

Kajaria Ceramics

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	KJC IN
Equity Shares (m)	159
M.Cap.(INRb)/(USDb)	199.3 / 2.3
52-Week Range (INR)	1412 / 745
1, 6, 12 Rel. Per (%)	0/49/-12
12M Avg Val (INR M)	446
Free float (%)	52.4

Financial Snapshot (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Sales	46.4	49.0	54.2
EBITDA	6.1	8.6	9.6
Adj. PAT	2.8	5.4	6.1
EBITDA Margin (%)	13.2	17.6	17.7
Cons. Adj. EPS (INR)	17.6	33.6	38.4
EPS Gr. (%)	-23	91	14
BV/Sh. (INR)	172	194	218

Ratios

Net D/E (x)	-0.1	-0.2	-0.3
RoE (%)	10.2	17.3	17.6
RoCE (%)	16.8	23.6	24.2
Payout (%)	51.3	35.7	36.5

Valuations

P/E (x)	71.4	37.3	32.7
P/BV (x)	7.3	6.5	5.7
EV/EBITDA (x)	32.1	22.3	19.7
Div. Yield (%)	0.7	1.0	1.1

Shareholding pattern (%)

As of	Sep-25	Jun-25	Mar-25
Promoter	47.6	47.5	47.5
DII	26.0	27.4	27.7
FII	11.6	12.6	15.8
Others	14.8	12.6	9.1

FII Includes depository receipts

CMP: INR1,251 **TP: INR1,451 (+16%)** **Buy**

Flat tiles volume; healthy margins drive a PAT beat

Tiles' volume/revenue/EBITDA/PAT grew 1%/2%/31%/58% YoY in 2Q

- Kajaria Ceramics (KJC) reported another quarter of strong margins, whereas its tile volume and revenue were flat owing to soft demand conditions.
- Bathware and Adhesives' revenue grew ~14% and ~77% YoY, respectively, and contributed ~11% to the total revenue.
- EBITDA margin surged 390bp YoY and 110bp QoQ to 18%, aided by softer gas costs and cost optimization measures. The extent of improvement was higher than our expectation of a 20bp QoQ expansion.
- PAT, up 58% YoY, was driven by higher EBITDA and other income (up 57% YoY).
- Net cash level improved INR1.7b to reach INR5.93b in 1HFY26, fueled by healthy operating performance.

Key highlights from the management commentary

- Despite soft demand, margins continued to expand in 2QFY26, aided by softer gas costs and cost optimization measures.
- KJC anticipates some volume growth in 3Q owing to the festive-driven demand.
- Management's focus remains on healthy margins and cash flows, despite the soft demand environment.
- The company is undertaking various cost optimization measures, which will sustain margins at elevated levels. Key areas of cost restructuring include 1) re-engineering of packing boxes, 2) tightening the sourcing of outsourced products and raw materials, and 3) unification of the sales team for all tile verticals together.
- KJC has appointed a consultant to drive market share gains by rationalization of dealerships and channel expansion.
- Management would focus on driving project sales and strengthening market share in the retail channel.
- The price difference between KJC and Morbi players remained at ~20%.
- Tile exports from India marginally increased in 1HFY26 and are estimated to be ~INR180b in FY26.

Valuation & view: Assuming coverage with a BUY rating

- In line with soft demand and a healthy margin guidance, we expect 9%/10%/21%/36% CAGR in tiles' volume/revenue/EBITDA/PAT over FY25-28 (FY19-25: 6%/8%/5%/3%). We also project ~18% RoE, 25% RoCE, 36% RoIC, and more than INR5b annual FCF for the company.
- Despite operational challenges in the near term, structural drivers are intact in the medium to long term.
- **We assume coverage on KJC with a BUY rating and a TP of INR1,451**, based on 35x Sep'27 P/E (10-year average).
- Recovery in tile volumes and sustenance of high EBITDA margin (17%+) are the key near-term monitorables.

