CMP: ₹5690 | Target ₹ 6800 (20%) | Target Period: 12 months

BUY

September 4, 2026

CERA

Proxy play on real estate completion cycle!

About the stock: Cera Sanitaryware is a leading provider of integrated home solutions, offering a wide portfolio of products such as sanitaryware, faucets, tiles, kitchen sinks, mirrors, shower panels, and wellness solutions. Its brands include Cera, Senator, Lustre, CERA Luxe and Polipluz.

- The company has built a strong pan-India distribution network with **7,000+ distributors/dealers and 29,000+** retailers, providing deep market reach and a strong retail franchise.

Investment Rationale:

- **Baking in 14.4% revenue growth over FY26-28, led by pricing uptick & demand recovery:** Management targets a **60:40 retail-to-institutional mix**, with retail offering better profitability. Institutional demand is expected to benefit from the pick-up in housing completions, while improving retail sentiment across building-material categories provides an additional growth driver. A recovery across both segments, coupled with a favourable retail mix, should support **revenue growth, margins, and earnings recovery.** Given the resurgence in demand and increase in prices due to ongoing raw material price volatility, we expect topline growth to reignite after dampness for the past few years, hence we factor a CAGR of 14.4% in topline over FY27 and FY28. Also, with the expectation of **retail mix to improve,** we expect **EBITDA margins** to rise again reaching **13.5% in FY27 and 14% in FY28.**
- **Prudent capacity expansion maintaining balance sheet strength:** Cera is adopting a calibrated approach to capacity addition, with a focus on debottlenecking existing assets. Faucetware capacity is being increased from **4 lakh to 5 lakh pieces/month by Q4FY27**, with total FY27 capex of less than **₹43 crore,** including routine capex. For sanitaryware, the company has acquired land for ₹27 crore and **is evaluating a ₹120-130 crore Phase-I greenfield expansion**, with the final decision expected by end-FY27 based on existing capacity utilisation and demand visibility. Since, Cera has a virtually debt-free balance sheet, with **₹1,472 crore net worth, zero long-term debt and only ₹0.9 crore of short-term borrowings** as of FY26. Liquid assets stood at **~₹850 crore** as of FY26, this provides ample headroom to fund growth and capex internally without leveraging the balance sheet.
- **Healthy & Consistent Dividend Payout:** Cera has maintained a **dividend payout ratio above 30% of PAT** over the past five years. For FY26, it declared a dividend of **₹75/share**, implying a ~47% payout ratio and ~1.3% dividend yield. With limited near-term capex requirements and a sizeable cash surplus, the company has scope to increase capital distribution through higher dividends and/or buybacks, creating shareholder value.

Rating and Target Price: Given the market leadership position Cera has in India coupled with their strong Balance Sheet and consistent margins; We **Initiate Coverage on Cera Sanitaryware Ltd**. with a **BUY rating and a target price of ₹6800 at 30x FY28E EPS giving an upside potential of ~20%.**

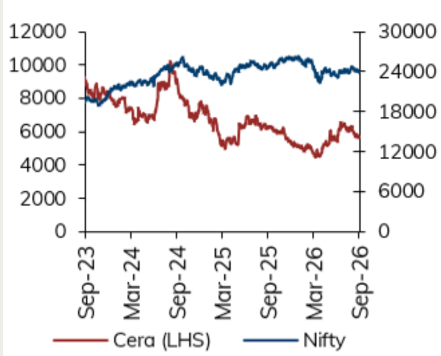
Particulars

(₹ Crore)	Amount
Market Capitalization	7,339
Debt (FY26)	1
Cash (FY26)	48
EV	7,292
52-week H/L (₹)	6740 / 4461
Equity Capital	6.4
Face Value (₹)	5

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoters	54.4	54.4	54.4	54.4
FII	15.8	14.6	14.2	15.4
DII	13.6	14.0	14.2	14.1
Other	16.2	17.0	17.2	16.1

Price chart



Key risks

- Increasing Input and Raw Material costs.
- High dependence on outsourcing.
- Decline in demand growth expectations.

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Conviction Pick

ICICI Securities – Retail Equity Research

Key Financial Summary

(₹ Crore)	FY24	FY25	FY26	5-year CAGR (FY21-26)	FY27E	FY28E	2-year CAGR FY26-28E)
Operating Revenues	1,879	1,926	2,050	10.9%	2,381	2,681	14.4%
EBITDA	303	300	269	11.2%	321	375	18.0%
EBITDA Margin (%)	16.1	15.6	13.1		13.5	14.0	
PAT	241	249	204		251	292	
EPS (₹)	185.5	192.8	158.3	15.6%	194.3	226.7	19.7%
P/E (x)	30.8	29.6	36.1		29.4	25.2	
RoCE (%)	22.0	21.2	17.8		19.4	20.3	
RoIC (%)	42.4	34.8	33.1		36.5	39.7	
RoNW (%)	17.9	18.4	13.9		15.3	16.0	

Source: Company, ICICI Direct Research

Company Background

Established in 1980 by Mr. Vikram Somany, Cera Sanitaryware has evolved from a sanitaryware manufacturer into an integrated home-solutions company. Cera Sanitaryware is a leading provider of integrated home solutions, offering a wide portfolio of products such as sanitaryware, faucets, tiles, kitchen sinks, mirrors, shower panels, and wellness solutions

