Kajaria Ceramics

Estimate change	⇔
TP change	⇔
Rating change	⇔

CMP: INR1,120 TP: INR1,500 (+34%) Buy

Strong business traction to sustain in 2HFY27

Bloomberg	KJC IN
Equity Shares (m)	157
M.Cap.(INRb)/(USDb)	176 / 1.8
52-Week Range (INR)	1276 / 870
1, 6, 12 Rel. Per (%)	-6/-3/4
12M Avg Val (INR M)	391
Free float (%)	53.3

Financials & Valuations (INR b)

Y/E MARCH	FY26	FY27E	FY28E
Sales	48.3	59.1	65.0
EBITDA	8.6	11.4	12.1
Adj. PAT	5.3	7.5	8.0
Adj. EPS (INR)	33.2	47.0	49.9
EPS Gr. (%)	79.9	41.4	6.2
BV/Sh. (INR)	192	223	255
Ratios			
RoE (%)	17.3	21.0	19.6
RoCE (%)	23.9	29.4	27.4
Payout (%)	45.9	34.1	36.1
Valuations			
P/E (x)	34.2	24.1	22.7
P/BV (x)	5.9	5.1	4.4
EV/EBITDA (x)	20.3	15.2	13.9
Div. Yield (%)	1.2	1.4	1.6

Shareholding pattern (%)

As of	Sep-26	Jun-26	Sep-25
Promoter	46.7	47.7	47.6
DII	26.1	26.2	26.0
FII	12.1	11.6	11.6
Others	15.1	14.5	14.8

KJC's 2Q results beat our earnings estimates

- Kajaria Ceramics (KJC) reported better-than-estimated results in 2QFY27.
- Its consolidated revenue/EBITDA/PAT grew 24%/34%/43% YoY.
- Tile volume (up 10% YoY) and revenue were in line. EBITDA/PAT came in 7-8% higher than our estimates.
- Volume growth was aided by improved demand and market share gains.
- KJC's EBITDA margin remained high at 19.5%, aided by reasonable price hikes (tile NSR up 11% YoY, 1% QoQ) and limited competition, despite rise in power and fuel costs (20.3% of revenue).
- The Board also announced an interim dividend of INR12/share.

Key highlights from the management commentary

- Volume growth in 2Q came from across regions and segments and was aided by improved demand and market-share gains.
- About 50% of Morbi-based export-focused manufacturers are still shut due to the continued elevated freight rates and limited container availability.
- Gas prices were broadly stable, with a slight dip in 2Q. However, they have started rising and are expected to remain at elevated levels in 2H.
- **Guidance:** Management expects double-digit growth in tile volume to sustain in 2HFY27. The current EBITDA margin of 18-20% is sustainable for at least some time.
- Adhesive revenue is aimed at INR2.4b in FY27 and ~INR4.0b in FY28 vs. ~INR1.25b in FY26.
- Bathware and Adhesive segments are high-focus areas and have strong margin and RoCE profiles.
- Price hikes: KJC has taken 12-13% price hikes to date across segments vs. 30%+ hikes taken by Morbi players.
- KJC has announced several capex plans at multiple locations (Srikalahasti, Gailpur, Durgapur), scheduled to be commissioned from Apr'27 onwards.

Valuation and view

- Following a strong 2Q and robust guidance, we raise our FY27 earnings estimates by 2% and maintain them for FY28.
- We now expect a CAGR of 10%/16%/19%/23% in tile volume/revenue/EBITDA/PAT over FY26-28 (FY19-26: 6%/7%/10%/13%).
- We also project ~20% RoE, ~27% RoCE (pre-tax), and ~35% RoIC in FY28, and more than INR5b annual FCF for the company.
- **Expecting a recovery in sales volume, high margins, and strong cash flows, we reiterate our BUY rating on KJC with an unchanged TP of INR1,500, based on 30x FY28E EPS.**
- **Key downside risk: Strong comeback by Morbi players may intensify competition and dent the financials of KJC.**

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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)

