# BUY Kajaria Ceramics

## Weak quarter; improvement likely

**Building Materials** ▸ Result Update ▸ **May 07, 2025**

**CMP (Rs): 798 | TP (Rs): 1,050**

**Kajaria's Q4FY25 performance was weak on sales volumes as well as profitability fronts and missed our expectations. However, on a positive note, it has gained market share in FY25 as sales volume growth of 6% YoY was ahead of the industry (2% YoY growth). While we anticipate gradual demand recovery over the medium term, better penetration and market share gains would lead to KJC growing ahead of the industry. Further, profitability is expected to improve on the back of cost optimization measures as well as focus on core business (plywood business discontinued). Balance sheet remains sturdy, return ratios are likely to improve. We maintain BUY while cutting our TP by 16% to Rs1,050 from Rs1,250 earlier.**

### Sales volumes to pick up in coming quarters

KJC's sales volume grew 2% YoY to 30.1msm in Q4FY25, lower than our expectation. However, on a positive note, its sales volume growth of 6% YoY in FY25 was ahead of the industry (2% YoY growth). Overall domestic demand is muted, while industry exports declined by ~20% YoY to Rs160bn in FY25. In coming quarters, domestic demand is expected to gradually improve with pick up in the B2B segment as housing projects launched FY22 onward enter the last stage of construction. Kajaria is increasing its channel strength with focus on addition of exclusive dealers which would aid volume growth. Given near-term sluggishness, we trim expectations and build in sales volume CAGR of 8% during FY25-27E, at 134msm.

### Profitability expected to gradually improve

EBITDA fell sharply by 20% YoY to Rs1.4bn, while EBITDA margin contracted by 200bps QoQ/300bps YoY to 11.3% in Q4FY25. This was mainly due to muted performance in the bathware division as well as higher costs. The company has discontinued the plywood division (less than 3% of topline) vis-à-vis undertaking cost optimization measures. Also, bathware division profitability is expected to improve. However, we expect the reliance on outsourcing to increase as current facilities are operating at above 95% utilization levels. Hence, despite corrective measures, profitability improvement could be gradual. We trim EBITDA margin by 30-40bps, now building in 13.8%/14.3% in FY26E/27E.

### Balance sheet remains sturdy; maintain BUY

KJC's working capital days at 51 improved QoQ (59 days in Q3FY25). Balance sheet remains strong with net cash at Rs4.2bn, which coupled with higher accruals on the back of improving profitability would fund the capex over the medium term. Kajaria remains the market leader in the tiles industry with strong brand recall; its entrenched dealer network would enable further market penetration in cities/towns where the company still has low presence. The decline in stock price by 35% in the last 5 months broadly captures the near-term weakness. Hence, we maintain BUY on the stock while cutting our TP by 16% to Rs1,050 (valued at 36x PER on FY27E; 10% discount to 10-year average).

| | |
|---|---|
| Target Price – 12M | Mar-26 |
| **Change in TP (%)** | **(16.0)** |
| Current Reco. | BUY |
| Previous Reco. | BUY |
| Upside/(Downside) (%) | 31.6 |

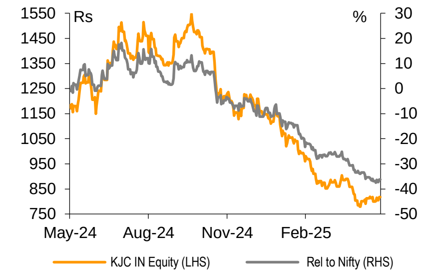
| **Stock Data** | **KJC IN** |
|---|---|
| 52-week High (Rs) | 1,579 |
| 52-week Low (Rs) | 745 |
| Shares outstanding (mn) | 159.3 |
| Market-cap (Rs bn) | 127 |
| Market-cap (USD mn) | 1,506 |
| Net-debt, FY25E (Rs mn) | (4,010) |
| ADTV-3M (mn shares) | - |
| ADTV-3M (Rs mn) | 344.6 |
| ADTV-3M (USD mn) | 4.1 |
| Free float (%) | - |
| Nifty-50 | 24,379.6 |
| INR/USD | 84.4 |

| **Shareholding, Mar-25** | |
|---|---|
| Promoters (%) | 47.5 |
| FPIs/MFs (%) | 15.8/27.7 |

