PL Capital
PRABHUDAS LILLADHER

Cera Sanitaryware (CRS IN)

Rating: ACCUMULATE | CMP: Rs6,799 | TP: Rs7,854

November 13, 2024

Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	7,854		9,190	
Sales (Rs. m)	22,601	26,349	22,601	26,349
% Chng.	-	-		
EBITDA (Rs. m)	3,605	4,255	3,650	4,255
% Chng.	(1.2)	-		
EPS (Rs.)	222.9	261.8	226.3	262.6
% Chng.	(1.5)	(0.3)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	18,794	19,558	22,601	26,349
EBITDA (Rs. m)	3,033	2,998	3,605	4,255
Margin (%)	16.1	15.3	16.0	16.2
PAT (Rs. m)	2,398	2,374	2,900	3,405
EPS (Rs.)	184.3	184.0	222.9	261.8
Gr. (%)	11.0	(0.2)	21.1	17.4
DPS (Rs.)	60.0	28.0	27.8	27.8
Yield (%)	0.9	0.4	0.4	0.4
RoE (%)	19.0	17.4	19.1	19.0
RoCE (%)	25.4	23.5	25.7	25.5
EV/Sales (x)	4.3	4.1	3.5	2.9
EV/EBITDA (x)	26.5	26.7	21.9	18.0
PE (x)	36.9	36.9	30.5	26.0
P/BV (x)	6.6	6.3	5.4	4.5

Key Data	CERA.BO | CRS IN
52-W High / Low	Rs.11,500 / Rs.6,551
Sensex / Nifty	77,691 / 23,559
Market Cap	Rs.87bn/ $ 1,035m
Shares Outstanding	13m
3M Avg. Daily Value	Rs.188.14m

Shareholding Pattern (%)

Promoter's	54.41
Foreign	22.89
Domestic Institution	6.06
Public & Others	16.64
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(14.3)	(4.9)	(23.8)
Relative	(10.2)	(10.9)	(36.3)

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Margins contract, growth to revive in H2

We downward revise FY25/FY26E earnings estimate by 4.7%/1.5% factoring in the margin contraction and subdued demand, and reduce TP to Rs7,854 (Rs9,190 earlier), based on 30x FY27E earnings. Cera Sanitaryware (CRS) reported soft results, though better than our estimates on account of improvement in the faucets business (up 20%+ YoY). Margin contraction continues with increase in revenue contribution from mid & entry level products and increase in RM prices. The company hiked prices by 6% in faucets and 1% for sanitaryware in Sep'24, which is likely to support margins in the coming quarters. CRS has also maintained its revenue guidance to reach Rs29bn by Mar'27 with high single digit growth in FY25, factoring in H1FY25 slowdown, and targets to maintain EBITDA margin at 16-17%. We believe the demand environment will improve by H2FY25 led by healthy growth in the real estate sector. We estimate revenue/ EBITDA/PAT CAGR of 11.9%/12.0%/12.4% over FY24-27E. Maintain 'Accumulate' rating.

Revenue increases by 6.4%, PAT by 16.4%: Revenue increased by 6.4% YoY to Rs4.9bn (PLe: Rs4.2bn). EBITDA declined by 5.7% YoY to Rs721mn (PLe: Rs598mn) and EBITDA margin contracted by ~190bps YoY to 14.6% (PLe: 14.2%) due to increase in brass prices and higher discounts offered. PBT declined by 2.8% YoY to Rs765mn (PLe: Rs647mn). PAT increased by 16.4% YoY to Rs686mn (PLe: Rs484mn). Q2FY25 was impacted by the softness in demand and extended monsoon season. Net working capital increased from 60 to 72 days. Cash and cash equivalent stood at Rs6.6bn.

Con call highlights: **1)** The company maintained its revenue guidance to reach Rs29bn by Mar'27 and high single digit growth by FY25 with EBITDA margin of 16-17%. **2)** B2B contribution rose to 37% of sales; the company expects good project demand in FY25. **3)** Due to increase in brass prices, the company took a price hike of 6%/1% in faucets/sanitaryware in Sep'24. **4)** Capacity utilization for the sanitaryware and faucets segments was 89% and 93%, respectively, in Q2FY25. **5)** Tier 1/2/3 cities contributed to 34%/21%/45% of total sales. **6)** North/East/South/West regions contributed to 33%/9%/36%/21% of total sales. **7)** 41% of total sales came from the premium category, 34% from mid-level and 25% from entry level. **8)** The company is expanding its footprint in the luxury segment by increasing SKUs in the Senator and Luxe ranges to meet the rising demand for high-value, design-centric bathroom solutions, and also expanding product range with innovations like electronic toilets, touch-free flushing, and tankless sensor closets. **9)** Capex plan for FY25 stands at Rs250mn, of which Rs110mn has already been spent in H1FY25. **10)** The company acquired land for Rs300mn for a two-phase greenfield sanitaryware project. Phase 1, with a capex of Rs1,300mn and an annual capacity of 1.2mn pieces, is expected to generate Rs3,000mn revenue from FY28. **11)** Advertisement spending stood at Rs160mn vs Rs150mn in Q2FY24. **12)** A total of 21,700 retailers have enrolled in the loyalty program, generating over 36bn invoices, contributing Rs970mn since its launch..

