KAJARIA CERAMICS LTD.

Detailed Financial Model and Valuation Report

DCF Perpetuity Growth Model | Relative Valuation | Ratio Analysis

Metric	Value
Current Market Price (INR)	1,209.6
Market Capitalisation (INR Cr)	19,008.0
Shares Outstanding (Crores)	15.93
52-Week Range (INR)	870 to 1,322
DCF Intrinsic Value / Share (INR)	819.6
Relative Valuation (Peer Median, INR)	878.6
Upside / (Downside) vs CMP	(32.2%)
Investment Rating	REDUCE
Valuation Date	August 2026

Consolidated financials in INR Crores unless otherwise stated. Data sourced from author-prepared valuation model, Kajaria Ceramics Integrated Annual Report FY26, Screener.in and Investing.com. Base case discounting rate: 11%.

This report is prepared as an academic project. It is not investment advice. Readers must seek independent professional guidance before making investment decisions.

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August 2026 | Pune, Maharashtra

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1. Executive Summary

Kajaria Ceramics Ltd. is India's largest ceramic and vitrified tile manufacturer with an installed tile capacity of 82.70 million square metres across nine plants (excluding the 5.10 MSM Nepal joint venture). FY26 was a transition year: revenue growth stayed muted at 4.2% year on year while EBITDA expanded 44% and net profit rose 65% on the back of a 508 basis point improvement in EBITDA margin. Management has branded this reset as "Kajaria 2.0", built on disciplined governance, biofuel-led cost advantage and a sharpened premium mix.

Valuation Snapshot

Valuation Method	Value / Share (INR)	Weight	Notes
DCF - Perpetuity Growth	819.6	70%	10-year explicit forecast, 5% terminal growth
Relative - Peer Median	878.6	30%	Average of EV/EBITDA, EV/Sales, P/E and P/B
Blended Fair Value	837.3	100%	70/30 blend of intrinsic and relative
Current Market Price	1,209.6		Screener.in, 25 August 2026
Implied Downside	(30.8%)		Blended fair value vs CMP

Recommendation

The base case DCF fair value of INR 819.6 per share sits roughly 32% below the current market price of INR 1,209.6, and the peer-median comparable value of INR 878.6 tells the same story. The market is currently paying over 33x FY26 earnings and 21x EV/EBITDA for the stock, versus a peer median around 16x EV/EBITDA. Even under an optimistic scenario using an extended 18% revenue CAGR through FY30 the intrinsic value stays below the traded price. The recommended rating is REDUCE.

The fundamental story remains strong. Kajaria enjoys market leadership, a near debt-free balance sheet, consistent 20% ROCE and a widening bathware and adhesives pipeline. Valuation, however, has priced in the operational improvement well ahead of the actual delivery. Investors already holding the stock may retain their position for the long-term compounding story; fresh incremental exposure at these multiples carries limited margin of safety.

2. Company Overview

2.1 Business Description

Founded in 1985 by Mr Ashok Kajaria and today led by Managing Director Mr Rishi Kajaria alongside Vice Chairman Mr Chetan Kajaria, Kajaria has evolved from a single-plant tile manufacturer into an integrated building solutions company covering tiles, sanitaryware, faucets, adhesives and grouts. The Company operates the widest product range across every price point in the Indian tile market and reaches customers through the largest dealer network of any tile company in India. Ranveer Singh and Rashmika Mandanna anchor the brand campaigns across television, IPL sponsorships and social media.

2.2 Business Verticals and Revenue Mix

Ceramic and vitrified tiles remain the core revenue engine at 88.6% of FY26 topline (INR 4,280 crore of INR 4,830 crore). Bathware and Adhesives, while smaller in absolute size, represent the visible growth optionalities. Sanitaryware volumes at Morbi run at 12 lakh pieces per year and faucets at Gailpur at 16 lakh pieces, with adhesives capacity of 9,000 metric tonnes per month at both Gailpur and Erode.

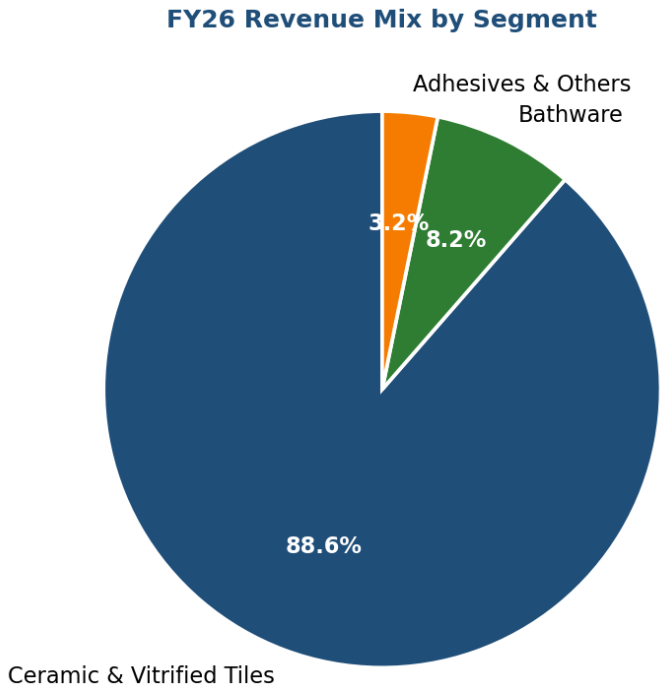


Figure 1. FY26 Revenue Mix: Tiles Contribute 88.6% of Consolidated Revenue.

2.3 Manufacturing Footprint

Plant	Location	Ceramic Wall & Floor	Polished Vitrified	Glazed Vitrified	Total (MSM)
Sikandrabad	Uttar Pradesh	-	-	8.80	8.80
Gailpur	Rajasthan	17.75	-	18.20	35.95
Malootana	Rajasthan	-	6.50	-	6.50
Morbi	Gujarat	-	8.90	9.00	17.90
Srikalahasti	Andhra Pradesh	-	-	8.80	8.80
Balanagar	Telangana	4.75	-	-	4.75
Total India		22.50	15.40	44.80	82.70
Nawalparasi (JV)	Nepal				5.10

Note: MSM stands for million square metres of installed annual tile capacity.

2.4 Subsidiary Structure

Entity	Ownership	Location	Product Focus
Kajaria Vitrified Pvt. Ltd.	95%	Morbi, Gujarat	Polished Vitrified Tiles
Kajaria Infinity Pvt. Ltd.	84.59%	Morbi, Gujarat	Glazed Vitrified Tiles
Kajaria Surfaces Pvt. Ltd.	100%	Morbi, Gujarat	Glazed Vitrified Tiles
South Asian Ceramics Tiles Pvt. Ltd.	59.50%	Balanagar, Telangana	Ceramic Floor Tiles
Kajaria Ramesh Tiles Ltd. (JV)	50%	Nepal	Tiles
Kajaria Bathware Pvt. Ltd. (KBPL)	100%	Morbi and Gailpur	Sanitaryware and Faucets
Kerovit Global Pvt. Ltd.	Step-down subsidiary	Multiple	Bathware brand

During FY26 the Board approved the acquisition of 44,11,764 compulsorily convertible preference shares of KBPL from Aravali Investment Holdings (Mauritius) for a consideration of INR 50 crore, taking the Company's holding in KBPL to 100%.

