



CSL/2025-26/43  
16<sup>th</sup> May, 2025

To, <b>BSE Limited</b> Corporate Relationship Department 1 <sup>st</sup> Floor, New Trading Ring Rotunda Building, P J Towers Dalal Street, Fort, Mumbai – 400001. Scrip Code : 532443 Scrip ID: CERA	To, <b>National Stock Exchange of India Limited</b> Exchange Plaza Bandra Kurla Complex Bandra (East) Mumbai – 400051.  Scrip Code: CERA
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Dear Sir/Madam,

**Sub: Transcript of the Conference Call held on 10<sup>th</sup> May, 2025**  
**Ref: Regulation 30 of the SERI (LODR) Regulations, 2015**

With reference to our letter CSL/2025-26/31 dated 28<sup>th</sup> April, 2025, intimating you about the Q4 FY2025 Earnings Conference Call held on 10<sup>th</sup> May, 2025, please find attached the transcript of the aforesaid conference call.

The same is available on the website of the company, i.e. [www.cera-india.com](http://www.cera-india.com)

We hope you will take the same on your records.

Thanking you,  
For Cera Sanitaryware Limited.

Hemal Sadiwala  
Company Secretary  
Encl: As Above

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**Cera Sanitaryware Limited**

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**CIN No. : L26910GJ1998PLC034400**



# Cera Sanitaryware Limited

## Q4 & FY25 Earnings Conference Call Transcript

May 10, 2025

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

As a reminder, all participant lines will meet 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 “\*”, then “0” on your touch tone phone. Please note that this conference is being recorded.

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

**Devrishi Singh:** Good morning, everyone and thank you for joining us on the earnings conference call for Cera Sanitaryware Limited for Q4 & FY25 earnings which were announced yesterday. We have with us today the management team comprising Mr. Vikas Kothari – CFO; and Mr. Deepak Chaudhary – VP, Finance & 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:** Thank you, Devrishi. Good morning, everyone. On behalf of the management Team of Cera Sanitaryware Limited, I would like to welcome you all to our earnings conference call. I will begin by sharing some updates on the operations and strategy, following which our CFO – Mr. Vikas Kothari, will run you through the key financial highlights.

I am delighted to share that we concluded the financial year 2025 on a positive note, supported by stable margins and steady performance across key segments. Our focus on operational efficiency and disciplined cost management has been instrumental in sustaining profitability and supporting our performance.

The operating environment in Q4 remained subdued with continued softness in consumer demand across end-markets. Despite this, the Company managed to deliver satisfactory performance for the quarter, largely driven

by our strong business fundamentals, sustained focus on cost and efficiency, and consistent execution across key verticals.

Revenue from operations in Q4 FY25 stood at Rs. 578 crore, registering a year-on-year growth of 5.7%. EBITDA stood at Rs. 121 crore with improved margins at 20.4%.

Our Faucetware segment recorded a year-on-year growth of 9.6%, supported by resilient demand and good acceptance of our wider range of SKUs. In the Sanitaryware segment, while demand remained subdued, we remain optimistic that structural drivers such as urbanization, rising disposable income, desire for improved living standards, as well as home renovation and upgradation cycles will support the recovery over time. In Q4 FY25, the Sanitaryware and Faucetware business contributed to 48% and 40% of the total revenues, respectively. During the quarter, capacity utilization stood at 95% for Faucetware and 90% for Sanitaryware.

At the same time, the B2B segment continued to gain traction, contributing 40% of revenues during the quarter, up from 35% in Q4 FY24. We are witnessing strong pre-order momentum from the real estate sector, supported by rising construction activities and higher disposable incomes. Cera's longstanding brand equity and track record of quality and reliability has enabled us to consistently win project orders, further strengthening our B2B growth trajectory.

FY25 demonstrated our ability to execute across multiple strategic fronts, despite the challenging demand environment. We enhanced the product portfolio with the launch of approximately 431 new SKUs across the Cera and Senator brands and undertook a comprehensive portfolio reinvention through the establishment of our dedicated design center at our factory. This has helped drive innovation in categories such as designer basins, clean profile water faucets and PVD coated faucets.

During the year, we also significantly expanded our retail footprint, launching over 342 new stores and expanding our Company owned Cera Experience Centers at Mohali, Jaipur, Pune and Lucknow, taking the total to 13 across India. Our retailer loyalty program continued to scale effectively, now engaging over 24,400 retailers. Additionally, we strengthened our market presence through participation in leading industry forums across cities such as Kochi, Vijayawada, Lucknow and Siliguri.

