

**BUY****TP: Rs 7,400 | ▲ 19%****CERA SANITARYWARE**

| Building Materials

| 07 August 2025

**Margin miss; expanding horizon with margin accretive launches**

- **Margin miss in Q1 due to the inability to pass on cost inflation pressure in a weak demand environment**
- **Target revenue to grow at high-single to low double-digit rate with EBITDA margin of 15-17% in FY26**
- **Maintain BUY on prospects of market share gains with reasonable valuations; TP cut by 1% to Rs 7,400 per share**

**Utkarsh Nopany**

research@bobcaps.in

**Mixed Q1:** CRS topline came broadly in line with our estimate (+0.1%), but missed our EBITDA (-11.9%)/APAT (-4.1%) due to margin contraction (-144bps YoY to 13.0% vs 14.8% estimated), on gross margin pressure (-176bps YoY to 53.0% due to inability to pass on cost inflation pressure in view of weak market conditions) and higher employee cost (+11.1% YoY).

**Highlights:** CRS revenue grew by 5.4% YoY in Q1FY26 driven by higher faucet sales (+13.4%). Sanitaryware revenue was flat (-0.3% YoY) in Q1FY26 due to weak retail demand. Project sales share was up 200bps YoY to 38% in Q1FY26. EBITDA/APAT was down by 5.1%/1.1% in Q1FY26 due to margin pressure.

**Guidance:** Management believes that the retail demand conditions continues to remain soft but expect demand to recover in H2FY26. However, the project business continues to gain positive traction as the project order book has gone up by 32% YoY in Q1FY26. CRS targets its revenue to grow at high-single to low double-digit rate with EBITDA margin of 15-17% in FY26. The company has launched economy range PTMT and brass bath fittings product (a margin-accretive step and expected to contribute 5-7% of sales over the next 3 years). The company is also expanding its luxury brand (Senator) network to ramp up share of premium offerings (which would also enhance its margin profile in future).

**Maintain BUY; TP cut by 1% to Rs 7,400:** CRS revenue/EBITDA/APAT is projected to grow at a moderate pace of 8.8%/7.7%/6.0% CAGR over FY25-FY28E. However, we maintain BUY as (a) We believe CRS's initiative to enter the economy-range bath fittings segment and enhance revenue contribution from its luxury portfolio will expand the addressable market opportunity and be margin accretive b) likely to generate healthy ROE (+16% over FY26-FY28) c) reasonable valuations (the stock trades at a P/E of 32.5x on 1YF basis vs 5Y average of 34.6x). We have slightly cut our TP to Rs 7,400 per share (Rs 7,500 earlier) due to downward revision of our EPS estimates (-5.2%/-3.6% for FY26E/FY27E) based on weak Q1 result. Our target P/E remains unchanged at 35x on Jun'27 estimate (vs Mar'27 earlier).

**Key changes**

Target	Rating
▼	◀ ▶

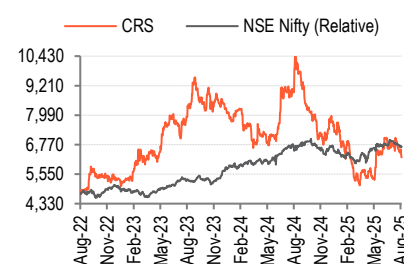
Ticker/Price	CRS IN/Rs 6,244
Market cap	US\$ 918.4mn
Free float	46%
3M ADV	US\$ 4.0mn
52wk high/low	Rs 10,790/Rs 5,060
Promoter/FPI/DII	54%/17%/12%

Source: NSE | Price as of 7 Aug 2025

**Key financials**

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	19,262	20,459	22,486
EBITDA (Rs mn)	3,041	2,898	3,366
Adj. net profit (Rs mn)	2,511	2,340	2,664
Adj. EPS (Rs)	194.7	181.4	206.5
Consensus EPS (Rs)	191.1	198.3	233.1
Adj. ROAE (%)	18.4	16.2	16.6
Adj. P/E (x)	32.1	34.4	30.2
EV/EBITDA (x)	28.8	30.3	26.1
Adj. EPS growth (%)	5.3	(6.8)	13.8

