CERA

CSL/2024-25/215
20th August, 2024

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 13th August, 2024
Ref: Regulation 30 of the SERI (LODR) Regulations, 2015

With reference to our letter CSL/2024-25/192 dated 5th August, 2024, intimating you about the Q1 FY2025 Earnings Conference Call held on 13th August, 2024, please find attached the transcript of the aforesaid conference call.

The same is available on the website of the company, i.e. www.cera-india.com

We hope you will take the same on your records.

Thanking you,
For Cera Sanitaryware Limited.

HEMAL JANARDAN SADIWALA

Digitally signed by HEMAL JANARDAN SADIWALA
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Hemal Sadiwala
Company Secretary
Encl: As Above

CERA Sanitaryware Limited

Q1 FY25 Earnings Conference Call

August 13, 2024

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY25 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. Mayank Vaswani of CDR India. Thank you and over to you, Mr. Vaswani.

Mayank Vaswani: Good morning, everyone, and thank you for joining us on the earnings conference call for Cera Sanitaryware Limited to discuss the Q1 FY25 earnings, which were announced yesterday. We have with us today the management team comprising Mr. Vikas Kothari - CFO; and Mr. Deepak Chaudhary, - Vice President, Finance and Investor Relations at Cera Sanitaryware. We will start with brief opening remarks from the management, following which we shall open the call for Q&A.

A quick disclaimer before we begin. Some of the statements made in today's conference call may be forward-looking in nature, and a detailed note in this regard is contained in the results documents that have been shared with all of you earlier.

I will now turn the call over to the management for their opening remarks. Over to you, sir.

Deepak Chaudhary: Thank you, Mayank. Good morning, everyone. On behalf of the management team of Cera Sanitaryware Limited, I would like to welcome you to our earnings conference call. I will begin by sharing some updates on the operations and strategy, following which our CFO, Mr. Vikas Kothari, will run you through the key financial highlights.

The first quarter of FY25 continued to experience challenging market conditions driven by subdued demand across key markets, intense heat wave conditions and the effects of general elections. Despite these headwinds, the Company reported revenues of INR 398 crore and profit after tax of INR 47 crore for Q1 FY25. Our Sanitaryware and Faucetware business segments contributed 53% and 36% of our total Q1 FY25 revenues, respectively.

While our sales this quarter did not reflect significant growth, we remain committed to our long-term vision. To be noted that Q1 results do not impact our guidance, since we have already taken into consideration the expected slow performance in Q1 and Q2 of the financial year. We are confident that growth will gain momentum from the later half of the year.

New product development accounted for 32% of the total sales in this last quarter. Over the past few years, there has been a growing consumer shift towards luxury properties and high-value bathroom fittings, especially in the major cities. To capitalize on this trend, Cera has been undertaking strategic measures to enhance its offerings and capabilities. We are committed to strengthening our presence in the luxury segment over the next five years. Although we are still in the early stages of seeing substantial numerical progress, our focus remains on laying the groundwork for its long-term growth. Our upcoming product launches will continue to feature innovative designs and value-added features tailored to luxury seeking consumers.

As most of you are aware, Cera currently has four distinct brands: Cera, Luxe, Lustre and Senator. The introduction of new SKUs, the refreshing of existing lines and expanding into new product categories have significantly broadened our portfolio. While our flagship brand, Cera, continues to perform strongly in the key markets, Senator, Lustre and Luxe are poised to make notable numbers into the luxury segment.

Additionally, we are focusing on premiumization in Tier 2 and Tier 3 towns to meet the evolving demand of these markets. This balanced approach not only reinforces our commitment to serving a diverse customer base, but also strengthens our market position and adaptability. By seizing opportunities across all market segments, we ensure our relevance and competitiveness while maintaining margins.

In Q1 FY25, our imports from China totalled INR 7 crore, representing 2% of the sales. Cera remains committed to reducing reliance on Chinese products, financing our in-house manufacturing capabilities and diversifying our supply chain sources.

In the previous financial year, Cera successfully completed the expansion of its Faucetware facility, which increased our monthly production capacity from 3 lakh to 4 lakh pieces. I am pleased to report that the plant is running efficiently after the ramp-up period. With adequate inventory levels, we have optimized our production strategy to achieve an ideal balance between production and inventory resulting in faucetware capacity utilization of 84% in Q1 FY25.

