Cera Sanitaryware Limited(CERSAN)

CMP: ₹4780 | Target ₹6650 (39%) | Target Period: 12 months

BUY

November 6, 2026

Growth on strong footing, margins expected to follow!

About the stock: Cera Sanitaryware is a leading provider of integrated home solutions, offering a wide portfolio of products such as sanitaryware, faucets, tiles, kitchen sinks, mirrors, shower panels, and wellness solutions. Its brands include Cera, Senator, Lustre, CERA Luxe and Polipluz.

- The company has built a strong pan-India distribution network with 7,300+ distributors/dealers and 32,000+ retailers, providing deep market reach and a strong retail franchise.

Q2FY27 performance: Cera Sanitaryware Q2FY27 revenue from operations grew 27.4% YoY to ₹603 crore, driven by volume-led growth across its core segments. Sanitaryware and faucetware revenues grew 24% and 38% YoY, respectively, supported by recovering retail demand and steady project business. From a revenue mix standpoint, Sanitaryware contributed 45% to the top line, while Faucetware accounted for 43%, Tiles for 10%, and Wellness for 2%. However, elevated input costs, with brass and gas prices up 58% and 42% YoY, respectively, weighed on profitability. EBITDA grew 9.1% YoY to ₹73 crore, while EBITDA margin contracted 200 bps YoY to 12.2%. Sequentially, EBITDA margin improved 210 bps, reflecting the initial benefits of pricing actions. PAT declined marginally by 0.9% YoY to ₹56 crore.

Investment Rationale:

- **Strong broad-based growth:** Q2FY27 saw a healthy 27.4% revenue growth YoY predominantly driven by strong volume traction across key product categories, complemented by favorable price impacts. **Overall, volume growth contributed 16.6% to the top line, while pricing actions contributed 9.1%, and the product mix added 1.7%.** Management remains highly confident in sustaining its growth momentum and **has maintained its full-year FY27 revenue growth target of 18-20%. We bake in revenue CAGR of 15% over FY26-28E to ₹2713 crore.**
- **Margin guidance maintained:** EBITDA margin **contracted 200 bps YoY to 12.2% given the brass and gas price inflation and lag in price hikes in the market, specifically the projects business** which used to be done on a fixed price contract basis. Sequentially, margin improved 210 bps, reflecting the initial benefits of pricing actions **The company has retained its FY27 EBITDA margin outlook of 13-14% as profitability is likely to improve progressively through H2FY27. We conservatively project EBITDA margins at 13%/13.5% for FY27E/FY28E.**
- **Continued prudent capex plan:** The company successfully **increased its faucet manufacturing capacity from 4 lakh units to 5 lakh units per month.** The management noted they **have the space to further scale Faucetware capacity to 6 or 7 lakh units in a phased manner, if demand momentum sustains.** The management is **closely reviewing the monthly demand trajectory and intends to make a final decision regarding the construction of a new greenfield Sanitaryware project** by the end of Q4FY27, for which the land has already been procured

Rating and Target Price: Cera Sanitaryware continues to report a sustained growth across both its segment of Sanitaryware and Faucetware. **We maintain BUY with a revised target price of ₹6650, valuing at 30x FY28 P/E**

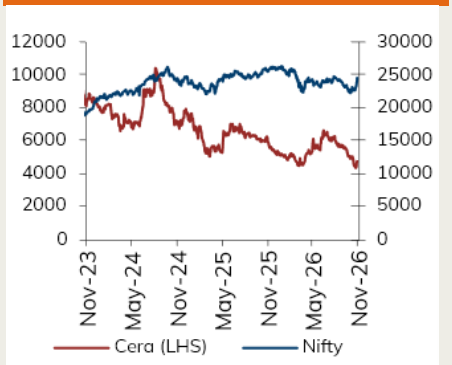
Particulars

(₹ Crore)	Amount
Market Capitalisation	6,165
Debt (FY26)	1
Cash (FY26)	48
EV	6,118
52-week H/L (₹)	6740 / 4461
Equity Capital	6.4
Face Value (₹)	5

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Sep-26
Promoters	54.4	54.4	54.4	54.4
FIIs	14.6	14.2	15.4	15.6
DII	14.0	14.2	14.1	14.2
Other	17.0	17.2	16.1	15.8

Price Chart



Key risks

(i) Slowdown in demand.

