

Kajaria Ceramics

BSE Sensex 85,567 S&P CNX 26,172



Bloomberg	KJC IN
Equity Shares (m)	159
M.Cap.(INRb)/(USD\$)	167 / 1.9
52-Week Range (INR)	1322 / 745
1, 6, 12 Rel. Per (%)	-3/-2/-20
12M Avg Val (INR M)	455

Financials & Valuations (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	49.0	54.2	61.0
EBITDA	8.6	9.6	10.8
Adj. PAT	5.4	6.1	7.1
Adj. EPS (INR)	33.6	38.4	44.6
EPS Gr. (%)	81.8	14.2	16.2
BV/Sh. (INR)	194	218	247

Ratios

RoE (%)	17.3	17.6	18.1
RoCE (%)	23.6	24.2	25.0
Payout (%)	35.7	36.5	35.9

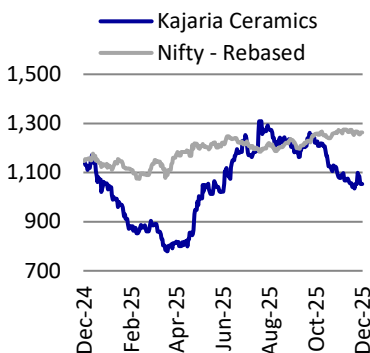
Valuations

P/E (x)	31.2	27.4	23.5
P/BV (x)	5.4	4.8	4.3
EV/EBITDA (x)	18.6	16.3	14.1
Div. Yield (%)	1.1	1.3	1.5

Shareholding pattern (%)

As On	Sep'25	Jun'25	Sep'24
Promoter	47.6	47.5	47.5
DII	26.0	27.4	28.4
FII	11.6	12.6	16.1
Others	14.8	12.6	8.1

Stock Performance (1-year)



CMP: INR1,049 TP: INR1,252 (+19%) Buy

Focused on building a robust system and process-driven organization

Kajaria Ceramics (KJC) in an exchange filing disclosed a financial fraud conducted by Mr. Dilip Maliwal, CFO of Kerovit Global, a wholly-owned subsidiary of Kajaria Bathware and a step-down subsidiary of KJC. In the analyst conference call, KJC management highlighted that the event will result in a financial loss of ~INR200m, of which ~50% is recoverable. All other subsidiaries have been thoroughly reviewed and no discrepancy has been found. Management has reiterated its commitment to building KJC into a robust system and process-driven organization.

Key highlights from the management commentary

- The company identified certain frauds in its step-down subsidiary Kerovit Global during the implementation of a more robust vendor onboarding process at the parent and in subsidiary companies.
- The issue of fund siphoning is linked to purchase orders of a vendor related to Mr. Maliwal in the INR1.2b capex program in Kerovit Global.
- Exceptional expenses of around INR200m are likely to be recognized in P&L, as per auditors' instruction.
- Management expects ~50% recovery from the vendor.
- Mr. Maliwal has worked with the company for the past eight years. However, the fraud is believed to have occurred only over the last 1-2 years.
- Kajaria Bathware has terminated Mr. Maliwal from service and filed a complaint with the police.
- All other subsidiaries have been thoroughly reviewed and no discrepancies have been identified.
- Under Kajaria 2.0, management aims for ~INR1.5b in annual savings in areas of raw material procurement (~INR900m), manpower (~INR250m), travel (~INR150m), and salaries (~INR150m), with further scope for improvement.

Valuation and view: Reiterate BUY rating

- In line with soft demand and a healthy margin guidance, we expect KJC to post a CAGR of 9%/10%/20%/34% in tile volume/revenue/EBITDA/PAT over FY25-28 (FY19-25: 6%/8%/6%/4%). We also project ~18% RoE, 25% RoCE, 36% RoIC, and annual FCF of more than INR5b for the company.
- In the current soft demand scenario and intense competition from organized brands and Morbi-based players, we believe that sustaining EBITDA margins of more than 18% will be a tall task for KJC. However, medium to long term outlook remains optimistic.
- We retain BUY rating on KJC with an unchanged TP of INR1,252, based on 30x Sep'27E EPS.
- Recovery in tile volumes and sustaining high EBITDA margin (18%+) are the key near-term monitorable to drive a re-rating in KJC's valuation.

