

Estimate change	
TP change	
Rating change	

Bloomberg	KJC IN
Equity Shares (m)	159
M.Cap.(INRb)/(USDb)	197.8 / 2.3
52-Week Range (INR)	1579 / 745
1, 6, 12 Rel. Per (%)	22/12/13
12M Avg Val (INR M)	365
Free float (%)	52.5

Financial Snapshot (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	50.0	55.8	61.8
EBITDA	8.1	9.1	10.3
Adj. PAT	4.8	5.5	6.3
EBITDA Margin (%)	16.2	16.4	16.6
Cons. Adj. EPS (INR)	30.4	34.9	39.7
EPS Gr. (%)	39.3	14.7	13.9
BV/Sh. (INR)	190	211	234
Ratios			
Net D:E	(0.8)	(0.9)	(1.1)
RoE (%)	16.6	17.2	17.7
RoCE (%)	19.5	20.4	21.1
Payout (%)	39.5	40.1	40.3
Valuations			
P/E (x)	40.8	35.6	31.2
P/BV (x)	6.5	5.9	5.3
EV/EBITDA(x)	23.6	20.6	18.1
EV/Sales (x)	3.8	3.4	3.0

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	47.5	47.5	47.5
DII	27.7	27.9	24.9
FII	15.8	16.0	19.2
Others	9.1	8.6	8.4

FII Includes depository receipts

CMP: INR1,240

TP: INR1,430 (+15%)

Buy

Muted revenue growth; cost optimization fuels margin expansion

Unified sales framework to drive efficiency and dealer servicing

- Kajaria Ceramics (KJC)'s 1QFY26 EBITDA was above our estimate, led by cost optimization efforts. Revenue inched up ~1% YoY to INR11.0b (in line), while EBITDA increased ~9% YoY to INR1.9b (~24% beat), and OPM surged 1.3pp YoY to ~17% (vs. ~13% est.). PAT increased ~17% YoY to INR1.1b (~33% beat).
- Management indicated that demand continues to be soft in the near term; however, it anticipates volume growth in 9MFY26, aided by improvement in export markets. The company is undertaking unification initiatives to integrate its tile sales and marketing functions. This will drive cost efficiency, resource optimization, and long-term volume growth. KJC believes margins will remain stable due to its continued focus on cost optimization and operating efficiency. Notably, promoters are forgoing salary for FY26 (INR170m in FY25).
- We raise our EPS estimates by ~24%/10% for FY26/FY27 to factor in strong margin expansion fueled by cost optimization. We also introduce our FY28 estimates with this note. We value KJC at 40x Jun'27E EPS to arrive at our revised TP of INR1,430. **Reiterate BUY.**

Volumes inch up ~1% YoY; tile realization dips ~1% YoY

- Consol. revenue/EBITDA/PAT stood at INR11.0b/INR1.9b/INR1.1b (+1%/+9% /+17% YoY and -4%/+24%/+33% v/s our estimates). Tiles volume inched up ~1% YoY to 27.2msm, while realization declined ~1% YoY to INR363/sqm. Sanitaryware revenue remained flat YoY at INR915m, while revenue from adhesives increased ~64% YoY to INR249m. It closed the plywood business.
- Gross margin improved 75bp YoY to ~40%. Employee costs increased ~1% YoY (12.3% of revenue and similar to 1QFY25). Other expenses declined 5%/32% YoY/QoQ (10.3% of revenue vs. 10.9% in 1QFY25). OPM increased 1.3pp YoY to ~17%. Depreciation/interest expenses increased ~4%/57% YoY, while other income grew ~31% YoY. ETR was 24.8% vs. 24.0% in 1QFY25.

Highlights from the management commentary

- Management is prioritizing cost rationalization and better utilization of existing capacity. Further, government spending has also started to improve and will help in overall growth.
- Average gas prices were INR37/sqm, with the North at INR38/sqm, the South at INR39/sqm, and the West at INR36/sqm. KJC is focusing on optimizing input costs, including packaging material, raw material sourcing, and other overheads.
- Capex is pegged at INR1.0-1.5b for FY26, mainly towards maintenance and the new corporate office.

