

Bloomberg Code	SGC.IN
No of share O/S (in Cr)	13.1
Market Cap (in Rs Cr)	2,727
Face Value (in Rs)	2.0
Dividend Yield (%)	0.34
52 Wk High/Low (in Rs)	268/171

### ***Key result highlights***

Sagar Cement Ltd (SCL) reported a quarterly revenue of INR 540 cr in Q1FY24, a QoQ/YoY decline of 13.2%/3.2%, respectively. The company's cement sales volumes declined at a QoQ/YoY rate of 13.1%/0.6%, respectively, to 1.18 mn tons. The company reported a per tonne realization of INR 4,575/ton in Q1FY24, which was lower than INR 4,581/ton in Q4FY23 and INR 4,702/ton in Q1FY23.

The current quarter performance was largely impacted owing to the maintenance shutdown undertaken for Matampally's line II clinker production. That coupled with competitive pricing environment across key markets weighed in on quarterly performance. SCL's existing capacities are operating at 47% utilization.

SCL's Jeerabad and Jajpur facilities are performing in line with the expectations and the management expecting 80% utilization levels and EBITDA breakeven for Jajpur in FY24.

Shareholding (%)	
Promoters	45.2
Institutional	22.7
Public	32.1
Total	100

### ***Higher energy cost impacted the operating profitability***

EBITDA declined at a QoQ/YoY rate of 21.6%/50.1% respectively to INR 30.5 cr in Q1FY24, while EBITDA per ton declined at a QoQ/YoY rate of 9.8%/49.8% respectively to INR 258.4/ton, which was significantly lower than the company's guidance. Higher input cost, especially power & fuel and freight expenses, impacted the EBITDA performance. The management indicated that the overall cost per ton, in proportion to sales, is expected to improve in FY24.

Commissioning of the new WHRS plant (to reduce dependency of external power) and recent price hikes (in the range of INR 15-20 per 50 Kg bag) taken by the company are also expected to ease pressure on operating margins.

## ***Concall Highlights***

- Q1FY24 performance was largely impacted owing to the maintenance shutdown undertaken for Matampally's line II clinker production. That coupled with competitive pricing environment across key markets weighed in on quarterly performance. SCL's existing capacities are operating at 47% utilization.
- Realisations have remained relatively stable as compared to the sequential quarter. Demand from both infrastructure and housing segments continued to witness good momentum aiding in healthy volume growth across regions. Incremental volume growth was visible in the newly commissioned plants.
- SCL's Jeerabad and Jajpur facilities are performing in line with the expectations and the management expecting 80% utilization levels and EBITDA breakeven for Jajpur in FY24.
- The company witnessed a decline in its operating profitability by 50% during the quarter due to benign pricing environment and also largely owing to high-cost inventory on the books. The management expects the margins to benefit from falling fuel prices in the coming quarters. In addition to moderating input prices, higher utilization levels and regional diversification should help us deliver better profitability.