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**

Source: NSE



**Fig 1 – Quarterly performance - Consolidated**

Particulars (Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	BOBCAPS Q1FY26E	Variance (%)
Total operating income	4,222	4,007	5.4	5,805	(27.3)	4,218	0.1
Raw-Material expense	1,983	1,812	9.5	2,859	(30.6)		
Gross Profit	2,239	2,195	2.0	2,947	(24.0)		
Employee expense	654	589	11.1	614	6.5		
Other expense	1,034	1,026	0.7	1,251	(17.4)		
EBITDA	551	581	(5.1)	1,081	(49.1)	625	(11.9)
D&A	95	90	6.1	106	(10.6)		
EBIT	456	491	(7.2)	975	(53.2)		
Interest cost	15	13	21.2	17	(9.5)		
Non-operating expense/(income)	(181)	(159)	14.0	(136)	33.0		
PBT	622	637	(2.4)	1,095	(43.2)		
Tax	151	163	(7.0)	232	(34.7)		
Reported PAT	471	475	(0.9)	863	(45.5)		
Adjusted PAT	466	471	(1.1)	868	(46.4)	485	(4.1)
<b>As % of net revenues</b>			<b>(bps)</b>		<b>(bps)</b>		
Gross margin	53.0	54.8	(176)	50.8	227		
Employee cost	15.5	14.7	80	10.6	491		
Other cost	24.5	25.6	(112)	21.5	293		
EBITDA margin	13.0	14.5	(144)	18.6	(558)		
Tax rate	24.3	25.5	(120)	21.2	317		
APAT margin	11.0	11.7	(71)	15.0	(393)		

Source: Company, BOBCAPS Research

**Fig 2 – Segment financials**

Revenue (Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Sanitaryware	2,087	2,092	(0.3)	2,686	(22.3)
Faucetware	1,619	1,427	13.4	2,220	(27.1)
Tiles	426	406	5.0	530	(19.6)
Wellness	63	55	14.6	160	(60.7)
Others	28	27	2.4	209	(86.8)
<b>Total</b>	<b>4,222</b>	<b>4,007</b>	<b>5.4</b>	<b>5,805</b>	<b>(27.3)</b>
<b>Revenue-mix (%)</b>					
Sanitaryware	49.4	52.2	(279bps)	46.3	315bps
Faucetware	38.3	35.6	272bps	38.2	10bps
Tiles	10.1	10.1	(4bps)	9.1	96bps
Wellness	1.5	1.4	12bps	2.8	(127bps)
Others	0.7	0.7	(2bps)	3.6	(295bps)
<b>Total</b>	<b>100.0</b>	<b>100.0</b>		<b>100.0</b>	