We continue to take progressive steps in evolving our brand architecture and sharpening our premium and luxury positioning. Our flagship brand Cera continued to perform well, while our premium brands Cera Luxe and Senator are poised to gain momentum in an evolving market landscape. Backed by a fairly defined product roadmap and supported by in-house design, manufacturing and R&D capabilities, we are prepared for a focused scale up in FY26 and beyond.

- There has been substantial progress on the Senator brand. The complete product range has now been finalized, covering faucets, Sanitaryware and Wellness products to offer a full spectrum of bath solutions.
- In a significant strategic move, we are setting up a dedicated team under the leadership of Mr. Ramesh Baliga, Chief Business Officer, to exclusively drive the Senator brand. This move demonstrates our increased commitments to developing Senator as an independent premium retail brand.
- As part of efforts to deepen engagement with the architect and design communities, we have partnered with the Festival of Architecture & Interior Designing as a powered-by sponsor. This platform will enable us to showcase Senator's full range across curated events in metro cities. This association includes exclusive branding, product demonstrations and direct connects with key industry stakeholders. We believe this will significantly boost the Senator's visibility in the premium design ecosystem.
- Our flagship Senator stores have already begun operations, with 17 stores functional as of March 2025. And we plan to open approximately 40 to 45 Senator stores during FY26. Separately, Cera Luxe products are also set to be prominently showcased in over 50 stores by the end of FY26. While this scale up will take place over time, the initiatives underway today lay a strong foundation to capture long-term growth opportunities in the premium and luxury segment.

Our advertising and marketing spend for FY25 stood at Rs. 54 crore. Our brand ambassador, Kiara Advani, continues to play a vital role in reinforcing brand identities and driving consumer engagement. We executed high impact campaigns during the Lok Sabha and Delhi elections across 40-plus national and regional news channels, significantly enhancing the brand visibility. This was further amplified through strategic media placements on platforms such as Big Boss OTT and Big Boss Tamil, helping us deepen our connect with younger and regional audiences.

We are seeing strong traction from digital campaigns across popular social media platforms. With strategic influencer collaborations further enhancing visibility and weakening engagement with our aspirational consumers.

- We are increasingly adopting AI-driven automation and hyper local marketing to improve campaign efficiency and through personalized communication.
- Our Unboxing Smiles initiative – which aligns showroom displays with biannual product launches - has also helped energize the channel partners and consumer excitement around the new collections.

- We also launched an e-commerce platform during the year, a significant step in our digital strategy, allowing consumers to browse and order products online, while enabling fulfillment through 200-plus onboarded channel partners. This initiative strengthens our omnichannel capabilities and opens new demand and revenue opportunities across touch points.

During the quarter, Cera began implementing a robust dealer management system to enhance billing transparency and operational accountability. The system automates invoicing and integrates directly with our internal software platform. We have already onboarded our top 50 dealers and plan to expand this to 150 to 200 dealers over the next six months. This will greatly enhance the data and analytics available within the Company, providing further insights on trends across products, designs, regions, micro markets, etc.

During FY25, we incurred the total CAPEX of Rs. 22.84 crore with investments directed towards enhancing manufacturing infrastructure, upgrading retail experience centers, and strengthening our IT and digital backbone. We also allocated capital towards display enhancements and strategic brand building initiatives to support our premiumization agenda. Building on these efforts, we have earmarked the CAPEX of Rs. 24 crore for FY26, comprising largely of routine investments along with targeted spending on brand development initiatives.

To summarize, FY25 was a year of steady execution amid a soft demand environment. Our overall market recovery was slower than expected, we maintained healthy margins, expanded our premium product portfolio, and deepened our presence across both retail and project channels. As we move into FY26, our focus remains on building our brand, strengthening distribution, and advancing digital and customer experience capabilities. With a strong legacy, trusted brand, financial discipline and fully integrated manufacturing operations, Cera is well-positioned to drive long-term growth and create sustained 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 31<sup>st</sup> March, 2025. Thank you and over to you, Mr. Vikas Kothari.

**Vikas Kothari:**

Thank you, Deepak. A very good morning to everyone. I will now provide a brief overview of the Company's financial performance for the quarter and year ended 31<sup>st</sup> March 2025.

In Q4 FY25, revenue from operations stood at Rs. 578 crore, registering an increase of 5.7% from Rs. 547 crore in Q4 FY24. EBITDA excluding other income stood at Rs. 106 crore as against Rs. 92 crore in Q4 FY24. EBITDA margins excluding other income for the current quarter stood at 18.3% as against 16.8% in Q4 FY24, registering a healthy increase of 150 basis points. The rise in the margins was primarily driven by effective cost management, enhanced

operational efficiency and favorable operating leverage resulting from increased revenues.