	FY26				FY27E				FY26	FY27E	FY27	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2Q Est.	%
Net Sales	**11,027**	**11,860**	**11,683**	**13,734**	**13,281**	**14,683**	**14,541**	**16,632**	**48,304**	**59,136**	**14,392**	**2**
YoY Change (%)	0.6	2.1	1.1	12.4	20.4	23.8	24.5	21.1	4.2	22.4	21.3	
Total Expenditure	9,159	9,726	9,671	11,099	10,677	11,816	11,783	13,386	39,654	47,662	11,707	
EBITDA	**1,869**	**2,135**	**2,012**	**2,635**	**2,604**	**2,867**	**2,758**	**3,246**	**8,650**	**11,475**	**2,685**	**7**
YoY Change (%)	9.3	30.6	31.2	90.4	39.3	34.3	37.1	23.2	38.1	32.7	25.8	
Margins (%)	16.9	18.0	17.2	19.2	19.6	19.5	19.0	19.5	17.9	19.4	18.7	
Depreciation	436	419	415	423	422	431	436	441	1,694	1,730	427	
Interest	52	58	59	57	50	53	53	53	226	208	50	
Other Income	132	155	117	125	171	158	163	168	529	659	176	
PBT before EO expense	**1,513**	**1,813**	**1,654**	**2,279**	**2,303**	**2,541**	**2,432**	**2,920**	**7,258**	**10,195**	**2,384**	
Extra-Ord expense	0	0	-396	-44	0	-16	0	0	-440	-16	0	
PBT	**1,513**	**1,813**	**1,258**	**2,235**	**2,303**	**2,525**	**2,432**	**2,920**	**6,818**	**10,179**	**2,384**	**6**
Tax	396	472	386	674	603	643	644	774	1,928	2,664	632	
Rate (%)	26.2	26.0	30.7	30.2	26.2	25.5	26.5	26.5	28.3	26.2	26.5	
Minority Interest	-13	-10	16	-8	-16	-12	-5	-5	16	38	-5	
Profit/(Loss) - Associates	-14	-1	-11	5	11	25	10	10	-20	56	10	
Reported PAT	**1,090**	**1,330**	**877**	**1,558**	**1,695**	**1,895**	**1,792**	**2,151**	**4,854**	**7,534**	**1,757**	**8**
Adj PAT	**1,090**	**1,330**	**1,274**	**1,601**	**1,695**	**1,911**	**1,792**	**2,151**	**5,294**	**7,549**	**1,757**	**9**
YoY Change (%)	14.9	53.2	58.8	265.3	55.5	43.7	40.7	34.3	79.9	42.6	32.2	
Margins (%)	9.9	11.2	10.9	11.7	12.8	13.0	12.3	12.9	11.0	12.8	12.2	

E: MOFSL Estimates

Quarterly operating metrics

Y/E March	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27	% YoY	% QoQ
Segment Revenues (INR m)								
Own Manuf. (tiles)	5,439	5,797	5,635	6,358	6,310	6,942	19.7	10.0
Subsidiaries (tiles)	2,044	2,215	2,289	2,474	2,411	2,681	21.0	11.2
Outsourcing/Import (tiles)	2,381	2,502	2,375	3,294	2,894	3,285	31.3	13.5
Tiles - total revenue	**9,864**	**10,515**	**10,299**	**12,126**	**11,615**	**12,908**	**22.8**	**11.1**
Sanitaryware / Faucets	915	1,024	1,032	1,166	1,215	1,236	20.7	1.7
Plywood	16	6	-	-	-	-		
Adhesives	249	322	352	442	451	539	67.6	19.7
Total revenue	**11,043**	**11,866**	**11,683**	**13,734**	**13,281**	**14,683**	**23.7**	**10.6**
Tiles sales volume (msm)								
Own Manufacturing	14.8	15.7	15.4	17.0	15.6	17.0	8.6	9.0
Subs/JV's	5.7	6.3	7.0	7.3	6.1	7.0	11.6	15.6
Outsourcing/Imports	6.7	6.9	6.6	9.3	7.1	7.8	12.4	9.3
Total tile sales volume (msm)	**27.2**	**28.9**	**29.0**	**33.5**	**28.8**	**31.8**	**10.2**	**10.5**
Tiles NSR (INR /sq mtr)								
Own Manufacturing	369	370	365	374	404	408	10.2	1.0
Subs/JV's	356	352	328	341	397	381	8.4	(3.8)
Outsourcing/Imports	356	362	363	355	407	423	16.8	3.9
Blended NSR	**363**	**364**	**356**	**362**	**403**	**406**	**11.4**	**0.6**
Segment EBIT %								
Tiles	13.7	15.4	14.4	17.1	17.0	17.5		
Others (S/w, Faucets, Ply)	4.7	7.5	8.3	8.9	12.3	9.9		
Blended EBIT	**13.0**	**14.5**	**13.7**	**16.1**	**16.4**	**16.6**		
Unallocated income as % revenue	1.2	1.3	1.0	0.9	1.3	1.1		
Net WC Cycle (Days)	**59**	**57**	**65**	**51**	**46**	**48**		
Net cash (INR m)	**5,150**	**5,930**	**4,720**	**7,930**	**9,850**	**6,350**		



Key highlights from the management commentary

Guidance and outlook

- Management expects double-digit growth in tile volume to sustain in 2HFY27.
- The current EBITDA margin of 18-20% is sustainable for at least some time.
- Gas prices have started inching up and are expected to remain at elevated levels in 2H.
- Adhesive revenue is aimed at INR2.4b in FY27 and ~INR4.0b in FY28 vs. ~INR1.25b in FY26.
- Bathware and Adhesive segments are high-focus areas and have strong margin and RoCE profiles.

