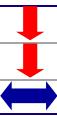


Kajaria Ceramics

Estimate change
TP change
Rating change



CMP: INR902 **TP: INR1,057 (+17%)** **Buy**
Weakness persists; gradual revival in volume likely

Tile-volume/revenue/EBITDA/PAT grew 0%/1%/31%/13% YoY in 3Q

Bloomberg	KJC IN
Equity Shares (m)	159
M.Cap.(INRb)/(USDb)	143.7 / 1.6
52-Week Range (INR)	1322 / 745
1, 6, 12 Rel. Per (%)	-4/-25/-18
12M Avg Val (INR M)	466
Free float (%)	52.3

Financials & Valuations (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	47.8	52.9	59.6
EBITDA	8.4	9.3	10.5
Adj. PAT	5.2	6.0	7.0
Adj. EPS (INR)	32.5	37.5	43.8
EPS Gr. (%)	75.8	15.6	16.6
BV/Sh. (INR)	190	214	242
Ratios			
RoE (%)	17.1	17.6	18.1
RoCE (%)	22.9	23.9	24.8
Payout (%)	40.0	37.3	36.6
Valuations			
P/E (x)	27.5	23.8	20.4
P/BV (x)	4.7	4.2	3.7
EV/EBITDA (x)	16.2	14.2	12.2
Div. Yield (%)	1.3	1.6	1.8

Shareholding pattern (%)

As On	Dec'25	Sep'25	Jun'25
Promoter	47.7	47.6	47.5
DII	26.3	26.0	27.4
FII	11.7	11.6	12.6
Others	14.3	14.8	12.6

Key highlights from the management commentary

- Weakness continued in 3Q (tile volume flat YoY; EBITDA margin at 17.2%).
- Tile volume and realization were impacted by liquidation of some slow-moving SKUs in ceramic tiles.
- Management remains optimistic about a revival in volume after healthy traction seen in Jan'26.
- EBITDA margin should remain in the 17-18% range.
- The company will appoint a consultant to strengthen systems and processes to avoid any wrongdoings by any employees in the future.
- It has also appointed a consultant to drive market share gains through the rationalization of dealerships and channel expansion.
- Key focus areas: (1) driving cross-selling across channels, and (2) scaling up private B2B and government sales, supported by an established sales team.
- Price hikes: Faucets by 8-12% from Jan'26; sanitaryware to follow soon

Valuation and view

- We cut our earnings estimates by 2-3% after a soft 3Q result. In line with weak demand and a healthy 17-18% EBITDA margin guidance, we expect a CAGR of 8%/9%/19%/33% in tile-volume/revenue/EBITDA/PAT over FY25-28 (FY19-25: 6%/8%/6%/4%). We also project ~18% RoE, ~25% RoCE, ~35% RoIC, and more than INR5b annual FCF for the company.
- Despite operational challenges in the near term, structural drivers are intact in the medium to long term.
- While we expect a gradual recovery in volume, KJC's stock price looks attractive at ~24x/20x FY27E/28E P/E after over 30% correction in the last six months. We retain a BUY rating on KJC with a TP of INR1,057, based on 26x Sep'27E EPS (~20% discount to 10-year mean on low volume growth).**
- Recovery in tile volume and sustaining high EBITDA margin (17%+) remain the key near-term monitorables.
- Key risks:** slowdown in the economy and construction activities; high volatility in gas prices; intensified competition from Morbi based players.

Consolidated quarterly performance
(INR m)