Gas prices increased during the quarter. The average gas price from GAIL was Rs. 28.68 per cubic meter in Q4 FY25 as opposed to Rs. 28.35 per cubic meter in Q4 FY24. Similarly, the average gas price from Sabarmati rose from Rs. 55.62 per cubic meter in Q4 FY25 from Rs. 50.12 per cubic meter in Q4 FY24. Drawal of gas from GAIL was at 73% and from Sabarmati at 27% in Q4 FY25. The weighted average cost of gas in Q4 FY25 was Rs. 36.03 per cubic meter, which is notably below the industry average. Gas constitutes 3.5% of our total revenue.

For the quarter under review, revenue contributions were as follows: - Sanitaryware at 48%, Faucetware at 40%, Tiles at 9% and Wellness at 3%. On a Y-o-Y basis, Faucetware revenues increased by 9.6%, Tiles by 4.7%, Wellness increased by 46.7%, while Sanitaryware revenues marginally decreased by 1.6%. Our core segments, Sanitaryware and Faucetware contributed 88% of the total revenue.

In Q4 FY25, 42% of our sales were in the premium category, 35% in mid category, and 23% at entry level category.

Profit after tax for the quarter stood at Rs. 86 crore, registering an increase of 14.1% from Rs. 75 crore in Q4 FY24. EPS for the quarter stood at Rs. 66.36 versus Rs. 57.69 in Q4 FY24.

In terms of the working capital management, inventory days increased from 70 days to 79 days, receivable days from 34 to 44 days, and payable days decreased from 44 days to 43 days. Consequently, the net working capital increased from 60 days to 80 days in Q4 FY25.

Regarding the sales distribution. Tier-1 cities accounted for 35% of our total sales. Tier-2 cities, 21%; and Tier-3 cities led with 44% of the total sales.

For FY25, the Company reported net revenue of Rs. 1,915 crore, registering an increase of 2.4% from Rs. 1,871 crore in FY24. EBITDA excluding other income was at Rs. 291 crore, a slight decrease from Rs. 294 crore in FY24. Profit after tax stood at Rs. 247 crore as against Rs. 239 crore in FY24. Overall, the Company maintained its stable revenues and profit on a Y-o-Y base.

As of March 31<sup>st</sup>, 2025, our cash and cash equivalents stood at Rs. 719 crore.

In conclusion, we remain confident in Cera's financial resilience and long-term growth potential. With a strong foundation in place, we are well positioned to benefit from improving market conditions as demand gradually recovers. Our focus will continue to be on prudent financial management, efficient capital utilization, and sustained margin discipline to drive value creation in the quarters ahead. Going forward, Cera remains focused on

consistently improving its financial performance and is well poised to create greater value for all its shareholders.

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. We will take our first question from the line of Praveen Sahay from PL Capital.

**Praveen Sahay:** Good margin improvement in the quarter. So, the first question is related to margin improvement only. As you had already mentioned, operational efficiency and some cost management led to the margin improvement. Can you give us the way forward, - how sustainable is this kind of a margin? And what kind of a specific cost management you had done? One, I can understand, is related to the advertisement, which was done on a Y-o-Y side, but apart from that, what else you had done? And going forward, is that sustainable or not?

**Vikas Kothari:** So as you have rightly said, the margins have improved in the 4<sup>th</sup> quarter. And overall, if we see the margins, what we generally say is in the range of 15% to 16%, and that has been proven through our past performances also. So, the way forward is also very clear - margins will be within this range. Now, coming to the part of what has played a role in terms of the improvement - this 1.5% improvement, which is there, this is contributed by a 0.10% improvement of gross margin. Then we have the publicity savings, which contributed 0.5%, and cost effective measures, mainly in production overheads and sales and marketing expenses, that contributed 0.9%, - overall, leading to 1.5% in terms of improvement in the margins.

**Praveen Sahay:** Okay. And the second question is related to the working capital, which has increased - especially the receivables. So, is it because your institutional business is increasing - is that the main reason, or is there something else to note? And what is the way forward?

**Deepak Chaudhary:** As Vikasji mentioned in the concall, - inventory days have increased from 70 to 79, receivables from 34 to 44, and payable days have reduced from 45 to 43. So, net working capital days have gone up from 60 to 80 days. Now, your question was specifically related to our receivable days. The receivables have not gone up on account of the project business. Project business last year constituted 35% of our total sales. If you look at the previous quarter, Q3, it was in the region of 37%. In this quarter, it has gone up to something like 40%. So, we are in the same range, 35%, 37%, 40%, - 35% to 40% on a year-on-year basis and 37% to 40% on a sequential quarter basis.

So, this increase that we are seeing is not on account of the project business. This is mainly on account of a change in the credit policy. The cash credit policy that we used to have earlier that has undergone a change in the recent past. This has resulted in changes in the cash discounts that we offer to customers who pay before time. In this context, earlier our total discounted



sales - city sales - constituted something like 74%. In Q4, this has gone down to 67%. So, this is the primary reason why the receivable days have gone up.

If you look at a slightly higher aging - for more than three months - we are at the same level which we were in Q3 as well in the full financial Year '24. As of May, this has already come down from 44 days to 38 days at the end of April. So, going forward, we do not anticipate this to be a challenge. It's more of a kind of adjustment that is happening because of the change in the CD policy. Going forward, we can expect the same level of debtors as which were there earlier.

**Praveen Sahay:** Okay. Helps sir. Thank you.

**Moderator:** We will take our next question from the line of Lakshminarayan KG from Tunga Investments.

**Lakshminarayan KG:** Sir, when I look back at the last four quarter calls, you have been alluding to slowness in demand. So, when we started last financial year till now, why has there been a slowness in demand? Can you just elaborate as to what led to this? What has been your read? And how it is different now from earlier?

**Deepak Chaudhary:** The slowness in demand is mostly in the retail sector. In the project sector as we have mentioned earlier, it has been going up. If you look at the proportion of our project sales vis-à-vis the total sales, it has persistently gone up. Two years ago, project sales accounted for about 30%, with 70% being retail. This went up to 35% in FY24, and by Q4 FY25, we are looking at approximately 40% coming from projects. So there has been slowness in demand in the retail sector.

These factors have been, maybe over a period of time. The real sluggishness started, I would say, around Q3 of FY24. And since then, that trend has continued due to various factors - regional factors as well as the elections which happened in the last year. Now exact cause for that slowness and demand is very difficult to pinpoint, but we are hoping that once the slowness in the retail demand improves, we can expect greater momentum in our total revenues also.

**Lakshminarayan KG:** Got it. Now, is it more prevalent in the sanitary segment for retail, or is it prevalent in the Faucetware segment in retail?

**Deepak Chaudhary:** The slowness in demand is across both segments, but we have been experiencing that slowness more in the Sanitaryware segment. In faucets we have typically grown by 10% in FY24 as well as in FY25. But that is essentially because of the fact that we are a much smaller player in the case of faucets as opposed to being one of the largest player in the industry. So, even in a slow market, it enables us to gain market share from others. In Sanitaryware, being one of the largest players over there, that becomes a little more difficult to sustain growth in revenues, while the demand is sluggish.



- Moderator:** We will take our next question from the line of Moksh Ranka from Aurum Capital.
- Moksh Ranka:** I wanted to understand our scale up of the Tiles business. Could you just help me understand - currently freight rates are down, so the over-supply which was there for the tile segment should not be an issue. Is my understanding correct?
- Vikas Kothari:** So, regarding the Tiles business - if you see the composition of Cera, the Sanitaryware and Faucetware contribute almost 88% of our total revenue, and Tiles contribute around 10% of our total revenue. And in case of our business model, Tiles business is fully outsourced, where we operate on a zero inventory model.
- Our larger focus is in terms of including this as part of our portfolio is to provide a full solution to the consumer. So, whenever there are consumer requests in terms of sanitary and faucet products, tile offerings are also given. Largely we have different ranges - starting with vitrified Tiles, GVTs, DG wall Tiles. So GVTs almost constitutes 50% of our total tile sales.
- So, ideally, our focus is largely on sanitary and faucetware. And in case of tile business, this is offered in terms of the complete package solution to the consumer.
- Moksh Ranka:** Okay. The margins in the Tiles business would be lower than the Sanitaryware and Faucetware, right?
- Vikas Kothari:** Correct.
- Moksh Ranka:** What exactly would be our margins, like how much lower would they be compared to our average 15% to 16% margin for the Tiles business?
- Vikas Kothari:** So, we provide the complete financial performance. We do not disclose the margins. But the margins are lower, as you have rightly said than those of Sanitaryware and Faucetware.
- Deepak Chaudhary:** The margins in Tiles business are in single digits.
- Moderator:** We will take our next question from the line of Rudraksh Gupta from Navneet Family Office.
- Rudraksh Gupta:** I have two questions. I would request you to throw some light on the export opportunity referred to in the earlier call of Q4 FY24. Is this arising out of the tariff situation and supply chain realignment? Or does the Company see it as a strategic focus area for exports?
- Deepak Chaudhary:** As of now, export constitutes a small portion of our total revenues. With the tariff situation, we do feel that there is an opportunity for us to grow a little. But it is not something that we anticipate will grow by leaps and bounds.

Currently, we are at around 3.52% of our total revenues, we do not anticipate it to grow to double digits or something like that. But this actually presents us with an opportunity - let's see how it goes forward. So, more time will enable us to gauge the real impact of the tariffs and what kind of opportunities are actually present.

**Rudraksh Gupta:** Okay. And the second question is - the Company has guided for potential revenue of Rs. 2,900 crore by FY27. Given this aspiration, are you still comfortable and confident of being able to achieve the same?

**Vikas Kothari:** So, the guidance was given in a scenario where the market would perform well or market conditions would be positive. As we have seen, market conditions have remained subdued for almost six consecutive quarters, primarily due to the weak retail demand. So, the projections we made were based on the anticipation that market growth would be 7% to 8% in the Sanitaryware segment and 12% to 13% in the Faucetware segment. And we had expected to outperform the market by 6% to 7%.

However, in the actual scenario, the market growth has consistently fallen short of our expectations. But to be on the positive side - in spite of this challenging environment, - our project pipeline remains very good. We are confident of meeting our growth target as the retail momentum improves. So, the idea here is that it is dependent on market conditions. Once market conditions improve, we will outperform the market by 6% to 7% through our strong execution and focused strategic initiatives.

**Rudraksh Gupta:** Okay, sir. Thank you.

**Moderator:** We will take our next question from the line of Sonali Salgaonkar from Jefferies India.

**Sonali Salgaonkar:** Sir, my questions are on the industry. The real estate cycle has generally been steady over the past four to six quarters, with some weakening possibly over the last one or two quarters. So overall, across the industry - and I'm referring to your competitors as well - could you shed some light on why volume growth is coming in slower? If we look at the real estate launches that took place about two to three years back, intuitively that demand should be coming into the system now, probably in FY25. But that hasn't really happened across the industry. Any particular reasons you think that is? And also, have you seen any pricing pressure in sanitaryware or tiles during FY25?

**Deepak Chaudhary:** Yes, Sonali, I'll take your second question first - on pricing pressure. There has been some pricing pressure in FY25. With the slowness in demand prevailing during the current year, the industry has been facing over supply and overcapacity, resulting in most players offering higher discounts. As a result, even our discounts have gone up slightly over the past year, which has prevented us from taking price increases during this period.

We have tried to balance this by improving efficiency and cost management so that our profitability and margins remain intact. Going forward as well, we do not anticipate reducing our prices in the immediate near future. This view is based on the sluggishness that continues in the current quarter - Q1 FY26.

Regarding the first part of your question about the industry and real estate: as you mentioned, the typical real estate cycle would be in the range of three to four years. So, projects that began in FY21 or FY22 should be nearing completion in FY25 or FY26. We have already started seeing that upswing in our project business over the past year, and we anticipate that FY26 should translate into even stronger numbers.

**Sonali Salgaonkar:** Sir what is the quantum of price cuts that you have taken, or rather the level of discounting that you have taken in FY25? And my last question is about Tiles - I understand you outsource majority of your Tiles business, but what are your views on Morbi exports? And also, going forward in FY26, do you expect exports to resume?

**Deepak Chaudhary:** I will talk about the price cuts first, which you asked in the first part. We do not have formal price cuts in our business. What we do is adjust the quantum of discounts that typically go up. So, over the last one year, in the retail sector, our discounts would have gone up by something like 0.5% to 0.75%, that is on the retail side. In the project business things are a little more complex because it depends upon the size of the order. But on an average, the same level could have gone up in the project business as well. So that was in respect of price cuts.

In tiles exports, we do not have too much of exports, as Vikas mentioned. We are mostly in the business of just loading and doing trading within the domestic market. So, we will not be the right people to comment on the exports position, on an industry-wide basis.

**Sonali Salgaonkar:** Sure. Thank you, sir.

**Moderator:** We will take our next question from the line of Pranav Mehta from Equirus Securities.

**Pranav Mehta:** Congratulations on good profitability improvement. Sir my first question is if you can share the absolute breakup of Sanitaryware, Faucetware and Tiles and other categories for Q4 FY25 versus Q4 FY24. And my second question was related to the Rs. 34 crore credit balance write-back in the operating cash flow. So wanted to understand where exactly in the P&L this effect has been taken?

