

July 22, 2025

RESULT REPORT Q1 FY26 | Sector: Building Materials

Kajaria Ceramics Ltd

Volume growth disappoints; margins at record high owing to cost optimization measures!

Key take aways from Q1FY26 Earnings:

- Volumes: 27.18msqm, growth of mere 1%YoY Vs est of 5% owing to soft demand scenario and discontinuance of Keronite Tiles (launched to counter Morbi competition).
- Volume Mix: Own/JV/Outsourced constituted 54%/21%/25% of total volumes.
- ASP: Rs363/sqm, an improvement on sequential basis with major price correction across Industry bottoming-out. However, on YoY basis, prices were down by ~1%.
- Revenue: Rs11Bn, remaining flattish YoY. Tiles revenue (92% of sales) stood at Rs10Bn, flattish YoY. Sanitaryware biz also registered muted performance wherein sales stood at Rs915Mn. Adhesives revenue increased by 64%YoY to Rs249Mn.
- Tiles revenue mix: Own/JV/Outsourced constituted 55%/21%/24%.
- EBITDA margins: 17% Vs 15%/11.3% in Q1FY25/Q4FY25 respectively. KJC registered multi-quarter high margins backed by cost optimization measures adopted in terms restructuring 3-tiles teams into 1-team and other measures. Consequently, other expenses reduced by 7%YoY & 32%QoQ. EBITDA stood at Rs1.86Bn, a growth of 12%YoY & 35%QoQ.
- Net profit: Rs1.12Bn, a growth of 22%YoY & 52%QoQ.
- Working capital days: 58-days as on June'25 Vs 51-days as on March'25.

Snapshot Overview

Parameter	Q1 FY26	QoQ (%)	YoY (%)	vs Est	vs Bloom
Revenue	11,027	-9.7%	-1.0%	Below	Below
EBITDA	1,869	35.0%	11.9%	BEAT	BEAT
EBITDA Margin (%)	16.9%	562	195	BEAT	BEAT
PAT	1,126	52.2%	21.9%	BEAT	BEAT

Source: Bloomberg, YES Sec

Key Data points

Parameter	Q1 FY26	QoQ (%)	YoY (%)	vs Est	vs Bloom
Volume	27.2	-10%	1%	BELOW	BELOW
ASP	363	0%	-1%	In-Line	In-Line
EBITDA%	16.9%	562	195	BEAT	BEAT

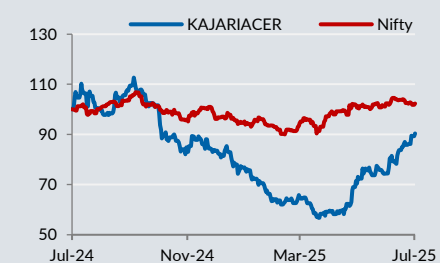
Source: Bloomberg, YES Sec

Reco	: NEUTRAL
CMP	: Rs 1,241
Target Price	: Rs 1,334
Potential Return	: +7%

Stock data (as on Jul 22, 2025)

Nifty	25,061
52 Week h/l (Rs)	1,579 / 759
Market cap (Rs/USD mn)	199,584 / 2,312
Outstanding Shares (mn)	159
6m Avg t/o (Rs mn):	437
Div yield (%):	0.8
Bloomberg code:	KJC IN
NSE code:	KAJARIACER

Stock performance



	1M	3M	1Y
Absolute return	21.4%	52.5%	-10.6%

Shareholding pattern (As of Mar'25 end)

Promoter	47.5%
FII+DII	43.5%
Others	9.1%

Δ in stance

(1-Yr)	New	Old
Rating	NEUTRAL	BUY
Target Price	1,334	1,041

Δ in earnings estimates

	FY26E	FY27E
EPS (New)	29.8	33.4
EPS (Old)	25.8	29.7
% change	15.6%	12.3%

Financial Summary

(Rs mn)	FY25	FY26E	FY27E
Net Revenue	46,351	48,478	53,400
YoY Growth	3.6	4.6	10.2
EBITDA	6,262	7,985	8,759
EBITDA (%)	13.5	16.5	16.4
PAT	3,000	4,752	5,313
YoY Growth	(30.6)	58.4	11.8
ROE	11.2	16.4	16.5
EPS	21.5	29.8	33.4
P/E	39.9	41.6	37.2
BV/Share	172.3	191.1	213.5
P/BV	5.0	6.5	5.8

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ANALYST VIEW & INVESTMENT THESIS

We believe volumes will continue to remain under pressure for this fiscal owing to soft domestic demand. Margins could remain elevated due to various cost optimization measures incorporated by the company. With lower employee cost & other expenses we believe margins will be ~16.5% for FY26E but topline growth will be muted. Also, impact of restructuring of Ceramics, GVT, PVT teams into ONE will be the key monitorable. Hence, though we have revised our margin expectation upwards for FY26E, we have downgraded our volume growth estimate to 4%YoY.

