

24 November 2025

Cera Sanitaryware

Soft performance; eyeing growth-oriented luxury segment; retaining BUY

Cera Sanitaryware reported a flat revenue of ~Rs4.9bn in Q2 FY26, largely due to subdued retail environment and poor performance of faucetware. Gross profit declined 3.7% y/y to ~Rs2.5bn, led by elevated input cost. Despite high employee expenses, decline in EBITDA was arrested at Rs671m (down 3.5% y/y), owing to lower other operating expenses. However, PAT tumbled 16.8% y/y to Rs566m due to one-time deferred tax income recognised in previous year. Management targets 10-12% growth in H2 FY26 and 7-8% growth in FY26. Expecting revenue/earnings to clock 8.9/11.8% CAGR over FY25-28, we maintain BUY rating on the stock with a 12-mth TP of Rs8,443 (from Rs8,956 earlier), valuing it at 35x FY27e/FY28e average EPS.

Muted revenue across key segments. While Sanitaryware/Tiles/Wellness revenue grew 1.4/3.1/3.2% y/y in Q2 FY26, Faucetware revenue fell 3.5% y/y due to high y/y base. Premium/mid/entry level products accounted for 42/36/22% of total sales. Tier-I/II/III cities accounted for 36/23/41% of total sales. While retail sales continue to face subdued demand, B2B (30% of total sales) reflect healthy traction.

Focus to enhance business in premium and entry segments. Cera is on track to achieve its FY26 flagship rollout target of 45-50 Senator Stores (28 stores already operational) along with expanding network for Polipluz to 100 distributors/2,000 dealers by Mar'26. The management targets Rs400-450m revenue in FY26 from Senator and Polipluz with a margin of 20-22/25% from FY27.

Outlook. Management is optimistic of recovery in H2 FY26 and aims at 7-8% growth in FY26. Volume recovery will aid achieving an operating margin of 14.5-15%. The company continues to focus on brand building, product innovation and operational efficiency. Expecting revenue/earnings to clock 8.9/11.8% CAGR over FY25-28, we maintain Buy rating on the stock with a downwardly revised 12-mth TP of Rs8,443 (from Rs8,956 earlier), valuing it at 35x FY27e/FY28e average EPS.

Risks: Demand slowdown, under-absorption of overheads, higher input cost, and increased competitive intensity.

Key Financials (Y/E Mar)	FY24	FY25	FY26e	FY27e	FY28e
Sales (Rs m)	18,794	19,262	20,310	22,004	24,885
Net profit (Rs m)	2,390	2,480	2,371	2,762	3,461
EPS (Rs)	183.8	192.3	183.8	214.1	268.4
PE (x)	30.3	28.9	30.3	26.0	20.7
EV / EBITDA (x)	21.3	21.7	21.3	18.3	14.5
P/BV (x)	5.4	5.3	4.9	4.5	3.7
RoE (%)	19.0	18.4	16.8	18.0	19.4
RoCE (%)	17.6	16.0	21.1	22.7	24.8
Dividend yield (%)	1.1	1.2	1.3	1.8	1.8
Net debt/ equity (x)	(0.6)	(0.5)	(0.5)	(0.5)	(0.6)

Source: Company, Anand Rathi Research

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Rating: **BUY**

Target Price (12-mth): Rs.8,443

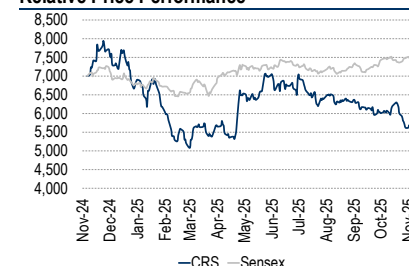
Share Price: Rs.5,566

Key Data	CRS IN / CERA.BO
52-week high / low	Rs8010 / 5062
Sensex / Nifty	85901 / 25960
Market cap	Rs73bn
Shares outstanding	13m

Shareholding Pattern (%)	Sep'25	Jun'25	Mar'25
Promoters	54.4	54.4	54.4
- of which, Pledged	-	-	-
Free float	45.6	45.6	45.6
- Foreign institutions	15.8	17.2	20.6
- Domestic institutions	13.6	12.1	6.9
- Public	16.2	16.3	18.1

