CRISIL RESEARCH

CRISIL IER Independent Equity Research

Cera Sanitaryware Ltd

Detailed Report

Enhancing investment decisions

Explanation of CRISIL Fundamental and Valuation (CFV) matrix

The CFV Matrix (CRISIL Fundamental and Valuation Matrix) addresses the two important analysis of an investment making process – Analysis of Fundamentals (addressed through Fundamental Grade) and Analysis of Returns (Valuation Grade) The fundamental grade is assigned on a five-point scale from grade 5 (indicating Excellent fundamentals) to grade 1 (Poor fundamentals) The valuation grade is assigned on a five-point scale from grade 5 (indicating strong upside from the current market price (CMP)) to grade 1 (strong downside from the CMP).

CRISIL Fundamental Grade	Assessment	CRISIL Valuation Grade	Assessment
5/5	Excellent fundamentals	5/5	Strong upside (>25% from CMP)
4/5	Superior fundamentals	4/5	Upside (10-25% from CMP)
3/5	Good fundamentals	3/5	Align (+-10% from CMP)
2/5	Moderate fundamentals	2/5	Downside (negative 10-25% from CMP)
1/5	Poor fundamentals	1/5	Strong downside (<-25% from CMP)

About CRISIL Limited

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

About CRISIL Research

CRISIL Research is India's largest independent and integrated research house. We provide insights, opinions, and analysis on the Indian economy, industries, capital markets and companies. We are India's most credible provider of economy and industry research. Our industry research covers 70 sectors and is known for its rich insights and perspectives. Our analysis is supported by inputs from our network of more than 4,500 primary sources, including industry experts, industry associations, and trade channels. We play a key role in India's fixed income markets. We are India's largest provider of valuations of fixed income securities, serving the mutual fund, insurance, and banking industries. We are the sole provider of debt and hybrid indices to India's mutual fund and life insurance industries. We pioneered independent equity research in India, and are today India's largest independent equity research house. Our defining trait is the ability to convert information and data into expert judgements and forecasts with complete objectivity. We leverage our deep understanding of the macroeconomy and our extensive sector coverage to provide unique insights on micro-macro and cross-sectoral linkages. We deliver our research through an innovative web-based research platform. Our talent pool comprises economists, sector experts, company analysts, and information management specialists.

CRISIL Privacy

CRISIL respects your privacy. We use your contact information, such as your name, address, and email id, to fulfil your request and service your account and to provide you with additional information from CRISIL and other parts of McGraw Hill Financial you may find of interest.

For further information, or to let us know your preferences with respect to receiving marketing materials, please visit www.crisil.com/privacy. You can view McGraw Hill Financial's Customer Privacy Policy at http://www.mhfi.com/privacy.

Last updated: May, 2013

Analyst Disclosure

Each member of the team involved in the preparation of the grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.

Disclaimer:

This **Company commissioned CRISIL IER** report is based on data publicly available or from sources considered reliable. CRISIL Ltd. (CRISIL) does not represent that it is accurate or complete and hence, it should not be relied upon as such. The data / report is subject to change without any prior notice. Opinions expressed herein are our current opinions as on the date of this report. Nothing in this report constitutes investment, legal, accounting or tax advice or any solicitation, whatsoever. The subscriber / user assume the entire risk of any use made of this data / report. CRISIL especially states that, it has no financial liability whatsoever, to the subscribers / users of this report. This report is for the personal information only of the authorised recipient in India only. This report should not be reproduced or redistributed or communicated directly or indirectly in any form to any other person – especially outside India or published or copied in whole or in part, for any purpose. As per CRISIL's records, none of the analysts involved has any ownership / directorship in the company. However CRISIL or its associates may have commercial transactions with the company.

Cera Sanitaryware Ltd

Reaping benefit of prudent product expansion strategy

Fundamental Grade	**4/5 (Superior fundamentals)**
Valuation Grade	**4/5 (CMP has upside)**
Industry	**Building products**

December 17, 2015

Fair Value ₹2,181
CMP ₹1,943

Driven by the faucet ware and tiles segments, Cera Sanitaryware Ltd (Cera) managed to post above-industry growth in H1FY16, negating muted growth in sanitary ware, amidst industry headwinds. While tepid real estate supply has resulted in a bleak near-term outlook, we remain positive on long-term prospects of the building products industry (sanitary ware, faucets and tiles). Cera is aptly positioned to capitalise on potential opportunities, given its established positioning in the sanitary ware industry, wide brand recall and the pan-India distribution network. We retain our fundamental grade of **4/5**. Intense competition across segments remains a challenge.

Reaping benefits of product expansion strategy: faucets, tiles to add steam to growth

Expansion in its product suite has benefited Cera more recently, as faucets and tiles powered the growth engine, amidst moderation in sanitary ware –44% and 16% y-o-y growth vs. 10% in sanitary ware, respectively. These segments are expected to fuel growth even going forward (40% and 26% CAGR over FY15-18, respectively), while the sanitary ware segment is expected to maintain healthy momentum (20% CAGR), as the company gains greater market share in larger addressable markets and leverages the industry-wide shift towards branded products.

New initiatives: Distribution agreement with Italian brand; JV for tiles manufacturing

In FY16, the company acquired exclusive distribution and marketing rights of Italian sanitary ware luxury brand – ISVEA, which would improve its positioning in the premium segment. Additionally, it has entered into a joint venture (JV) with Anjani Tiles (51% stake), and plans to set up a vitrified tiles manufacturing facility in Andhra Pradesh.

Intense competition remains the foremost challenge

In recent years, the building products industry has seen competition intensify as domestic and international players are ramping up operations. While Cera is well-positioned in the mass market segment of sanitary ware, foray into the crowded premium segment could be challenging. Additionally, it has a miniscule share in faucets (3-4%) and tiles (>1%) markets and intense competition from established players may impede growth, going forward.

Fair value increased to ₹2,181 from ₹1,846 earlier

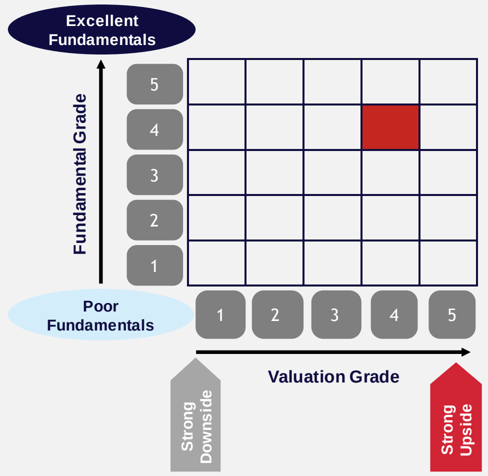
We continue to use the discounted cash flow (DCF) method to value Cera, and have maintained FY16 and FY17 estimates. We have rolled forward our estimates by one year to FY18, and consequently revise our fair value estimate to ₹2,181 from ₹1,846. At the current market price of ₹1,943, our valuation grade is **4/5**.

KEY FORECAST

(₹ mn)	FY14	FY15	FY16E	FY17E	FY18E
Operating income	6,649	8,234	9,519	12,345	15,376
EBITDA	977	1,225	1,368	1,831	2,303
Adj net income	510	668	775	1,079	1,400
Adj EPS (₹)	40	51	60	83	108
EPS growth (%)	17	28	16	39	30
Dividend yield (%)	0.3	0.3	0.4	0.5	0.8
RoCE (%)	33.3	30.9	26.4	31.4	35.2
RoE (%)	25.3	23.2	20.1	23.3	24.7
PE (x)	48.2	37.8	32.6	23.4	18.1
P/BV (x)	11.0	7.2	6.1	5.0	4.0
EV/EBITDA (x)	25.3	20.6	18.5	13.7	10.6

Source: Company, CRISIL Research estimates

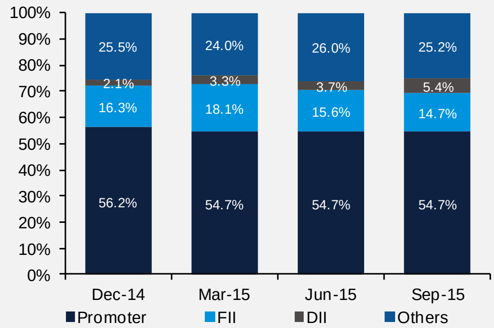
CFV MATRIX



KEY STOCK STATISTICS

NIFTY/SENSEX	7683/25252
NSE/BSE ticker	CERA
Face value (₹ per share)	5
Shares outstanding (mn)	13.0
Market cap (₹ mn)/(US$ mn)	25,456/383
Enterprise value (₹ mn)/(US$ mn)	25,816/388
52-week range (₹)/(H/L)	2,961/1,551
Beta	0.6
Free float (%)	45.3%
Avg daily volumes (30-days)	14,951
Avg daily value (30-days) (₹ mn)	30.1

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
Cera	2%	-3%	-17%	14%
CNX 500	-1%	3%	-4%	-3%

ANALYTICAL CONTACT

Bhaskar Bukrediwala bhaskar.bukrediwala@crisil.com
Kaushal Bothra Kaushal.bothra@crisil.com
Sayan Das Sharma sayan.sharma@crisil.com

Client servicing desk
+91 22 3342 3561 clientservicing@crisil.com

Table 1: Cera Sanitaryware - Business environment

Product/segment	Sanitary ware and allied products	Faucet ware	Wellness and tiles
Revenue contribution (FY15)	66%	17%	17%
Revenue contribution (FY18E)	58%	24%	18%
Geographic presence	Domestic: 98.5% Exports: 1.5%	Domestic: 100%	Domestic: 100%
Market position	■ Third largest player in organised sanitary ware market, with a share of ~23-24%. Over the past few years, Cera's brand salience has grown steadily.	■ Segment has posted higher growth than the industry as the company is gaining market share (~5-6% of the organised market) but still lags market leader, Jaquar.	■ Ceramic tiles: Initial traction has been encouraging, but remains a small player with < 1% share in a highly fragmented market ■ Wellness: Markets its products with "value for money" proposition; aimed at price-sensitive consumers
Growth drivers	■ Growing affinity for branded products, supported by rising disposable incomes, has led to a shift from the unorganised to organised segment. This trend is expected to continue, which augurs well for branded players ■ Government's emphasis on improving sanitation for all and developing 100 smart cities in coming years is expected to boost growth. Although this is unlikely to have a direct impact on organised players, it may help expand the addressable market. ■ Fresh demand from the real estate sector and growing replacement demand. As per industry sources, India is likely to add over 100 mn houses during 2011-21, driven by the government's focus on affordable housing in tier-II and tier-III cities ■ Entry into faucets and tiles segments, which has larger addressable markets, is expected to grow rapidly		
Sales growth (FY12-15 – three-year CAGR)	25%	68%	115% (from a low base as the company started trading in tiles from FY13 onwards)
Sales forecast (FY15-18E – three-year CAGR)	20%	40%	26%
Key competitors	■ Mass market: HSIL through Hindware and Raasi brands ■ Mid: HSIL, Roca Bathroom Products (Roca) ■ Premium/super premium: American Standard, Kohler, Duravit, Toto, Roca and Groher	■ Jaquar and other sanitary ware players such as Grohe, HSIL, and Roca ■ Cera continues to face significant competition from unorganised players in the low-end of the mass market	■ Tiles: Established players such as Kajaria, Somany, H&R Johnson (under Prism Cement), Asian Granito, Nitco Tiles, as well as many unorganised players ■ Wellness products: HSIL and Parryware Roca for the mid-segment; Kohler, Duravit, HSIL, Roca and Toto for the premium segment
Key risks	■ Prolonged slowdown in the real estate sector may dampen growth prospects ■ Sharp depreciation in currency can drive up import costs		

Source: Company, CRISIL Research

Grading Rationale

Slowdown in real estate industry led to growth moderation

After recording a healthy revenue CAGR of 31% in value terms, over FY10-15, Cera's growth momentum abated in H1FY16 (16% y-o-y growth) owing to a sluggish real estate supply and muted consumer discretionary spending. This slowdown was more prominent in the sanitary ware and allied products segment, which posted a 10% y-o-y growth in H1FY16 vs. 27% CAGR over FY10-15. In comparison, the faucet ware and ceramic tiles segments grew faster and posted sturdy growth of 44% y-o-y and 16% y-o-y, respectively, albeit over a low base.

