

## Kajaria Ceramics

HOLD

Another subdued quarter

## Summary

Kajaria Ceramic Ltd.'s (Kajaria) Q4FY25 result was below our forecasts, particularly on margins front. Contrary to the expectations of the management, the industry was impacted by sluggish demand and weakness in domestic markets as well as export markets. Given uncertainty in the domestic market, the company refrained from giving sales volume guidance for FY26. Net sales was down by 1.5% YoY to Rs12.2bn, while EBITDA came in at Rs1.3bn, declined by 19.5% YoY. The company reported net profit of Rs0.7bn, lower by 29% over Q4FY24. We anticipate challenging business environment to persist in near term. Consequently, we have cut our earnings estimates for FY26E/FY27E. We downgrade the stock to HOLD with a revised TP of Rs914 (earlier Rs1,230), assigning 30x PER on FY27E (from 35x PER on FY27E).

## Key Highlights and Investment Rationale

- **Another weak quarterly performance:** The company reported mere 2% YoY increase in sales volume at 30.1MSM, while net sales realization was down by 2% over Q4FY24 to Rs361/Sqm. Capacity Utilization for own and subsidiary manufacturing for the company stand at around 97%. Kajaria's bathware segment grew by 8% reaching Rs1105mn in Q4FY25. The company remains optimistic from the industry in the near future as the management believes the market will show signs of revival. The management also expects exports to pick up in coming future.
- **Near term challenges outweighs valuation comfort, HOLD with a TP of Rs914:** Kajaria's FY25 earnings were marred by subdued domestic demand and poor performance of sanitaryware segment. We will closely monitor demand revival of the industry in near future. The company is poised to benefit from incremental capacity, strengthened distribution network and superior pricing power over organized peers. HOLD with a TP of Rs914.

TP Rs914

CMP Rs800

Potential upside/downside 14.3%

Previous Rating BUY

## Price Performance (%)

	-1m	-3m	-12m
Absolute	(0.8)	(18.0)	(31.8)
Rel to Sensex	(7.8)	(21.3)	(41.0)

## V/s Consensus

EPS (Rs)	FY26E	FY27E
IDBI Capital	26.6	30.5
Consensus	28.6	35.0
% difference	(7.0)	(12.9)

## Key Stock Data

Bloomberg / Reuters	KJC IN / KAJR.BO
Sector	Building Material Product
Shares o/s (mn)	159
Market cap. (Rs mn)	127,052
3-m daily avg Trd value(Rs mn)	5.4
52-week high / low	Rs1,578 / 745
Sensex / Nifty	80,641 / 24,380

## Shareholding Pattern (%)

Promoters	47.5
FII	15.8
DII	25.6
Public	11.1

## Financial snapshot

(Rs mn)

Year	FY23	FY24	FY25	FY26E	FY27E
Revenue	43,819	45,784	46,351	50,059	54,564
Change (yoy, %)	18	4	1	8	9
EBITDA	5,920	6,997	6,262	6,954	7,795
Change (yoy, %)	(3.1)	18.2	(10.5)	11.0	12.1
EBITDA Margin(%)	13.5	15.3	13.5	13.9	14.3
Adj.PAT	3,542	4,334	3,475	4,233	4,847
EPS (Rs)	22.3	27.3	21.9	26.6	30.5
Change (yoy, %)	(7.5)	22.4	(19.8)	21.8	14.5
PE(x)	35.9	29.4	36.6	30.0	26.2
Dividend Yield (%)	1.6	1.9	1.1	1.3	1.3
EV/EBITDA (x)	21.2	17.7	19.7	17.6	15.6
RoE (%)	15.9	17.5	13.0	14.8	15.5
RoCE (%)	17.6	19.1	14.9	16.2	17.0

Source: IDBI Capital Research

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## Concall highlights:

### Industry

- Contrary to the expectations of the management the industry remains impacted by sluggish demand and weakness in domestic markets as well as export markets. This has led the industry size to remain same and not grown significantly.
- The industry scenario is a bit challenging. The management is cognizant of the fact that they need to relook at the cost structure and take necessary measures to become more competitive and grow much better than the industry which result in improving margins going forward.

