CSL/2026-27/172
12th November 2026

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

Dear Sir/Madam,

Sub: Transcript of the Conference Call held on 5th November, 2026

Ref: Regulation 30 of the SEBI (LODR) Regulations, 2015

With reference to our letter CSL/2026-27/155 dated 22nd October 2026, intimating you about the Q2 & H1 FY27 Earnings Conference Call held on 5th November, 2026, please find attached the transcript of the aforesaid conference call.

We hope you will take the same on your records.

Thanking You.
For Cera Sanitaryware Limited.

HEMAL JANARDAN SADIWALA

Hemal Sadiwala
Company Secretary
Encl: As above

Cera Sanitaryware Limited

Q2 FY27 Earnings Conference Call

November 05, 2026

Moderator: Ladies and gentlemen, good day and welcome to the earnings conference call of CERA Sanitaryware Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing 'star' then 'zero' on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Devrishi Singh from CDR India. Thank you, and over to you, Mr. Singh.

Devrishi Singh: Thank you. Good morning, everyone, and thank you for joining us on CERA Sanitaryware Limited's Q2 FY27 earnings conference call to discuss the results announced yesterday. We have with us today the management team comprising, Mr. Vikas Kothari - CFO, and Mr. Deepak Chaudhary - VP Finance and Investor Relations of CERA Sanitaryware. We will start with brief opening remarks from the management, following which we will open the call for Q&A.

A quick disclaimer before we begin. Some of the statements made in today's conference call may be forward-looking in nature, and a detailed note in this regard is contained in the results document that have been shared with all of you earlier. I would 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, and a warm welcome to all of you for joining us on CERA Sanitaryware Limited's Q2 FY27 earnings conference call. I will begin by sharing a brief overview of the operational and strategic developments during the quarter, following which our CFO, Mr. Vikas Kothari will take you through the financial performance in greater detail.

CERA continued to deliver healthy growth during Q2 FY27, with revenues growing by 27.4% year-on-year. Both our sanitaryware as well as the faucetware business performed well, growing by 24% and 38% respectively. Sanitaryware and faucetware accounted for 45% and 43% of total revenues respectively, together contributing approximately 88% of CERA's overall revenues. Importantly, the growth during the quarter was predominantly volume-driven, with healthy traction across key product categories, including sanitaryware, faucetware, tiles, and construction chemicals.

From a channel perspective, retail demand continued to recover and was complemented by an encouraging performance in the projects business. As many of you would be aware, the projects business has been an important contributor to our performance over the past several quarters. The improving contribution from retail channel is a positive development for the overall business. Another important aspect of the quarter was the consistency of growth, with business momentum remaining healthy throughout July, August, and September, rather than being concentrated in any particular month.

It is important for the investors to appreciate that the broader industry environment remains challenging. While demand trends have shown improvement, the operating environment continues to be affected by elevated input costs and supply-side challenges. Against this backdrop, we believe that CERA's performance reflects the inherent strengths of the business model, as well as the multiple interventions we have undertaken to further strengthen our competitive position.

Over the past few years, we have consistently worked on further developing our focus markets by strengthening distribution and dealer relationships, improving our market approach, and enhancing internal execution capabilities. These initiatives are now beginning to yield tangible results and, we believe, have been critical factors that have enabled us to win incremental market share.

From a geographical perspective, we are seeing healthy traction across the wider set of markets. Uttar Pradesh has emerged as an important market for us, and the focus markets such as Bihar, Jharkhand, Odisha, Chhattisgarh, and MP have also shown traction. The work undertaken to strengthen our presence in these markets have helped us broaden our geographical presence and offset relatively weaker demand in certain traditionally strong regions. We continue to focus on deepening penetration and addressing white spaces in existing markets while simultaneously expanding our reach into smaller towns and emerging consumption centers.

Coming to the input cost environment, brass and gas remain elevated during the quarter, creating challenges for the industry. We have taken calibrated price revisions across our product portfolio over the past few quarters, including a further price increase of approximately 8% in the faucetware segment, effective from September 1st, 2026, to partly offset the impact of higher brass prices. The benefits of this revision are expected to flow through the channels from later part of Q3 FY27 onwards.

As discussed in our previous earnings call, there is a lag between implementation of price hikes and realizing their full benefits, particularly in the projects business, where certain supplies are executed against previously agreed prices. We have therefore introduced measures to strengthen pricing discipline for future project commitments and better project profitability against further increase in input costs.

Alongside these pricing actions, we continue to focus on cost optimization, process improvements, and operating efficiencies. While the full benefits of these initiatives will be visible progressively, initial outcomes have led to an improvement in the operating margins on a sequential basis. We expect further benefits to flow through the coming quarters as these measures take effect.

Our established sourcing arrangements and strong in-house manufacturing capabilities continue to provide us with a relative advantage in navigating the challenging cost environment. In particular, our favorable gas sourcing arrangement has helped us to cushion the impact of higher energy costs, positioning us favorably relative to several other industry participants.