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

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Consolidated quarterly performance

(InR m)

	FY25				FY26E				FY25	FY26E	FY26E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2Q Est.	%
Net Sales	10,958	11,618	11,556	12,219	11,027	11,860	12,588	13,503	46,351	49,000	12,183	-3
YoY Change (%)	3.0	3.6	0.3	1.1	0.6	2.1	8.9	10.5	3.6	5.7	3.3	
Total Expenditure	9,248	9,983	10,023	10,835	9,159	9,726	10,380	11,135	40,237	40,399	10,102	
EBITDA	1,710	1,635	1,533	1,384	1,869	2,135	2,208	2,369	6,114	8,601	2,081	3
Margins (%)	15.6	14.1	13.3	11.3	16.9	18.0	17.5	17.5	13.2	17.6	17.1	
Depreciation	419	404	397	434	436	419	424	429	1,654	1,708	441	
Interest	33	34	74	60	52	58	58	58	200	225	55	
Other Income	101	99	103	125	132	155	160	165	427	612	142	
PBT before EO expense	1,359	1,296	1,166	1,014	1,513	1,813	1,886	2,047	4,687	7,279	1,727	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	1,359	1,296	1,166	1,014	1,513	1,813	1,886	2,047	4,687	7,279	1,727	5
Tax	358	350	307	344	396	472	490	532	1,360	1,891	458	
Rate (%)	26.3	27.0	26.4	33.9	26.2	26.0	26.0	26.0	29.0	26.0	26.5	
Minority Interest	-25	-13	-12	-7	-13	-10	-10	-10	57	44	-20	
Associates Profit/(Loss)	-78	-91	-69	-238	-14	-1	10	10	-475	6	-30	
Reported PAT	898	843	777	425	1,090	1,330	1,396	1,515	2,796	5,351	1,219	9
Adj PAT	898	843	777	425	1,090	1,330	1,396	1,515	2,796	5,351	1,219	9
YoY Change (%)	-16.5	-21.9	-25.4	-58.5	21.3	57.8	79.5	256.2	-23.2	91.4	44.7	
Margins (%)	8.2	7.3	6.7	3.5	9.9	11.2	11.1	11.2	6.0	10.9	10.0	

E: MOFSL Estimates

Quarterly operating metrics

Y/E March	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	% YoY	% QoQ
Segment Revenues (INR m)								
Own Manuf. (tiles)	5,585	5,873	5,688	5,855	5,439	5,797	(1.3)	6.6
Subsidiaries (tiles)	1,999	1,945	2,067	2,273	2,044	2,215	13.9	8.4
Outsourcing/Import (tiles)	2,312	2,717	2,651	2,755	2,381	2,502	(7.9)	5.1
Tiles - total revenue	9,895	10,535	10,407	10,884	9,864	10,515	(0.2)	6.6
Sanitaryware / Faucets	910	901	945	1,105	915	1,024	13.6	11.9
Plywood	179	175	81	47	16	6		
Adhesives	152	182	205	230	249	322	77.1	29.1
Total revenue	11,137	11,793	11,637	12,266	11,043	11,866	0.6	7.4
Tiles sales volume (msm)								
Own Manufacturing	14.9	15.6	15.4	15.8	14.8	15.7	0.1	6.2
Subs/JV's	5.5	5.4	5.9	6.5	5.7	6.3	16.0	9.8
Outsourcing/Imports	6.6	7.6	7.6	7.9	6.7	6.9	(9.4)	3.3
Total tile sales volume (msm)	27.0	28.7	28.9	30.1	27.2	28.9	0.6	6.2
Tiles NSR (INR /sq mtr)								
Own Manufacturing	375	376	368	371	369	370	(1.4)	0.4
Subs/JV's	362	358	352	352	356	352	(1.8)	(1.2)
Outsourcing/Imports	352	356	349	351	356	362	1.7	1.8
Blended NSR	367	367	360	361	363	364	(0.8)	0.4
Segment EBIT %								
Tiles	12.6	12.0	10.9	8.3	13.7	15.5		
Others (S/w, Faucets, Ply)	2.8	(6.5)	(1.8)	2.8	4.7	3.1		
Blended EBIT	11.8	10.6	9.8	7.8	13.0	14.5		
Unallocated income as % revenue	0.9	0.8	0.9	1.0	1.2	1.3		
Net WC Cycle (Days)	59	59	59	51	58	56		
Net cash (INR m)	3,900	3,370	2,980	4,240	5,150	5,930		



