Cera Sanitaryware Limited

August 26, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	56.00	CARE AA; Stable	Reaffirmed
Long-term / Short-term bank facilities	44.00	CARE AA; Stable / CARE A1+	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Cera Sanitaryware Limited (CSL) continue to derive strength from its long track record of operations along-with its strong recall of 'CERA' brand in the Indian sanitaryware industry and vast experience of promoters in the industry. Ratings also factors its diversified product portfolio with continuous addition of new stock keeping units (SKUs) and its extensive distribution network across the country. Ratings also take cognisance of CSL's strategic focus to increase revenue from the luxury segment through its brand, 'Senator', driven by rising demand for luxury products. CSL's financial risk profile continues to remain strong marked by very low reliance on external debt and its strong liquidity.

However, ratings are constrained by CSL's working capital intensive nature of operations and susceptibility of its profitability to fuel price volatility and raw material costs. Ratings are also constrained by its linkages to the cyclical real estate sector along with the presence of large number of unorganised and established players in the sanitaryware and faucetware industry, imparting high degree of competitive intensity.

CARE Ratings Limited (CareEdge Ratings) also takes note of increased competitive intensity and subdued retail demand with the company offering higher sales discounts to sustain its sales momentum thereby impacting profitability and working capital cycle. However, with expected revival of retail demand, revenue and profitability are expected to improve in near to medium term.

CareEdge Ratings takes note of deferment of its proposed ₹130 crore greenfield expansion for sanitaryware manufacturing due to subdued market demand. Following a review of market conditions in H2FY26, CSL may proceed with the capex, which carries a gestation period of 18 to 24 months and shall be executed at a revised estimated cost of ₹150 crore, to be funded out of internal accruals and surplus liquidity available.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant increase in its scale of operations with total operating income (TOI) at a compounded annual growth rate (CAGR) of 20% leading to significant increase in its market share, while sustaining its operating margin above 16%, along with comfortable leverage and strong liquidity.

Negative factors

- Decline in TOI and PBILDT margin below ₹1,200 crore and 12% respectively on a sustained basis.
- Elongation in operating cycle above 140 days impacting cash flow from operations on a sustained basis.
- Any large debt-funded capex/ acquisition or significant stretch in working capital requirement leading to increase in total outside liabilities (TOL)/ tangible net worth (TNW) (net of cash and liquid investments) beyond 0.50x.

Analytical approach: Consolidated

CareEdge Ratings has assessed the credit rating of CSL based on its consolidated financials, considering that its subsidiaries are involved in backward integration and operate under a shared management structure. Entities consolidated with CSL is listed in **Annexure-6.**

Outlook: Stable

The stable outlook reflects CareEdge Ratings' expectations that CSL shall sustain its credit risk profile supported by its strong market position and diversified product offerings. Furthermore, CSL is likely to maintain its strong financial risk profile with minimal reliance on external debt while maintaining strong liquidity.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Strong brand positioning of 'CERA' in the sanitaryware segment alongwith extensive distribution network

CSL has established presence in the sanitaryware industry through its brand, 'CERA', and is positioned amongst few of the largest players in the organised domestic sanitaryware industry.

CSL largely caters to mass and mid premium segment and has a pan-India marketing and distribution network consisting of 6,540 dealers and over 24,400 retailers in addition to direct institutional sales to real estate and construction companies. With subdued demand from retail segment, overall revenue from retail segment declined to ~65% of sales in FY25 (FY24: 67%). Further, in order to have better logistics efficiency, the company has also setup a centralised warehouse in FY25 in Kadi, Gujarat facilitating better control over distribution of products. Its revenue mix is well diversified, with ~35% revenue contribution from southern region, 33% from northern region and 21% from west followed by central and eastern region. Alongwith strong dealer & distribution network, CSL normally incurs brand promotion and advertisement expenditure of ~3% of its net sales, which is expected to continue going forward.