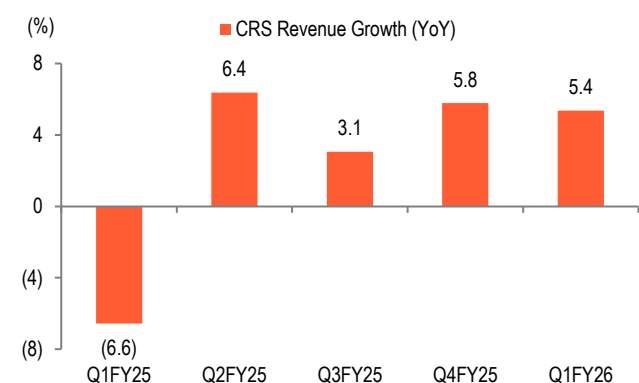
Source: Company, BOBCAPS Research

## Earnings call highlights

- **Demand:** conditions in the retail segment continue to remain soft, but management expects to see signs of recovery in H2FY26 based on rural economy gaining momentum (driven by strong harvest, increased government spending and structural reforms) and improvement in liquidity conditions in the market. However, the project business continues to see strong traction in the market.
- **Incentives:** CRSThe company has started offering additional discounts of 2-3% over the past 6-7 consecutive quarters in view of intense competition in the industry in a weak demand condition. However, management believes such discounts will be rolled back once the demand conditions improve in future.
- **Guidance:** The company targets its revenue to grow at high-single or low double-digit in FY26 in anticipation of recovery in retail demand in H2FY26. EBITDA margin is projected to be in the 15-17% range over the next 2-3 years.
- **Margin:** EBITDA margin contracted by 144bps YoY to 13.0% in Q1FY26 on account of gross margin pressure (-176bps YoY to 53.0% due to inability to pass on commodity cost inflation pressure to consumers in view of weak demand conditions) and higher employee cost.
- **Product mix:** Revenue share of entry:mid:premium was 22%:35%:43% in Q1FY26 vs 24%:32%:44% in Q1FY25. Sales contribution by Tier 1/2/3 was 36%/22%/42% vs 35%/22%/43% in Q1FY25.
- **Luxury segment:** Management targets to increase revenue share from luxury portfolio (i.e. Lux and Senator) to up to 10% over the next 2-3 years. For this, the number of exclusive channel partners for the Senator brand has gone up from 17 in Mar'25 to 23 in Jun'25 and target to increase it to 45-50 by Mar'26. The company has appointed 50 sales personnel to promote luxury products offerings.
- **Polyplus:** The company has launched PTMT and economy range brass bath fittings to increase its presence in economy range (which is mainly consumed in Tier 3/4 cities and rural areas). The market size of this product is estimated to be Rs 90bn, which is mainly catered by the unorganised players. The company aims to appoint 140 distributors with 5,000 retail touch points over the next one year. Plans to hire 70 sales personnel to promote this product in FY26. Revenue contribution from this product is expected to start from Q3FY26 onwards, with an estimated revenue of Rs 250-300 mn in FY26. This product is expected to contribute 5–7% of revenue over the next 3 years.
- **Sales distribution:** Share of B2B sales has gone up from 36% in Q1FY25 to 38% in Q1FY26. Project orders increased by 32% YoY in Q1FY26.
- **Ad spend:** has gone down from 2.8% in Q1FY25 to 2.2% in Q1FY26. Ad spend is budgeted to be around Rs 600mn (of which Rs 110-120mn would be spent to promoter luxury brands i.e. Senator and Lux).
- **Gas cost:** Blended gas consumption cost per unit was up 4.8% YoY in Q1FY26.

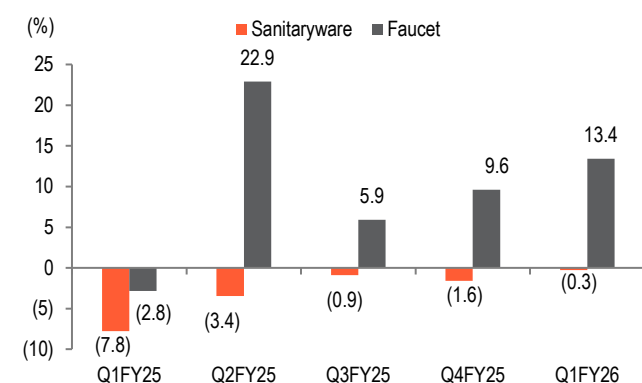
- **Capex:** The company revised capex guidance to Rs 230 mn (earlier Rs 240mn) on routine capex for FY26. CRS would firm up the decision on taking up the greenfield sanitaryware project over the next 2-3 quarter period.
- **Net cash:** has gone up from Rs 7.2bn in Mar'25 to Rs 7.8bn in Jun'25.

