



TM

04 February 2025

Kajaria Ceramics

Low volume and margins in 3Q/9MFY25 to gradually revive

Kajaria Ceramics (KJC) reported another quarter of weak operating performance as in 3Q, tile volume grew by 7% YoY (inline, vs. nil for industry) whereas revenue could grow only by 1% YoY (5% miss) on lower realization. EBITDA/PAT declined 17%/25% YoY (~15% miss). Gross margin fell 43bps YoY to 58.8%; EBITDA margin contracted 274bps YoY to 12.8%. Margins in 3Q and 9M got impacted due to greater mix of project sales (40% vs. earlier 30%) to push volume amid weak demand in retail channel. Loss in bathware division stayed owing to commissioning of new Sanitaryware unit. Net cash stood lower at ~Rs 3bn while WC cycle came stable at 59 days. After clocking 8% YoY growth in tile volume in 9M, KJC aims 8-9% growth in FY25E. Nepal 5.1mn GVT plant achieved 70% capacity utilisation and is expected to increase to 85% by Apr'25; its consolidation with KJC will start from 1st Apr'25. Bathware revenue is aimed to grow at 10% YoY in FY25. Power & fuel costs remain stable. Weak tile export from India (down 15% YoY in 9M) remains a concern for domestic focussed players. After continuing soft performance, we cut earnings estimates by 4-6%. We now expect 10%/10%/7%/7% CAGR in tiles-volume/revenue/EBITDA/PAT over FY24-27E (FY19-24: 6%/9%/9%/13%), with ~26% RoIC and ~Rs 3.2bn annual FCF. While long-term structural drivers are intact, on low earnings growth and margin of safety in the scrip at ~30x FY27E P/E, we maintain HOLD rating with a target price of Rs 1,046 (32x FY27E P/E). Recovery in tile volume and EBITDA margin (15%+) are key monitorable in the near term.

3QFY25 - weak operating performance: Tile volume grew by 7% YoY (inline) whereas revenue could grow by 1% YoY (5% miss) on lower realisation owing to inferior product mix and intense competition. EBITDA/PAT declined 17%/25% YoY (~15% miss). Gross margin fell 43bps YoY to 58.8%; EBITDA margin contracted 274bps YoY to 12.8% due to lower realization on higher project sales mix and loss in bathware division owing to commissioning of new Sanitaryware unit. Net cash stood lower at ~Rs 3bn while WC cycle came stable at 59 days.

3QFY25 – Conference Call Key Takeaways

- Tile volume in 3Q up 7% vs. nil for industry
- Margins in 3Q and 9M got impacted due to a greater mix of project sales (40% vs. earlier 30%) to push volume amid weak demand in retail channel
- Aims 8-9% tile volume growth YoY in FY25E (up 8% in 9M)
- Nepal 5.1mn GVT plant achieved 70% capacity utilisation and is expected to increase to 85% by Apr'25; consolidation of Nepal will start from 1st Apr'25
- Bathware revenue is aimed to grow at 10% YoY in FY25
- Power & fuel costs remain stable
- Tile export from India down 15% YoY in first 9 months mainly due to rise in ocean freight rate; many plants have shut down

3-year mission: The Indian tile Industry volume is expected to grow at 6-8% CAGR while KJC aims 11-13% CAGR over next few years, led by tier 3/4 cities. KJC has set a 3-year mission to achieve 150mn sqm tile volume, Rs 65bn revenue (tiles 55bn, bathware 6.75bn, plywood 1.7bn) and ~15.5% EBITDA margin. KJC plans to expand its presence in over 2,000 towns in few years from 1,000 currently. To penetrate more in government projects, it aims to deploy 35 sales people from 10 currently. ([3-year mission presentation link](#))

RESULT UPDATE

Sector: Building Materials Rating: HOLD

CMP: Rs 960 Target Price: Rs 1,046

Stock Info

Sensex/Nifty	78,583/23,739
Bloomberg	KJC IN
Equity shares (mn)	159.3
52-wk High/Low	1,548/960
Face value	Rs 1
M-Cap	Rs 153bn/USD 1.7bn
3-m Avg turnover	USD 2.3mn

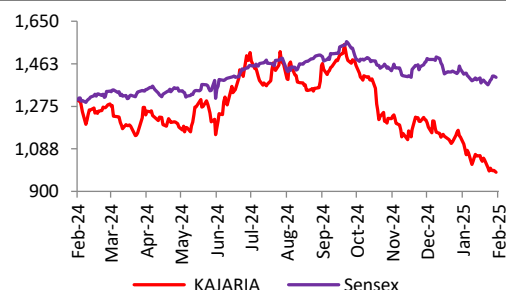
Financial Snapshot (Rs mn)

