KAJARIA CERAMICS

VISIT NOTE

COFFEE WITH CEO

nuvama institutional equities

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	1,223
12 month price target (INR)	1,318
52 Week High/Low	1,579/745
Market cap (INR bn/USD bn)	195/2.2
Free float (%)	53
Avg. daily value traded (INR mn)	813.0

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	47.48%	47.48%	47.49%
FII	12.55%	15.79%	16.04%
DII	27.39%	27.68%	27.91%
Pledge	0%	00%	0%

FINANCIALS

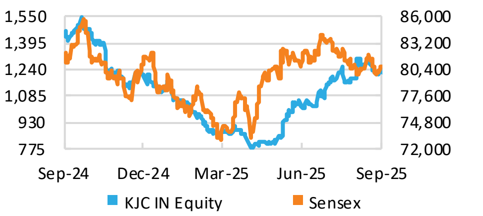
(INR mn)

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)	66.5	36.3	32.2	28.9
EV/EBITDA (x)	30.4	21.8	19.5	17.5
Dividend yield (%)	0.9	1.4	1.6	1.8

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	48,377	52,223	-1	-1
EBITDA	8,596	9,485	4	7
Adjusted profit	5,336	6,025	5	9
Diluted EPS (INR)	34	38	5	9

PRICE PERFORMANCE



Focus on integration and cost savings

We met with Joint MD Mr Chetan Kajaria and CFO Mr Sanjeev Agarwal of Kajaria Ceramics (KJC). Highlights: i) Integrated the Ceramic, PVT and GVT divisions to eliminate overlap and boost efficiency. ii) Cost optimisation on all fronts to enhance profitability. iii) Segments such as bathware and adhesives to drive faster growth. iv) As economy recovers, exports too shall ramp up, easing domestic oversupply.

While KJC's steps to garner growth are in right direction, the benefits are not immediate, watch out. We are raising FY26/27/28E EPS by 5%/9%/11% based on sharp uptick in margins factoring in a demand pickup. The revised estimates along with a rollover to 33x (unchanged) Q2FY28E EPS yield a TP of INR1,318 (earlier INR1,175); retain 'HOLD'.

Integration of verticals to reap synergies

KJC had integrated the Ceramic, PVT and GVT verticals to overcome product overlaps. The integration will encourage more cohesion across segments and eliminate any traditional challenges (pertaining to dealers, leads, channels, etc). This would also streamline resource deployment, optimise costs and enhance organisational agility to drive growth. The combined distribution network would showcase the entire range of offerings to customers. Meanwhile, the company is encouraging dealers to keep inventory low given KJC's prompt order fulfilment from manufacturing plants across the country. Nepal operations are taking longer to stabilise given the country's economy, but KJC expects to continue with them.

Cost control remains key focus, to drive profitability

The company has been focusing on cost optimisation to boost the margin profile. It is targeting cost savings of INR1.5–2bn in FY26E from raw materials, packaging products, outsourcing, salary, promoter compensation, travel allowances and balance from few other items. These savings are already accruing and would help in boosting margins and enhancing profitability. Besides, the company expects bathware business to turn profitable following the appointment of industry veteran Mr Atul Singhvi (ex-Cera) to drive growth in the segment.

Optimistic trajectory ahead; await demand improvement

KJC has integrated its three tile divisions into one, which is likely to boost efficiency and showcase a wide range of offerings (tiles) to customers. This integration would help the company optimise resource allocation, reduce costs and enhance adaptability to respond to changing market conditions. KJC has discontinued Keronite tiles and residual inventory would be sold over coming months. Furthermore, bathware business turning profitable (with new leadership in place), cost optimisation (to prop up profitability) and various other initiatives shall drive sustainable future growth. Even so, we await demand and volume pickup to show up. All in all, we retain '**HOLD**' with a revised TP of INR1,318 on a valuation rollover to 33x (unchanged) Q2FY28 EPS.

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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)	82.0	82.0	83.0	84.0
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)	66.5	36.3	32.2	28.9
Price/BV (x)	7.1	6.6	6.1	5.6
EV/EBITDA (x)	30.4	21.8	19.5	17.5
Dividend yield (%)	0.9	1.4	1.6	1.8

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

Bio in brief

Mr Chetan Kajaria
Joint Managing Director
Kajaria Ceramics

Mr Chetan Kajaria is a Bachelor in Petro Chemical Engineering (BE) from Pune University and is an MBA from Boston College, US. He started his journey at Kajaria Ceramics in the year 2000 and has been instrumental in providing a new dimension to the company by opening international-standard tile showrooms across the country, which have become an industry trend today.

