

**HOLD****TP: Rs 1,020 | ▲ 13%****KAJARIA CERAMICS**

| Building Materials

| 31 January 2026

## Margins hold firm amid demand slump

- Tiles sales decline led by flat volume growth YoY and realisations decline of 1% YoY; margins expand ~4pp YoY on cost measures
- Flat YoY volume growth was led by channel de-stocking on liquidation of many SKUs under the company's unification strategy
- Roll forward to Dec-26TP of Rs 1,020 (ascribe 30x Dec-27EPS); maintain **HOLD** on limited upside

**Vineet Shanker**  
 Research Analyst  
 research@bobcaps.in

**Muted Q3:** KJC's revenue was largely flat YoY (+1.1%) and marginally below estimates (-0.9%), impacted by weak tile demand and lower realisations (-1.3% YoY). EBITDA rose 31.2% YoY, broadly in line with estimates, driven by strong cost control and operating leverage, with margins expanding 395 bps YoY to 17.2%. APAT grew 37.7% YoY to Rs 1.15bn, though it missed estimates (-9.5%).

**Mix improvement and cost discipline drive profitability:** Profitability was supported by aggressive cost rationalisation, despite weak tile volumes (+0.2% YoY) on account of channel de-stocking. Tile EBIT margin improved 364bps YoY to 14.4%, driven by lower fuel costs (-6.7% YoY), employee cost rationalisation (-117bps YoY), and moderation in other expenses (-194bps YoY). Non-tile (bathware) revenues grew 9.2% YoY, with EBIT margin expanding sharply by 669 bps YoY to 8.3% (vs 1.6% in Q3FY25); reflecting scale benefits and pricing actions. KJC maintained a net-cash position of Rs 4.72bn, providing balance sheet comfort amid a weak demand environment.

**Outlook:** Q3FY26 demand remained weak due to channel de-stocking, where dealers/distributors focused largely on liquidating their existing inventories of many SKUs. Tile demand stayed subdued, though management noted early recovery from Jan'26 with growth expected from Q4FY26. EBITDA margins held firm at 17.2%, despite pricing pressure; supported by structural cost optimisation. Dealer unification is nearing completion, bathware continues to grow strongly, exports remain muted, fuel costs are stable; and the balance sheet stays in net cash.

**Cut estimates; maintain HOLD:** We maintain our HOLD rating, as we see limited near-term catalysts, given the weak volume growth visibility over medium term amid capacity additions by competitors and a tepid demand environment. Accordingly, we factor in a low single-digit volume growth. We have marginally tweaked our FY27–28 estimates and proportionately reduced our target P/E multiple to 30x (from 35x), to reflect the subdued volume growth profile. Rolling forward to Dec'27 EPS, we arrive at a Dec'26 TP of Rs 1,100 and maintain HOLD.

## Key changes

	Target	Rating
▼	◀ ▶	

Ticker/Price	KJC IN/Rs 902
Market cap	US\$ 1.6bn
Free float	52%
3M ADV	US\$ 2.7mn
52wk high/low	Rs 1,322/Rs 759
Promoter/FPI/DII	48%/12%/26%

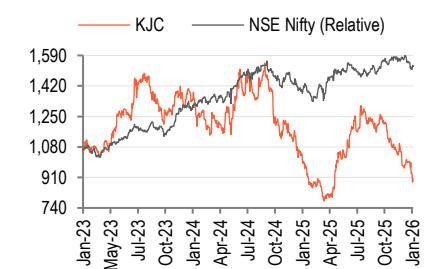
Source: NSE | Price as of 30 Jan 2026

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	46,351	47,051	50,826
EBITDA (Rs mn)	6,262	8,107	8,496
Adj. net profit (Rs mn)	3,426	4,983	5,141
Adj. EPS (Rs)	21.5	31.3	32.3
Consensus EPS (Rs)	21.5	32.3	36.4
Adj. ROAE (%)	12.5	17.0	16.0
Adj. P/E (x)	42.0	28.8	28.0
EV/EBITDA (x)	22.3	17.0	16.0
Adj. EPS growth (%)	(21.0)	45.4	3.2

