



Cera Sanitaryware Limited

Q1 FY26 Earnings Conference Call Transcript August 07, 2025

Moderator: Ladies and gentlemen, good day and welcome to the earnings conference call of CERA Sanitaryware Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Devrishi Singh from CDR India. Thank you and over to you, sir.

Devrishi Singh: Thank you, Neerav. Good morning, everyone, and thank you for joining us on the earnings conference call for CERA Sanitaryware Limited for Q1 FY26 earnings which were announced yesterday. We have with us today the management team comprising Mr. Vikas Kothari -- CFO, and Mr. Deepak Chaudhary -- VP, Finance, and Investor Relations.

We will start with brief opening remarks from the management, following which we will open the call for Q&A. A quick disclaimer before we begin. Some of the statements made in today's conference call may be forward-looking in nature, and a detailed note in this regard is contained in the results documents that have been shared with all of you earlier.

I will now turn the call over to the management for their opening remarks. Thank you and over to you, Deepak.

Deepak Chaudhary: Thank you, Devrishi. Good morning, everyone. On behalf of the management team of CERA Sanitaryware Limited, I would like to extend a warm welcome to all of you on our Q1 FY26 conference call. I will begin by sharing a brief update on our operational and strategic progress, following which our CFO, Mr. Vikas Kothari, will give you the financial highlights for the quarter.

In backdrop of continued softness in consumer demand across key markets, we are pleased to report a stable performance for this quarter. Our Faucetware segment recorded a year-on-year growth of 13.4%, supported by stable demand and continued acceptance of our expanded SKU portfolio. In contrast, demand in sanitaryware segment remained soft during the quarter. However, we remain confident that long-term tailwinds will gradually aid recovery in this category.

Over the past few years, we have consistently focused on building a stronger, more agile organization through deeper brand segmentation, new channel strategies, and a sharper innovation pipeline. We remain confident that these actions will translate into tangible momentum across key growth levers going forward as and when the market conditions improve.

Our B2B segment continue to gain momentum, contributing 38% of revenues during the quarter, compared to 36% in Q1 FY25. We are witnessing healthy order inflows from the real estate sector, driven by increased construction activity and improved developer sentiment. There are strong brand equity, product reliability and execution capabilities have helped deepen our presence in the B2B space, further strengthening our position as a preferred partner for large-scale projects.

- I would like to update you on two key strategic initiatives. The Company has been consistently advancing its strategy for the Senator brand, which is positioned at the top end of our portfolio. To give you a bit more color, Senator today boasts of a much-expanded portfolio, with eight full sanitaryware ranges and nine faucetware collections, and a newly introduced wellness range, including whirlpools, steam cables, and high-end showers. This makes it a comprehensive solution for the discerning premium customer. We are engaging in close relationships with the architects and HNIs, supported by a dedicated sales and business development team of over 50 professionals trained specifically for the luxury segment.
- As of Q1 FY26, we have 23 Senator channel partners, with showroom displays upgraded to 650 to 800 square feet, to create a more immersive brand experience.
- Our target is to operationalize around 45 to 50 stores by FY26 end. Importantly, these dealers are new and exclusive to Senator, ensuring brand purity and focus. The pricing strategy is competitive with other luxury brands but offer better margins to our partners.
- We have also introduced a dedicated institutional catalog and pricing to address project-led premium demand - a first for this brand.

These actions reflect a significant shift in our approach. Senator is no longer a tactical strategy; it is now a fully developed brand platform designed to capture a larger share of the luxury segment and drive long-term value creation. We believe the groundwork we are laying today positions Senator for meaningful traction as the market environment improves.

In parallel, during Q1 FY26, we successfully launched a new value brand, "POLIPLUZ" marking CERA strategic entry into deep value segment. POLIPLUZ is thoughtfully designed to cater to the aspirational needs of households in tier 4 cities, towns, and villages, targeting an approximately Rs. 9,000 crore market currently dominated by the unorganized players.

- POLIPLUZ will offer both PTMT and brass variants and follows a distinct go-to-market strategy via hardware stores. We aim to appoint 140 distributors with about 5,000 retail touchpoints by the end of one year, supported by a 70-member field force. Product pricing is positioned midway, bridging the typical gap between the low-cost PTMT and high-end brass products to gently push upgradation among the rural consumers. To build mindshare among influencers, we have also extended our popular StarPlumber loyalty program to this new channel.
- Despite being an affordable offering, POLIPLUZ is expected to be margin-accretive, with margin levels comparable to or even better than our current blended margins.
- Early market feedback has been encouraging, and we believe that this initiative will open up meaningful, long-term growth opportunities for CERA in this under-penetrated segment.

