Kajaria Ceramics (KAJCER)

CMP: ₹ 1114 | Target: ₹ 1300 (17%) | Target Period: 12 months | BUY

June 2, 2026

Robust performance; sustenance key ahead!

About the stock: Kajaria Ceramics is the largest manufacturer of ceramic/vitrified tiles in India with current annual capacity of 87.8 mn. sq. meters (MSM) spread across India and Nepal

- The company enjoys industry leading margins and returns ratios.

Q4FY26 Performance: Kajaria Ceramics delivered a robust quarterly performance, with revenue up 12.4% YoY to ₹1,373.4 crore, supported by an 11% YoY rise in tile sales volumes to 33.5 MSM, resulting in 11.4% increase in tile revenue at ₹1,212.6 crore. The company's focus on cost optimization and improved sales growth led to a 786-bps expansion in EBITDA margins to 19.2%, resulting in a 90.4% YoY surge in EBITDA at ₹264 crore. This PAT at ₹155.7 crore, was up 266.3% YoY, driven volume growth recovery and operating leverage led margins expansion. It included a ₹4.78 crore impairment loss within its subsidiary, Kajaria International DMCC. For FY25, revenue from operations stood at ₹4832.5 crore, up 3% YoY, while sales volume grew ~3% YoY to ~118.5 MSM, reflecting modest growth. EBITDA margin stood at 17.9%, up 38.2% YoY. PAT for the year stood at ₹485 crore, up 64.9% YoY.

Investment Rationale

- **Volume growth to improve ahead:** Management highlighted that a structural clearing of inventories within the unorganized Morbi cluster, which, when coupled with the impact of elevated gas and freight costs, is expected to result in a sustained supply contraction from these regional players. This would reduce competitive intensity and turn favourable for branded players to capture market share and exercise superior pricing power. With this we expect Tiles revenues CAGR of 9% over FY26-FY28E to ₹5089 crore, with volume CAGR of 7.1% over the same period to ~132.3 MSM with overall topline growing at 9.2% CAGR over FY26-28E to ₹5787 crore.
- **Healthy margins to sustain:** EBITDA margins stood at 19.2% in Q4, up 786 bps QoQ, resulted due to various cost optimising measures. The management expects margins to stay in the range of 18%-19% going forward. We expect EBITDA margins of 17.1%/17% in FY27 & FY28, respectively vs 17.9% in FY26, as we believe that volume growth would result in some rise in operating expenses including sales & marketing.

Rating and Target Price

- Kajaria, with a net cash balance sheet and superior brand, is a solid play on the tiles sector with expanding reach to tier 2/3 cities. Overall demand recovery will be key for earnings growth recovery
- **We value Kajaria at ₹1300, at 34x FY28 P/E and maintain our BUY rating.**

Kajaria

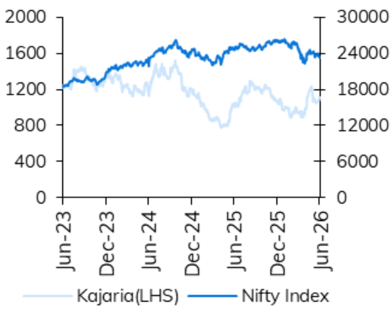
Particulars

Particular	Amount (₹ crore)
Market Cap	17,701
Total Debt (FY26)	130
Cash (FY26)	755
EV	17,077
52 week H/L (₹)	1322 / 870
Equity capital	15.9
Face value (₹)	1.0

Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
Promoters	47.5	47.6	47.7	47.7
FIIs	12.6	11.6	11.7	10.2
DII	27.4	26.0	26.3	27.5
Other	12.6	14.8	14.3	14.6

Price Chart



Key risks

- Sustained slowdown in demand;
- Any sharp rise in gas prices

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Key Financial Summary

(₹ crore)	FY23	FY24	FY25	FY26	5 yr CAGR (FY21-26)	FY27E	FY28E	2 yr CAGR (FY26-28E)
Net Sales	4,382	4,578	4,635	4,831	11.7%	5,438	5,757	9.2%
EBITDA	592	700	626	866	11.2%	933	981	6.4%
EBITDA Margin (%)	13.5	15.3	13.5	17.9		17.1	17.0	
PAT	345	422	294	486	9.5%	583	610	12.0%
EPS (₹)	21.6	26.5	18.5	30.5		36.6	38.3	
P/E (x)	51.5	42.0	60.3	36.5		30.4	29.1	
EV/EBITDA (x)	29.6	24.8	27.6	19.7		18.3	17.2	
RoCE (%)	17.7	20.0	16.0	21.8		21.4	20.5	
RoE	14.8	16.1	10.7	15.8		17.2	16.3	

