

# Cera Sanitaryware | REDUCE

## Operational miss; cautiously optimistic in 2H

Cera Sanitaryware's (Cera) reported weak operating performance in 2QFY26 with standalone revenue remaining broadly flat YoY/ increasing ~16% QoQ to INR 4.9bn. (JMF: INR 5.2bn). EBITDA declined ~4% YoY/ rose 27% QoQ to INR 671mn, ~6-10% below our and consensus estimates, while EBITDA margin declined 44bps YoY/ increased 111bps QoQ to 13.8%. The management remains on track with its roadmap to operationalize 45-50 Senator brand outlets by FY26-end; 28 stores already operational. In the near-term, company doesn't have any immediate plans for price hikes; while remain cautiously optimistic for demand recovery in 2HFY26. Factoring-in 2Q performance and continued near-term weakness, we cut our EPS estimates by ~13-17% for FY27E-28E. In line with our new rating system, we change our rating from HOLD to REDUCE with a revised TP of INR 6,000/sh based on 29x Dec'27 P/E post quarterly roll-over.

- **Result summary:** Cera's standalone revenue remained broadly flat YoY/ grew ~16% QoQ to INR 4.9bn (JMF: INR 5.2bn). EBITDA declined ~4% YoY/ rose 27% QoQ to INR 671mn, ~6-10% below our and consensus estimates, while EBITDA margin declined 44bps YoY/ increased 111bps QoQ to 13.8%, in line with estimates. Adjusted PAT declined ~17% YoY/ grew 22% QoQ to INR 566mn. In 1H, the company has generated FCF of INR 607mn post w/cap blockage of INR 26mn and capex spend of INR 96mn.
- **What we liked:** Lower-than-estimated cost
- **What we did not like:** Lower-than-expected topline growth
- **Earnings call KTAs:** 1) The management guided for 7-8% topline growth and expects EBITDA margin to maintain in range of 14.5-15.5% in FY26. 2) Project sales accounted for 39% of the topline in 2Q and expected to remain in this range (39-40%) for FY26. 3) The company remains confident on retail demand to gradually improve and normalise over time, supported by underlying market fundamentals and strategic initiatives. 4) The company is on track to roll-out its target of 45-50 stores, with 28 stores already operational. 5) Gas cost slightly declined in 2QFY26 with an average cost at INR 33.8/CuM. 6) Recently launched Senator and Polipluz have contributed revenue of ~INR 50mn in 1H and targets revenue of ~INR 400-450mn in 2H. Over the next couple of years, it expects revenue of INR 1.5bn from both the brands. 7) The management expects EBITDA margin of 25% and ~20-22% from Polipluz and Senator respectively. 8) It will be focusing on getting the showrooms ready and work on getting the influencers onboard for promotional activities. Total budget stands at INR 100-120mn in FY26 and further to increase in FY27. 9) The capacity utilisation in Sanitaryware/ Faucetware in 2QFY26 stood at 85%/ 97% vs. 89%/ 93% YoY respectively. 10) New products contributed ~33% of total revenue in 2Q; 11) The sales mix for 2QFY26 in Entry/ Mid/ Premium categories was 22%/ 36%/ 42% vs. 25%/ 34%/ 41% in 2QFY25. 12) Retail discounts have now started coming off on sequential basis in 2Q. 13) Brass prices have moved to INR 630/kg in Oct-Nov'25 vs. INR 590/kg on sequential basis. Clay & feldspar prices have seen some increase. 14) Cera plans a capex of INR 230mn which will include routine capex, brand building and expanding retail footprints. 15) Cera dealer management system (DMS) initiative made a strong progress with 200 dealers, enhancing visibility, accountability, and data-led decision-making across its channel network. It will expand to more dealers going forward.