In 2011, to expand the company's production base beyond North India, he adopted an asset-light approach by strategically acquiring majority stakes in plants in western and southern India, which has not only reduced capex, but also brought about a significant reduction in gestation period associated with setting up greenfield facilities.

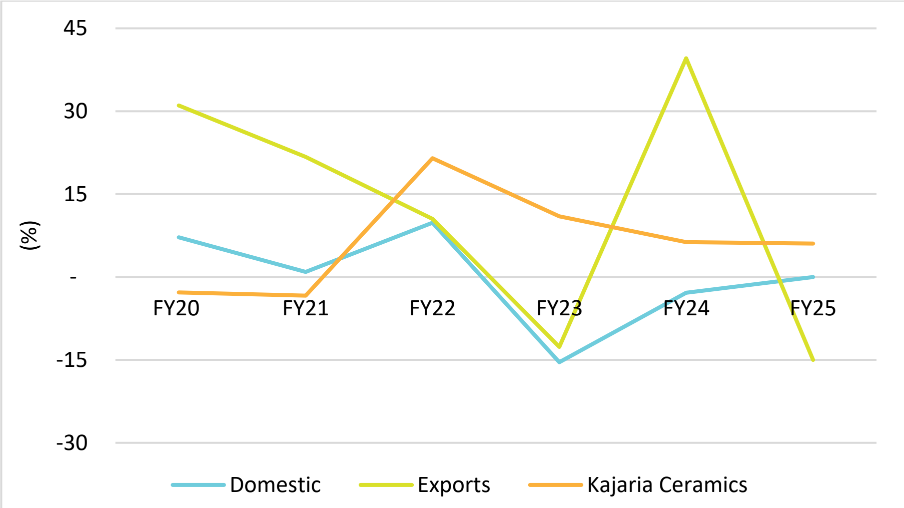
He also pioneered the concept of value-added tiles using digital technology from Spain by enhancing product offerings and improving customer experiences across the country. His initiatives have played a pivotal role in positioning Kajaria as a leading manufacturer of wall and floor tiles in India.

Sluggish demand to restrict volume growth

While KJC has continued to grow over years despite challenges, recently its growth slowed significantly—clocking merely 2% growth in Q4FY25 and ending Q1FY26 on a flat YoY note. Demand thus clearly remains sluggish with real estate demand uptick not translating to volume growth. Meanwhile, the macro environment remains challenging, which is in turn is affecting the company's performance.

While domestic demand was weak, India's exports market for tiles clocked a 20% decrease YoY to INR160bn in FY25 due to elevated freight rates and global unrest. However, the outlook is improving, with exports in the first three months of this year reaching INR4.5bn and likely ranging between INR18 and INR20bn in FY26.

Exhibit 1: Consistent outperformance by KJC on volume front



Source: Nuvama Research, Company

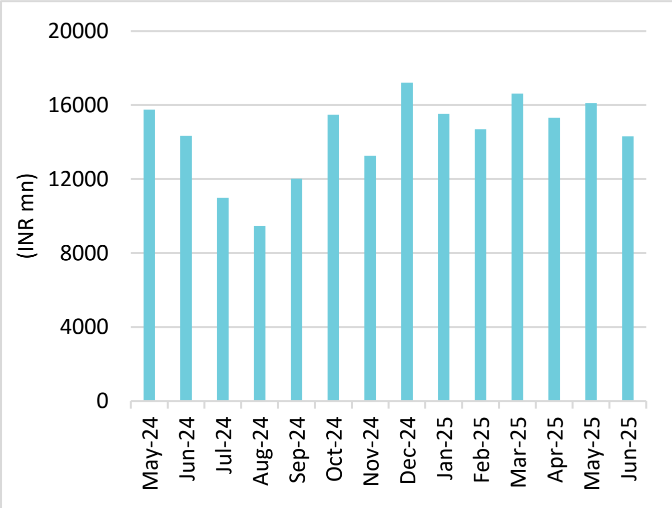
Exhibit 2: Real estate units absorbed (top 7 cities), see a dip in FY25

Source: Company, Nuvama Research

Exhibit 3: Exports have dipped in FY25

Source: Company, Nuvama Research

Exhibit 4: Exports MoM stabilising



Source: Company, Nuvama Research

Nepal economy in doldrums; in a wait-and-watch mode

The Nepal economy has been in a weak state in the past few years. Hence, the JV (50%) has been not performing along expected lines. The pickup in volume has been slower (0.61mn in Q1FY26, with capacity utilisation of 60–70%), but the company remains confident of scaling it up over the coming years.

