

# ***Kajaria*** ***Ceramics Ltd.***

INITIATING COVERAGE:

**INDUSTRY LEADER**  
**& GROWING BATHWARE VERTICAL**

**ACCELERATING GROWTH IN**  
**BATHWARE & PREMIUM SURFACES**

Kerovit



INDIA'S LARGEST TILE COMPANY

**CMP: INR 934**

**Rating: BUY**

**Target Price: INR 1,700**

**Stock Info**

BSE	500233
NSE	KAJARIACER
Bloomberg	KJC:IN
Sector	Ceramics
Face Value (INR)	1
Equity Capital (INR Mn)	163
Mkt Cap (INR Bn)	166
52w H/L (INR)	1,533/745
Avg Yearly Volume (in 000')	312

**Shareholding Pattern %**

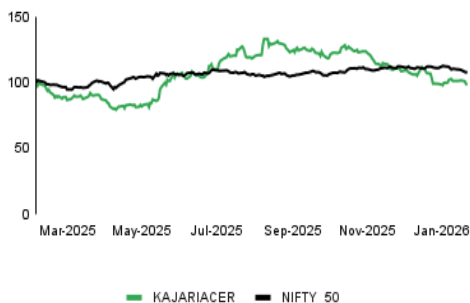
(As on June, 2025)

Promoters	47.49
FII's	12.55
DII's	27.39
Public & Others	12.57

**Stock Performance (%)**

	1m	6m	12m
Kajaria Ceramics	(3.0)	(24.9)	8.2
NIFTY	0.5	3.4	12.0

**Kajaria Ceramics vs Nifty 50**



Kajaria Ceramics Ltd (KJC) is India's largest ceramic and vitrified tile manufacturer with an annual capacity of 90.5+ MSM (Million Sq Meters) across nine plants. Backed by 36 years of operational track record, the company offers over 4,000 SKUs spanning ceramic, glazed vitrified and polished vitrified tiles. It leverages advanced automation, strong brand equity and an expansive distribution network to drive scale and quality leadership. The major segment being tiles contribute(89%) to revenue, followed by the bath ware and adhesive segment contributing (8% & 2%) respectively. KJC is well-positioned to benefit from growing Real Estate and Infra segment alongside rising premiumization trends and robust long-term demand in domestic markets.

**Investment Rationale**

**Major Capex Cycle concluded, topline to start building in:** Between FY22-25, KJC undertook significant capex of INR 12bn adding ~31 MSM of captive capacity a +57% growth over its base. For FY26E the management has indicated the capacity to be adequate, with minimal additions needed. We believe this capex cycle to payout from FY26-27E onwards as the industry witnesses an uptick in demand and Average Selling Price's (ASP's) continue to grow.

**Margin Expansion ahead as Morbi exports improve:** With export improvement in Morbi, the ASP per MSM for Kajaria is expected to improve from current levels of INR 364 to INR 383 in FY27E and INR 394 in FY28E. This increase in ASP would aid in margin expansion as input costs remain static. We forecast EBITDA margin for FY26/27/28E to range at ~16.0%/16.5%/17.0% respectively.

**Discount in Gas Prices to aid margin recovery:** Natural Gas, a key input for tile makers, softened in FY25, easing cost pressures for KJC. Kajaria's average gas cost stood at INR ~37/SCM in Q3FY26, down from INR ~41/SCM in FY24. This drop, driven by improved global supply and lower LNG prices, is expected to aid margin recovery, particularly in energy-intensive GVT and PVT segments.

**Closure of Loss making Ply Business:** The company has liquidated the loss making ply business as the segment hampered its profitability with insignificant sales. The closure of the plywood segment will in turn aid in margins to recover. The company aims to solely aim on its core tile and alleviated adhesive, bath ware segment.

**Bath ware & Adhesive Segment to aid diversification:** The Bath ware segment acts as a proxy to the tiles segment as aesthetic bath ware/restrooms club along aesthetic living spaces. Growth in the real estate space directly aids in demand momentum.

**Real Estate Upcycle:** Indian Real-Estate sector is expected to nearly 2x between 2025-2030 with growth in built-up area across segments. The total built-up supply of residential real estate in top 8 cities is estimated to reach 6,200 mn sq ft by 2030, marking a 39% increase over 2025 driven by governments push for 'Housing for All(PMAY)', urbanization and increased investments by individuals towards Real Estate. Tiles are a proxy to real estate and infra and is poised to directly benefit from the upcycle.

**Outlook and Valuation:**

We expect tile volume growth for Kajaria Ceramics Ltd to gain momentum from Q4FY26E into FY27E, driven by a gradual recovery in housing demand and export channel normalization. Profitability is likely to improve in parallel, buoyed by reducing gas prices and lower freight costs, inturn aiding gross margin expansion. As exports improve, unorganized manufacturers in Morbi continue to shifted their focus on their key international markets, reducing competitive intensity for domestic tile companies like KJC. The foreseen real estate upcycle is expected to aid tile volumes as tiles are a 'last leg proxy' to the same. With closure of loss-making ply segment, we expect bottom-line margins to improve hereon. Furthermore, the adhesives and bath-ware segment is expected to augur well for Kajaria Ceramics, projected to contribute to 3-4% (FY28E) of its topline from 1% as on FY25.

**We recommend a BUY rating on Kajaria Ceramics Ltd with a target price of INR 1,700, based on 40x PE on FY28E EPS of INR 42.5.**

**Abhishek Jain**

[Abhishek.jain@arihantcapital.com](mailto:Abhishek.jain@arihantcapital.com)

022-42254827

**Ashvath Rajan**

[Ashvath.rajan@arihantcapital.com](mailto:Ashvath.rajan@arihantcapital.com)

022-42254870

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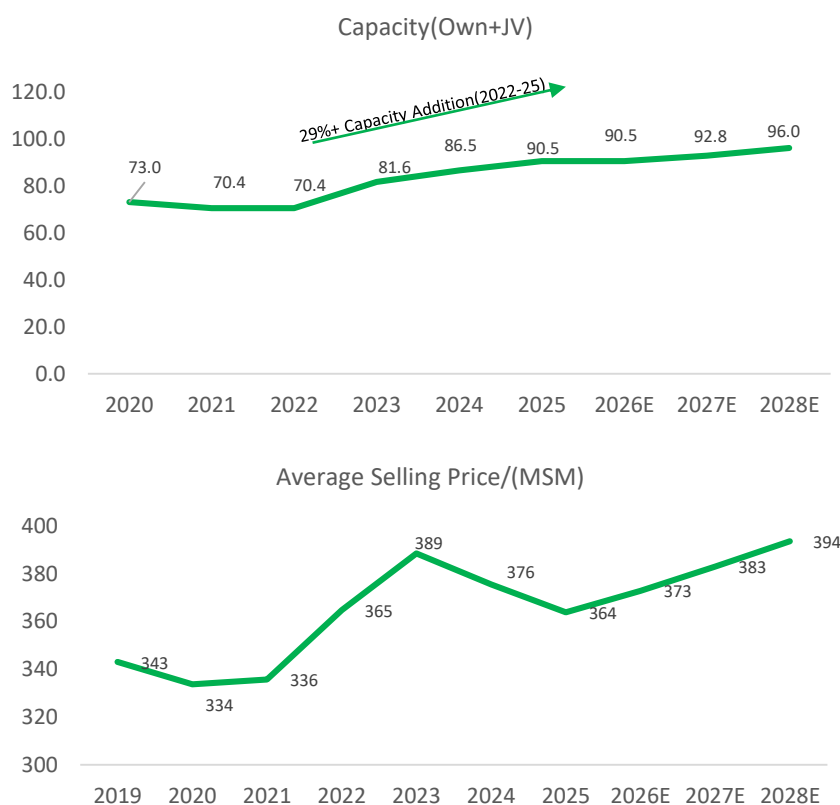
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## Investment Rationale

### i) Major Capex Cycle concluded, topline to start building in:

Between FY22-25, Kajaria Ceramics undertook capex of INR 12 bn adding ~31 MSM of captive capacity a +29% growth over its base. For FY26E the management has indicated the capacity to be adequate, with minimal additions needed.

We expect the concluded capex cycle over FY22-25, to begin yielding returns from Q4FY26E onwards, as sectoral demand improves and Average Selling Prices (ASPs) continue their upward trajectory as i) Exports pickup, leading to Morbi based manufacturers to stop dumping in domestic markets ii) Real estate construction activity picks up in India. The company has adopted an asset-light model by leveraging a strategic outsourcing framework to cater to incremental demand. This provides the flexibility to scale volumes without near-term capex outlay, while simultaneously offering a cushion against margin volatility from external factors such as sharp movements in gas prices or temporary softness in export markets.



ASP's remained muted in FY23-25 as export markets degrew and unorganized manufacturers in Morbi forayed to domestic markets to sell unsold goods. Gas prices inflated during this tenure as conflict between Russia-Ukraine escalated, further as conflict near the Red-Sea region escalated freight costs grew significantly in the region making it challenging for tile manufactures in Morbi to sell their goods.

All factors combined led to oversupply in the domestic market and ASP's to drop, in turn eroding margins.

We believe the pent-up demand due to these undue factors to pickup from hereon and KJC's capacity to be well augured to cater to fore coming growth in volumes.

*Increasing capacity and growing ASP indicates anticipated growth in revenue.*

### CFI Schedule

Financial Year	2022	2023	2024	2025	2026E	2027E	2028E
Capex (INR Mn)	-2,634	-2,082	-2,785	-1,955	-400	-500	-650
<b>Net Cash from Investing Activities</b>	<b>-2,979</b>	<b>-1,837</b>	<b>-2,976</b>	<b>-3,721</b>	<b>-1,269</b>	<b>-1,373</b>	<b>-2,207</b>

Capex beyond FY26-27E will be primarily centered towards the faucet segment as it runs at peak capacity and also towards the adhesive division which is a high growth segment. Kajaria's existing capacity in their core "Tile segment" coupled with JV and Outsourcing is well positioned to benefit from the uptick in pent up demand.

## Investment Rationale

### ii) Margin Expansion Ahead as Morbi exports improve :

Morbi in Gujarat is world's 2nd largest tile manufacturing hub, contributing over 80% of India's tile manufacturing and a significant share of domestic supply. Primarily export oriented the cluster has emerged as a structural challenge for organized players whose market is primarily been domestic focused. Over the past few years, a rapid and largely unregulated capacity expansion in Morbi (especially post-COVID) led to surplus production, with current installed capacity estimated at 1,200+ MSM viz estimated domestic demand of ~850-900 MSM. This has created intense pricing pressure, especially in the mid-to-low price segments, where Morbi players often with lower overheads and minimal brand costs undercut organized players. The condition worsens when export markets underperform and Morbi based manufacturers dump their product in the domestic market.

India's tile exports declined from INR 200 Bn in FY24 to INR 160 Bn in FY25, primarily due to elevated freight costs and geopolitical disruptions. FY26E exports are projected in the range of INR 180-200 Bn. Given Morbi's status as an export centric manufacturing hub, an uptick in exports is likely to redirect capacity toward international markets.

With improvement in export, the ASP per MSM for Kajaria is expected to improve from current levels of INR 364 to INR 373 in FY27E and INR 380 in FY28E. Increase in ASP would aid in margin expansion as input costs remain static. We expect EBITDA margin expansion for FY26/27/28E.(refer snippet below)

Financial Year	2022	2023	2024	2025	2026E	2027E	2028E
Gross Margin	37.5%	34.7%	37.9%	37.9%	39.8%	40.2%	40.7%
EBITDA Margin	16.5%	13.5%	15.3%	13.5%	18.6%	20.3%	21.4%
EBIT Margin	13.37%	10.48%	12.05%	9.94%	12.68%	13.21%	13.69%
PAT Margin	10.2%	7.9%	9.2%	6.5%	9.7%	10.2%	10.7%

For organized players like Kajaria Ceramics, this export recovery presents a tailwind, as Morbi based competitors focus on their key market(international), innately reducing competitive intensity and price wars. Kajaria ceramics being an industry leader and a bigger brand is a 'Price Maker' in the domestic market and attains superior margins relative to peers, with Morbi based competition subsiding the company looks to attain market share domestically.

Segment	Volume Share	Value Share	Key Notes
Organized	~40-45%	~50-55%	Includes major brands and their outsourced volumes
Unorganized	~55-60%	~45-50%	Mostly Morbi cluster and smaller regional players

### Improvement in Export scenario:

The ceramic tile industry has been witnessing headwinds, primarily because of demand slowdown in **export** markets and Red Sea crisis as a large portion of the capacity in Morbi being centered towards the same. This in result has led Morbi based manufacturers to dump their stock in the domestic market, creating an oversupply scenario. We anticipate an improvement in this downtrend as the war near the red sea de-escalates and other export markets continue to recover. India's tile exports are projected to grow by 10-12% in 2025, with new residential and commercial projects in the Middle East, SE Asia, USA and Africa contributing significantly to demand. Major players in Morbi benefit from proximity to ports and a flexible, massive production capacity, which positions them to quickly respond as international demand rebuilds post-Red Sea crisis

As export markets recover Morbi based companies would continue to cater to their primary market, leading to additional improvement in the oversupply scenario. Kajaria Ceramics being the industry leader can maintain its '**price maker**' stance without facing fierce competition.

Freight rates especially in the middle east region reduced post the subdued war scenario near the red-sea, with continual reduction expected going forward. Morbi has historically focused on export markets; with improvement in exports, we expect Morbi based manufacturers to continue to focus on their key export market, reducing competitive intensity, in turn benefiting domestic companies like Kajaria to fetch better realizations (ASP) and witness improvement in volumes.

## Investment Rationale

### iii) Discount in Gas Prices to aid margin recovery:

Natural Gas, a key input for tile makers, softened in FY25, easing cost pressures. Kajaria's average gas cost stood at INR 37/SCM in Q3FY26, down from INR 39-41/SCM in FY24. This drop, driven by improved global supply and lower LNG prices, is expected to aid margin recovery, particularly in energy-intensive GVT and PVT segments. With improving stability in gas and propane prices we anticipate.

### Natural Gas- A Critical Cost Lever for Tile Manufacturers

Natural gas plays an essential role in the tile manufacturing process, particularly in the firing of tiles in kilns, which typically operate at temperatures exceeding 1,100°C. It constitutes anywhere from 25-35% of total production costs, depending on the product mix (e.g. vitrified tiles consume more energy than ceramic tiles) and geography.

### Impact of Russia-Ukraine War (2022-23) on Input Costs

The Russia-Ukraine war in 2022 triggered severe disruptions in the global natural gas market:

European benchmark TTF prices surged over USD 90/MMBtu, while U.S. Henry Hub prices peaked at USD 8.81/MMBtu in August 2022, a sharp rise from pre-war levels of USD 4.

This had a cascading effect globally, including on India, where spot LNG import prices and long-term contract prices rose significantly.

### For Tile companies, this translated into:

- i) EBITDA margin compression across quarters
- ii) Inventory misalignment, as manufacturers could not pass on the entire cost to customers
- iii) Shift in product mix toward lower gas-consuming SKUs or outsourcing

### Gas Prices vs Margins- A Direct Correlation

The single largest operating cost for tile manufacturers is energy, with natural gas/propane accounting for ~20-25% of total revenues and ~35-40% of production costs. Given its extensive in-house manufacturing footprint, Kajaria remains more exposed to gas price volatility compared to peers who outsource a higher share of volumes, thereby passing a portion of fuel cost risks onto partners. This correlation was stark in FY23 when international gas prices surged following geopolitical disruptions.

Spot LNG costs for Morbi-based units nearly tripled from ~USD 8-9/MMBtu to USD 25-30/MMBtu, materially inflating energy costs. As a result, Kajaria's EBITDA margin compressed sharply from its steady-state ~17-18% range to ~10-12%, marking one of the weakest profitability in recent years. The margin stress was further aggravated by weak export demand and elevated container freight costs, which remained significantly above pre-Covid averages.

These dual headwinds cost push from gas and demand weakness overseas resulted in headwinds where Kajaria's scale advantage offered limited insulation. Going forward, with gas prices normalising closer to ~USD 10-12/MMBtu and freight costs easing, margin recovery is underway. However, the direct linkage between energy prices and profitability remains a structural sensitivity for Kajaria, making fuel cost trends a key monitorable for investors.