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### Recommendation and Price Target

Current Reco.	REDUCE
Previous Reco.	HOLD
Current Price Target (12M)	6,000
Upside/(Downside)	4.0%
Previous Price Target	7,050
Change	-14.9%

### Key Data – CRS IN

Current Market Price	INR5,772
Market cap (bn)	INR74.4/US\$0.8
Free Float	45%
Shares in issue (mn)	13.0
Diluted share (mn)	12.9
3-mon avg daily val (mn)	INR84.6/US\$1.0
52-week range	8,015/5,060
Sensex/Nifty	84,467/25,876
INR/US\$	88.6

### Price Performance

%	1M	6M	12M
Absolute	-3.3	-12.7	-18.3
Relative*	-5.5	-14.8	-23.9

\* To the BSE Sensex

### Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	18,712	19,153	19,724	21,734	24,348
Sales Growth (%)	4.2	2.4	3.0	10.2	12.0
EBITDA	2,943	2,907	2,622	3,002	3,462
EBITDA Margin (%)	15.7	15.2	13.3	13.8	14.2
Adjusted Net Profit	2,404	2,477	2,169	2,424	2,753
Diluted EPS (INR)	184.8	192.0	168.1	187.9	213.5
Diluted EPS Growth (%)	12.6	3.9	-12.5	11.8	13.6
ROIC (%)	39.2	35.2	28.0	31.7	32.7
ROE (%)	19.1	18.4	15.3	15.5	16.0
P/E (x)	31.2	30.1	34.3	30.7	27.0
P/B (x)	5.6	5.5	5.0	4.5	4.1
EV/EBITDA (x)	25.4	25.8	27.8	24.0	20.6
Dividend Yield (%)	1.0	1.1	1.0	1.2	1.5

Source: Company data, JM Financial. Note: Valuations as of 12/Nov/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

**Exhibit 1. We cut our EPS estimates by ~13-17% for FY27E-28E**

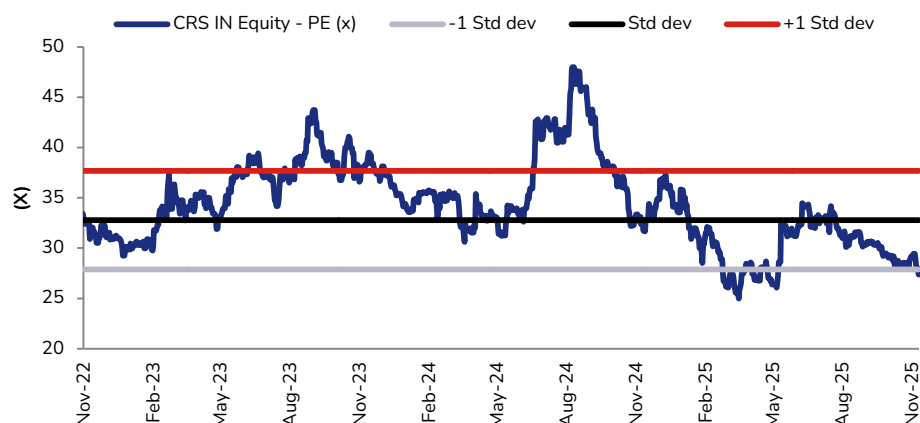
INR mn	New			Old			% Chg		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	19,724	21,734	24,348	20,245	23,127	26,687	(2.6)	(6.0)	(8.8)
EBITDA	2,622	3,002	3,462	2,859	3,480	4,145	(8.3)	(13.7)	(16.5)
EBITDA Margin (%)	13.3	13.8	14.2	14.1	15.0	15.5			
Adj. PAT	2,169	2,424	2,753	2,288	2,779	3,298	(5.2)	(12.8)	(16.5)

