

 **BUILDING MATERIALS**

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Bathware channel check: Demand remains soft in Q2FY25

- Bathware demand environment remains soft in Q2FY25 on heavy monsoon and slowdown in IHB construction activity
- Pricing environment for sanitaryware remains stable in Q2FY25; faucetware prices to rise 4-8% in Sep-Oct'24
- Jaquar performed the best in the industry, followed by Cera. New players not a major threat to established brands

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We recently interacted with 25 bathware dealers pan-India (South: 7; East/Central: 5 each; North: 4; West: 4) to gauge the demand and pricing scenario in the bathware sector in Q2FY25 and its near-term outlook.

Demand conditions: According to our channel checks, bathware demand was weak in Q2FY25 on a YoY basis due to the impact of heavy monsoons, and slowdown in construction activity in the individual home building (IHB) segment. Most dealers expect bathware demand to recover from Oct'24 due to the end of the monsoon season. However, a few dealers believe that bathware demand may remain weak in the near future due to the slowdown in construction in IHB segment.

Pricing scenario: Despite weak demand environment, pricing environment for sanitaryware remained relatively stable on a QoQ basis in Q2FY25. For faucetware, Cera hiked prices by 5-7% in Sep'24 and Hindware announced its plan to raise prices by 4-8% from Oct'24.

Competitive landscape: Our bathware universe revenue grew at 11.8% CAGR over the last five years (FY19-FY24). Among major brands, Jaquar's revenue grew at the fastest pace (+14.6% CAGR), followed by Cera (+9.4%) and Hindware (+6.7%). Among the challenger brands, Kajaria's revenue grew the fastest (+14.5% CAGR), followed by Johnson (+11.3%), Asian Paints (+11.0%), Somany (+7.2%).

Established brands: Jaquar is selling its products at a premium whereas the price of other established brands is almost similar. Product differentiation is not much as each top brand is selling almost similar SKUs across different segments (luxury, mass premium, economy).

Established vs challenger: Most dealers pointed out that established players in the bathware space are not facing intense competition from new entrants due to (a) strong brand recall of established brands and strong distribution network, and (b) weak distribution network, limited SKUs, and poor sales service of new entrants.



Dealers feedback on top bathware brands

Jaquar: (a) The company has a good presence in both the project as well as retail segments across India. (b) Despite Jaquar selling its product at higher price points and offering limited SKUs in the lower-mid range categories for sanitaryware, it has been able to gain market share across regions due to its strong brand name (higher brand spend) and aggressive marketing effort (efficient sales team) and efficient after-sales service.

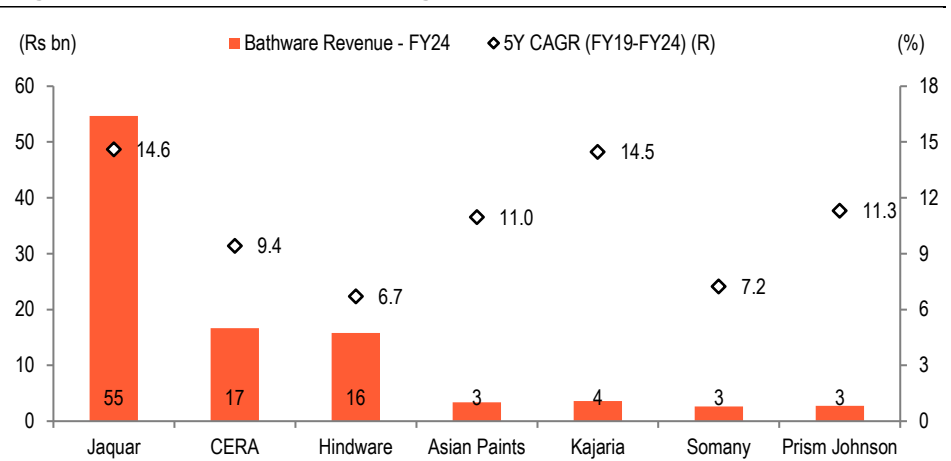
Cera: (a) The company has a good presence in North/West/Kerala in the economy/mass premium range and relatively lesser presence in East/Central/Andhra Pradesh/Telangana. (b) The company became more aggressive in its marketing activities in the past few quarters to increase its market share in less penetrated regions. (c) Most dealers have given positive feedback on Cera in terms of its product quality, efficient sales team & after-sales service, and quicker delivery time. (d) The company has reduced discounts on its product in the last few quarters.

Hindware: (a) The company has a good presence in East/South/West India in the economy/mass premium range; and (b) most dealers have given positive feedback for Hindware sanitaryware portfolio in terms of good product quality and large SKU range, but it needs to improve its pre and after sales service for its faucetware portfolio.

Parryware: (a) The company has a strong presence in Tamil Nadu/East India region and relatively lower presence in the North/West India regions; (b) it has been losing market share in South India (ex-Tamil Nadu) due to rising competitive intensity and less aggressive sales approach. (c) The company has a good presence in project, and small presence in retail segment.

Morbi (unorganised): Morbi offers extensive product portfolio along with aggressive pricing, but the impact on established players is still limited due to strong brand recall.

Fig 1 – Bathware universe revenue growth



Source: Company, BOBCAPS Research

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