

Cera Sanitaryware: Growth Fueled by Strategic Evaluations

We initiate coverage of Cera Sanitaryware Ltd. with a **BUY** recommendation and a target price of Rs 8,500/share, implying a potential upside of 31% from the CMP. We expect Revenue/EBITDA/PAT CAGR of 10%/9%/9% from FY24-FY27E. Cera is engaged in the business of manufacturing, selling, and trading various kinds of building products. Its products and services include sanitaryware, faucets and showers, tiles, and wellness. With world-class manufacturing facilities and a strong brand promise, we foresee a strong revival in growth once demand picks up.

Investment Thesis

- Premiumisation Trends in the Bathware Segment:** As consumer aspirations rise, Indian bathrooms are evolving from purely functional spaces into expressions of personal style and comfort. This transition is fueling demand for aesthetically designed, technologically advanced, and premium-quality bathware solutions. Cera, with its extensive portfolio—from designer faucets to luxury sanitaryware and wellness products—is well-positioned to lead this evolution. In preparation, Cera is relaunching its 'Senator' brand, targeting a 10% contribution to total sales within three years. The company is also focusing on four niche brands to address distinct market segments, with Luxe and Senator set to strengthen its premium positioning. Plans include installing over 100 Luxe displays by FY26 and expanding Senator's retail presence from 17 stores to 40–45 stores in the same period. Collectively, Luxe and Senator are expected to contribute around 10% to the company's revenue over the next three years.
- Robust Demand Tailwinds Driving Growth:** Typically, there is a lag of 4–5 years between the initiation of major real estate projects and the demand for bathware products, while smaller projects show demand pick-up in about 2–3 years. Over the past few quarters, Cera has been building a robust order book from such projects, and the results are beginning to reflect in its performance. The project segment, which contributed around 30% to total revenues in FY23, increased to 35% in the following year, and further rose to approximately 38% in FY25. This consistent uptick underscores how Cera has effectively aligned itself with the real estate cycle. Cera's strategic shift towards the project (B2B) business comes at a time when retail demand remains subdued. The growing contribution of this segment is expected to support the company's resilience and sustain its growth momentum. A significant part of this progress can be attributed to Cera's focused expansion in Tier 2 and Tier 3 cities—markets that are emerging as high-potential consumption hubs.
- Balanced Growth Strategy Anchored by Projects, New Product Lines, and Margin Focus:** Cera has set a revenue target of Rs 2,700 Cr by FY27, aiming to grow ~3% ahead of the industry over the next 3–4 years. However, due to subdued retail demand over the past six quarters, this target will be reviewed in Q1FY26. Despite near-term headwinds, Cera continues to benefit from strong brand recall, customer trust, and a comprehensive product portfolio catering to both mass and premium segments. The company has scaled its retailer loyalty program to over 24,400 retailers, further strengthening its market relationships. In Tier 3 and Tier 4 cities, the polymer products (VAP) segment is expected to see significant growth, supported by strong EBITDA margins (~24–25% initially) and pricing in the Rs 400–Rs 1,000 range. This segment is projected to contribute Rs 100–120 Cr in revenue over the next 3–4 years. To support long-term growth, Cera has acquired 45 acres near its Kadi plant and plans to invest Rs 130 Cr in Greenfield expansion, of which Rs 27 Cr has already been spent on land. Although the new site currently lacks GAIL gas connectivity and will incur higher fuel costs, Phase 1 is set to add 12 Lc units of annual capacity, with further expansion planned in Phase 2.