Estimates Revision (%)	FY26e	FY27e	FY28e
Sales	(2.8)	(6.6)	(9.0)
EBITDA	(9.5)	(10.2)	(11.5)
PAT	(7.5)	(6.7)	(4.9)

Relative Price Performance



Source: Bloomberg

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Quick Glance – Financials and Valuations

Fig 1 – Income Statement (Rs m)

Y/E Mar	FY24	FY25	FY26e	FY27e	FY28e
Net revenue	18,794	19,262	20,310	22,004	24,885
Growth (%)	3.8	2.5	5.4	8.3	13.1
Direct cost	8,828	9,119	9,825	10,479	11,665
SG&A	6,934	7,144	7,470	8,086	9,060
EBITDA	3,033	2,998	3,015	3,438	4,160
EBITDA margin (%)	16.1	15.6	14.8	15.6	16.7
- Depreciation	365	407	413	413	428
Other income	595	605	698	825	1,089
Interest expenses	58	75	89	110	140
PBT	3,188	3,122	3,211	3,741	4,681
Effective tax rates (%)	24.3	19.9	25.0	25.0	25.0
+ Associates / (Minorities)	-23	-22	-38	-44	-50
Net income	2,390	2,480	2,371	2,762	3,461
Adj. income	2,390	2,480	2,371	2,762	3,461
WANS	13.0	12.9	12.9	12.9	12.9
FDEPS (Rs)	183.8	192.3	183.8	214.1	268.4
FDEPS growth (%)	14.1	4.6	-4.4	16.5	25.3
Gross margins (%)	53.0	52.7	51.6	52.4	53.1

Fig 3 – Cash-flow Statement (Rs m)

Y/E Mar	FY24	FY25	FY26e	FY27e	FY28e
PBT	3,188	3,122	3,211	3,741	4,681
+ Non-cash items	365	407	413	413	428
Oper. prof. before WC	3,554	3,529	3,624	4,153	5,109
- Incr. / (decr.) in WC	67	(1,197)	(86)	(406)	(697)
Others incl. taxes	(666)	(581)	(703)	(813)	(1,018)
Operating cash-flow	2,955	1,751	2,835	2,935	3,394
- Capex (tang. + intang.)	(655)	(633)	(629)	(575)	(528)
Free cash-flow	2,300	1,118	2,206	2,360	2,866
Acquisitions					
- Div. (incl. buyback & taxes)	(780)	(838)	(967)	(1,290)	(1,290)
+ Equity raised	-	(1)	-	-	-
+ Debt raised	(49)	(23)	(19)	(23)	(22)
- Fin investments	(1,413)	1,058	-	-	-
- Misc. (CFI + CFF)	52	(1,369)	(385)	(87)	1,154
Net cash-flow	110	(55)	835	960	2,709

Source: Company, Anand Rathi Research

Fig 5 – Price Movement



Source: Bloomberg

Fig 2 – Balance sheet (Rs m)

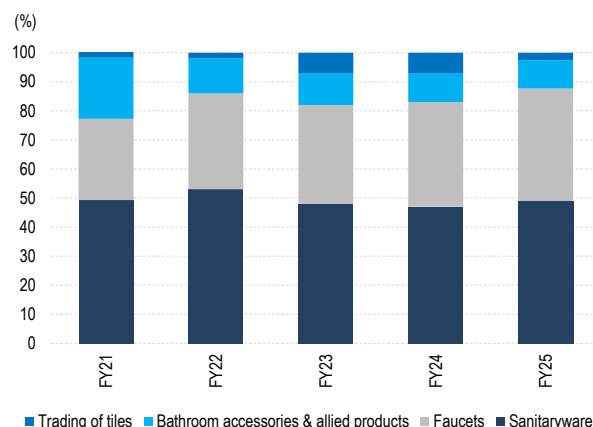
Y/E Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	65	64	64	64	64
Net worth	13,458	13,536	14,617	16,089	19,550
Debt	205	181	162	139	117
Minority interest	128	147	188	219	219
DTL / (Assets)	482	407	407	407	407
Capital employed	14,272	14,271	15,374	16,854	20,293
Net tangible assets	3,499	3,519	3,769	3,957	4,082
Net intangible assets	215	446	446	446	446
Goodwill	10	6	6	6	6
CWIP (tang. & intang.)	130	108	75	50	25
Investments (strategic)	271	254	254	254	254
Investments (financial)	7,769	6,729	6,729	6,729	6,729
Current assets (excl. cash)	527	435	386	343	299
Cash	372	316	1,152	2,112	4,821
Current liabilities	2,393	2,479	2,486	2,506	2,547
Working capital	3,872	4,937	5,043	5,463	6,179
Capital deployed	14,272	14,271	15,374	16,854	20,293
Contingent liabilities	79	88	-	-	-

