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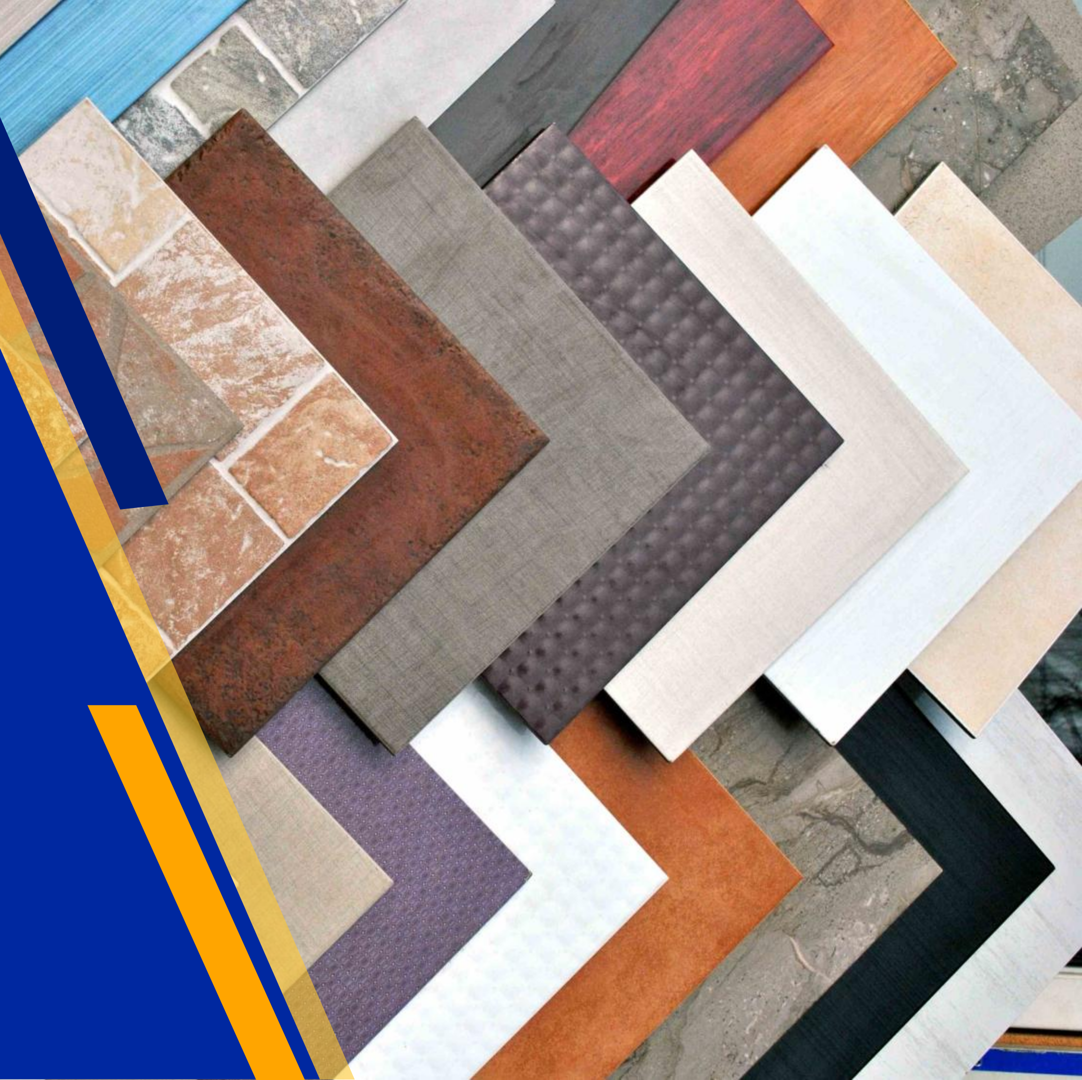
INDIAN CERAMIC TILES INDUSTRY

Operating margin to remain stable amid benign fuel prices; competitive intensity and tariff-related challenges remain

September 2025



Highlights

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Following a period of volatility driven by global supply disruptions and elevated energy costs, natural gas prices moderated, providing much-needed relief to an industry grappling with declining realisations and oversupply in the domestic market. As manufacturers shift focus from capacity expansion to operational efficiency, fuel cost stability is expected to play a pivotal role in sustaining margins through FY2026.

- **The Indian ceramic tile industry[1] is primarily driven by domestic demand, which accounts for ~75% of revenues.** This demand is supported by sustained real estate activity and continued budgetary allocation under Pradhan Mantri Awas Yojana (PMAY). Real estate launches[2] have grown by a 7-year CAGR of 14% in FY2018 to FY2025, with an estimated growth of 4-7% in FY2026E, which is likely to keep the tile demand stable – driven by execution of the pipeline of past launches and those expected in near term.

- **Export growth, which had previously supplemented smaller players, has weakened due to global trade disruptions.** The imposition of anti-dumping duties by the EU, trade tariffs by the US, and elevated logistics costs due to the Red Sea crisis have constrained competitiveness. With growth in exports expected to remain muted in FY2026, excess supply is being redirected to the domestic market, intensifying pricing pressure and contributing to a decline in realisations.

- **In this context, stable and benign natural gas price has emerged as a critical margin support lever.** Fuel costs constitute 22–25% of total production expenses, with natural gas and coal forming the bulk. Following a sharp spike in FY2023—driven by post-pandemic demand and geopolitical disruptions—natural gas prices have moderated significantly. Easing global supply constraints have helped contain fuel costs, enabling manufacturers to absorb pricing pressure and sustain operating margins, which are projected to be range-bound at 11–11.5% in FY2026E.

- **For ICRA's sample set entities, significant capacity additions happened till FY2025, are now focused on improving utilisation and operational efficiency.** With limited new capacity planned (~20–25 msm in FY2026), the emphasis is on optimising scale to preserve margins. Revenue growth for the sample set is projected at 4–6% YoY, led by volumes. Leverage metrics may remain comfortable, while coverage indicators are likely to improve on account of lower debt levels and stable operating performance.

[1]Refers to ICRA's sample set of 8 prominent Indian tile manufacturers including five listed companies – Kajaria Ceramics Ltd (KCL), Somany Ceramics Ltd (SCL), Simpolo Vitrified Private Limited (SVPL), Asian Granito India Ltd (AGL), Orient Bell Ltd (OBL), Exxaro Tiles Ltd (ETL), Sanskar Ceramics Private Limited (SCPL) and Sentini Cermica Private Limited (SPL).
[2]Residential real estate launches for top Seven Cities in India : Mumbai Metropolitan Region (MMR), National Capital Region (NCR), Bengaluru, Hyderabad, Pune, Kolkata, Chennai.

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Thank You!