Y/E Mar	FY25E	FY26E	FY27E
Net sales	47,701	53,660	60,375
EBITDA	6,571	7,553	8,680
OPM (%)	13.8	14.1	14.4
PAT (adj.)	3,582	4,361	5,207
EPS (adj.) (Rs)	22.5	27.4	32.7
PE (x)	42.7	35.1	29.4
P/B (x)	5.5	5.1	4.7
EV/EBITDA (x)	22.6	19.6	16.9
RoE (%)	12.9	14.6	16.0
RoCE (%)	17.5	19.3	21.2
Net-D/E (x)	(0.2)	(0.2)	(0.2)

Shareholding Pattern (%)

	Sep'24	Sep'24	Jun'24
Promoter	47.49	47.49	47.49
- Pledged			
FII	16.04	16.07	16.21
DII	27.9	28.39	27.83
Others	8.57	8.05	8.47

Stock Performance (1-year)



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Exhibit 1: Kajaria Ceramics - Quarterly performance

(Rs mn)	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	YoY (%)	QoQ (%)	9MFY25	9MFY24	YoY (%)
Revenue	11,518	12,408	11,137	11,793	11,637	1	(1)	34,567	33,376	4
Raw material costs	4,692	5,779	4,722	5,115	4,790	2	(6)	14,627	13,990	5
Employee costs	1,319	1,297	1,394	1,443	1,507	14	4	4,344	3,756	16
Power & Fuel	2,395	2,118	2,127	2,244	2,412	1	7	6,784	6,543	4
Other expenses	1,324	1,494	1,224	1,401	1,440	9	3	4,065	3,810	7
EBITDA	1,788	1,720	1,671	1,589	1,487	(17)	(6)	4,747	5,277	(10)
Depreciation	389	425	421	406	399	2	(2)	1,226	1,055	16
Finance costs	50	66	47	47	87	75	84	181	145	25
Other income	113	174	102	99	105	(7)	7	306	288	6
Exceptional (loss)/income	-	-	-	-	-			-	-	
PBT	1,462	1,403	1,304	1,235	1,107	(24)	(10)	3,646	4,365	(16)
Tax	379	354	358	350	307	(19)	(12)	1,015	1,081	(6)
Non-controlling stake	(38)	(18)	(25)	(13)	(12)			(50)	(82)	
PAT (after JV/associate)	1,042	1,024	898	843	777	(25)	(8)	2,518	3,197	(21)
EPS (Rs)	6.5	6.4	5.6	5.3	4.9			15.8	20.1	
As % Revenue						YoY (bps)	QoQ (bps)			YoY (bps)
Gross margin	59.3	53.4	57.6	56.6	58.8	(43)	221	57.7	58.1	(40)
Emp cost	11.5	10.5	12.5	12.2	12.9	149	71	12.6	11.3	131
Power & Fuel	20.8	17.1	19.1	19.0	20.7	(7)	170	19.6	19.6	2
Other exp	11.5	12.0	11.0	11.9	12.4	88	49	11.8	11.4	34
EBITDA margin	15.5	13.9	15.0	13.5	12.8	(274)	(69)	13.7	15.8	(208)
Dep	3.4	3.4	3.8	3.4	3.4	5	(2)	3.5	3.2	39
Interest	0.4	0.5	0.4	0.4	0.7	32	35	0.5	0.4	9
Other income	1.0	1.4	0.9	0.8	0.9	(7)	7	0.9	0.9	2
Effective tax rate	25.9	25.2	27.4	28.3	27.8	183	(59)	27.8	24.8	308
PAT margin	9.0	8.3	8.1	7.1	6.7	(237)	(47)	7.6	9.8	(223)
Segment Revenues						YoY (%)	QoQ (%)			YoY (%)
<i>Own Manuf. (tiles)</i>	<i>5,791</i>	<i>6,062</i>	<i>5,585</i>	<i>5,873</i>	<i>5,688</i>	<i>(2)</i>	<i>(3)</i>	<i>17,146</i>	<i>16,889</i>	<i>2</i>
<i>Subsidiaries (tiles)</i>	<i>1,995</i>	<i>2,255</i>	<i>1,999</i>	<i>1,945</i>	<i>2,067</i>	<i>4</i>	<i>6</i>	<i>6,011</i>	<i>5,601</i>	<i>7</i>
<i>Outsourcing/Import (tiles)</i>	<i>2,343</i>	<i>2,599</i>	<i>2,312</i>	<i>2,717</i>	<i>2,651</i>	<i>13</i>	<i>(2)</i>	<i>7,679</i>	<i>7,203</i>	<i>7</i>
Tiles - total revenue	10,128	10,917	9,895	10,535	10,407	3	(1)	30,837	29,693	4
Sanitary ware / Faucets	922	1,023	910	901	945	2	5	2,757	2,612	6
Plywood	340	327	179	175	81	(76)	(54)	435	717	(39)
Adhesives	128	143	152	182	205	60	13	539	354	52
Tiles sales volume (msm)						YoY (%)	QoQ (%)			YoY (%)
Own Manufacturing	15.3	16.1	14.9	15.6	15.4	1	(1)	46.0	43.9	5
Subs/JV's	5.3	6.1	5.5	5.4	5.9	10	8	16.8	14.8	14
Outsourcing/Imports	6.5	7.4	6.6	7.6	7.6	17	(1)	21.8	20.0	9
Total tile sales volume (msm)	27.1	29.6	27.0	28.7	28.9	7	1	84.6	78.6	8
Tiles NSR (/sq mtr)						YoY (%)	QoQ (%)			YoY (%)
Own Manufacturing	380	377	375	376	368	(3)	(2)	373	385	(3)
Subs/JV's	375	369	362	358	352	(6)	(2)	357	379	(6)
Outsourcing/Imports	360	352	352	356	349	(3)	(2)	352	361	(2)
Blended NSR	374	369	367	367	360	(4)	(2)	365	378	(4)
Segment EBIT %						YoY (bps)	QoQ (bps)			YoY (bps)
Tiles	13.5	11.6	12.6	12.0	10.9	(258)	(117)	11.8	13.8	(195)
Others (S/w, Faucets, Ply)	1.5	0.9	(1.5)	(9.9)	(6.3)	(779)	362	(5.9)	2.5	(837)
Blended	12.1	10.4	11.2	10.0	9.4	(279)	(68)	10.2	12.6	(246)
<i>Unallocated income/(exp)</i>	<i>1.0</i>	<i>1.4</i>	<i>0.9</i>	<i>0.8</i>	<i>0.9</i>			<i>0.9</i>	<i>0.9</i>	

