

BUY**TP: Rs 7,400 | ▲ 28%****CERA SANITARYWARE**

Building Materials

12 November 2025

Weak Q2; expanding horizon with margin-accretive launches

- Misses estimates for Q2FY26 due to lower-than-expected revenue (-0.9% YoY vs +6.0% estimated) on weak retail demand
- Target revenue to grow at 10-12% in H2FY26; EBITDA margin is projected to be 14.5-15.0% for FY26
- Maintain BUY on the prospects of market share gains with reasonable valuations. TP remains unchanged at Rs 7,400 per share

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Weak Q2: CRS misses our estimates for Q2FY26 (Revenue: -6.6%; EBITDA: -5.9%) due to lower-than-expected revenue growth (-0.9% YoY vs +6.0% estimated). Overall, CRS revenue/EBITDA/PAT was down 0.9%/6.9%/16.7% in Q2FY26.

Highlights: CRS revenue de-grew by 0.9% YoY in Q2FY26, driven by weak sales for both sanitaryware (+1.2% YoY) and faucet (-3.3%), given the weak retail demand. Project sales share has gone up by 200bps YoY to 39% in Q2FY26. EBITDA margin contracted by 88bps YoY to 13.8% in Q2FY26, mainly due to gross margin pressure (-182bps YoY to 50.7% on the inability to pass on cost inflation pressure to consumers in a weak demand environment).

Guidance: Management believes that retail demand conditions remain soft, but the pace of contraction in sanitaryware segment has moderated in Q2FY26. Demand conditions are expected to improve in H2FY26 on the back of positive macroeconomic factors. The company targets its revenue to grow at 10-12% in H2FY26. Faucetware revenue is expected to grow at 8-10% rate in FY26. Senator and Polyplus are expected to generate combined revenue of Rs 400-450mn in H2FY26 and Rs 1.5bn over the next 2 years. EBITDA margin is projected to be 14.5-15.0% for FY26. The company has also implemented dealer management system in Q2FY26, which will enhance visibility, accountability, and data-led decision making across its channel network.

Maintain BUY with unchanged TP of Rs 7,400: CRS EBITDA is projected to grow at a moderate pace of 6.3% CAGR over FY25-FY28E. However, we maintain BUY as (a) we believe CRS's initiative to enter the economy-range bath fittings segment and enhance revenue contribution from its luxury portfolio will expand the addressable market opportunity and be margin accretive b) likely to generate healthy ROE (+15% over FY26-FY28) c) reasonable valuations (the stock trades at a P/E of 30.0x on 1YF basis vs 5Y average of 35.1x). We have slightly cut our EPS estimates (-2.6%/-3.1%/-2.3% for FY26E/FY27E/FY28E) based on a weak Q2 result, but we have kept our TP unchanged at Rs 7,400 due to the roll forward of our valuation from Jun'27 to Sep'27. Our target P/E remains intact at 35x.

Key changes

Target	Rating
◀ ▶	◀ ▶

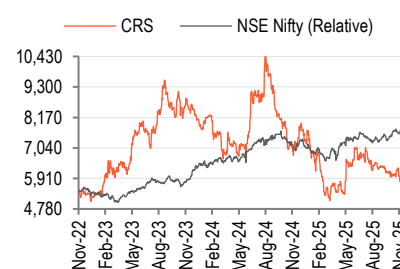
Ticker/Price	CRS IN/Rs 5,772
Market cap	US\$ 840.0mn
Free float	46%
3M ADV	US\$ 0.9mn
52wk high/low	Rs 8,015/Rs 5,060
Promoter/FPI/DII	54%/16%/14%

Source: NSE | Price as of 12 Nov 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	19,262	19,713	21,348
EBITDA (Rs mn)	3,041	2,807	3,208
Adj. net profit (Rs mn)	2,511	2,279	2,580
Adj. EPS (Rs)	194.7	176.7	200.0
Consensus EPS (Rs)	191.1	195.8	225.8
Adj. ROAE (%)	18.4	15.8	16.1
Adj. P/E (x)	29.6	32.7	28.9
EV/EBITDA (x)	22.0	23.8	20.5
Adj. EPS growth (%)	5.3	(9.2)	13.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Source: NSE



