

Sagar Cements

Andhra profitability turning around

We maintain ADD on Sagar Cements (SGC), with an unchanged TP of INR 280/share (valued at an average of 6.5x FY28E EBITDA and FY28E EV/MT of USD 65/MT). In Q3FY26, SGC posted 8% YoY volume growth, driven by ~25% volume growth in its subsidiaries. Weak pricing and the absence of incentives drove down consolidated unit EBITDA to INR 250/MT vs INR 362/MT QoQ. The impact was moderated on account of EBITDA turnaround at Andhra Cements. SGC expects Andhra to turn cash breakeven in Q4FY26. It guided to complete its ongoing expansions by FY27-end and land monetization during FY27-28E. We estimate consolidated volume will grow at 11% CAGR and margin will improve to INR 592/MT in FY28E (vs INR 249/MT in FY25), aided by Andhra's turnaround and high incentives at Jeerabad. We estimate that net debt to EBITDA will cool off to INR 2.9x in FY28E, from 6x in Sep-25.

- Q3FY26 performance:** SGC's consolidated sales volume rose 8% YoY, led by strong ~25% YoY offtake in its subsidiaries – Andhra Cement and Satguru (standalone +2% YoY). Reported NSR fell 8% QoQ, on poor pricing, higher non-trade sales (56% vs 49% QoQ). Opex fell 6% QoQ on stabilization of Andhra operations. Standalone operations generated EBITDA of INR 211/MT (vs INR 300 QoQ), with Andhra margin rebounding to +232/INR (vs-247/MT). Satguru margin too fell to INR 414/MT from INR 954/MT (weak pricing and no incentive accruals QoQ). As the pre-heater at Andhra Cements got capitalized, capital charges went up QoQ, leading to a higher net loss.
- Con call KTAs and outlook:** With the new pre-heater fully stabilized, Andhra Cements' volume and margin are expected to rise, and management has guided that this subsidiary will turn cash-breakeven in Q4FY26. Cement prices have improved in non-trade since late Dec-25 and trade prices too are expected to improve. Demand across the south is healthy, as per the management. The ongoing cement expansions are expected to be completed by FY27-end. SGC expects to complete land monetization (worth INR 3.5bn) over the next 18 months (in phases). SGC guided for capex outgo of INR 4.9/2.91bn during FY26/27E toward ongoing capacity expansion (2mn MT across three locations) as well as toward green power (WHRS and solar) additions.

Quarterly/annual financial summary (consolidated)

YE Mar (INR bn)	Q3 FY26	Q3 FY25	YoY (%)	Q2 FY26	QoQ (%)	FY24	FY25	FY26E	FY27E	FY28E
Sales (mn MT)	1.5	1.4	8.2	1.4	6.5	5.6	5.7	6.3	7.0	7.7
NSR (INR/MT)	3,915	4,046	(3.2)	4,250	(7.9)	4,456	3,989	4,228	4,270	4,313
EBITDA (INR/MT)	250	270	(7.5)	362	(31.1)	437	249	478	535	592
Net Sales	5.9	5.6	4.7	6.0	(1.9)	25.0	22.6	26.8	29.8	33.1
EBITDA	0.4	0.4	0.1	0.5	(26.6)	2.5	1.4	3.0	3.7	4.5
APAT	(0.6)	(0.6)		(0.4)	36.1	(0.4)	(2.1)	(1.0)	0.5	2.0
AEPS (INR)	(4.4)	(4.2)		(3.2)	36.1	(4.2)	(14.5)	(7.9)	(4.1)	2.2
EV/EBITDA (x)						15.2	26.8	13.8	11.1	8.4
EV/MT (INR bn)						3.7	3.8	4.1	3.5	3.2
P/E (x)						(57.5)	(11.9)	(24.2)	48.7	12.3
RoE (%)						(2.7)	(9.9)	(5.9)	(3.2)	1.6

Source: Company, HSIE Research

ADD

CMP (as on 22 Jan 2026)	INR 189
Target Price	INR 280
NIFTY	25,290
KEY CHANGES	OLD NEW
Rating	ADD ADD
Price Target	INR 280 INR 280
EBITDA	FY26E FY27E
revision %	(9.7) (5.6)

KEY STOCK DATA

Bloomberg code	SGC IN
No. of Shares (mn)	131
MCap (INR bn) / (\$ mn)	25/270
6m avg traded value (INR mn)	48
52 Week high / low	INR 300/155

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(22.1)	(26.8)	(10.1)
Relative (%)	(19.6)	(26.9)	(17.8)

SHAREHOLDING PATTERN (%)

	Sep-25	Dec-25
Promoters	48.33	48.33
FIs & Local MFs	17.39	18.38
FPIs	2.84	1.75
Public & Others	31.44	31.54
Pledged Shares	13.04	13.04

Source : BSE

Pledged shares as % of total shares

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