

August 13, 2024

Q1FY25 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		ACCUMULATE	
Target Price	9,872		9,650	
Sales (Rs. m)	19,558	22,601	21,089	24,156
% Chng.	(7.3)	(6.4)		
EBITDA (Rs. m)	3,115	3,650	3,387	3,950
% Chng.	(8.0)	(7.6)		
EPS (Rs.)	191.5	226.9	202.7	241.2
% Chng.	(5.5)	(5.9)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	18,105	18,794	19,558	22,601
EBITDA (Rs. m)	3,002	3,033	3,115	3,650
Margin (%)	16.6	16.1	15.9	16.2
PAT (Rs. m)	2,161	2,398	2,470	2,951
EPS (Rs.)	166.1	184.3	191.5	226.9
Gr. (%)	36.2	11.0	3.9	18.5
DPS (Rs.)	25.0	60.0	28.0	27.8
Yield (%)	0.3	0.6	0.3	0.3
RoE (%)	19.8	19.0	17.8	19.0
RoCE (%)	26.4	25.4	23.9	25.4
EV/Sales (x)	6.7	6.4	6.1	5.2
EV/EBITDA (x)	40.7	39.8	38.3	32.5
PE (x)	59.5	53.6	51.6	43.5
P/BV (x)	11.0	9.5	8.9	7.6

Key Data

CERA.BO | CRS IN

52-W High / Low	Rs.10,795 / Rs.6,551
Sensex / Nifty	78,956 / 24,139
Market Cap	Rs.128bn/ \$ 1,530m
Shares Outstanding	13m
3M Avg. Daily Value	Rs.415.22m

Shareholding Pattern (%)

Promoter's	54.48
Foreign	18.03
Domestic Institution	9.73
Public & Others	17.77
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	9.9	31.1	17.3
Relative	12.1	18.8	(3.0)

Praveen Sahay

praveensahay@plindia.com | 91-22-66322369

Rahul Shah

rahulshah@plindia.com | 91-22-66322274

Cera Sanitaryware (CRS IN)

Rating: HOLD | CMP: Rs9,880 | TP: Rs9,872

Guidance maintained despite soft performance

We downward revise our FY25/FY26E earnings estimate by 5.5%/5.9% factoring in margin contraction along with subdued demand. We roll forward our TP to Jun'26 and downgrade the stock to 'Hold' from 'Accumulate' with revised TP of Rs9,872 (Rs9,650 earlier), based on 40x Jun'26 earnings. Cera Sanitaryware (CRS) reported disappointing results, below our estimates, due to subdued demand, which led to muted revenue (down 6.6% YoY) and a contraction in margins (-190bps YoY). However, CRS has maintained its revenue guidance to reach Rs29bn by Mar-27 with ~16% CAGR over FY24-27, factoring in the Q1FY25 & Q2FY25 slowdown, and EBITDA margin at 16-17%. We believe the demand scenario will revive by H2FY25 with improvement in demand led by healthy growth in the real estate sector. We estimate revenue/EBITDA /PAT CAGR of 9.7%/9.7%/10.9% over FY24-26E.

Revenue declines by 6.6%, PAT declines by +16.3%: Revenue declined by 6.6% YoY to Rs4.0bn (PLe: Rs4.5bn). Sanitaryware/Faucet revenue declined by 6%/2% YoY. EBITDA declined by 17.5% YoY to Rs581mn (PLe: Rs728mn) and EBITDA margin contracted by ~190bps YoY to 14.5% (PLe: 16.3%) due to lower fixed cost absorption caused by decreased sales and higher discounts offered. PBT declined by 16.2% YoY to Rs637mn (PLe: Rs770mn), and PAT declined by 16.3% YoY to Rs475mn (PLe: Rs576mn). Q1FY25 was impacted by demand softness, heat wave conditions and general elections. Net working capital reduced from 72 to 66 days. Cash and cash equivalent stood at Rs8.6bn.