### Segmental Performance

- In Q4FY25, sales volume grew by 2% YoY to 30.11 MSM. This growth was largely due to outsource/Imports and JV which stood at 7.85 MSM and 6.46 MSM respectively in Q4FY25 compared to 7.38 MSM and 6.11 MSM in Q4FY24. However, realization de-grew by -2% to Rs361/sqm in Q4FY25.
- The Revenue for the quarter stood at Rs12219mm. The revenue was impacted by subdued demand for tiles and decline in plywood sector.
- The EBITDA margins for Q4FY25 stood at 11 % and it witnessed a decline of 254bps compared to Q4FY24.
- The EBITDA margins were under stress during the quarter and witnessed a decline due to muted quarter of the bath ware division, some loss in UK operation and provision of doubtful debts in plywood division.
- The working capital days as of Mar'25 stood at 51 compared to 58 in Mar'24.
- Production growth also improved by 11% YoY and stood at 21.98 MSM in Q4FY25 compared to 19.84 MSM in Q4FY24.
- Exports in FY25 de-grew by 20%.
- The plywood division, established in 2017 based on the assumption that the implementation of GST would drive a shift from unorganized to branded products, failed to meet the management's expectations and has therefore been slated for closure.

- Tile segment remained flattish at Rs10880mn compared to Rs10917mm in Q4FY24. While the Plywood revenue decreased to Rs50mn compared to Rs326.5mn in Q4FY24. The Bathware segment grew by 8% reaching Rs1105.3mm in Q4FY25.
- Capacity Utilization for own and subsidiary manufacturing for the company stand at around 97%.
- The Board of Directors have recommended a final dividend of Rs4 for the financial year ended 31 March 2025 subject to the approval of the shareholders. During the year, the Company has paid Interim Dividend of Rs5 thereby making the total dividend of Rs9 per share.

#### **Guidance and Others**

- The capex Guided by the management for FY26 is around Rs2000mm. Around Rs1000mm of this will be regular maintenance capex and around Rs750mn will be for a new corporate office and the rest for Nepal. The capex incurred by the company in FY25 was around Rs2500mn.
- The company remains optimistic from the industry in the near future as the management believes the market will show signs of revival. The management also expects exports to pick up in coming future.
- The management will be unifying its entire operations over the next 6-9 months and this is expected to help the company grow more compared to the industry.
- The company is expected to increase its prices marginally on selective segments and will take it as they move forward.
- For Tier 2 and Tier 3 cities the company is strengthening its distribution network and trying to make dealers more exclusive.

**Exhibit 1: Financial snapshot**

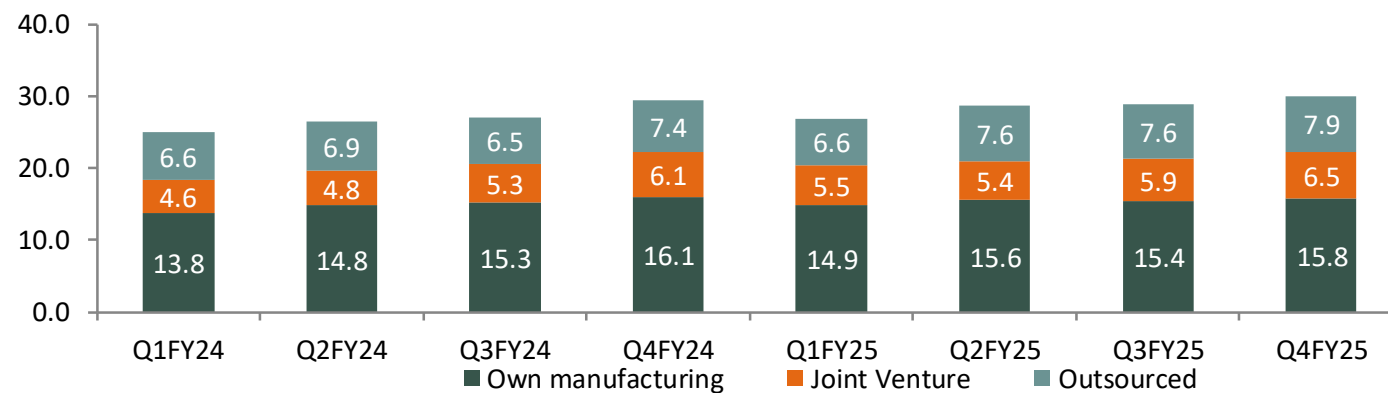
Particulars (mn)	Q4FY25	Q3FY25	QoQ (%)	Q4FY24	YoY (%)
<b>Total revenues</b>	<b>12,219</b>	<b>11,556</b>	<b>5.7</b>	<b>12,408</b>	<b>(1.5)</b>
Total expenditure	10,835	10,023	8.1	10,688	1.4
<b>EBIDTA</b>	<b>1,384</b>	<b>1,533</b>	<b>(9.8)</b>	<b>1,720</b>	<b>(19.5)</b>
<i>EBIDTA margin(%)</i>	<i>11.3</i>	<i>13.3</i>	<i>-194bps</i>	<i>13.9</i>	<i>-254bps</i>
Depreciation	434	397	9.6	425	2.2
Interest cost	60	74	(18.9)	66	(9.4)
Other income	125	103	21.0	174	(28.6)
PBT	1,014	1,166	(13.0)	1,403	(27.7)
Tax	344	307	12.0	354	(2.7)
<b>Adj. net profit</b>	<b>740</b>	<b>849</b>	<b>(12.8)</b>	<b>1,043</b>	<b>(29.0)</b>
Adj. EPS (INR)	4.6	5.3	(12.8)	6.5	(29.0)

