

BUY

TP: Rs 6,100 | ▲ 21%

CERA SANITARYWARE

| Building Materials

| 06 February 2026

Q3FY26: Topline rebound, margins under pressure

- Revenue beats estimates by ~7%, while cost inflation led to EBITDA and APAT miss by ~18% and ~25% in Q3FY26
- Revenue grew 10% YoY, led by 18%/6% YoY growth in Faucets/Sanitaryware, respectively
- Revise estimates downwards, roll forward to Dec-26 TP of Rs 6,100 (ascribe 30x Dec-27EPS), maintain BUY

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Mixed Q3: CRS reported a revenue beat of ~7% in Q3FY26, with consolidated revenue rising 10.3% YoY/18.2% QoQ, driven by a sharp sequential recovery. But, profitability missed expectations, with EBITDA 17.6% below our estimate as margins contracted by 337 bps YoY to 10.2% meaningfully during the quarter. Consequently, APAT declined 18.7% YoY and missed our estimate by 25.1%.

Highlights: Sanitaryware revenue was up 6% YoY, while Faucetware reported a robust 18% YoY growth. Gross margin contracted significantly by 320bps YoY to 50.1%, on account of a sharp brass-cost hike. On a 9MFY26 basis, revenue growth stood at a muted 4.7% YoY led by sanitaryware/faucet growth of 2.6%/8.3% YoY. EBITDA and APAT declined 9.6% YoY and 12.7% YoY.

Guidance: CRS expects growth trajectory to remain sustainable in the near term, with Q4 maintaining the momentum for double-digit growth, leading to 7-8% full-year growth. For Senator and Polyplus, combined sales are revised to ~Rs 200 mn for the current year (from the earlier Rs 400-450mn projection) due to delays in store readiness, with next-year projections for Senator at Rs 1-1.24bn. Overall, the company anticipates returning to 13-14% EBITDA margins in Q4FY26.

Revise estimates; maintain BUY: CRS EBITDA is projected to grow at a moderate pace of 6.1% CAGR over FY25-FY28E. However, we maintain BUY as (a) 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 29.6x on 1YF basis vs 5Y average of 35.1x). We have cut our EPS estimates (-7.6%/-10.7%/-4.2% for FY26E/FY27E/FY28E), based on weak Q3 result and factor gradual recovery in growth and profitability. Rolling forward to Dec-27EPS and ascribing 30x (vs 35x) to factor in lower profitability, on account of input cost inflation as it moderates EBITDA growth, we arrive at Dec-26 TP of Rs 6,100. Maintain BUY

Key changes

	Target	Rating
	▼	◀ ▶

Ticker/Price	CRS IN/Rs 5,054
Market cap	US\$ 721.5mn
Free float	46%
3M ADV	US\$ 1.2mn
52wk high/low	Rs 7,275/Rs 4,797
Promoter/FPI/DII	54%/16%/14%

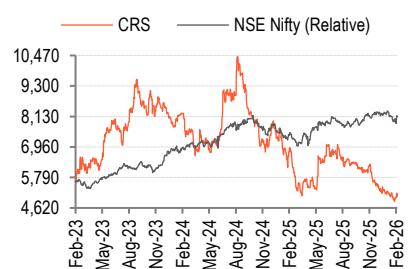
Source: NSE | Price as of 5 Feb 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	19,262	19,981	21,621
EBITDA (Rs mn)	3,041	2,570	2,995
Adj. net profit (Rs mn)	2,511	2,059	2,273
Adj. EPS (Rs)	194.7	159.6	176.3
Consensus EPS (Rs)	194.7	187.7	214.8
Adj. ROAE (%)	18.4	14.3	14.4
Adj. P/E (x)	26.0	31.7	28.7
EV/EBITDA (x)	19.0	22.5	19.0
Adj. EPS growth (%)	5.3	(18.0)	10.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance - Consolidated