# Financial Summary

Figures are in Rs Cr	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)	FY19	FY20	YoY (%)	FY21	YoY (%)	FY22	YoY (%)	FY23	YoY (%)
Net Sales	539.7	557.7	-3.2	621.5	-13.2	1,217.6	1,175.2	-3.5	1,371.3	16.7	1,596.9	16.4	2,229.5	39.6
Raw Material Cost	99.9	99.9	-0.0	124.3	-19.6	238.8	227.3	-4.8	239.7	5.5	225.3	-6.0	422.2	87.4
<b>RM Cost to Sales (%)</b>	<b>18.5</b>	<b>17.9</b>		<b>20.0</b>		<b>19.6</b>	<b>19.3</b>		<b>17.5</b>		<b>14.1</b>		<b>18.9</b>	
Employee Cost	26.8	25.4	5.5	25.8	3.9	58.8	64.9	10.4	76.4	17.7	85.6	12.0	99.3	16.1
<b>Employee Cost to Sales (%)</b>	<b>5.0</b>	<b>4.6</b>		<b>4.2</b>		<b>4.8</b>	<b>5.5</b>		<b>5.6</b>		<b>5.4</b>		<b>4.5</b>	
Other Expenses	382.4	371.3	3.0	432.6	-11.6	773.2	698.5	-9.7	658.6	-5.7	1,010.2	53.4	1,554.9	53.9
<b>Other Exp to Sales (%)</b>	<b>70.9</b>	<b>66.6</b>		<b>69.6</b>		<b>63.5</b>	<b>59.4</b>		<b>48.0</b>		<b>63.3</b>		<b>69.7</b>	
EBITDA	30.5	61.0	-50.1	38.9	-21.6	146.8	184.5	25.7	396.6	115.0	275.8	-30.5	153.2	-44.5
<b>EBITDA Margin (%)</b>	<b>5.6</b>	<b>10.9</b>	<b>-5.29</b>	<b>6.3</b>	<b>-0.60</b>	<b>12.1</b>	<b>15.7</b>		<b>28.9</b>		<b>17.3</b>		<b>6.9</b>	
Depreciation	49.6	36.6	35.6	41.6	19.4	65.7	78.9	20.0	81.0	2.7	92.7	14.4	155.8	68.0
Interest	43.7	48.1	-9.2	51.9	-15.9	63.4	61.0	-3.8	46.6	-23.7	92.5	98.6	201.6	118.0
Interest Coverage	-0.4	0.5		-0.1		1.3	1.7		6.8		2.0		-0.0	
Other Income	3.9	12.4	-68.6	181.0	-97.8	5.5	5.0	-7.9	11.6	130.8	13.4	15.4	222.7	1,559.5
<b>Other Income to Sales (%)</b>	<b>0.7</b>	<b>2.2</b>		<b>29.1</b>		<b>0.4</b>	<b>0.4</b>		<b>0.8</b>		<b>0.8</b>		<b>10.0</b>	
Profit Before Tax	-58.9	-11.2	426.1	126.4	-146.6	23.2	49.7	114.1	280.6	465.0	104.0	-62.9	18.5	-82.2
<b>Tax Rate (%)</b>	<b>28.3</b>	<b>-17.1</b>		<b>22.5</b>		<b>41.4</b>	<b>46.6</b>		<b>33.7</b>		<b>43.1</b>		<b>54.0</b>	
Profit After Tax	-42.2	-13.1	222.4	98.0	-143.1	13.6	26.5	95.2	186.1	601.5	59.2	-68.2	8.5	-85.6
<b>PAT Margin (%)</b>	<b>-7.8</b>	<b>-2.3</b>	<b>-5.5</b>	<b>15.8</b>	<b>-23.6</b>	<b>1.1</b>	<b>2.3</b>		<b>13.6</b>		<b>3.7</b>		<b>0.4</b>	
Share of Assoc / Minority Int	2.5	5.9		2.6		0.0	0.2		0.4		10.0		20.5	
Net Profit	-39.8	-7.2	450.8	100.5	-139.6	13.6	26.7	96.5	186.5	598.4	69.2	-62.9	29.0	-58.0
<b>Net Margin (%)</b>	<b>-7.4</b>	<b>-1.3</b>	<b>-6.1</b>	<b>16.2</b>	<b>-23.5</b>	<b>1.1</b>	<b>2.3</b>		<b>13.6</b>		<b>4.3</b>		<b>1.3</b>	
Adjusted EPS	-3.0	-0.6	450.8	7.7	-139.6	1.0	2.0	96.5	14.3	598.4	5.3	-62.9	2.2	-58.0
Shareholder's Funds						843.8	966.7	14.6	1,190.9	23.2	1,255.4	5.4	1,272.9	1.4
BV per share						64.6	74.0	14.6	91.1	23.2	96.0	5.4	97.4	1.4
Net Debt						479.5	475.3	-0.9	552.3	16.2	1,340.7	142.7	1,298.5	-3.1
Net Debt to Equity						0.6	0.5		0.5		1.1		1.0	
Net Debt to EBITDA						3.3	2.6		1.4		4.9		8.5	
RoE						1.6	2.8		15.7		5.5		2.3	
RoIC						3.6	3.9		12.0		4.0		-0.0	
P/E						200.6	102.1		14.6		39.4		93.9	
EV/EBITDA						21.8	17.4		8.3		14.7		26.3	