**Vikas Kothari:** So, regarding the first question - the breakup of the revenue: in Q4, Sanitaryware was 48%, Faucetware was 40%, Wellness was 3%, and Tiles was 9%.

**Pranav Mehta:** Sir, if absolute breakup if you can give, that would be helpful.

- Vikas Kothari:** So Sanitaryware it is Rs. 269 crore, Faucetware it is Rs. 222 crore, Wellness it is Rs. 16 crore, and Tiles it is Rs. 53 crore.
- Pranav Mehta:** Okay. And sir, similar in Q4 FY24?
- Vikas Kothari:** For the full year?
- Pranav Mehta:** Sir, for Q4 FY24, if you can share for full year, it would be good as well.
- Vikas Kothari:** For the previous year's quarter, the Sanitaryware figure was Rs. 273 crore, Faucetware was Rs. 202 crore, Wellness was Rs. 10.96 crore and Tiles was Rs. 50.7 crore.
- Pranav Mehta:** Okay.
- Vikas Kothari:** And regarding your question with respect to the write-backs - there are some excess provisions which were provided earlier; they have reversed. So, the amount you are referring to is reflecting in the balance sheet.
- Pranav Mehta:** So the impact on the P&L - is that of the Rs. 34 crore?
- Vikas Kothari:** Yes.
- Pranav Mehta:** That's it from my side. Thank you.
- Moderator:** We will take our next question from the line of Udit Gajiwala from YES Securities.
- Udit Gajiwala:** Sir in terms of the real estate demand that you mentioned in your opening remarks, what is the kind of traction you are seeing there? And is it an order book kind of business for you?
- Deepak Chaudhary:** As I mentioned earlier, the project constituted 30%, which has gone up to 35% and then 40% in Q4. The way it functions is that, depending upon the number of bathrooms which are being offered, it's classified as a project business. If it is classified as a project business, the kind of discounts which are typically offered is higher.
- You're right - depending on the size of the project, deliveries can vary over time. For larger projects, in different states, you will find it varies.
- But let's say we talk about Gujarat; - we find that in the larger projects; the builder would typically have a sample home constructed right at the time they start the project. And they would take an order at that point, so that deliveries happen after some time. It may not have to start immediately - deliveries usually happen over a period of time. Typically, deliveries are spread over the period of two to three years, normally two years.

For smaller projects, you typically find that once you get the order, deliveries start within a very short time frame and also get completed quickly. So, it depends on the kind of builder and the size of the project. Typically, you can say that it's 50:50 - 50% of the deliveries happen in the first year, and 50% in the next year for larger projects.

**Pranav Mehta:** Understood. And the CAPEX that we had deferred for Sanitaryware - so there are no plans on it as yet, or are you still considering any timeline?

**Deepak Chaudhary:** So as of now it is on hold. We have purchased the land, as we have communicated earlier also. The land acquisition is complete, but the construction activity we be evaluated on a quarterly basis, depending upon the demand scenario. As of the end of the year, we are not intending to start the construction.

**Pranav Mehta:** Understood. Thank you, sir.

**Moderator:** We will take our next question from the line of Samyak Jain from Marcellus.

**Samyak Jain:** My first question is, while you gave us some color on the discounting aspects, I just wanted to understand whether you see the discounts have peaked out? Or going forward, do you expect them to increase on account of the slowdown in demand? Would appreciate your thoughts on this.

**Deepak Chaudhary:** The discounts have kind of flattened. If you look at, as I mentioned earlier also, the slowness started in Q3 of FY24. So in the first few quarters it was an increasing trend of discounts. But in the last couple of quarters the discounts have stabilized and are remaining constant at that level reached by, let's say, Q2 FY25. So now they are stable. We are not seeing an increasing trend. In fact, we expect them to improve - the discounts to again become lower going forward.

**Samyak Jain:** Got it. And my second question is on faucets. In Q2 FY25, there was some channel restocking due to the price increase, and that led to some liquidation in last quarter. So, has the liquidation of the restocking been done or completed in Q4? Or you think some reduction in stock is still pending?

**Vikas Kothari:** So, as you have rightly said, the price rise was taken - I think from October onwards - and there was an impact. We saw this in Q2, where growth appeared higher due to the price increase. Now, if you see the Q4 figures, so the growth is 10%. And if we need to characterize this growth, the volume has increased by 2.8%, the product mix has improved by 3.5%, and the price impact - which is now stabilized, with liquidation being completed - has contributed an impact of 1.7%.