**Price Performance**

| **(%)** | **1M** | **3M** | **12M** |
|---|---|---|---|
| Absolute | (0.7) | (18.0) | (31.8) |
| Rel. to Nifty | (6.7) | (20.6) | (37.3) |

**1-Year share price trend (Rs)**




**Kajaria Ceramics: Financial Snapshot (Consolidated)**

| **Y/E FY25 (Rs mn)** | **FY23** | **FY24** | **FY25** | **FY26E** | **FY27E** |
|---|---|---|---|---|---|
| Revenue | 43,819 | 45,784 | 46,351 | 50,040 | 55,438 |
| EBITDA | 5,920 | 6,997 | 6,262 | 6,916 | 7,955 |
| Adj. PAT | 3,525 | 4,221 | 3,426 | 3,946 | 4,617 |
| Adj. EPS (Rs) | 22.2 | 26.5 | 21.5 | 24.8 | 29.0 |
| EBITDA margin (%) | 13.5 | 15.3 | 13.5 | 13.8 | 14.3 |
| EBITDA growth (%) | (3.1) | 18.2 | (10.5) | 10.4 | 15.0 |
| Adj. EPS growth (%) | (6.5) | 19.7 | (18.8) | 15.2 | 17.0 |
| RoE (%) | 15.8 | 17.1 | 12.8 | 13.8 | 15.0 |
| RoIC (%) | 18.7 | 18.9 | 14.6 | 16.6 | 18.3 |
| P/E (x) | 36.0 | 30.1 | 37.1 | 32.2 | 27.5 |
| EV/EBITDA (x) | 21.1 | 17.7 | 19.8 | 17.9 | 15.6 |
| P/B (x) | 5.5 | 4.9 | 4.6 | 4.3 | 4.0 |
| FCFF yield (%) | 0.4 | 2.5 | 2.0 | 2.5 | 3.7 |

*Source: Company, Emkay Research*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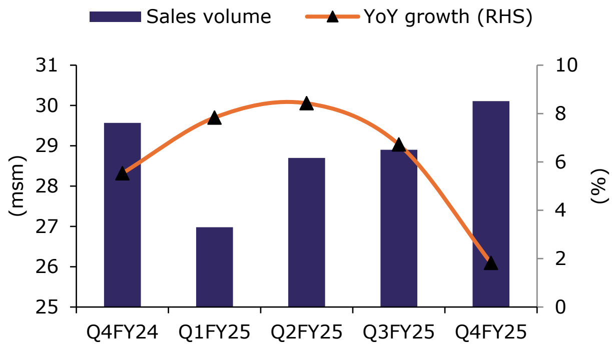
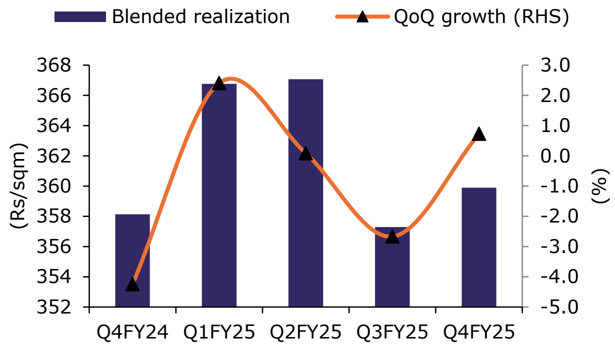
# Quarterly charts