(ii) Further spikes in Input costs, specifically brass and gas.

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Result Update

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Key Financial Summary

(₹ Crore)	FY24	FY25	FY26	5-year CAGR (FY21-26)	FY27E	FY28E	2-year CAGR FY26-28E)
Operating Revenues	1,879	1,926	2,050	10.9%	2,409	2,713	15.0%
EBITDA	303	300	269	11.2%	312	365	16.5%
EBITDA Margin (%)	16.1	15.6	13.1		13.0	13.5	
PAT	241	249	204		244	285	
EPS (₹)	185.5	192.8	158.3	15.6%	189.2	221.0	18.2%
P/E (x)	26.0	25.0	30.5		25.5	21.8	
RoCE (%)	22.0	21.2	17.8		19.0	19.9	
RoIC (%)	42.4	34.8	33.1		35.1	38.3	
RoNW (%)	17.9	18.4	13.9		15.0	15.7	

Source: Company, ICICI Direct Research

Q2FY27 – Key Performance highlights and outlook

- **Management guidance**: Management remains highly confident in sustaining its growth momentum and has **maintained its full-year FY27 revenue growth target of 18-20%. Additionally, the company has retained its full-year EBITDA margin outlook of 13-14%.** The management expects operating profitability to improve progressively during the second half of FY27. **This anticipated margin expansion will be supported by the cumulative benefits of recently implemented pricing actions, robust volume growth, and ongoing cost-efficiency initiatives**. Furthermore, **management expects that as older project contracts with fixed pricing conclude, newer project deliveries will reflect revised price arrangements, which should progressively support margins in Q3 and Q4**.
- **Revenue drivers (volume, pricing and mix):** The healthy 27.4% revenue growth recorded during the quarter was predominantly driven by strong volume traction across key product categories, complemented by favorable price impacts.
    - **Overall, volume growth contributed 16.6% to the top line, while pricing actions contributed 9.1%, and the product mix added 1.7%.**
    - The **24% revenue growth in Sanitaryware comprised a 14.3% contribution from volume, 6.7% from favorable pricing, and 2.7% from the product mix**.
    - For the **Faucetware segment, which saw a stellar 38% growth, volume was the primary driver contributing 24%, followed by a 10.3% impact from pricing** and a 1.9% impact from the mix.

  The management clarified that this volume momentum is backed by sustained underlying market demand and is not merely an effect of pre-buying ahead of price hikes. From a channel perspective, **the retail business contributed 61% to revenues, while the projects' business accounted for 39%, reflecting a stabilization towards the historical 60:40 retail-to-project ratio.** The core Cera brand continues to be the principal driver of this volume-led growth across categories.
- **Pricing action:** The industry continues to navigate a challenging cost environment heavily impacted by elevated commodity prices (specifically brass and gas). **To mitigate these pressures, the company implemented calibrated pricing actions, including an 8% price hike in the Faucetware segment effective September 1, 2026, bringing the total price increase for Faucets to 24% following an earlier 16% hike in May. Sanitaryware prices were previously increased by 12% in May, with no further hikes taken in September**. The company also noted that its outsourcing partners faced steep gas price hikes, prompting the company to grant them sequential price increases totalling 12% for procurement. Despite these inflationary headwinds, the company's access to favourable GAIL gas allocations cushions it significantly relative to industry peers.
- **Demand commentary**: The broader operating environment and industry demand trends have shown visible improvement, largely driven by recovering retail channel dynamics. The company's strategic interventions over the past few years, which included strengthening distribution networks, deepening dealer relationships, and enhancing internal execution capabilities, are now yielding tangible results in capturing this demand. Geographically, the company is witnessing healthy traction across a wider set of focus markets that have helped broaden its presence and offset weaker demand in some traditionally strong regions. **The management noted that the demand is robust across multiple tiers, with Tier 3 cities contributing 40% to revenue, Tier 1 at 36%, and Tier 2 at 24%.**
- **Capex guidance:** The company continues to advance its planned capital expenditure outlined for the current financial year, **with a total full-year outlay projected at ~₹43 crore. During H1FY27, capital expenses incurred stood at ₹27 crore**. In the **Faucetware segment, the company successfully increased its manufacturing capacity from 4 lakh units to 5 lakh units per month**. The management noted they **have the space to further scale**

Faucetware capacity to 6 or 7 lakh units in a phased manner, if demand momentum sustains. For the Sanitaryware division, current capacity utilization has improved considerably to 82%, supported by a strong recovery in volumes. The management is closely reviewing the monthly demand trajectory and intends to make a final decision regarding the construction of a new greenfield Sanitaryware project by the end of Q4FY27, for which the land has already been procured.