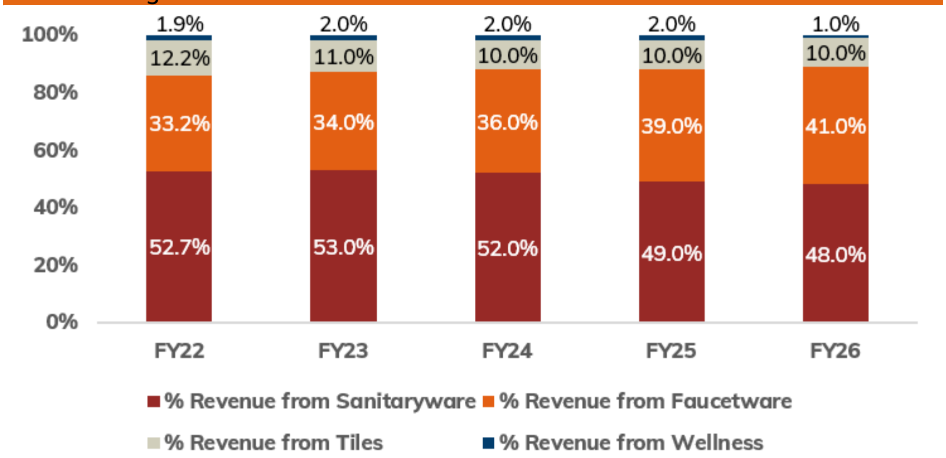
CERA's corporate headquarters is based in Ahmedabad, Gujarat, in proximity to its key manufacturing facility. As of 31st March 2026, the Company had established an **extensive distribution network comprising over 7,000 distributors and dealers (authorized stockists) and over 29,000 retailers across India.** Its strong pan-India footprint is supported by 15 zonal sales and service offices, along with a widespread brand experience network that includes **13 CERA Style Studios, 272 CERA Style Galleries, 292 CERA Style Hubs, and 1,613 CERA Style Centres.**

Cera Sanitaryware segments its portfolio across four distinct sub-brands:

- **Senator:** Premium & luxury segment offering future-forward elegance (40 flagship brand stores operational, scaling to 60).
- **CERA Luxe:** High-end, contemporary indulgence segment.
- **CERA (Core):** Primary volume driver spanning mass and mid-premium segments in Sanitaryware and Faucetware.
- **Polipluz:** Value-focused brand targeting Tier 3/4 and rural markets to capture share from unorganized players.
- **Adjacent Portfolios:** Tiles, Wellness, and Construction Chemicals.

Sanitaryware and Faucetware segments contribute to most of the revenue with the latest share of Sanitaryware/Faucetware at 48%/41% of the total revenue. Tiles contribute 10% to the total revenues followed by wellness at 1%. Historically, Faucetware segment is driving the revue growth of CERA with its share jumping from 33.2% in FY22 to 41% in FY26.

Exhibit 1: Segment contribution to Total Revenues



Source: Company, ICICI Direct Research

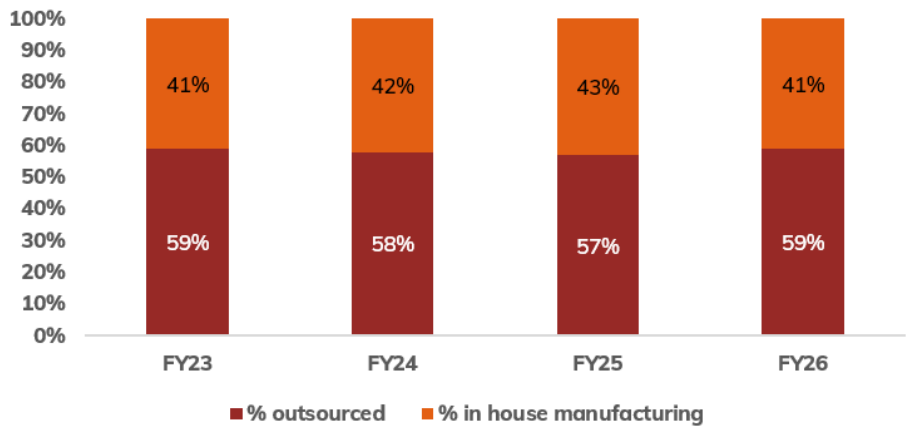
Manufacturing v/s Outsourcing

Cera's principal manufacturing operations are located at its integrated complex in Kadi, Gujarat, which houses sanitaryware and faucetware manufacturing.

The company follows a hybrid manufacturing model, targeting approximately a **50:50 mix between in-house production and outsourcing**. The strategic objective is **to manufacture complex and strategically important SKUs internally, while outsourcing simpler products**. This structure allows Cera to retain control over critical products while limiting fixed costs and capital intensity.

