

**Company Name:- Cera Sanitaryware**

**Address:- Mehasana, Gujarat**

**Industry:- Sanitaryware/Ceramics/Marbles**

**Established Date:- 1980**

**Website: <https://www.cera-india.com>**

**CMP: Rs. 2715**

**52 week High/low: 3155/2144**

**PE Ratio: 30.68**

**Dividend yield %: 0.48%**

**Market Cap: Rs 3451 crs**

## Company Background

1. Cera is the third largest organised sanitaryware player in India with ~24% organised market share. Over the years, the company has expanded its product portfolio from sanitaryware to tiles, faucets and wellness goods, to become a one-stop bathroom solution provider.
2. Company has total of 14,000 dealers and retailers between the Sanitaryware and faucets business, of which about 10,900 were Sanitaryware dealers and retailers, 7,000 were faucet dealers and retailers and tiles were about 1,100.
3. 9 LFS owned Cera style Studios (7000 sq ft each). Three stores per year will be opened.
4. 30% of sales is through developers. 70% of sales is through retailers & dealers.

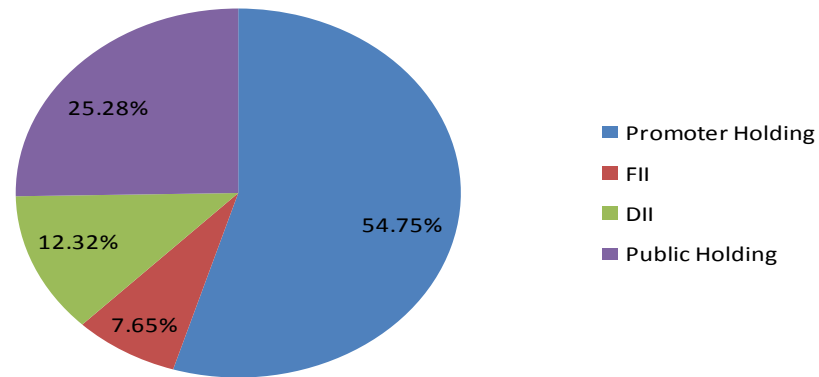
## Key ratios

Particulars	2015	2016	2017	2018	2019
PE Ratio	47	28	37	44	34
Debt-equity ratio	0.2	0.08	0.07	0.04	0.03
Gross Profit Margin (in %)	55	54	54	53	52
Gross block	287	310	368	402	444
Non-current investments	13	10	538	761	750
Book value per share (in Rs)	270	323	403	465	538
EV/EBITDA	26	16	21.5	24.6	19.1
Sales (in Rs. crs)	857	960	1059	1196	1352
EBITDA (in Rs. crs)	124	151	182	182	206
PAT (in Rs. crs)	68	83	103	100	115
Dividend Payout %	12	14	11	15	14

## Shareholding pattern

### Shareholding pattern (as on June, 19)

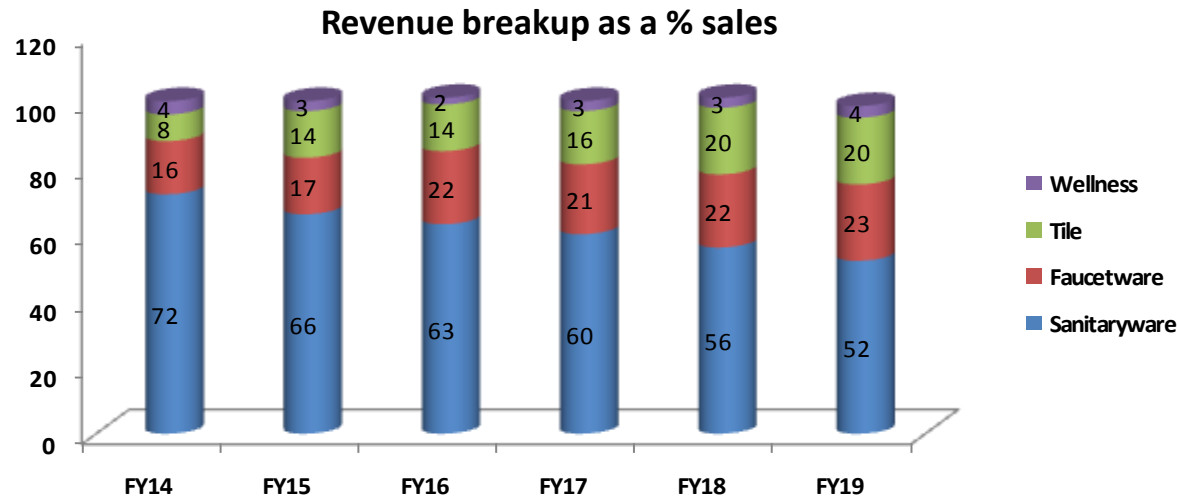
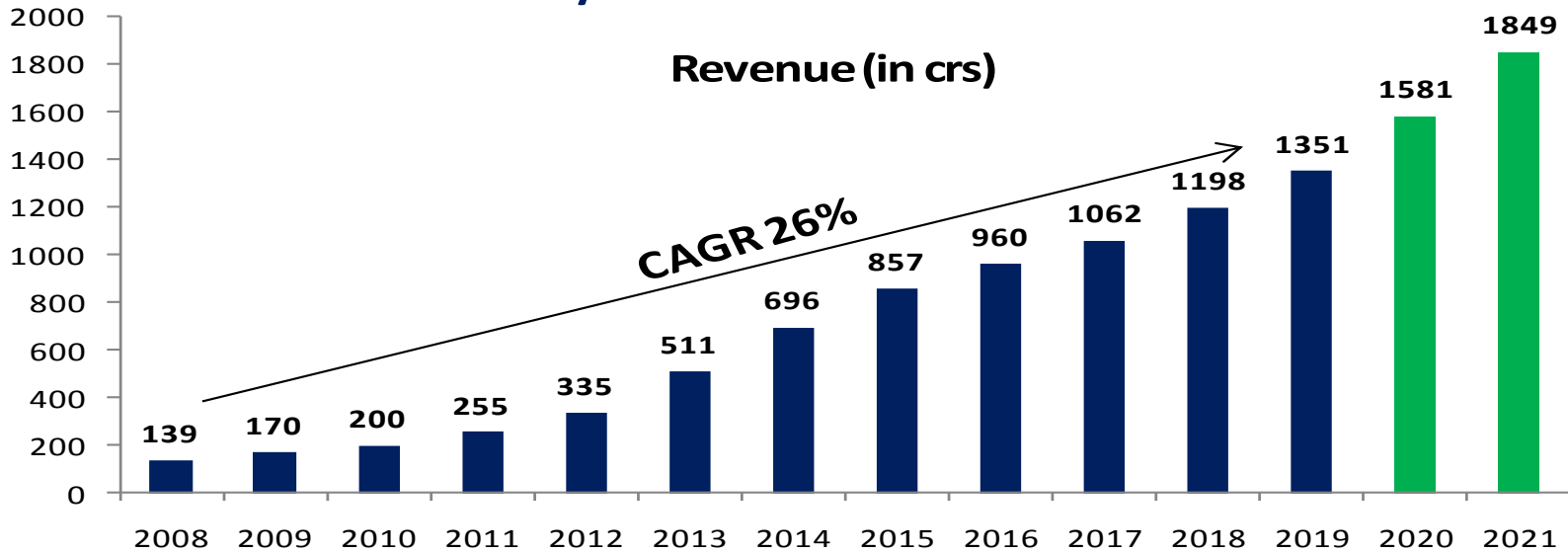
Promoter Holding	54.75%
FII	7.65%
DII	12.32%
Public Holding	25.28%

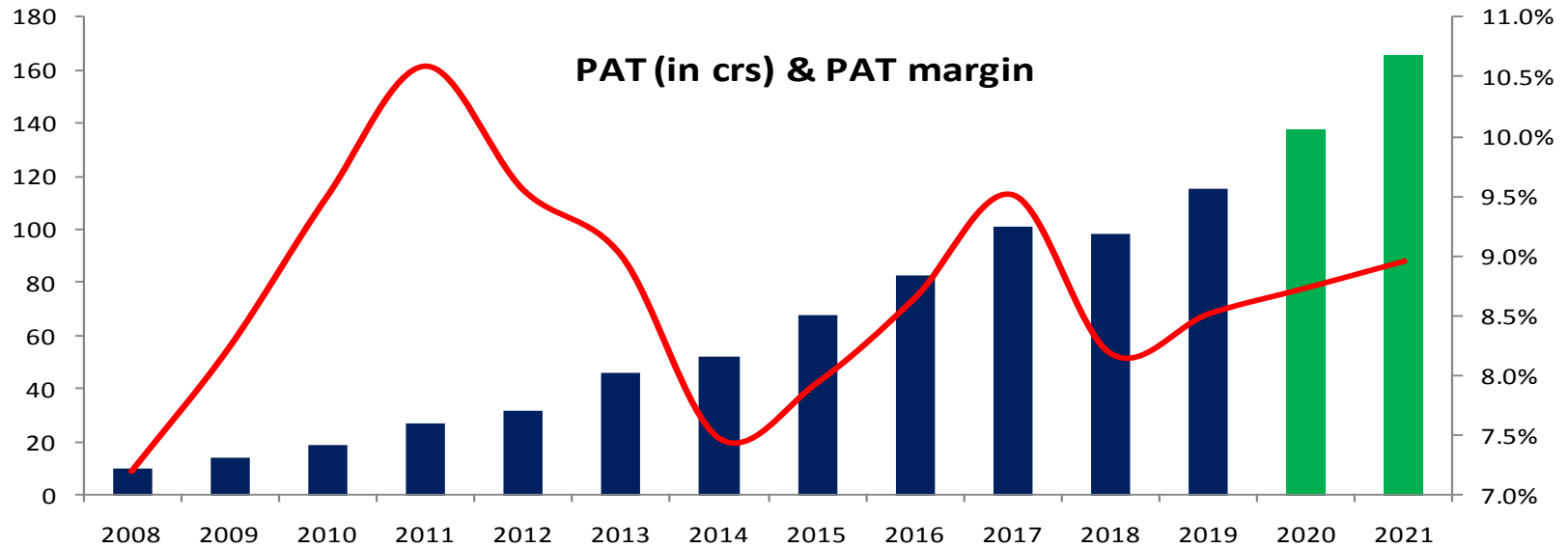
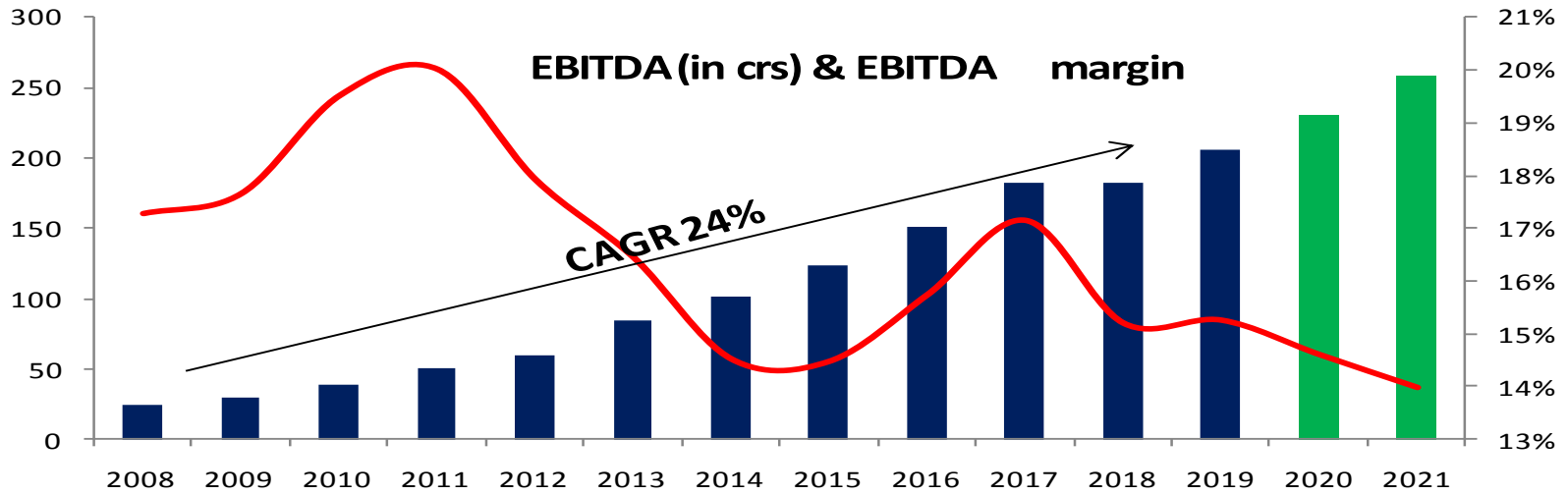


## Key managerial personnel

Name	Designation	Prior experience
Vikram somany	Chairman & MD	Mr. Somany is also on the board of Asopalav Plantations Pvt Ltd. He previously occupied the position of Chairman & Managing Director at Madhusudan Industries Ltd. Under Somany, Cera's sales from 2002-2012 improved nine-fold, PAT margins improved nine-fold while returns went from mid-single digits to low-30s.
Atul Sanghvi	Chief executive officer	Atul Sanghvi is 53, he's been the Executive Director of Cera Sanitaryware since 2014.
Rajesh Shah	Chief financial officer	Rajesh shah is CFO of the Cera sanityware.
Deepshikha Khaitan	Vice-person	Deepshikha Khaitan is Non-Executive Vice Chairman of the Board of the Company. She is appointed as Director is CAPITAL PUBLISHING PRIVATE LIMITED and the most recent directorship is with INDIAN COUNCIL OF SANITARYWARE MANUFACTURES

## Key Milestones of Cera





## Industry outlook

Segment-wise Industry	Low / Basic segment	Standard / Mid-market / Mass segment	Premium segment	Super Premium / Luxury segment
<b>Market Size</b>	Rs12bn	Rs12bn	Rs8bn	Rs3.6bn
<b>Market Mix</b>	34%	34%	22%	10%
<b>Price points</b>	Rs500-1,000	Rs1,000-2,500	Rs2,500-5,000	Rs5,000-20,000+
<b>Organised vs Unorganised</b>	10:90	75:25	100% organised	100% organised
<b>Brands</b>	Raasi, Neycer, Johnson, CRS and unorganised players	Cera, Hindware, Parryware, Kerovit and Somany	Kohler, Duravit, Toto, American Standard, Jaquar, RAK, Roca, Parryware, Cera & Hindware Art	Kohler, Duravit, Toto, American Standard, V&B, Jaquar, Artize, RAK, Isvea, Roca, Hindware Italian & Queo
<b>Market Leader</b>	Unorganised players	CRS	HSIL	PR
<b>Competitive intensity</b>	High with 150 unorganised units in this space	Average with three large organised brands dominating the space	High with organised as well as MNC brands competing	High with organised as well as MNC brands competing in this space

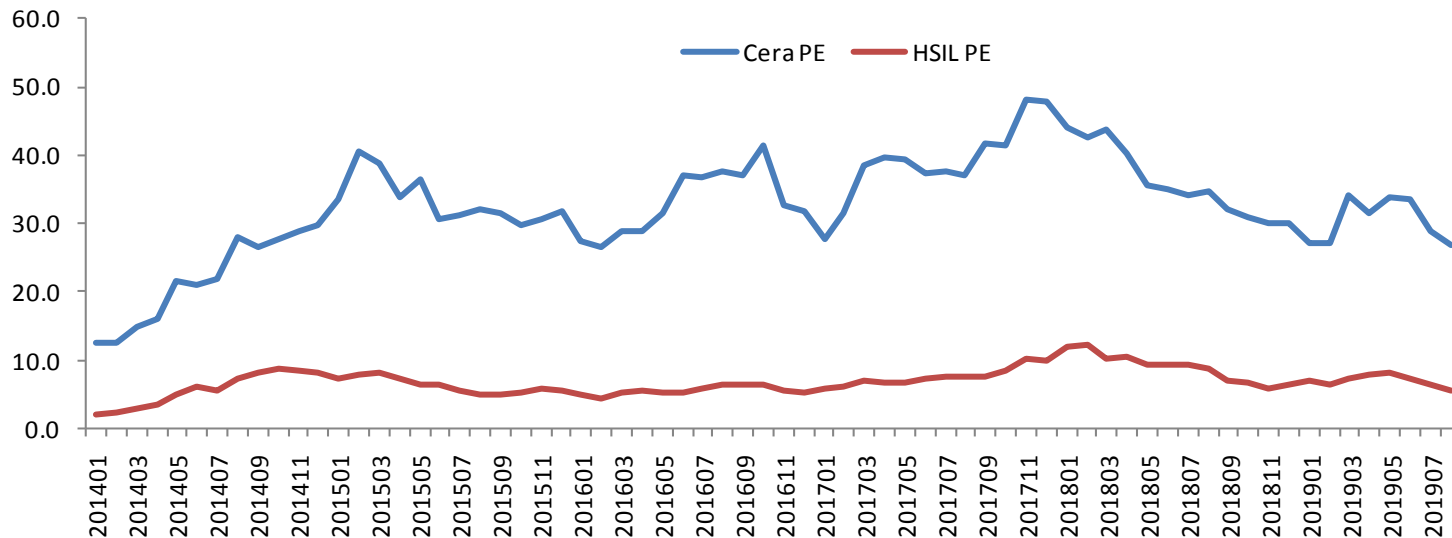
Industry dynamics	Sanitaryware industry	Faucet industry	Tiles industry
Category as a % of building cost	1-2%	2%	5-10%
Market size	Rs35.6bn	Rs60bn	Rs240bn
Organised vs. unorganised	60:40	50:50	50:50
Key unorganised clusters	Morbi	Delhi and Chandigarh	Morbi
<b>Industry growth:</b>			
FY10-14	13-15%	15-18%	14-16%
FY15-16	5-6%	12-13%	8-10%
Top three brands revenue-wise	HSIL, PR and CRS	Jaquar, Grohe and HSIL	KJC, HRJ and SOMC
Replacement potential	Extremely low	High	Average
Key influencers	Consumer/Architect	Consumer/Architect	Architect/Dealer/Consumer
Key USP	Brand and distribution	Brand, after sales service and distribution	Brand and distribution
Fixed asset turn (x)	1-1.5	2.5-3	2-2.5
Outsourcing opportunity	Average	Extremely low	High
RoCE potential	15-18%	20%	25-30%
Capital intensive	High	Average	Low

## Global Market size of sanitary ware and tiles

1. The global sanitary ware market was valued at \$9,194 million in 2017 and is projected to reach \$13,616 million by 2025, registering a CAGR of 5.0% from 2018 to 2025. Sanitary ware comprises toilet sinks, wash basins, cisterns, and pedestals.
2. The global ceramic tiles market size was estimated at USD 56.21 billion in 2018 and is projected to witness a CAGR of 7.7% from 2019 to 2025.
3. Indian sanitaryware market is Rs. 4000 crores and Indian tiles market is Rs 25,000 crores.
4. The key players operating in the global sanitary ware market CERA Sanitary ware Limited, Corona, Geberit AG, HSIL Limited, Jaquar Group, Kohler Co., LIXIL Group Corporation, LAUFEN Bathrooms AG, Lecico Egypt, and Roca Sanitario, S.A.

## Peer comparison

	Sales	EBITDA	PAT	EBITDA Mgn	PAT Mgn	ROE (%)	ROCE (%)	P/E (x)	EV/EBITDA (x)	EPS
<b>Cera Sanitaryware. (CMP: Rs 2390, M. Cap: Rs 3108 cr)</b>										
2017	1059.0	182.0	101.0	17.2%	10%	21.9	30.2	37.0	22.0	78.0
2018	1196.0	182.0	98.0	15.2%	8.2%	17.7	25.9	45.0	24.0	79.0
2019	1353.0	206.0	115.0	15.2%	8%	17.6	26.2	34.0	19.0	89.0
2020E	1623.6	231	138	14.2%	8.5%	18.0	27.0	23.0	17.0	106.0
2021E	1948.3	258	166	13.2%	8%	18.2	25.0	19.0	15.0	127.0
<b>HSIL. (CMP Rs 53, M. Cap: Rs 350 cr)</b>										
2017	2075.0	449.6	100.0	22%	5%	7.0	8.0	25.0	11.0	14.0
2018	2253.0	786.7	74.0	35%	3%	5.0	6.0	36.0	13.0	10.0
2019	2712.0	1115.2	70.0	41%	3%	4.6	7.2	26.0	8.0	9.7
2020E	2905.0	1338.2	760.0	46%	26%	5.0	8.0	25.0	9.0	10.0





## Key Strength

1. Company's four - decades of brand promotion, distribution strength and product quality and consumer loyalty have ensured its market position.
2. Company's distribution network of over 14,000, including direct dealers and retailers, is one of key strengths.
3. After - sales team of technicians, a 24 hour toll free call centre, and timely on site service from the technicians to individual customers.

## Key risks

1. Sharp rise in raw material prices: Cera's key raw material is natural gas; any sharp increase in prices may affect near-term profitability
2. Increased competition from unorganised players: All of CRS's business segments have a large unorganised presence (~50% of the total market). An inability to compete effectively may affect the company's profitability.
3. Prolonged slowdown in housing market: A continued slowdown in the housing market would hit growth prospects.

## Conclusion

1. The company's experienced management, technological leadership in sanitaryware, asset-light business model, widespread dealer network and R&D spend make the company one of the leading names in the sanitary ware & faucets industry.
2. Apart from premium/luxury products, the company will also focus on catering to affordable housing segment at various price points through its sub-brands in sanitaryware (27) and faucets (24).
3. At CMP, currently trading at 31x FY19 EPS. Accumulate the stock on dips for long term.



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