Fig 4 – Ratio Analysis

Y/E Mar	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	30.3	28.9	30.3	26.0	20.7
EV / EBITDA (x)	21.3	21.7	21.3	18.3	14.5
EV / Sales (x)	3.4	3.4	3.2	2.9	2.4
P/B (x)	5.4	5.3	4.9	4.5	3.7
RoE (%)	19.0	18.4	16.8	18.0	19.4
RoCE (%) - after tax	17.6	16.0	21.1	22.7	24.8
RoIC (%)	39.3	36.1	31.2	34.6	40.1
DPS (Rs)	60	65	75	100	100
Dividend yield (%)	1.1	1.2	1.3	1.8	1.8
Dividend payout (%) - incl. DDT	32.7	33.8	40.8	46.7	37.3
Net debt / equity (x)	(0.6)	(0.5)	(0.5)	(0.5)	(0.6)
Receivables (days)	39	51	50	50	50
Inventory (days)	71	78	75	75	75
Payables (days)	35	36	34	34	34
CFO: PAT %	123.6	70.6	119.6	106.3	98.1

Source: Company, Anand Rathi Research

Fig 6 – Revenue-mix



Source: Company

Financial Highlights

Fig 7 – Quarterly Trend

(Rs m)	Q1FY25	Q1FY26	Q1FY26	y/y (%)	q/q (%)	H1FY25	H1FY26	y/y (%)	FY24	FY25	y/y (%)
Revenue	4,900	4,194	4,879	(0.4)	16.3	8,880	9,073	2.2	18,794	19,153	1.9
Raw material cost	2,330	1,981	2,403	3.2	21.3	4,134	4,384	6.1	8,828	9,096	3.0
Employee costs	627	645	652	4.1	1.1	1,207	1,298	7.5	2,309	2,415	6.2
Other expenses	1,248	1,038	1,152	(7.7)	11.0	2,282	2,190	(4.0)	4,624	4,734	1.4
EBITDA	696	531	671	(3.5)	26.5	1,257	1,202	(4.4)	3,033	2,907	(1.1)
Other income	184	186	166	(9.8)	(10.9)	346	352	1.5	595	625	1.7
Depreciation	101	91	98	(3.1)	8.1	186	189	1.9	365	385	11.2
Finance costs	25	14	16	(35.2)	13.7	37	31	(16.5)	58	71	28.7
Profit/Loss from Associate	-	-	-	-	-	-	-	-	(16)	(15)	(3.3)
PBT	753	611	722	(4.1)	18.2	1,381	1,334	(3.4)	3,188	3,061	(2.6)
Tax	72	146	156	116.0	6.7	231	302	30.8	775	596	(20.0)
MI	-	-	-	-	-	-	-	-	23	-	(100.0)
PAT	681	465	566	(16.8)	21.7	1,150	1,032	(10.3)	2,390	2,465	3.1
EPS (Rs)	52.8	36.1	43.9	(16.8)	21.7	89.2	80.0	(10.3)	182.7	191.1	4.6

	y/y / (bps)			q/q / (bps)			bps / y/y				
Gross margin	52.5	53.0	50.7	(172)	(203)	53.4	51.7	(177)	53.0	52.5	(52)
Employee cost	12.8	15.5	13.4	58	(201)	13.6	14.3	71	12.3	12.6	32
Other operating costs	25.5	24.5	23.6	(185)	(113)	25.7	24.1	(156)	24.6	24.7	11
EBITDA margins	14.2	12.7	13.8	(44)	111	14.2	13.2	(91)	16.1	15.2	(96)
Other income	3.7	4.3	3.4	(35)	(104)	3.9	3.9	(3)	3.2	3.3	10
Depreciation	2.1	2.3	2.0	(6)	(15)	2.1	2.1	(0)	1.9	2.0	7
Interest expenses	0.5	0.4	0.3	(18)	(1)	0.4	0.3	(8)	0.3	0.4	6
PBT	15.4	14.7	14.8	(56)	23	15.6	14.7	(86)	17.0	16.0	(98)
Tax rates	9.6	24.3	21.6	1,199	(231)	16.7	22.6	592	24.3	19.5	(484)
PAT margins	13.9	11.0	11.6	(228)	52	13.0	11.4	(158)	12.7	12.9	15