	FY25				FY26E				FY25	FY26E	FY26E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3Q Est.	%
Net Sales	10,958	11,618	11,556	12,219	11,027	11,860	11,683	13,245	46,351	47,836	12,588	-7
YoY Change (%)	3.0	3.6	0.3	1.1	0.6	2.1	1.1	8.4	3.6	3.2	8.9	
Total Expenditure	9,248	9,983	10,023	10,835	9,159	9,726	9,671	10,931	40,089	39,486	10,380	
EBITDA	1,710	1,635	1,533	1,384	1,869	2,135	2,012	2,314	6,262	8,350	2,208	-9
Margins (%)	15.6	14.1	13.3	11.3	16.9	18.0	17.2	17.5	13.5	17.5	17.5	
Depreciation	419	404	397	434	436	419	415	420	1,654	1,690	424	
Interest	33	34	74	60	52	58	59	59	200	229	58	
Other Income	101	99	103	125	132	155	117	127	427	530	160	
PBT before EO expense	1,359	1,296	1,166	1,014	1,513	1,813	1,654	1,961	4,835	6,962	1,886	
Extra-Ord expense	0	0	0	0	0	0	-396	0	0	-396	0	
PBT	1,359	1,296	1,166	1,014	1,513	1,813	1,258	1,961	4,835	6,565	1,886	-33
Tax	358	350	307	344	396	472	386	520	1,360	1,773	490	
Rate (%)	26.3	27.0	26.4	33.9	26.2	26.0	30.7	26.5	28.1	27.0	26.0	
Minority Interest	-25	-13	-12	-7	-13	-10	16	10	57	-2	-10	
Profit/(Loss) - Associates	-78	-91	-69	-238	-14	-1	-11	10	-475	-15	10	
Reported PAT	898	843	777	425	1,090	1,330	877	1,461	2,944	4,779	1,396	-37
Adj PAT	898	843	777	425	1,090	1,330	1,274	1,461	2,944	5,176	1,396	-9
YoY Change (%)	-16.5	-21.9	-25.4	-58.5	21.3	57.8	63.8	243.6	-30.3	75.8	79.5	
Margins (%)	8.2	7.3	6.7	3.5	9.9	11.2	10.9	11.0	6.4	10.8	11.1	

E: MOFSL Estimates

Quarterly operating metrics

Y/E March	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	% YoY	% QoQ
Segment Revenues (INR m)								
Own Manuf. (tiles)	5,873	5,688	5,855	5,439	5,797	5,635	(0.9)	(2.8)
Subsidiaries (tiles)	1,945	2,067	2,273	2,044	2,215	2,289	10.7	3.3
Outsourcing/Import (tiles)	2,717	2,651	2,755	2,381	2,502	2,375	(10.4)	(5.1)
Tiles - total revenue	10,535	10,407	10,884	9,864	10,515	10,299	(1.0)	(2.0)
Sanitaryware / Faucets	901	945	1,105	915	1,024	1,032	9.2	0.8
Plywood	175	81	47	16	6	-		
Adhesives	182	205	230	249	322	352	71.8	9.3
Total revenue	11,793	11,637	12,266	11,043	11,866	11,683	0.4	(1.5)
Tiles sales volume (msm)								
Own Manufacturing	15.6	15.4	15.8	14.8	15.7	15.4	-	(1.4)
Subs/JV's	5.4	5.9	6.5	5.7	6.3	7.0	18.9	10.8
Outsourcing/Imports	7.6	7.6	7.9	6.7	6.9	6.6	(13.7)	(5.2)
Total tile sales volume (msm)	28.7	28.9	30.1	27.2	28.9	29.0	0.2	0.3
Tiles NSR (INR /sq mtr)								
Own Manufacturing	376	368	371	369	370	365	(0.9)	(1.4)
Subs/JV's	358	352	352	356	352	328	(6.9)	(6.7)
Outsourcing/Imports	356	349	351	356	362	363	3.8	0.1
Blended NSR	367	360	361	363	364	356	(1.3)	(2.4)
Segment EBIT %								
Tiles	12.0	10.7	8.3	13.7	15.4	14.4		
Others (S/w, Faucets, Ply)	(6.5)	1.6	2.8	4.7	7.5	8.3		
Blended EBIT	10.6	9.8	7.8	13.0	14.5	13.7		
Unallocated income as % revenue	0.8	0.9	1.0	1.2	1.3	1.0		
Net WC Cycle (Days)	59	59	51	58	56	64		
Net cash (INR m)	3,370	2,980	4,240	5,150	5,930	4,720		



