RESULT REVIEW

HOLD
TP: Rs 1,225 | ∀ 2%

KAJARIA CERAMICS | Building Materials | 16 October 2025

Mixed Q2; Maintain HOLD on lack of growth catalysts

- **Weak tiles sales volume in Q2 on muted demand and volume loss due to sales force integration; EBITDA beat on cost optimisation**
- **Management guides good recovery in tiles demand to take time to materialise; expects some more cost savings to accrue in H2FY26**
- **Maintain HOLD on lack of growth catalysts and rich valuation; TP raise by 2% to Rs 1,225 per share**

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Mixed Q2: KJC tiles sales volume came below our estimates (+0.6% YoY vs +5.0% estimated); but beat EBITDA estimate by 11.0% due to better-than-expected operating margin (+393bps YoY to 18.0% vs 15.8% estimated) led by cost optimisation projects. Overall, KJC revenue/EBITDA/APAT grew by 2.1%/30.6%/ 57.8% YoY in Q2FY26.

Highlights: Tiles sales volume grew at a muted pace of 0.6% YoY in Q2FY26 due to volume loss related to sales force integration and impact of heavy rains in North and East India. Tiles realisation improved by 0.4% QoQ. Tiles segment EBIT margin improved by 181bps QoQ to 15.5% in Q2 given the full benefits accrued from cost optimisation projects (salary foregone by promoters, no increments given to employees, integration of sales force, lower brand spend, re-engineering of packaging boxes, better procurement price of outsourced tiles, etc). Bathware revenue grew by 13.9% YoY and EBIT margin improved by 960bps YoY to 3.1% due to the ramp up of new sanitaryware facility.

Outlook: KJC guides tiles demand to slightly recover in Q3 due to government push, but good recovery is likely to take time to materialize. Management believes that tiles exports from India are expected to be relatively flat YoY in FY26. The company expects some more cost savings to accrue in H2FY26 and expects to sustain the current operating margin (18.0%) in future. However, we have assumed lower operating margin (16.0% - which is near to its 10Y average level) for FY27-FY28 as we believe the company needs to pass on the benefit to consumers to gain market share in a highly competitive market.

Maintain HOLD; TP raise by 2% to Rs 1,225: We maintain our HOLD rating as we see limited catalysts for the stock due to a) lack of volume growth visibility over the medium-term [on the back of discontinuation of economy range tile products from Q1FY26 and operating domestic tiles capacity at almost full level (+101% in Q2FY26)], and the stock appears to be fully valued (trades at 37.3x on 1Y forward P/E vs pre-COVID 5Y average of 34.0x). We have slightly tweaked estimates for FY27-FY28. Our target P/E multiple remains unchanged at 35x on Sep'27.

Key changes

Target	Rating
▲	◄►

Ticker/Price	KJC IN/Rs 1,251
Market cap	US$ 2.3bn
Free float	52%
3M ADV	US$ 6.2mn
52wk high/low	Rs 1,401/Rs 759
Promoter/FPI/DII	48%/12%/26%

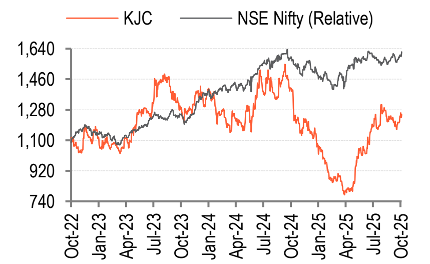
Source: NSE | Price as of 16 Oct 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	46,351	48,969	53,578
EBITDA (Rs mn)	6,262	8,653	8,565
Adj. net profit (Rs mn)	3,426	5,381	5,305
Adj. EPS (Rs)	21.5	33.8	33.3
Consensus EPS (Rs)	18.5	30.0	33.2
Adj. ROAE (%)	12.5	18.3	16.5
Adj. P/E (x)	58.2	37.0	37.6
EV/EBITDA (x)	31.2	22.4	22.4
Adj. EPS growth (%)	(21.0)	57.1	(1.4)

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly performance - Consolidated

