AXIS DIRECT

Result Update
13th November, 2025

Cera Sanitaryware Ltd.
Building Materials

BUY
Target Price
7,900

Strong H2FY26 Expected Ahead; Product-Mix to Support Margin Improvement

Recommendation Rationale

- **Operational Performance:** Cera's retail segment showed sluggish demand, with a flat YoY growth for Q2FY26. The overall topline contribution for sanitaryware and faucetware was 47% and 40%, respectively. The Project business contributed to 39% of the topline and maintained a healthy momentum. Wellness/Tiles reported a 10%/(34%) growth YoY. Sales from premium products contributed 42%, 36% for mid-segment and 22% for entry-level products. Tier 3 cities contributed the highest to the sales with 41%, while Tier 1/Tier 2 contributed 36%/23% of sales. Capacity utilisations stand at 85% for Sanitaryware and 97% for faucetware for the quarter. Management has guided towards an optimistic H2FY26 with a 10-12% topline growth and a 7-8% growth for the full year FY26.
- **Premium Brands – Senator and Polipluz:** Cera's new premium brands, *Senator* and *PoliPluz*, are key growth drivers aimed at strengthening its presence in the high-end segment. Together, they are expected to contribute Rs 40–45 Cr in sales during H2FY26, with a target of around Rs 150 Cr in FY27. Both brands are expected to enjoy superior margins — Senator at about 22% and PoliPluz at around 25% — supported by differentiated design and a focused retail push. The company plans to invest Rs 10–12 Cr this year in showrooms, influencer campaigns, and branding to build strong visibility and customer recall in the premium category.
- **Cost Discipline and Margin Focus:** Cera maintained strong operational efficiency during the quarter, effectively managing expenses despite increasing input prices, especially in brass. Gas stood at 3.6% of revenues, with 80% being procured from Gail and the rest from Sabarmati. Management expects margins to stay healthy in the 14.5–15% range for FY26, supported by steady realisations and efficiency gains. In the faucetware segment, growth was modest in Q2 due to a high base and softer retail sentiment, but demand is expected to recover in H2 with festive and housing-related pickup. The company continues to focus on improving product mix, maintaining price discipline, and leveraging operational efficiencies to sustain profitability even in a cautious demand environment.

Sector Outlook: Positive

Company Outlook & Guidance: Cera remains cautiously optimistic about demand recovery in H2FY26, led by festive demand and retail comeback. The company has guided for 10-12% topline growth for H2 and 7-8% for FY26, supported by premiumisation and high utilisation. Margins are expected to stay in the 14.5–15% range, aided by cost efficiencies, price discipline, and a richer product mix. Management is confident that the new premium brands, Senator and PoliPluz, along with stronger retail visibility and operational efficiency, will drive medium-term profitability.

Current Valuation: 30x FY28E EPS (Earlier Valuation: 33x Sep'27E EPS)

Current TP: Rs 7,900/share (Earlier TP: Rs 8,500/share)

Recommendation: We maintain our BUY recommendation on the stock.

Financial Performance

Cera has divested from 2 of its subsidiaries and now acts as a standalone company; hence, all its figures, current and forward-looking, have been revised to standalone numbers. Cera reported Revenue of Rs 488 Cr, flat YoY. Gross margins were down 172 bps YoY, due to an increase in input costs. The reported EBITDA stood at Rs 67 Cr, declined by 4% YoY, with a marginally lower YoY EBITDA margin of 13.8% vs 14.2% in the previous year. The company reported PAT of Rs 57 Cr, down 17% YoY. This decline in PAT was driven by a one-time deferred tax income being recognised in Q2FY25. Furthermore, increasing COGS and the absence of price revision impacted the bottom line. For segment revenue, Sanitaryware/Faucetware/Tiles/Other contributed 47%/40%/11%/2%, respectively. Sanitaryware showed flat growth, while faucets showed a declining growth as a function of a high base for the previous year (price increase), but saw strong volume trends. Wellness reported 10% growth, while tiles declined by 34% YoY.