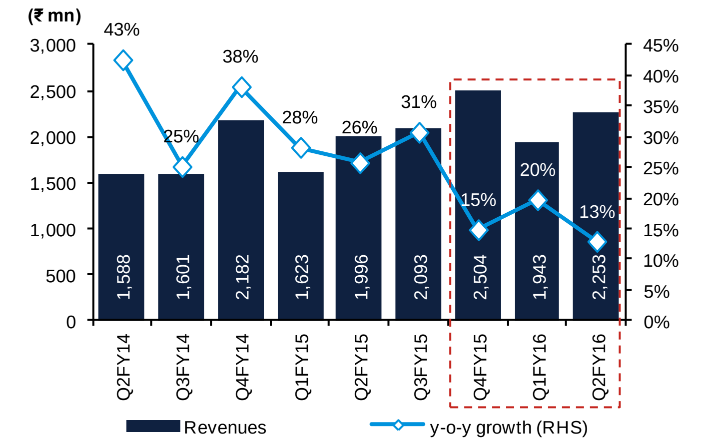
Revenue grew 16% y-o-y in H1FY16, vs. 27% CAGR over FY10-15

The building products industry has been hit by multiple factors: 1) weak demand for residential units (especially in cities such as NCR, Mumbai, Bengaluru, Chennai, Hyderabad and Pune) and higher inventory levels dragging down real estate supply, and 2) muted consumer spends (key driver for replacement demand). The moderation in growth was also visible on H1FY16 financials of other players such as HSIL (8% y-o-y value growth in H1FY16), Kajaria Ceramics (12%), and Somany Ceramics (13%).

Near-term outlook muted, long-term prospects intact

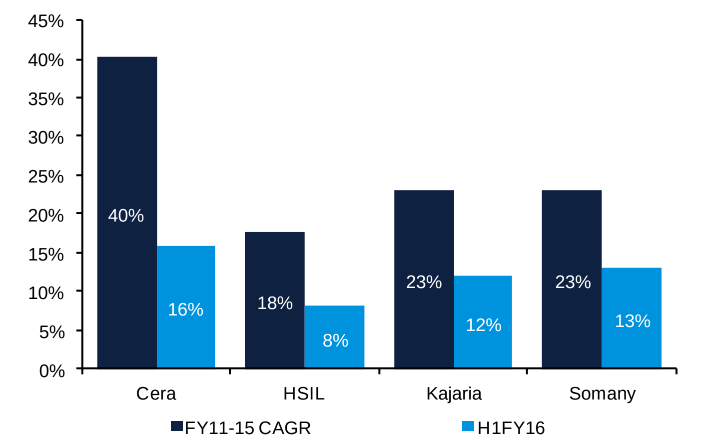
With real estate supply unlilkely to pick up in the near-term, outlook for the building products industry appears bleak, over the next two-three quarters. While urban consumer spends are gradually picking up, rural demand has been hit by weak monsoons and soft commodity prices. However, we remain positive on long-term industry prospects, due to structural drivers, such as 1) increasing access to sanitation, 2) growth in affordable housing, 3) shift from unorganised to organised segment, driven by growing affinity for branded products, and 4) growing replacement demand. Cera is well-poised to capitalise on this industry potential, driven by its strong market positioning in the sanitary ware industry, healthy brand recall and rapid growth in the faucets and tiles segments.

Figure 1: Growth moderated in past three quarters...



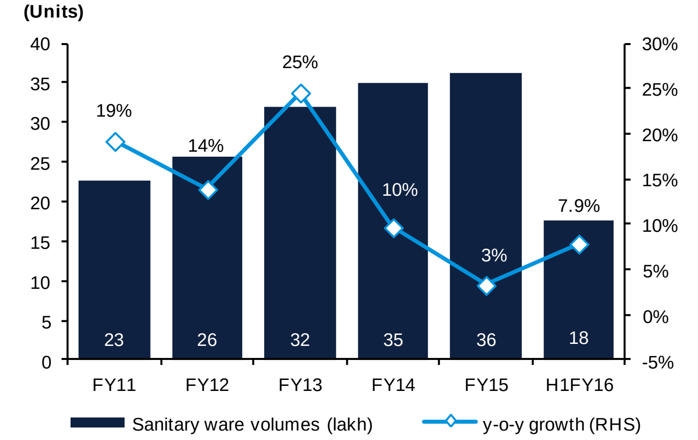
Source: Company, CRISIL Research

Figure 2: ... akin to other building products manufacturers



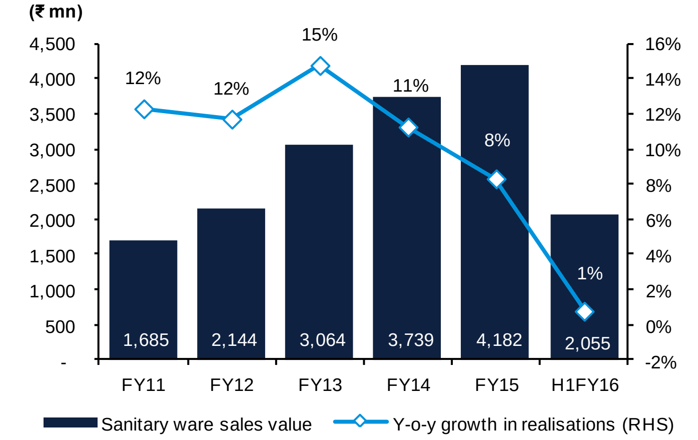
Source: Company, CRISIL Research

Figure 3: Sanitary ware volume growth was muted in FY15…



Source: Company, CRISIL Research

Figure 4: …absence of price hike dented realisations in H1FY16



Source: Company, CRISIL Research

Well-entrenched positioning in the mass market segment; marketing arrangement with Italian brand a positive

Leveraging its strong brand image, the company remains well-entrenched in the mass and mid-market segments (90% of the organised sanitary ware market). Over the last few years, it has grown faster (25% CAGR recorded by sanitary ware sales over FY11-15) than its key peers HSIL (18% CAGR in building products revenue) and Roca (8% CAGR). The faster pace of growth recorded by Ceraindicates a gain in market share– as per our calculations, it currrently has a ~23-24% share. Depsite being a relatively newer entrant, its brand salience in the faucet ware segment has also been improving steadily. Additionally, non-metros account for bulk of demand as Cera has a strong presence, and derives ~70% of total sales from these regions.

Distribution and marketing arrangement with luxury Italian brand ISVEA encouraging

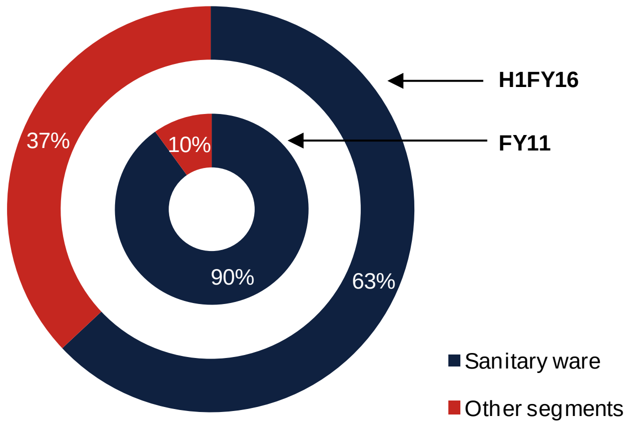
During Q1FY16, the company entered into a marketing and distribution agreement with ECE Banyo, manufacturer of luxury sanitary ware brand, ISVEA. As per the agreement, the company can distribute and market goods under the ISVEA brand, for the next five years, which may be extended further. Largely known for its 'value-for-money' proposition and also given the absence of a second brand, the CERA brand faced several challenges when it forayed into premium and luxury segments of the sanitaryware industry. The arrangement with ISVEA is headed in the right direction as it may improve its positioning in the fast growing premium segment. However, this segment is more competitive owing to presence of several domestic (such as HSIL, Roca) and foreign manufacturers (ToTo, Kohler, American Standard, Duravit) and gaining a sizable market share could prove a daunting task.

Reaping benefits from expansion in product portfolio

Revenue contribution of faucet ware, wellness and tiles have increased to 37% in H1FY16, from 10% in FY11

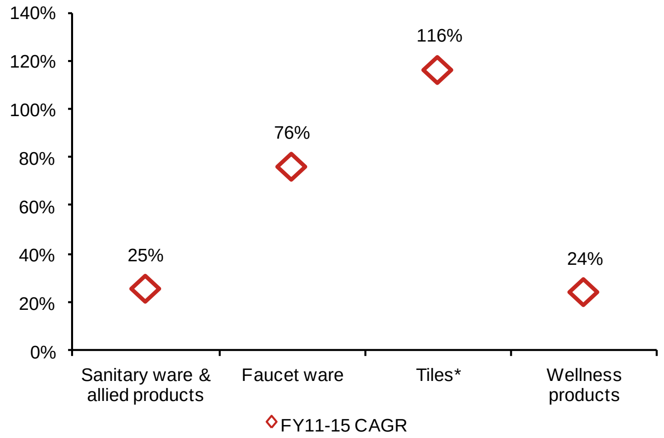
Over last few years, the company has ventured into other segments such as faucet ware, tiles, and allied products, which reduced its dependence on the core sanitary ware business – share of sanitary ware and allied products to total revenue has declined to 63% in H1FY16 from ~90% in FY11. Using this strategy, Cera has emerged as a complete bathroom solutions provider, and offered cross-selling opportunity to dealers. We expect the company to reap further dividends, as faucets and tiles are expected to continue to grow faster than sanitary ware.

Figure 5: Dependence on sanitary ware segment has reduced…



Source: Company, CRISIL Research

Figure 6: ... with higher growth in faucets and tiles



Source: Company, CRISIL Research

Sanitary ware and allied products sustain above-industry growth trajectory

Over FY11-15, Cera has gained market share and maintained above industry growth rate in the sanitary ware segment –segmental sales have recorded a CAGR of 27%, vis-à-vis 14-15% growth reported by the industry. We expect the company to capitalise potential opportunities and sustain its growth trajectory – segment sales are forecast to record 20% CAGR over FY15-18, with growth picking up from FY17.

Sanitary ware and allied product segment's sales expected to grow at a three-year CAGR of 20%

Long-term structural drivers firmly in place…

Despite near-term challenges, we remain positive on long-term growth prospects, as key structural growth drivers stay intact:

- **Demand for affordable housing:** The sanitary ware industry is likely to benefit from the expected growth in affordable housing in tier-II and tier-III cities.
- **Increasing access to sanitation** – Access to sanitation in India is among the lowest, compared with other Asian economies – as of 2011, only ~40% of the population had access to sanitation, which is even lower in rural areas (~30%). The government's thrust is expected to improve access to sanitation over next five years, and provide an impetus to the sanitary ware industry.
- **Growing replacement demand:** Currently, replacement demand forms 7-8% of total sanitary ware demand in India vis-a-vis ~80% in developed nations. Considering the rapid growth seen by the industry over last couple of decades, we expect replacement demand to be a key growth enabler going forward.

