

RESEARCH**CERA SANITARYWARE | TARGET: Rs 9,000 | +17% | BUY**

Management meet key takeaways

SUMMARY**CERA SANITARYWARE**

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- Maintained revenue guidance of Rs 29bn in FY27 to be driven by volume (+10-13%), better mix (+4-6%), higher realisation (+2-3%)
- Maintain BUY on positive outlook and reasonable valuations; raise TP by 6% to Rs 9,000 per share

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BUY

TP: Rs 9,000 | ▲ 17%

CERA SANITARYWARE

Building Materials

13 December 2024

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We hosted the management of CERA (Mr. Vikas Kothari, CFO, and Mr. Deepak Chaudhary, VP, Finance) to discuss the dynamics of the Indian bathware market.

Industry demand scenario: Demand has slowed down from Q3FY24, but the company expects improvement from H2FY25. However, the company has started witnessing pick-up in project demand in Q2FY25 and expects gradual pick-up in retail demand over the next few quarters.

Guidance intact: CRS has maintained its revenue growth guidance of Rs 29bn in FY27 on the assumption of high single-digit growth in FY25 and healthy double-digit rate in FY26 and FY27. This implies revenue growth of 15.6% CAGR over FY24-FY27 to be led by volume (+10-13%), improved mix (+4-6%) and higher realisation (+2-3%). Product-wise, sanitaryware revenue is targeted to grow at 13% CAGR, faucet at 20% CAGR, and tiles at 20-23% CAGR over FY24-FY27. Management expects its EBITDA margin to be in the range of 16-17% over the medium term.

Premiumisation: CRS targets increasing the share of luxury segment to 10% of its revenue in FY27. For this, it has revamped its product portfolio and plans to create a separate distribution network via the opening of 50 exclusive retail stores by Mar'26.

Status of greenfield sanitaryware plant: The land for the greenfield unit has been acquired and the decision to commence construction will be taken in Q4FY25. CRS expects the project to take 18 months for completion from the start of construction.

Competitive edge: CRS has an edge in the bathware industry in terms of pan-India distribution network, quality product, large warranty period offering of 10-15 years.

Capital allocation: Plans to distribute excess cash to shareholders in future via higher dividend or regular buyback of shares in future.

Valuation: We maintain our BUY rating on the stock with revised TP of Rs 9,000 (+6%) due to the change in our target P/E multiple (from 40x to 42x) on Sep'26 EPS.

Utkarsh Nopany

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Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	CRS IN/Rs 7,683
Market cap	US\$ 1.2bn
Free float	46%
3M ADV	US\$ 1.5mn
52wk high/low	Rs 10,790/Rs 6,591
Promoter/FPI/DII	54%/23%/6%

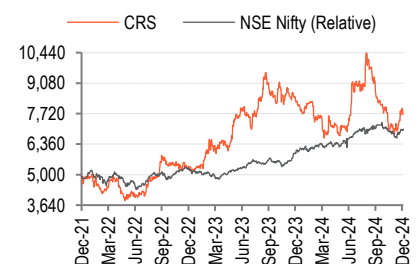
Source: NSE | Price as of 13 Dec 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	18,794	19,665	21,745
EBITDA (Rs mn)	3,038	2,992	3,358
Adj. net profit (Rs mn)	2,405	2,492	2,653
Adj. EPS (Rs)	185.0	193.2	205.7
Consensus EPS (Rs)	185.0	189.0	219.2
Adj. ROAE (%)	18.9	17.3	16.4
Adj. P/E (x)	41.5	39.8	37.4
EV/EBITDA (x)	34.6	35.5	32.1
Adj. EPS growth (%)	12.5	4.5	6.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



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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

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