Valuation & Recommendation

Cera Sanitaryware's shift of focus during a subdued demand market showcases its ability to adapt to its environment and has helped it maintain its growth. Any revival in demand will lead to robust growth for the organised players, as seen historically. **We initiate coverage on the company with a BUY rating and a target price of Rs 8,500/share, based on a multiple of 35x EPS for FY27E. The target price implies an upside potential of 31% from the CMP.**

Key Financials (Consolidated)

(Rs Cr)	FY24	FY25	FY26E	FY27E
Net Sales	1,879	1,926	2,177	2,470
EBITDA	303	300	337	395
Net Profit	241	249	271	314
EPS (Rs)	187	193	210	243
PER (x)	34.9	33.9	31.1	26.9
EV/EBITDA (x)	29.3	29.7	25.9	22.0
P/BV (x)	6.2	6.2	5.4	4.7
ROE (%)	17.8	18.2	17.4	17.6

Source: Company, Axis Securities

(CMP as of 15th July, 2025)

CMP (Rs)	6,507
Upside /Downside (%)	31%
High/Low (Rs)	11,499/5,062
Market cap (Rs Cr)	8,463
Avg. daily vol. (1m) Shrs.	34,991
No. of shares (Cr).	1.28

Shareholding (%)

	Sep-24	Dec-24	Mar-25
Promoter	54.4	54.4	54.4
FII's	22.9	22.2	20.6
MFs / UTI	5.6	5.7	6.1
Others	17.1	17.8	18.9

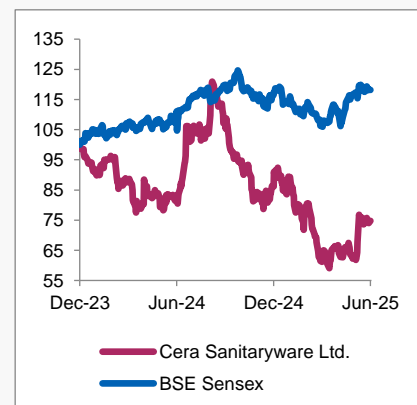
Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
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(Key Growth %)

Y/E Mar	FY25	FY26E	FY27E
Net Sales	2.5	13.0	13.5
EBITDA	-1	13	17
Net Profit	3.1	9.0	15.7

Relative Performance



Source: Ace Equity, Axis Securities

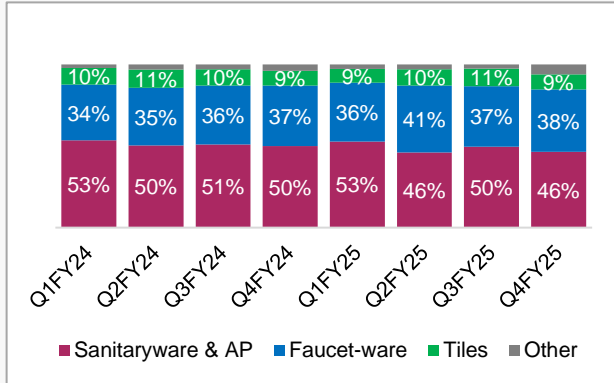
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Story in Charts

Exhibit 1: Stable QoQ leadership of Sanitaryware segment with Gradual Gains in Faucetware



Source: Company, Axis Securities Research

Exhibit 2: Revenue expected to grow at ~10% CAGR from FY23 to FY27E

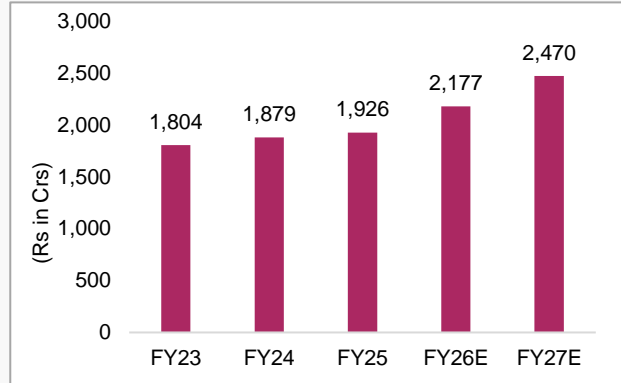
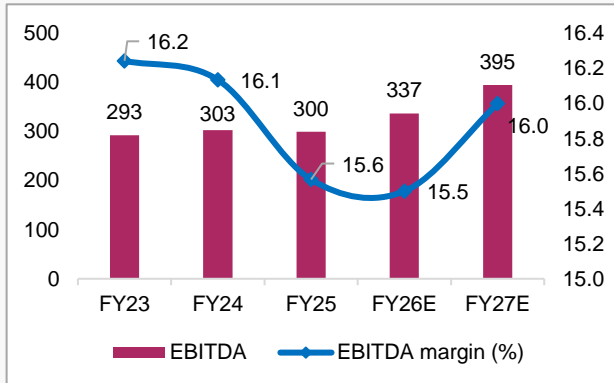