Fig 1 – Quarterly performance - Consolidated

Particulars (Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)	BOBCAPS Q2FY26E	Variance (%)
Total operating income	4,879	4,926	(0.9)	4,222	15.6	9,101	8,933	1.9	5,222	(6.6)
Raw-Material expense	2,403	2,337	2.9	1,983	21.2	4,387	4,149	5.7		
Gross Profit	2,476	2,589	(4.4)	2,239	10.6	4,714	4,784	(1.5)		
Employee expense	652	636	2.5	654	(0.3)	1,306	1,225	6.6		
Other expense	1,152	1,231	(6.4)	1,034	11.5	2,186	2,257	(3.2)		
EBITDA	671	721	(6.9)	551	21.9	1,222	1,302	(6.1)	714	(5.9)
D&A	98	107	(8.2)	95	3.3	193	197	(1.7)		
EBIT	573	614	(6.6)	456	25.7	1,029	1,105	(6.9)		
Interest cost	16	26	(37.5)	15	7.4	32	39	(18.5)		
Non-operating expense/(income)	(166)	(178)	(6.7)	(181)	(8.7)	(347)	(337)	3.1		
PBT	722	765	(5.6)	622	16.1	1,344	1,403	(4.2)		
Tax	156	79	97.1	151	2.9	307	242	27.0		
Reported PAT	566	686	(17.4)	471	20.4	1,037	1,161	(10.7)		
Adjusted PAT	566	680	(16.7)	466	21.7	1,032	1,150	(10.3)	577	(1.8)
As % of net revenues			(bps)		(bps)			(bps)		
Gross margin	50.7	52.6	(182)	53.0	(228)	51.8	53.6	(176)		
Employee cost	13.4	12.9	45	15.5	(212)	14.4	13.7	64		
Other cost	23.6	25.0	(139)	24.5	(87)	24.0	25.3	(126)		
EBITDA margin	13.8	14.6	(88)	13.0	71	13.4	14.6	(114)		
Tax rate	21.6	10.3	1124	24.3	(277)	22.9	17.2	561		
APAT margin	11.6	13.8	(219)	11.0	58	11.3	12.9	(154)		

Source: Company, BOBCAPS Research

Fig 2 – Segment financials

Particulars	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)
Revenue (Rs mn)								
Sanitaryware	2,298	2,266	1.4	2,087	10.1	4,384	4,358	0.6
Faucetware	1,948	2,019	(3.5)	1,619	20.4	3,567	3,446	3.5
Tiles	508	493	3.1	426	19.3	934	899	3.9
Wellness	151	148	2.3	63	140.7	214	203	5.6
Total	4,879	4,926	(0.9)	4,222	15.6	9,101	8,933	1.9
Revenue-mix (%)								
Sanitaryware	47.1	46.0	109	49.4	(233)	48.2	48.8	(62)
Faucetware	39.9	41.0	(106)	38.3	160	39.2	38.6	61
Tiles	10.4	10.0	41	10.1	32	10.3	10.1	20
Wellness	3.1	3.0	10	1.5	161	2.4	2.3	8
Others	(0.5)	(0.0)	(54)	0.7	(120)	0.0	0.3	(29)
Total	100.0	100.0		100.0		100.0	100.0	