Going ahead, we reckon demand trajectory to improve on the back of better macro-environment and higher exports from India which will ease competitive intensity in domestic markets. Hence, we factor-in 8%YoY volume growth in FY27E & expect operating margins to come in at 16.4%.

We have revised our EPS estimates upwards for FY26E/FY27E by 16%/12% respectively due to revision in operating margin estimates. We have valued KAJARIA CERAMICS LTD at P/E(x) of 40x (avg 1-year forward multiple) on FY27E EPS of Rs33, arriving at a target price of Rs1,334. At CMP, we reckon stock is factoring-in major positives and trades at P/E(x) of 37x on FY27E EPS of Rs33, leaving no major room for upside. Hence, we downgrade the stock to NEUTRAL from BUY.

Exhibit 1: 1-year forward P/E (x) chart



Source: Company, YES Sec

CONCALL SUMMARY

Management's core focus remains to reducing cost across organization!

- Demand in domestic market has been muted. Expect scenario to improve with better exports and pick-up in Government activities.
- Exports form 3MFY26 stood at ~Rs45Bn & management expects FY26 exports to stand at ~Rs180-200Bn.
- Company is integrating their 3-different teams of Ceramics, PVT & GVT into 1-team which will enable them to optimize cost and management expects positive impact on Volumes from hereon.
- For reducing cost, KJC has laid-off few employees and Promoters have decided not to take any salaries which was ~Rs170Mn for FY25. Promoters have decided to resume drawing salaries only post company achieves run rate of ~Rs10Bn EBITDA. Also company is revisiting RM cost, renegotiating boxes & packaging cost.
- Management structure: Earlier Mr. Chetan & Mr. Rishi were responsible for different product categories. Now post restructuring; they will be responsible for all categories but there will be geographic split between the two and Mr. Rishi will continue to handle the Kerovit division. Adhesives is being handled by Mr. Kartik Kajaria (grandson of Mr. Ashok Kajaria).
- Keronite Tiles which was launched to compete with Morbi market category is now DISCONTINUED. The residual inventory will be sold in coming months.
- Plywoods (now discontinued): Salary outgo was Rs20Mn for Q1FY26 & same will be Rs10Mn in Q2FY26.
- Company eyes revenue of Rs1.2Bn from Adhesives & Rs4.8Bn from Bathware division in FY26.
- Other expenses for the quarter were lower as in previous quarter there was bad debts of Rs220Mn relating to plywood and London operations which was ~Rs40Mn in Q1FY26. Company is also re-working on branding strategy wherein major spends will be in Tier-II & III cities.
- Gas cost: North/South/West was Rs38/Rs39/Rs36 and Avg cost was ~Rs37/scm.
- Nepal JV numbers are consolidated only below EBITDA. Volumes from Nepal was ~0.8msqm for Q1FY26. Company has taken provision to hike stake in NEPAL JV to 51%, however no firm plans on the same.
- Management believes if ASP remains steady and there is no major movement in gas cost; then Q1FY26 margins of ~17% will be sustainable.
- Capex for FY26E will be ~Rs1Bn which is largely for office building, there will be no capacity addition for the fiscal.
- No plans for any inorganic growth.
- Tier-I/Tier-II/Tier-III/Tier-IV constitutes 15%/30%/30%/15% of sales.
- North/South/East/West constitutes 35%/30%/15%/20% of sales.

Estimate Revisions

Metric (Rs Mn)	Old Est (FY27E)	New Est	% Change	Reason
Revenue	54,323	53,400	-2%	Lower volume growth
EBITDA	7,882	8,759	11%	Higher than expected margins
EPS	30	33	12%	

Valuation Snapshot

Valuation Metric	FY25	FY26E	FY27E
P/E (x)	39.9	41.6	37.2
EV/EBITDA (x)	21.2	24.0	21.6
ROCE (%)	17.4	21.2	21.4

FINANCIALS

Exhibit 2: Quarterly snapshot (Consolidated)