Exhibit 3: Stable EBITDA margin at 15-16% supported by the contribution of value-added products



Source: Company, Axis Securities Research

Exhibit 4: Consistent EBIT margins between 16-17% coupled with a steady growth outlook

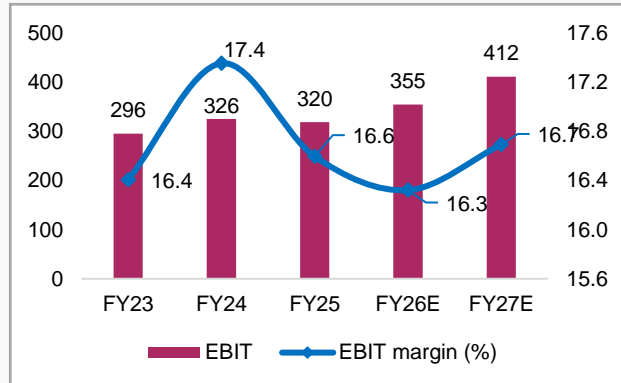


Exhibit 5: Positive PAT growth outlook with 9% CAGR Projection

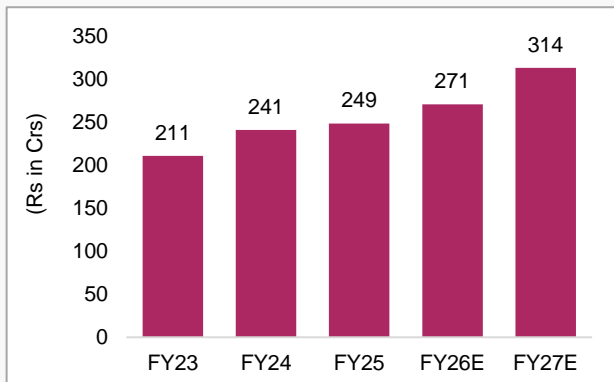


Exhibit 6: Healthy asset expansion with improving fixed asset turnover

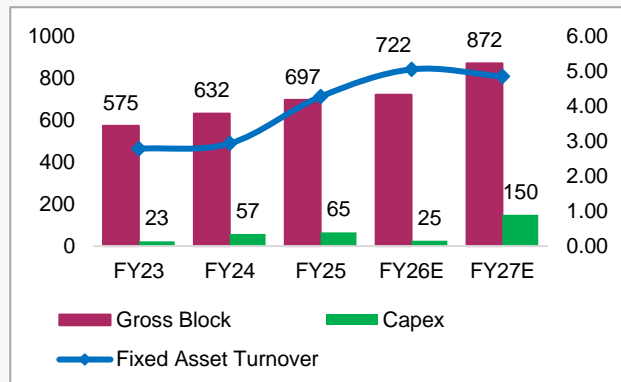
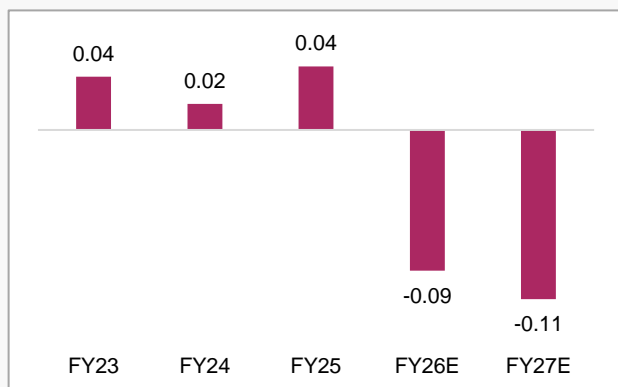


Exhibit 7: Strengthened Balance Sheet with Net Debt Free Position.