… but growth to moderate from historic levels

Higher brand conciousness and income levels have helped organised players in the sanitary ware segment gain steady market share from unorganised players – as a result, share of the organised segment has grown to ~65% currently, from 50% few years ago. Although we expect the branded segment to continue to record faster growth than the industry, penetration levels are likely to stabilise, owing to limited headroom.

Cera to continue to sustain above-industry growth trajectory

Even as growth moderates from historic levels, Cera is likely to sustain its growth trajectory, and record 20% CAGR over FY15-18, against an industry growth expectation of 13-14%. This is expected to be driven by following factors-

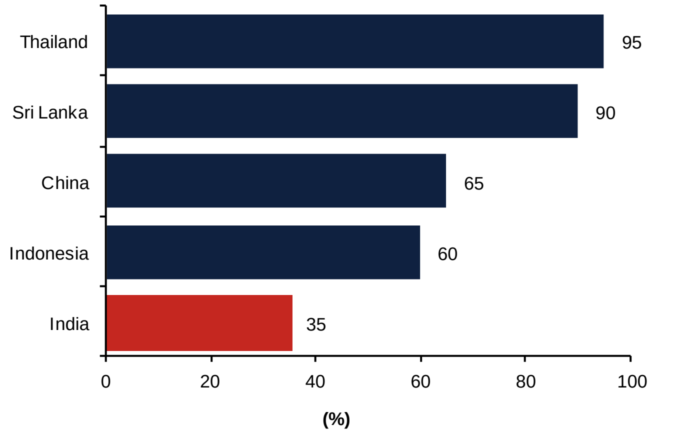
- **Established market positioning:** The company maintains strong positioning in the mass and mid-market segments of the sanitary ware industry, leveraging the wide brand appeal. Established market positioning, along with increasing brand awareness, is expected to help the company gain further market share.
- **Premiumisation of product portfolio:** With the marketing agreement with ECE Banyo, and introduction of luxury sanitary ware products, Cera's presence in the premium segment may improve and provide an additional fillip to segmental growth. However, this is a key monitorable.
- **Expansion to under-penetrated markets** – Cera has a strong footprint in the southern (particularly Kerala) and western states (toghether accounts for 75% of total revenue). Over last few years, Cera has established presence to southern states such as Andhra Pradesh, Karnataka and Tamil Nadu; and northern states such as Punjab, UP and Haryana. The expansion has enabled the company to widen its customer base. Cera further plans to enter under-penetrated eastern states of West Bengal, Bihar and the North-East.

Expanding capacity to support growth; outsourcing to continue

Over FY13-H1FY16, the company has increased its annual sanitary ware capacity from 2 mn pieces to 3 mn pieces. Given that the current capacity is almost fully utilised at 98%, it plans to futher augment capacities to 3.3 mn pieces/annum by end-FY16. Although this expansion in its own manufacturing capacities is expected to support growth in volume, we expect the dependence on outsourcing model, especially for low-end products, to continue. Additionally, imports of premium-end products from China and Turkey is also expected to continue. In the long run, we believe the company has to expand capacity either 1) via the greenfield route, or 2) a joint venture (JV) with an unorganised sanitary ware player.

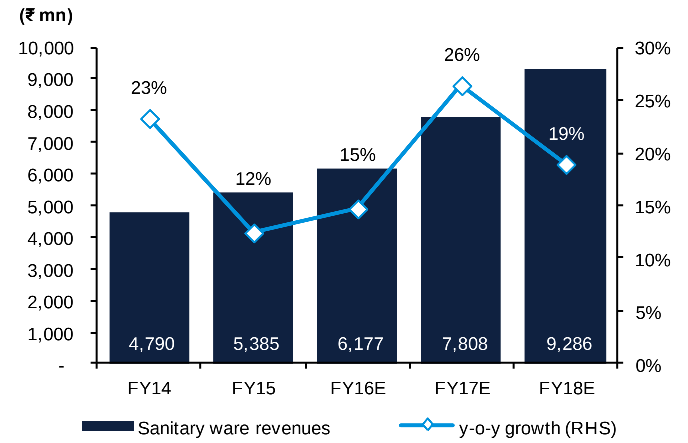
Sanitary ware manufacturing capacity to increase to 3.3 mn pieces/annum by Q4FY16

Figure 7: Access to sanitation in India is low



Source: Company, CRISIL Research

Figure 8: Sanitary ware to record two-year CAGR of 20%



Source: Company, CRISIL Research

Faucet ware – key cog in the growth engine

Over last five years, the faucet segment has been the key cog in Cera's growth engine - segmental revenue has registered a CAGR of 63% over FY10-15, against overall revenue CAGR of 32%, albeit over a lower base. Subsequently, its share in overall revenue also increased to 17% in FY15, from 7% in FY10. Incurring operating losses prior to FY14, the segment turned profitable in H2FY14, with revenue attaining break-even point and also rejection rates coming down, following an improvement in production efficiency. We expect this segment to remain the major growth catalyst for Cera – segmental revenue expected to post 40% CAGR over FY15-18.

Faucet ware sales have grown at a CAGR of 63% over the past five years

Multiple levers to aid market share gain

The domestic faucet ware industry offers a large, scalable growth opportunity. Although a small player in the ~₹50-52 bn faucets industry (as of FY15, it had ~3% market share), we believe Cera is aptly positioned to capitalise this opportunity.

To continue to grow faster than sanitary ware and tiles segments

- **Attractive industry potential –** The faucet industry offers a larger and more scalable growth opportunity than sanitary ware, as spends on faucets are typically 2-3x that of sanitary ware. Estimated size of the faucets industry is ~₹50-52 bn, compared with ~₹28-30 bn of the sanitary ware industry. Moreover, presence of branded players is expected to grow faster than that of other segments, owing to higher share of unorganised players (~55%, vis-à-vis 35% in sanitary ware and ~50% in ceramic tiles).
- **Product launches –** Product launches, with improved designs, priced competitively with market leader Jaquar, are expected to catalyse growth. It plans to further bolster its product portfolio, encompassing the entire range. Moreover, it has also strengthened its after-sales services, a key aspect in the faucets industry, which should foster brand loyalty.
- **Rising brand awareness –** Leveraging the strong CERA brand and wide sanitary ware dealer network, the company has successfully augmented its market presence in the faucets segment. Display of a wide gamut of products, through CERA Style Studios and CERA Style Galleries, and other promotional activities are likely to improve brand recall.

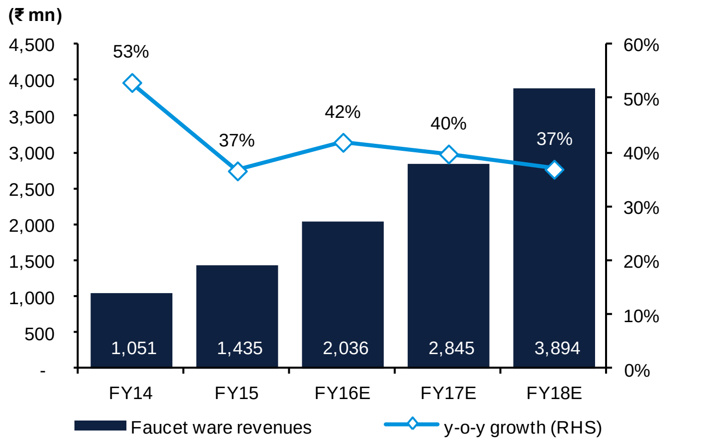
Capacity expansion to lower dependence on outsourcing

To support rapid growth in faucets, the company has expanded its manufacturing capacity in FY15 to 7,200 pieces/day from 2,500 pieces/day. This capacity is further scalable to 10,000 pieces/day and thus, support near-term growth.

Faucet ware capacity expanded to 7,200 pieces/day from 2,500 pieces

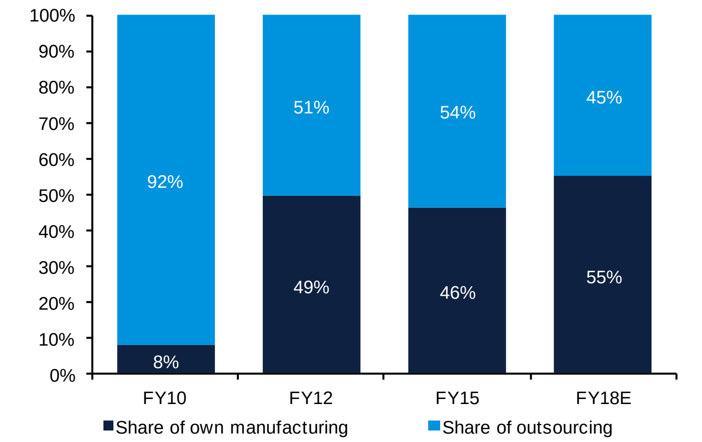
Cera first installed its own manufacturing capacity back in FY11, prior to which it was completely outsourcing. Since then, the share of in-house manufacturing has increased steadily and reached ~45% in FY15. Post the expansion, dependence on outsourced manufacturing is expected to decline further.

Figure 9: Faucet ware to maintain healthy growth trajectory



Source: Company, CRISIL Research

Figure 10: Share of own manufacturing to increase



Source: Company, CRISIL Research

Ceramic tiles – attaining scale

As a natural extension of its product portfolio, Cera entered the ceramic segment in H2FY13, via trading ceramic and vitrified tiles. The products were marketed through the exisiting dealer network and under the CERA brand. The initial traction in tiles segment has been encouraging, with annual sales reaching ₹1,150 mn in FY15.

Initial ramp up in tiles business is encouraging

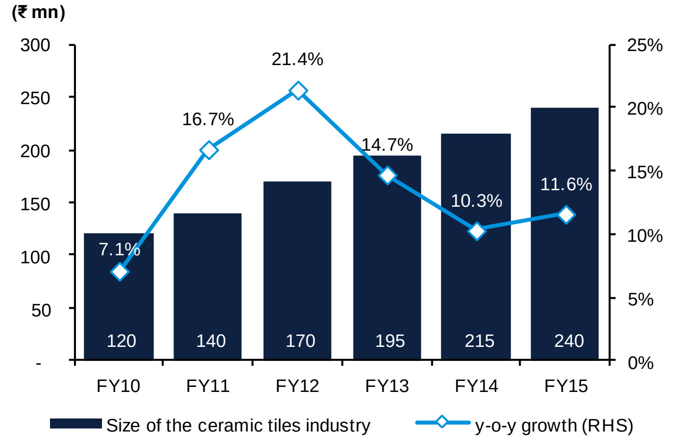
Large addressable market; competitive intensity may restrict incremental market share gain

We view Cera's foray into the tiles segment as a positive, as this is the largest addressable market in the building products industry. CRISIL Research estimates the ceramic tiles market at ~₹240 bn as of FY15, and forecasts a CAGR of 13% to ₹345 bn by FY18. Despite a robust ramp-up, gaining incremental market share could be challenging, owing to 1) high competitive intensity from both, established tiles manufacturers and smaller unorganised players, 2) lower scale (<1% market share) and limited product range, and 3) lack of brand awareness compared with other established players. We forecast a sales CAGR of 27% over FY15-18.