Particulars (Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)	BOBCAPS Q2FY26E	Variance (%)
Total operating income	11,860	11,618	2.1	11,027	7.6	22,888	22,576	1.4	12,164	(2.5)
Raw-Material expense	5,103	4,967	2.7	4,425	15.3	9,528	9,544	(0.2)		
Gross Profit	6,757	6,651	1.6	6,603	2.3	13,360	13,032	2.5		
Employee expense	1,305	1,405	(7.1)	1,360	(4.0)	2,665	2,756	(3.3)		
Power & Fuel costs	2,151	2,244	(4.2)	2,240	(4.0)	4,390	4,372	0.4		
Other expense	1,167	1,366	(14.6)	1,135	2.8	2,301	2,560	(10.1)		
EBITDA	2,135	1,635	30.6	1,869	14.2	4,003	3,345	19.7	1,923	11.0
D&A	419	404	3.7	436	(4.0)	855	823	3.9		
EBIT	1,716	1,231	39.4	1,432	19.8	3,148	2,522	24.8		
Interest cost	58	34	72.5	52	11.4	110	67	65.0		
Non-operating expense/(income)	(160)	(70)	129.6	(141)	12.9	(301)	(148)	103.9		
PBT	1,817	1,267	43.4	1,522	19.4	3,339	2,603	28.3		
Tax	472	350	34.8	396	19.1	868	708	22.6		
Reported PAT from continued operations	1,346	917	46.7	1,126	19.5	2,471	1,895	30.4		
Profit/(loss) from discontinued operations	(6)	(62)	(90.7)	(23)	(74.7)	(28)	(116)	(75.7)		
Reported PAT	1,340	855	56.6	1,103	21.5	2,443	1,779	37.3		
Minority Interest	10	13	(19.7)	13	(23.3)	24	38	(37.7)		
Reported PAT after Minority Interest	1,330	843	57.8	1,090	22.0	2,419	1,741	39.0		
Adjusted PAT	1,330	843	57.8	1,090	22.0	2,419	1,741	39.0	1,174	13.2
As % of net revenues			**(bps)**		**(bps)**			**(bps)**		
Gross margin	57.0	57.2	(27)	59.9	(290)	58.4	57.7	65		
Employee cost	11.0	12.1	(109)	12.3	(133)	11.6	12.2	(56)		
Power costs	18.1	19.3	(118)	20.3	(217)	19.2	19.4	(18)		
Other cost	9.8	11.8	(192)	10.3	(45)	10.1	11.3	(129)		
EBITDA margin	18.0	14.1	393	16.9	105	17.5	14.8	268		
Tax rate	26.0	27.6	(166)	26.0	(6)	26.0	27.2	(121)		
APAT margin	11.2	7.3	396	9.9	133	10.6	7.7	286		

Source: Company, BOBCAPS Research

Fig 2 – Segment performance

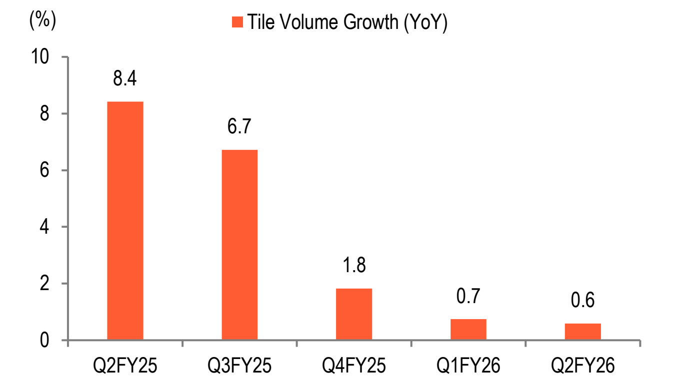
Particulars	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)
Revenue (Rs mn)								
Tiles	10,836	10,717	1.1	10,113	7.2	20,949	20,764	0.9
Non-Tile (Bathware)	1,024	901	13.6	915	11.9	1,939	1,812	7.0
Total	**11,860**	**11,618**	**2.1**	**11,027**	**7.6**	**22,888**	**22,576**	**1.4**
EBIT margin (%)								
Tile	15.5	12.0	351	13.7	181	14.7	12.3	237
Non-Tile (Bathware)	3.1	(6.5)	960	4.7	(167)	3.8	(1.8)	568
Total	**14.5**	**10.6**	**387**	**13.0**	**148**	**13.8**	**11.2**	**258**
Operational Data								
Tiles Sales Volume (msm)	28.9	28.7	0.6	27.2	6.2	56.1	55.7	0.7
Tiles Realization (Rs/sqm)	364.2	367.1	(0.8)	362.9	0.4	364	367	(0.9)
Tiles EBIT per unit (Rs/sqm)	58	45	29.8	51	14.2	55	46	19.5

