

# Cera Sanitaryware Limited

## Corporate Presentation

November 2019

# CERA

Style. Innovation. Leadership





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CERA







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CERA

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# Premier Sanitaryware Company in India



Rich Legacy of  
**~39** years

**#1**  
Market Leader in India for  
Sanitaryware

**Largest**  
Sanitaryware facility in  
India

**ZERO**  
Debt Company

**15%**  
Revenue CAGR  
(6 year)

**15%**  
EBITDA CAGR  
(6 year)

**17%**  
PAT CAGR  
(6 year)

**2,473**  
Employees with a  
Teeth-to-tail ratio of  
**0.97**

Cash and Cash  
Equivalents\* of  
**Rs.199 cr**

**260%**  
Rate of Dividend - FY19

**Rated AA**  
(CARE)\*  
For Long Term Debt

**Rated A1+**  
(CRISIL)\*  
\*\*Short Term Debt



**Largest Market Share, Deep Customer Connect and Elevated Brand Promise**

**Largest plant for Sanitary ware in India established at legacy costs**

**Robust Financial Position**

**Wide Product Portfolio incorporating Design Excellence and Deep Technology Imprint**

**Experienced Proficient Leadership with zero attrition in Senior Management over last decade**

**Wide Distribution Network and Comprehensive Marketing Infrastructure**

# Robust Financial Position and Protocols

## Zero Debt Company

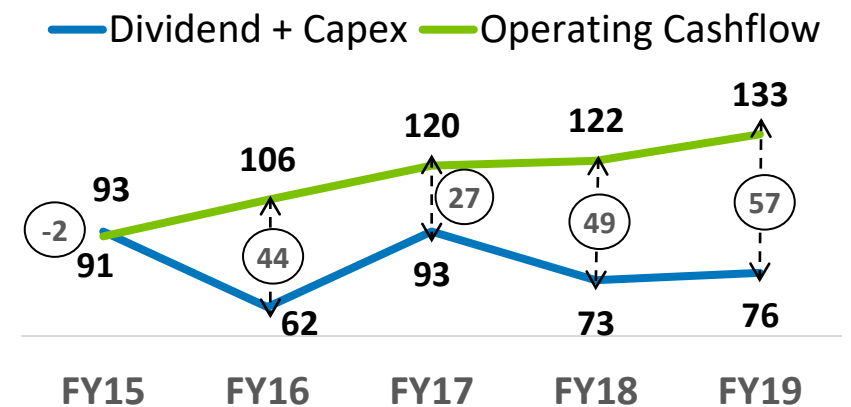
- Cash and Cash Equivalents of Rs.181 crore; primarily liquid investments
- No Contingent Liabilities for Joint Ventures

## Sharp Focus on Efficient Capital Management

- Industry leading RoCE - 26%
- Fixed Asset turnover of ~4.4x (As on 31 March 2019)
- Uniform organization-wide policy to monitor receivables – credit not used to drive revenues
- ERP automatically shuts down fresh supplies to vendors with dues in excess of 45-60 days

## Free Cash Flow Positive with Robust Cash Position

- Consistent cash generation each year
- Annual Capex requirement < Free Cash flow generation
- Increasing gap between annual cash flow generation less dividend outflow and capex
- Regularly paid dividends for the last 30 years +



*Financial Discipline is Central to the growth strategy*





**Mr. Vikram Somany**  
**Founder and CMD**

- B.Sc., FCMi (U.K.)
- Founded the business in 1980
- Deep industry knowledge and experience
- Hands on involvement
- Initiation and execution of strategy
- Drives High Governance Standards



**Mrs. Deepshikha Khaitan**  
**Vice Chairperson**

- B.Sc. Hons. (Economics), LLB
- Actively associated with CERA for over 7 years
- Involved in Design Innovation, Product, R&D, Channel Outreach and Sales
- Equal focus on profitability , product development

# Leadership Team



**Mr. Atul Sanghvi**  
CEO & Executive Director

- MBA in Marketing; experience of 34 years
- Part of CERA leadership for over 20 years
- In charge of all aspects of manufacturing, marketing and corporate affairs



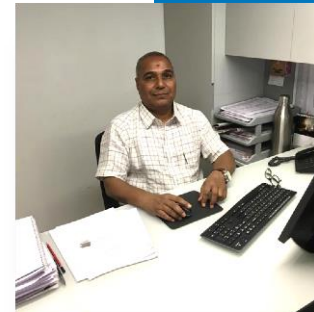
**Mr. Rajesh B Shah**  
CFO / COO (Fin. & Comm.)