Other highlights

- Volume growth came from across regions and segments and was aided by improved demand and market-share gains.
- ~50% of Morbi based export focused manufacturers are still shut due to the continued elevated freight rates and limited container availability.
- Gas prices were broadly stable with slight reduction in 2Q.
- Price hikes: KJC has taken 12-13% price hikes to date across segments vs. 30%+ hikes taken by Morbi players.
- KJC has announced several capex plans at multiple locations (Srikalahasti, Gailpur, and Durgapur), scheduled to be commissioned from Apr'27 onwards.
- Total capex in Nepal stands at ~INR2b to date, including JVs.
- Current dealer count stands at 1,800, of which 450 are exclusives.
- Tile Industry Size (FY27E): Total INR600b, domestic ~INR480b, Morbi ~INR120b

Capex plans

- Srikalahasti (AP) GVT tiles capacity revised to 12.5msm from 10msm earlier at INR3.4b capex, scheduled to commission by Jun'27.
- A new Adhesive plant at Durgapur (West Bengal) at ~INR340m capex for 9kt monthly capacity expected to be completed by Dec'27.
- Gailpur (Rajasthan) GVT tiles 11msm capex on track to be completed by Apr'27; capex revised to INR1.8b from INR1.65b earlier.

2QFY27 – Volume/revenue inline; EBITDA/PAT ahead of our expectations

- Consol. revenue/EBITDA/PAT grew 24%/34%/43% YoY.
- Tile volume (up 10% YoY) and revenue came inline.
- EBITDA/PAT came 7-8% higher than our est.
- Tiles NSR up 11% YoY and 1% QoQ.
- EBIDTA margin stayed high at 19.5%, aided by reasonable price hikes and limited competition, despite rise in power & fuel cost (20.3% of rev).
- Interim dividend of INR12 /share.

Story in charts

Exhibit 1: Consolidated quarterly revenue mix trend (%)

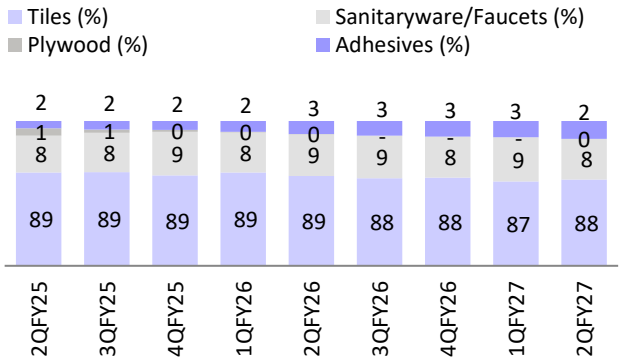


Exhibit 2: Tile – product-wise revenue mix trend (%)

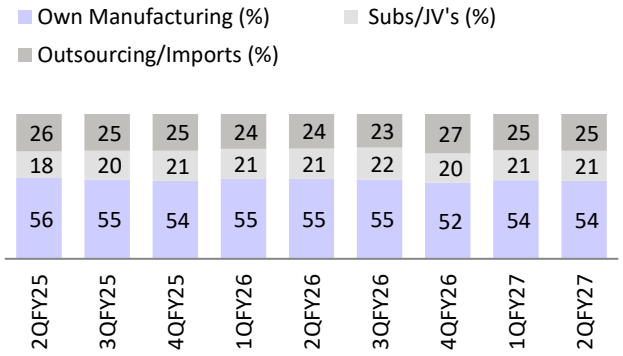


Exhibit 3: Tile – quarterly volume trend (msm)

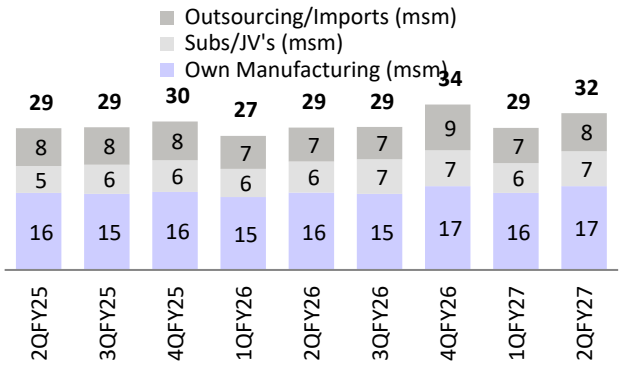


Exhibit 4: Tile – NSR gradually improving (INR m)