Diversified product portfolio with beneficial mix of own and outsourced manufacturing

CSL expanded its product offering to including sanitaryware and fittings, bath accessories, kitchen sinks, mirrors, and tiles, with an aim to establish the brand "CERA" as a one stop solution for all household lifestyle products. CSL has an established presence in the sanitaryware industry while its market share in the faucetware industry is also increasing gradually. Apart from sanitaryware segment contributing ~49% of sales in FY25, CSL has also expanded its presence in faucetware (39% of revenue), tiles (10% of revenue) and other wellness products (2% of revenue).

CSL operates through a mix of in-house and outsource manufacturing facilities, with it reserving its in-house capacity for manufacturing higher value-added products requiring complex processes and robotics, while lower value products are outsourced. Over the years, CSL has also integrated its operations by venturing into manufacturing plastic products and packaging through its subsidiaries and JVs for providing better quality and cost control.

Stable scale of operations amidst pressure on operating margins

In FY25, CSL reported stable revenue of ₹1,891 crore (FY24: ₹1,871 crore) amidst muted retail demand since last six quarters across key markets. Despite cost optimisation efforts, PBILDT margin dipped by 165 bps on a y-o-y basis to 14.11% (FY24: 15.76%), led by higher dealer discounts to liquidate inventory amidst challenging market scenario, increase in proportion of B2B sales carrying relatively higher discounts and increase in input costs with limited ability to pass on to the price rise to its customers amidst muted demand.

In Q1FY26, CSL reported TOI and PBILDT margin of ₹422 crore (Q1FY25: ₹401 crore) and 13.05% (Q1FY25: 14.49%) respectively. PBILDT margin of the company declined in Q1FY26, on account of higher expenditure incurred by the company for setting up sales and marketing team for its luxurious brand 'Senator'. Nevertheless, with expected revival in market demand and further diversification in luxury segment in H2FY26, CareEdge Ratings expects, CSL to achieve single digit revenue growth in FY26. Furthermore, the company is also planning to enter affordable products segment through its brand 'Polipluz'.

Operating profitability is expected to remain at around FY25 levels, on the back of various yield-improvement measures undertaken by the company along with benefit from economies of scale.

Strong financial risk profile

CSL's financial risk profile continued to remain strong with net worth base of ₹1,368 crore as on March 31, 2025 along with very low outstanding debt leading to comfortable capital structure marked by an overall gearing and TOL/TNW of 0.05x (PY: 0.03x) and 0.33x (PY: 0.32x) respectively as on even date. Debt coverage indicators also stood comfortable with PBILDT interest coverage of 35.62x and total debt to gross cash accruals (TD/GCA) of 0.24x in FY25. CareEdge Ratings expects CSL's overall gearing to remain comfortably below 0.10x in medium term. Operating ROCE (net of cash and liquid investments), though declined in FY25 owing to dip in profitability, continued to remain strong at around 34% in FY25 (PY: 45%).

Liquidity: Strong

CSL's liquidity remained strong supported by healthy cash accruals against minimal debt repayment obligations and presence of unencumbered cash and bank balances/ investments to the tune of around ₹725 crore as on March 31, 2025 despite buy-back of shares to the tune of ₹160 crore (including tax) in FY25 and dividend pay-outs on a year-on-year basis. Average working capital limit utilisation at ~21% for the trailing 12 months ended June 2025. Its unutilised bank lines are more than adequate to meet its incremental working capital needs over the next one year. Current ratio and quick ratio of the company stood strong at 3.81x and 2.71x respectively as on March 31, 2025. With an overall gearing of 0.05x as on FY25-end, and sufficient drawing power available, CSL has sufficient gearing headroom to raise additional debt, if required. CSL's liquidity is expected to remain strong considering expected healthy generation of cash flow from operations, available liquidity and absence of any major organic/ inorganic expansion or diversification plan apart from the above-mentioned capex.

Key weaknesses

Increased working capital intensity albeit lower reliance on external borrowings

Over last few years, CSL's working capital intensity has increased marked by gross operating cycle days of ~150 days in FY25 as against ~135 days in FY23 primarily due to elongation in collection days from 35 days in FY23 to 45 days in FY25. CSL also maintains the inventory of ~100-105 days. The high inventory period at CSL is primarily due to its extensive product launches leading to multiple product SKUs, focus on design differentiation and maintaining adequate stock to support its B2C market presence amidst stable pricings. CSL provides credit period of around 45 days to its customers with some cash discounts provided for early payments. However, with rationalization of its cash discounting policy during FY25, receivables period of CSL increased. Nevertheless, with CSL's strong networth base and credit period of around 40 - 45 days from its suppliers, its dependence on external debt for funding its working capital remained negligible.

Susceptibility of profitability to volatility in fuel prices and raw material cost; albeit benefit from cheaper sources for meeting part requirement

CSL's profitability is susceptible to volatility in fuel prices (primarily natural gas) and other key raw materials (various types of clay, brass, and chrome plating). However, CSL has been largely able to pass on the increase in raw material and other operating costs to the customers, though with some time lag, due to its strong brand name in the mid-and-mass-market segments.
Owing to challenging market scenario, CSL has been able to take ~1% price increase in sanitary ware segment and ~6% price increase in faucetware in last September to protect itself against increased input costs. Nevertheless, availability of captive sources of renewable energy for meeting of its power consumption and availability of natural gas at subsidised rates from nearby isolated fields, which met ~75% - 80% its total natural gas requirements in past two years ended FY25, supports its operating profitability. CareEdge Ratings notes that CSL has also been taking various yield improvements measures to counter cost inflation, if any, which allows the company to sustain its healthy profitability margins.

Linkages to cyclical real estate sector and presence in a competitive building product industry

The demand for CSL's products is linked to the cyclical real estate sector. The sector witnessed good momentum in the recent past driven by new project launches across regions, various government initiatives and high replacement demand. However, the building material industry has been witnessing subdued demand in past six quarters. Although, with expected completions of ongoing real estate projects reaching at their last installation phase, industry demand is expected to revive in the near term. Additionally, increasing urbanisation with the government's plan to develop at least 100 smart cities, renewed focus on infrastructure growth, better demographic profile and increasing awareness towards better sanitation facilities, among others, would benefit the industry in the long term.
The sanitaryware market is also witnessing shifting of consumer preference towards branded products thereby presenting growth opportunities for established players such as CSL, in the industry. However, there are many unorganised players in the ceramic sanitaryware products and faucetware market apart from well-established brands including 'Hindware', 'Roca', 'Parryware' in sanitaryware market, 'Kohler', 'Jaquar' in faucet ware and 'Kajaria', 'Somany' in tiles, adding competitive pressure on CSL and restricting its scale of operations. CARE Ratings believes that despite competition in the industry, the company shall sustain its scale of operations.

Environment, social, and governance (ESG) risks

Risk factors	Compliance and actions by CSL
Environmental	• Sanitaryware and tile manufacturing is an energy-intensive process requiring substantial quantities of fuel, and thus, resulting in greenhouse gas emissions, waste generation and pollution. As such, the industry's exposure to litigation/penalties arising from issues related to waste and pollution management remains relatively high. However, CSL has installed air filtration systems and dust collectors while monitoring emissions from manufacturing processes and fluid gas stacks to mitigate pollution. CSL has ensured adherence with environmental laws by acquiring necessary permits for wastewater discharge and chemical storage while meeting the standards set by environmental authorities. • Furthermore, the company has managed power costs by generating electricity through non-conventional sources (wind and solar) for captive use; as of FY25, its total installed non-conventional

