

March 27, 2025

## Visit Update

■ Change in Estimates | ■ Target |  Reco

### Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
<b>Rating</b>	BUY		ACCUMULATE	
<b>Target Price</b>	7,456		7,456	
Sales (Rs. m)	21,498	24,987	21,498	24,987
% Chng.	-	-	-	-
EBITDA (Rs. m)	3,309	3,895	3,309	3,895
% Chng.	-	-	-	-
EPS (Rs.)	206.0	245.3	206.0	245.3
% Chng.	-	-	-	-

### Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	18,794	19,217	21,498	24,987
EBITDA (Rs. m)	3,033	2,765	3,309	3,895
Margin (%)	16.1	14.4	15.4	15.6
PAT (Rs. m)	2,398	2,293	2,657	3,163
EPS (Rs.)	184.3	177.8	206.0	245.3
Gr. (%)	11.0	(3.6)	15.9	19.1
DPS (Rs.)	60.0	28.0	28.0	28.0
Yield (%)	1.1	0.5	0.5	0.5
RoE (%)	19.0	16.8	17.8	18.1
RoCE (%)	25.4	21.5	23.9	24.3
EV/Sales (x)	3.5	3.4	2.9	2.5
EV/EBITDA (x)	21.6	23.5	19.1	15.8
PE (x)	30.7	31.8	27.4	23.0
P/BV (x)	5.5	5.3	4.5	3.9

### Key Data CERA.BO | CRS IN

52-W High / Low	Rs.11,500 / Rs.5,060
Sensex / Nifty	77,289 / 23,487
Market Cap	Rs.73bn/ \$ 850m
Shares Outstanding	13m
3M Avg. Daily Value	Rs.141.65m

### Shareholding Pattern (%)

Promoter's	54.41
Foreign	22.17
Domestic Institution	6.26
Public & Others	17.16
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	4.6	(30.7)	(17.0)
Relative	1.0	(23.1)	(22.2)

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## Focus on premiumization, demand to remain soft

We are upgrading our recommendation from ACCUMULATE to BUY given the recent significant correction in stock price. We visited Cera's (CRS) sanitaryware and faucetware plants, and central warehouse, at Kadi, Mehsana, Gujarat. Whilst there, we interacted with the senior leadership team to gain insights into demand, competition, capacity expansion plans, and product diversification strategies for the near to long term.

We believe demand challenges in the bathware segment will continue in the near term. However, the management expects demand to revive in Q2FY26. The company aims to drive growth through product diversification, focusing on premium offerings. In the long term, growth is expected to come from premium products, which are targeted to contribute to 10% of revenue in the next 3 years. Additionally, polymer-based products in the faucet segment are expected to drive volume growth over the next 3-4 years. Over the years, CRS has maintained its market share in both the sanitaryware and faucets segments. We estimate revenue/ EBITDA/PAT CAGR of 14.0%/18.7%/17.5% over FY25-27E. There is no change in our estimates and we maintain TP of Rs7,456, based on 30x FY27E earnings. Upgrade to BUY.

## Key Takeaways:

### Demand outlook

- CRS has set a revenue target of Rs29bn by Mar'27, which will be reviewed in Q1FY26. The management expects demand to improve in Q2FY26, after remaining stagnant for ~1 year. Overall, CERA expects to grow 3-4% higher than industry in the next 3-4 years. We expect the sanitaryware segment to clock 12.5% CAGR, and faucetware, 18.0% CAGR, over FY25-27E.
- Pricing strategies of the company are being refined to capture market growth.
- Project sales account for 35% of total sales in FY25, up from 30% in FY24.
- CRS receives 75% advance payment across channels.
- The company is exploring export opportunities in tiles to capture international markets.

### Sanitaryware capacity expansion

- CRS has acquired 45 acres of land, located 35 km from its plant at Kadi, for expansion.
- The company plans to invest Rs1.3bn in greenfield expansion, of which Rs270mn has been already incurred for land acquisition. The new plant lacks GAIL gas connection, leads to higher fuel expenses against existing arrangements. The phase 1 is expected to produce 12 lakh units annually, with further expansion in phase 2.

### **Focus on premiumization**

- Senator brand is being relaunched, with a target of reaching 10% of sales value in 3 years. CRS is exploring the global luxury market with this brand.
- CRS is focusing on 4 niche brands for deeper engagement with varied customers and market segments.
- CRS aims to establish 15 Senator stores in FY25 and additional 35-40 stores in FY26.