Key highlights from the management commentary

Key operational highlights: 2QFY26

- Kajaria Ceramics (KJC) reported another quarter of strong margins, whereas its tile volume and revenue were flat owing to soft demand conditions.
- Tiles' volume/revenue/EBITDA/PAT grew 1%/2%/31%/58% YoY.
- Bathware and Adhesives' revenue grew ~14% and ~77% YoY, respectively, and contributed ~11% to the total revenue.
- EBITDA margin surged 390bp YoY and 110bp QoQ to 18%, aided by softer gas costs and cost optimization measures. The extent of improvement was higher than our expectation of a 20bp QoQ expansion.
- PAT, up 58% YoY, was driven by higher EBITDA and other income (up 57% YoY).
- Net cash level improved INR1.7b to reach INR5.93b in 1HFY26, fueled by healthy operating performance.

Business development and outlook

- Despite soft demand, margins continued to expand in 2QFY26, aided by softer gas costs and cost optimization measures.
- KJC anticipates some volume growth in 3Q owing to the festive-driven demand.
- Management's focus remains on healthy margins and cash flows, despite the soft demand environment.
- The company is undertaking various cost optimization measures, which will sustain margins at elevated levels. Key areas of cost restructuring include 1) re-engineering of packing boxes, 2) tightening the sourcing of outsourced products and raw materials, and 3) unification of the sales team for all tile verticals together.
- KJC has appointed a consultant to drive market share gains by rationalization of dealerships and channel expansion.
- Management would focus on driving project sales and strengthening market share in the retail channel.
- The price difference between KJC and Morbi players remained at ~20%.
- Tile exports from India marginally increased in 1HFY26 and are estimated to be ~INR180b in FY26.

