

25 March 2025

India | Equity Research | Company Update

## Cera Sanitaryware

Sanitaryware

### Demand remains tepid; hopeful of pick-up in FY26

We recently interacted with management of Cera Sanitaryware (CRS). Takeaways: 1) Demand scenario has remained sluggish; while the project segment continues to see healthy traction, retail yet remains slow. Management expects low-single-digit YoY revenue growth for FY25 and is hopeful of better growth in FY26, as many of the earlier-launched projects are expected to see completion. 2) Management believes their operating margins would be in the range of ~16–17% going ahead as demand improves and the complete effect of price increases is passed on to the market. Also, the focus on premium products that have better margins should aid profitability ahead. Maintain estimates and **BUY** with an unchanged Dec'25E TP of INR 7,902.

### Demand trends remain tepid

As per our interaction with management, demand trends are yet sluggish. Demand from the projects segment remains healthy; however, the retail segment is yet to pick up. Management expects low-single-digit growth in FY25 and is hopeful of a better FY26 driven by the completion of many projects that were launched earlier. Contribution of the projects business may rise a marginal 1–3% in FY25 (from ~35% in FY24); CRS does not expect any strain on its balance sheet, as these sales are routed through dealers, and thus, credit terms are tightly followed. CRS is focusing on increasing its presence in the luxury segment through its three major brands: LUXE, SENATOR and LUSTRE. It has tied-up with influencers in major markets to penetrate this segment and would launch more SKUs and targets to derive ~10% of revenue from this segment by FY27. CRS plans to open 55–60 stores of Senator and 100 stores of LUXE by FY26. Management maintains its FY27 revenue target of ~INR 29bn. We model a revenue CAGR of 9.2% over FY24–27E.

### Margins to improve to ~16–17%

CRS management believes it can achieve ~16–17% OPM going ahead as demand improves and it can pass on the complete price hike (~6% taken in Sept'24) in faucetware (~3% done TD). Also, improved contribution from luxury segment should aid margins going ahead. We have modelled OPM of 14.5–15.8% over FY25–27E (vs. avg. OPM of ~15.2% over FY12–24).

### Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	18,706	18,900	21,371	24,358
EBITDA	2,949	2,745	3,315	3,860
EBITDA %	15.8	14.5	15.5	15.8
Net Profit	1,967	2,155	2,611	3,012
EPS (INR)	152.5	167.1	202.4	233.5
EPS % Chg YoY	2.9	9.6	21.1	15.4
P/E (x)	37.1	33.9	28.0	24.2
EV/EBITDA (x)	22.0	23.6	19.3	16.5
RoCE (%)	13.5	12.1	14.1	14.9
RoE (%)	15.6	15.9	18.2	18.7

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#### Market Data

Market Cap (INR)	73bn
Market Cap (USD)	853mn
Bloomberg Code	CRS IN
Reuters Code	CERA.BO
52-week Range (INR)	11,500 /5,060
Free Float (%)	45.0
ADTV-3M (mn) (USD)	1.6

Price Performance (%)	3m	6m	12m
Absolute	(22.9)	(31.9)	(17.3)
Relative to Sensex	(22.3)	(23.8)	(24.3)

ESG Score	2023	2024	Change
ESG score	69.7	NA	NA
Environment	49.7	NA	NA
Social	70.6	NA	NA
Governance	81.6	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

#### Previous Reports

13-02-2025: [Q3FY25 results review](#)

11-12-2024: [Company Update](#)

## Valuation and view

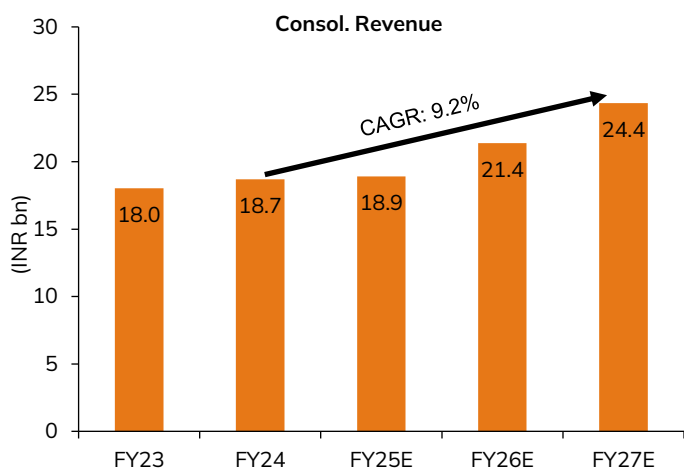
CRS' near-term demand outlook remains tepid but with real estate market expected to remain healthy as many real estate projects from CY25 (which were launched in CY22 and earlier) are expected to get completed, demand for bathware segment is expected to be buoyant. We believe CRS is poised to benefit from the uptick in housing market due to its wide distribution, strong brand, comprehensive product portfolio and healthy balance sheet. Maintain estimates and **BUY** rating on the stock with an unchanged Dec'25E TP of INR 7,902, set at 35x Dec'26E PER.

