

CMP: ₹ 884

Target: ₹ 1110 (26%)

Target Period: 12 months

BUY

February 2, 2026

Muted volumes again !

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.

Q3FY26 Performance: Kajaria reported a muted topline of ₹1,168 crore, up 1.1% YoY. Tile sales volumes were at 28.9 MSM, flattish YoY with tile revenues down by 1% YoY to ₹1030 crore. EBITDA at ₹201.2 crore, was up 31.2% YoY, with margins up 395 bps YoY to 17.2%, albeit down 78 bps QoQ, because of ~240 bps lower realisation due to discounts provided to reduce SKUs. There were two exceptional items (₹ 19.4 crore for fraud case and ₹ 18.3 crore for labour code provision) amounting ₹39.6 crore and reported PAT was at ₹87.7 crore, up 12.9% YoY and down 34% QoQ. Adj. PAT at ₹118.3 crore was up 44.2% YoY and down 11.3% QoQ.

Investment Rationale

- Tiles volume recovery to be gradual:** The management continued to refrain from guiding for tile volume growth and topline for FY26. However, they indicated that under Kajaria 2.0 initiative, it has unified ceramic, GVT, and PVT businesses into a single sales and pricing architecture which is 75% complete. This will enable dealers to cross sell products, improving volume growth in long term. We expect Tiles revenues CAGR of 6.4% over FY25-FY28E to ₹5022 crore, with volume CAGR of 5.4% over the same period to ~134.5 MSM with overall topline growing at 7.1% CAGR over FY25-28E to ₹5700 crore.
- Management maintains healthy margin guidance:** During Q3, EBITDA margins at 17.2% down 78 bps QoQ, because of ~240 bps lower realisation due to discounts provided to reduce SKUs. The management expects margins to stay in the range of 17%-19% going forward. We expect EBITDA margins of ~17%/16.6%/16.7% in FY26, FY27 & FY28, respectively vs 13.5% in FY25. We expect some cost items including advertisement/promotions to rise as volumes recover. We expect earnings CAGR of ~26% over FY25-FY28E, largely led by volumes recovery.

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 ₹ 1110, at 30x FY28 P/E and maintain our BUY rating. We highlight that we have rolled over and lowered our target multiple (from 40x FY27, earlier), given the slower volume trajectory

Kajaria

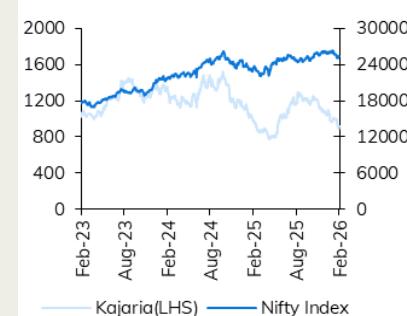
Particulars

Particular	Amount (₹ crore)
Market Cap	14,047
Total Debt (FY25)	209
Cash (FY25)	583
EV	13,673
52 week H/L (₹)	1322 / 759
Equity capital	15.9
Face value (₹)	1.0

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoters	47.5	47.5	47.6	47.7
DII	27.7	27.4	26.0	26.3
FII	15.8	12.6	11.6	11.7
Other	9.0	12.6	14.8	14.3

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	5 yr CAGR (FY20-25)	FY26E	FY27E	FY28E	3 yr CAGR (FY25-28E)
Net Sales	4,382	4,578	4,635	10.5%	4,691	5,155	5,700	7.1%
EBITDA	592	700	626	8.5%	798	855	951	15.0%
EBITDA Margin (%)	13.5	15.3	13.5		17.0	16.6	16.7	
PAT	345	422	294	2.9%	491	530	588	26.0%
EPS (₹)	21.6	26.5	18.5		30.8	33.2	36.9	
P/E (x)	40.9	33.4	47.8		28.7	26.6	23.9	
EV/EBITDA (x)	23.4	19.6	21.7		16.9	15.7	14.0	
RoCE (%)	17.7	20.0	16.0		19.9	19.9	20.2	
RoE	14.8	16.1	10.7		16.3	16.1	16.3	