3. Industry Overview

3.1 Macroeconomic Backdrop

India recorded real GDP growth of approximately 7.7% in FY26 with nominal GDP at INR 346.36 lakh crore, driven by domestic consumption, infrastructure spending and macroeconomic stability. The fiscal deficit stood at 4.4% of GDP with continued infrastructure-led capital expenditure. External volatility, uneven export demand and inflationary pressures created a more measured operating environment, but structural themes of formalisation, digital adoption and urbanisation continued to support the broader economy.

3.2 Structural Shifts in the Global Tile Landscape

Three shifts are reordering the global tile market in favour of organised Indian manufacturers. First, China has progressively withdrawn export subsidies, and the artificial price advantage that distorted global markets for two decades is fading, opening markets that were earlier difficult to penetrate. Second, India's expanding network of Free Trade Agreements is making exports more competitive across new geographies. Third, the Morbi cluster in Gujarat is under unprecedented stress from sharply rising gas prices that have forced widespread shutdowns and price hikes across the unbranded segment, narrowing the price gap between Morbi and branded manufacturers like Kajaria.

3.3 Demand Drivers

- Real estate revival across Tier 1 and Tier 2 cities driving new residential launches.
- Rapid urbanisation with roughly 40% of population expected to reside in urban centres by 2035.
- Rising renovation and premiumisation as disposable incomes expand.
- Government infrastructure push including PM Awas Yojana, Smart Cities and PMAY-Urban 2.0.
- Shift from unorganised local suppliers to branded, design-led national players.

3.4 Competitive Landscape

The Indian ceramic tile market has three tiers of participants: organised branded players like Kajaria, Somany and Nitco with dealer-led distribution reach across the country; the Morbi cluster with roughly 1,000 unorganised manufacturers competing on price; and imports from China, Vietnam and Spain in the ultra-premium segment. Kajaria commands the highest brand recall and pricing power among the branded universe, an advantage that has widened with the Morbi cost pressure.

4. Historical Financial Performance

4.1 Ten-Year Revenue and Earnings Journey

Revenue expanded from INR 2,550 crore in FY17 to INR 4,830 crore in FY26, a nine-year CAGR of 7.4%. Two clear phases emerge: FY17 to FY21 was a low-growth window (roughly 2% CAGR) as demand normalised post the demonetisation and GST transitions and Covid disruption; FY22 onwards brought accelerated growth with FY22 alone posting 33% year on year, followed by 18% in FY23 as pent-up demand played out. FY24 and FY25 growth cooled to low single digits as the tile industry entered a demand lull, before FY26 delivered the sharp margin recovery captured in the chart below.

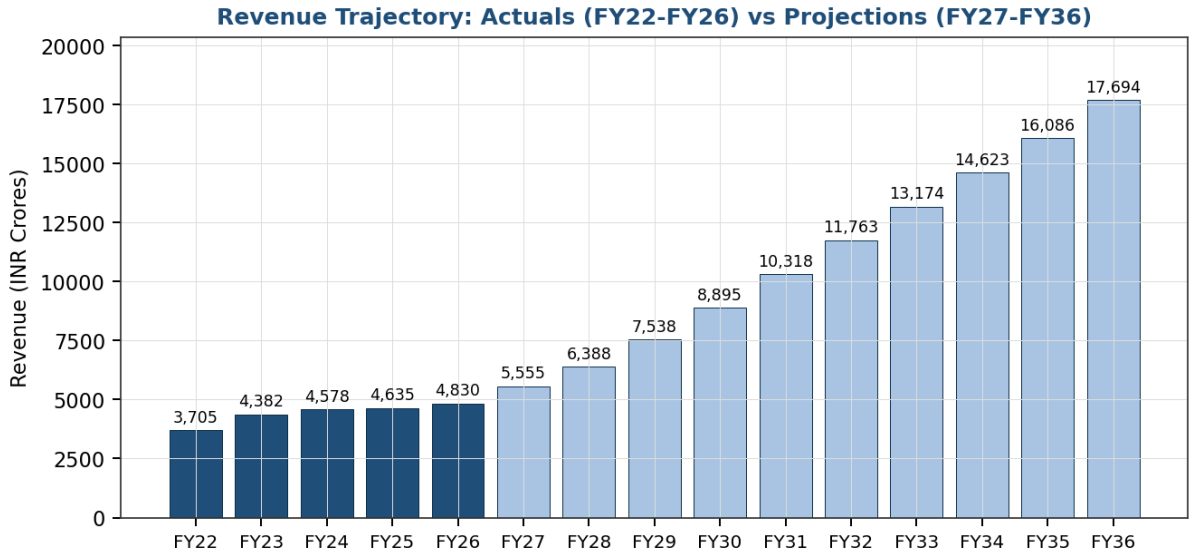


Figure 2. Revenue Trajectory: Actual FY22-FY26 (Dark Blue) versus Projected FY27-FY36 (Light Blue).

4.2 Historical Income Statement (FY22-FY26)

INR Crores	FY22	FY23	FY24	FY25	FY26
Revenue from Operations	3,705.2	4,381.9	4,578.4	4,635.1	4,830.4
Revenue Growth YoY (%)	33.2%	18.3%	4.5%	1.2%	4.2%
Cost of Goods Sold	1,555.1	1,807.0	1,977.0	1,965.5	2,067.5
Gross Profit	2,150.1	2,574.9	2,601.5	2,669.5	2,762.9
Gross Margin (%)	58.0%	58.8%	56.8%	57.6%	57.2%
SG&A Expenses	1,539.4	1,982.9	1,901.8	2,043.4	1,897.9
EBITDA	610.7	592.0	699.7	626.2	865.0
EBITDA Margin (%)	16.5%	13.5%	15.3%	13.5%	17.9%
Depreciation and Amortisation	115.4	132.9	148.0	165.4	169.4
EBIT	495.3	459.2	551.7	460.8	695.6
Other Income	27.6	33.6	46.2	42.7	52.9
Interest Expense	12.7	22.3	21.1	20.0	22.6
Profit Before Tax	510.2	462.5	576.8	483.5	681.8
Tax Expense	127.4	116.3	143.5	136.0	192.8
Effective Tax Rate (%)	25.0%	25.1%	24.9%	28.1%	28.3%
Net Profit After Tax	382.7	346.3	433.4	299.5	489.0
Net Margin (%)	10.3%	7.9%	9.5%	6.5%	10.1%

FY25 net profit reflects a INR 48 crore loss from discontinued operations. FY26 marks the recovery on both operating margin and profitability.