Valuation and view

- KJC's earnings in 1Q were significantly above our estimates, led by strong cost control initiatives. Though the near-term demand outlook remains subdued, management expects margins to be sustained due to the cost rationalization efforts. Its strategic decisions, like the transition in the marketing team and efficiency improvement, are likely to fuel profitable growth going forward.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

- We estimate KJC to post a revenue/EBITDA/PAT CAGR of 10%/18%/22% over FY25-28. We estimate ~9% CAGR in the tile volume over FY25-28. We factor in a margin improvement of 2.6pp YoY in FY26E to 16.2% and a marginal improvement of 20bp in FY27/28E (each). Valuations at 41x/36x FY26E/27E EPS appear reasonable, and we believe demand recovery would be the key trigger for stock price performance. We **reiterate our BUY rating** with a revised TP of INR1,430, based on 40x Jun'27E EPS.

Quarterly summary

Y/E March	FY25				FY26				FY25	FY26E	FY26	Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	10,958	11,793	11,556	12,219	11,027	12,579	12,853	13,541	46,351	50,017	11,516	(4)
YoY Change (%)	3.0	5.1	0.3	1.1	0.6	6.7	11.2	10.8	3.6	7.9	3.4	
Total Expenditure	9,248	10,204	10,023	10,835	9,159	10,592	10,822	11,358	40,089	41,931	10,008	(8)
EBITDA	1,710	1,589	1,533	1,384	1,869	1,988	2,031	2,183	6,262	8,086	1,509	24
Margins (%)	15.6	13.5	13.3	11.3	16.9	15.8	15.8	16.1	13.5	16.2	13.1	385
Depreciation	419	406	397	434	436	445	455	467	1,654	1,803	440	(1)
Interest	33	47	74	60	52	55	60	72	200	239	55	(6)
Other Income	101	99	103	125	132	100	115	117	427	464	110	20
PBT before EO Expense	1,359	1,235	1,166	1,014	1,513	1,588	1,631	1,761	4,835	6,507	1,124	35
Extra-Ord expense	0	0	59	308	0	0	0	0	-483	0	0	
PBT after EO Expense	1,359	1,235	1,107	706	1,513	1,588	1,631	1,761	5,318	6,507	1,124	35
Tax	327	341	300	311	375	421	432	417	1,360	1,666	280	
Rate (%)	24.0	27.6	25.7	30.7	24.8	26.5	26.5	23.7	28.1	25.6	24.9	
Reported PAT (pre minority)	953	843	777	425	1,112	1,156	1,187	1,334	2,944	4,789	834	33
Minority + associate	48	42	22	-63	4	11	12	26	49	53	10	
PAT Adj. for EO items and post MI	953	843	836	733	1,112	1,156	1,187	1,334	3,426	4,789	834	33
YoY Change (%)	-11.4	-21.9	-19.7	-30.3	16.8	37.2	41.9	81.9	-21.0	39.8	(7.2)	
Margins (%)	8.7	7.1	7.2	6.0	10.1	9.2	9.2	9.9	7.4	9.6	7.2	

Note: Sum of four quarters and full year in FY25 number does not match due to restatement of full year numbers, giving effect of exclusion of discontinued operations