Key highlights from the management commentary

Key operational highlights: 3QFY26

- KJC continued to face weak demand in 3Q, with tile volume flat YoY due to the liquidation of slow-moving SKUs in ceramic tiles.
- Revenue/EBITDA/PAT grew 1%/31%/13% YoY.
- EBITDA margin expanded 395bp YoY to 17.2% but declined 78bp QoQ owing to discounting undertaken for SKU rationalization.
- PAT margin improved 78bp YoY to 7.5%.
- Sanitaryware and Faucetware revenue grew 9% YoY, while Adhesives revenue surged 72% YoY.
- Extraordinary items of INR396m comprised provisions for the new labor code (~INR200m) and financial fraud (~INR200m).
- Gas costs averaged INR37/scm (North and South: INR38; rest of India: INR37); a further increase of INR1/scm was observed in 4Q.
- No plywood revenue in 3Q following closure of the division.
- Working capital increased to 64 days in 3Q (vs. 56 in 2Q), driven by higher receivables and lower other current liabilities.
- Net cash position stood at INR4.72b.
- In 9MFY26, revenue/EBITDA/PAT grew 1%/23%/31% YoY.
- EBITDA margin expanded 311bp YoY to 17.4% and PAT margin improved 216bp YoY to 9.5%.

Business development and outlook

- Volume recovery is visible from Jan'26, indicating early signs of demand revival.
- Reiterated EBITDA margin guidance of 17-18%
- Focusing on driving sales through dealer unification, deeper engagement with architects and interior designers, and government sector expansion.
- To appoint a consultant to strengthen internal systems and processes to prevent employee-level wrongdoing. KJC has also appointed a consultant to drive market share gains by rationalization of dealerships and channel expansion.
- Price hike of 8-12% taken in faucets w.e.f. 19th Jan'26 following a surge in brass prices and other key raw materials.
- Price hike in sanitaryware to follow from 1st Mar'26.
- At the Gailpur plant, one unit (9.1 msm p.a.) was converted from ceramic floor tiles to glazed vitrified tiles, aligning capacity with demand for value-added products.
- No major capex planned over the next 1-2 years.
- A&P spend at INR240m in 3Q, expected to increase in 4Q; though FY26 spends will be lower YoY due to the absence of overseas dealer meets.
- India tile exports stood at ~INR40b in 3Q and are expected to reach ~INR160b in FY26; management does not anticipate pricing pressure from Morbi players.

Story in charts

Exhibit 1: Consolidated quarterly revenue mix trend (%)

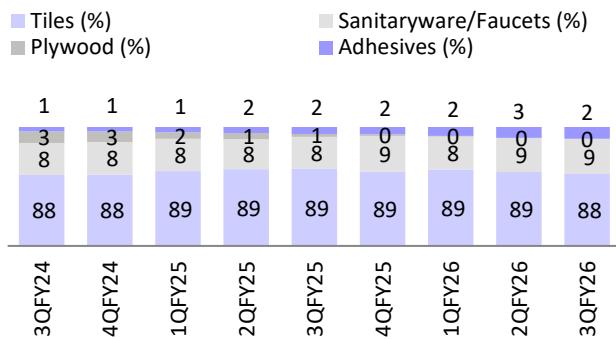


Exhibit 2: Tiles product-wise revenue mix trend (%)

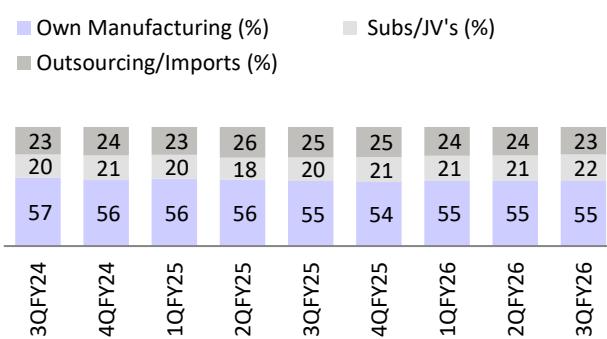


Exhibit 3: Tiles quarterly volume trend (msm)

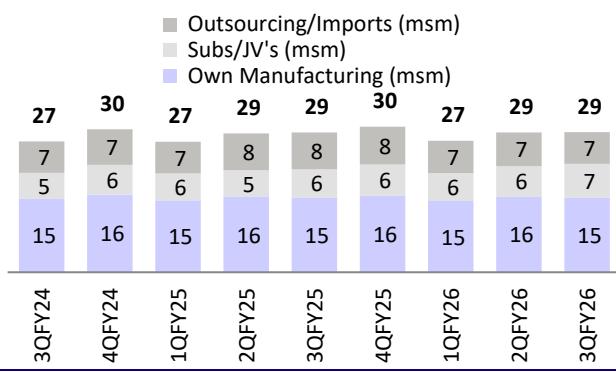


Exhibit 4: Tiles NSR gradually improving (INR m)

