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BUY
TP: Rs 7,000 | ⮝ 15%

CERA SANITARYWARE | Building Materials | 10 August 2026

Margin miss on commodity pressure, maintains guidance

- **Revenue beat, miss on margins, revenue grew 20% YoY, led by healthy volume growth, EBITDA margin contracted by 292bps YoY to 10.1%**
- **Management maintains 13.5-14.0% margin guidance; recovery expected as price hikes flow through; capex plans remain on track**
- **Cut estimates, ascribe 30x Jun-28EPS to arrive at Jun-27TP of Rs 7000; Maintain BUY**

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EBITDA misses estimates: Cera Sanitaryware (CRS) reported a healthy Q1FY27, with revenue increasing 20% YoY (2% above our estimate), driven by 14% growth in sanitaryware, 25% in faucetware and 22% in tiles on a YoY basis. However, EBITDA declined 7% YoY, (vs. 14% est.), while EBITDA margin contracted 292bps YoY to 10.1%, impacted by higher raw-material costs, delayed price pass-through and one-off operational factors. Consequently, APAT declined 3% YoY, but exceeded our estimate by 15%, aided by higher other income.

Core businesses deliver healthy volume growth; one-off factors weigh on margins: Sanitaryware growth was largely volume-led (10% volume, 2% pricing and 2% mix), while faucetware delivered stronger growth (18% volume, 4% pricing and 3% mix), reflecting healthy demand across both retail and project channels. Gross margin contracted 547bps YoY to 45.8% due to higher brass and other input costs, while EBITDA margin was further impacted by the retrospective wage settlement, lower sanitaryware utilisation (61%) during the temporary single-kiln operation, project mix and delayed price pass-through. Management expects margins to recover as both kilns operate at normal utilisation and revised pricing progressively flows through project orders.

Outlook: Management indicated that demand remains healthy and predominantly volume led, despite cumulative price hikes of 12% in sanitaryware and 16% in faucetware. It maintained its 13.5-14.0% EBITDA margin guidance, expecting margin recovery as price hikes flow through, while continuing with planned faucetware expansion and ending the quarter with Rs 9.43bn cash.

Cut estimates; maintain BUY: We maintain our BUY rating on CERA. We revise our FY27E-29E revenue/EBITDA/PAT estimates by 3-4%/-1% to -12%/-2% to -11%, respectively, factoring in near-term margin pressure from input cost inflation. We ascribe 30x Jun'28 PE to arrive at June-27 TP of Rs 7000.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	CRS IN/Rs 6,062
Market cap	US$ 823.4mn
Free float	46%
3M ADV	US$ 1.5mn
52wk high/low	Rs 6,740/Rs 4,461
Promoter/FPI/DII	54%/16%/14%

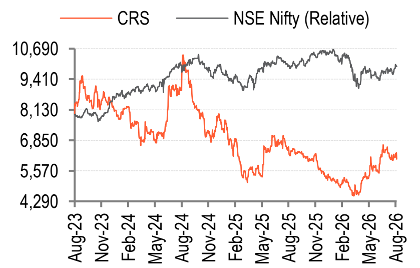
Source: NSE | Price as of 7 Aug 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	20,501	23,406	25,843
EBITDA (Rs mn)	2,692	2,806	3,745
Adj. net profit (Rs mn)	2,101	2,221	2,839
Adj. EPS (Rs)	162.9	172.2	220.1
Consensus EPS (Rs)	158.3	201.3	235.4
Adj. ROAE (%)	14.9	14.5	17.1
Adj. P/E (x)	37.2	35.2	27.5
EV/EBITDA (x)	26.2	25.0	18.8
Adj. EPS growth (%)	(15.2)	5.7	27.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly performance - Consolidated