Regarding our upcoming greenfield sanitaryware facility, we have successfully acquired a major land parcel. Due diligence is ongoing to secure the remaining land, which is anticipated to be completed by September 2024. These strategic expansion in Sanitaryware and Faucetware underline our commitment to broadening our premium and luxury product range, ensuring high quality and precision to advance manufacturing technology and stringent quality control.

Our budget for regular and routine capex for FY 2024-2025 is INR 25.40 crore, encompassing essential upgrades in our Sanitaryware and Faucetware plants, including machinery replacement, customer touchpoint enhancements and IT developments. These investments are aimed at ensuring operational efficiency with continuity and improved logistics.

Since launching the Retailer Loyalty Program in FY 2022-2023, we have enrolled over 20,000 retailers and accumulated more than 3 lakh invoices on the application. Of the total retail sales amounting to INR 217 crore, 37% are eligible for loyalty rewards.

In FY24, we achieved the highest ever advertising spend of INR 63.2 crore, representing 3.4% of sales. In Q1 FY25, we have spent INR 11.5 crore as compared with INR 11 crore in Q1 of FY24 towards publicity, which is in line with our projected spending for FY25.

Our focus on effective cost management and operational efficiencies has enabled us to sustain our margins without implementing any substantial price increases. In Q1 FY25, our sanitaryware plant achieved a capacity utilization rate of 76%, reflecting our balanced approach to production and inventory management.

For the quarter, B2C sales comprised 64% of our total revenue. Looking ahead, we anticipate continuous strong demand from both B2C consumers and the growing B2B projects market. Strategically, we are leveraging project sales to manage inventory effectively. Maintaining strong margins has always been a priority at CERA. While we recognize the growing significance of B2B project sales and are committed to integrating this channel into our business strategy, we remain selective about the projects that we are undertaking.

I would like to reiterate that CERA is committed to a comprehensive set of strategic initiatives designed to drive growth and strengthen our market presence. These initiatives include expanding our production capacity, enhancing our capabilities for complex and high-value products, and investing in new product development. Our continued focus on advertising and marketing aims to boost brand visibility, while emphasizing on premiumization and improving our network and distribution channels, which will enable us to capture higher market segments. Additionally, we are fortifying industry relationships through engagement with key influencers such as architects and plumbers. Collectively, these efforts are intended to position CERA for sustained success and reinforce our competitive edge in the market.

In conclusion, while Q1 FY25 continued to present some near-term challenges, CERA Sanitaryware remains resilient and focused on our strategic objectives. We are confident that our comprehensive initiatives will enable us to navigate these challenges effectively. As we move forward, we are optimistic about leveraging our strengths and addressing evolving market demands to continue delivering value to our stakeholders and maintaining our leadership in the sanitaryware and faucetware industry.

With this, I would like to hand over to Mr. Vikas Kothari, our CFO, who will present the operational and financial highlights for the quarter ended 30th June 2024. Thank you, and over to you, Mr. Vikas Kothari.

Vikas Kothari: Thank you, Deepak, and a very good morning to everyone. I will now provide a brief overview of the company's financial performance for the quarter ended 30th June 2024.

In Q1 FY25, revenue from operations stood at INR 398 crore as against INR 427 crore in Q1 FY24, registering a decline of 6.8%. EBITDA in Q1 FY25 stood at INR 72 crore as against INR 84 crore in Q1 FY24. EBITDA margins for the current quarter stood at INR 17.5 as against 19% in Q1 FY24, registering a decrease of 150 basis points.

The decline in EBITDA margins is due to lower fixed-cost absorption caused by decreased sales and higher discounts offered to address the challenging market conditions.

For the quarter under review, 53% of revenue came from sanitaryware, 36% from faucetware, and 9% from tiles, and wellness contributed 2%. On a Y-o-Y basis, sanitaryware revenue decreased by 9%, faucetware revenue decreased by 5%, tiles by 20%, and the wellness improved by 16%.

The sanitaryware and faucetware segments remain the cornerstone of our business, contributing 89% of total revenue. In Q1 FY25, 44% of our sales were in premium category, 32% in mid-category, and 24% in entry-level category.

Profit after tax was INR 47 crore in Q1 FY25 as compared to INR 56 crore in Q1 FY 24, registering a decrease of 16.1%. EPS for the quarter stood at INR 36.11 compared to INR 43.35 in Q1 FY24.

