

# Cement

## Sagar Cements: Dachepalli plant visit takeaways

We recently met with the management of Sagar Cements and visited its Dachepalli plant in Andhra Pradesh. Key takeaways from the interaction include: (1) Cement prices in the Southern region have risen by INR 45-50/bag (+10-11% QoQ) from Mar'25 exit levels and have remained firm; (2) Southern region demand is expected to grow at 6-8% YoY, with the company targeting volume growth of 9-14% YoY to 6-6.3mt in FY26; (3) The management reiterated its long-term vision to double capacity every decade (~7% CAGR), aiming to reach 20mt by FY35; (4) Ongoing expansions are set to increase clinker and cement capacities by 7% and 14% to 7mt and 12mt, respectively, by 2QFY27; and (5) The sale of the Vizag land parcels is expected to fetch net proceeds of ~INR 3.5bn (~12% of Mcap).

- **Dachepalli plant clinker/ cement capacity to increase by 25%/ 33% to 2.31mt/ 3mt by FY26:** The plant is spread across ~400 acres with current clinker and cement capacity of 1.85mt and 2.25mt respectively along with limestone reserves of ~315mt. The company majorly caters to the markets of Andhra Pradesh, Telangana and Tamil Nadu from the plant. With the ongoing expansion, the company is targeting to increase its clinker and cement capacity by 25% and 33% to 2.31mt and 3mt respectively by FY26. The proposed capex for the expansion stands at INR 4.7bn and the company has spent INR 750mn by FY25. Considering limestone reserves and land availability, there is potential to increase plant capacity by ~3x in the coming years. Besides, installation of 6-stage pre-heater (to reduce specific thermal consumption) and 6MW solar plant (by Aug'25) should help improve the cost structure of the plant.
- **Prices improved in South since Mar'25-exit; targeting volumes of 6-6.3mt (+9-14% YoY) in FY26:** The management noted that, after a couple of years of pricing pressure, average cement prices in South have increased by INR 45-50/bag (+10-11% QoQ basis) from exit of Mar'25 and sustained well in the market. The spot cement prices are still ~15-20% lower than historic high levels in the past few years. Accordingly, it remains hopeful of spot prices sustaining. After witnessing flat volumes in FY25, the management is targeting volumes growth of 9-14% YoY to 6-6.3mt (300-500bps ahead of industry forecast) in FY26.
- **Vizag land parcels sale to fetch net proceeds of INR 3.5bn (~12% of Mcap):** The company is looking to monetise ~107 acres of land parcels in Vizag. The management is hopeful of receiving the necessary approvals soon and expects net proceeds of ~INR 3.5bn (~12% of Mcap). In FY25, net debt increased by INR 870mn YoY in FY25 to INR 12.6bn as of Mar'25. With growth capex plan, the management expects net debt to remain ~INR 14bn-15bn over the next 2-3 years.

### Exhibit 1. Valuation matrix

Company Name	Mcap (USD mn)	Rating	CMP (INR/sh)	TP (INR/sh)	EV/EBITDA (x)			EV/Tonne (USD)		
					FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
ACC	4,014	BUY	1,826	2,150	10.3	8.2	7.0	85	77	67
Ambuja	15,349	BUY	533	635	19.3	15.6	12.8	151	144	137
Birla Corp	1,160	BUY	1,288	1,600	8.3	7.6	6.9	66	66	65
Dalmia	4,541	HOLD	2,043	2,050	13.2	11.6	10.0	105	107	96
JK Cement	5,222	BUY	5,778	5,850	19.2	16.3	14.0	176	154	136
Ramco Cements	2,811	HOLD	1,017	1,000	15.9	13.7	12.0	131	110	93
Shree Cement	12,402	HOLD	29,390	31,000	19.9	17.0	14.6	163	149	136
Star Cement	988	HOLD	209	230	11.9	10.1	8.9	106	88	87
UltraTech	39,360	BUY	11,420	13,500	20.2	16.5	14.4	202	187	171

Source: JM Financial

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Exhibit 2. Dachepalli plant spread across ~400 acres