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



**Fig 1 – Quarterly performance - Consolidated**

Particulars (Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)	BOBCAPS Q3FY26E	Variance (%)
Total operating income	11,683	11,556	1.1	11,860	(1.5)	34,570	34,132	1.3	11,792	(0.9)
Raw-Material expense	4,857	4,717	3.0	5,103	(4.8)	14,385	14,261	0.9		
Gross Profit	6,826	6,839	(0.2)	6,757	1.0	20,186	19,872	1.6		
Employee expense	1,353	1,473	(8.1)	1,305	3.6	4,018	4,228	(5.0)		
Power & Fuel costs	2,251	2,412	(6.7)	2,151	4.7	6,642	6,784	(2.1)		
Other expense	1,210	1,421	(14.8)	1,167	3.7	3,511	3,981	(11.8)		
EBITDA	2,012	1,533	31.2	2,135	(5.7)	6,015	4,878	23.3	2,031	(0.9)
D&A	415	397	4.7	419	(0.9)	1,270	1,220	4.2		
EBIT	1,597	1,137	40.5	1,716	(6.9)	4,745	3,658	29.7		
Interest cost	59	74	(19.6)	58	2.8	169	140	20.4		
Non-operating expense/(income)	288	(93)	(409.1)	(160)	(280.1)	(14)	(241)	(94.4)		
PBT	1,250	1,156	8.1	1,817	(31.2)	4,589	3,759	22.1		
Tax	386	307	25.5	472	(18.3)	1,254	1,015	23.5		
Reported PAT from continued operations	864	849	1.8	1,346	(35.8)	3,336	2,743	21.6		
Profit/(loss) from discontinued operations	(3)	(59)	(95.1)	(6)	(49.1)	(31)	(175)	(82.2)		
Reported PAT	862	790	9.1	1,340	(35.7)	3,304	2,568	28.7		
Minority Interest	(16)	12	(226.6)	10	(253.9)	8	50	(84.4)		
Reported PAT after Minority Interest	877	777	12.8	1,330	(34.0)	3,297	2,518	30.9		
Adjusted PAT	1,151	836	37.7	1,330	(13.4)	3,571	2,577	38.6	1,273	(9.5)
<b>As % of net revenues</b>			<b>chg (bps)</b>		<b>chg (bps)</b>			<b>chg (bps)</b>		
Gross margin	58.4	59.2	(76)	57.0	145	58.4	58.2	17		
Employee cost	11.6	12.7	(117)	11.0	57	11.6	12.4	(77)		
Power costs	19.3	20.9	(160)	18.1	114	19.2	19.9	(66)		
Other cost	10.4	12.3	(194)	9.8	52	10.2	11.7	(151)		
EBITDA margin	17.2	13.3	395	18.0	(78)	17.4	14.3	311		
Tax rate	30.8	26.6	426	26.0	488	27.3	27.0	30		
APAT margin	9.9	7.2	262	11.2	(136)	10.3	7.6	278		

Source: Company, BOBCAPS Research

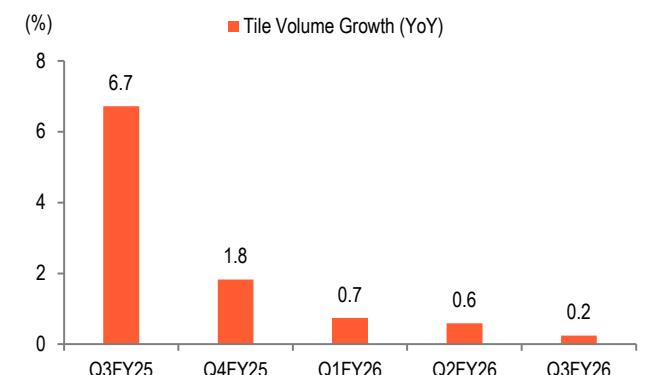
**Fig 2 – Segment performance**

Particulars	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)
<b>Revenue (Rs mn)</b>								
Tiles	10,298	10,407	(1.0)	10,514	(2.0)	30,924	31,171	(0.8)
Non-Tile (Bathware)	1,384	1,150	20.4	1,346	2.9	3,645	2,961	23.1
<b>Total</b>	<b>11,683</b>	<b>11,556</b>	<b>1.1</b>	<b>11,859</b>	<b>(1.5)</b>	<b>34,569</b>	<b>34,132</b>	<b>1.3</b>
<b>EBIT margin (%)</b>								
Tile	14.4	10.7	364	15.4	(97)	14.5	11.8	272
Non-Tile (Bathware)	8.3	1.6	669	7.5	80	7.1	(0.5)	760
<b>Total</b>	<b>13.7</b>	<b>9.8</b>	<b>383</b>	<b>14.5</b>	<b>(80)</b>	<b>13.7</b>	<b>10.7</b>	<b>301</b>
<b>Operational Data</b>								
Tiles Sales Volume (msm)	29.0	28.9	0.2	28.9	0.3	85.0	84.6	0.5
Tiles Realization (Rs/sqm)	355.5	360.1	(1.3)	364.2	(2.4)	361	365	(1.0)
Tiles EBIT per unit (Rs/sqm)	51	39	32.2	56	(8.5)	53	43	21.5