### **Exploring polymer faucet market**

- CRS is expanding its polymer business using the outsourcing model for plastic faucets, with 200-300 new product launches planned annually.
- The polymer faucet segment is expected to grow significantly due to its higher EBITDA margins, with product pricing ranging from Rs400–1,000 per unit. The company is also venturing into polymer-based products such as washing machine pipes and garden pipes, and targeting polymer faucet revenues of Rs1.0-1.2bn in the next 3–4 years.

### **Revamping branding & distribution**

- The number of Cera Style Studio has increased from 10 to 13, with investment in experience centers being shared equally between CRS and channel partners (Rs0.8-1.5mn per store).
- Dealer margins remain at 22% on ex-factory price.

### **Central warehouse**

CRS' central warehouse facility has a total capacity of 2 lakh sanitaryware units and 10 lakh faucet units. Products from both manufacturing and outsourced units are first sent to this warehouse before being distributed to regional depots and dealers. Dealers who procure directly from the warehouse, bypassing depots, receive 2% discount. Currently, 60% of products from the warehouse go through depots. It maintains a 2-month inventory, with a maximum holding capacity of 2.5 months.

#### **Exhibit 1: Central warehouse at Kadi**

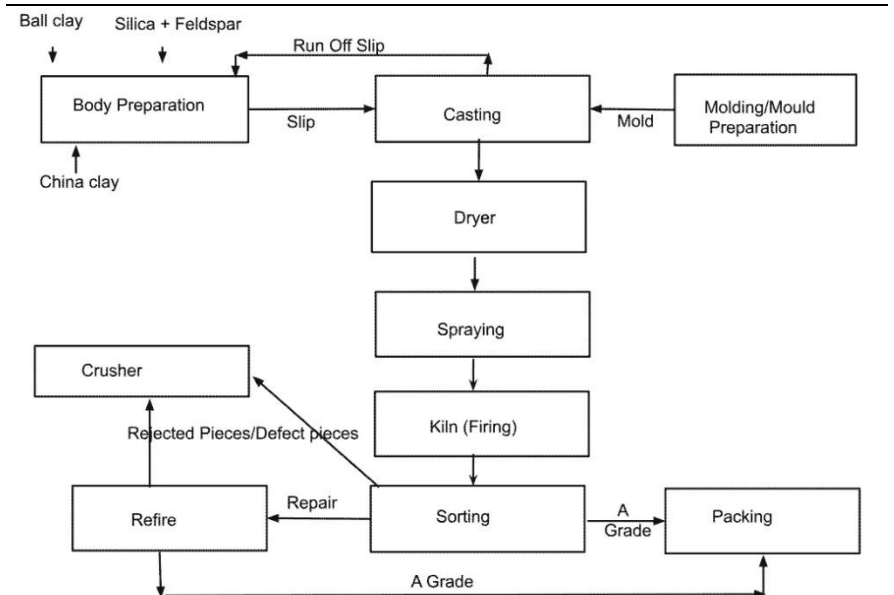


Source: Company, PL

### Sanitaryware plant

The plant has a daily capacity of 160 molds, with a slip inventory of 2,500MT and a daily slip production of 130MT. Glaze inventory stands at 250MT, with daily production of 13MT. The facility uses automation in key casting processes, including uplift, battery, beam and pearl casting. The pressure casting process runs 24 cycles per day, significantly improving efficiency. Glazing robots and kilns sourced from German and Australian manufacturers are in use. The plant operates round the clock and its labs are DSIR-certified, making it the only sanitaryware company with such certification in India. The company has executed 33 cost-saving projects, leading to savings of Rs829mn over FY21-24. Of the 500 SKUs produced, only a few contribute significantly to sales. Renewable energy initiatives include 2MW of solar and 8MW of wind energy, to fully meet the facility's electricity requirements.