Story in charts

Exhibit 1: Tiles – sales volume remained flat YoY

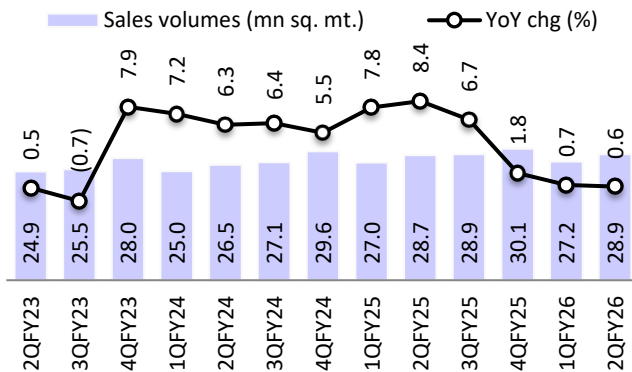


Exhibit 2: Blended realization further softened by 1% YoY

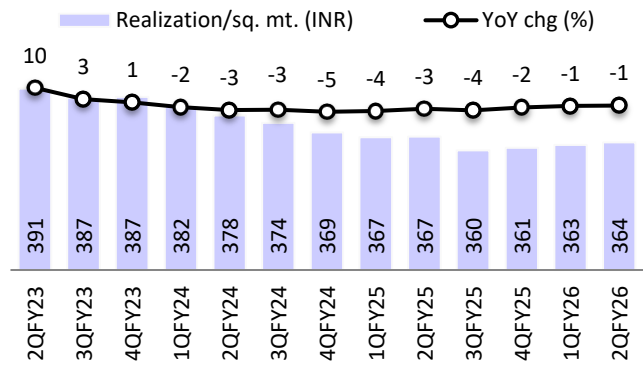


Exhibit 3: Consol. revenue remained depressed due to soft tile demand

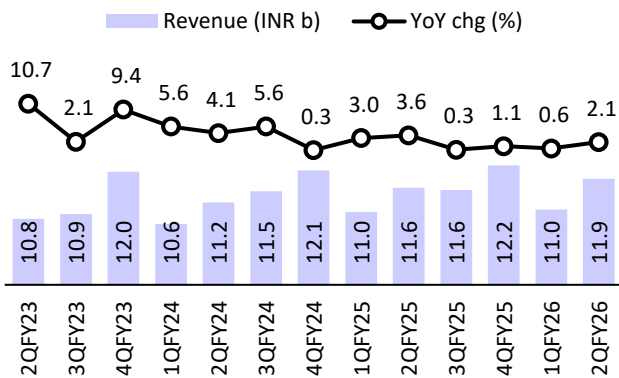


Exhibit 4: Gross margin hit by ~300bp QoQ

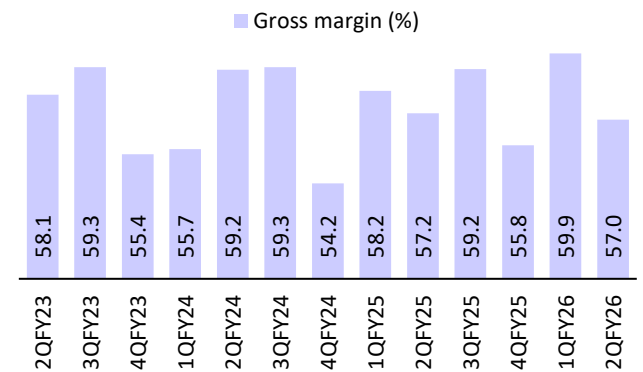


Exhibit 5: EBITDA margin expanded 110bp QoQ to 18%

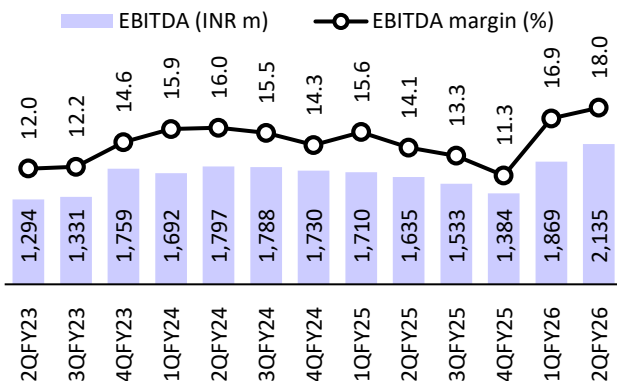
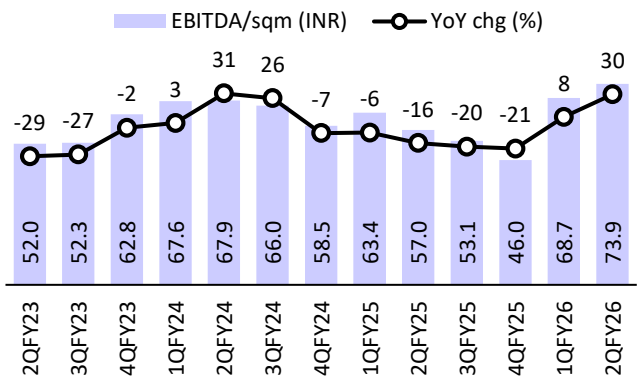


Exhibit 6: EBITDA/sqm surged 30% YoY on margin expansion



Sources: Company reports, MOFSL

Valuation & view: Assuming coverage with a BUY rating

Our positive stance on KJC is underpinned by 1) its numero uno position in tiles, 2) execution capabilities, backed by a strong management team, 3) robust free cash flows (FCF), and 4) focus on market share gains, led by capacity addition and network expansion. Strong structural demand from the housing sector, KJC's branding efforts, and its expansion in the dealer network should augur well for KJC's volumes.