Source: Company, BOBCAPS Research

Earnings call highlights

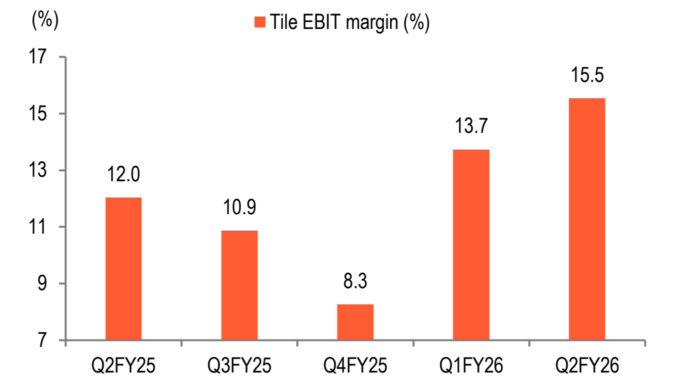
- **Tiles demand scenario:** Demand remained soft in Q2FY26 owing to heavy rains and floods in northern and eastern India. Going ahead, the management expects the tiles demand to improve in anticipation of government infrastructure push and revival in consumer sentiments due to the reduction in GST rates.
- **Tiles exports scenario:** Indian tiles exports are estimated to be around Rs 83bn in H1FY26 (vs Rs 76bn in H1FY25). Management expects Indian tiles exports to be relatively flat around Rs 160bn in FY26 (vs Rs 165bn in FY25).
- **Cost optimisation projects:** KJC has discontinued the economy-range products and would sell its product under the Kajaria brand name. Promoters have voluntarily foregone salary (Rs 170mn in FY25) till the time the company's annual operating profit reaches Rs 10bn (vs Rs 6.3bn in FY25) and the company has not given increment to its employees in FY26 due to weak market conditions. The company has laid off 250 employees mainly due to integration of its sales force (from three different verticals i.e. ceramic, PVT, and GVT into a single team). The company has also reduced its brand spend. Re-engineered packaging boxes across the plants, which would result in annual cost savings of Rs 350mn.
- **Tiles:** revenue grew at a muted pace of 1.1% YoY in Q2FY26 driven by higher tiles volumes (+0.6%). Tiles realisation improved by 0.4% QoQ. Tiles segment EBIT margin improved sharply by 351bps YoY to 15.5% in Q2FY26 due to benefit of cost rationalisation (employee/other expense were down 7.1%/14.6% YoY in Q2FY26).
- **Dealers:** KJC has now 1,850 dealers across India, out of which 450 are exclusive dealers. The company has hired a management consultant to identify non-performing dealers across the states and provide suggestions for deeper market share penetration into each market.
- **Fuel cost:** Power & fuel cost is down on QoQ basis due to lower production, but fuel prices remain stable on QoQ in Q2FY26.
- **Nepal plant:** Operating rate has gone up from 69% in Q1FY26 to 86% in Q2FY26. However, the JV is expected to report insignificant profit in FY26 due to turmoil in the Nepal market. Going ahead, the management's focus is to liquidate the excess inventory even at a lower price. The management expects the JV to report better profit from FY27-FY28 onwards.
- **Bathware:** Revenue grew by 13.6% YoY in Q2FY26. Segment EBIT margin improved sharply by 960bps YoY to 3.1% in Q2FY26 due to the benefit of operating leverage on the back of ramp-up of newly commissioned sanitaryware facility.
- **Working Capital:** cycle has slightly gone up from 70 days in Q2FY25 to 74 days in Q2FY26 due to reduction in creditors (from 27 days to 21 days).
- **Net cash:** position stood at Rs 5.93bn in Sep'25 (vs Rs 5.15bn in Jun'25). The company plans to maintain dividend payout of 40-50% in future.