By establishing clear brand segmentation and tailoring our product and channel strategies to suit each target group, we are not only expanding our market reach but also ensuring a sharper focus and positioning across categories. This inclusive approach, spanning a wide range of price points, material preferences, and regional demand clusters, reinforces our ability to adapt to changing market dynamics while staying true to our core values of quality, innovation, and customer trust. While the scale-up will take place over time, the initiatives underway today lay a solid base to capture future opportunities.

While the timing of a broad-based recovery remains uncertain, we remain optimistic about the future prospects of the industry. The long-term outlook is expected to stay strong, supported by continued formalization of the sector, rising aspiration of the consumers, and supporting policy initiatives such as urban redevelopment, housing schemes, and sanitation infrastructure. These structural drivers, coupled with a strong brand and distribution reach, place us well for sustained outperformance.

We believe that the investments we are making today in brands, in distribution, and in product innovation, will position CERA to benefit disproportionately when the market conditions improve. Our focus remains on building an organization that is future-ready, resilient, and aligned with the evolving aspirations of the Indian consumers.

To conclude, Q1 FY26 was marked by stable performance despite a challenging demand environment. While the near-term softness is persisting, we remain confident in the long-term potential of the industry and our own preparedness to capitalize on the future opportunities. With ongoing investments in brand architecture, channel segmentation, and new product development, backed by strong in-house capabilities, our strategic focus remains on disciplined execution, deeper consumer connect, and creating long-term value for all stakeholders.

With this, I would like to hand over to Mr. Vikas Kothari, our CFO, who will Present the operational and financial highlights for the quarter-ended 30th June 2025. Thank you, and over to you, Mr. Vikas Kothari.

Vikas Kothari:

Thank you, Deepak, and a very good morning to everyone. I will now take you through a brief overview of the company's financial performance for the quarter-ended 30th June 2025.

Revenue from operations for Q1 FY26 stood at Rs. 419 crore, marking a 5.4% increase over Rs. 398 crore in Q1 FY25.

EBITDA remained stable at Rs. 72 crore compared to the same quarter last year. EBITDA margin declined slightly to 16.4% from 17.5% in Q1 FY25, primarily due to inflation-driven cost increases and initial expenses related to the launch of new brands, Senator, and POLIPLUZ.

Gas costs witnessed an increase during the quarter, with the weighted average cost standing at Rs. 33.17 per cubic meter in Q1 FY26 compared to Rs. 31.64 per cubic meter in Q1 FY25. Despite the rise, our costs remained well below the industry average. During the quarter, the gas consumption was sourced 84% from GAIL and 16% from Sabarmati. Overall, gas costs as a percentage of revenue stood at 3.6%.

For the quarter under review, revenue contributions were as follows: - Sanitaryware at 50%, Faucetware at 39%, Tiles at 10% and Wellness at 1%. On a YoY basis, Faucetware revenues grew by 13%, Tiles by 5% and Wellness by 15%, while Sanitaryware revenues remained largely flat. Our core categories, Sanitaryware and Faucetware together, accounted for 89% of the total revenues.

Capacity utilization stood at 92% for Faucetware and 86% for Sanitaryware during the quarter.

In terms of the product positioning, 43% of our sales came from the premium category, 35% from mid-segment and 22% from entry-level products.

From a geographical standpoint, tier 3 cities led with 42% of sales, followed by tier 1 at 36% and tier 2 at 22%.

Profit after tax stood at Rs. 47 crore broadly in line with the previous year's quarter. Earnings per share for the quarter was Rs. 36.08 compared to Rs. 36.11 in Q1 FY25.

In terms of the working capital management, inventory days increased from 75 to 80 days, receivable raised from 32 to 38 days, and payable days increased from 41 to 43 days, leading to a YoY increase in the net working capital from 66 to 75 days. However, on a sequential basis, working capital has improved by five days, reflecting enhanced operational discipline and stronger collection efforts.

As of June 30, 2025, our cash and cash equivalents stood at Rs. 778 crore.

For FY26, we have marked a total Capex outlay of Rs. 23 crore. This includes routine maintenance as well as select investments towards brand building and expansion of our retail footprints. We will continue to follow a disciplined capital allocation approach aligned with our long-term strategic priorities.