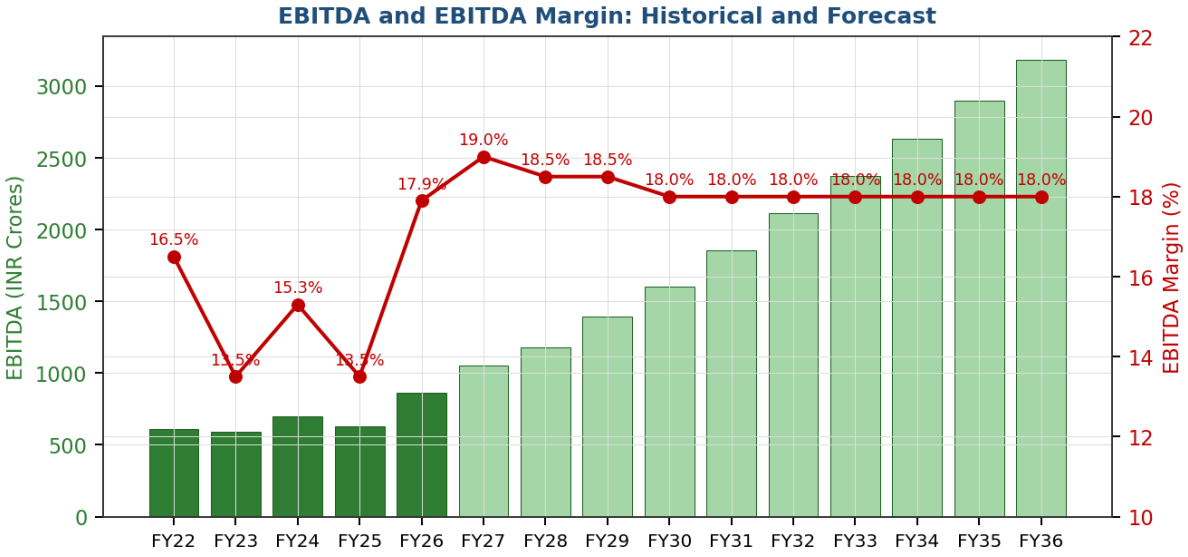


Figure 3. EBITDA (Bars, Left Axis) and EBITDA Margin (Line, Right Axis) from FY22 to FY36.

4.3 Historical Balance Sheet Highlights

INR Crores	FY22	FY23	FY24	FY25	FY26
Shareholders' Funds	2,120.5	2,317.9	2,601.0	2,744.3	3,065.6
Minority Interest	64.8	77.6	59.1	65.8	64.9
Long-Term Borrowings	23.8	51.8	63.5	71.4	49.1
Short-Term Borrowings	104.1	157.5	107.1	104.6	81.2
Total Debt	127.9	209.3	170.6	175.9	130.3
Trade Payables	298.1	310.4	293.3	338.1	319.5
Total Non-Current Liabilities	140.3	177.9	200.6	238.4	231.8
Total Current Liabilities	659.1	748.3	666.7	707.7	667.0
Total Equity and Liabilities	2,984.7	3,321.7	3,527.4	3,756.2	4,029.2
Fixed Assets (Net)	1,138.8	1,412.4	1,604.0	1,684.7	1,535.1
Capital Work-in-Progress	263.4	81.7	67.9	108.7	119.3
Non-Current Investments	0.0	1.9	18.5	33.9	39.0
Inventories	465.9	564.7	532.2	618.1	551.5
Trade Receivables	513.3	601.2	619.4	570.2	628.5
Cash and Cash Equivalents	424.4	393.8	514.1	582.9	755.1
Total Current Assets	1,457.9	1,710.2	1,780.0	1,850.5	2,014.3
Total Assets	2,984.7	3,321.7	3,527.4	3,756.2	4,029.2

4.4 Key Historical Observations

- Cash position has grown consistently from INR 424 crore in FY22 to INR 755 crore in FY26, funding both capex and dividend without leverage.
- Total debt has fallen even as capex continued, and the Company operates in a net cash position (net cash of INR 625 crore in FY26).
- Fixed assets actually contracted in FY26 (INR 1,535 crore versus INR 1,685 crore in FY25) as management deferred greenfield capex to prioritise cost optimisation.
- Working capital days edged up from 79 days (FY22) to 102 days (FY26), driven by a stretch in receivables and higher dealer inventory.
- Interest coverage ratio remains comfortable at 30.7x on FY26 EBIT, reflecting the near-zero leverage profile.

5. Key Assumptions and Forecast Drivers

The projection window spans FY27 to FY36 (10 years). Assumptions are benchmarked against management commentary in the FY26 Annual Report, peer growth trajectories, historical Kajaria margins and the industry demand outlook.

5.1 Revenue Growth Ladder

Year	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
Growth (%)	15%	15%	18%	18%	16%	14%	12%	11%	10%	10%
Revenue (INR Cr)	5,555	6,388	7,538	8,895	10,318	11,763	13,174	14,623	16,086	17,694

The ramp assumes that industry demand normalises from FY28 as real estate absorption strengthens and the Bathware plus Adhesives contribution grows from 11% to roughly 16% of consolidated revenue by FY32. Growth moderates to steady state 10% from FY35 onward, consistent with a mature branded building material business.

5.2 Margin Assumptions

Line Item	FY26 Actual	FY27E	FY28-29E	FY30-36E
Gross Margin	57.2%	59.0%	58.5%	58.0%
EBITDA Margin	17.9%	19.0%	18.5%	18.0%
EBIT Margin	14.4%	16.0%	15.5%	15.0%
Net Profit Margin	10.1%	12.4%	11.9%	11.5%
Depreciation as % of Sales	3.5%	3.0%	3.0%	3.0%
Effective Tax Rate	28.3%	25.0%	25.0%	25.0%

The margin ladder captures the near-term operating leverage from the Kajaria 2.0 cost programme and biofuel adoption at Gailpur, with a steady-state EBITDA margin around 18% once volume competition returns.