Source: Company, Anand Rathi Research

Q2 FY26 – Results Analysis

Soft performance with muted revenues/ lower profitability

- Revenue at ~Rs4.9bn was marginally lower (down 0.4% y/y).
- Sanitaryware and Faucetware together accounted for 47% and 40% of total revenues, respectively while project sales accounted for 39% and maintained a healthy momentum.
- Higher input costs, led to a fall in gross profit by 3.7% y/y to Rs2.4bn and margin contraction of 172bps y/y to 50.7%.
- Lower gross margin coupled with higher employee expense led to fall in EBITDA by 3.5% y/y to Rs671m, while margins were down just 44bps y/y to 13.8%. This was despite lower other expenses.
- Lower operating profits led a steep decline in PAT by 16.8% y/y to Rs566m, with PAT margin contracting 228bps y/y to 11.6%.
- **Net working capital** days stood at 29 vs 25 days in H1 FY25. Inventory/ receivable days were up by 2 days each to 24/42. Payable days were same at 37.

Q2 FY26 – Concall Key Takeaways

Margins hold amid cost pressure, retail recovery awaited amidst growing B2B share

■ Quarterly Revenue-mix

- **Segment-wise:** Sanitaryware/faucetware/tiles/wellness were at 47/40/11/2%.
- **Category-wise:** Premium/mid/entry-level product contributed 42/36/22% to total sales.
- **Region-wise:** Tier-I/II/III markets accounted for 36/23/41% of total sales.

■ Project (B2B) Sales

- **B2B Segment (39% of Total Sales):** saw healthy traction, aided by steady order inflows from real estate sector and sustained construction activities. Continued benefit from a strong brand equity, execution reliability and deep relationships across developer ecosystems enabled the company to participate in larger and more complex projects.
- **Project Sales:** Expected to remain at the current level of 39-40% in FY26 due to visible green shoots in retail environment.
- **Retail:** Continued to see subdued demand since past two years. While the exact timing of a broad-based retail recovery is still evolving, the management is optimistic of long-term growth of the industry.

■ Segmental Highlights

- **Sanitaryware.** Revenue grew 1.4% y/y in Q2 FY26 (up 0.6% y/y in H1 FY26), supported by stable demand scenario.
- **Faucetware.** Revenue fell 3.5% y/y in Q2 FY26 (up 3.5% y/y in H1 FY26) due to high base effect which was driven by price hike implemented then due to rising prices of brass. With no price revision taken in the current FY, sales volume have remained healthy.
- **Tiles.** Revenue grew 3.1% y/y in Q2 FY26 (up 4% y/y in H1 FY26).
- **Wellness.** Revenue grew 3.2% y/y in Q2 FY26 (up 8.2% y/y in H1 FY26).

■ Costs

- **Input Cost:** Brass cost grew to Rs590-600/kg last year and remained stable thereafter. As of Nov'25, the brass prices have again increased to Rs620-630/kg. The company is partially offsetting these rises through improved operational efficiency and other cost optimisation initiatives across categories.
- **Gas Cost (3.6% of Revenue):** The weighted average cost stood at Rs33.79/cu. mtr vs. Rs33.95/cu. mtr in Q2 FY25 (lower than industry average). Gas consumption: 80/20% from GAIL/Sabarmati.
- **Employee Cost:** The management is anticipating a wage increase of 7-8% in FY26.

- **Capex:** The management has committed an outlay of Rs230m, primarily for maintenance and strengthening brand presence and retail footprint.