Source: Company, Systematix Institutional Research

Exhibit 2: Revenue mix – quarterly trend

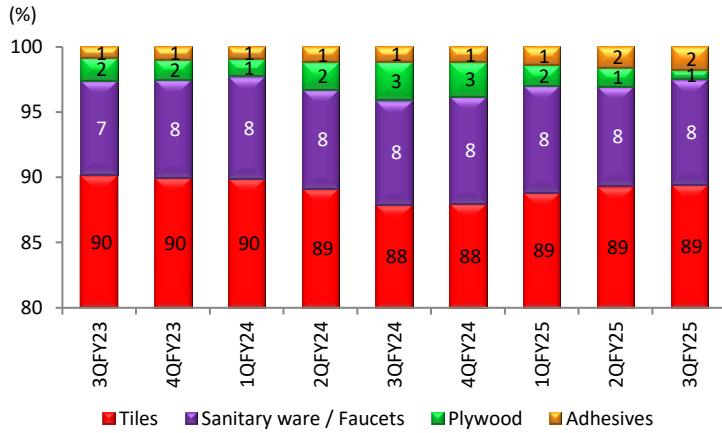


Exhibit 3: Tiles revenue mix – quarterly trend

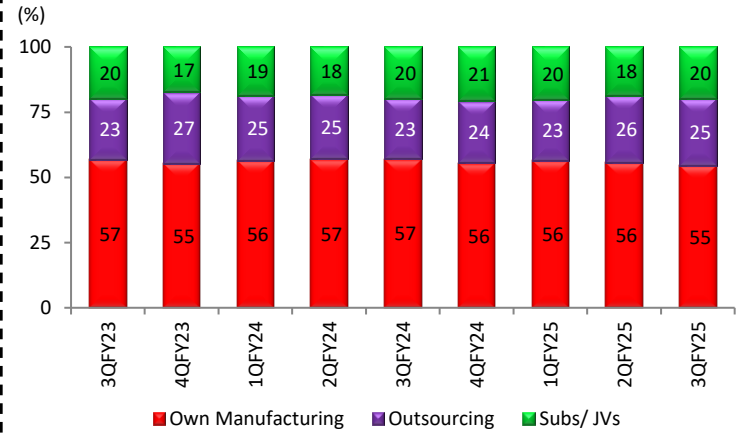


Exhibit 4: Tiles volume (msm) - quarterly trend

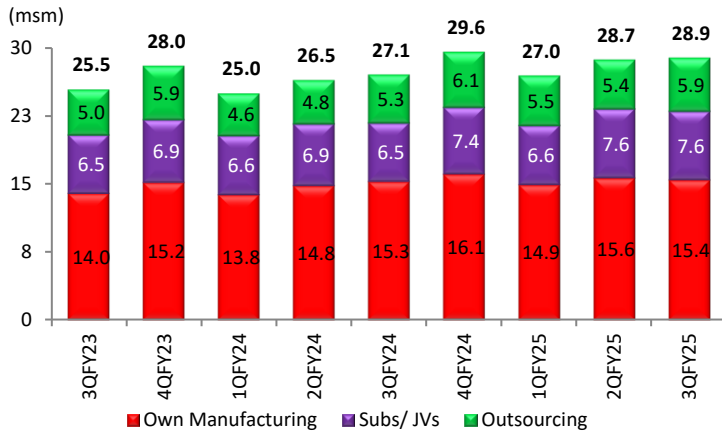


Exhibit 5: Tiles NSR – quarterly trend

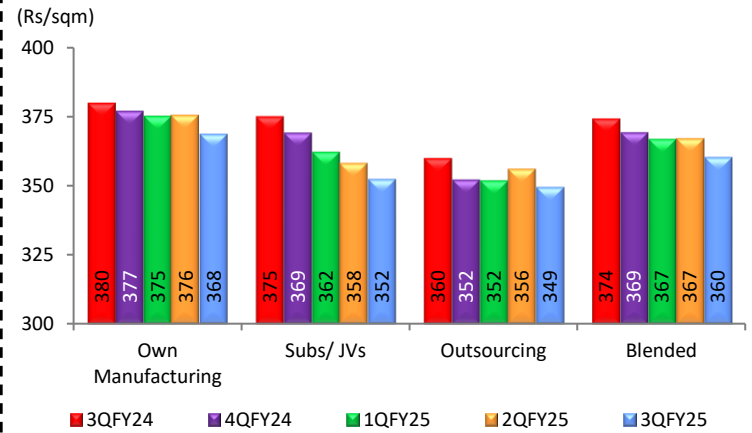


Exhibit 6: Revenue – growth quarterly trend

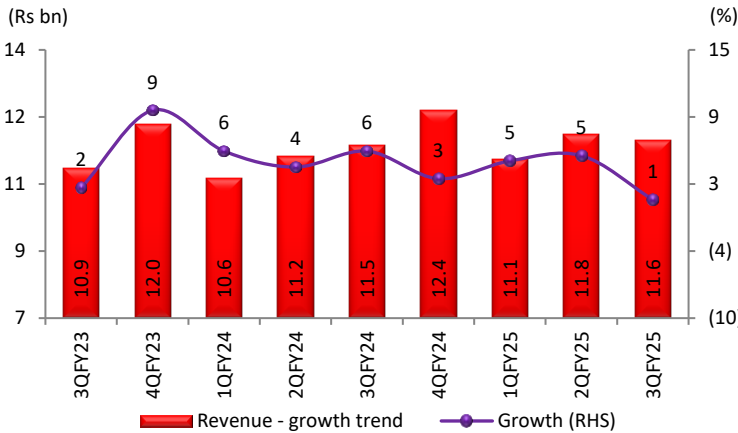
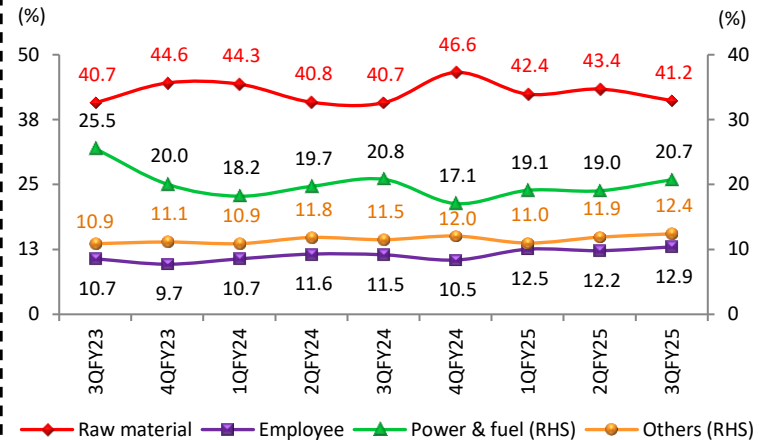