In terms of the working capital, inventory days increased from 74 days to 75 days, receivables days remained stable at 28 days, and payable days stretched from 30 to 37 days. Consequently, the net working capital days were reduced from 72 days to 66 days in Q1 FY25.

As on June 30, 2024, our cash and cash equivalents stood at INR 864 crore, marking an increase of INR 109 crore or 14.4% compared to the corresponding previous quarters.

Regarding sales distribution, Tier 1 cities accounted for 35% of total sales, Tier 2 cities for 22%, and Tier 3 cities led with 43% of total sales.

In addition, I am pleased to announce that the Board of Directors at its meeting held on 5th August has approved buyback of its fully paid equity shares through “tender route” at a price of INR 12,000/- per equity share for an aggregate amount not exceeding INR 130 crore excluding any expense incurred or to be incurred for the buyback.

In conclusion, I want to reemphasize our commitment to maintaining strong financial discipline, leveraging our inherent strengths, and solidifying our leading position in the sector.

With this, I would now request the moderator to open the line for Q&A. Thank you so much.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Praveen Sahay from Prabhudas Lilladher.

Praveen Sahay: Sir, regarding the bifurcation you've provided among the Tier 1, Tier 2, Tier 3, as well as the entry and the premium level; if I look at your Tier 1 sales, they've actually increased on a Y-o-Y basis while Tier 3 and Tier 2 have declined. Did you observe greater competition or a demand slowdown in Tier 2 and Tier 3 compared to Tier 1?

Vikas Kothari: So, as per my understanding, as far as the tier bifurcations are concerned and if we compare with the previous comparisons; more or less there is a demand slowness in all the tiers. However, if we see in terms of the breakup means for the Tier 1, it was 35% versus the previous corresponding quarter 33%. Tier 2 it was 22% and the previous corresponding quarter it was 22%. And in Tier 3, the percentage is 43% against the previous quarter corresponding 45%. So as such, if you see in terms of the impact of the slowness of demand is concerned, it has impacted all regions, all cities or tiers and including the market segments.

Praveen Sahay: So, it's just that your contribution has changed. However, everywhere you have seen the impact to be quite equal.

Deepak Chaudhary: Yes correct. What I would suggest is we should not read too much into 1% or 2% up and down between the tiers in between quarter-on-quarter because these changes will keep on finding between one quarter to the next. So more or less the idea is, it is not that one of the sectors are experiencing slowdown vis-a-vis other tiers are expecting less lower than the others kind of a slowdown. Our sense is that all the three tiers are having a kind of slowdown, and we anticipate that this should improve from the second half of the year.

Praveen Sahay: Second question is related to the gas. How has been the gas pricing as an average and if you can give the GAIL and the Sabarmati number as well?

Vikas Kothari: The gas cost as we have seen in the previous year also, the gas has largely benefited in terms of the overall price. So, gas prices remain favourable during this quarter also. The average gas price from GAIL was INR 28.38 per cubic meter as against INR 29.31 in Q1 FY24. Similarly, the average gas price from SGL was INR 51.40 per cubic meter as against INR 50.01 per cubic meter in increased drover of gas from GAIL reaching out to roughly 86% in Q1 FY25 which was 78%. So, the trend was positive in the Q1 and the overall weighted average gas cost in Q1 was at INR 31.64 as against INR 33.91 in Q1 FY24 which is significantly lower as compared to the industry standards.

Praveen Sahay: The last question is related to the margin profile. So, for this quarter we had seen a correction in the margins. Can you give some guidance for the rest of the year because your guidance of EBITDA margin of 16% plus and INR 29 billion for March 27, as you said you are sticking to that. So next nine months where you are seeing this margin profile to be?

Vikas Kothari: As far as margins are concerned, as I have already mentioned that the margins were impacted because of the activity impact, but this we see it to be for a very short term. We are quite confident in terms of the margins which we will keep intact between 16% to 17%. I would say it will further improve as the demand situation will improve. So, it is just one quarter where largely all the major industry players including CERA have seen the slowness on account of different factors. So that has somewhat impacted the margins, but for the rest of the year we are quite confident that the margins will be maintained between 16% to 17%.

Moderator: We will take the next question from the line of Rishi Kothari from Pi Square Investments.