Source: JM Financial

**Exhibit 2. Quarterly analysis – Standalone**

INR mn	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	YoY (%)	QoQ (%)	1HFY25	1HFY26	YoY (%)
<b>Net Sales</b>	<b>4,900</b>	<b>4,493</b>	<b>5,780</b>	<b>4,194</b>	<b>4,879</b>	<b>(0.4)</b>	<b>16.3</b>	<b>8,880</b>	<b>9,073</b>	<b>2.2</b>
Raw Material Cost	2,330	2,106	2,857	1,981	2,403	3.2	21.3	4,134	4,384	6.1
<b>Gross Profit</b>	<b>2,570</b>	<b>2,387</b>	<b>2,923</b>	<b>2,213</b>	<b>2,476</b>	<b>(3.7)</b>	<b>11.8</b>	<b>4,746</b>	<b>4,689</b>	<b>(1.2)</b>
<i>Gross Margin (%)</i>	<i>52.5</i>	<i>53.1</i>	<i>50.6</i>	<i>52.8</i>	<i>50.7</i>			<i>53.4</i>	<i>51.7</i>	
Employee cost	627	604	605	645	652	4.1	1.1	1,207	1,298	7.5
<i>% of sales</i>	<i>12.8</i>	<i>13.4</i>	<i>10.5</i>	<i>15.4</i>	<i>13.4</i>			<i>13.6</i>	<i>14.3</i>	
Other expenses	1,248	1,189	1,262	1,038	1,152	(7.7)	11.0	2,282	2,190	(4.0)
<i>% of sales</i>	<i>25.5</i>	<i>26.5</i>	<i>21.8</i>	<i>24.7</i>	<i>23.6</i>			<i>26</i>	<i>24</i>	
<b>Total Expenditure</b>	<b>4,204</b>	<b>3,899</b>	<b>4,724</b>	<b>3,663</b>	<b>4,208</b>	<b>0.1</b>	<b>14.9</b>	<b>7,623</b>	<b>7,871</b>	<b>3.3</b>
<b>EBITDA</b>	<b>696</b>	<b>594</b>	<b>1,056</b>	<b>531</b>	<b>671</b>	<b>(3.5)</b>	<b>26.5</b>	<b>1,257</b>	<b>1,202</b>	<b>(4.4)</b>
<i>EBITDA margin (%)</i>	<i>14.2</i>	<i>13.2</i>	<i>18.3</i>	<i>12.7</i>	<i>13.8</i>			<i>14.2</i>	<i>13.2</i>	
Depreciation	101	98	102	91	98	(3.1)	8.1	186	189	1.9
<b>EBIT</b>	<b>595</b>	<b>496</b>	<b>954</b>	<b>440</b>	<b>573</b>	<b>(3.6)</b>	<b>30.3</b>	<b>1,072</b>	<b>1,013</b>	<b>(5.5)</b>
Other Income	184	121	158	186	166	(9.8)	(10.9)	346	352	1.5
<b>PBIT</b>	<b>778</b>	<b>617</b>	<b>1,112</b>	<b>626</b>	<b>739</b>	<b>(5.1)</b>	<b>18.1</b>	<b>1,418</b>	<b>1,365</b>	<b>(3.8)</b>
Interest	25	18	16	14	16	(35.2)	13.7	37	31	(16.5)
Extraordinary items	-	-	(15)	-	-	NA	NA	-	-	NA
<b>PBT</b>	<b>753</b>	<b>599</b>	<b>1,111</b>	<b>611</b>	<b>722</b>	<b>(4.1)</b>	<b>18.2</b>	<b>1,381</b>	<b>1,334</b>	<b>(3.4)</b>
Tax Expense	72	140	225	146	156	116.0	6.7	231	302	30.8
<i>Tax Rate (%)</i>	<i>9.6</i>	<i>23.4</i>	<i>20.2</i>	<i>23.9</i>	<i>21.6</i>			<i>16.7</i>	<i>22.6</i>	
<b>Reported PAT</b>	<b>681</b>	<b>459</b>	<b>886</b>	<b>465</b>	<b>566</b>	<b>(16.8)</b>	<b>21.7</b>	<b>1,150</b>	<b>1,032</b>	<b>(10.3)</b>
<b>Adjusted PAT</b>	<b>681</b>	<b>459</b>	<b>871</b>	<b>465</b>	<b>566</b>	<b>(16.8)</b>	<b>21.7</b>	<b>1,150</b>	<b>1,032</b>	<b>(10.3)</b>
<b>Adjusted EPS (INR)</b>	<b>52.8</b>	<b>35.6</b>	<b>67.5</b>	<b>36.1</b>	<b>43.9</b>	<b>(16.8)</b>	<b>21.7</b>	<b>89.2</b>	<b>80.0</b>	<b>(10.3)</b>

