

January 30, 2026

Kajaria Ceramics Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term - Fund-based - Cash credit	145.00	95.00	[ICRA]AA (Stable); Reaffirmed
Short-term - Non-fund based limits	260.00	285.00	[ICRA]A1+; Reaffirmed
Total	405.00	380.00	

*Instrument details are provided in Annexure I

Rationale

The reaffirmation of ratings for Kajaria Ceramics Limited (KCL) factors in its strong operational profile, with leadership position in the domestic ceramic tile market, supported by its well-recognised brand, long track record of operations, diversified manufacturing presence and product portfolio, as well as its robust pan-India distribution network. The ratings reflect KCL's large scale of operations (revenues of Rs. 4,635.1 crore in FY2025 and Rs. 2,288 crore in H1 FY2026) and robust financial profile, characterised by a conservative capital structure and strong debt protection metrics. Moreover, its liquidity position remains strong, with cash and liquid investments of ~Rs. 550 crore as on September 30, 2025, resulting in a negative net debt position. The extensive experience of the promoters, spanning over four decades in the tiles industry, further supports the credit profile.

Despite flat revenue growth in FY2025 and H1 FY2026, the company's operating margins (OPM) improved to 17.5% in H1 FY2026 (from 14.2% in H1 FY2025 and 13.5% in FY2025) on account of focussed cost rationalisation initiatives, coupled with closure of the loss-making plywood business. Going forward, in the medium term, the operating margins are expected to sustain at around 16%, while its revenue growth will be supported by ramp-up of newly established/expanded capacities (Nepal JV, Adhesive, Sanitaryware and bathware businesses), led by improved traction in the real estate sector. Also, while KCL is likely to invest in capacity expansion through organic and inorganic means, ICRA expects it to maintain a net negative debt position over the medium term.

The long-term rating is, however, constrained by the intense competition in the tiles industry and the susceptibility of KCL's revenues and cash flows to the cyclical nature of the real estate industry, which is the major end-user customer of tiles. The ratings factor in the vulnerability of the company's operations to fluctuations in input prices and limited ability to pass on the same to end-users amid stiff competition, resulting in volatile profitability margins. Nonetheless, the company is better placed to pass on the increased input prices to customers compared to other smaller and mid-sized players owing to its strong market position.

The Stable outlook on the long-term rating reflects ICRA's expectations that KCL will likely sustain its operating metrics and credit profile on back of its strong brand recall. ICRA expects that the entity will fund its incremental capex and investments in a manner that allows it to maintain low leverage and robust debt protection metrics.

Key rating drivers and their description

Credit strengths

Leading position in domestic tiles market; well-recognised brand with pan-India presence – KCL is the largest player in the domestic tiles industry, with a track record of over three decades. It has a well-recognised brand and an extensive pan-India distribution network (2,000+ dealers). In terms of geographies, North India is the biggest market for the company. Moreover,

KCL has an established presence across both the retail and institutional segments, with retail constituting around 70% of the revenues.

Large scale of operations with healthy return indicators – KCL has reported steady revenue growth over the years, aided by its established position in the Indian tiles industry and strong brand recognition. With subdued demand from the domestic real estate sector and oversupply situation due to lower exports impacting realisations, KCL's revenue growth moderated to 2% YoY in FY2025 and H1 FY2026 at a consolidated level. However, increasing penetration in tier-II and tier-III markets is expected to support revenue growth over the medium term. Also, healthy OPM levels support KCL's return indicators with core RoCE at ~20% in FY2025. The same is expected to remain above 20% over medium term. Overall, the company maintains a strong financial risk profile.

Comfortable capital structure and strong debt protection metrics – Healthy cash accrual over the years has curtailed KCL's reliance on external debt to fund its capex requirements. This, coupled with a strong net worth (Rs. 2,929 crore as on September 30, 2025), has led to a comfortable capital structure with a gearing of 0.1 times, as on September 30, 2025. Further, the low debt levels enable strong debt protection metrics, with interest coverage of 36.5 times in H1 FY2026. KCL had a healthy cash surplus as on March 31, 2025 and September 30, 2025, resulting in a continued net negative debt position. While KCL is likely to continue augmenting its capacity, organically and inorganically (through investments in JVs), ICRA expects it to maintain a net negative debt position over the medium term.