We remain confident in CERA's financial strength and long-term growth prospects. Backed by a robust balance sheet, ongoing efficiency improvements, and prudent working capital management, we are well positioned to navigate near-term uncertainties and seize emerging opportunities as the demand environment gradually recovers.

With this, I would now request the moderator to open the line for Q&A. Thank you very much.

Moderator: We will now begin with the question-and-answer session. The first question is from Archana Gude from IDBI Capital.

Archana Gude: I have two to three questions. So, firstly on the project sales side - that part has been growing quarter-on-quarter over the last few quarters. So, can you help us understand how it would be as a percentage of sales in the near future? And also, could you help us with what kind of margins would typically be there and the micro-markets which are seeing exponential growth in the project business?

Vikas Kothari: Regarding the project part, if you see over the last few quarters, the real estate market has been moving well, and this is also evident in CERA's project bank portfolio. On a YoY basis, if we compare Q1 with Q1 of last year, we have registered a growth of 32% in our project bank. These are the project orders we have won, and we have been seeing a positive trend in the project bank over the last two to three quarters. We expect this trend to continue. Considering the overall positive macroeconomic trends visible in our sector, liquidity conditions are improving, which will also support our retail segment. So, I think the project business is growing, and we have been securing large-value contracts over the last three to four quarters.

Archana Gude: So, could you provide some guidance on the margin profile and highlight any micro markets which are experiencing growth?

Vikas Kothari: Yes. So, as far as the project business is concerned, definitely the margins are a little lower compared to retail. They are lower by 6%-7% on account of higher discounts being offered in the project category.

Archana Gude: Okay. Is it possible to bifurcate the project sales among the Senator, Cera Luxe and Cera?

Deepak Chaudhary: As of now, these categories are just developing. So, the sales numbers in respect of Senator and Cera Luxe is negligible. We will maybe start updating you by the end of the year when the numbers start becoming significant. So,

as of now, you can say that most of the numbers that we are reporting is coming from CERA.

Archana Gude:

Got it. So, maybe one more question on POLIPLUZ - sir, can you help us understand the pricing strategy, outsourcing mix and number of SKUs we should expect in FY26?

Deepak Chaudhary:

Like in respect of POLIPLUZ, I will just give you a broad outlook in respect of the product, the launch, and the market that we are intending to target. As the Chairman has mentioned in his press release also, that POLIPLUZ is intended to target the tier 3, 4 and the rural market. Now, this is one segment where CERA has been completely absent till date. And with the launch of this POLIPLUZ, we are targeting the consumers, which are kind of untouched by the CERA products.

So, primary consumer right now, as we are saying, are the ones who are using the PTMT products. So, we have launched a slew of polymer products as well as brass products. The brass products have been priced at a point which is midway between the current offerings of CERA and the PTMT products, which are being currently offered by the unorganized players. So, the idea is to pull them from the current buying pattern towards the more aspirational and more longer-lasting products, which will also meet the price point as well as the quality needs of the particular range of consumer.

Apart from that, we are also targeting a kind of replacement market because we are targeting items which will be kind of small value, but which will be replaced very pretty fast. So, that will consist of, you can say, the cisterns, the seat covers, the health faucets, the connecting pipes, a slew of other such polymer products, which currently we are doing it for our own products, but we are not targeting the replacement market. So, the idea is over here that rather than targeting as a kind of being bundled with our original products along with our sanitaryware products and along with our faucetware products, these are targeted more as a replacement market.

So, the idea is that margins would be good. We are expecting that the margins should be higher than what we are getting for our blended margin, which we are getting for our current range of products. EBITDA margin should be in the range of 24% to 25% for this POLIPLUZ range that we are talking about. At the same time, we are also offering a higher margin to the distributors, like the kind of margins which we are offering to the distributors, will also be quite high so that it becomes attractive for them to stock also the products from their point of view. Main selling point would be the kind of quality that we will be offering and the kind of price range that we will be offering with the CERA backing. So, the topline target for the current year would be kind of in the region of Rs. 25 crore to Rs. 30 crore because as of now we are still onboarding the team and the sales should be starting by let us say end of September, beginning of October. So, we will be having only six months in the current year and by let us say end of three years we are targeting that it should be constituting something like 5% to 7% of our total turnover for the POLIPLUZ range.

Archana Gude: Right, that helps. And lastly, will it be completely outsourced for manufacturing?

Deepak Chaudhary: As of now it will be outsourced. Like the brass products, maybe some things will be in-house and some things will be outsourced, but the polymer parts will be completely outsourced. As we go forward, depending upon the volume, once we reach a critical volume, maybe we will have our own plant coming up. But as of now it will be completely outsourced.