Rishi Kothari: In the initial stage you said that Q1 FY25 was not a good quarter for the Company, but we are maintaining our targets for the coming future. So, do we have any set numbers that we have given that this target are going to be met in two, three years down the line for topline or bottom line?

Vikas Kothari: So, regarding the guidance what we have given earlier was of reaching the target of INR 2,900 by March 27 which will remain intact. We have set this target after factoring for the expected slow performance in Q1 and Q2 of the current financial year. We anticipate that the improvement in the demand condition will start from the second half of the year. So as far as the guidance which we have given of maintaining a 16% CAGR over a period of three years is intact.

Rishi Kothari: In terms of the actual outcome in the market, I see that the real estate market is anyway booming, people are buying homes and all sort of things. CERA Sanitaryware is something that comes secondary to the value chain of the real estate market, but still there is some mutated demand if we see the FY23 to 24 results. The revenue topline has not increased that much. So, what's the main problem that you are facing? Is it that people are going more towards the other brands, or the organized sector is emerging or what sort of things are we facing right now?

Deepak Chaudhary: The industry by itself has not been doing too great since quarter three of the last year. So, it is not that CERA Sanitaryware has not been performing well. It is the industry as such which is facing kind of demand challenges since Q3. And Q1 was particularly impacted because of elections and the intense heatwave conditions which was prevailing in the country. As Mr. Vikas mentioned earlier, we anticipate that from Q3 onwards the demand situation should improve. And essentially what we want to stress is, this is not something which is impacting our Company only. It is something which is impacting the market as a whole.

Rishi Kothari: What is the percentage of organized sector as a sanitaryware industry and as a faucetware industry?

Deepak Chaudhary: You are talking about the size of the organized and the unorganized sector.

Rishi Kothari: Yes.

Deepak Chaudhary: The figures are not very readily available but what we generally estimate is that the sanitaryware industry size of the organized sector would be INR 5,000 for sanitaryware and INR 8,000 for faucetware. The unorganized for the sanitaryware industry would be something like INR 4,000 crore and faucetware would be INR 6,000 crore. So, total would be something like sanitaryware INR 9,000 and faucetware INR 14,000

Rishi Kothari: How have we seen the change in shift from organized to unorganized? Do we see any increase in terms of the growth targets or do we see any sort of improvement eventually from unorganized to organized?

Deepak Chaudhary: There has been some shift from the unorganized to the organized, like post the coming of GST there was anticipation that there would be movement from the market share from the unorganized to the organized which has happened also. If you want specific numbers those are not available. But going forward also you will find that shift from the unorganized to the organized is a kind of slow process because most of the unorganized sector is concentrated in the Morbi belt and you will find that as of now, they are facing a lot of challenges in quite a few respects. One in respect of the kind of raw material increases which has happened in the faucetware where the brass prices have increased significantly in the last, you can say 2-3-4 months and also because of the fact that the pollution board has started becoming more and more strict in respect of the kind of emissions and effluents which are being discharged. So, this is a continuous process, and you will find that as the market grows it will be captured more by the organized players as opposed to the unorganized players, but it will be a slow process.

Moderator: We will take the next question from the line of Udit Gajiwala from Yes Securities.

Udit Gajiwala: When you mention that you expect demand to improve from H2, is that based on hope or is it backed by some orders or inquiries that you are already receiving, and if so, from which segment? Largely when you are expecting demand to improve from H2 and you also stated that softness will continue in Q2, what gives you the confidence that demand will improve from H2 because there is already a low base of last H2 since you stated that since last Q3 your demand has been weak. What gives you the confidence that demand will improve from H2?

Deepak Chaudhary: See there are two segments in which we operate, one is B2C and another is B2B. The B2B segment has already started seeing improvements. If you look at our project bank size vis-a-vis December and if I compare December '23 with June '24, you will find that there has been an increase of something like 15%-20% on our project bank size which is indicating that the project business has started picking up. Retail has been going slow from Q3 and Q1, which was kind of anticipated also because of the fact that general elections were there. So, the project has kind of already picked up and we are anticipating that the project will be flowing on to the retail side as well. So Q3 we are anticipating, from the flow that we have already received on the project bank, that it should be reflecting on the retail side also.