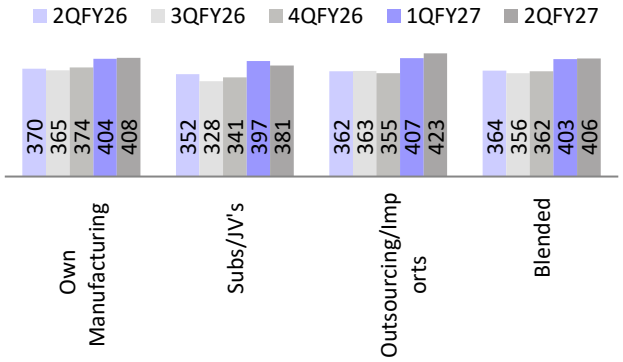


Exhibit 5: Consolidated quarterly revenue and growth trends

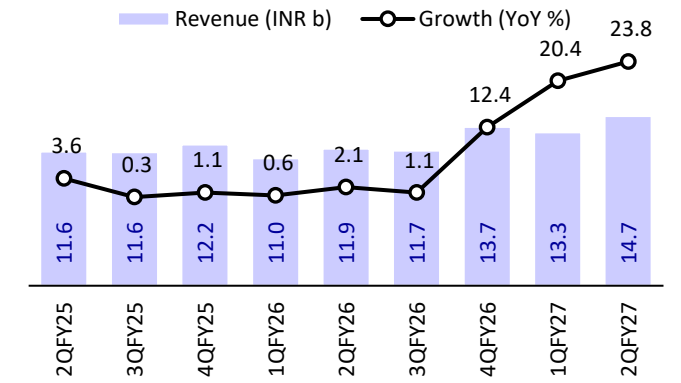
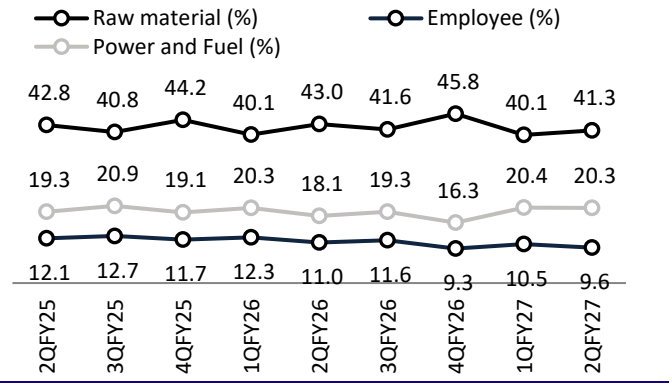


Exhibit 6: Expenses as % of revenue



Source: Company, MOFSL

Exhibit 7: Quarterly EBITDA, PAT, and margin trends (%)

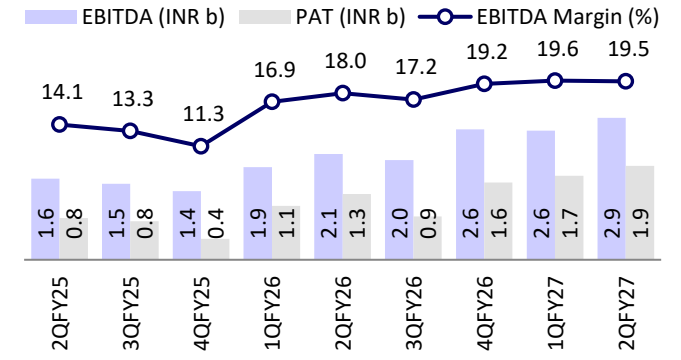


Exhibit 8: Quarterly EPS trend

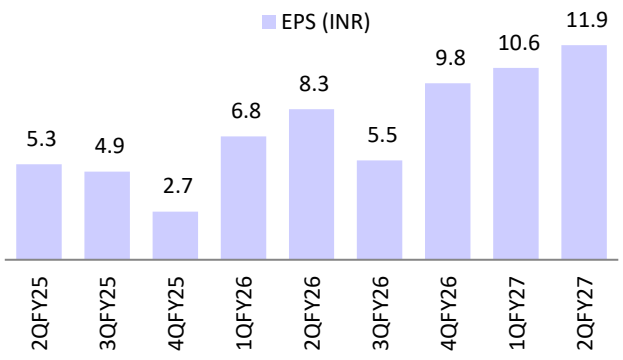


Exhibit 9: Consolidated annual revenue mix trend (%)

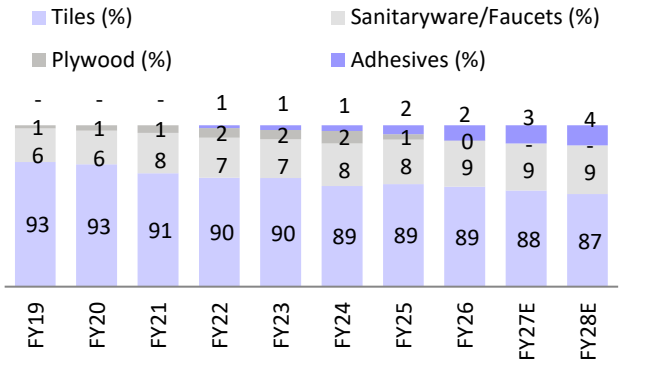


Exhibit 10: Tile's product-wise annual revenue mix (%)