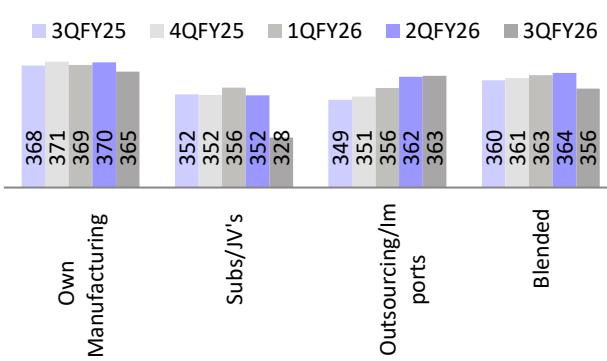


Exhibit 5: Consolidated quarterly revenue and growth trend

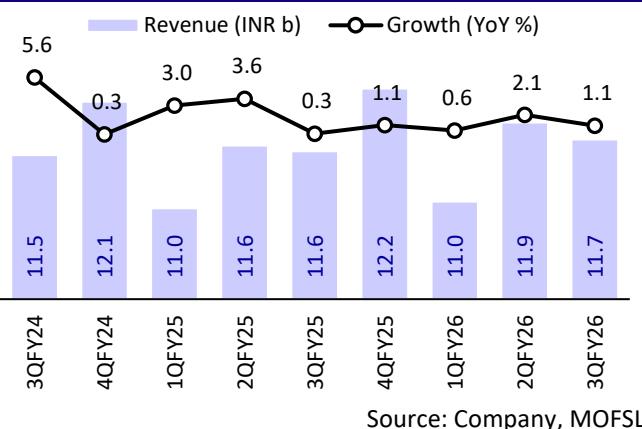


Exhibit 6: Expenses as % of revenue

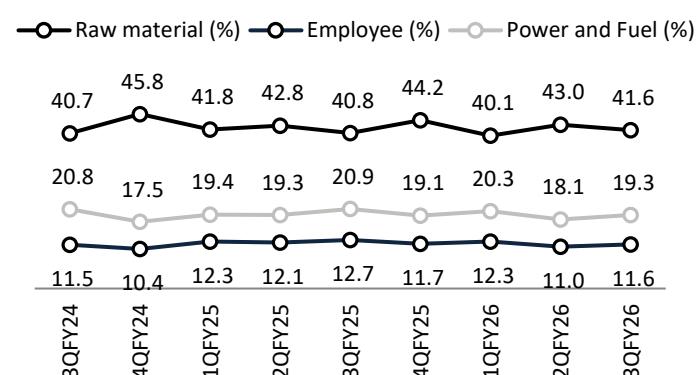


Exhibit 7: Quarterly EBITDA, PAT and margin trends (%)

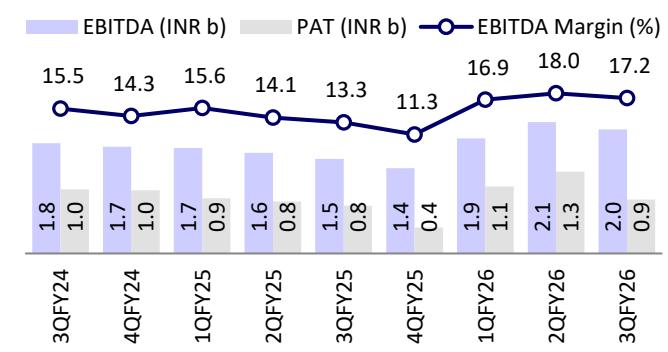


Exhibit 8: Quarterly EPS trend

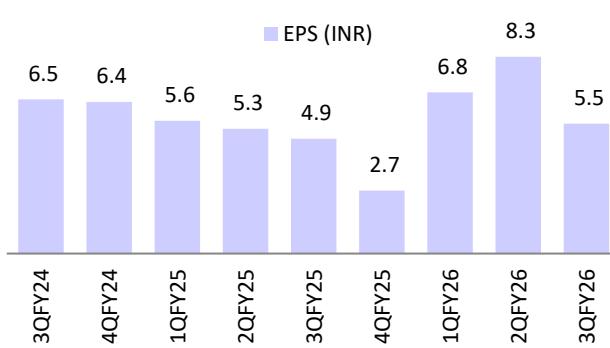


Exhibit 9: Consolidated annual revenue mix trend (%)