Fig 3 – KJC's tile volumes grew at 0.6% YoY in Q2FY26 due to impact of heavy rain in North and East India



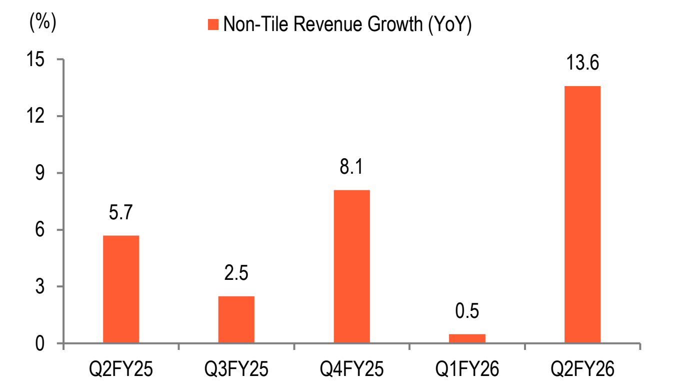
Source: Company, BOBCAPS Research

Fig 4 – However, tile EBIT margin improved sharply in Q2FY26 due to the benefit of cost optimisation projects



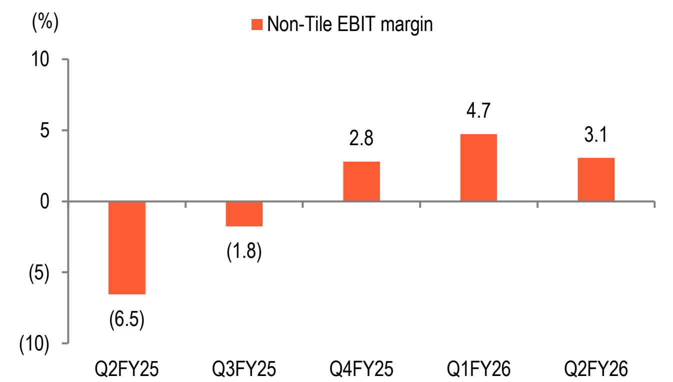
Source: Company, BOBCAPS Research

Fig 5 – Non-tile (i.e. bathware) revenue grew by 13.6% YoY in Q2FY26



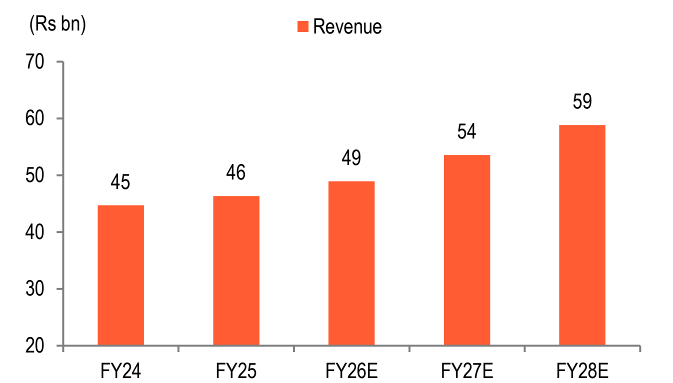
Source: Company, BOBCAPS Research

Fig 6 – Non-tile EBIT margin also improved sharply in Q2FY26 due to ramp-up of new sanitaryware facilities



