KAJARIA CERAMICS

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	1,251
12 month price target (INR)	1,318
52 Week High/Low	1,412/745
Market cap (INR bn/USD bn)	199/2.3
Free float (%)	53
Avg. daily value traded (INR mn)	668.8

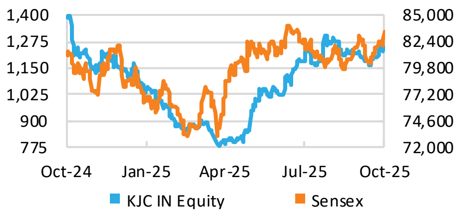
SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	47.61%	47.49%	47.49%
FII	11.57%	12.55%	15.79%
DII	26.00%	27.39%	27.68%
Pledge	0%	0%	0%

FINANCIALS (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	46,351	48,377	52,223	56,298
EBITDA	6,262	8,596	9,485	10,382
Adjusted profit	2,911	5,336	6,025	6,705
Diluted EPS (INR)	18.3	33.5	37.8	42.1
EPS growth (%)	(31.3)	83.3	12.9	11.3
RoAE (%)	12.7	18.7	19.6	20.3
P/E (x)	68.5	37.3	33.1	29.7
EV/EBITDA (x)	31.3	22.4	20.1	18.1
Dividend yield (%)	0.9	1.3	1.5	1.7

PRICE PERFORMANCE



Volumes stagnant; margins improve

Kajaria (KJC) reported mixed Q2FY26 results with tile volume growing merely 0.6% (estimate 3.5%) and EBITDA margin coming in at 18% (in-line). Margin improvement was driven by: i) INR300–350mn of savings from re-engineered packaging; ii) revision in pricing of outsourced tile production; and iii) headcount reduction of 250. Management is focusing on cost optimisation and is confident of margin improving QoQ, but have hired a consultant to gain market share.

EBITDA margin has expanded, but volume growth has been paltry at 1% YoY in H1FY26. While cost optimisation has led to better profitability, demand pickup remains elusive. Maintain 'HOLD with an unchanged TP of INR 1,318 at 33x Q2FY28E EPS.

Volume growth muted; demand pickup awaited

Q2FY26 volumes grew modestly by 0.6% YoY (estimate 4%) while realisation declined ~0.8% YoY, restricting revenue growth to just 0.6% YoY. Management refrained from providing FY26 guidance, emphasising its continued focus on cost optimisation. Sanitaryware/adhesives contributed INR1,024mn (+14% YoY)/INR323mn (+78% YoY). While cost control have been rolled out, the key challenge remains a recovery in demand across domestic and export markets. Management expects some volume growth in H2FY26E aided by integration of its three divisions: PVT, GVT, and ceramics. Project sales made up ~30% of total sales with KJC setting up a dedicated 18–20-member team to enhance engagement with influencers/architects.

Cost optimisation drives margin improvement

EBITDA margin expanded 450bp YoY/105bp QoQ to 18%, in line with our estimate. The improvement was driven by cost-efficiency measures including: i) savings of INR300–350mn from re-engineering packaging boxes; ii) revised pricing for outsourced tiles; and iii) workforce rationalisation of ~250 employees. Management highlighted exports grew in H1FY26 and are expected to reach INR180bn for the full year. Unlike peers, KJC anticipates a reduction in RM costs going forward. The company remains focused on sustaining its cost optimisation initiatives to support margins, assuming stability in fuel costs and selling prices.

Adhesive investment upped; showroom structure to get a revamp

Management has upped investment for the new adhesive plant in Erode from INR160mn to INR230mn. Sanitaryware plants KSPL/KGPL have operated at utilisation of 62%/59%; the faucet facility in Gailpur and Nepal facility operated at a utilisation of 86% each in Q2FY26. Management plans to revamp its showroom classification phasing out older terminologies.