Udit Gajiwala: That is helpful sir. In terms of the product mix change, the premium segment that constituted around 44%, what was the number in last Q1 and is there any target for this year or coming say by the time you want to achieve INR 2,900 crore topline, how much should premium be as a product portfolio?

Vikas Kothari: So just giving you the numbers in terms of the categories between premium, mid and entry. So, premium is 44% in Q1 FY25 and in Q1 FY24 it was 45%, mid was 32%, in the previous quarter it was 31% and entry it is 24% in Q1 FY25 as against 24% in Q1 FY24. So more or less if you see in terms of the categorization between entry, mid and premium more or less there is no major change.

However, in terms of the efforts what we are putting, in terms of the new category under which the three brands have been put i.e Luxe, Senator and the Lustre series, which are going to showcase our luxury segment, so that is at a very initial implementation phase. In terms of putting the more product parcels or enriching the product profile, our team is working on that, and we will definitely see in the coming years that this particular category would also be growing.

Deepak Chaudhary: Another thing I like to mention, that as a Company, our entire range, whether it is entry, mid or the premium, enjoy a very healthy margin profile. Normally, the expectation would be that the entry-level category should be having lower margins and the premium category would be having very high margins. So especially in case of Sanitaryware, across the 3 ranges i.e the premium, mid and entry, the margins are equally good.

In faucetware, there is a slight differentiation between the margins of entry and the premiums. But otherwise, when we grow and grow in volumes, whether it is mid, entry or premium, the margins could be impacted in a positive manner, irrespective of where the growth is coming from. But our strive is always to move towards premium segment.

Moderator: The next question is from the line of Onkar Ghugardare from Shree investments.

Onkar Ghugardare: My question was basically regarding the loyalty programs, which you have done. Can you quantify the benefits which you have derived so far from that? And what kind of benefits to expect from those loyalty programs.

Deepak Chaudhary: See the main aim of the loyalty program is, as of now, if you look at our distribution model, it is centered mostly towards the dealers. Like we sell to the dealers and the dealers are selling to the retailers or sub dealers. Now we kind of pass on benefits to the dealers, which they pass on to the retailers. The idea of the loyalty program is to pass on the benefits which we pass on to the dealers to be further passed on to the retailers directly.

So, what this loyalty program has done is that we have been able to gather database in respect of what kind of retailer profile we have, what kind of buying that they are able to do. Because whenever they are upcoding their invoicing to get a sense about what kind of product preferences are there. And also, we are able to pass on the benefits directly to the retailers, which earlier we were dependent upon the dealers.

So, depending upon how we want to tweak our sales, how we want to tweak and push our products, we can design our loyalty program accordingly. So, the main benefit which is there that instead of relying on the dealer, now we are able to go directly to the retailer through our own programs.

Onkar Ghugardare: So, it is only just to collect the database or any monitoring the effect to the Company in the long term?

Deepak Chaudhary: No, the monitoring aspect is also there. As I told you, it is enabling us to push the products that we really want to. One is, we gather information and gather data about what products are really being demanded by the consumers. And second is, when we want to push something, the benefits, the kind of rewards, which were earlier being pushed to the dealers can directly go to the retailers.

So that is kind of you know we have a direct subsidy program of the Government. So, you don't have an in-between, the person who was there as a middleman in between has been bypassed and you are going in directly to the retailer and pushing in products which we really want to promote.

Onkar Ghugardare: The second question is on the cash position. You mentioned you have around INR 864 crore of cash. This is excluding the INR 130 crore buyback or including the buyback? Also, after doing the buyback, you will be continuing with the higher dividend payouts, which we have been doing for the last 2-odd years? Or how it will work out?

Vikas Kothari: So, regarding the cash reserves, so just to brief you the cash reserve position, as on June 30, 2024, is INR 684 crore, which is including this buyback part what we have recently announced. In terms of the options where we have the distribution of excess cash, so the dividends if you see we have increased the dividend significantly in the past 2 years from around INR 26 crore in 2021-'22 to INR 65 crore in 2022-'23. Continuing the same, the Company has declared dividend of dividend of INR 60 per share which is amounting to INR 78 crore in financial year '23-'24. So, this trend will continue in terms of paying out healthy dividends as part of maximizing the benefits or returns to the shareholders. And at the same time, the buyback is also announced. So that is another part. And in terms of the results which are there, there are some capex options which will come. So that can be taken care of.