- **Working capital**: Overall net working capital cycle improved meaningfully **from 77 days to 58 days YoY driven by reduced inventory and receivables days**. This tight working capital management, combined with a debt-free balance sheet, has further **bolstered the company's cash position (~₹897 crore)**. The management emphasized that this strong liquidity position provides the company with ample flexibility to support ongoing business requirements, fund future capacity expansions, and strategically evaluate potential inorganic growth opportunities if attractive assets become available in the market.

Exhibit 1: Quarter Performance

Particular	Q2FY27	Q2FY26	YoY (Chg %)	Q1FY27	QoQ (Chg %)	Comments
Net Sales	603.0	473.4	27.4	486.0	24.1	Healthy 27.4% revenue growth recorded during the quarter was predominantly driven by strong volume and complemented by favorable price impacts
Other Income	10.9	16.6	-34.2	21.3	-48.8	
Raw Material Expense	82.2	48.1	70.9	86.6	-5.1	
Purchase of Traded Goods	255.7	192.2	33.0	176.6	44.8	
Employee benefit expenses	72.2	65.2	10.7	78.4	-7.9	
Other Expenses	119.5	100.7	18.7	95.2	25.6	
EBITDA	73.3	67.1	9.1	49.2	48.9	
EBITDA Margin (%)	12.2	14.2	-203 bps	10.1	202 bps	
Depreciation	9.8	9.8	-0.6	9.4	3.6	
Interest	1.4	1.6	-15.8	1.3	8.9	
PBT	73.0	72.2	1.1	59.8	22.1	
Taxes	16.9	15.6	8.3	14.5	16.4	
PAT	56.1	56.6	-0.9	45.3	23.9	

Source: Company, ICICI Direct Research

Exhibit 2: Change in Estimates

	FY27E			FY28E			
(₹ Crore)	Old	New	% Change	Old	New	% Change	Comments
Revenue	2381	2409	1.2	2681	2713	1.2	
EBITDA	321	312	-2.6	375	365	-2.5	
EBITDA Margin (%)	13.5	13.0	-50 bps	14.0	13.5	-50 bps	Moderate margins assumptions
PAT	251	244	-2.6	292	285	-2.5	
EPS (₹)	194	189	-2.6	227	221	-2.5	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Net Sales	**1,926.2**	**2,050.1**	**2,408.9**	**2,712.5**
YoY Growth	2.5%	6.4%	17.5%	12.6%
Cost of goods sold	911.9	1,038.3	1,219.6	1,370.6
Gross Profit	1,014.2	1,011.8	1,189.3	1,341.9
Employee benefit expenses	245.3	259.4	301.1	339.1
Other Expenses	469.1	483.2	575.7	637.4
EBITDA	**299.8**	**269.2**	**312.4**	**365.4**
YoY Growth	-1.1%	-10.2%	16.1%	16.9%
Interest	7.5	6.5	6.0	5.0
Depreciation	40.7	38.7	41.0	46.1
Other income	60.5	52.9	60.8	66.9
PBT	310.7	269.1	326.3	381.1
Exceptional Items	(1.5)	(7.8)	-	-
Total Tax Expense	62.0	64.9	82.2	96.0
PAT	**248.7**	**204.2**	**244.1**	**285.1**
PAT Growth rate	3.1%	-17.9%	19.5%	16.8%
Adjusted EPS (Diluted)	**192.8**	**158.3**	**189.2**	**221.0**