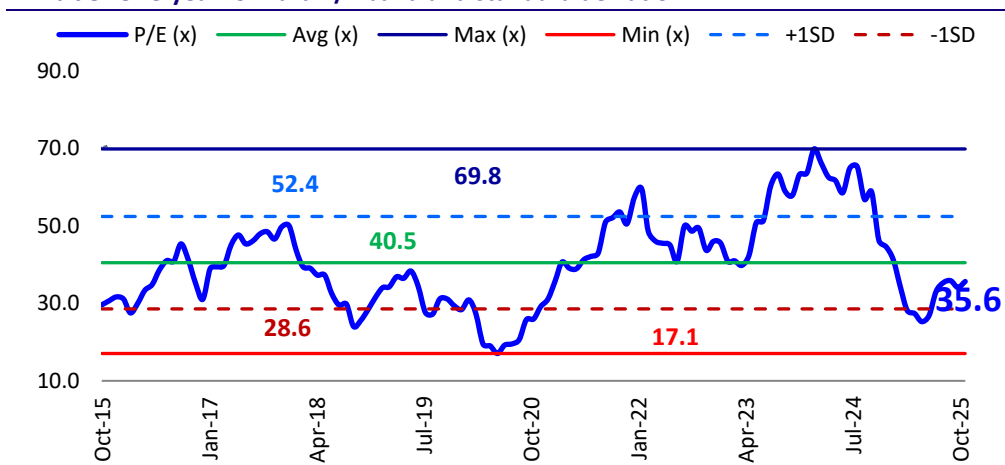
In line with soft demand and strong margin guidance, we expect 9%/10%/21%/36% CAGR in tiles' volume/revenue/EBITDA/PAT over FY25-28 (FY19-25: 6%/8%/5%/3%). We also project ~18% RoE, ~25% RoCE, ~36% RoIC, and more than INR5b annual FCF for KJC. Despite operational challenges in the near term, structural drivers are intact in the medium to long term. **We assume coverage on KJC with a BUY rating and a TP of INR1,451**, based on 35x Sep'27 P/E (10-year average). Recovery in tile volumes and sustenance of high EBITDA margin (17%+) are the key near-term monitorables.

Exhibit 7: Changes to our estimates

INR m	Old			New			Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	49,784	56,170	63,379	49,000	54,225	61,010	(2)	(3)	(4)
EBITDA	8,581	9,570	10,798	8,601	9,573	10,831	0	0	0
EBITDA margin %	17.2	17.0	17.0	17.6	17.7	17.8			
PAT	5,262	5,965	6,871	5,351	6,110	7,099	2	2	3
EPS (INR)	33.0	37.4	43.1	33.6	38.4	44.6	2	2	3

Source: MOFSL, Company

Exhibit 8: One-year forward P/E band and standard deviation



Source: Bloomberg, MOFSL

Key risks

- Slowdown in the economy and construction activities.
- High volatility in gas prices.
- Intensified competition from Morbi.