## Exhibit: Impact of Gas Price Fluctuation on Margins

- Gas constitutes ~25-30% of total cost of production (higher in Morbi-based outsourced manufacturing).
- Realization per sq. m: ~INR 364 (FY25)
- Q3FY26 average gas price for Kajaria: INR ~37-38/scm

	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Average Gas Cost/SCM	INR 37	INR 37	INR 38	INR 37-38	INR 37-38	INR 37
EBITDA Margin (Cons)	13.52%	12.78%	10.01%	16.72%	17.94%	17.20%

## Investment Rationale

### Recovery in Gas Prices At 2-Year Lows (USD 6.41/MMBtu)

As of June 2025, natural gas prices have corrected sharply, reaching a two-year low of USD 6.41/MMBtu (Henry Hub equivalent). This has a positive impact on the tile industry:

Gross margin improvement is likely across Q4FY26, especially for energy-intensive product segments  
 EBITDA margins are poised to recover back to mid-teens levels (13-15%), provided demand remains stable  
 Better pricing visibility and inventory planning for both domestic and export markets  
 Lower energy costs also support higher capacity utilization, which improves operating leverage

With gas prices stabilizing and trending lower, the cost curve for tile manufacturers is turning favorable. For a company like Kajaria, which has significant in-house production and a premium brand positioning, this translates into stronger operating leverage, improved profitability, and potential for market share gains.

### Short-Term (FY26: July 2025-March 2026) - Stable to Soft

Expected Range: **USD 5.5-6.5/MMBtu**

Drivers: Mild weather in Europe and Asia has lowered heating and cooling demand. Strong LNG exports from the U.S and growing production from Qatar and Australia are keeping global supply comfortable. Morbi manufacturers and Indian importers benefit from this as contract prices are resetting at lower levels. Impact on India: Spot LNG likely remains below USD 10/MMBtu or INR 34-38/scm, favorable for industrial use.

### Medium-Term (FY27: April 2026-March 2027) - Gradual Uptrend Possible

Expected Range: **USD 6.5-7.5/MMBtu**

Drivers: Asian demand growth: India, China and Southeast Asia are expected to ramp up gas consumption for industrial and residential use. Carbon transition policies: Push for gas as a “transition fuel” in place of coal could put upward pressure on prices in Europe and Asia. Geopolitical tensions: Any flare-up (Middle East, Ukraine, Taiwan Strait) could spike short-term prices.

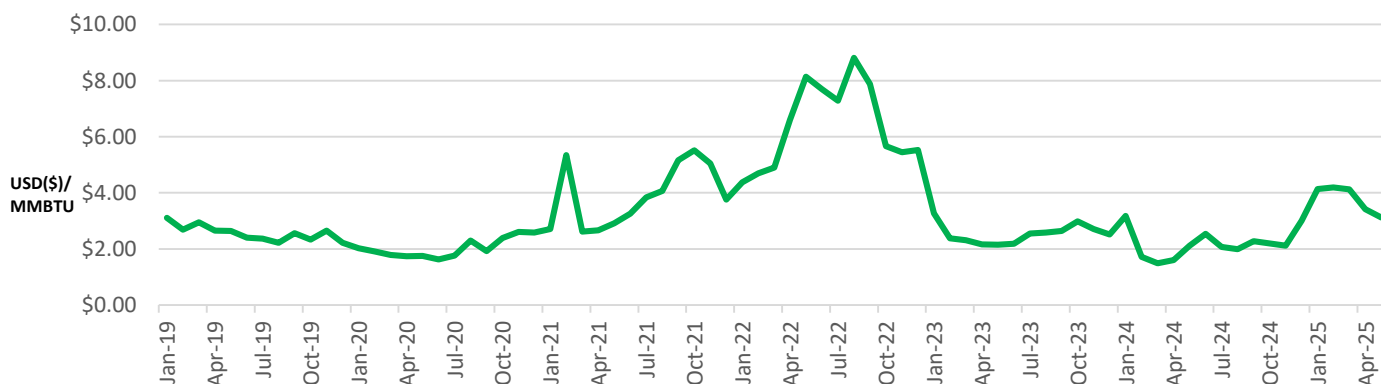
### Long-Term (Post FY27): Moderated and Range - Bound

Range Forecast (2027-2030): **USD 6-8/MMBtu**

Structural Changes: Energy transition acceleration: Renewables and battery storage expansion globally may cap long-term gas demand. LNG infrastructure buildout: U.S. and Qatar expanding capacity through 2026-28, which will stabilize supply.

India’s gas push: Domestic gas share expected to rise to 15% of energy mix by 2030 (vs 6.5% in 2025), supported by city gas distribution and industrial consumption. Cleaner methods of using NatGas, pushing machinery that runs on optimal utilization methods.

**Exhibit: Gas Costs USD/MMBtu Price-Trend**



Source: Company reports, Arihant Capital research

## Investment Rationale

### iv) Closure of Loss making Ply Business:

Kajaria Ceramics has announced its exit from the plywood business a segment that since inception struggled to scale meaningfully and remained structurally unviable. Despite initial ambitions to diversify its building materials portfolio, the plywood vertical underperformed operationally, delivering sub-par volumes, persistent cash burn and negligible contribution (<2%) to overall revenue. This outcome was largely attributable to intense fragmentation in the industry, minimal impact of GST on unorganized players, limited pricing power and challenges in creating differentiation or distribution synergies with Kajaria's core businesses.

From a strategic standpoint, the exit states a practical capital allocation decision. It reflects Kajaria's focus on its high-ROCE, brand-driven core tile business, bath ware (Kerovit) and adhesives (Gres), where it enjoys strong brand equity, established dealer networks and scale advantages. These segments offer better visibility on margins, return ratios and act as a direct proxy to its core tile business.

While the revenue impact from the exit is insignificant, the move is margin accretive. The segment was not aiding to overall profitability and shutting it down is expected to eliminate a consistent drag on consolidated EBITDA margins. Bottom line saw margins eroding, as this segment remained PAT negative.

We view this development positively, as it enhances Kajaria's focus on capital efficiency and strengthens its core growth narrative particularly in bath ware and adhesives, where management has guided for higher investments and distribution going forward. Alongside, negligible impact on topline, we expect the closure of this segment to lift some pressure off the strained margin profile of the company.

## Investment Rationale

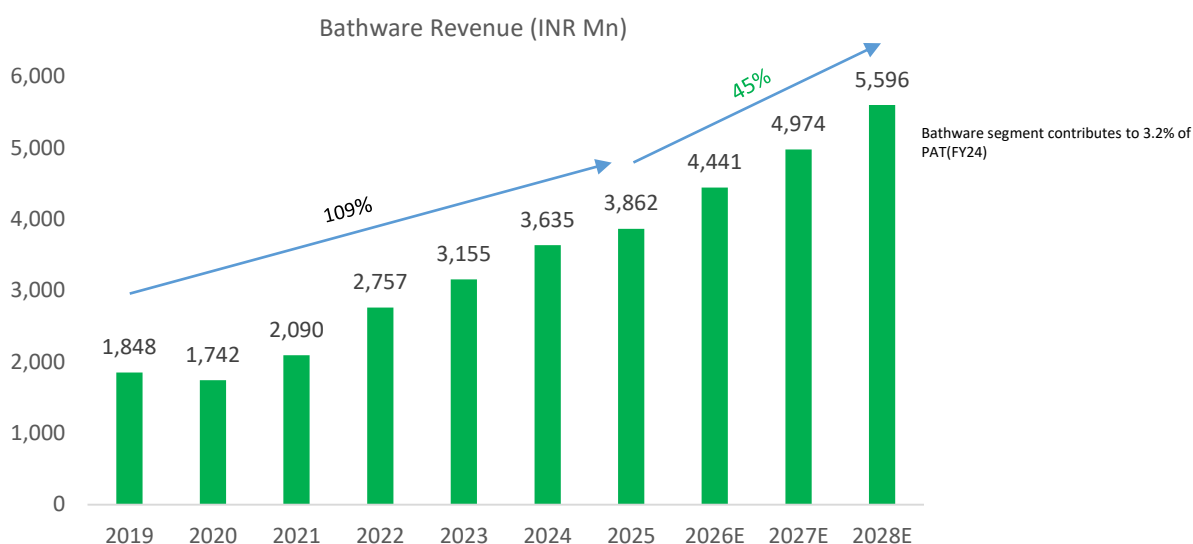
### v) Bath ware & Adhesive Segment to aid diversification:

The bath ware segment acts as a proxy to the Real Estate and Tiles sector. As renovation and new residential housing market grows, the demand for washbasins, toilets, bathtubs and faucets etc follow suite. Kajaria Ceramics promotes sanitary ware under the brand “Kerovit”.

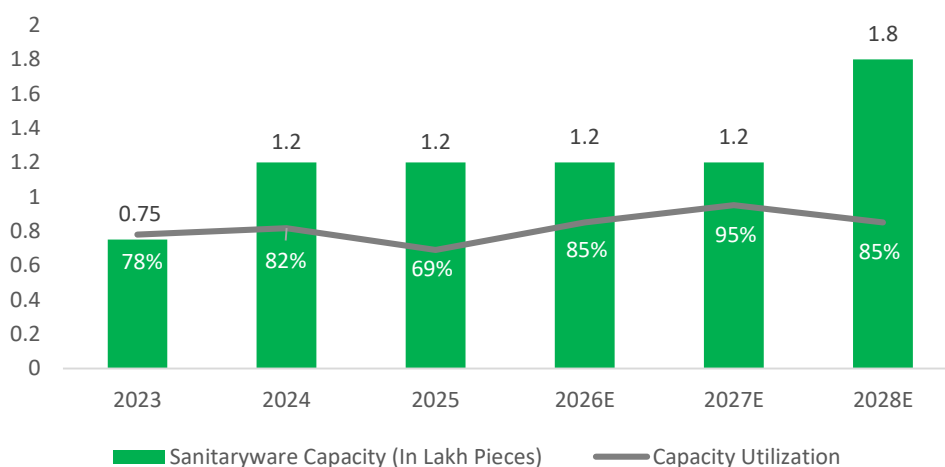
In 2014, the company’s board approved the formation of Kajaria Bath ware and a faucet manufacturing facility in Gailpur, Rajasthan, with a production capacity of 1.5 million pieces.

By August 2014, production of sanitary ware under Kajaria Bathware had commenced. Sanitary ware operations began around August 2014 and by July 2015, the faucet facility at Gailpur began commercial production.

From FY22-25, the bath ware segment (Sanitary ware & Faucet combined) grew 40%, given allied demand with the tile segment and a low base. The bath ware business aids in diversifying Kajaria’s product portfolio and has constantly making market share gains. This segment too faces competition from unorganized manufacturers however the intensity is lesser compared to its core tile business given its production complexity. The Kerovit brand is centered to cater the Upper-Premium and Luxury segment, where the competitive intensity is lesser and margins are accretive.

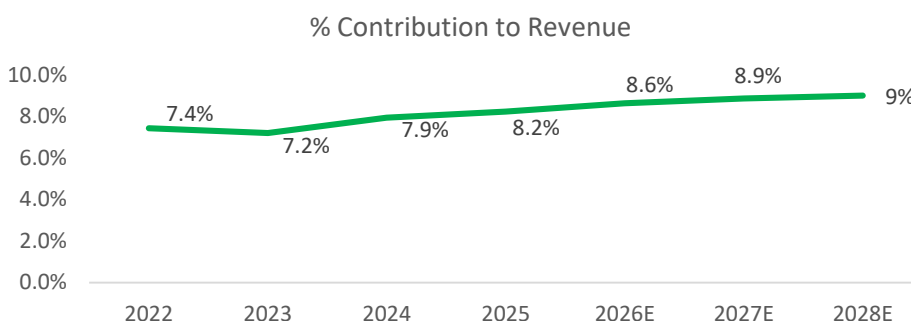
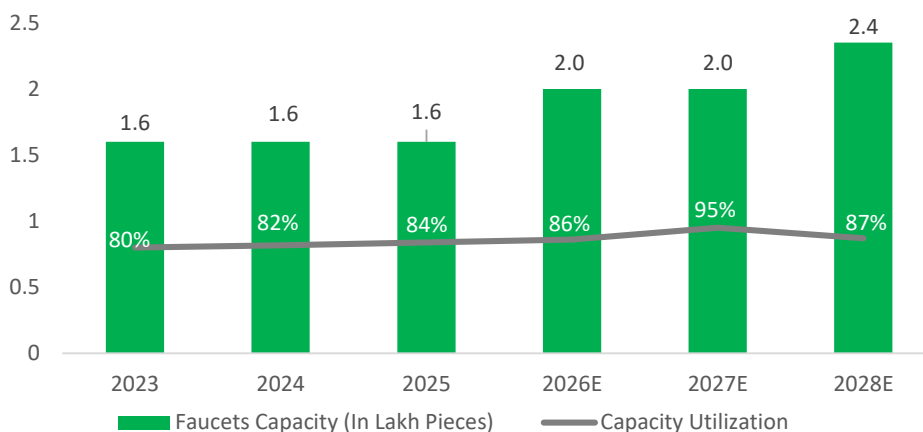


Bathware segments growth significantly outpaced the core tiles segment, given a lower base and continued demand from the premium-luxury segment. The brand is positioned in the premium-luxury category, which is relatively insulated from unorganized competition and benefits from higher repeat purchases(faucets). Leveraging Kajaria’s extensive distribution network and adequate capacity, we expect bath ware to serve as a structural growth driver acting as a proxy to the tiles and real estate upcycle. We estimate the segment to scale from INR 3,862 Mn in FY25 to INR 5,472 Mn by FY28E, implying a ~12% CAGR, with potential margin accretion given its favorable product mix.



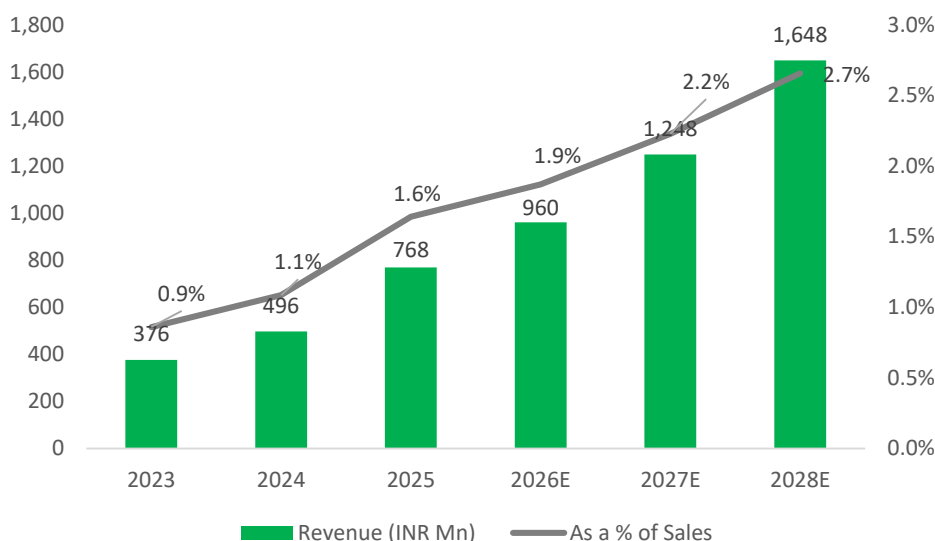
Source: Company reports, Arianth Capital research

### Investment Rationale



The tile adhesive segment marketed under “GresBond” grew 71.7% from FY22-25. With larger and denser slabs, vitrified tiles, and zero-porosity surfaces becoming common, cement is no longer a reliable solution. Cement shrinks after drying, often causing cracks, hollowness and tile failure, while adhesives are polymer-engineered to ensure stronger bonding and flexibility.

Globally, adhesives are the standard for tile installation, but in India cement continues to dominate due to its lower cost and familiarity. However, as demand rises for premium homes and durable finishes, adhesives are gaining traction. Kajaria’s extensive distribution network, is well-positioned to lead this behavioral shift in the Indian market.