Key exhibits

Exhibit 1: Consolidated revenue mix trend (%)

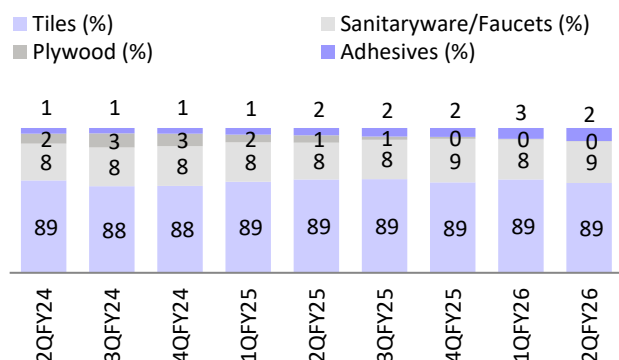


Exhibit 2: Tiles product-wise revenue mix trend (%)

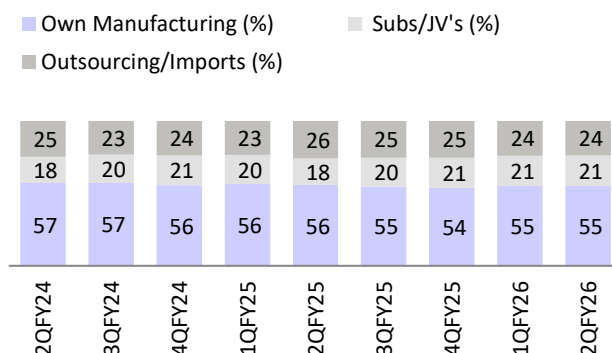


Exhibit 3: Tiles volume trend (msm)

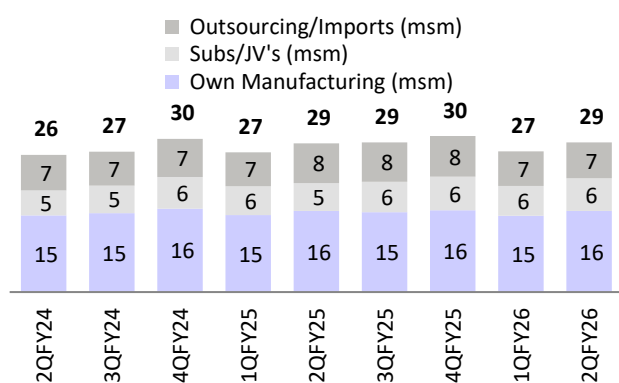


Exhibit 4: Tiles NSR gradually improving

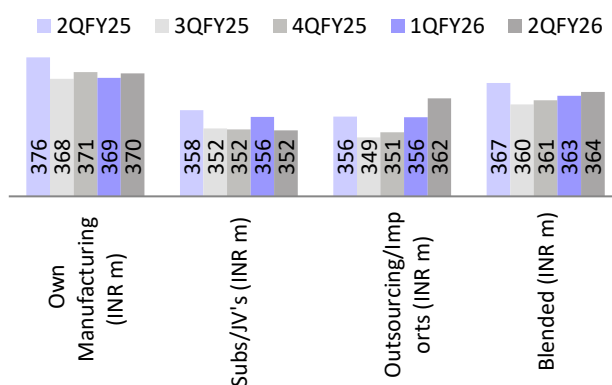
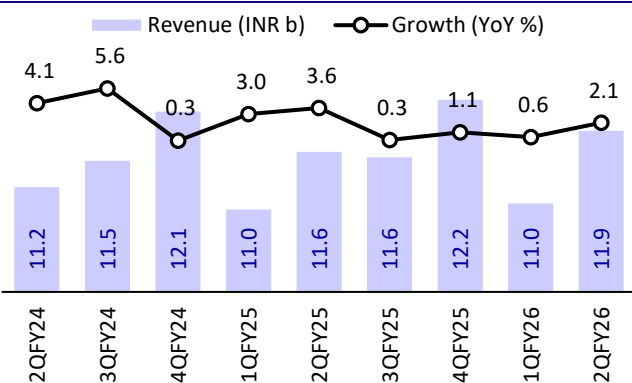


Exhibit 5: Consolidated revenue and growth trend



Source: Company, MOFSL

Exhibit 6: Expenses as % of revenue

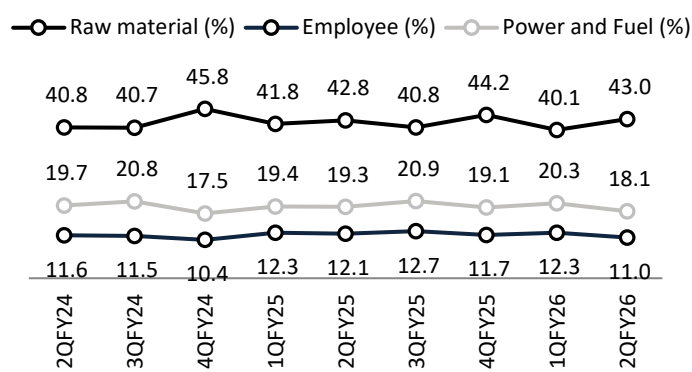


Exhibit 7: EBITDA, PAT and margin trends (%)