Exhibit 1: Q2FY25 Result Overview: Revenue grew by 6.4% YoY, PAT grew by 16.4% YoY

Y/e March (Rs mn)	2QFY25	2QFY24	YoY gr. (%)	1QFY25	QoQ gr. (%)	H1FY25	H1FY24	YoY gr. (%)
Net Sales	**4,926**	**4,631**	***6.4***	**4,007**	***22.9***	**8,933**	**8,920**	***0.1***
Expenditure								
Operating & Manufacturing Expenses	2,337	2,186	*6.9*	1,812	*29.0*	4,149	4,123	*0.6*
% of Net Sales	*47.4*	*47.2*	*0.2*	*45.2*		*46.4*	*46.2*	*0.2*
Gross Profit	2,589	2,445	*5.9*	2,195	*17.9*	4,784	4,797	*(0.3)*
% of Net Sales	*52.6*	*52.8*	*(0.24)*	*54.8*		*53.6*	*53.8*	*(0.2)*
Personnel Cost	636	585	*8.8*	589	*8.1*	1,225	1,161	*5.5*
% of Net Sales	*12.9*	*12.6*	*0.3*	*14.7*		*13.7*	*13.0*	*0.7*
Other Expenses	1,460	1,245	*17.3*	1,193	*22.4*	2,653	2,429	*9.2*
% of Net Sales	*29.6*	*26.9*	*2.8*	*29.8*		*29.7*	*27.2*	*2.5*
Total Expenditure	4,205	3,866	*8.8*	3,427	*22.7*	7,631	7,451	*2.4*
EBITDA	**721**	**765**	***(5.73)***	**581**	***24.2***	**1,302**	**1,469**	***(11.4)***
Margin (%)	*14.6*	*16.5*	*(1.88)*	*14.5*		*14.6*	*16.5*	*(1.9)*
Other income	178	125		159	*11.7*	337	278	*21.1*
Depreciation	107	89	*20.2*	90	*19.4*	197	172	*14.2*
EBIT	**791**	**801**	***(1.2)***	**650**	***21.8***	**1,442**	**1,575**	***(8.5)***
Interest	26	14	*91.6*	13	*108.4*	39	27	*43.7*
PBT	**765**	**787**	***(2.8)***	**637**	***20.1***	**1,403**	**1,548**	***(9.4)***
Total Taxes	79	198	*(60.0)*	163	*(51.4)*	242	391	*(38.1)*
ETR (%)	*10.3*	*25.1*	*(14.8)*	*25.5*		*17.2*	*25.3*	*(8.0)*
Adj. PAT	**686**	**590**	***16.4***	**475**	***44.6***	**1,161**	**1,157**	***0.4***

Source: Company, PL

Exhibit 2: Segmental Breakup: Sanitaryware revenue declined by 3.5%, faucets revenue increased by 23.1% YoY

Y/e March (Rs mn)	2QFY25	2QFY24	YoY gr. (%)	1QFY25	QoQ gr. (%)	H1FY25	H1FY24	YoY gr. (%)
Revenues								
Sanitaryware (SW)	2,266	2,349	*(3.5)*	2,124	*6.7*	4,390	4,613	*(4.8)*
Faucets (FW)	2,019	1,640	*23.1*	1,443	*40.0*	3,462	3,112	*11.3*
Tiles	493	513	*(4.0)*	361	*36.6*	853	963	*(11.4)*
Wellness	148	89	*66.2*	80	*84.4*	228	170	*34.0*
Other op income								
Total	**4,926**	**4,631**	***6.4***	**4,007**	***22.9***	**8,933**	**8,920**	***0.1***