## Segmental Performance

Fig in INR Cr (unless specified)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	FY18	FY19	FY20	FY21	FY22	FY23
<b>Cement Sales Volume (Mn tons)</b>	0.88	0.85	0.74	1.13	1.19	1.03	1.24	1.36	1.18	2.7	3.3	3.1	3.2	3.6	4.8
<i>YoY Growth (%)</i>	58.5	18.5	-13.6	10.3	39.0	39.3	9.9	14.4	-4.8	22.5	22.1	-5.6	0.8	14.1	33.7
<b>Revenue</b>	392.6	368.9	333.7	501.7	557.7	474.6	575.7	621.5	539.7	1,038.1	1,217.6	1,175.2	1,371.3	1,596.9	2,229.5
<i>YoY Growth (%)</i>	48.6	13.2	-8.3	20.1	51.2	42.2	14.8	11.4	-6.3	27.6	17.3	-3.5	16.7	16.4	39.6
<b>Avg per ton realization (INR)</b>	4,464	4,324	4,489	4,448	4,702	4,585	4,645	4,581	4,575	3,817	3,667	3,750	4,342	4,431	4,628
<i>YoY Growth (%)</i>	-6.2	-4.5	6.2	8.9	8.7	2.1	4.4	-2.6	-1.5	4.1	-3.9	2.2	15.8	2.1	4.4
<b>Raw Material Cost</b>	52.6	59.7	29.2	83.9	99.9	71.3	126.7	124.3	99.9	144.5	238.8	227.3	239.7	225.3	422.2
<i>RM Cost per ton (INR)</i>	597.8	699.8	392.6	743.6	842.5	688.5	1,022.2	915.8	847.1	531.4	719.3	725.2	759.1	625.3	876.3
<b>Power &amp; Fuel Cost</b>	100.1	112.0	133.0	170.6	214.5	227.7	209.5	241.8	209.3	331.5	362.8	309.2	261.4	515.7	893.5
<i>Power &amp; Fuel Cost per ton (INR)</i>	1,138.2	1,313.3	1,789.7	1,512.4	1,808.2	2,200.0	1,690.2	1,782.2	1,774.3	1,218.6	1,092.7	986.5	827.8	1,431.1	1,854.7
<b>Freight Cost</b>	67.1	67.8	56.2	87.5	94.7	82.6	98.4	113.1	101.7	243.9	252.5	223.8	234.2	278.6	388.9
<i>Freight Cost per ton (INR)</i>	762.5	794.5	756.5	775.7	798.2	798.3	794.1	833.8	862.2	896.7	760.4	713.9	741.6	773.0	807.2
<b>Employee Cost</b>	19.1	20.2	19.7	26.6	25.4	22.9	25.1	25.8	26.8	51.3	58.8	64.9	76.4	85.6	99.3
<i>Employee Cost per ton (INR)</i>	216.8	236.4	265.2	235.8	214.5	221.6	202.7	190.4	227.5	188.6	177.0	207.0	241.8	237.4	206.2
<b>Other Expenses</b>	46.7	48.4	48.8	72.1	62.1	64.3	68.4	77.6	71.4	118.7	155.4	164.6	159.1	216.0	272.5
<i>Other Expenses per ton (INR)</i>	530.6	567.5	656.4	639.2	523.7	621.5	551.6	572.1	605.4	436.4	468.0	525.1	503.9	599.3	565.5
<b>EBITDA</b>	107.1	60.8	46.8	61.1	61.0	5.7	47.6	38.9	30.5	148.2	149.4	185.5	400.4	275.8	153.2
<i>YoY Growth (%)</i>	23.1	-41.9	-55.2	-41.4	0.3	-87.8	-22.1	-36.3	-35.9	36.0	0.8	24.2	115.9	-31.1	-44.5
<b>EBITDA per ton (INR)</b>	1,218.0	712.9	629.1	541.6	514.5	55.2	383.8	286.4	258.4	545.0	450.0	591.9	1,267.9	765.3	318.0
<i>YoY Growth (%)</i>	-22.3	-51.0	-48.2	-46.9	-27.8	-91.2	-29.1	-44.3	-32.7	11.0	-17.4	31.5	114.2	-39.6	-58.5

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