From a manufacturing perspective, capacity utilization has improved considerably, supported by recovery in volumes. Our sanitaryware facilities are currently operating at utilization level of 82%. In faucetware, we have been able to increase monthly production from 4 lakh units to 5 lakh units by adding certain balancing equipments of plant and machinery within the same facility.

We have also selectively brought certain fast-moving products in-house, reducing our dependence on external manufacturers and strengthening our ability to maintain consistent product availability. This has been particularly relevant given the operating

challenges faced by several manufacturers in the Morbi cluster. Our ability to service customer requirements consistently has helped us respond effectively to the market opportunities.

On the brand front, the core CERA brand remains the principal driver of our volume-led growth. We remain focused on strengthening our position across the mass and mid-premium categories through product development, distribution expansion, and sustained brand-building initiatives. At the same time, we continue to invest in strengthening our newer brands, including Senator and CERA Luxe, with a long-term perspective.

Looking ahead, we remain confident of sustaining our growth momentum, supported by improving demand and deeper penetration across existing and emerging markets. The investments made in our distribution network, manufacturing capabilities, and internal processes over the past few years have strengthened our ability to capitalize on the opportunities ahead. While input cost inflation remains an important challenge, we expect profitability to improve progressively during the second half of FY27, supported by the cumulative benefits of pricing actions, cost efficiency initiatives, and the healthy volume growth. We are now confident of surpassing the revenue growth target, along with the full year's EBITDA margin outlook of 13%-14%.

With this, I would now like to hand over the call to Mr. Vikas Kothari to take you through the financial performance of the quarter.

Vikas Kothari: Thank you, Deepak, and a very good morning to everyone. I will now take you through a brief overview of the company's financial performance for the quarter ended September 30th, 2026.

Revenue from operations for the quarter stood at INR 603 crore as compared to INR 473 crore in Q2 FY26, representing a healthy Y-o-Y growth of 27.4%. For the first half of FY 2027, revenue from operations stood at INR 1,089 crore, reflecting a growth of 23.7% over the corresponding period of the previous year.

EBITDA excluding other income for the quarter stood at INR 73 crore as compared to INR 67 crore in the corresponding quarter of the previous year. The EBITDA margins stood at 12.2% in Q2 FY27 compared with 14.2% in Q2 FY26 and 10.1% in Q1 FY27.

While input cost pressures, particularly in brass and gas, continued during the quarter, we witnessed a sequential improvement in operating margins. This improvement was supported by the benefits of the pricing actions undertaken over the preceding quarters, alongside our ongoing focus on operational efficiencies and effective cost management.

As mentioned earlier, the benefits of price revisions, particularly in the project business, are being realized with a time lag. The revised price arrangements for future project commitments should progressively support margins over the coming quarters.

The average cost of gas during Q2 FY27 stood at INR 47.29 per cubic meter compared with INR 33.79 per cubic meter in the corresponding quarter of the previous year. Similarly, the average cost of brass during Q2 FY27 stood at INR 932 per kg compared with INR 589 per kg in Q2 FY26 and INR 837 per kg in Q1 FY27, representing an increase of 58% on Y-o-Y basis and 11% on quarter-on-quarter basis.

In terms of the revenue mix, sanitaryware accounted for 45% of our revenues, faucetware 43%, tiles 10%, and wellness 2%. On a Y-o-Y basis, sanitaryware revenues grew by 24%, faucetware by 38%, tiles by 9%, and wellness by 71%.

From a channel perspective, the projects business accounted for 39% of the revenues, while the retail business contributed 61% in Q2 FY27. In Q1 FY27, we accelerated deliveries for certain projects in view of the rising input costs. This resulted in a project-to-retail revenue mix of 43:57. Going forward, we expect this mix to stabilize at around 40: 60.

Profit after tax for Q2 FY27 stood at INR 56 crore compared with INR 57 crore in the corresponding quarter of the previous year. Earnings per share for the quarter stood at INR 43.52 compared with INR 43.92 in Q2 FY26.

On the working capital front, we continue to focus on inventory management, receivables, and overall working capital discipline. Inventory days decreased from 83 days to 69 days. Receivable days reduced from 33 days to 28 days, while payables remained unchanged at 39 days. Consequently, our net working capital improved from 77 days to 58 days on Y-o-Y basis.

As of September 30, 2026, our cash and cash equivalents stood at INR 897 crore. Our balance sheet remains healthy, providing us with the flexibility to support our ongoing business requirements and other strategic initiatives.

Regarding our capital expense plans, we continue to progress with the investments outlined for FY27. Capital expense incurred during the first half stood at INR 27 crore against our planned full year outlay of approximately INR 43 crore.

Looking ahead, we expect operating profitability to improve progressively during the second half of FY27, supported by sustained demand, healthy volumes, and the benefits of our pricing and cost efficiency initiatives.