**Samyak Jain:** Okay, sir. Thank you so much.

**Moderator:** We will take our next question from the line of Jenish Karia from Union AMC.

**Jenish Karia:**

The first question is with regards to the premiumization that we are planning. So, considering we are planning to ramp up the Senator and Luxe brands, which will largely be in-house manufactured, and considering we are still guiding for Rs. 2,900 crore of revenue in the next two years - hoping that retail demand will revive - why don't we go ahead with the CAPEX instead of delaying it?

I understand we still have capacity and we can outsource, but considering the premiumization and hope of demand revival - and the fact that even if we announce the CAPEX next quarter, it will take two years to commercialize - just your thoughts on whether we will be missing out on the upcycle in demand due to a shortfall of capacity, or not be able to properly capture the premiumization that we are trying to do because of a short fall in capacity. Just your thoughts on that front.

**Deepak Chaudhary:**

Jenish, you are right that we are undertaking a premiumization drive. As Mr. Vikas mentioned earlier, Senator and Luxe – as we shared in previous calls – are expected to contribute 10% of our revenues over the next three years. The product in Senator and Luxe are a mix of in-house manufacturing as well as outsourcing. Some products are always outsourced - for example, in the faucet range, most of the showers, spas etc. are always on an outsourced model and are not manufactured in-house.

So, the premiumization drive is not something that is necessarily for driving the manufacturing capacity. The manufacturing capacity is primarily driven by the main core segment of Cera. So, until we start seeing an improvement in demand, it is not really making sense for us to start with the expansion project. We are closely monitoring the situation. As you mentioned, it will take roughly 18 months from the start of the project to get completed to be operational.

So, once we start seeing demand improvement, we can start and complete it within 18 months. In the meanwhile, we have adequate inventories and outsourcing arrangements which can take care of any incremental upsurge in demand which happens in the interim period. So we do not see there's a challenge within that 18-month period which could result in any losses.

**Jenish Karia:**

Yes, that answers my question. The second question is on the marketing spend. So, although your premium products will be at 10%, 12% of the revenue over the next three years, can we see an aggressive marketing expense going forward, maybe 2.5% to 3% is the range, an additional 50, 60 basis points for the premium products that we are driving?

**Vikas Kothari:**

So, as far as our marketing spends are concerned, we are strategically reviewing the scenarios in terms of the current market position, and we are focusing on those particular spends where we think that, in the current scenario, the ROI - in terms of reach and share of voice - is higher.

So, like we have mentioned, Senator and Cera Luxe are brands which are added in our family Cera. So definitely there is an allocation of the budget in

FY26 also. And the spends will be made considering the market dynamics and how we want to target each of these brands.

**Moderator:** We will take our next question from the line of Akshay Chedda from Canara Robeco Mutual Fund.

**Akshay Chedda:** Sir, two questions from my side. First is on this B2B side, you said that it was 40% in 4<sup>th</sup> quarter. So, can you give the contribution for the full year that is FY25, what was the B2B share? That was one. And related to that is, what is the ratio the Company is okay with, would Company be okay to take it to 50, 60 or what it? That is one. Secondly on this retail piece, - is retail actually remaining flat for us or is it growing for us? Thirdly, what is the reason for sequential decline in the gross margin, because that is a steep at around 250 basis? Of course, it remains in the guided range, but still if you can talk a bit on this.

**Deepak Chaudhary:** Akshay, too many questions at one time, I will try to remember and answer them one by one. First you asked B2B 40% at Q4, what was there for the full financial year? For the full financial year, the project composition was 38% of our revenues. This was for B2B, FY25. Can you repeat the balance part of your question?

**Akshay Chedda:** Sir on the retail side, sir, is it actually remaining flat for us or is it degrowing?

**Deepak Chaudhary:** If you see our total revenues, we have been growing at 5%, 6%. And if you look at the proportion of the project business, it has been growing as a proportion of our total revenue. So, retail has been more or less remaining constant.

I think you also asked whether we anticipate the project business to grow further in the coming years. That will totally depend upon how the retail business picks up, because we are seeing traction in the project business. As I have mentioned in our earlier calls as well, we do not have too high a difference between the margins in the project and the retail business - that would be something like, you can say, 5% to 6%.

So, the difference in the margins - even if the project business proportion increases, as you mentioned, from let's say 40% to 50%, - it could impact margins by, you can say 10% of 5% differential that exist between the project and the retail. On an overall basis, it will impact us by 0.5%. So, we are not too worried about that, because we are hopeful that the retail business could be picking up in the future. And this proportion should ideally remain at 40% to 45%. But even if it increases, the impact on our EBITDA margins would not be too great.