Source: Company, Axis Securities Research

Exhibit 8: Stable working capital cycle reflecting operational discipline

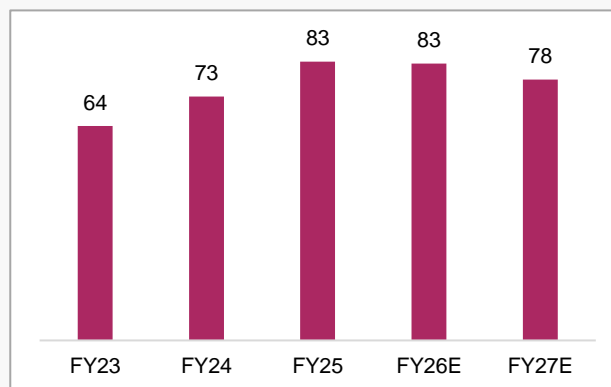
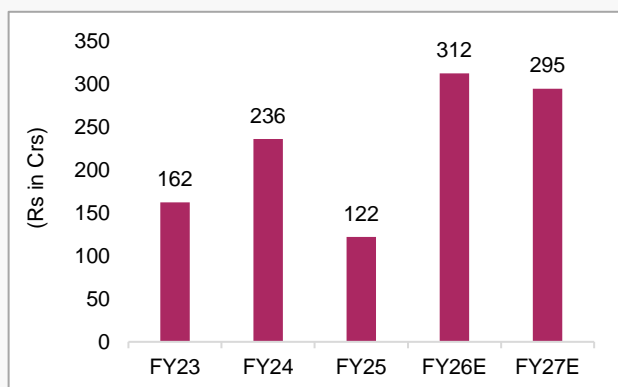


Exhibit 9: Operational efficiency driving strong CFO signalling robust core business fundamentals



Source: Company, Axis Securities Research

Exhibit 10: ROE estimated to stabilise at ~17.8% by FY27E after margin-led recovery

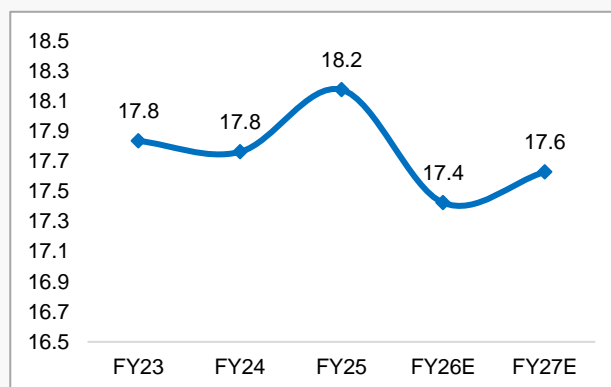
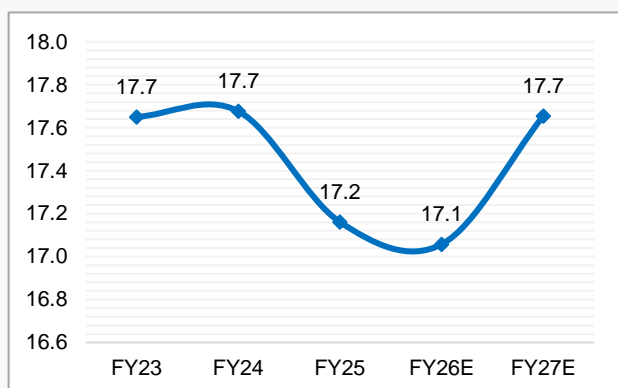
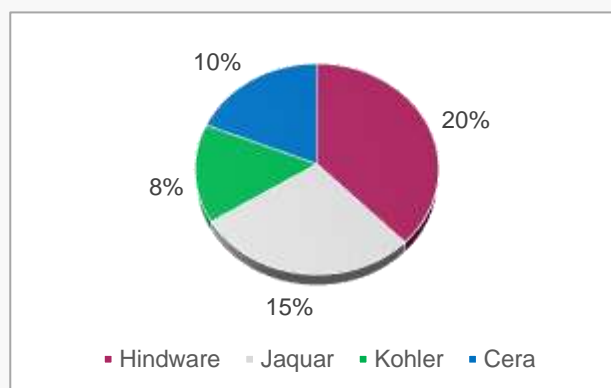