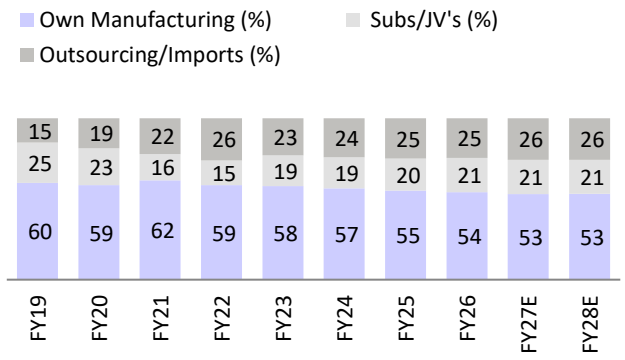


Exhibit 11: Tile's annual volume trend (msm)

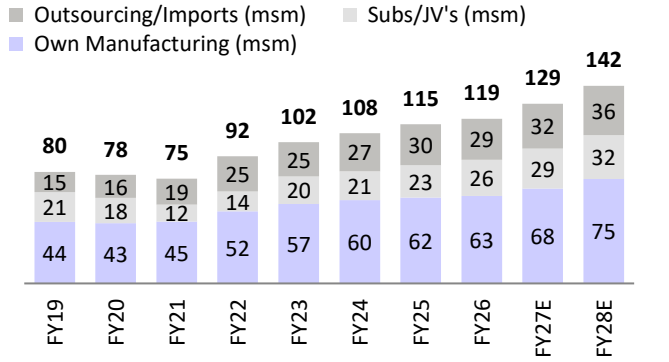


Exhibit 12: Power and fuel costs as % of revenue

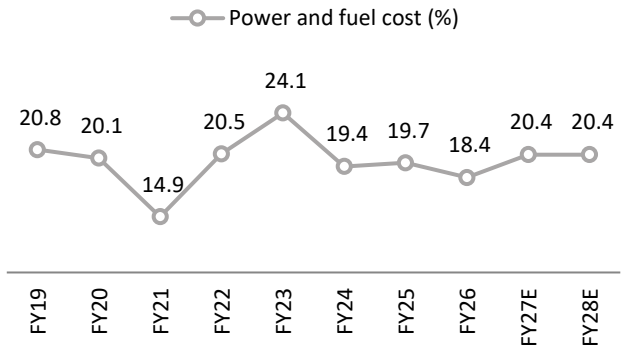
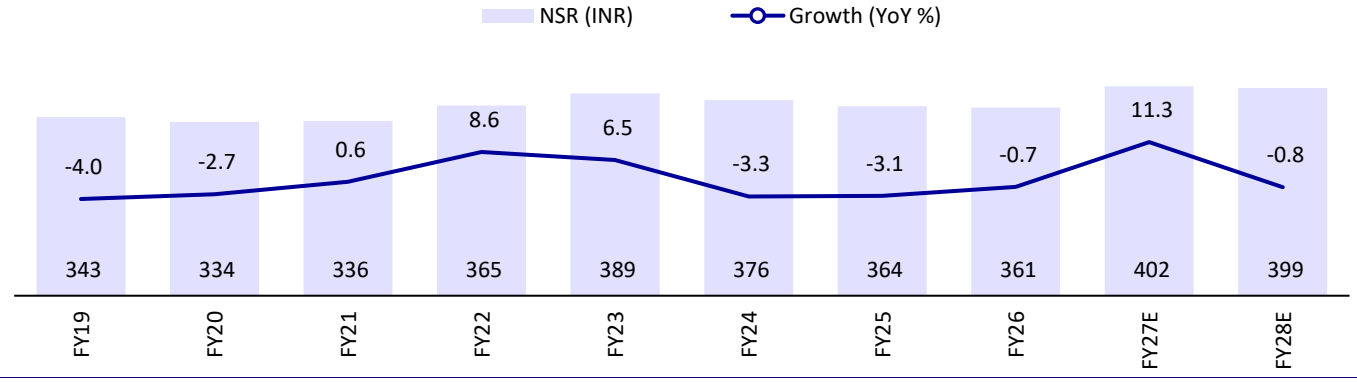
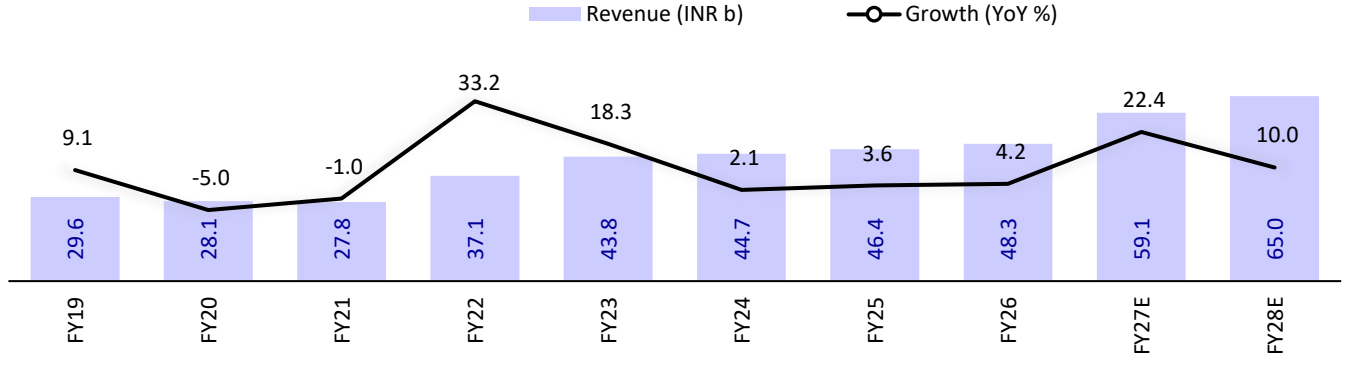