■ Business Performance

- **Capacity Utilisation** for Sanitaryware/faucetware stood at 85/97%.
- **Lower PAT:** Lower PAT (down 16.8% y/y) was due to deferred tax income recognized in the previous year arising from a change in the capital gain tax rate on long-term investments. The current year's figures reflect normal operations without this one-time tax impact.
- **WC Management:** Inventory days rose from 80 to 83, receivable days rose from 30 to 33 days, while payable days remained stable at 39. Thus NWC days rose from 72 to 77.
- **Cash Balance:** The cash balance stood at Rs7.4bn as on Sep'25.
- **New launches** accounted for 33% of total sales in Q2 FY26.
- **Cost Optimisation:** Cera has taken steps to minimise promotional spend and cost/unit in Sanitaryware & Faucetware segments.
- **Distribution Management System:** Over 200 dealers were on-boarded under this new initiative. This system offers a better visibility of secondary sales, dealer-wise inventory, retail coverage, and track market movement and support faster decision making.

■ Strategic Initiatives

- **Senator:** As the luxury segment has been growing quite well (which CERA did not have a strong presence), it came up with luxury brand, *Senator*. The company is on track to achieve its FY26 flagship rollout target of 45-50 stores with 28 stores already operational till date.
- **Polipluz:** Currently, the products are distributed through 38/650 distributors/dealers. It targets to expand this 100/2,000 by Mar'26. Campaigns are underway to establish presence in Tier-III/IV markets.

■ Other Highlights

- **Tailwinds:** Continued formalisation in the industry, rising consumer aspiration, urban redevelopment and housing programmes, and sanitation initiatives alongside policy measures i.e., GST cut.
- **Outlook:** While the management is cautiously optimistic of demand recovery in H2 FY26, it is confident speed and scale led by ongoing investment in brands, channel and new markets.

- **Divestment:** In order to focus on core business, it exited its two subsidiaries: Packart Packaging and Race Polymer Arts in Sep'25 Rs187.5m and recorded a profit on sale of Rs55.4bn in other income.

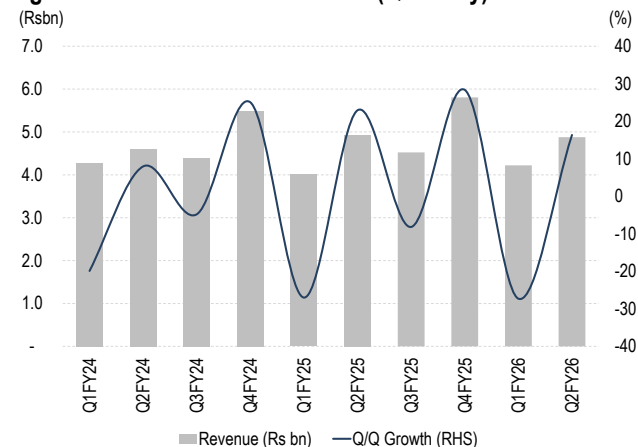
■ Growth Guidance

- It expects to grow 10-12% in H2 to record 7-8% growth in FY26.
- It expects Faucetware segment to grow by 8-10% in by FY26.
- **Senator and Polipluz:** The management expects Rs400-450m revenue contribution in FY26 and targets Rs1.5bn revenue by FY27, and expects 20-22/25% margin in Senator/Polipluz. It will spend Rs100-120m on branding in FY26, which will rise in FY27. Further, employee cost is seen at ~Rs140-150m in FY26.

- **Gross and Operating Margin:** The management pegs gross margin at 52-55%. Further, expecting improved volume in H2, operating margin for FY26 is seen at 14.5-15%.

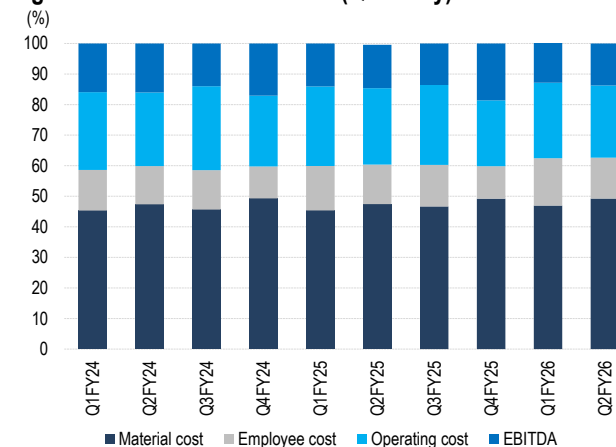
Story in Charts

Fig 8 – Revenue and Growth Trend (Quarterly)