**Fig 3 – CRS's revenue grew at a muted pace of 5.4% YoY in Q1FY26 over a weak base, due to weak retail demand**



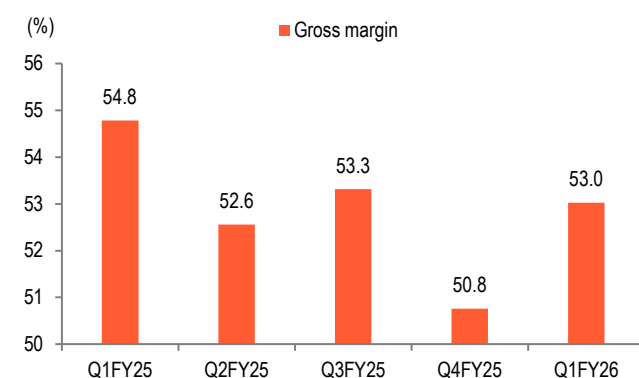
Source: Company, BOBCAPS Research

**Fig 4 – Sanitaryware revenue was relatively flat whereas faucet revenue grew by 13.4% YoY in Q1FY26**



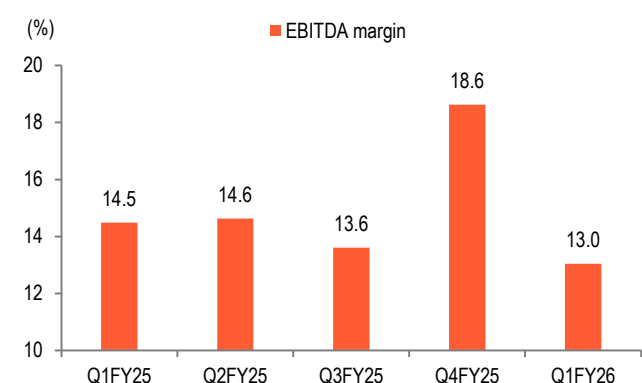
Source: Company, BOBCAPS Research

**Fig 5 – Gross margin was down 176bps YoY to 53.0% in Q1FY26 due to inability to pass on cost inflation pressure**



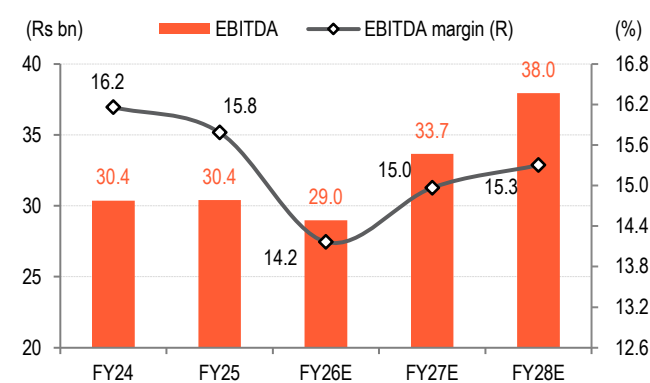
Source: Company, BOBCAPS Research

**Fig 6 – EBITDA margin was down 144bps YoY in Q1FY26 on gross margin pressure and higher employee cost**



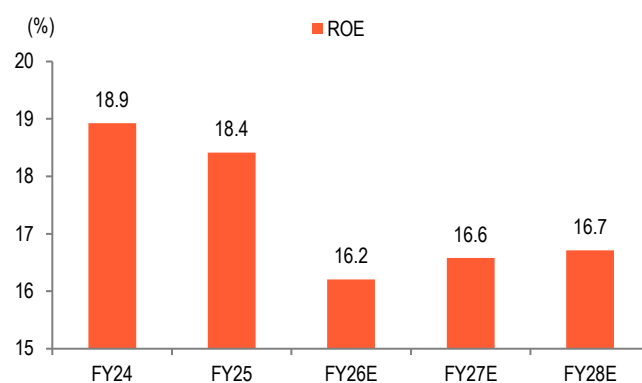
Source: Company, BOBCAPS Research

**Fig 7 – CRS's EBITDA forecast to grow at a moderate pace of 7.7% CAGR over FY25-FY28E**



Source: Company, BOBCAPS Research

**Fig 8 – CRS's ROE profile is likely to remain healthy (>15%) over the medium term**



Source: Company, BOBCAPS Research

## Valuation Methodology

CRS revenue/EBITDA/APAT is projected to grow at a moderate pace of 8.8%/7.7%/6.0% CAGR over FY25-FY28E. However, we maintain BUY as (a) We believe CRS's initiative to enter the economy-range bath fittings segment and enhance revenue contribution from its luxury portfolio will expand the addressable market opportunity and be margin accretive b) likely to generate healthy ROE (+16% over FY26-FY28) c) reasonable valuations (the stock trades at a P/E of 32.5x on 1YF basis vs 5Y average of 34.6x).