Key Financials (Consolidated)

(Rs Cr)	Q2FY26	YoY (%)	QoQ (%)	Axis Est.	Variance
Net Sales	488	0%	16%	N/A	N/A
Adj. EBITDA	67	-4%	27%	N/A	N/A
EBITDA Margin	13.8%	-44bps	111bps	N/A	N/A
Net Profit	57	-17%	22%	N/A	N/A
EPS (Rs)	43.92	-17%	22%	N/A	N/A

*Note – Our numbers are restated due to the company's divestment from two subsidiaries, as it now operates as a standalone entity with all figures revised accordingly.
Source: Company, Axis Securities Research

(CMP as of 12th November, 2025)

CMP (Rs)	5,765
Upside /Downside (%)	37%
High/Low (Rs)	8,015/5,062
Market cap (Cr)	7,435
Avg. daily vol. (1m) Shrs.	15,059
No. of shares (Cr)	1.29

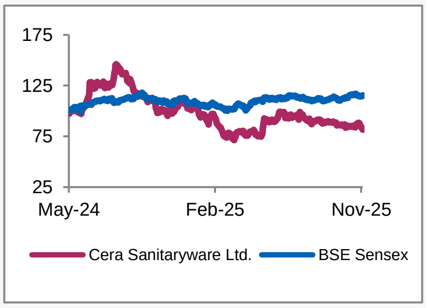
Shareholding (%)

	Mar-25	Jun-25	Sep-25
Promoter	54.4	54.4	54.41
FIIs	20.6	17.2	15.82
MFs / UTI	6.1	8.3	9.64
Others	18.9	20.0	20.12

Financial & Valuations

Y/E Mar (Rs Cr)	FY26E	FY27E	FY28E
Net Sales	1,915	2,088	2,338
EBITDA	291	313	362
Net Profit	246	259	296
EPS (Rs)	191	201	229
PER (x)	34.2	32.5	28.5
EV/EBITDA (x)	30.6	27.9	23.8
P/BV (x)	6.2	5.7	5.0
RoE (%)	18.3	17.0	17.1

Relative Performance



Source: Ace Equity, Axis Securities Research

Result Gallery
Q1FY26

Eesha Shah
Research Analyst
eesha.shah@axissecurities.in

Valuation & Recommendation

Due to Cera's divestment of its two subsidiaries and revision of numbers to standalone figures, we have revised our estimates. **We roll our estimates forward to value the stock at 30x FY28E EPS to arrive at a TP of Rs 7,900/share, implying an upside of 37% from the CMP. We maintain our BUY rating on the stock.**

Key Highlights from Concall

- **Premium Brands:** *Senator* and *PoliPluz* expected to contribute Rs 40–45 Cr in H2FY26 and around Rs 150 Cr in FY27, with margins at 22% and 25%, respectively.
- **Capacity Utilisations**: Sanitaryware operated at 85%, while faucetware reached 97% utilisation during Q2FY26.
- **Ad Spends and Branding**: The company plans to spend around Rs 10–12 Cr in FY26 towards brand-building, showroom expansion, influencer-led marketing, and premium brand visibility.
- **Working Capital and Cash Management**: For working capital management, the inventory days grew from 80 to 83 days, and payable days were stable at 39 days, leading to a net working capital days of 77 days from the previous year's 72 days. Cash and cash equivalents stood at Rs 736 Cr.
- **Faucetware**: Growth in the faucetware segment was modest during Q2FY26 due to a high base and softer retail sentiment; however, capacity utilisation remained strong at 97%, and management expects demand recovery in H2FY26, supported by festive and housing-related uptick.
- **Business Structure**: The company has divested two subsidiaries and now operates as a standalone entity; all current and forward numbers have been restated accordingly.
- **Capex**: FY26 capex planned at Rs 23 Cr, mainly for maintenance and retail network expansion.

Key Risks to Our Estimates and TP

- Muted retail demand will be a key risk to the growth of the company moving forward.
- Higher competitive pressure from the sanitaryware business.
- Further margin compressions due to a lower mix of high-margin products.
- Price cuts by unorganised players will also hurt the company's bottom line.

