



Cera Sanitaryware Limited

Q2 & H1 FY '26 Earnings Conference Call

November 12, 2025

Moderator: Ladies and gentlemen, good day, and welcome to Cera Sanitaryware Limited earnings conference call. 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 the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Devrishi Singh from CDR India.

Devrishi Singh: Good morning, everyone, and thank you for joining us on the earnings conference call for Cera Sanitaryware Limited for Q2 and H1 FY '26 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 of Cera Sanitaryware. 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: 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 to our Q2 FY '26 earnings conference call. I will begin by sharing a brief update on our operational and strategic progress, following which our CFO, Mr. Vikas Kothari, will take you through the financial highlights for the quarter.

In the backdrop of demand environment that remains subdued, particularly on the retail side, we are pleased to report a steady performance this quarter. Our Sanitaryware segment delivered a year-on-year growth of 1.4%, supported by stable demand and continued traction in our product portfolio. While the Sanitaryware segment continued to face headwinds, the pace of contraction moderated compared to the previous quarters. We believe that improving macro fundamentals and policy measures, including the recent GST changes will aid recovery in retail demand over time.

As indicated in our previous earnings calls, I would like to reiterate that over the past few years, we have continued to strengthen the organization's strategic foundation through sharper brand segmentation, differentiated channel strategies and a focused innovation agenda. These initiatives are already enhancing our market readiness and execution agility. We believe that as the demand cycle turns upward, these efforts will translate into meaningful growth momentum across the business.

Our B2B segment continued to demonstrate healthy traction during the quarter, supported by steady order inflows from the real estate sector and sustained construction activity. Project sales accounted for 39% of our topline in Q2 FY '26. We continue to benefit from our strong brand equity, execution reliability and deep relationships across the developer ecosystem, which are enabling us to participate in larger and more complex projects. This remains an important growth pillar for us and helps balance the current softness in retail demand.

Another important initiative during the quarter was the rollout of our 'Dealer Management System' (DMS), which marks a major step in strengthening our distribution network and improving data visibility. We have successfully onboarded about over 200 dealers so far with system integration and data connectors now activated at their end. Since each dealer operates on a different platform, achieving this level of alignment has been a challenging task, and we are proud to have made strong progress on this front. The DMS gives us better visibility into secondary sales, dealer-wise inventory and retail coverage, information that was earlier not available in real time. This enhanced visibility will improve accountability, track market movement more closely and support faster and more informed decision-making. Over time, the system will also aid better demand planning and channel management. We plan to extend DMS coverage to more dealers in the coming quarters.

On the strategic front, our premium brand, Senator and recently launched Polipluz continue to make encouraging progress.

On Senator: We remain firmly on track to achieve our FY '26 flagship rollout target of 45 to 50 stores with 28 stores already operational as on date. The format and positioning are designed to create a more immersive brand experience backed by an expanded product range, a dedicated dealer network and a focused engagement model. Over the past few months, we have strengthened the team structure, bringing on board experienced professionals across sales, business development and brand activation to drive the execution at scale.

On Polipluz: We have ramped up our efforts on Polipluz, our differentiated offering aimed at deep value segment where the unorganized market still holds significant share. The team build-out is nearly complete, and we have initiated targeted on-ground activations and promotional campaigns to establish brand presence in key Tier 3 and Tier 4 markets. At present, Polipluz is being distributed through 38 distributors and 650 dealers with a target to expand the network to 100 distributors and 2,000 dealers by March 2026.

The early response for both the brands has been encouraging, validating our approach of segmentation of the portfolio to address distinct consumer and channel opportunities. In the quarters ahead, we will continue to expand distribution reach, enhance market visibility and build on this early momentum.

Innovation and new product development remain core to our strategy. During the quarter, new product launches contributed about 33% of the overall sales, reflecting our continued focus on keeping the portfolio contemporary and relevant. On our new designs, our new designs are developed through regular market feedback and are 'designed to trend', aligning with evolving consumer preferences and emerging style themes. We will continue to strengthen our design and innovation pipeline to ensure sustained differentiation across categories.

By strengthening our brand segmentation and aligning products and channels with different customer segments, we are expanding our market reach while maintaining

clear focus across categories. This approach, which covers a wide range of price points and regions gives us flexibility to manage short-term challenges while staying focused on our core values of quality, innovation and customer trust. These ongoing efforts are building a solid foundation for future growth as market conditions improve.