Foray into manufacturing JV for tiles to aid operating margin

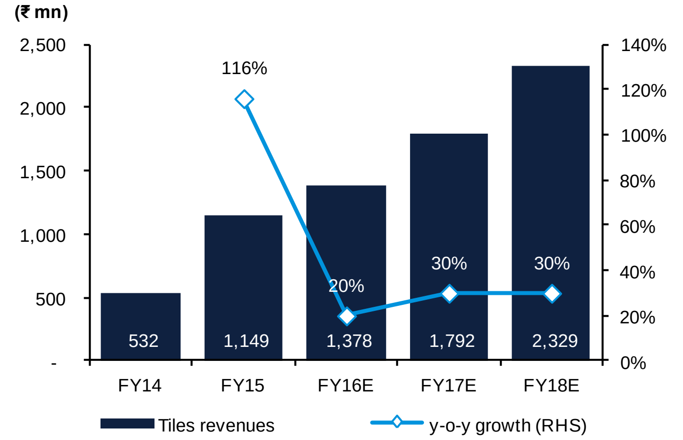
In Q2FY16, the company forayed into manufacturing tiles in-house by entering into a JV agreement with Anjani Tiles Ltd. The JV plans to set up a manufacturing capacity of 3.65 MSM in Andhra Pradesh. It envisages an investment of ₹184 mn for a 51% equity stake in the JV. Commercial production is slated to begin from Q1FY17. Further, it plans to set up a second unit in the ceramic processing zone of Rajasthan. Apart from supporting rapid growth expected in the tiles segment, this expansion is also expected to provide a fillip to margin of the tiles segment, by increasing share of high-value items.

Figure 11: Ceramic tiles has a large addressable market



Source: Industry, CRISIL Research

Figure 12: Tiles to record 26% CAGR over FY15-18E



Source: Company, CRISIL Research

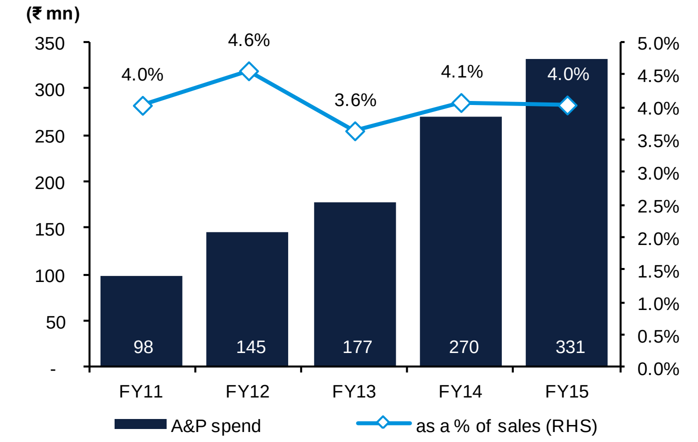
Sustained A&P spend to bolster brand awareness

Owing to sustained advertising and promotional (A&P) spend (4-5% of revenue), Cera has reinforced its strong brand equity in recent years.

Expected to sustain A&P spend of 4-5% of sales

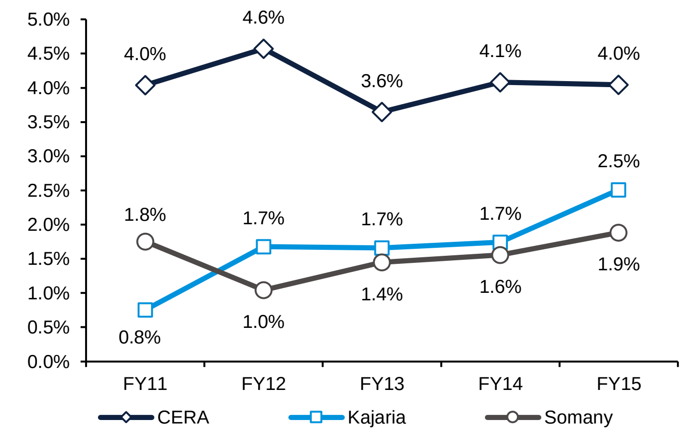
- A&P spend has recorded a CAGR of 36.5% from FY12-FY15, signficantly higher than industry peers. Going ahead, the company is expected to maintain its A&P expenses (advertising and publicity, brokerage, commission and sales discount) at 8-10% of revenue, similar to trend seen over last few years.
- It has ramped up its promotional activities in recent times – roped in actress Sonam Kapoor as brand ambassador in FY14. It is marketing its products via various mass media and has also partnered industry associations such as CREDAI (Confederation of Real Estate Developers Associations of India). These activities are likely to drive further brand awareness.
- The marketing arrangement with ECE Banyo is likely to aid in premiumisation of its brands, and enable it to cater to more brand-conscious customers.
- It has also increased the number of CERA Style Studios and CERA Galleries across the country. Currently, it has 10 style studios and around 200 galleries and plans to expand the network further.

Figure 13: Sustaining healthy A&P spend…



Source: Company, CRISIL Research

Figure 14: ... which is higher than most peers



Source: Company, CRISIL Research

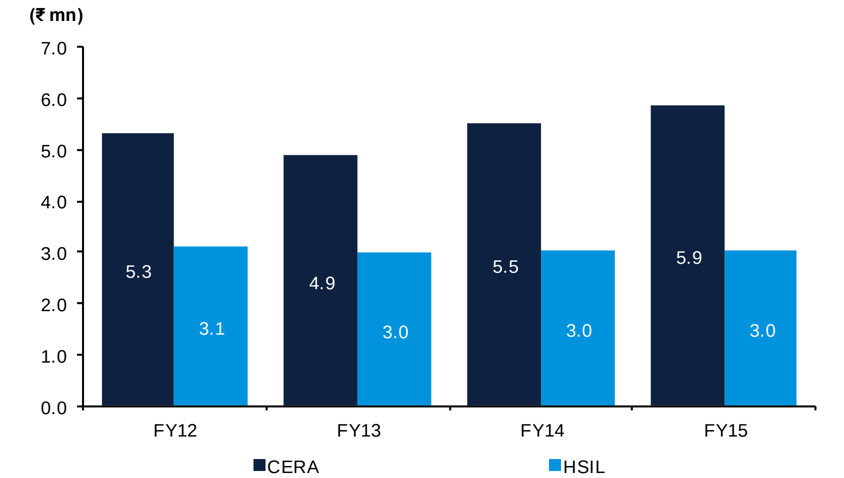
Expanding distribution network, but lacks scale of competitors

Over the years, Cera has strengthened its distribution network – currently, it has ~1,600 dealers (vis-à-vis ~600 dealers in FY11). This wide distribution network enables a diversified geographic presence. Nevertheless, Cera still lags its peers - HSIL has 3,000 dealers, while Jaquar has ~2,000 dealers.

Has 1,600 dealers and 16,000 retailers across India

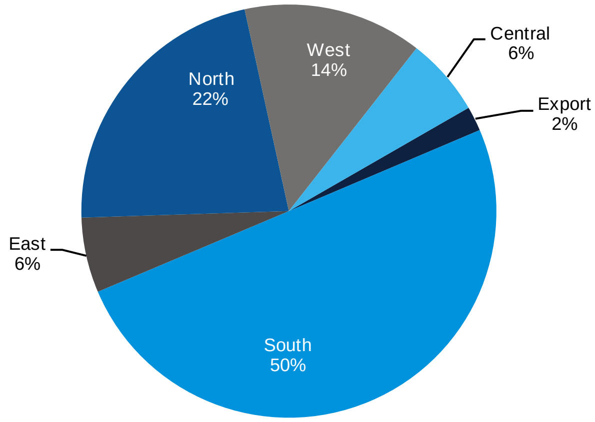
Although it lags in terms of dealer network, Cera enjoys better revenue per dealer compared with its peers. Its revenue per dealer has grown to ₹5.9 mn in FY15 from ₹5.3 mn in FY12, whereas that of HSIL has remained largely flat at ₹3.0 mn. Its presence in fast-growing tier-II and tier-III cities is better than HSIL – these cities contribute to 75% of Cera's revenue, compared to 25% of HSIL.

Figure 15: Sales per dealer has grown faster than HSIL



Source: Company, CRISIL Research

Figure 16: South remains the largest market



Source: Company, CRISIL Research

Table 2: Lags peers in number of dealers

Company	Dealers/distribnutors	Retail outlets
Cera	1,600	16,000
HSIL	>3,000	>19,000
Parryware Roca	1,000	NA
Jaquar	~2,000	NA

Source: Industry, CRISIL Research

Operating margin to improve, unlikely to surpass peak levels of 17-18%...

Operating margin contracted 63 bps y-o-y to 13.7% in H1FY16, owing to lower contribution from the high-margin sanitary ware products and muted realisation growth, amidst subdued demand. We expect EBITDA margin to improve gradually, over next couple of years to 15%, driven by 1) higher realisations, following an expected improvement in demand, 2) premiumisation of product portfolio, and 3) lower power and fuel costs, post installation of wind turbines and solar panels, and lower LNG prices. We expect operating margin to reach 15.2% by FY18.

With growing contribution from the low-margin faucets and tiles, Cera's operating margin is expected to remain below the peak of 16-17%

However, owing to increasing contribution of low-margin faucets and tiles, EBITDA margin is unlikely to reach the historic peak of 17-18%. Faucets and tiles currently fetch EBITDA margin of 12% and 7-8%, respectively, compared with 18-19% margin from the sanitary ware segment. However, with the launch of premium products and economies of scale, these businesses could see their margin improve.

… return ratios are expected to remain healthy

Even though faucets and tiles fetch lower margins, our calculations indicate that the return on capital employed (RoCE) for these products is comparable with that of the sanitary ware segment. This, coupled with continuing focus on asset light outsourcing and JV models, is expected to yield healthy return ratios.

RoCE of faucets and tiles segments comparable to sanitaryware

We have calculated the optimum RoCE potential of in-house manufacturing of sanitary ware, faucets and tiles. Based on our calculation, we opine that all segments make largely similar RoCEs, under a brownfield expansion.

	Sanitary ware	Faucet ware	Tiles
Capacity	1 mn pieces/annum	1 mn pieces/annum	1 mn sq metre
Capital investment (₹ mn)	800	400	200
Working capital days	45	55	40
Working capital requirement (₹ mn)	123	128	41
Utilisation (%)	100%	100%	100%
Realisation per unit (₹)	1,000	850	375
Total revenue potential (₹ mn)	1,000	850	375
EBITDA margin (%)	20%	14%	12%
Depreciation @ 5%/annum (₹ mn)	40	20	10
EBIT (₹ mn)	160	100	35
RoCE	**17%**	**19%**	**15%**

Growing competition remains the foremost challenge

The building products industry is highly fragmented and competitive in nature. Lured by the immense potential, many domestic and international players have scaled up their operations and expanded product portfolios, adding to the already high competitive intensity. Cera faces stiff competition across all product segments.

Sanitary ware – Growing affinity for branded products is likely to increase competition amongst organised players, vying for incremental market share. Notwithstanding its strong positioning in the mass and mid-market segments, Cera could face obstacles from both international (Kohler, Duravit, ToTo, American Standard) and domestic players (HSIL, Roca) in the premium segment. Additionally, tiles manufacturers such as Kajaria and Somany are also ramping up their sanitary ware operations.

Faucet ware – Jaquar remains the market leader, with strong presence in the mid and premium segments. Cera focuses on the mass market, characterised by presence of umpteen other players, including HSIL and Roca, resulting in high competitive intensity.