Particulars (Rs mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	BOBCAPS Q1FY27E	Variance (%)
Total operating income	4,860	4,068	19.5	6,240	(22.1)	4,761	2.1
Raw-Material expense	2,632	1,981	32.9	3,510	(25.0)	2,452	7.3
Gross Profit	2,228	2,087	6.7	2,730	(18.4)	2,309	(3.5)
Employee expense	784	645	21.5	594	31.9	604	29.7
Other expense	952	911	4.4	1,156	(17.7)	1,135	(16.1)
EBITDA	492	531	(7.3)	979	(49.7)	570	(13.7)
D&A	94	91	3.6	99	(5.2)	99	(5.2)
EBIT	398	440	(9.5)	880	(54.8)	471	(15.4)
Interest cost	13	14	(12.1)	14	(10.3)	14	(10.3)
Non-operating expense/(income)	(213)	(186)	14.4	(169)	25.7	(70)	204.1
PBT	598	611	(2.2)	1,035	(42.2)	526	13.6
Tax	145	146	(0.7)	262	(44.6)	132	9.5
Reported PAT	453	465	(2.6)	773	(41.4)	394	15.0
Adjusted PAT	453	465	(2.6)	694	(34.7)	394	15.0
As % of net revenues			**chg (bps)**		**chg (bps)**		
Gross margin	45.8	51.3	(547)	43.7	209	48.5	(266)
Employee cost	16.1	15.9	27	9.5	660	12.7	343
Other cost	19.6	22.4	(282)	18.5	106	23.8	(425)
EBITDA margin	10.1	13.0	(292)	15.7	(557)	12.0	(184)
Tax rate	24.2	23.9	36	25.3	(104)	25.2	(92)
APAT margin	9.3	11.4	(212)	11.1	(179)	8.3	105

Source: Company, BOBCAPS Research

Fig 2 – Segment financials

Particulars	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Revenue (Rs mn)	2,381	2,087	14.1	2,974	(19.9)
Sanitaryware	2,028	1,619	25.3	2,759	(26.5)
Faucetware	520	426	22.0	486	7.0
Tiles	58	63	(7.0)	210	(72.1)
Wellness	(127)	(126)	1.0	(189)	(32.6)
Total	4,860	4,068	19.5	6,240	(22.1)
Revenue-mix (%)					
Sanitaryware	49.0	51.3	(230)	47.7	134
Faucetware	41.7	39.8	194	44.2	(249)
Tiles	10.7	10.5	22	7.8	291
Wellness	1.2	1.5	(34)	3.4	(216)
Others	(2.6)	(3.1)	48	(3.0)	41
Total	100.0	100.0		100.0	

Source: Company, BOBCAPS Research

Earnings Call Highlights

- **Growth remains volume led despite pricing actions:** Sanitaryware grew 14% (volume 10%, price 2%, mix 2%), while faucetware grew 25% (volume 18%, price 4%, mix 3%). Management indicated demand remained healthy across both categories, with similar trends continuing into subsequent months.

- **Margin miss largely transitional; guidance maintained:** Management attributed the gap versus its 13.5-14.0% EBITDA margin guidance to LT wage settlement costs (130bps), fixed-cost under-absorption from single-kiln operations (75bps), project mix (80bps) and delayed price pass-through (150bps). It expects margins to recover as both kilns operate normally and revised pricing is reflected, although the higher wage base (~Rs10mn/month) will remain a recurring cost.

- **Price hikes absorbed; project pass-through to lag:** Cumulative price hikes stand at ~12% in sanitaryware and ~16% in faucetware. While retail pricing has largely flowed through from Jul'26, project pricing is expected to reflect revised prices only by Q3FY27 due to longer order execution cycles. Management also highlighted continued pressure from elevated brass prices (>Rs 900/kg in Jul'26 vs Rs 665/kg in Dec'25).

- **Morbi disruption remains a tactical opportunity:** The recent SKU internalisation is opportunistic rather than a structural shift in manufacturing strategy. The sourcing mix remains flexible, with selective in-house production requiring only Rs 20-30mn of incremental investment.