### Exhibit 1: Robust real estate launches in the past couple of years

Real Estate launches (in units)	CY19	CY20	CY21	CY22	CY23	CY24	5-year CAGR
NCR	35,280	18,520	31,706	25,355	36,740	53,000	8.5%
MMR	77,990	30,290	56,883	1,24,652	1,57,700	1,34,500	11.5%
Bengaluru	39,930	21,430	30,646	49,196	54,440	71,000	12.2%
Pune	46,100	23,930	39,869	64,343	83,630	60,500	5.6%
Hyderabad	14,840	21,100	51,470	68,007	76,340	58,300	31.5%
Chennai	13,000	9,160	12,373	9,994	20,140	20,900	10.0%
Kolkata	9,420	3,530	13,746	16,088	16,790	14,200	8.6%
<b>Total</b>	<b>2,36,560</b>	<b>1,27,960</b>	<b>2,36,693</b>	<b>3,57,635</b>	<b>4,45,780</b>	<b>4,12,500</b>	<b>11.8%</b>
YoY (%)	21%	-46%	85%	51%	25%	-7.5%	

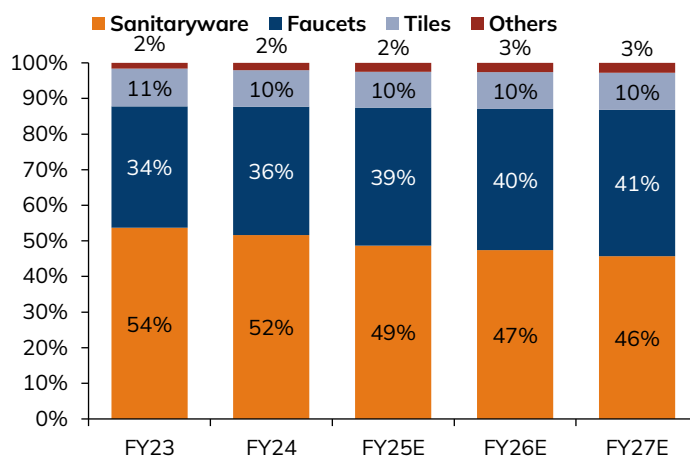
Source: I-Sec research, Company data

### Exhibit 2: Consol. revenue CAGR of 9.2% over FY24-27E aided by growth in faucetware segment



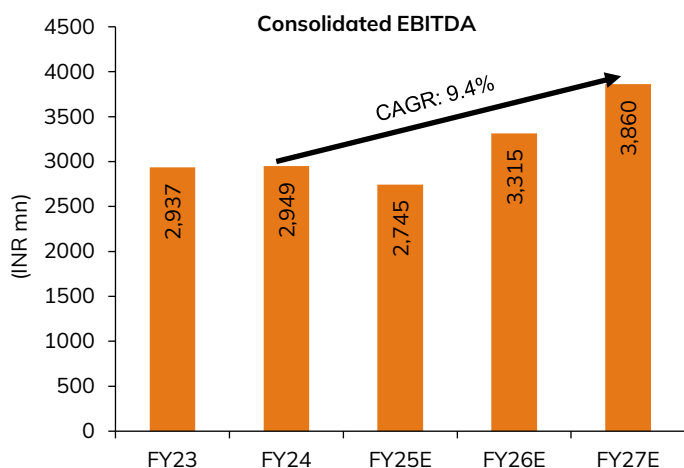
Source: I-Sec research, Company data

### Exhibit 3: Sanitaryware dominates revenue mix; faucetware to improve share by 500bps over FY24-27E



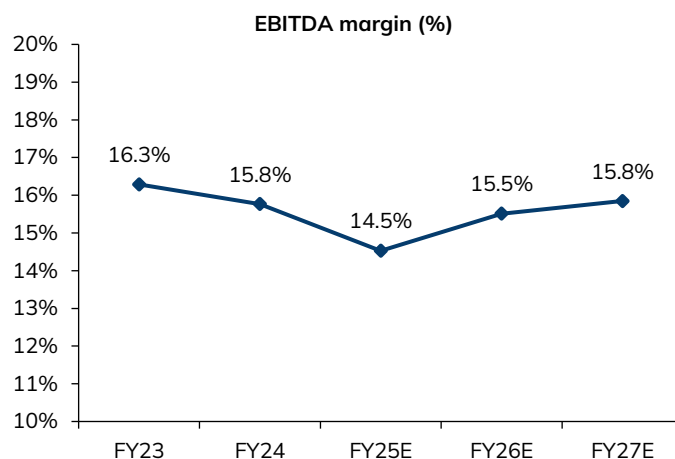
Source: I-Sec research, Company data

### Exhibit 4: EBITDA CAGR at 9.4% over FY24-27E



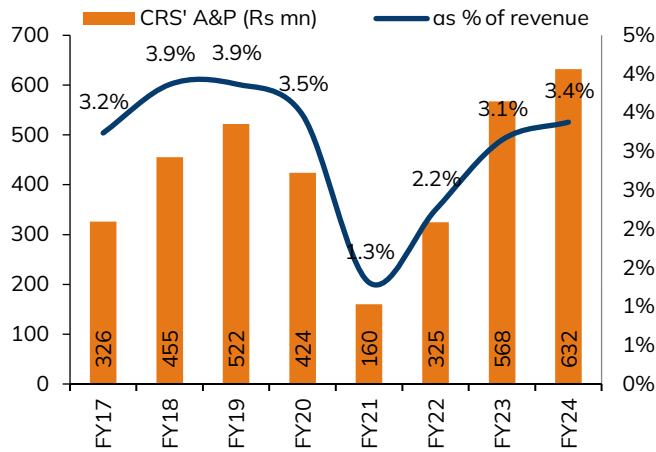
Source: I-Sec research, Company data

### Exhibit 5: EBITDA margin to remain healthy



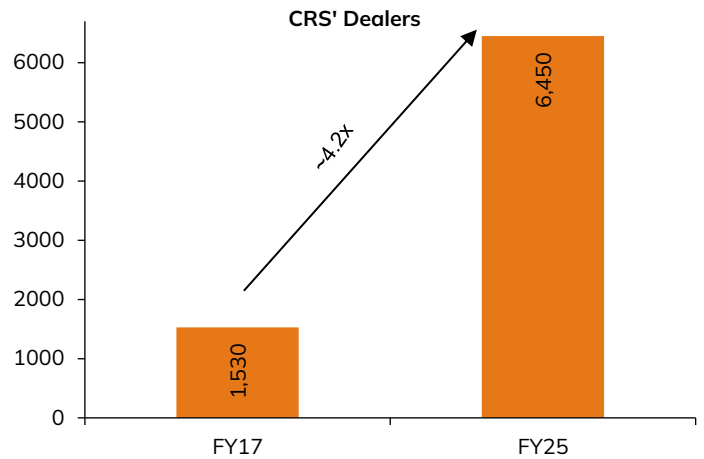
Source: I-Sec research, Company data

