

Kajaria Ceramics | BUY

In-line quarter; cost discipline remains key focus

Kajaria Ceramics' (Kajaria) EBITDA rose ~31% YoY and 14% QoQ to ~INR 2.1bn with EBITDA margin increasing by 393bps YoY/105bps QoQ to 18% (JMF: 17.5%) in 2Q. The improvement in margin was mainly driven by cost-optimisation initiatives. Tiles volume marginally increased by ~1% YoY, while realisation was broadly flat QoQ. Adhesives segment reported revenue growth of ~77% YoY (~29% QoQ) to INR 322mn, while sanitary ware/faucets grew ~14% YoY/12% QoQ to ~INR 1bn in 2Q. The management will continue to focus on prioritising cost rationalisation and aims to improve margins along the way. It also plans to expand its distribution network and gain market share with focus on increasing exposure in government projects. Factoring in 2Q performance and the company's increasing emphasis on profitability and cost discipline, we increase our EPS estimates by ~3-8% for FY26E-27E but maintain them for FY28E; accordingly, we maintain BUY with a revised TP of INR 1,525/sh based on 36x Dec'27 P/E post quarterly roll-over.

- **Result summary:** Kajaria registered tiles volume growth of ~1% YoY/~6% QoQ to 28.9msm; realisation dipped ~1% YoY/ was broadly flat QoQ at INR 364/msm. Revenue from the tiles segment was flat YoY/ grew 7% QoQ at INR 10.5bn in 2Q as the company saw soft demand in both domestic and export markets. Bathware division revenue grew ~14% YoY/~12% QoQ at ~INR 1bn while adhesives segment revenue increased by ~77% YoY/ 29% QoQ to INR 322mn in 2Q. EBITDA increased ~31% YoY/~14% QoQ to INR 2.1bn with EBITDA margin at 18% (JMF: 17.5%) mainly led by cost-reduction measures. Working capital days declined by 3days YoY/2days QoQ to 56 days in 2Q. Net cash further increased by INR 780mn QoQ to INR 5.9bn as of Sep'25.
- **What we liked:** Cost optimisation and improvement in profitability; increase in net cash
- **What we did not like:** Weak demand
- **Earnings call KTAs:** 1) The company is focusing on reducing cost of packing materials, revisiting cost of raw materials, and renegotiating outsourcing materials, among other measures; it expects annual savings of INR 300mn-350mn. 2) It aims to achieve higher volume growth compared to the industry; exports grew by ~9-10% over the last 6 months. 3) The management has hired a fresh team of 18-20 members primarily to focus on reaching out to architects and influencers and expanding its distribution network. It has also hired a consultant to focus on market penetration and increasing its market share. Going forward, it plans to tap into government projects. 4) Its primary focus will be on increasing capacity utilisation; it has no immediate plans for capacity expansion. 5) On the cost front, power and fuel cost has been lower in 2Q on account of lower production, while cost per unit remains unchanged. However, the company incurred some savings on raw materials cost, which will get reflected in 3Q. 6) The management highlighted that advertisement expenses are likely to be higher in 2HFY26 compared to 1HFY26. 7) The company expects no significant PAT contribution from its Nepal plant in FY26. 7) Net cash increased by ~INR 2.6bn YoY/INR 780mn QoQ to INR 5.9bn as of Sep'25. 8) Working capital days declined by 3days YoY/2days QoQ to 56 days in 2Q.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,525
Upside/(Downside)	21.9%
Previous Price Target	1,450
Change	5.2%

Key Data – KJC IN

Current Market Price	INR1,251
Market cap (bn)	INR199.3/US\$2.3
Free Float	51%
Shares in issue (mn)	159.3
Diluted share (mn)	159.3
3-mon avg daily val (mn)	INR668.8/US\$7.6
52-week range	1,412/745
Sensex/Nifty	83,468/25,585
INR/US\$	87.8

Price Performance

%	1M	6M	12M
Absolute	1.3	58.2	-9.9
Relative*	0.4	48.9	-12.6

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	45,784	46,351	47,699	51,695	57,500
Sales Growth (%)	4.5	1.2	2.9	8.4	11.2
EBITDA	6,997	6,262	8,370	8,924	10,087
EBITDA Margin (%)	15.3	13.5	17.5	17.3	17.5
Adjusted Net Profit	4,321	3,483	5,190	5,945	7,005
Diluted EPS (INR)	27.1	21.9	32.6	37.3	44.0
Diluted EPS Growth (%)	21.9	-19.4	49.0	14.5	17.8
ROIC (%)	18.3	14.1	21.8	24.2	27.3
ROE (%)	17.5	13.0	17.9	18.3	19.1
P/E (x)	46.1	57.2	38.4	33.5	28.4
P/B (x)	7.6	7.3	6.5	5.8	5.1
EV/EBITDA (x)	28.0	31.2	22.8	20.9	18.2
Dividend Yield (%)	1.0	0.7	1.0	1.0	1.2