Archana Gude: Thank you so much and all the best.

Moderator: The next question is from the line of Praveen Sahay from PL Capital.

Praveen Sahay: My question is related to the segment performance in entry, mid and premium. In the last two years, and even for this quarter, if I look at your mid-segment it has outperformed your entry and the premium segment. So, these launches, whether it is a Senator or the POLIPLUZ, are in the view of improving your entry and the premium category way forward, - is it the case? Secondly, even while giving a higher distribution margin in the value product which you had launched, you are talking about the margin being on the higher side. Also, mostly you will outsource manufacturing as well. So, can you please give some more color on like how the margin would be at the same level as what we are doing right now?

Deepak Chaudhary: I will take your question in two parts. The first part you asked was whether we are launching the Senator and the POLIPLUZ to supplement the mid-range that has been the strongest in our case. I have a completely different view on this. The way we see it within the Company is that both Senator and POLIPLUZ are targeting a customer base which currently CERA is not targeting. POLIPLUZ is very different, going one level below the entry range that CERA has. The pricing, the product profile, and everything are completely different from the products currently offered by CERA. So, it is not really trying to bolster the entry range of CERA. It is a range that is different from what we are offering in CERA and caters to a customer segment which is different from what we are currently catering to at CERA.

The same is true for Senator. Senator is targeting a more premium customer than CERA. CERA generally targets the mass premium range. Senator targets upper-end customers such as HNIs and higher, and more projects at the premium end. So, both are targeting customers who are currently not being serviced by the CERA product profile.

In respect of the margin, the kind of margins that we are having, in spite of being outsourced and why we are getting higher margins, - in the case of Senator, higher margins are obvious because it is more of a premium offering. So, the kind of margins and pricing are naturally higher than what we are getting for the CERA segment. In case of POLIPLUZ, what we have been able to source is at quite a good margin. We have been able to source products at prices which are quite reasonable. We are confident that the margins we are talking about are something that is very easily achievable.

- Praveen Sahay:** Thank you for that. How much is the advertisement expense for this quarter?
- Vikas Kothari:** So, for the quarter, the advertisement expense was around Rs. 9.3 crore as compared to Rs. 11.4 crore in previous year's quarter. This differential, is due to a phasing impact as certain activities are planned in the subsequent quarters. So, that will be taken in Q2 or Q3.
- Praveen Sahay:** Right sir. And the last question is related to your guidance - in the last quarter you had given a target to outperform the industry by 6%-7% and reach 29 billion by March '27 along with a margin of 15%-16%. Where do you stand on this? Are you maintaining this?
- Vikas Kothari:** So, as far as the earlier targets which we have given with respect to reaching Rs. 2,900 crore by March '27, this was based on the assumption that the markets will perform and that future growth will depend on the sustained recovery in retail demand. However, we have seen that while demand challenges are likely to persist in the early quarters of this financial year, in addition to the slowness over the past six to seven quarters, we expect that signs of recovery will start in the second half of the year. This is supported by certain positive macroeconomic trends which are already visible in the current scenario. The rural economy is gaining momentum driven by a strong harvest, increased Government spending, and structural reforms. Liquidity conditions have also improved, and the retail segment is showing some signs of recovery.
- Apart from that, as we have clearly stated, our project business is also performing well, with growth in terms of the overall project bank. With these improving fundamentals, we remain focused on our earlier guidance that we will outperform the market by 6%-7%, based on the expectation that recovery in the segment will materialize. The earlier guidance of reaching Rs. 2,900 crore was based on the assumptions that market growth would be around 7%-8% for sanitaryware and 12%-13% for faucetware, with the goal of outperforming this market growth by 6%-7%. However, market growth has fallen short of expectations. That said, our long-term strategies remain intact, driven by innovation, operational excellence, and market expansion. In this regard, as Deepak mentioned, we have already launched Senator and POLIPLUZ to cater to different segments of consumers. Therefore, we believe the guidance of 6%-7% outperformance will hold once the market starts recovering.
- Praveen Sahay:** Thank you, sir and all the best for future.
- Moderator:** The next question is from Akash Shah from UTI Mutual Fund.
- Akash Shah:** I just have two, three questions. I wanted to ask how much cost has been recorded in the P&L for the Senator and POLIPLUZ brands?
- Deepak Chaudhary:** As of now, the cost incurred for Senator and POLIPLUZ has been quite minimal, as the onboarding only started in July. So far, the P&L would mainly reflect staff costs, etc. I can, however, give you a broad outlook for the full-

year projections once both brands are fully operational and the entire team is in place. We are projecting that the staff cost for Senator and POLIPLUZ, taken together, should be in the range of Rs. 13 crore to Rs. 15 crore per annum once the full team is onboard. Out of the total publicity budget earmarked for the Company, a specific portion has also been allocated for Senator, POLIPLUZ, and Luxe.