Credit challenges

Vulnerability of profitability to changes in raw material and fuel prices – KCL's profitability remains vulnerable to adverse change in prices of key raw materials and natural gas, as these two components form a major part of the cost structure. ICRA notes that after moderation in YoY OPM in FY2025 to 13.5%, the same improved to 17.5% in H1 FY2026, driven by focussed cost rationalisation efforts. With demand traction and stabilisation of new units, the margins are expected to remain broadly stable. KCL is projected to book an exceptional loss of Rs. 20 crore in FY2026 due to a fraud incident in a subsidiary, which will affect PAT and reserve accretion. However, the impact on credit metrics is likely to be limited, given its strong operating performance, conservative capital structure and robust liquidity. The company also retains better pricing flexibility than smaller peers, supported by its leadership position in the domestic tiles industry and relatively high retail share.

Intense competition from other branded and non-branded players; cyclicality in real estate industry – The presence of a few large, branded players and numerous mid-to-small-sized non-branded players in the industry, along with significant capacity addition in the recent past and volatile export demand (subdued in the current year due to geopolitical situation in the international market), resulted in stiff competition in the domestic tiles industry. Moreover, the real estate industry remains the major end-user. Hence, KCL's revenues and cash flows remain vulnerable to the cyclicality in the same.

Environmental and social risks

Environmental considerations – Tile manufacturing is an energy-intensive process, requiring substantial quantities of fuel and resulting in greenhouse gas emissions, waste generation and pollution. Consequently, the industry's (and KCL's) exposure to litigation/penalties arising from issues related to waste and pollution management remains relatively high. However, as per the company's annual report of FY2025, it has taken initiatives towards the use of clean technology and energy efficiency. Its hazardous waste and emissions remained within the permissible limits of the CPCB/SPCB. Nonetheless, KCL's cash flows remain exposed to increasing investment requirements to comply with the stringent pollution norms.

Social considerations – Social risks in the industry stem from the health and safety concerns of employees involved in clay mining, among others. Further, given the dependence on human capital, entities in the tiles industry are exposed to labour-related risks and risks of protests/social issues with local communities, which could impact expansion/modernisation plans or disrupt regular operations. While these issues have not hindered KCL's expansion plans in the past, a lack of sensitivity in managing these risks could potentially result in cost overruns for its large medium-term capacity expansion plans. KCL also remains exposed to any major shift in consumer preferences, which are a key driver for demand, and may need to make material investments to realign its product portfolio accordingly.

Liquidity position: Strong

KCL's liquidity remains strong, with positive cash flows from operations and supported by cash and liquid investments of ~Rs. 550 crore as on September 30, 2025 and undrawn fund-based working capital lines of ~Rs. 138 crore at a consolidated level. Additionally, the marginal debt servicing obligations and a favourable working capital cycle boosts the company's strong financial profile. KCL's capex and investment are estimated at ~Rs. 250-275 crore per annum in FY2026-FY2027, which are expected to be largely funded through internal accruals. Further, its low gearing provides the requisite financial flexibility to raise additional debt in case of any need.

Rating sensitivities

Positive factors – The ratings may be upgraded if the company is able to exhibit a significant improvement in its scale of operations and profitability, on a sustained basis, while maintaining a comfortable working capital cycle and strong liquidity.

Negative factors – Pressure on KCL's ratings could arise if there is a material decline in its revenues or profitability, which affects the debt protection metrics on a sustained basis. Further, any significant debt-funded capex/ investments, impacting its leverage profile or debt coverage metrics, or any stretch in the working capital cycle that weakens its liquidity position, on a prolonged basis, may lead to downward pressure on its ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of KCL. As on September 30, 2025, KCL had eight subsidiaries, two step-down subsidiaries and three joint ventures (JV), which are enlisted in Annexure-II.