5.3 Balance Sheet and Working Capital Assumptions

Working Capital Driver	FY26 Actual	Forecast
Inventory Days (of Revenue)	41.7 days	43 days FY27-28, then 45 days FY29 onward
Debtor Days	47.5 days	46 days across the forecast
Creditor Days (of Revenue)	24.1 days	24 days across the forecast
Cash Conversion Cycle	65.0 days	65 days rising to 67 days at steady state
Long-Term Borrowings as % of Revenue	1.0%	2.0% held flat
Short-Term Borrowings as % of Revenue	1.7%	3.0% held flat
Dividend Payout Ratio	36% (est.)	36% held flat
Capex Ratio (as % of Revenue)	3.3%	5.6% FY27 tapering to 5.0% by FY36
Interest Rate on Borrowings	~12.5%	14.0% blended

6. Projected Three-Statement Model

6.1 Projected Income Statement (FY27-FY36)

INR Crores	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
Revenue	5,555	6,388	7,538	8,895	10,318	11,763	13,174	14,623	16,086	17,694
Growth (%)	15%	15%	18%	18%	16%	14%	12%	11%	10%	10%
Gross Profit	3,277	3,737	4,410	5,159	5,984	6,822	7,641	8,481	9,330	10,263
SG&A Expense	2,222	2,555	3,015	3,558	4,127	4,705	5,270	5,849	6,434	7,078
EBITDA	1,055	1,182	1,395	1,601	1,857	2,117	2,371	2,632	2,895	3,185
EBITDA Margin	19.0%	18.5%	18.5%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
Depreciation	167	192	226	267	310	353	395	439	483	531
EBIT	889	990	1,168	1,334	1,548	1,764	1,976	2,193	2,413	2,654
Other Income	56	64	75	89	103	118	132	146	161	177
Interest Expense	29	42	49	58	67	77	87	97	107	118
Profit Before Tax	916	1,012	1,195	1,366	1,584	1,805	2,021	2,242	2,466	2,713
Tax Expense	229	253	299	341	396	451	505	561	617	678
Net Profit After Tax	687	759	896	1,024	1,188	1,354	1,515	1,682	1,850	2,035
EPS (INR)	43.1	47.7	56.3	64.3	74.6	85.0	95.2	105.6	116.1	127.8

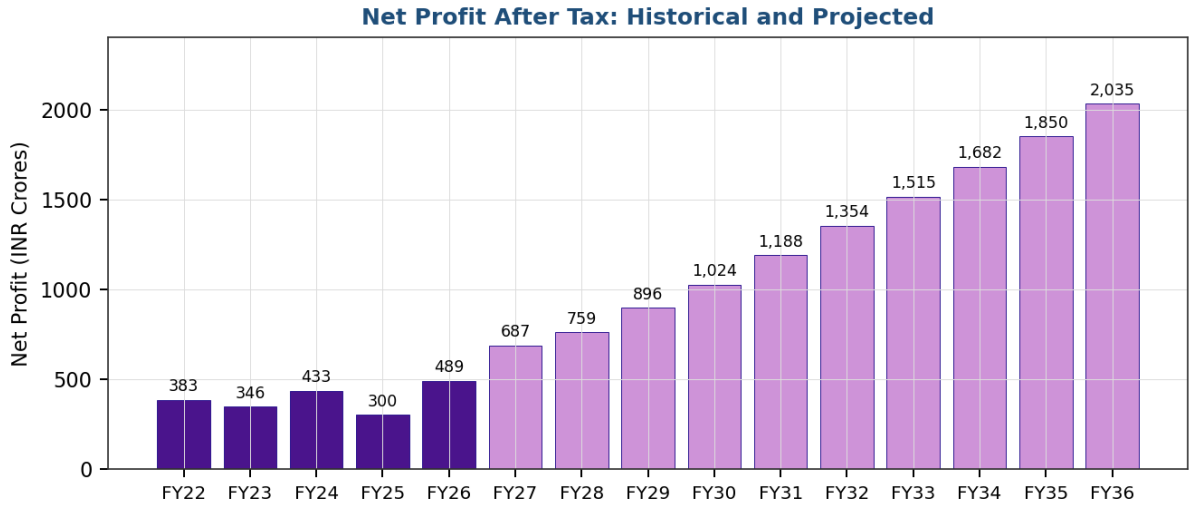


Figure 4. Net Profit After Tax: Historical Actuals and Ten-Year Projection.

6.2 Projected Balance Sheet (FY27-FY36)

INR Crores	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
Shareholders' Funds	3,505	3,991	4,565	5,220	5,980	6,847	7,816	8,893	10,077	11,379
Long-Term Borrowings	111	128	151	178	206	235	263	292	322	354
Short-Term Borrowings	167	192	226	267	310	353	395	439	483	531
Trade Payables	365	420	496	585	678	773	866	962	1,058	1,163
Total Liabilities and Equity	4,662	5,244	5,951	6,764	7,688	8,722	9,855	11,099	12,452	13,941
Fixed Assets (Net)	1,689	1,857	2,043	2,248	2,472	2,720	2,991	3,291	3,620	3,982
Non-Current Investments	39	39	39	39	39	39	39	39	39	39
Inventories	654	753	929	1,097	1,272	1,450	1,624	1,803	1,983	2,181
Trade Receivables	700	805	950	1,121	1,300	1,482	1,660	1,843	2,027	2,230
Cash and Equivalents	1,060	1,270	1,469	1,739	2,085	2,511	3,020	3,604	4,263	4,989
Total Current Assets	2,493	2,907	3,428	4,036	4,736	5,523	6,384	7,329	8,353	9,479
Total Assets	4,662	5,244	5,951	6,764	7,688	8,722	9,855	11,099	12,452	13,941

The projected balance sheet reflects a business that keeps compounding equity at roughly 15% per annum while carrying negligible leverage. Cash grows from INR 1,060 crore in FY27 to INR 4,989 crore by FY36, providing meaningful optionality for special dividends, buybacks or bolt-on acquisitions in the bathware space.

6.3 Projected Cash Flow Statement (FY27-FY36)

INR Crores	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
Profit Before Tax	916	1,012	1,195	1,366	1,584	1,805	2,021	2,242	2,466	2,713
Add: Depreciation	167	192	226	267	310	353	395	439	483	531
Add: Interest	29	42	49	58	67	77	87	97	107	118
Less: Other Income	56	64	75	89	103	118	132	146	161	177
Less: Change in Working Capital	129	148	246	249	261	265	259	266	268	295
Less: Taxes Paid	229	253	299	341	396	451	505	561	617	678
Cash from Operating Activities	698	780	850	1,011	1,200	1,401	1,607	1,806	2,010	2,211
Capex	(320)	(361)	(412)	(471)	(534)	(600)	(667)	(738)	(812)	(893)
Add: Other Income	56	64	75	89	103	118	132	146	161	177
Cash from Investing	(265)	(297)	(337)	(382)	(431)	(482)	(535)	(592)	(651)	(716)
Proceeds from Borrowings	147	42	58	68	71	72	71	72	73	80
Dividend Paid	(247)	(273)	(323)	(369)	(428)	(487)	(546)	(605)	(666)	(732)
Interest Paid	(29)	(42)	(49)	(58)	(67)	(77)	(87)	(97)	(107)	(118)
Cash from Financing	(128)	(273)	(314)	(358)	(424)	(492)	(562)	(630)	(700)	(770)
Net Change in Cash	305	210	199	270	345	426	509	584	659	725
Closing Cash Balance	1,060	1,270	1,469	1,739	2,085	2,511	3,020	3,604	4,263	4,989

7. Ratio Analysis

Ratios are computed on a consolidated basis. The historical series covers FY22 to FY26; the forward series is derived from the projected three-statement model.