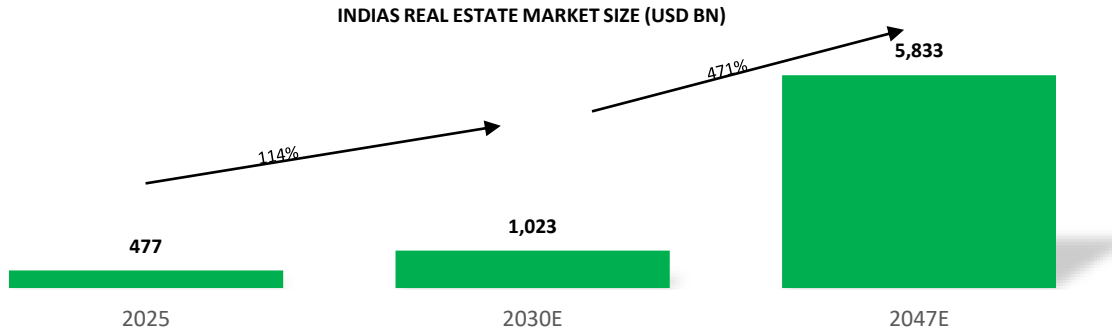


With growing share of vitrified tiles and long term effectiveness of Tile adhesives, this segment is poised to grow at a higher rate than any other segment in the company's product portfolio, expected to contribute 2.5% of revenue from current 1.8%. With increasing awareness, marketing campaigns and increasing consumer awareness this segment is poised to benefit as a proxy to the growing vitrified tile segment in the country.

## Investment Rationale

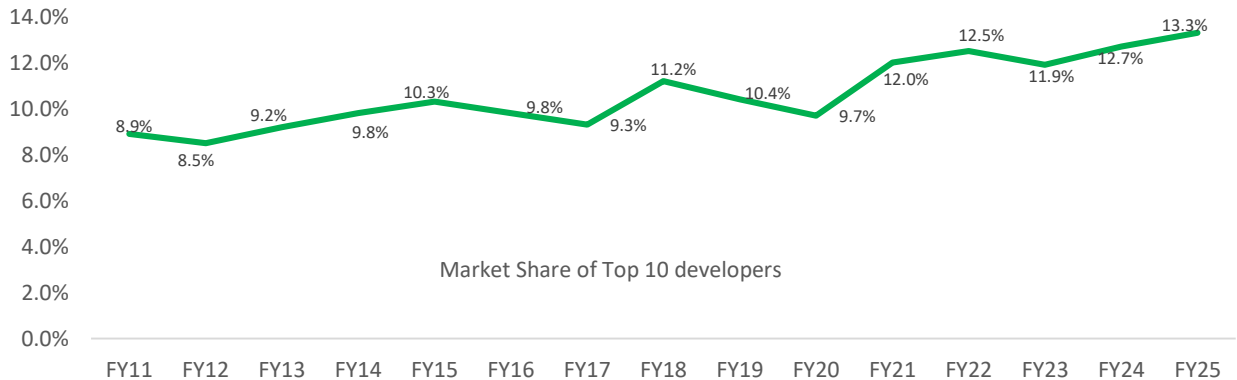
**v) Real Estate Upcycle:** India's residential/real estate sector is poised for solid growth from 2025-2028, with housing sales expected to grow at 7-10% CAGR and prices rising 5-7% annually. Key drivers include urbanization, income growth, infrastructure expansion and rising demand in Tier-2/3 cities. Mid-income and premium housing will lead demand, supported by favorable interest rates, digital innovation, and sustainability becoming mainstream. Kajaria Ceramics, stands to benefit directly from this trend due to its strong brand, wide distribution network and expanding presence in premium and value segments.

Exhibit: MULTIFOLD GROWTH IN INDIAS REAL ESTATE MARKET SIZE (USD BN)



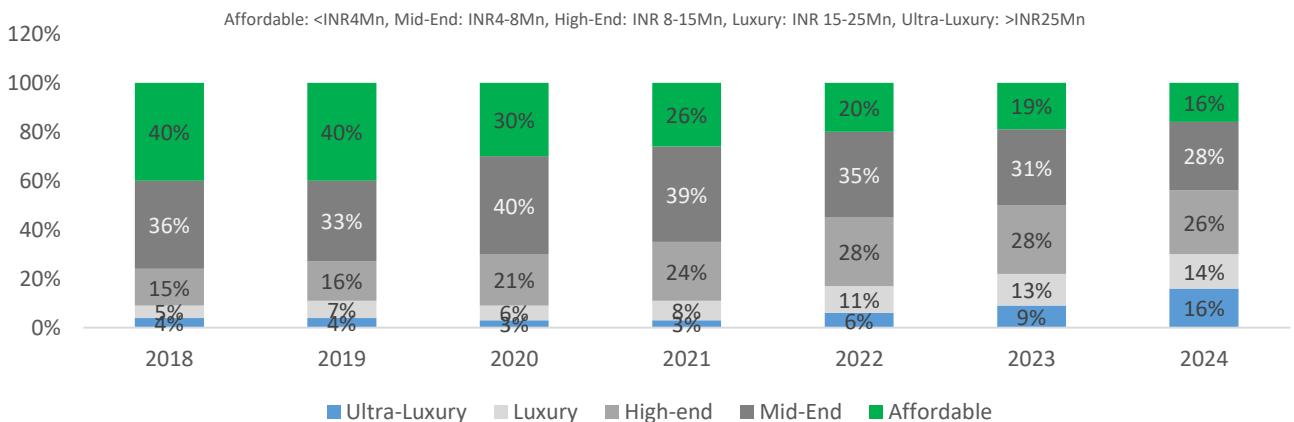
### Size of Organized Real-Estate Market in India and expected growth ahead

- Indian Real-Estate sector is expected to grow 114% between 2025 to 2030 with rise in built-up supply across segments.
- The total built-up supply of residential real estate in top 8 cities is estimated to reach 6,198 million square ft. by 2030, marking a 39% increase over 2024 driven by government push for urbanization and increased investments.



- Market share of top 10 developers continue to improve with higher than industry growth.

### Ultra-Luxury and Luxury gaining market share and expected to increase ahead- Positive for Premium Tile Co.'s



## Investment Rationale

According to PropEquity, a total of 406,889 homes were delivered across India's top nine cities in FY25, marking a 33% increase from the previous year. In FY26 project pipeline is expected to grow further with increased market share of Ultra-Premium and Premium segments

Developer	FY26 Project Pipeline	Key Details
Lodha	INR 250 Bn	Launching INR 190 Bn in residential projects across Mumbai, Pune & Bengaluru; raised to INR 250 Bn total after Q1FY26 launches of INR 80 Bn.
Godrej Properties	INR 325 Bn	Ambitious sales target supported by a pipeline of newly launched projects worth INR 400 Bn.
Prestige Group	INR 420 Bn	Launching its largest township in NCR (Ghaziabad) with GDV of INR 120 Bn; multiple ongoing projects.
Century Real Estate	INR 90 Bn + 1.5 MSF (commercial)	Planning 10+ new projects (residential & plotted) totaling INR 90 Bn GDV; 1.5 million sq ft commercial launches.
DLF (Sales)	INR 200-250 Bn (sales/bookings target)	DLF targets INR 200-250 Bn in FY26 sales with ~INR 170 Bn pipeline

*Project Sales Gaining Momentum; Targeting 8-10% of Total volumes*

## Exhibit: Dealer Network Comparison with Peers

Company	Dealers Network	Exclusive Showrooms	Addition Plans Annual	Key Focus	Strengths
Kajaria	1,400+	~450	200	Tier 2/3 expansion, showroom upgrade	Brand recall, wide range
Somany	2,809+	~500	100-150	Premium showrooms, display support	North/East India penetration
Orientbell	2,000+	381	~50	Digital enablement, visual tools	Dealer tech, cost-efficient ops
AGL	1,200+	277+	-	Morbi dealers, semi-urban focus	Export reach, Tier 3/4 growth
Nitco	1,000+	180+	-	Dealer reactivation	Premium brand, but cash-strapped

*Kajaria derives ~75% of revenue through dealers, with a growing focus on semi-exclusive and exclusive outlets.*

### How Dealer Network Supports Margin Stability

#### Pricing Power Through Brand and Loyalty

A loyal dealer base gives Kajaria greater control over pricing, reducing the risk of margin erosion in this competitive environment.

Dealers often branch with branded co's like Kajaria due to faster movement of inventory, credit support, and brand pull, even when unorganized players offer discounts.

This helps limit heavy discounting, supporting gross margin and pricing discipline. High brand recall allows dealers to convert footfalls into sales more effectively, giving Kajaria an edge over unbranded Morbi manufacturers.

Kajaria is actively converting multi-brand dealers into exclusive ones by offering Co-branded showrooms, Better margins, Credit support, Branding and advertisement assistance. Over the next 2-3 years, Kajaria aims to double exclusive dealer count for tighter brand control and better customer experience.

**Widest Reach in Tier 2/3 Markets:** Strong presence across semi-urban and rural India. Network expansion driven by aggressive rural penetration and consistent dealer onboarding.

### Exhibit: Peer Comparison Organized vs Unorganized Sector for Dealer Margins

Company	Dealer Premium (vs base tile)	Notes
Kajaria	High	Brand-led, customer pull, exclusive showroom and dealer network
Somany	Moderate-High	Good urban brand recall and dealer network
Orient Bell	Moderate	Tech-enabled premium products, boutique rollout, Tier2/3 target
AGL (Asian Granito)	Moderate	Granite coupled with volume-driven model
Morbi	Very Low	Push-based sales, no brand support

### Exhibit: Peer Comparison Capacity and Product Type

Company	Installed Capacity (in MSM)	Product Type	Notes
Kajaria Ceramics	~90.5+ MSM	Ceramic, GVT, PVT, Sanitaryware	10 manufacturing plants across India; largest branded player
Somany Ceramics	~75+ MSM	Ceramic, GVT, PVT, Sanitaryware	Operates via own plants + tie-ups with Morbi units
Asian Granito India	~60 MSM	Tiles, Granite	Focus on exports; has 9 plants across Gujarat
Orient Bell	~42.4 MSM	Wall, Floor Tiles	Pan-India presence, B2B/B2C hybrid
HR Johnson (Prism)	~25-30 MSM	Tiles, Bathware	Legacy brand, part of Prism Johnson Ltd
Nitco Tiles	~20 MSM	Premium tiles, Marble	Premium brand; limited manufacturing presence
Exxaro Tiles	~14.6 MSM	GVT, Double Charge	Listed player; focuses on large size GVT

## Industry Overview- How are Tiles Made?



High Capacity Ball Mills

**Raw Material Preparation** : Raw clay, quartz, and feldspar are collected, cleaned, and mixed. Mixture goes to a ball mill, blended with water and additives.



Spray dryer

**Spray Drying** : The slurry is dried using an agitator and spray dryer, reducing moisture to 5-6% for optimal pressing.



**Pressing Mixture** : Tiles are transferred to pressing machines with molds to shape the tiles.



Multi-Layer Dryer

**Drying Pressed tiles:** Tiles are dried to remove any residual moisture before glazing.



Glazing Line

**Glazing (1st Coating):** Glossy or matte glaze is applied to give tiles their finish and protection.

## Industry Overview- How are Tiles Made?



**Printing Design :** Computerized printers apply custom designs. Tiles undergo 2nd transparent glaze to lock in design.



**Firing Tiles :** Tiles are fired in kilns at  $\sim 1200^{\circ}\text{C}$  for  $\sim 45$  minutes to harden and reduce porosity.



**Polishing & Rectification :** Final polish and manual defect sorting ensures a finished product.



**Quality Control & Packaging:** Post polishing and passing quality control checks the finished tiles are packaged in units of 5,7 tiles usually and are ready to be shipped.



**Industry Overview**

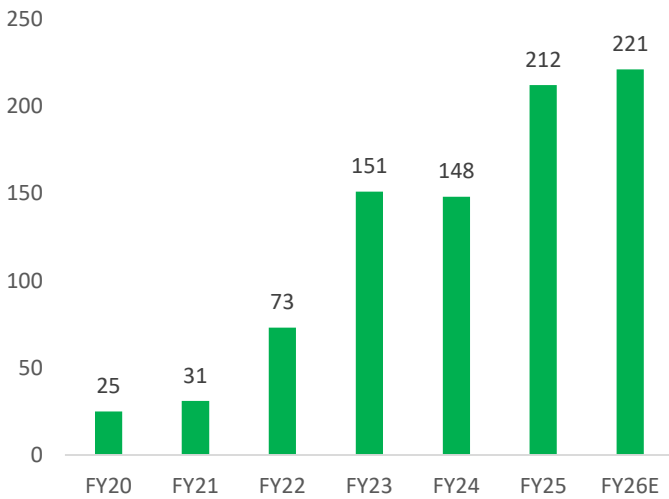
**Size of Organized Real-Estate Market in India and expected growth ahead**

- Indian Real-Estate sector is expected to grow 114% between 2025 to 2030 with rise in built-up supply across segments.
- The total built-up supply of residential real estate in top 8 cities is estimated to reach 6,198 million square ft. by 2030, marking a 39% increase over 2024 driven by government push for urbanization and increased investments.

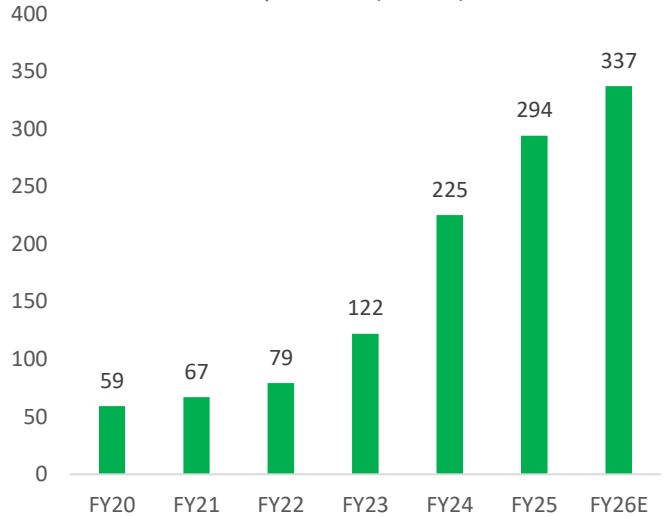
According to PropEquity, a total of 406,889 homes were delivered across India's top nine cities in FY25, marking a 33% increase from the previous year.

**Top Real Estate Players Pre Sales Data**

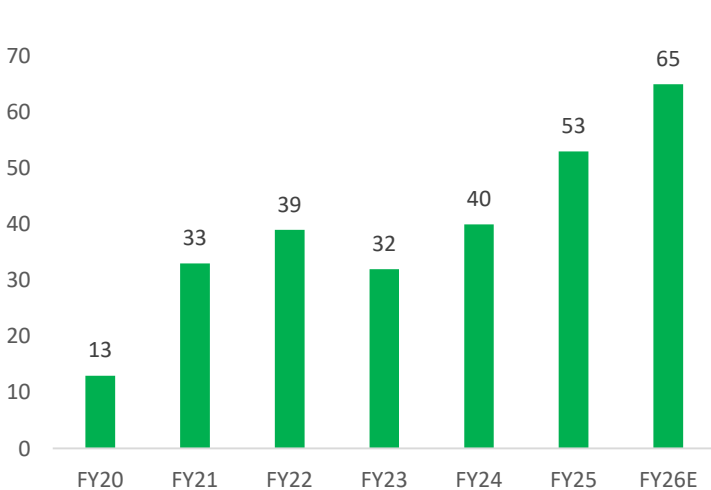
DLF pre-sales (INR Bn)



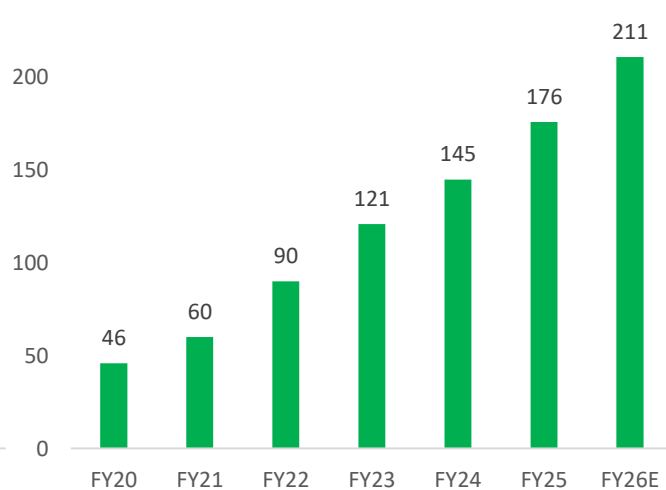
GPL pre-sales (INR Bn)



Oberoi pre-sales (INR Bn)



Prestige pre-sales (INR Bn)



Source: PropEquity, Arianth Capital Research

## Housing Deliveries in Major Cities (FY25)

### City-wise Deliveries:

- Pune: 81,563 units (41% YoY growth)
- Kolkata: 17,718 units (88% YoY growth)
- Hyderabad: Significant increase
- Chennai: Notable growth
- Delhi-NCR: 44,423 units (8% YoY decline)

### Tier-2 Cities Gaining Traction

- In 2025, the value of homes sold in India's top 15 tier-2 cities increased by 6% YoY signaling growing demand beyond major metropolitan areas.

