

BUY**TP: Rs 7,500 | ▲ 29%****CERA SANITARYWARE**

Building Materials

12 May 2025

Resilient margin in a weak retail demand environment

- Steady performance in Q4FY25 on resilient operating margin in a challenging macro environment
- Margin guided to be in the 15-16% range for FY26; greenfield sanitaryware project put on hold on weak retail demand
- Maintain BUY with unchanged TP of Rs 7,500 per share on reasonable valuations, despite moderate earnings growth prospects

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Steady Q4: CRS top line came in line with our estimate (+0.5%) but beats our EBITDA/APAT estimate by 22.1%/28.6% due to sharp improvement in margin (+132bps YoY to 18.6% vs 15.3% estimated) and lower tax rate (at 21.2%). Overall, CRS revenue/EBITDA/APAT grew by 5.8%/13.9%/15.9% YoY in Q4FY25.

Highlights: Sanitaryware revenue de-grew by 1.6% YoY, but faucet revenue grew by 9.6% YoY in Q4FY25. Gross margin was relatively flat at 50.8%, but EBITDA margin improved by 132bps YoY to 18.6% in Q4FY25 on lower brand spend (-51bps) and operating efficiencies. Share of B2B sales has gone up from 35% in Q4FY24 to 40% in Q4FY25, due to weak retail demand.

Guidance: Retail demand conditions remained subdued across markets in Q4FY25. As a result, the company has temporarily deferred its greenfield sanitaryware project. Cera maintains its revenue guidance of Rs 29bn for FY27 – which we believe is not likely to be achieved. The company expects its EBITDA margin to be in the 15-16% range in FY26. Share of B2B sales is expected to go up from 38% in FY25 to 40-45% in FY26, since the projects undertaken in FY21 & FY22 are nearing completion stage.

Maintain BUY with unchanged TP of Rs 7,500: CRS revenue/EBITDA/APAT is projected to grow at a moderate pace of 5.8%/9.9%/5.6% CAGR over FY25-FY27E. However, we maintain BUY as (a) it has reported resilient operating margin in a challenging macro environment, along with a healthy ROE of 18% in FY25 b) pricing discipline in the bathware industry is likely to remain strong in near future due to high share of organised players and low global linkage (in terms of exports or imports) c) inexpensive valuations (the stock trades at a P/E of 28.4x on 1YF basis vs 5Y average of 33.9x). We have slightly cut our EPS estimates (-1.5%/-3.8% for FY26E/FY27E), due to weak demand conditions, but have kept our TP unchanged at Rs 7,500 per share due to roll forward of our valuation from Dec'26 to Mar'27 estimate. We have valued the stock at a P/E of 35x on Mar'27 EPS estimate.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	CRS IN/Rs 5,832
Market cap	US\$ 881.2mn
Free float	46%
3M ADV	US\$ 2.0mn
52wk high/low	Rs 10,790/Rs 5,060
Promoter/FPI/DII	54%/21%/7%

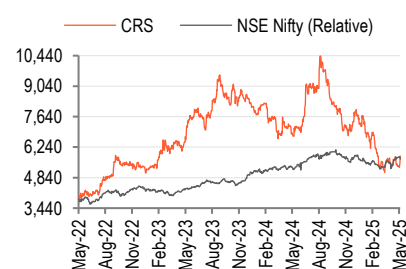
Source: NSE | Price as of 9 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	19,262	20,320	22,281
EBITDA (Rs mn)	2,998	3,194	3,624
Adj. net profit (Rs mn)	2,477	2,469	2,764
Adj. EPS (Rs)	192.0	191.4	214.3
Consensus EPS (Rs)	191.1	198.3	233.1
Adj. ROAE (%)	18.2	17.0	17.1
Adj. P/E (x)	30.4	30.5	27.2
EV/EBITDA (x)	27.5	25.9	22.8
Adj. EPS growth (%)	3.8	(0.3)	12.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance - Consolidated