About the company

Kajaria Ceramics Limited (KCL) was incorporated in 1985 as a manufacturer of floor and wall tiles by Mr. Ashok Kajaria, in technical collaboration with the Spain-based Todagres SA. It started operations in 1988, with a capacity of 1 million sq. metre (msm) per annum at its ceramic tiles manufacturing facility at Sikandrabad (Uttar Pradesh). Since then, the company has expanded its production capacities as well as product range. At present, it manufactures, outsources, and trades ceramic and vitrified tiles under the brand name Kajaria. In addition, KCL sells sanitaryware marketed under the Kerovit brand. The company's manufacturing facilities are in Sikandrabad (Uttar Pradesh), Gailpur and Malootana (Rajasthan), Morbi (Gujarat), Srikalahasti (Andhra Pradesh), Balanagar (Telangana) and Nawalparasi, Nepal. It also has capacity under various subsidiaries/joint ventures, which takes the cumulative capacity to 87.80 msm as on September 30, 2025. Apart from tiles, KCL has a sanitaryware plant at Morbi, Gujarat, and a faucet manufacturing facility at Gailpur, Rajasthan, under its step-down subsidiary KBPL. KCL went public in 1988 and is listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).

Key financial indicators (audited)

KCL Consolidated	FY2024	FY2025	H1 FY2026
Operating income (Rs. crore)	4,474.0	4,635.1	2,288.8
PAT (Rs. crore)	433.4	299.2	242.9
OPBDIT/OI (%)	15.8%	13.7%	17.5%
PAT/OI (%)	9.7%	6.5%	10.6%
Total outside liabilities/Tangible net worth (times)	0.32	0.34	0.32
Total debt/OPBDIT (times)	0.3	0.4	0.4
Interest coverage (times)	40.9	31.7	36.5

Source: Company, ICRA Research; All ratios as per ICRA's calculations; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2026)				Chronology of rating history for the past 3 years					
		FY2026				FY2025		FY2024		FY2023	
		Amount rated (Rs crore)	Jan 30, 2026	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based - Cash credit	Long Term	95.00	[ICRA]AA (Stable)	Dec 30, 2025	[ICRA]AA (Stable)	Oct 30, 2024	[ICRA]AA (Stable)	Jun 13, 2023	[ICRA]AA (Stable)	Dec 09, 2022	[ICRA]AA (Stable)
				-	-	Dec 18, 2024	[ICRA]AA (Stable)	Mar 12, 2024	[ICRA]AA (Stable)	-	-
Non-fund based - Others	Short Term	285.00	[ICRA]A1+	Dec 30, 2025	[ICRA]A1+	Oct 30, 2024	[ICRA]A1+	Jun 13, 2023	[ICRA]A1+	Dec 09, 2022	[ICRA]A1+
				-	-	Dec 18, 2024	[ICRA]A1+	Mar 12, 2024	[ICRA]A1+	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based – Cash credit	Simple
Short-term – Non-fund based	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based-Cash credit	NA	NA	NA	95.00	[ICRA]AA(Stable)
NA	Non-fund based	NA	NA	NA	285.00	[ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	KCL Ownership	Consolidation Approach
Kajaria Vitrified Pvt Ltd (formerly Jaxx Vitrified Pvt. Ltd.)	95%	Full Consolidation
Kajaria Infinity Pvt Ltd (formerly Cosa Ceramics Pvt. Ltd.)	85%	Full Consolidation
Kajaria Plywood Pvt Ltd	100%	Full Consolidation
South Asian Ceramics Tiles Pvt Ltd	60%	Full Consolidation
Kajaria Bathware Pvt Ltd (KBPL)	85%	Full Consolidation
Kajaria Sanitaryware Pvt Ltd (subsidiary of KBPL, Step-down subsidiary of KCL)	69%	Full Consolidation
Kerovit Global Pvt Ltd (subsidiary of of KBPL, Step-down subsidiary of KCL)	85%	Full Consolidation
Keronite Tiles Private Limited	90%	Full Consolidation
Kajaria International DMCC, Dubai	100%	Full Consolidation
Kajaria RMF Trading LLC	50%	Equity Method
Kajaria Ramesh Tiles Limited	50%	Equity Method
Kajaria UKP Limited	50%	Equity Method

Source: Company disclosures

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