### Rising Home Prices and Premiumization

- Nationally, home prices rose by 9% in 2024, with cities like Bengaluru and Kolkata witnessing increases of 44% and 29%, respectively, over a two-year period.
- Notably, properties priced above INR 1 Cr constituted over half of the total annual sales for the first time, indicating a shift towards premium housing.

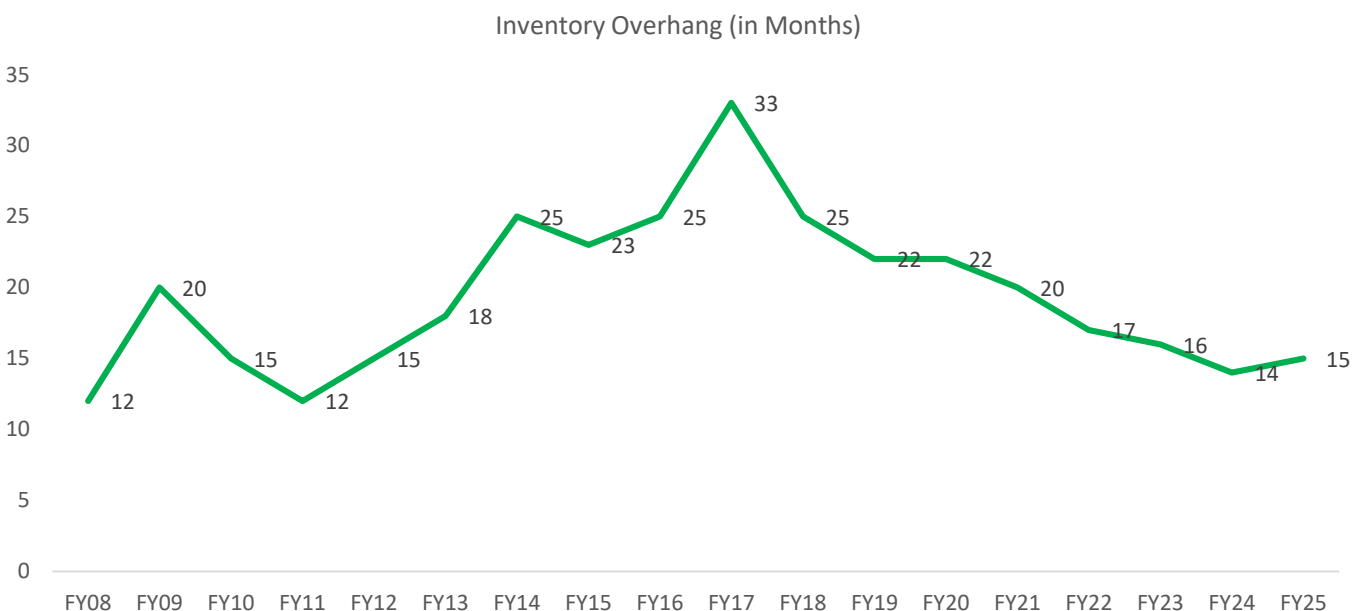
### Implications for Tile Demand

The expansion in real estate directly correlates with increased tile consumption due to:

- **Enhanced Aesthetic Preferences:** The premium housing trend drives demand for high-quality, aesthetically pleasing tiles, particularly vitrified tiles known for their durability and finish.
- **Volume Growth:** The surge in housing deliveries translates to higher tile requirements for flooring and wall applications.
- **Geographical Expansion:** Growth in tier-2 cities opens new markets for tile manufacturers, necessitating diversified product offerings to cater to varied regional preferences.

**Given robust pre-sales and deliverables of the real estate sector in FY25-26E, the tile sector are poised to benefit from sustained demand. The alignment of real estate growth with tile consumption patterns indicates a positive trajectory for the tile industry in the near to medium term.**

**Exhibit: PAN India Inventory Overhang at a low of 14-15 Months, indicating further construction activity ahead**

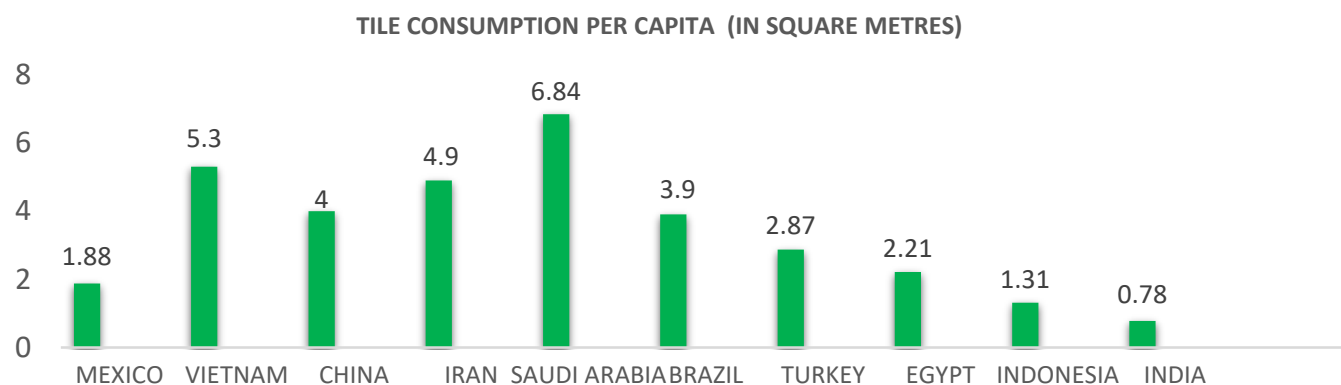


## Industry Overview

The scarcity of affordable housing in India is primarily concentrated in the economically weaker section (EWS) and low income group (LIG) households, posing policy challenges to the central government. In the early years of India's economic development, the emphasis on housing for poor was laid in the rural areas of India. However, in 2007, the government of India introduced The National Urban Housing and Habitat Policy (NUHHP) with an intent to promote public private partnerships for realizing the objective of "Affordable Housing for All". The NUHHP promoted policy measures such as **reserving 10-15% land** and 20-25% of floor area ratio (FAR) in new housing projects for affordable housing.

This provided an opportunity for the private developers to participate in infusing supply of affordable houses in India. Over the last few years, policies such as the Rajiv Awas Yojana (RAY), Rajiv Rinn Yojana (RRY) which later changed to Credit Linked Subsidy Scheme (CLSS), Affordable Housing in Partnership (AHP) and Pradhan Mantri Awas Yojana (PMAY) were introduced by the government with the objective of making provision for affordable housing for the urban poor in India. In 2015, the government launched PMAY-U with provisions such as tax rebates, monetary support, relaxed development regulations, discounted interest rates with an objective to provide "Housing for all" by 2022. Overall, under PMAY-U, the government had sanctioned 119 mn units of housing under the affordable segment.

## Exhibit: Per capita Tile consumption India vs Other Geographies



Despite being the world's second-largest tile producer, India's **per capita tile consumption remains relatively low**, indicating substantial headroom for long-term volume growth. This under-penetration, combined with rapid urbanization, rising disposable incomes and formalization of the sector coupled with growth in the real estate segment positions the Indian tile industry and its leading players in a structural tailwind over the coming years.

## Export Capacity in India, China and other geographies

### Top Exporting Countries (SQM Mn)

No	Country	2018	2019	2020	2021	2022	% on 2022 National Production	% on 2022 world exports	% var 22/21	Value 2022 (mn Eur)	Avg export price (Eur/Sqm)
1	China	854	779	622	601	579	7.9%	20.9%	-3.60%	NA	NA
2	Spain	414	415	422	496	431	86.2%	15.6%	-13.10%	4,303	10
3	India	274	359	437	483	422	18.3%	15.2%	-12.70%	1,759	4.2
4	Italy	328	323	318	364	356	82.6%	12.9%	-2.10%	5,971	16.8
5	Iran	150	162	179	182	194	40.4%	7.0%	6.40%	NA	-
6	Turkey	99	112	132	154	127	33.0%	4.6%	-17.60%	1,015	8
7	Brazil	106	101	6	128	113	12.2%	4.1%	-11.90%	490	4.3
8	Poland	43	50	58	62	5	52.6%	1.8%	-19.40%	462	9.2
9	UAE	43	45	52	48	43	50.0%	1.6%	-9.80%	204	4.7
10	Mexico	46	41	37	41	42	14.5%	1.5%	3.50%	267	6.4
	TOTAL	2,357	2,387	2,263	2,559	2,312	18.4%	85.1%	-7.90%		
	TOTAL WORLD	2,815	2,831	2,771	3,013	2,770	16.5%	100.0%	-8.10%		

## Industry Overview

India has emerged as the 2<sup>nd</sup> largest manufacturer and exporter of tiles in the world, slightly below Chinese tile exports, surpassing Spain in 2023-24. Indian tiles are known to be affordable and high quality compared to its Chinese counterparts. Despite slowdown in other geographies India has nearly doubled its capacity from 2018 onwards.

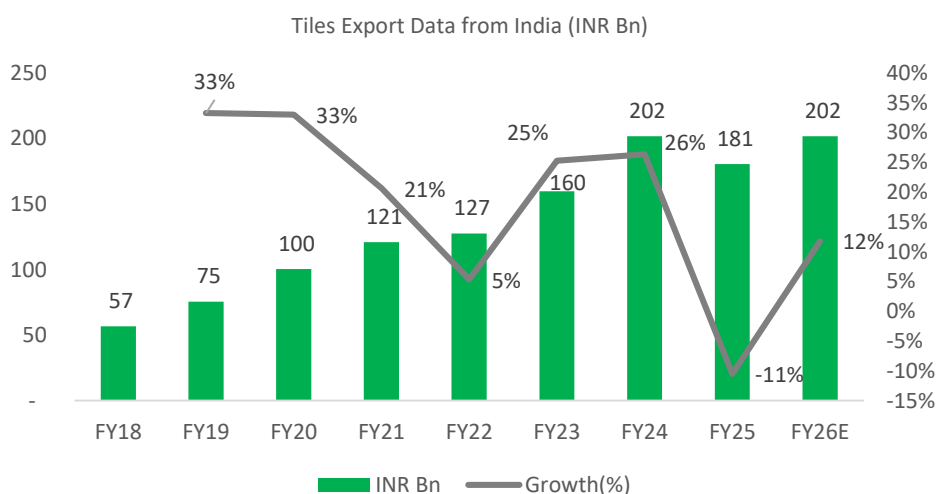
A sizable chunk of the capacity in India (Morbi) is centered towards export markets and meets international standards.

Availability of raw materials like clay, silica, feldspar and quartz, access to ports, cheap labour and high tech machinery make Indian tiles a reliable option for international buyers, with markets like the Middle east and North America favoring Indian manufactured tiles over their Chinese counterparts.

While China saw degrowth in its tile exports and countries like Spain and Brazil witnessing flat growth, India emerged with a +54% growth over FY18-22 in its tile exports.

**A bulk of capacity in China is centered towards captive use and exports have not been a center of focus. Many Chinese tile companies have witnessed shut downs given to low utilization levels while Indian tile manufacturers, despite industry and export slowdown have maintained decent levels of utilization.**

**'China +1' strategy globally has led to India being the favored location for tiles as Indian tile prices are at par with China and offer better quality.**



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Source: Ministry of Commerce, Arianth Capital Research

## Industry Overview

### Key Risks

#### 1. Volatility in Natural Gas Prices

Natural gas is a critical input in the tile manufacturing process, especially for firing kilns. Any sharp fluctuation in gas prices significantly impacts operating margins.

- Domestic gas prices, though now linked to a pricing formula based on global benchmarks, remain volatile due to geopolitical tensions and seasonal demand.
- Morbi cluster, a major tile hub, is especially price sensitive, ~40-50% of India's tile production is concentrated here and is heavily dependent on imported LNG.
- In FY24 and early FY25, spot LNG prices ranged between USD 9-18/mmbtu, causing frequent price resets and cost inflation.
- Passing on costs to customers remains difficult in a fragmented market with price-sensitive demand.
- A sustained rise in gas prices without a corresponding increase in tile prices could compress EBITDA margins by 150-250 bps for integrated players.

#### 2. Freight and Logistics Cost Fluctuations- Red Sea

Freight costs, both domestic and international, pose another major risk, especially for export-oriented players.

- Container shortages, Red Sea disruptions and higher bunker fuel prices in FY24 and FY25 have pushed up export freight costs by 25-40% YoY in some geographies.
- Given the low value-to-volume ratio of tiles, even marginal increases in freight significantly affect landed costs and price competitiveness in international markets.
- Domestically, rising diesel costs and limited availability of rakes can drive up inbound logistics costs for raw materials (clay, feldspar, quartz) and outbound costs to dealers.

**Margin Sensitivity:** An increase of INR 2-3/sq. ft in logistics cost can erode 50-70 bps in margin, particularly in the mid-premium segment.

#### 3. Demand-Supply Imbalance & Pricing Pressure

- Continued capacity additions (~50+ MSM/year industry-wide) may outpace demand growth, leading to price undercutting.
- Export market saturation or imposition of duties (e.g., in GCC or Europe) can hurt utilization and pricing power.

#### Gas Price vs. EBITDA Margin Sensitivity (FY25 Scenario)

- Gas constitutes ~25-30% of total cost of production (higher in Morbi-based outsourced manufacturing).
- Realization per sq. m: ~INR 364(FY25)
- Current average gas price: INR 38/scm

## Industry Overview

### Morbi Overcapacity

Morbi in Gujarat is world's 2<sup>nd</sup> largest tile manufacturing hub, contributing over 80% of India's ceramic tile exports and a significant share of domestic supply. The cluster has emerged as a structural challenge for organized players whose market is primarily been domestic focused. Over the past few years, a rapid and largely unregulated capacity expansion in Morbi (especially post-COVID) led to surplus production, with current installed capacity estimated at 1,200+ MSM viz estimated domestic demand of ~850-900 MSM. This has created intense pricing pressure, especially in the mid-to-low price segments, where Morbi players often with lower overheads and minimal brand costs undercut organized players.

For regulated players this dynamic has two key implications. First, it squeezes margins in commoditized product categories, especially in Tier 2 and Tier 3 markets, where price sensitivity is high and Morbi players tend to take larger market share. Second, it limits the pricing power of branded players in segments where product differentiation is low. However, as regulatory scrutiny (e.g., GST enforcement, environmental norms) tightens and gas/fuel costs remain volatile, many smaller Morbi players face operational strain. This leads to consolidation in supply, potentially stabilizing prices. Regulated players have navigated this environment by focusing on premium tiles, outsourcing selectively and expanding into non-tile verticals (e.g. bathware, adhesives), thereby maintaining scale without significant capex or price wars, however to compete and obtain better margins continues to be a challenge as oversupply is coupled with price sensitive buyers.

With overcapacity and margin pressures increasing, even **large organized players** have begun **outsourcing select SKUs from unorganized Morbi units**. This shift enables them to **remain cost-competitive**, especially in the **mass-market ceramic and vitrified segments**, without incurring significant capex.