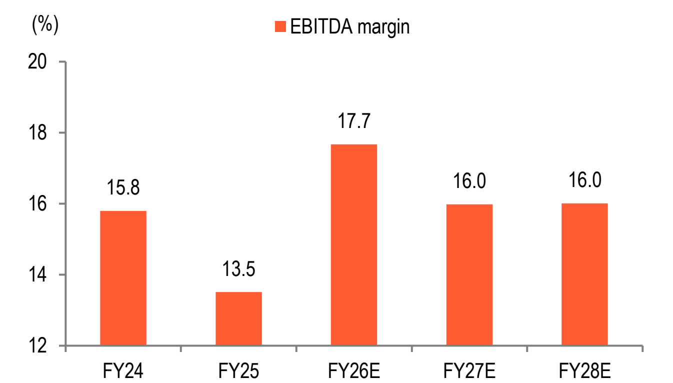
Source: Company, BOBCAPS Research

Fig 7 – KJC's revenue projected to grow at 8.3% CAGR over FY25-FY28E



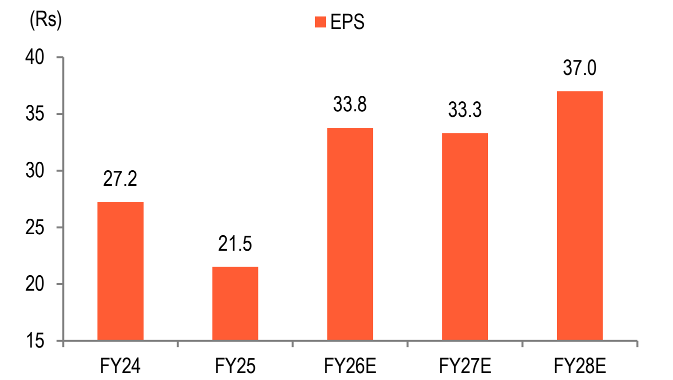
Source: Company, BOBCAPS Research

Fig 8 – KJC EBITDA margin is projected to be near to its 10Y avg level of 16.3% over FY27E-FY28E



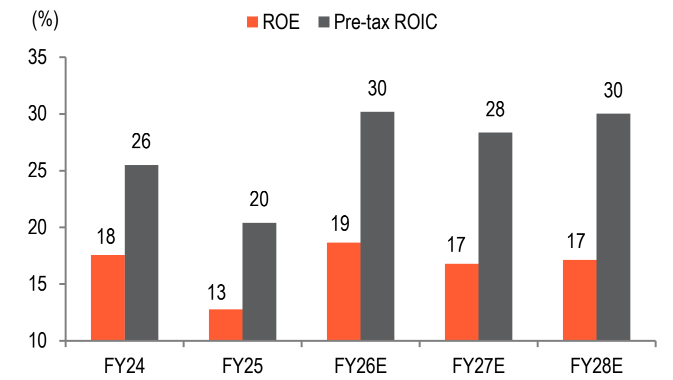
Source: Company, BOBCAPS Research

Fig 9 – EPS is forecast to grow at 19.8% CAGR over FY25-FY28E over a weak base



Source: Company, BOBCAPS Research

Fig 10 – KJC is likely to generate a healthy return ratio over FY26E-FY28E



Source: Company, BOBCAPS Research

Valuation Methodology

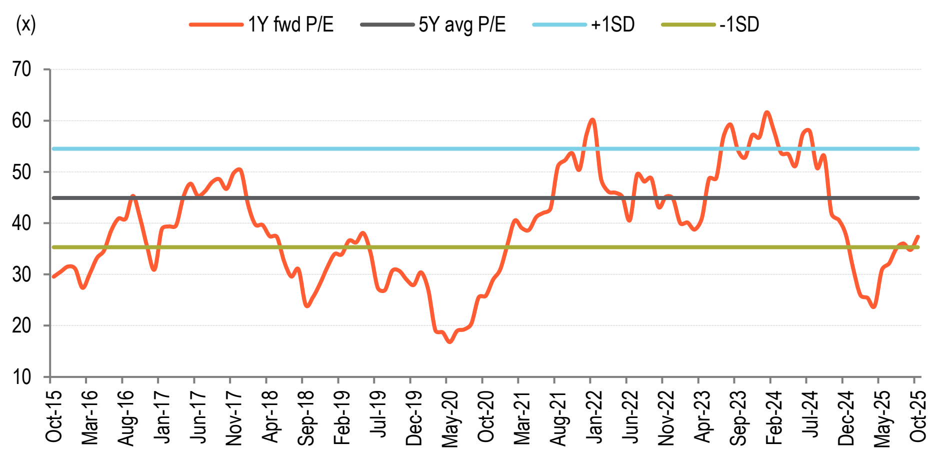
We maintain our HOLD rating as we see limited catalysts for the stock due to a) lack of volume growth visibility over the medium-term [on the back of discontinuation of economy range tile products from Q1FY26 and operating domestic tiles capacity at almost full level (+101% in Q2FY26)], and the stock appears to be fully valued (trades at 37.3x on 1Y forward P/E vs pre-COVID 5Y average of 34.0x). We have slightly tweaked estimates for FY27-FY28. Our target P/E multiple remains unchanged at 35x on Sep'27.