We are actively working on increasing cost efficiency using automation and AI tools. We are aggressively evaluating various costs in the system, exploring greater automation of processes, and identifying interventions that can yield savings. We are confident that these actions will contribute visible and tangible benefits in the next couple of quarters and thereafter.

While input cost movements remain an important factor, the cost actions and the likely benefits of operating leverage gives us confidence to maintain our full year EBITDA margin outlook. Overall, we remain focused on sustainable profitable growth and maintaining a healthy balance sheet.

With this, I would request the moderator to open the lines for Q&A. Thank you.

Moderator: We will now begin the question-and-answer session. The first question comes from the line of Amit Srivastava with 360 ONE Capital.

Amit Srivastava: Sir, just wanted to understand first, can you give us the breakup of this growth which has come in sanitaryware and faucetware? As you mentioned, it is more driven by volume. If you can give the breakup, like last quarter you had given volume, price, and mix, how much have these contributed in this quarter?

Vikas Kothari: So, in terms of the growth part, as we are witnessing quarter-on-quarter, it is purely volume-driven growth. So retail demand continued to recover, which was complemented by steady project performance. In terms of the breakup of the growth

for Q2, volume contributed around 16.6%. Price revision actions, which we have taken, were partially realized and contributed around 9.1%, and mix contributed around 1.7%. This was for the overall Company as a whole.

And I think you have asked for the breakup with respect to sanitaryware and faucetware. Again, in case of sanitaryware, volume has contributed 14.3%, and the favorable price impact was 6.7%, and 2.7% was the mix impact, which overall resulted in revenue growth of 23.7%. In case of faucetware, the breakup of 38% growth is largely driven by volume, which contributed 24%, the favorable price impact was 10.3%, and the balance is the mix impact, which was 1.9%.

Amit Srivastava: Okay. Sir, just to understand where this strong volume growth is coming from. Are we gaining market share because we have some advantage on our cost side, or is it brand distribution or a new market which is giving us that edge? Or has this price increase which we have taken, and the resulting pre-buying also given a kind of push to our volume overall? What is really driving it? Is it ground-level demand or expansion, all this, if you can explain.

Deepak Chaudhary: Essentially, the volume is being driven by increased demand from the market, because pre-buying, like we have taken two price increases during the last two quarters, is something which only impacts a particular period. Just immediately after the price increase, you find the volume going up substantially, but later on, it all normalizes. So, the sustained improvement in demand that we are able to see is not on account of just the pre-buying portion building up. It is the improved demand which is already there in the market.

More importantly, it is the steps that the Company has taken over the last couple of years when the demand was muted, where we have concentrated on both the external factors, the distribution channel, improving the market, understanding the consumer, understanding our distributors, and trying to improve the entire distribution, the product, the manufacturing efficiency, and the outsourcing arrangements.

They are all now coming together to kind of help us, because the external demand is there, but you will find that even meeting that demand becomes a challenge in the current situation wherein we are dependent, like 50% on outsourcing. As of now, you can say that because of the fact that we have taken those initiatives over the last couple of years, they are all adding up.

Would I say that we have gained market share; - I would definitely think that over the last three, four quarters, the way that our numbers have grown, market share would have gone up. But it is a little difficult to assess in our specific industry because you find that most of the players are unlisted, and it takes a little time for the numbers to come in. Even the ones which are listed have a large number of products. So, in this particular space it is difficult to gauge as to what kind of numbers they are having. But we are confident that if we do not talk about just the external competitors, at least we are very good, happy in terms of the kind of numbers that we have been able to achieve over the last, you can say, three, four quarters.

Amit Srivastava: Perfect. In terms of the project business, sir, you said that the mix has increased to 43%, and will move towards 40%. So, can it come down on an immediate basis, like in the coming quarter, or is it slightly medium term that it will move towards that direction?

Deepak Chaudhary: It has already happened in this quarter. I will just answer your question about this, but it has already happened in this quarter. In this quarter, the project business contributed 39% as opposed to 43% in the previous quarter. The previous quarter was kind of an aberration because of the input price increases which had happened and

the kind of profitability concerns that they were raising. We had actively pushed deliveries of certain projects which were nearing completion. We had kind of preponed the deliveries at that point of time because the inputs prices were continuously rising. That was an aberration.

We have already come back to that level of 39% in the current quarter, and we should be at that 40%-60% ratio that we have traditionally, as of now, been maintaining over the last couple of years. We should be near that on a long-term basis. But that again depends on the fact that this has happened, not only because the project business was an aberration in the previous quarter, but also because retail has now started growing.

Earlier, the project share was growing because retail was not growing, while projects were continuing to grow, so that is why the share was becoming disproportionate. Now that retail has picked up and the project business is also continuing to do well, turnover is increasing, and the proportion of retail and project should remain in that ratio of 60%, 40% going forward.