Particulars (Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)	BOBCAPS Q3FY26E	Variance (%)
Total operating income	4,990	4,523	10.3	4,222	18.2	14,091	13,456	4.7	4,664	7.0
Raw-Material expense	2,489	2,112	17.9	1,983	25.5	6,876	6,260	9.8		
Gross Profit	2,501	2,412	3.7	2,239	11.7	7,215	7,196	0.3		
Employee expense	702	614	14.5	654	7.4	2,009	1,839	9.3		
Other expense	1,288	1,183	8.9	1,034	24.6	3,473	3,440	1.0		
EBITDA	511	615	(17.0)	551	(7.3)	1,733	1,917	(9.6)	619	(17.6)
D&A	98	104	(5.4)	95	3.0	291	300	(3.0)		
EBIT	413	512	(19.4)	456	(9.5)	1,442	1,617	(10.8)		
Interest cost	20	19	2.7	15	29.2	51	58	(11.5)		
Non-operating expense/(income)	71	(117)	(160.2)	(181)	(138.9)	(276)	(454)	(39.1)		
PBT	322	610	(47.1)	622	(48.2)	1,667	2,013	(17.2)		
Tax	85	146	(41.6)	151	(43.6)	393	388	1.2		
Reported PAT	237	464	(48.9)	471	(49.6)	1,274	1,624	(21.6)		
Adjusted PAT	373	458	(18.7)	466	(20.0)	1,405	1,609	(12.7)	498	(25.1)
As % of net revenues				chg (bps)					chg (bps)	
Gross margin	50.1	53.3	(320)	53.0	(291)	51.2	53.5	(227)		
Employee cost	14.1	13.6	51	15.5	(142)	14.3	13.7	59		
Other cost	25.8	26.1	(33)	24.5	133	24.7	25.6	(91)		
EBITDA margin	10.2	13.6	(337)	13.0	(282)	12.3	14.2	(195)		
Tax rate	26.5	24.0	251	24.3	214	23.6	19.3	427		
APAT margin	7.5	10.1	(266)	11.0	(356)	10.0	12.0	(198)		

Source: Company, BOBCAPS Research

Fig 2 – Segment financials

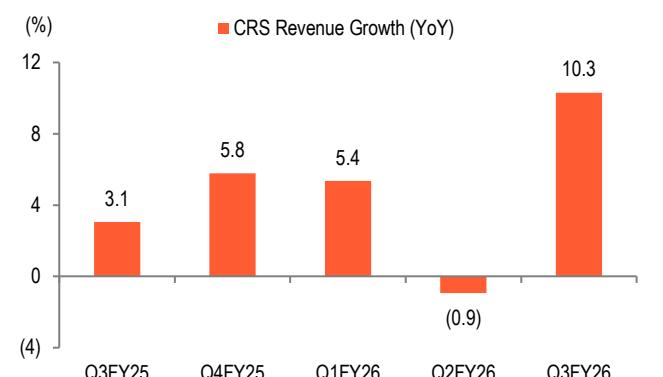
Particulars	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)
Revenue (Rs mn)								
Sanitaryware	2,406	2,262	6.4	2,087	15.3	6,791	6,620	2.6
Faucetware	1,978	1,674	18.2	1,619	22.2	5,545	5,120	8.3
Tiles	515	498	3.4	426	20.8	1,449	1,396	3.8
Wellness	90	90	-	63	43.8	305	293	3.9
Total	4,990	4,523	10.3	4,222	18.2	14,091	13,456	4.7
Revenue-mix (%)								
Sanitaryware	48.2	50.0	(177)	49.4	(120)	48.2	49.2	(100)
Faucetware	39.6	37.0	265	38.3	131	39.4	38.0	131
Tiles	10.3	11.0	(69)	10.1	22	10.3	10.4	(9)
Wellness	1.8	2.0	(19)	1.5	32	2.2	2.2	(2)
Others	-	-	-	0.7	(66)	0.0	0.2	(19)
Total	100.0	100.0		100.0		100.0	100.0	