Particulars (Rs. Mn)	Q1FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)
Net Sales	11,137	12,219	11,027	(1.0)	(9.7)
COGS	4,722	5,395	4,425	(6.3)	(18.0)
% of sales	42.4	44.2	40.1	(5.4)	(9.1)
Gross margin %	57.6	55.8	59.9	3.9	7.2
Employee costs	1,394	1,433	1,360	(2.4)	(5.1)
% of sales	12.5	11.7	12.3	(1.4)	5.2
Other expenses	3,351	4,007	3,374	0.7	(15.8)
% of sales	30.1	32.8	30.6	1.7	(6.7)
EBITDA	1,671	1,384	1,869	11.9	35.0
EBITDA margin %	15.0	11.3	16.9	13.0	49.6
Depreciation	421	434	436	3.6	0.5
EBIT	1,249	949	1,432	14.7	50.9
EBIT margin %	11.2	7.8	13.0	15.8	67.2
Interest expense	47	60	52	10.9	(13.4)
Other income	102	125	132	29.9	6.3
PBT	1,304	1,014	1,513	16.0	49.2
Tax	358	344	396	10.6	15.1
Effective tax rate %	27.4	33.9	26.2	(4.6)	(22.9)
Adj.PAT after Share of Assc & JV	923	740	1,126	21.9	52.2
PAT margin %	8.3	6.1	10.2	23.1	68.6

Source: Company, YES Sec

Exhibit 3: Income statement

Particulars (Rs. Mn)	FY23	FY24	FY25	FY26E	FY27E
Sales	43,819	44,740	46,351	48,478	53,400
COGS	18,070	18,945	19,655	19,876	22,428
COGS %sales	41.2	42.3	42.4	41.0	42.0
GP	25,749	25,795	26,695	28,602	30,972
GP%	58.8	57.7	57.6	59.0	58.0
Employee cost	4,612	4,916	5,661	5,944	6,539
Power & Fuel	10,554	8,661	9,124	9,306	9,772
Other cost	4,663	5,150	5,649	5,366	5,903
EBITDA	5,920	7,068	6,262	7,985	8,759
EBITDA%	13.5	15.8	13.5	16.5	16.4
Depreciation	1,329	1,476	1,654	1,892	2,062
Finance Cost	223	173	200	205	193
Other Income	336	462	427	533	676
PBT	4,625	5,870	4,843	6,422	7,179
Tax	1,163	1,435	1,360	1,670	1,867
Profit from discontinued operations	-	(113)	(483)	-	-
PAT	3,462	4,322	3,000	4,752	5,313
PAT%	7.9	9.7	6.5	9.8	9.9

Source: Company, YES Sec

Exhibit 4: Balance sheet

Particulars (Rs. Mn)	FY23	FY24	FY25	FY26E	FY27E
Share Capital	159	159	159	159	159
Reserves	23,109	26,006	27,284	30,284	33,845
Equity	23,268	26,165	27,443	30,444	34,004
Non-current liab	1,779	2,006	2,384	2,168	2,138
Payables	3,104	2,933	3,381	3,419	3,858
Provisions	82	278	299	299	299
Other current Liab	3,912	3,456	3,398	3,514	3,444
Total Equity & Liab	33,305	35,429	37,562	40,500	44,400
Gross Block	22,015	24,323	26,480	28,980	31,480
Acc Dep	8,310	8,987	10,641	12,533	14,595
Net Block	13,705	15,336	15,839	16,448	16,886
CWIP	817	679	1,087	1,087	1,087
Other Noncurrent	1,592	1,459	2,130	2,130	2,130
Inventory	5,647	5,322	6,181	6,251	7,053
Receivables	6,012	6,194	5,702	5,964	6,569
Cash & Bank	3,938	5,141	5,829	7,827	9,881
Loans	93	594	69	69	69
Other	421	377	405	405	405
Total Assets	33,305	35,429	37,562	40,500	44,400

Source: Company, YES Sec

Exhibit 5: Cash flow statement

Particulars (Rs. Mn)	FY23	FY24	FY25	FY26E	FY27E
PBT	4,625	5,756	4,360	6,422	7,179
Add: Depreciation	1,329	1,476	1,654	1,892	2,062
Add: Interest	223	173	200	205	193
Less: WC changes	(1,875)	260	(12)	(293)	(969)
Less: taxes paid	(1,265)	(1,385)	(1,172)	(1,670)	(1,867)
Cash flow from operations	2,955	5,974	5,010	6,556	6,599
Capital expenditure	(2,082)	(2,780)	(1,955)	(2,500)	(2,500)
Cash flow from investing activities	(1,837)	(2,972)	(3,721)	(2,500)	(2,500)
Movement in borrowings	427	(393)	100	(100)	(100)
Interest paid	(166)	(129)	(145)	(205)	(193)
Cash from financing activities	(1,348)	(2,124)	(2,086)	(2,057)	(2,045)
Change in cash balance	(230)	878	(796)	1,999	2,054
Opening cash balance	335	105	985	5,829	7,827
Closing cash balance	105	983	189	7,827	9,881