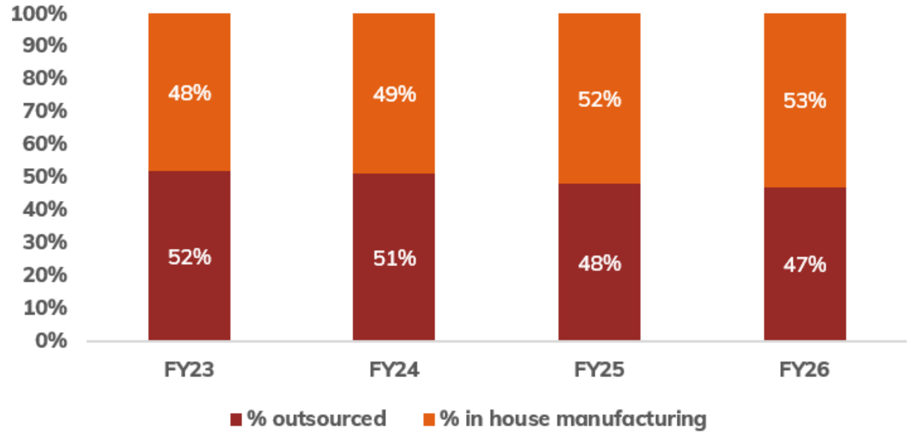
However, apart from Sanitaryware and Faucetware segments (~89% of FY26 revenues) **rest of the segments (Tiles and Wellness) are completely outsourced with no near-term plan to produce them in house.**

Exhibit 2: In house manufacturing vs outsourced for Sanitaryware segment



Source: Company, ICICI Direct Research

Exhibit 3: In house manufacturing vs outsourced for Faucetware segment



Source: Company, ICICI Direct Research

Industry Overview

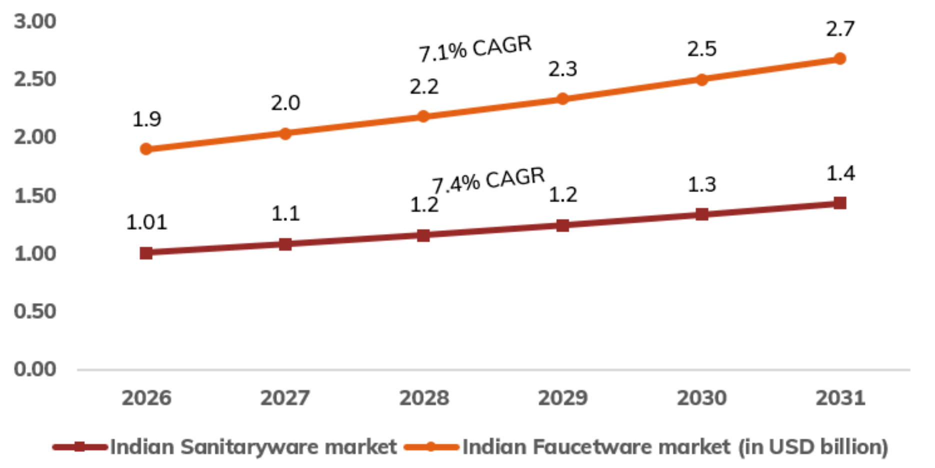
Sanitaryware and Faucetware market - India

The Indian **sanitaryware and faucetware markets** continue to offer a **sizeable and structurally growing opportunity, supported by urbanisation, rising household incomes and increasing spending on home improvement.** The **Indian sanitaryware market was valued at ~US$0.94bn in 2025 and is expected to grow at a 7.4% CAGR during 2026–34, reaching ~US$1.8bn by 2034. The faucets market is estimated at ~US$1.9bn currently and is expected to reach ~US$2.7bn by 2031, implying a CAGR of ~7.1% over 2026–31**

Growth is being supported **by rapid urban development, shorter renovation and replacement cycles, and government-led housing and sanitation initiatives, including PMAY, Swachh Bharat Mission and AMRUT 2.0**. Beyond new housing formation, rising consumer aspirations and premiumisation are gradually increasing the value of products purchased per household, providing an additional tailwind for organised players.

Taken together, sanitaryware and faucetware represent a ~**US$2.9bn (~₹27,600 crore) addressable market**, making them the most important categories for Cera. With ~₹1,800 crore, or ~89% of Cera's revenue, generated from these segments, the company remains closely aligned with the industry's core growth opportunity. While the company already has a meaningful presence in its core categories, the relatively large market opportunity leaves considerable room for **volume-led growth, premiumisation and market-share gains,** particularly as consumers increasingly move from unbranded products towards trusted, organised brands

Exhibit 4: Sanitaryware and Faucetware TAM



Source: Maximizeresearch, MordorIntelligence, ICICI Direct Research

Tiles market - India

The Indian ceramic tile industry was **valued at ~₹62,000 crore (US$6.9bn) in FY24, comprising domestic consumption of over 2,000 MSM, valued at ~₹42,000 crore, and exports of ~590 MSM, contributing over ₹20,000 crore**. Industry revenues were expected to grow 7–9% in FY25, supported primarily by resilient domestic demand, although export markets remained under pressure.

Tiles represent the largest adjacent market opportunity for Cera, offering significant potential to deepen its presence across the bathroom and home-improvement ecosystem. However, management continues to view tiles as a complementary category rather than a core growth driver. The segment remains highly competitive, with established players such as Kajaria, Somany and H&R Johnson benefiting from scale, distribution reach and sourcing advantages. Accordingly, **the company continues to largely outsource its tile requirements, allowing it to offer a broader product portfolio without committing significant capital or compromising its core margin profile.** Management is likely to consider manufacturing or deeper integration only where an attractive expansion opportunity can support the company's return thresholds at scale.