**Exhibit 6: High A&P spends have enabled strong brand creation**



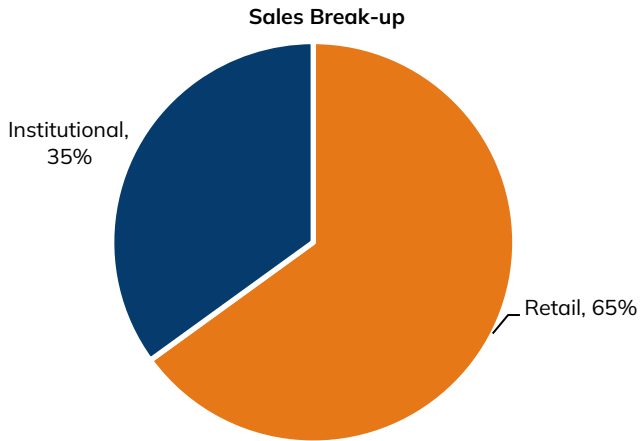
Source: I-Sec research, Company data

**Exhibit 7: Dealer network grew ~4.2x over FY17-FY24**



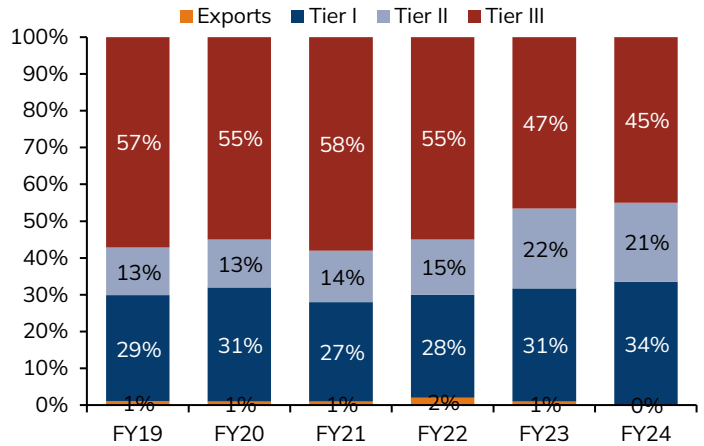
Source: I-Sec research, Company data

**Exhibit 8: Retail dominates sales mix (FY24)**



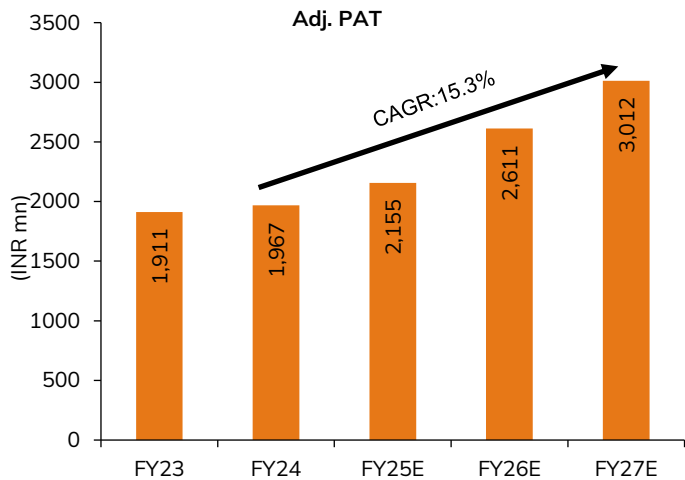
Source: I-Sec research, Company data

**Exhibit 9: Strong presence in tier-3 and below markets**



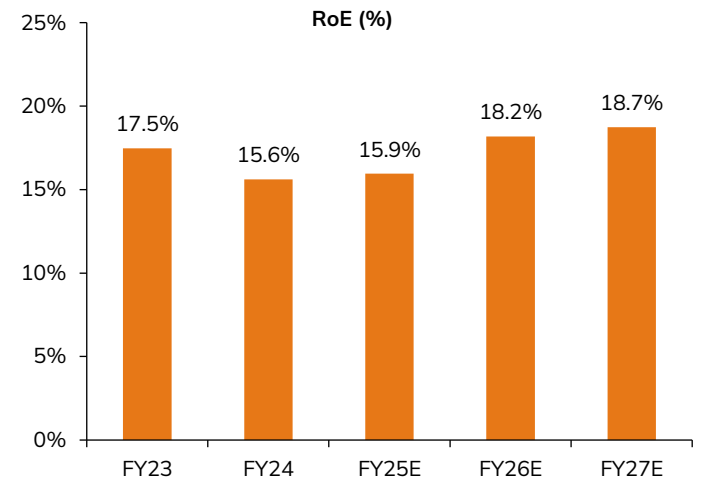
Source: I-Sec research, Company data

**Exhibit 10: APAT CAGR likely at 15.3% over FY24-27E**



Source: I-Sec research, Company data

**Exhibit 11: RoE to remain healthy over FY25-27E**



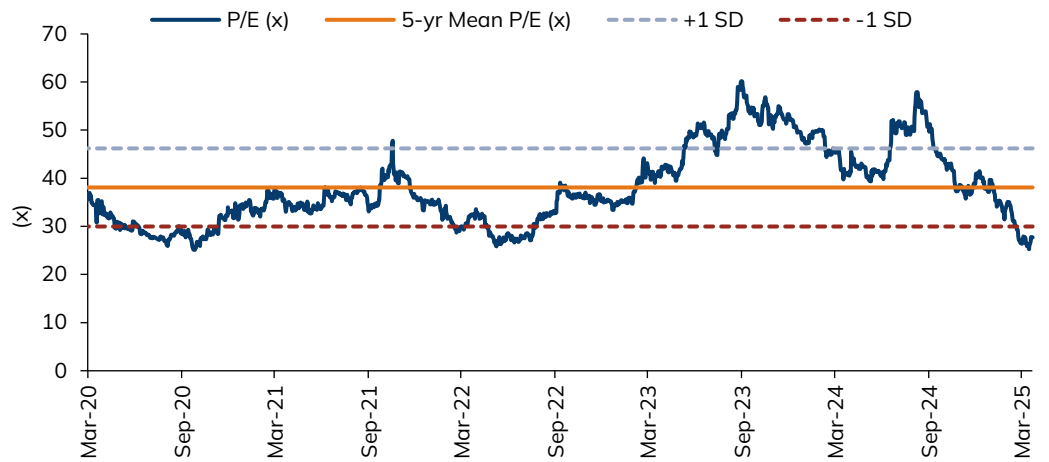
Source: I-Sec research, Company data

### Valuation

CRS is one of the major organised sanitaryware players in India. Over the years, the company has expanded its product portfolio from sanitaryware to tiles, faucets and wellness goods, becoming a one-stop bathroom solution provider. It has significant presence in tier-2 and tier-3 markets with strong brand name and wide distribution.

CRS is expected to witness EBIDTA/APAT CAGRs of 9.4%/15.3% during FY24–27E, with continued strong balance sheet and healthy return ratios (RoE of 18.7% in FY26E). Maintain **BUY** with an unchanged Dec'25E target price of INR 7,902 set at an 35x Dec'26E P/E, in line with the historical 5-year average, 1-year forward P/E.