While this approach offers volume flexibility and pricing advantage, it also blurs the lines between organized and unorganized manufacturing, making branding, distribution strength, and quality control the true differentiators. For organized players, the key lies in maintaining brand integrity, consistent quality and premium positioning, even when partially sourcing from unregulated manufacturers. Over time, this hybrid model may allow leading companies to consolidate market share leveraging the low-cost manufacturing base of Morbi, while dominating distribution and product innovation through their organized platforms.

### Channel Check Highlights

Growing preference for Mid-to-Premium Tile Brands in 'Renovation Segment' from dealer interactions suggest that the home renovation market in India is largely driven by local contractors and interior designers who influence customer preferences. Home renovators are increasingly opting for mid-to-premium tile offerings over low-cost alternatives, especially in the upper middle-high income class home renovation segment, primarily driven by evolving consumer tastes and design preferences.

Notably, demand for mid-to-high-end tiles remains resilient even amid broader pricing pressures in the sector. Players operating in this segment benefit from a faster adoption cycle for innovation and trending designs, allowing them to sustain consumer interest and volume growth. Mid-sized brands that balance design innovation, perceived quality, and competitive pricing have emerged as preferred choices for home renovators.

Dealer margins are typically higher on mid-sized brands compared to larger known brands, making them a favorable product to push at the retail level. However, the premium and sub-premium brands that offer large format tiles face lower competitive intensity and better demand based pull. Realization for tile companies contributing positively to margin stability. In contrast, the institutional or builder segment tends to remain sticky with long-term suppliers, emphasizing consistency over innovation. However, the shift in preferences observed in the retail/renovation market reflects a structural trend in favor of organized mid-tier players that offer both value and aesthetics.

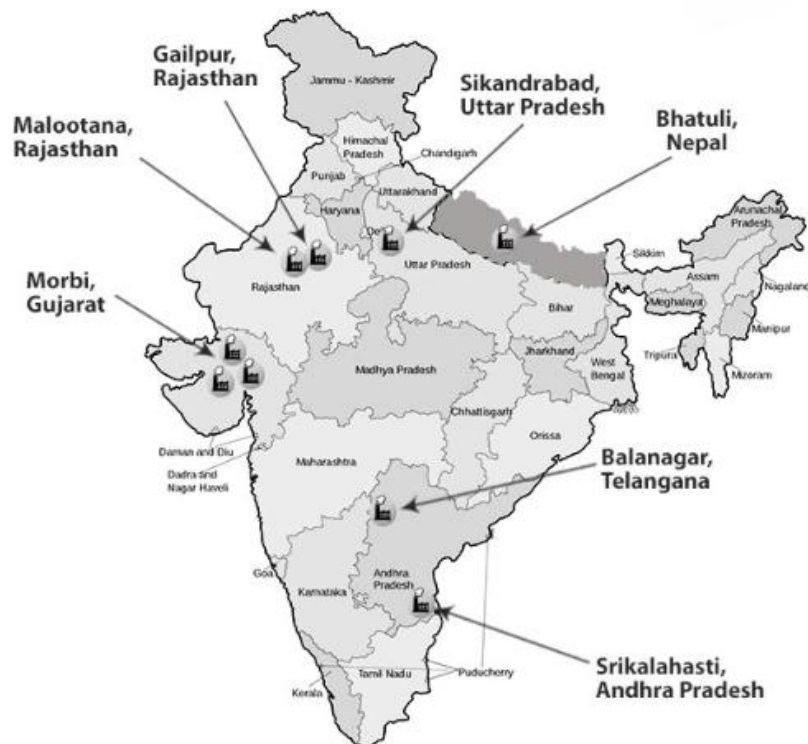
Tile Adhesives are becoming increasingly popular as GVT tiles get a better and long lasting hold on walls compared to cement. The shift towards tile adhesives is prominent and with growing preference for GVT/PVT and wall tiles, tile adhesive is expected to be a preferred recommendation to end users by renovators.

## Business Overview

Kajaria Ceramics is India's largest and among the most well-recognized tile manufacturers, with a total installed capacity of over 93 MSM spread across nine manufacturing plants in India and Nepal. The company operates across three core product segments: ceramic wall and floor tiles, glazed vitrified tiles (GVT), and polished vitrified tiles (PVT)—catering to both the premium and mass-market categories. Kajaria's products are distributed through a widespread network of ~1,840 dealers and over 80 exclusive showrooms, providing strong market access across metros, Tier 1 and Tier 2 cities. Aided by continual investments in automation, digital printing technology, and design innovation, the company offers over 3,000 product varieties and maintains a premium pricing edge over peers.






In addition to its core tile business, Kajaria is expanding into adjacent high-growth segments such as bathware (faucets & sanitaryware), tile adhesives and plywood, which now contribute a growing share to revenues and offer higher margin profiles. The company follows a mix of owned and joint venture manufacturing along with strategic outsourcing (~20-25% of volumes) to maintain capital efficiency. It continues to invest in capacity additions, including a 6 MSM Keronite GVT plant in South India and a 5.1 MSM plant in Nepal, both expected to support volume growth from FY25 onward.

## Manufacturing Facilities Across India Aiding Distribution



## Business Overview

### Sample GVT Tile range from Kajaria Eternity Experience Center

Picture	Name	Finish	Req. Qty (Sq.Ft.)	Price/ Sq.Ft (INR)
	ICE ONYX C+ Size: 120x120 cm	POLISHED HD	1	133
	CALACUTTA BLACK C+ Size: 120x240 cm	POLISHED HD	1	260
	TORONTO GREY Size: 120x240 cm	POLISHED HD	1	240
	GOZZIO GREY C+ Size: 120x240 cm	POLISHED HD	1	226
	GOZZIO SILVER C+ Size: 120x240 cm	POLISHED HD	1	226

MRP Prices are subject to change considering quantity.



## Latest Concall Highlights – Q3FY26

### Key Forward Guidance:

#### Segmental Outlook

The tiles business is expected to return to positive growth from Q4, aided by stabilising demand and completion of internal channel restructuring.

The bathware segment, with Q3 revenues of approximately INR 1,030 Mn, is being positioned as a key growth driver with management targeting double-digit volume growth over the medium term.

The sanitaryware business, with Q3 revenues of around INR 350 Mn, is expected to see meaningful growth, supported by product refreshes and potential price hikes.

#### Operational Outlook Ahead

Management has completed ~70%-75% of the dealer unification process, which involves integrating ceramic and GVT dealer networks to enable cross-selling. This transition is expected to be fully completed within Q4, positioning the company for a cleaner and more scalable channel structure in FY27.\* The company is also aggressively rationalising SKUs to improve plant efficiency and eliminate slow-moving or dead inventory. As part of this exercise, one ceramic line with capacity of ~9 Mn sq m has been converted to GVT/value-added products, aligning capacity with evolving market preferences.\* On the people and process front, Kajaria plans to onboard three to four senior executives over the coming months.

**Pricing, Input Costs and Margin Levers:** To offset rising brass costs, Kajaria implemented a price hike of 8%-12% in the faucet segment effective 19 January. Management is also evaluating a price increase in the sanitaryware portfolio from 1 March.\* Average gas prices during Q3 were around INR 37, with management expecting prices to remain largely stable, barring a potential INR 1 increase in Q4. Gas cost volatility is therefore not expected to materially impact margins in the near term.

**Capital Allocation and Industry Dynamics:** Management reiterated that there are no major capex plans over the next 1-2 years, given sufficient existing capacity. As a result, cash balances are expected to build up, opening the possibility of higher dividends going forward.

From an industry perspective, while near-term demand remains sluggish, Kajaria aims to gain market share from the unorganised sector. Management expects the organised sector's share to increase from ~40% currently to ~50% over the next 2-3 years, driven by compliance, branding, and scale advantages.\* On exports, total Indian tile exports are estimated at ~INR 160,000 Mn for FY25, down from ~INR 200,000 Mn in FY24, largely due to geopolitical disruptions and higher freight costs.

## Kajaria Shareholding Pattern

### Strategic Approach to Subsidiaries and Joint Ventures

Kajaria Ceramics operates through a network of subsidiaries and joint ventures, which are integral to its manufacturing, trading, and market expansion strategies across India and internationally. The company aims to make optimal use of this extra capacity to cater to demand without adding to its existing capacity, avoiding large capex. Expansion beyond its core tile manufacturing includes bathware, plywood and adhesives, aimed at offering a comprehensive product range and increasing its "share of the customer's wallet". The company has adopted both wholly-owned subsidiary models and joint ventures to achieve its business objectives.

### Major Subsidiaries and Their Details:

#### Tile Manufacturing Subsidiaries:

##### 1. Kajaria Vitrified Private Limited (formerly Jaxx Vitrified Private Limited):

- Location: Morbi, Gujarat.
- Ownership: Kajaria Ceramics holds a 95% stake.
- Capacity: Annual capacity of 8.9 million square meters (MSM) of polished vitrified tiles.
- Performance: Operated at optimum capacity during Q4 FY25.

##### 2. Kajaria Infinity Private Limited (formerly Cosa Ceramics Private Limited):

- Location: Morbi, Gujarat.
- Ownership: Kajaria Ceramics holds an 84.59% stake.
- Capacity: Annual capacity of 5.70 MSM of glazed vitrified tiles(GVT).
- Performance: Operated at 81% utilization during Q4 FY25.

##### 3. South Asian Ceramic Tiles Private Limited:

- Location: Balanagar, Telangana.
- Ownership: Kajaria Ceramics holds a 59.5% stake. It became a subsidiary effective 31 August 2022.
- Capacity: Annual production capacity of 4.75 MSM ceramic floor tiles.
- Performance: Operated at 87% utilisation during Q4 FY25. The company acquired an additional stake on 16 March 2024, changing the share of profits to non-controlling interest.

##### 4. Kajaria Surfaces Private Limited (formerly Keronite Tiles Private Limited):

- Location: Morbi, Gujarat.
- Ownership: Kajaria Ceramics has a 90% stake. Keronite Surfaces Private Limited became a subsidiary after the closure of FY23-24 on May 20, 2024.
- Capacity: Annual capacity of 6 MSM of glazed vitrified tiles.
- Performance: Operated at optimum capacity during Q4 FY25.

##### 5. Bathware Subsidiaries (under Kajaria Bathware (P) Ltd.):

- Kajaria Bathware (P) Ltd. (KBPL): This is a direct subsidiary with Kajaria owning 85% stake and Aravali Investment Holdings, Mauritius (a wholly-owned subsidiary of WestBridge Crossover Fund, LLC) owning 15%. It has bathware production capacity across three plants in Rajasthan and Gujarat.

##### 6. Kerovit Global Pvt. Ltd. (KGPL) (Step-down subsidiary):

- Location: Morbi, Gujarat.
- Capacity: 4.50 lakh pieces p.a.
- Performance: Started commercial production on 30 March 2024, operated at 61% in Q4FY25, and is expected to result in profit in FY25-26. Losses incurred in the bathware segment were largely attributed to losses in this recently commissioned unit.

**7. Faucet Facility:**

- Location: Gailpur, Rajasthan.
- Capacity: 1.60 million pieces p.a.
- Performance: Operated at 84% capacity in Q4FY25.

**8. Kajaria Plywood Private Limited (KPPL):**

- Ownership: Wholly-owned subsidiary.
- Business: Offers plywood and laminate products under the 'KajariaPLY' brand.
- Strategic Decision: **Decided to close this division.** The company had set up this division in 2017, anticipating a shift from unorganized to branded products post-GST, but this thesis did not work.
- Financial Impact: In Q4 FY25, a one-off provision of INR 145 mn was taken related to compensation paid to a JV partner and to a vendor for this closure. In FY25, the plywood segment's revenue decreased significantly to INR 47.2 mn from INR 326.5 mn in Q4 FY24.

**9. Kajaria Adhesives Private Limited (KAPL):**

- Strategic Decision: The Board approved an investment of up to INR 160 mn to subscribe/acquire up to 75% shares of KAPL to set up a manufacturing unit at Erode, Tamil Nadu. Kajaria Ceramics has already acquired this stake, making KAPL a subsidiary.
- Rationale: The 25% partner is one of Kajaria's biggest dealers, Lakshmi Ceramics, who will help promote adhesive sales in Tamil Nadu and manage local issues at the plant.
- New Plant: A manufacturing facility for tile adhesive is planned in Gailpur, Rajasthan, with an investment of INR 150 mn, expected to come on stream by early June 2025.

**Joint Ventures (JVs) and Their Details:****1. Kajaria Ramesh Tiles Limited (KRTL):**

- Location: **Nawalparasi, Nepal.**
- Ownership: A 50% JV between Kajaria Ceramics and individuals affiliated with Ramesh Corp, Nepal.
- Capacity: Annual production capacity of 5.10 MSM for floor and wall tiles.
- Performance: Commissioned in September 2024 and operated at ~50% utilization in Q4 FY25.

**2. Kajaria International DMCC's Joint Ventures (wholly-owned subsidiary of Kajaria Ceramics):**

- Kajaria RMF Trading LLC:
- Location: **UAE.**
- Ownership: 50% Joint Venture of Kajaria International DMCC.
- Strategic Decision: Kajaria remains confident about its investment in the UAE, viewing it as a strategic, long-term opportunity, and it is breaking even by generating orders from the Gulf market.

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## Business Segments

Tiles is the largest segment (89%) amongst which Ceramic & Floor tiles make up ~34%, PVT(~23%), GVT(~32%) other segments bath ware(~8%) and adhesive(~1%) are high growth segments.

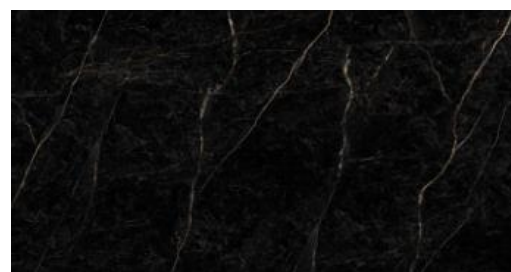
**Ceramic Floor tiles (34%):** Ceramic wall and floor tiles is the platform on which Kajaria has built its brand. The Company manufactures its Ceramic wall and floor tiles at its facilities in Gailpur (Rajasthan) and Balanagar (Telangana). In addition, the Company has strategic partnerships with select, quality-conscious manufacturers. This combination of in-house production and strategic outsourcing allows Kajaria to meet market demands while committing to exceptional quality. In addition, the division also introduced “Grestough” tiles, known for their superior bonding strength due to their lower water absorption rate. These are positioned for high footfall applications. In addition to expanding its distribution network, the team upgraded existing dealer showrooms and improved the signage and display in important pin codes to strengthen the Kajaria brand recall. Also, the company aims to continue to build its distribution presence in tier 2 and 3 cities with a preference towards exclusivity.



**GVT (32%):** Glazed vitrified tiles have emerged as the preferred choice for modern flooring and cladding, becoming the new standard in both residential and commercial spaces. To meet rising demand, Kajaria has established a pan-India manufacturing footprint across Gailpur(Rajasthan), Sikandrabad (Uttar Pradesh), Srikalahasti(Andhra Pradesh), and Morbi (Gujarat), enabling efficient distribution and timely delivery. In FY24, the GVT division saw healthy growth, driven by an expanded product portfolio and an enhanced distribution network. The company launched Super Premium Slabs (1200x2800 mm and 1200x2400 mm) to cater to premium customers and upgraded its production with Continua Plus Technology at Sikandrabad and Srikalahasti, replacing older press lines. Additionally, one production line at Kajaria Infinity was converted for GVT manufacturing, further strengthening its position in the fast-growing segment.

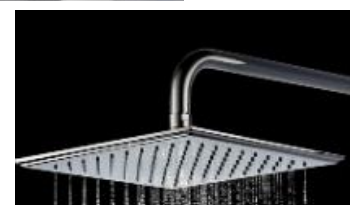


**PVT (23%):** Polished Vitrified Tiles, the unglazed tile variants are the choice of customers with subtle preferences. While they offer a longer shelf life than other tile variants, the design constraints restrict their acceptance compared to other tile products. Despite the shortcomings and intense competition with glazed vitrified tile, the company witnessed positive traction in sales volumes over the previous year. The Company’s manufacturing facilities at Malootana (Rajasthan) and Morbi operated at optimum utilization. Moreover, the Company outsourced some standard products from quality-conscious small manufacturers in Morbi. The company widened its Vitronite Series with the addition of Vitronite slabs (1200 x 1800 mm), positioning it as a superior proposition to marble and granite options. It also introduced the full body neo range of tiles. The new launches gained considerable traction as volumes for these products more than doubled over the previous year. The company continued to expand its distribution network by launching showrooms, especially in semi-urban regions.