Source: Company, JM Financial

**Exhibit 3. One-year forward P/E**

Source: Bloomberg, JM Financial

## Financial Tables (Standalone)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	18,712	19,153	19,724	21,734	24,348
Sales Growth	4.2%	2.4%	3.0%	10.2%	12.0%
Other Operating Income	0	0	0	0	0
<b>Total Revenue</b>	<b>18,712</b>	<b>19,153</b>	<b>19,724</b>	<b>21,734</b>	<b>24,348</b>
Cost of Goods Sold/Op. Exp	8,822	9,096	9,428	10,411	11,565
Personnel Cost	2,275	2,415	2,609	2,765	2,931
Other Expenses	4,672	4,734	5,065	5,556	6,390
<b>EBITDA</b>	<b>2,943</b>	<b>2,907</b>	<b>2,622</b>	<b>3,002</b>	<b>3,462</b>
EBITDA Margin	15.7%	15.2%	13.3%	13.8%	14.2%
EBITDA Growth	3.2%	-1.2%	-9.8%	14.5%	15.3%
Depn. & Amort.	344	385	389	408	429
EBIT	2,599	2,522	2,233	2,594	3,033
Other Income	611	625	687	705	722
Finance Cost	53	71	68	71	75
PBT before Excep. & Forex	3,158	3,076	2,853	3,227	3,681
Excep. & Forex Inc./Loss(-)	-16	-15	0	0	0
PBT	3,142	3,061	2,853	3,227	3,681
Taxes	750	596	685	804	928
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	2,392	2,465	2,169	2,424	2,753
<b>Adjusted Net Profit</b>	<b>2,404</b>	<b>2,477</b>	<b>2,169</b>	<b>2,424</b>	<b>2,753</b>
Net Margin	12.8%	12.9%	11.0%	11.2%	11.3%
Diluted Share Cap. (mn)	13.0	12.9	12.9	12.9	12.9
<b>Diluted EPS (INR)</b>	<b>184.8</b>	<b>192.0</b>	<b>168.1</b>	<b>187.9</b>	<b>213.5</b>
Diluted EPS Growth	12.6%	3.9%	-12.5%	11.8%	13.6%
Total Dividend + Tax	780	838	781	921	1,102
Dividend Per Share (INR)	60.0	65.0	60.5	71.4	85.4

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	3,142	3,061	2,853	3,227	3,681
Depn. & Amort.	344	385	389	408	429
Net Interest Exp. / Inc. (-)	15	35	-620	-634	-648
Inc (-) / Dec in WCap.	145	-922	439	-214	-274
Others	-608	-833	29	32	37
Taxes Paid	-762	-570	-685	-804	-928
<b>Operating Cash Flow</b>	<b>2,276</b>	<b>1,156</b>	<b>2,406</b>	<b>2,016</b>	<b>2,298</b>
Capex	-610	-267	-230	-1,000	-1,000
Free Cash Flow	1,666	889	2,176	1,016	1,298
Inc (-) / Dec in Investments	-831	1,514	0	0	0
Others	37	36	687	705	722
<b>Investing Cash Flow</b>	<b>-1,404</b>	<b>1,282</b>	<b>457</b>	<b>-295</b>	<b>-278</b>
Inc / Dec (-) in Capital	0	-1,647	0	0	0
Dividend + Tax thereon	-650	-780	-781	-921	-1,102
Inc / Dec (-) in Loans	-20	-129	-155	0	0
Others	-126	-20	-68	-71	-75
<b>Financing Cash Flow</b>	<b>-797</b>	<b>-2,576</b>	<b>-1,004</b>	<b>-992</b>	<b>-1,176</b>
<b>Inc / Dec (-) in Cash</b>	<b>75</b>	<b>-138</b>	<b>1,859</b>	<b>729</b>	<b>844</b>
Opening Cash Balance	266	400	262	2,121	2,850
Closing Cash Balance	341	262	2,121	2,850	3,694

