	(11.1)	(57.3)	65.4
Depreciation	230.8	239.7	247.1	257.5
Interest	188.1	197.0	208.8	204.9
Cash Flow before WC chg	209.1	425.5	398.7	527.9
Changes in inventory	33.9	(39.1)	(42.4)	(52.1)
Changes in loans & Adv	0.1	0.1	(0.3)	(0.1)
Changes in other CA	30.3	(27.4)	(9.9)	(12.0)
Net Increase in CA	67.1	(207.5)	(82.6)	(101.8)
Changes in creditors	60.1	(232.3)	46.2	57.6
Changes in provisions	(0.6)	3.5	1.1	1.4
Net Inc in Current Liabilities	110.0	1.0	62.1	76.9
Net CF from Op activities	386.1	219.0	378.2	502.9
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)	(339.2)	(61.2)
Dividend and Dividend Tax	(9.2)	-	-	-
Net CF from Fin Activities	(208.8)	28.4	(43.8)	(434.9)
Net Cash flow	(98.5)	(145.0)	(4.8)	6.8
Opening Cash/Cash Equ	262.2	163.7	18.7	13.9
Closing Cash/ Cash Equ	163.7	18.7	13.9	20.8

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	1,609.5	1,675.0
Total Shareholders' funds	1,722.7	1,692.9	1,635.7	1,701.1
Total Debt	1,428.0	1,672.0	1,837.0	1,607.0
Total Liabilities	3,413.9	3,741.7	3,849.4	3,684.9
Acc: Depreciation	1,759.0	1,998.6	2,245.8	2,503.3
Net Block	2,957.2	3,055.0	3,203.6	3,036.1
Capital WIP	123.2	115.8	50.0	10.0
Total Fixed Assets	3,231.8	3,344.4	3,427.2	3,219.7
Non-Current Assets	247.3	401.0	410.2	421.3
Inventory	273.6	312.7	355.1	407.2
Debtors	204.2	225.9	256.0	293.6
Other Current Assets	44.5	71.9	81.8	93.8
Cash	163.7	18.7	13.9	20.8
Total Current Assets	697.4	759.9	837.7	946.4
Current Liabilities	578.3	346.0	392.2	449.8
Provisions	90.0	91.0	92.0	93.0
Total Current Liabilities	762.6	763.6	825.7	902.6
Net Current Assets	(65.2)	(3.7)	12.0	43.8
Total Assets	3,413.9	3,741.7	3,849.4	3,684.9

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
EPS	(16.1)	(0.8)	(4.4)	5.0
Cash per Share	12.5	1.4	1.1	1.6
BV	131.8	129.5	125.1	130.1
EBITDA Margin	6.2	11.0	11.8	15.1
PAT Margin	(9.3)	(0.4)	(1.9)	1.9
RoCE	(2.2)	2.2	3.8	8.8
RoIC	(3.0)	1.6	3.2	8.1
EV / EBITDA	25.3	13.5	11.6	7.4
P/E	(12.2)	(207.8)	(40.2)	35.2
EV / Net Sales	1.6	1.5	1.4	1.1
Sales / Equity	1.3	1.6	1.8	2.0
Market Cap / Sales	1.0	0.9	0.8	0.7
Price to Book Value	1.3	1.4	1.4	1.4
Asset turnover	0.7	0.8	0.9	1.0
Debtors Turnover Ratio	11.0	12.3	12.5	12.6
Creditors Turnover Ratio	4.1	5.7	8.2	8.2
Debt / Equity	0.8	1.0	1.1	0.9
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

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey Head – Research pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Vijay Goel, MBA (Finance), Deep Lapsia, MBA (Finance), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report