Exhibit 7: Expenses as % Revenue – quarterly trend



Source: Company, Systematix Institutional Research

Exhibit 8: EBITDA, PAT & margin - quarterly trend

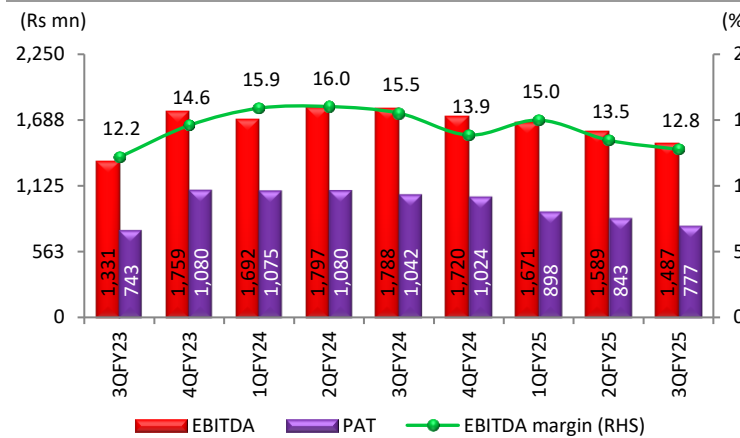


Exhibit 9: Earnings - growth quarterly trend

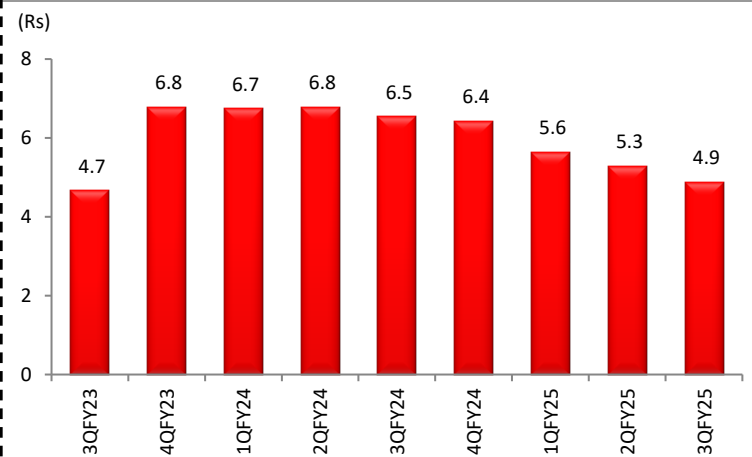