Con call highlights: **1)** CRS maintained revenue guidance to reach Rs29bn by Mar'27, with EBITDA margin of 16-17%. **2)** The company expects improvement in demand from Q3FY25, based on the 15-20% YoY growth posted by its B2B segment in Jun'24. **3)** B2B contribution rose to 36% of sales and is expected to reach 40% without affecting CRS's operating margin. The company also indicated that its project bank (order book) has grown by 15-20% compared to Dec'23, with execution anticipated within 1 year. **4)** China imports reduced to Rs70mn or 1.7% of sales in Q1FY25 from Rs100mn or 1.8% of sales in Q4FY24. **5)** Domestic Sanitaryware/Faucet market size is ~Rs90bn/Rs140bn, with organized share at 56%/57%. **6)** Capacity utilization for the Sanitaryware and Faucet segments was 76% and 84%, respectively. **7)** 44% of total sales came from the premium category, 32% from mid-category and 24% from entry-level category. **8)** Tier1/Tier2/Tier3 cities contributed to 35%/22%/43% of total sales. **9)** 85% of total land required for the new project (Sanitaryware facility, Gujarat) has been acquired; the acquisition will be complete by Sep'24, earlier than expected (by Jun'24). **10)** Maintenance capex of Rs254mn is planned for FY25 for upgrades in Sanitaryware/Faucetware plants, and enhancing customer touch points and IT/logistics, **11)** Advertisement spend was Rs115mn in Q1FY25 (2.9% of sales), and is guided to reach Rs632mn in FY25. **13)** Retailer loyalty program accounted for ~30% of revenue.

Exhibit 1: Q1FY25 Result Overview: Revenue declines by 6.6% YoY, PAT declines by 16.3% YoY

Y/e March (Rs mn)	1QFY25	1QFY24	YoY gr. (%)	4QFY24	QoQ gr. (%)
Net Sales	4,007	4,289	(6.6)	5,488	(27.0)
Expenditure					
Operating & Manufacturing Expenses	1,812	1,937	(6.5)	2,701	(32.9)
<i>% of Net Sales</i>	<i>45.2</i>	<i>45.2</i>	<i>0.1</i>	<i>49.2</i>	
Gross Profit	2,195	2,352	(6.7)	2,787	(21.2)
<i>% of Net Sales</i>	<i>54.8</i>	<i>54.8</i>	<i>(0.052)</i>	<i>50.8</i>	
Personnel Cost	589	576	2.2	581	1.3
<i>% of Net Sales</i>	<i>14.7</i>	<i>13.4</i>	<i>1.3</i>	<i>10.6</i>	
Other Expenses	1,026	1,184	(13.3)	1,410	(27.2)
<i>% of Net Sales</i>	<i>25.6</i>	<i>27.6</i>	<i>(2.0)</i>	<i>25.7</i>	
Total Expenditure	3,427	3,585	(4.4)	4,538	(24.5)
EBITDA	581	704	(17.5)	950	(38.9)
<i>Margin (%)</i>	<i>14.5</i>	<i>16.4</i>	<i>(1.92)</i>	<i>17.3</i>	
Other income	159	153		157	1.1
Depreciation	90	83	7.8	97	(7.2)
EBIT	650	774	(16.0)	1,010	(35.7)
Interest	13	13	(5.5)	15	(18.5)
PBT	637	760	(16.2)	995	(35.9)
Total Taxes	163	193	(15.7)	238	(31.5)
<i>ETR (%)</i>	<i>25.5</i>	<i>25.4</i>	<i>0.1</i>	<i>23.9</i>	
Adj. PAT	475	567	(16.3)	757	(37.3)

Source: Company, PL

Exhibit 2: Segmental Breakup: Sanitaryware/Faucetware revenue decline by 6.2%/2.0% YoY in Q1FY25

Y/e March (Rs mn)	1QFY25	1QFY24	YoY gr. (%)	4QFY24	QoQ gr. (%)
Sanitaryware (SW)	2,124	2,264	(6.2)	2,730	(22.2)
Faucets (FW)	1,443	1,471	(2.0)	2,020	(28.6)
Tiles	361	449	(19.8)	510	(29.3)
Wellness	80	81	(1.2)	110	(27.1)
Total	4,007	4,289	(6.6)	5,488	(27.0)