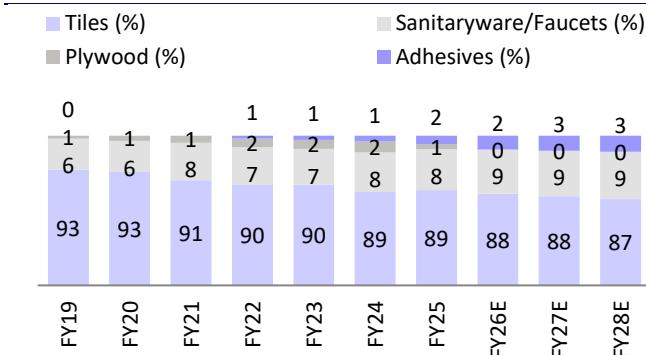


Exhibit 10: Tiles product-wise annual revenue mix (%)

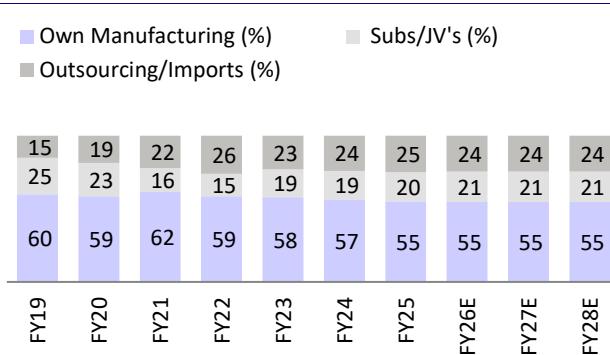


Exhibit 11: Tiles annual volume trend (msm)

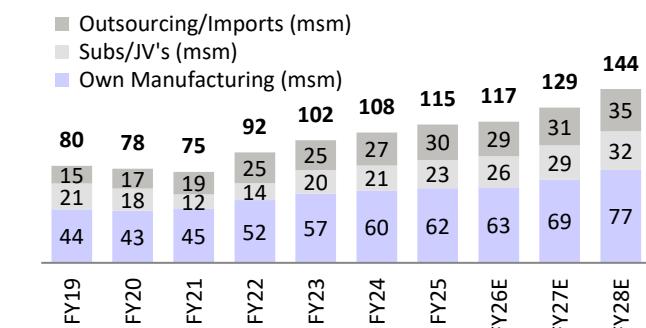


Exhibit 12: Power and fuel cost as % of revenue

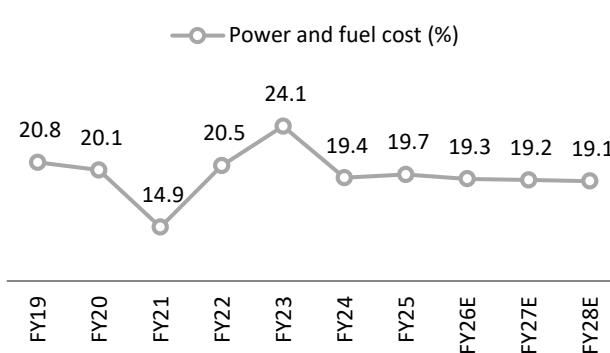
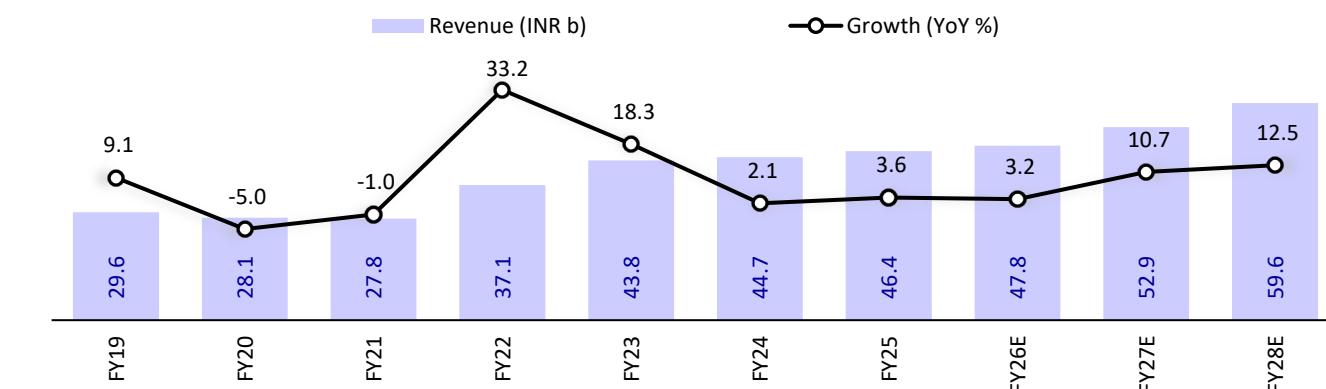