Tiles – Although competition from the unorganised segment has reduced post orders from the Gujarat High Court to shift to natural gas from coal gasifiers, competitive pressure in the organised segment remains high. Apart from presence of several well-established players such as Kajaria, H&R Johnson, Somany, and Asian Granito and NITCO; imports of low-end tiles from China poses an additional threat.

Efficient working capital management translates into healthy cash accrual, lower leverage

Stemming from efficient working capital management, the balance sheet quality remains robust. Over the years, the working capital days have remained largely stable, around 45-55 days. This translate into into higher cash accruals – over FY07-15, it has consistently generated positive cash flow from operations. Additionally, it leads to a lower short-term capital requirement. A strong balance sheet with comfortable leverage is expected to support future capital expansion plans.

CRISIL RESEARCH

Key Risks

Sustained slowdown in the real estate industry

Prospects of the sanitary ware and faucet ware segments are linked to the macroeconomic scenario in general and the real estate industry, in particular. This was evident during the economic slowdown of FY09-10 when the ceramic tiles and sanitary ware segments recorded 5% annual growth, which was significantly lower than the average of the previous five-year period. Real estate supply shrunk by ~20% over FY13-15 across metros and tier-I cities, which has impacted growth in recent quarters. A prolonged slowdown in the real estate industry could further hamper prospects.

Sustained slowdown in the real estate industry may impact the prospects of sanitary ware and faucet ware players

Sharp depreciation of rupee

Cera imports ~20% of its total raw material and stores and spare parts requirements. Sharp depreciation of the rupee could drive up import cost. In case the company is unable to pass on this increase in costs, it may impact operating margin.

Financial Outlook

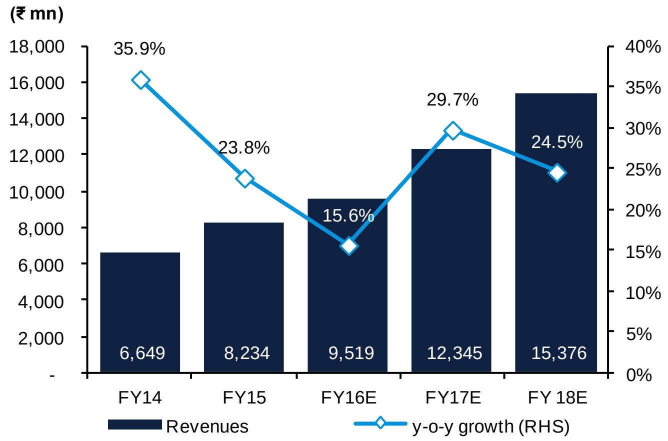
Expect revenue to register 23% CAGR over FY15-18

Faucet ware, ceramic tiles to provide growth impetus

Revenue is estimated to record a CAGR of 23.1% over FY15-18 to ₹15.4 bn, driven by the faucets and tiles segments. Faucets are expected to grow 40% over FY15-18, followed by tiles segment (26% CAGR), while the sanitary ware segment is expected to grow at a healthy 20%. Consequently, share of the sanitary ware segment is expected to decline to 58% in FY18, from 66% in FY15.

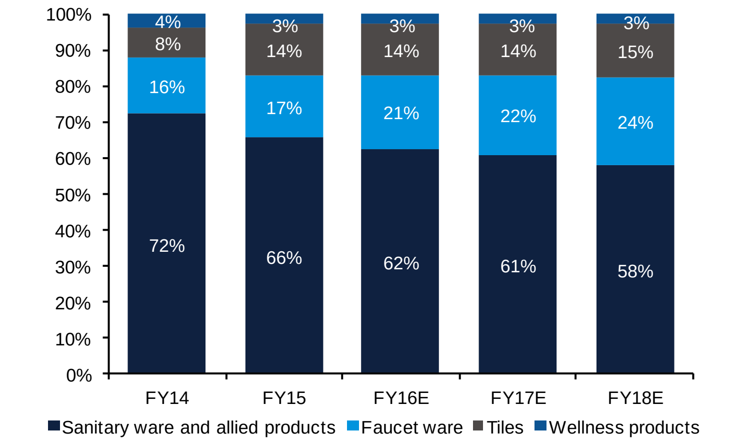
Although growth is likely to moderate to 16% in FY16 owing to industry headwinds, it is estimated to pick up in FY17, once consumer discretionary spending revives and real estate supply improves gradually.

Figure 17: Revenue growth to pick up in FY17



Source: Company, CRISIL Research

Figure 18: Share of sanitary ware to steadily decline



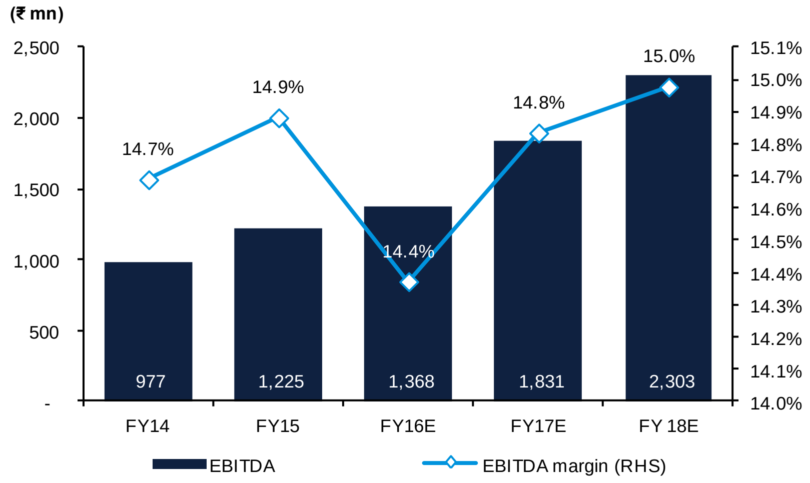
Source: Company, CRISIL Research

EBITDA margin to expand

EBITDA margin to expand by 60 bps over FY15-18E

EBITDA margin is expected to contract 50 bps y-o-y to 14.4% in FY16, owing to tepid realisation growth and higher share of low-margin faucets and tiles. However, operating margin is likely to expand 60 bps over FY16-18 to 15%, driven by – 1) higher share of in-house manufacturing, post expansion in capacities of sanitary ware and faucets segments and commissioning of JV facility for tiles, 2) premiumisation of product portfolio, post marketing arrangement with ECE Banyo and launch of high-end faucets, 3) lower power and fuel costs, following installation of solar panels and wind turbines, and lower crude oil prices, and 4) growth in realisation once demand recovers in FY17. However, we do not expect the EBITDA margin to reach historic levels of 17%+, as growing contribution from the low-margin products - faucets and tiles – is expected to arrest margin expansion.

Figure 19: EBITDA margin is expected to improve in the near term



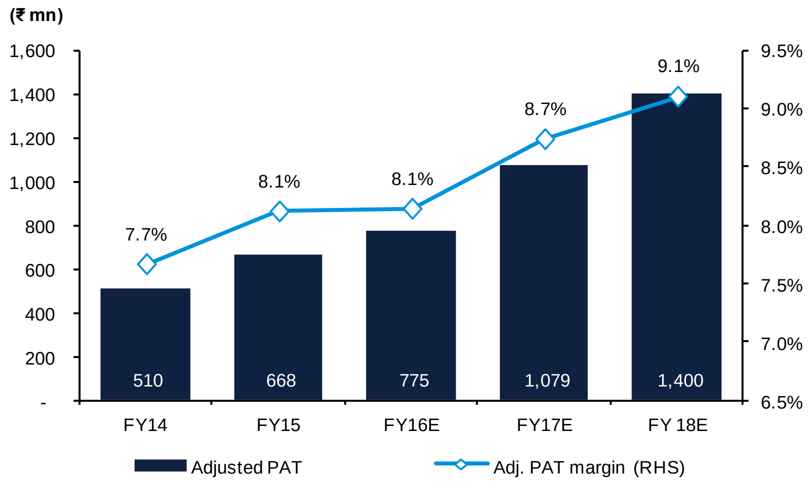
Source: Company, CRISIL Research

Adjusted PAT expected to grow 28% CAGR over FY15-18E

Adjusted PAT is expected to grow to ₹1,400 mn in FY18 from ₹668 mn in FY15, implying a three-year CAGR of 28%. This sturdy growth would stem mainly from healthy revenue growth and EBITDA margin expansion.

PAT to register healthy growth driven by revenue growth and EBITDA margin expansion

Figure 20: Adjusted PAT expected to register strong growth



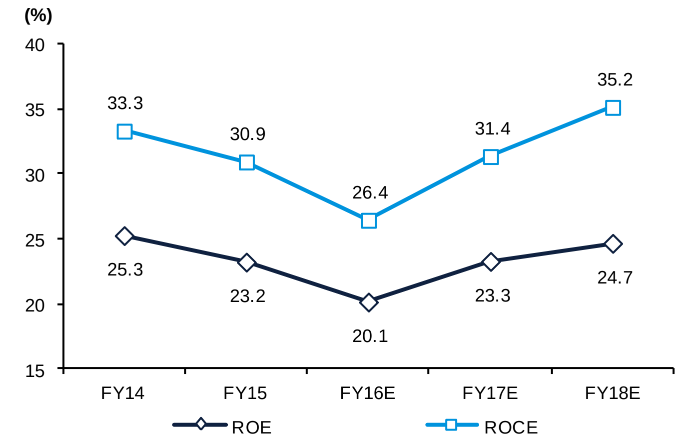
Source: Company, CRISIL Research

Return ratios to improve in FY15

Expanding margins to aid RoE and RoCE

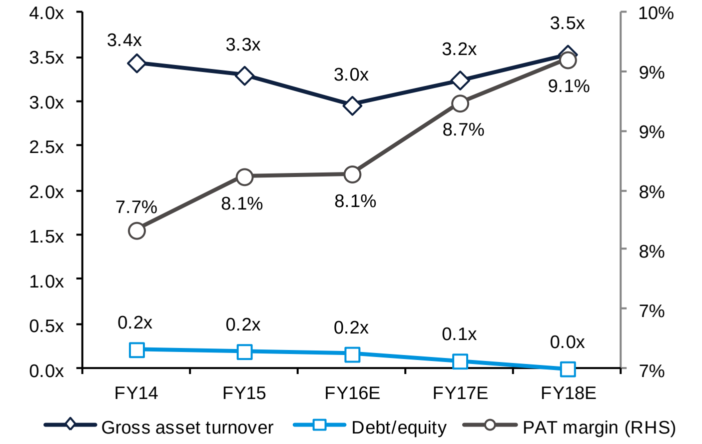
RoE is expected to improve to 23.3% in FY17 and 24.7% in FY18 from 20.1% in FY15, driven by higher PAT margin and improving asset turnover. We forecast the company to become unlevered by FY18, as healthy internal accruals are expected to be utilised towards debt repayment.

Figure 21: Return ratios expected to improve...



Source: Company, CRISIL Research

Figure 22: ... driven by improving PAT margin



Source: Company, CRISIL Research

Management Overview

CRISIL's fundamental grading methodology includes a broad assessment of management quality, apart from other key factors such as industry and business prospects and financial performance.

Experienced top management…

Promoted by Vikram Somany, Chairman and Managing Director, Cera has a decentralised decision-making process. Mr Somany has over three decades of experience in the sanitary ware business, and has successfully steered the company to become a leading player in the domestic sanitary ware industry. He is aptly supported by a professional top management team, headed by Mr Subhash Chandra Kothari, Chief Executive Officer; Mr Atul Sanghvi, Executive Director; and Mr Bharat Mody, strategic advisor.

