



MANAGEMENT DISCUSSION AND ANALYSIS

Sagar Cements Limited, with an installed production capacity of 10.50 MTPA, is strongly serving the South Indian market and steadily expanding its reach across central and eastern India. Backed by over four decades of experience in delivering superior quality cement, SGC has earned a reputation as a reliable partner for the construction sector.

Our strategically located manufacturing units across the southern, central, and eastern regions enable us to efficiently serve diverse markets. We have adopted sustainable manufacturing practices and innovative processes to minimise our carbon footprint in a hard-to-abate industry.

Global economy

Global economic growth remained stable but subdued at 3.20% in 2024. While the US showed resilience, Europe and developing regions faced downgrades due to intense geopolitical tensions, commodity market disruptions, and the potential for a full-blown trade war, especially after the change in political leadership in the US, somewhat reversing the prospects of a soft landing. Emerging Asia was a bright spot in an otherwise volatile macro environment. Meanwhile, inflation showed signs of easing, prompting several countries, including the US, to pivot their monetary policy stance. Many developed economies even initiated rate cuts to support growth amid a challenging economic outlook.

Outlook

The International Monetary Fund (IMF) expects the global economy to grow at 3.30% in both 2025 and 2026. The growth outlook remains weak relative to historical standards. The geopolitical tensions and risk of trade wars could have significant repercussions on the global economy. Moreover, factors like trade fragmentation and higher interest rates for prolonged periods in some economies, along with erratic weather events could dampen the fragile recovery.

Indian economy

India remains the fastest-growing major economy in the world, though growth is expected to taper in FY2025, albeit from a higher base in previous year. According to the National Statistical Office (NSO), based on its First Advance Estimates, India's real GDP grew by 6.40%, down from 9.20% in the year-earlier period, primarily due to slower government spending in an election year, subdued consumption and constrained investments.

The Government of India continues to undertake steps to accelerate growth, invigorate private sector investments, uplift household sentiments and enhance the spending power of India's rising middle class. Along with this, improvement in corporate and banking balance sheets, rural economy and policy momentum will be key factors to watch going forward.

The cumulative impact of the Budget 2025-26 allocations is expected to significantly accelerate the growth of the cement sector. The substantial investment of ₹11.21 Lakhs Crores in infrastructure, along with focused spending on housing and road development, will directly drive demand for cement across the country. Key schemes such as the Pradhan Mantri Awas Yojana (Grameen), affordable housing for the middle-income group, and the Scheme for Industrial Housing will stimulate residential and industrial construction activities. Additionally, investments in road transport, highways, tourism infrastructure, and industrial upgradation, coupled with initiatives like the Vibrant Villages Programme and North East Special Infrastructure Development Scheme, will further augment cement consumption. Collectively, these measures will not only bolster cement demand in the near term but also position the sector for sustained long-term growth in alignment with the government's vision of Viksit Bharat @2047.

India's GDP growth trend (%)

FY2022	FY2023	FY2024	FY2025	FY2026E
9.10%	7.0%	8.20%	6.40%	6.70%

Outlook

According to the January 2025 edition of the World Bank's Global Economic Prospects (GEP) report, India's economy is expected to grow steadily at 6.7% in both FY2026 and FY2027, surpassing the global and regional averages.

Industry overview and outlook

India is the second-largest cement manufacturer in the world. The industry is gradually embracing change to bolster decarbonisation efforts and using technological advancements to implement sustainable practices. Indian cement manufacturers are set to invest ~\$ 14.30 Billion over the next few years to increase capacity by 25%. This will add 70-75 MT over the next two years and 160-170 MT to the annual cement production by 2030. The expansion will be led by the government's massive infrastructure push, with plans to invest \$ 1.70 trillion in infrastructure projects by 2030.

The cement industry faced multiple challenges during FY2025, including slower growth and lower sales. Growth slowed to 4-5%, down from double-digit growth in previous years. This was partly due to elections and a long monsoon season, as well as labour shortages. However, the medium-to long-term outlook remains positive, with various use industry reports pegging the sector growth at 7-8% per annum, at par with the GDP growth.