Exhibit 10: Revenue mix – annual trend

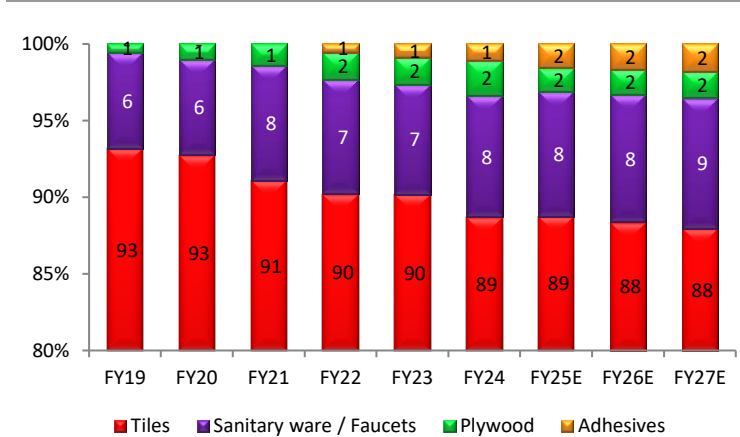


Exhibit 11: Tiles revenue mix – annual trend

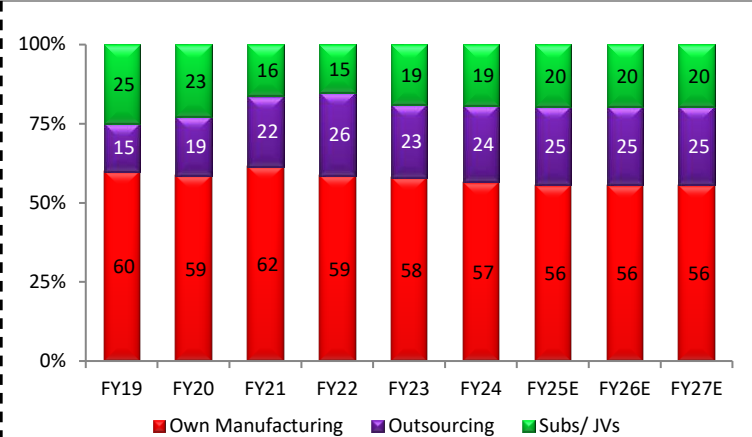


Exhibit 12: Tiles volume (msm) - annual trend

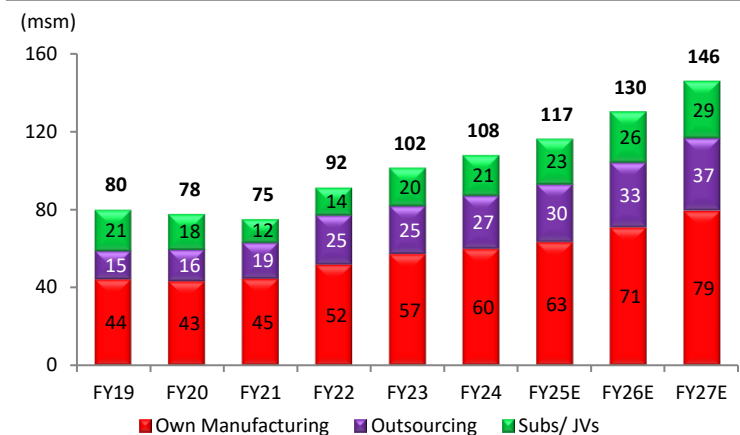
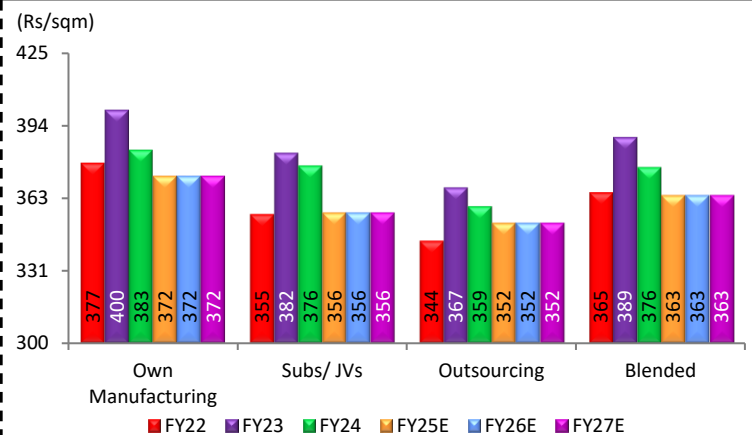