Source: Company; IDBI Capital Research

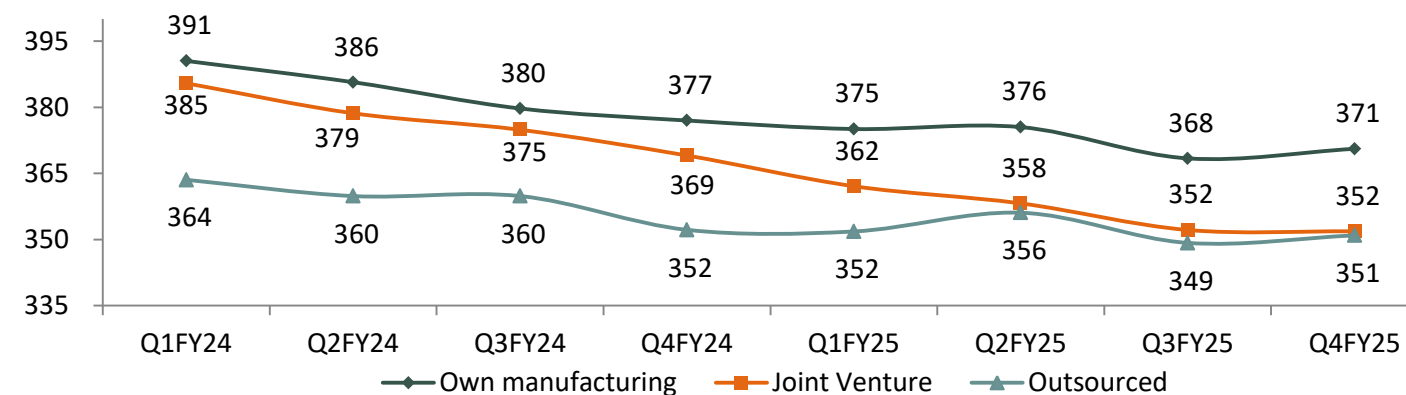
**Exhibit 2: Actual vs. Estimates**

Particulars (mn)	Q4FY25A	Q4FY25E	Variance (%)
<b>Net Sales</b>	<b>12,219</b>	<b>12,333</b>	<b>(0.9)</b>
<b>EBITDA</b>	<b>1,384</b>	<b>1,681</b>	<b>(17.7)</b>
<i>EBITDA Margin (%)</i>	<i>11.3</i>	<i>13.6</i>	<i>-230bps</i>
<b>Net Profit</b>	<b>740</b>	<b>999</b>	<b>(26.0)</b>
EPS, Rs	4.6	6.3	(26.0)

Source: Company; IDBI Capital Research

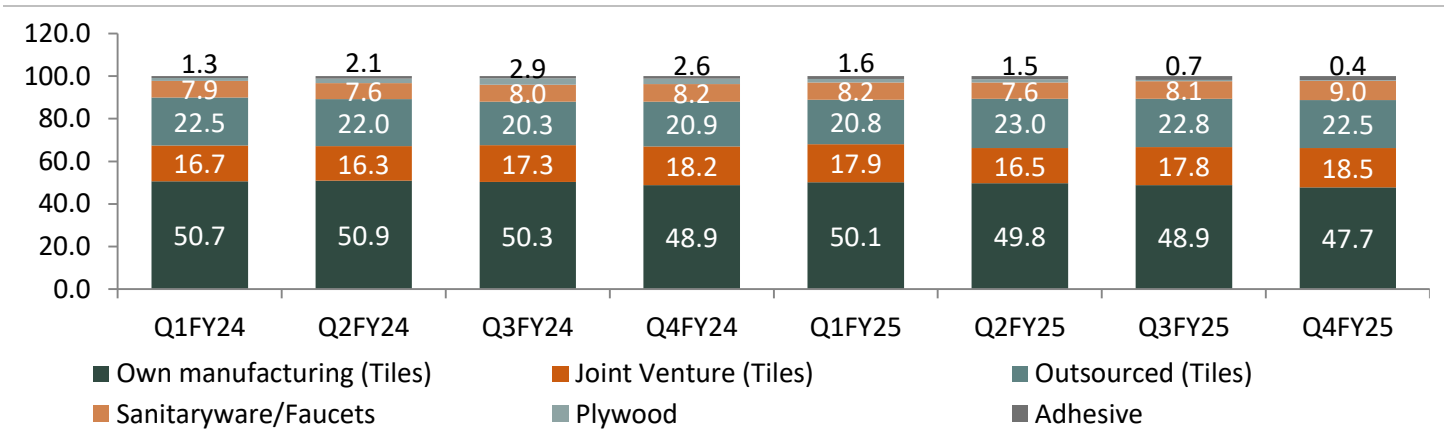
**Exhibit 3: Sales volume contribution (MSM)**