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	49,000	54,225	61,010
Change (%)	-1.0	33.2	18.3	2.1	3.6	5.7	10.7	12.5
RM Cost	12,470	15,551	18,070	19,526	19,803	20,486	22,670	25,507
Gross Profit	15,340	21,501	25,749	25,215	26,548	28,515	31,555	35,503
Employees Cost	3,247	4,077	4,612	4,916	5,661	5,336	5,905	6,643
Other Expenses	7,005	11,317	15,216	13,811	14,772	14,578	16,078	18,028
Total Expenditure	22,721	30,945	37,899	38,252	40,237	40,399	44,653	50,178
% of Net Sales	81.7	83.5	86.5	85.5	86.8	82.4	82.3	82.2
EBITDA	5,088	6,107	5,920	6,488	6,114	8,601	9,573	10,831
Margin (%)	18.3	16.5	13.5	14.5	13.2	17.6	17.7	17.8
Depreciation	1,067	1,154	1,329	1,476	1,654	1,708	1,789	1,861
EBIT	4,022	4,953	4,592	5,012	4,460	6,893	7,783	8,970
Int. and Finance Charges	107	127	223	173	200	225	244	275
Other Income	213	276	336	462	427	612	813	1,037
PBT bef. EO Exp.	4,127	5,102	4,705	5,302	4,687	7,279	8,353	9,733
EO Items	0	0	-79	0	0	0	0	0
PBT after EO Exp.	4,127	5,102	4,625	5,302	4,687	7,279	8,353	9,733
Total Tax	1,038	1,274	1,163	1,435	1,360	1,891	2,213	2,579
Tax Rate (%)	25.2	25.0	25.1	27.1	29.0	26.0	26.5	26.5
Profit/(Loss) of JV and disc ops.	0	0	-1	-125	-475	6	44	49
Share of Minority Interests	9	58	17	101	57	44	74	104
Reported PAT	3,081	3,770	3,445	3,641	2,796	5,351	6,110	7,099
Adjusted PAT	3,081	3,770	3,524	3,641	2,796	5,351	6,110	7,099
Change (%)	20.6	22.4	-6.5	3.3	-23.2	91.4	14.2	16.2
Margin (%)	11.1	10.2	8.0	8.1	6.0	10.9	11.3	11.6

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	30,724	34,603	39,153
Net Worth	18,689	21,224	23,268	26,165	27,443	30,883	34,762	39,313
Minority Interest	646	648	776	591	658	678	698	718
Total Loans	1,142	1,521	2,373	2,197	2,488	2,678	2,868	3,058
Deferred Tax Liabilities	674	726	738	801	884	894	904	914
Capital Employed	21,151	24,119	27,155	29,755	31,473	35,132	39,231	44,002
Gross Block	19,735	20,460	24,516	27,903	30,361	31,861	33,361	34,861
Less: Accum. Deprn.	7,895	9,049	10,377	11,853	13,507	15,215	17,004	18,865
Net Fixed Assets	11,840	11,411	14,139	16,050	16,855	16,647	16,357	15,996
Goodwill on Consolidation	85	85	327	327	319	319	319	319
Capital WIP	149	2,634	817	679	1,087	587	387	187
Total Investments	50	0	19	148	302	302	302	302
Curr. Assets, Loans&Adv.	13,130	15,728	17,591	18,188	18,991	23,602	28,621	34,497
Inventory	3,731	4,659	5,647	5,322	6,181	6,535	7,231	8,136
Account Receivables	4,317	5,133	6,012	6,194	5,702	6,028	6,670	7,505
Cash and Bank Balance	4,428	4,244	3,938	5,141	5,829	9,788	13,496	17,661
Loans and Advances	655	1,693	1,995	1,530	1,279	1,251	1,223	1,195
Curr. Liability & Prov.	4,102	5,739	5,738	5,637	6,082	6,325	6,756	7,301
Account Payables	2,072	2,981	3,104	2,933	3,381	3,574	3,955	4,450
Other Current Liabilities	1,801	2,499	2,342	2,385	2,352	2,372	2,392	2,412
Provisions	229	259	293	320	349	379	409	439
Net Current Assets	9,028	9,989	11,853	12,550	12,909	17,277	21,865	27,197
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	21,151	24,119	27,155	29,755	31,473	35,132	39,231	44,002