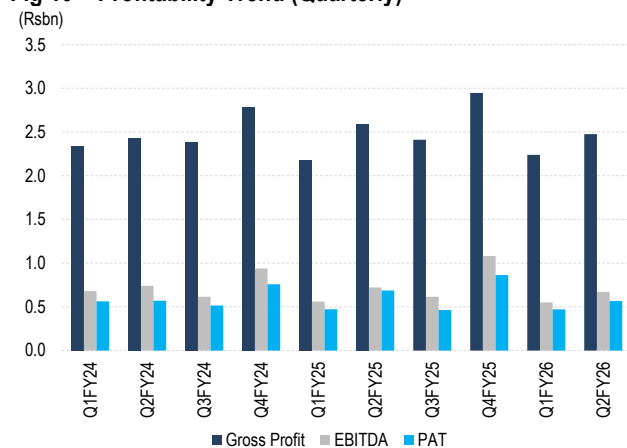
Source: Company, Anand Rathi Research

Fig 9 – Cost and EBITDA Trend (Quarterly)



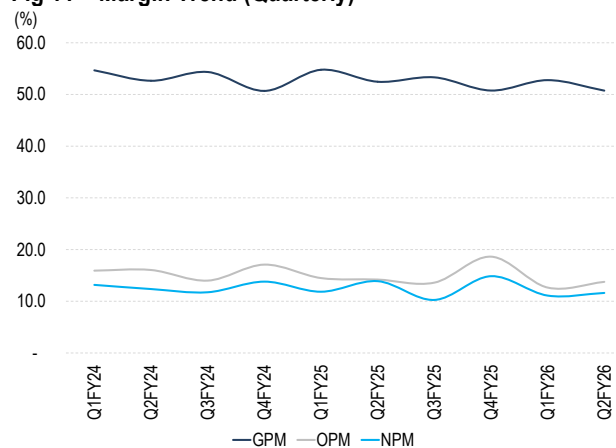
Source: Company, Anand Rathi Research

Fig 10 – Profitability Trend (Quarterly)



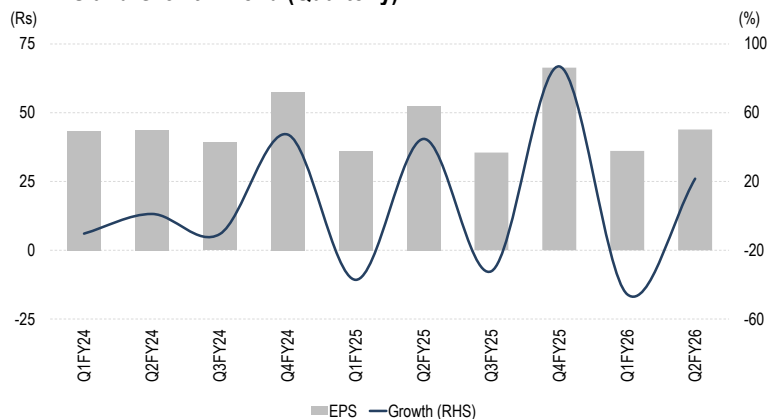
Source: Company, Anand Rathi Research

Fig 11 – Margin Trend (Quarterly)