Amit Srivastava: And are there still some orders at the old prices where we will be having a lower margin versus the retail segment, or is it now aligned to the new cost structure?

Deepak Chaudhary: That would still be there. Bulk of it has been materialized in the last couple of quarters. There would be some parts of it in still Q3, but going to the later part of Q3 and Q4, we could be all, we can say, more or less with new project orders, with new prices.

Amit Srivastava: Okay. Perfect. And sir, last question. In terms of the margin profile, if we look at the last two quarters, your margin is slightly subdued compared to what we were guiding for the full year. Given that the guidance, though marginally revised downward, still implies a very strong second-half margin of around 14.5%. Are we confident that with this price increase, whatever we have taken, and the current cost structure, we are able to manage that profitability?

Deepak Chaudhary: In respect of the margins, we had ended Q1 with 10.13%. We had mentioned at that point of time that the low margin was kind of exceptional, and that had happened primarily because of a large number of one-time factors which had played our during that particular quarter. Going into Q2, you will find that most of those factors have reversed, and we have started seeing an upswing in the margin.

I will just give you an idea about the various things which have played out in Q2 and what we expect going forward in Q3 and Q4. Just to answer your question in respect of whether we are confident about the total margins coming in the range of 13%-14% for this full year, we are pretty confident now that we should be able to surpass our 18%-20% topline growth that we had projected earlier, and also achieve the margin of 13%-14%.

Just to give you a sense of how the 12.2% has materialized in Q2, I will start with, let us say, 10.13%, which we had projected for, which had actually come in for Q1, and we had said that 4.5% was kind of a one-time effect. Those one-time effects have been reversed in the current quarter. So 10.13 %+ that 4.5% kind of became 3.83% because that turnover also increased substantially as compared to Q1. In Q2, the turnover was higher. That 4.5% effectively translated into something like 3.8%. So ideally, 10.1% was the base of Q1, 3.8% was the reversal of the one-time effects which had happened at that point of time. So we should have ended up with something like 13.9% of our revenue, 10.1 % + 3.8%. At that time, we had taken an impact of, projected of 1.5% in case of price rise. Actually, the price rise impact on the Company as a whole came out to be 2.5%. So, 1% additional we have gained over there, so which takes it to

something like 14.9%. Ideally, our margin should have been 14.9% because of this, as these adverse factors have taken effect in Q2 as opposed to Q1. Also, there was an operating leverage impact of 1.9%, like because of the fact that our turnover had increased, but the fixed costs are remaining constant. So, this 1.9% favorable margin impact was there, operating leverage impact. Ideally, our margins in Q2 should have been 16.8%.

There were a few negative factors that brought it down to 12.2%, so I will just enumerate these negative factors. The primary factor was the increase in brass prices. Brass prices, even over Q1, it went up by roughly 11% - 12%. It was, on an average, the consumption was at INR 589 in Q1. It came out to be, sorry, INR 837 in Q1. INR 589 was in the previous quarter, INR 837 in the previous Q1 FY27. It came out to be INR 932 in the current Q2 FY27. So there is a 12% increase, which led to an overall 2.1% EBITDA decline. Publicity expenses increased by 0.5%. Our sourcing of sanitaryware and tiles, the prices had gone up, gas prices had gone up in Morbi, so that resulted in -0.3% impact on an overall basis in the Company. Also, discounts was a - 1.7%. This was more in the project wherein you find that the old projects were still continuing in Q2. So if your prices go up, but the selling price which you are effectively giving to the consumer remains the same, so the projects remain the same, so the discount typically looks higher. That is why the negative impact of discounts slightly has gone up in retail also, but which we have taken a lot of steps in the future, which will bring it down again. But that -1.7% impact was there on account of discount. All this added to something like -4.6% .

I will just repeat them again, the negative factors. Brass, -2.1%, publicity, -0.5%, sanitaryware and tiles procurement, -0.3%, discount, -1.7%. So, -4.6% in total, which took our margin from that 16.8%, had these negative factor not occurred to 12.2%.

Going forward, we are confident that in Q3, a few of them should be reversing because most of the projects have now started, as I mentioned, the old projects are now being completed. Most of the deliveries which will be happening in Q3 and Q4 onwards, you will find that they will be for the new projects with the new pricing. So the discounts over there, the pricing effect would be coming into effect over there. So, we expect that the negative discount factor of -1.7% will disappear and also improved pricing will further come into play. So that should be impacting us to a large extent in the future. Lastly, we have also taken quite a few measures for controlling the retail discount also. The September price increase effect of faucets, which was not fully reflected in the current quarter of Q2. That will also be playing into Q3 and Q4. So going forward, we are pretty confident that the margin of 13%-14%, which we had projected for the whole year, should be very easily achievable.

Amit Srivastava: Okay, that is very helpful. Thank you very much from my side.

Moderator: The next question comes on the line of Shreyans Jain with 3A Capital Services.