Particulars (Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)	BOBCAPS Q2FY25E	Variance (%)
Total operating income	5,805	5,488	5.8	4,523	28.3	19,262	18,797	2.5	5,778	0.5
Raw-Material expense	2,859	2,701	5.8	2,112	35.4	9,119	8,828	3.3		
Gross Profit	2,947	2,787	5.7	2,412	22.2	10,142	9,969	1.7		
Employee expense	614	581	5.7	614	0.1	2,453	2,309	6.2		
Other expense	1,251	1,256	(0.4)	1,183	5.8	4,691	4,627	1.4		
EBITDA	1,081	950	13.9	615	75.7	2,998	3,033	(1.1)	886	22.1
D&A	106	97	10.1	104	2.8	407	365	11.2		
EBIT	975	853	14.3	512	90.5	2,592	2,667	(2.8)		
Interest cost	17	15	9.1	19	(12.1)	75	58	28.7		
Non-operating expense/(income)	(136)	(157)	(13.3)	(117)	16.4	(590)	(580)	1.8		
PBT	1,095	995	10.0	610	79.5	3,107	3,188	(2.6)		
Tax	232	238	(2.5)	146	58.6	620	775	(20.0)		
Reported PAT	863	757	14.0	464	86.1	2,487	2,413	3.1		
Adjusted PAT	868	749	15.9	458	89.5	2,477	2,402	3.1	675	28.6
As % of net revenues			(bps)		(bps)			(bps)		
Gross margin	50.8	50.8	(2)	53.3	(256)	52.7	53.0	(38)		
Employee cost	10.6	10.6	(1)	13.6	(298)	12.7	12.3	45		
Other cost	21.5	22.9	(133)	26.1	(459)	24.4	24.6	(26)		
EBITDA margin	18.6	17.3	132	13.6	502	15.6	16.1	(57)		
Tax rate	21.2	23.9	(272)	24.0	(279)	20.0	24.3	(436)		
APAT margin	15.0	13.7	130	10.1	483	12.9	12.8	8		

Source: Company, BOBCAPS Research

Fig 2 – Segment financials

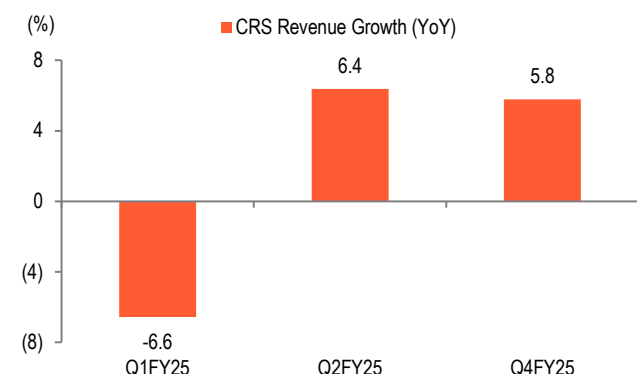
Revenue (Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)
Sanitaryware	2,690	2,730	(1.5)	2,262	18.9	9,342	12,424	(24.8)
Faucetware	2,220	2,020	9.9	1,674	32.6	7,356	8,556	(14.0)
Tiles	530	507	4.5	498	6.5	1,882	2,483	(24.2)
Wellness	160	110	46.0	90	76.9	478	467	2.5
Others	205	121	69.3	0	#DIV/0!	204	223	(8.4)
Total	5,805	5,488	5.8	4,523	28.3	19,262	24,153	(20.3)
Revenue-mix								
Sanitaryware	46.3	49.7	(341)	50.0	(366)	48.5	51.4	(294)
Faucetware	38.2	36.8	143	37.0	124	38.2	35.4	276
Tiles	9.1	9.2	(11)	11.0	(187)	9.8	10.3	(51)
Wellness	2.8	2.0	76	2.0	76	2.5	1.9	55
Others	3.5	2.2	133	-	354	1.1	0.9	14
Total	100.0	100.0		100.0		100.0	100.0	

Source: Company, BOBCAPS Research

Earnings call highlights

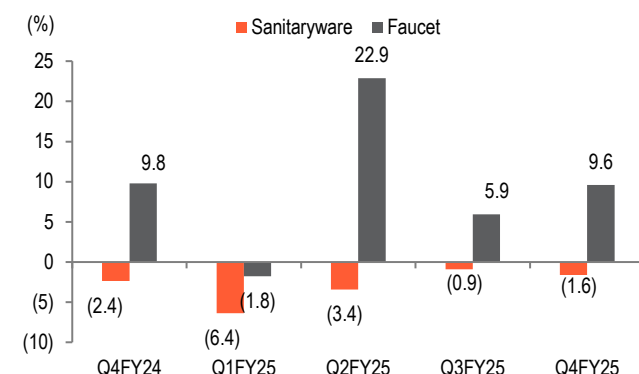
- **Demand:** Demand conditions in the retail segment have remained subdued across markets over the past six consecutive quarters. However, the company has started witnessing a pickup in project sales due to near completion of projects undertaken in FY21 & FY22.
- **Guidance:** The company still maintains its revenue guidance of Rs 29bn for FY27, which would hinge on the recovery in retail demand in FY26. EBITDA margin is projected to be in the 15-16% range for FY26.
- **Margin:** Gross margin was relatively flat on YoY basis at 50.8% in Q4FY25. However, EBITDA margin improved by 132bps YoY to 18.6% in Q4FY25 due to lower brand spend (-51bps), lower production overhead due to cost efficiencies and lower sales & marketing costs.
- **Product mix:** Revenue share of entry:mid:premium was 23%:35%:42% in Q4FY25 vs 24%:35%:41% in Q4FY24. Going ahead, the company anticipates its luxury segment (i.e. Lux and Senator) revenue contribution to go up to 10% of total sales over the next 2-3 years. For this, the company plans to increase the number of Lux & Senator stores from 50 & 17 stores in Mar'25 to 100 and ~60 stores by Mar'26.
- **Sales distribution:** Share of B2B sales has gone up from 35% in Q4FY24 to 37% in Q3FY25 and 40% in Q4FY25, due to weak retail demand. The company expects B2B sales to go up to 40-45% in FY26.
- **DMS:** Cera began implementing a dealer management system (DMS) to enhance billing transparency and operational accountability. The system automates invoicing and integrates directly with CRS internal software. The company has enrolled top 50 dealers and plans to expand it to 150-200 dealers over the next 6 months.
- **Gas cost:** Blended gas consumption cost per unit was up 7.9% QoQ in Q4FY25 due to higher gas prices and lower share of low-cost gas from GAIL (from 81% in Q3FY25 to 73% in Q4FY25).
- **Sanitaryware capex:** CRS has completed the acquisition of land bank for its greenfield sanitaryware unit in Gujarat. However, the company has temporarily kept this project on hold as it does not expect any capacity constraints in the medium term, given the high level of inventory and outsourcing arrangements. It will take up the project with recovery in retail demand conditions and expect to complete it within 18 months from the project's start date.
- **Maintenance capex:** The company maintained its capex guidance of Rs 240mn on routine capex for FY26.
- **Net cash:** has gone down from Rs 7.9bn in Mar'24 to Rs 6.9bn in Mar'25, due to stock buyback (Rs 1.3bn) and higher working capital (on a steep rise in debtor period from 39 days to 51 days due to change in cash discounting policy).

Fig 3 – CRS's revenue grew at a muted pace of 5.8% YoY in Q4FY25, due to weak retail demand



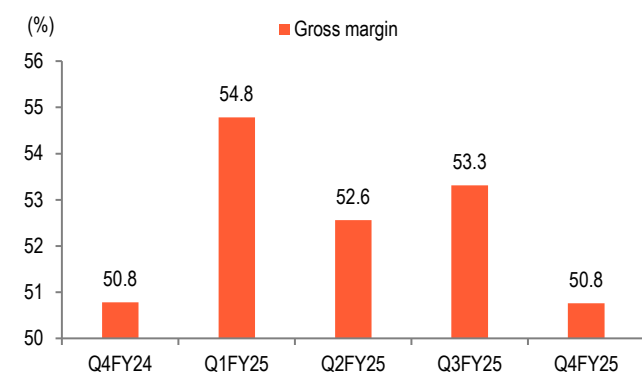
Source: Company, BOBCAPS Research

Fig 4 – Sanitaryware revenue de-grew by 1.6% YoY whereas faucet revenue grew by 9.6% YoY in Q4FY25



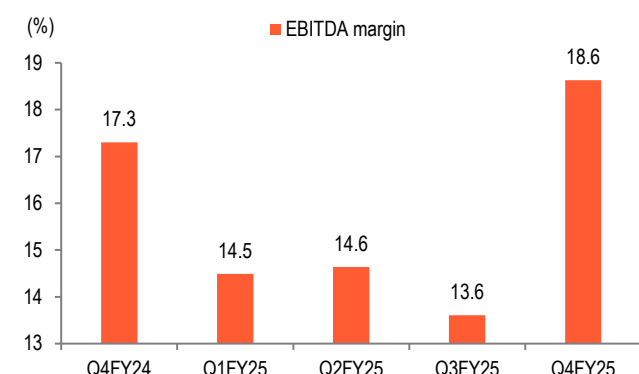
Source: Company, BOBCAPS Research

Fig 5 – Gross margin was relatively stable at 50.8% in Q4FY25



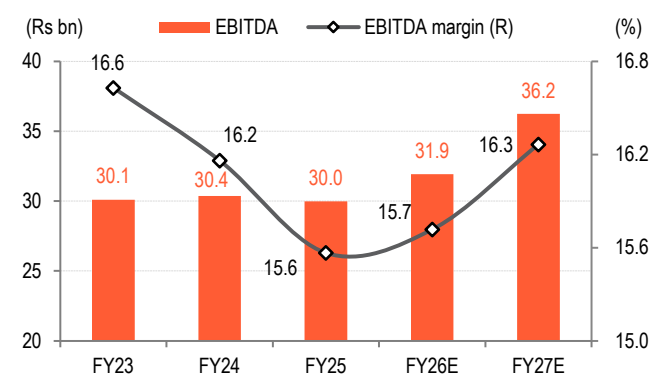
Source: Company, BOBCAPS Research

Fig 6 – EBITDA margin was up 132bps YoY in Q4FY25 on lower brand spend and operating efficiencies



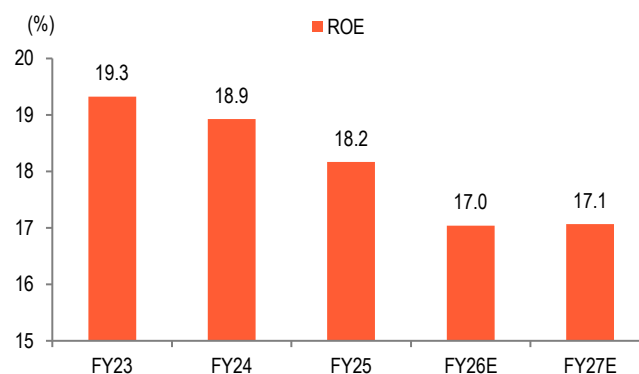
Source: Company, BOBCAPS Research

Fig 7 – CRS's EBITDA forecast to grow at 9.9% CAGR over FY25-FY27E



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

We maintain BUY, given (a) resilient operating margin in a challenging macro environment (unlike other building material companies) and a healthy ROE of 18% in FY25 b) pricing discipline in the bathware industry is likely to remain strong in near future due to high share of organised players and low global linkage (in terms of exports or imports) c) inexpensive valuations (the stock trades at a P/E of 28.4x on 1YF basis vs 5Y average of 33.9x). CRS revenue/EBITDA/APAT is projected to grow at 5.8%/9.9%/5.6% CAGR over FY25-FY27E.

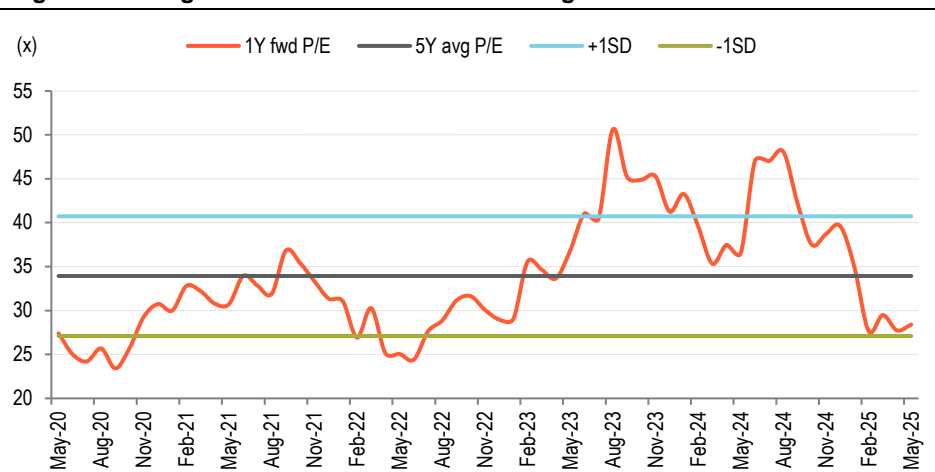
We have slightly cut our EPS estimates (-1.5%/-3.8% for FY26E/FY27E), due to weak demand conditions, but have kept our TP unchanged at Rs 7,500 per share due to roll forward of our valuation from Dec'26 to Mar'27. We have valued the stock at a P/E of 35x on Mar'27 EPS estimate.

Fig 9 – Revised estimates

Consolidated (Rs bn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	20.3	22.3	21.3	23.5	(4.4)	(5.3)
EBITDA	3.2	3.6	3.2	3.6	(0.0)	(0.4)
EBITDA Margin (%)	15.7	16.3	15.0	15.5	69bps	81bps
Adjusted PAT	2.5	2.8	2.5	2.9	(1.5)	(3.8)
EPS (Rs)	191.4	214.3	194.4	222.7	(1.5)	(3.8)

Source: BOBCAPS Research

Fig 10 – Trading at 28.4x on 1YF P/E vs 5Y average of 33.9x



Source: Bloomberg, BOBCAPS Research

Fig 11 – Key assumptions

Particulars	FY22A	FY23A	FY24A	FY25A	FY26E	FY27E
Revenue Mix (%)						
Sanitaryware	52.7	53.6	51.6	49.0	47.1	45.1
Faucetware	33.2	34.1	36.1	38.6	40.1	42.0
Tiles	12.2	10.6	10.3	9.9	10.2	10.2
Wellness	1.9	1.8	2.0	2.5	2.6	2.6
Revenue Growth (%)						
Sanitaryware	30.2	26.8	(0.3)	(2.6)	2.6	5.0
Faucetware	41.0	28.0	9.7	9.6	10.7	15.0
Tiles	(29.7)	8.4	0.7	(1.5)	10.0	10.0
Wellness	(6.9)	16.9	18.9	27.5	10.0	10.0
Total	18.1	25.2	3.8	2.5	5.5	9.6
EBITDA margin	16.1	16.6	16.2	15.6	15.7	16.3

Source: Company, BOBCAPS Research

Key risks

Key upside/downside 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)	FY23A	FY24A	FY25A	FY26E	FY27E
Total revenue	18,105	18,794	19,262	20,320	22,281
EBITDA	3,011	3,038	2,998	3,194	3,624
Depreciation	326	365	407	437	495
EBIT	2,685	2,672	2,592	2,757	3,129
Net interest inc./(exp.)	(60)	(58)	(75)	(67)	(67)
Other inc./(exp.)	284	595	605	634	660
Exceptional items	9	5	0	0	0
EBT	2,899	3,204	3,122	3,324	3,722
Income taxes	738	775	620	837	937
Extraordinary items	50	16	15	0	0
Min. int./Inc. from assoc.	(16)	(23)	(22)	(19)	(21)
Reported net profit	2,094	2,390	2,465	2,469	2,764
Adjustments	44	15	12	0	0
Adjusted net profit	2,138	2,405	2,477	2,469	2,764

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	2,069	1,790	1,879	1,982	2,174
Other current liabilities	1,523	1,674	1,478	1,478	1,478
Provisions	131	161	182	192	211
Debt funds	253	205	181	182	197
Other liabilities	958	1,040	1,227	1,227	1,227
Equity capital	65	65	64	64	64
Reserves & surplus	11,661	13,393	13,471	15,100	16,924
Shareholders' fund	11,832	13,585	13,683	15,293	17,096
Total liab. and equities	16,766	18,455	18,630	20,354	22,382
Cash and cash eq.	6,607	8,141	7,045	8,251	9,044
Accounts receivables	1,892	2,026	2,711	2,860	3,136
Inventories	3,825	3,636	4,105	4,193	4,614
Other current assets	415	430	326	344	377
Investments	31	0	0	0	0
Net fixed assets	3,138	3,515	3,534	3,598	4,403
CWIP	169	130	108	308	8
Intangible assets	256	225	452	452	452
Deferred tax assets, net	0	0	0	0	0
Other assets	433	353	348	348	348
Total assets	16,766	18,455	18,630	20,354	22,382

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash flow from operations	1,802	2,367	1,434	2,215	2,167
Capital expenditures	(514)	(671)	(632)	(700)	(1,000)
Change in investments	52	31	0	0	0
Other investing cash flows	225	575	590	634	660
Cash flow from investing	(237)	(66)	(42)	(66)	(340)
Equities issued/Others	0	0	(1)	0	0
Debt raised/repaid	(13)	(49)	(23)	0	16
Interest expenses	(60)	(58)	(75)	(67)	(67)
Dividends paid	(650)	(785)	(842)	(840)	(940)
Other financing cash flows	78	125	(1,546)	(37)	(42)
Cash flow from financing	(646)	(767)	(2,488)	(944)	(1,033)
Chg in cash & cash eq.	919	1,534	(1,096)	1,206	793
Closing cash & cash eq.	6,607	8,141	7,045	8,250	9,044

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	161.0	183.8	191.1	191.4	214.3
Adjusted EPS	164.4	185.0	192.0	191.4	214.3
Dividend per share	50.0	60.0	65.0	65.1	72.9
Book value per share	901.6	1,034.8	1,049.5	1,175.8	1,317.2

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	4.4	4.3	4.3	4.1	3.7
EV/EBITDA	26.5	26.7	27.5	25.9	22.8
Adjusted P/E	35.5	31.5	30.4	30.5	27.2
P/BV	6.5	5.6	5.6	5.0	4.4

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	73.8	75.1	79.3	74.3	74.3
Interest burden (PBT/EBIT)	108.0	119.9	120.5	120.5	118.9
EBIT margin (EBIT/Revenue)	14.8	14.2	13.5	13.6	14.0
Asset turnover (Rev./Avg TA)	108.0	101.8	103.4	99.8	99.5
Leverage (Avg TA/Avg Equity)	1.5	1.5	1.4	1.4	1.4
Adjusted ROAE	19.3	18.9	18.2	17.0	17.1

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
YoY growth (%)					
Revenue	25.2	3.8	2.5	5.5	9.6
EBITDA	29.6	0.9	(1.3)	6.5	13.5
Adjusted EPS	35.4	12.5	3.8	(0.3)	12.0

Profitability & Return ratios (%)

EBITDA margin	16.6	16.2	15.6	15.7	16.3
EBIT margin	14.8	14.2	13.5	13.6	14.0
Adjusted profit margin	11.8	12.8	12.9	12.1	12.4
Adjusted ROAE	19.3	18.9	18.2	17.0	17.1
ROCE	24.6	23.7	23.1	21.9	21.9

Working capital days (days)

Receivables	38	39	51	51	51
Inventory	77	71	78	75	76
Payables	42	35	36	36	36

Ratios (x)

Gross asset turnover	3.4	3.3	3.1	3.0	2.9
Current ratio	3.2	3.7	3.8	4.1	4.2
Net interest coverage ratio	44.4	45.9	34.6	40.9	46.4
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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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

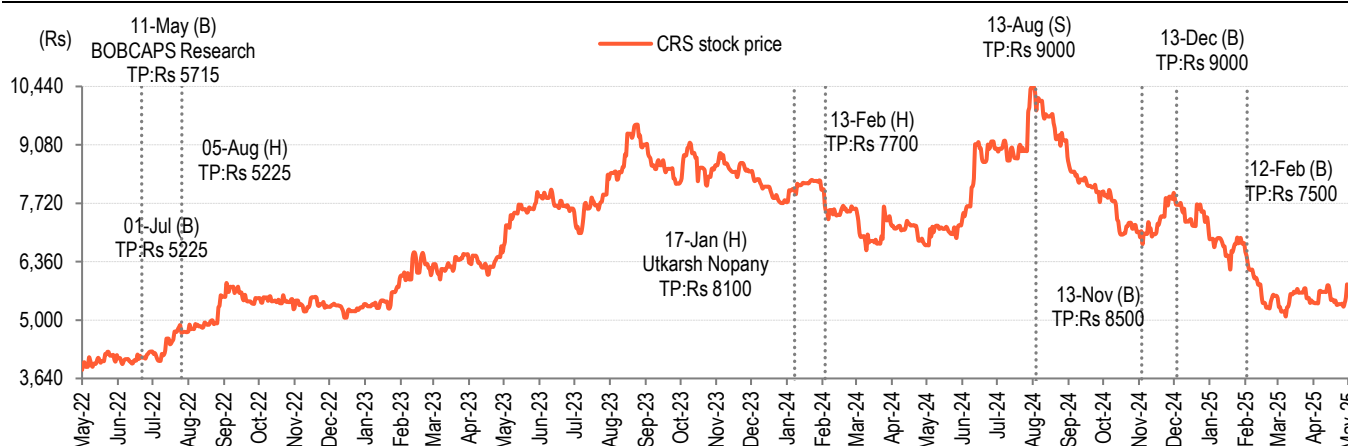
HOLD – Expected return from -6% to +15%

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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