While the exact timing of a broad-based retail recovery is still evolving, we remain optimistic about the long-term growth trajectory of the industry. Structural drivers such as continued formalization, rising consumer aspirations, urban redevelopment and housing programs and sanitation initiatives remain intact. Alongside these, policy measures such as the recent GST changes should aid sentiment and activity over time. Taken together with our brand strength and distribution reach, we believe the category remains well placed for steady expansion.

We continue to invest in brands, distribution and product innovation to stay ahead of evolving consumer needs while maintaining firm cost discipline. The benefits of ongoing cost optimization initiatives and operational efficiencies are visible in strengthening of our ability to sustain margins in a mixed demand environment.

Furthermore, during the quarter, we completed the exit from two of our LLPs; Race Polymer Arts LLP and Packcart Packaging LLP, effective from 29th of September of this year, thereby streamlining our portfolio and sharpening our focus on core categories. With the divestment in these two entities, Cera does not have any subsidiaries and hence, will report numbers on a standalone basis only henceforth.

To conclude, Q2 FY '26 underscores stable execution in a soft retail environment, coupled with steady traction in project sales and encouraging strategic progress. As we move into the second half of the year, we remain cautiously optimistic about improving demand trends and confident in our ability to respond with speed and scale. Our ongoing investments in brand architecture, channel segmentation and new market development, supported by strong internal capabilities are building a robust platform for sustained growth. We remain focused on disciplined execution, enhancing consumer engagement and creating enduring 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 September 2025. Thank you, and over to you, Mr. 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 and half year ended 30th September '25.

Revenue from operations for Q2 FY '26 stood at INR 488 crore, remaining largely flat compared to INR 490 crore in Q2 FY '25.

EBITDA without other income was at INR 67 crore as compared to the corresponding quarter of the previous year at INR 70 crore. EBITDA margin slightly declined from 14.2% in Q2 FY '25 to 13.8% in Q2 FY '26, primarily due to increase in input costs. However, the said impact is partially mitigated by improved operational efficiency and cost optimization program.

Gas costs witnessed a slight decrease during the quarter with the weighted average cost standing at INR 33.79 per cubic meter in Q2 FY '26 compared to INR 33.95 per cubic meter in Q2 FY '25. Our costs remain well below the industry average, reflecting the benefit of our balanced sourcing strategy and operational efficiencies. During the quarter, gas consumption was sourced 80% from GAIL and 20% from Sabarmati. Overall, gas cost as a percentage to revenue stood at 3.6%.

For the quarter under review, revenue contributions by segment were as under: - Sanitaryware at 47%, Faucetware at 40%, Tiles at 11% and Wellness at 2%. On a Y-o-Y basis, Sanitaryware revenue grew by 1.4%, Tiles by 3.1%, Wellness by 3.2%, while Faucetware revenues declined by 3.5%. Revenue from Faucetware segment appears lower Y-o-Y, mainly due to the high base of the previous period, which was driven by the price increase implemented then.

With no price revision taken in the current financial year, sales volume have remained healthy, and the apparent decline reflects the base effect rather than any weakness in the underlying demand. Our core categories, sanitaryware and faucetware together accounted for 87% of the total revenues.

On the capacity utilization front, capacity utilization stood at 85% for Sanitaryware and 97% for Faucetware during the quarter under review. In terms of product positioning, 42% of our sales came from premium category, 36% from mid segment and 22% from entry-level products. From a geographical standpoint, Tier 3 cities led with 41% of sales, followed by Tier 1 at 36% and Tier 2 at 23%.

Profit after tax stood at INR 57 crore as compared to previous year's quarter at INR 68 crore. The profit after tax appears lower mainly due to deferred tax income recognized in the previous year arising from a change in the capital gain tax rate on long-term investments. The current year's figures reflect normal operations without this onetime tax impact.

Earnings per share for the quarter was at INR 43.92 compared to INR 52.44 in Q2 FY '25. In terms of the working capital management, inventory days increased from 80 to 83 days. Receivables raised from 31 to 33 days, while payable days remained stable at 39 days, leading to a Y-o-Y increase in net working capital days from 72 to 77 days.

For the half year under review, the Company reported net revenues of INR 907 crore, an increase of 2.2% as compared to H1 FY '25. EBITDA without other income was at INR 120 crore, a decrease from INR 126 crore in H1 FY '25 and the profit after tax reported at INR 103 crore, a decrease from INR 115 crore in H1 FY '25.