**Exhibit 1: Sales volume trend**



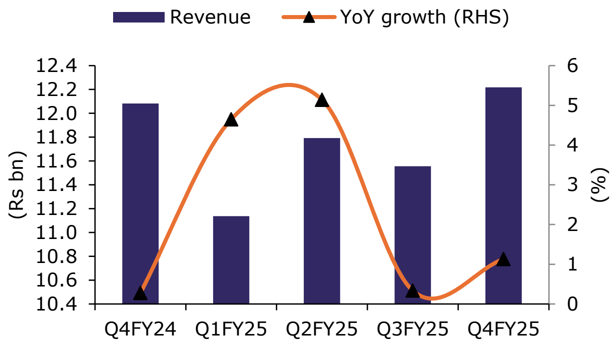

*Source: Company, Emkay Research*

**Exhibit 2: Realization trend**



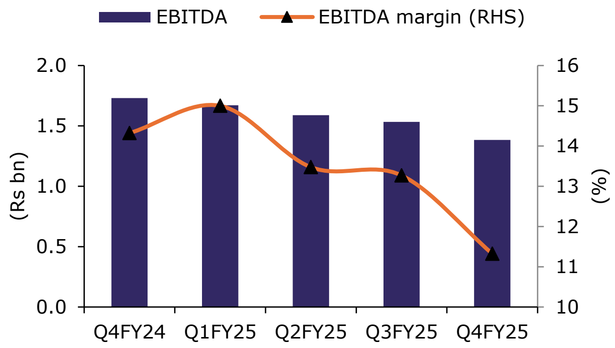

*Source: Company, Emkay Research*

**Exhibit 3: Revenue trend**




*Source: Company, Emkay Research*

**Exhibit 4: EBITDA and margin trend**



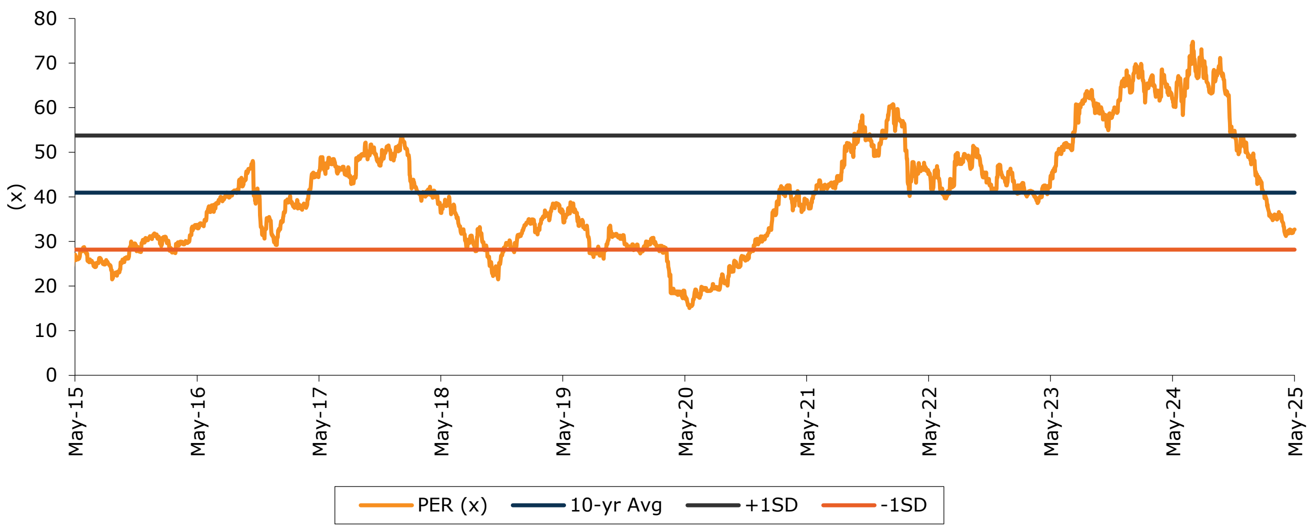

*Source: Company, Emkay Research*

**Exhibit 5: Quarterly performance**

| (Rs mn) | Q4FY24 | Q4FY25 | YoY chg | Q3FY25 | QoQ chg |
|---|---|---|---|---|---|
| Net Sales | 12,082 | 12,219 | *1.1%* | 11,556 | *5.7%* |
| **EBITDA** | **1,730** | **1,384** | ***-20.0%*** | **1,533** | ***-9.8%*** |
| EBITDA margin (%) | 14.3 | 11.3 | *-300bps* | 13.3 | *-200bps* |
| Other income | 174 | 125 | *-28.5%* | 103 | *21.0%* |
| Interest | 53 | 60 | *13.2%* | 74 | *-18.9%* |
| Depreciation | 421 | 434 | *3.1%* | 397 | *9.6%* |
| **PBT** | **1,430** | **1,014** | ***-29.1%*** | **1,166** | ***-13.0%*** |
| Tax | 354 | 344 | *-2.7%* | 307 | *12.0%* |
| Reported PAT | 1,024 | 425 | *-58.5%* | 777 | *-45.3%* |
| **Adjusted PAT** | **1,024** | **425** | ***-58.5%*** | **777** | ***-45.3%*** |
| **Adjusted EPS (Rs)** | **6.4** | **2.7** | ***-58.5%*** | **4.9** | ***-45.3%*** |

*Source: Company, Emkay Research*

**Exhibit 6: Kajaria – One-year forward PER**




*Source: Company, Bloomberg, Emkay Research*

# Kajaria Ceramics: Consolidated Financials and Valuations

## Profit & Loss

| Y/E FY25 (Rs mn) | FY23 | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|---|
| **Revenue** | **43,819** | **45,784** | **46,351** | **50,040** | **55,438** |