Exhibit 13: Consolidated annual revenue and growth trends



Source: Company, MOFSL

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

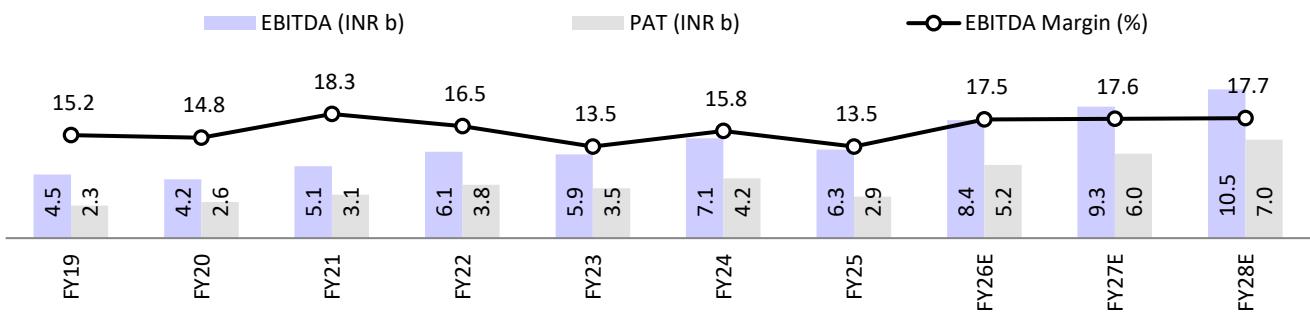
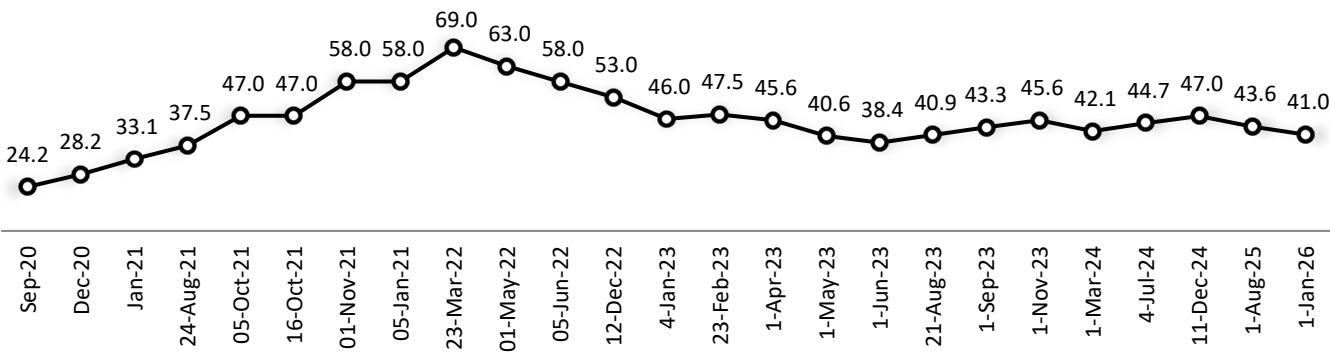


Exhibit 15: Morbi Gas price (INR/scm)