Exhibit 12: 1-year forward PE band



Source: I-Sec research, Company data

### Key downside risks

- Unexpected slowdown in housing market would adversely affect business.
- Higher raw material prices may adversely affect profitability and demand.
- Higher-than-expected competitive intensity which may adversely affect growth/margins.

Exhibit 13: Shareholding pattern

%	Jun'24	Sep'24	Dec'24
Promoters	54.5	54.4	54.4
Institutional investors	28.8	29.0	28.4
MFs and others	6.8	5.6	5.7
Insurance	0.5	0.5	0.6
FIIIs	21.5	22.9	22.2
Others	16.7	16.6	17.2

Source: Bloomberg, I-Sec research

Exhibit 14: Price chart



Source: Bloomberg, I-Sec research

## Financial Summary

### Exhibit 15: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
<b>Net Sales</b>	<b>18,706</b>	<b>18,900</b>	<b>21,371</b>	<b>24,358</b>
Operating Expenses	15,757	16,154	18,056	20,498
<b>EBITDA</b>	<b>2,949</b>	<b>2,745</b>	<b>3,315</b>	<b>3,860</b>
EBITDA Margin (%)	15.8	14.5	15.5	15.8
Depreciation & Amortization	365	408	436	486
<b>EBIT</b>	<b>2,584</b>	<b>2,337</b>	<b>2,879</b>	<b>3,375</b>
Interest expenditure	58	81	26	23
Other Non-operating Income	58	671	691	738
<b>Recurring PBT</b>	<b>2,584</b>	<b>2,927</b>	<b>3,545</b>	<b>4,090</b>
Less: Taxes	(775)	(749)	(908)	(1,047)
PAT	1,809	2,177	2,638	3,043