Shreyans Jain: Just one question from my end. Has the current geopolitical scenario helped companies like us in terms of a shift from the unorganized to the organized market, especially in the faucetware division where we have shown excellent growth?

Deepak Chaudhary: The geopolitical situation has created a kind of a double-edged situation. It has added problems as well as presented an opportunity also.

The problem is that, if you look at the gas prices, they have been going up continually over the past, you can say, one year or so. This has been exacerbated by the geopolitical situation, wherein prices have increased quite sharply over the last couple of quarters. The gas situation became extremely precarious at the end of the

previous year, Q4, and the beginning of Q1 of the current year. Now, at least the prices are higher, but availability is not an issue, but the increased prices are again putting a lot of pressure on the input side. The cost pressures have increased.

Coming on to the supply side, we have been able to maintain our sourcing arrangements, and we are confident that we do not anticipate any challenges in meeting our demand in the future. Morbi players on an overall basis have been slightly impacted, but typically, if you look at the Morbi profile for sanitaryware, you find they are either OEM suppliers, so that has not been impacted too much because they have been able to pass on the increase in the input costs to the OEM players. Like we have, our procurement costs have gone up over the last, you can say, couple of quarters. So even in their own selling which they are doing under their own brand, because the entire market prices have gone up, they have been able to pass on the increased cost on the input side to the consumers. There has been some benefit because of the fact that the prices have gone up, and the consumers tend to move more towards the branded players as opposed to unbranded ones. That has helped to a certain extent. But primarily, if I say that it is only because of the pricing situation that has evolved in Morbi, and they are not able to supply to the fullest extent, maybe on their own to the outside consumer, that would be contributing to some part of the demand, but it is mostly, as I mentioned earlier also, what we have undertaken over the last couple of years for increasing our channel effectiveness and all the other improvements that we have done, which are now kind of yielding benefits and enabling us to gain market share in a situation where overall economic conditions are a little tough.

Shreyans Jain: Great to hear that, sir. Thank you so much and wish you all the best.

Deepak Chaudhary: Thank you.

Moderator: The next question comes on the line of Bhupesh Kawdia with ICICI Direct.

Bhupesh Kawdia: I wanted to ask, as you have mentioned the revenue mix in your presentation, which comprises 43% from premium, 37% from mid, and the rest from entry. So which brands are included in premium and the rest of the segments?

Deepak Chaudhary: The divisions which have been done over here are not on a brand-wise basis. Mostly because if you talk about, let us say, Senator or any of the CERA Luxe, which are the different brands that we have, or POLIPLUZ, we find that as of now, they constitute a very small portion of the overall revenues. Like for Senator, we are talking about, let us say, it should be ending the year with something like INR 50 crore, INR 60 crore, INR 70 crore in revenue. If you look at the premium and the mid and the entry levels that we are talking about, it is mostly about the CERA brand, where we have offerings across the ranges. So whenever we are talking about the mix over there, obviously the premium brands would be coming in the premium segment, but it is mostly comprised of the CERA brand, including the premium items, the mid items, and the entry-level items.

Bhupesh Kawdia: Okay, thank you. Can you share the contribution from the CERA brand?

Deepak Chaudhary: It is primarily the CERA brand which is kind of contributing, you can say, 98%-99% of the entire amount, because as I mentioned earlier, we are expecting, let us say, a total of INR 2,450 crore kind of a number for the whole year. Let us say, Senator and POLIPLUZ taken together would be accounting for something like, you can say, INR 70 crore for both of them taken together. So it is a very small proportion which is coming in from these two brands. The bulk of it is coming from CERA.

Bhupesh Kawdia: Thank you. Also, are there any new capex plans, and what is the update on the sanitaryware capex expansion plan?

Vikas Kothari: Regarding the capex plan, in case of faucetware, it was not a bigger capex i.e the brownfield expansion which we had undertaken two years back. The capacity was increased from 3 lakh pieces to 4 lakh pieces. Now, since the infra was already built and we are seeing good demand in both sanitaryware and faucetware, by making some adjustments in terms of the additional equipment to be procured, effective from September, we have increased the capacity from 4 lakh pieces to 5 lakh pieces per month in case of faucetware. And we will review the faucetware demand in the fourth quarter. If there is a possibility that the demand increases further, then we have the space and availability within our current manufacturing facility to raise it further from 5 lakh to around 6 lakh or 7 lakh in a phased manner.

Now coming to the part of sanitaryware, as we have saw a couple of quarters back, the capacity utilization levels were at lower levels. The idea was to get the current plant fully operational. Right now, in Q2, the capacity utilization has come to around 82%. We are reviewing this sanitaryware-related demand, which on a month-on-month and quarterly basis, is showing an upward trend, largely supported by volume uplift. So we will review the situation by the end of this year in terms of taking a further decision with respect to the greenfield project, for which the land has already been procured. By the end of Q4, we will be in a better position to take a decision on the construction of the greenfield project.