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	18,105	18,794	19,558	22,601
YoY gr. (%)	25.2	3.8	4.1	15.6
Cost of Goods Sold	8,246	8,828	9,153	10,577
Gross Profit	9,859	9,966	10,405	12,024
Margin (%)	54.5	53.0	53.2	53.2
Employee Cost	2,147	2,309	2,327	2,554
Other Expenses	3,536	3,637	3,452	4,012
EBITDA	3,002	3,033	3,115	3,650
YoY gr. (%)	31.2	1.0	2.7	17.2
Margin (%)	16.6	16.1	15.9	16.2
Depreciation and Amortization	326	365	387	404
EBIT	2,676	2,667	2,728	3,246
Margin (%)	14.8	14.2	14.0	14.4
Net Interest	60	58	57	57
Other Income	284	595	630	755
Profit Before Tax	2,849	3,188	3,301	3,944
Margin (%)	15.7	17.0	16.9	17.5
Total Tax	738	775	831	993
Effective tax rate (%)	25.9	24.3	25.2	25.2
Profit after tax	2,111	2,413	2,470	2,951
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	2,161	2,398	2,470	2,951
YoY gr. (%)	36.2	11.0	3.0	19.5
Margin (%)	11.9	12.8	12.6	13.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,161	2,398	2,470	2,951
YoY gr. (%)	36.2	11.0	3.0	19.5
Margin (%)	11.9	12.8	12.6	13.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,161	2,398	2,470	2,951
Equity Shares O/s (m)	13	13	13	13
EPS (Rs)	166.1	184.3	191.5	226.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	5,562	6,288	6,943	7,389
Tangibles	5,562	6,288	6,943	7,389
Intangibles	-	-	-	-
Acc: Dep / Amortization	2,423	2,789	3,176	3,580
Tangibles	2,423	2,789	3,176	3,580
Intangibles	-	-	-	-
Net fixed assets	3,143	3,509	3,779	3,821
Tangibles	3,138	3,499	3,767	3,809
Intangibles	5	10	12	12
Capital Work In Progress	170	130	5	5
Goodwill	-	-	-	-
Non-Current Investments	714	584	589	595
Net Deferred tax assets	(376)	(482)	(482)	(482)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	6,345	7,769	6,469	6,469
Inventories	3,825	3,636	3,783	4,372
Trade receivables	1,892	2,026	2,108	2,437
Cash & Bank Balance	262	372	1,849	3,737
Other Current Assets	375	394	429	495
Total Assets	16,766	18,455	19,049	21,974
Equity				
Equity Share Capital	65	65	64	65
Other Equity	11,661	13,393	14,202	16,792
Total Network	11,726	13,458	14,267	16,857
Non-Current Liabilities				
Long Term borrowings	42	26	26	26
Provisions	89	95	95	95
Other non current liabilities	203	168	168	168
Current Liabilities				
ST Debt / Current of LT Debt	212	179	179	179
Trade payables	2,069	1,790	1,867	2,152
Other current liabilities	1,654	1,835	1,543	1,593
Total Equity & Liabilities	16,766	18,455	19,049	21,974

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	2,849	3,188	3,301	3,944
Add. Depreciation	326	365	387	404
Add. Interest	60	58	57	57
Less Financial Other Income	284	595	630	755
Add. Other	(116)	(623)	-	-
Op. profit before WC changes	3,119	2,990	3,745	4,405
Net Changes-WC	(768)	154	(190)	(707)
Direct tax	(727)	(783)	(831)	(993)
Net cash from Op. activities	1,624	2,361	2,725	2,705
Capital expenditures	(379)	(615)	(533)	(445)
Interest / Dividend Income	29	37	(4)	(4)
Others	(704)	(850)	-	-
Net Cash from Invt. activities	(1,054)	(1,428)	(537)	(449)
Issue of share cap. / premium	-	6	-	-
Debt changes	(139)	(489)	-	-
Dividend paid	(457)	(652)	(361)	(361)
Interest paid	(36)	(32)	(57)	(57)
Others	36	332	(1,300)	-
Net cash from Fin. activities	(596)	(835)	(1,718)	(418)
Net change in cash	(26)	97	470	1,838
Free Cash Flow	1,233	1,720	2,192	2,260