## Business Segments

**BATHWARE(8%):** Marketed under the **Kerovit** brand, the bathware division has covered significant ground in elevating its position to one of the leading brands in this business space. This synergic diversification has positioned the Company as a one-stop shop for all bathroom needs, offering a holistic customer experience and increasing its wallet share with customers. The bathware units at Gailpur, Rajasthan (faucets) and Morbi, Gujarat (sanitaryware) produces visually captivating bathware collections. Our strategic partnership with the charismatic Ranveer Singh as brand ambassador has not only elevated our brand image but also attracted the interest of potential customers, making them feel excited about our products. FY24 was a period of satisfactory growth, driven by niche product launches that expanded the customer base. In addition to extending the Aurum Range with exquisite colours, the division launched special, multifunction showers to complement its Aurum Range, creating a more cohesive and aesthetically pleasing bathroom experience. The quality output from this unit promises to elevate the Kerovit brand at par with global marquee brands operating in India.



**ADHESIVE(1%):** As an extension of its tile business, Kajaria launched 'GresBond', comprising a premium range of solutions in tile adhesives, grouts, and tile cleaners. Gresbond stands out for its reliability, innovation, and superior strength in tile and stone fixing solutions. It is celebrated as one of India's finest brands for tile adhesives and grouts, recognised for competitive pricing and exceptional product quality. Gresbond products meet global standards, are endorsed by an extensive dealer network and strive to provide customers with a long-lasting tile-laying solution. During the year, the team widened its product range, adding epoxy grouts and specialised tile adhesives. In addition, Gresbond launched a mason training and loyalty program that boasts a strength of 20,000+ onboarded masons in its novel existence. Gresbond also invested in an aggressive awareness campaign on its social media handles. These initiatives helped shore sales volumes and revenue. Going forward, the Company plans to set up its manufacturing plant in Gailpur (Rajasthan) at an investment of INR 150 Mn.

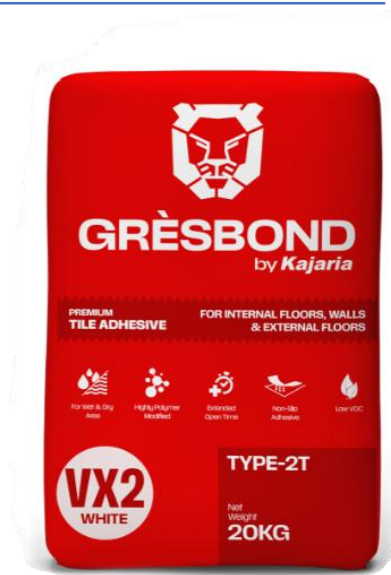


**PLYWOOD:** Kajaria Ceramics had forayed into the plywood segment under its subsidiary **Kajaria Ply Pvt. Ltd** as part of its diversification strategy. However, the business struggled to scale and remained consistently loss-making, prompting the company to **shut down** the division by **June 2025**. The segment faced challenges due to limited synergy with Kajaria's core tile operations, unfavorable cost structures and an inability to compete effectively in a highly fragmented market. As a result, the company wrote off its entire investment and loans amounting to **INR 11,23.8 Mn**, including a **INR 308 mn impact** on Q4FY25 earnings due to provisions related to vendor settlements and joint ventures. While the exit weighed on Kajaria's bottom line contributing to a **~59% YoY decline in Q4FY25 PAT**. The management views it as a prudent move to streamline operations and focus on more profitable verticals like tiles, bathware and adhesives. The closure is expected to improve overall return ratios and reduce the drag on consolidated margins in the coming quarters.



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## Key Management

Personnel	Designation	Description
<b>Mr. Ashok Kajaria</b>	Chairman & Managing Director	Mr. Ashok Kajaria is currently a Chairman & Managing Director in Kajaria Ceramics Ltd. He is serving the company at this position since 2015. He was Chairman & Managing Director of Kajaria Ceramics Ltd for 10 years from 2015 to 2024. He is also a member of the Audit Committee, Stakeholders Relationship Committee, and Nomination and Remuneration Committee. He is also the Chairman of the Risk Management Committee and the Business Responsibility and Sustainability Committee
<b>Mr. Chetan Kajaria</b>	Joint Managing Director	Mr Chetan Kajaria is a Member of the Stakeholders Relationship Committee, Risk Management Committee, and Corporate Social Responsibility Committee, and Business Responsibility and Sustainability Committee. He also holds the office or place of profit as Head (Adhesive Division) of the Company.
<b>Mr. Rishi Kajaria</b>	Joint Managing Director	Mr Rishi Kajaria is a Member of the Corporate Social Responsibility Committee, Risk Management Committee, and Business Responsibility and Sustainability Committee.
<b>Mr. Sanjeev Agarwal</b>	CFO	Mr Sanjeev Agarwal is also a member of the Risk Management Committee.
<b>Mr. Ram Chandra Rawat</b>	COO (A&T) & Company Secretary	Mr. Ram Chandra Rawat is the COO:A&T/Secretary/Compliance Officer at Kajaria Ceramics Ltd. He has held this position since May 2017. Previously, he was the VP:F&A/Secretary at Kajaria Ceramics. He also has experience as the CFO at Rcs Vanaspati Ltd. He is a director registered with the Ministry of Corporate Affairs. He is also a member of the Risk Management Committee.
<b>Mrs. Sushmita Singha</b>	Non-executive & Independent Director	Mrs Sushmita Singha is the Chairperson of the Nomination and Remuneration Committee and Corporate Social Responsibility Committee. She is also a Member of the Risk Management Committee.
<b>Mr. Sudhir Bhargava</b>	Independent Director	Mr Sudhir Bhargava is the Chairman of the Audit Committee and Stakeholders Relationship Committee, and a Member of the Nomination and Remuneration Committee. His role as an Independent Director is pivotal, as he contributes to the governance and strategic oversight of the company, ensuring compliance and enhancing stakeholder engagement. He was appointed as an Independent Director for a term of five consecutive years effective from the conclusion of the 36th Annual General Meeting of the Company
<b>Mr. Rajender Mohan Malla</b>	Independent Director	Mr Rajender Mohan Malla is a Member of the Audit Committee and Nomination and Remuneration Committee.
<b>Mr. Dev Datt Rishi</b>	Non-Executive Director	Mr Dev Datt Rishi is a Member of the Risk Management Committee.

Source: Company reports, Arianth Capital research

## Financial Analysis

**Revenue is expected to grow at a CAGR of 11% over the period of FY25-28E:** We expect Kajaria Ceramics to witness a revenue CAGR of 11.3%, reaching INR 65,996 million over FY25-28E, driven by strong momentum in the real estate and infrastructure sectors, along with a growing premiumization trend. The Bathware and Tile Adhesive segments are also expected to grow at (+20.4% & +33.3% CAGR FY25-28E), aided by similar underlying drivers. These segments are projected to grow at a faster pace than the core tile business and together is expected to account for 12-14% of Kajaria's topline by FY28E, compared to the current ~10%.

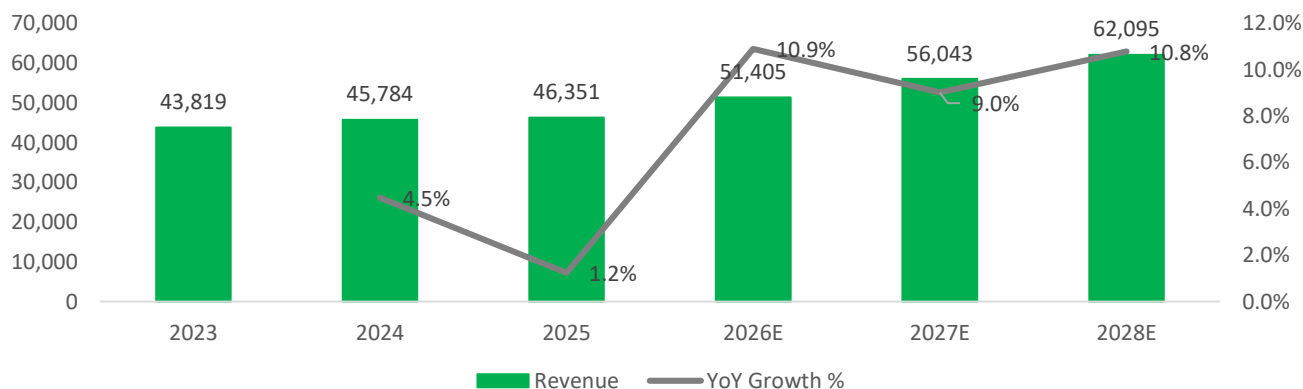
### Exhibit: Revenue Model

Y/e 31 Mar (INR mn)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Blended Realizations Tiles (Inr/sqm)	334	336	365	389	376	364	373	383	394
Total Sales Volume	78.1	75.4	91.7	101.7	108.1	114.7	123.4	130.1	139.4
y/y growth (%)	-3%	-3%	21%	11%	6%	6%	7.6%	5.4%	7.2%
Sanitaryware/Faucets Revenue	1,742	2,090	2,757	3,155	3,635	3,862	4,441	4,974	5,596
yoy growth (%)	-6%	20%	32%	14%	15%	6%	8.6%	8.9%	9.0%
Adhesives Revenue	-	-	203	376	496	768	960	1,248	1,648
y/y growth (%)	-	-	-	85%	32%	55%	25%	30%	32%

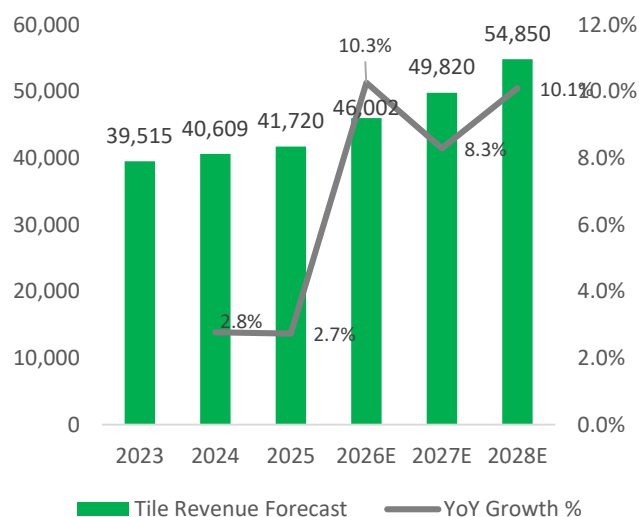
Source: Company Reports, Arianth Capital Research

### Exhibit: Revenue is expected to grow at a CAGR of 11.3% over the period of FY25-27E.

Kajaria Revenue Chart(INR Mn)

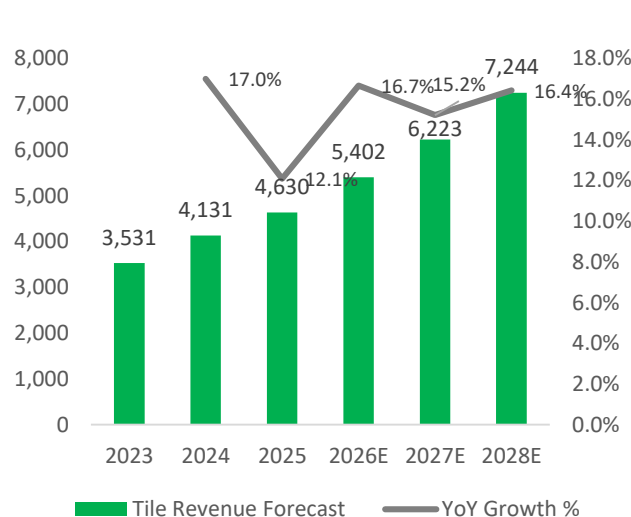


### Exhibit: Tile Revenue Forecast



Source: Company reports, Arianth Capital Research

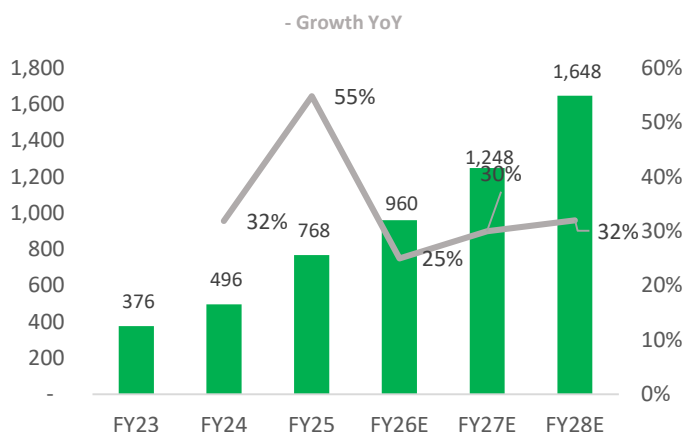
### Exhibit: Bath ware Revenue Forecast



Source: Company reports, Arianth Capital Research

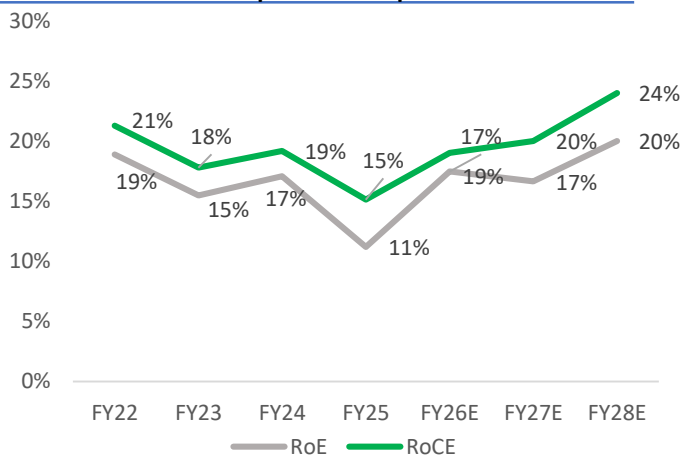
## Financial Analysis

**Exhibit: Adhesive segment Revenue Forecast**



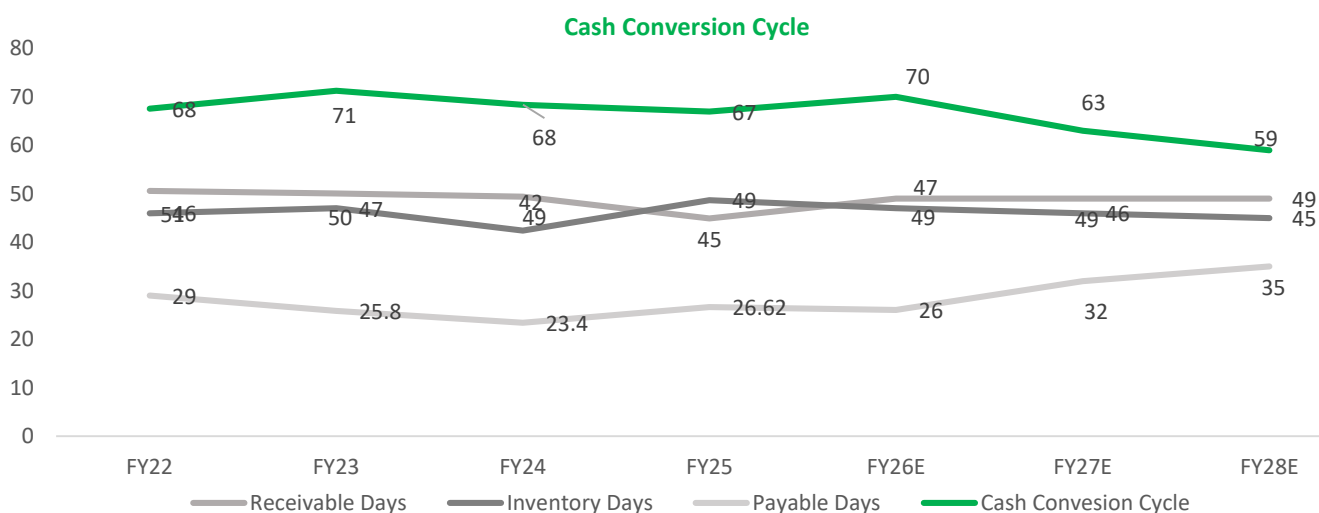
Source: Company reports, Aриhant Capital Research