	FY25				FY26				YoY (%)	QoQ (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales Volumes-mn sqm:										
Own Manufacturing	14.9	15.6	15.4	15.8	14.8	16.9	16.7	21.0	(1)	(7)
JVs	5.5	5.4	5.9	6.5	5.7	5.9	6.3	6.8	4	(11)
Trading	6.6	7.6	7.6	7.9	6.7	8.2	8.2	6.6	2	(15)
Total sales volumes	27.0	28.7	28.9	30.1	27.2	31.0	31.2	34.5	1	(10)
Revenue Mix (INR m)										
Own Manufacturing	5,585	5,873	5,688	5,855	5,439	6,229	6,211	7,822	(3)	(7)
JVs	1,999	1,945	2,067	2,273	2,044	2,088	2,280	2,360	2	(10)
Trading	2,312	2,717	2,651	2,755	2,381	2,932	2,946	2,154	3	(14)
Sanitaryware / faucets	910	901	945	1,105	915	1,127	1,181	1,025	0	(17)
Plywood	179	175	81	47	16	-	-	-	(91)	(66)
Adhesives	152	182	205	230	249	203	235	196	64	8
Total	11,137	11,793	11,637	12,266	11,027	12,579	12,853	13,557	(1)	(10)
Realization/sqm (INR)										
Own Manufacturing	375	376	368	371	369	369	372	372	(2)	(0)
JVs	362	358	352	352	356	356	360	346	(2)	1
Trading	352	356	349	351	356	356	359	326	1	1
Blended Realization	367	367	360	361	363	363	366	358	(1)	0
Growth (% YoY)	-4.1%	-2.8%	-3.7%	-2.1%	-1.1%	-1.1%	1.8%	-1.0%		
Growth (% QoQ)	-0.7%	0.1%	-1.9%	0.4%	0.4%	0.0%	1.0%	-2.4%		

Note: The Company discontinued plywood business however plywood revenue was shown for ease of comparison



Highlights from the management commentary

Demand trend and sector outlook

- The domestic market for tiles remained muted during the quarter, primarily due to subdued real estate activity and softer overall demand. However, management expects an improvement from 2QFY26 onwards, supported by a gradual pick-up in government spending, infrastructure push, and real estate project execution.
- Exports remained under pressure owing to geopolitical challenges. Exports for FY25 stood at INR160b v/s INR 200b in FY24. For 1QFY26, exports were ~INR45b, with full-year exports expected to reach INR190–200b, provided external headwinds ease.
- Despite the weak sector backdrop, the company's volumes have not been materially impacted so far, aided by strong domestic dealer reach and focused branding in Tier-II and Tier-III cities.
- Management indicated that while the market remains competitive, there has been no significant impact from competition in Morbi or the inframart. Demand traction is visible in Tier-II cities with more showroom uptakes.
- KJC's revenue mix: ~15% from Tier 1 cities, ~30% each from Tier 2 and Tier 3, and the remaining from other areas. Its regional mix is: 35% from the North, followed by 30% from the South, 20% from the East, and 15% from the West.

Other operational highlights

- KJC has begun integrating its three tile segments — Ceramic, PVT, and GVT — under one unified sales and marketing framework. This strategic unification is expected to optimize resources and reduce overlapping costs. Earlier, separate sales teams handled different tile categories, whereas, now a single salesperson will cater to dealers for all tile varieties, improving efficiency and dealer service.
- The average gas price stood at INR37/scm, with North at INR38/scm, South at INR39/scm, and West at INR36/scm. It continues to focus on optimizing input costs, including packaging material, raw material sourcing, and other overheads.
- Promoters have undertaken significant cost control measures, foregoing their salary for FY26 (FY25 promoter salary was INR170m). Going forward, promoters will resume taking salaries only when operating profit crosses INR10b.
- Cost savings have also come from reduced advertisement and travel spending, as the company shifts branding investments towards more strategic areas like Tier 2 and Tier 3 markets to enhance market share. The Karonite brand, an economy offering that underperformed, has been discontinued, with remaining stock expected to clear in the next 1–2 months.
- Bathware revenue remained flat YoY to INR915m. Estimated revenue of INR4.8b in FY26 (vs. INR3.9b in FY25). Expected to turn profitable this year, led by scale benefits and cost restructuring.
- Adhesives' revenue grew ~64% YoY to INR249m. Targeting total revenue of INR1.2b+ in FY26 (vs. INR770m in FY25) with EBITDA margins at 17%. Gailpur, Rajasthan plant started operations in May'25, and the Erode, Tamil Nadu plant is set to commence production in the next 3-4 months, enabling Southern market expansion.
- Nepal Ceramic/GVT capacity was 5.1MSM, and capacity utilization stood at ~69% in 1QFY26.