Fig 11 – Revised estimates

Particulars	New			Old			Change (%)		
Consolidated (Rs bn)	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Total operating income	49.0	53.6	58.8	49.4	54.0	59.3	(0.9)	(0.8)	(0.8)
EBITDA	8.7	8.6	9.4	7.8	8.6	9.5	11.1	(0.8)	(0.9)
EBITDA Margin	17.7	16.0	16.0	15.8	16.0	16.0	190bps	(1bps)	(1bps)
Adjusted PAT	5.4	5.3	5.9	4.7	5.3	5.9	13.6	(0.6)	(0.6)
EPS (Rs)	33.8	33.3	37.0	29.7	33.5	37.2	13.6	(0.6)	(0.6)

Source: BOBCAPS Research

Fig 12 – KJC trading at 37.2x on 1Y forward P/E vs. pre COVID 5Y avg of 34.0x



Source: Bloomberg, BOBCAPS Research

Fig 13 – Key assumptions

Particulars (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tile Volume Growth	6.3	6.1	3.4	6.5	5.8
Tile Realization Growth	(3.3)	(3.1)	(0.0)	1.1	2.0
Tile Revenue Growth	2.8	2.7	3.4	7.7	7.9
Non-Tile Revenue Growth	20.2	(1.2)	14.4	21.7	22.2
Non-Tile Revenue Share	11.3	10.9	11.9	13.3	14.8

Source: Company, BOBCAPS Research

Key risks

Key upside/downside risks to our estimates:

- Better-than-expected recovery in real estate demand and sharp improvement in non-tile segment margins are key upside risks.
- Market share loss in tiles and a steep decline in tile exports from India are key downside risks.

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Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**44,740**	**46,351**	**48,969**	**53,578**	**58,842**
EBITDA	7,068	6,262	8,653	8,565	9,419
Depreciation	1,476	1,654	1,759	1,828	1,889
EBIT	5,593	4,608	6,895	6,737	7,530
Net interest inc./(exp.)	(173)	(200)	(225)	(231)	(231)
Other inc./(exp.)	462	427	597	619	619
Exceptional items	113	483	0	0	0
EBT	5,768	4,352	7,266	7,124	7,918
Income taxes	1,435	1,360	1,862	1,798	1,998
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(113)	(49)	(22)	(21)	(25)
Reported net profit	**4,221**	**2,943**	**5,381**	**5,305**	**5,894**
Adjustments	113	483	0	0	0
Adjusted net profit	**4,335**	**3,426**	**5,381**	**5,305**	**5,894**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	2,933	3,381	3,572	3,908	4,292
Other current liabilities	2,385	2,352	2,352	2,352	2,352
Provisions	278	299	315	345	379
Debt funds	1,706	1,759	1,720	1,722	1,737
Other liabilities	1,372	1,670	1,670	1,670	1,670
Equity capital	159	159	159	159	159
Reserves & surplus	26,006	27,284	30,044	32,766	35,789
Shareholders' fund	26,756	28,101	30,815	33,496	36,474
Total liab. and equities	**35,429**	**37,562**	**40,445**	**43,493**	**46,905**
Cash and cash eq.	5,141	5,829	8,118	9,346	11,134
Accounts receivables	6,194	5,702	6,024	6,591	7,238
Inventories	5,322	6,181	6,188	7,229	8,048
Other current assets	970	474	497	537	583
Investments	148	302	302	302	302
Net fixed assets	15,336	15,839	16,080	16,253	16,364
CWIP	679	1,087	1,087	1,087	1,087
Intangible assets	1,041	1,335	1,335	1,335	1,335
Deferred tax assets, net	185	53	53	53	53
Other assets	412	760	760	760	760
Total assets	**35,429**	**37,562**	**40,445**	**43,493**	**46,905**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**6,525**	**5,312**	**6,908**	**5,741**	**6,583**
Capital expenditures	(3,249)	(2,859)	(2,000)	(2,000)	(2,000)
Change in investments	(129)	(154)	0	0	0
Other investing cash flows	225	190	360	382	382
Cash flow from investing	**(3,153)**	**(2,823)**	**(1,641)**	**(1,618)**	**(1,618)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(387)	54	(39)	2	15
Interest expenses	(173)	(200)	(225)	(231)	(231)
Dividends paid	(1,963)	(1,434)	(2,621)	(2,584)	(2,871)
Other financing cash flows	353	(222)	(92)	(81)	(90)
Cash flow from financing	**(2,169)**	**(1,802)**	**(2,977)**	**(2,895)**	**(3,177)**
Chg in cash & cash eq.	**1,203**	**688**	**2,290**	**1,228**	**1,788**
Closing cash & cash eq.	**5,141**	**5,829**	**8,118**	**9,346**	**11,134**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	26.5	18.5	33.8	33.3	37.0
Adjusted EPS	27.2	21.5	33.8	33.3	37.0
Dividend per share	12.0	9.0	16.5	16.2	18.0
Book value per share	164.3	172.3	189.6	206.7	225.7