- B.Com & ACA; experience of 33 years
- 33 Years with CERA
- Leads Finance, commercial, banking, budgeting and cost control functions



**Mr. Ayush Bagla**  
Executive Director

- B.A (Business) from Franklin & Marshall College, USA
- 24 year experience in Fund Management and Private Equity
- Managing Investor Relations & Strategic Planning initiatives



**Mr. Narendra N. Patel**  
President & Company Secretary

- B. Com, LLB, FCS, ACIS (London); experience of 30 years
- 30 years with CERA
- Leads the secretarial, legal and compliance functions

**Zero Attrition in the Senior Management Team over the last decade**



# Leadership Team



**Mr. P. K. Shashidharan**  
President – Marketing

- M.A. (English); experience of 38 years
- 27 years with CERA
- Brand custodian of CERA
- Devising media, marketing and positioning strategies and their execution



**Mr. Abbey Rodrigues**  
President – Sales

- B. Com, PGDMSM ; experience of 24 years
- 22 years with CERA
- Manages the pan India sales team
- Leads the sales function, dealer interactions, market feedback, CRM



**Mr. Inderjit J Singh**  
Vice President Production

- A mechanical engineer, founded Faucetware manufacturing for CERA
- 12 years with CERA
- A 42 year veteran in the faucets industry
- Responsible for production and development activities of faucets
- He has been a part of developing polymer plant



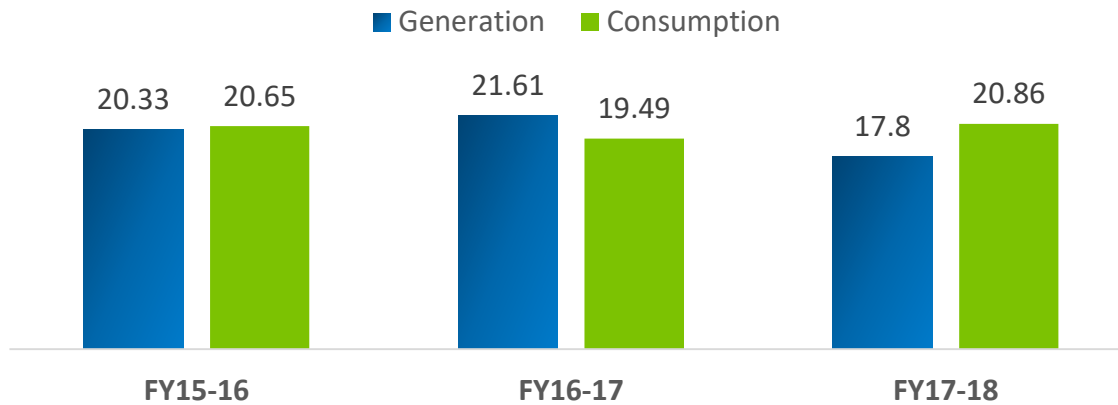
**Mr. Ramachandra Padhi**  
Vice President Works - Sanitarywares

- Diploma in Ceramic Tech; experience of 34 years
- 17 years with CERA
- Kadi plant in charge for Sanitaryware

**Zero Attrition in the Senior Management Team over the last decade**

# Concerted Focus on ESG... 1

Annual Green Energy Generation & Consumption Mill KWH



## Environment

- Sustainability is at the heart of CERA's being. Amongst various initiatives:
  - Non-Conventional Energy generation via wind and solar was initiated in the year 1995
  - Capacity of Non-Conventional Energy generation of the company is 10.325 M.W
  - Sanitaryware and Faucetware plants in Gujarat meet 90% of the energy needs through non conventional captive generation
  - 100% of Sanitaryware production energy needs met through natural gas
  - Natural gas being procured at open market pricing and isolated wells at substantially lower prices
- Appreciated and acknowledged by customers as a completely sustainable and 'green' Vendor





# Marquee Clients

CERA

## Key Institutional Clients

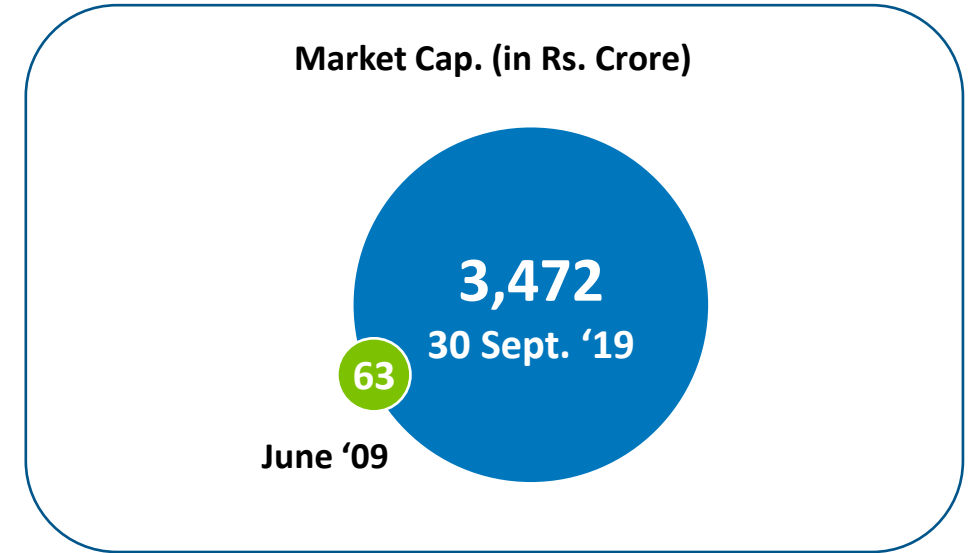
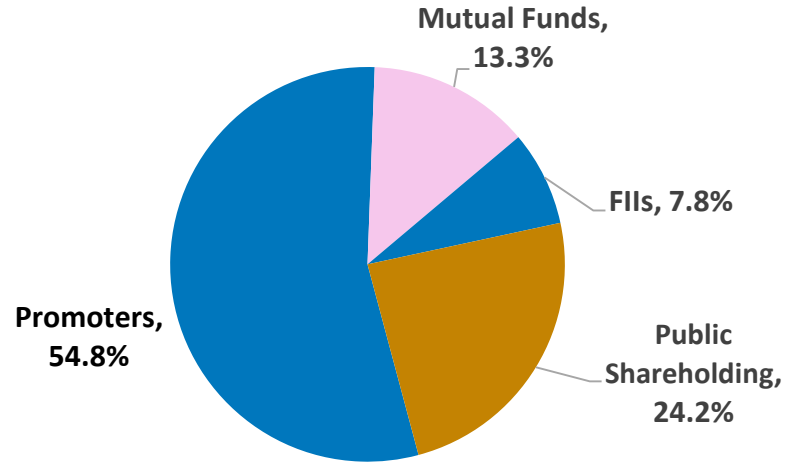