As of 30th September '25, our cash and cash equivalents stood at INR 736 crore.

For financial year '26, we have earmarked a capex outlay of around INR 23 crore. This primarily covers the routine maintenance requirements, along with focused investments to strengthen our brand presence and expand our retail footprint. Our capital allocation approach continues to remain prudent and aligned with our long-term strategic priorities, ensuring that every rupee is deployed with clear visibility on returns and long-term value creation.

We remain confident in Cera's financial resilience and its ability to deliver sustainable performance through cycles, supported by a healthy balance sheet, continued focus on operational efficiency and prudent working capital management, we are well placed to navigate the current environment with agility. Our disciplined capital allocation and cost optimization initiatives provides us with the flexibility to invest in strategic priorities and capitalize on emerging opportunities as the demand environment improves.

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

Moderator:

We will now begin the question-and-answer session. The first question comes from the line of Archana Gude with IDBI Capital.

- Archana Gude:** Congrats on the sequential improvement earnings. I have three questions. Firstly, on full year FY '26 earnings; - in the last earnings call, you guided for high single-digit sales growth and given we have grown just 2% in H1 of FY '26. Is the net sales growth of 13%, 14% doable in H2 FY '26? Or do we have to rework the growth guidance, both on topline as well as operating margin front?
- Deepak Chaudhary:** We continue to be optimistic about the H2 performance. Like we have done 2% in H1, we anticipate that H2 will be improving with all the macroeconomic factors being positive. So we anticipate that we should be ending H2 with something like 10% to 12% of a growth number. So that for the full year, we should end up at something like 7% to 8% growth for the full year.
- Archana Gude:** Sure, sir. But then that also means we need to slightly reduce our operating margin guidance also?
- Deepak Chaudhary:** Operating margin should be remaining at that region of 14.5% to 15% that we are seeing right now. Typically, because the numbers are smaller in the first half, you will find that operating margins are also slightly lower. Once the numbers improve in H2, which is typically higher than H1 by typically, it is 45% in the first half and 55% of our total sales coming in the second half. So, with improved volumes, the margins automatically improve in the quarter 3 and quarter 4. So, we should continue to maintain margins in the range of 14.5% to 15%.
- Archana Gude:** Sure, sir. So, you spoke about capitalizing on this emerging macro demand tailwind. Can you help us understand it better in terms of any particular product segment is witnessing higher demand? Or is there any specific regional level revival? Also, how has the performance been in October and early November so far?
- Vikas Kothari:** As far as the macro factors are concerned, whatever numbers we have told or the initial expectation we have given in H1, remains conditional on the recovery in the end market demand. But we see very positive signs in macro environment like the interest rates are stable, steady GDP growth is there, increased Government spending on housing and infrastructure and the recent rollout of GST 2.0, which simplifies the tax framework. So, overall, all these factors are encouraging in terms of improved H2, like Deepak highlighted earlier. And our understanding is that we will be able to reach the numbers, but we remain cautiously optimistic about the demand recovery, we stated would happen in H2 FY '26.
- Archana Gude:** Sure, sir. In October and November, did we witness some green shoots in demand or was it still okay-ish; and do we need to give some more time to see the actual recovery?
- Vikas Kothari:** So, just to give you an overview, what we have seen is over the past several quarters, the demand is sluggish across all the categories. But what we have seen in H1, or towards the late start of H1, is that the Sanitaryware segment in our case, which was almost muted or in some quarters was degrowing, that degrowth has been arrested. And for the last two quarters, if you have seen, in this quarter, I think we have grown by 1.4%.
- And Faucetware is growing at a good speed, except this quarter, which was just a onetime adjustment in terms of the price rise that we took last year. So, Faucetware again is growing at a speed of 8% to 10%. So our understanding is that the growth, which is going to be there will come in H2, and we will definitely be able to see better months coming in the H2.
- Archana Gude:** Sure, that was pretty helpful. Thank you so much and all the best, sir.