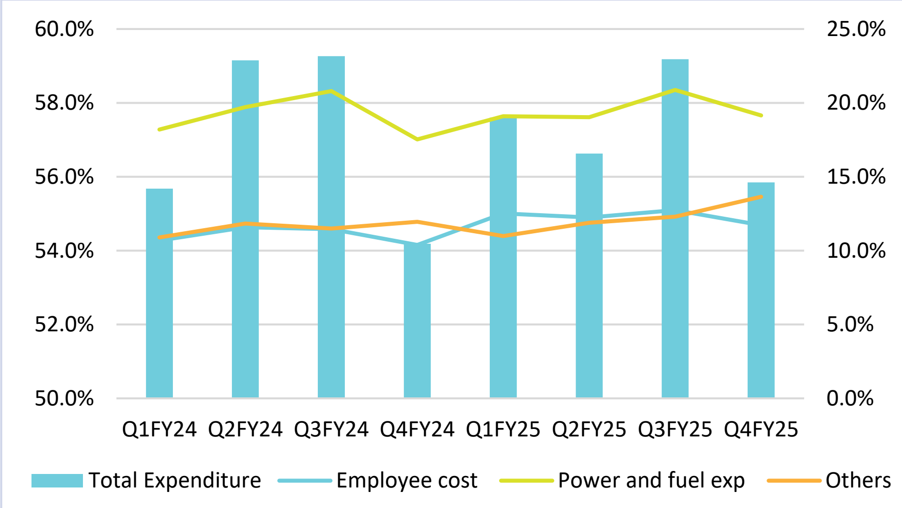
KJC's Nepal project to manufacture ceramic floor/wall tiles and GVT with total 5.1MSM capacity commenced commercial production recently—on September 6, 2024. Current sales (export) in Nepal for the company stand at 70,000–80,000sq. m. The company has invested about INR2.5bn in capital employed in the segment (to date).

Cost control in focus

Cost optimisation remains the key focus. The company is optimising cost across heads and targeting savings of INR1.5–2bn in FY26. The savings will be across line items from raw materials, packaging products, outsourcing, salary, promotor compensation, travel allowances and balance from few other items.

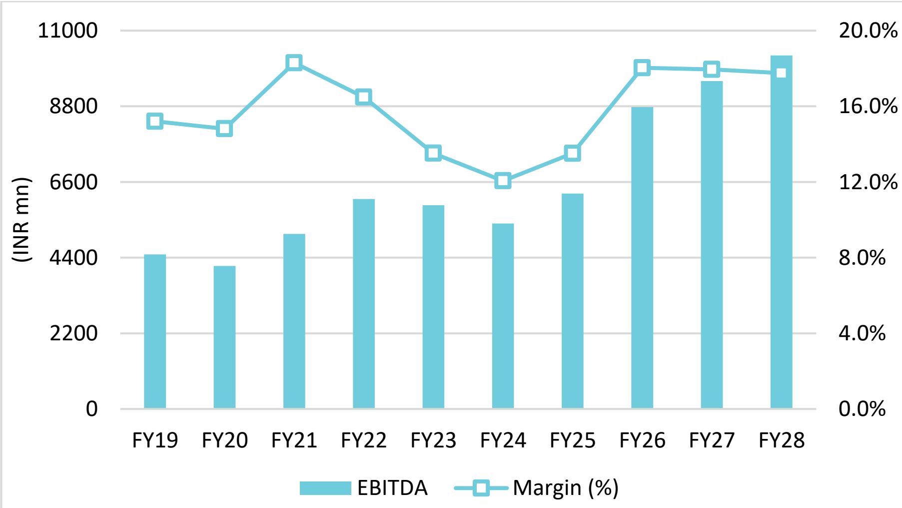
Moreover, the promoter has foregone their compensation until EBITDA reaches INR10bn (~INR6.3bn in FY25). The promoter would evaluate the compensation on achievement of milestone.