Source: Company, ICICI Direct Research

Performance highlights and outlook

- **Guidance:** Kajaria Ceramics' management refrained from giving revenue and tile volume guidance while expects margins to stay in the range of 17%-19% going forward. It, however, expects both the bathware and the sanitaryware segment to post double digit volume growth, ahead.
- **Allied business performance:**
 1. **Bathware & sanitaryware:** The **Bathware** segment revenues stood at ₹ 103.2 Crore, up 9.2% YoY from ₹ 94.5 Crore in Q3FY25. The company has taken price hike of 9%-12% in faucets and it is planning to take price in sanitaryware since 1st march.
 2. The **Adhesives** segment reported revenues of ₹ 35.2 Crore, up 71.8% YoY vs. ₹ 20.5 Crore in Q3FY25.
- **Exports:** As per the management in M9FY26 exports were ~₹12000 Crore and It considers exports to be in line to reach ~₹16000 crore in FY26. **The management expects organized players share to increase to 50% from current 40% within next 2 years.**
- Operational Restructuring Influences Q3 performance: The management indicated that **growth was affected ~240 bps due to unification and churning of dealers under Kajaria 2.0 which resulted into measures taken to de-stock inventory with dealers.** Also, in Q3, the company has also converted one line at the Gailpur plant from ceramic tiles to GVT, which will result in improved margins.
- **Exceptional items:** The reported profitability was impacted by exceptional items aggregating ₹39.6 crore, comprising a ₹19.4 crore loss arising from a financial fraud at its bathware subsidiary and a ₹18.3 crore provision linked to the implementation of new labour codes effective November 21, 2025.
- **JVs & Subsidiaries:** Management indicated that out of the four JV entities, one JV has received the necessary approvals during the quarter to be converted into a wholly owned subsidiary, with similar actions to be evaluated progressively. Despite this, the company continues to hold majority ownership across all JV operations, with equity stakes of over 85% in Morbi-based JVs, while ~60% in South Asia operations.
- **Gas Prices:** In Q3, the average gas prices remained stable at ~₹37/SCM. Prices all over the India were as 1) North= ₹38/SCM, 2) South= ₹38/SCM, 3) West= ₹37/SCM. The management expects the average gas prices to increase by ₹1 to ₹38/SCM ahead.
- **Working capital:** The working capital days stood at 64 days vs. 56 days in Q2 mainly due to increase in distributable and decrease of other current liabilities.
- **Advertising Expenses:** In Q3, advertising expenses stood at ₹24 crore, and management indicated that they expect an uptick going forward.
- **Capex:** No major capex is planned for the next 2 years.

Exhibit 1: Quarter Performance

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
Net Sales	1,168.3	1,155.6	1.1	1,186.0	-1.5	Tile sales volumes were at 28.9 MSM, flattish
						-1.5 YoY with tile revenues down by 1% YoY to ₹1030 crore.
Other Income	11.7	10.3	13.2	15.5	-24.6	
Net Purchase of Stock in Trade	231.7	188.7	22.8	256.4	-9.6	
Cost of Materials Consumed	254.0	283.0	-10.3	253.9	0.0	
Staff cost	135.3	147.3	-8.1	130.5	3.6	
Other expenditure	121.0	142.1	-14.8	116.7	3.7	
Power & Fuel cost	225.1	241.2	-6.7	215.1	4.7	
EBITDA	201.2	153.3	31.2	213.5	-5.7	
EBITDA Margin (%)	17.2	13.3	395 bps	18.0	-78 bps	Margin was down 78 bps QoQ, because of ~240 bps lower realisation due to discounts provided to reduce SKUs
Depreciation	41.5	39.7	4.7	41.9	-0.9	
Interest	5.9	7.4	-19.6	5.8	2.8	
PBT	125.0	115.6	8.1	181.7	-31.2	
Taxes	38.6	30.7	25.5	47.2	-18.3	
PAT	87.7	77.7	12.8	133.0	-34.1	

Key Metrics

Sales Volume (in MSM)	29.0	28.9	0.2	28.9	0.3
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Source: Company, ICICI Direct Research

Exhibit 2: Change in Estimates

(₹ Crore)	FY26E		FY27E		FY28 Comments	
	Old	New	% Change	Old	New	% Change
Revenue	4834	4691	-2.9	5486	5155	-6.0
EBITDA	812	798	-1.7	921	855	-7.1
EBITDA Margin (%)	16.8	17.0	22 bps	16.8	16.6	-20 bps
PAT	496	491	-1.0	577	530	-8.2
EPS (₹)	31.2	30.8	-1.0	36.2	33.2	-8.2
						5700 Realign estimates
						951
						16.7
						588
						36.9

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	124.4	134.5
YoY	11%	6%	6%	1%	8%	8%
Realisation (₹/sqm)	388	376	364	360	366	373
YoY	6%	-3%	-3%	-1%	2%	2%

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement				₹ Crore
(₹ Crore)	FY25	FY26E	FY27E	FY28E
Net Sales	4,635	4,691	5,155	5,700
Raw Material Exp	898	943	1,082	1,197
Cost of Materials	1,068	1,010	1,134	1,264
Emp Cost	566	525	536	593
Other Expenses	1,477	1,415	1,547	1,695
Total op. expenses	4,009	3,893	4,299	4,749
EBITDA	626	798	855	951
Interest	20	22	18	18
Depreciation	165	172	188	204
Other income	43	56	68	68
PBT	435	660	718	797
Taxes	136	170	185	205
PAT before MI	299	490	534	592
Minority Interest	5	(1)	4	4
PAT	294	491	530	588
Growth (%)	(30.3)	66.9	7.8	11.1
EPS (₹)	18.5	30.8	33.2	36.9