…aptly supported by a strong second line

Based on our interaction, we believe that the company has a professional second line of management, which is well-versed with day-to-day operations. Most of the second line has been with the company for some time.

Successful in executing growth strategies

Our confidence in the execution capability of the management team has grown over past couple of years. The management has successfully demonstrated capability to execute growth strategies by ramping up new businesses - faucets and tiles. The management remains proactive in identifying and executing growth strategies.

Successfully ramped up faucets and tiles businesses

Corporate Governance

CRISIL's fundamental grading methodology includes a broad assessment of corporate governance and management quality, apart from other key factors such as industry and business prospects, and financial performance. In this context, CRISIL Research analyses the shareholding structure, board composition, typical board processes, disclosure standards and related-party transactions. Any qualifications by regulators or auditors also serve as useful inputs while assessing a company's corporate governance.

Board processes satisfactory

We perceive the board processes and systems to be satisfactory. The board comprises eight directors, of whom four are independent, which meets the Clause 49 of SEBI's listing agreement. The company has all the necessary committees – audit, remuneration and investor grievance – in place. Board meetings are held in regular intervals and agenda papers are also circulated in advance.

Healthy quality of earnings

- **Healthy earnings:** We believe the quality of earnings is strong, which is reflected in following parameters:
  - Debtor and inventory days - largely stable over last few years. Consistently generated operating cash flows over last few years, in line with growth in organic revenue.
- **Treatment of minority shareholders:** Despite consistent capacity additions, the company has maintained a steady dividend payout ratio.
- **Limited related party transaction:** In our opinion, there are no material related party transactions or capital allocations issues with the company.

Scope to improve disclosure standards

Although the company's disclosure levels meet statutory requirements, we believe there is scope for improvement. For example, it does not disclose product/segment-wise revenue and margin and capital employed data, in its quarterly reports .

Valuation Grade: 4/5

We continue to value Cera by using the DCF method. We have maintained our earnings estimates for FY16 and FY17. We have rolled forward our estimates by one year to FY18. Accordingly, we have raised our fair value to ₹2,181 from ₹1,846 earlier. This fair value implies P/E multiples of 26.3x and 20.3x FY17E and FY18E EPS, respectively. The stock is currently trading at ₹1,943, which implies P/E multiples of 23.4x FY17E EPS and 18.1x FY18E EPS. At the current market price, the valuation grade is **4/5**.

Fair value increased to ₹2,181 on account of roll forward

Key assumptions

We have considered the discounted value of the firm's estimated free cash flows over FY17-27 to sufficiently capture long-term prospects. In the terminal year, we have assumed a growth rate of 5% and EBITDA margin of 14.5%. We have assumed cost of equity of 14.0%.

WACC assumptions

	Explicit period	Terminal value
Cost of equity	14.0%	14.0%
Cost of debt (post tax)	7.4%	7.4%
WACC	12.7%	12.7%
Terminal growth rate		5.0%

Sensitivity of fair value to terminal growth and WACC

	Terminal growth				
WACC	3.0%	4.0%	5.0%	6.0%	7.0%
10.7%	2,005	2,128	2,285	2,487	2,762
11.7%	1,951	2,075	2,231	2,434	2,708
12.7%	1,901	2,025	**2,181**	2,384	2,658
13.7%	1,855	1,979	2,135	2,338	2,612
14.7%	1,812	1,935	2,092	2,294	2,569

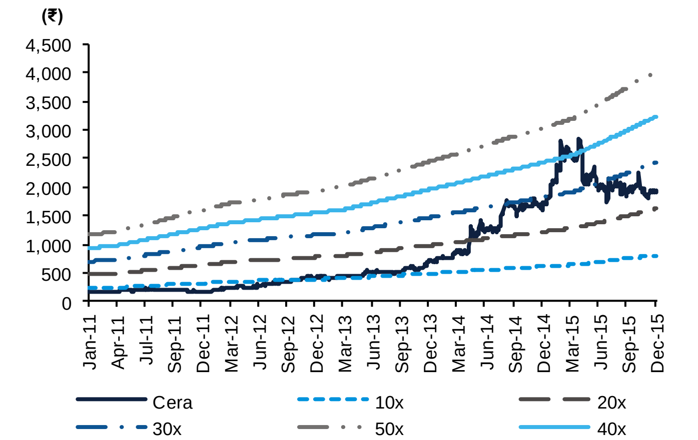
Source: Company, CRISIL Research

Sensitivity of fair value to terminal EBITDA and WACC

	EBITDA margin %				
WACC	12.5%	13.5%	14.5%	15.5%	16.5%
10.7%	2,073	2,179	2,285	2,390	2,496
11.7%	2,021	2,126	2,231	2,336	2,441
12.7%	1,972	2,077	**2,181**	2,285	2,390
13.7%	1,927	2,031	2,135	2,238	2,342
14.7%	1,885	1,988	2,092	2,195	2,298

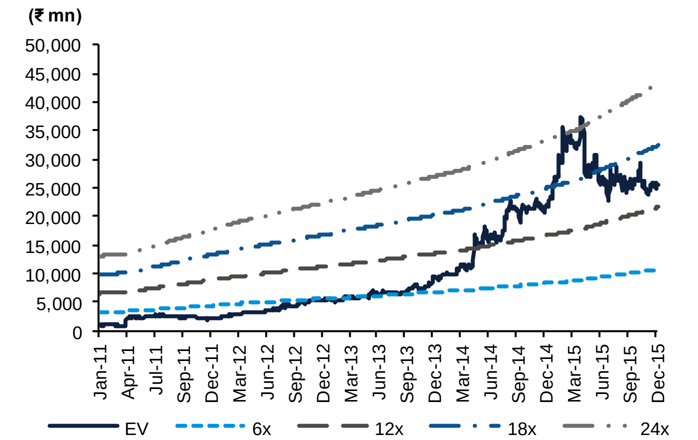
Source: Company, CRISIL Research

One-year forward P/E band



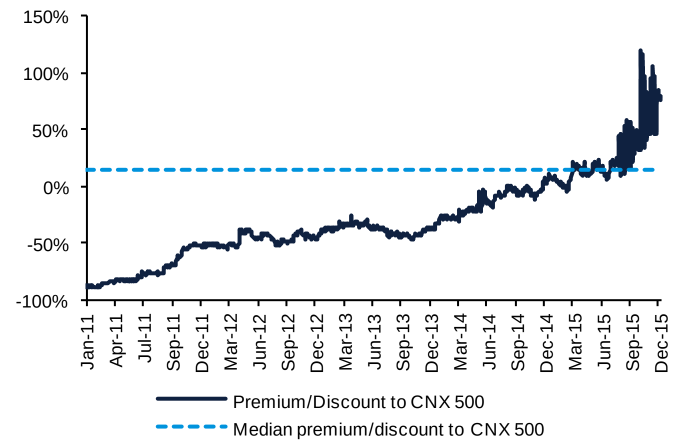
Source: NSE, CRISIL Research

One-year forward EV/EBITDA band



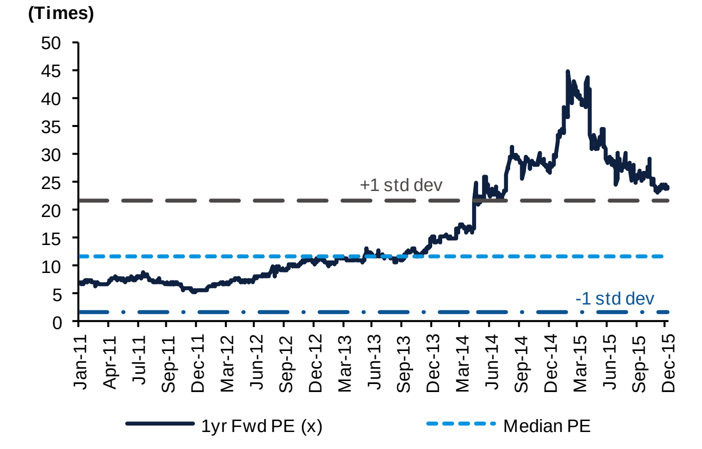
Source: NSE, CRISIL Research

P/E – premium / discount to NIFTY 500



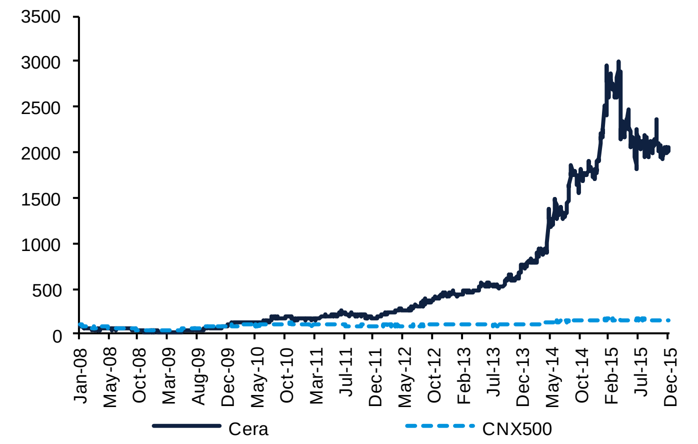
Source: NSE, CRISIL Research

P/E movement



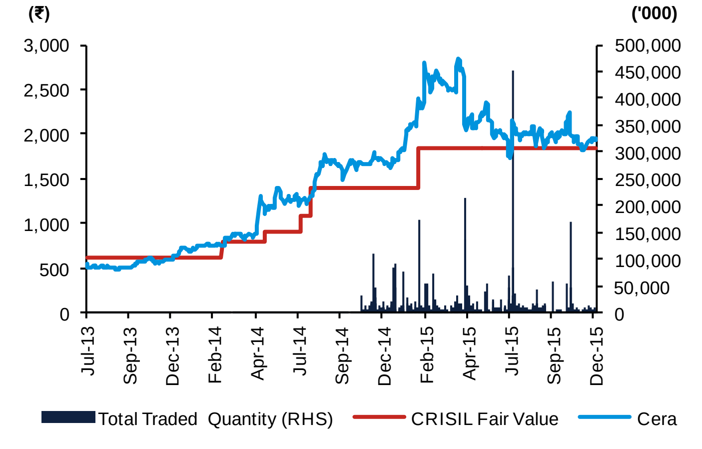
Source: NSE, CRISIL Research

Stock performance vs. NIFTY 500



Source: NSE, CRISIL Research

Fair value movement since initiation



Source: NSE, CRISIL Research

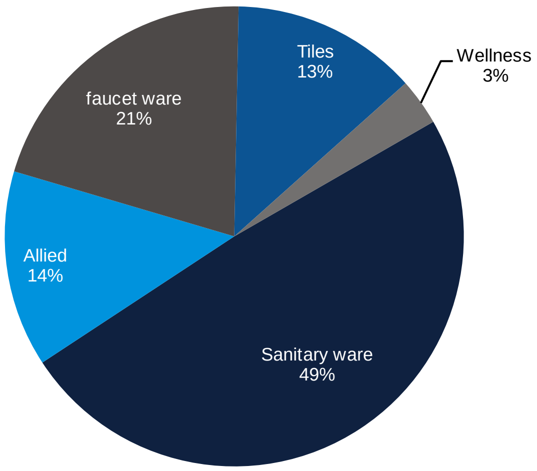
CRISIL IER reports released on Cera Sanitaryware Ltd