**Akshay Chedda:** And sir, the third question on the gross margin, I mean, sequential decline, any specific reason you would like to call out?



- Vikas Kothari:** No. As you can see, the gross margins for the quarter, or if you see in terms of, you are talking about quarterly? Quarterly, 1<sup>st</sup> Quarter it was 55% and now it is 50%. Your question is why it is declining, correct?
- Akshay Chedda:** Yes sir.
- Vikas Kothari:** So, in terms of the gross margins, if you see, full year basis if you see for the FY25, our gross margin is 52.51%, and the previous year if you see FY24, it is 52.86%. So there is a slight decrease you can say in terms of the overall gross margin on the overall full year basis.
- Akshay Chedda:** Okay, thank you.
- Moderator:** We will take our next question from the line of Shubham Padhiar from Tomohara Investment Managers.
- Shubham Padhiar:** My question is on the strategy side. So, I am asking about the strategy aspect. So, as of now we are positioned as an entry level brand, so how are you going to differentiate ourselves and compete in the market as a premium brand going forward?
- Vikas Kothari:** I think your understanding in terms of positioning Cera is not correct. So, we are a mass premium brand with the portfolio or based on the portfolio and products we focus on. As you have seen, over a period of past few years, we have seen a steady increase in demand for premium products as well.
- So now, we are strategically introducing our two new brands - Cera Luxe and Senator - which will show our premium face, and these two brands will contribute around 10% of our total turnover in the next two to three years.
- Shubham Padhiar:** Okay. And how are we going to compete with the existing players in that segment, like any table plan?
- Vikas Kothari:** So, for the Luxe and Senator, we are now completely focused on how we can compete with competitors. As part of a stepwise approach, what we have done is: there is a separate team which is going to focus on the Senator brand, under the leadership of Mr. Ramesh Baliga, as mentioned in our concall. Then, we are separately focusing on flagship stores. So, as on 31<sup>st</sup> March we were already having 17 stores for the Senator, and this year we have targeted roughly 40 to 45 more stores to add on to this.
- Apart from that, the complete portfolio - which is premium in nature - is now almost finalized and is going to be displayed across all these flagship stores. We are also connecting with our architects through the Architect Connect initiative and other influencers, which will help in showcasing the product and its technical strengths, enabling us to compete with the competition.
- Shubham Padhiar:** Thank you.

**Moderator:** We will take our last question from the line of Aasim from DAM Capital.

**Aasim Bharde:** Just one question. I couldn't quite pick up the reason for sequential gross margin decline, 53% down to 51%. Is it due to higher discounting or another measure to push sales, because the reduction in cash discounts on debtors should ideally have improved gross margin sequentially?

**Deepak Chaudhary:** The reduction in discounts have not happened; we are anticipating it will happen in the future. As of now, the discounts in the current financial year have increased vis-à-vis the previous year. See what happens is, the gross margin is influenced by both the kind of discounts which are being offered as well as these efficiencies which are going into the composition of the cost of the product, both on the procurement side as well as the manufacturing side. So the discounts have increased over the last one year. The decrease in the gross margin is only to the extent of 0.4%. The discounts may have increased by more than 0.4%, but the cost efficiencies have helped offset the impact of the increasing discounts. So what Mr. Vikas was saying that on an overall basis from FY24 to FY25, decrease in gross margin is only going to be the extent of 0.4%.

**Pranav Mehta:** Is it also a mix-led thing there, Faucetware might have done better Q-on-Q, could that also be a reason?

**Deepak Chaudhary:** It could be because gross margin is influenced by so many factors, so such small deviations will keep on happening on a year-on-year and a quarter-on-quarter basis. It is very difficult to pinpoint the exact reasons have gone into Q1 to Q2, Q2 to Q3, where the changes may be around 1% and 2%. But on an overall yearly basis, it has more or less remained constant - from 52.86% to 52.51%.

**Pranav Mehta:** Sure, thank you, Deepak.

**Moderator:** I now hand over the call to the management team for closing comments.

**Deepak Chaudhary:** Thank you, everyone, for attending this call and for showing interest in Cera Sanitaryware Limited. Should you need any further clarification, or would like to know more about the Company, please feel to reach out to me or to CDR India. Thank you once again for taking the time to join the call. Thanks for that.

**Moderator:** Thank you, sir. On behalf of Cera Sanitaryware Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

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