## Key Government and PSU's Patrons



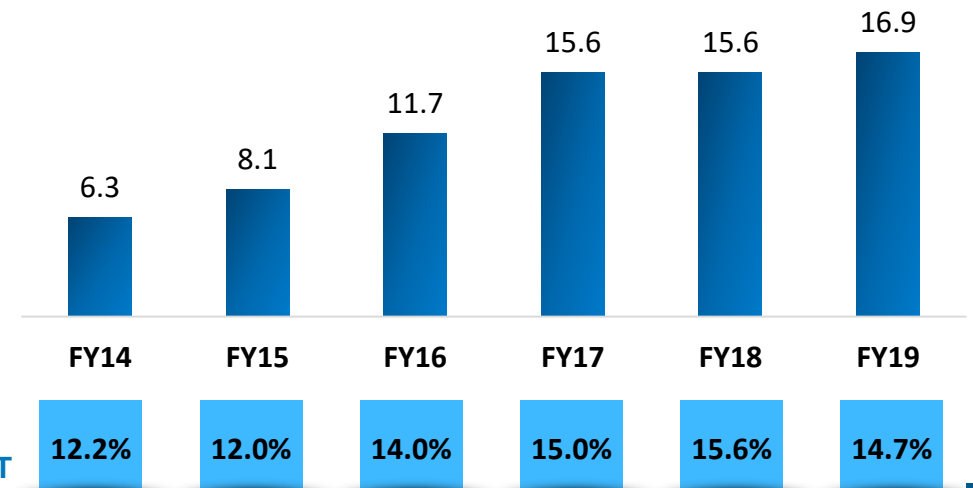


# Ownership and stakeholder value creation

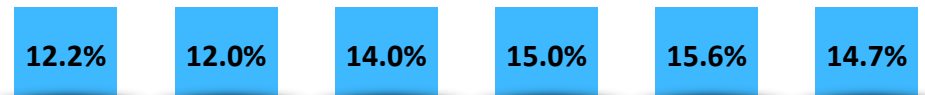


| Key Institutional Shareholders        | As on Sept. '19 |
|---------------------------------------|-----------------|
| HDFC Life Insurance Company Ltd.      | 4.2%            |
| DSP Small Cap Fund                    | 3.3%            |
| Franklin India Smaller Companies Fund | 3.0%            |
| Nalanda India Equity Fund Ltd.        | 2.9%            |
| UTI                                   | 2.7%            |
| India 2020 Fund II Ltd.               | 2.3%            |
| L&T Mutual Fund                       | 2.1%            |
| Vijay Kedia                           | 1.1%            |
| <b>Total</b>                          | <b>21.6%</b>    |