Source: Company data, JM Financial. Note: Valuations as of 16/Oct/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. We increase our EPS estimates by ~3-8% for FY26E-FY27E, maintain them for FY28E

INR mn	Old			New			% Chg		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	48,130	52,272	58,855	47,699	51,695	57,500	(0.9)	(1.1)	(2.3)
EBITDA	7,760	8,716	10,006	8,370	8,924	10,087	7.9	2.4	0.8
PAT	4,817	5,786	6,946	5,190	5,945	7,005	7.7	2.7	0.9
EPS (INR)	30.2	36.3	43.6	32.6	37.3	44.0	7.7	2.7	0.9

Source: JM Financial

Exhibit 2. Quarterly analysis – consolidated

Kajaria Ceramics (INR mn) - Consolidated	2QFY26	2QFY25	YoY (%)	1QFY26	QoQ (%)	1HFY26	1HFY25	YoY (%)
Sales	11,860	11,618	2.1	11,027	7.6	22,888	22,576	1.4
EBITDA	2,135	1,635	30.6	1,869	14.2	4,003	3,345	19.7
EBITDA margin (%)	18.0	14.1	393 bps	16.9	105 bps	17.5	14.8	268 bps
Interest	58	34	72.5	52	11.4	110	67	65.0
Depreciation	419	404	3.7	436	(4.0)	855	823	3.9
Other income	155	99	56.7	132	16.8	287	200	43.7
PBT	1,813	1,296	39.8	1,513	19.8	3,325	2,655	25.2
Tax	472	350	34.8	396	19.1	868	708	22.6
Tax rate (%)	26.0	27.0		26.2		26.1	26.7	
Adj. PAT	1,341	946	41.7	1,117	20.1	2,457	1,947	26.2
Exceptional item	(6)	(62)	(90.7)	(23)	(74.7)	(28)	(116)	(75.7)
Profit/Loss of JV + Minority	(5)	(42)	(87.4)	(4)	23.3	(10)	(90)	(89.3)
Reported PAT	1,330	843	57.8	1,090	22.0	2,419	1,741	39.0
EPS (INR)	8.4	5.7	47.7	7.0	20.0	15.2	11.0	39.0