7.1 Liquidity Ratios

Ratio	FY22	FY23	FY24	FY25	FY26	FY30E	FY36E
Current Ratio (x)	2.21	2.29	2.67	2.61	3.02	3.61	4.83
Quick Ratio (x)	1.51	1.53	1.87	1.74	2.19	2.63	3.72
Cash Ratio (x)	0.64	0.53	0.77	0.82	1.13	1.56	2.54
Net Working Capital (INR Cr)	799	962	1,113	1,143	1,347	2,918	7,519

Kajaria's liquidity position is exceptional and improves further as projected cash accumulates. A current ratio of 4.8x by FY36 is well beyond operational needs and highlights the case for a more aggressive capital return policy.

7.2 Leverage Ratios

Ratio	FY22	FY23	FY24	FY25	FY26	FY30E	FY36E
Debt / Equity (x)	0.06	0.09	0.07	0.06	0.04	0.09	0.08
Debt / Capital (x)	0.06	0.08	0.06	0.06	0.04	0.08	0.07
Debt / Assets (x)	0.04	0.06	0.05	0.05	0.03	0.07	0.06
Debt / EBITDA (x)	0.21	0.35	0.24	0.28	0.15	0.28	0.28
Interest Coverage - EBIT / Int. (x)	38.9	20.6	26.1	23.0	30.7	23.2	22.4
Interest Coverage - EBITDA / Int. (x)	48.0	26.5	33.1	31.3	38.2	27.8	26.9

The leverage profile stays disciplined even after modelling higher working capital borrowings. Debt/EBITDA holds around 0.28x in steady state, giving the balance sheet significant firepower for opportunistic acquisitions.

7.3 Profitability and Return Ratios

Ratio	FY22	FY23	FY24	FY25	FY26	FY30E	FY36E
Gross Margin (%)	58.0%	58.8%	56.8%	57.6%	57.2%	58.0%	58.0%
EBITDA Margin (%)	16.5%	13.5%	15.3%	13.5%	17.9%	18.0%	18.0%
EBIT Margin (%)	13.4%	10.5%	12.1%	9.9%	14.4%	15.0%	15.0%
Net Profit Margin (%)	10.3%	7.9%	9.5%	6.5%	10.1%	11.5%	11.5%
ROE (%)	18.0%	14.9%	16.7%	10.9%	16.0%	19.6%	17.9%
ROA (%)	12.8%	10.4%	12.3%	8.0%	12.1%	15.1%	14.6%
ROCE (%)	21.3%	17.8%	19.3%	15.1%	20.7%	23.6%	22.2%

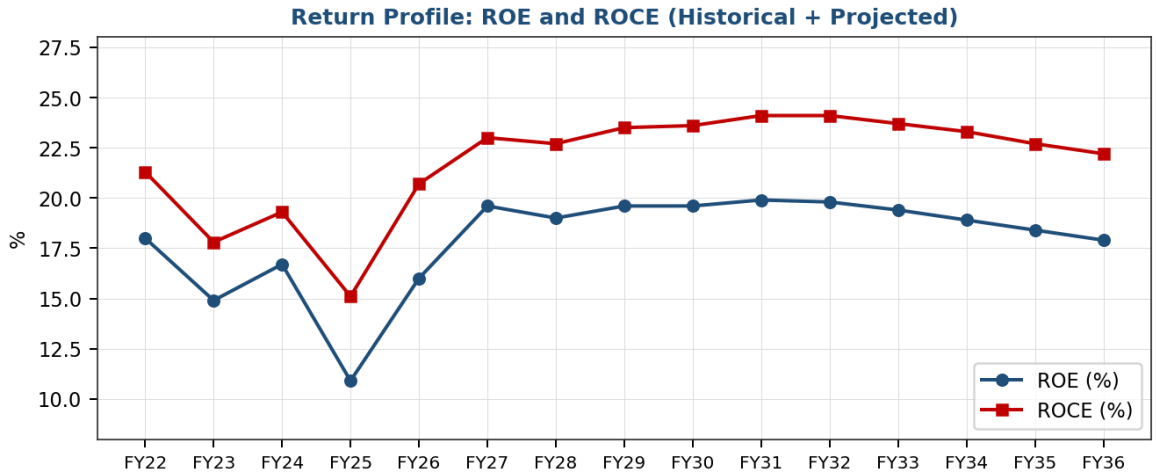


Figure 5. ROE and ROCE across the Historical and Projected Period.

7.4 Efficiency and Turnover Ratios

Ratio	FY22	FY23	FY24	FY25	FY26	FY30E	FY36E
Inventory Days	45.9	47.0	42.4	48.7	41.7	45.0	45.0
Debtor Days	50.6	50.1	49.4	44.9	47.5	46.0	46.0
Creditor Days	29.4	25.9	23.4	26.6	24.1	24.0	24.0
Cash Conversion Cycle (days)	67.1	71.3	68.4	67.0	65.0	67.0	67.0
Asset Turnover (x)	1.24	1.32	1.30	1.23	1.20	1.32	1.27
Inventory Turnover (x)	3.34	3.20	3.71	3.18	3.75	3.41	3.41
Receivables Turnover (x)	7.22	7.29	7.39	8.13	7.69	7.93	7.93
Fixed Asset Turnover (x)	3.25	3.10	2.85	2.75	3.15	3.96	4.44

Efficiency ratios remain stable through the forecast, with fixed asset turnover improving as revenue scales without proportionate capacity addition. Cash conversion cycle at 65-67 days is the best in the organised tile universe, meaningfully lower than Somany at 75 days and Nitco at over 100 days.

8. Discounted Cash Flow Valuation

8.1 WACC Computation

The Weighted Average Cost of Capital is built up using the Capital Asset Pricing Model. India's 10-year government bond yield of 6.85% is used as the risk-free rate. Country risk premium of 2.72% is added on top of the implied US Equity Risk Premium of 4.28% (Prof. Damodaran, July 2026) to arrive at the total equity risk premium of 7.00%. Equity beta of 0.815 is derived from the two-year daily regression of KAJARIACER against Nifty 50 from Investing.com.