Exhibit 11: ROCE stabilising to ~18% by FY27E, reflecting operating leverage benefits.



Source: Company, Axis Securities Research

Exhibit 12: Cera's market share among organised space, showing further headroom for growth.



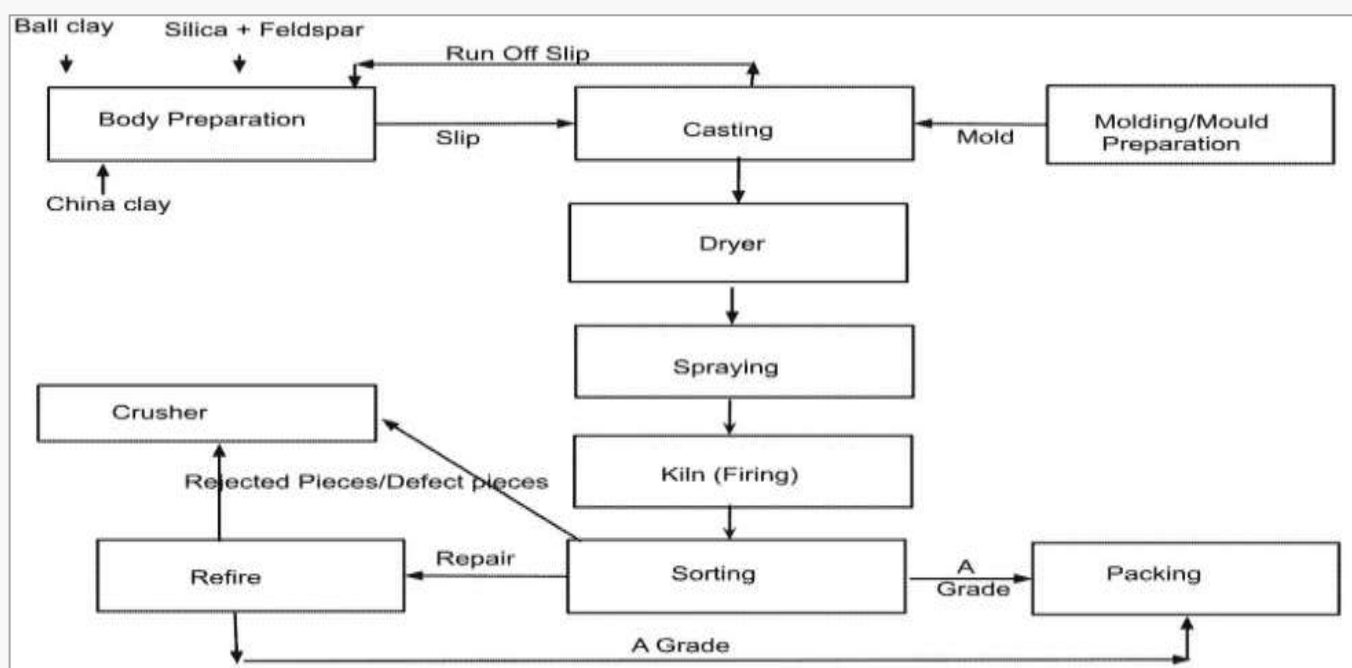
Cera Sanitaryware's Production:

The company has sanitaryware and faucetware plants, and central warehouse, at Kadi, Mehsana, Gujarat.

