RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 1,140 | ∀ 4%

KAJARIA CERAMICS | Building Materials | 04 May 2026

Margin-led beat as demand recovers

- **Revenue grew 12% YoY, led by 11% volume growth. Margins expand sharply (+786 bps YoY), owing to cost optimisation**
- **Volume recovery driven by internal restructuring, while Morbi disruption supports pricing. Margins guided at 18-19% as sustainable**
- **Roll forward to Mar-27 TP of Rs 1,140 (ascribe 30x FY28 EPS); maintain HOLD on limited upside**

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Mixed Q2: KJC reported 12% YoY revenue growth (+10% vs estimates), driven by healthy tile volume growth and strong traction in bathware. EBITDA outperformed sharply (+90% YoY; +30% vs est.) with margins expanding 786 bps YoY to 19.2%, led by significant reduction in employee, power and other costs. Consequently, adjusted PAT grew 117% YoY (+31% vs est.), supported by a strong operating performance.

Highlights: Tile volumes grew 11% YoY, while realisations remained largely flat (+0.1% YoY); indicating volume-led recovery amid stable pricing. Tile EBIT margins expanded sharply to 17.1% (+879 bps YoY), on the back of operating leverage and lower costs across fuel, employee and other expenses. Bathware segment continued to outperform with 45% YoY revenue growth, alongside margin expansion to 8.9% (+614 bps YoY), supporting overall profitability. Separately, the company has approved a capex of ~Rs 2.1 bn to expand its Srikalahasti facility (adding 1 MSM GVT capacity), indicating a continued focus on capacity augmentation and growth.

Concall KTAs: Morbi gas cost spike (Rs 47-48 to ~Rs 84.5/unit) has driven the supply disruption and pricing discipline, benefiting the organised players; though normalisation remains a key monitorable. Management expects 18-19% EBITDA margins to be sustained, supported by pricing and cost levers, albeit contingent on volumes and fuel costs. Near-term outsourcing disruption (Apr-May'26) should normalise; while strong capital discipline (Rs 500 mn buyback), improved working capital (~58 days) and a robust net-cash position (Rs 7.9 bn) support execution.

Raise estimates; maintain HOLD: We maintain our HOLD rating on KJC. We upgrade our estimates (FY27E-28E revenue/EBITDA/ up ~6-8%/~5-8%), driven by better-than-expected volume and margin performance. However, we remain cautious on margin sustainability and volume visibility beyond near term; particularly as the industry conditions normalise. We assign unchanged 30x 1YF multiple to FY28EPS to arrive at Mar-27 TP of Rs 1,140 (earlier Rs 1,020).

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	KJC IN/Rs 1,188
Market cap	US$ 2.0bn
Free float	52%
3M ADV	US$ 4.1mn
52wk high/low	Rs 1,322/Rs 765
Promoter/FPI/DII	48%/12%/26%

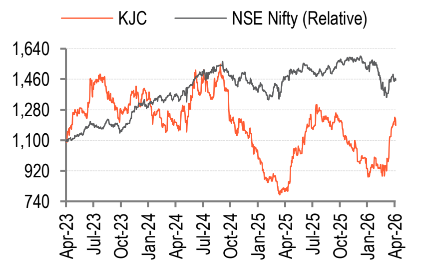
Source: NSE | Price as of 30 Apr 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	48,304	54,217	60,339
EBITDA (Rs mn)	8,650	8,887	9,827
Adj. net profit (Rs mn)	5,231	5,437	6,050
Adj. EPS (Rs)	32.8	34.1	38.0
Consensus EPS (Rs)	32.8	33.2	39.7
Adj. ROAE (%)	17.6	16.6	16.9
Adj. P/E (x)	36.2	34.8	31.3
EV/EBITDA (x)	21.2	20.5	18.3
Adj. EPS growth (%)	52.7	3.9	11.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly performance - Consolidated

Particulars (Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	FY26	FY25	YoY (%)	BOBCAPS Q4FY26E	Variance (%)
Total operating income	13,734	12,219	12.4	11,683	17.6	48,304	46,351	4.2	12,542	9.5
Raw-Material expense	6,290	5,395	16.6	4,857	29.5	20,675	19,655	5.2	5,486	14.6
Gross Profit	7,443	6,824	9.1	6,826	9.1	27,629	26,696	3.5	7,055	5.5
Employee expense	1,281	1,433	(10.6)	1,353	(5.3)	5,299	5,661	(6.4)	1,353	(5.3)
Power & Fuel costs	2,244	2,340	(4.1)	2,251	(0.3)	8,885	9,124	(2.6)	2,417	(7.2)
Other expense	1,284	1,667	(23.0)	1,210	6.1	4,796	5,649	(15.1)	1,256	2.3
EBITDA	2,635	1,384	90.4	2,012	31.0	8,650	6,262	38.1	2,030	29.8
D&A	423	434	(2.5)	415	2.0	1,694	1,654	2.4	488	(13.3)
EBIT	2,211	949	132.9	1,597	38.5	6,956	4,608	51.0	1,541	43.5
Interest cost	57	60	(4.5)	59	(3.7)	226	200	13.0	59	(3.7)
Non-operating expense/(income)	(85)	(195)	(56.2)	288	(129.6)	(99)	(435)	(77.3)	(109)	(21.9)
PBT	2,239	1,084	106.6	1,250	79.1	6,828	4,843	41.0	1,591	40.7
Tax	674	344	95.9	386	74.8	1,928	1,360	41.8	400	68.4
Reported PAT from continued operations	1,565	740	111.6	864	81.1	4,901	3,483	40.7	1,191	31.5
Profit/(loss) from discontinued operations	1	(308)	(100.2)	(3)	(117.2)	(31)	(483)	(93.7)	0	NA
Reported PAT	1,566	432	262.5	862	81.7	4,870	3,000	62.3	1,191	31.5
Minority Interest	8	7	22.7	(16)	(151.6)	16	57	(72.0)	(22)	(137.5)
Reported PAT after Minority Interest	1,558	425	266.2	877	77.6	4,854	2,944	64.9	1,212	28.5
Adjusted PAT	1,588	733	116.6	1,151	37.9	5,159	3,310	55.8	1,212	31.0
As % of net revenues			**chg (bps)**		**chg (bps)**			**chg (bps)**		
Gross margin	54.2	55.8	(165)	58.4	(423)	57.2	57.6	(40)		
Employee cost	9.3	11.7	(240)	11.6	(225)	11.0	12.2	(124)		
Power costs	16.3	19.1	(281)	19.3	(293)	18.4	19.7	(129)		
Other cost	9.4	13.6	(430)	10.4	(101)	9.9	12.2	(226)		
EBITDA margin	19.2	11.3	786	17.2	196	17.9	13.5	440		
Tax rate	30.1	31.8	(165)	30.8	(74)	28.2	28.1	16		
APAT margin	11.6	6.0	556	9.9	171	10.7	7.1	354		

Source: Company, BOBCAPS Research

Fig 2 – Segment performance

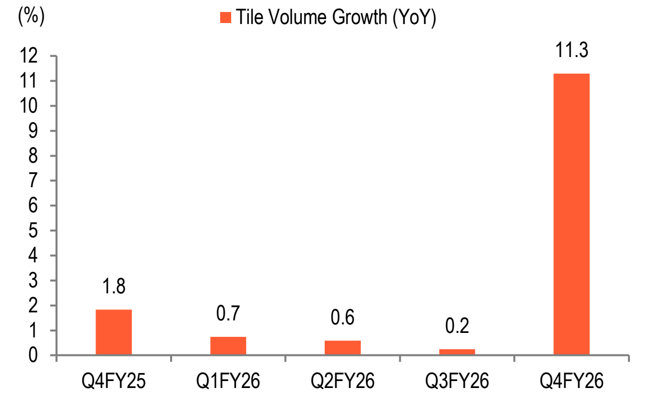
Particulars	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	FY26	FY25	YoY (%)
Revenue (Rs mn)								
Tiles	12,127	11,113	9.1	10,298	17.8	43,051	42,284	1.8
Non-Tile (Bathware)	6,358	5,855	8.6	5,635	12.8	2,323	2,300	1.0
Total	**2,474**	**2,273**	**8.8**	**2,289**	**8.1**	**902**	**828**	**8.9**
EBIT margin (%)								
Tile	17.1	8.3	879	14.4	266	15.2	10.9	436
Non-Tile (Bathware)	8.9	2.8	614	8.3	65	7.7	0.4	726
Total	**16.1**	**7.8**	**833**	**13.7**	**243**	**14.4**	**9.9**	**446**
Operational Data								
Tiles Sales Volume (msm)	33.5	30.1	11.3	29.0	15.7	118.5	114.7	3.3
Tiles Realization (Rs/sqm)	361.9	361.5	0.1	355.5	1.8	361	364	(0.7)
Tiles EBIT per unit (Rs/sqm)	62	31	102.3	51	20.6	55	40	38.1

Source: Company, BOBCAPS Research

Earnings Call Highlights

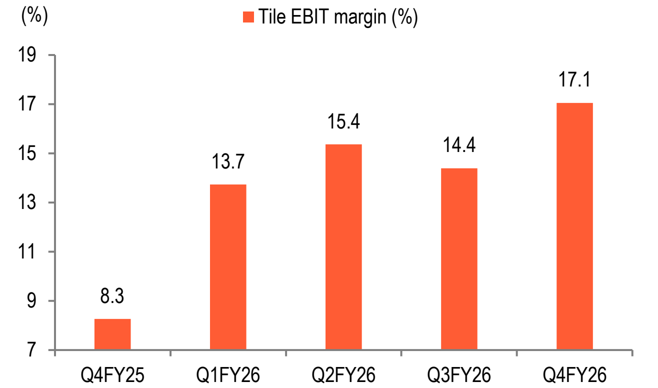
- **Demand & growth:** Volume growth of 11% YoY was broad-based across the quarter, supported by internal restructuring (sales unification, channel realignment), with demand improving from Jan'26 onwards.
- **The Morbi Structural Break:** Gas prices in Morbi surged from Rs 47-48 to Rs 84.50/unit landed, forcing a 35-45% price increase on unbranded product (Rs 20 to Rs 27-29/sqft). KJC's own price hikes of 12-16% (March tranche; second tranche effective April 1) are structurally less severe, given a higher base selling price. Management estimates that only 150-160 of 500-600 Morbi plants will have a viable restart. Propane has been banned for industrial use since March 5th; no near-term reversal visibility, given the domestic LPG and fertiliser priority.
- **Fuel & Cost Economics:** Gas costs rose across regions (Q4FY26 to Apr'26: North Rs 55.5 to Rs 62.5/scm; South Rs 49.6 to Rs 81/scm; West Rs 46.6 to Rs 79/scm), partly mitigated by biofuel usage (~30% in North at ~Rs 20/unit) and favourable gas allocation (~80% APM-linked). These levers remain largely inaccessible to Morbi players. While fuel cost as % of sales declined in Q4 (due to lower production), per-unit costs increased.
- **Margins:** Management indicated EBITDA margins of 18–19% as sustainable, supported by cost rationalisation, operating leverage and pricing actions. However, margin sustainability remains contingent on volume growth, fuel cost trajectory and industry normalisation.
- **Outsourcing & Supply:** FY27 outsourcing target: ~40 mn sqm (vs. ~32 mn sqm in FY26). Apr-May'26 supply gap is expected as Morbi gets normalised, management views this as a 1-2 month procurement timing issue. All owned plants are running at full capacity from Apr'26. KJC holds ~11 mn sqm inventory; Morbi dealer channel is effectively destocked (sold at old prices through Mar'26). With the Morbi channel largely destocked, restarting plants are likely to align with organised players, aiding normalisation in outsourcing.
- **Ad Spends:** Management guided the FY27 ad spend 40-50% higher in FY27 vs FY26 (base: Rs 90-100 cr), driven by increased brand-building initiatives and expanded regional media presence.
- **Buyback:** KJC bought back the PE investor's entire 15% stake (Rs 500 mn), reflecting a strong balance sheet position and preference for efficient capital allocation over holding excess cash.
- **Working Capital:** Working capital improved to ~58 days (vs ~63 days YoY), driven by lower inventory (46 to 37 days) and creditor days (25 to 21 days).
- **Net cash:** position stood at Rs 7.93bn in Mar'26 (vs Rs 4.72bn in Dec'25).

Fig 3 – KJC's tile volumes spiked by 11.3% YoY in Q4FY26 on cost optimisation and channel unification



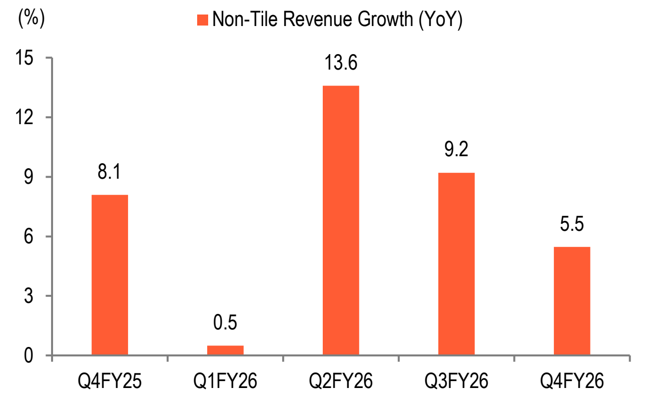
Source: Company, BOBCAPS Research

Fig 4 – Tile EBIT margin improved sharply in Q4FY26 due to benefit of cost optimisation projects



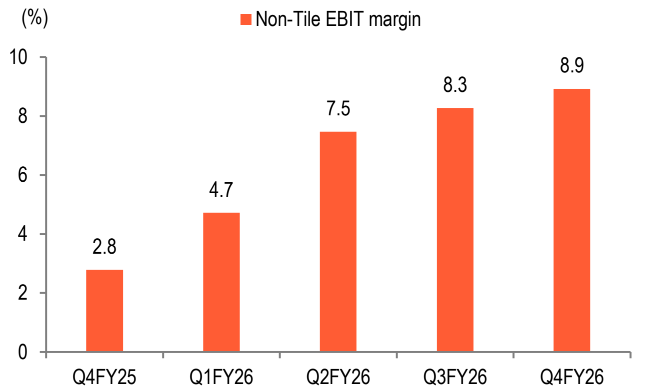
Source: Company, BOBCAPS Research

Fig 5 – Non-tile (i.e. bathware) revenue grew by 5.5% YoY in Q4FY26



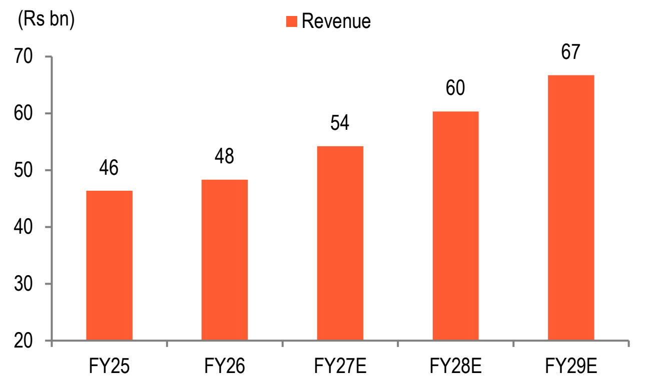
Source: Company, BOBCAPS Research

Fig 6 – Non-tile EBIT margin improved in Q4FY26



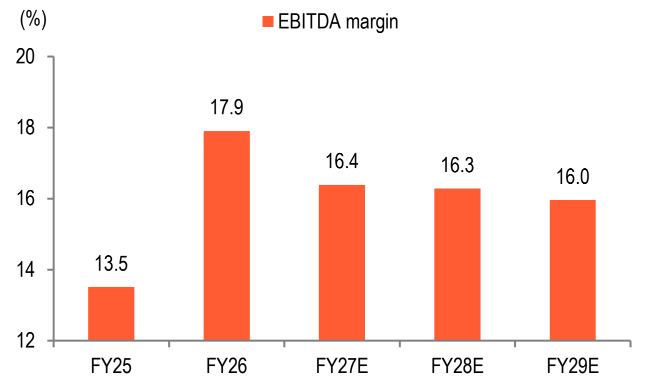
Source: Company, BOBCAPS Research

Fig 7 – KJC's revenue growth projected at 8.4% CAGR over FY26-FY29E



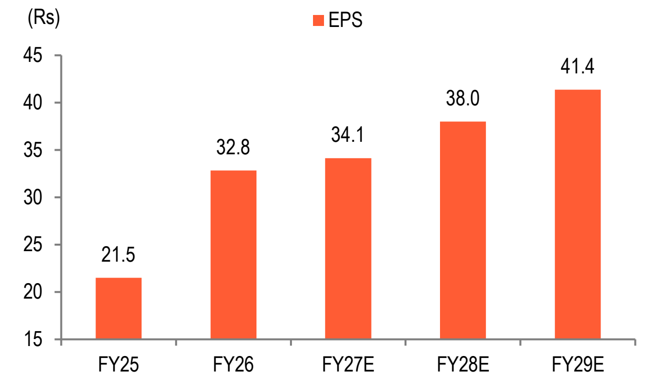
Source: Company, BOBCAPS Research

Fig 8 – KJC EBITDA margin is projected to be near to its 10Y avg level of 16.3% over FY27E-FY29E



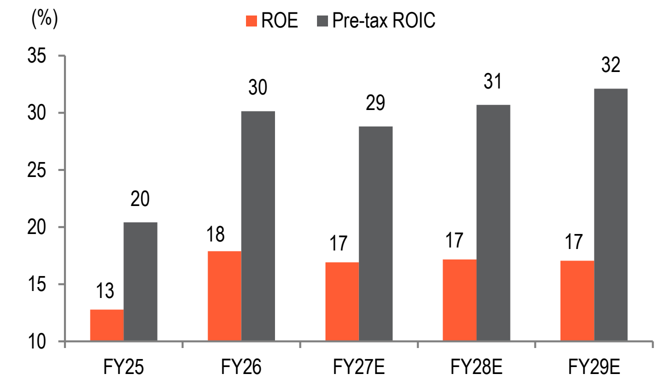
Source: Company, BOBCAPS Research

Fig 9 – EPS is forecast to grow at 5.9% CAGR over FY26-FY29E



Source: Company, BOBCAPS Research

Fig 10 – KJC is likely to generate healthy return ratio over FY27E-FY29E



Source: Company, BOBCAPS Research

Valuation Methodology

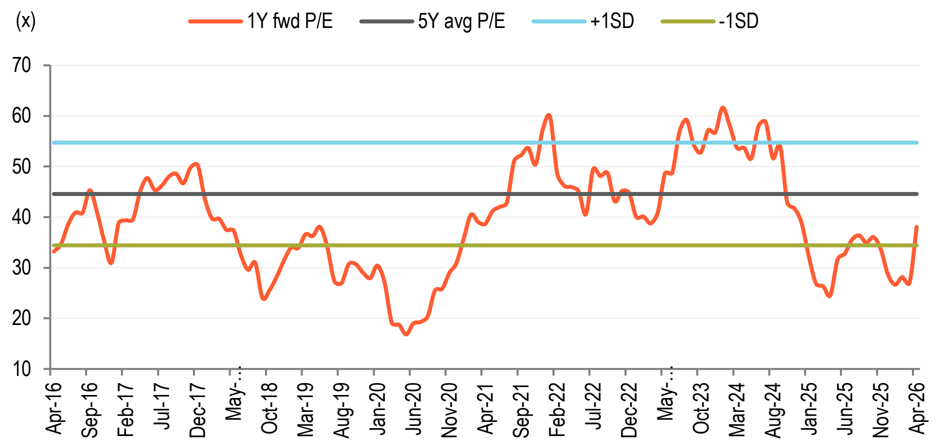
We maintain our HOLD rating on KJC. We upgrade our estimates (FY27E-28E revenue/EBITDA/ up ~6-8%/~5-8%), driven by better-than-expected volume and margin performance. However, we remain cautious on margin sustainability and volume visibility beyond near term; particularly as the industry conditions normalise. We assign unchanged 30x 1YF multiple to FY28EPS to arrive at Mar-27 TP of Rs 1,140 (earlier Rs 1,020).

Fig 11 – Revised estimates

Particulars	New			Old			Change (%)		
Consolidated (Rs bn)	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Total operating income	54.2	60.3	66.7	50.8	55.6	NA	6.7	8.5	NA
EBITDA	8.9	9.8	10.6	8.5	9.3	NA	4.6	5.7	NA
EBITDA Margin	16.4	16.3	16.0	16.7	16.6	NA	(31)	(31)	NA
Adjusted PAT	5.4	6.1	6.6	5.1	5.6	NA	6.6	8.0	NA
EPS (Rs)	34.1	38.0	41.4	32.3	35.3	NA	5.7	7.6	NA

Source: BOBCAPS Research

Fig 12 – KJC trading at 38.0x on 1 YF P/E vs pre-COVID 5Y avg of 34.0x



Source: Bloomberg, BOBCAPS Research

Fig 13 – Key assumptions

Particulars (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tile Volume Growth	6.07	3.35	9.47	8.00	6.47
Tile Realization Growth	(3.14)	(0.73)	1.33	1.56	1.98
Tile Revenue Growth	2.74	2.59	10.93	9.68	8.59
Non-Tile Revenue Growth	(1.22)	8.02	22.01	22.63	22.79
Non-Tile Revenue Share	10.92	11.43	12.43	13.69	15.21

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)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**46,351**	**48,304**	**54,217**	**60,339**	**66,693**
EBITDA	6,262	8,650	8,887	9,827	10,639
Depreciation	1,654	1,694	1,871	1,987	2,075
EBIT	4,608	6,956	7,017	7,840	8,564
Net interest inc./(exp.)	(200)	(226)	(229)	(229)	(229)
Other inc./(exp.)	427	529	500	500	500
Exceptional items	483	0	0	0	0
EBT	4,352	7,258	7,288	8,111	8,835
Income taxes	1,360	1,928	1,838	2,046	2,228
Extraordinary items	0	440	0	0	0
Min. int./Inc. from assoc.	(49)	(6)	(12)	(15)	(18)
Reported net profit	**2,943**	**4,885**	**5,437**	**6,050**	**6,589**
Adjustments	483	347	0	0	0
Adjusted net profit	**3,426**	**5,231**	**5,437**	**6,050**	**6,589**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	3,381	3,195	3,586	3,991	4,412
Other current liabilities	2,352	2,370	2,370	2,370	2,370
Provisions	299	293	328	366	404
Debt funds	1,759	1,303	1,403	1,505	1,612
Other liabilities	1,670	1,826	1,826	1,826	1,826
Equity capital	159	159	159	159	159
Reserves & surplus	27,284	30,497	33,435	36,706	40,268
Shareholders' fund	28,101	31,305	34,215	37,454	40,982
Total liab. and equities	**37,562**	**40,292**	**43,729**	**47,513**	**51,606**
Cash and cash eq.	5,829	7,551	8,878	11,508	14,388
Accounts receivables	5,702	6,285	7,054	7,851	8,677
Inventories	6,181	5,515	7,365	8,346	9,441
Other current assets	474	473	524	576	631
Investments	302	354	354	354	354
Net fixed assets	15,839	15,351	14,791	14,115	13,351
CWIP	1,087	1,193	1,193	1,193	1,193
Intangible assets	1,335	1,395	1,395	1,395	1,395
Deferred tax assets, net	53	73	73	73	73
Other assets	760	2,103	2,103	2,103	2,103
Total assets	**37,562**	**40,292**	**43,729**	**47,513**	**51,606**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**6,685**	**8,147**	**5,058**	**6,647**	**7,146**
Capital expenditures	(2,205)	(1,273)	(1,311)	(1,311)	(1,311)
Change in investments	0	0	0	0	0
Other investing cash flows	390	458	263	263	263
Cash flow from investing	**(1,816)**	**(816)**	**(1,048)**	**(1,048)**	**(1,048)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	100	(447)	99	103	107
Interest expenses	(145)	(160)	(229)	(229)	(229)
Dividends paid	(1,752)	(1,911)	(2,498)	(2,780)	(3,027)
Other financing cash flows	0	0	(57)	(63)	(69)
Cash flow from financing	**(1,797)**	**(2,519)**	**(2,684)**	**(2,969)**	**(3,218)**
Chg in cash & cash eq.	**3,073**	**4,813**	**1,326**	**2,630**	**2,880**
Closing cash & cash eq.	**8,214**	**13,027**	**14,353**	**16,983**	**19,864**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	18.5	30.7	34.1	38.0	41.4
Adjusted EPS	21.5	32.8	34.1	38.0	41.4
Dividend per share	9.0	14.0	15.7	17.4	19.0
Book value per share	172.3	192.4	210.9	231.4	253.8

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	4.0	3.8	3.4	3.0	2.7
EV/EBITDA	29.5	21.2	20.5	18.3	16.7
Adjusted P/E	55.2	36.2	34.8	31.3	28.7
P/BV	6.9	6.2	5.6	5.1	4.7

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	78.7	72.1	74.6	74.6	74.6
Interest burden (PBT/EBIT)	94.4	104.3	103.9	103.5	103.2
EBIT margin (EBIT/Revenue)	9.9	14.4	12.9	13.0	12.8
Asset turnover (Rev./Avg TA)	123.4	119.9	124.0	127.0	129.2
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.3	1.3	1.3
Adjusted ROAE	12.5	17.6	16.6	16.9	16.8

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	3.6	4.2	12.2	11.3	10.5
EBITDA	(11.4)	38.1	2.7	10.6	8.3
Adjusted EPS	(21.0)	52.7	3.9	11.3	8.9
Profitability & Return ratios (%)					
EBITDA margin	13.5	17.9	16.4	16.3	16.0
EBIT margin	9.9	14.4	12.9	13.0	12.8
Adjusted profit margin	7.4	10.8	10.0	10.0	9.9
Adjusted ROAE	12.5	17.6	16.6	16.9	16.8
ROCE	16.9	23.0	21.1	21.4	21.3
Working capital days (days)					
Receivables	45	47	47	47	47
Inventory	49	42	50	50	52
Payables	27	24	24	24	24
Ratios (x)					
Gross asset turnover	1.8	1.8	1.9	2.0	2.2
Current ratio	2.6	3.0	3.3	3.7	4.0
Net interest coverage ratio	23.0	30.7	30.7	34.3	37.4
Adjusted debt/equity	(0.1)	(0.2)	(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%

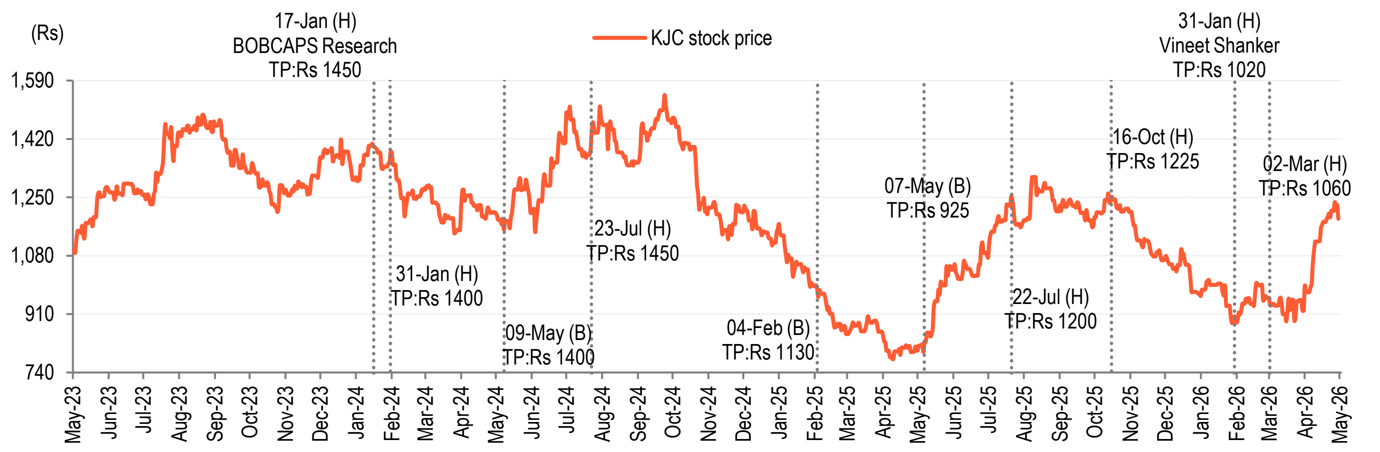
HOLD – Expected return from -6% to +15%

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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