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
PAT	**248.7**	**204.2**	**244.1**	**285.1**
Interest paid	7.5	6.5	6.0	5.0
Depreciation	40.7	38.7	41.0	46.1
Other Income	(66.5)	(42.5)	(60.8)	(66.9)
Cash Flow before wc changes	230.3	206.8	230.2	269.3
Cash generated from operations	(113.6)	15.6	(75.1)	(76.9)
Net cash flow from operating activities	**116.7**	**222.4**	**155.1**	**192.4**
(Purchase)/Sale of Fixed Assets (Net)	(63.2)	(8.4)	(43.0)	(97.8)
Others	130.7	(118.7)	(73.2)	(10.5)
Net Cash flow from Investing Activities	**126.5**	**(82.1)**	**(55.4)**	**(41.5)**
Interest paid	(7.5)	(6.5)	(6.0)	(5.0)
Proceeds from Long Term Borrowings	(2.3)	(17.2)	-	-
Others	(160.9)	(16.2)	-	(0.0)
Dividend paid	(78.0)	(84.0)	(85.4)	(99.8)
Net Cash flow from Financing Activities	**(248.8)**	**(123.9)**	**(91.4)**	**(104.8)**
Net Cash flow	**(5.5)**	**16.4**	**8.3**	**46.2**
Opening Cash and Cash Equivalent	**37.2**	**31.6**	**48.1**	**56.3**
Closing cash and cash equivalents	**31.6**	**48.1**	**56.3**	**102.5**

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Sources of Funds				
Share Capital	6.4	6.4	6.4	6.4
Reserves & Surplus	1,361.9	1,465.9	1,624.5	1,809.8
Net Worth	1,368.3	1,472.3	1,631.0	1,816.3
Total Debt	18.1	0.9	0.9	0.9
Other Liabilities/ DTL	120.2	120.6	120.6	120.6
Total	**1,506.6**	**1,593.8**	**1,752.4**	**1,937.7**
Application of Funds				
Gross Block	621.8	616.2	659.2	689.2
Less Accumulated Depreciation	269.8	285.2	326.2	372.3
Net Block	352.0	331.0	333.0	316.9
Net Intangibles and Cap WIP	57.5	48.3	48.3	116.1
Total Fixed Assets	**409.5**	**379.3**	**381.3**	**433.0**
Non-current Investments	34.8	19.9	19.9	19.9
Inventory	410.5	395.8	465.0	523.6
Debtors	271.1	273.9	300.7	353.7
Current Investments	672.9	801.2	874.4	885.0
Cash & Bank Balances	31.6	48.1	56.3	102.5
Other Current Assets	32.6	40.2	40.2	40.2
Total Current Assets	745.8	757.9	862.3	1,020.1
Trade Payable	187.9	219.9	240.9	275.6
Other Current Liabilities	139.7	125.3	125.3	125.3
Provision	28.7	19.2	19.2	19.2
Net Current Assets	389.5	393.4	476.8	599.9
Total	**1,506.6**	**1,593.8**	**1,752.4**	**1,937.7**

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(₹ Crore)	FY25	FY26	FY27E	FY28E
Per share Data (₹)				
Adjusted EPS (Diluted)	192.8	158.3	189.2	221.0
Cash EPS	224.4	188.3	221.0	256.8
BV per share (Diluted)	1,049.5	1,141.6	1,264.6	1,408.2
Dividend per share	65.0	75.0	80.0	85.0
Operating Ratios (%)				
EBITDA / Net Sales	15.6	13.1	13.0	13.5
PAT / Net Sales	12.9	10.0	10.1	10.5
Debtor Days	51.4	48.8	45.6	47.6
Creditor Days	35.6	39.2	36.5	37.1
Return Ratios (%)				
RoNW	18.4	13.9	15.0	15.7
RoCE	21.2	17.8	19.0	19.9
RoIC	34.8	33.1	35.1	38.3
Valuation Ratios (x)				
EV / EBITDA	17.7	19.8	17.0	14.6
P/E (Diluted)	24.8	30.2	25.3	21.6
EV / Net Sales	2.8	2.6	2.2	2.0
Market Cap / Sales	3.2	3.0	2.6	2.3
Price to Book Value	4.6	4.2	3.8	3.4
Solvency ratios (x)				
Net Debt / Equity	(0.5)	(0.6)	(0.6)	(0.5)
Net Debt / EBITDA	(2.3)	(3.2)	(3.0)	(2.7)
Current Ratio	2.0	1.9	2.1	2.2
Quick Ratio	0.9	0.9	0.9	0.9

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%

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