The infrastructure segment continues to see strong demand, driven by increased government spending across various infrastructure segments. Housing, which accounts for 55% of cement demand, is expected to grow steadily, supported by rural housing expansion, due to favourable monsoons, moderating inflation and ongoing urban real estate projects. The government's emphasis on affordable housing and investments in mega projects such as highways, railways and industrial development is expected to further sustain cement demand.



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Most brokerage reports indicate that pent-up demand, a renewed capex push, and sustained momentum in the housing sector are going to drive up demand. While a brief slowdown is anticipated in FY2025, the sector is poised for robust growth, driven by favourable demand fundamentals and structural industry shifts.

In February 2025, the Reserve Bank of India (RBI) reduced the repo rate, making borrowing more affordable for both individuals and businesses. The lower interest rates are expected to encourage higher spending and investment, stimulating economic activity and supporting overall economic growth. Further, the new tax structure will substantially reduce taxes for the middle class and leave more money in their hands, boosting household consumption, savings and investment, which is expected to work in favour of the cement sector.

Key trends

Consolidation: The Indian cement industry has already witnessed significant consolidation over the past few years, with several large firms acquiring smaller players to enhance their market share. The trend is expected to continue, driven by the need to optimise operations, cut costs and gain better pricing power.

Infrastructure development and urbanisation: Infrastructure development and urbanisation continue to be significant drivers of the cement industry. Due to urbanisation, the demand for housing, transportation and urban amenities continues to grow, thereby increasing cement consumption.

Sustainability takes centre stage: Indian cement companies are effectively leveraging three key levers: (a) energy efficiency, (b) clinker substitution and (c) grid decarbonisation to drive sustainable development. Scaling up these efforts would further promote the adoption of innovative products and process enhancements. A holistic approach, supported by a well-defined policy framework that addresses economic

viability challenges, will be crucial for facilitating future transitions. Cement is the only sector to have voluntarily devised a Low Carbon Technology Roadmap aimed at reducing its direct CO₂ emission intensity by 45% by 2050 from a 2010 baseline.

<https://www.cmaindia.org/the-indian-cement-industry-green-growth-initiatives>

Circular economy practices: The industry is rapidly adopting circular economy practices witnessed in the increasing commitment to reducing waste, reusing materials and recycling by-products such as fly ash, blast furnace slag, silica fume etc. By 2024, a rise in the use of alternative raw materials, particularly industrial by-products, is expected to decrease the industry's reliance on conventional resources.

Digital transformation and Industry 4.0: The cement industry is undergoing a significant digital transformation, driven by Industry 4.0 principles. Manufacturers are increasingly adopting advanced technologies such as the Internet of Things (IoT), artificial intelligence (AI), and big data analytics to optimise operations, enhance productivity, and reduce costs. These digital tools enable real-time equipment monitoring, predictive maintenance, and improved process efficiency. Additionally, automation and digitalisation are streamlining material tracking, waste management and overall operational performance, paving the way for a more sustainable and efficient industry.

Performance review on a consolidated basis

Operational performance

Our cement production/purchases in FY25 increased marginally by 0.18% to 55,25,086 metric tonnes, we are confident about the continued growth potential, supported by our expanded capacity and ongoing improvements in operational efficiency. Capacity utilisation stood at 54% during FY2025.

Operating margins declined by 400 bps to 6%, due to decrease in sales realisations. Improved profitability was driven by increased operating leverage and steady realisations.

Particulars	(in MT)	
	FY2025	FY2024
Cement production/purchases	55,25,086	55,15,285
Cement sales volume	55,09,147	55,13,118

Region-wise sales

Particulars	(in MT)	
	FY2025	FY2024
Andhra Pradesh	16,23,296	15,82,531
Telangana	14,08,383	13,43,501
Karnataka	4,18,826	4,12,230
Maharashtra	3,71,102	3,13,109
Tamil Nadu	3,83,157	5,37,906
Odisha	6,34,007	6,45,631
Chhattisgarh	29,857	17,269
Madhya Pradesh	4,53,206	4,69,610
Gujarat	1,56,737	1,79,938
Others	30,576	11,393

Financial performance

Particulars	(₹ in Lakhs)	
	FY2025	FY2024
Total Income	2,27,907	2,55,873
Total Expenses	2,53,543	2,65,764
EBITDA	14,109	24,591
Profit Before Tax	(28,353)	(8,412)
Profit After Tax	(21,668)	(5,205)
Basic & Diluted Earnings Per Share of ₹2 each (₹ Per Share)	(16.58)	(3.98)