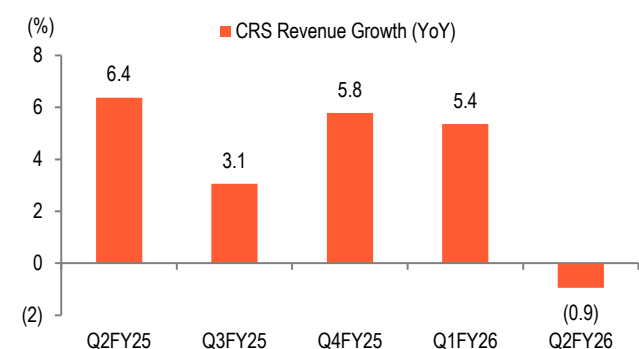
Source: Company, BOBCAPS Research

Earnings Call Highlights

- **Demand:** Conditions in the retail segment continue to remain soft though the pace of contraction in the sanitaryware segment has moderated with the improving sentiment visible in Q2FY26. CRS expects H2FY26 to witness improved demand trends driven by positive macroeconomic factors, including stable interest rates, steady GDP growth, increased government spending on housing and infrastructure, and GST 2.0 that simplifies the tax framework.
- **Pricing scenario:** The company has not taken any price hikes in FY26 (YTD) across product categories.
- **Raw material:** costs increased marginally in Q2FY26 due to higher prices of brass, clay, feldspar, and certain chemicals. Brass prices have gone up from Rs 590–600/kg in FY25 to above Rs 620/kg in Nov'25. Management is monitoring brass prices and indicated pricing action will be taken based on rising brass prices.
- **Guidance:** The company targets its revenue to grow at 10-12% in H2FY26. Faucetware revenue is expected to grow at 8-10% rate in FY26. The company expects Senator and Polyplus to generate a combined revenue of Rs 400-450mn in H2FY26 and Rs 1.5bn over the next 3 years. EBITDA margin is projected to be 14.5-15.0% for FY26. Employee cost inflation is expected to be in the 7-8% range for FY26.
- **Margin:** EBITDA margin contracted by 88bps YoY to 13.8% in Q2FY26, on account of gross margin pressure (-182bps YoY to 50.7%) due to the inability to pass on commodity cost inflation pressure to consumers in view of weak demand conditions) and higher employee cost.
- **Product mix:** Revenue share of entry:mid:premium was 22%:36%:42% in Q2FY26 vs 25%:34%:41% in Q2FY25. Sales contribution by Tier 1/2/3 was 36%/23%/41% in Q2FY26 vs 34%/21%/45% in Q2FY25.
- **Luxury segment:** Senator brand is targeting the upper-premium and luxury sanitaryware market. Currently, Senator has 28 operational stores with a target of 45-50 stores launch by the end of FY26. CRS has strengthened sales, business development, and brand activation teams to support this rollout. Senator products are expected to deliver 20–22% EBITDA margins once scaled.
- **Polyplus:** The company has launched PTMT and economy range brass bath fittings to expand presence in the economy range (mainly consumed in Tier 3/4 cities & rural areas, and mainly catered by unorganised players). The company has appointed 38 distributors and 650 dealers in Q2FY26 and aims to expand to 100 distributors and 2,000 dealers by Mar'26. Polyplus is expected to generate EBITDA margin of 25% margin.
- **Sales distribution:** Project segment revenues accounted for 39% in Q2FY26. Management expects the share to stay near 39-40% for FY26.
- **Ad spend:** The company has slightly reduced its brand spends in Q2FY26 as part of cost optimisation efforts. Brand spend for Senator and Polyplus is expected to be Rs 100-120mn in FY26 and it is expected to increase further in FY27 on the expansion of distribution network.
- **Gas cost:** Blended gas consumption cost per unit was down 0.5% YoY in Q2FY26.