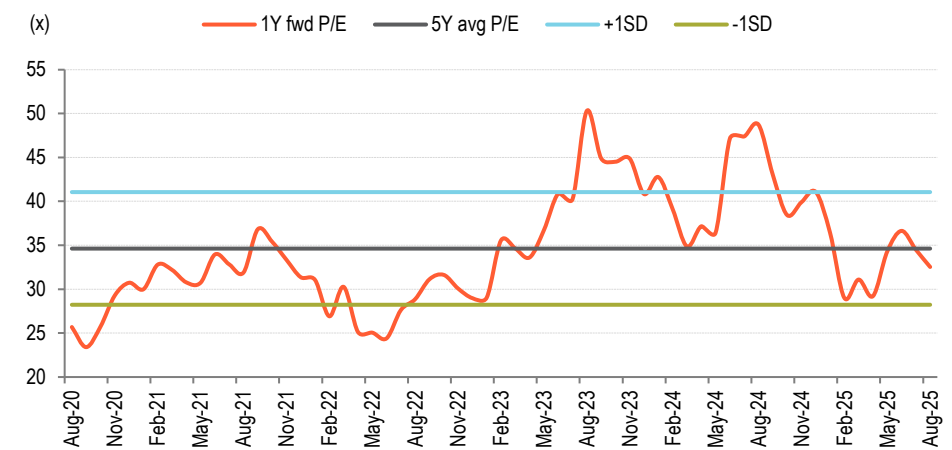
We have slightly cut our TP to Rs 7,400 per share (Rs 7,500 earlier) due to downward revision of our EPS estimates (-5.2%/-3.6% for FY26E/FY27E) based on weak Q1 result. Our target P/E remains unchanged at 35x on Jun'27 estimate (vs Mar'27 earlier).

**Fig 9 – Revised estimates**

Consolidated (Rs bn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	20.5	22.5	20.3	22.3	0.7	0.9
EBITDA	2.9	3.4	3.2	3.6	(9.3)	(7.1)
EBITDA Margin (%)	14.2	15.0	15.7	16.3	(155bps)	(130bps)
Adjusted PAT	2.3	2.7	2.5	2.8	(5.2)	(3.6)
EPS (Rs)	181.4	206.5	191.4	214.3	(5.2)	(3.6)

Source: BOBCAPS Research

**Fig 10 – Trading at 32.5x on 1YF P/E vs 5Y average of 34.6x**



Source: Bloomberg, BOBCAPS Research

**Fig 11 – Key assumptions**

Key Assumptions	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Revenue Mix (%)</b>					
Sanitaryware	51.6	48.9	46.7	44.8	43.1
Faucetware	36.1	38.6	40.9	42.7	44.6
Tiles	10.3	10.1	9.9	9.9	9.9
Wellness	2.0	2.4	2.5	2.5	2.5
<b>Revenue Growth (%)</b>					
Sanitaryware	(0.3)	(3.0)	2.2	5.5	6.0
Faucetware	9.7	9.4	13.3	15.0	15.0
Tiles	0.7	0.9	5.0	10.0	10.0
Wellness	18.9	20.8	10.6	10.0	10.0
Total	3.8	2.5	6.2	9.9	10.3
EBITDA margin	16.2	15.8	14.2	15.0	15.3

Source: Company, BOBCAPS Research

## Key risks

Key upside risks to our estimates:

- Sharp slowdown in real estate activity
- Market share loss in sanitaryware and faucet