Sanitaryware:

The plant can produce 160 molds daily and maintains a slip inventory of 2,500 MT, with a daily slip output of 130 MT. It holds a glaze inventory of 250 MT and produces 13 MT of glaze each day. Automation is employed in critical casting processes such as uplift, battery, beam, and pearl casting. The pressure casting process completes 24 cycles daily, greatly enhancing efficiency. The facility uses glazing robots and kilns imported from Germany and Australia. Operating 24/7, the plant's laboratories are DSIR-certified, making it the only sanitaryware company in India with this accreditation.

Exhibit 13: Sanitaryware's manufacturing process:

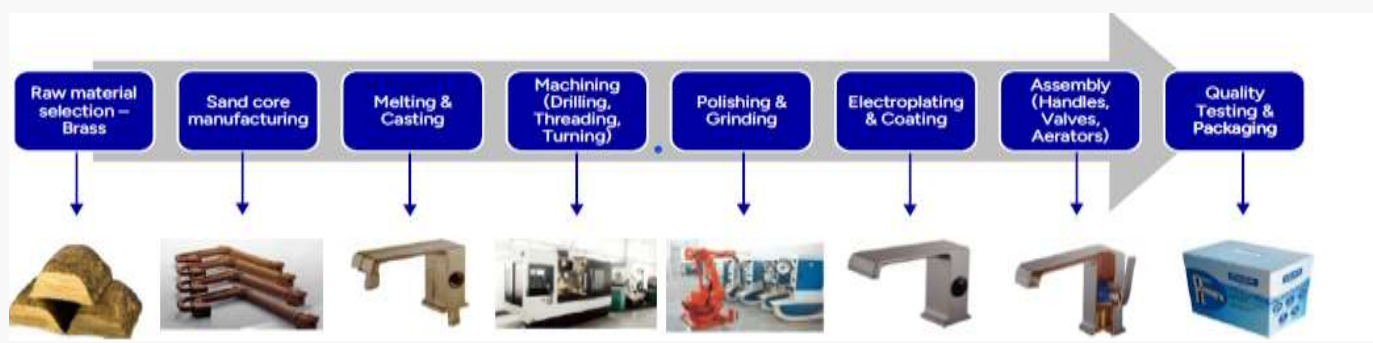


Source: Company, Axis Securities Research

Faucet ware:

- The segment boasts an annual capacity of 4.8 million pieces. Emphasizing new product innovation, the company introduced 400 SKUs in FY24. Brass casting is preferred over steel for its superior durability and quality.
- Casting occurs over three floors, with each casting cycle lasting 1.5 hours. Drying times range from 3 to 6 days. The use of high-pressure casting has shortened production times, while a barcoding system enhances tracking efficiency. Kilns operate for 18 hours per cycle. Currently, 15 to 18 new products are under development.
- Raw materials constitute 75% of the manufacturing costs. Low-pressure die casting boosts efficiency, and polishing machines improve the final product's finish. For producing colored faucets, a physical vapor deposition (PVD) machine is essential. PVD faucets command prices nearly twice (1.9 times) that of plated faucets. Although more expensive, PVD faucets offer greater durability and require less maintenance, whereas plated faucets are more budget-friendly and suited for cost-conscious customers.