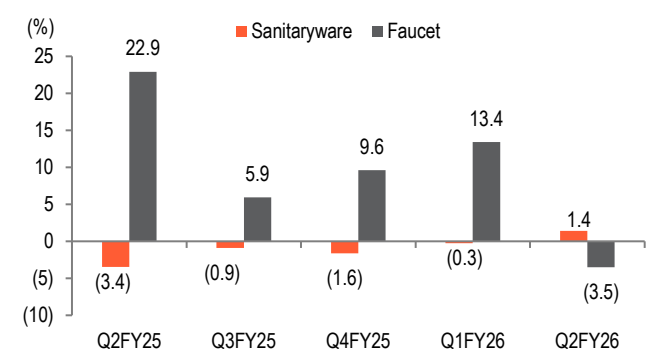
- **Divestment of stake in non-core subsidiaries:** The company has booked profit of Rs 55.4mn on sale of entire 51% stake in two subsidiaries (i.e. Packcart Packaging and Race Polymer) on Sep 29, 2025.
- **Capex:** The company has maintained capex guidance of Rs 230 mn on routine capex for FY26.
- **Net cash:** has gone down from Rs 7.8bn in Jun'25 to Rs 7.4bn in Sep'25.

Fig 3 – CRS's revenue de-grew by 0.9% YoY in Q2FY26 due to weak retail demand



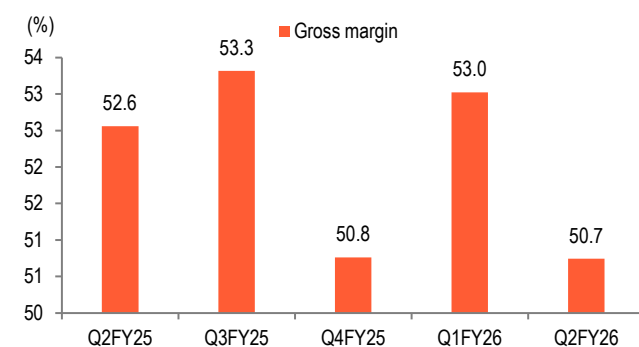
Source: Company, BOBCAPS Research

Fig 4 – CRS reported weak YoY revenue growth for both sanitaryware and faucet Q2FY26



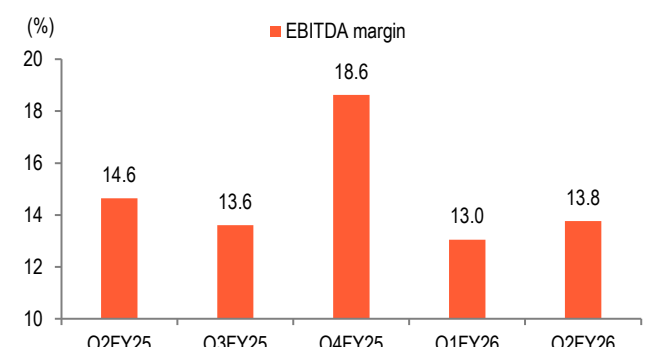
Source: Company, BOBCAPS Research

Fig 5 – Gross margin was down 182bps YoY to 50.7% in Q2FY26 due to inability to pass on cost inflation pressure



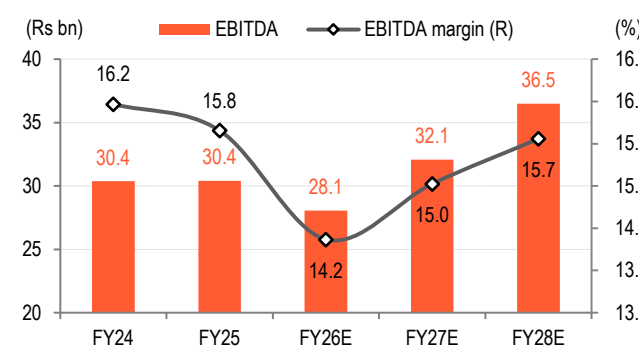
Source: Company, BOBCAPS Research

Fig 6 – EBITDA margin was down 88bps YoY in Q2FY26 on gross margin pressure and higher employee cost