In the first year, spending for Senator will be focused largely on setting up showrooms. POLIPLUZ will not require much brand publicity support initially; the first year will mainly involve setting up distributors and building the retail channel. From the next year onwards, we expect more expenses toward publicity. Out of the Rs. 60 crore we typically spend annually on publicity, around Rs. 11 crore to Rs. 12 crore should be allocated to Senator and Luxe together.

Akash Shah: Right. So, Rs. 11 to 12 crore for the Senator and Luxe brands, and the rest, Rs. 35 to 40 crore, would be for the CERA brand?

Deepak Chaudhary: Correct. Okay.

Akash Shah: And also, just wanted to understand - this quarter, we saw around 5% growth on a base of minus 6% growth in the first quarter FY25. So, on a two-year CAGR basis, there has been some decline in absolute revenue. So, just wanted to ask, going forward – let's say we hope for some recovery in second half - are we broadly implying that the growth in full year FY26 would be less than 10%? What is the broad thought process and expectation on topline growth front in FY26? And if we can break it up into the sanitaryware as well as the faucet segment, what is the growth - that will help?

Vikas Kothari: So, I think I have answered the question regarding the outlook part, both short-term and long-term. But since you have asked about this year's roadmap and how we will progress, we are progressing strongly in terms of operational excellence and the market reach. Now, talking about what is going to be the number at the end of the financial year FY26, so, with the expectations what we are having and with some positive trends what we are seeing on the macroeconomic levels, we understand that the momentum, early signs of recovery have started and we see that this will continue over a period of time. But always I used to say this is subject to how actual the market will perform. But we understand that with the type of recoveries what we see from H2 onwards, we expect that we will be ending with a higher single-digit number or maybe start of this double-digit number.

Moderator: The next question is from line of Udit Gajiwala from YES Securities.

Udit Gajiwala: My question is pertaining to the margin outlook for the Company. So, when you look at the project business, since it is growing, the margins are a bit under pressure, and you also mentioned that it is lower than the retail segment. And though you are growing your Senator and the new brand now, it will still be 5% to 7% of sales in the coming years. So, at least for the coming two to three

years, do we see that the margins will be sub-15% for the Company, given that the major growth will be from projects now?

Deepak Chaudhary: We expect that the margins should be maintained at the region of 15% to 17% that we have been maintaining in the last few years. We do not anticipate a very high jump coming in as you mentioned, because of the fact that Senator would be constituting a small proportion of the total sales in the next two to three years. But because of the fact that the project portion is increasing, we do not anticipate too much of challenge in the overall margin of the Company, because we have been taking measures for controlling costs also at the operational side. So, from our perspective, that number of 15% to 17% is something that is a holy grail and we intend to maintain for the next two, three years.

Udit Gajiwala: Okay, sir. Understood.

Moderator: The next question is from Naysar Parikh from Native Investment Managers.

Naysar Parikh: So, my question was that, obviously the market is not good right now, but just from a competition perspective, what are the threats that you are currently seeing? If you can just elaborate on that, are we losing market share in any segment? That would be helpful. And especially when the market does well and some of the smaller players, such as Kajaria, etc., who are not big in sanitaryware or faucetware, start getting aggressive, what is our thought around that? So, any thought on that would be helpful.

Deepak Chaudhary: You are talking about the threats from the competition. Now, basically what we have found is that over the last six to seven quarters, where the market has not been doing too well, it has been subdued, the major kind of problems that we are facing in the market is the kind of discounts which have been offered by the competition. Because of the fact that they have already got good capacities and the market has not been too great. So, the discounts have kind of gone up. So, we have been trying to hold on to the kind of margins that we have making in a particular sector, both in the project as well as in the retail sector. So, we anticipate that once the retail market starts improving, even from the competition side, the kind of higher discounts, which have been going at their end, should start coming down and reach a level where everybody would want to make profits. That would be true for also the new entrants which are there, because as of now they are more intent on trying to gain volume. So, as of now, the broad threat which is there in the market is the kind of pricing which is prevailing because of the fact that have been overcapacity with the existing players and also capacity addition by the new players which have come in. But that will be, if you talk on a long-term perspective, something which is a short-term problem. And as the market improves, that threat should disappear.