Exhibit 5: Cost optimisation in process



Source: Company, Nuvama Research

Exhibit 6: Cost optimisation to reflect in EBITDA and margins



Source: Company, Nuvama Research

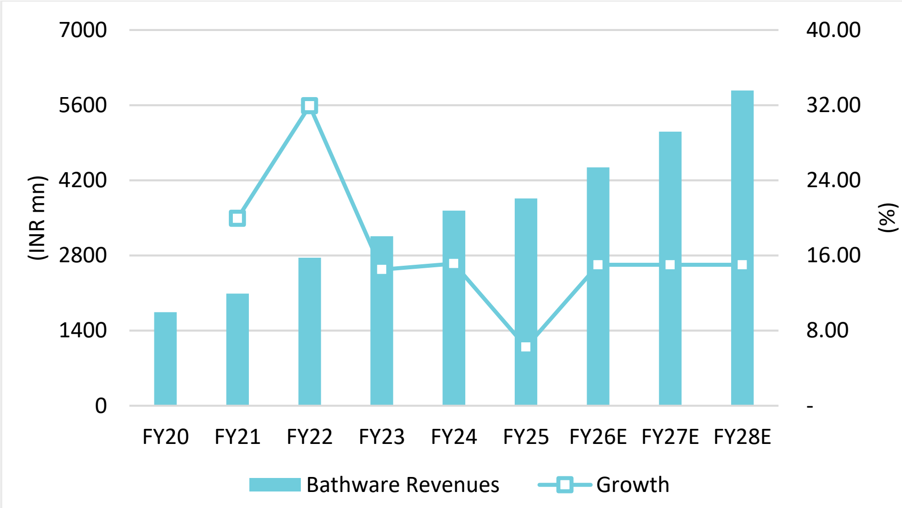
Plywood business shut down…

Kajaria Ceramics shut down its plywood business in May 2025 by discontinuing operations of its wholly-owned subsidiary – Kajaria Plywood due to persistent losses and a lack of strategic fit. While KJC recorded salary expenses to the tune of INR25mn (for the plywood vertical) in Q1FY26 and is likely to further incur INR10mn towards salary expenses in July and August. This would allow the company to increase focus on core operations along with improvement in overall profitability.

…bathware to turn profitable and…

The company operates the bathware division under the brand Kerovit. The division clocked revenue of INR4bn in FY25 (versus INR3.6bn in FY24) and the company expects 20% growth in FY26 i.e. INR4.8bn. The division incurred losses over the years, including INR150mn in FY25 (primarily due to unabsorbed costs due to new plant commissioning). Furthermore, the company expects the bathware business to turn profitable following the appointment of industry veteran Mr Atul Singhvi (ex-Cera) to drive growth in the segment.

Exhibit 7: Steady growth in bathware revenue



Source: Company, Nuvama Research

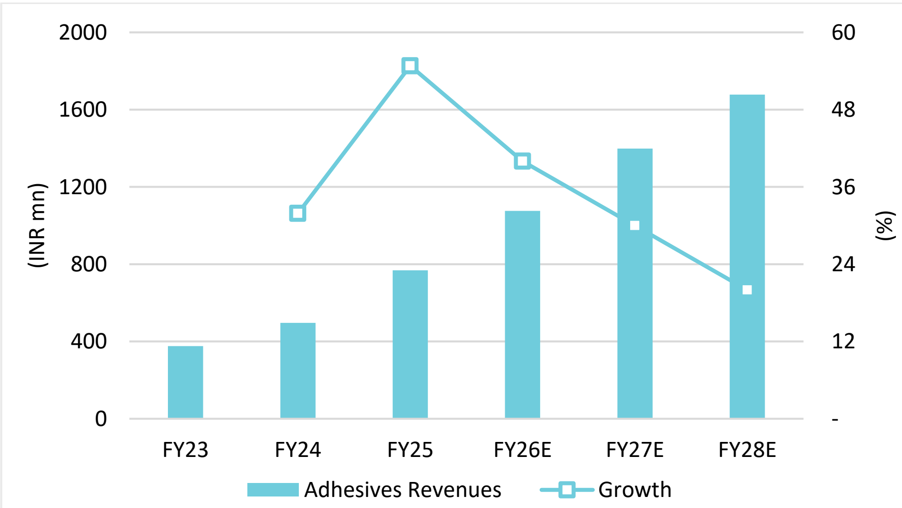
…adhesives business to report strong growth

As an extension of its tile business, KJC expanded its portfolio with the launch of GresBond—a premium suite of tile adhesives and grouts surface care solutions. The adhesives revenue came in at INR750mn in FY25 and contributes merely 2% to revenue, but is growing fastest across segments on a very small base.