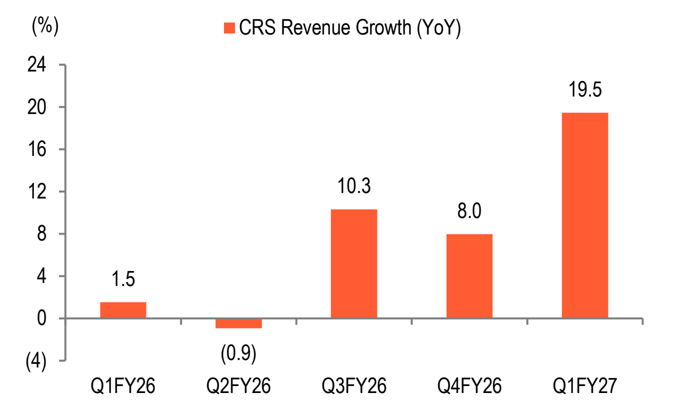
- **Capacity expansion remains demand linked:** Faucetware debottlenecking remains on track for Q4FY27, with utilisation currently at ~96%. Sanitaryware utilisation improved from 61% in Q1FY27 to normal levels after both kilns resumed operations in Jun'26. The proposed Rs 1.3-1.5bn sanitaryware greenfield project is expected to be evaluated by FY27-end.

- **Working capital improves; balance sheet remains strong:** Net working capital improved to 50 days (vs 75 days YoY), supported by lower inventory (68 vs 80 days) and receivables (30 vs 38 days), although payables also increased to 48 days (vs 43 days). Cash and cash equivalents stood at Rs 9.43bn (Rs 8.5bn in Mar’26), while FY27 capex remains focused on faucetware expansion.

- **Brand investments continue:** Management has planned ~Rs 850mn towards brand-building during FY27, with flexibility to increase spends if required.

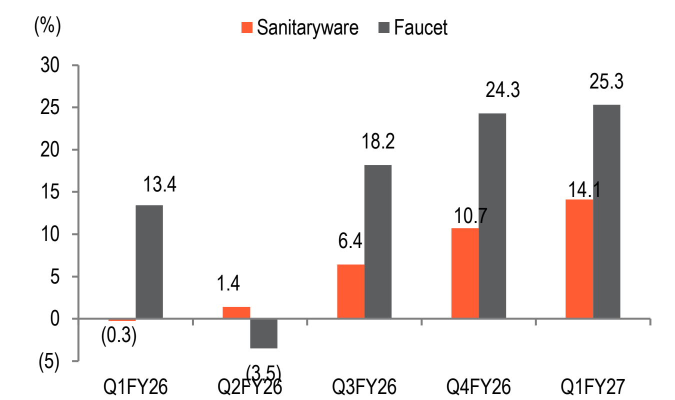
- **KMP transition:** Mr. Baliga, who headed Senator and Polipluz, will step down for personal reasons, with the transition expected to be completed by 30 Sep'26. Management does not expect any disruption to business execution.

Fig 3 – CRS's revenue grew by 20% YoY in Q1FY27



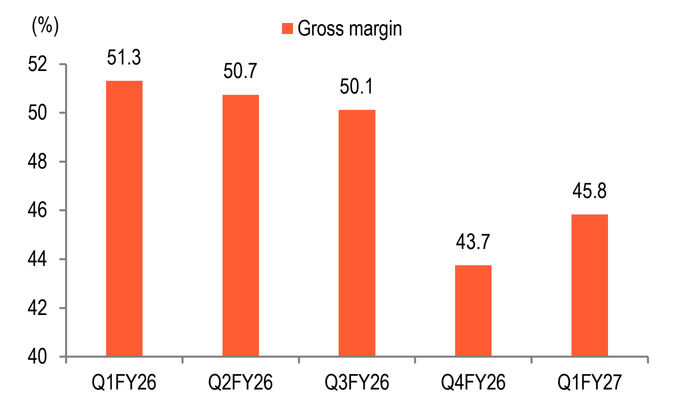
Source: Company, BOBCAPS Research

Fig 4 – CRS reported strong YoY revenue growth for both sanitaryware and faucet in Q1FY27



