

# Sagar Cements Ltd.

**Accumulate**

Sector: Cement

05<sup>th</sup> February 2025

<b>Key Changes</b>	<b>Target</b> ▼	<b>Rating</b> ●	<b>Earnings</b> ▼	<b>Target</b>	<b>Rs. 242</b>
Stock Type	Bloomberg Code	Sensex	NSE Code	<b>CMP</b>	<b>Rs. 211</b>
Small Cap	SGC:IN	78,584	SAGCEM	<b>Return</b>	<b>+15%</b>
			BSE Code		
			Time Frame		
			12 Months		

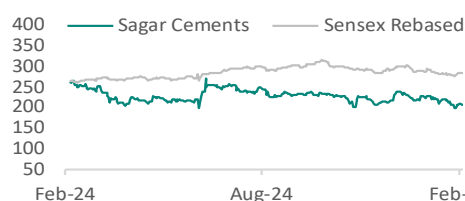
Data as of: 04-02 2025

Company Data			
Market Cap (Rs.cr)	2,758		
52 Week High — Low (Rs.)	278-172		
Enterprise Value (Rs.cr)	3,957		
Outstanding Shares (cr)	13.1		
Free Float	21%		
Dividend Yield	0.3%		
6m average volume (cr)	0.81		
Beta	1.0		
Face value Rs.	2		

Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	48.3	48.3	48.3
FII's	11.4	9.4	2.6
MFs/Insti	12.6	13.6	17.9
Public	10.4	11.8	9.3
Others	9.8	9.3	21.8
Total	100.0	100.0	100.0
Promoter encumbrance (%)	79.9	79.9	79.9

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-9.5%	-9.7%	-21.6%
Absolute Sensex	-3.6%	-1.8%	8.0%
Relative Return*	-5.9%	-7.9%	-29.6%

\*over or under performance to benchmark index



Consolidated (cr)	FY25E	FY26E	FY27E
Sales	2,295	2,775	3,076
Growth (%)	-8.4	20.9	10.9
EBITDA	174	338	442
EBITDA Margin (%)	7.6	12.2	14.4
Adj. PAT	-171	-60	19
Growth (%)	-195.8	64.7	132.2
Adj. EPS	-13.1	-4.6	1.5
Growth (%)	-195.8	64.7	132.2
P/E	-16.1	-45.7	142.0
P/B	1.6	1.6	1.6
EV/EBITDA	24.1	12.7	9.0
ROE (%)	-9.2	-3.5	1.1
D/E	0.9	1.0	0.9

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## Lower realisation drags margin, expect to rise

**Sagar Cements Ltd. (SCL), established in 1985, is a south Indian cement manufacturer with a capacity of ~10.5MT (South-8MT, Central-1MT, East-1.5MT). SCL has a total captive power capacity of 96.96MW.**

- Q3FY25 revenue declined by 16% YoY to Rs. 564cr with volumes dropping by 2% YoY and realisation declining by ~18% YoY (excluding incentive).
- EBITDA fell by a 57% YoY as EBITDA margin declined by 610bps YoY to 6.7% (improved from 4.2% in Q2FY25). EBITDA/tonne fell by a 41% YoY to Rs. 273 (improved from Rs. 172) owing to lower realisations and volumes.
- The company reported a net loss of Rs. 54cr in Q3FY25 (vs loss of Rs. 11cr YoY and loss of Rs. 57cr QoQ).
- SCL commissioned 6MW Solar Power at its Gudipadu Unit and is planning another 29.5MW by FY28 towards achieving its target of 50% green power mix by FY30 (currently 14%).
- The process of clearance of land monetization of 107 acres (Rs.4cr/acre, part of the Andhra Cements acquisition) is progressing and expect to complete by ~1.5 years post approval (expecting approval by Q1FY26).