KJC commissioned a new adhesive plant at Gailpur, Rajasthan, with an installed capacity of 9,000MT per month last year, which commenced production in May 2025. In line with its growth strategy to strengthen its presence further in South India, the company is setting up another plant with similar capacity in Erode, Tamil Nadu, which is likely to be commissioned by the end of this year. For FY26, the company is targeting INR1.2bn revenue.

Engagement initiatives gained momentum, with widespread adoption of the GRESBOND Rewards mobile app and nationwide Mason Meets reinforcing brand presence. The product portfolio was enhanced with advanced cement, epoxy and polyurethane-based adhesives tailor-made for modern tile formats and complex substrates.

Exhibit 8: Adhesives revenue to inch up



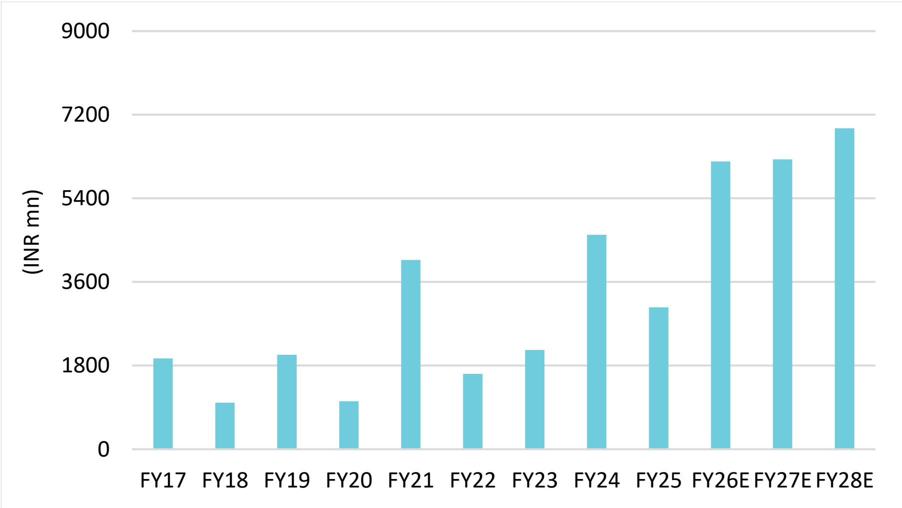
Source: Company, Nuvama Research

Healthy balance sheet; strong cash flows to lead to higher dividend

The company has been maintaining a healthy balance sheet and cash flows. From FY16, KJC has been experiencing strong cash flows each year with a total of INR10bn in five years ending-FY21. In FY22 and FY23, the company had huge capacity expansion plans across its west, south and north plants, which affected its FCF. However, KJC generated INR3.1bn worth of FCF in FY25 (versus INR4.6bn in FY24).

Going ahead, with no major plans for capacity expansion (INR1–1.5bn in FY26 to set up a new office and some regular capital expenses), cash flow is likely to stay strong and KJC might well distribute it as dividends. Notably, working capital has largely stabilised over past three years.