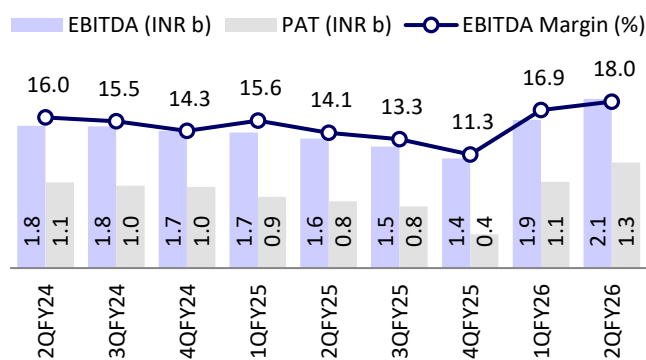


Exhibit 8: EPS trend

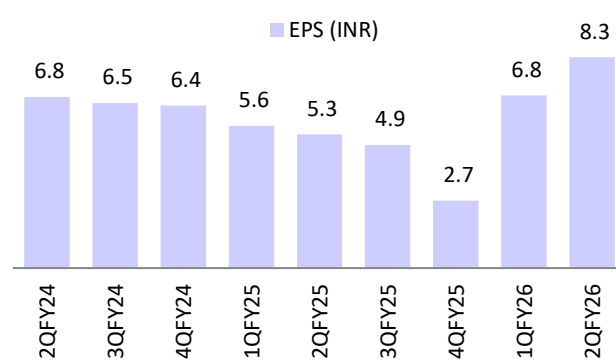


Exhibit 9: Consolidated annual revenue mix trend (%)

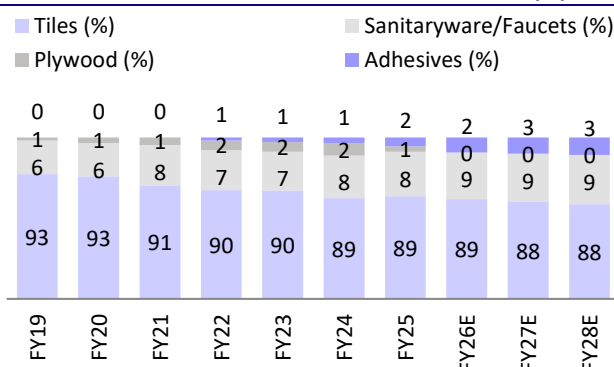


Exhibit 10: Tiles product-wise annual revenue mix (%)

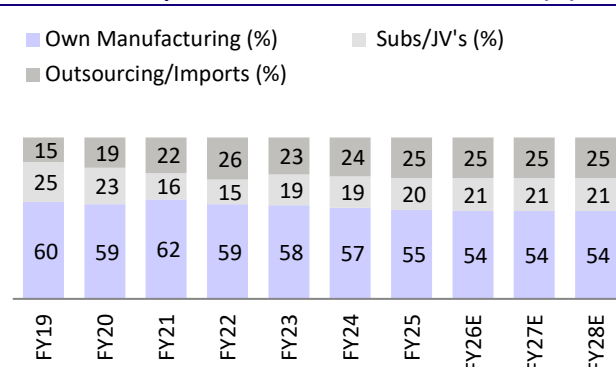


Exhibit 11: Tiles annual volume trend (msm)