## Outlook & Valuation

Demand is expected to pick up given the recent acceleration in government infrastructure & housing projects, which will also support realisations. Cement capacity expansion plans are underway at Dachepalli (0.75 MTPA), Jeerabad (0.5 MTPA) and Gudipadu (0.25 MTPA) to take the total to 12 MTPA by FY26 end. Going ahead with the rising utilisation rate, expect EBITDA per ton to improve on account of lower power & fuel expenses and operating leverages. Operating leverage itself should add ~Rs.200-300 EBITDA/ton and expected price increase will contribute further. The company has capex plans for ~Rs6bn over FY25-28E. The current net debt is at Rs.13bn (D/E- 0.8x) and SCL expects deleveraging to start in FY26 and **We value SCL at 10x FY27 EV/EBITDA (2Yr avg~10x) to arrive at a target price of Rs. 242 (earlier Rs.250), maintain Accumulate rating considering the expected improvement in margins and recent correction in stock price.**

## Quarterly Financials Consol.

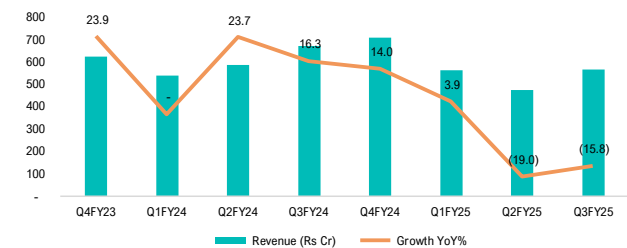
Rs.cr	Q3FY25	Q3FY24	YoY Growth (%)	Q2FY25	QoQ Growth (%)	9MFY25	9MFY24	YoY Growth (%)
Sales	564	669	-15.8	475	18.7	1,600	1,796	-10.9
EBITDA	38	87	-56.8	20	88.9	104	178	-41.3
Margin (%)	6.7	13.0	-610bps	4.2	-410bps	6.5	9.9	-160bps
EBIT	(21)	31	-168.7	(38)	44.3	(68)	20	434.4
PBT	(64)	(15)	-339.6	(79)	18.9	(191)	(94)	-103.6
Rep. PAT	(54)	(11)	-418.1	(57)	4.4	(144)	(63)	-127.0
Adj PAT	(54)	(11)	-418.1	(57)	4.4	(144)	(78)	-84.0
EPS (Rs)	-4.2	-0.8	-418.1	-4.4	4.4	-11.0	-6.0	-84.0



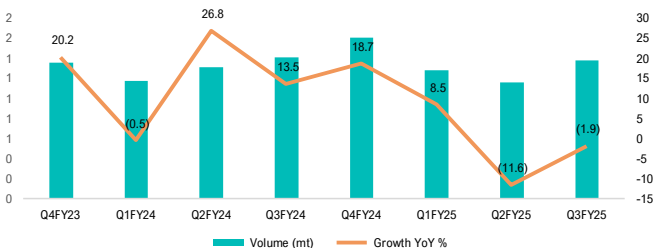
## Key Highlights...

- The company has received approvals for implementation of another 6-megawatt solar power plant at its Dachepalli unit. The new 6 stage pre-heater construction project at Dachepalli unit is progressing slightly ahead of schedule.
- Power & fuel cost stood is at Rs. 1,453 per ton as against Rs. 1,824 per ton YoY. The fuel prices per Kcal basis are largely stable on QoQ.
- Plant wise utilisation in Q3FY25- Mattampally-51%, Gudipadu-93%, Bayyavaram-68%, Jeerabad-78%, Jajpur-22% and Dachepalli-32%
- The company expects net debt to reduce by ~Rs.600 over FY27E-FY28E.
- SCL guides for volumes of 5.5MT and 6.5MT for FY25 and FY26 respectively.

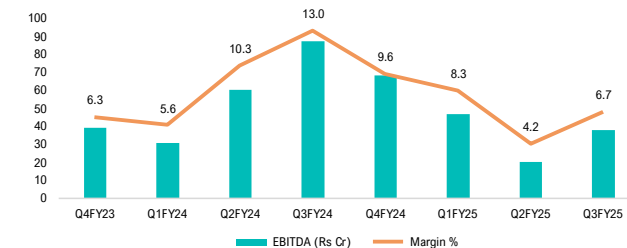
### Revenue



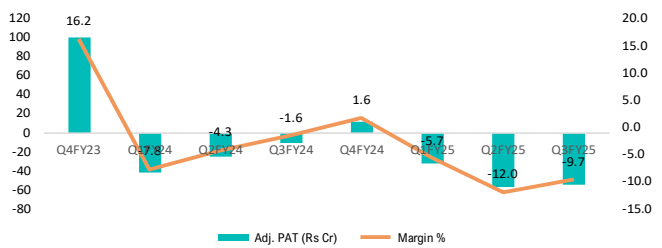
### Cement Volume



### EBITDA



### PAT



## Per Tonne Analysis

	Q3FY25	Q3FY24	YoY Growth	Q2FY25	QoQ Growth
<b>Cement Volume (MT)</b>	1.4	1.3	5.1	1.2	19.0
Cost of materials consumed	740	578	28.0	914	-19.1
Employee Expenses	272	228	19.7	265	2.9
Power & Fuel	1,453	1,823	-20.3	1,334	8.9
Freight & forwarding	833	851	-2.1	834	-0.1
Other expenses	516	532	-3.1	578	-10.7
Total expenses	3,813	4,012	-5.0	3,924	-2.8
Realisation (inc. RMC)	4,086	4,471	-8.6	4,096	-0.2
EBITDA	273	459	-40.6	172	58.8