Exhibit 13: Tiles NSR – annual trend



Source: Company, Systematix Institutional Research

Exhibit 14: Power & fuel cost (as % of revenue) – annual trend

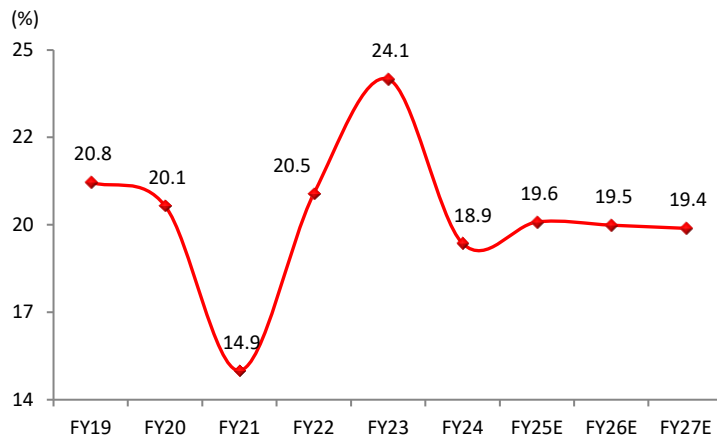


Exhibit 15: Revenue – Annual growth trend

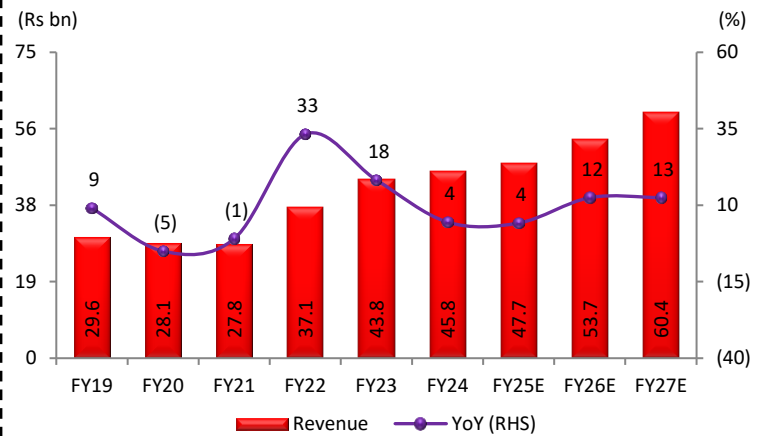
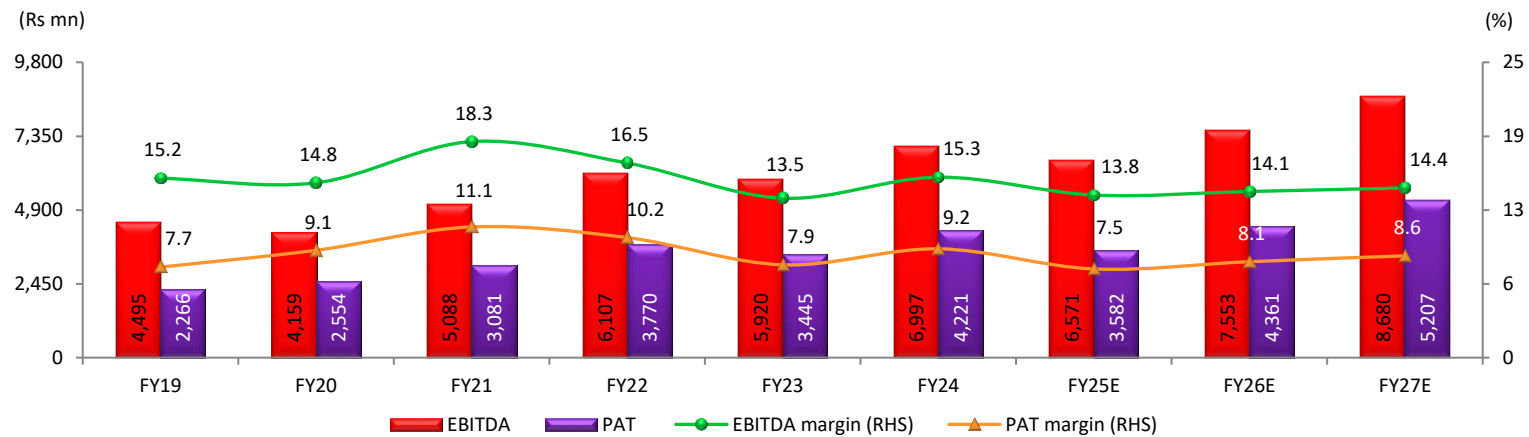
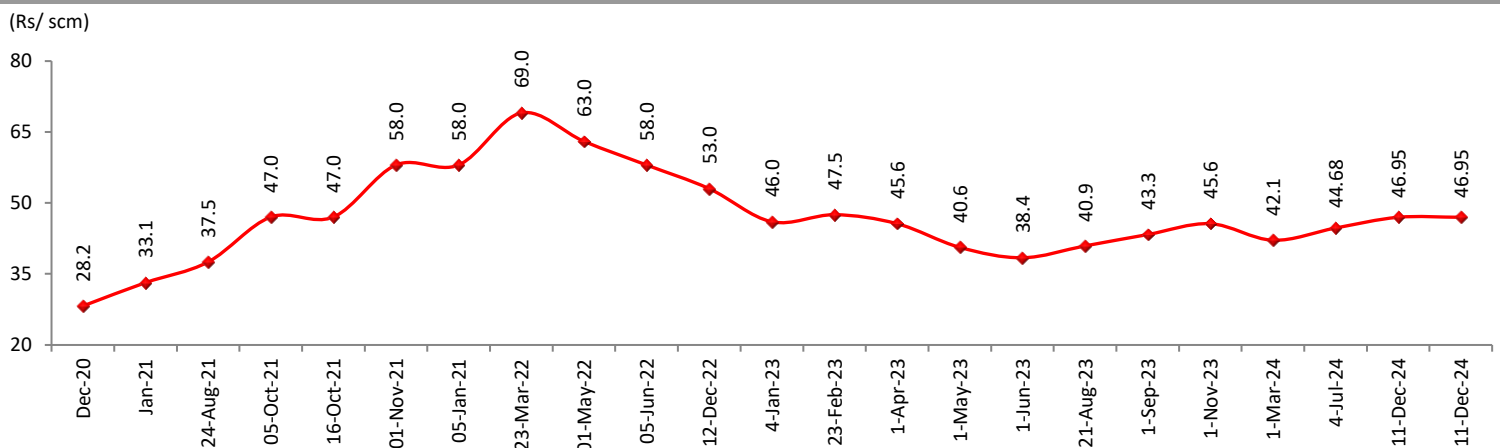