Story in charts

Exhibit 1: Sales volume grew 1% YoY

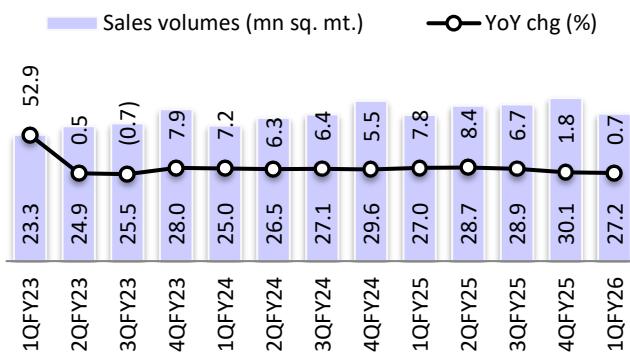


Exhibit 2: Blended realization declined 1% YoY

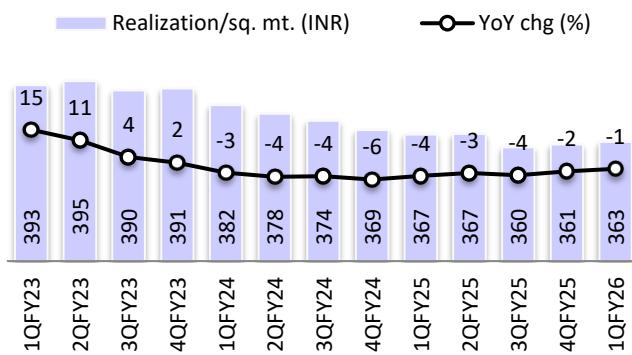


Exhibit 3: Revenue inched up 1% YoY

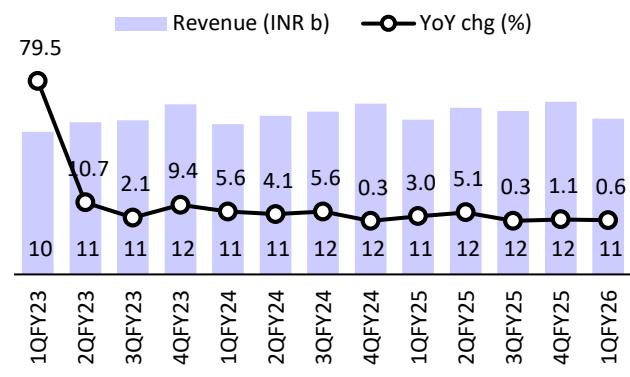


Exhibit 4: Gross margin improved 75bp YoY

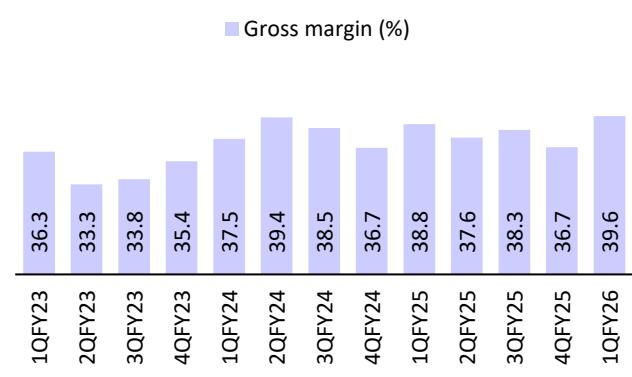
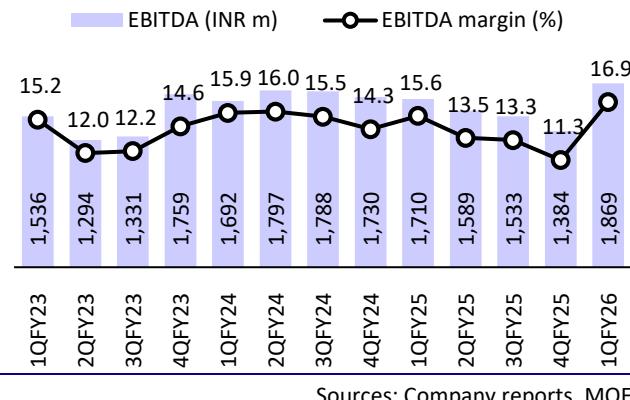
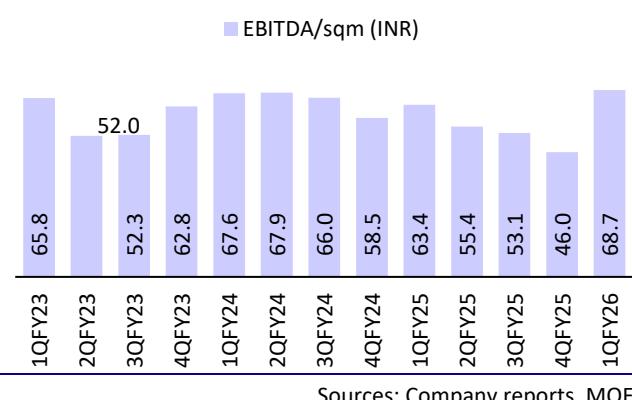