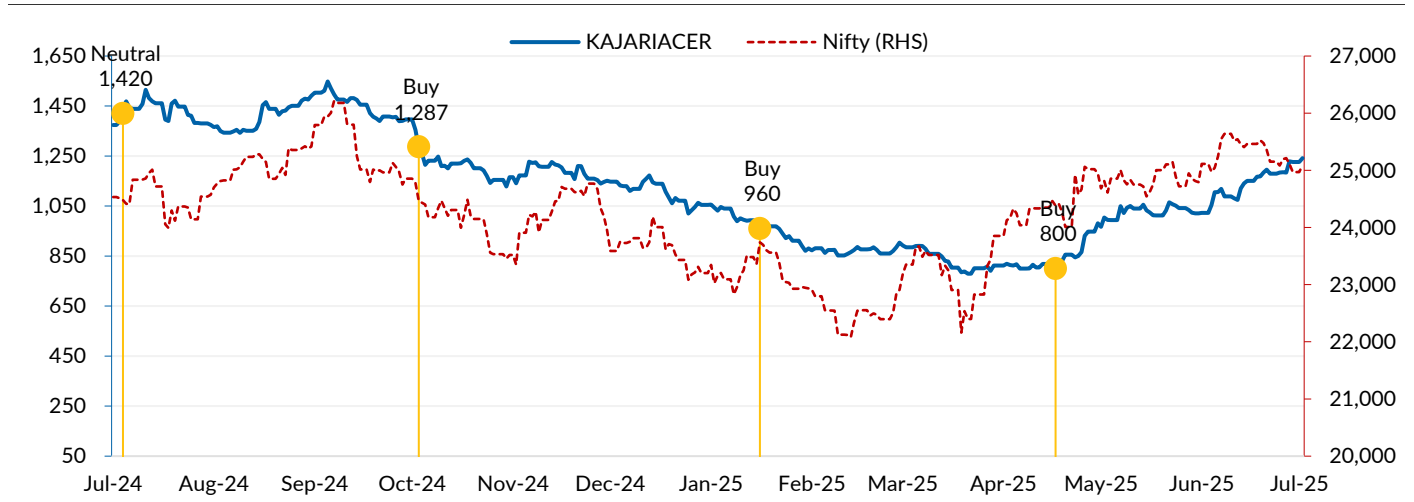
Source: Company, YES sec

Exhibit 6: Ratio analysis

Particulars	FY23	FY24	FY25	FY26E	FY27E
Growth (%)					
Total Sales	18.3	2.1	3.6	4.6	10.2
EBIDTA	(3.1)	19.4	(11.4)	27.5	9.7
EBIT	(5.8)	22.9	(16.8)	31.6	11.2
PAT	(9.5)	24.8	(30.6)	58.4	11.8
Profitability (%)					
EBIDTA Margins	13.5	15.8	13.5	16.5	16.4
EBIT Margins	11.2	13.5	10.9	13.7	13.8
PAT Margins	7.9	9.7	6.5	9.8	9.9
ROCE	20.7	22.8	17.4	21.2	21.4
ROE	15.6	17.5	11.2	16.4	16.5
Per Share Data (Rs)					
EPS	21.6	27.2	21.5	29.8	33.4
CEPS	30.1	36.4	29.2	41.7	46.3
BVPS	146.2	164.3	172.3	191.1	213.5
Valuations (x)					
P/E (x)	48.7	42.4	39.9	41.6	37.2
P/CEPS (x)	35.0	31.7	29.4	29.8	26.8
P/BV (x)	7.2	7.0	5.0	6.5	5.8
EV/EBIDTA	28.0	25.5	21.2	24.0	21.6
Gearing Ratios					
Debt/Equity	0.1	0.1	0.1	0.1	0.0
Net Debt/Equity	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)
Net Debt/EBIDTA	(0.3)	(0.5)	(0.6)	(0.8)	(1.0)
Int Coverage	22.1	35.0	25.1	32.3	38.2
WCC Days					
Debtors	50	51	45	45	45
Inventory	114	103	115	115	115
Creditors	63	57	63	63	63

Source: Company, YES sec

Recommendation Tracker



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7	YSIL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8	YSIL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9	YSIL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSIL has been engaged in market making activity for the subject company(ies)	No

Since YSIL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months or associates of YSIL may have managed or co-managed public offering of securities in the past twelve months of the subject company(ies) whose securities are discussed herein.

Associates of YSIL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

Analyst signature

Analyst signature

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YES Securities (India) Limited ('YSIL') is a subsidiary of YES Bank Limited ('YBL'). YSIL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSIL is also a SEBI-registered Investment Adviser and Research Analyst. YSIL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL.