Cera Sanitaryware Limited

September 07, 2026

Facilities	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long-term / Short-term bank facilities	RBI	44.00	CARE AA; Stable / CARE A1+	Reaffirmed
Long-term bank facilities	RBI	56.00	CARE AA; Stable	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Cera Sanitaryware Limited (CSL) continues to derive strength from its established track record of operations and its strong brand recall of 'CERA' in the Indian sanitaryware industry, experienced promoters and extensive pan-India distribution network. Ratings also factor in its diversified product portfolio, continuous addition of stock keeping units (SKUs) and CSL's strategic effort to expand its addressable market through the launch of its 'Senator' brand, catering to the luxury segment, and 'Polipluz' brand, targeting the value-conscious customer segment. Ratings also take cognisance of CSL's strong financial risk profile marked by strong net worth base, minimum reliance on external debt amid healthy cash accruals and strong liquidity, and recovery in retail demand, particularly from H2FY26 (FY refers to period from April 01 to March 31) onwards, and expectation of continuation of this trend in FY27.

CareEdge Ratings also considers sharp increase in key input costs, particularly of natural gas, which is key raw material for sanitaryware and tiles, amid supply disruptions arising from the West Asia crisis leading to closure of its one kiln from March-May 2026, and substantial increase in brass prices, which is key raw material for faucetware. Increase in input costs, and subdued demand and heightened competitive intensity, constrained CSL's ability to fully pass on cost increases, resulting in moderation in profitability in FY26 and Q1FY27. However, cumulative price hikes of ~16% in faucetware and ~12% in sanitaryware undertaken in March 2026 to May 2026 are likely to support improvement in profitability to ~13-14% in FY27.

However, ratings are constrained considering working capital intensive operations and susceptibility of company's profitability to volatile fuel and raw material prices. Ratings also factor in CSL's exposure to the cyclical real estate and construction sectors and intense competition from established organised players and the unorganised segment, which may constrain its ability to fully pass on cost increases.

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%, and comfortable leverage and strong liquidity.

Negative factors

- Decline in TOI and profit before interest, lease rentals, depreciation and taxation (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.
- Large debt-funded capex/ acquisition or significant stretch in working capital requirement leading to increase in total outside liabilities to tangible net worth (TOL/TNW; net of cash and liquid investments) beyond 0.50x.

Analytical approach: Standalone

CARE Ratings Limited (CareEdge Ratings) had previously analysed CSL's credit profile by considering CSL's consolidated financial statements. However, CSL divested its entire 51% stake in its two subsidiary LLPs, Packcart Packaging LLP ("Packcart") and Race Polymer Arts LLP ("Race"), on September 29, 2025. Consequent to this divestment, both companies ceased to be the company's subsidiaries from this date. Hence, the analytical has been changed to standalone in the current review.

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. CSL is likely to maintain its strong financial risk profile with minimal reliance on external debt while maintaining strong liquidity.

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[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority

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

Detailed description of key rating drivers

Key strengths

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

CSL has established presence in the sanitaryware industry through its brand, 'CERA', and is positioned among 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 over 7,000 dealers and over 29,000 retailers in addition to direct institutional sales to real estate and construction companies. Its revenue mix is well-diversified, with ~33% revenue contribution from southern region, ~34% from northern region and ~22% from west followed by central and eastern region at ~10%. However, with subdued demand from retail segment, overall revenue contribution from retail segment declined to ~61% of sales in FY26 (FY25: ~65%).

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. With its strong dealer and distribution network, CSL incurs brand promotion and advertisement expenditure of ~2–3% of net sales, which is expected to increase in FY27, considering onboarding new brand ambassador and higher marketing expenditure for its newly launched luxury brand, 'Senator'.

Diversified product portfolio with beneficial mix of own and outsourced manufacturing

CSL expanded its product offering to include sanitaryware and fittings, bath accessories, kitchen sinks, mirrors, and tiles, 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 ~48% of sales in FY26, CSL also expanded its presence in faucetware (41% of revenue), tiles (10% of revenue) and other wellness products (1% of revenue).

CSL operates through a mix of in-house and outsource manufacturing facilities, with this CRL reserves its in-house capacity for manufacturing higher value-added products requiring complex processes and robotics, while lower value products are outsourced. Around 59% of revenue is derived from outsourced manufacturing facilities in FY26, with tiles and wellness products being entirely outsourced by the company. To reduce its dependence on third parties, the company started internalising production of certain outsourced sanitaryware stock keeping units (SKUs) as it had surplus capacity available.

Demand recovery supported revenue growth, while margins faced cost pressures amidst high competition

Following subdued demand conditions from FY24-FY25, CSL witnessed recovery in demand particularly towards H2FY26, resulting in revenue growth of 8% y-o-y to ₹2,036 crore in FY26 (FY25: ₹1,880 crore). The recovery was supported by demand from retail segment and sustained traction in the project segment. The growth momentum continued in Q1FY27, with revenue increasing by 19.50% y-o-y to ₹486 crore (Q1FY25: ₹407 crore), driven by healthy volume growth across key product categories. Revenue growth was also supported by channel inventory build-up ahead of price hikes and commodity cost volatility; however, associated cost pressures and continued discount policies limited the translation of higher sales into profitability.

CSL's profitability remained impacted by higher dealer discounts to liquidate inventory amidst challenging market scenario, initial investments for Senator and Polipluz, elevated input costs with limited ability to pass on to the price rise to its customers amidst intense competition and a growing contribution from the relatively lower-margin project business, whose share increased to ~39% in FY26 and 43% in Q1FY27 from 35 - 36% in FY25. Consequently, PBILDT margins moderated to 12.55% in FY26 (FY25: 13.70%) and further to 10.13% in Q1FY27 (Q1FY26: 13.04%).

Margin pressures in Q1FY27 were accentuated by higher natural gas prices arising from the West Asia crisis and brass prices (increased by roughly 35% from December 2025 to June 2026), one-time wage settlement expenses and delayed pass-through of price hikes (taken in March and May). CareEdge Ratings expect CSL's revenue to grow in the range of ~10 - 12%, supported by healthy demand uptick and price hikes, while operating margins are expected to remain largely stable at ~13-14% in FY27.

Strong financial risk profile

CSL's financial risk profile continued to remain strong with net worth base of ₹1,472 crore as on March 31, 2026, and very low outstanding debt leading to comfortable capital structure marked by an overall gearing and TOL/TNW of 0.03x (PY: 0.05x) and 0.30x (PY: 0.33x) respectively as on even date. Debt coverage indicators also stood comfortable with PBILDT interest coverage of 39.50x and total debt to gross cash accruals (TD/GCA) of 0.19x in FY26. CareEdge Ratings expects CSL's overall gearing to remain comfortably below 0.10x in medium term. Operating return on capital employed (ROCE; net of cash and liquid investments), though declined in FY26 owing to dip in profitability, continued to remain strong at ~30% in FY26 (PY: 34%).

Key weaknesses

Working capital intensive operations, despite lower reliance on external borrowings

CSL's gross operating cycle (debtors + inventory) increased to ~150 days in FY25 and ~146 days in FY26 from ~135 days in FY23, primarily driven by elongation in receivable days from 35 days in FY23 to 48 days in FY26. Inventory levels remained elevated at ~100-105 days 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. Management indicated a ~12-15-day y-o-y improvement in working capital intensity in Q1FY27, led by inventory liquidation following the temporary closure of one kiln due to elevated natural gas prices and supply disruptions. However, inventory levels are expected to normalise towards FY26 levels as the production stabilises as of FY27-end. Despite the relatively high working capital intensity, CSL's dependence on external borrowings remains negligible, supported by its strong net worth, healthy internal accruals, and supplier credit period of ~40-45 days.

Profitability susceptible to volatility in fuel prices and raw material cost; despite 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 (clay, brass, and chrome plating). Brass price, a key raw material for faucetware (which contributes ~40% of revenue), sharply increased over 35% from December 2025 to June 2026, while prices of natural gas, a key input for sanitaryware and tiles production, also rose due to supply disruptions arising from the West Asia crisis. Sharp increase in input costs, and subdued industry demand and heightened competitive intensity, constrained CSL's ability to fully pass on the cost increase, exerting pressure on profitability in FY26 and Q1FY27. To offset rising costs, CSL implemented cumulative price hikes of ~16% in faucetware and ~12% in sanitaryware through revisions undertaken in March 2026 to May 2026. The management expects benefits to be reflected in retail sales from Q2FY27 onwards, while the project segment is likely to witness a slower pass-through given the fixed-price nature of ongoing contracts.

CSL continues to derive a cost advantage from access to subsidised natural gas from nearby isolated fields and has historically met ~75–80% of its in-house gas requirement through such sources. However, the benefit moderated amid recent increase in gas prices, with the weighted-average gas procurement cost rising to ~₹48.43/scm in Q1FY27 from ₹35.55/scm in Q4FY26. The benefit of preferential gas sourcing is partly diluted as ~59% of sanitaryware production is outsourced, where such cost advantages are not directly available to CSL. Cost-competitive fuel sourcing for captive manufacturing, availability of renewable power sources, recent price hikes and ongoing yield-improvement initiatives are expected to provide partial mitigation against input-cost inflation and support a gradual recovery in profitability in the medium term.