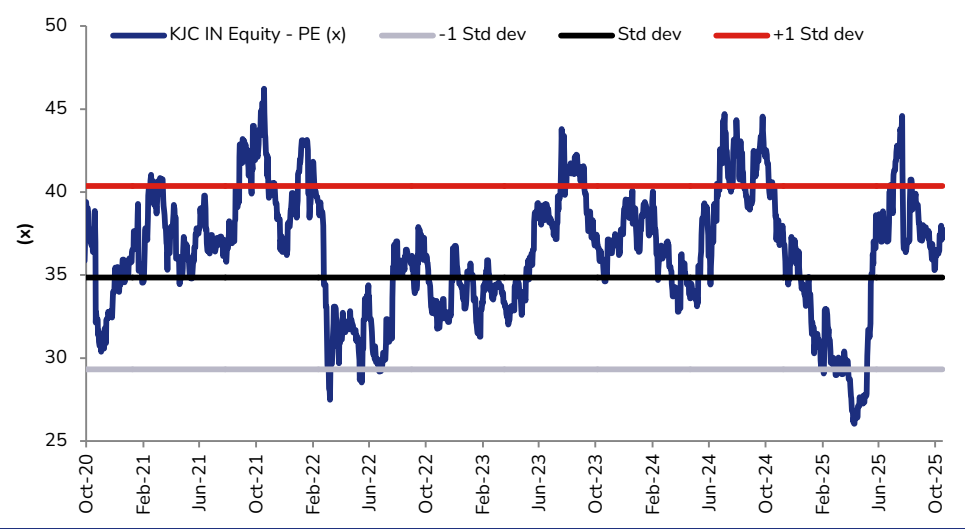
Source: Company, JM Financial

Exhibit 3. Quarterly segmental performance – consolidated

Particulars	2QFY26	2QFY25	YoY (%)	1QFY26	QoQ (%)	1HFY26	1HFY25	YoY (%)
Sales (INR mn)	11,860	11,618	2.1	11,027	7.6	22,888	22,576	1.4
Tiles	10,515	10,535	(0.2)	9,864	6.6	20,378	20,430	(0.3)
- Own Manufacturing	5,797	5,873	(1.3)	5,439	6.6	11,237	11,458	(1.9)
- Subsidiaries	2,215	1,945	13.9	2,044	8.4	4,259	3,944	8.0
- Outsourcing	2,502	2,717	(7.9)	2,381	5.1	4,883	5,029	(2.9)
Sanitary ware / Faucets	1,024	901	13.6	915	11.9	1,939	1,812	7.0
Adhesives	322	182	77.1	249	29.1	571	334	70.9
Tiles volume (msm)	28.9	28.7	0.6	27.2	6.2	56.1	55.7	0.7
Own Manufacturing	15.7	15.6	0.1	14.8	6.2	30.4	30.5	(0.4)
Subsidiaries	6.3	5.4	16.0	5.7	9.8	12.0	11.0	10.0
Outsourcing	6.9	7.6	(9.4)	6.7	3.3	13.6	14.2	(4.2)
Tiles Realisation (INR/msm)	364	367	(0.8)	363	0.4	364	367	(0.9)
Own Manufacturing	370	376	(1.4)	369	0.4	370	375	(1.5)
Subsidiaries	352	358	(1.8)	356	(1.2)	354	360	(1.8)
Outsourcing	362	356	1.7	356	1.8	359	354	1.4
Tiles production (msm)	20.9	21.7	(3.9)	21.0	(0.5)	42.3	42.7	(0.9)
Own Manufacturing	14.8	15.9	(6.9)	15.2	(2.9)	30.0	31.1	(3.5)
Subsidiaries	6.1	5.8	4.3	5.8	5.7	12.3	11.6	6.0

Source: Company, JM Financial

Exhibit 4. One-year forward P/E



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	45,784	46,351	47,699	51,695	57,500
Sales Growth	4.5%	1.2%	2.9%	8.4%	11.2%
Other Operating Income	0	0	0	0	0
Total Revenue	45,784	46,351	47,699	51,695	57,500
Cost of Goods Sold/Op. Exp	19,770	19,655	20,175	21,818	24,240
Personnel Cost	5,053	5,661	5,378	6,127	6,914
Other Expenses	13,965	14,772	13,776	14,827	16,259
EBITDA	6,997	6,262	8,370	8,924	10,087
EBITDA Margin	15.3%	13.5%	17.5%	17.3%	17.5%
EBITDA Growth	18.2%	-10.5%	33.7%	6.6%	13.0%
Depn. & Amort.	1,480	1,654	1,710	1,779	1,863
EBIT	5,517	4,608	6,660	7,145	8,224
Other Income	462	427	596	1,024	1,316
Finance Cost	212	200	225	157	121
PBT before Excep. & Forex	5,767	4,835	7,031	8,012	9,419
Excep. & Forex Inc/Loss(-)	0	0	0	0	0
PBT	5,767	4,835	7,031	8,012	9,419
Taxes	1,435	1,360	1,793	2,043	2,402
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	12	-8	48	24	12
Reported Net Profit	4,321	3,483	5,190	5,945	7,005
Adjusted Net Profit	4,321	3,483	5,190	5,945	7,005
Net Margin	9.4%	7.5%	10.9%	11.5%	12.2%
Diluted Share Cap. (mn)	159.3	159.3	159.3	159.3	159.3
Diluted EPS (INR)	27.1	21.9	32.6	37.3	44.0
Diluted EPS Growth	21.9%	-19.4%	49.0%	14.5%	17.8%
Total Dividend + Tax	1,912	1,433	2,076	2,081	2,452
Dividend Per Share (INR)	12.0	9.0	13.0	13.1	15.4

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	5,756	4,360	7,031	8,012	9,419
Depn. & Amort.	1,480	1,654	1,710	1,779	1,863
Net Interest Exp. / Inc. (-)	211	200	225	157	121
Inc (-) / Dec in WCap.	260	-12	1,263	-422	-618
Others	-307	-20	-596	-1,024	-1,316
Taxes Paid	-1,385	-1,172	-1,793	-2,043	-2,402
Operating Cash Flow	6,017	5,010	7,840	6,459	7,067
Capex	-2,785	-1,955	-1,200	-1,500	-2,000
Free Cash Flow	3,232	3,055	6,640	4,959	5,067
Inc (-) / Dec in Investments	-494	-2,155	0	0	0
Others	303	390	596	1,024	1,316
Investing Cash Flow	-2,976	-3,721	-604	-476	-684
Inc / Dec (-) in Capital	11	14	0	0	0
Dividend + Tax thereon	-1,433	-1,752	-2,076	-2,081	-2,452
Inc / Dec (-) in Loans	-393	100	-300	-300	-300
Others	-347	-447	-225	-157	-121
Financing Cash Flow	-2,163	-2,086	-2,601	-2,538	-2,873
Inc / Dec (-) in Cash	878	-796	4,635	3,445	3,510
Opening Cash Balance	4,263	6,625	5,829	10,463	13,908
Closing Cash Balance	5,141	5,829	10,463	13,908	17,418