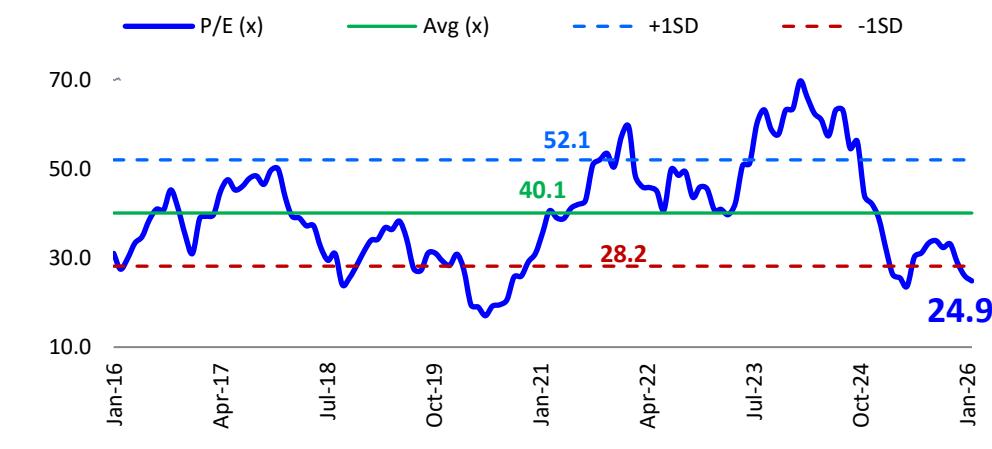
Source: Media articles

Exhibit 16: Changes to our estimates

INR m	Old			New			Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	49,000	54,225	61,010	47,836	52,939	59,565	(2)	(2)	(2)
EBITDA	8,601	9,573	10,831	8,350	9,294	10,516	(3)	(3)	(3)
EBITDA margin %	17.6	17.7	17.8	17.5	17.6	17.7			
PAT	5,351	6,110	7,099	5,176	5,982	6,973	(3)	(2)	(2)
EPS (INR)	33.6	38.4	44.6	32.5	37.5	43.8	(3)	(2)	(2)

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	FY26E	FY27E	FY28E
Total Income from Operations	27,809	37,052	43,819	44,740	46,351	47,836	52,939	59,565
Change (%)	-1.0	33.2	18.3	2.1	3.6	3.2	10.7	12.5
RM Cost	12,470	15,551	18,070	18,945	19,655	20,080	22,222	25,003
Employees Cost	3,247	4,077	4,612	4,916	5,661	5,350	5,921	6,662
Other Expenses	7,005	11,317	15,216	13,811	14,772	14,056	15,503	17,383
Total Expenditure	22,721	30,945	37,899	37,672	40,089	39,486	43,646	49,048
% of Net Sales	81.7	83.5	86.5	84.2	86.5	82.5	82.4	82.3
EBITDA	5,088	6,107	5,920	7,068	6,262	8,350	9,294	10,516
Margin (%)	18.3	16.5	13.5	15.8	13.5	17.5	17.6	17.7
Depreciation	1,067	1,154	1,329	1,476	1,654	1,690	1,747	1,817
EBIT	4,022	4,953	4,592	5,593	4,608	6,660	7,547	8,700
Int. and Finance Charges	107	127	223	173	200	229	238	268
Other Income	213	276	336	462	427	530	794	1,013
PBT bef. EO Exp.	4,127	5,102	4,705	5,882	4,835	6,962	8,103	9,444
EO Items	0	0	-79	0	0	-396	0	0
PBT after EO Exp.	4,127	5,102	4,625	5,882	4,835	6,565	8,103	9,444
Total Tax	1,038	1,274	1,163	1,435	1,360	1,773	2,147	2,503
Tax Rate (%)	25.2	25.0	25.1	24.4	28.1	27.0	26.5	26.5
Share of Profit/Loss of JV and disc ops.	0	0	-1	-125	-475	-15	26	31
Share of Minority Interests	9	58	17	101	57	-2	0	0
Reported PAT	3,081	3,770	3,445	4,221	2,944	4,779	5,982	6,973
Adjusted PAT	3,081	3,770	3,524	4,221	2,944	5,176	5,982	6,973
Change (%)	20.6	22.4	-6.5	19.8	-30.3	75.8	15.6	16.6
Margin (%)	11.1	10.2	8.0	9.4	6.4	10.8	11.3	11.7