Source: Company, ICICI Direct Research

Performance highlights and outlook

- **Guidance:** Kajaria Ceramics' **management refrained from giving revenue and tile volume guidance**. However, they **expressed strong confidence in maintaining their current operating margins within the 18% to 19% range**.
- **Bathware & sanitaryware:** The company has **completed acquisition of the remaining 15% stake in its bathware business (Kerovit) from a private equity investor for ₹50 crore**, thereby making subsidiary wholly owned.
- **Exports:** The industry's **export performance in March faced a severe downturn, with projected values contracting to ₹400-500 crore as the combined impact of the Morbi cluster shutdown and the Middle East conflict.** Export viability was fundamentally undermined by a dramatic spike in logistics costs, as **freight rates to the UAE surged from $300 earlier to $4,000 currently.**
- **Demand Commentary: Demand was up 8-9% through February** and was further supported by the Morbi shutdown in March. Despite a **7% production dip in Q4FY26, the management expects a recovery as all plants returned to full capacity on April 16.**
- **Gas Prices:** In Q4, **gas prices all over the India were as 1) North= ₹55.5/SCM, 2) South= ₹49.6/SCM, 3) West= ₹46.6/SCM. Whereas, as of April, gas prices all over the India are as 1) North= ₹62.5/SCM, 2) South= ₹81/SCM, 3) West= ₹79/SCM.** The management noted that as that the biofuel accounts for 30% of gas usage at North plants which costs ₹20/SCM, resulting into lower effective gas cost than the headline gas prices.
- In line with FY26, the management has decided to forgo remuneration for FY27 as well.
- **Price Hike:** To offset rising gas costs, **management hiked prices by 12-17% in the North and 16-17% in the West and South to protect unit margins**.
- **Working capital:** The Working capital days in Q4FY26 fell to 51 vs 65 days in Q4FY25, due to lower inventory and receivable days.
- **Capex:** The company is **expanding its Srikalahasti manufacturing facility with an investment of ~₹210 crore**. This project will add 10 MSM of GVT (Glazed Vitrified Tiles) capacity and is slated for completion by Q4FY27.

Exhibit 1: Quarter Performance

	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comments
Net Sales	1,373.4	1,221.9	12.4	1,168.3	17.6	Tile sales volumes were at 33.5 MSM, up 11% YoY with tile revenues up by 11.4% YoY to ₹1212.6 crore.
Other Income	12.5	12.5	0.2	11.7	7.1	
Net Purchase of Stock in Trade	404.0	270.9	49.1	231.7	74.3	
Cost of Materials Consumed	225.0	268.5	-16.2	254.0	-11.4	
Staff cost	128.1	143.3	-10.6	135.3	-5.3	
Other expenditure	128.4	166.7	-23.0	121.0	6.1	
Power & Fuel cost	224.4	234.0	-4.1	225.1	-0.3	
EBITDA	263.5	138.4	90.4	201.2	31.0	
EBITDA Margin (%)	19.2	11.3	786 bps	17.2	196 bps	The company's focus on cost optimization and improved sales growth led to a 786-bps expansion YoY in EBITDA margins
Depreciation	42.3	43.4	-2.5	41.5	2.0	
Interest	5.7	6.0	-4.5	5.9	-3.7	
PBT	223.9	70.6	217.1	125.0	79.1	
Taxes	67.4	34.4	95.9	38.6	74.8	
PAT	155.8	42.5	266.3	87.7	77.6	

Source: Company, ICICI Direct Research

Exhibit 2: Change in Estimates

(₹ Crore)	FY27E Old	FY27E New	FY27E % Change	FY28E Old	FY28E New	FY28E % Change	Comments
Revenue	5155	5438	5.5	5700	5757	1.0	Realign estimates
EBITDA	855	933	9.1	951	981	3.1	
EBITDA Margin (%)	16.6	17.1	56 bps	16.7	17.0	35 bps	
PAT	530	583	10.0	588	610	3.7	
EPS (₹)	33	37	10.2	37	38	3.7	

Source: Company, ICICI Direct Research

Exhibit 3: Assumptions

Volume in MSM	FY23	FY24	FY25	FY26	FY27	FY28
Sales	101.7	108.1	114.7	115.4	122.5	132.3
YoY	11%	6%	6%	1%	6%	8%
Realisation (₹/sqm)	388	376	364	371	396	385
YoY	6%	-3%	-3%	2%	7%	-3%

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement

(₹ Crore)	FY25	FY26	FY27E	FY28E
Net Sales	**4,635**	**4,831**	**5,438**	**5,757**
Raw Material Exp	898	1,075	1,137	1,203
Cost of Materials	1,068	992	1,196	1,277
Emp Cost	566	530	566	599
Other Expenses	1,477	1,368	1,607	1,698
Total op. expenses	4,009	3,965	4,505	4,777
EBITDA	**626**	**866**	**933**	**981**
Interest	20	23	20	20
Depreciation	165	169	179	195
Other income	43	53	56	60
PBT	435	679	790	826
Taxes	136	193	203	212
PAT before MI	299	487	587	614
Minority Interest	5	1	4	4
PAT	**294**	**486**	**583**	**610**
Growth (%)	(30.3)	65.1	20.0	4.6
EPS (₹)	**18.5**	**30.5**	**36.6**	**38.3**