Exhibit 5: EBITDA up 9% YoY, margin up 1.3pp YoY



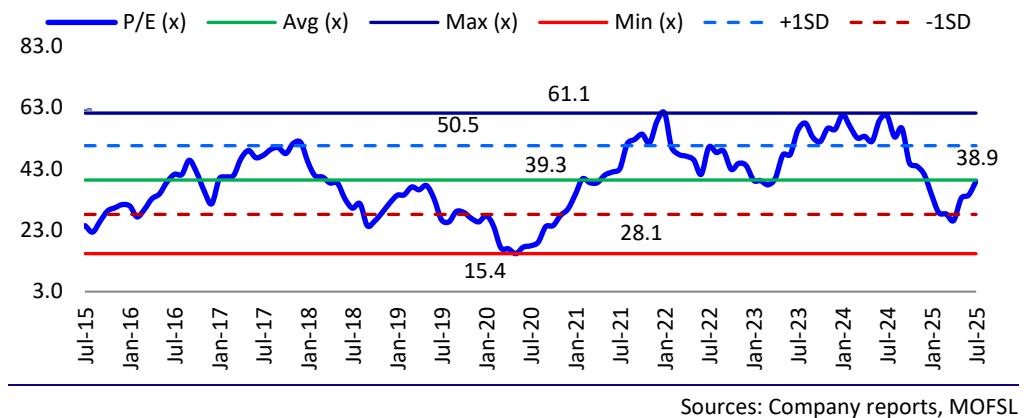
Sources: Company reports, MOFSL

Exhibit 6: EBITDA/sqm up 8% YoY



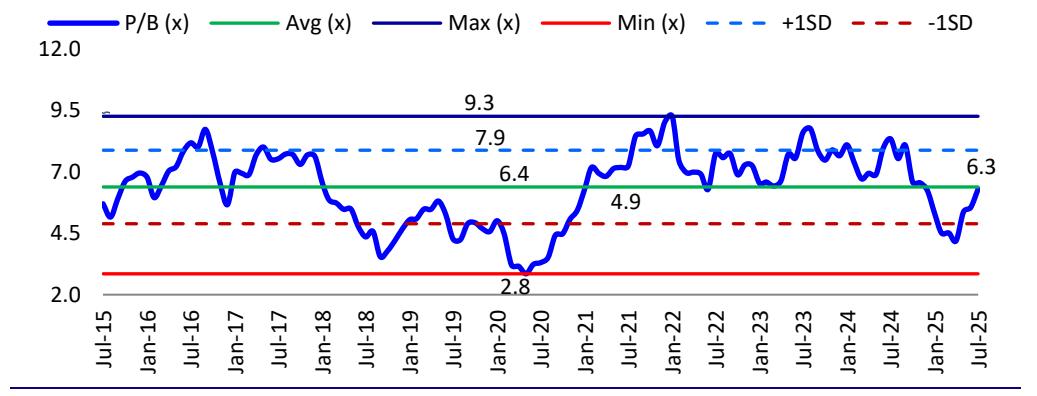
Sources: Company reports, MOFSL

Exhibit 7: One-year forward P/E (x) trend



Sources: Company reports, MOFSL

Exhibit 8: One-year forward P/B (x) trend



Sources: Company reports, MOFSL

Financials and valuations

Consolidated Income Statement								
	(INR m)							
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	27,809	37,052	43,819	44,740	46,351	50,017	55,803	61,753
Change (%)	-1.0	33.2	18.3	2.1	3.6	7.9	11.6	10.7
EBITDA	5,088	6,107	5,920	7,068	6,262	8,086	9,135	10,255
Margin (%)	18.3	16.5	13.5	15.8	13.5	16.2	16.4	16.6
Depreciation	1,067	1,154	1,329	1,476	1,654	1,803	1,945	2,085
EBIT	4,022	4,953	4,592	5,593	4,608	6,282	7,190	8,170
Int. and Finance Charges	107	127	223	173	200	239	225	211
Other Income - Rec.	213	276	336	462	427	464	502	542
PBT bef. EO Exp.	3,914	4,826	4,368	5,420	4,408	6,043	6,964	7,959
EO Expense/(Income)	0	0	79	0	0	0	0	0
PBT after EO Exp.	4,127	5,102	4,625	5,882	4,835	6,507	7,466	8,500
Current Tax	1,083	1,210	1,174	1,349	1,278	1,666	1,911	2,176
Deferred Tax	-446	65	-11	86	81	0	0	0
Tax Rate (%)	15.4	25.0	25.1	24.4	28.1	25.6	25.6	25.6
Reported PAT	3,490	3,827	3,463	4,447	3,475	4,842	5,555	6,324
PAT Adj for EO items	3,490	3,827	3,404	4,447	3,475	4,842	5,555	6,324
Change (%)	37.7	9.7	-11.1	30.7	-21.9	39.3	14.7	13.9
Margin (%)	12.6	10.3	7.8	9.9	7.5	9.7	10.0	10.2
Less: Minority Interest	8.5	57.6	17.8	112.5	49.0	52.9	57.2	61.7