Exhibit 14: Faucetware's manufacturing process:



Source: Company, Axis Securities Research

Exhibit 15: Cera's experience centres:



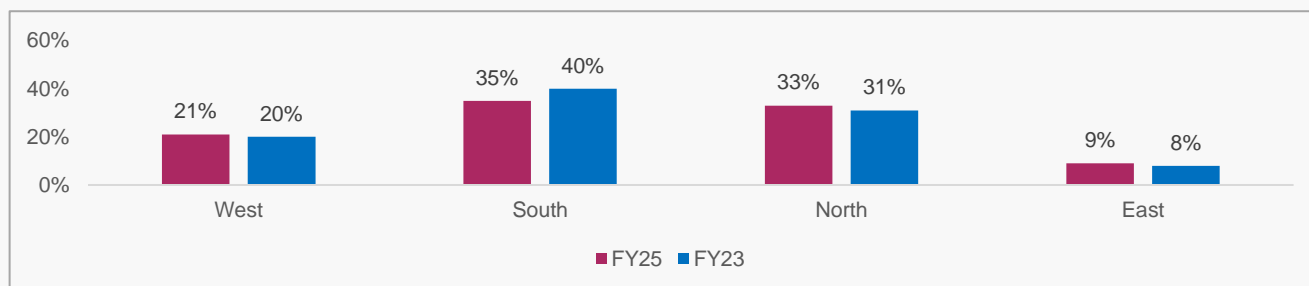
Source: Company, Axis Securities Research

Exhibit 16: Cera's brand promise:



Source: Company, Axis Securities Research

Exhibit 17: Cera's geographical Split:



Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar, Rs Cr	FY24	FY25	FY26E	FY27E
Total operating revenues	1,879	1,926	2,177	2,470
Growth (%)	4.2	2.5	13.0	13.5
EBITDA	303	300	337	395
EBITDA margin (%)	16	16	16	16
Growth (%)	4	-1	13	17
Depreciation & amortization	37	41	43	48
EBIT	326	320	355	412
EBIT margin (%)	17.4	16.6	16.3	16.7
Interest	6	7	3	2
Other income	60	61	61	65
Profit before tax	319	311	352	410
Total Tax	78	62	81	96
Profit After Tax	241	249	271	314
net margin (%)	12.8	12.9	12.5	12.7
EPS (Rs)	187	193	210	243
Growth (%)	14.34	3.06	8.98	15.70
Total operating revenues	1,879	1,926	2,177	2,470
Growth (%)	4.2	2.5	13.0	13.5
EBITDA	303	300	337	395

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
EQUITY				
Equity share capital	7	6	6	6
Other equity	1,352	1,362	1,549	1,772
Total Equity	1,359	1,368	1,556	1,779
Non-Current Liabilities				
Financial Liabilities	49	72	72	72
Other non-current liabilities	58	51	51	51
Total Non-Current Liabilities	107	123	123	123
Current Liabilities				
Financial Liabilities	329	314	347	377
Other Current Liabilities	51	57	57	57
Total Current Liabilities	380	371	404	434
Total Equity & Liabilities	1,846	1,863	2,083	2,336
APPLICATION OF FUNDS				
Non-Current Assets				
Net Fixed Assets	387	409	392	494
Financial Assets	35	35	35	35
Total Non-Current Assets	422	444	427	529
Current Assets				
Inventories	364	410	447	508
Financial Assets	1,020	979	1,180	1,270
Other current assets	34	29	29	29
Total Current Assets	1,423	1,419	1,656	1,807
Total Assets	1,846	1,863	2,083	2,336

Source: Company, Axis Securities

Cash Flow
(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E
PBT	319	311	352	410
Depreciation	37	41	43	48
Others	-47	-48	0	0
Tax Paid	-78	-60	-81	-96
Changes in Working Capital	15	-93	-1	-67
Net Cash from Operations	236	122	312	295
Capex	-62	-28	-25	-150
Change in Investment	6	-8	0	0
Others	-90	159	0	0
Net Cash from Investing	-143	127	-25	-150
Change in debt	-5	-2	-84	-90
Change in Equity	-10	-175	0	0
Others	-68	-81	0	0
Net Cash from Financing	-84	-260	-84	-90
Net Change in Cash	10	-11	204	54