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

Demand for CSL's products is linked to the cyclical real estate sector and replacement demand from end-users. The sector witnessed good momentum in the recent past driven by new project launches across regions, government initiatives and high replacement demand. However, the building material industry has been witnessing subdued demand in past eight quarters, with gradual recovery in demand from H2FY26 onwards. 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 consumer preference towards branded products, 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', 'Astral' in sanitaryware market, 'Kohler', 'Jaquar' and 'Astral' in faucet ware and 'Kajaria', 'Somany' in tiles, adding competitive pressure on CSL and restricting its scale of operations. CareEdge Ratings believes that despite competition in the industry, the company shall sustain its scale of operations.

Liquidity: Strong

CSL's liquidity remained strong supported by healthy cash accruals, nil debt repayment obligations and presence of unencumbered cash and bank balances/ liquid investments of around ₹943 crore as on June 30, 2026, despite dividend pay-outs on a year-on-year basis. Average working capital limit utilisation at ~17% for 12 months ended June 2026. Its unutilised bank lines are over adequate to meet its incremental working capital needs in the next one year. Current ratio and quick ratio of the company stood strong at 4.24x and 3.16x respectively as on March 31, 2026.

CareEdge Ratings notes that, subject to a review of market conditions towards the end of FY27, CSL may undertake a greenfield sanitaryware manufacturing expansion at an estimated cost of ~₹150 crore. The project is expected to have a gestation period of 16 - 18 months and is proposed to be funded through internal accruals and surplus liquidity. In addition, CSL is expected to incur ~₹45 crore of capex in FY27 towards expansion of faucetware manufacturing capacity from 4 lakh pieces per month to 5 lakh pieces per month, routine maintenance and investments in IT and logistics efficiency. CSL's liquidity is expected to remain strong, supported by healthy cash generation, substantial unencumbered liquidity and low working capital utilisation, with the available liquidity and internal accruals expected to adequately fund the planned capex while maintaining sufficient financial flexibility.

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, resulting in greenhouse gas emissions, waste generation and pollution. As such, the industry's (and CSL's) exposure to litigation/penalties arising from issues related to waste and pollution management remains relatively high. However, CSL has managed power costs by generating electricity through non-conventional sources (wind and solar) for captive use; as of FY26, its total installed non-conventional energy capacity stood at 10.325 MW. Around 55%-60% of its energy needs are met through own renewable energy sources. CSL uses 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 plus 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 of 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 FY26.
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 FY26, the company spent ₹5.17 crore towards CSR activities, mainly in education, healthcare, rural development, woman empowerment and eradicating hunger.
Governance	• CSL has adopted 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 suspected fraud or error or confirmed incident of fraud/ misconduct.

Applicable criteria

[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 Limited (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] as on March 31, 2026), faucet ware (installed capacity of 48 lakh pieces p.a.) and trading sanitaryware, faucet ware, ceramic tiles, kitchen sinks and bath wellness products (shower room, steam shower room, shower cubicles and bathtubs).

Brief Financials – Standalone (₹ crore)	March 31, 2025 (A)	March 31, 2026 (A)	June 30, 2026 (UA)
Total operating income	1,880	2,036	486
PBILDT*	258	255	49
PAT	246	204	45
Overall gearing (times)	0.05	0.03	NA
Interest coverage (times)	36.19	39.50	38.80

A: Audited UA: Unaudited; NA: Not Available; Note: these are latest financial results available
*PBILDT: Profit before interest, lease rentals, depreciation and tax

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

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of regulators:
A list of facilities / instruments falling under the purview of financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	RBI	Simple	-	-	-	-	56.00	CARE AA; Stable
Non-fund-based - LT/ ST-BG/LC	RBI	Simple	-	-	-	-	35.00	CARE AA; Stable / CARE A1+
Non-fund-based - LT/ ST-BG/LC	RBI	Simple	-	-	-	-	9.00	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 2026-2027	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
1	Non-fund-based - LT/ ST-BG/LC	LT/ST	35.00	CARE AA; Stable / CARE A1+	-	1)CARE AA; Stable / CARE A1+ (26-Aug-25)	1)CARE AA; Stable / CARE A1+ (13-Aug-24)	1)CARE AA; Stable / CARE A1+ (26-Sep-23)
2	Fund-based - LT-Cash Credit	LT	56.00	CARE AA; Stable	-	1)CARE AA; Stable (26-Aug-25)	1)CARE AA; Stable (13-Aug-24)	1)CARE AA; Stable (26-Sep-23)
3	Non-fund-based - LT/ ST-BG/LC	LT/ST	9.00	CARE AA; Stable / CARE A1+	-	1)CARE AA; Stable / CARE A1+ (26-Aug-25)	1)CARE AA; Stable / CARE A1+ (13-Aug-24)	1)CARE AA; Stable / CARE A1+ (26-Sep-23)

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

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

Annexure-4: Lender details

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

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:
Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

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