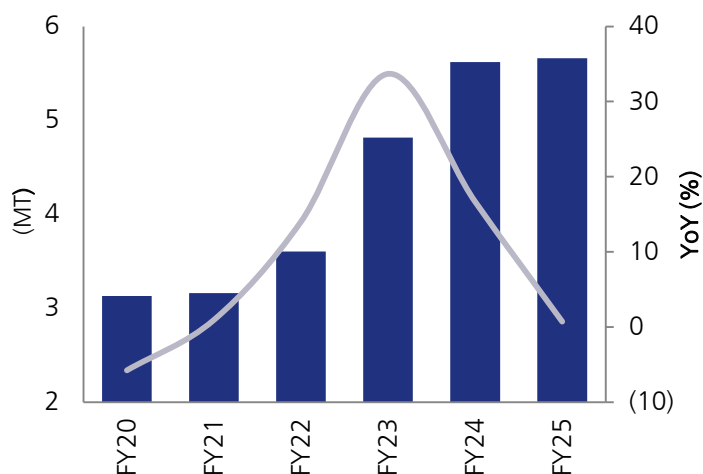
Source: Company, JM Financial

Exhibit 3. Limestone reserves of ~315mt near Dachepalli plant



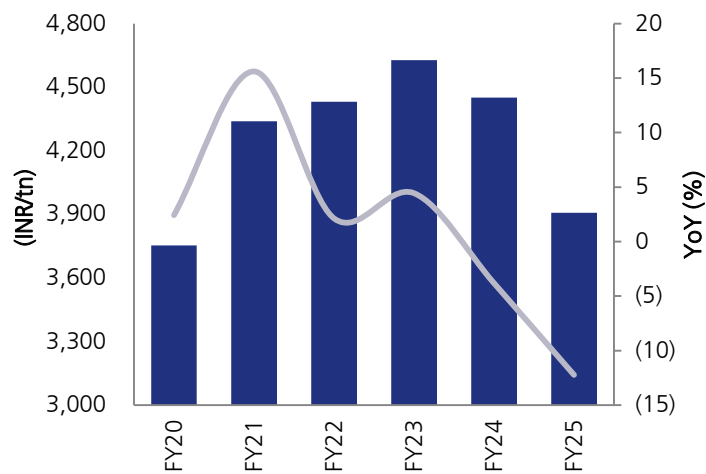
Source: Company, JM Financial

Exhibit 4. Volume grew at 13% CAGR over FY20-25



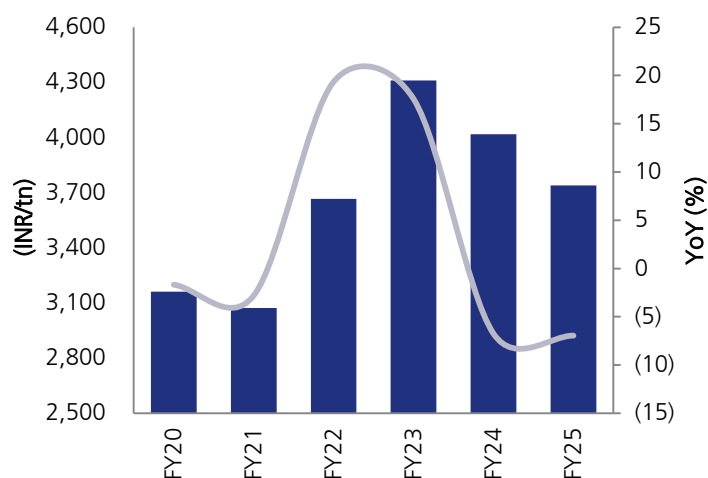
Source: Company, JM Financial

Exhibit 5. Realisation grew at 1% CAGR over FY20-25



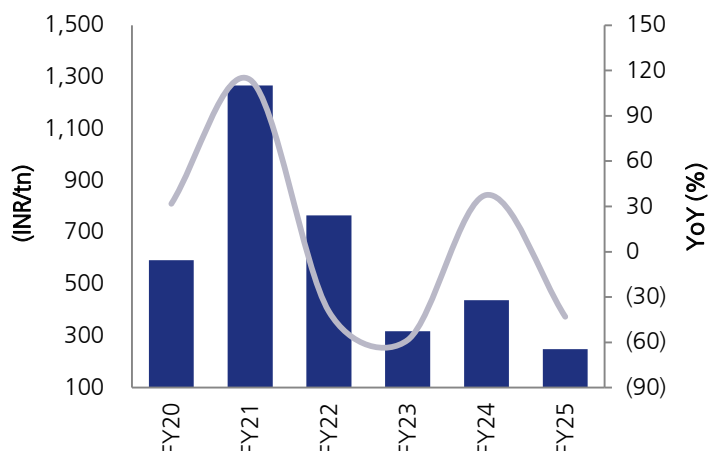
Source: Company, JM Financial

Exhibit 6. Cost/tn increased at 3% CAGR over FY20-25



Source: Company, JM Financial

Exhibit 7. EBITDA/tn shrank at 16% CAGR over FY20-25 owing to pricing pressure in the region



Source: Company, JM Financial

## APPENDIX I

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