- Moderator:** The next question comes from the line of Praveen Sahay with PL Capital.
- Praveen Sahay:** My first question is related to the divestment. So, in the press release, you had mentioned that you have received a consideration of around INR 18.7 crore. So is that booked in the P&L for Q2 or yet to be booked?
- Vikas Kothari:** So Praveen, thank you very much for asking the question. Just to update, as we have already given our financials also, the Company has divested its stake in two subsidiary LLPs i.e Race Polymers Arts LLP and Packcart Packaging LLP.
- This is owing to the relatively lower business magnitude and limited strategic relevance, and with respect to the focus that we want to develop in our core business activities. So that was the event which occurred in Q2 before the closure of Q2.
- And regarding the deal which was completed, the total consideration we have received for these two LLPs is what you have rightly told is INR 18.75 crore. And we have recorded the profit on divestment of INR 5.54 crore, which forms part of this Q2 and is in other income.
- Praveen Sahay:** Okay, thank you for that. Second question is related to your guidance of 7% to 8% growth on the overall side. You also mentioned that the retail is a bit slow. And to offset that, you are entering in the project business. Now it is up to 39% contribution from the project business. So, the way forward in the latter year, we will see this contribution to increase further to bring the growth?
- Deepak Chaudhary:** Praveen, it is very difficult to say, because whether the project size would as a proportion of the total business would be growing or not. Essentially, that is totally dependent upon how the demand revives. If retail improves, then obviously, this proportion will remain same and then over a period of time, steadily decline to the levels that we anticipate of 35%. But if that sluggishness continues, then obviously, this proportion will most probably remain at this level or maybe again go up slightly. But that will totally depend upon the kind of growth which happens in retail.
- In the shorter term, let us say, for the H2 kind of the numbers that we are seeing, we think that it should remain at the current levels at the level of 40% because we have started seeing green shoots in the retail environment also. So we anticipate that it should be remaining in the level of 39%, 40% for the current year ending March '26.
- Praveen Sahay:** Okay. Secondly, on the brands, Senator and Polipluz. So, are there any contribution so far from these two brands in our numbers?
- Deepak Chaudhary:** Currently, it is more about the setting up of the team, setting up of the distribution channel and getting the products in place. So as of now, there are no significant numbers. The costs have started coming in, but the sales will be starting in Q3 and Q4. We anticipate that we should be ending the year with both these brands at something in the region of INR 40 crore to INR 45 crore.
- Praveen Sahay:** Sorry, I missed. How much you said? INR 40 crore, INR 45 crore?
- Deepak Chaudhary:** Correct. For Senator and POLIPLUZ taken together for the next two quarters?
- Praveen Sahay:** Okay, good to hear that. Thank you, sir, and all the best.
- Deepak Chaudhary:** Thanks.
- Moderator:** The next question comes from the line of Jaspreet Arora with Equentis PMS.

- Jaspreet Arora:** The segment-wise growth rate that you mentioned, just to clarify that sanitaryware registered 1% growth and faucets minus 3%, that was for Q2?
- Vikas Kothari:** Right.
- Jaspreet Arora:** Okay, and what would be, sir, for H1, the similar number?
- Vikas Kothari:** So, if you talk about H1, so in case of H1, Sanitaryware has grown by 0.58%, Faucetware has grown by 3.5%, Wellness has grown by 8.2% and Tiles have grown by roughly 4%. So overall growth in terms of H1 is 2.2%.
- Jaspreet Arora:** So, faucets had grown 3%?
- Vikas Kothari:** Yes.
- Jaspreet Arora:** 3% plus and despite quarter 2 being negative. So the first quarter growth was very good?
- Vikas Kothari:** Yes. So, you will see the impact in Q3, because like I told, in case of Faucetware, the price increase impact last year was taken because of the rising brass prices. And because of that anticipation, preorder bookings were done, resulting in a corresponding growth of roughly 20%; - that was a onetime impact.
- But overall, we are quite positive in terms of Faucetware demand. So there is a good demand in Faucetware. The impact, if you see for H1, was around 3.5%. The growth in Q1 was partly offset by this onetime effect. But we are quite positive that by the end of the year, the numbers which we are saying roughly 8% to 10% growth in Faucetware, seems achievable.
- Jaspreet Arora:** Okay. So full year, we are saying 8% to 10% faucet revenue growth?
- Vikas Kothari:** Yes.
- Jaspreet Arora:** And what would be the volume and price mix within this?
- Deepak Chaudhary:** Volume and price mix is very difficult to say in case of Faucetware because both in case of sanitaryware as well as Faucetware because it is a completely mixed basket. And we have a lot of SKUs, which are in completely different price ranges. So we will always go by in terms of the revenue growth.
- Jaspreet Arora:** But some idea, would a large part be price, I understand sanitaryware is difficult. Or even there, yes, so if you take one standard product or whatever, just to get a sense because volume at the end of the day is a barometer of how the economy is growing. Price is always secondary. I mean that is not in our hands.
- Deepak Chaudhary:** See if you look across, let us say, last 3, 4 years, there has been hardly any price increase which has been taken. Last year, we have taken a price increase of roughly on an average, it was working out to 5.5% to 6% for Faucetware. Even that, you will find that the price increase takes some time to get implemented because of the fact that for all the projects, you will have prices which are more or less remaining constant for the delivery period, which would be typically something from 1 year to 1.5 years.
- So, for projects, the rise starts happening only after the certain time lag. In retail also because the dealers normally you have an effective date, but the pickup starts happening only after some time. So the price increase has been only to the extent of

6% last year. Apart from that, everything what has come, the increases which are coming are coming on account of volume only.

Jaspreet Arora: Okay. And we are saying that for the second half against 2%-odd growth in revenue in the first half, in second half, we are expecting closer to 12% to 13% revenue growth. Is that what you said?

Deepak Chaudhary: Correct.

Jaspreet Arora: Okay. And just to understand that part, you mentioned there are certain macroeconomic factors which will come into play. So what I could not understand, what were those macroeconomic factors which were absent in 1H and which will now come into force in 2H?

Vikas Kothari: No. So, like I talked about, there is a freeze as far as discretionary spending from the consumer side is concerned.

Jaspreet Arora: There is a freeze? Slowdown. You mean a slowdown.

Jaspreet Arora: Yes, you mean there is a slowdown in discretionary spending?

Vikas Kothari: Yes. So, with all the positive signs which are coming, like the interest rates are stable, we see that a lot of spending is happening from the Government side as well. And all these factors, we believe will help us in terms of changing the mindset of the consumer in terms of whatever decisions they have postponed. So they will start initiating those decisions. And this will support the building material industry, including our sanitary and faucet industries as well.

Moderator: The next question comes from the line of Resha Mehta with Green Edge Wealth.

Resha Mehta: So, just two questions, actually clarifications. Maybe I missed the opening remarks, but you have guided for a 7% to 8% overall topline growth for the full financial year? Or is that just for H2?

Deepak Chaudhary: For the full financial year.

Resha Mehta: And within that, faucets will grow in double digits. Is that understanding right?

Deepak Chaudhary: Correct, yes.

Resha Mehta: Got it. And also, you mentioned that the 2 new brands, Senator and Polipluz will contribute to INR 40 crore, INR 45 crore in H2?

Deepak Chaudhary: Correct.

Resha Mehta: And in terms of gross margin, so why did we see a compression in gross margin this quarter?

Deepak Chaudhary: Gross margins is more or less remaining the same. You will find that across quarters; there will always be a variation of 1% or 2%. But otherwise, it is always in that range of 52% to 55%. The discounts, typically, you will find that the gross margin is a function of two things. One is the kind of discounts which is being offered by the Company.

Second would be the cost of the products that we are selling. So discounts have kind of remained stable over the last couple of quarters, you can see vis-a-vis Q1, we have seen that discounts are not going up. They are stabilized.

But if you look at in comparison with the previous quarter, you will find a slight 0.5% kind of a difference between the kind of discounts we offered in Q2 of the previous year as compared to Q2 of the current year. But now that discount trend has been arrested.

So, there are a lot of factors which go into making that the kind of stock which was being uploaded, the kind of mix which has been sold. So there is a slight variation on a quarterly basis. But overall basis, you will find that the gross margin remains constant.

Resha Mehta: Right. And any input cost inflation?

Vikas Kothari: So, regarding the input cost, largely what we have seen is that the brass cost, which has shown an increase last year, after that, it remained within the range of INR 590 to INR 600 per kg. So that remains there. But again, when we talk about the current scenario, as of November. The metal price, the brass price has again taken a sharp increase. It is beyond INR 600, roughly around INR 620 or INR 630. So that is one factor which has impacted the margins, and the profitability. So we are cautiously watching this in terms of any subsequent rise and if the brass prices are continuously on a rising trend, that will be taken care of. But we are right now reviewing the market scenarios in terms of the metal market.

And with respect to other prices, other input prices like clay and feldspar chemicals, which are used. There is an increase versus Q2 of last year. So those prices have increased slightly. But largely, the focus is with respect to the brass prices. So, what we are smartly doing is with these prices increases, we are improving, offsetting, or partially offsetting the impact with our improved operational efficiencies and the ongoing cost optimization initiatives, we are taking across the categories.

Resha Mehta: But no price hikes being planned, right?