Source: Company; IDBI Capital Research

**Exhibit 4: Tile realization (Rs/sqmtr)**

Source: Company; IDBI Capital Research

Exhibit 5: Revenue contribution (%)



Source: Company; IDBI Capital Research

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Net sales</b>	<b>37,052</b>	<b>43,819</b>	<b>45,784</b>	<b>46,351</b>	<b>50,059</b>	<b>54,564</b>
<i>Change (yoy, %)</i>	33.2	18	4	1	8	9
Operating expenses	(30,945)	(37,899)	(38,787)	(40,089)	(43,105)	(46,769)
<b>EBITDA</b>	<b>6,107</b>	<b>5,920</b>	<b>6,997</b>	<b>6,262</b>	<b>6,954</b>	<b>7,795</b>
<i>Change (yoy, %)</i>	20.0	(3)	18	(11)	11	12
<i>Margin (%)</i>	16.5	13.5	15.3	13.5	13.9	14.3
Depreciation	(1,154)	(1,329)	(1,480)	(1,654)	(1,625)	(1,725)
<b>EBIT</b>	<b>4,953</b>	<b>4,592</b>	<b>5,517</b>	<b>4,608</b>	<b>5,329</b>	<b>6,071</b>
Interest paid	(127)	(223)	(211)	(200)	(164)	(159)
Other income	276	336	462	427	492	565
<b>Pre-tax profit</b>	<b>5,102</b>	<b>4,784</b>	<b>5,768</b>	<b>4,835</b>	<b>5,657</b>	<b>6,477</b>
Tax	(1,274)	(1,163)	(1,435)	(1,360)	(1,424)	(1,630)
<i>Effective tax rate (%)</i>	25.0	24.3	24.9	28.1	25.2	25.2
Minority Interest	-	-	-	-	-	-
<b>Net profit</b>	<b>3,828</b>	<b>3,621</b>	<b>4,334</b>	<b>3,475</b>	<b>4,233</b>	<b>4,847</b>
Exceptional items	-	79	-	-	-	-
<b>Adjusted net profit</b>	<b>3,828</b>	<b>3,542</b>	<b>4,334</b>	<b>3,475</b>	<b>4,233</b>	<b>4,847</b>
<i>Change (yoy, %)</i>	23.9	(7)	22	(20)	22	14
EPS	24.1	22.3	27.3	21.9	26.6	30.5
Dividend per sh	11.0	13.0	15.0	9.0	10.0	10.0
<i>Dividend Payout %</i>	54.8	70.0	66.0	49	45	39