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement

(₹ Crore)	FY25	FY26	FY27E	FY28E
Profit after Tax	**294**	**486**	**583**	**610**
Depreciation	165	169	179	195
Interest	20	23	20	20
Others	93	140	147	152
CF before wc changes	573	818	929	977
Net Increase in CA	(9)	(128)	(168)	(92)
Net Increase in CL	44	(14)	62	38
Net CF from op. activities	**502**	**495**	**620**	**710**
(Purchase)/Sale of FA	(286)	(137)	(423)	(300)
Net CF from Inv. activities	**(259)**	**(89)**	**(367)**	**(240)**
Inc / (Dec) in Equity Capital	(23)	58	-	-
Dividend	(143)	(223)	(255)	(255)
Interest paid	(20)	(23)	(20)	(20)
Inc / (Dec) in Loans	5	(46)	-	-
Net CF from Fin.activities	**(175)**	**(234)**	**(270)**	**(270)**
Net Cash flow	69	172	(17)	200
Opening Cash	514	583	755	738
Closing Cash/ Cash	**583**	**755**	**738**	**938**

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet

(₹ Crore)	FY25	FY26	FY27E	FY28E
Liabilities				
Equity Capital	15.9	15.9	15.9	15.9
Reserve and Surplus	2,728.4	3,049.7	3,377.7	3,732.6
Networth	2,744.3	3,065.6	3,393.6	3,748.5
Minority Interest	65.8	64.9	68.9	72.9
Total Debt	175.9	130.3	130.3	130.3
Other Liabilities	162.0	174.7	174.7	174.7
Total Liabilities	**3,153.1**	**3,443.4**	**3,775.4**	**4,134.4**
Assets				
Gross Block	2,829.1	3,079.1	3,379.1	3,679.1
Less Acc. Dep	1,144.4	1,313.8	1,492.9	1,687.8
Net Block	1,684.7	1,642.1	1,886.2	1,991.2
Intangibles Assets	32.7	32.6	32.6	32.6
Capital WIP	108.7	119.3	119.3	119.3
Total Fixed Assets	1,826.2	1,793.9	2,038.0	2,143.0
Investments	33.9	39.0	39.0	39.0
Inventory	618.1	551.5	685.3	725.6
Sundry Debtors	570.2	628.5	744.9	788.7
Loans & Advances	84.5	219.7	137.1	145.1
Cash & Bank	582.9	755.1	737.7	937.6
Other Current Assets	40.5	41.5	41.5	41.5
Total Current Assets	1,896.2	2,196.3	2,346.5	2,638.5
Trade Payable	338.1	319.5	348.4	368.8
Other CL	235.2	237.0	266.8	282.5
Provisions	29.9	29.3	32.9	34.9
Net Current Assets	1,293.1	1,610.5	1,698.4	1,952.3
Total Assets	**3,153.1**	**3,443.4**	**3,775.4**	**4,134.4**

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

	FY25	FY26E	FY27E	FY28E
Per Share Data (₹)				
EPS - Diluted	18.5	30.5	36.6	38.3
Cash EPS	28.9	41.1	47.8	50.5
Book Value	172.3	192.4	213.0	235.3
Dividend per share	9.0	14.0	16.0	16.0
Operating Ratios (%)				
EBITDA / Net Sales	13.5	17.9	17.1	17.0
PAT / Net Sales	6.3	10.1	10.7	10.6
Inventory Days	49	42	46	46
Debtor Days	45	47	50	50
Creditor Days	27	24	23	23
Return Ratios (%)				
RoNW	10.7	15.8	17.2	16.3
RoCE	16.0	21.8	21.4	20.5
RoIC	19.0	26.2	26.2	25.8
Valuation Ratios (x)				
EV / EBITDA	27.6	19.7	18.3	17.2
P/E (Diluted)	60.3	36.5	30.4	29.1
EV / Net Sales	3.7	3.5	3.1	2.9
Market Cap / Sales	3.8	3.7	3.3	3.1
Price to Book Value	6.5	5.8	5.2	4.7
Dividend Yield (%)	0.8	1.3	1.4	1.4
Solvency Ratios (x)				
Net Debt / Equity	(0.2)	(0.2)	(0.2)	(0.2)
Debt/EBITDA	0.3	0.2	0.1	0.1
Current Ratio	2.2	2.5	2.5	2.5
Quick Ratio	**1.2**	**1.5**	**1.4**	**1.4**

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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