Moderator: The next question comes from the line of Sagnik Sarkar with SKP Securities.

Sagnik Sarkar: I had a question on the in-house manufacturing percentage for both sanitaryware and faucetware. So, I think in FY26, you did around 41% and 53% in-house manufacturing. Just wanted to know what the numbers are currently. Are you looking to scale up in-house manufacturing going ahead? Will this drive margins higher if we increase in-house manufacturing?

Deepak Chaudhary: I will just give you the figures for the current quarter. In the current quarter, the sanitaryware manufacturing was 41%, and outsourcing was 59%. For faucetware, the numbers stood at 55% for in-house manufacturing, and outsourcing was at 45%. Regarding your question in respect of whether there will be a shift in the future, in faucetware, we have been shifting substantial quantities from outsourcing to manufacturing.

In sanitaryware also, the idea would be that we will be trying to shift it to the in-house kind of a situation going forward. In respect of margins, there would be no impact on the margins per se from the shift from outsourcing to in-house manufacturing, because the split of the SKUs that we take from outsourcing and from in-house manufacturing is very different.

Typically, the outsourcing SKUs are those which are simple to manufacture and which we do not want to manufacture in-house, because we can get them at a very good cost from our outsourcing partners. Typically, manufacturing is reserved for the higher value-added and more, you can say, expensive and value-added, feature-loaded kind of SKUs, which are more difficult for the outsiders to manufacture. So, the margin profiles are very different, and as we continue to grow, that split would remain as it is. Like, we are growing in the premium segment, and the bulkier pieces are kind of now becoming larger in volume. So, as we grow, we will find that the margin profile as such would not change. It will remain the way it is right now.

Sagnik Sarkar: Okay, thank you.

Deepak Chaudhary: Thank you.

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

Resha Mehta: Most of my questions have been answered. Just one question, considering the demand momentum that we are seeing, would you like to spell out some kind of revenue growth guidance for FY28, or would you say that is too early for now?

Deepak Chaudhary: We will continue to say that it is too early right now, because we want to wait FY27 to close and then see how the entire year went in respect of demand, as well as how we were able to scale up our manufacturing and how our outsourcing also held up in the current kind of situation. Then we want to give guidance for FY28.

Resha Mehta: The reason I was asking this was because we will be on a pretty high base, right, at a 20%+ kind of revenue growth for the current year. Hence, in FY28, on that base, at this stage, would we be confident of achieving at least double-digit revenue growth, or is even that too hard to comment on at this stage?

Deepak Chaudhary: That is what we are trying to say, that as of now, it will be kind of difficult to comment on FY28, because first we need to end FY27 and see where we are landing, and then what the situation is at the end of March, because a lot of things depend upon the external environment, and a lot of uncertainties are prevailing in the external market also right now. You have the world situation, which is a little precarious right now. The India situation is also kind of dependent on that. So, depending on how we end March, we will be able to project what we can see for FY28.

Resha Mehta: Right. The second question is, let us say hypothetically, the war comes to an end, and the commodity inflation that we have seen, tapers down. So, what happens to price hikes then? If you could cite an example, let us say from the past, wherein during such, let us say, post-COVID hyperinflationary times, we would have taken price hikes. Then do we reverse these price hikes? What happened in the industry? What did we do in the past, and what do you think will happen in case the commodity inflation subsides?

Deepak Chaudhary: Traditionally, what has happened, and even in the current situation, I do not anticipate that there would be a reduction in prices even if the raw material prices do taper down, because let us talk about these different divisions separately. If you talk about sanitaryware, even though the external market has been impacted a bit due to the increase in gas prices, because of our own arrangements, we have had minimal impact. There has been an impact on us also, but not to the extent that the players who do not have access to subsidized gas have been impacted. So, even if the gas prices stabilize, that will definitely impact our outsourcing cost, because that would come down. But typically, we do not anticipate that the prices would be impacted, because in the past also, this has been the case in sanitaryware, as well as faucetware.

In the case of faucetware, there has never been this kind of a jump, at least from what I can remember. But even in the current situation, even if the brass prices come down from the current level of 950 to 1,000, which is prevailing right now, to let us say, something like 600, 700, which was there, let us say, a year back. Even then, we do not anticipate a kind of a rollback in prices, because even now, you find there is a lot of impact on the profitability.

The manufacturers have been kind of absorbing the increase to the extent it has happened right now. So, once it starts, even if it tapers down, we still need to recover the past losses. Maybe project pricing would be impacted slightly. Discounts may go

up slightly higher, because that you can kind of reverse. But typically, there has never been a reduction in prices in the case of sanitaryware or in the case of faucets.

Resha Mehta: Right. So, maybe if the demand is lower at that point of time, even in the retail channel, we may pass it on in terms of higher discounts to the channel, right? Would that understanding be correct?