Net Profit	3,482	3,770	3,386	4,335	3,426	4,789	5,498	6,262

Consolidated Balance Sheet								
	(INR m)							
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	159	159	159	159	159	159	159	159
Total Reserves	18,530	21,065	23,109	26,006	27,284	30,162	33,431	37,146
Net Worth	18,689	21,224	23,268	26,165	27,443	30,322	33,590	37,306
Deferred Liabilities	674	726	738	801	884	884	884	884
Minority Interest	646	648	776	591	658	710	768	829
Total Loans	987	1,279	2,093	1,706	1,759	1,659	1,559	1,459
Capital Employed	20,996	23,877	26,875	29,263	30,744	33,575	36,801	40,478
Gross Block	20,052	20,777	25,076	28,463	30,914	33,489	35,989	38,489
Less: Accum. Deprn.	8,128	9,282	10,610	12,086	13,740	15,543	17,488	19,574
Net Fixed Assets	11,924	11,496	14,466	16,377	17,174	17,946	18,500	18,915
Capital WIP	149	2,634	817	679	1,087	1,000	1,000	1,000
Total Investments	50	0	19	185	339	339	339	339
Curr. Assets, Loans&Adv.	13,120	15,728	17,976	18,151	18,954	21,920	25,323	29,490
Inventory	3,731	4,659	5,647	5,322	6,181	5,940	6,523	7,247
Account Receivables	4,317	5,133	6,012	6,194	5,702	6,601	7,248	8,052
Cash and Bank Balance	4,428	4,244	3,938	5,141	5,829	8,059	10,103	12,581
Loans and Advances	645	1,693	2,380	1,494	1,242	1,320	1,450	1,610
Curr. Liability & Prov.	4,248	5,981	6,403	6,129	6,810	7,629	8,362	9,266
Account Payables	4,019	5,722	6,111	5,809	6,462	7,261	7,973	8,857
Provisions	229	259	293	320	349	369	389	409
Net Current Assets	8,873	9,747	11,573	12,022	12,144	14,291	16,962	20,224
Appl. of Funds	20,996	23,877	26,875	29,263	30,744	33,575	36,801	40,478