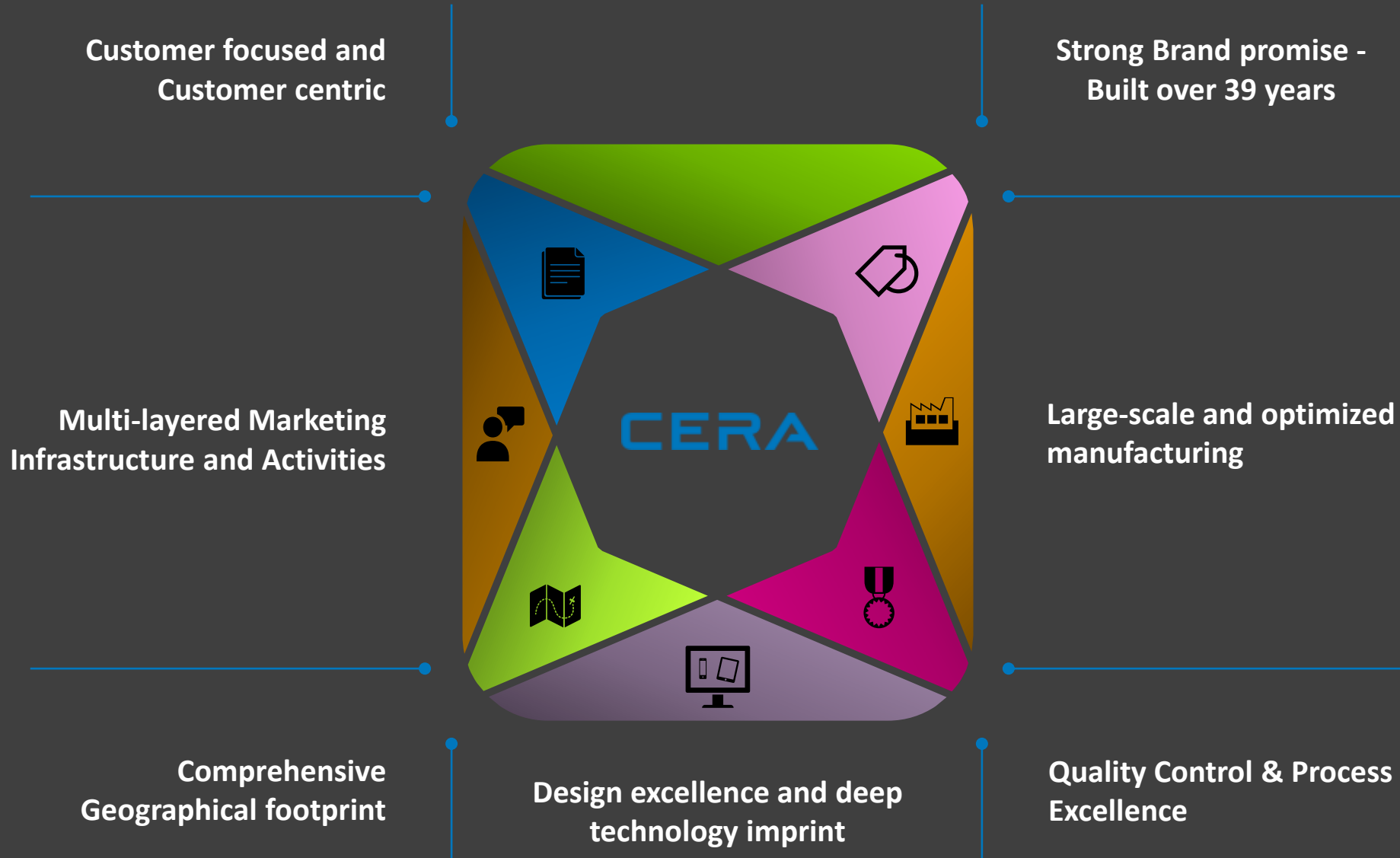
Dividend Distributed (Rs. cr.)



As a % of PAT



# Key Differentiators





# Strong Brand Promise

CERA

- CERA's product portfolio encompasses every aspect of the price and design matrix

- Niche brands for deeper engagement with varied customer and market segments



*Brand Promise carefully cultivated over 35 years by consistently delivering on quality, value, expectations*



# Large-Scale and Optimized Manufacturing

CERA





# Quality Control and Process Excellence

CERA

Advanced  
Quality  
Control  
Systems



Rapid  
Technology  
Adoption –  
Robotics for  
Sanitaryware  
Finishing



Plant is equipped with **Robotic Glazing machines** which provide shine and colour to the product and faster turnaround time

Latest R&D  
Center  
(Approved  
by IAPMO)



Sanitaryware  
MouldMaking



First Indian sanitaryware company to implement ISO 9002 and ISO 14001 certifications for Quality Management Systems and Environment-friendly Manufacturing Systems



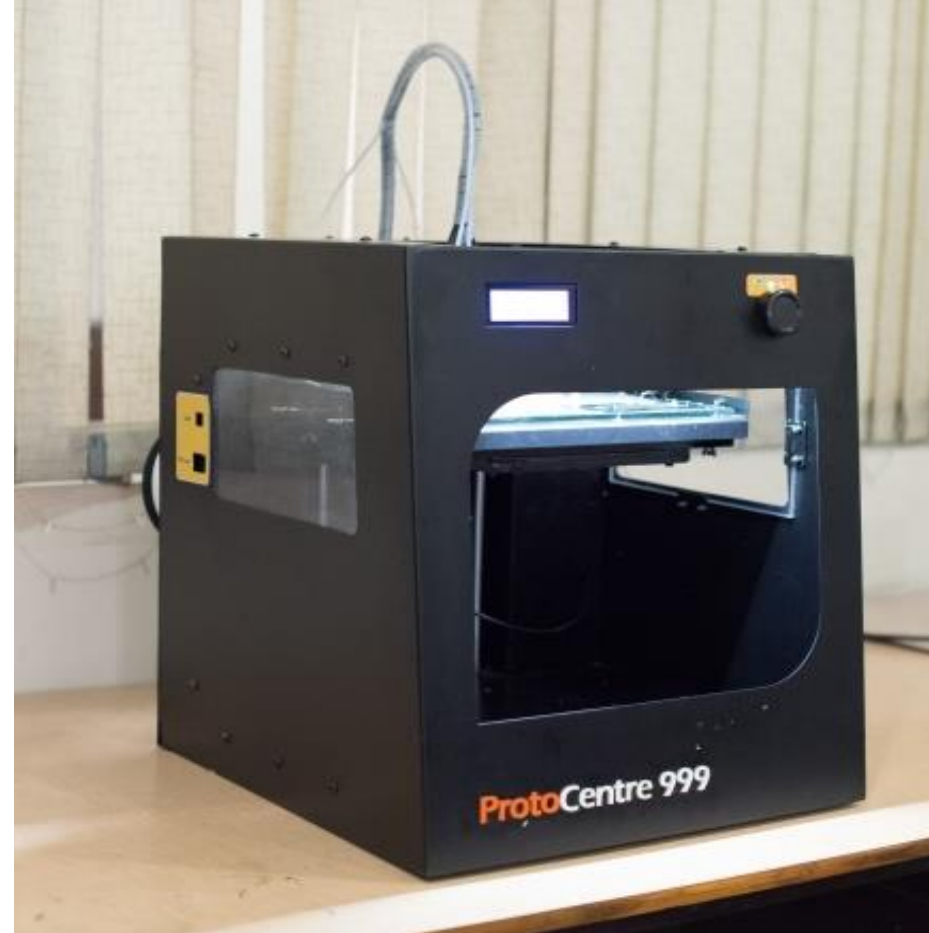
# Design Excellence and deep technology imprint

CERA

First Sanitaryware Company to design and install 3D printers



Installed 3D printers for Faucet design – A complete automated design process



*Successfully installed 3D printers which has considerably shortened the duration for conversion of concept into launch for new designs*

# Comprehensive geographical footprint



- Main Plant
- Tile Mfg. plants
- 10 CERA Style Studios

139 CERA Style Galleries  
14,000 + Trade Partners

| Gearing up with increase in sales and trade |               |
|---|---------------|
| Network as on Sept. 2019                    |               |
|   | Total*        |
| Dealer                                      | 3,289         |
| Retailer                                    | 11,306        |
| <b>Total</b>                                | <b>14,595</b> |

| After sales team strength - March 2019 |     |
|--|-----|
|  | 250 |

\*Total may differ as there are common dealers who would have taken up one or more product ranges

# Multi layered Marketing Infrastructure.. 1

CERA

**CERA Style Studio**  
Company Display Centre

- **10 CSS:** Ahmedabad/Bangalore/Chennai/Mumbai/Kolkata/Morbi/Thiruvananthapuram/Chandigarh /Hyderabad/Cochin
- Discerning customers including influencer's can touch and feel products
- No sales orientation/pressure
- The average size these company owned showroom are approx. 7,000 sq.ft.
- With more than 14,000 sq.ft. of display, Hyderabad CSS is the largest company showroom in this industry
- Hyderabad, Cochin recently opened





# Multi layered Marketing Infrastructure.. 2

CERA

**CERA Style Gallery**  
Exclusive CERA Display Centre

- **139 CSGs:** Covering pan India (Dealer Owned)
- Complement/Substitute CSS
- Filters include showroom location, size of display area allocated, sales turnover history and commitment of the dealer
- Exclusive display in a marked area that will highlight products
- Trained sales team helping purchase decisions of customers
- Minimum size of showroom averages 1,000 sq. ft
- Saraswathi Enterprises - Kerala is the largest showroom amongst CSGs with an area of 7,700 sq.ft.



# Multi layered Marketing Infrastructure.. 3

CERA

**CERA Style Centre**  
Exclusive CERA Retailer

- Enhances retail experiences, retailer owned
- Currently 2,700 Style Centre operational
- Over 600 CSCs planned in the next 2 financial years
- Retailer does not have to pay for display products





# Multi layered Marketing Activities.. 4

CERA

## Senator Launch



## Senator, ISVEA & Water Heater Prints



MADE FOR ROYALTY

Introducing Senator from the house of CERA  
Crafted in stainless steel with our finest Italian design

Senator  
by CERA

[www.cera-india.com/senator](http://www.cera-india.com/senator)



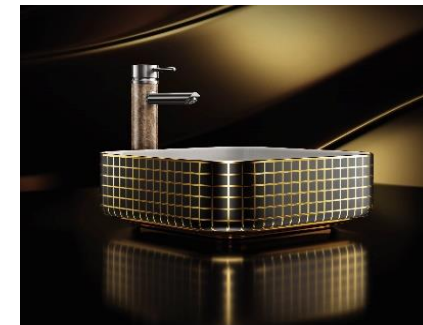
Italian Luxury Designer Sanitaryware.

ISVEA  
BY BIANCHI

ISVEA products are available in all major cities in India. For more information, please contact your nearest distributor.

For more information, please contact your nearest distributor.

Designed and manufactured by  
CERA



MADE FOR ROYALTY

Introducing Senator from the house of CERA  
Crafted in stainless steel with our finest Italian design

Senator  
by CERA

[www.cera-india.com/senator](http://www.cera-india.com/senator)



CERA  
VIVA

— WATER HEATERS —

Redefining Shower Experience

FREE

Hot Water Connection Pipe

(Maximum 10m)

100% GST Input Credit  
100% GST Output Credit  
100% GST Input Credit  
100% GST Output Credit  
100% GST Input Credit  
100% GST Output Credit  
100% GST Input Credit  
100% GST Output Credit  
100% GST Input Credit  
100% GST Output Credit



# Multi layered Marketing Activities.. 5

Consistent investments in several Branding and promotional activities to enhance overall market potential by:

- Creating a strong brand recall in consumers minds

First Brand to sign an celebrity as its Brand Ambassador in the industry



Dia Mirza

- The former Miss Asia Pacific turned actress, was CERA's brand ambassador for two years from 2012
- CERA communicated its foray into the next level of luxury with this ad campaign

Contemporary meets class



Sonam Kapoor

*Fashionista. Very classy. Fondly followed. Deeply admired*

- In 2013, CERA and Sonam Kapoor came together to make style meet fashion
- A heady combination that is set to inspire trends for a long time to come

# Multi layered Marketing Activities.. 6

CERA

Consistent investments in several Branding and promotional activities to enhance overall market potential by:

