

Cera Sanitaryware | HOLD

Plant visit: Key takeaways

We recently visited the Cera Sanitaryware (Cera) plant and warehouse in Kadi, Gujarat, and its experience centre in Ahmedabad. Key takeaways from the visit: 1) Retail demand remains weak due to subdued consumer sentiment, but the company remains hopeful on potential recovery in FY26; project sales have increased by 500bps YoY to ~35% in 9M; 2) The company aims to continue outgrowing the industry by 400-500bps in the coming years; 3) The greenfield expansion in the sanitaryware division is currently on hold. However, the company has already acquired land and can commission the plant within 18 months once finalised. Meanwhile, brownfield expansion for phase 1 in the faucetware segment is completed; 4) The company is expanding its presence in the luxury segment through the 'Senator' brand, targeting ~10% revenue contribution by FY27; 5) Cera is already making polymer-based products (like Cistern, seat cover, etc.) and is looking to expand products with the aim of achieving INR 1bn in revenue over the next 3 years; 6) More than 30 cost-optimisation projects have been implemented since FY22 in the plant, resulting in significant cost savings.

■ Retail demand subdued; hopeful for revival in FY26

- Retail demand remains subdued; however, the management is optimistic about a potential recovery from FY26. Meanwhile, project sales contribution has increased by 500bps YoY to approximately 35% in 9MFY25.
- Cera is targeting to continue outgrowing the industry by 400-500bps in future.
- The company had planned a greenfield expansion (1.2mn pcs each in two phases) in the sanitaryware segment, which is currently on hold. However, land worth INR 270mn has already been acquired near its existing facility, and the plant can be set up within 18 months once the final decision is made. The management highlighted that the subsidised gas rate currently available at the existing plant may not be available to the new facility. Meanwhile, in the faucet division, a brownfield phase 1 expansion is completed. Post phase 2 expansion, capacity will increase to 6lac pcs p.m.
- The tiles segment (contributing ~10-12% of revenue) is entirely outsourced, and the management has no plans to establish in-house manufacturing.

■ Increasing focus on building luxury branding and polymer-based products

- Cera has appointed Ramesh Baliga as Chief Business Officer – Polymers and Emerging Business India. His responsibilities include overseeing the planning and execution of the company's polymer business and the Senator luxury brand.
- The company is strengthening its presence in the luxury segment with its 'Senator' brand, which will be sold exclusively through select multi-brand showrooms and displayed at existing experience centres. Cera has already signed agreements for 15 exclusive stores and aims to expand to 75 stores by FY26. The management is targeting ~10% revenue contribution from the luxury segment by FY27.
- Cera is already making polymer-based products (like Cistern, seat cover, etc.) and looking to expand in different polymer products. Although these products are lower in value, they offer high volume potential and better margins. The company is targeting INR 200mn in revenue in the first year, and plans to scale up revenue to INR 1bn within 3 years.



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■ Key observations during production facility visit

- Cera reported the lowest rejection rate in the industry, with 3.8% at the casting stage (termed as "green loss") and 9.8% post-drying (referred to as "OF pitcher"). The company's overall recovery rate has been improving and currently stands at ~87%, which is ~500bps higher than the industry average.
- Cera is the only company with a Department of Scientific & Industrial Research (DSIR) certification, which facilitates chemical testing of raw materials and new product development. It is also the first company to introduce 3D printing technology, enhancing its ability to rapidly convert designs into prototypes. Over the past 3 years, it has launched 46 new products, including 15 in FY25.
- The management highlighted that over 30 cost-optimisation projects have been undertaken since FY22, leading to significant cost savings.
- The sanitaryware plant is operating at 80-85% capacity utilisation, while the faucet division is at 90%. Utilisation levels can be scaled up based on demand and SKU requirements.

Exhibit 1. Manufacturing facility

Source: Company, JM Financial

Exhibit 2. Sanitaryware Robotix Pressure Casting

Source: Company, JM Financial

Exhibit 3. Sanitaryware Robotic Glazing

Source: Company, JM Financial

Exhibit 4. Faucet Robotic Surface Grinding



Source: Company, JM Financial

Exhibit 5. Faucet Peeling Machine



Source: Company, JM Financial

Exhibit 6. First sanitaryware company to design and install 3D printers



Source: Company, JM Financial

Exhibit 7. Cera Style Studios



Source: Company, JM Financial

APPENDIX I

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