Deepak Chaudhary: Correct. If the demand pattern does not hold up and the prices of the inputs come down, then maybe higher discounts would be the way of passing on the benefit. Like, that was the situation which was prevailing in the last couple of years, when the demand was not there, and we finally found that the higher discounts were kind of giving an impetus to demand, given the lower demand. So, we can expect that in the future also. Like if demand kind of tapers off and there is a reduction in the prices of the inputs, then maybe the discounts would be going up.

Resha Mehta: And lastly, any more price hikes yet to be passed on? Have we taken any…

Deepak Chaudhary: As of now, we are not looking at any further price increases. We had taken one for faucetware in the month of September. In sanitaryware, as of now, we are comfortable. It is an evolving situation. It is very difficult to say offhand what could be happening. But as of now, it seems that for the current quarter, Q3, there should not be any price increases.

Resha Mehta: Sure, thank you.

Moderator: The next question comes from the line of Utkarsh Nopany with Anand Rathi.

Utkarsh Nopany: My first question is regarding your gross margin. In your initial comment, you mentioned that gross margin in our sanitaryware portfolio came under pressure on a Y-o-Y basis in the September quarter. However, we were of the view that we should have seen margin expansion in our sanitaryware portfolio, as the spike in gas cost for us is quite low compared to our peers, because we have the benefit of sourcing low-cost APM-linked gas. We should have also seen some benefit from the liquidation of low-cost inventory, because we have taken a good amount of price hike in our sanitaryware portfolio. Can you please help us understand what we are actually missing out on? Why has the gross margin in our sanitaryware portfolio come under pressure?

Deepak Chaudhary: See, gas is only one part of the total cost being faced by the Company. You will find that obviously the impact to CERA is lower than what is there for the entire market. But still, you will find that apart from the impact of gas, other factors have also gone up progressively. If you look at the transportation cost, you will find that the cost of fuel and hence the, transportation cost has gone up substantially. We are saved by the fact that we do not have too many imports, because over the years, the cost of containers has kind of increased exponentially. But because we have only limited exports, it did not impact us too much.

But there have been inflationary factors which are playing across the various cost parameters, which have kind of led to the margin decline. But with the kind of price increases that we have taken, as we mentioned, it takes some time for the impact to come in. We will find that in the case of Q3 and Q4 going forward, the gross margin for both sanitaryware as well as faucets should see improvement.

Utkarsh Nopany: No, sir. Your point is well taken. Just wanted to understand what would be the share of gas cost as a proportion of our production cost for sanitaryware, and what would be the freight cost as a proportion of our revenue?

Deepak Chaudhary: The freight cost will be in the region of, you can say, 11%-12% for sanitaryware. For the Company as a whole, it comes in the region of 8%-9%. But for sanitaryware, because of the fact that the items are bulkier, most of the freight cost is kind of there for the sanitaryware division. So, it will be in the range of, you can say, 11%-12%.

The gas cost, if you talk about outsourcing, because the supply is coming from two sources. One is from our own manufacturing, and the second is from the outsourcing partners. In the case of outsourcing partners, we find that for them, it is a substantial part of their total input cost. They are not getting subsidized gas from GAIL. That is why you find that whenever the gas prices increase, the outsourcing cost increases accordingly, though not in the same proportion, because let us say that I think the input cost for gas for outsourcing partners will be in the range of 30%-35%. So, if the cost is doubling, you find that the impact would be substantial for the outsourcing partners.

And also, because of the fact that they do things at a very small margin, because for us, they are supplying as OEM suppliers, and for them, the margins are extremely thin. So, whenever there is an input cost increase, they have no choice but to pass it on to the OEM players. They do not have any scope for absorbing the increase in the input cost.

So that 55% of the business which we have taken from the outsourcing partners is totally impacted by the increase in the gas prices. I think we have taken two price increases from the outsourcing partners. One was 9% in the month of April or May, and then again there was a 3% increase, I think, in the month of September. So a total of 9% + 3%, you can say 12% has gone up as a procurement cost from our outsourcing partners.

So, it is a mix of various factors which we are now seeing reflected in the gross margin. It is not a single factor which kind of plays into it. For our own manufacturing, you find that gas cost, as you mentioned, would be substantially lower. It should be only, if you talk about sanitaryware manufacturing, in the range of, you can say, 11%-12%.

Moderator: The next question comes on the line of Bhupesh Kawdia with ICICI Direct.

Bhupesh Kawdia: The Company has around INR 900 crore of cash balances, and given the inflationary pressures and freight costs and different factors, there must be some smaller and unorganized players in the sanitaryware, faucetware, and tiles segments who are struggling. Does the management consider any acquisitions of such companies?