#### Exhibit 2: Sanitaryware manufacturing process



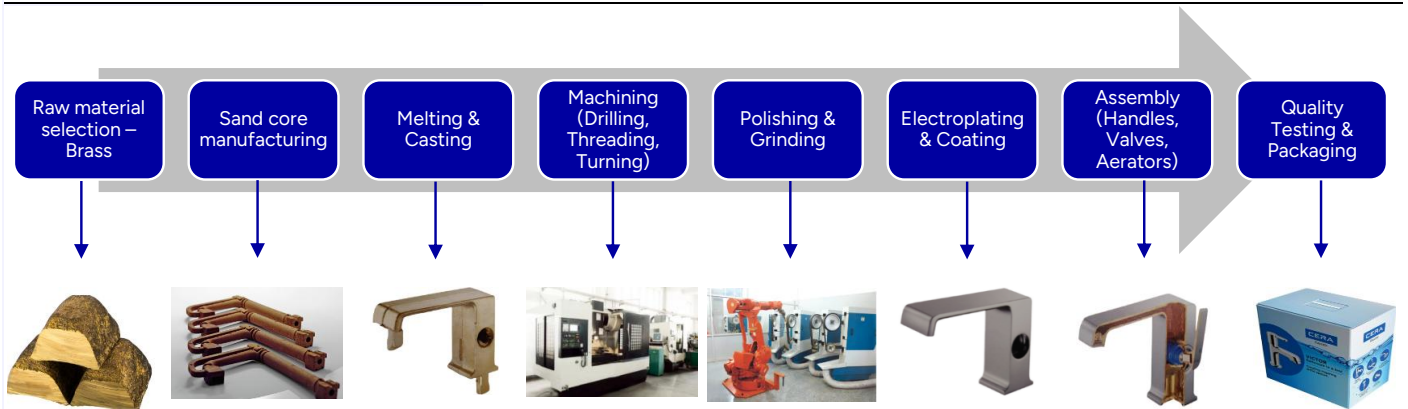
Source: PL

### Faucetware plant

The segment has an annual capacity of 4.8mn pieces. With focus on new product development, the company has launched 400 SKUs in FY24. The company prefers brass casting over steel, due to durability and better quality of the former. High-efficiency machines from the US and Japan are used to enhance production. The plant operates 48 grinding and 40 polishing machines, along with a surface peeling machine capable of handling 24 products simultaneously. Electroplating and product testing facilities ensure high-quality products. The casting process takes place across 3 floors, with a casting time of 1.5 hours. The drying period varies from 3-6 days. High-pressure casting has reduced production time, and a barcoding system ensures efficient tracking. The kiln operates for 18 hours per cycle. Fifteen to eighteen new products are currently in development. CRS runs 4 labs and offers 6 color variations. A mix of Zamac and brass is used in faucet production. The plant has a 96% material recovery rate and applies nickel coating on faucets. The manufacturing process involves 1,000 mold designs and silica sand cast molding.

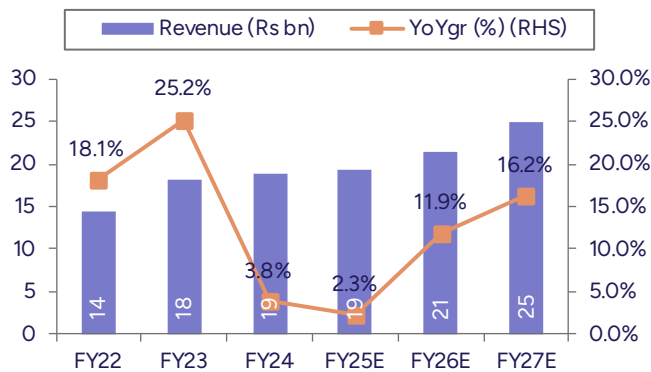
Raw materials account for 75% of manufacturing costs. Low-pressure die casting improves efficiency, and polishing machines enhance final product quality. A physical vapor deposition (PVD) machine is required for colored faucet production. PVD faucets are priced 1.9 times higher than plated ones. Also, PVD faucets are expensive but durable and require low maintenance, while plated faucets are more affordable and ideal for the budget conscious.