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	26,165	27,443	30,557	34,421	38,975
Share Capital	159	159	159	159	159
Reserves & Surplus	26,006	27,284	30,398	34,262	38,816
Preference Share Capital	0	0	0	0	0
Minority Interest	591	658	706	730	742
Total Loans	1,706	1,759	1,459	1,159	859
Def. Tax Liab. / Assets (-)	801	884	884	884	884
Total - Equity & Liab.	29,263	30,744	33,606	37,194	41,459
Net Fixed Assets	16,730	17,942	17,432	17,153	17,291
Gross Fixed Assets	27,446	29,905	31,048	32,370	34,031
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	11,396	13,050	14,760	16,539	18,401
Capital WIP	679	1,087	1,144	1,322	1,661
Investments	185	339	339	339	339
Current Assets	18,478	19,274	23,616	28,120	33,180
Inventories	5,322	6,181	6,301	6,814	7,571
Sundry Debtors	6,194	5,702	5,868	6,359	7,073
Cash & Bank Balances	5,141	5,829	10,463	13,908	17,418
Loans & Advances	0	0	0	0	0
Other Current Assets	1,820	1,562	984	1,039	1,118
Current Liab. & Prov.	6,129	6,810	7,781	8,419	9,350
Current Liabilities	2,933	3,381	4,090	4,423	4,914
Provisions & Others	3,196	3,430	3,691	3,995	4,436
Net Current Assets	12,349	12,463	15,835	19,702	23,830
Total - Assets	29,263	30,744	33,606	37,194	41,459

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	9.4%	7.5%	10.9%	11.5%	12.2%
Asset Turnover (x)	1.6	1.5	1.5	1.5	1.5
Leverage Factor (x)	1.1	1.1	1.1	1.1	1.1
RoE	17.5%	13.0%	17.9%	18.3%	19.1%

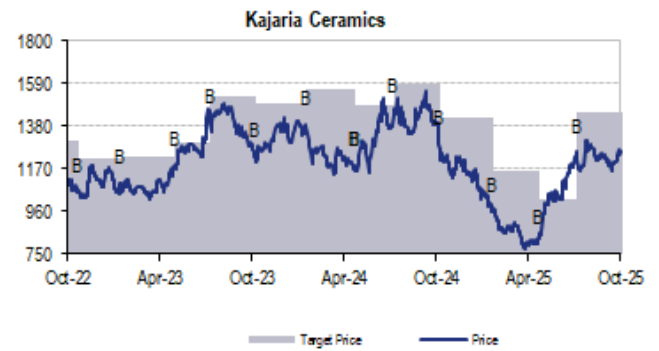
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	164.3	172.3	191.8	216.1	244.7
ROIC	18.3%	14.1%	21.8%	24.2%	27.3%
ROE	17.5%	13.0%	17.9%	18.3%	19.1%
Net Debt/Equity (x)	-0.1	-0.1	-0.3	-0.4	-0.4
P/E (x)	46.1	57.2	38.4	33.5	28.4
P/B (x)	7.6	7.3	6.5	5.8	5.1
EV/EBITDA (x)	28.0	31.2	22.8	20.9	18.2
EV/Sales (x)	4.3	4.2	4.0	3.6	3.2
Debtor days	49	45	45	45	45
Inventory days	42	49	48	48	48
Creditor days	28	31	38	38	38

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
23-Nov-21	Hold	1,150	
22-Jan-22	Hold	1,410	22.6
2-Mar-22	Buy	1,300	-7.8
22-Apr-22	Buy	1,300	0.0
18-May-22	Buy	1,200	-7.7
7-Jun-22	Buy	1,200	0.0
22-Jul-22	Buy	1,310	9.2
3-Nov-22	Buy	1,220	-6.9
29-Jan-23	Buy	1,230	0.8
17-May-23	Buy	1,300	5.7
26-Jul-23	Buy	1,530	17.7
22-Oct-23	Buy	1,490	-2.6
31-Jan-24	Buy	1,560	4.7
7-May-24	Buy	1,480	-5.1
9-May-24	Buy	1,480	0.0
23-Jul-24	Buy	1,590	7.4
22-Oct-24	Buy	1,420	-10.7
4-Feb-25	Buy	1,160	-18.3
6-May-25	Buy	1,020	-12.1
22-Jul-25	Buy	1,450	42.2

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return $\geq$ 15% over the next twelve months.
ADD	Expected return $\geq$ 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return $\geq$ -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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