Deepak Chaudhary: See, they are two separate things. The input cost rise is something which is impacting all players. That cash pool that we have has no impact on the kind of input cost increases that are happening. Your main contention is whether we can use this situation as an opportunity for buying out players who are there in these other sectors, like from our outsourcing vendors who are there or vendors who are there in the faucetware, tiles, or the sanitaryware space. That is a continuous outlook that we keep on doing even otherwise. Like when we were taking that land also, we evaluated a lot whether in respect of we should be acquiring some outsourcing partners or whether we should be acquiring somebody from the industry as such. That is always an ongoing kind of a thing that we keep on studying. If something comes up and it looks kind of beneficial, that opportunity is there, that option will always be exercised.

Bhupesh Kawdia: Okay, thank you.

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

Karan Bhatelia: Sir, just wanted some clarity on the price hikes. On the last few calls, you have mentioned a few price hikes in the fourth quarter, and a few price hikes in the first quarter. So I think the effective price hike is what, 12% for sanitaryware and 16% for faucets. So anything incremental that we have taken lately?

Deepak Chaudhary: Sorry, you mentioned the earlier prices, price increases that we have taken, but what was your question?

Karan Bhatelia: Yes, 12%, 13% for sanitaryware and 16% for faucets. Have we taken anything after this?

Deepak Chaudhary: That was in the month of May. Then we have taken another price hike in the month of September, in the case of faucetware. That was to the extent of 8%. The total increase in faucetware has become 16% + 8%, 24%. 16% in the month of May, 8% in the month of September, taking it to a total of 24%. In the case of sanitaryware, it is 12%, which we have taken in the month of May.

Karan Bhatelia: Right, so there was no price hike in sanitaryware after that?

Deepak Chaudhary: No, in September there was no price hike in sanitaryware. It was only in the case of faucets.

Faucets are more impacted by the increase in input cost, particularly brass, because that constitutes a significant portion of the total COGS. We find that brass constitutes roughly 60%, 65% of the cost, because even for components which are not directly brass, even the bottom parts which go along with your faucets, the bulk of the cost is mostly brass only. That is why 60%, 65% of the cost is impacted by brass, and any significant movement in brass needs to be translated directly into the cost, which necessitates a price increase in the case of faucetware, more so than in sanitaryware.

Karan Bhatelia: Right. One clarity, you have given reasons why margins were short in Q2, quarter-on-quarter. You mentioned higher discounting to the extent of 1.7%, but given the fact that retail demand is strong, and the project business is ongoing, why was there such a high discount of 1.7% which impacted the Q2 margin sequentially?

Deepak Chaudhary: Yes. What happens is, in the case of projects, if you talk about it, you have a fixed price. Let us say the MRP is 100 and you have a fixed price of, let us say, 60. Now when your price increases, you find that the price will go up from 100 to 110, but your price would remain at 60 only, the price at which you are supplying to the projects. That additional amount reflects as an additional discount.

Also, in the case of retail, certain schemes which have been created, let us say, at the beginning of the year, they cannot be reversed immediately because you have a quarterly scheme, you have a kind of half-yearly scheme, and you have certain annual schemes also. So, it takes some time for the discounts to be rolled back.

We cannot do it immediately because schemes which have already been launched, cannot be withdrawn immediately. So even in the case of discounts, there would be a time lag in reversing them. Whenever you give additional schemes, it takes some time for them to come into effect. The same thing happens once you withdraw them also, because schemes have already been launched, and it takes some time for the withdrawal to come into effect.

Going forward in Q3 and Q4, as I mentioned, you will find that a lot of those reversals have already been initiated, and that impact would start becoming visible. Also, in the case of projects, most of the earlier projects are now closed. Going forward, you

will find that most of the newer priced projects would be coming in. Both the pricing impact and the reduction in discount in retail will lead to an improvement in margins in the future.

Karan Bhatelia: Right, got it. We have taken a 12%, 13% increase in sanitaryware prices. We had some benefit of gas sourcing vis-à-vis Morbi. What is their cost increase vis-à-vis us?

Deepak Chaudhary: Yes, as I mentioned in the when the previous question was being asked, like typically for the Morbi player, the gas cost has kind of doubled.

Karan Bhatelia: Right. What is their price hike already taken in the market vis-à-vis 12%, 13% for CERA?

Deepak Chaudhary: I cannot tell you what they have taken for their own products, but for the price increases that we have taken. Because see, what happens is that it totally depends on the kind of relationship that you have with them and the kind of business which you are doing with them. Because most of our suppliers are, we can say, supplying us a substantial volume of their total production, they are not able to pass on the cost increases to the fullest extent. Even they kind of take a hit. We have kind of taken an increase of 9% in the months of April, May, when the prices had gone up substantially, and another 3% in the month of September. So a total of 12% increase in the prices, for our outsourcing vendors, what we procure from our outsourcing vendors.

Moderator: Ladies and gentlemen, due to time constraints, we have reached the end of question-and-answer session. I now hand the conference over to the management 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 free to reach out to me or to CDR India. Thank you once again for taking the time to join the call. Bye. Thank you.

Moderator: On behalf of CERA Sanitaryware Limited, that concludes this conference. Thank you for joining us. You may now disconnect your line.

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