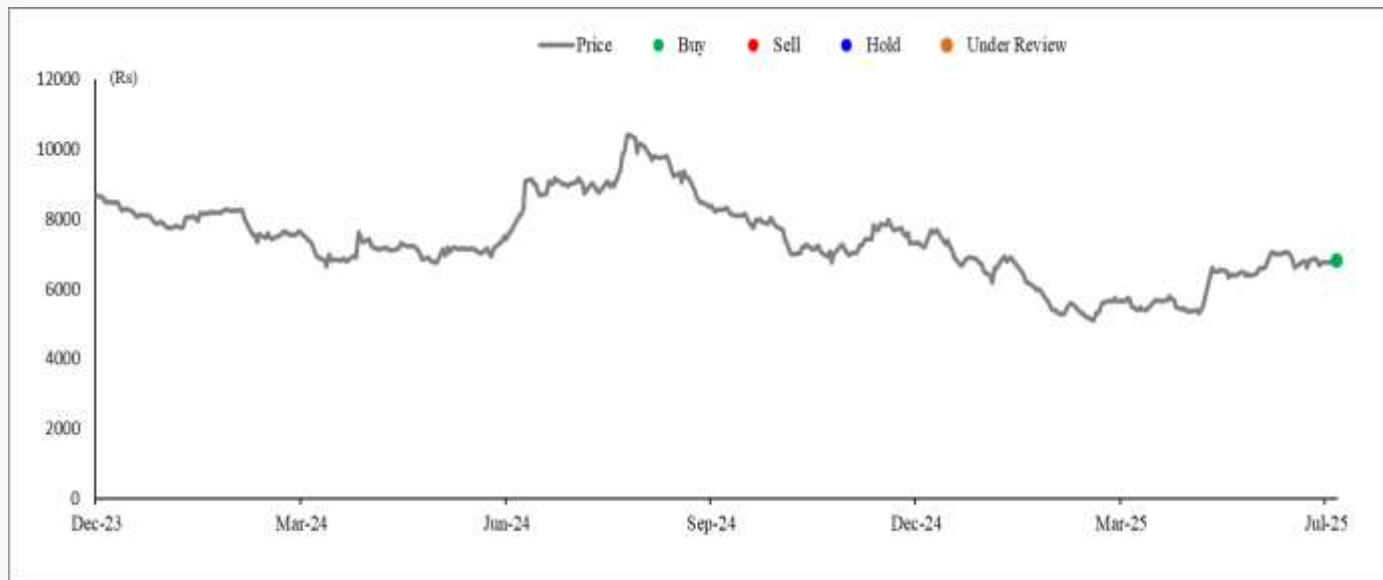
Source: company, Axis Securities

Ratio Analysis
(%)

Y/E March	FY24	FY25	FY26E	FY27E
PROFITABILITY RATIOS				
EBITDA Margin (%)	16.1	15.6	15.5	16.0
net margin (%)	12.8	12.9	12.5	12.7
Return on invested capital (%)	17.7	17.2	17.1	17.7
Return on equity (%)	17.8	18.2	17.4	17.6
EFFICIENCY RATIOS (%)				
Fixed Asset Turnover	4.9	4.7	5.6	5.0
Debt to equity	0.4	0.4	0.3	0.3
Interest coverage	56	43	109	1667
Debtor days	38	45	45	42
Inventory days	154	155	155	157
Payable days	80	73	73	77
PER SHARE DATA				
EPS (Rs)	187.10	192.84	210.16	243.16
Book value per share (Rs)	1,053	1,061	1,206	1,379
DPS (Rs)	50	60	65	70
VALUATION RATIOS (x)				
P/E (x)	34.9	33.9	31.1	26.9
P/BV	6.2	6.2	5.4	4.7
EV/EBITDA	29.3	29.7	25.9	22.0
Dividend Yield (%)	0.8	0.9	1.0	1.1

Source: company, Axis Securities

Cera Sanitaryware Price Chart and Recommendation History



Date	Reco	TP	Research
16-Jul-25	BUY	8,500	Initiating Coverage

Source: Axis Securities Research.