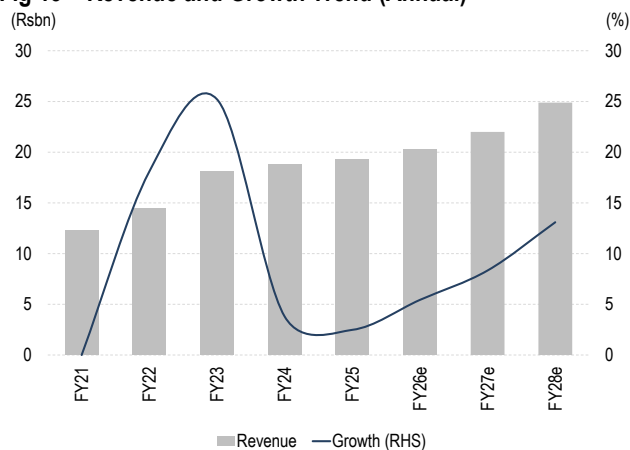


Source: Company, Anand Rathi Research

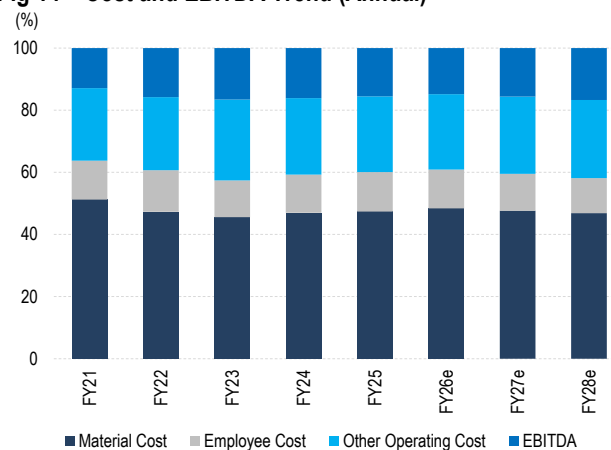
Fig 12 – EPS and Growth Trend (Quarterly)



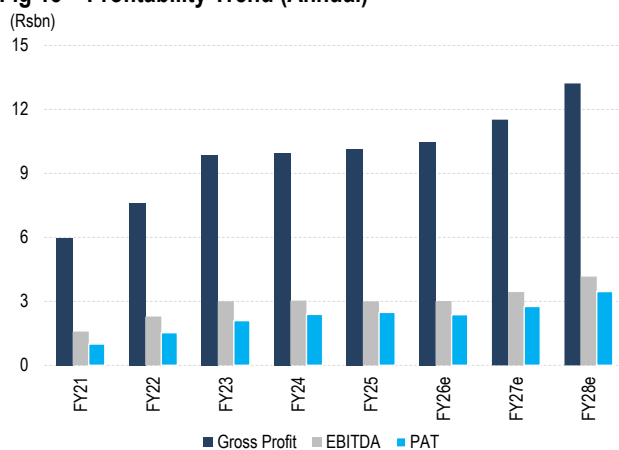
Source: Company, Anand Rathi Research

Fig 13 – Revenue and Growth Trend (Annual)

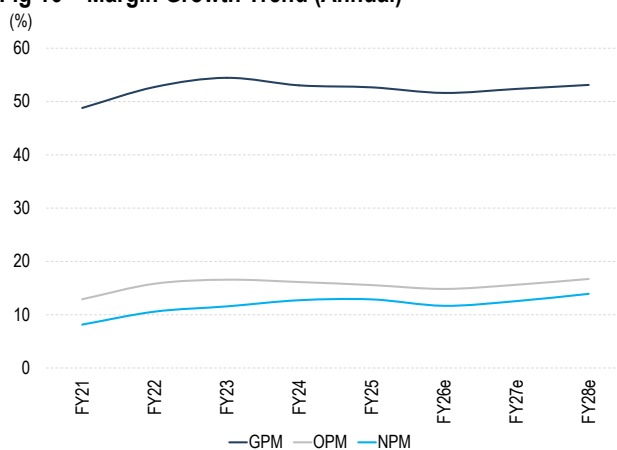
Source: Company, Anand Rathi Research

Fig 14 – Cost and EBITDA Trend (Annual)

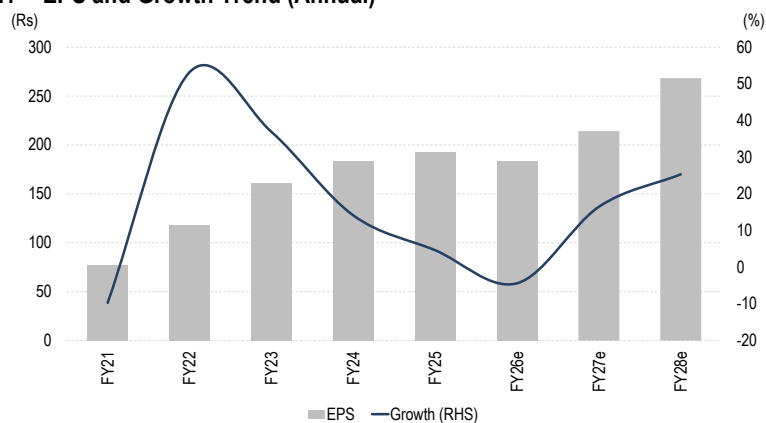
Source: Company, Anand Rathi Research

Fig 15 – Profitability Trend (Annual)