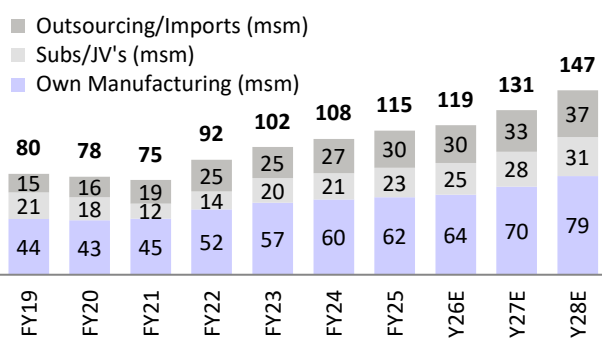


Exhibit 12: Power and fuel cost as % of revenue

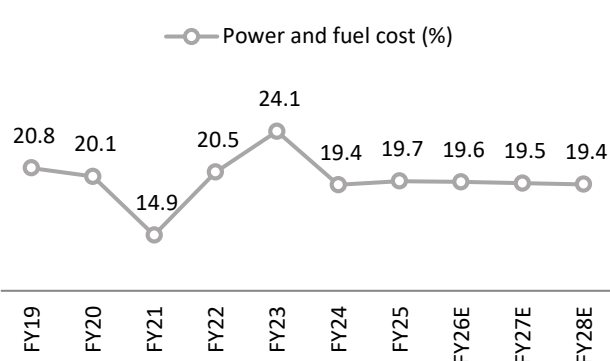
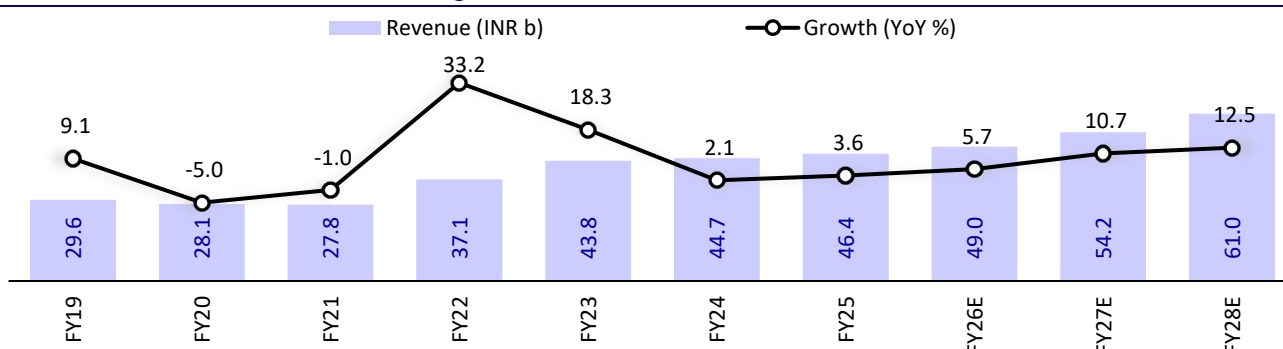


Exhibit 13: Consolidated annual revenue and growth trends



Source: Company, MOFSL

Exhibit 14: EBITDA, PAT and margin annual trends (%)

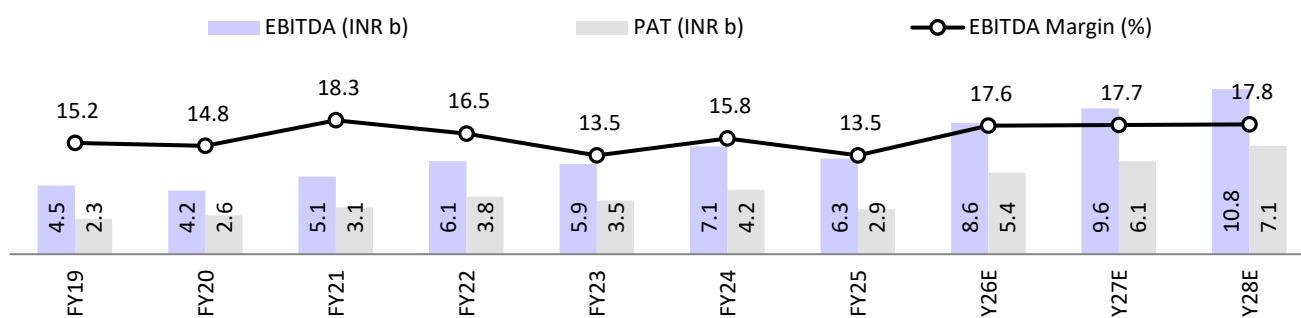
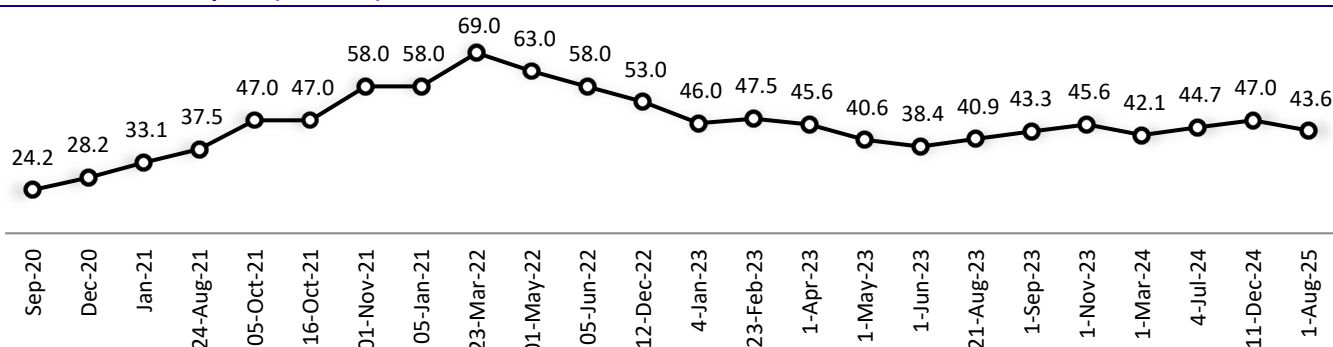


Exhibit 15: Morbi Gas price (INR/scm)



Source: Media articles

Valuation and view: Reiterate BUY rating

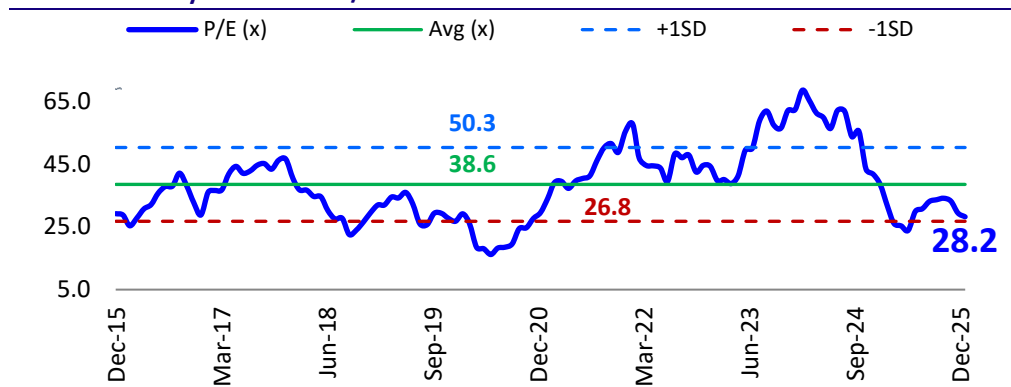
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Exhibit 16: Change in estimates (INR m)

INR m	Old			New			Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	49,000	54,225	61,010	49,000	54,225	61,010	-	-	-
EBITDA	8,601	9,573	10,831	8,601	9,573	10,831	-	-	-
EBITDA margin %	17.6	17.7	17.8	17.6	17.7	17.8	-	-	-
PAT	5,351	6,110	7,099	5,351	6,110	7,099	-	-	-
EPS	33.6	38.4	44.6	33.6	38.4	44.6	-	-	-

Source: MOFSL, Company

Exhibit 17: 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-based and large organized players

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	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	18,945	19,655	20,486	22,670	25,507
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	37,672	40,089	40,399	44,653	50,178
% of Net Sales	81.7	83.5	86.5	84.2	86.5	82.4	82.3	82.2
EBITDA	5,088	6,107	5,920	7,068	6,262	8,601	9,573	10,831
Margin (%)	18.3	16.5	13.5	15.8	13.5	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	5,593	4,608	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	5,882	4,835	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	5,882	4,835	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	24.4	28.1	26.0	26.5	26.5
Share of 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	4,221	2,944	5,351	6,110	7,099
Adjusted PAT	3,081	3,770	3,524	4,221	2,944	5,351	6,110	7,099
Change (%)	20.6	22.4	-6.5	19.8	-30.3	81.8	14.2	16.2
Margin (%)	11.1	10.2	8.0	9.4	6.4	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	26.5	18.5	33.6	38.4	44.6
Cash EPS	26.0	30.9	30.5	35.8	28.9	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	45.3	48.7	35.7	36.5	35.9
Valuation (x)								
P/E	54.2	44.3	47.4	39.6	56.8	31.2	27.4	23.5
Cash P/E	40.3	33.9	34.4	29.3	36.3	23.7	21.2	18.7
P/BV	8.9	7.9	7.2	6.4	6.1	5.4	4.8	4.3
EV/Sales	5.9	4.4	3.8	3.7	3.5	3.3	2.9	2.5
EV/EBITDA	32.2	26.9	28.0	23.2	26.2	18.6	16.3	14.1
Dividend Yield (%)	1.0	1.0	0.9	1.1	0.9	1.1	1.3	1.5
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	16.1	10.7	17.3	17.6	18.1
RoCE (pre-tax)	22.1	24.6	20.4	22.4	17.3	23.6	24.2	25.0
RoIC (pre-tax)	24.0	29.6	23.6	24.8	19.2	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 Working Capital 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	35.0	25.1	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	77	164	239	21	899	104	4,064	7,772
Other cash & cash equivalent	0	0	12	0	2	0	0	0
Closing Balance	164	239	21	899	104	4,064	7,772	11,937

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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