Component	Value	Notes / Source
Risk-free Rate (Rf)	6.85%	India 10Y Government Bond yield
US Equity Risk Premium	4.28%	Damodaran implied ERP, July 2026
India Country Risk Premium	2.72%	Based on Moody's Baa3 rating and CDS spread
Total Equity Risk Premium	7.00%	US ERP plus India CRP
Equity Beta	0.815	2-year daily regression (Nifty 50)
Cost of Equity (Ke) - CAPM	10.81%	Rf + Beta x Total ERP (rounded)
Pre-tax Cost of Debt	9.15%	Rf + Country risk + Company specific spread
Marginal Tax Rate	28.3%	FY26 effective rate
Post-tax Cost of Debt (Kd)	6.56%	Kd x (1 - t)
Debt Weight (D / D+E)	4.08%	Book value gearing
Equity Weight (E / D+E)	95.92%	Book value equity
Computed WACC	10.37%	Kd x Wd + Ke x We
Applied WACC	11.00%	Rounded up for conservatism

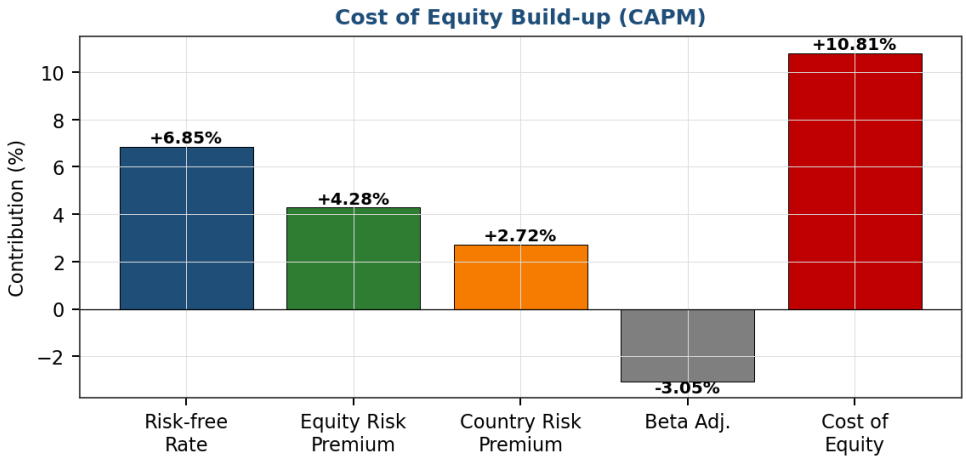


Figure 6. Cost of Equity Build-up via CAPM.

8.2 Free Cash Flow to Firm (FCFF) Projection

INR Crores	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
EBITDA	1,055	1,182	1,395	1,601	1,857	2,117	2,371	2,632	2,895	3,185
Less: D&A	167	192	226	267	310	353	395	439	483	531
EBIT	889	990	1,168	1,334	1,548	1,764	1,976	2,193	2,413	2,654
Less: Tax on EBIT (25%)	229	253	299	341	396	451	505	561	617	678
NOPAT	660	737	870	993	1,152	1,313	1,471	1,633	1,796	1,976
Add: D&A	167	192	226	267	310	353	395	439	483	531
Cash NOPAT	826	929	1,096	1,260	1,461	1,666	1,866	2,072	2,279	2,507
Less: Change in Operating WC	129	148	246	249	261	265	259	266	268	295
Less: Capex	320	361	412	471	534	600	667	738	812	893
Free Cash Flow to Firm	378	420	438	539	666	801	940	1,068	1,199	1,319
Discount Period (Years)	1	2	3	4	5	6	7	8	9	10
Discount Factor (WACC 11%)	0.90	0.81	0.73	0.66	0.59	0.53	0.48	0.43	0.39	0.35
Present Value of FCFF	340	341	320	355	395	428	453	463	469	464

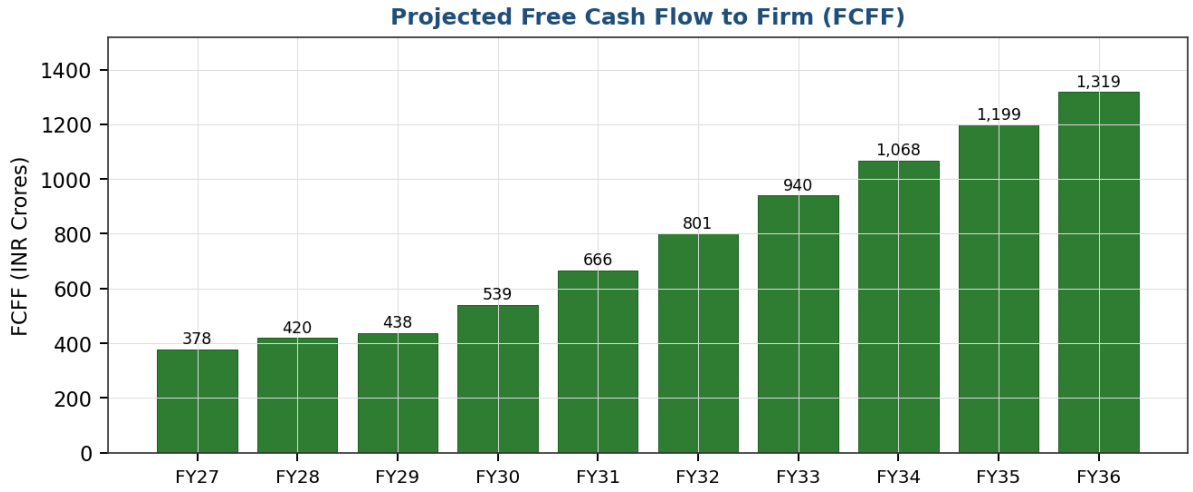


Figure 7. Projected Free Cash Flow to Firm (FCFF), FY27-FY36.

8.3 Terminal Value and Fair Value per Share

Metric	Value (INR Crores unless stated)
Terminal Year FCFF (FY36 x (1 + g))	1,384.6
Perpetual Growth Rate (g)	5.00%
WACC (r)	11.00%
Terminal Value = FCFF x (1+g) / (r - g)	23,076.7
Present Value of Terminal Value	8,127.3
Present Value of Explicit FCFF (FY27-FY36)	4,028.7
Enterprise Value	12,155.9
Less: Total Debt	(130.3)
Add: Cash and Cash Equivalents	755.1
Less: Minority Interest	(64.9)
Add: Non-Operating Assets	352.4
Equity Value	13,068.3
Less: Value of Employee Options	(14.0)
Equity Value Attributable to Shareholders	13,054.3
Number of Shares Outstanding (Crores)	15.93
Fair Value per Share (INR)	819.6
Current Market Price (INR)	1,209.6
Implied Downside vs CMP	(32.2%)

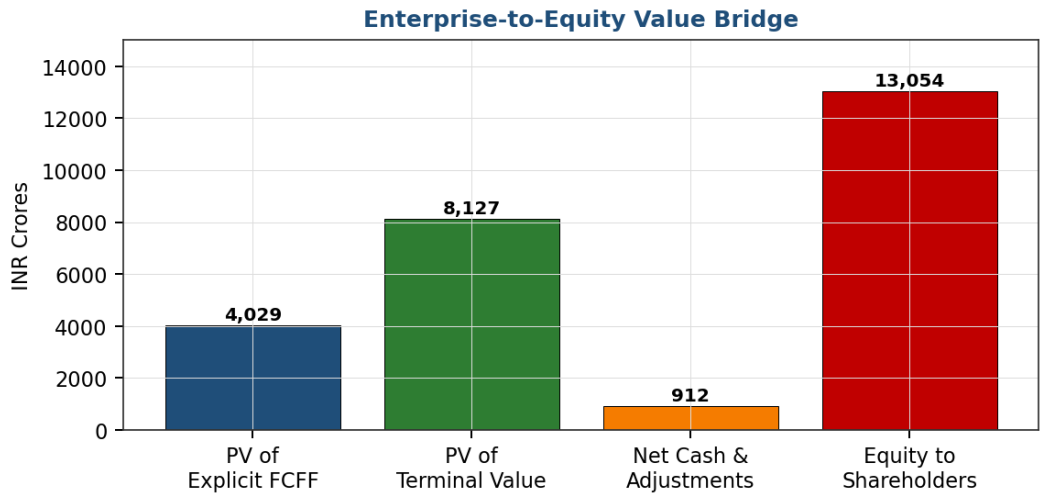


Figure 8. Enterprise Value to Equity Value Bridge.