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Total revenue</b>	<b>18,794</b>	<b>19,262</b>	<b>20,459</b>	<b>22,486</b>	<b>24,800</b>
EBITDA	3,038	3,041	2,898	3,366	3,795
Depreciation	365	407	408	443	495
EBIT	2,672	2,634	2,490	2,923	3,300
Net interest inc./(exp.)	(58)	(75)	(62)	(63)	(63)
Other inc./(exp.)	595	605	726	737	803
Exceptional items	5	42	0	0	0
EBT	3,204	3,122	3,153	3,597	4,041
Income taxes	775	620	789	905	1,017
Extraordinary items	16	15	0	0	0
Min. int./Inc. from assoc.	(23)	(22)	(25)	(28)	(32)
<b>Reported net profit</b>	<b>2,390</b>	<b>2,465</b>	<b>2,340</b>	<b>2,664</b>	<b>2,992</b>
Adjustments	15	46	0	0	0
<b>Adjusted net profit</b>	<b>2,405</b>	<b>2,511</b>	<b>2,340</b>	<b>2,664</b>	<b>2,992</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	1,790	1,879	2,038	2,240	2,470
Other current liabilities	1,674	1,478	1,478	1,478	1,478
Provisions	161	182	198	217	239
Debt funds	205	181	183	199	218
Other liabilities	1,040	1,227	1,227	1,227	1,227
Equity capital	65	64	64	64	64
Reserves & surplus	13,393	13,471	15,015	16,773	18,748
Shareholders' fund	13,585	13,683	15,203	16,932	18,875
<b>Total liab. and equities</b>	<b>18,455</b>	<b>18,630</b>	<b>20,325</b>	<b>22,292</b>	<b>24,507</b>
Cash and cash eq.	8,141	7,045	8,188	8,922	9,783
Accounts receivables	2,026	2,711	2,880	3,165	3,491
Inventories	3,636	4,105	4,169	4,526	5,007
Other current assets	430	326	354	389	429
Investments	0	0	0	0	0
Net fixed assets	3,515	3,534	3,626	4,483	5,288
CWIP	130	108	308	8	(292)
Intangible assets	225	452	452	452	452
Deferred tax assets, net	0	0	0	0	0
Other assets	353	348	348	348	348
<b>Total assets</b>	<b>18,455</b>	<b>18,630</b>	<b>20,325</b>	<b>22,292</b>	<b>24,507</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Cash flow from operations</b>	<b>2,367</b>	<b>1,476</b>	<b>2,023</b>	<b>2,005</b>	<b>2,184</b>
Capital expenditures	(671)	(632)	(700)	(1,000)	(1,000)
Change in investments	31	0	0	0	0
Other investing cash flows	575	548	726	737	803
<b>Cash flow from investing</b>	<b>(66)</b>	<b>(84)</b>	<b>26</b>	<b>(263)</b>	<b>(197)</b>
Equities issued/Others	0	(1)	0	0	0
Debt raised/repaid	(49)	(23)	1	16	19
Interest expenses	(58)	(75)	(62)	(63)	(63)
Dividends paid	(785)	(854)	(796)	(906)	(1,018)
Other financing cash flows	125	(1,535)	(49)	(56)	(63)
<b>Cash flow from financing</b>	<b>(767)</b>	<b>(2,488)</b>	<b>(906)</b>	<b>(1,008)</b>	<b>(1,125)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>1,534</b>	<b>(1,096)</b>	<b>1,143</b>	<b>734</b>	<b>862</b>
<b>Closing cash &amp; cash eq.</b>	<b>8,141</b>	<b>7,045</b>	<b>8,188</b>	<b>8,921</b>	<b>9,783</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	183.8	191.1	181.4	206.5	232.0
Adjusted EPS	185.0	194.7	181.4	206.5	232.0
Dividend per share	60.0	65.0	61.7	70.2	78.9
Book value per share	1,034.8	1,049.5	1,169.2	1,305.5	1,458.6

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	4.6	4.6	4.3	3.9	3.6
EV/EBITDA	28.4	28.8	30.3	26.1	23.4
Adjusted P/E	33.8	32.1	34.4	30.2	26.9
P/BV	6.0	5.9	5.3	4.8	4.3