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement				₹ Crore
(₹ Crore)	FY25	FY26E	FY27E	FY28E
Profit after Tax	294	491	530	588
Depreciation	165	172	188	204
Interest	20	22	18	18
Others	93	114	117	137
CF before wc changes	573	799	851	947
Net Increase in CA	(9)	(79)	(134)	(157)
Net Increase in CL	44	(34)	56	66
Net CF from op. activities	502	516	589	651
(Purchase)/Sale of FA	(286)	(250)	(300)	(300)
Net CF from Inv. activities	(259)	(194)	(232)	(232)
Inc / (Dec) in Equity Capital	(23)	-	-	-
Dividend	(143)	(223)	(255)	(255)
Interest paid	(20)	(22)	(18)	(18)
Inc / (Dec) in Loans	5	-	-	-
Net CF from Fin.activities	(175)	(246)	(268)	(268)
Net Cash flow	69	76	89	151
Opening Cash	514	583	659	748
Closing Cash/ Cash	583	659	748	899

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet				₹ Crore
(₹ Crore)	FY25	FY26E	FY27E	FY28E
Liabilities				
Equity Capital	15.9	15.9	15.9	15.9
Reserve and Surplus	2,728.4	2,996.7	3,271.4	3,605.0
Networth	2,744.3	3,012.6	3,287.3	3,620.9
Minority Interest	65.8	64.8	68.8	72.8
Total Debt	175.9	175.9	175.9	175.9
Other Liabilities	162.0	162.0	162.0	162.0
Total Liabilities	3,153.1	3,420.3	3,699.1	4,036.6
Assets				
Gross Block	2,829.1	3,079.1	3,379.1	3,679.1
Less Acc. Dep	1,144.4	1,316.8	1,504.4	1,708.5
Net Block	1,684.7	1,762.3	1,874.7	1,970.5
Intangibles Assets	32.7	32.7	32.7	32.7
Capital WIP	108.7	108.7	108.7	108.7
Total Fixed Assets	1,826.2	1,903.7	2,016.2	2,112.0
Investments	33.9	33.9	33.9	33.9
Inventory	618.1	591.2	649.6	718.4
Sundry Debtors	570.2	642.7	706.1	780.8
Loans & Advances	84.5	118.3	129.9	143.7
Cash & Bank	582.9	658.9	747.8	898.5
Other Current Assets	40.5	40.5	40.5	40.5
Total Current Assets	1,896.2	2,051.5	2,274.0	2,581.9
Trade Payable	338.1	300.5	330.2	365.1
Other CL	235.2	238.1	261.6	289.2
Provisions	29.9	30.2	33.2	36.7
Net Current Assets	1,293.1	1,482.7	1,649.0	1,890.8
Total Assets	3,153.1	3,420.3	3,699.1	4,036.6

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
	FY25	FY26E	FY27E	FY28E
Per Share Data (₹)				
EPS - Diluted	18.5	30.8	33.2	36.9
Cash EPS	28.9	41.7	45.0	49.8
Book Value	172.3	189.1	206.4	227.3
Dividend per share	9.0	14.0	16.0	16.0
Operating Ratios (%)				
EBITDA / Net Sales	13.5	17.0	16.6	16.7
PAT / Net Sales	6.4	10.5	10.3	10.3
Inventory Days	49	46	46	46
Debtor Days	45	50	50	50
Creditor Days	27	23	23	23
Return Ratios (%)				
RoNW	10.7	16.3	16.1	16.3
RoCE	16.0	19.9	19.9	20.2
RoIC	19.0	23.9	23.8	24.9
Valuation Ratios (x)				
EV / EBITDA	21.7	16.9	15.7	14.0
P/E (Diluted)	47.8	28.7	26.6	23.9
EV / Net Sales	2.9	2.9	2.6	2.3
Market Cap / Sales	3.0	3.0	2.7	2.5
Price to Book Value	5.1	4.7	4.3	3.9
Dividend Yield (%)	1.0	1.6	1.8	1.8
Solvency Ratios (x)				
Net Debt / Equity	(0.2)	(0.2)	(0.2)	(0.2)
Debt/EBITDA	0.3	0.2	0.2	0.2
Current Ratio	2.2	2.4	2.4	2.4
Quick Ratio	1.2	1.4	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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