9. Sensitivity Analysis

A two-variable sensitivity is run on the intrinsic value per share by flexing the WACC and the perpetual growth rate. The base case uses 11.00% WACC and 5.00% terminal growth.

WACC \ g	3.0%	4.0%	5.0%	6.0%	7.0%
9.00%	939	1,066	1,256	1,574	2,209
10.00%	793	877	994	1,169	1,462
11.00%	685	743	**820**	928	1,089
12.00%	602	643	696	767	867
13.00%	536	566	605	654	719

Table above shows fair value per share (INR) at combinations of WACC (rows) and terminal growth (columns). The highlighted cell is the base case.

The sensitivity grid brings out the valuation gap clearly. Under the realistic combination of 10% to 11% WACC and 4% to 5% terminal growth, the intrinsic value clusters in the INR 743 to INR 994 range, comfortably below the traded price of INR 1,209.6. The intrinsic value crosses the current market price only when WACC drops to 9% (a level that assumes a significantly re-rated risk premium for India) or when terminal growth is stretched to 6% or higher, which is unrealistic for a mature ceramic tile business operating in a cyclical industry.

9.1 Scenario Analysis

Scenario	Key Assumption	Fair Value (INR)	Upside vs CMP
Bear Case	10% CAGR, 17% EBITDA margin, WACC 12%	620	(48.7%)
Base Case	13.4% CAGR, 18% EBITDA margin, WACC 11%	820	(32.2%)
Bull Case	18% CAGR, 20% EBITDA margin, WACC 10%	1,105	(8.6%)
Blue-sky Case	22% CAGR, 21% EBITDA margin, WACC 9%	1,340	10.8%

Only in a blue-sky scenario, where Kajaria delivers 22% sustained revenue growth for a decade with a 21% EBITDA margin and the market re-rates to a 10% cost of capital, does the intrinsic value cross the current market price. The probability weighting on such an outcome is limited given industry demand realities.

10. Relative Valuation and Recommendation

10.1 Peer Universe

Company	CMP (INR)	Mkt Cap (INR Cr)	Net Debt	EV	Revenue	EBITDA	PAT	Net Worth
Kajaria Ceramics	1,209.6	19,008.0	(526.5)	18,481.5	4,830.4	865.0	485.4	3,065.6
Somany Ceramics	539.4	2,212.0	226.7	2,438.8	2,790.0	258.0	74.0	842.0
Nitco Ltd.	95.8	2,304.1	283.1	2,587.3	542.0	25.0	29.0	365.0
Asian Granito	46.4	1,374.8	356.9	1,731.7	1,858.0	94.0	19.0	1,522.0
Orient Bell	376.3	553.7	1.8	555.4	683.0	39.0	11.0	323.0

Source: Screener.in, 25 August 2026. All INR values.

10.2 Trading Multiples

Company	P / E (x)	EV / EBITDA (x)	EV / Sales (x)	P / B (x)	EBITDA Mgn (%)	PAT Mgn (%)
Kajaria Ceramics	39.2	21.4	3.83	6.20	17.9%	10.0%
Somany Ceramics	29.9	9.5	0.87	2.63	9.2%	2.7%
Nitco Ltd.	79.5	103.5	4.77	6.31	4.6%	5.4%
Asian Granito	72.4	18.4	0.93	0.90	5.1%	1.0%
Orient Bell	50.3	14.2	0.81	1.71	5.7%	1.6%
Peer Mean	58.0	36.4	1.85	2.89	6.2%	2.7%
Peer Median	61.3	16.3	0.90	2.17	5.4%	2.1%

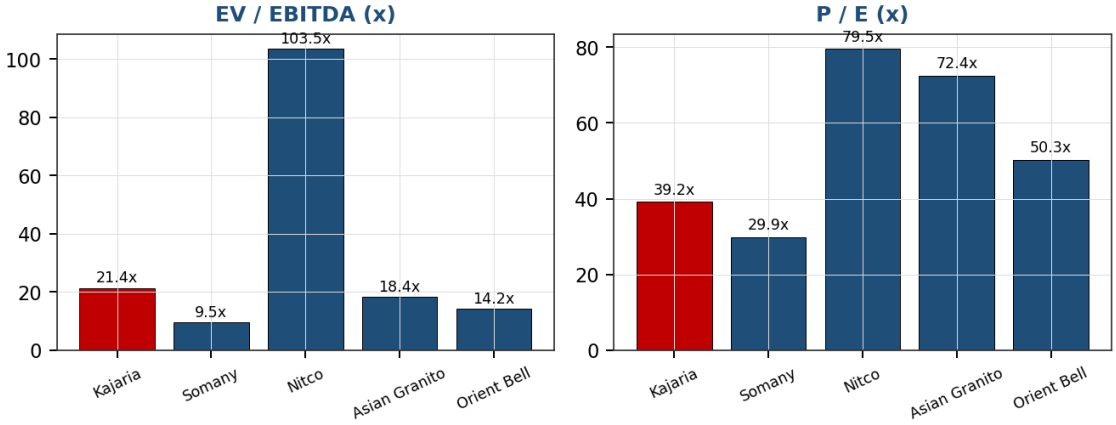


Figure 9. Trading Multiples: Kajaria (Red) Trades at a Premium to All Listed Peers.

10.3 Implied Fair Value using Peer Median Multiples

Method	Peer Median	Kajaria Metric (INR Cr)	Implied EV	Implied Equity	Implied INR / Share
EV / EBITDA	16.3x	865.0	14,127	14,654	920.0
EV / Sales	0.90x	4,830.4	4,362	4,889	306.9
P / E	61.3x	485.4 (PAT)	29,251	29,777	1,869.6
P / B	2.17x	3,065.6 (BV)	6,128	6,654	417.8
Average Implied Value / Share					878.6

The straight average of the four multiple-based fair values sits at INR 878.6 per share, marginally higher than the DCF value of INR 819.6 but still 27% below the current market price. Note that the P/E number is inflated by the

loss-making or very-low-margin peers in the set; the EV/EBITDA and EV/Sales multiples are more meaningful given they are less distorted by capital-structure differences.