Risk factors	Compliance and actions by CSL
	energy capacity stood at 10.325 MW. ~60-65% of its energy needs are met through own renewable energy sources. Additionally, CSL uses the natural gas instead of coal to fire its kiln. • By successfully developing a fully functional rainwater harvesting system, CSL has managed to reduce dependence on ground water usage. • In its initiative to conserve biodiversity, the company has undertaken plantation of over 12,000 trees. • Under the initiative of 'Waste Minimization and Waste Utilization', the company has been undertaking numerous measures including recycling of solid and liquid and zero liquid discharge (ZLD), high energy-efficient-rated machines, compliance to pollution norms. Majority waste generated in the company's operations is recycled and the balance is disposed off safely. The company has also installed an effluent treatment plant at both of its facilities. CSL's waste and emission remained within the prescribed limits of Central Pollution Control Board (CPCB) / Gujarat Pollution Control Board (GPCB) in FY25.
Social	• Social risks in the industry stem from health and safety concerns of employees involved in management of clay, among other things. • At regular intervals, the company provides necessary safety and skill upgrade trainings to its permanent and contractual employees. The company has systems to ensure no child labour and forced or involuntary labour at its facilities. • In FY25, the company spent ₹4.69 crore towards CSR activities, mainly in education, healthcare, rural development, woman empowerment and eradicating hunger.
Governance	• CSL has adopted various best governance practices. Its policy relating to ethics, bribery and corruption serves as the guiding philosophy for its employees. The company also has a whistle blower policy, which offers a platform to all employees, vendors, and customers to report any suspected fraud or error or confirmed incident of fraud/ misconduct.

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Sanitary Ware

CSL was incorporated as Madhusudan Oils and Fats Ltd (MOFL) in 1998. MOFL was later acquired by Madhusudan Industries Limited under the scheme of arrangement in 2001, and subsequently its name was changed to CSL. It is promoted by Vikram Somany and has its manufacturing facility at Kadi, Mehsana, Gujarat. The company is mainly engaged in manufacturing ceramic sanitaryware (installed capacity of 33,750 metric tonnes per annum [MTPA]), faucet ware (installed capacity of 48 LLPA) and trading sanitaryware, faucet ware, ceramic tiles, kitchen sinks and bath wellness products (shower room, steam shower room, shower cubicles and bathtubs).

Most of its goods (including traded goods) are currently sold under the 'Cera (mass premium)' and 'CERA Luxe (premium)' brand. CSL also has windmills and solar power plant with installed power generation capacity aggregating 10.325 MW for meeting part of its power requirement.

Brief Financials – Consolidated (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	June 30, 2025 (UA)
Total operating income	1,871	1,891	422
PBILDT	295	267	55
PAT	241	249	47
Overall gearing (times)	0.03	0.05	NA
Interest coverage (times)	50.66	35.62	36.10

A: Audited; UA: Unaudited; NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	56.00	CARE AA; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	9.00	CARE AA; Stable / CARE A1+
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	35.00	CARE AA; Stable / CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Non-fund-based - LT/ ST-BG/LC	LT/ ST	35.00	CARE AA; Stable / CARE A1+	-	1)CARE AA; Stable / CARE A1+ (13-Aug-24)	1)CARE AA; Stable / CARE A1+ (26-Sep-23)	1)CARE AA; Stable / CARE A1+ (02-Sep-22)
2	Fund-based - LT-Cash Credit	LT	56.00	CARE AA; Stable	-	1)CARE AA; Stable (13-Aug-24)	1)CARE AA; Stable (26-Sep-23)	1)CARE AA; Stable (02-Sep-22)
3	Non-fund-based - LT/ ST-BG/LC	LT/ ST	9.00	CARE AA; Stable / CARE A1+	-	1)CARE AA; Stable / CARE A1+ (13-Aug-24)	1)CARE AA; Stable / CARE A1+ (26-Sep-23)	1)CARE AA; Stable / CARE A1+ (02-Sep-22)

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Packcart Packaging LLP	Full	Subsidiary
2	Race Polymer Arts LLP	Full	Subsidiary

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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