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	30,152	33,903	38,327
Net Worth	18,689	21,224	23,268	26,165	27,443	30,311	34,062	38,486
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	34,560	38,531	43,175
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	15,197	16,944	18,761
Net Fixed Assets	11,840	11,411	14,139	16,050	16,855	16,664	16,417	16,101
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	22,927	27,768	33,462
Inventory	3,731	4,659	5,647	5,322	6,181	6,379	7,060	7,944
Account Receivables	4,317	5,133	6,012	6,194	5,702	5,885	6,512	7,327
Cash and Bank Balance	4,428	4,244	3,938	5,141	5,829	9,412	12,972	16,996
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	6,240	6,662	7,196
Account Payables	2,072	2,981	3,104	2,933	3,381	3,489	3,861	4,345
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	16,687	21,105	26,266
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	21,151	24,119	27,155	29,755	31,473	34,560	38,531	43,175

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	32.5	37.5	43.8
Cash EPS	26.0	30.9	30.5	35.8	28.9	43.1	48.5	55.2
BV/Share	117	133	146	164	172	190	214	242
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	40.0	37.3	36.6
Valuation (x)								
P/E	46.3	37.8	40.5	33.8	48.4	27.5	23.8	20.4
Cash P/E	34.4	29.0	29.4	25.0	31.0	20.8	18.4	16.2
P/BV	7.6	6.7	6.1	5.4	5.2	4.7	4.2	3.7
EV/Sales	5.0	3.8	3.2	3.1	3.0	2.8	2.5	2.2
EV/EBITDA	27.4	22.9	23.8	19.8	22.2	16.2	14.2	12.2
Dividend Yield (%)	1.1	1.2	1.0	1.3	1.0	1.3	1.6	1.8
FCF per share	25.6	10.2	5.5	20.0	19.2	31.3	31.3	35.0
Return Ratios (%)								
RoE	16.5	17.8	15.1	16.1	10.7	17.1	17.6	18.1
RoCE (pre-tax)	22.1	24.6	20.4	22.4	17.3	22.9	23.9	24.8
RoIC (pre-tax)	24.0	29.6	23.6	24.8	19.2	27.5	31.5	35.3
Working Capital Ratios								
Fixed Asset Turnover (x)	1.4	1.8	1.8	1.6	1.5	1.5	1.6	1.7
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	31.5	35.0	36.2
Net Debt/Equity	-0.2	-0.1	-0.1	-0.1	-0.1	-0.2	-0.3	-0.4

Consolidated - Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	(INR m) FY28E
OP/(Loss) before Tax	4,127	5,102	4,625	5,756	4,360	6,565	8,103	9,444
Depreciation	1,067	1,154	1,329	1,476	1,654	1,690	1,747	1,817
Interest & Finance Charges	107	127	223	173	200	229	238	268
Direct Taxes Paid	-980	-1,285	-1,265	-1,385	-1,172	-1,749	-2,123	-2,478
(Inc)/Dec in WC	868	-621	-1,875	260	-12	-194	-858	-1,137
CF from Operations	5,189	4,476	3,037	6,280	5,030	6,541	7,107	7,913
Others	-101	-221	-82	-306	-20	-555	-818	-1,037
CF from Operating incl EO	5,088	4,255	2,955	5,974	5,010	5,986	6,288	6,876
(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	4,986	4,988	5,576
(Pur)/Sale of Investments	54	18	-363	-628	-557	0	0	0
Others	-1,997	-363	608	436	-1,208	530	794	1,013
CF from Investments	-2,955	-2,979	-1,837	-2,972	-3,721	-470	-506	-287
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	-229	-238	-268
Dividend Paid	-1,591	-1,273	-1,433	-1,433	-1,752	-1,912	-2,230	-2,549
Others	-137	-169	-189	-179	-303	17	56	61
CF from Fin. Activity	-2,045	-1,201	-1,348	-2,124	-2,086	-1,933	-2,222	-2,566
Inc/Dec of Cash	87	75	-230	878	-796	3,583	3,560	4,023
Opening Balance	77	164	239	21	899	104	3,688	7,248
Other cash & cash equivalent	0	0	12	0	2	0	0	0
Closing Balance	164	239	21	899	104	3,688	7,248	11,271

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