| Revenue growth (%) | 18.3 | 4.5 | 1.2 | 8.0 | 10.8 |
| **EBITDA** | **5,920** | **6,997** | **6,262** | **6,916** | **7,955** |
| EBITDA growth (%) | (3.1) | 18.2 | (10.5) | 10.4 | 15.0 |
| Depreciation & Amortization | 1,329 | 1,480 | 1,654 | 1,795 | 1,972 |
| **EBIT** | **4,591** | **5,517** | **4,608** | **5,121** | **5,983** |
| EBIT growth (%) | (7.3) | 20.2 | (16.5) | 11.1 | 16.8 |
| Other operating income | - | - | - | - | - |
| Other income | 336 | 462 | 427 | 449 | 471 |
| Financial expense | 223 | 211 | 200 | 188 | 175 |
| **PBT** | **4,704** | **5,768** | **4,835** | **5,382** | **6,279** |
| Extraordinary items | (79) | 0 | (483) | 0 | 0 |
| Taxes | 1,163 | 1,435 | 1,360 | 1,356 | 1,582 |
| Minority interest | (17) | (113) | (49) | (80) | (80) |
| Income from JV/Associates | - | - | - | - | - |
| **Reported PAT** | **3,446** | **4,221** | **2,943** | **3,946** | **4,617** |
| PAT growth (%) | (8.6) | 22.5 | (30.3) | 34.0 | 17.0 |
| **Adjusted PAT** | **3,525** | **4,221** | **3,426** | **3,946** | **4,617** |
| **Diluted EPS (Rs)** | **22.2** | **26.5** | **21.5** | **24.8** | **29.0** |
| Diluted EPS growth (%) | (6.5) | 19.7 | (18.8) | 15.2 | 17.0 |
| **DPS (Rs)** | **9.0** | **12.0** | **9.0** | **9.0** | **12.0** |
| **Dividend payout (%)** | **41.6** | **45.3** | **48.6** | **36.3** | **41.4** |
| EBITDA margin (%) | 13.5 | 15.3 | 13.5 | 13.8 | 14.3 |
| EBIT margin (%) | 10.5 | 12.0 | 9.9 | 10.2 | 10.8 |
| Effective tax rate (%) | 24.7 | 24.9 | 28.1 | 25.2 | 25.2 |
| **NOPLAT (pre-IndAS)** | **3,457** | **4,145** | **3,312** | **3,830** | **4,475** |
| Shares outstanding (mn) | 159 | 159 | 159 | 159 | 159 |