Vikas Kothari: Yes, it is not planned because I think in the month of October, November, the brass prices have grown drastically. But still, we want to see the pattern. And then if we see there is an impact because in case of Faucetware, almost 60% to 65% of the cost of the product pertains to the input cost. And if we see the stable trade in terms of the price increase, then we may take a decision. But right now, there is no such plan.

Resha Mehta: All right, thank you.

Vikas Kothari: Thank you.

Moderator: The next question comes from the line of Karan Bhatelia with Amsec.

Karan Bhatelia: With respect to the Senator and Polipluz portfolio, while you mentioned that INR 45 crore, INR 50 crore could be seen in the current year. How do we see next 2, 3 years in terms of revenue potential and the scale up in the margin profile as well?

Deepak Chaudhary: In respect of the margin profile, like Senator will have slightly higher margins as opposed to the kind of mix that we are having right now. We expect that it should have margins to the tune of 20% to 22%. Polipluz, we expect it to be slightly higher. It should be in the range of 25%. The kind of volumes and the numbers that we have projected for the next 2 years, like this should be contributing to something like INR 150 crore of turnover from Senator and Polipluz taken together.

Karan Bhatelia: Right. And what kind of new product launches we have seen in the core category of sanitaryware, faucet for first half and the expansion in the network?

- Deepak Chaudhary:** There has been no new launches in Sanitaryware and Faucetware because we had quite a few launches in the last couple of years. Our product portfolio has undergone a complete change in the last 2 years. So this year, the launches were mostly in Polipluz and in Senator, where the new products, all the new range has been launched. So for the first half, there were no further launches in sanitaryware and in faucets.
- Karan Bhatelia:** Okay, that is it from my end.
- Moderator:** The next question comes from the line of Syed Nawaz, an Individual Investor.
- Syed Nawaz:** So, I have a few questions about the premium products that we are launching, specifically the Senator brand and Polipluz. Since the Company is transitioning into the premium market segment where 42% to 43% has been the average contribution to the overall revenues. How are we expecting to compete in the segment where we have already established players in the Sanitaryware segment, such as Hindware and some other players as well who specifically cater to the premium category? What is the marketing position of the Company how are we looking to further capture the market in the premium segment?
- Deepak Chaudhary:** See, Cera has a long standing, like we have been in the premium segment for quite some time. But now we are trying to go a level up from the premium segment that we are already present to address the one which is being currently catered to more of the multinational brands. So, the idea is to have a completely different kind of a product profile. The kind of products we are having for Senator is very different from what we are currently have in our Cera portfolio. So, there is an upgradation in the kind of both the aesthetics, the kind of features and complete different product profile, which we are offering for Senator. The kind of experience that will be offered to the consumer would be also very different. For this particular brand, we are targeting a completely new set of dealers, a new set of showroom and a customer experience, which will be very different from what is available for the Cera portfolio. So, the idea is to reach a set of consumers, which is not as of now being addressed by the Cera. There was no focus right now for those particular products. So the idea behind Senator is to give a more focused drive on the premium segment.
- Syed Nawaz:** Any marketing burn or any marketing spends, etcetera? Because as you said that we are entering into a new segment altogether, which has not yet been explored by Cera. So are we expecting any marketing burn as well?
- Deepak Chaudhary:** Like in the first year, like we are talking about, let us say, the two quarters which have gone by and also the H2, the focus would be mostly on the getting the showrooms ready and also more on the acting on the influencers, getting the influencers on board, making them aware about the brand because they are the ones who kind of bring in the consumer and the final decision tilt happens because of them.
- So, in the first year, it will be mostly focused on getting products and showrooms ready. So, the total spend that we intend to do would be carved out of the total budget that we have. We expect it to be in the range of INR 10 crore to INR 12 crore. From next year onwards, you will find that, that amount would increase, both for Senator as well as for the Polipluz also.
- Syed Nawaz:** And I have another question about the forecasted profits that we have discussed. More specifically, again, it would be a very novice statement to make from my side, but I have observed that there is a reduction in the amount of sales achieved. And historically, again, at least in 4 or 5 years, we see that there is a slight reduction in the revenue of the Company. I have studied the data for the past 10 years. And I just

wanted to get clarity, on whether we are looking at a sluggish market or at least lower demand in terms of real estate development projects being undertaken? Or what is the exact reason behind the fall in revenue or fall in the general demand for the products?