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	13,425	13,503	14,891	16,393	18,045
Share Capital	65	64	64	64	64
Reserves & Surplus	13,360	13,439	14,827	16,329	17,981
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	163	155	0	0	0
Def. Tax Liab. / Assets (-)	465	389	417	449	486
<b>Total - Equity &amp; Liab.</b>	<b>14,053</b>	<b>14,047</b>	<b>15,308</b>	<b>16,843</b>	<b>18,531</b>
Net Fixed Assets	3,686	3,907	3,748	4,339	4,911
Gross Fixed Assets	6,421	7,049	7,279	7,529	8,929
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	2,865	3,250	3,639	4,047	4,476
Capital WIP	130	107	107	857	457
Investments	8,075	7,017	7,017	7,017	7,017
Current Assets	6,491	7,485	9,092	10,481	12,184
Inventories	3,586	4,058	2,702	2,977	3,335
Sundry Debtors	2,013	2,680	3,783	4,168	4,669
Cash & Bank Balances	341	262	2,121	2,850	3,694
Loans & Advances	550	486	486	486	486
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	4,199	4,362	4,548	4,995	5,580
Current Liabilities	1,820	1,910	1,967	2,167	2,428
Provisions & Others	2,378	2,452	2,581	2,828	3,153
Net Current Assets	2,292	3,124	4,543	5,486	6,604
<b>Total - Assets</b>	<b>14,053</b>	<b>14,047</b>	<b>15,308</b>	<b>16,843</b>	<b>18,531</b>

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	12.8%	12.9%	11.0%	11.2%	11.3%
Asset Turnover (x)	1.4	1.4	1.3	1.4	1.4
Leverage Factor (x)	1.0	1.0	1.0	1.0	1.0
RoE	19.1%	18.4%	15.3%	15.5%	16.0%

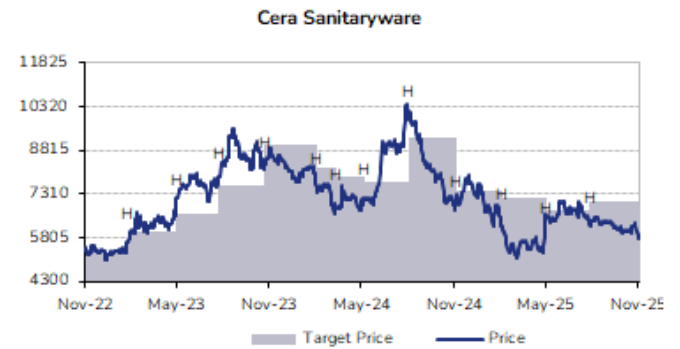
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	1,032.3	1,047.0	1,154.6	1,271.1	1,399.1
ROIC	39.2%	35.2%	28.0%	31.7%	32.7%
ROE	19.1%	18.4%	15.3%	15.5%	16.0%
Net Debt/Equity (x)	0.0	0.0	-0.1	-0.2	-0.2
P/E (x)	31.2	30.1	34.3	30.7	27.0
P/B (x)	5.6	5.5	5.0	4.5	4.1
EV/EBITDA (x)	25.4	25.8	27.8	24.0	20.6
EV/Sales (x)	4.0	3.9	3.7	3.3	2.9
Debtor days	39	51	70	70	70
Inventory days	70	77	50	50	50
Creditor days	42	43	42	42	42

Source: Company, JM Financial

## History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
23-Nov-21	Hold	5,060	
25-Jan-22	Hold	5,050	-0.2
2-Mar-22	Hold	4,900	-3.0
1-Apr-22	Hold	4,900	0.0
22-Apr-22	Hold	4,950	1.0
11-May-22	Hold	4,630	-6.5
7-Jun-22	Hold	4,630	0.0
9-Nov-22	Hold	5,300	14.5
4-Feb-23	Hold	6,000	13.2
11-May-23	Hold	6,600	10.0
3-Aug-23	Hold	7,600	15.2
2-Nov-23	Hold	9,000	18.4
13-Feb-24	Hold	8,200	-8.9
20-Mar-24	Hold	7,900	-3.7
15-May-24	Hold	7,700	-2.5
13-Aug-24	Hold	9,240	20.0
13-Nov-24	Hold	7,440	-19.5
12-Feb-25	Hold	7,180	-3.5
11-May-25	Hold	6,750	-6.0
7-Aug-25	Hold	7,050	4.4

## Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return $\geq$ 15% over the next twelve months.
ADD	Expected return $\geq$ 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return $\geq$ -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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