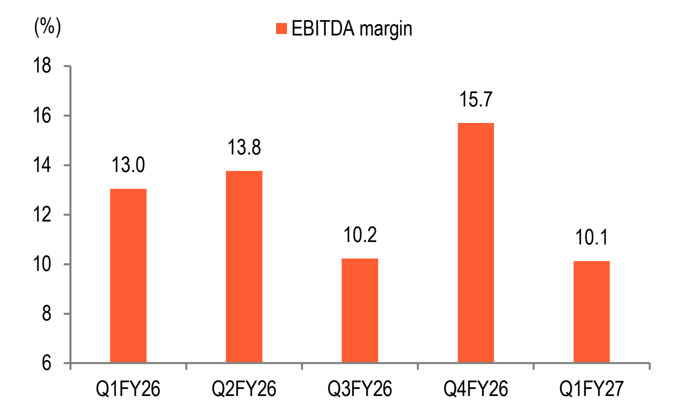
Source: Company, BOBCAPS Research

Fig 5 – Gross margin was down 547bps YoY to 45.8% in Q1FY27



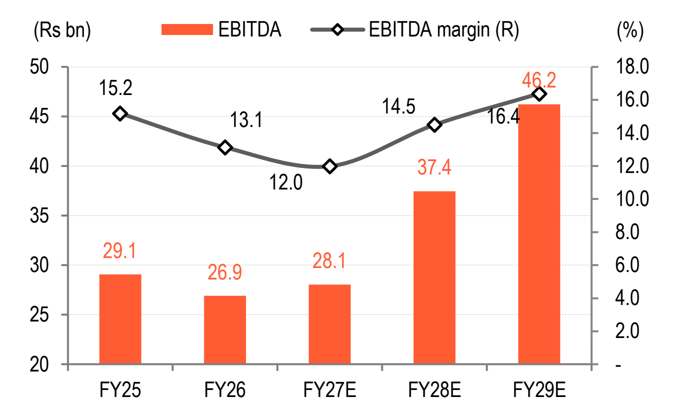
Source: Company, BOBCAPS Research

Fig 6 – EBITDA margin was down 292bps YoY in Q1FY27



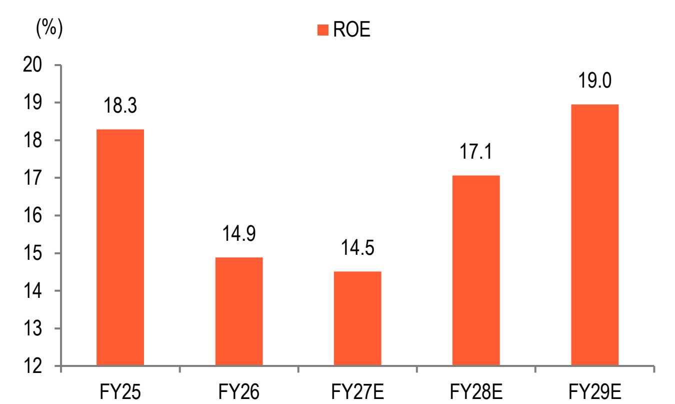
Source: Company, BOBCAPS Research

Fig 7 – EBITDA forecast to grow at a moderate pace of 19.7% CAGR over FY26-FY29E



Source: Company, BOBCAPS Research

Fig 8 – ROE profile will likely stay healthy over the medium term



Source: Company, BOBCAPS Research

Valuation Methodology

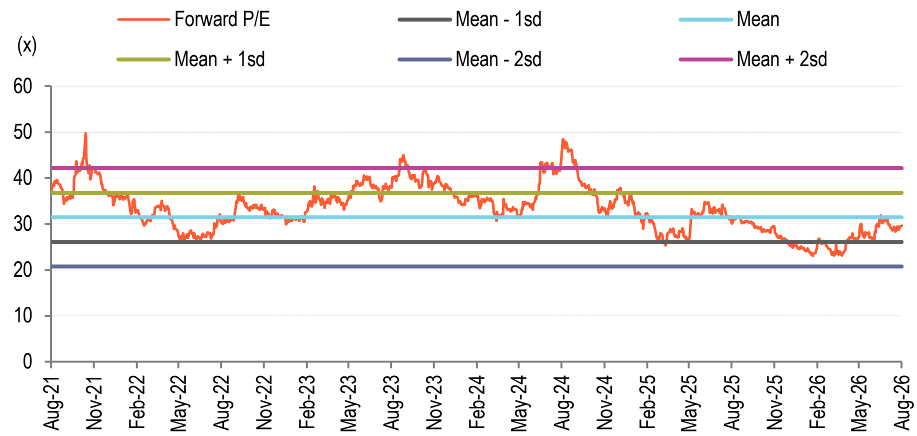
We maintain our BUY rating on CERA. We revise our FY27E-29E revenue/EBITDA/PAT estimates by 3-4%/-1% to -12%/-2% to -11%, respectively, factoring in near-term margin pressure from input cost inflation. We ascribe 30x Jun'28 PE to arrive at June-27 TP of Rs 7000.

