Dated: 24th Oct 2025

KAJARIA CERAMICS LTD (Kajaria) - BUY

Q2FY26 Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs. 1227	Rs. 1432

Rationale:

- Q2FY26: mixed results; EBITDA margin was strong, revenue remained weak.
- Tiles demand remained weak, and the company reported low revenue growth yoy.
- The management remains positive about demand pick-up from H2FY26E.
- Company embarked on a significant cost control initiative in Q1FY26 resulting in meaningful improvement in EBITDA margin.
- Net cash increased from Rs337 cr in Q2FY25/Rs515 cr in Q1FY26 to Rs593 cr in Q2FY26.
- We lower our revenue assumption but increase our EBITDA margin assumption.
- We expect earnings per share growth of 52.9 % in FY26E and 11.4% in FY27E.
- We rate the stock BUY with a revised fair value of Rs1,432 (valued at 35x on FY28E EPS).

Positives:

- Consolidated EBITDA margin was 18% in Q2FY26 (+393 bps yoy and +105 bps qoq); above our estimate of 16.4%.
- Consolidated net profit was Rs134 cr (+47.7% yoy, +20% qoq; our estimate Rs116 cr).
- Going ahead, company will be rationalization costs further, resulting in more cost reduction.

Negatives:

- Consolidated revenue of Rs1,186 cr was marginally below our estimate of Rs1,191 cr.
- Tiles segment volume growth remained weak at 0.6% yoy.

(EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization; P/E: Price/Earnings)

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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