Deepak Chaudhary: See, if you look at, as you are mentioning in respect of Cera, we had a good growth, let us say, till 2 years back or rather 3 years back from which the numbers have stagnated. We have been in the region of INR 1,800 crore to INR 1,900 crore over the last 3 years. So as you mentioned, the demand has been sluggish. It has been especially true for the retail segment over the last, you can say, 7, 8 quarters, 2 years.

But over a period of time, we have found that our project business has started growing traction. The project which business which used to constitute something like 30% earlier has now gone up to 39%. And we anticipate that once the retail demand picks up, that growth, which has been missing over the last 7, 8 quarters, should again be back on track.

Moderator: The next question comes from the line of Lakshmi Narayan with Tunga Investments.

Lakshmi Narayan: Sir, I observed that in the sanitaryware category, the competition is quite high, and we see that an entrant who has been restricted to Faucetware has actually started getting traction in sanitaryware. Now does that explain some amount of slowness in our growth? That is my first question. Second, - how the realization of sanitaryware improved in the last 1 year or so? And what is the average realization for sanitaryware for us?

Vikas Kothari: So, like you told, in terms of the entrants or in terms of the players who are dealing in Faucetware, they have got an opportunity to come into the sanitaryware segment also. So, we have seen for the last several quarters that there are new entrants who have entered into the bathware zone. So again, since we are seeing that the market itself is not very growing because of the sluggishness in the environment. Overall, the comment from Cera's side would be that Cera being a brand which is established for more than four decades and with product lines, quality and other things well established, brand loyalty and the type of innovation we put in our products, is going to be a sustainable model.

Again, with respect to comparison with the new entrants, the service differentiation, we provide in terms of after sale and the wide dealer network we have, that is the plus point. So, there is an opportunity for them in a period where demand is sluggish. But on a long-term basis, we are quite confident that once the demand pattern will improve, definitely, our revenues will improve as we have projected in terms of the overall growth.

Lakshmi Narayan: Just on that one, if I look at some of the housing sales, etcetera, at least in the premium segment or even in the INR 50 lakh to INR 1 crore, the registrations in top metros continue to grow. And even some of them have actually taken possession. So, I am just trying to understand what is the correlation one can actually expect between that and our industry growth because there seems to be some kind of disconnect, though we always know that only towards the end people actually install the sanitaryware, but somehow it is not adding up. Can you just explain to me why is this?

Deepak Chaudhary: What you are saying is correct. Like if you look at the scenario which has happened post-COVID, the growth traditionally, Cera has been there in the premium and the mass premium brand. And the growth over there in those particular markets have been kind of stagnant. You have had quite a new players who have been coming in over there. You also have a segment which has been growing quite well, the

premium, the luxury segment, the metro market, where you will find that a few players have been able to capture that market, where Cera was not having a very strong presence. So that is the idea that we have come out with that brand Senator, which is targeted towards the market, which is as of now showing traction.

- Moderator:** The next question comes from the line of Arun Baid with ICICI Securities.
- Arun Baid:** Sir, just one clarification. You said your margins will be 14.5%, 15%. This is for the full year, right?
- Deepak Chaudhary:** Correct, yes.
- Arun Baid:** And second thing is in the first half of this year, how much money we would have booked in the P&L with regards to Polipluz and Senator because of expense for the employees?
- Deepak Chaudhary:** In the current half year, which has ended, the sales have been marginal because it was more about getting the products and the leadership in place. So, the amount of sales in the first quarter is kind of negligible.
- Arun Baid:** No, I am asking for expense because you must have hired people, branding expense you have done, how much would that be?
- Deepak Chaudhary:** See, for the kind of showroom development, which has happened, it is an ongoing thing. The cash outflow happens, but the actual expenditure comes in by way of depreciation, which will be happening over the next, you can say, a few quarters. In terms of branding, there would have been some expense. We have not initially categorized it specifically for Senator, what amount has been spent.
- The main impact would be on the people front, where we anticipate that for these two brands taken together, we would be having an annualized expenditure of something like INR 15 crore, you can say INR 14 crore to INR 15 crore for the full year. So the team development had started. So, a part of that expenditure would have been, the main expense would have gone into Senator and Polipluz.
- Arun Baid:** So, roughly the first half, would it be right to assume that you would have spent, I am talking of the employee expense only, around INR 5 crore to INR 7 crore would be the right assumption for the first half?
- Deepak Chaudhary:** It will be in the range of, yes, INR 5 crore.
- Arun Baid:** Okay. And the second thing is, you mentioned that INR 150 crore is what you budget from these 2 brands. This is by FY '27?
- Deepak Chaudhary:** Correct. FY '27.
- Arun Baid:** Okay, thank you very much.
- Moderator:** The next question comes from the line of Jaspreet Arora with Equentis PMS.
- Jaspreet Arora:** Just to clarify, sir, you mentioned this extra income or a one-off income of INR 5.5 crore. So, the PBT of INR 72 crore would become whatever lesser by that much, right? INR 66 crore, INR 67 crore. Is that how to read it, the recurring PBT?
- Deepak Chaudhary:** The EBITDA without other income is in the range of INR 67 crore as opposed to INR 69.60 crore in the previous corresponding quarter.