Fig 9 – Revised estimates

Consolidated (Rs bn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	23.4	25.8	28.2	22.7	24.9	27.2	3.1	3.8	3.8
EBITDA	2.8	3.7	4.6	3.2	3.8	4.8	(12.3)	(1.4)	(3.7)
EBITDA Margin (%)	12.0	14.5	16.4	14.1	15.3	17.6	(211)	(77)	(127)
Adjusted PAT	2.2	2.8	3.5	2.5	2.9	3.6	(11.1)	(2.1)	(3.7)
EPS (Rs)	172.2	220.1	268.9	193.8	224.8	279.1	(11.1)	(2.1)	(3.7)

Source: BOBCAPS Research

Fig 10 – CRS 1YF P/E band chart



Source: Bloomberg, BOBCAPS Research

Key Risks

Key downside risks to our estimates:

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

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**19,153**	**20,501**	**23,406**	**25,843**	**28,232**
EBITDA	2,907	2,692	2,806	3,745	4,622
Depreciation	385	387	388	438	508
EBIT	2,522	2,305	2,417	3,307	4,114
Net interest inc./(exp.)	(71)	(65)	(51)	(51)	(51)
Other inc./(exp.)	625	529	594	538	572
Exceptional items	0	0	0	0	0
EBT	3,076	2,769	2,961	3,794	4,635
Income taxes	596	649	740	955	1,167
Extraordinary items	15	78	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**2,465**	**2,042**	**2,221**	**2,839**	**3,468**
Adjustments	12	59	0	0	0
Adjusted net profit	**2,477**	**2,101**	**2,221**	**2,839**	**3,468**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	1,910	2,199	2,532	2,796	3,054
Other current liabilities	1,464	1,343	1,343	1,343	1,343
Provisions	182	109	125	138	151
Debt funds	155	9	10	11	12
Other liabilities	1,195	1,198	1,198	1,198	1,198
Equity capital	64	64	64	64	64
Reserves & surplus	13,439	14,659	15,828	17,322	19,147
Shareholders' fund	13,503	14,723	15,892	17,387	19,212
Total liab. and equities	**18,409**	**19,582**	**21,102**	**22,874**	**24,971**
Cash and cash eq.	6,979	8,493	7,686	8,165	9,020
Accounts receivables	2,680	2,739	3,127	3,452	3,771
Inventories	4,058	3,958	5,224	5,581	5,965
Other current assets	380	402	463	511	558
Investments	314	149	149	149	149
Net fixed assets	3,346	3,310	4,221	5,083	5,875
CWIP	107	72	(228)	(528)	(828)
Intangible assets	439	400	400	400	400
Deferred tax assets, net	0	0	0	0	0
Other assets	105	60	60	60	60
Total assets	**18,409**	**19,582**	**21,102**	**22,874**	**24,971**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**2,596**	**3,415**	**701**	**2,336**	**2,977**
Capital expenditures	(274)	(209)	(1,000)	(1,000)	(1,000)
Change in investments	0	0	0	0	0
Other investing cash flows	36	31	594	538	572
Cash flow from investing	**(238)**	**(178)**	**(406)**	**(462)**	**(428)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	1	1	1
Interest expenses	(20)	(14)	(51)	(51)	(51)
Dividends paid	(780)	(838)	(1,052)	(1,345)	(1,643)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(801)**	**(852)**	**(1,102)**	**(1,395)**	**(1,693)**
Chg in cash & cash eq.	**1,557**	**2,385**	**(807)**	**479**	**855**
Closing cash & cash eq.	**9,698**	**12,083**	**11,276**	**11,755**	**12,610**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	191.1	158.3	172.2	220.1	268.9
Adjusted EPS	192.0	162.9	172.2	220.1	268.9
Dividend per share	65.0	75.0	81.6	104.3	127.4
Book value per share	1,047.0	1,141.6	1,232.2	1,348.0	1,489.6