Date	Nature of report	Fundamental grade	Fair value	Valuation grade	CMP (on the date of report)
07-Aug-13	Initiating coverage	4/5	₹615	4/5	₹511
11-Nov-13	Q2FY14 result update	4/5	₹615	3/5	₹563
28-Feb-14	Q3FY14 result update	4/5	₹794	3/5	₹756
15-May-14	Q4FY14 result update	4/5	₹903	2/5	₹1,139
31-Jul-14	Q1FY15 result update	4/5	₹1,075	2/5	₹1,317
12-Aug-14	Detailed report	4/5	₹1,406	3/5	₹1,543
27-Oct-14	Q2FY15 result update	4/5	₹1,406	2/5	₹1,682
13-Feb-15	Q3FY15 result update	4/5	₹1,846	1/5	₹2,804
05-May-15	Q4FY15 result update	4/5	₹1,846	2/5	₹2,185
06-Aug-15	Q1FY16 result update	4/5	₹1,846	3/5	₹2,004
01-Dec-15	Q2FY16 result update	4/5	₹1,846	3/5	₹1,945
17-Dec-15	Detailed report	4/5	₹2,181	4/5	₹1,943

Company Overview

Incorporated in 1980, Cera has emerged as the third largest player in the Indian sanitary ware industry. The company holds ~23-24% market share in the organised segment. The manufacturing plants for sanitary ware and faucet ware are located in Kadi (Gujarat). The company has increased its installed capacity to produce 3 mn pieces/annum of sanitary ware and 7,200 pieces/ day of faucet ware. It is also entering into a JV to manufacture floor tiles, which were earlier outsourced. The company also imports premium sanitary ware products from China and markets under the CERA brand. The product range includes vitreous Chinese sanitary ware, faucet ware (chrome-plated fittings and taps), wellness products such as shower panels, bathroom cubicles, bath tubs, jacuzzi, bath fittings, allied products (PVC cisterns and seat covers), kitchen sinks and bathroom mirrors. As of October 2015, Cera has 1,600 distributors / dealers, 16,000 retailers and 21 major stock points across India, along with 10 zonal and service offices.

Figure 23: Segmental revenue break-down for H1FY16



Source: Company, CRISIL Research

Milestones

1979-80	Incorporated as Madhusudan Ceramics, a unit of Madhusudan Industries Ltd, present in the oil and ceramics segments. Installed capacity at ceramics division was 0.3 mn pieces/annum
1995-96	Established its outsourcing division, with initial turnover of ₹13.7 mn and manufacturing capacity increased to 1.25 mn pieces/annum
2001-02	Demerger of Madhusudan Industries and transfer of ceramics division to form Cera Sanitaryware Ltd
2005-06	First to introduce concept of bath studios in Ahmedabad
2006-07	Undertook expansion and increased the capacity to 1.38 mn pieces p.a. in sanitary ware
2007-08	Installed captive power plant (gas-based) in Kadi, wind turbine generator and increased capacity to 2 mn pieces p.a. in sanitary ware
2010-11	Commissioned manufacturing plant for faucet ware, with initial capacity of 2,500 pieces per day and scalable to 10,000 pieces per day
2011-12	In the sanitary ware segment, CERA was voted 'Product of the Year' for the second consecutive year
2012-13	Expanded capacity of sanitary ware plant from 2.0 mn unit to 2.7 mn units
2013-14	Ventured into vitrified and floor tiles segment; undertook capacity expansion for faucet ware segment
2014-15	Tied-up Italian brand ISVEA and is gearing up for its launch. Also entered into JV with Anjani Tiles to set up a manufacturing plant for floor tiles in Andhra Pradesh.

Source: Company, CRISIL Research

Annexure: Financials

Income statement

(₹ mn)	FY14	FY15	FY16E	FY17E	FY18E
Operating income	**6,649**	**8,234**	**9,519**	**12,345**	**15,376**
EBITDA	**977**	**1,225**	**1,368**	**1,831**	**2,303**
EBITDA margin	**14.7%**	**14.9%**	**14.4%**	**14.8%**	**15.0%**
Depreciation	122	155	171	202	231
EBIT	**854**	**1,071**	**1,198**	**1,630**	**2,072**
Interest	64	77	75	62	24
Operating PBT	**790**	**993**	**1,123**	**1,568**	**2,048**
Other income	25	4	34	42	41
Exceptional inc/(exp)	9	1	-	-	-
PBT	**824**	**998**	**1,157**	**1,610**	**2,089**
Tax provision	305	329	382	531	689
Minority interest	-	-	-	-	-
PAT (Reported)	**519**	**669**	**775**	**1,079**	**1,400**
Less: Exceptionals	9	1	-	-	-
Adjusted PAT	**510**	**668**	**775**	**1,079**	**1,400**

Ratios

	FY14	FY15	FY16E	FY17E	FY18E
Growth					
Operating income (%)	35.9	23.8	15.6	29.7	24.5
EBITDA (%)	23.2	25.5	11.7	33.9	25.7
Adj PAT (%)	17.3	31.1	15.9	39.2	29.8
Adj EPS (%)	17.3	27.6	15.9	39.2	29.8
Profitability					
EBITDA margin (%)	14.7	14.9	14.4	14.8	15.0
Adj PAT Margin (%)	7.7	8.1	8.1	8.7	9.1
RoE (%)	25.3	23.2	20.1	23.3	24.7
RoCE (%)	33.3	30.9	26.4	31.4	35.2
RoIC (%)	27.1	23.7	21.2	24.8	27.2
Valuations					
Price-earnings (x)	48.2	37.8	32.6	23.4	18.1
Price-book (x)	11.0	7.2	6.1	5.0	4.0
EV/EBITDA (x)	25.3	20.6	18.5	13.7	10.6
EV/Sales (x)	3.7	3.1	2.7	2.0	1.6
Dividend payout ratio (%)	12.2	12.1	12.5	12.5	14.1
Dividend yield (%)	0.3	0.3	0.4	0.5	0.8
B/S ratios					
Inventory days	58	56	55	55	55
Creditors days	75	78	78	78	78
Debtor days	56	69	70	65	60
Working capital days	46	50	58	52	49
Gross asset turnover (x)	3.4	3.3	3.0	3.2	3.5
Net asset turnover (x)	4.8	4.5	4.0	4.4	4.9
Sales/operating assets (x)	4.5	4.2	3.8	4.4	4.9
Current ratio (x)	1.8	2.1	2.0	1.9	1.8
Debt-equity (x)	0.2	0.2	0.2	0.1	0.0
Net debt/equity (x)	0.1	(0.0)	0.0	(0.0)	(0.1)
Interest coverage					
EBITDA/Interest	15.2	15.9	18.2	29.6	94.6
EBIT/Interest	13.3	13.9	16.0	26.4	85.1

Per share

	FY14	FY15	FY16E	FY17E	FY18E
Adj EPS (₹)	40.3	51.4	59.6	82.9	107.6
CEPS	50.0	63.3	72.7	98.5	125.4
Book value	177.0	270.4	321.1	391.6	480.9
Dividend (₹)	5.0	6.3	7.4	10.3	15.2
Actual o/s shares (mn)	12.7	13.0	13.0	13.0	13.0

Balance Sheet

(₹ mn)	FY14	FY15	FY16E	FY17E	FY18E
Liabilities					
Equity share capital	63	65	65	65	65
Reserves	2,176	3,452	4,111	5,028	6,189
Minorities	-	-	-	-	-
Net worth	**2,240**	**3,517**	**4,176**	**5,093**	**6,254**
Convertible debt	-	-	-	-	-
Other debt	483	682	682	443	0
Total debt	**483**	**682**	**682**	**443**	**0**
Deferred tax liability (net)	202	278	278	278	278
Total liabilities	**2,924**	**4,477**	**5,136**	**5,813**	**6,533**
Assets					
Net fixed assets	1,517	2,147	2,652	2,953	3,311
Capital WIP	122	157	-	-	-
Total fixed assets	**1,639**	**2,304**	**2,652**	**2,953**	**3,311**
Investments	**69**	**73**	**257**	**257**	257
Current assets					
Inventory	1,046	1,259	1,434	1,860	2,317
Sundry debtors	1,066	1,614	1,905	2,296	2,643
Loans and advances	352	493	569	739	920
Cash & bank balance	238	222	146	206	307
Marketable securities	122	478	478	478	478
Total current assets	**2,824**	**4,065**	**4,533**	**5,579**	**6,665**
Total current liabilities	**1,608**	**1,965**	**2,306**	**2,976**	**3,700**
Net current assets	**1,216**	**2,100**	**2,226**	**2,603**	**2,964**
Intangibles/Misc. expenditure	**-**	**-**	**-**	**-**	**-**
Total assets	**2,924**	**4,477**	**5,136**	**5,813**	**6,533**

Cash flow

(₹ mn)	FY14	FY15	FY16E	FY17E	FY18E
Pre-tax profit	815	997	1,157	1,610	2,089
Total tax paid	(265)	(253)	(382)	(531)	(689)
Depreciation	122	155	171	202	231
Working capital changes	(39)	(544)	(203)	(317)	(260)
Net cash from operations	**633**	**355**	**743**	**964**	**1,370**
Cash from investments					
Capital expenditure	(429)	(819)	(519)	(503)	(589)
Investments and others	(109)	(360)	(184)	-	-
Net cash from investments	**(538)**	**(1,179)**	**(703)**	**(503)**	**(589)**
Cash from financing					
Equity raised/(repaid)	-	706	-	-	-
Debt raised/(repaid)	(128)	199	-	(239)	(443)
Dividend (incl. tax)	(74)	(98)	(116)	(162)	(238)
Others (incl extraordinaries)	9	1	(0)	-	-
Net cash from financing	**(193)**	**808**	**(116)**	**(401)**	**(681)**
Change in cash position	(98)	(16)	(76)	60	101
Closing cash	238	222	146	206	307

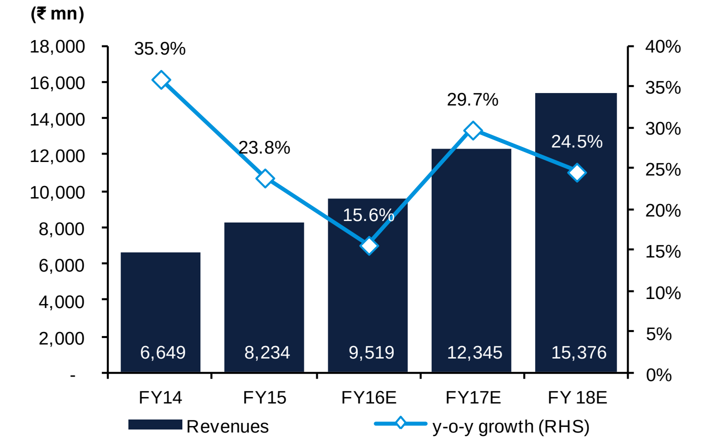
Quarterly financials

(₹ mn)	Q2FY15	Q3FY15	Q4FY15	Q1FY16	Q2FY16
Net Sales	**1,996**	**2,093**	**2,504**	**1,943**	**2,253**
Change (q-o-q)	23%	5%	20%	-22%	16%
EBITDA	**276**	**297**	**361**	**282**	**292**
Change (q-o-q)	14%	7%	22%	-22%	3%
EBITDA margin	**13.8%**	**14.2%**	**14.4%**	**14.5%**	**12.9%**
PAT	158	162	221	157	179
Adj PAT	**158**	**162**	**221**	**157**	**179**
Change (q-o-q)	16%	3%	37%	-29%	14%
Adj PAT margin	**7.9%**	**7.7%**	**8.8%**	**8.1%**	**7.9%**
Adj EPS	**12.4**	**12.8**	**17.0**	**12.0**	**13.8**