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	11,860	11,793	0.6	11,027	7.6
EBITDA	2,135	1,589	34.3	1,869	14.2
Adjusted Profit	1,340	855	56.6	1,103	21.5
Diluted EPS (INR)	8.4	5.4	56.6	6.9	21.5

Sneha Talreja
Sneha.Talreja@nuvama.com

Jatin Manuja
Jatin.Manuja@nuvama.com

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	46,351	48,377	52,223	56,298
Gross profit	28,425	28,784	31,073	33,497
Employee costs	5,661	5,095	5,503	5,888
Other expenses	16,502	15,094	16,085	17,227
EBITDA	6,262	8,596	9,485	10,382
Depreciation	1,654	1,766	1,828	1,890
Less: Interest expense	200	219	219	219
Add: Other income	427	504	595	667
Profit before tax	4,835	7,114	8,033	8,939
Prov for tax	1,441	1,779	2,008	2,235
Less: Other adj	0	0	0	0
Reported profit	3,394	5,336	6,025	6,705
Less: Excp.item (net)	(483)	0	0	0
Adjusted profit	2,911	5,336	6,025	6,705
Diluted shares o/s	159	159	159	159
Adjusted diluted EPS	18.3	33.5	37.8	42.1
DPS (INR)	10.9	16.7	19.3	21.9
Tax rate (%)	29.8	25.0	25.0	25.0

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	159	159	159	159
Reserves	27,284	29,407	31,699	34,138
Shareholders funds	27,443	29,566	31,859	34,297
Minority interest	658	658	658	658
Borrowings	2,739	2,739	2,739	2,739
Trade payables	3,381	2,952	3,187	3,498
Other liabs & prov	3,291	3,931	4,154	4,464
Total liabilities	37,562	39,895	42,646	45,706
Net block	16,847	16,081	15,252	14,362
Intangible assets	327	327	327	327
Capital WIP	1,087	1,087	1,087	1,087
Total fixed assets	18,262	17,495	16,667	15,777
Non current inv	339	339	339	339
Cash/cash equivalent	5,829	8,739	11,279	14,063
Sundry debtors	5,702	6,627	7,154	7,712
Loans & advances	776	854	939	1,033
Other assets	6,655	5,842	6,268	6,782
Total assets	37,562	39,895	42,646	45,706

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Volume Growth (%)	6.1	4.5	7.0	7.0
Realisation Growth	(3.1)	(1.3)	0	0
Capex (INR mn)	3,720.5	1,000.0	1,000.0	1,000.0
EBITDA margin (%)	13.5	17.8	18.2	18.4
Net profit margin (%)	6.3	11.0	11.5	11.9
Revenue growth (% YoY)	3.6	4.4	8.0	7.8
EBITDA growth (% YoY)	(11.3)	37.3	10.4	9.5
Adj. profit growth (%)	(31.3)	83.3	12.9	11.3

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	3,394	5,336	6,025	6,705
Add: Depreciation	1,654	1,766	1,828	1,890
Interest (net of tax)	134	147	147	147
Others	(184)	(104)	(1,309)	(1,237)
Less: Changes in WC	(12)	21	(581)	(545)
Operating cash flow	5,010	7,124	7,272	8,050
Less: Capex	(1,955)	(1,000)	(1,000)	(1,000)
Free cash flow	3,055	6,124	6,272	7,050

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.3	6.3	7.3	8.3
Repo rate (%)	5.3	5.3	6.3	7.3
USD/INR (average)	84.6	87.5	87.0	88.0
Packing % of Sales	0	0	0	0
Fuel cost % of Sales	19.7	19.0	19.0	19.0
Manuf expns % Sales	4.2	12.2	11.8	11.6
Employee % of Sales	12.2	10.5	10.5	10.5
Promotion % of Sales	2.6	0	0	0
Admini % of Sales	5.3	0	0	0

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	12.7	18.7	19.6	20.3
RoCE (%)	16.8	23.0	24.2	25.1
Inventory days	117	108	96	97
Receivable days	47	47	48	48
Payable days	64	59	53	54
Working cap (% sales)	28.4	33.2	36.7	40.0
Gross debt/equity (x)	0.1	0.1	0.1	0.1
Net debt/equity (x)	(0.1)	(0.2)	(0.3)	(0.3)
Interest coverage (x)	23.0	31.2	34.9	38.8

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	68.5	37.3	33.1	29.7
Price/BV (x)	7.3	6.7	6.3	5.8
EV/EBITDA (x)	31.3	22.4	20.1	18.1
Dividend yield (%)	0.9	1.3	1.5	1.7

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	(31.3)	83.3	12.9	11.3
RoE (%)	12.7	18.7	19.6	20.3
EBITDA growth (%)	(11.3)	37.3	10.4	9.5
Payout ratio (%)	51.3	50.0	51.0	52.0

Source: Company and Nuvama estimates

Q2FY26 conference call highlights

Opening remarks

- The market remained soft over the past two quarters.
- Unification across all dealer networks is now nearly complete.
- Working capital days reduced to 56 from 58 at the end of Q4FY25.

Guidance

- Q3FY26 is expected to log some volume growth, though difficult to quantify.
- Margins of 21% seen during COVID were driven by abnormally low gas prices; current levels are sustainable.
- While H1FY26 saw flat volumes due to soft demand and restructuring across PVT, GVT, and ceramics, H2FY26 is expected to see moderate volume recovery.

Industry trends

- The pricing gap between Morbi players and Kajaria remains at ~20%.
- Demand has been muted for the past 3–4 years despite strong real estate trends, a pattern also seen across other building material categories.
- Management plans to revamp showroom classifications, phasing out old terminologies and introducing new customer-centric categories.
- Exports grew 10% YoY in H1FY26; full-year exports expected at INR180 bn.

Cost rationalisation

- Key cost-saving initiatives include:
  - re-engineering packaging boxes, saving INR300–350mn;
  - revision in outsourcing prices; and
  - reduction of ~250 employees.
- Employee and other expenses are expected to decline further; RM costs should ease—though not industry-wide.
- Power and fuel costs were lower in Q2FY26 due to reduced production.
- Ad spends were subdued in H1FY26 owing to absence of the annual dealer meet, but may rise in H2FY26.

Miscellaneous

- Dealers are satisfied with the new unified structure, interacting with a single Kajaria representative.
- An 18–20 member team has been formed to engage with key influencers for the Kajaria and Kerovit brands.
- A consultant has been appointed to help drive market share gains.
- Incentives are now fully volume-linked.
- Project sales account for ~30% of total sales.
- Nepal volumes stood at 0.7mn square metres.

Exhibit 1: Quarterly snapshot (INR mn)

Year to March	Q2FY26	Q2FY25	% change	Q1FY26	% change
Revenues	**11,860**	**11,793**	**0.6**	**11,027**	**7.6**
Raw material	5,103	5,115	(0.2)	4,425	15.3
Staff costs	1,305	1,443	(9.6)	1,360	(4.0)
Others	3,317	3,646	(9.0)	3,374	(1.7)
Total expenditure	9,726	10,204	(4.7)	9,159	6.2
EBITDA	**2,135**	**1,589**	**34.3**	**1,869**	**14.2**
Depreciation	419	406	3.2	436	(4.0)
EBIT	**1,716**	**1,183**	**45.0**	**1,432**	**20**
Less: Interest Expense	58	47	22.2	52	11.4
Add: Other income	155	99	56.7	132	16.8
Profit Before Tax	**1,813**	**1,235**	**46.8**	**1,513**	**19.8**
Less: Provision for Tax	472	350	34.8	396	19.1
Less: Minority Interest	-5	29	(116.8)	-9	(45.6)
Add: Share of profit from associates	-23				
Add: Exceptional items (net of tax)	0	0		-23	NA
Reported Profit	**1,323**	**855**	**54.6**	**1,103**	**19.9**
Adjusted net profit	**1,350**	**855**	**57.8**	**1,142**	**18.2**
No. of Diluted shares outstanding (mn)	159	159		159	
Adjusted Diluted EPS	8.5	5.4	57.8	7.2	18.2
P/E (x)					
EV/EBITDA (x)					
ROE(%)					
As % of net revenues					
Raw material	43.0	43.4		40.1	
Staff expenses	11.0	12.2		12.3	
Other expenses	28.0	30.9		30.6	
EBITDA	18.0	13.5		16.9	
Net profit	11.4	7.3		10.4	

Source: Company, Nuvama Research

Exhibit 2: Operational data

Consolidated Gross Sales (INR mn)	Q2FY24	Q3FY24	Q1FY25	Q1FY25	Q2FY25	Q4FY25	Q1FY26	Q2FY26
Manufactured	5,705	5,791	5,585	5,585	5,873	5,855	5,439	5,797
JV	2,678	2,917	2,909	2,909	2,847	3,378	2,958	3,239
Others	2,469	2,343	2,312	2,312	2,717	2,755	2,381	2,502
Total	10,851	11,050	10,806	10,806	11,437	11,989	10,778	11,538
Consolidated YoY Sales growth (%)	**Q2FY24**	**Q3FY24**	**Q1FY25**	**Q1FY25**	**Q2FY25**	**Q4FY25**	**Q1FY26**	**Q2FY26**
Manufactured	(4.4)	3.6	(6.8)	3.6	3.0	1.1	(2.6)	3.8
JV	27.6	6.3	5.0	28.0	6.3	15.8	1.7	11.3
Others	2.0	1.9	(22.4)	(18.4)	10.1	17.6	3.0	8.2
Total	3.5	3.9	(8.0)	2.9	5.4	8.5	(0.3)	6.8
Consolidated Sales Volume (MSM)	**Q2FY24**	**Q3FY24**	**Q1FY25**	**Q1FY25**	**Q2FY25**	**Q4FY25**	**Q1FY26**	**Q2FY26**
Manufactured	14.79	15.25	15.64	15.64	15.64	15.80	14.75	15.66
JV	4.82	5.32	5.43	5.43	5.43	6.46	5.74	6.30
Others	6.86	6.51	7.63	7.63	7.63	7.85	6.69	6.91
Total	26.5	27.1	28.7	28.7	28.7	30.1	27.2	28.9
Consolidated Sales Volume growth YoY	**Q2FY24**	**Q3FY24**	**Q1FY25**	**Q1FY25**	**Q2FY25**	**Q4FY25**	**Q1FY26**	**Q2FY26**
Manufactured	0.1	9.2	3.2	13.3	5.7	3.6	(5.7)	0.1
JV	15.3	2.5	(10.5)	13.1	12.7	21.4	5.7	16.0
Others	15.1	3.3	12.2	19.0	11.2	20.6	(12.3)	(9.4)
Total	6.3	6.4	2.4	14.7	8.4	11.2	(5.3)	0.6
Realization (INR/MSM)	**Q2FY24**	**Q3FY24**	**Q1FY25**	**Q1FY25**	**Q2FY25**	**Q4FY25**	**Q1FY26**	**Q2FY26**
Manufactured	386	380	357	357	376	371	369	370
JV	556	548	536	536	524	523	515	514
Others	360	360	303	303	356	351	356	362
Total	410	408	376	376	398	398	397	400
Realization growth YoY (%)	**Q2FY24**	**Q3FY24**	**Q1FY25**	**Q1FY25**	**Q2FY25**	**Q4FY25**	**Q1FY26**	**Q2FY26**
Manufactured	(4.5)	(5.2)	(9.7)	(8.6)	(2.6)	(2.4)	3.3	3.7
JV	10.7	3.7	17.3	13.1	(5.6)	(4.6)	(3.8)	(4.0)
Others	(11.4)	(1.4)	(30.9)	(31.4)	(1.0)	(2.5)	17.5	19.5
Total	(2.6)	(2.3)	(10.2)	(10.3)	(2.8)	(2.4)	5.3	6.2

Source: Company, Nuvama Research

Company Description

KJC is India's leading manufacturer of ceramic and vitrified tiles. The company was incorporated in 1985 by Mr. Ashok Kajaria in technical collaboration with the world's second largest tiles manufacturer Todagres. KJC's current aggregate tile manufacturing capacity of 90.5MSM making it India's largest and worlds eighth largest tile manufacturer. The company has also ventured into the sanitary segment and faucet segment and adhesives business. The company has an in-house R&D facility, which focuses on developing new designs and creating cost-effective products. KJC sells tiles of different size and is present across a wide range of size and prices ranging from affordable tiles to high-end designer products. Retail and institutional businesses contribute 70% and 30% to total revenue, respectively. It also caters to brand enhancing names under institutional sales.

Investment Theme

KJC has, over the years, developed a comprehensive range of products. A vibrant product range, aggressive brand spending, extensive distribution network of 1,800 dealers and sustained capacity expansion have and will continue to anchor the company's outperformance versus peers. Unwavering focus on brands and strengthening of the value chain are bound to catapult market share gain. Hence, we estimate the company to clock revenue and PAT CAGR of 7% and 31% over FY25-28, respectively, with strong RoE/pre-tax RoCE of >20%.

Key Risks

Slowdown in real estate sector: The tile industry's growth is highly dependent on overall economic development and the real estate sector. Any slowdown in the real estate sector will dampen KJC's growth prospects.

Intensifying competition: The tile industry is highly fragmented with the unorganised sector, accounting for more than 50% value share and ~60% volume share. While Morbi players are currently focussing on exports, any slowdown in exports or over capacity addition could intensify competition in domestic market and may have detrimental effects on KJC's revenue.

Fuel prices volatility: Natural gas forms one of the key inputs for the tile industry. Availability and pricing of natural gas remains a concern as increase in gas price could increase operating costs, adversely impacting margins. However, KJC has entered into long-term agreements with GAIL and other suppliers, which will provide some hedge against volatility.

Additional Data

Management

Chairman & MD	Mr. Ashok Kajaria
Joint MD	Mr. Chetan Kajaria
Joint MD	Mr. Rishi Kajaria
CFO	Mr. Sanjeev Agarwal
Auditor	M/s. Walker Chandiok & Co.

Holdings – Top 10*

	% Holding		% Holding
SBI Funds	7.66	UTI Asset Manag	2.09
Nippon Life Ind	2.96	Mahindra Manuli	1.26
Norges Bank	2.86	L&T Mutual Fund	1.20
Kotak Mahindra	2.43	BlackRock Inc	1.03
Vanguard Group	2.13	Goldman Sachs F	1.02

**Latest public data*

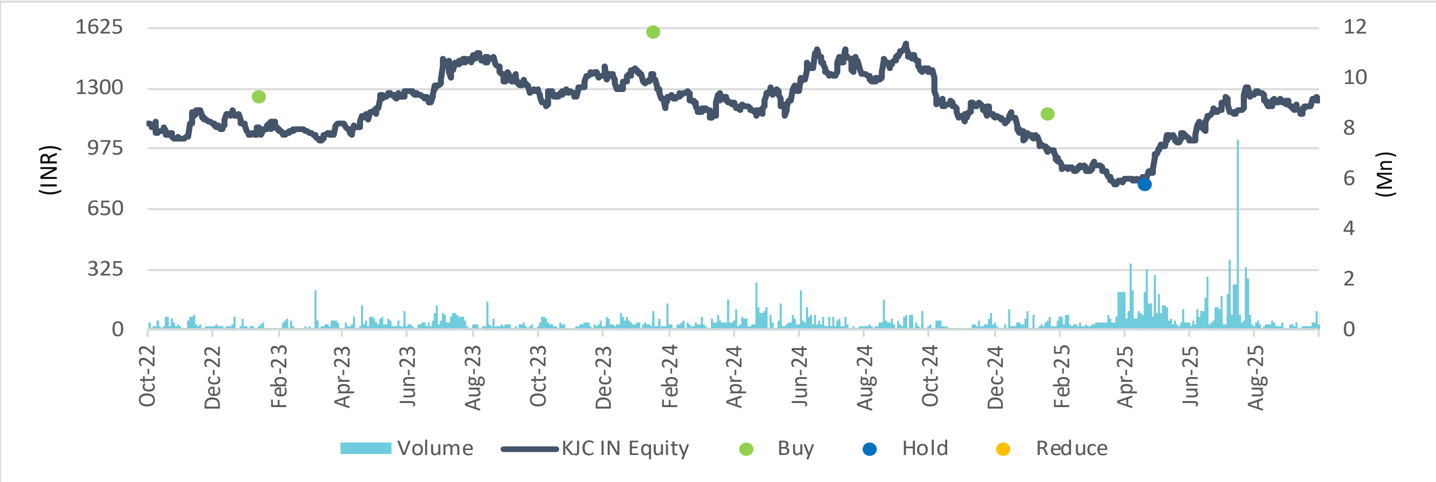
Recent Company Research

Date	Title	Price	Reco
08-Sep-25	Focus on integration and cost savings; *Visit Note*	1,223	Hold
23-Jul-25	Margins surprise; volumes undershoot; *Result Update*	1,242	Hold
06-May-25	Performance weak; scenario bleak; *Result Update*	798	Hold

Recent Sector Research

Date	Name of Co./Sector	Title
06-Oct-25	Home Decor	Margin improvement across the board; *Sector Update*
01-Oct-25	APL Apollo	Strong volumes amid weak environment ; *Company Update*
19-Sep-25	Prince Pipes	Costly stockpiles amid demand dearth; *Company Update*

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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Abneesh Roy
Head of Research Committee
Abneesh.Roy@nuvama.com

ABNEESH KUMAR ROY

Digitally signed by ABNEESH KUMAR ROY
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