Source: Company, BOBCAPS Research

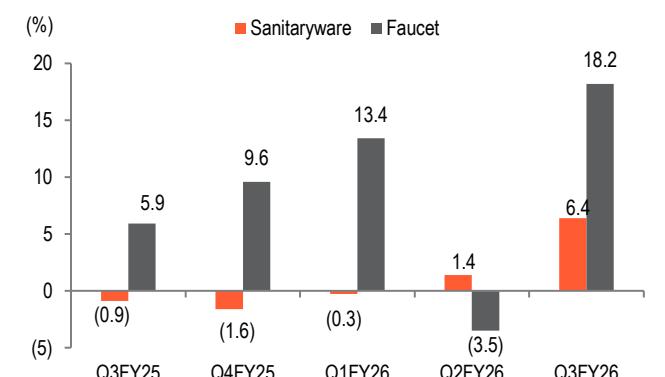
Earnings call highlights

- **Demand:** Management indicated a gradual improvement in demand conditions in Q3FY26, supported by the residential real estate upcycle, premiumisation trends, and early signs of rural recovery. While retail demand remains uneven, project demand stayed resilient, providing stability during the quarter. Management emphasised that the growth in Q3FY26 was driven by actual demand improvement vs pre-buying, as price hikes were announced only after the quarter ended. Medium-long term demand visibility remains supported by structural factors such as improving housing quality and urban redevelopment.
- **Pricing scenario:** The company has announced price hikes of 4% in sanitaryware and 11% in faucetware in Feb'26, aimed at offsetting sustained input cost inflation while maintaining market competitiveness. Management stated that the price increase is sufficient to cover cost pressures seen so far, with further actions contingent on raw material trends.
- **Raw-material:** Management highlighted a sharp increase in raw material costs during Q3FY26, led by brass. Brass prices rose from an average of ~Rs 600/kg during Apr-Dec'25 to ~Rs 800/kg in Jan'26, impacting both manufacturing and procurement costs.
- **Guidance:** For FY26, the company expects to end the year with approximately 7-8% growth, on an overall full-year basis. Management anticipates maintaining double-digit growth momentum in Q4FY26 and into the coming financial year. Sales expectations for Senator and Polypluz combined have been revised down to Rs 200 mn for FY26 (vs the earlier Rs 400-450 mn), due to stores taking longer to get operational. For FY27, these brands are expected to generate Rs 1-1.24bn in revenue, though detailed budget exercise will be completed after Q4 ends. EBITDA margins are expected to recover to ~13–14% in Q4FY26, with a gradual return to the 15–17% range in H2FY27.
- **Margin:** EBITDA margin declined by 332 bps YoY to 10.2% in Q3FY26, driven by higher trade discounts (linked to increased project participation), elevated brass prices (~12% increase), higher gas costs (3.8% of revenue), increased publicity spending, and pre-operative costs related to Senator and Polypluz. Management emphasised that the margin decline was largely led by phasing and one-off factors, with margins expected to get normalised from Q4FY26 onwards.
- **Product mix:** Revenue share of entry:mid:premium — 21%:35%:44% in Q3FY26 vs 22%:34%:44% in Q3FY25. Sales contribution by Tier 1/2/3 was 36%/23%/41% in Q3FY26 vs 35%/21%/44% in Q3FY25.
- **Senator (Luxury):** Management indicated that Senator's organisational and team structure is largely in place, with 32 flagship stores currently operational. The company is following a calibrated expansion strategy, prioritising the improvement in store-level performance metrics and operating fundamentals, before accelerating the rollout. Senator remains positioned as a differentiated luxury retail format, supported by a focused channel strategy and engagement model, with execution discipline backed by a strong balance sheet.