11. Investment Thesis and Recommendation

11.1 Football Field: Value Ranges by Method

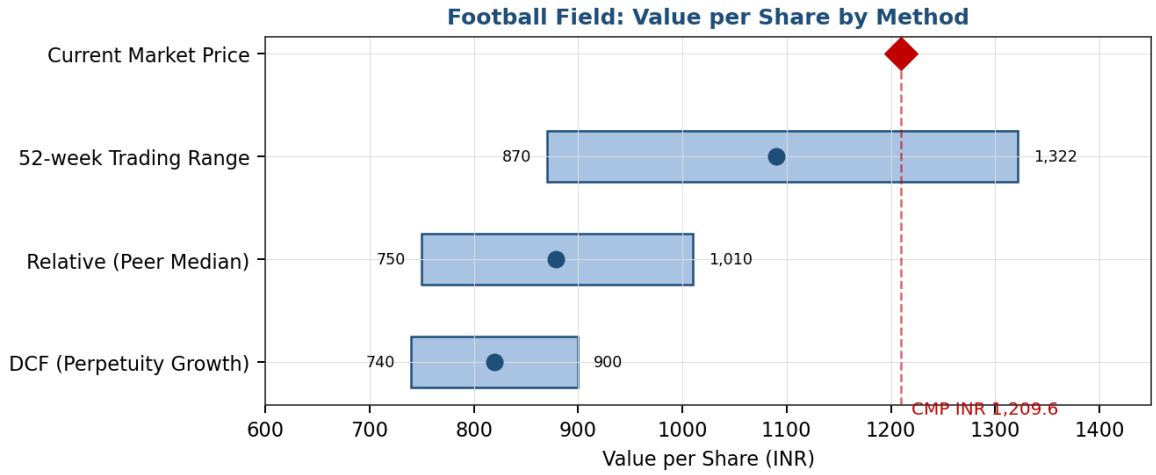


Figure 10. Football Field of Fair Value Estimates from Different Methodologies.

11.2 The Bull Case

- Market leadership: India's largest ceramic and vitrified tile maker with roughly 82.7 MSM capacity across nine plants.
- Near debt-free, net-cash balance sheet with INR 755 crore cash and total debt of only INR 130 crore. Growth is funded internally.
- Margin recovery underway: EBITDA margin expanded 508 bps in FY26 to reach 17.9%. Biofuel adoption at Gailpur has insulated the Company from natural gas volatility.
- Consistent returns profile: ROCE of 20.7% in FY26 and forecast to sustain above 22% through the projection period. Dividend payout ratio held around 36%.
- Bathware and adhesives scaling: Kerovit brand consolidated to 100% ownership in FY26. Adhesives business tracking to more than double with the new Erode facility.
- Sector tailwind: Withdrawal of Chinese export subsidies and Morbi cost pressure narrow the price advantage of unorganised competitors, benefiting branded players.
- Best-in-class cash conversion cycle of 65 days versus 75 days for Somany and over 100 days for Nitco.

11.3 The Bear Case

- Valuation stretched: DCF intrinsic value of INR 819.6 sits roughly 32% below the market price. Trading multiples are 30% above the peer median.
- Muted tile demand: FY24, FY25 and FY26 revenue grew at 4.5%, 1.2% and 4.2% respectively, well below Kajaria's own historical CAGR.
- Earnings exposed to fuel cost swings, particularly natural gas availability at Morbi. Biofuel mix helps but does not fully insulate the cost stack.
- Working capital intensity in the dealer channel is edging up (WC days from 79 in FY22 to 102 in FY26).
- Real estate cyclicality drives end demand volatility. New residential launches remain sensitive to interest rates and buyer sentiment.
- Kerovit Global governance incident (INR 20 crore financial irregularity in FY26) is an isolated event but a reminder of oversight cost across a widening subsidiary structure.

11.4 Final Recommendation

Item	Detail
Rating	REDUCE
Blended Fair Value (INR)	837 (70% DCF, 30% Comparables)
Current Market Price (INR)	1,209.6
Implied Downside (%)	30.8%
Time Horizon	12 months
Suitable Investor Profile	Long-term compounders with 5-year plus horizon and a lower entry point

The recommendation is not a comment on the underlying business, which remains a high-quality franchise with structural tailwinds. It reflects a valuation stance: the market has already discounted the Kajaria 2.0 operating improvement, leaving limited margin of safety. A pullback to the INR 950 to INR 1,000 range would offer a more attractive entry point for fresh capital. Existing holders with multi-year horizons may retain their position for the long-term compounding story.

12. Appendix

12.1 Data Sources and Methodology

- Kajaria Ceramics Integrated Annual Report FY26 (financial statements, business segment split, capacity table, management discussion).
- Screener.in for FY26 quarterly consolidated financials and peer valuation snapshot as of 25 August 2026.
- Investing.com for two-year daily historical prices of Kajaria (KAJARIACER) and Nifty 50 index used to estimate equity beta.
- Prof. Aswath Damodaran datasets (NYU Stern) for implied US Equity Risk Premium and country risk premium calibration.
- Reserve Bank of India for the India 10-year government bond yield of 6.85% used as the risk-free rate.
- Moody's Investors Service for India's sovereign rating (Baa3) used to derive the credit default spread.

12.2 Modelling Conventions

- All financial figures are consolidated and in INR crores unless otherwise stated.
- Historical actuals cover FY22 to FY26. Forecast period runs FY27 to FY36 (ten years).
- Discounting is done on a calendar-year basis with end-of-year convention (mid-year discounting is not applied).
- Terminal value uses the perpetuity growth model with a 5% terminal growth rate and 11% WACC.
- Effective tax rate held at 25% in the forecast period, consistent with the 22% base concessional rate plus surcharge and cess.
- Non-operating assets of INR 352 crore are added to Enterprise Value to arrive at Equity Value. These represent surplus investments and non-core land.

12.3 Glossary of Key Terms

Term	Definition
DCF	Discounted Cash Flow. A valuation method that estimates the value of an asset based on its expected future cash flows discounted at the cost of capital.
FCFF	Free Cash Flow to Firm. Cash flow available to all capital providers, calculated as EBIT (1 - tax) plus depreciation less change in working capital less capex.
WACC	Weighted Average Cost of Capital. The blended cost of the firm's equity and debt financing, weighted by their respective proportions in the capital structure.
CAPM	Capital Asset Pricing Model. Model used to compute the cost of equity as risk-free rate plus beta times equity risk premium.
NOPAT	Net Operating Profit After Tax. EBIT less taxes on operating income.
ROE	Return on Equity. Net profit divided by shareholders' funds.
ROCE	Return on Capital Employed. EBIT divided by total assets less current liabilities.
EV / EBITDA	Enterprise Value divided by EBITDA. A capital-structure neutral multiple used for relative valuation.
MSM	Million Square Metres. Standard unit for tile manufacturing capacity.

12.4 Disclaimer

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