## Sum of the parts (SOTP) valuation

Sum of the parts (SOTP) valuation					
Particulars	Basis	Base	Multiple	Value (Rs. cr.)	Value per share
Cement business	FY26E EV/EBITDA	442	10	4,351	
Less: Net Debt				1,526	
				2,825	216
Land value for monetisation (107 acres, Rs.4cr per acre, applied for monetization).	Market value	428	At 20% discount	342	26
Total					242

## Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	2,415	2,844	2,295	2,775	-5.0	-2.4
EBITDA	273	392	174	338	-36.3	-13.9
Margins (%)	11.3	13.8	7.6	12.2	-60bps	-120bps
Adj. PAT	-85	-25	-171	-60	-101.1	-141.3
EPS	-6.5	-1.9	-13.1	-4.6	-101.2	-142.9



## Consolidated Financials

### PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>1,597</b>	<b>2,228</b>	<b>2,505</b>	<b>2,295</b>	<b>2,775</b>	<b>3,076</b>
% change	16.5	39.5	12.4	-8.4	20.9	10.9
<b>EBITDA</b>	<b>276</b>	<b>151</b>	<b>246</b>	<b>174</b>	<b>338</b>	<b>442</b>
% change	-31.1	-45.2	62.5	-29.3	94.2	30.8
Depreciation	93	156	213	234	250	248
<b>EBIT</b>	<b>183</b>	<b>-4</b>	<b>32</b>	<b>-60</b>	<b>88</b>	<b>194</b>
Interest	92	202	185	188	197	184
Other Income	12	222	54	25	28	31
<b>PBT</b>	<b>103</b>	<b>16</b>	<b>-84</b>	<b>-223</b>	<b>-82</b>	<b>41</b>
% change	-63.2	-84.5	-625.8	-167.3	63.4	149.6
Tax	45	10	-32	-57	-28	14
Tax Rate	43.7%	62.8%	38.1%	25.5%	34.0%	34.0%
<b>Reported PAT</b>	<b>69</b>	<b>29</b>	<b>-43</b>	<b>-171</b>	<b>-60</b>	<b>19</b>
Adj	1	3	15	0	0	0
<b>Adj PAT</b>	<b>68</b>	<b>26</b>	<b>-58</b>	<b>-171</b>	<b>-60</b>	<b>19</b>
% change	-63.3	-61.0	-318.4	-195.8	64.7	132.2
No. of shares (cr)	11.8	13.1	13.1	13.1	13.1	13.1
<b>Adj EPS (Rs.)</b>	<b>5.9</b>	<b>2.5</b>	<b>-3.3</b>	<b>-13.1</b>	<b>-4.6</b>	<b>1.5</b>
% change	-63.3	-65.0	-318.4	-195.8	64.7	132.2
DPS (Rs.)	1	1	1	1	1	1
CEPS (Rs.)	13.7	13.9	11.9	4.8	14.5	20.5

### BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	163	210	262	213	172	208
Accounts Receivable	131	147	208	189	190	211
Inventories	209	279	308	309	330	360
Other Cur. Assets	259	168	85	88	122	135
Investments	315	0	0	0	0	0
Gross Fixed Assets	2,565	4,072	4,710	5,040	5,270	5,290
Net Fixed Assets	1,951	2,699	3,123	3,219	3,199	2,971
CWIP	101	99	15	30	40	40
Intangible Assets	97	95	127	127	127	127
Def. Tax (Net)	15	288	140	140	140	140
Other Assets	219	211	89	8	10	11
<b>Total Assets</b>	<b>3,460</b>	<b>4,196</b>	<b>4,356</b>	<b>4,323</b>	<b>4,331</b>	<b>4,203</b>
Current Liabilities	418	501	632	608	613	704
Provisions	56	63	12	13	15	17
Debt Funds	1,511	1,479	1,462	1,646	1,696	1,446
Other Liabilities	220	516	310	298	319	340
Equity Capital	24	26	26	26	26	26
Reserves & Surplus	1,232	1,611	1,915	1,733	1,662	1,670
Shareholder's Fund	1,255	1,637	1,941	1,759	1,688	1,696
<b>Total Liabilities</b>	<b>3,460</b>	<b>4,196</b>	<b>4,356</b>	<b>4,323</b>	<b>4,331</b>	<b>4,203</b>
<b>BVPS (Rs.)</b>	<b>102</b>	<b>121</b>	<b>142</b>	<b>128</b>	<b>123</b>	<b>123</b>

### CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Net inc. + Depn.</b>	<b>162</b>	<b>185</b>	<b>170</b>	<b>63</b>	<b>190</b>	<b>268</b>
Non-cash adj.	9	-3	-33	0	0	0
Other adjustments	86	-26	121	193	204	191
Changes in W.C	-170	20	154	55	-36	41
<b>C.F. Operation</b>	<b>88</b>	<b>175</b>	<b>400</b>	<b>311</b>	<b>358</b>	<b>500</b>
Capital exp.	-361	-118	-226	-345	-240	-20
Change in inv.	-427	183	75	0	0	0
Other invest.CF	4	157	13	0	0	0
<b>C.F – Investment</b>	<b>-784</b>	<b>222</b>	<b>-188</b>	<b>-345</b>	<b>-240</b>	<b>-20</b>
Issue of equity	11	350	0	0	0	0
Issue/repay debt	685	-521	-29	184	50	-250
Dividends paid	-6	-9	-9	-11	-11	-11
Other finance.CF	-75	-185	-176	-188	-197	-184
<b>C.F – Finance</b>	<b>615</b>	<b>-366</b>	<b>-221</b>	<b>-15</b>	<b>-158</b>	<b>-445</b>
Chg. in cash	-81	32	-8	-49	-41	35
Closing cash	143	175	167	118	77	113

### RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Profitab. &amp; Return</b>						
EBITDA margin (%)	17.3	6.8	9.8	7.6	12.2	14.4
EBIT margin (%)	11.4	-0.2	1.3	-2.6	3.2	6.3
Net profit mgn.(%)	4.3	1.2	-2.3	-7.4	-2.2	0.6
ROE (%)	5.6	1.8	-3.2	-9.2	-3.5	1.1
ROCE (%)	3.8	2.9	2.4	0.4	2.7	4.1
<b>W.C &amp; Liquidity</b>						
Receivables (days)	27.6	22.8	25.9	31.5	24.9	23.8
Inventory (days)	38.0	39.9	42.7	49.0	42.0	41.0
Payables (days)	384.8	247.6	379.6	422.1	348.9	341.9
Current ratio (x)	1.0	1.0	0.9	0.7	0.7	0.8
Quick ratio (x)	0.4	0.4	0.5	0.4	0.3	0.4
<b>Turnover &amp; Leverage</b>						
Gross asset T.O (x)	0.7	0.7	0.6	0.5	0.5	0.6
Total asset T.O (x)	0.5	0.6	0.6	0.5	0.6	0.7
Int. coverage ratio (x)	2.0	0.0	0.2	-0.3	0.4	1.1
<b>Adj. debt/equity (x)</b>	<b>1.2</b>	<b>0.9</b>	<b>0.8</b>	<b>0.9</b>	<b>1.0</b>	<b>0.9</b>
Valuation						
EV/Sales (x)	2.2	1.8	1.6	1.8	1.5	1.3
EV/EBITDA (x)	12.7	26.6	16.1	24.1	12.7	9.0
P/E (x)	36.5	104.3	-47.7	-16.1	-45.7	142.0
P/BV (x)	2.0	1.7	1.4	1.6	1.6	1.6



## Recommendation Summary (last 3 years)



Source: Bloomberg, Geojit Research

Dates	Rating	Target
09-Feb-23	Accumulate	249
28-Aug-23	Accumulate	260
06-Nov-23	Accumulate	274
18-Mar-24	Buy	246
06-Jun-24	Buy	258
31-Jul-24	Buy	299
02-Dec-24	Accumulate	250
05-Feb-25	Accumulate	234

## Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

### Not rated/Neutral

#### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

#### Symbols definition:

▲ Upgrade

● No Change

▼ Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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