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	**18,794**	**19,558**	**22,601**	**26,349**
YoY gr. (%)	*3.8*	*4.1*	*15.6*	*16.6*
Cost of Goods Sold	8,828	9,153	10,577	12,331
Gross Profit	9,966	10,405	12,024	14,018
Margin (%)	*53.0*	*53.2*	*53.2*	*53.2*
Employee Cost	2,309	2,484	2,599	2,977
Other Expenses	3,637	3,413	4,012	4,677
EBITDA	**3,033**	**2,998**	**3,605**	**4,255**
YoY gr. (%)	*1.0*	*(1.1)*	*20.2*	*18.0*
Margin (%)	*16.1*	*15.3*	*16.0*	*16.2*
Depreciation and Amortization	365	404	415	435
EBIT	**2,667**	**2,594**	**3,190**	**3,820**
Margin (%)	*14.2*	*13.3*	*14.1*	*14.5*
Net Interest	58	70	70	70
Other Income	595	660	755	800
Profit Before Tax	**3,188**	**3,184**	**3,875**	**4,550**
Margin (%)	*17.0*	*16.3*	*17.1*	*17.3*
Total Tax	775	801	975	1,145
Effective tax rate (%)	*24.3*	*25.2*	*25.2*	*25.2*
Profit after tax	**2,413**	**2,383**	**2,900**	**3,405**
Minority interest	-	9	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**2,398**	**2,374**	**2,900**	**3,405**
YoY gr. (%)	*11.0*	*(1.0)*	*22.2*	*17.4*
Margin (%)	*12.8*	*12.1*	*12.8*	*12.9*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**2,398**	**2,374**	**2,900**	**3,405**
YoY gr. (%)	*11.0*	*(1.0)*	*22.2*	*17.4*
Margin (%)	*12.8*	*12.1*	*12.8*	*12.9*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,398	2,374	2,900	3,405
Equity Shares O/s (m)	**13**	**13**	**13**	**13**
EPS (Rs)	**184.3**	**184.0**	**222.9**	**261.8**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	**6,288**	**6,943**	**7,409**	**7,909**
Tangibles	6,288	6,943	7,409	7,909
Intangibles	-	-	-	-
Acc: Dep / Amortization	**2,789**	**3,193**	**3,608**	**4,043**
Tangibles	2,789	3,193	3,608	4,043
Intangibles	-	-	-	-
Net fixed assets	**3,509**	**3,762**	**3,813**	**3,878**
Tangibles	3,499	3,750	3,801	3,866
Intangibles	10	12	12	12
Capital Work In Progress	130	5	5	5
Goodwill	-	-	-	-
Non-Current Investments	584	873	880	888
Net Deferred tax assets	(482)	(482)	(482)	(482)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	7,769	6,169	6,169	6,169
Inventories	3,636	3,783	4,372	5,097
Trade receivables	2,026	2,108	2,437	2,841
Cash & Bank Balance	372	1,807	3,626	5,781
Other Current Assets	394	429	495	578
Total Assets	**18,455**	**18,975**	**21,841**	**25,286**
Equity				
Equity Share Capital	65	64	65	65
Other Equity	13,393	13,814	16,353	19,397
Total Networth	**13,458**	**13,879**	**16,418**	**19,462**
Non-Current Liabilities				
Long Term borrowings	26	26	26	26
Provisions	95	105	105	105
Other non current liabilities	168	450	450	450
Current Liabilities				
ST Debt / Current of LT Debt	179	179	179	179
Trade payables	1,790	1,880	2,157	2,509
Other current liabilities	1,835	1,543	1,593	1,643
Total Equity & Liabilities	**18,455**	**18,975**	**21,841**	**25,286**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	3,188	3,184	3,875	4,550
Add. Depreciation	365	404	415	435
Add. Interest	58	70	70	70
Less Financial Other Income	595	660	755	800
Add. Other	(623)	-	-	-
Op. profit before WC changes	2,990	3,658	4,360	5,055
Net Changes-WC	154	(166)	(716)	(820)
Direct tax	(783)	(801)	(975)	(1,145)
Net cash from Op. activities	**2,361**	**2,690**	**2,669**	**3,090**
Capital expenditures	(615)	(818)	(465)	(500)
Interest / Dividend Income	37	(4)	(4)	(4)
Others	(850)	-	-	-
Net Cash from Invt. activities	**(1,428)**	**(822)**	**(469)**	**(504)**
Issue of share cap. / premium	6	-	-	-
Debt changes	(489)	-	-	-
Dividend paid	(652)	(361)	(361)	(361)
Interest paid	(32)	(70)	(70)	(70)
Others	332	(1,591)	-	-
Net cash from Fin. activities	**(835)**	**(2,022)**	**(431)**	**(431)**
Net change in cash	**97**	**(154)**	**1,769**	**2,155**
Free Cash Flow	1,720	1,873	2,204	2,590

