

May 26, 2025

## Poised for recovery ahead...

About the stock: Kajaria Ceramics is the largest manufacturer of ceramic/vitrified tiles in India with current annual capacity of 90.5 mn. sq. meters (MSM) spread across India and Nepal

- The company enjoys industry leading margins and return ratios.

### Investment Rationale

- FY25, a washout year; FY26 should be better: For FY25, Tiles volumes were up 6.1% YoY at 114.7 MSM. The realisations were down ~3% YoY. Thus, Tiles revenues at ₹ 4172 crore, were up 2.7% YoY. The EBITDA margins were at 13.5% vs. 15.3% in FY24, given the muted topline. For FY26, the company expects demand to improve on back of real estate completion cycle which should improve the company's volume share.
- Volume growth to improve ahead: Note, Morbi tile exports were down 20% YoY to ~₹16000 crore in FY25 amid high ocean freight. This led to increased competition for domestic players with higher supply from Morbi. Despite challenging industry scenario, Kajaria gained market share in FY25 with volume growth of 6% YoY (vs. industry growth of 2-3%). While the company refrained from giving guidance, it expects demand recovery in the medium term owing to real estate completion cycle kicking in and uptick in Morbi exports (which was down 20% in FY25), which should allow better penetration and increase market share gains, hence driving retail sales growth and improve realisations going forward. We expect Tiles revenues CAGR of 10.8% over FY25-27 to ₹ 5124 crore, with volume CAGR of 9.5% over the same period to 137 MSM
- Operating leverage to improve profitability over medium term: Profitability is expected to improve on account of volume growth recovery along with various initiatives undertaken by the company to optimise costs. We expect EBITDA margins of ~14.3/14.7% in FY26 and FY27, respectively vs 13.5% in FY25. We expect earnings CAGR of ~32% over FY25-27E, largely led by volumes recovery and margins improvement.

### 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 expect gradual recovery in volume growth in FY26 which should also drive margins expansion. We value Kajaria at ₹1160, at 36x FY27 P/E and maintain our BUY rating.

# Kajaria

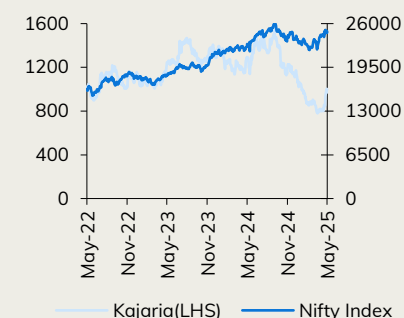
### Particulars

Particular	Amount (₹ crore)
Market Cap	15,795
Total Debt (FY25)	209
Cash (FY25)	583
EV	15,422
52 week H/L (₹)	1579 / 759
Equity capital	15.9
Face value (₹)	1.0

### Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoters	47.5	47.5	47.5	47.5
DII	27.8	28.4	27.9	27.7
FII	16.2	16.1	16.0	15.8
Other	8.5	8.1	8.6	9.0

### Price Chart



### Key risks

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

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### Key Financial Summary

(₹ crore)	FY22	FY23	FY24	FY25E	5 yr CAGR (FY20-25)	FY26E	FY27E	2 yr CAGR (FY25-27E)
Net Sales	3,705.2	4,381.9	4,578.4	4,635.1	10.5%	5,111.9	5,701.7	10.9%
EBITDA	610.8	592.0	699.7	626.2	8.5%	730.0	840.0	15.8%
EBITDA Margin (%)	16.5	13.5	15.3	13.5		14.3	14.7	
PAT	377.1	344.5	422.1	294.4	2.9%	431.9	514.0	32.1%
EPS (₹)	23.7	21.6	26.5	18.5		27.1	32.3	
P/E (x)	42.0	45.9	37.5	53.8		36.7	30.8	
EV/EBITDA (x)	25.4	26.4	22.1	24.5		21.0	18.2	
RoCE (%)	21.5	17.7	20.0	16.0		17.9	19.5	
RoE	17.8	14.8	16.1	10.7		14.5	15.8	

Source: Company, ICICI Direct Research

## Financial Summary

### Exhibit 1: Profit and loss statement ₹ crore

(₹ Crore)	FY24	FY25	FY26E	FY27E
Net Sales	4,578	4,635	5,112	5,702
Raw Material Exp	994	898	1,094	1,214
Cost of Materials	983	1,068	1,101	1,254
Emp Cost	505	566	573	604
Other Expenses	1,397	1,477	1,615	1,788
Total op. expenses	3,879	4,009	4,382	4,862
EBITDA	700	626	730	840
Interest	21	20	18	18
Depreciation	148	165	174	189
Other income	46	43	55	70
PBT	577	435	593	703
Taxes	143	136	150	177
PAT before MI	433	299	444	526
Minority Interest	11	5	12	12
PAT	422	294	432	514
Growth (%)	22.5	(30.3)	46.7	19.0
EPS (₹)	26.5	18.5	27.1	32.3