Exhibit 16: EBITDA, PAT – Annual growth, margin trends



Source: Company, Systematix Institutional Research

Exhibit 17: Morbi gas price trend



Source: Gujarat Gas, media reports

Valuation and View

Our positive view on KJC is underpinned by 1) its numero uno position in tiles, 2) execution capabilities, backed by a strong management, 3) robust free cash flows (FCF), and 4) focus on market share gains, led by capacity addition and network expansion. Strong demand from the housing sector, KJC's branding efforts, expansion in dealer network and shift in volumes to exports by Morbi players augur well for KJC's volumes.

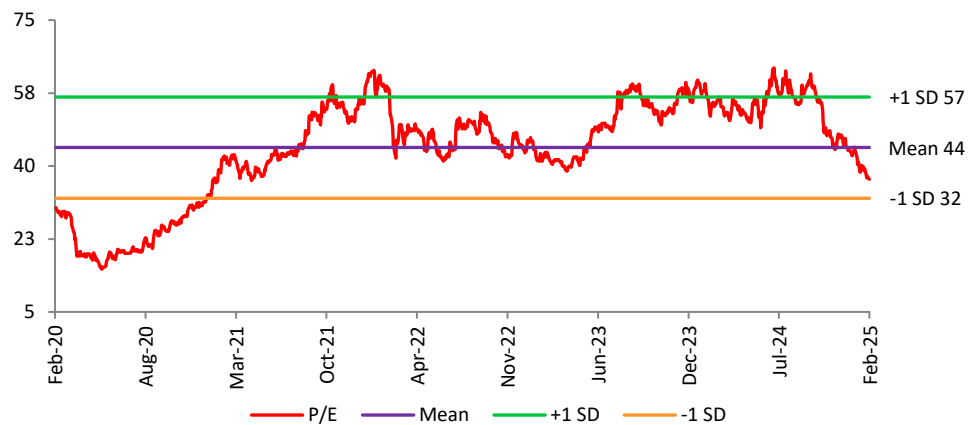
After continuing soft performance, we cut earnings estimates by 4-6%. We now expect 10%/10%/7%/7% CAGR in tiles-volume/revenue/EBITDA/PAT over FY24-27E (FY19-24: 6%/9%/9%/13%), with ~26% RoIC and ~Rs 3.2bn annual FCF. While long-term structural drivers are intact, on low earnings growth and margin of safety in the scrip at ~30x FY27E P/E, we maintain **HOLD** rating with a target price of Rs 1,046 (32x FY27E P/E). Recovery in tile volume and EBITDA margin (15%+) are key monitorable in the near term.