Source: CRISIL Research

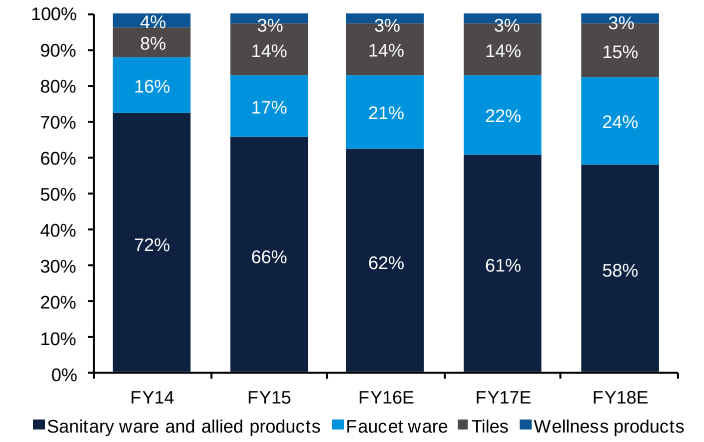
Focus Charts

Revenues to grow at 23% CAGR over FY16-18



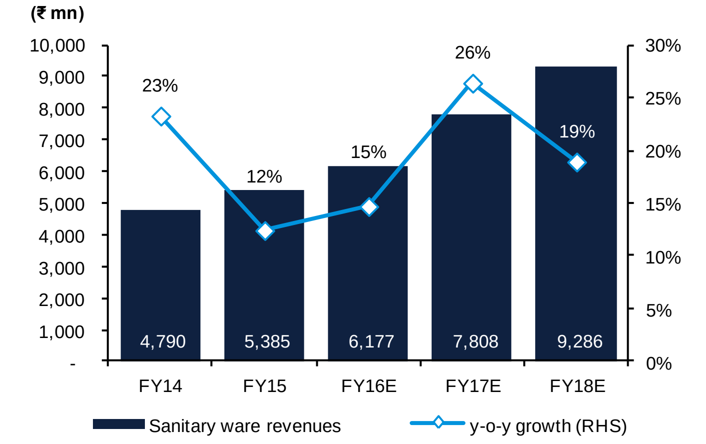
Source: Company, CRISIL Research

Revenue contribution of sanitary ware to reduce gradually



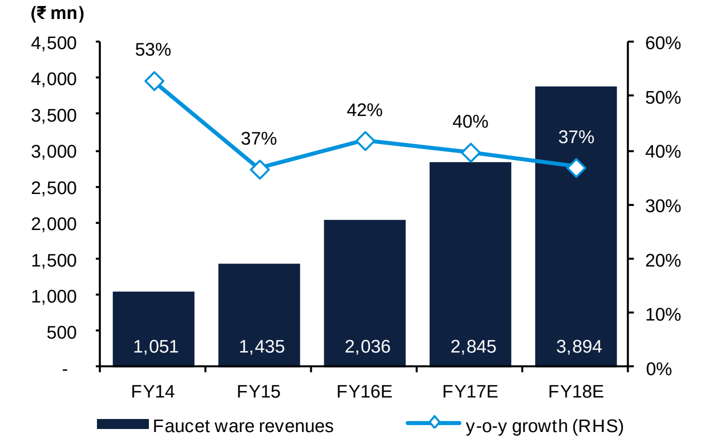
Source: Company, CRISIL Research

Sanitary ware segment to grow at three-year CAGR of 25%



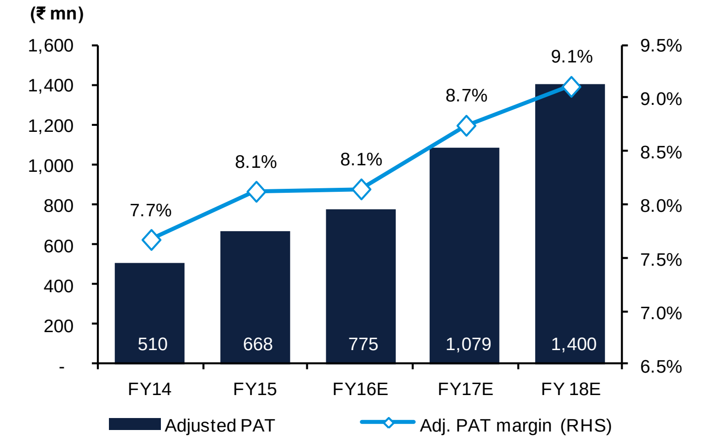
Source: Company, CRISIL Research

Faucet ware to grow faster than sanitary ware



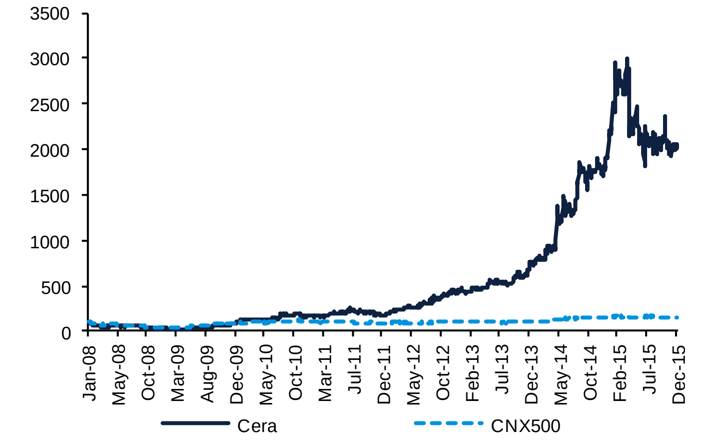
Source: Company, CRISIL Research

Adjusted PAT to grow at a three-year CAGR of 28%



Source: Company, CRISIL Research

Stock performance vs NIFTY 500



-Indexed to 100

Source: Company, CRISIL Research

CRISIL Research Team

Senior Director

Manish Jaiswal	CRISIL Research	+91 22 3342 8290	manish.jaiswal@crisil.com

Analytical Contacts

Prasad Koparkar	Senior Director, Industry & Customised Research	+91 22 3342 3137	prasad.koparkar@crisil.com
Binaifer Jehani	Director, Customised Research	+91 22 3342 4091	binaifer.jehani@crisil.com
Manoj Damle	Director, Customised Research	+91 22 3342 3342	manoj.damle@crisil.com
Manoj Mohta	Director, Customised Research	+91 22 3342 3554	manoj.mohta@crisil.com
Jiju Vidyadharan	Director, Funds & Fixed Income Research	+91 22 3342 8091	jiju.vidyadharan@crisil.com
Ajay Srinivasan	Director, Industry Research	+91 22 3342 3530	ajay.srinivasan@crisil.com
Rahul Prithiani	Director, Industry Research	+91 22 3342 3574	rahul.prithiani@crisil.com
Ajay D'Souza	Director, New Product Development	+91 22 3342 3567	ajay.dsouza@crisil.com

Business Development

Prosenjit Ghosh	Director, Industry & Customised Research		+91 99206 56299	prosenjit.ghosh@crisil.com
Megha Agrawal	Associate Director		+91 98673 90805	megha.agrawal@crisil.com
Neeta Muliyil	Associate Director		+91 99201 99973	neeta.muliyil@crisil.com
Ankesh Baghel	Regional Manager	(West)	+91 98191 21510	ankesh.baghel@crisil.com
Ravi Lath	Regional Manager	(West)	+91 98200 62424	ravi.lath@crisil.com
Sarrthak Sayal	Regional Manager	(North)	+91 95828 06789	sarrthak.sayal@crisil.com
Priyanka Murarka	Regional Manager	(East)	+91 99030 60685	priyanka.murarka@crisil.com
Naveena R	Regional Manager	(Karnataka & Kerala)	+91 95383 33088	naveena.r@crisil.com
Sanjay Krishnaa	Regional Manager	(Tamil Nadu & AP)	+91 98848 06606	sanjay.krishnaa@crisil.com

Our Capabilities

Making Markets Function Better

Economy and Industry Research

- Largest team of economy and industry research analysts in India
- Acknowledged premium, high quality research provider with track record spanning two decades
- 95% of India's commercial banking industry by asset base uses our industry research for credit decisions
- Coverage on 86 industries: We provide analysis and forecast on key industry parameters including demand, supply, prices, investments and profitability, along with insightful opinions on emerging trends and impact of key events
- Research on sectors and clusters dominated by small and medium enterprises covering analysis of relative attractiveness, growth prospects and financial performance
- High-end customised research for many leading Indian and global corporates in areas such as market sizing, demand forecasting, project feasibility and entry strategy

Funds and Fixed Income Research

- Largest and most comprehensive database on India's debt market, covering more than 18,000 securities
- Largest provider of fixed income valuations in India
- Provide valuation for more than ₹81 trillion (US$ 1,275 billion) of Indian debt securities
- Sole provider of fixed income and hybrid indices to mutual funds and insurance companies; we maintain 37 standard indices and over 100 customised indices
- Ranking of Indian mutual fund schemes covering 75% of assets under management and ₹9 trillion (US$ 144 billion) by value
- Business review consultants to The Employees' Provident Fund Organisation (EPFO) and The National Pension System (NPS) Trust in monitoring performance of their fund managers

Equity and Company Research

- Assigned the first IPO grade in India; graded more than 100 IPOs till date
- Due Diligence and Valuation services across sectors; executed close to 100 valuation assignments
- Due Diligence, IPO Grading and Independent Equity Research for SME companies planning to list or already listed in NSE Emerge platform
- First research house to release exchange-commissioned equity research reports in India; covered 1,488 firms listed and traded on the National Stock Exchange

Executive Training

- Conducted 1200+ training programs on a wide spectrum of topics including credit, risk, retail finance, treasury, and corporate advisory; trained more than 24,000 professionals till date
- Training programs being conducted in India, Sri Lanka and Bangladesh through an extensive network of well-qualified financial professionals

Our Office

Ahmedabad
706, Venus Atlantis
Nr. Reliance Petrol Pump
Prahladnagar, Ahmedabad, India
Phone: +91 79 4024 4500
Fax: +91 79 2755 9863

Bengaluru
W-101, Sunrise Chambers,
22, Ulsoor Road,
Bengaluru - 560 042, India
Phone: +91 80 2558 0899
+91 80 2559 4802
Fax: +91 80 2559 4801

Chennai
Thapar House,
43/44, Montieth Road, Egmore,
Chennai - 600 008, India
Phone: +91 44 2854 6205/06
+91 44 2854 6093
Fax: +91 44 2854 7531

Gurgaon
Plot No. 46
Sector 44
Opp. PF Office
Gurgaon - 122 003, India
Phone: +91 124 6722 000

Hyderabad
3rd Floor, Uma Chambers
Plot No. 9&10, Nagarjuna Hills,
(Near Punjagutta Cross Road)
Hyderabad - 500 482, India
Phone: +91 40 2335 8103/05
Fax: +91 40 2335 7507

Kolkata
Horizon, Block 'B', 4th Floor
57 Chowringhee Road
Kolkata - 700 071, India
Phone: +91 33 2289 1949/50
Fax: +91 33 2283 0597

Pune
1187/17, Ghole Road,
Shivaji Nagar,
Pune - 411 005, India
Phone: +91 20 2553 9064/67
Fax: +91 20 4018 1930

Stay Connected | CRISIL Website | Twitter | LinkedIn | YouTube | Facebook

CRISIL Limited
CRISIL House, Central Avenue,
Hiranandani Business Park, Powai, Mumbai – 400076. India
Phone: +91 22 3342 3000 | Fax: +91 22 3342 8088
www.crisil.com