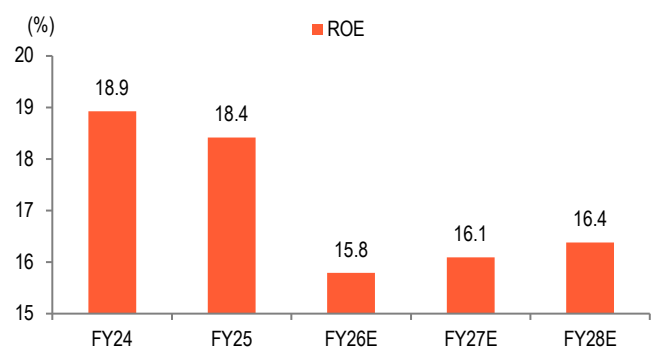
Source: Company, BOBCAPS Research

Fig 7 – CRS's EBITDA forecast to grow at a moderate pace of 6.3% CAGR over FY25-FY28E



Source: Company, BOBCAPS Research

Fig 8 – CRS's ROE profile is likely to remain healthy (>15%) over the medium term



Source: Company, BOBCAPS Research

Valuation Methodology

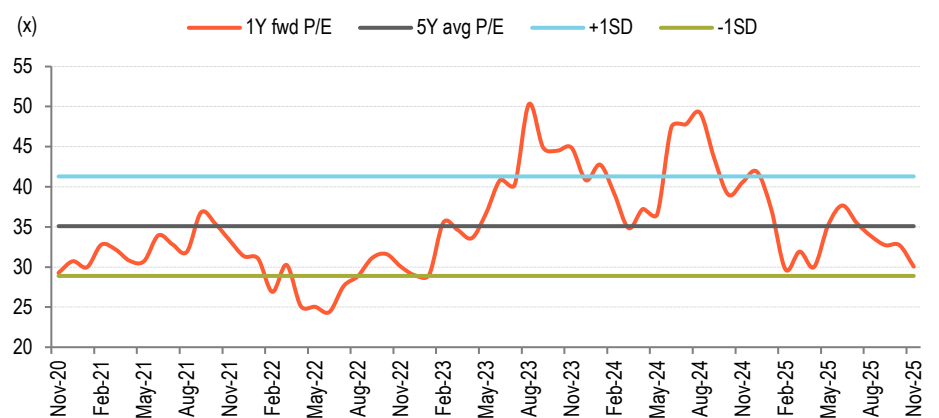
CRS EBITDA is projected to grow at a moderate pace of 6.3% CAGR over FY25-FY28E. However, we maintain BUY as (a) we believe CRS's initiative to enter the economy-range bath fittings segment and enhance revenue contribution from its luxury portfolio will expand the addressable market opportunity and be margin accretive b) likely to generate healthy ROE (+15% over FY26-FY28) c) reasonable valuations (the stock trades at a P/E of 30.0x on 1YF basis vs 5Y average of 35.1x). We have slightly cut our EPS estimates (-2.6%/-3.1%/-2.3% for FY26E/FY27E/FY28E) based on weak Q2 result, but we have kept our TP unchanged at Rs 7,400 due to the roll forward of our valuation from Jun'27 to Sep'27. Our target P/E remains intact at 35x.

Fig 9 – Revised estimates

Consolidated (Rs bn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	19.7	21.3	23.3	20.5	22.5	24.8	(3.6)	(5.1)	(6.1)
EBITDA	2.8	3.2	3.6	2.9	3.4	3.8	(3.2)	(4.7)	(3.9)
EBITDA Margin (%)	14.2	15.0	15.7	14.2	15.0	15.3	7bps	6bps	37bps
Adjusted PAT	2.3	2.6	2.9	2.3	2.7	3.0	(2.6)	(3.1)	(2.3)
EPS (Rs)	176.7	200.0	226.7	181.4	206.5	232.0	(2.6)	(3.1)	(2.3)

Source: BOBCAPS Research

Fig 10 – Trading at 30.0x on 1YF P/E vs 5Y average of 35.1x



Source: Bloomberg, BOBCAPS Research

Fig 11 – Key assumptions

Key Assumptions	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue Mix (%)					
Sanitaryware	51.6	48.9	47.7	45.9	44.2
Faucetware	36.1	38.6	39.7	41.6	43.3
Tiles	10.3	10.1	10.2	10.3	10.4
Wellness	2.0	2.4	2.4	2.2	2.1
Revenue Growth (%)					
Sanitaryware	(0.3)	(3.0)	1.3	4.3	5.0
Faucetware	9.7	9.4	7.0	13.6	13.6
Tiles	0.7	0.9	4.5	10.0	10.0
Wellness	18.9	20.8	3.8	2.3	2.3
Total	3.8	2.5	2.3	8.3	9.1
EBITDA margin	16.2	15.8	14.2	15.0	15.7

Source: Company, BOBCAPS Research

Key Risks

Key downside risks to our estimates:

- Sharp slowdown in real estate activity
- Market share loss in sanitaryware and faucet

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	18,794	19,262	19,713	21,348	23,290
EBITDA	3,038	3,041	2,807	3,208	3,649
Depreciation	365	407	408	443	495
EBIT	2,672	2,634	2,398	2,765	3,154
Net interest inc./(exp.)	(58)	(75)	(64)	(66)	(66)
Other inc./(exp.)	595	605	676	748	818
Exceptional items	5	42	0	0	0
EBT	3,204	3,122	3,010	3,448	3,907
Income taxes	775	620	727	868	983
Extraordinary items	16	15	0	0	0
Min. int./Inc. from assoc.	(23)	(22)	(5)	0	0
Reported net profit	2,390	2,465	2,279	2,580	2,924
Adjustments	15	46	0	0	0
Adjusted net profit	2,405	2,511	2,279	2,580	2,924

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	1,790	1,879	1,964	2,126	2,320
Other current liabilities	1,674	1,478	1,478	1,478	1,478
Provisions	161	182	190	206	225
Debt funds	205	181	177	190	205
Other liabilities	1,040	1,227	1,227	1,227	1,227
Equity capital	65	64	64	64	64
Reserves & surplus	13,393	13,471	14,975	16,677	18,607
Shareholders' fund	13,585	13,683	15,182	16,884	18,814
Total liab. and equities	18,455	18,630	20,216	22,111	24,268
Cash and cash eq.	8,141	7,045	8,311	9,093	10,069
Accounts receivables	2,026	2,711	2,775	3,005	3,278
Inventories	3,636	4,105	4,056	4,352	4,721
Other current assets	430	326	341	369	403
Investments	0	0	0	0	0
Net fixed assets	3,515	3,534	3,626	4,483	5,288
CWIP	130	108	308	8	(292)
Intangible assets	225	452	452	452	452
Deferred tax assets, net	0	0	0	0	0
Other assets	353	348	348	348	348
Total assets	18,455	18,630	20,216	22,111	24,268

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	2,367	1,476	2,143	1,965	2,202
Capital expenditures	(671)	(632)	(700)	(1,000)	(1,000)
Change in investments	31	0	0	0	0
Other investing cash flows	575	548	676	748	818
Cash flow from investing	(66)	(84)	(24)	(252)	(182)
Equities issued/Others	0	(1)	0	0	0
Debt raised/repaid	(49)	(23)	(5)	13	16
Interest expenses	(58)	(75)	(64)	(66)	(66)
Dividends paid	(785)	(854)	(775)	(878)	(994)
Other financing cash flows	125	(1,535)	(10)	0	0
Cash flow from financing	(767)	(2,488)	(854)	(930)	(1,044)
Chg in cash & cash eq.	1,534	(1,096)	1,266	783	976
Closing cash & cash eq.	8,141	7,045	8,311	9,093	10,069

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	183.8	191.1	176.7	200.0	226.7
Adjusted EPS	185.0	194.7	176.7	200.0	226.7
Dividend per share	60.0	65.0	60.1	68.0	77.1
Book value per share	1,034.8	1,049.5	1,166.1	1,298.1	1,447.7

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.6	3.5	3.4	3.1	2.8
EV/EBITDA	22.2	22.0	23.8	20.5	17.8
Adjusted P/E	31.2	29.6	32.7	28.9	25.5
P/BV	5.6	5.5	4.9	4.4	4.0

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	75.1	80.4	75.7	74.8	74.8
Interest burden (PBT/EBIT)	119.9	118.5	125.5	124.7	123.9
EBIT margin (EBIT/Revenue)	14.2	13.7	12.2	13.0	13.5
Asset turnover (Rev./Avg TA)	101.8	103.4	97.5	96.6	96.0
Leverage (Avg TA/Avg Equity)	1.5	1.4	1.4	1.4	1.4
Adjusted ROAE	18.9	18.4	15.8	16.1	16.4

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	3.8	2.5	2.3	8.3	9.1
EBITDA	0.9	0.1	(7.7)	14.3	13.7
Adjusted EPS	12.5	5.3	(9.2)	13.2	13.3
Profitability & Return ratios (%)					
EBITDA margin	16.2	15.8	14.2	15.0	15.7
EBIT margin	14.2	13.7	12.2	13.0	13.5
Adjusted profit margin	12.8	13.0	11.6	12.1	12.6
Adjusted ROAE	18.9	18.4	15.8	16.1	16.4
ROCE	23.7	23.4	20.0	20.6	20.9

Working capital days (days)

Receivables	39	51	51	51	51
Inventory	71	78	75	74	74
Payables	35	36	36	36	36

Ratios (x)

Gross asset turnover	3.3	3.1	3.0	2.9	2.7
Current ratio	3.7	3.8	4.1	4.2	4.4
Net interest coverage ratio	45.9	35.2	37.2	42.2	48.1
Adjusted debt/equity	(0.6)	(0.5)	(0.5)	(0.5)	(0.5)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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SEBI Research Analyst Registration No: **INH0000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

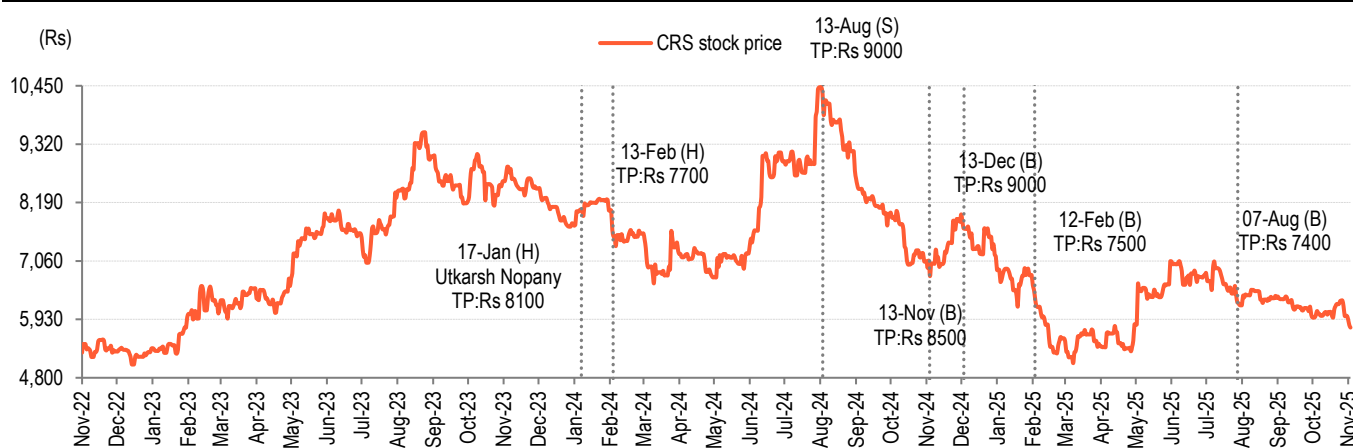
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): CERA SANITARYWARE (CRS IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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