**Balance Sheet**

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Shareholders' funds</b>	<b>21,224</b>	<b>23,268</b>	<b>26,165</b>	<b>27,443</b>	<b>29,768</b>	<b>32,707</b>
Share capital	159	159	159	159	159	159
Reserves & surplus	21,065	23,109	26,006	27,284	29,609	32,548
<b>Total Debt</b>	<b>1,279</b>	<b>2,093</b>	<b>1,706</b>	<b>1,759</b>	<b>1,636</b>	<b>1,590</b>
Other liabilities	1,220	1,611	1,528	1,882	2,025	2,188
<b>Curr Liab &amp; prov</b>	<b>5,495</b>	<b>5,557</b>	<b>5,439</b>	<b>5,820</b>	<b>6,297</b>	<b>6,495</b>
Current liabilities	5,236	5,265	5,120	5,471	5,925	6,104
Provisions	259	293	320	349	373	391
<b>Total liabilities</b>	<b>7,994</b>	<b>9,261</b>	<b>8,673</b>	<b>9,461</b>	<b>9,958</b>	<b>10,273</b>
<b>Total equity &amp; liabilities</b>	<b>29,865</b>	<b>33,305</b>	<b>35,429</b>	<b>37,562</b>	<b>40,384</b>	<b>43,638</b>
Net fixed assets	13,632	14,522	16,015	16,927	17,856	18,200
Investments	-	-	-	-	-	-
Other non-curr assets	1,720	1,919	1,786	2,450	2,551	2,673
<b>Current assets</b>	<b>14,514</b>	<b>16,864</b>	<b>17,628</b>	<b>18,186</b>	<b>19,976</b>	<b>22,764</b>
Inventories	4,659	5,647	5,322	6,181	6,923	7,615
Sundry Debtors	5,133	6,012	6,194	5,702	6,272	7,025
Cash and Bank	4,244	3,938	5,141	5,829	6,259	7,558
Loans and advances	478	1,268	970	474	522	567
<b>Total assets</b>	<b>29,866</b>	<b>33,305</b>	<b>35,429</b>	<b>37,562</b>	<b>40,384</b>	<b>43,638</b>



**Cash Flow Statement**

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Pre-tax profit	5,102	4,784	5,768	4,835	5,657	6,477
Depreciation	1,154	1,329	1,480	1,654	1,625	1,725
Tax paid	(1,228)	(1,131)	(1,361)	(1,307)	(1,281)	(1,467)
Chg in working capital	777	(1,744)	(505)	531	(847)	(1,260)
Other operating activities	-	-	-	-	-	-
<b>Cash flow from operations (a)</b>	<b>5,804</b>	<b>3,238</b>	<b>5,382</b>	<b>5,713</b>	<b>5,153</b>	<b>5,475</b>
Capital expenditure	(3,113)	(2,219)	(2,973)	(2,565)	(2,554)	(2,069)
Chg in investments	50	-	-	-	-	-
Other investing activities	-	-	-	-	-	-
<b>Cash flow from investing (b)</b>	<b>(3,063)</b>	<b>(2,219)</b>	<b>(2,973)</b>	<b>(2,565)</b>	<b>(2,554)</b>	<b>(2,069)</b>
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	309	814	(387)	53	(123)	(46)
Dividend (incl. tax)	(2,099)	(2,480)	(2,862)	(1,717)	(1,908)	(1,908)
Chg in minorities	2	129	(186)	67	-	-
Other financing activities	(1,136)	213	2,229	(521)	(37)	(154)
<b>Cash flow from financing (c)</b>	<b>(2,924)</b>	<b>(1,325)</b>	<b>(1,205)</b>	<b>(2,118)</b>	<b>(2,068)</b>	<b>(2,108)</b>
<b>Net chg in cash (a+b+c)</b>	<b>(183)</b>	<b>(306)</b>	<b>1,203</b>	<b>1,030</b>	<b>531</b>	<b>1,299</b>

**Financial Ratios**

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Book Value (Rs)	133.5	146	165	173	187	206
Adj EPS (Rs)	24.1	22.3	27.3	21.9	26.6	30.5
Adj EPS growth (%)	23.9	-7	22	-20	22	14
EBITDA margin (%)	16.5	13.5	15.3	13.5	13.9	14.3
Pre-tax margin (%)	13.8	10.9	12.6	10.4	11.3	11.9
Net Debt/Equity (x)	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2
ROCE (%)	21.2	18	19	15	16	17
ROE (%)	19.2	16	18	13	15	16

**DuPont Analysis**

Asset turnover (x)	1.3	1.4	1.3	1.3	1.3	1.3
Leverage factor (x)	1.4	1.4	1.4	1.4	1.4	1.3
Net margin (%)	10.3	8.1	9.5	7.5	8.5	8.9

**Working Capital & Liquidity ratio**

Inventory days	46	47	42	49	50	51
Receivable days	51	50	49	45	46	47
Payable days	35	30	28	31	30	29

**Valuations**

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
PER (x)	33.2	35.9	29.4	36.6	30.0	26.2
Price/Book value (x)	6.0	5.5	4.9	4.6	4.3	3.9
EV/Net sales (x)	3.4	2.9	2.7	2.7	2.4	2.2
EV/EBITDA (x)	20.3	21.2	17.7	19.7	17.6	15.6
Dividend Yield (%)	1.4	1.6	1.9	1.1	1.3	1.3

Source: Company; IDBI Capital Research

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**Key to Ratings Stocks:**

**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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