Q2FY26 Results Review **(Rs Cr)**

Particulars	Q2FY25	Q1FY26	Axis Sec Est (Rs Cr)	Q2FY26	% Change (YoY)	% Change (QoQ)	Variance (%)
Net Revenue	490	419	503	488	-0.4	16.3	-3.1
COGS	233	198	237	240	3.2	21.3	1.6
COGS/Sales	47.5%	47.2%	47.0%	49.3%	3.6	4.3	4.8
Gross Profit	257	221	267	248	-3.7	11.8	-7.2
Gross Margin	52.5%	52.8%	1	50.7%	-172bps	-203bps	-4.3
Employee Benefits Expense	63	65	70	65	4.1	1.1	-7.4
Other Expenses	125	104	126	115	-7.7	11.0	-8.4
Total Expense	420	366	433	421	0.1	14.9	-2.8
EBITDA	70	53	70	67	-3.5	26.5	-4.7
EBITDA Margin	14.2%	12.7%	14.0%	13.8%	-44bps	111bps	-1.7
Depreciation & Amortisation Expense	10	9	10	10	-3.1	8.1	3.3
EBIT	59	44	61	57	-3.6	30.3	-6.0
Finance cost	3	1	2	2	-35.2	13.7	7.4
Other Income	18	19	20	17	-9.8	-10.9	-17.7
EBT	75	61	80	72	-4.1	18.2	-9.2
Profit Before Tax (PBT)	75	61	80	72	-4.1	18.2	-9.2
Tax Expense	7	15	15	16	116.0	6.7	2.9
ETR(%)	10%	24%	0	22%	125.1	-9.7	13.4
Profit After Tax	68	47	64	57	-16.8	21.7	-12.1
PAT Margin	13.9%	11.1%	12.8%	11.6%	-228bps	52bps	-9.3

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar	FY25	FY26E	FY27E	FY28E
Revenue	1,915	2,088	2,338	2,665
Growth (%)	1.9	9.0	12.0	14.0
EBITDA	291	313	362	413
EBITDA margin (%)	15	15	16	16
Growth (%)	-4	8	16	14
Depreciation & amortization	39	36	38	40
EBIT	315	339	389	447
EBIT margin (%)	16.4	16.2	16.6	16.8
Interest	7	3	2	3
Other income	62	62	65	74
Profit before tax	306	336	387	444
Total Tax	60	77	91	104
Profit After Tax	246	259	296	340
net margin (%)	12.9	12.4	12.7	12.7
EPS (Rs)	191	201	229	263
Growth (%)	2.1	5.0	14.4	14.80

Source: company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E Mar	FY25	FY26E	FY27E	FY28E
EQUITY & LIABILITIES				
EQUITY				
Equity share capital	6	6	6	6
Other equity	1,344	1,519	1,725	2,064
Total Equity	1,350	1,525	1,731	2,071
Non-Current Liabilities				
Financial Liabilities	70	70	70	70
Other non-current liabilities	49	49	49	49
Total Non-Current Liabilities	120	120	120	120
Current Liabilities				
Financial Liabilities	315	335	361	394
Other Current Liabilities	56	56	56	56
Total Current Liabilities	371	392	417	450
Total Equity & Liabilities	**1,841**	**2,037**	**2,268**	**2,641**
APPLICATION OF FUNDS				
Non-Current Assets				
Net Fixed Assets	391	336	333	332
Financial Assets	40	40	40	40
Total Non-Current Assets	431	376	373	373
Current Assets				
Inventories	406	429	480	548
Financial Assets	969	1,153	1,335	1,642
Other current assets	35	35	35	35
Total Current Assets	1,410	1,617	1,851	2,224
Total Assets	**1,841**	**1,993**	**2,224**	**2,597**

Source: company, Axis Securities Research

Cash Flow (Rs Cr)

Y/E Mar	FY25	FY26E	FY27E	FY28E
PBT	306	336	387	444
Depreciation	39	36	38	40
Others	-80	0	0	0
Tax Paid	-57	-77	-91	-104
Changes in Working Capital	-92	8	-57	-74
Net Cash from Operations	116	303	277	306
Capex	-27	-25	-35	-40
Change in Investment	-8	0	0	0
Others	159	0	0	0
Net Cash from Investing	128	-25	-35	-40
Change in debt	-163	-84	-90	0
Change in Equity	-12	0	0	0
Others	-80	0	0	0
Net Cash from Financing	-258	-84	-90	0
Net Change in Cash	-14	194	152	266