Exhibit 18: Change in estimates

(Rs mn)	Old estimates			New estimates			% Var		
	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
Revenue	48,515	54,582	61,421	47,701	53,660	60,375	(2)	(2)	(2)
EBITDA	6,916	7,872	9,104	6,571	7,553	8,680	(5)	(4)	(5)
EBITDA margin (%)	14.3	14.4	14.8	13.8	14.1	14.4			
PAT	3,823	4,545	5,469	3,582	4,361	5,207	(6)	(4)	(5)
EPS	24.0	28.5	34.3	22.5	27.4	32.7	(6)	(4)	(5)

Source: Systematix Institutional Research

Exhibit 19: P/E band – 1-year-forward and standard deviation



Source: BSE, Systematix Institutional Research

Key risks

- Slowdown in economy and construction activities
- High volatility in gas prices
- Competition from Morbi intensifying

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Profit & Loss Statement

YE: Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net revenues (Rs mn)	43,819	45,784	47,701	53,660	60,375
<i>Growth (%)</i>	18	4	4	12	13
Direct costs	18,070	19,770	20,275	22,754	25,541
<i>Gross margin (%)</i>	58.8	56.8	57.5	57.6	57.7
SG&A	19,829	19,018	20,855	23,353	26,155
EBITDA	5,920	6,997	6,571	7,553	8,680
<i>EBITDA margins (%)</i>	13.5	15.3	13.8	14.1	14.4
- Depreciation	1,329	1,480	1,629	1,717	1,811
Other income	336	462	416	429	513
Interest Exp	223	211	231	193	193
PBT	4,625	5,768	5,127	6,072	7,188
<i>Effective tax rate (%)</i>	25.1	24.9	27.2	26.0	26.0
+ Associates/(Minorities)	(18)	(113)	(152)	(132)	(112)
Net Income	3,445	4,221	3,582	4,361	5,207
Adjusted income	3,445	4,221	3,582	4,361	5,207
WANS	159	159	159	159	159
FDEPS (Rs)	21.6	26.5	22.5	27.4	32.7
<i>FDEPS growth (%)</i>	(9)	23	(15)	22	19

Balance Sheet

YE: Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	159	159	159	159	159
Net worth	23,268	26,165	27,836	29,967	32,625
Total debt	2,373	2,197	2,217	2,237	2,257
Minority interest	776	591	596	601	606
DT Liability/(Asset)	738	801	780	759	738
Capital Employed	27,155	29,755	31,429	33,564	36,226
Net tangible assets	14,124	16,040	16,411	16,693	16,882
Net Intangible assets	15	10	10	10	10
Goodwill	327	327	327	327	327
CWIP	817	679	579	479	379
Investments (Strategic)	-	-	-	-	-
Investments (Financial)	19	148	148	148	148
Current Assets	13,653	13,047	13,569	15,107	16,837
Cash	3,938	5,141	6,417	7,298	8,663
Current Liabilities	5,738	5,637	6,032	6,500	7,020
Working capital	7,915	7,409	7,537	8,608	9,817
Capital Deployed	27,155	29,755	31,429	33,564	36,226
Contingent Liabilities	917	356	-	-	-

Cash Flow

YE: Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
EBIT (incl. other income)	4,766	5,661	4,882	5,776	6,808
+ Non-cash items	1,329	1,480	1,629	1,717	1,811
OCF before WC changes	6,094	7,141	6,511	7,493	8,620
- Incr./ (decr.) in WC	1,739	(196)	128	1,071	1,209
Others including taxes	1,401	1,321	1,345	1,531	1,821
Operating cash-flow	2,955	6,017	5,038	4,892	5,590
- Capex	2,082	2,785	1,900	1,900	1,900
Free cash-flow	873	3,232	3,138	2,992	3,690
Acquisitions					
- Dividend	1,433	1,433	1,912	2,230	2,549
+ Equity raised	12	11	-	-	-
+ Debt raised	427	(393)	20	20	20
- Fin Investments	363	628	-	-	-
- Misc. Items (CFI + CFF)	(265)	(89)	(17)	(88)	(192)
Net cash-flow	(218)	878	1,264	869	1,352

Ratios @ Rs 960

YE: Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	44.4	36.2	42.7	35.1	29.4
EV/EBITDA (x)	25.6	21.4	22.6	19.6	16.9
EV/sales (x)	3.5	3.3	3.1	2.8	2.4
P/B (x)	6.6	5.8	5.5	5.1	4.7
RoE (%)	14.8	16.1	12.9	14.6	16.0
RoCE (%)	19.2	21.0	17.5	19.3	21.2
RoIC	21.7	23.7	20.3	23.1	25.9
DPS (Rs per share)	9.0	12.0	12.0	14.0	16.0
Dividend yield (%)	0.9	1.3	1.3	1.5	1.7
Dividend payout (%)	41.6	45.3	53.4	51.1	48.9
Net debt/equity (x)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
Receivables (days)	50	49	49	49	49
Inventory (days)	47	42	42	42	42
Payables (days)	26	23	25	25	25
CFO:PAT (%)	86	143	141	112	107

Source: Company, Systematix Institutional Research

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