Naysar Parikh: So, is it fair to assume that to protect our margins, we have lost some market share in certain pockets, maybe?

Deepak Chaudhary: We have not lost market share, but you can say, not been selling like the other competitions where they have compromised on margins and have been totally focused on gaining volume. We have kind of maintained our volumes and also maintained our margins.

Naysar Parikh: And if you can just elaborate, what are we doing, - some points you may have alluded to – in terms of protecting our dealer, distribution, or project level clients. Because as the market improves, people are not seeing profitability now. But as they start seeing volumes and profitability, nothing stops them from expanding, right? Everyone has like one plant, very little capacity and they all have capital and private equity backing. So, once the market improves, they will also start investing. So, when that scenario happens, how do we protect our market share and our dealers? What are we doing today to ensure that when they come aggressively, we do not lose market share at that time and we are not prone to the same discounting then?

Deepak Chaudhary: See, the capacity additions have in fact already happened. We find that most of the players which have come in, they have already started putting up their own plant. So, that is where the current situation has evolved, because the capacity additions have come in at a point of time where the market has not grown. The capacity additions happened in anticipation of a growth in the market, because post-COVID there was a huge surge in the kind of demand which was there in the market. That prompted kind of capacity additions from both the incumbent players as well as the new players which had come in. So, capacity additions have already happened and we do not anticipate further capacity additions to happen once the growth starts coming in. It has already happened. So, once the growth is there, we will find that the kind of situation which is prevailing right now will reverse.

Moderator: The next question is from the line of Pranav Mehta from Equirus Securities.

Pranav Mehta: I wanted some clarity on the absolute numbers on the sanitaryware, faucet, and tiles that you had done in this quarter and similarly correspondingly in Q1 FY25, if you can help with that?

Deepak Chaudhary: For sanitaryware, I will tell you the current quarter numbers first. In sanitaryware, the turnover was Rs. 208.67 crore. Faucetware was Rs. 161.85 crore and wellness was Rs. 6.29 crore and tiles was Rs. 42.61 crore. I will just repeat the numbers. Sanitaryware Rs. 208.67 crore, faucetware Rs. 161.85 crore, wellness Rs. 6.29 crore and tiles Rs. 42.61 crore. The corresponding number for Q1 FY25 was sanitaryware Rs. 209.23 crore. So, we are comparing with Rs. 208.67 crore in the current quarter vis-à-vis Rs. 209.23 crore in the previous quarter. So, it is more or less flat. Faucetware was Rs. 142.70 crore in the previous quarter, we have Rs. 161.85 crore in the current quarter, so, it is a growth of 13.4%. Wellness Rs. 5.49 crore, against that, we have Rs. 6.29 crore, 14.6% growth. And tiles was Rs. 40.59 crore, we have Rs. 42.61 in the current quarter, growth of 5%.

Moderator: The next question is from Girish Choudhary from Avendus Spark.

Girish Choudhary: Firstly, on the capital allocation, I just wanted to check. Last year, we did a buyback at close to Rs. 12,000 per share and if you look at the current price, it is almost 50% down. You also alluded that we have a very limited Capex budget this year and close to Rs. 800 crore of cash. So, are you thinking of implementing one more buyback or in general, how are you thinking about capital allocation?

Deepak Chaudhary: We have been steadily increasing our dividend payout. If you see, we were earlier paying something like Rs.13 three-four years back. From that, we have come to Rs. 65 payout in the current year. So, dividend has been steadily increasing. And we expect that this kind of dividend, which we have been increasing in the past few years, that should be steadily maintained and increase in the coming years also.

In respect of buyback, as of now, it is uncertain. Like, we do not have any plans right now. And that can be only told to you once the Board decides something in that respect that we are going to have a different, another buyback or something like that. But as of now, we can talk about the dividend kind of policy which is, we can say, is increasing in a steady manner.

Girish Choudhary: Okay, got it. Secondly, again just on the market share and let us say the core sanitaryware business part, right, I mean, we are seeing the business to decline despite a very low base, right, last year also, same quarter we had a decline and you also mentioned that you have been maintaining volumes, but the absolute revenues are declining. So, how should one read this, - is this also due to higher discounting which you are doing or also a function of lower price points? I understand the market is depressed. But, I mean, if you can help us understand this revenue decline?