E: MOFSL estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)								
Consol EPS	21.9	24.0	21.4	27.9	21.8	30.4	34.9	39.7
Cash EPS	28.6	31.3	29.7	37.2	32.2	41.7	47.1	52.8
BV/Share	117.5	133.3	146.2	164.3	172.3	190.3	210.9	234.2
DPS	10.0	11.0	9.0	12.0	9.0	12.0	14.0	16.0
Payout (%)	45.6	45.8	41.4	43.0	41.2	39.5	40.1	40.3
Valuation (x)								
P/E	56.5	51.6	58.0	44.4	56.8	40.8	35.6	31.2
Cash P/E	43.3	39.6	41.7	33.4	38.5	29.7	26.3	23.5
P/BV	10.6	9.3	8.5	7.6	7.2	6.5	5.9	5.3
EV/Sales	7.0	5.2	4.5	4.3	4.2	3.8	3.4	3.0
EV/EBITDA	38.1	31.8	33.0	27.4	30.8	23.6	20.6	18.1
Dividend Yield (%)	0.8	0.9	0.7	1.0	0.7	1.0	1.1	1.3
Return Ratios (%)								
RoIC	23.6	27.4	21.6	23.8	18.8	24.9	27.5	29.9
RoE	19.4	18.9	15.2	17.5	12.8	16.6	17.2	17.7
RoCE	19.7	22.1	18.1	19.9	15.4	19.5	20.4	21.1
Working Capital Ratios								
Asset Turnover (x)	1.4	1.7	1.7	1.6	1.5	1.6	1.6	1.6
Working Capital (Days)	58	62	69	57	51	47	47	47
Leverage Ratio (x)								
Net Debt/Equity	(0.7)	(0.5)	(0.3)	(0.5)	(0.6)	(0.8)	(0.9)	(1.1)

Consolidated Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
(INR m)								
OP/(Loss) before Tax	4,127	5,102	4,625	5,756	4,843	6,507	7,466	8,500
Depreciation	1,067	1,154	1,329	1,476	1,654	1,803	1,945	2,085
Interest & Finance Charges	107	127	223	173	200	239	225	211
Direct Taxes Paid	(980)	(1,285)	(1,265)	(1,385)	(1,172)	(1,666)	(1,911)	(2,176)
(Inc)/Dec in WC	868	(621)	(1,851)	260	(12)	83	(627)	(784)
CF from Operations	5,189	4,476	3,061	6,280	5,513	6,968	7,098	7,837
Others	(101)	(221)	(106)	(307)	(503)	-	-	-
CF from Operating incl EO	5,088	4,255	2,955	5,974	5,010	6,968	7,098	7,837
(Inc)/Dec in FA	(1,127)	(2,687)	(2,317)	(3,004)	(2,205)	(2,488)	(2,500)	(2,500)
Free Cash Flow	3,961	1,568	639	2,970	2,805	4,480	4,598	5,337
(Pur)/Sale of Investments	(41)	(51)	(363)	(628)	(557)	-	-	-
Others	(1,788)	(241)	842	655	(958)	-	-	-
CF from Investments	(2,955)	(2,979)	(1,837)	(2,976)	(3,721)	(2,488)	(2,500)	(2,500)
Issue of Shares	53	52	12	11	14	-	-	-
Inc/(Dec) in Debt	(439)	112	239	(575)	(150)	(100)	(100)	(100)
Interest Paid	(68)	(92)	(166)	(205)	(198)	(239)	(225)	(211)
Dividend Paid	(1,591)	(1,273)	(1,433)	(1,394)	(1,752)	(1,910)	(2,229)	(2,547)
Others	-	-	-	-	-	-	-	-
CF from Fin. Activity	(2,045)	(1,201)	(1,348)	(2,163)	(2,086)	(2,250)	(2,554)	(2,859)
Inc/Dec of Cash	87	75	(230)	835	(796)	2,230	2,044	2,479
Opening Balance	161	248	335	105	942	146	2,376	4,420
Closing Balance	248	323	105	941	146	2,376	4,420	6,899
Bank balance	4,179	3,921	3,832	4,201	5,683	5,683	5,683	5,683
Total cash balance	4,428	4,244	3,938	5,141	5,829	8,059	10,103	12,581

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NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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