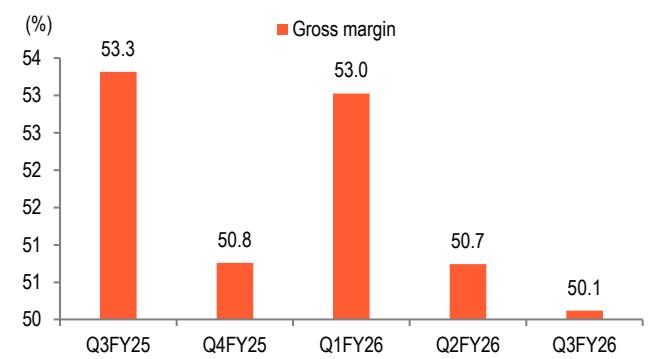
- **Polyplus:** Polypluz remains in the investment and build-up phase, with management's focus on establishing the operating framework, strengthening distribution, and execution capabilities vs near-term scale. Combined investment for Senator and Polypluz stood at Rs 60mn in Q3FY26 (including Rs 36mn toward salaries) and Rs 80-90mn for 9MFY26, while combined sales for the two brands were Rs 70-80mn over the 9-month period, underscoring Polypluz to still be at an early stage of ramp-up.
- **Ad spend:** Advertising and publicity spend in Q3FY26 stood at Rs 173mn, up from Rs 139mn YoY; reflecting the phasing of annual spend. For 9MFY26, ad spend totaled Rs 356mn, lower than Rs 409mn in 9MFY25. Management clarified that higher Q3 spend was timing-related and not structural.
- **Gas cost:** Weighted average gas cost increased to Rs 35.7/scm in Q3FY26 (vs Rs 33.5/scm YoY). Gas sourcing was ~69% from GAIL and ~31% from Sabarmati, with gas costs accounting for ~3.8% of revenue.
- **Capex:** FY26 capex stood at ~Rs 0.13 bn till Dec'25, largely directed toward routine maintenance and selective investments to strengthen brand presence and retail initiatives. In faucetware, the brownfield expansion from 0.3-0.4 mn pieces is complete, with the facility ready to scale to 0.6 mn pieces within 3-4 months through balancing equipment, subject to sustained demand. Construction of the new sanitaryware plant (land already acquired) has been deferred, with management indicating a decision post Q4FY26, given the improved efficiencies and capacity headroom at the existing plant over the next few years.
- **Capacity Utilisation:** Capacity utilisation in Q3FY26 stood at 102% for faucetware and 82% for sanitaryware. Outsourcing was 61% for sanitaryware and 47% for faucetware. The company has shifted some outsourced items in-house amid muted demand, with scope to reverse for increased in-plant capacity as demand improves.
- **Net cash:** has gone up from Rs 7.4bn in Sep'25 to Rs 7.5bn in Q3FY26.

Fig 3 – CRS's revenue grew by 10.3% YoY in Q3FY26 due

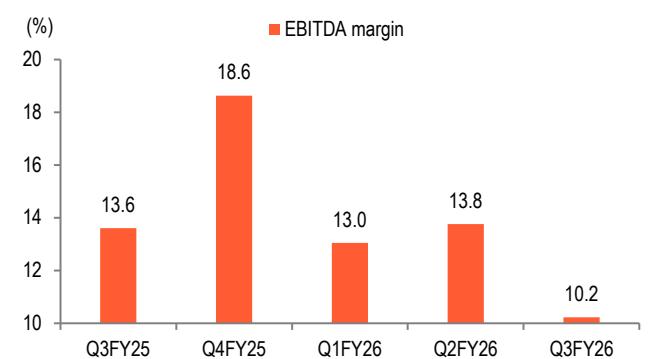
Source: Company, BOBCAPS Research

Fig 4 – CRS reported strong YoY revenue growth for both sanitaryware and faucet Q3FY26

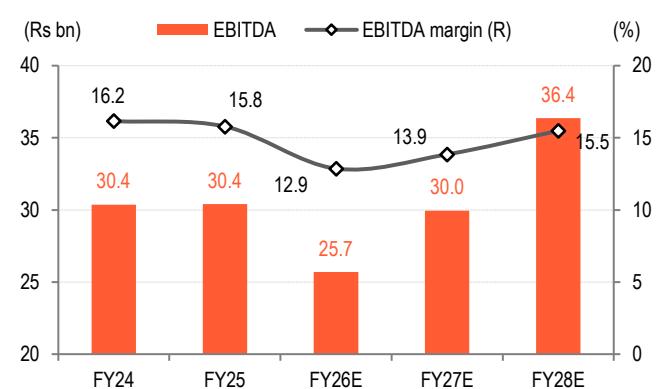
Source: Company, BOBCAPS Research

Fig 5 – Gross margin was down 320bps YoY to 50.1% in Q3FY26 due to inability to pass on cost inflation pressure