<b>Profit / (Loss) from Associates</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less: Minority Interest	(23)	(22)	(27)	(31)
Extraordinaries (Net)	605	-	-	-
<b>Net Income (Reported)</b>	<b>2,390</b>	<b>2,155</b>	<b>2,611</b>	<b>3,012</b>
<b>Net Income (Adjusted)</b>	<b>1,967</b>	<b>2,155</b>	<b>2,611</b>	<b>3,012</b>

Source Company data, I-Sec research

### Exhibit 16: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
<b>Assets</b>				
Inventories	3,636	3,762	4,205	4,717
Cash & cash eqv.	8,382	8,431	9,220	9,283
Sundry Debtors	2,026	2,019	2,225	2,536
Other Current Assets	527	570	644	734
Trade payables	1,790	1,850	2,091	2,384
Other Current Liabilities	2,153	2,163	2,446	2,788
<b>Net Current Assets</b>	<b>10,628</b>	<b>10,770</b>	<b>11,757</b>	<b>12,099</b>
Investments	31	31	31	31
Net Fixed Assets	3,629	3,621	4,155	5,670
Other Non Current Assets	225	225	225	225
<b>Total Assets</b>	<b>14,512</b>	<b>14,646</b>	<b>16,168</b>	<b>18,024</b>
<b>Liabilities</b>				
Borrowings	205	170	50	50
Other Non Current Liabilities	722	754	786	786
<b>Total Liabilities</b>	<b>927</b>	<b>924</b>	<b>836</b>	<b>836</b>
Equity Share Capital	65	64	64	64
Reserves & Surplus	13,393	13,508	15,091	16,916
<b>Total Net Worth</b>	<b>13,458</b>	<b>13,573</b>	<b>15,155</b>	<b>16,981</b>
Minority Interest	128	150	176	207
<b>Total Liabilities &amp; Net Worth</b>	<b>14,512</b>	<b>14,646</b>	<b>16,168</b>	<b>18,024</b>