Exhibit 9: FCF to bump up



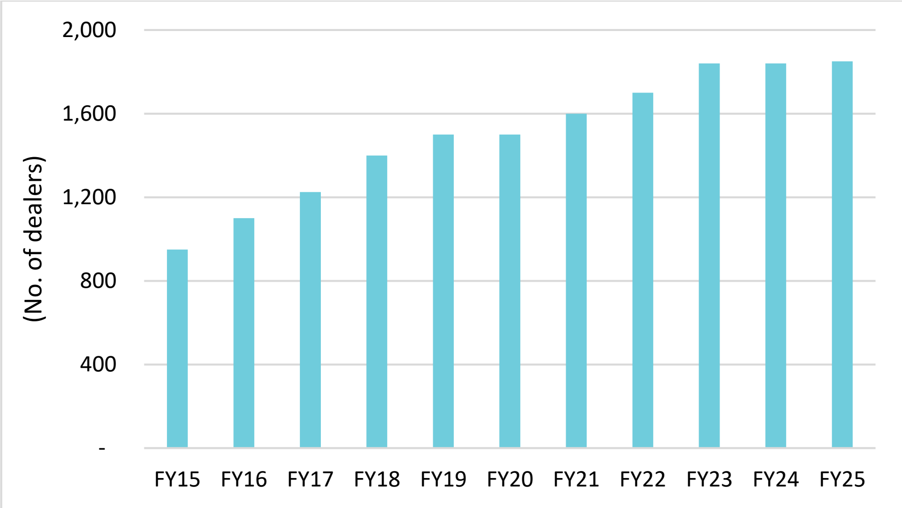
Source: Company, Nuvama Research

Expanding dealer engagement across verticals

KJC has a network of 1,800 dealers, of which 440 are exclusive. The company is now encouraging dealers to carry its entire portfolio across ceramics, PVT and GVT rather than focusing on select categories. Furthermore, the company is also motivating its distributors to become exclusive distributors.

Furthermore, the company is strategically deploying money for advertisements via increased focus towards tier-2 and -3 cities, which have a greater potential for market share gains. The company's ad spends have stayed within 2–4% historically.

Exhibit 10: Dealer count stabilises; focus on conversion to EBO from MBO



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
Kotak AMC	4.69	Vanguard Group	2.11
SBI Funds	4.69	FundRock	2.09
Nippon Life	2.94	Mirae Asset	1.76
Norges Bank	2.86	TATA AMC	1.26
UTI AMC	2.38	ICICI Prudentia	1.19

**Latest public data*

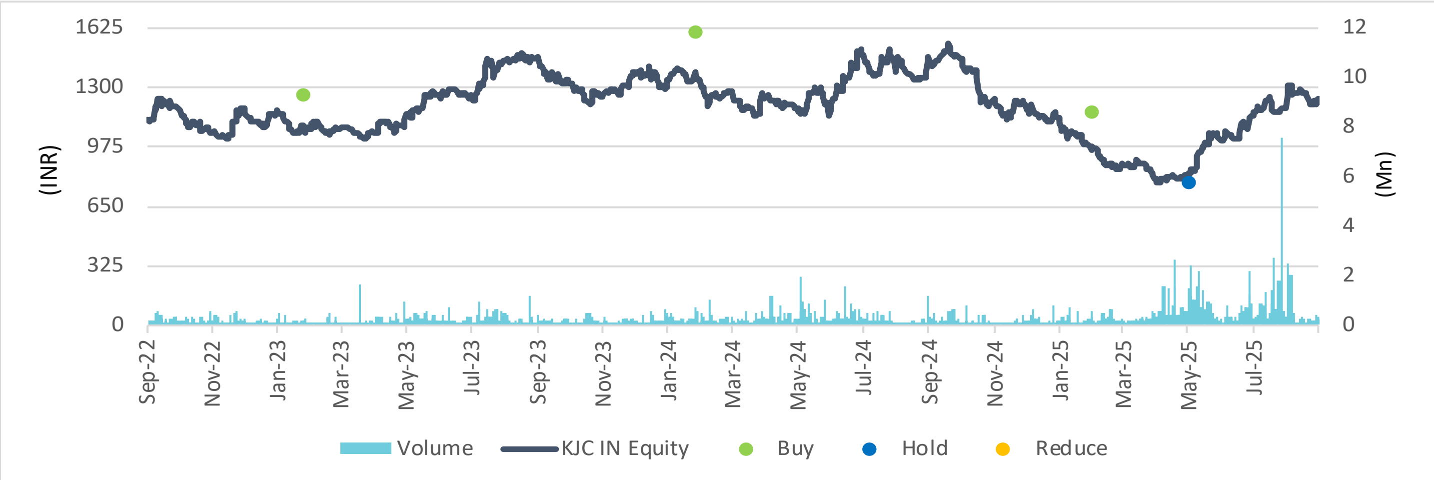
Recent Company Research

Date	Title	Price	Reco
23-Jul-25	Margins surprise; volumes undershoot; *Result Update*	1,242	Hold
06-May-25	Performance weak; scenario bleak; *Result Update*	798	Hold
04-Feb-25	Demand subdued; margins deteriorate; *Result Update*	960	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
03-Sep-25	Venus Pipes	Power sector, VAP drive volume upgrade; *Company Update*
29-Aug-25	Home Decor	Bouncing from the bottom; *Sector Update*
26-Aug-25	Home Decor	Demand low; focus and optimism high; *Sector 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%	198
Hold	<15% and >-5%	70
Reduce	<-5%	36

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