E: MOFSL estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)								
Adj EPS	19.3	23.7	22.1	22.9	17.6	33.6	38.4	44.6
Cash EPS	26.0	30.9	30.5	32.1	27.9	44.3	49.6	56.2
BV/Share	117	133	146	164	172	194	218	247
DPS	10.0	11.0	9.0	12.0	9.0	12.0	14.0	16.0
Payout (%)	51.7	46.5	41.6	52.5	51.3	35.7	36.5	35.9
Valuation (x)								
P/E	64.8	52.9	56.6	54.8	71.4	37.3	32.7	28.1
Cash P/E	48.1	40.5	41.1	39.0	44.9	28.3	25.3	22.3
P/BV	10.7	9.4	8.6	7.6	7.3	6.5	5.7	5.1
EV/Sales	7.3	5.5	4.6	4.5	4.4	4.2	3.9	3.5
EV/EBITDA	38.5	32.2	33.4	30.3	32.1	22.3	19.7	17.1
Dividend Yield (%)	0.8	0.9	0.7	1.0	0.7	1.0	1.1	1.3
FCF per share	25.6	10.2	5.5	20.0	19.2	33.3	32.5	36.3
Return Ratios (%)								
RoE	16.5	17.8	15.1	13.9	10.2	17.3	17.6	18.1
RoCE (pre-tax)	22.1	24.6	20.4	20.3	16.8	23.6	24.2	25.0
RoIC (pre-tax)	24.0	29.6	23.6	22.3	18.7	28.6	32.2	36.1
Working Capital Ratios								
Fixed Asset Turnover (x)	1.4	1.8	1.8	1.6	1.5	1.5	1.6	1.8
Net WC Cycle (Days)	78	67	71	70	67	67	67	67
Debtor (Days)	57	51	50	51	45	45	45	45
Inventory (Days)	49	46	47	43	49	49	49	49
Creditor (Days)	27	29	26	24	27	27	27	27
Leverage Ratio (x)								
Current Ratio	3.2	2.7	3.1	3.2	3.1	3.7	4.2	4.7
Interest Cover Ratio	39.5	41.1	22.1	31.7	24.4	33.3	35.2	36.5
Net Debt/Equity	-0.2	-0.1	-0.1	-0.1	-0.1	-0.2	-0.3	-0.4

Consolidated Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	4,127	5,102	4,625	5,756	4,360	7,279	8,353	9,733
Depreciation	1,067	1,154	1,329	1,476	1,654	1,708	1,789	1,861
Interest & Finance Charges	107	127	223	173	200	225	244	275
Direct Taxes Paid	-980	-1,285	-1,265	-1,385	-1,172	-1,846	-2,169	-2,535
(Inc)/Dec in WC	868	-621	-1,875	260	-12	-408	-880	-1,166
CF from Operations	5,189	4,476	3,037	6,280	5,030	6,958	7,336	8,167
Others	-101	-221	-82	-306	-20	-656	-858	-1,081
CF from Operating incl EO	5,088	4,255	2,955	5,974	5,010	6,303	6,479	7,086
(Inc)/Dec in FA	-1,012	-2,634	-2,082	-2,780	-1,955	-1,000	-1,300	-1,300
Free Cash Flow	4,076	1,621	873	3,194	3,055	5,303	5,179	5,786
(Pur)/Sale of Investments	54	18	-363	-628	-557	0	0	0
Others	-1,997	-363	608	436	-1,208	612	813	1,037
CF from Investments	-2,955	-2,979	-1,837	-2,972	-3,721	-389	-487	-263
Issue of Shares	53	52	12	11	14	0	0	0
Inc/(Dec) in Debt	-302	281	427	-393	100	190	190	190
Interest Paid	-68	-92	-166	-129	-145	-225	-244	-275
Dividend Paid	-1,591	-1,273	-1,433	-1,433	-1,752	-1,912	-2,230	-2,549
Others	-137	-169	-189	-179	-303	-8	0	-25
CF from Fin. Activity	-2,045	-1,201	-1,348	-2,124	-2,086	-1,955	-2,284	-2,658
Inc/Dec of Cash	87	75	-230	878	-796	3,959	3,708	4,165
Opening Balance	160	247	322	105	982	188	4,147	7,856
Other cash & cash equivalent	0	0	12	0	2	0	0	0
Closing Balance	247	322	105	982	188	4,147	7,856	12,020

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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