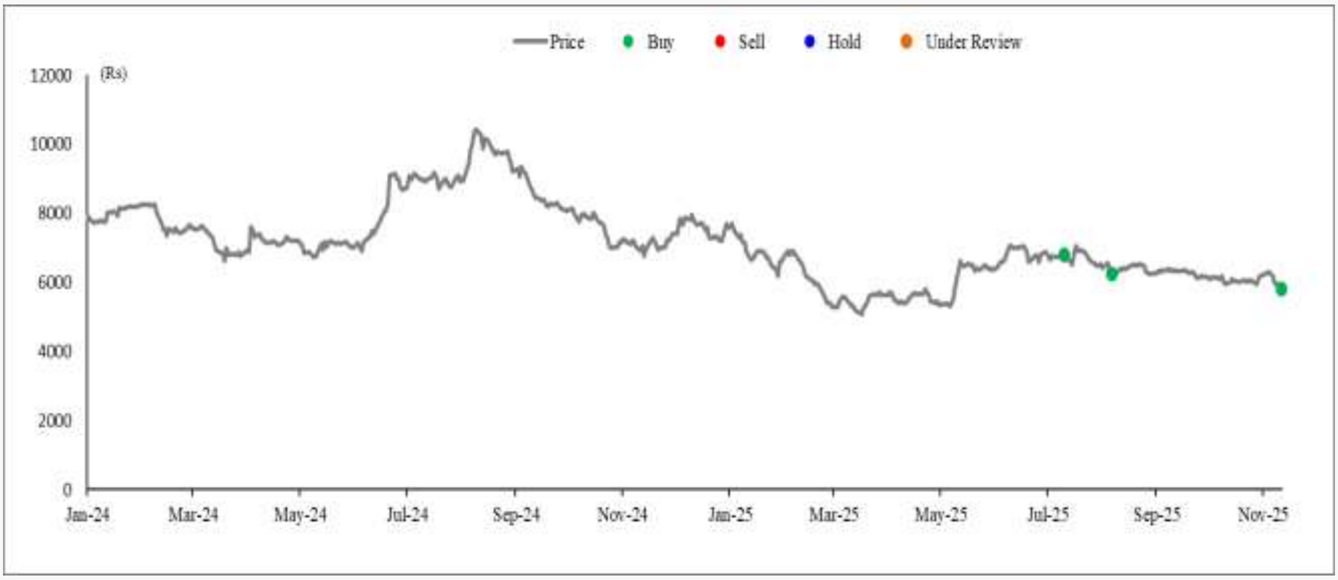
Source: company, Axis Securities Research

Ratio Analysis (x) / (%)

Y/E Mar	FY25	FY26E	FY27E	FY28E
EBITDA Margin (%)	15.2	15.0	15.5	15.5
net margin (%)	12.9	12.4	12.7	12.7
Return on invested capital (%)	17.1	16.7	17.2	16.9
Return on equity (%)	18.3	17.0	17.1	16.4
EFFICIENCY RATIOS				
Fixed Asset Turnover	4.9	6.2	7.0	8.0
Debt to equity	0.4	0.3	0.3	0.3
Interest coverage	44	108	166	168
Debtor days	45	46	43	42
Inventory days	153	151	150	154
Payable days	75	73	74	76
PER SHARE DATA				
EPS (Rs)	191.1	200.7	229.5	263.4
Book value per share (Rs)	1,047	1,149	1,308	1,572
DPS (Rs)	60	65	70	75
VALUATION RATIOS				
P/E	34.2	32.5	28.5	24.8
P/BV	6.2	5.7	5.0	4.2
EV/EBITDA	30.6	27.9	23.8	20.3
Dividend Yield (%)	0.9	1.0	1.1	1.1

Source: company, Axis Securities Research

Cera Sanitaryware Price Chart and Recommendation History



Date	Reco	TP	Research
11-Jul-25	BUY	8,500	Initiating Coverage
08-Aug-25	BUY	8,500	Result Update
13-Nov-25	BUY	7,900	Result Update

Source: Axis Securities Research.

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Compliance Officer Details: Name – Mr Rajiv Kejriwal, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in.;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parć, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

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