Deepak Chaudhary: The primary reason for the kind of decline which has happened in the sanitaryware sector, since you being in the market you have to answer within your question itself. But to give you a broad profile in respect of the kind of what is happening in the sanitaryware within CERA, like, if we talk about the kind of product profile which we had, let us say, four to five years back and the kind of product profile which we are having right now, that has undergone a complete change. Earlier, like again, if I go back three to four years back, the kind of products were basic. It was something that we used to sell in large volumes.

Now, you will find that we are moving more towards products which are high value. We have internalized most of the items that we were kind of importing from China that we have internalized and we have started manufacturing within our manufacturing facility. So, the product profile has undergone a change.

Now, you will find that the sanitaryware market per se also is different from that of faucets, in the sense that the life cycle of a sanitaryware product is very different from that of faucets where replacement which happens,

happens at a much longer period as opposed to faucetware. So, there has been a kind of glut which has come into the sanitaryware kind of market and within CERA. But we have already started seeing trends which have now in the sense that there was no further decline in the current quarter and we anticipate that in the coming quarters also that trend should be reversing.

Girish Choudhary: But the specific question was, like you said, you maintained volumes, right? But we are seeing revenue declines and at the same time, you are telling your positioning, or you have seen premiumization. So, I mean, there is some disconnect there, right? I mean, is it a market share loss then?

Deepak Chaudhary: So, that is what I am trying to explain that the kind of product profile that has happened in the case of sanitaryware is different from what we were having earlier. Earlier, it was smaller items, larger volumes at lower price points. Now, we have moved to lower volumes, higher price points and the pricing which is there with respect to competitors. Because you are in the market, you have to match the kind of prices which are being offered by the competition. But more or less, we have maintained margins. The kind of profile has completely undergone the change within the sanitaryware system itself.

Girish Choudhary: Okay. So, have we also taken discounts over the last one to two years?

Deepak Chaudhary: The kind of discounts that we have taken, it has gone up by something like, you can say, 2%-3% in the last six, seven quarters, which has now started on a stabilizing mode. We have not started reversing it, but it is not going down any further.

Girish Choudhary: Got it.

Moderator: The next question is from Bhavin Rupani from Investec.

Bhavin Rupani: We have taken some credit writeback in FY25 to the tune of Rs. 34 crore. So, can you just tell us what the number was in Q1? My second question is on the outsourcing mix. Can you tell us what the outsourcing mix is in faucet and sanitaryware segments? And my third question is on sanitaryware Greenfield expansion, - what is the status as of now?

Deepak Chaudhary: Okay. I will answer it in reverse order. For the sanitaryware Greenfield expansion, we have already undertaken the purchase of land, and the land acquisition has been completed. But the construction on the land has not yet started. We will take a view by the end of the current year. We do not anticipate the construction to start within this current year. By the end of the current year, we will review again, and based on how the market conditions have changed over the next six to nine months, we will take a view on whether we need to start construction by the end of the year.

In respect of the outsourcing mix, I will just tell you, in case of sanitaryware, outsourcing was 57%, manufacturing was 43% and in case of faucetware, outsourcing was 48% and manufacturing was 52%. I will repeat that again. In case of sanitaryware, 57% and 43% for outsourcing and manufacturing

respectively, and for faucetware, 48% and 52% for outsourcing and manufacturing, respectively.

Coming to your first question in respect of the credit writebacks, the credit writebacks were mostly on account of provisions that we had done in respect of the turnover discounts which are given to the sales to our dealers. Now, the discounts which are provided for are based on the estimate that the dealers would be meeting their targets. Once we found that the dealers were not meeting their targets, the actual discounts came out to be much lower than what we had provided for. That led to a writeback in the previous year. In the current quarter, I will just tell you the figure for the amount of writeback which has been there. The writeback has been to the extent of Rs. 2.73 crore compared to Rs. 6 crore in the previous quarter.

Bhavin Rupani: Alright. Got it, sir.

Moderator: The next question is from the line of Samyak Jain from Marcellus Investments.

Samyak Jain: So our sanitaryware revenue in the quarter has been flattish, whereas we have grown in faucetware by 14%, and our projects business has grown by 32% YoY basis. So, would it be fair to assume that the growth that we are getting on the project side is majorly from the faucetware instead of sanitaryware? I just wanted to know your thoughts on that.