*Source: Company, Emkay Research*

## Balance Sheet

| Y/E FY25 (Rs mn) | FY23 | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|---|
| Share capital | 159 | 159 | 159 | 159 | 159 |
| Reserves & Surplus | 23,109 | 26,006 | 27,284 | 29,504 | 31,819 |
| **Net worth** | **23,268** | **26,165** | **27,443** | **29,663** | **31,978** |
| Minority interests | 776 | 591 | 658 | 738 | 818 |
| Non-current liab. & prov. | 765 | 839 | 891 | 891 | 891 |
| **Total debt** | **2,093** | **2,009** | **1,819** | **1,704** | **1,589** |
| **Total liabilities & equity** | **27,398** | **30,137** | **31,590** | **33,051** | **35,337** |
| Net tangible fixed assets | 14,124 | 16,040 | 16,847 | 17,888 | 18,551 |
| Net intangible assets | - | - | - | - | - |
| Net ROU assets | 420 | 704 | 1,008 | 1,058 | 1,108 |
| Capital WIP | 817 | 679 | 1,087 | 900 | 1,000 |
| Goodwill | 327 | 327 | 319 | 319 | 319 |
| Investments [JV/Associates] | 19 | 185 | 339 | 339 | 339 |
| **Cash & equivalents** | **3,938** | **5,141** | **5,829** | **5,999** | **6,552** |
| Current assets (ex-cash) | 12,927 | 12,486 | 12,357 | 12,911 | 14,346 |
| Current Liab. & Prov. | 5,908 | 5,292 | 5,972 | 6,366 | 6,899 |
| **NWC (ex-cash)** | **7,019** | **7,194** | **6,385** | **6,545** | **7,447** |
| **Total assets** | **27,398** | **30,137** | **31,590** | **33,051** | **35,337** |
| Net debt | (1,845) | (3,132) | (4,010) | (4,295) | (4,963) |
| Capital employed | 27,398 | 30,137 | 31,590 | 33,051 | 35,337 |
| **Invested capital** | **21,065** | **22,867** | **22,552** | **23,703** | **25,218** |
| BVPS (Rs) | 146.2 | 164.5 | 172.5 | 186.4 | 201.0 |
| Net Debt/Equity (x) | (0.1) | (0.1) | (0.1) | (0.1) | (0.2) |
| Net Debt/EBITDA (x) | (0.3) | (0.4) | (0.6) | (0.6) | (0.6) |
| Interest coverage (x) | 22.1 | 28.3 | 25.1 | 29.7 | 36.9 |
| **RoCE (%)** | **20.0** | **21.8** | **17.2** | **18.0** | **19.4** |

*Source: Company, Emkay Research*

## Cash flows

| Y/E FY25 (Rs mn) | FY23 | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|---|
| PBT (ex-other income) | 4,368 | 5,306 | 4,408 | 4,933 | 5,808 |
| Others (non-cash items) | - | - | - | - | - |
| Taxes paid | (1,163) | (1,435) | (1,360) | (1,356) | (1,582) |
| Change in NWC | (2,267) | (102) | 862 | (160) | (902) |
| **Operating cash flow** | **2,955** | **6,016** | **5,010** | **5,720** | **7,274** |
| Capital expenditure | (2,452) | (2,969) | (2,556) | (2,598) | (2,686) |
| Acquisition of business | (19) | (165) | (154) | 0 | 0 |
| Interest & dividend income | - | - | - | - | - |
| **Investing cash flow** | **(1,837)** | **(2,976)** | **(3,721)** | **(4,650)** | **(4,715)** |
| Equity raised/(repaid) | 0 | 0 | 0 | 0 | 0 |
| Debt raised/(repaid) | 814 | (84) | (190) | (115) | (115) |
| Payment of lease liabilities | (30) | (285) | (304) | (50) | (50) |
| Interest paid | (223) | (211) | (200) | (188) | (175) |
| Dividend paid (incl tax) | (1,726) | (2,304) | (1,726) | (1,726) | (2,301) |
| Others | (258) | 1,046 | 1,818 | 1,179 | 635 |
| **Financing cash flow** | **(1,424)** | **(1,837)** | **(602)** | **(900)** | **(2,006)** |
| Net chg in Cash | (306) | 1,203 | 687 | 170 | 553 |
| OCF | 2,955 | 6,016 | 5,010 | 5,720 | 7,274 |
| Adj. OCF (w/o NWC chg.) | 5,222 | 6,118 | 4,148 | 5,880 | 8,176 |
| FCFF | 503 | 3,047 | 2,454 | 3,121 | 4,588 |
| FCFE | 280 | 2,836 | 2,254 | 2,934 | 4,413 |
| OCF/EBITDA (%) | 49.9 | 86.0 | 80.0 | 82.7 | 91.4 |
| FCFE/PAT (%) | 8.1 | 67.2 | 76.6 | 74.4 | 95.6 |
| **FCFF/NOPLAT (%)** | **14.6** | **73.5** | **74.1** | **81.5** | **102.5** |