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	166.1	184.3	191.5	226.9
CEPS	191.2	212.5	221.5	258.0
BVPS	901.6	1,034.8	1,106.1	1,296.1
FCF	94.8	132.2	169.9	173.7
DPS	25.0	60.0	28.0	27.8
Return Ratio(%)				
RoCE	26.4	25.4	23.9	25.4
ROIC	43.2	43.1	35.5	43.7
RoE	19.8	19.0	17.8	19.0
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.6)	(0.6)	(0.6)
Net Working Capital (Days)	74	75	75	75
Valuation(x)				
PER	59.5	53.6	51.6	43.5
P/B	11.0	9.5	8.9	7.6
P/CEPS	51.7	46.5	44.6	38.3
EV/EBITDA	40.7	39.8	38.3	32.5
EV/Sales	6.7	6.4	6.1	5.2
Dividend Yield (%)	0.3	0.6	0.3	0.3

Source: Company Data, PL Research

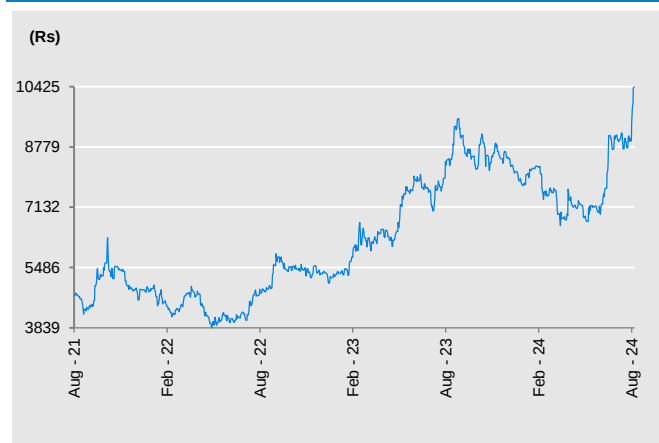
Quarterly Financials (Rs m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	4,631	4,389	5,488	4,007
YoY gr. (%)	11.8	(4.1)	3.1	(6.6)
Raw Material Expenses	2,186	2,004	2,701	1,812
Gross Profit	2,445	2,386	2,787	2,195
Margin (%)	52.8	54.4	50.8	54.8
EBITDA	765	614	950	581
YoY gr. (%)	15.8	(18.1)	8.9	(17.5)
Margin (%)	16.5	14.0	17.3	14.5
Depreciation / Depletion	89	97	97	90
EBIT	676	518	853	491
Margin (%)	14.6	11.8	15.5	12.3
Net Interest	14	16	15	13
Other Income	125	160	157	159
Profit before Tax	787	662	995	637
Margin (%)	17.0	15.1	18.1	15.9
Total Tax	198	147	238	163
Effective tax rate (%)	25.1	22.2	23.9	25.5
Profit after Tax	590	515	757	475
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	574	515	757	475
YoY gr. (%)	13.1	(9.4)	19.9	(16.3)
Margin (%)	12.4	11.7	13.8	11.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	574	515	757	475
YoY gr. (%)	13.1	(9.4)	19.9	(16.3)
Margin (%)	12.4	11.7	13.8	11.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	574	515	757	475
Avg. Shares O/s (m)	13	13	13	13
EPS (Rs)	44.1	39.6	58.2	36.5

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-24	Accumulate	9,650	9,093
2	14-May-24	Accumulate	8,178	7,119
3	11-Apr-24	Accumulate	8,486	7,190
4	21-Mar-24	Accumulate	8,486	6,993
5	13-Feb-24	Accumulate	8,486	7,540
6	02-Jan-24	Accumulate	8,597	7,842
7	03-Nov-23	Accumulate	8,926	8,132
8	09-Oct-23	Accumulate	8,857	8,176

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Hold	2,225	2,031
2	Bajaj Electricals	Hold	941	966
3	Century Plyboard (I)	Hold	714	707
4	Cera Sanitaryware	Accumulate	9,650	9,093
5	Crompton Greaves Consumer Electricals	Accumulate	476	451
6	Finolex Industries	Hold	321	328
7	Greenpanel Industries	Accumulate	390	356
8	Havells India	Accumulate	1,976	1,863
9	Kajaria Ceramics	Hold	1,488	1,468
10	KEI Industries	Hold	4,688	4,307
11	Polycab India	BUY	7,788	6,336
12	R R Kabel	BUY	2,066	1,796
13	Supreme Industries	Hold	6,069	5,694
14	Voltas	Reduce	1,293	1,449

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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