- Creating a strong brand recall in consumers minds

CERA  
celebrates  
homes with  
'Kuch Pal  
Ghar Ke  
Naam'  
campaign



- The recent multimedia campaigns have been featured in TV commercials, press, outdoor pieces and digital
- The three film ad campaigns beautifully showcases CERA's range of Tiles, Faucets and Sanitaryware



# Customer Focused and Customer Centric

## After Sales Servicing Team – On Company's Books

- 13 service offices
- 25 officers attending technicians
- 140 technicians to attend complaints spread across every state
- Periodical training on products for better quality service

New CRM module

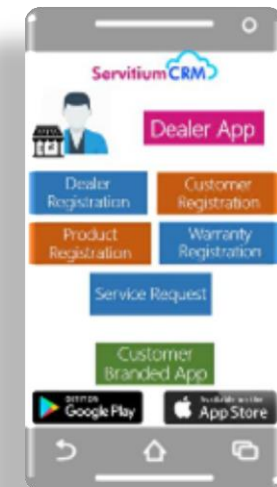
Mobile app for customers to register complaints

Mobile app for trade as well to register complaints of their clients

Complaints closed within 1 to 2 working days



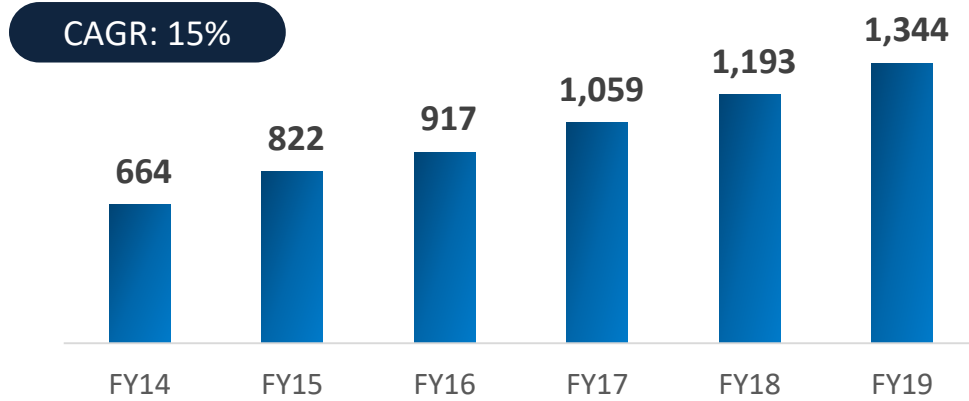
Customer App



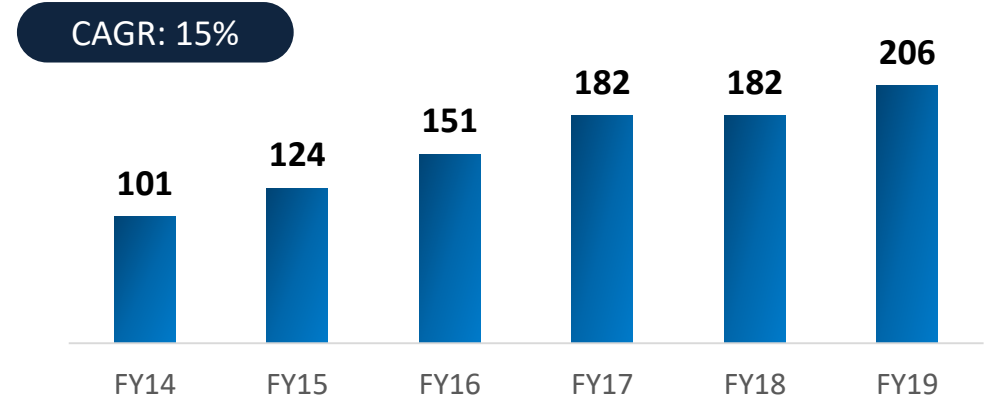
Dealer App

# Financial Overview

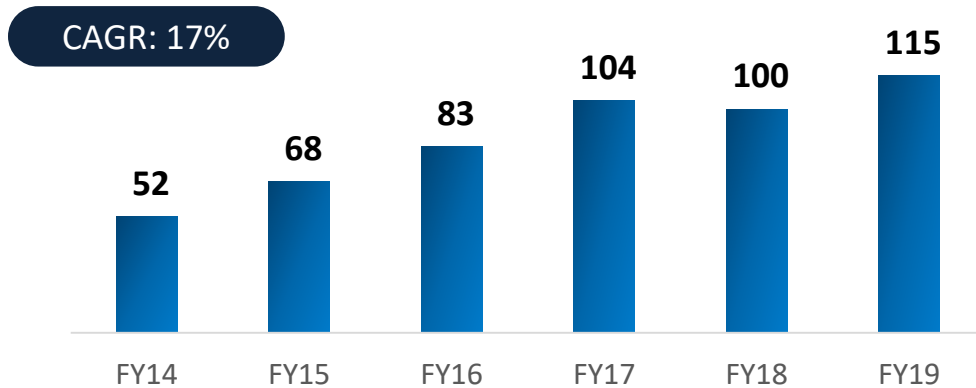
### Revenue



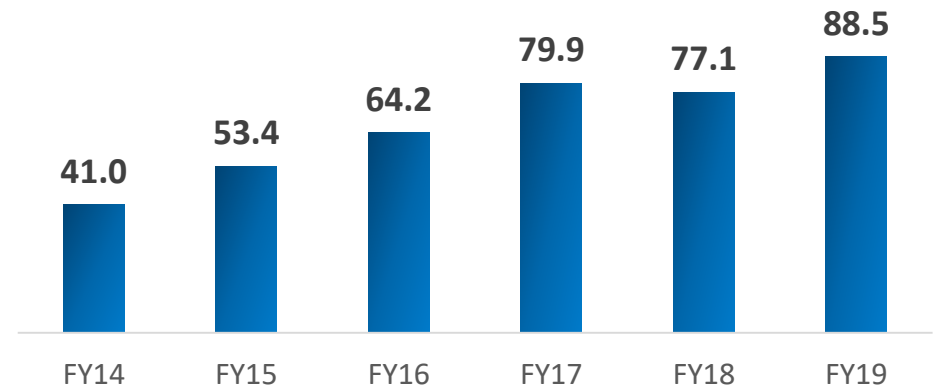
### EBITDA (Rs. in crore)



### PAT (Rs. in crore)



### EPS (In Rs.)

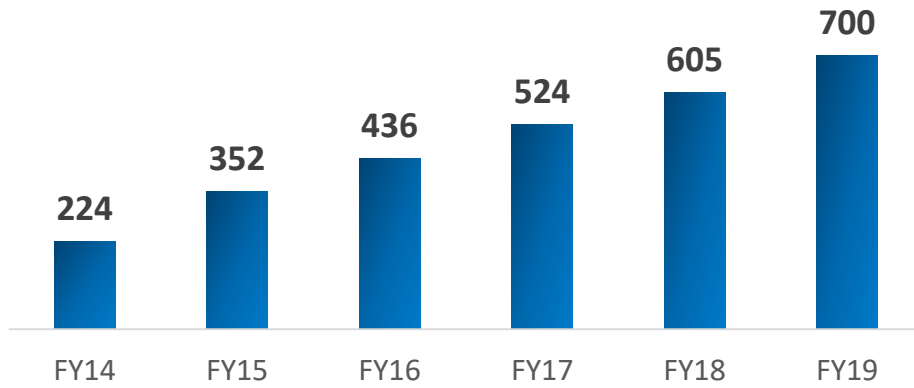




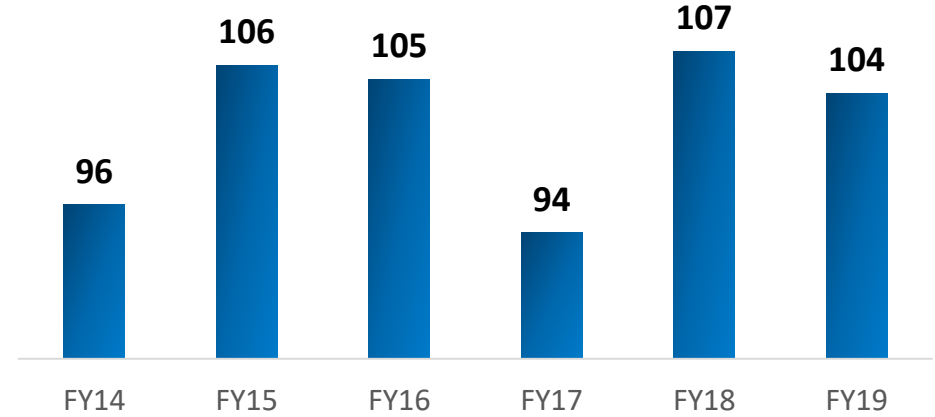
# Financial Overview



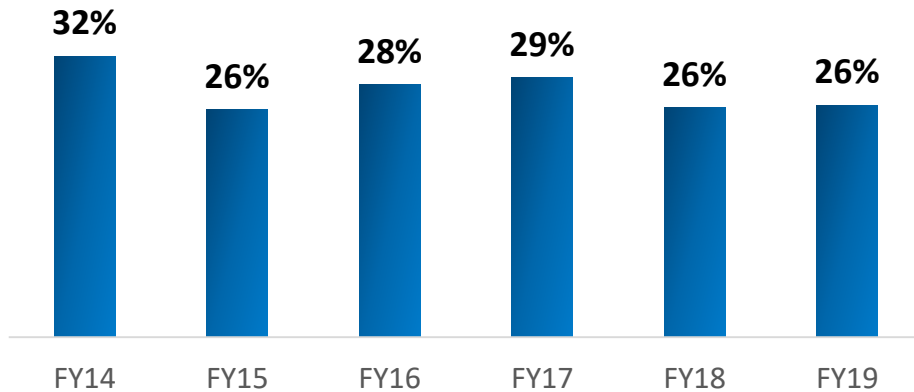
### Networth (in crore)