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	3.7	3.4	3.0	2.7	2.5
EV/EBITDA	24.4	26.2	25.0	18.8	15.1
Adjusted P/E	31.6	37.2	35.2	27.5	22.5
P/BV	5.8	5.3	4.9	4.5	4.1

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	80.5	75.9	75.0	74.8	74.8
Interest burden (PBT/EBIT)	122.0	120.1	122.5	114.7	112.7
EBIT margin (EBIT/Revenue)	13.2	11.2	10.3	12.8	14.6
Asset turnover (Rev./Avg TA)	104.0	104.7	110.9	113.0	113.1
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.4	1.4	1.4
Adjusted ROAE	18.3	14.9	14.5	17.1	19.0

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	1.9	7.0	14.2	10.4	9.2
EBITDA	(4.3)	(7.4)	4.2	33.5	23.4
Adjusted EPS	3.8	(15.2)	5.7	27.8	22.2
Profitability & Return ratios (%)					
EBITDA margin	15.2	13.1	12.0	14.5	16.4
EBIT margin	13.2	11.2	10.3	12.8	14.6
Adjusted profit margin	12.9	10.2	9.5	11.0	12.3
Adjusted ROAE	18.3	14.9	14.5	17.1	19.0
ROCE	23.0	19.2	18.9	22.1	24.4
Working capital days (days)					
Receivables	51	49	49	49	49
Inventory	77	70	81	79	77
Payables	36	39	39	39	39
Ratios (x)					
Gross asset turnover	3.2	3.4	3.4	3.2	3.0
Current ratio	3.8	4.3	4.1	4.1	4.2
Net interest coverage ratio	35.4	35.6	47.6	65.2	81.1
Adjusted debt/equity	(0.5)	(0.6)	(0.5)	(0.5)	(0.5)

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

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BUY – Expected return >+15%

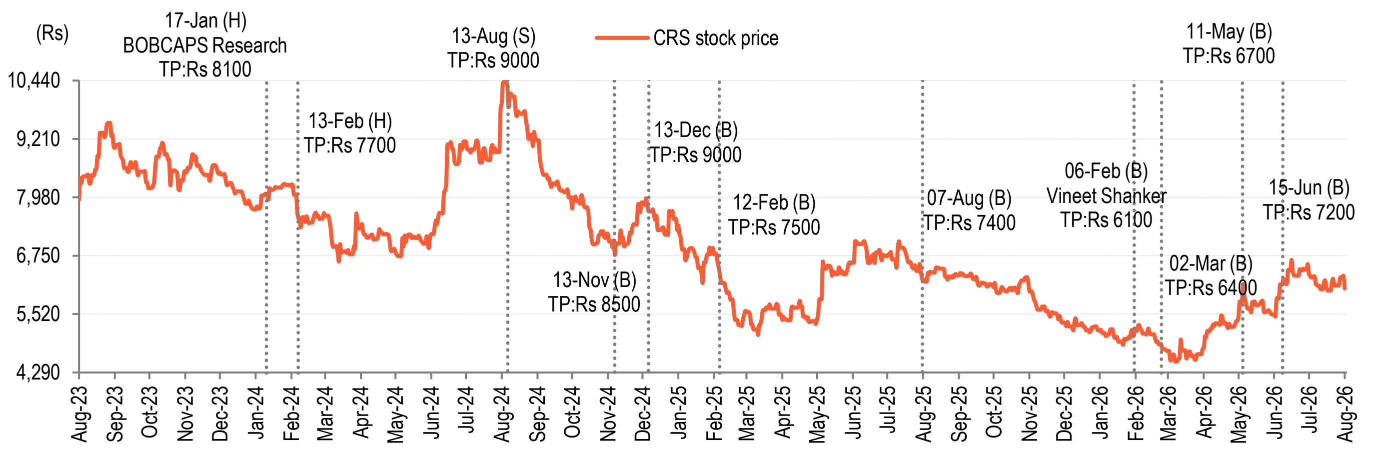
HOLD – Expected return from -6% to +15%

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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