Deepak Chaudhary: Just a small correction, the cash reserves was INR 864 crore. This was before buybacks.

Onkar Ghugardare: Okay. So INR 130 crore will be less than that, INR 864 crore.

Deepak Chaudhary: Correct.

Moderator: The next question is from the line of Aasim Bharde from DAM Capital.

Aasim Bharde: The first question was on the Sanitaryware plant capex. So, 85% of the land bank has already been acquired. 15%, which was supposed to be done by June, now that is expected to be done by September. Any change in the timeline by the time the plant is actually commissioned? It was supposed to come by FY26-end earlier?

Deepak Chaudhary: No, what we had said was that it will take 18 months from the day starting of the commissioning of the plant, it will take 18 months from the zero date. It has not yet started. As you rightly pointed out, the earlier the timing was that we should be completing the balance parcel by June. What is happening is remaining portion of the land which is there consists of extremely small parcel. The acquisition of that land is taking some time. So we anticipate that it should be completed by September, October kind of a thing.

Aasim Bharde: But no civil work or anything I started on the balance land that you already acquired, is it?

Deepak Chaudhary: No, civil work has already been started. That decision to start the civil work would also depend upon the kind of demand situation which we are seeing right now. Once we see an uptick in the demand, we will be starting with the civil work. And the civil work is possible, to start even on the portion of the land which has already been acquired.

Aasim Bharde: But still, while the latest that the plant would be commissioned appears to the October 2026; 24 months from October of this year. Assume, we do the land basically acquired the balance land, right?

Deepak Chaudhary: Correct. If you're trying to understand that how we would be able to cater to the demand situation in between; so the way that we are progressing and how we are seeing it is that we are already in a very good kind of inventory position. We have very good outsourcing arrangements and also the kind of mix that we are having currently within our plans, it is possible to shift the mix and increase production of more premium products, once we see an upswing in the demand. So we don't see any challenge in terms of meeting the interim situation and the plant is under construction. So as of now, we are waiting for the demand to improve slightly so that we can start with the commission of the plant.

Aasim Bharde: Sure, got that. I think you guys have made that pretty clear earlier also. So, I just was curious about when the new plant starts in. And second, to an earlier question, you just spoke about project sales have picked up. You also mentioned project bank that has gone up from 15% to 20%. I just want to understand what exactly do you mean by this project bank? How do you define it?

Deepak Chaudhary: See, what happens is when we are receiving an order for a project that we will receive can say 3 to 4 months to somebody is who is requiring immediately, immediate delivery. So, once we are receiving an order the delivery period extends up to 1 year like an order which has been accepted today, some parts of the order will be delivered today, and balance will be delivered after some time. And it keeps on happening because the requirements of the project also keep on coming up in phases. So mostly when you're talking about the project bank it is that orders which have been received but which are to be executed. And normally, the price validity and the acceptance which we do, remain valid for a period of 1 year.

Aasim Bharde: Okay. So, it just another term for order book?

Deepak Chaudhary: Correct.

Aasim Bharde: Got it. Thank you very much.

Moderator: We'll take the next question from the line of Akash Shah from UTI Mutual Fund.

Akash Shah: Just wanted to check what is the capacity utilization in faucetware plant? I missed that.

Vikas Kothari: So, regarding the capacity utilization, the faucetware plant is operating at 84% of capacity in Q1 in this quarter and the Sanitaryware is at 76% in this current quarter. And this lowering down the capacity is to have a balancing impact in terms of the inventories what we are having and to see how we can speed up once the demand improves.

Akash Shah: And when you say that we would be trying to achieve INR 2,900 crore revenue by FY27, if you can roughly share how would the growth target look like in FY25 or if not FY25, what would be the growth target in FY26, if you can share?

Vikas Kothari: So, regarding the guidance what we have given of the 16% CAGR over a period of 3 years, so like I told, we have already taken into consideration the first half performance of the FY25, which is going to be slow or muted. And if you see for the whole year basis that is '24-'25 as the full year, growth is projected to be in single digits. And the expected compounded CAGR 16%, It is going to be achieved by the increased run rate when you see that the demand is going to be improved in the next 2 years.

Akash Shah: Okay. So basically, we are broadly expecting healthy growth in FY26 and FY27.

Vikas Kothari: Correct.