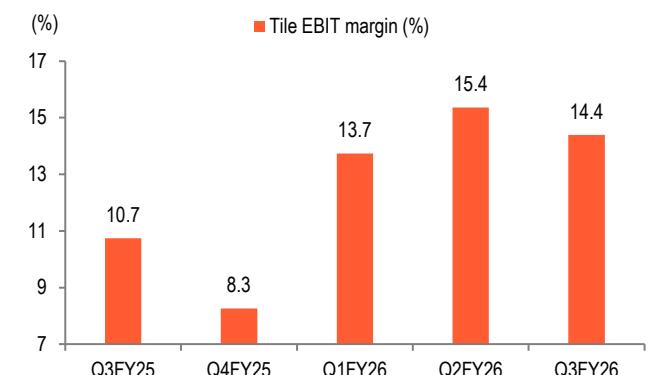
Source: Company, BOBCAPS Research

## Earnings Call Highlights

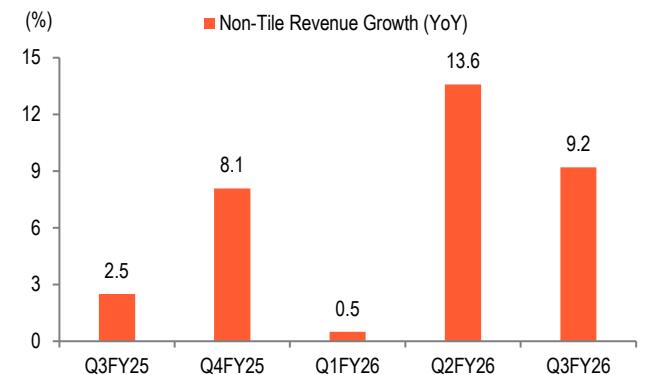
- **Tiles exports scenario:** Management highlighted that Morbi-based export-oriented factories typically shut operations during downturns, as diverting surplus volumes into the domestic market is difficult, thereby limiting incremental pricing pressure locally. While a potential US trade agreement could aid exports, KJC witnessed limited export contribution in H1FY26, with no sharp near-term recovery expected.
- **Cost optimisation projects:** Cost optimisation continues to be an ongoing structural lever, with management emphasising multiple efficiency initiatives beyond low-hanging fruits, including SKU reduction, plant-level rationalisation, procurement efficiencies, and process tightening. Despite a ~240–250 bps hit to tile realisations in Q3FY26, EBITDA margins sustained at 17.2. Management reiterated that savings will increasingly be reinvested into brand-building and market share gains vs margin expansion alone.
- **Tiles:** Tile revenues were flattish YoY in Q3FY26 reflecting weak demand. Realisation fell by 1.3% YoY from discounts to liquidate SKUs. Capacity stands at 82.5 msm (own + JV), with no major CapEx planned; outsourcing from Morbi remains is viable. Management's focus shifts to selling higher-value tiles via architects and unified channels for future realisation improvements.
- **Dealers:** Dealer network restructuring is well advanced, with ~70–75% of dealer churn and unification already completed. Cross-selling across tile categories has improved, but near-term disruption persisted as dealers adjusted displays and ordering behaviour. Management expects full stabilisation by end of Q4FY26, positioning the channel for cleaner growth and higher throughput in FY27.
- **Fuel cost:** Average gas prices during Q3FY26 stood at ~Rs 37/scm across regions, with management guiding for broad stability going forward, barring a marginal Rs 1/scm uptick in Q4FY26. Importantly, fuel inflation risk appears contained, with management estimating only Rs 50-80mn potential impact next quarter; not likely to materially affect margins.
- **Bathware:** The segment continued to show strong traction, delivering 20.4% YoY revenue growth in Q3FY26, aided by distribution expansion and improved product placement. Management remains confident of double-digit volume growth ahead, supported by increased dealer engagement, focused sales teams, and upcoming price hikes in faucets (8-12%) and sanitaryware (from Mar'25) to offset cost inflation.
- **Working Capital:** Working capital days rose by 8 days to 64 as of Dec'25 from 56 in Sep'25, mainly from higher receivables and lower current liabilities. Company-level inventory saw a marginal increase, but dealer de-stocking reduced channel stock, positioning for future efficiency.
- **Net cash:** position stood at Rs 4.72bn in Sep'25 (vs Rs 5.93bn in Sep'25).