*Source: Company, Emkay Research*

## Valuations and key Ratios

| Y/E FY25 | FY23 | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|---|
| P/E (x) | 36.0 | 30.1 | 37.1 | 32.2 | 27.5 |
| P/CE(x) | 26.2 | 22.3 | 25.0 | 22.1 | 19.3 |
| P/B (x) | 5.5 | 4.9 | 4.6 | 4.3 | 4.0 |
| EV/Sales (x) | 2.9 | 2.7 | 2.7 | 2.5 | 2.2 |
| EV/EBITDA (x) | 21.1 | 17.7 | 19.8 | 17.9 | 15.6 |
| EV/EBIT(x) | 27.3 | 22.5 | 26.9 | 24.2 | 20.7 |
| EV/IC (x) | 5.9 | 5.4 | 5.5 | 5.2 | 4.9 |
| FCFF yield (%) | 0.4 | 2.5 | 2.0 | 2.5 | 3.7 |
| FCFE yield (%) | 0.2 | 2.2 | 1.8 | 2.3 | 3.5 |
| Dividend yield (%) | 1.1 | 1.5 | 1.1 | 1.1 | 1.5 |
| **DuPont-RoE split** | | | | | |
| Net profit margin (%) | 8.0 | 9.2 | 7.4 | 7.9 | 8.3 |
| Total asset turnover (x) | 1.7 | 1.6 | 1.5 | 1.6 | 1.7 |
| Assets/Equity (x) | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| **RoE (%)** | **15.8** | **17.1** | **12.8** | **13.8** | **15.0** |
| **DuPont-RoIC** | | | | | |
| NOPLAT margin (%) | 7.9 | 9.1 | 7.1 | 7.7 | 8.1 |
| IC turnover (x) | 2.4 | 2.1 | 2.0 | 2.2 | 2.3 |
| **RoIC (%)** | **18.7** | **18.9** | **14.6** | **16.6** | **18.3** |
| **Operating metrics** | | | | | |
| Core NWC days | 58.5 | 57.4 | 50.3 | 47.7 | 49.0 |
| **Total NWC days** | **58.5** | **57.4** | **50.3** | **47.7** | **49.0** |
| Fixed asset turnover | 2.1 | 1.9 | 1.8 | 1.8 | 1.8 |
| Opex-to-revenue (%) | 45.3 | 41.5 | 44.1 | 44.2 | 43.7 |

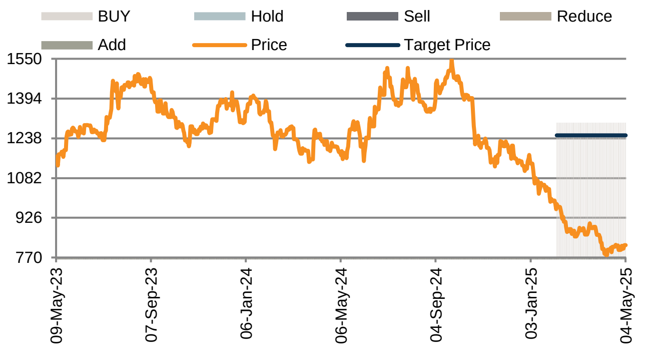
*Source: Company, Emkay Research*

## RECOMMENDATION HISTORY – DETAILS

| Date | Closing Price (INR) | TP (INR) | Rating | Analyst |
|---|---|---|---|---|
| 05-Feb-25 | 980 | 1,250 | Buy | Harsh Pathak |

*Source: Company, Emkay Research*

## RECOMMENDATION HISTORY - TREND




*Source: Company, Bloomberg, Emkay Research*

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