**Exhibit 3: Faucetware manufacturing process**



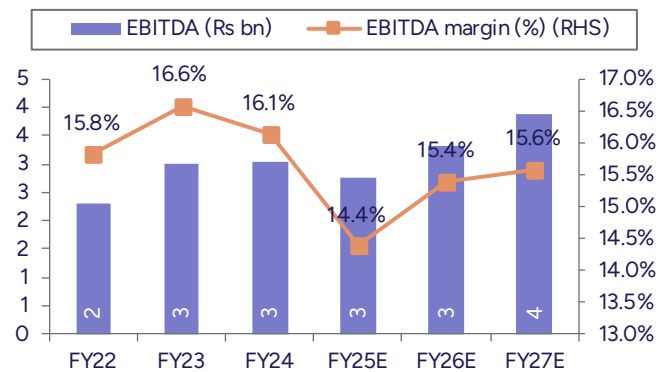
Source: Company, PL

**Exhibit 4: Revenue to clock CAGR 14.0% over FY25-27E**



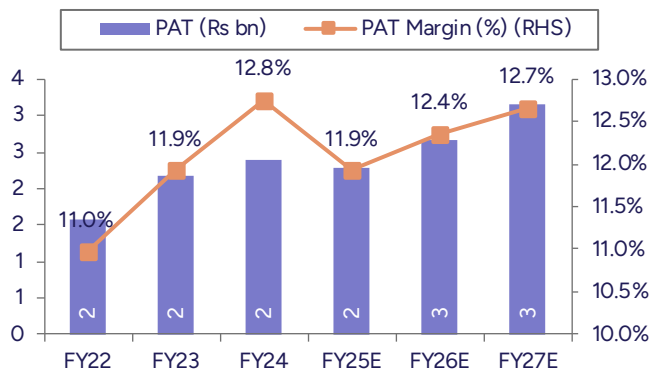
Source: Company, PL

**Exhibit 5: EBITDA margins to expand by 120bps over FY25-27E**



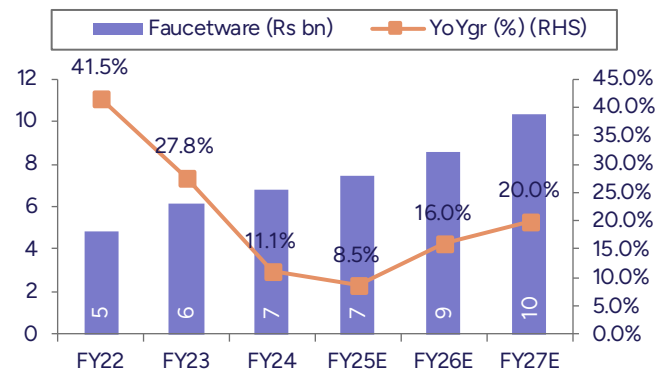
Source: Company, PL

**Exhibit 6: PAT to grow at 17.5% CAGR over FY25-27E**



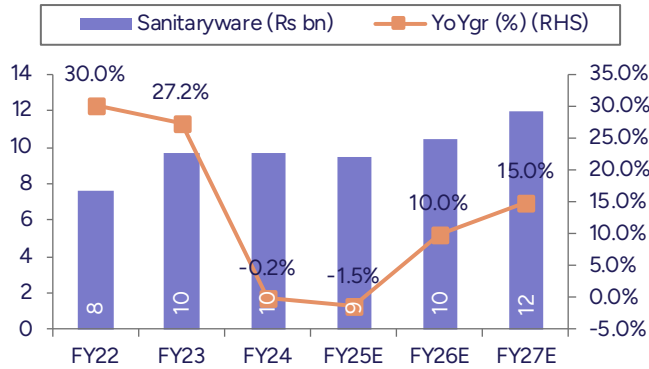
Source: Company, PL

**Exhibit 7: Faucetware revenue CAGR 18.0% over FY25-27E**



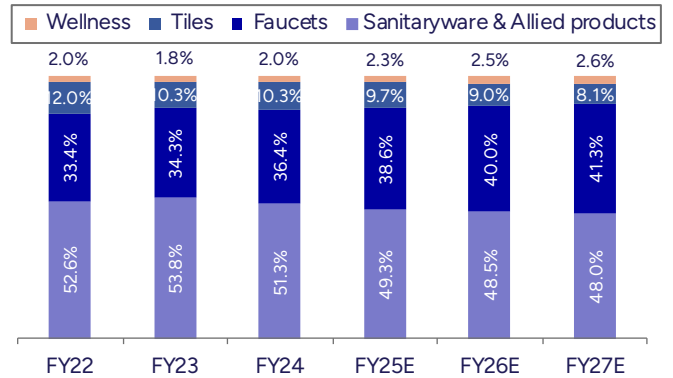
Source: Company, PL

**Exhibit 8: Sanitaryware revenue CAGR 12.5% over FY25-27E**



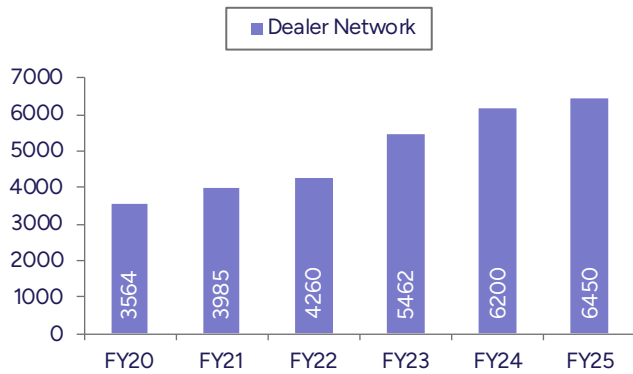
Source: Company, PL

**Exhibit 9: Sanitary & Faucet to contribute +89% rev. in FY27**



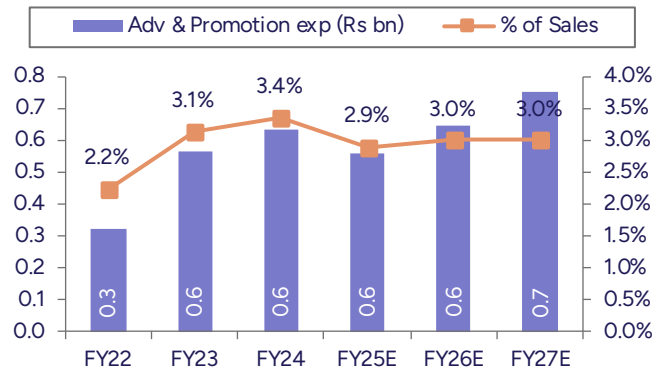
Source: Company, PL