Exhibit 13: NSR annual trends



Source: Company, MOFSL

Exhibit 14: Consolidated annual revenue and growth trends



Source: Company, MOFSL

Exhibit 15: EBITDA, PAT, and margin – annual trends (%)

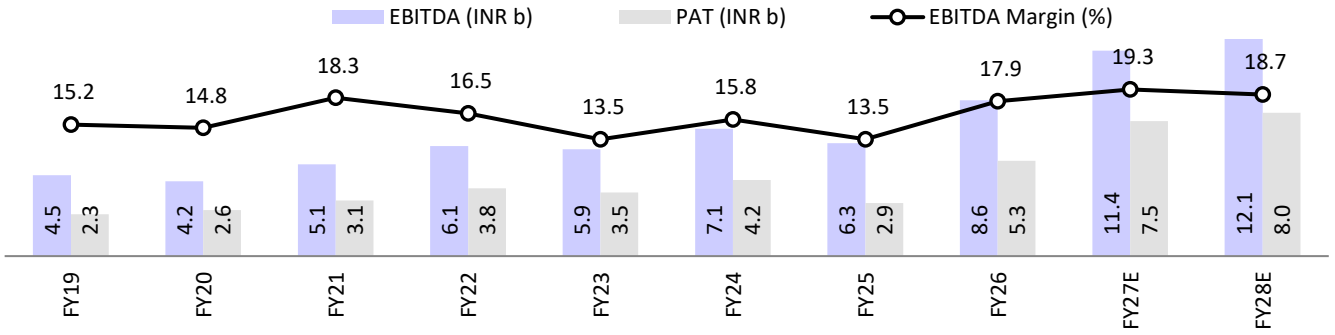
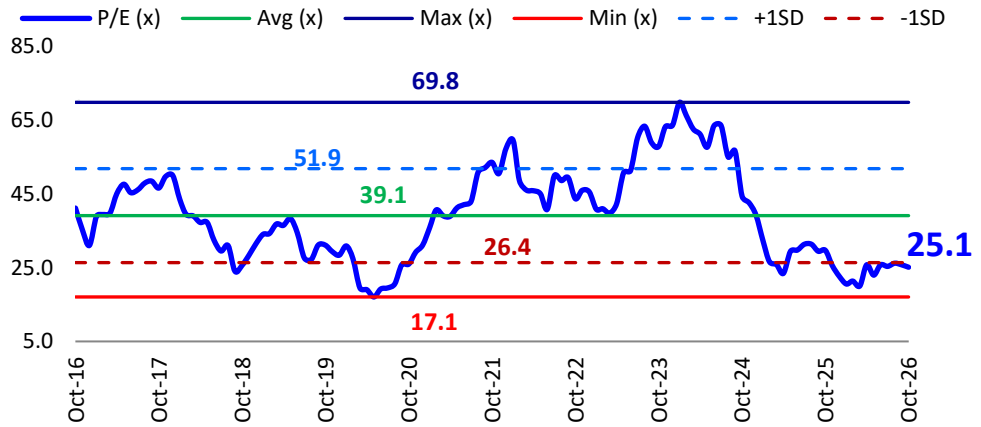


Exhibit 16: Changes to our estimates

INR m	Old		New		Change	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	58,402	65,047	59,136	65,028	1	(0)
EBITDA	11,127	12,133	11,391	12,149	2	0
EBITDA margin %	*19.1*	*18.7*	*19.3*	*18.7*		
PAT	7,311	7,954	7,488	7,953	2	(0)
EPS	45.9	49.9	47.0	49.9	2	(0)