Source Company data, I-Sec research

### Exhibit 17: Quarterly trend

(INR mn, year ending March)

	Mar-24	Jun-24	Sep-24	Dec-24
Net Sales	5,488	4,007	4,926	4,523
% growth (YOY)	2.5	-6.5	6.4	3.1
EBITDA	950	581	721	615
Margin %	17.3	14.5	14.6	13.6
Other Income	157	159	178	117
Extraordinaries	0	0	0	0
Adjusted Net Profit	749	471	680	458

Source Company data, I-Sec research

### Exhibit 18: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
<b>Operating Cashflow</b>	<b>2,946</b>	<b>2,547</b>	<b>2,934</b>	<b>3,280</b>
Working Capital Changes	40	(92)	(198)	(279)
Capital Commitments	(691)	(400)	(970)	(2,000)
<b>Free Cashflow</b>	<b>2,255</b>	<b>2,147</b>	<b>1,964</b>	<b>1,280</b>
Other investing cashflow	0	-	-	-
<b>Cashflow from Investing Activities</b>	<b>(691)</b>	<b>(400)</b>	<b>(970)</b>	<b>(2,000)</b>
Issue of Share Capital	-	(1)	-	-
Inc (Dec) in Borrowings	(49)	(35)	(120)	-
Dividend paid	(780)	(762)	(1,055)	(1,217)
Others	97	(1,300)	-	-
<b>Cash flow from Financing Activities</b>	<b>(733)</b>	<b>(2,097)</b>	<b>(1,175)</b>	<b>(1,217)</b>
Chg. in Cash & Bank balance	1,523	49	789	63
<b>Closing cash &amp; balance</b>	<b>8,382</b>	<b>8,431</b>	<b>9,220</b>	<b>9,283</b>

Source Company data, I-Sec research

### Exhibit 19: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
<b>Per Share Data (INR)</b>				
Reported EPS	185.3	167.1	202.4	233.5
Adjusted EPS (Diluted)	152.5	167.1	202.4	233.5
Cash EPS	180.8	198.8	236.2	271.2
Dividend per share (DPS)	60.0	59.1	81.8	94.4
Book Value per share (BV)	1,043.5	1,052.3	1,175.1	1,316.6
Dividend Payout (%)	39.3	35.4	40.4	40.4
<b>Growth (%)</b>				
Net Sales	3.7	1.0	13.1	14.0
EBITDA	0.4	(6.9)	20.8	16.4
EPS (INR)	2.9	9.6	21.1	15.4
<b>Valuation Ratios (x)</b>				
P/E	37.1	33.9	28.0	24.2
P/CEPS	31.3	28.5	24.0	20.9
P/BV	5.4	5.4	4.8	4.3
EV / EBITDA	22.0	23.6	19.3	16.5
EV / Sales	3.5	3.4	3.0	2.6
Dividend Yield (%)	1.1	1.0	1.4	1.7
<b>Operating Ratios</b>				
Gross Profit Margins (%)	52.8	53.0	53.0	53.0
EBITDA Margins (%)	15.8	14.5	15.5	15.8
Effective Tax Rate (%)	30.0	25.6	25.6	25.6
Net Profit Margins (%)	10.5	11.4	12.2	12.4
NWC / Total Assets (%)	12.2	12.5	12.3	12.1
Net Debt / Equity (x)	(0.6)	(0.6)	(0.6)	(0.5)
Net Debt / EBITDA (x)	(2.8)	(3.0)	(2.8)	(2.4)
<b>Profitability Ratios</b>				
RoCE (%) (post-tax)	13.5	12.1	14.1	14.9
RoE (%)	15.6	15.9	18.2	18.7
<b>Cash Conversion Cycle (on net sales)</b>				
Inventory Turnover Days	71	73	72	71
Receivables Days	40	39	38	38
Payables Days	35	36	36	36

Source Company data, I-Sec research

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