**Exhibit: ROE & ROCE expected to improve**

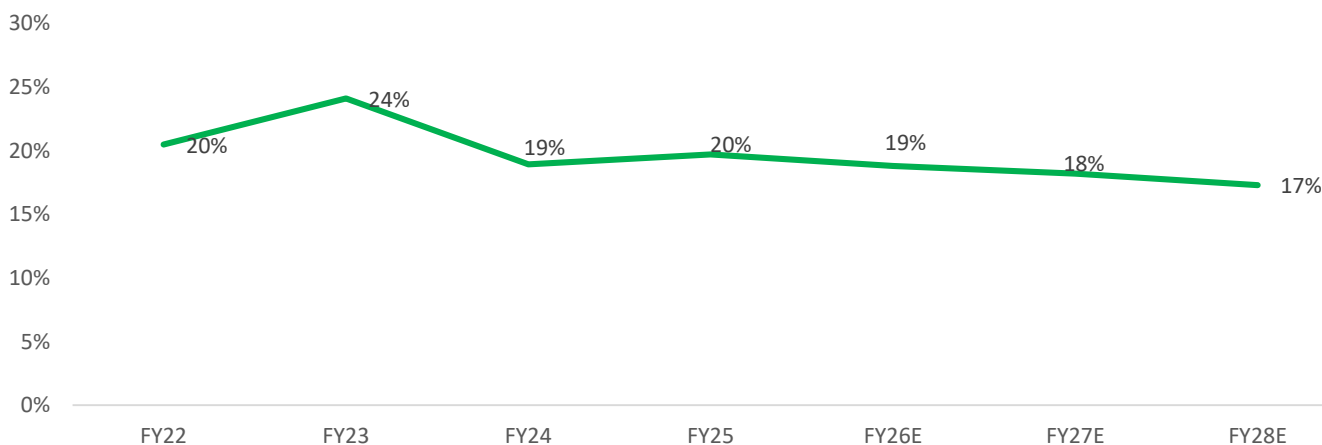


Source: Company reports, Aриhant Capital Research

**Exhibit: We expect Cash Conversion Cycle to reduce to 76 days in FY28E from 97 days**



**Exhibit: We expect Power & Fuel as a % of Sales to reduce given stabilizing gas prices and probable inclusion of gas under GST**



Source: Company reports, Aриhant Capital Research

## Financial Analysis

Exhibit: Own : JV : Outsourcing

Tile Segment	FY25	FY26E	FY27E	FY28E
Own Manufacturing	23,002	24,825	26,593	28,760
JVs	8,284	10,322	11,933	14,340
Outsourcing	10,434	10,856	11,294	11,750
<b>Total Tile Revenue</b>	<b>41,720</b>	<b>46,002</b>	<b>49,820</b>	<b>54,850</b>
<b>Other Segments</b>				
Bath ware	3,862	4,441	4,974	5,596
Tile Adhesive	768	960	1,248	1,648
<b>Total Revenue</b>	<b>46,832</b>	<b>51,405</b>	<b>56,043</b>	<b>62,095</b>

Peer Comparison Kajaria Ceramics Ltd	FY25	FY26E	FY27E	FY28E
Revenue	46,832	51,405	56,043	62,095
EBITDA	6,262	8,247	9,226	10,564
Margin(%)	13.5%	16.0%	16.5%	17.0%
PAT	3,000	4,978	5,683	6,762
Margin(%)	6%	9.7%	10.1%	10.9%
EPS	18.9	31.3	35.7	42.5
ROE	11%	17%	17%	20%
ROCE	15%	19%	20%	24%
ROIC	11%	16%	16%	19%

Peer Comparison Somany Ceramics Ltd	FY25	FY26E	FY27E	FY28E
Revenue	26,588	30,306	32,902	35,789
EBITDA	2,209	2,866	3,283	3,783
Margin(%)	8.3%	9.5%	10.0%	10.6%
PAT	580	986	1,139	1,592
Margin(%)	2.2%	3.3%	3.5%	4.4%
EPS	14.1	24.0	27.8	38.8
ROE	8%	12%	13%	16%
ROCE	11%	14%	14%	18%
ROIC	11%	15%	16%	20%

Peer Comparison Orient Bell Ltd	FY25	FY26E	FY27E	FY28E
Revenue	6,698	8,567	9,604	10,937
EBITDA	281	503	627	732
Margin(%)	4.2%	5.9%	6.5%	6.7%
PAT	29.89	157.56	242.01	314.38
Margin(%)	0.44%	1.83%	2.51%	2.87%
EPS	2.05	10.80	16.59	21.55
ROE	0.9%	4.7%	6.8%	8.1%
ROCE	2.22%	7.69%	10.42%	11.92%
ROIC	1.5%	6.9%	9.6%	11.1%

Kajaria Ceramics being the largest Tile manufacturer in the country enjoys the 'Price Maker' stance and better realizations given its brand premium and recall rate. Given this brand recall and higher ASP's, KJC historically attains better margins than its peers.(refer exhibit above)

## Financial Analysis

### Exhibit: Expense Sheet

Particular (INR mn)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Depreciation Costs	1,067	1,154	1,329	1,480	1,654	1,693	1,727	1,849
Raw Material Expenses	7,237	7,503	9,250	9,940	10,679	11,014	12,882	14,348
Traded Goods	5,233	8,048	8,821	9,830	8,977	10,121	11,711	13,199
Other Expenses	2,856	3,727	4,663	5,304	5,649	6,477	7,319	8,271
Power & Fuel	4,149	7,590	10,554	8,661	9,124	9,507	10,654	11,434
Personnel Expense	3,247	4,077	4,612	5,053	5,661	6,470	7,311	8,262
Interest Expense	107	127	223	211	200	237	229	220
Other Expenses	2,856	3,727	4,663	5,304	5,649	6,477	7,319	8,271
<b>Total Expenditure</b>	<b>26,752</b>	<b>35,953</b>	<b>45,783</b>	<b>45,738</b>	<b>47,413</b>	<b>52,038</b>	<b>59,194</b>	<b>65,899</b>

### Reducing trend in Expenses as a % of Sales

Expenses as % of sales	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Depreciation	4%	3%	3%	3%	4%	3%	3%	3%
Raw Material Consumption	26%	20%	21%	22%	23%	22%	21%	21%
Traded Goods	19%	22%	20%	21%	19%	20%	21%	21%
Other Expense	10%	10%	11%	12%	12%	12%	13%	13%
Power Fuel and Repairs	15%	20%	24%	19%	20%	19%	18%	17%
Personnel Expense	12%	11%	11%	11%	12%	12%	11%	11%
<b>Total</b>	<b>86%</b>	<b>87%</b>	<b>90%</b>	<b>88%</b>	<b>90%</b>	<b>87%</b>	<b>87%</b>	<b>86%</b>

Source: Company reports, Arianth Capital Research

Kajaria Ceramics has seen a gradual softening in fuel prices over recent quarters, which bodes well for margin recovery. The average gas price declined from INR 39 per SCM in Q3FY24 and Q4FY24 to INR 37 per SCM consistently across Q1-Q3FY25, and further to INR 38 per SCM in Q4FY25. This moderation in input costs, especially energy which is a significant component in tile manufacturing is expected to support an improvement in EBITDA margins going forward.

Tenure Amid Conflict (2023)	Gas Cost (INR/SCM)
Q1 FY23	~INR 55
Q2 FY23	~INR 62
Q3 FY23	~INR 53
Q4 FY23	~INR 47-48

Prices have currently softened to pre-conflict levels(~INR 36-38), expected to aid in margins.

**Export Scenario to Improve:** More than half of the capacity in India is catered towards export markets, whenever trade related issues lead to slowdown in exports, the situation leads to overcapacity and export players based out of Morbi divert their product in domestic markets which leads to cost pressures and oversupply. Given the red sea crisis leading to inflated freight costs and gas prices being inflated, key markets in the middle east and other parts of the world experienced a slump, this lead to Morbi inventory being offloaded in the domestic market.

## Financial Analysis

### Exhibit: Realization to improve going forward.

Realization	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Tiles</b>										
- Own Manufacturing	373	353	349	377	400	383	372	384	395	407
yoy growth (%)	-3%	-5%	-1%	8%	6%	-4%	-3%	3%	3%	3%
- JVs	322	323	342	355	388	376	356	363	374	385
yoy growth (%)	-8%	0%	6%	4%	9%	-3%	-5%	2%	3%	3%
- Outsourcing	284	295	300	344	362	359	352	359	366	374
yoy growth (%)	-1%	4%	2%	15%	5%	-1%	-2%	2%	2%	2%
<b>Blended</b>										
yoy growth (%)	-4%	-3%	1%	9%	7%	-3%	-3%	2.5%	2.7%	2.7%

### Exhibit: Free Cash Flows expected to improve.

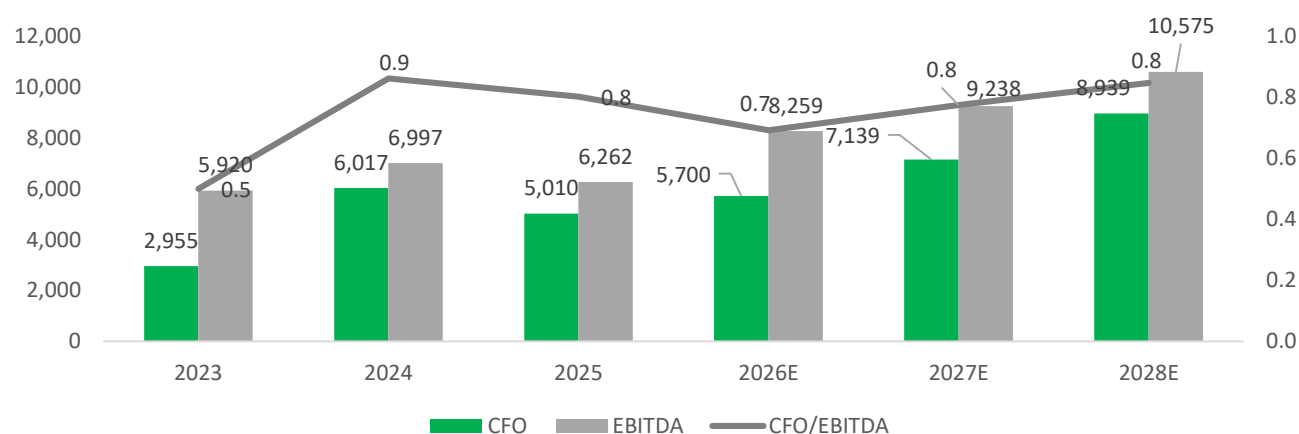
Particulars	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
FCFF	2,212	1,372	1,286	3,199	1,433	2,365	3,147	7,085
FCFE	1,639	1,310	1,171	2,201	926	2,096	2,874	4,933
Accounts Payable	2,072	2,981	3,104	2,933	3,381	3,882	4,492	5,063
<i>Accounts Payable Days</i>	<i>27.20</i>	<i>29.37</i>	<i>25.85</i>	<i>23.38</i>	<i>26.62</i>	<i>28.00</i>	<i>28.00</i>	<i>28.00</i>
Inventory	3,731	4,659	5,647	5,322	6,181	5,961	6,738	7,594
<i>Inventory Days</i>	<i>48.97</i>	<i>45.89</i>	<i>47.04</i>	<i>42.43</i>	<i>48.68</i>	<i>43.00</i>	<i>42.00</i>	<i>42.00</i>

### Payables expected to remain stable, Inventory days expected to stabilize.

**Free Cash Flow to Firm expected to grow:** The cash conversion cycle has been stable despite pricing pressures looming in the industry, Kajaria's well established dealer connect has aided the company in maintaining a strong receivable cycle.

**Minimal Capex Requirement:** The company has substantial capacity (90.5+ MSM) when coupled with its Own+ JV+ Subsidiary and is further requirement is outsourced whenever needed, given the ongoing pressure on the industry the company has been able to outsource the needed quantity when needed.

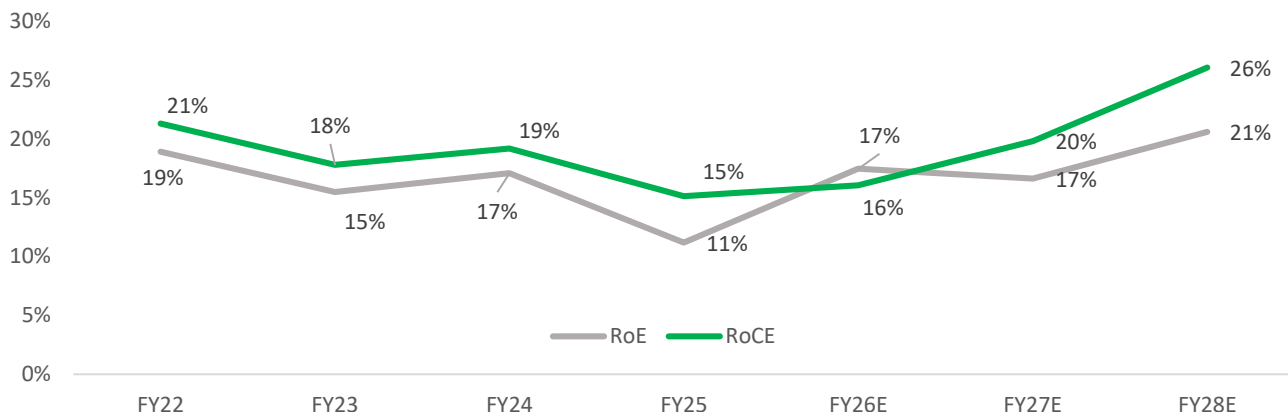
### Exhibit: EBITDA /CFO conversion over the period of FY26-28E is expected to improve.



### Financial Analysis

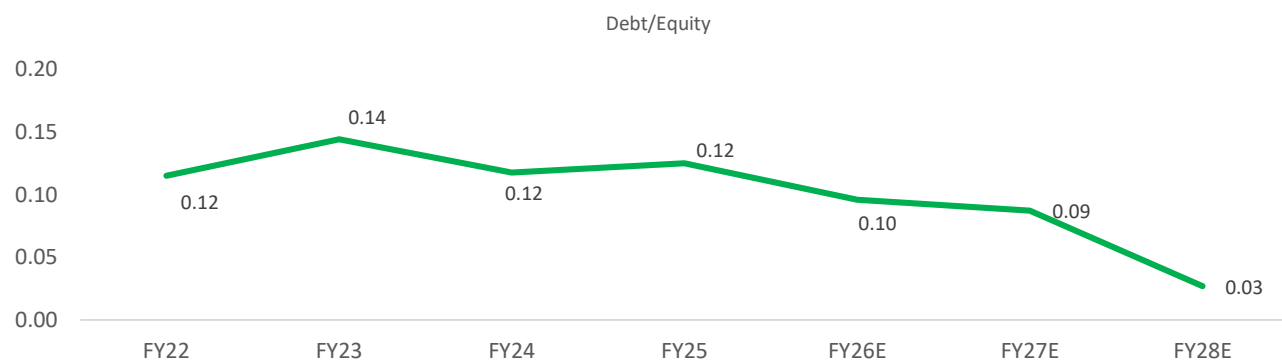
**Return ratios to Improve:** Due to softening of input costs(gas) we expect an improvement in margin expansion.

Due to EBITDA margin expansion and PAT growth, we expect return ratios to improve significantly going forward. We estimate RoCE to expand from 14% in FY25 to 26% in FY28E. RoIC to improve from 11% in FY25 to 20% in FY28E and RoE to improve from 11% in FY25 to 21% in FY28E.