Source: MOFSL, Company

Exhibit 17: One-year forward P/E band and standard deviation



Source: Bloomberg, MOFSL

Financials and valuations

Consolidated - Income Statement (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Total Income from Operations	**27,809**	**37,052**	**43,819**	**44,740**	**46,351**	**48,304**	**59,136**	**65,028**
Change (%)	-1.0	33.2	18.3	2.1	3.6	4.2	22.4	10.0
RM Cost	12,470	15,551	18,070	18,945	19,655	20,675	24,564	26,998
Employees Cost	3,247	4,077	4,612	4,916	5,661	5,299	5,646	6,338
Other Expenses	7,005	11,317	15,216	13,811	14,772	13,681	17,535	19,542
Total Expenditure	**22,721**	**30,945**	**37,899**	**37,672**	**40,089**	**39,654**	**47,745**	**52,879**
% of Net Sales	81.7	83.5	86.5	84.2	86.5	82.1	80.7	81.3
EBITDA	**5,088**	**6,107**	**5,920**	**7,068**	**6,262**	**8,650**	**11,391**	**12,149**
Margin (%)	18.3	16.5	13.5	15.8	13.5	17.9	19.3	18.7
Depreciation	1,067	1,154	1,329	1,476	1,654	1,694	1,730	1,990
EBIT	**4,022**	**4,953**	**4,592**	**5,593**	**4,608**	**6,956**	**9,661**	**10,159**
Int. and Finance Charges	107	127	223	173	200	226	208	163
Other Income	213	276	336	462	427	529	659	780
PBT bef. EO Exp.	**4,127**	**5,102**	**4,705**	**5,882**	**4,835**	**7,258**	**10,112**	**10,777**
EO Items	0	0	-79	0	0	-440	-16	0
PBT after EO Exp.	**4,127**	**5,102**	**4,625**	**5,882**	**4,835**	**6,818**	**10,096**	**10,777**
Total Tax	1,038	1,274	1,163	1,435	1,360	1,928	2,642	2,856
Tax Rate (%)	25.2	25.0	25.1	24.4	28.1	28.3	26.2	26.5
Share of Profit/Loss of JV and disc ops.	0	0	-1	-125	-475	-20	56	62
Share of Minority Interests	9	58	17	101	57	16	38	30
Reported PAT	**3,081**	**3,770**	**3,445**	**4,221**	**2,944**	**4,854**	**7,473**	**7,953**
Adjusted PAT	**3,081**	**3,770**	**3,524**	**4,221**	**2,944**	**5,294**	**7,488**	**7,953**
Change (%)	20.6	22.4	-6.5	19.8	-30.3	79.9	41.4	6.2
Margin (%)	11.1	10.2	8.0	9.4	6.4	11.0	12.7	12.2

Consolidated - Balance Sheet (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	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	30,497	35,420	40,506
Net Worth	**18,689**	**21,224**	**23,268**	**26,165**	**27,443**	**30,656**	**35,580**	**40,666**
Minority Interest	646	648	776	591	658	649	669	689
Total Loans	1,142	1,521	2,373	2,197	2,488	2,025	1,915	1,805
Deferred Tax Liabilities	674	726	738	801	884	997	1,007	1,017
Capital Employed	**21,151**	**24,119**	**27,155**	**29,755**	**31,473**	**34,327**	**39,171**	**44,177**
Gross Block	19,735	20,460	24,516	27,903	30,361	31,627	35,627	37,127
Less: Accum. Deprn.	7,895	9,049	10,377	11,853	13,507	15,200	16,931	18,921
Net Fixed Assets	**11,840**	**11,411**	**14,139**	**16,050**	**16,855**	**16,427**	**18,697**	**18,207**
Goodwill on Consolidation	85	85	327	327	319	319	319	319
Capital WIP	149	2,634	817	679	1,087	1,193	393	293
Total Investments	**50**	**0**	**19**	**148**	**302**	**354**	**354**	**354**
Curr. Assets, Loans&Adv.	**13,130**	**15,728**	**17,591**	**18,188**	**18,991**	**21,982**	**26,123**	**32,158**
Inventory	3,731	4,659	5,647	5,322	6,181	5,515	6,751	7,424
Account Receivables	4,317	5,133	6,012	6,194	5,702	6,285	7,694	8,461
Cash and Bank Balance	4,428	4,244	3,938	5,141	5,829	7,551	9,074	13,698
Loans and Advances	655	1,693	1,995	1,530	1,279	2,631	2,603	2,575
Curr. Liability & Prov.	**4,102**	**5,739**	**5,738**	**5,637**	**6,082**	**5,948**	**6,714**	**7,154**
Account Payables	2,072	2,981	3,104	2,933	3,381	3,195	3,912	4,301
Other Current Liabilities	1,801	2,499	2,342	2,385	2,352	2,380	2,400	2,420
Provisions	229	259	293	320	349	372	402	432
Net Current Assets	**9,028**	**9,989**	**11,853**	**12,550**	**12,909**	**16,034**	**19,409**	**25,004**
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	**21,151**	**24,119**	**27,155**	**29,755**	**31,473**	**34,327**	**39,171**	**44,177**