**Fig 3 – KJC's tile volumes grew at 0.2% YoY in Q3FY26**

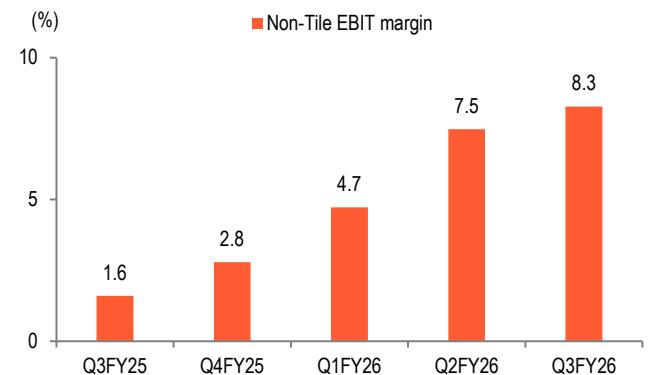
Source: Company, BOBCAPS Research

**Fig 4 – Tile EBIT margins trend up on cost optimisation initiatives**

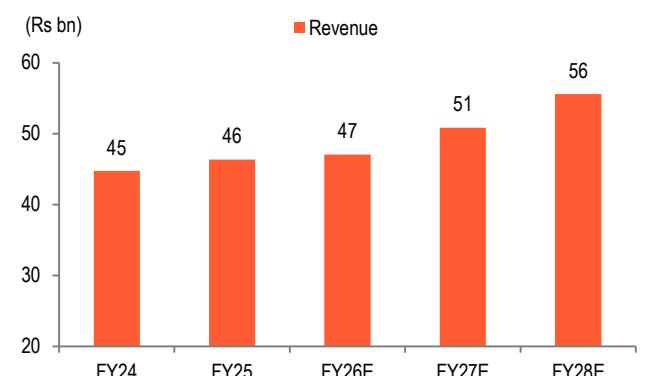
Source: Company, BOBCAPS Research

**Fig 5 – Non-tile (i.e. bathware) revenue grew by 9.2% YoY in Q3FY26**

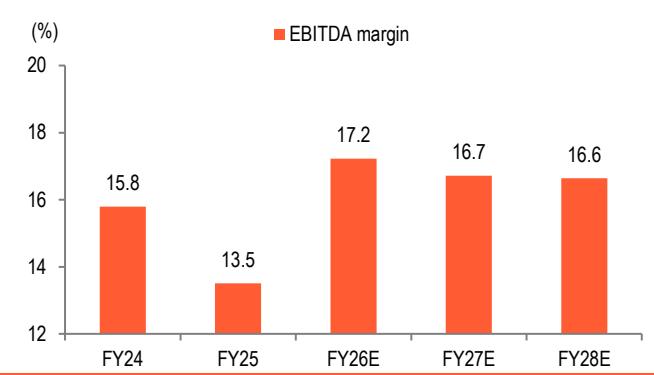
Source: Company, BOBCAPS Research

**Fig 6 – Non-tile EBIT margin also improved in Q3FY26 on scale benefits and pricing actions**

Source: Company, BOBCAPS Research

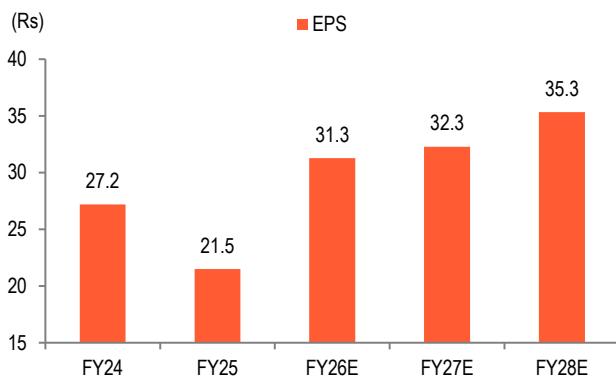
**Fig 7 – KJC's revenue projected to grow at 6.3% CAGR over FY25-FY28E**

Source: Company, BOBCAPS Research

**Fig 8 – KJC EBITDA margin is projected to be near to its 10Y avg level of 16.3% over FY27E-FY28E**

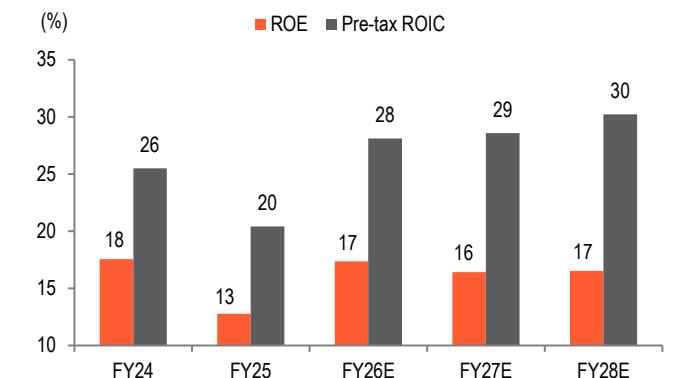
Source: Company, BOBCAPS Research

**Fig 9 – EPS is forecast to grow at 18% CAGR over FY25-FY28E over a weak base**



Source: Company, BOBCAPS Research

**Fig 10 – KJC is likely to generate a healthy return ratio over FY26E-FY28E**



Source: Company, BOBCAPS Research

## Valuation Methodology

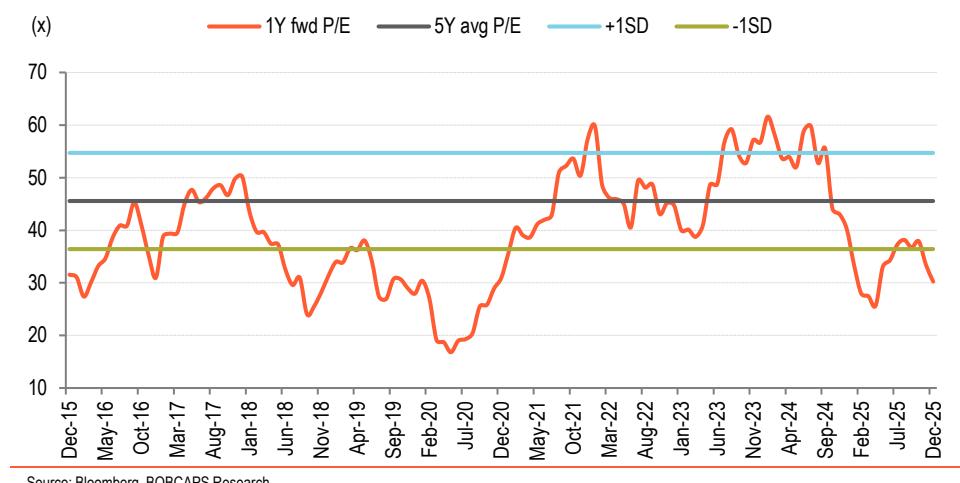
We maintain our HOLD rating, as we see limited near-term catalysts, given the weak volume growth visibility over medium term amid capacity additions by competitors and a tepid demand environment. Accordingly, we factor in low single-digit volume growth. We have marginally tweaked our FY27–28 estimates and proportionately reduced our target P/E multiple to 30x (from 35x), to reflect the subdued volume growth profile. Rolling forward to Dec'27 EPS, we arrive at a Dec'26 TP of Rs 1,020 and maintain HOLD.

**Fig 11 – Revised estimates**

Particulars	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Consolidated (Rs bn)									
Total operating income	47.1	50.8	55.6	48.1	52.6	57.7	(2.1)	(3.3)	(3.7)
EBITDA	8.1	8.5	9.3	8.3	8.4	9.3	(2.6)	0.6	(0.3)
EBITDA Margin (%)	17.2	16.7	16.6	17.3	16.1	16.1	(9)	66	57
Adjusted PAT	5.0	5.1	5.6	5.1	5.2	5.8	(3.0)	(1.4)	(2.9)
EPS (Rs)	31.3	32.3	35.3	32.3	32.7	36.4	(3.0)	(1.4)	(2.9)

Source: BOBCAPS Research

**Fig 12 – KJC trading at 30.2x on 1YF P/E vs pre COVID 5Y avg of 34.0x**



Source: Bloomberg, BOBCAPS Research

**Fig 13 – Key assumptions**

Particulars (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tile Volume Growth	6.3	6.1	0.6	6.5	5.8
Tile Realization Growth	(3.3)	(3.1)	(1.2)	(0.3)	1.5
Tile Revenue Growth	2.8	2.7	(0.6)	6.1	7.4
Non-Tile Revenue Growth	20.2	(1.2)	9.3	21.8	22.4
Non-Tile Revenue Share	11.3	10.9	11.9	13.4	15.0

Source: Company, BOBCAPS Research

## Key risks

Key upside/downside risks to our estimates:

- Better-than-expected recovery in real estate demand and sharp improvement in non-tile segment margins are key upside risks.
- Market share loss in tiles and a steep decline in tile exports from India are key downside risks.

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Total revenue</b>	<b>44,740</b>	<b>46,351</b>	<b>47,051</b>	<b>50,826</b>	<b>55,607</b>
EBITDA	7,068	6,262	8,107	8,496	9,254
Depreciation	1,476	1,654	1,759	1,946	2,065
EBIT	5,593	4,608	6,348	6,550	7,189
Net interest inc./exp.)	(173)	(200)	(229)	(238)	(238)
Other inc./exp.)	462	427	520	466	466
Exceptional items	113	483	0	0	0
EBT	5,768	4,352	6,640	6,779	7,418
Income taxes	1,435	1,360	1,670	1,698	1,859
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(113)	(49)	13	61	70
<b>Reported net profit</b>	<b>4,221</b>	<b>2,943</b>	<b>4,983</b>	<b>5,141</b>	<b>5,628</b>
Adjustments	113	483	0	0	0
<b>Adjusted net profit</b>	<b>4,335</b>	<b>3,426</b>	<b>4,983</b>	<b>5,141</b>	<b>5,628</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	2,933	3,381	3,432	3,707	4,056
Other current liabilities	2,385	2,352	2,352	2,352	2,352
Provisions	278	299	303	327	358
Debt funds	1,706	1,759	1,681	1,665	1,671
Other liabilities	1,372	1,670	1,670	1,670	1,670
Equity capital	159	159	159	159	159
Reserves & surplus	26,006	27,284	29,840	32,477	35,364
Shareholders' fund	26,756	28,101	30,672	33,400	36,388
<b>Total liab. and equities</b>	<b>35,429</b>	<b>37,562</b>	<b>40,110</b>	<b>43,123</b>	<b>46,495</b>
Cash and cash eq.	5,141	5,829	8,441	10,341	12,433
Accounts receivables	6,194	5,702	5,788	6,252	6,840
Inventories	5,322	6,181	5,783	6,344	7,060
Other current assets	970	474	480	513	555
Investments	148	302	302	302	302
Net fixed assets	15,336	15,839	16,080	16,135	16,070
CWIP	679	1,087	1,087	1,087	1,087
Intangible assets	1,041	1,335	1,335	1,335	1,335
Deferred tax assets, net	185	53	53	53	53
Other assets	412	760	760	760	760
<b>Total assets</b>	<b>35,429</b>	<b>37,562</b>	<b>40,110</b>	<b>43,123</b>	<b>46,495</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Cash flow from operations</b>	<b>6,525</b>	<b>5,312</b>	<b>7,035</b>	<b>6,244</b>	<b>6,635</b>
Capital expenditures	(3,249)	(2,859)	(2,000)	(2,000)	(2,000)
Change in investments	(129)	(154)	0	0	0
Other investing cash flows	225	190	283	229	229
<b>Cash flow from investing</b>	<b>(3,153)</b>	<b>(2,823)</b>	<b>(1,717)</b>	<b>(1,771)</b>	<b>(1,771)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(387)	54	(79)	(15)	5
Interest expenses	(173)	(200)	(229)	(238)	(238)
Dividends paid	(1,963)	(1,434)	(2,427)	(2,504)	(2,741)
Other financing cash flows	353	(222)	29	183	201
<b>Cash flow from financing</b>	<b>(2,169)</b>	<b>(1,802)</b>	<b>(2,705)</b>	<b>(2,574)</b>	<b>(2,773)</b>
Chg in cash & cash eq.	1,203	688	2,613	1,900	2,092
<b>Closing cash &amp; cash eq.</b>	<b>5,141</b>	<b>5,829</b>	<b>8,441</b>	<b>10,341</b>	<b>12,433</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	26.5	18.5	31.3	32.3	35.3
Adjusted EPS	27.2	21.5	31.3	32.3	35.3
Dividend per share	12.0	9.0	15.2	15.7	17.2
Book value per share	164.3	172.3	188.3	204.9	223.0

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.1	3.0	2.9	2.7	2.4
EV/EBITDA	19.9	22.3	17.0	16.0	14.4
Adjusted P/E	33.2	42.0	28.8	28.0	25.5
P/BV	5.5	5.2	4.8	4.4	4.0

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	75.1	78.7	75.1	75.8	75.9
Interest burden (PBT/EBIT)	103.1	94.4	104.6	103.5	103.2
EBIT margin (EBIT/Revenue)	12.5	9.9	13.5	12.9	12.9
Asset turnover (Rev./Avg TA)	126.3	123.4	117.3	117.9	119.6
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.4	1.3	1.3
Adjusted ROAE	17.1	12.5	17.0	16.0	16.1

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	2.1	3.6	1.5	8.0	9.4
EBITDA	19.1	(11.4)	29.5	4.8	8.9
Adjusted EPS	23.3	(21.0)	45.4	3.2	9.5
Profitability & Return ratios (%)					
EBITDA margin	15.8	13.5	17.2	16.7	16.6
EBIT margin	12.5	9.9	13.5	12.9	12.9
Adjusted profit margin	9.7	7.4	10.6	10.1	10.1
Adjusted ROAE	17.1	12.5	17.0	16.0	16.1
ROCE	21.3	16.9	21.2	20.0	20.1
Working capital days (days)					
Receivables	51	45	45	45	45
Inventory	43	49	45	46	46
Payables	24	27	27	27	27
Ratios (x)					
Gross asset turnover	1.9	1.8	1.7	1.7	1.8
Current ratio	2.6	2.6	2.9	3.1	3.4
Net interest coverage ratio	32.3	23.0	27.8	27.6	30.3
Adjusted debt/equity	(0.1)	(0.1)	(0.2)	(0.3)	(0.3)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

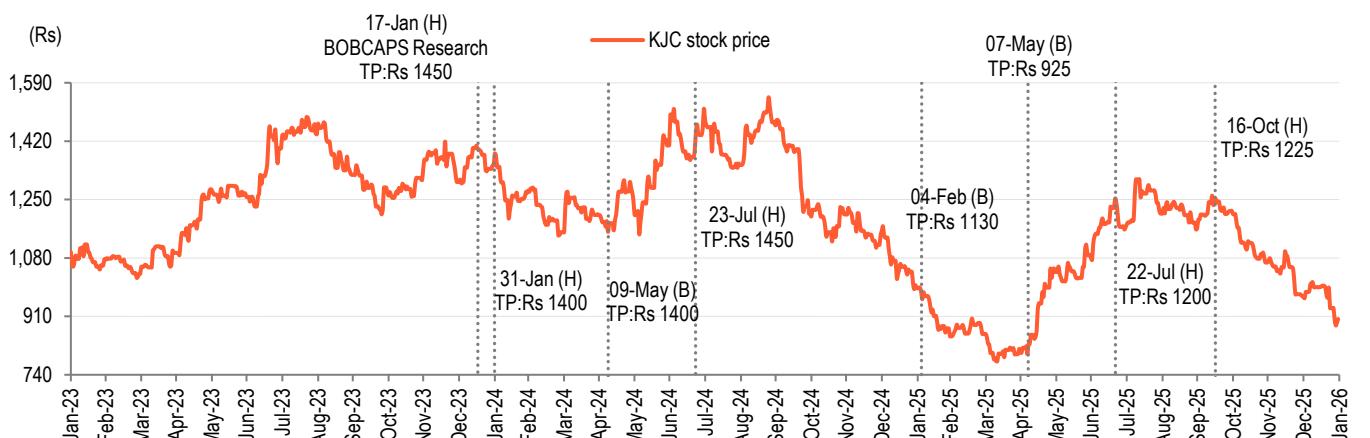
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Ratings and Target Price (3-year history): KAJARIA CERAMICS (KJC IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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