**Exhibit 10: Strong dealers network across India**



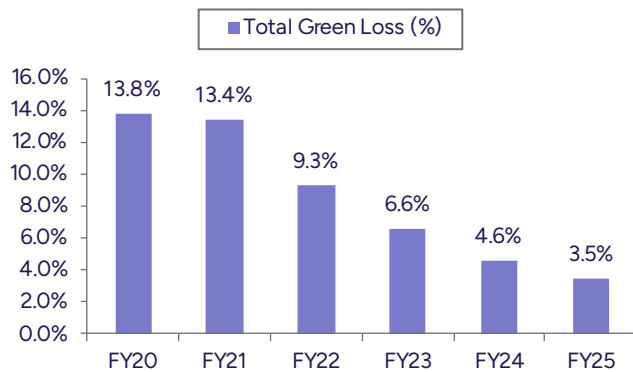
Source: Company, PL

**Exhibit 11: A&P exp to maintain at 3% of revenue by FY27**



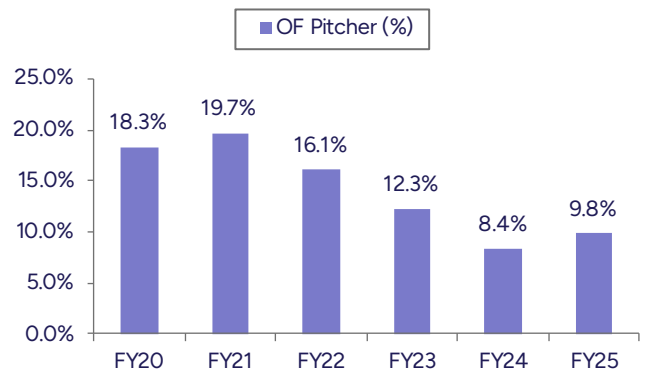
Source: Company, PL

**Exhibit 12: CRS continuously improving its plant efficiency**

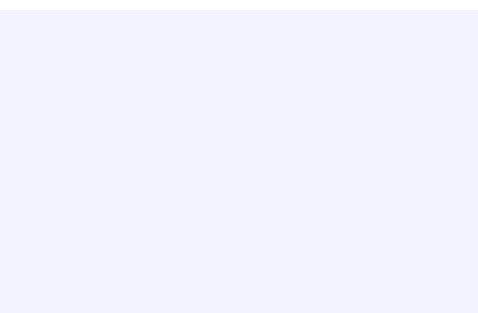


Source: Company, PL

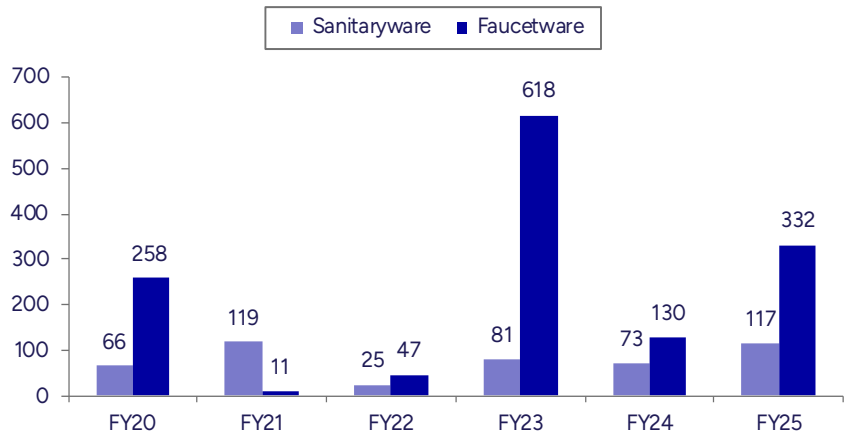
**Exhibit 13: Finished product wastage continuously reducing**



Source: Company, PL



**Exhibit 14: Healthy new product launches**



Source: Company, PL

**Exhibit 15: Key Managerial Personnel (KMPs)**

Name	Joining Date	Designation	Education	Years of Experience	Previous Employment
Mr. Anupam Gupta	21-Sep	Executive Director (Technical)	BE in Electrical Engineering and MBA	30+ years	Aditya Birla Capital - Head of Unit (2yrs 7months) & Sr. VP Technical (5yrs 3months)
Mr. Rahul Jain	21-Sep	Vice President – Marketing	MBA & PGDBM International Business & Marketing	12+ years	ROCA group - Product Head (7yrs)
Mr. Ajay Jain	21-Sep	Vice President (Faucetware Division)	BE Mechanical Engineering	23+ years	HSIL Ltd - Vice President (9yrs)
Mr. Sandeep Abraham	1-May	President - Sales	M.com, PGDMM	28 years	Head of Sales at Roca India (RBPPL)
Mr. Vikas Kothari	22-Sep	Dy. CFO (Fin. & Accounts)	Chartered Accountant - Accounting and Finance	20+ years	BIC - Head of Finance (7yrs 3months)
Mr. Vivek Andankar	22-Sep	Asst. Vice President Production – Sanitaryware	Mechanical Engineering	45+ years	Kohler India - Sr. Manager (10yrs 9 months)
Mr. Ramesh Baliga	24-Feb	Chief Business Officer- Polymers and Emerging Business India	B Tech (Mechanical Engineering)	38 years	CEO at Acquaviva India Pvt Ltd

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Net Revenues</b>	<b>18,794</b>	<b>19,217</b>	<b>21,498</b>	<b>24,987</b>
YoY gr. (%)	3.8	2.3	11.9	16.2
Cost of Goods Sold	8,828	8,994	10,104	11,694
Gross Profit	9,966	10,223	11,394	13,293
Margin (%)	53.0	53.2	53.0	53.2
Employee Cost	2,309	2,460	2,644	3,073
Other Expenses	3,637	4,151	4,472	5,197
<b>EBITDA</b>	<b>3,033</b>	<b>2,765</b>	<b>3,309</b>	<b>3,895</b>
YoY gr. (%)	1.0	(8.8)	19.6	17.7
Margin (%)	16.1	14.4	15.4	15.6
Depreciation and Amortization	365	404	415	435
<b>EBIT</b>	<b>2,667</b>	<b>2,361</b>	<b>2,894</b>	<b>3,460</b>
Margin (%)	14.2	12.3	13.5	13.8
Net Interest	58	73	73	73
Other Income	595	615	730	840
<b>Profit Before Tax</b>	<b>3,188</b>	<b>2,903</b>	<b>3,551</b>	<b>4,227</b>
Margin (%)	17.0	15.1	16.5	16.9
Total Tax	775	602	894	1,064
Effective tax rate (%)	24.3	20.7	25.2	25.2
<b>Profit after tax</b>	<b>2,413</b>	<b>2,302</b>	<b>2,657</b>	<b>3,163</b>
Minority interest	-	9	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>2,398</b>	<b>2,293</b>	<b>2,657</b>	<b>3,163</b>
YoY gr. (%)	11.0	(4.4)	15.9	19.1
Margin (%)	12.8	11.9	12.4	12.7
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>2,398</b>	<b>2,293</b>	<b>2,657</b>	<b>3,163</b>
YoY gr. (%)	11.0	(4.4)	15.9	19.1
Margin (%)	12.8	11.9	12.4	12.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,398	2,293	2,657	3,163
<b>Equity Shares O/s (m)</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>13</b>
<b>EPS (Rs)</b>	<b>184.3</b>	<b>177.8</b>	<b>206.0</b>	<b>245.3</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>6,288</b>	<b>6,943</b>	<b>7,409</b>	<b>7,909</b>
Tangibles	6,288	6,943	7,409	7,909
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>2,789</b>	<b>3,193</b>	<b>3,608</b>	<b>4,043</b>
Tangibles	2,789	3,193	3,608	4,043
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>3,509</b>	<b>3,762</b>	<b>3,813</b>	<b>3,878</b>
Tangibles	3,499	3,750	3,801	3,866
Intangibles	10	12	12	12
Capital Work In Progress	130	5	5	5
Goodwill	-	-	-	-
Non-Current Investments	584	873	879	886
Net Deferred tax assets	(482)	(482)	(482)	(482)
Other Non-Current Assets	-	-	-	-
<b>Current Assets</b>				
Investments	7,769	6,169	6,169	6,169
Inventories	3,636	3,717	4,159	4,834
Trade receivables	2,026	2,072	2,318	2,694
Cash & Bank Balance	372	1,825	3,570	5,545
Other Current Assets	394	421	471	548
<b>Total Assets</b>	<b>18,455</b>	<b>18,882</b>	<b>21,425</b>	<b>24,607</b>
<b>Equity</b>				
Equity Share Capital	65	64	64	64
Other Equity	13,393	13,733	16,029	18,831
<b>Total Network</b>	<b>13,458</b>	<b>13,798</b>	<b>16,094</b>	<b>18,896</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	26	26	26	26
Provisions	95	105	105	105
Other non current liabilities	168	450	450	450
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	179	179	179	179
Trade payables	1,790	1,868	2,065	2,395
Other current liabilities	1,835	1,543	1,593	1,643
<b>Total Equity &amp; Liabilities</b>	<b>18,455</b>	<b>18,882</b>	<b>21,425</b>	<b>24,607</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	3,188	2,903	3,551	4,227
Add. Depreciation	365	404	415	435
Add. Interest	58	73	73	73
Less Financial Other Income	595	615	730	840
Add. Other	(623)	-	-	-
Op. profit before WC changes	2,990	3,380	4,039	4,735
Net Changes-WC	154	(67)	(546)	(758)
Direct tax	(783)	(602)	(894)	(1,064)
<b>Net cash from Op. activities</b>	<b>2,361</b>	<b>2,711</b>	<b>2,599</b>	<b>2,913</b>
Capital expenditures	(615)	(818)	(465)	(500)
Interest / Dividend Income	37	(4)	(4)	(4)
Others	(850)	-	-	-
<b>Net Cash from Inv. activities</b>	<b>(1,428)</b>	<b>(822)</b>	<b>(469)</b>	<b>(504)</b>
Issue of share cap. / premium	6	-	-	-
Debt changes	(489)	-	-	-
Dividend paid	(652)	(361)	(361)	(361)
Interest paid	(32)	(73)	(73)	(73)
Others	332	(1,591)	-	-
<b>Net cash from Fin. activities</b>	<b>(835)</b>	<b>(2,025)</b>	<b>(434)</b>	<b>(434)</b>
<b>Net change in cash</b>	<b>97</b>	<b>(135)</b>	<b>1,695</b>	<b>1,975</b>
Free Cash Flow	1,720	1,894	2,133	2,413

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Per Share(Rs)</b>				
EPS	184.3	177.8	206.0	245.3
CEPS	212.5	209.1	238.2	279.0
BVPS	1,034.8	1,069.8	1,247.8	1,465.1
FCF	132.2	146.8	165.4	187.1
DPS	60.0	28.0	28.0	28.0
<b>Return Ratio(%)</b>				
RoCE	25.4	21.5	23.9	24.3
ROIC	43.1	32.1	40.0	43.3
RoE	19.0	16.8	17.8	18.1
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.6)	(0.6)	(0.6)	(0.6)
Net Working Capital (Days)	75	74	75	75
<b>Valuation(x)</b>				
PER	30.7	31.8	27.4	23.0
P/B	5.5	5.3	4.5	3.9
P/CEPS	26.6	27.0	23.7	20.3
EV/EBITDA	21.6	23.5	19.1	15.8
EV/Sales	3.5	3.4	2.9	2.5
Dividend Yield (%)	1.1	0.5	0.5	0.5

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
<b>Net Revenue</b>	<b>5,488</b>	<b>4,007</b>	<b>4,926</b>	<b>4,523</b>
YoY gr. (%)	3.1	(6.5)	6.4	3.1
Raw Material Expenses	2,701	1,812	2,337	2,112
Gross Profit	2,787	2,195	2,589	2,412
Margin (%)	50.8	54.8	52.6	53.3
<b>EBITDA</b>	<b>950</b>	<b>581</b>	<b>721</b>	<b>615</b>
YoY gr. (%)	8.9	(17.5)	(5.7)	0.2
Margin (%)	17.3	14.5	14.6	13.6
Depreciation / Depletion	97	90	107	104
<b>EBIT</b>	<b>853</b>	<b>491</b>	<b>614</b>	<b>512</b>
Margin (%)	15.5	12.3	12.5	11.3
Net Interest	15	13	26	19
Other Income	157	159	178	117
<b>Profit before Tax</b>	<b>995</b>	<b>637</b>	<b>765</b>	<b>610</b>
Margin (%)	18.1	15.9	15.5	13.5
Total Tax	238	163	79	146
Effective tax rate (%)	23.9	25.5	10.3	24.0
<b>Profit after Tax</b>	<b>757</b>	<b>475</b>	<b>686</b>	<b>464</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>757</b>	<b>475</b>	<b>686</b>	<b>464</b>
YoY gr. (%)	19.9	(16.3)	19.5	(10.0)
Margin (%)	13.8	11.8	13.9	10.3
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>757</b>	<b>475</b>	<b>686</b>	<b>464</b>
YoY gr. (%)	19.9	(16.3)	19.5	(10.0)
Margin (%)	13.8	11.8	13.9	10.3
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>757</b>	<b>475</b>	<b>686</b>	<b>464</b>
Avg. Shares O/s (m)	13	13	13	13
<b>EPS (Rs)</b>	<b>58.2</b>	<b>36.5</b>	<b>52.8</b>	<b>35.7</b>

Source: Company Data, PL Research



Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Feb-25	Accumulate	7,456	6,200
2	08-Jan-25	Hold	7,712	7,188
3	13-Nov-24	Accumulate	7,854	6,799
4	08-Oct-24	Accumulate	9,190	7,746
5	13-Aug-24	Hold	9,872	9,880
6	07-Jul-24	Accumulate	9,650	9,093
7	14-May-24	Accumulate	8,178	7,119
8	11-Apr-24	Accumulate	8,486	7,190

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	BUY	1,808	1,470
2	Avalon Technologies	BUY	900	733
3	Bajaj Electricals	Reduce	647	733
4	Cello World	BUY	770	596
5	Century Plyboard (I)	Hold	811	804
6	Cera Sanitaryware	Accumulate	7,456	6,200
7	Crompton Greaves Consumer Electricals	BUY	441	328
8	Cyient DLM	BUY	692	515
9	Finolex Industries	Accumulate	229	195
10	Greenpanel Industries	Hold	373	352
11	Havells India	BUY	1,890	1,578
12	Kajaria Ceramics	BUY	1,224	960
13	Kaynes Technology India	BUY	5,528	4,661
14	KEI Industries	BUY	4,280	3,141
15	Polycab India	BUY	7,152	4,875
16	R R Kabel	BUY	1,292	891
17	Supreme Industries	Accumulate	3,748	3,533
18	Syrma SGS Technology	BUY	629	505
19	Voltas	Accumulate	1,593	1,470

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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