Source: Company, ICICI Direct Research

### Exhibit 2: Cash flow statement ₹ crore

(₹ Crore)	FY24	FY25	FY26E	FY27E
Profit after Tax	422	294	432	514
Depreciation	148	165	174	189
Interest	21	20	18	18
Others	97	93	95	107
CF before wc changes	688	573	718	828
Net Increase in CA	102	(9)	(201)	(170)
Net Increase in CL	(10)	44	17	72
Net CF from op. activities	627	502	385	552
(Purchase)/Sale of FA	(325)	(286)	(250)	(300)
Net CF from Inv. activities	(296)	(259)	(195)	(230)
Inc / (Dec) in Equity Capital	59	(23)	-	0
Dividend	(191)	(143)	(191)	(239)
Interest paid	(21)	(20)	(18)	(18)
Inc / (Dec) in Loans	(39)	5	-	-
Net CF from Fin. activities	(211)	(175)	(197)	(245)
Net Cash flow	120	69	(7)	78
Opening Cash	394	514	583	576
Closing Cash/ Cash	514	583	576	653

Source: Company, ICICI Direct Research

### Exhibit 3: Balance Sheet ₹ crore

(₹ Crore)	FY24	FY25	FY26E	FY27E
Liabilities				
Equity Capital	15.9	15.9	15.9	15.9
Reserve and Surplus	2,600.6	2,728.4	2,969.2	3,244.2
Networth	2,616.5	2,744.3	2,985.1	3,260.1
Minority Interest	59.1	65.8	77.8	89.8
Total Debt	170.6	175.9	175.9	175.9
Other Liabilities	133.0	162.0	162.0	162.0
Total Liabilities	2,983.4	3,153.1	3,405.8	3,692.8
Assets				
Gross Block	2,583.0	2,829.1	3,079.1	3,379.1
Less Acc. Dep	979.0	1,144.4	1,318.4	1,507.6
Net Block	1,604.0	1,684.7	1,760.7	1,871.5
Intangibles Assets	33.7	32.7	32.7	32.7
Capital WIP	67.9	108.7	108.7	108.7
Total Fixed Assets	1,705.6	1,826.2	1,902.2	2,013.0
Investments	18.5	33.9	33.9	33.9
Inventory	532.2	618.1	644.2	718.6
Sundry Debtors	619.4	570.2	700.3	781.1
Loans & Advances	115.4	84.5	128.9	143.7
Cash & Bank	514.1	582.9	575.7	653.5
Other Current Assets	37.7	40.5	40.5	40.5
Total Current Assets	1,818.8	1,896.2	2,089.6	2,337.3
Trade Payable	293.3	338.1	327.5	365.2
Other CL	238.5	235.2	259.4	289.3
Provisions	27.8	29.9	32.9	36.7
Net Current Assets	1,259.3	1,293.1	1,469.8	1,646.0
Total Assets	2,983.4	3,153.1	3,405.8	3,692.8

Source: Company, ICICI Direct Research

### Exhibit 4: Key ratios

	FY24	FY25	FY26E	FY27E
Per Share Data (₹)				
EPS - Diluted	26.5	18.5	27.1	32.3
Cash EPS	35.8	28.9	38.0	44.1
Book Value	164.3	172.3	187.4	204.7
Dividend per share	12.0	9.0	12.0	15.0
Operating Ratios (%)				
EBITDA / Net Sales	15.3	13.5	14.3	14.7
PAT / Net Sales	9.2	6.4	8.4	9.0
Inventory Days	42	49	46	46
Debtor Days	49	45	50	50
Creditor Days	23	27	23	23
Return Ratios (%)				
RoNW	16.1	10.7	14.5	15.8
RoCE	20.0	16.0	17.9	19.5
RoIC	23.2	19.0	20.7	22.5
Valuation Ratios (x)				
EV / EBITDA	22.1	24.5	21.0	18.2
P/E (Diluted)	37.5	53.8	36.7	30.8
EV / Net Sales	3.4	3.3	3.0	2.7
Market Cap / Sales	3.4	3.4	3.1	2.8
Price to Book Value	6.1	5.8	5.3	4.9
Dividend Yield (%)	1.2	0.9	1.2	1.5
Solvency Ratios (x)				
Net Debt / Equity	(0.1)	(0.2)	(0.1)	(0.2)
Debt/EBITDA	0.2	0.3	0.2	0.2
Current Ratio	2.3	2.2	2.4	2.4
Quick Ratio	1.4	1.2	1.4	1.4

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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