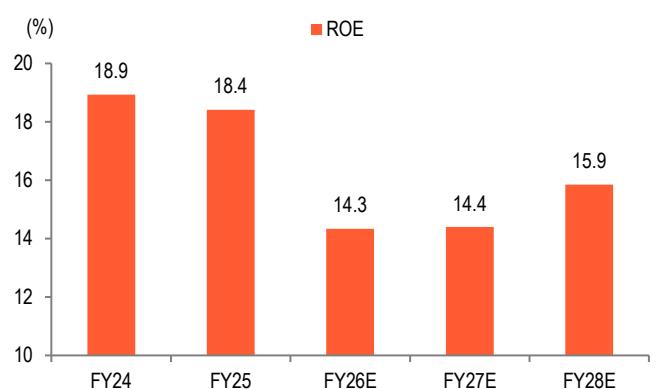
Source: Company, BOBCAPS Research

Fig 6 – EBITDA margin was down 337bps YoY in Q3FY26 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 6.1% CAGR over FY25-FY28E

Source: Company, BOBCAPS Research

Fig 8 – CRS's ROE profile is likely to remain healthy over the medium term

Source: Company, BOBCAPS Research

Valuation Methodology

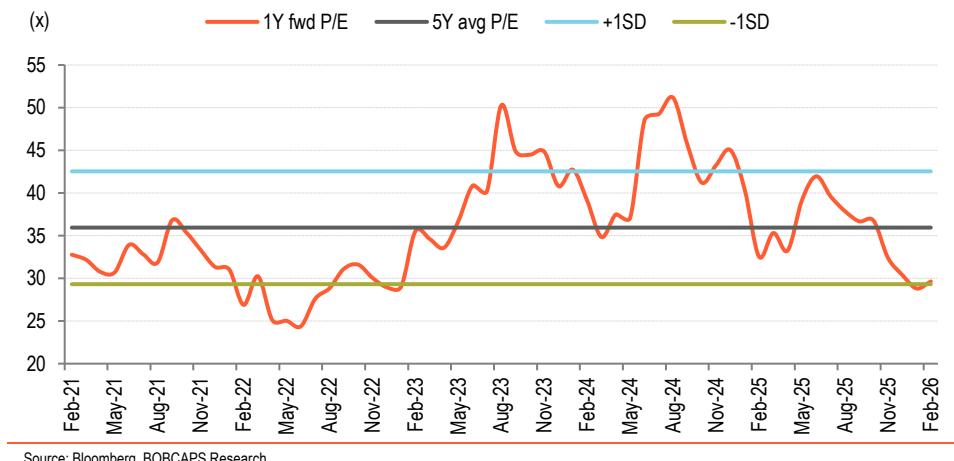
CRS EBITDA is projected to grow at a moderate pace of 6.1% CAGR over FY25-FY28E. However, we maintain BUY as (a) we believe CRS's initiative to enter the Economy-range bath fittings segment and enhance revenue contribution from its luxury portfolio will expand the addressable market opportunity and be margin accretive b) likely to generate healthy ROE (~15% over FY26-FY28) c) reasonable valuations (the stock trades at a P/E of 29.6x on 1YF basis vs 5Y average of 35.1x). We have cut our EPS estimates (-7.6%/-10.7%/-4.2% for FY26E/FY27E/FY28E) based on weak Q3 result and factor gradual recovery in growth and profitability. Rolling forward to Dec-27EPS and ascribing 30x (vs 35x) to factor in lower profitability, on input cost inflation, as it moderates EBITDA growth, we arrive at Dec'26 TP of Rs 6,100. Maintain BUY.

Fig 9 – Revised estimates

Consolidated (Rs bn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	20.0	21.6	23.5	19.6	21.2	23.1	2.1	1.9	1.5
EBITDA	2.6	3.0	3.6	2.7	3.2	3.6	(6.2)	(5.3)	0.9
EBITDA Margin (%)	12.9	13.9	15.5	14.0	14.9	15.6	(114)	(107)	(8)
Adjusted PAT	2.1	2.3	2.8	2.2	2.5	2.9	(7.6)	(10.7)	(4.2)
EPS (Rs)	159.6	176.3	214.5	172.8	197.4	223.9	(7.6)	(10.7)	(4.2)

Source: BOBCAPS Research

Fig 10 – Trading at 29.6x 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	46.0	44.4
Faucetware	36.1	38.6	40.0	42.0	43.9
Tiles	10.3	10.1	10.0	9.9	9.7
Wellness	2.0	2.4	2.3	2.1	2.0
Revenue Growth (%)					
Sanitaryware	(0.3)	(3.0)	2.4	4.3	4.8
Faucetware	9.7	9.4	8.8	13.6	13.6
Tiles	0.7	0.9	3.7	7.0	7.0
Wellness	18.9	20.8	2.5	-	-
Total	3.8	2.5	3.7	8.2	8.6
EBITDA margin	16.2	15.8	12.9	13.9	15.5

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	19,981	21,621	23,484
EBITDA	3,038	3,041	2,570	2,995	3,636
Depreciation	365	407	402	443	469
EBIT	2,672	2,634	2,168	2,552	3,168
Net interest inc./exp.)	(58)	(75)	(71)	(79)	(79)
Other inc./exp.)	595	605	564	565	608
Exceptional items	5	42	0	0	0
EBT	3,204	3,122	2,660	3,038	3,697
Income taxes	775	620	596	765	931
Extraordinary items	16	15	0	0	0
Min. int./Inc. from assoc.	(23)	(22)	(5)	0	0
Reported net profit	2,390	2,465	2,059	2,273	2,767
Adjustments	15	46	0	0	0
Adjusted net profit	2,405	2,511	2,059	2,273	2,767

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	1,790	1,879	1,990	2,154	2,339
Other current liabilities	1,674	1,478	1,478	1,478	1,478
Provisions	161	182	193	209	227
Debt funds	205	181	179	192	207
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	14,830	16,330	18,156
Shareholders' fund	13,585	13,683	15,037	16,537	18,363
Total liab. and equities	18,455	18,630	20,103	21,795	23,840
Cash and cash eq.	8,141	7,045	8,067	8,690	9,635
Accounts receivables	2,026	2,711	2,812	3,043	3,305
Inventories	3,636	4,105	4,137	4,391	4,664
Other current assets	430	326	346	374	406
Investments	0	0	0	0	0
Net fixed assets	3,515	3,534	3,633	4,490	5,321
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	20,103	21,795	23,840

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	2,367	1,476	1,942	1,897	2,342
Capital expenditures	(671)	(632)	(700)	(1,000)	(1,000)
Change in investments	31	0	0	0	0
Other investing cash flows	575	548	564	565	608
Cash flow from investing	(66)	(84)	(136)	(435)	(392)
Equities issued/Others	0	(1)	0	0	0
Debt raised/repaid	(49)	(23)	(2)	13	15
Interest expenses	(58)	(75)	(71)	(79)	(79)
Dividends paid	(785)	(854)	(700)	(773)	(941)
Other financing cash flows	125	(1,535)	(10)	0	0
Cash flow from financing	(767)	(2,488)	(784)	(839)	(1,005)
Chg in cash & cash eq.	1,534	(1,096)	1,022	623	945
Closing cash & cash eq.	8,141	7,045	8,067	8,690	9,635

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	183.8	191.1	159.6	176.3	214.5
Adjusted EPS	185.0	194.7	159.6	176.3	214.5
Dividend per share	60.0	65.0	54.3	59.9	73.0
Book value per share	1,034.8	1,049.5	1,154.8	1,271.1	1,412.7

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.1	3.0	2.9	2.6	2.4
EV/EBITDA	19.1	19.0	22.5	19.0	15.5
Adjusted P/E	27.3	26.0	31.7	28.7	23.6
P/BV	4.9	4.8	4.4	4.0	3.6

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	75.1	80.4	77.4	74.8	74.8
Interest burden (PBT/EBIT)	119.9	118.5	122.7	119.0	116.7
EBIT margin (EBIT/Revenue)	14.2	13.7	10.8	11.8	13.5
Asset turnover (Rev./Avg TA)	101.8	103.4	99.4	99.2	98.5
Leverage (Avg TA/Avg Equity)	1.5	1.4	1.4	1.4	1.4
Adjusted ROAE	18.9	18.4	14.3	14.4	15.9

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	3.8	2.5	3.7	8.2	8.6
EBITDA	0.9	0.1	(15.5)	16.6	21.4
Adjusted EPS	12.5	5.3	(18.0)	10.4	21.7
Profitability & Return ratios (%)					
EBITDA margin	16.2	15.8	12.9	13.9	15.5
EBIT margin	14.2	13.7	10.8	11.8	13.5
Adjusted profit margin	12.8	13.0	10.3	10.5	11.8
Adjusted ROAE	18.9	18.4	14.3	14.4	15.9
ROCE	23.7	23.4	18.0	18.6	20.3
Working capital days (days)					
Receivables	39	51	51	51	51
Inventory	71	78	76	74	72
Payables	35	36	36	36	36
Ratios (x)					
Gross asset turnover	3.3	3.1	3.1	2.9	2.7
Current ratio	3.7	3.8	4.0	4.1	4.2
Net interest coverage ratio	45.9	35.2	30.5	32.4	40.2
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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Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**

Registered office Address: 1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051

SEBI Research Analyst Registration No: INH000000040 valid till 01 February 2030

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%

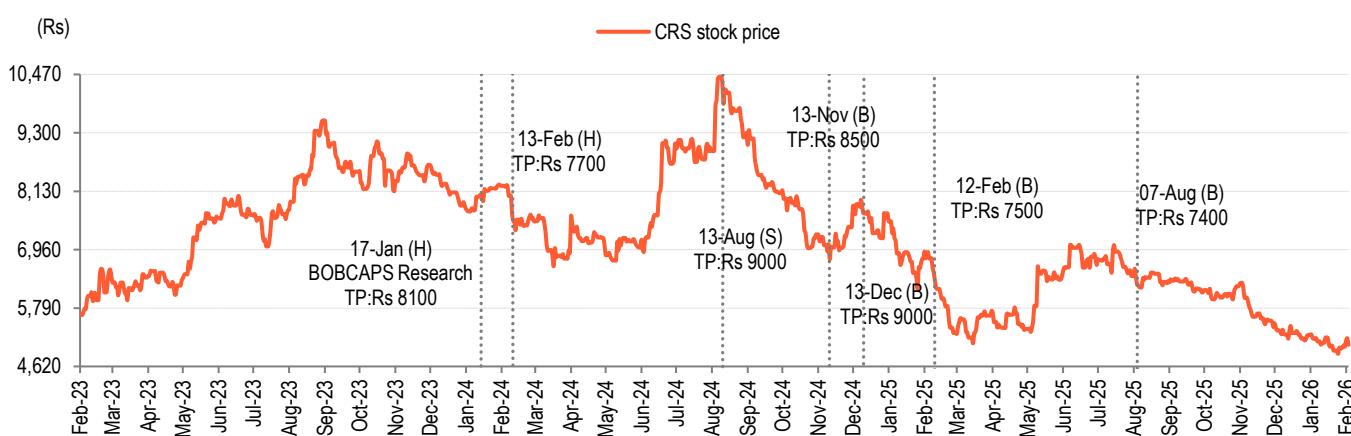
HOLD – Expected return from -6% to +15%

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

Analyst certification

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