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)								
Adj EPS	**19.3**	**23.7**	**22.1**	**26.5**	**18.5**	**33.2**	**47.0**	**49.9**
Cash EPS	26.0	30.9	30.5	35.8	28.9	43.9	57.9	62.4
BV/Share	117	133	146	164	172	192	223	255
DPS	10.0	11.0	9.0	12.0	9.0	14.0	16.0	18.0
Payout (%)	51.7	46.5	41.6	45.3	48.7	45.9	34.1	36.1
Valuation (x)								
P/E	58.7	48.0	51.3	42.8	61.4	34.2	24.1	22.7
Cash P/E	43.6	36.7	37.3	31.7	39.3	25.9	19.6	18.2
P/BV	9.7	8.5	7.8	6.9	6.6	5.9	5.1	4.4
EV/Sales	6.4	4.8	4.1	4.0	3.8	3.6	2.9	2.6
EV/EBITDA	34.9	29.2	30.3	25.2	28.3	20.3	15.2	13.9
Dividend Yield (%)	0.9	1.0	0.8	1.1	0.8	1.2	1.4	1.6
FCF per share	25.6	10.2	5.5	20.0	19.2	35.3	23.1	43.5
Return Ratios (%)								
RoE	16.5	17.8	15.1	16.1	10.7	17.3	21.0	19.6
RoCE (pre-tax)	22.1	24.6	20.4	22.4	17.3	23.9	29.4	27.4
RoIC (pre-tax)	24.0	29.6	23.6	24.8	19.2	28.5	36.0	34.8
Working Capital Ratios								
Fixed Asset Turnover (x)	1.4	1.8	1.8	1.6	1.5	1.5	1.7	1.8
Net Working Capital Cycle (Days)	78	67	71	70	67	65	65	65
Debtor (Days)	57	51	50	51	45	47	47	47
Inventory (Days)	49	46	47	43	49	42	42	42
Creditor (Days)	27	29	26	24	27	24	24	24
Leverage Ratio (x)								
Current Ratio	3.2	2.7	3.1	3.2	3.1	3.7	3.9	4.5
Interest Cover Ratio	39.5	41.1	22.1	35.0	25.1	33.1	49.5	67.3
Net Debt/Equity	-0.2	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.3

Consolidated - Cash Flow Statement (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	4,127	5,102	4,625	5,756	4,360	8,798	10,096	10,777
Depreciation	1,067	1,154	1,329	1,476	1,654	1,694	1,730	1,990
Interest & Finance Charges	107	127	223	173	200	226	208	163
Direct Taxes Paid	-980	-1,285	-1,265	-1,385	-1,172	-1,691	-2,641	-2,855
(Inc)/Dec in WC	868	-621	-1,875	260	-12	-601	-1,852	-971
CF from Operations	**5,189**	**4,476**	**3,037**	**6,280**	**5,030**	**8,425**	**7,543**	**9,104**
Others	-101	-221	-82	-306	-20	-1,789	-661	-782
CF from Operating incl EO	**5,088**	**4,255**	**2,955**	**5,974**	**5,010**	**6,637**	**6,882**	**8,322**
(Inc)/Dec in FA	-1,012	-2,634	-2,082	-2,780	-1,955	-1,006	-3,200	-1,400
Free Cash Flow	**4,076**	**1,621**	**873**	**3,194**	**3,055**	**5,631**	**3,682**	**6,922**
(Pur)/Sale of Investments	54	18	-363	-628	-2,155	-2,815	0	0
Others	-1,997	-363	608	436	390	458	659	780
CF from Investments	**-2,955**	**-2,979**	**-1,837**	**-2,972**	**-3,721**	**-3,364**	**-2,541**	**-620**
Issue of Shares	53	52	12	11	14	0	0	0
Inc/(Dec) in Debt	-302	281	427	-393	100	-447	-110	-110
Interest Paid	-68	-92	-166	-129	-145	-160	-208	-163
Dividend Paid	-1,591	-1,273	-1,433	-1,433	-1,752	-1,911	-2,549	-2,867
Others	-137	-169	-189	-179	-303	-384	48	62
CF from Fin. Activity	**-2,045**	**-1,201**	**-1,348**	**-2,124**	**-2,086**	**-2,902**	**-2,819**	**-3,078**
Inc/Dec of Cash	**87**	**75**	**-230**	**878**	**-796**	**371**	**1,523**	**4,624**
Opening Balance	160	247	322	105	982	188	559	2,081
Other cash & cash equivalent	0	0	12	0	2	0	0	0
Closing Balance	**247**	**322**	**105**	**982**	**188**	**559**	**2,081**	**6,706**

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