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Financial ratios

Particulars	FY2025	FY2024	Reason for change
Debtor's Turnover Ratio* (Sales of Products and Services/Average Trade Receivable)	10.02	13.55	* Due to Increase in trade receivables.
Inventory Turnover Ratio (Sales of Products and Services/Average Inventory)	7.56	8.64	
Interest Coverage Ratio** [Cash profit after adjusting depreciation/Interest expense during the period] [Cash profit after adjusting depreciation: Profit After Tax + Interest + Depreciation]	1.22	1.88	** Due to decrease in selling price, there was an adverse impact on the profit. This resulted in deviation in the ratios.
Current Ratio** (Current Assets/Current Liabilities excl. Current Borrowings)	0.91	1.32	
Debt Equity Ratio** (Debt/Net Worth) [Debt: Long-term secured loans + Current maturities of long-term debt + Loan term unsecured loans+ Cash credit facilities]	0.80	0.71	
Operating Profit Margin (%)** [(Profit before Depreciation, Interest, Tax and Exceptional Item Less Other Income)/Sales of Products and Services]	6.00	10.00	
Net Profit Margin (%)** [Profit after Tax/Sales of Products and Services]	(9.91)	(2.08)	
Return on Net Worth (%)** [(Net Profits after taxes)/Average Shareholder's Equity]	(11.36)	(2.55)	

Sustainability

SCL developed an ESG vision and roadmap in FY2023. Its targets are aligned with SBTi, across key focus areas, over the medium and long term. It reiterates the Company's commitment to integrating sustainability objectives into its core business strategy and continues to prioritise the preservation of the natural ecosystem. We are on track to meet most of these targets.

[+ READ MORE ABOUT OUR ESG VISION ON PAGE 32](#)

Technology

We leverage cutting-edge technology to meet our goal of producing high-quality cement at affordable prices and create a compelling value proposition for our customers. Our dedication to innovation, along with ongoing investments in research and development, empowers us to develop unique

products and solutions that address the evolving needs of our customers. It also enables us to fulfil our pursuit of minimising carbon emissions.

Outlook

We continue to grow at a steady pace through capacity expansion, presence in new markets and implementation of innovative processes that help to inculcate sustainable practices across our operations. Our practices and policies minimise our environmental footprint while strengthening our relationship with all our stakeholders and empower us to carry on business with the highest standards of integrity, ethics and transparency.

Our strategically located plants across south, central and eastern India help to optimise costs and facilitate our expansion into new geographies. Besides, technological innovation has improved our operational efficiency.

Looking forward, the Indian cement industry holds substantial potential for sustainable development. Sagar Cements Limited is poised to capitalise on these opportunities and continue to be a preferred brand for customers.

Risk management

We face both internal and external uncertainties that influence the formulation of our Risk Management Policy. Stringent compliance systems are effective in handling internal risks, while external risks are contingent on several uncontrollable factors. A robust risk management approach helps in anticipation and proactive mitigation of emerging risks. Our Risk Management Committee continuously evaluates the day-to-day risks faced by the Company and ensures timely implementation of mitigation measures.

The Joint Managing Director (JMD) leads the Risk Management Committee. Regular risk review meetings are convened to analyse the effectiveness of implemented plans and to identify and address emerging areas of concern.

We remain receptive to new opportunities that can enhance shareholder value. However, thorough scrutiny is applied to every significant proposal, across all organisational levels, to identify and assess associated risks. Approval is granted only after a comprehensive risk assessment has been conducted. Financial risk management related to operations undergoes scrutiny through a combination of internal, statutory and cost audits which are periodically conducted by accredited Auditor's.

[+ READ MORE ABOUT OUR RISKS MANAGEMENT ON PAGE 71](#)

Internal controls and audit

The Board of Directors is satisfied with the adequacy of the internal control system currently in force in all our major areas of operations, supported by an ERP and Compliance Management Systems. The Audit Committee assists the Board of Directors in monitoring the integrity of the financial statements and reservations, if any, expressed by our Auditor's including, the financial cost. Our internal controls are adequate and effective.

Note: Human Resources, Environmental and CSR initiatives have been covered in detail in the Integrated Report section.