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	**4,389**	**5,488**	**4,007**	**4,926**
YoY gr. (%)	*(4.1)*	*3.1*	*(6.6)*	*6.4*
Raw Material Expenses	2,004	2,701	1,812	2,337
Gross Profit	2,386	2,787	2,195	2,589
Margin (%)	*54.4*	*50.8*	*54.8*	*52.6*
EBITDA	**614**	**950**	**581**	**721**
YoY gr. (%)	*(18.1)*	*8.9*	*(17.5)*	*(5.7)*
Margin (%)	*14.0*	*17.3*	*14.5*	*14.6*
Depreciation / Depletion	97	97	90	107
EBIT	**518**	**853**	**491**	**614**
Margin (%)	*11.8*	*15.5*	*12.3*	*12.5*
Net Interest	16	15	13	26
Other Income	160	157	159	178
Profit before Tax	**662**	**995**	**637**	**765**
Margin (%)	*15.1*	*18.1*	*15.9*	*15.5*
Total Tax	147	238	163	79
Effective tax rate (%)	*22.2*	*23.9*	*25.5*	*10.3*
Profit after Tax	**515**	**757**	**475**	**686**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**515**	**757**	**475**	**686**
YoY gr. (%)	*(9.4)*	*19.9*	*(16.3)*	*19.5*
Margin (%)	*11.7*	*13.8*	*11.8*	*13.9*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**515**	**757**	**475**	**686**
YoY gr. (%)	*(9.4)*	*19.9*	*(16.3)*	*19.5*
Margin (%)	*11.7*	*13.8*	*11.8*	*13.9*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**515**	**757**	**475**	**686**
Avg. Shares O/s (m)	13	13	13	13
EPS (Rs)	**39.6**	**58.2**	**36.5**	**52.8**

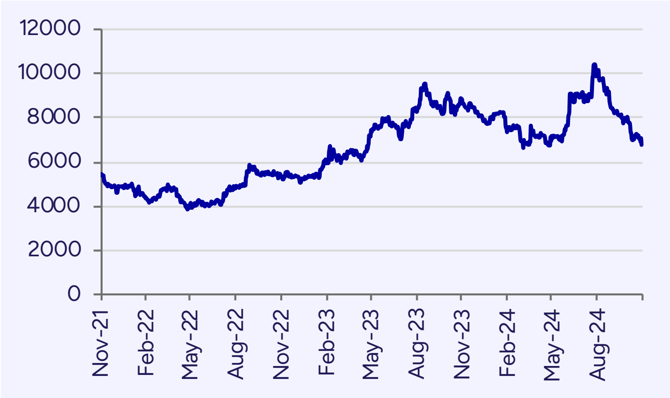
Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	184.3	184.0	222.9	261.8
CEPS	212.5	215.4	254.9	295.3
BVPS	1,034.8	1,076.1	1,262.3	1,496.4
FCF	132.2	145.2	169.4	199.1
DPS	60.0	28.0	27.8	27.8
Return Ratio(%)				
RoCE	25.4	23.5	25.7	25.5
ROIC	43.1	32.9	43.0	46.2
RoE	19.0	17.4	19.1	19.0
Balance Sheet				
Net Debt : Equity (x)	(0.6)	(0.6)	(0.6)	(0.6)
Net Working Capital (Days)	75	75	75	75
Valuation(x)				
PER	36.9	36.9	30.5	26.0
P/B	6.6	6.3	5.4	4.5
P/CEPS	32.0	31.6	26.7	23.0
EV/EBITDA	26.5	26.7	21.9	18.0
EV/Sales	4.3	4.1	3.5	2.9
Dividend Yield (%)	0.9	0.4	0.4	0.4

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Oct-24	Accumulate	9,190	7,746
2	13-Aug-24	Hold	9,872	9,880
3	07-Jul-24	Accumulate	9,650	9,093
4	14-May-24	Accumulate	8,178	7,119
5	11-Apr-24	Accumulate	8,486	7,190
6	21-Mar-24	Accumulate	8,486	6,993
7	13-Feb-24	Accumulate	8,486	7,540
8	02-Jan-24	Accumulate	8,597	7,842

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Accumulate	1,929	1,789
2	Bajaj Electricals	Hold	901	879
3	Century Plyboard (I)	Hold	881	851
4	Cera Sanitaryware	Accumulate	9,190	7,746
5	Crompton Greaves Consumer Electricals	BUY	536	430
6	Finolex Industries	Hold	302	284
7	Greenpanel Industries	Accumulate	450	376
8	Havells India	Accumulate	2,036	1,845
9	Kajaria Ceramics	Accumulate	1,604	1,259
10	KEI Industries	BUY	5,265	4,058
11	Polycab India	BUY	8,741	7,120
12	R R Kabel	BUY	2,151	1,505
13	Supreme Industries	BUY	5,752	4,593
14	Voltas	Accumulate	1,980	1,698

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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