Wellness segment

The Indian wellness and spa market was valued at ~US$2.2bn in 2025 and is projected to reach ~US$4.9bn by 2034, implying a CAGR of ~9.3% over 2026–34. Within home improvement, the growing emphasis on wellness is increasingly reshaping consumer preferences around bathroom spaces, with bathrooms evolving from purely functional areas into lifestyle and relaxation zones.

For Cera, this trend is particularly relevant given its established presence in sanitaryware and bathroom solutions. **The increasing overlap between wellness, design and premium bathrooms provides an opportunity to expand the addressable market beyond conventional sanitaryware and improve product mix** through higher-value offerings.

Investment Rationale

Prudent Capacity Expansion

Cera management continues to demonstrate capital discipline by debottlenecking existing assets before making large greenfield commitments:

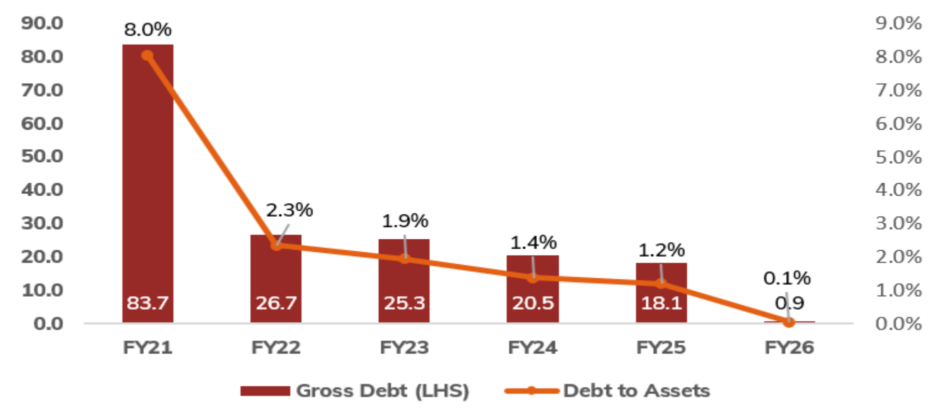
- **Low-capex faucet expansion:** Cera is debottlenecking its existing Faucetware unit to scale capacity from 4 lakh to 5 lakh pieces per month by Q4FY27 for a minimal outlay of less than ₹43 crore for the entire FY27 (including the routine capex for the year).
- **Calibrated greenfield expansion:** The company has acquired land at ₹27 crore for their phase 1 greenfield sanitaryware facility with a ~₹120-130 crore. The final go-ahead decision will be taken by late FY27 based on capacity utilization levels and underlying market demand growth.
- **Supply chain efficiency:** The management has internalized core complex SKUs to reduce exposure to external cluster uncertainties while simpler SKUs are outsourced to minimize operating leverage and shield profitability during demand slowdowns.

Robust Balance Sheet & Liquidity position

The company has robust Balance Sheet indicated by:

- **Zero long-term debt:** CERA operates on an unencumbered balance sheet structure supported by ₹1,472 crore net worth, and negligible gross borrowings of FY26. This gives the company almost zero financial leverage, which protects it from any market downturns in future, albeit compresses the return ratios.

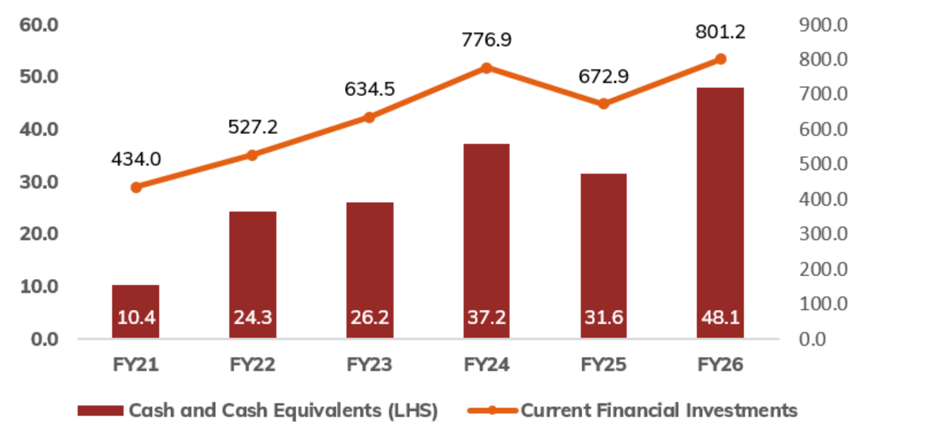
Exhibit 5: Trend of gross debt and debt to assets



Source: Company, ICICI Direct Research

- **Investment readiness:** Cash & cash equivalents and current investments of ~₹850 Crore (as of March 31, 2026) provide substantial headroom for growth and capex without the need to take debt.

Exhibit 6: Historical trend of liquid assets (in ₹ crore)

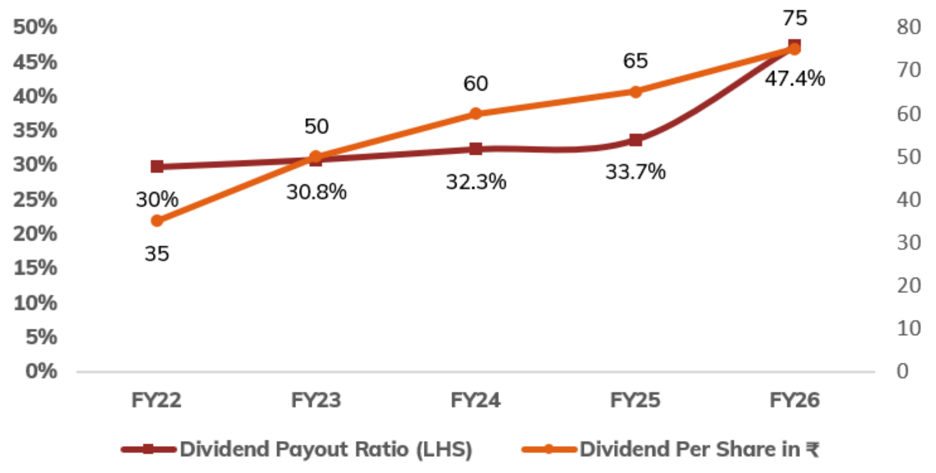


Source: Company, ICICI Direct Research

Healthy & consistent dividend payout

Cera Sanitaryware has maintained a dividend payout ratio of over 30% of PAT over the past five years, reflecting a consistent focus on shareholder returns. For FY26, the company declared a dividend of ₹75 per share, equivalent to 1,500% of face value, translating into a payout ratio of ~47% and a dividend yield of ~1.3%. With no major capex plans beyond the planned greenfield sanitaryware expansion and a sizeable pool of liquid assets on the balance sheet, the company has adequate financial flexibility to return excess cash to shareholders. Further share buybacks could be a potential avenue for capital allocation, supporting EPS growth and enhancing shareholder value.

Exhibit 7: Historical Dividend Payout



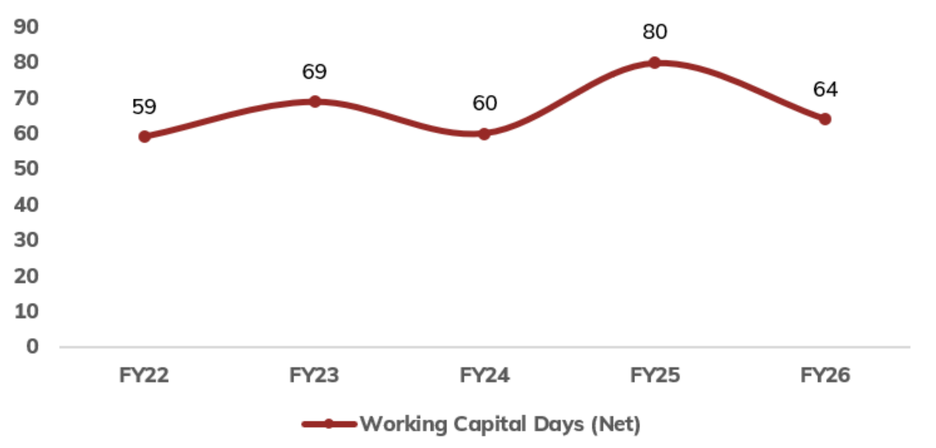
Source: Company, ICICI Direct Research

Improved working capital management

Cera has made meaningful progress in working capital management, with net working capital days declining from 80 days in FY25 to 64 days in FY26, driven by tighter inventory management and lower receivables. The improvement has continued into FY27, with the net working capital cycle at 50 days in Q1FY27 versus 75 days in the corresponding period last year

The sustained reduction in working capital intensity is a key positive, as it improves cash conversion and reduces the capital required to support growth. If maintained, this should provide further support to free cash flow and return ratios, while reinforcing Cera's position as a capital-efficient player in the sanitaryware and faucetware segment

Exhibit 8: Trend of working capital days (net)



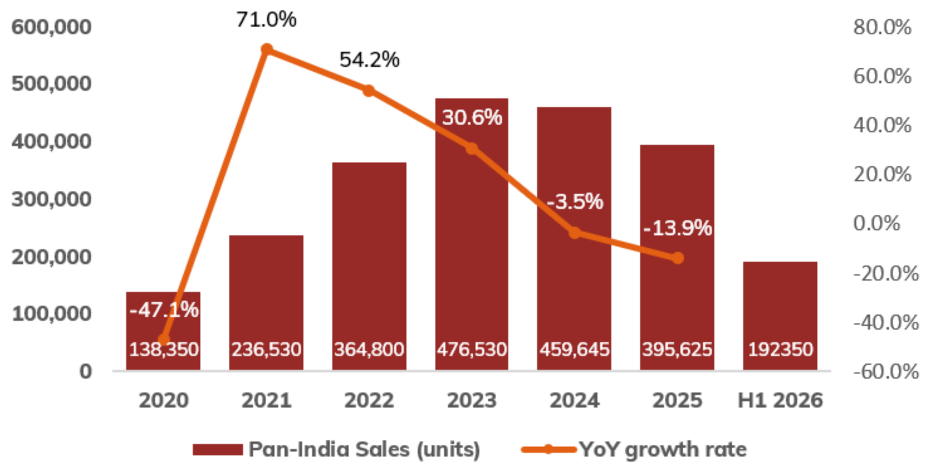
Source: Company presentation, ICICI Direct Research

Resurgence in demand

Demand across building-material categories, including tiles, sanitaryware, plywood and laminates, has started recovering after a prolonged slowdown. For Cera, the recovery is being supported by both institutional and retail demand:

- **Institutional demand:** Housing sales across major Indian cities increased significantly between 2021 and 2023, before moderating in 2024 and 2025. Given the typical ~4-year lag between unit sales and completion/construction, the increase in housing sales during the earlier period should translate into a higher number of project completions from FY26 onwards. This provides a favourable demand tailwind for sanitaryware and faucetware, particularly in the institutional segment.
- **Retail demand:** Management has indicated that retail demand has been showing a positive trend, a view that is also being echoed by other building-material companies across tiles, plywood and laminates. A sustained recovery in retail demand is particularly positive for Cera given the segment's superior profitability compared with institutional sales. The company's strategy of keeping institutional sales below 40% of revenue should support a favourable mix and protect margins as overall demand recovers.

Exhibit 9: Historical real estate units sales in major cities



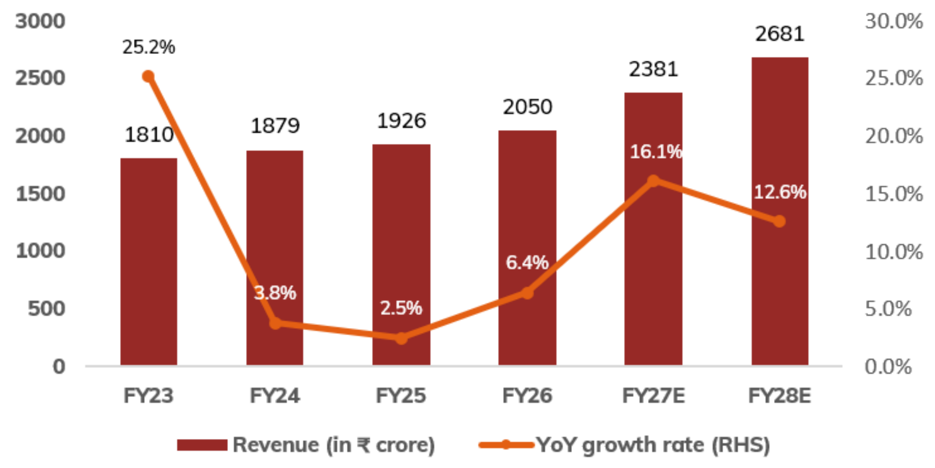
Source: Company, ICICI Direct Research

Key Financial Summary

FY27/FY28 Revenues projected to grow at 16.1%/12.6%

- We expect the revenues to grow at 16.1% for FY27 driven mainly by realization increase followed by 12.6% in FY28.
- The overall growth, according to us, will be driven by 19% growth in faucetware segment which has seen the highest price hikes due to both gas prices increase and brass prices increase.

Exhibit 10: Projected Revenues and growth for FY27 and FY28

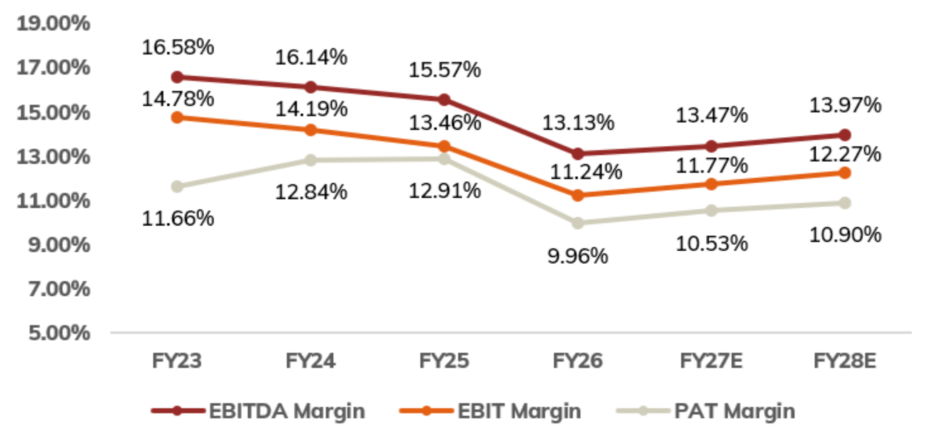


Source: Company, ICICI Direct Research

EBITDA margins to improve to 13.5%/14% for FY27/FY28

- EBITDA margins, historically, have been above 15% but saw a decline in FY26 which was mainly caused due to lag in price increase (vis-a-vis cost increase) for institutional orders which lead to decrease in margins for Q4FY26 and Q1FY27.
- The management expects the margins to improve from hereon. Hence, the management is guiding for an EBITDA margin in the range of 13.5-14% for FY27.
- Accordingly, we have projected EBITDA margins for Cera at 13.5% for FY27 and 14% for FY28 with PAT margins increasing accordingly as shown in the exhibit.

Exhibit 11: Historical trends and future expectations in margins

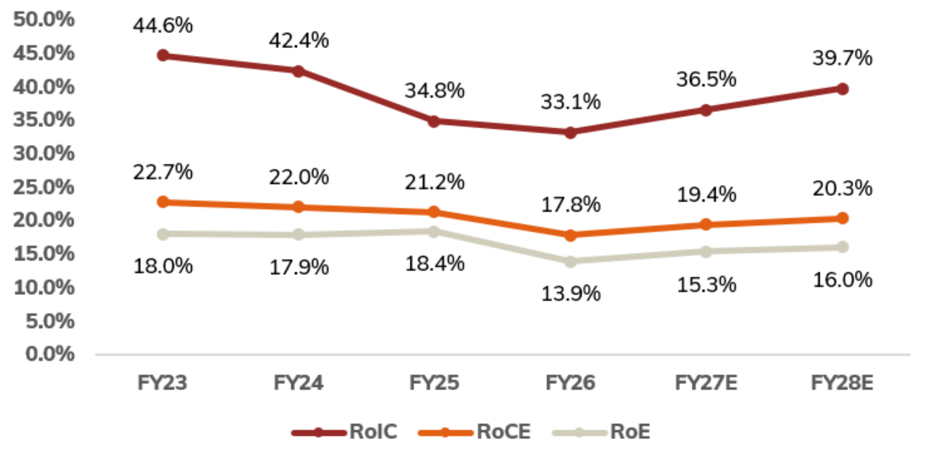


Source: Company, ICICI Direct Research

RoIC, the real profitability indicator for Cera

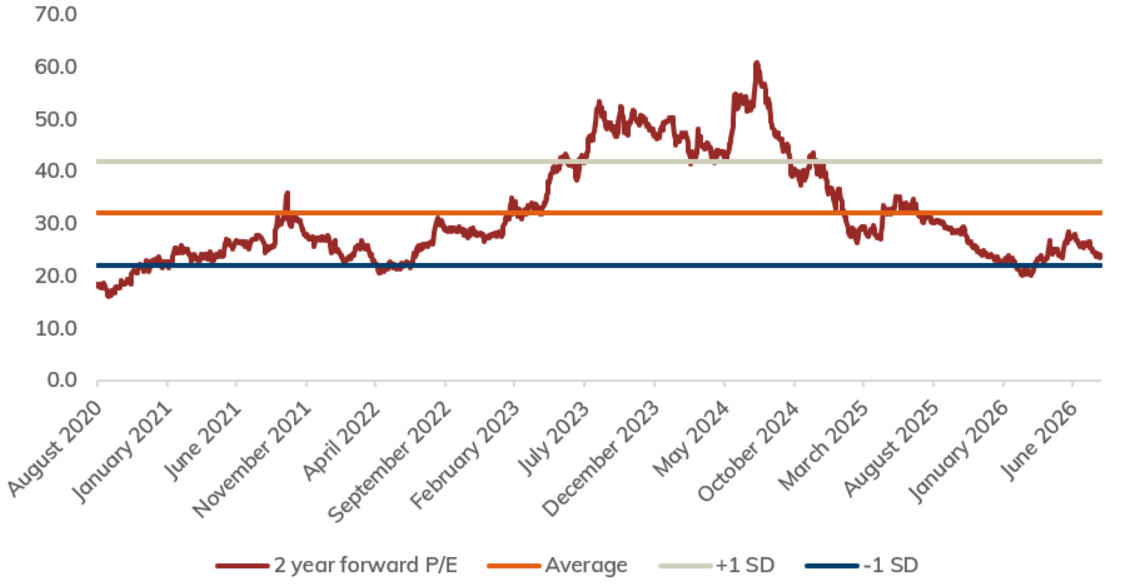
- As of FY26, Cera has around ₹850 crore in cash equivalents and current investments as compared to total assets of ₹1,958 crore. This drags the RoCE of Cera as capital employed includes these investments whereas RoIC helps to tell the true story for understanding Cera's business profitability.
- We project Cera's RoIC to grow to 36.5% and 39.7% for FY27 and FY28, which is the best in the industry.

Exhibit 12: Profitability trend



Source: Company, ICICI Direct Research

Exhibit 13: 2-year forward P/E (Current 2-year forward P/E is at ~24x)



Source: Company, ICICI Direct Research

Risk and Concerns

- **Increasing Input and Raw Material costs:** Natural gas prices have risen over the past few quarters, partly driven by the ongoing West Asia crisis, putting pressure on Cera's fuel costs. While the company has been able to pass on higher costs through price increases, this has weighed on volume growth. Sustained price hikes could eventually test consumer price elasticity and limit the company's ability to protect both volumes and revenue growth.

- **High dependence on outsourcing:** More than half of Cera's products are outsourced, with the tiles and wellness segments being entirely outsourced. While the asset-light model limits operating leverage and keeps capital intensity low, it also reduces control over production and can constrain the company's ability to respond quickly to sudden demand spikes. There is also a risk of dependence on contract manufacturers, particularly if suppliers choose to develop their own brands or supply competing players.

- **Decline in demand growth expectations:** While demand has begun to recover, continued price increases could temper the pace of recovery. As product prices rise, consumer demand may moderate depending on price elasticity. The ability of the market to absorb further price hikes without a meaningful impact on volumes will therefore remain a key monitorable for revenue growth and margins.

Financial summary

Exhibit 14: Profit and loss statement ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Net Sales	**1,926.2**	**2,050.1**	**2,380.8**	**2,681.2**
YoY Growth	2.5%	6.4%	16.1%	12.6%
Cost of goods sold	911.9	1,038.3	1,205.4	1,354.8
Gross Profit	1,014.2	1,011.8	1,175.4	1,326.4
Employee benefit expenses	245.3	259.4	297.6	335.1
Other Expenses	469.1	483.2	557.1	616.7
EBITDA	**299.8**	**269.2**	**320.7**	**374.6**
YoY Growth	-1.1%	-10.2%	19.1%	16.8%
Interest	7.5	6.5	6.0	5.0
Depreciation	40.7	38.7	40.5	45.6
Other income	60.5	52.9	60.8	66.9
PBT	310.7	269.1	335.0	390.9
Exceptional Items	(1.5)	(7.8)	-	-
Total Tax Expense	62.0	64.9	84.4	98.5
PAT	**248.7**	**204.2**	**250.6**	**292.4**
PAT Growth rate	3.1%	-17.9%	22.7%	16.7%
Adjusted EPS (Diluted)	**192.8**	**158.3**	**194.3**	**226.7**

Source: Company, ICICI Direct Research

Exhibit 15: Cash flow statement ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
PAT	**248.7**	**204.2**	**250.6**	**292.4**
Interest paid	7.5	6.5	6.0	5.0
Depreciation	40.7	38.7	40.5	45.6
Other Income	(66.5)	(42.5)	(60.8)	(66.9)
Cash Flow before wc changes	230.3	206.8	236.3	276.1
Cash generated from operations	(113.6)	15.6	(69.0)	(76.1)
Net cash flow from operating activities	**116.7**	**222.4**	**167.3**	**200.0**
(Purchase)/Sale of Fixed Assets (Net)	(63.2)	(8.4)	(43.0)	(97.8)
Others	130.7	(118.7)	(75.2)	(12.7)
Net Cash flow from Investing Activities	**126.5**	**(82.1)**	**(57.4)**	**(43.6)**
Interest paid	(7.5)	(6.5)	(6.0)	(5.0)
Proceeds from Long Term Borrowings	(2.3)	(17.2)	-	-
Others	(160.9)	(16.2)	-	-
Dividend paid	(78.0)	(84.0)	(87.7)	(102.3)
Net Cash Flow from Financing Activities	**(248.8)**	**(123.9)**	**(93.7)**	**(107.3)**
Net Cash flow	**(5.5)**	**16.4**	**16.2**	**49.0**
Opening Cash and Cash Equivalent	**37.2**	**31.6**	**48.1**	**64.3**
Closing cash and cash equivalents	**31.6**	**48.1**	**64.3**	**113.3**

Source: Company, ICICI Direct Research

Exhibit 16: Balance sheet ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Sources of Funds				
Share Capital	6.4	6.4	6.4	6.4
Reserves & Surplus	1,361.9	1,465.9	1,628.8	1,818.8
Net Worth	1,368.3	1,472.3	1,635.2	1,825.3
Total Debt	18.1	0.9	0.9	0.9
Other Liabilities/ DTL	120.2	120.6	120.6	120.6
Total	**1,506.6**	**1,593.8**	**1,756.7**	**1,946.7**
Application of Funds				
Gross Block	621.8	616.2	659.2	689.2
Less Accumulated Depreciation	269.8	285.2	325.7	371.3
Net Block	352.0	331.0	333.5	317.9
Net Intangibles and Cap WIP	57.5	48.3	48.3	116.1
Total Fixed Assets	**409.5**	**379.3**	**381.8**	**434.0**
Non-current Investments	34.8	19.9	19.9	19.9
Inventory	410.5	395.8	459.6	517.6
Debtors	271.1	273.9	297.2	349.6
Current Investments	672.9	801.2	876.4	889.1
Cash & Bank Balances	31.6	48.1	64.3	113.3
Other Current Assets	32.6	40.2	40.2	40.2
Total Current Assets	745.8	757.9	861.3	1,020.7
Trade Payable	187.9	219.9	238.1	272.5
Other Current Liabilities	139.7	125.3	125.3	125.3
Provision	28.7	19.2	19.2	19.2
Net Current Assets	389.5	393.4	478.6	603.7
Total	**1,506.6**	**1,593.8**	**1,756.7**	**1,946.7**

Source: Company, ICICI Direct Research

Exhibit 17: Key ratios

(₹ Crore)	FY25	FY26	FY27E	FY28E
Per share Data (₹)				
Adjusted EPS (Diluted)	192.8	158.3	194.3	226.7
Cash EPS	224.4	188.3	225.7	262.0
BV per share (Diluted)	1,049.5	1,141.6	1,267.9	1,415.2
Dividend per share	65.0	75.0	80.0	85.0
Operating Ratios (%)				
EBITDA / Net Sales	15.6	13.1	13.5	14.0
PAT / Net Sales	12.9	10.0	10.5	10.9
Debtor Days	51.4	48.8	45.6	47.6
Creditor Days	35.6	39.2	36.5	37.1
Return Ratios (%)				
RoNW	18.4	13.9	15.3	16.0
RoCE	21.2	17.8	19.4	20.3
RoIC	34.8	33.1	36.5	39.7
Valuation Ratios (x)				
EV / EBITDA	21.4	23.8	20.0	17.1
P/E (Diluted)	29.2	35.6	29.0	24.8
EV / Net Sales	3.3	3.1	2.7	2.4
Market Cap / Sales	3.8	3.5	3.1	2.7
Price to Book Value	5.4	4.9	4.4	4.0
Solvency ratios (x)				
Net Debt / Equity	(0.5)	(0.6)	(0.6)	(0.5)
Net Debt / EBITDA	(2.3)	(3.2)	(2.9)	(2.7)
Current Ratio	2.0	1.9	2.1	2.2
Quick Ratio	0.9	0.9	0.9	0.9

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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