- Jaspreet Arora:** And the PBT of INR 72 crore includes this INR 5.5 crore of exceptional income?
- Deepak Chaudhary:** Yes. INR 5.5 crore. Correct.
- Vikas Kothari:** Yes. It is with other income, correct.
- Jaspreet Arora:** Okay, that helps. And just lastly, are there any measures within the cost side, particularly on the fixed side? I understand on the variable side, it might be difficult, - there is already inflation and price increase is difficult.
- So, on the cost side, because other building material companies are doing a fair bit on the cost side, on the fixed cost side, whether it is salaries or overheads, do you have any scope for adjustments there to ensure that the margins do not dip beyond a point?
- Deepak Chaudhary:** See, this is a continuous exercise. Like over the last eight quarters where we have not witnessed an increase in revenue, the topline has not been growing. You find that the kind of margins that we have been able to maintain has been primarily because of the fact that we have undertaken a continuous basis cost optimization program. That is across the functions, across all categories, across all functions. So other players may have started doing it now, and that is why...
- Jaspreet Arora:** No, any specific areas you can highlight? Sorry to cut, any specific areas you want to highlight and also give the impact because this is a little bit generic what you are saying, which we appreciate. But quantum will help rather than generic and specific areas where you have done something?
- Deepak Chaudhary:** That is what I am trying to explain that it is not some one area which is kind of...
- Jaspreet Arora:** But the biggest area, the top two areas, because you will understand the quantum that way, and the quantum if you can share? As a percentage of revenue, how much from what to what?
- Deepak Chaudhary:** One area where we have really tried to extract more value and not increase is the publicity spend. If you look at the kind of publicity spend that we have been doing earlier, you find that it has more or less remained constant or has slightly decreased. So one would be that area.
- Second area has been the kind of efficiencies which we have been able to get within the plant. Efficiencies is not by way of expense kind of reduction only. It is the kind of output that we are able to generate with the same amount of resources. That has gone up tremendously both in the sanitaryware as well as the faucet plant. How it really helps is that earlier you were incurring all costs for gaining a certain amount of output. Now the same cost, slightly increased cost is going for a much higher level of output. So essentially, the kind of rejections which you were having earlier. If you look at the sanitaryware plant, you will find that this is a major, major issue. Across, you will find that whenever a new player is setting up a plant in sanitaryware, they find it extremely difficult to stabilize because of the fact that rejections are extremely high.
- If you introduce a new product, you will find the rejections goes up and it takes time to stabilize. So we have been able to kind of bring out higher efficiencies over there, reduce the level of rejections so that earlier you were incurring all costs and then throwing away the piece. Now you find that you are incurring the cost, but you are getting a higher output so that your costs are getting spread over a larger number of units.

- Jaspreet Arora:** Understood. And the employee cost, - inflation looks to be 4% to 5% in the first half. Is that how to read for the full year employee cost inflation?
- Deepak Chaudhary:** Typically, the employee cost because for the staff, it has gone up in the range of 10.5% to 11%. For the workers, you will find that it will be in the range of 5%. But we are anticipating a wage increase to happen in the second half. So that should take it for the whole year to be in the range of, let us say, 7% to 8%, if that happens in this year.
- Jaspreet Arora:** Okay. 7% to 8% for the full year, the entire wage bucket?
- Deepak Chaudhary:** Correct.
- Jaspreet Arora:** All right, this really helps. Thank you so much for the clarification and best wishes.
- Deepak Chaudhary:** Thank you.
- Moderator:** Ladies and gentlemen, that was the last question for today. We have reached the end of question-and-answer session. I would now like to 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 the time to join the call. Thank you.
- Moderator:** On behalf of Cera Sanitaryware Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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