Source: Company, Anand Rathi Research

Fig 16 – Margin Growth Trend (Annual)

Source: Company, Anand Rathi Research

Fig 17 – EPS and Growth Trend (Annual)

Source: Company, Anand Rathi Research

Outlook & Valuations

Management is optimistic of recovery in H2 FY26 and is aiming at 7-8% growth for FY26. Volume recovery will aid achieving an operating margin of 14.5-15%. The company continues to focus on brand building, product innovation and operational efficiency.

We expect 8.9%/11.8% revenue/earnings CAGR over FY25-28. We retain our Buy recommendation on the stock with a 12-mth TP of Rs8443, 35x FY27e/FY28e average EPS (from Rs8,956 earlier).

Fig 18 – Change in estimates

(Rs m)	Earlier			Revised			Variance (%)		
	FY26e	FY27e	FY28e	FY26e	FY27e	FY28e	FY26	FY27	FY28
Revenue	20,905	23,562	27,338	20,310	22,004	24,885	(2.8)	(6.6)	(9.0)
EBITDA	3,332	3,829	4,699	3,015	3,438	4,160	(9.5)	(10.2)	(11.5)
EBITDA Margin (%)	15.9	16.3	17.2	14.8	15.6	16.7	(109)	(63)	(47)
PAT	2,564	2,960	3,640	2,371	2,762	3,461	(7.5)	(6.7)	(4.9)
EPS (Rs)	198.8	229.5	282.3	183.8	214.1	268.4	(7.5)	(6.7)	(4.9)

Source: Anand Rathi Research

Fig 19 – 1-year-forward PER band



Source: Company, Anand Rathi Research

Fig 20 – Mean and SD



Source: Company, Anand Rathi Research

Risks

- Slowdown in economy activities leading to demand slowdown.
- Delay in expected pickup in retail demand.
- Under-absorption of overheads.
- Higher input cost.
- Increased competitive intensity.

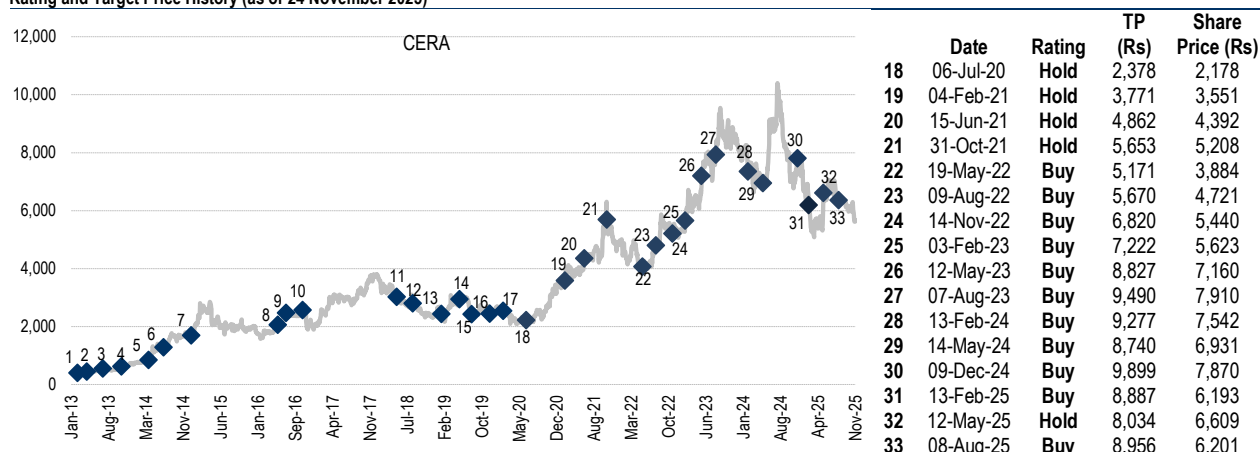
Appendix

Analyst Certification

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Important Disclosures on subject companies

Rating and Target Price History (as of 24 November 2025)



Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps, Mid Caps & Small Caps as described in the Ratings Table below:

Ratings Guide (12 months)

	Buy	Hold	Sell
Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

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