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	75.1	80.4	74.2	74.0	74.0
Interest burden (PBT/EBIT)	119.9	118.5	126.6	123.1	122.4
EBIT margin (EBIT/Revenue)	14.2	13.7	12.2	13.0	13.3
Asset turnover (Rev./Avg TA)	101.8	103.4	100.7	100.9	101.2
Leverage (Avg TA/Avg Equity)	1.5	1.4	1.4	1.4	1.4
<b>Adjusted ROAE</b>	<b>18.9</b>	<b>18.4</b>	<b>16.2</b>	<b>16.6</b>	<b>16.7</b>

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Revenue	3.8	2.5	6.2	9.9	10.3
EBITDA	0.9	0.1	(4.7)	16.1	12.8
Adjusted EPS	12.5	5.3	(6.8)	13.8	12.3
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	16.2	15.8	14.2	15.0	15.3
EBIT margin	14.2	13.7	12.2	13.0	13.3
Adjusted profit margin	12.8	13.0	11.4	11.8	12.1
Adjusted ROAE	18.9	18.4	16.2	16.6	16.7
ROCE	23.7	23.4	20.9	21.4	21.5

### Working capital days (days)

Receivables	39	51	51	51	51
Inventory	71	78	74	73	74
Payables	35	36	36	36	36

### Ratios (x)

Gross asset turnover	3.3	3.1	3.2	3.0	2.9
Current ratio	3.7	3.8	4.0	4.1	4.2
Net interest coverage ratio	45.9	35.2	40.0	46.7	52.7
<b>Adjusted debt/equity</b>	<b>(0.6)</b>	<b>(0.5)</b>	<b>(0.5)</b>	<b>(0.5)</b>	<b>(0.5)</b>

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

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**Recommendation scale: Recommendations and Absolute returns (%) over 12 months**

**BUY** – Expected return >+15%

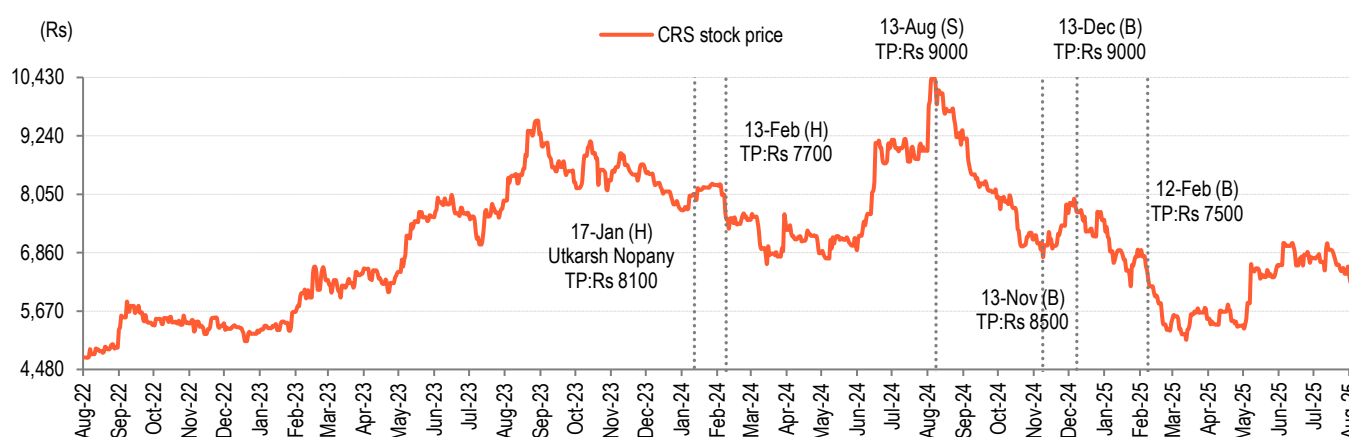
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

## Ratings and Target Price (3-year history): CERA SANITARYWARE (CRS IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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