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	4.4	4.2	4.0	3.6	3.2
EV/EBITDA	27.8	31.2	22.4	22.4	20.2
Adjusted P/E	46.0	58.2	37.0	37.6	33.8
P/BV	7.6	7.3	6.6	6.1	5.5

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	75.1	78.7	74.1	74.5	74.4
Interest burden (PBT/EBIT)	103.1	94.4	105.4	105.8	105.1
EBIT margin (EBIT/Revenue)	12.5	9.9	14.1	12.6	12.8
Asset turnover (Rev./Avg TA)	126.3	123.4	121.1	123.2	125.5
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.4	1.4	1.3
Adjusted ROAE	17.1	12.5	18.3	16.5	16.8

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	2.1	3.6	5.6	9.4	9.8
EBITDA	19.1	(11.4)	38.2	(1.0)	10.0
Adjusted EPS	23.3	(21.0)	57.1	(1.4)	11.1
Profitability & Return ratios (%)					
EBITDA margin	15.8	13.5	17.7	16.0	16.0
EBIT margin	12.5	9.9	14.1	12.6	12.8
Adjusted profit margin	9.7	7.4	11.0	9.9	10.0
Adjusted ROAE	17.1	12.5	18.3	16.5	16.8
ROCE	21.3	16.9	23.0	20.9	21.3
Working capital days (days)					
Receivables	51	45	45	45	45
Inventory	43	49	46	49	50
Payables	24	27	27	27	27
Ratios (x)					
Gross asset turnover	1.9	1.8	1.8	1.8	1.9
Current ratio	2.6	2.6	2.8	3.0	3.2
Net interest coverage ratio	32.3	23.0	30.6	29.1	32.6
Adjusted debt/equity	(0.1)	(0.1)	(0.2)	(0.2)	(0.3)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

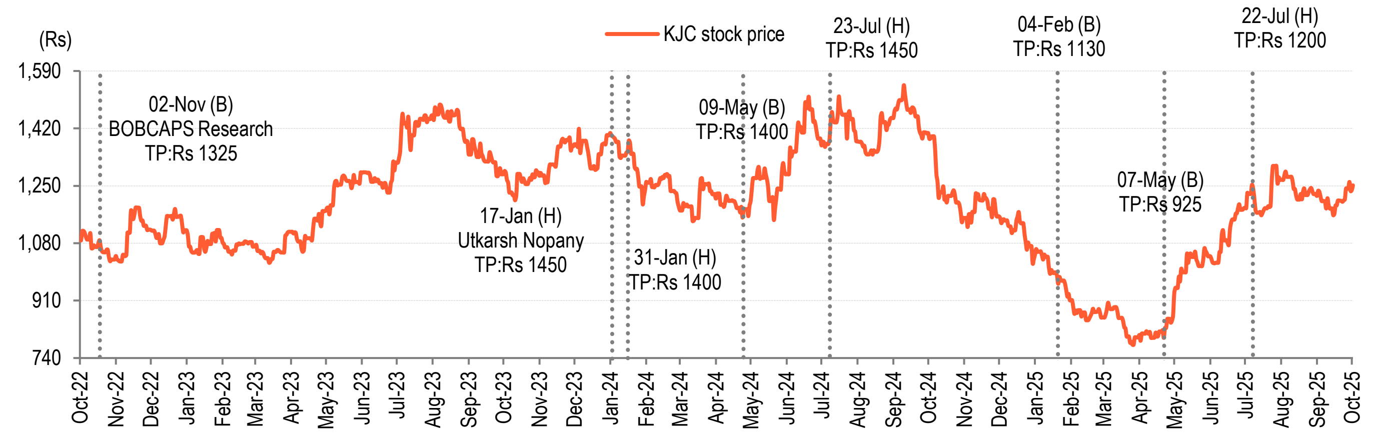
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): KAJARIA CERAMICS (KJC IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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