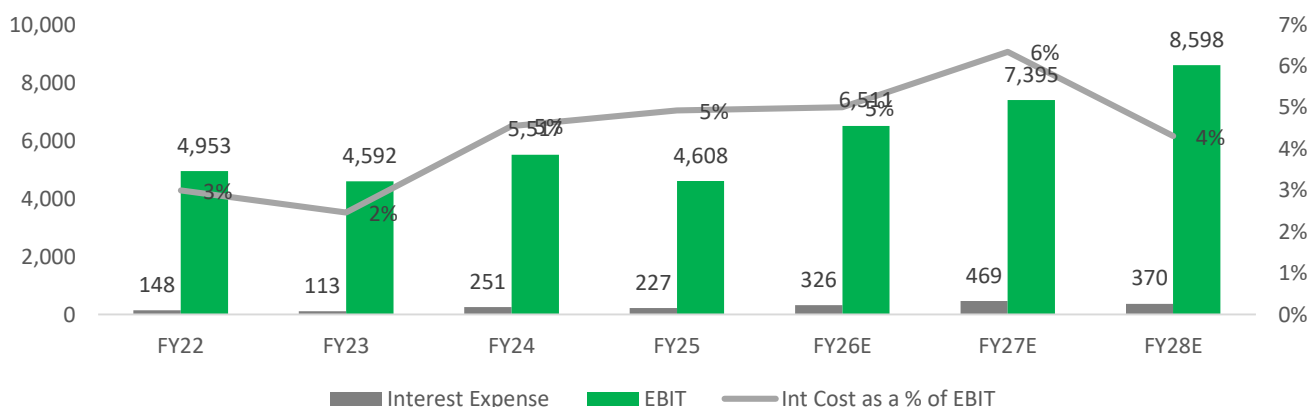


**Maintaining debt levels while execution of Capex:** The company is expected to maintain the debt and Capex funding is expected through internal accruals going forward. The company is expected to have sufficient cash to repay the debt along with interest. The company will continue to maintain its debt going forward. The maintenance of debt and increase in profitability will lead to reducing the interest cost in terms of EBIT.

**Exhibit: Kajaria’s Debt to Equity is expected to reduce going forward.**



**Exhibit: Interest cost as a % of EBIT is expected to decrease to 3% FY28E**



Source: Company reports, Arihant Capital Research

**Outlook & Valuation:**

We expect tile volumes to accelerate from Q4FY26E onwards, with margin recovery aided by easing gas and freight costs. As export markets improve unorganized manufacturers in Morbi, would continue to focus on their key international markets. The estimated real estate upcycle is expected to aid tile volumes as tiles are a direct proxy to the same. With input costs like gas and freight reducing alongside closing of loss-making ventures, we expect margins to improve hereon. The adhesives and bath-ware segment is expected to augur well for KJC, expected to contribute to 3-4% (FY28E) of its topline from 1% as on FY25.

We recommend a BUY rating on Kajaria Ceramics Ltd with a target price of INR 1,700, based on 40x PE on FY28E EPS of INR 42.5.

**Exhibit: Revenue Model**

Y/e 31 Mar (INR mn)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Sales Growth (MSM)</b>	<b>62</b>	<b>57</b>	<b>66</b>	<b>77</b>	<b>81</b>	<b>85</b>	<b>93</b>	<b>99</b>	<b>108</b>
Own Manufacturing	43	45	52	57	60	62	65	67	71
as % of production	98%	109%	99%	96%	100%	54%	52%	52%	51%
JVs	18	12	14	19	21	23	28	32	37
as % of production	-	-	-	-	-	20%	23%	25%	27%
Outsource	16	19	25	25	27	30	30	31	31
as % of production	21%	25%	28%	25%	25%	26%	24%	24%	23%
<b>Total Sales Volume</b>	<b>78.1</b>	<b>75.4</b>	<b>91.7</b>	<b>101.7</b>	<b>108.1</b>	<b>114.7</b>	<b>123.4</b>	<b>130.1</b>	<b>139.4</b>
y/y growth (%)	-3%	-3%	21%	11%	6%	6%	7.6%	5.4%	7.2%
Revenue Mix									
Tiles									
- Own Manufacturing	15,273	15,580	19,603	22,935	22,951	23,002	24,825	26,593	28,760
- JVs	5,914	4,134	5,094	7,508	7,855	8,284	10,322	11,933	14,340
- Outsourcing	4,861	5,613	8,734	9,072	9,803	10,434	10,856	11,294	11,750
<b>Total Tile Revenues</b>	<b>26,049</b>	<b>25,328</b>	<b>33,431</b>	<b>39,515</b>	<b>40,609</b>	<b>41,720</b>	<b>46,002</b>	<b>49,820</b>	<b>54,850</b>
<b>Sanitaryware/Faucets Revenue</b>	<b>1,742</b>	<b>2,090</b>	<b>2,757</b>	<b>3,155</b>	<b>3,635</b>	<b>3,862</b>	4,441	4,974	5,596
y/y growth (%)	-6%	20%	32%	14%	15%	6%	8.6%	8.9%	9.0%
<b>Adhesives Revenue</b>	-	-	<b>203</b>	<b>376</b>	<b>496</b>	<b>768</b>	960	1,248	1,648
y/y growth (%)	-	-	-	85%	32%	55%	25%	30%	32%
<b>Total Revenues</b>	<b>28,080</b>	<b>27,809</b>	<b>37,052</b>	<b>43,819</b>	<b>45,784</b>	<b>46,351</b>	<b>51,405</b>	<b>56,043</b>	<b>62,095</b>
EBITDA	<b>4,159</b>	<b>5,088</b>	<b>6,107</b>	<b>5,920</b>	<b>6,997</b>	<b>5,975</b>	<b>8,247</b>	<b>9,226</b>	<b>10,564</b>
EBITDA Margin (%)	14.8%	18.3%	16.5%	13.5%	15.3%	13.5%	16.0%	16.5%	17.0%
PAT	<b>2,553</b>	<b>3,098</b>	<b>3,770</b>	<b>3,524</b>	<b>4,221</b>	<b>2,943</b>	<b>4,978</b>	<b>5,683</b>	<b>6,762</b>
PAT Margin (%)	9%	11%	10%	8%	9%	6%	9.7%	10.1%	10.9%
EPS (INR)	<b>16.1</b>	<b>19.5</b>	<b>23.7</b>	<b>22.2</b>	<b>26.5</b>	<b>18.5</b>	<b>31.3</b>	<b>35.7</b>	<b>42.5</b>

Valuation - P/E (FY28E)

EPS (INR) 42.5

P/E (x) 40

Target Price (INR) 1,700

CMP (INR) 915

Upside/Downside (%) 85.5%

Source: Company, Aриhant Capital Research

## Financial Statements

## Income Statement Summary

Y/e 31 Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Revenue</b>	<b>37,052</b>	<b>43,819</b>	<b>45,784</b>	<b>46,351</b>	<b>51,405</b>	<b>56,043</b>	<b>62,095</b>
<b>Gross Profit</b>	<b>13,911</b>	<b>15,195</b>	<b>17,354</b>	<b>17,572</b>	<b>20,439</b>	<b>22,526</b>	<b>25,295</b>
<b>Gross Margin (%)</b>	<b>37.5%</b>	<b>34.7%</b>	<b>37.9%</b>	<b>37.9%</b>	<b>39.8%</b>	<b>40.2%</b>	<b>40.7%</b>
Employee Cost	4,077	4,612	5,053	5,661	5,963	6,261	6,636
<b>EBITDA</b>	<b>6,107</b>	<b>5,920</b>	<b>6,997</b>	<b>6,262</b>	<b>8,247</b>	<b>9,226</b>	<b>10,564</b>
<b>EBITDA Margin (%)</b>	<b>16.5%</b>	<b>13.5%</b>	<b>15.3%</b>	<b>13.5%</b>	<b>16.0%</b>	<b>16.5%</b>	<b>17.0%</b>
Depreciation	<b>1,154</b>	<b>1,329</b>	<b>1,480</b>	<b>1,654</b>	<b>1,736</b>	<b>1,832</b>	<b>1,965</b>
Interest expense	127	223	211	200	214	232	251
Other income	276	336	462	427	540	701	621
Exceptional Items	-	-	-	-	-	-	-
Share of profits associate & JV	-	-	-	-	-	-	-
<b>Profit before tax</b>	<b>5,102</b>	<b>4,705</b>	<b>5,768</b>	<b>4,843</b>	<b>6,837</b>	<b>7,864</b>	<b>8,969</b>
Taxes	1,274	1,163	1,435	1,360	1,914	2,240	2,272
Minorities and other	-58	-17	-101	-483	55	60	65
<b>PAT</b>	<b>3,770</b>	<b>3,445</b>	<b>4,221</b>	<b>3,000</b>	<b>4,978</b>	<b>5,683</b>	<b>6,762</b>
<b>PAT Margin (%)</b>	<b>10%</b>	<b>8%</b>	<b>9%</b>	<b>6%</b>	<b>9.7%</b>	<b>10.1%</b>	<b>10.9%</b>
EPS (INR)	<b>23.7</b>	<b>22.2</b>	<b>26.5</b>	<b>18.9</b>	<b>31.3</b>	<b>35.7</b>	<b>42.5</b>

## Balance Sheet Summary

Y/e 31 Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Cash and Cash Equivalents	4,244	3,938	5,141	5,829	5,161	5,969	6,391
Accounts Receivable	5,133	6,012	6,194	5,702	6,901	7,370	7,826
Inventory	4,659	5,647	5,322	6,181	6,619	7,677	7,826
Loans and Advances	194	104	629	112	704	614	851
Total Other Current Assets	284	1,164	341	362	833	1,249	1,624
<b>Total Current Assets</b>	<b>14,513</b>	<b>16,864</b>	<b>17,628</b>	<b>18,186</b>	<b>20,218</b>	<b>22,879</b>	<b>24,517</b>
<b>Net Fixed Assets</b>	<b>11,411</b>	<b>14,139</b>	<b>16,050</b>	<b>16,855</b>	<b>16,395</b>	<b>17,312</b>	<b>17,757</b>
Gross Fixed Assets	19,677	22,541	25,126	26,134	29,667	32,416	34,949
Accumulated Depreciation	8,265	8,402	9,882	11,536	13,272	15,104	17,191
Construction in Progress	2,634	817	679	1,087	1,631	1,794	2,332
Acquisition/(Divestures)	85	327	327	319	639	837	1,063
Other Long Term Assets	222	297	456	612	919	1,194	1,433
Long Term Investments and Associates	1,001	861	289	502	1,005	1,018	1,242
<b>Total Long Term Assets</b>	<b>15,352</b>	<b>16,441</b>	<b>17,801</b>	<b>19,376</b>	<b>20,895</b>	<b>22,247</b>	<b>23,683</b>
<b>Total Assets</b>	<b>29,865</b>	<b>33,305</b>	<b>35,429</b>	<b>37,562</b>	<b>41,112</b>	<b>45,126</b>	<b>48,200</b>
<b>Y/e 31 Mar (INR mn)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>
<b>Non-Cash Working Capital (Excl. Debt)</b>	<b>4,720</b>	<b>7,019</b>	<b>6,891</b>	<b>6,326</b>	<b>7,290</b>	<b>7,615</b>	<b>7,346</b>
ST Debt and Current Portion of LT Debt/Borrowings	46	58	55	50	52	50	43
Accounts Payable	1,041	1,575	1,071	1,046	911	881	425
Other Current Liabilities	2,981	3,104	2,933	3,381	2,958	3,547	3,913
<b>Total Current Liabilities</b>	<b>6,591</b>	<b>7,483</b>	<b>6,667</b>	<b>7,077</b>	<b>7,170</b>	<b>8,823</b>	<b>8,313</b>
Long Term Debt	238	518	635	714	455	411	1,145
Other Long Term Liabilities	1,165	1,261	1,372	1,670	1,658	1,484	1,105
<b>Total Long Term Liabilities</b>	<b>1,403</b>	<b>1,779</b>	<b>2,006</b>	<b>2,384</b>	<b>2,113</b>	<b>1,895</b>	<b>2,250</b>
<b>Total Debt</b>	<b>2,444</b>	<b>3,354</b>	<b>3,078</b>	<b>3,430</b>	<b>3,036</b>	<b>2,936</b>	<b>3,817</b>
<b>Minority Interest</b>	<b>648</b>	<b>776</b>	<b>591</b>	<b>658</b>	<b>658</b>	<b>658</b>	<b>658</b>
Share Capital	159	159	159	159	159	159	159
Reserves & Surplus	21,065	23,109	26,006	27,284	31,670	34,102	37,357
<b>Total Equity</b>	<b>21,224</b>	<b>23,268</b>	<b>26,165</b>	<b>27,443</b>	<b>31,829</b>	<b>34,262</b>	<b>37,516</b>
<b>Total Liabilities and Equity</b>	<b>29,865</b>	<b>33,305</b>	<b>35,429</b>	<b>37,562</b>	<b>41,112</b>	<b>45,126</b>	<b>48,200</b>

## Financial Statements

## Cashflow Summary

Y/e 31 Mar (INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Cash Flow from Operations</b>							
PBT	5,102	4,705	5,768	4,843	6,837	7,864	8,862
Depreciation	1,154	1,329	1,480	1,654	1,736	1,832	2,072
Tax Paid	1,285	1,265	1,385	1,172	1,914	2,240	2,272
Changes in Working Capital	-621	-1,875	260	-12	-964	-325	268
<b>Net Cash from Operations</b>	<b>4,255</b>	<b>2,955</b>	<b>6,017</b>	<b>5,010</b>	<b>5,694</b>	<b>7,130</b>	<b>8,930</b>
<b>Cash Flow from Investing</b>							
Capex	-2,634	-2,082	-2,785	-1,955	-400	-500	-650
Change in Investment	18	61	-515	-362	-502	-13	-224
Others	-363	184	324	-1,403	-367	119	-1,802
<b>Net Cash from Investing</b>	<b>-2,979</b>	<b>-1,837</b>	<b>-2,976</b>	<b>-3,721</b>	<b>-1,269</b>	<b>-394</b>	<b>-2,676</b>
<b>Cash Flow from Financing</b>							
Change in debt	281	427	393	100	393	249	-849
Change in Equity	52	12	11	14	15	15	-219
Others	-1,534	-1,787	-1,780	-2,199	-2,969	-3,686	-2,368
<b>Net Cash from Financing</b>	<b>-1,201</b>	<b>-1,348</b>	<b>-2,163</b>	<b>-2,086</b>	<b>-2,576</b>	<b>-3,442</b>	<b>-3,436</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>75</b>	<b>-230</b>	<b>878</b>	<b>-796</b>	<b>1,856</b>	<b>483</b>	<b>2,818</b>

Source: Company Reports, Arianth Capital Research

## Ratio Analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Growth in sales (%)	33%	18%	4%	1%	11%	9%	11%
Growth in Net Income (%)	22%	-9%	23%	-29%	66%	14%	19%
D/E	0.15	0.11	0.12	0.14	0.12	0.12	0.10
% growth	7%	25%	-18%	6%	-24%	-10%	32%
BVPS	133.5	146.4	164.6	182.9	200.7	222.3	222.3
RoIC	18%	15%	16%	11%	16%	17%	18%
RoE	19%	15%	17%	11%	17%	17%	19%
RoCE	21%	18%	19%	15%	19%	20%	21%
ROA	13%	10%	12%	8%	12%	13%	14%
Inventory Days	45.89	47.04	42.43	48.68	47.00	50.00	46.00
Receivable Days	50.57	50.08	49.38	44.90	49.00	48.00	46.00
Payable Days	29.37	25.85	23.38	26.62	21.00	23.10	23.00

Source: Company Reports, Arianth Capital Research

**Arihant Research Desk**Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

**Head Office**

#1011, Solitaire Corporate Park  
Building No. 10, 1<sup>st</sup> Floor  
Andheri Ghatkopar Link Road  
Chakala, Andheri (E)  
Mumbai – 400093  
Tel: (91-22) 42254800

**Registered Office**

6 Lad Colony,  
Y.N. Road,  
Indore - 452003, (M.P.)  
Tel: (91-731) 4217100/101  
CIN: L66120MP1992PLC007182

**Stock Rating Scale**

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

**Absolute Return****Research Analyst  
Registration No.****Contact****Website****Email Id**

INH000002764

SMS: 'Arihant' to 56677

[www.arihantcapital.com](http://www.arihantcapital.com)[instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)**Arihant Capital Markets Ltd.**

1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800

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**Arihant Capital Markets Ltd.**

1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800