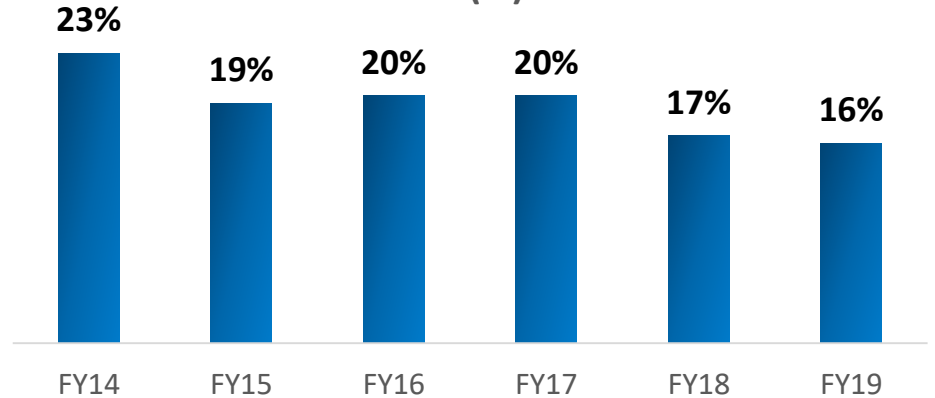
### Working Capital Days (Net)



### ROCE (%)



### ROE (%)



# Abridged P&L – Standalone – Period ending 30 Sept. 2019



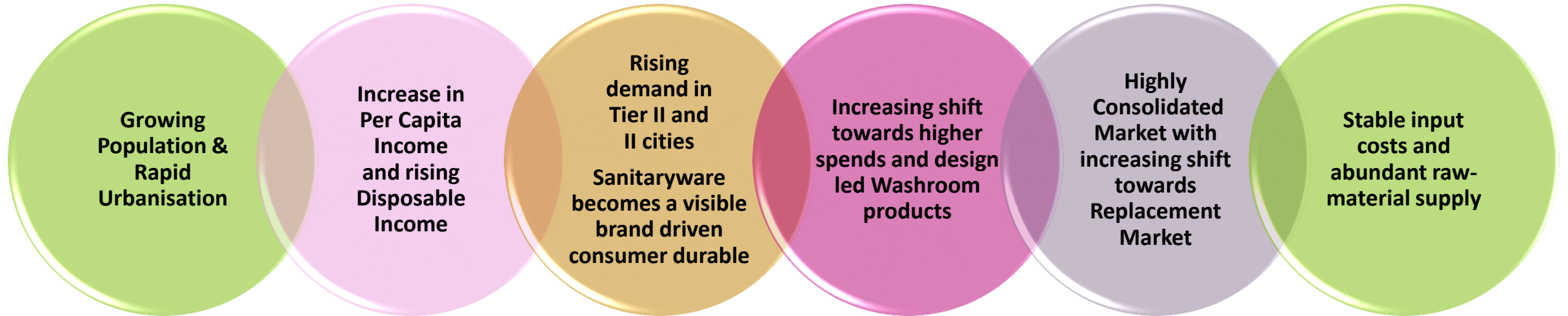
| Particulars (Rs. crore)                            | Q2 FY19      | Q2 FY20      | Y-o-Y Shift      | H1FY19       | H1FY20       | Y-o-Y Shift     |
|--|--------------|--------------|------------------|--------------|--------------|-----------------|
| Revenue from Operations                            | 331          | 327          | (1%)             | 612          | 595          | (3%)            |
| Other Income                                       | 4            | 4            | 3%               | 6            | 7            | 18%             |
| <b>Total Income From Operations (Net)</b>          | <b>335</b>   | <b>331</b>   | <b>(1%)</b>      | <b>618</b>   | <b>602</b>   | <b>(3%)</b>     |
| <b>Total Expenditure:</b>                          |              |              |                  |              |              |                 |
| Raw Material expenses (costs of material consumed) | 159          | 160          | 0.2%             | 288          | 283          | (2%)            |
| Employee benefits expense                          | 39           | 41           | 3%               | 78           | 81           | 3%              |
| Other expenses                                     | 87           | 85           | (1%)             | 165          | 155          | (6%)            |
| <b>EBITDA (includes Other Income)</b>              | <b>50</b>    | <b>46</b>    | <b>(8%)</b>      | <b>87</b>    | <b>84</b>    | <b>(3%)</b>     |
| <b>EBITDA margin (%)</b>                           | <b>14.9%</b> | <b>13.9%</b> | <b>(100 bps)</b> | <b>14.1%</b> | <b>14.0%</b> | <b>(10 bps)</b> |
| Finance Costs                                      | 1            | 1            | 105%             | 1            | 2            | 99%             |
| Depreciation and Amortization                      | 6            | 8            | 41%              | 11           | 16           | 48%             |
| <b>PBT</b>   | <b>43</b>    | <b>37</b>    | <b>(16%)</b>     | <b>75</b>    | <b>66</b>    | <b>(12%)</b>    |
| Tax expense  | 15           | 7            | (56%)            | 26           | 17           | (36%)           |
| <b>PAT</b>   | <b>28</b>    | <b>30</b>    | <b>7%</b>        | <b>49</b>    | <b>49</b>    | <b>1%</b>       |
| <b>PAT margin (%)</b>                              | <b>8.4%</b>  | <b>9.1%</b>  | <b>70 bps</b>    | <b>7.9%</b>  | <b>8.1%</b>  | <b>20 bps</b>   |

Note: Due to Implementation of Ind AS 116 on Leases there has been an increase in EBITDA and Depreciation. Net Impact on PAT is negative in the initial years. Results are not strictly comparable with the prior period.



# Economic and Fundamental trends are favorable for growth **CERA**

## Industry to benefit from amalgamation of growth vectors



## Government Initiatives are supporting demand growth for Sanitaryware, Faucets and Tiles



# Thank You

For further information, please contact:

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