Akash Shah: Sir, you said that project bank size has increased. So roughly over, let's say, the next 9 months or by FY26, do you see the revenue mix changing in favour of the project segment? Or do you still believe that at least 65% to 70% of the overall revenue would come from the retail segment?

Deepak Chaudhary: As of now, the total project to retail ratio, 64:36. It was earlier something like 65:35. So there has been a slight change towards the projects. So that would totally depend upon how the retail market is picking up because once the retail market picks up, we find that it will start going back to the level which was there earlier. If there is like stretch in the pickup of the retail market then maybe the certain percentage might go up slightly again, by a couple of percentage points. And if this retail picks up, we go back to the same level which was earlier.

Akash Shah: Right. So even if, let's say, if project segment comes to roughly 40% of the overall revenue still, we are fine with that.

Deepak Chaudhary: Correct. Because if you see a differential like the kind of margins that we have in retail segment vis-a-vis that we earn in the project segment the discounts would be higher in the project segment by you can say 5% to 6%. So, if you are talking about the kind of 5% movement from retail to projects then the 5% will be kind of 0.5% impact on our overall margin, which we don't anticipate too much of a challenge as such. So even if it goes up to 60-40 and would take some time for the retail to pick up, we'll be fine with that. It will not impact the margins by too much.

Moderator: The next question is from the line of Raj Shah from Marcellus Investment Managers.

Raj Shah: My question was regarding F24 annual numbers. There is a significant reduction in power and fuel costs. So as a percentage of sales, it has reduced to 1.9%, which used to be 3% to 4% in the last decade. This is in spite of the fact that our purchases of finished goods has also reduced. So, the question was what led to this significant reduction and what we can expect in FY25?

Deepak Chaudhary: I think you'll have to repeat the question. You're saying that the power cost has reduced by 1.9%?

Raj Shah: Reduced to 1.9% of sales, which used to be 3% to 4% of sales.

Deepak Chaudhary: It has reduced to 1.9% of sales as opposed to 3% to 4% of sales. You are asking why there has been a reduction in the power and fuel costs.

Raj Shah: Yes.

Vikas Kothari: This is largely led by the increase in the consumption which we have been able to do from GAIL. We have two sources for gas, one is GAIL and another is from Sabarmati. GAIL is subsidized. Earlier the drawal from GAIL was much lower, so that the weighted average seems to be higher. Now with the increase like as Mr. Vikasji mentioned we are able to draw 84% of our gas from the lower subsidized portion.

So that is why the gas cost on an overall business has improved. Also, we have the windmills wherein it kind of compensates for the electricity costs which have been incurred by CERA. In the last year, a couple of windmills were under repair, so we were not able to draw from there. So, once we have come to the current year, all those draws have again resumed from the windmills, the ones which were under repair. So, both these factors combined, like increased drawal from the windmills and the increased drawal from GAIL, have led to a reduction in the fuel and gas cost.

Raj Shah: Okay. So, moving forward, what we can expect as a percentage of sales, what should be the power and fuel cost?

Vikas Kothari: As a percentage of sale, it is 1.3%, 1.4%.

Deepak Chaudhary: It should remain at those levels

Vikas Kothari: Yes.

Moderator: We'll take the next question from the line of Prem Choudhary from Pinc Wealth.

Prem Choudhary: I have two questions. First, the margin difference between premium, entry and mid-level. And second, our order book, current order book from project banks, from project business.

Deepak Chaudhary: See, As I told earlier, the margins for the sanitaryware between the entry, premium and mid are more or less the same. It is slightly higher for the premium ones, but more or less, it varies differently across the various SKUs, across various ranges. But in sanitaryware, even the entry levels enjoy pretty good margins, comparable with the premium margins. In faucetware, there will be a slight difference. The entry won't enjoy such high margins as compared to the premium ones.

As for the respect of the order book, I cannot give you the numbers as such. But as I said earlier, as compared to December, the total order book has gone up by 15% to 20% for projects.

Prem Choudhary: Okay. And the execution period for the project bank?

Deepak Chaudhary: Yes. It is normally like to on happening, but it's a continuous process. So order banks, the older ones keep on getting executed and we have new orders that keep on coming in. The validity of an order for the price that we quote is the valid for one year.

Prem Choudhary: Okay. That's it from my side. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will take that as a last question for today. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

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

Moderator: Thank you, members of the management. On behalf of Cera Sanitaryware Limited, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.

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