Deepak Chaudhary: The project business have not have grown by 32%. What Vikasji mentioned was that the kind of projects that we have won in the current quarter is higher by 32% as opposed to the corresponding Q1 of the previous year. The sales would be translating in the next few quarters. But that gives you an idea about the kind of trend where it is moving for project allocation. Your question was that most of the increase in the project has been from the faucetware side; - I do not have that number ready with me right now. So, maybe I can get back to you on that on an offline basis as to what kind of growth has happened in the faucetware and in the sanitaryware in respect of the project segment.

Samyak Jain: Sure sir. But directionally, what would be a bigger portion in the project sales?

Deepak Chaudhary: I think the kind of proportion that we have for our overall numbers for the Company would be true for the project segment also.

Samyak Jain: Sure sir. Got it.

Moderator: The next question is from the line of Parikshit Gupta from Fair Value Capital.

Parikshit Gupta: I just have one question. You mentioned that you already see signs of a turnaround of market demand. Can you please articulate which specific economic segment, - is it the more mass premium segment or a relatively more premium Luxe segment that you are seeing the recovery in? And if you could also give this answer for both sanitaryware and faucetware please?

Vikas Kothari:

So, regarding the revival of the recovery in the luxury segment, we have seen over the past few quarters that it is growing, and that is where we are also coming up with our Senator brand and CERA Luxe brand. So, that is one area which is growing. The area which was largely impacted was the mass premium category, where the demand was sluggish and continues to be so. But what we are saying is that this segment is also now seeing some traction in terms of revival. So, our expectation is that the numbers we have seen right now with respect to Q1, where we have achieved 5.4% YoY growth in this mass premium segment, will further strengthen over a period of time.

Parikshit Gupta:

Understood, sir. This is helpful.

Moderator:

The next question is from Utkarsh Nopany from BOB Capital.

Utkarsh Nopany:

My first question is on the margin side. So, if we see our EBITDA margin has contracted on a YoY basis despite a weak base of last year which got affected due to the general election. So, I wanted to understand whether the market condition was so depressed in the current June quarter that we are not able to pass on the commodity cost inflation pressure to the consumers?

Deepak Chaudhary:

See, we have not taken a price increase in sanitaryware for quite some time. In faucetware, we took a 6% price increase in the previous year, sometime around September. So, if you are talking about price increases, we would need to have a significant revival in the market. And as I mentioned earlier, it has to come in from the competitors also, wherein everybody is then pricing their products in the right manner. So, as of now, we are more intent on trying to maintain the margins we currently have.

To be very specific, if we talk about the current quarter, the gross margins were slightly down on account of the increase in input prices; roughly by 1.5% the gross margins had come down. But apart from that, we have been able to maintain the margins. The increase in cost - there has been a slight increase in the cost with respect to the employee cost. That is again on account of the annual increase which keeps on happening on a regular basis. Typically, this year the average increments to the staff were in the region of 10%-10.5%, and the staff cost roughly constitutes around two-thirds of our total employee cost. So, that will be translating into something like, on a quarter-on-quarter basis (Q4 to Q1), about a 6%-6.5% increase in the cost.

So, the costs, which are fixed in nature, have been increasing, and in the 1st quarter, it results in a marked increase. But we are confident that, going forward, as the full year goes by and we have an increase in volume in the subsequent quarters, on a full-year basis, we should be able to maintain that margin of 15%-17%.

- Utkarsh Nopany:** Okay. And the last question is, what is your credit write-back amount for the Q4 FY25?
- Deepak Chaudhary:** Q4 FY25, I do not have the figure with me right now. Maybe I can give it to you again on an offline basis. The write-back you are talking in respect of Q4? The Q1 numbers I had already told you, like it was something like Rs. 2.73 crore.
- Utkarsh Nopany:** Because there has been a sharp fluctuation in your margin on a quarter-on-quarter basis. So, I just wanted to understand, is it only because of the credit write-back amount?
- Deepak Chaudhary:** Part of it would be on account of that. Because the credit write-back happened in one of these, I think, Q4, where there was a substantial write-back, if I remember correctly. So, that fluctuation would be there to that extent.
- Utkarsh Nopany:** Okay. Thanks a lot, sir.
- Moderator:** Ladies and gentlemen, due to time constraint, we will take that as the last question. I now hand the conference over to the management for closing comments.
- Deepak Chaudhary:** Thank you, everyone for attending this call and showing interest in CERA Sanitaryware Limited. Should you need any further clarification or would like to know more about the Company, please feel free to reach out to me or to CDR India. Thank you once again for taking time to join the call. Thank you and bye.
- Moderator:** On behalf of CDR India, that concludes this conference. Thank you for joining us and you may now disconnect your lines.
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