



Sector Update

Ceramic Tiles - Geopolitical headwinds, export-driven tailwinds

March 5, 2026

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Astral Ltd.	BUY	1,663	1,794
Century Plyboard (I)	Acc	704	843
Cera Sanitaryware	BUY	4,764	6,800
Finolex Industries	Acc	186	199
Greenpanel Industries	BUY	202	369
Kajaria Ceramics	BUY	944	1,056
Supreme Industries	BUY	3,950	4,566

Source: PL Acc=Accumulate

Is Morbi's Ceramic Tile Industry at Risk of Further Shutdowns? Morbi (Gujarat), which accounts for nearly 70–75% of India's total ceramic tile production and a significant share of exports, is witnessing heightened operational stress. In Q3FY26, Gujarat Gas volumes in Morbi declined sharply by ~50% YoY to ~1.7 mmscmd (vs. 3.4 mmscmd YoY and 2.1 mmscmd QoQ), signaling a meaningful slowdown in production activity. Additionally, lower propane prices (Rs 3/SCM cheaper vs GGas in Q3FY26) have led several units to switch to propane, further impacting gas consumption.

Due to gas supply constraints arising from recent international developments, supply from Gujarat Gas to Morbi has been restricted by ~50%. At the same time, propane supply has also been disrupted by ~70%. Coupled with export disruptions—with India exporting ~25% (as per Apr-Dec'26 export) of its ceramic tiles to the Middle East—this has led to the temporary shutdown of nearly 62% of units in Morbi. The disruption could also impact on the domestic market by increasing competitive intensity as affected players look to divert volumes locally.

However, India's 4–5 FTAs signed/concluded in CY25–CY26 are expected to boost ceramic tiles exports in long term, similar to the UAE-FTA (CY22) which drove 22.6% CAGR in tile exports (FY21–25), opportunities may emerge in markets like the UK, Oman, and the European Union that together account for a meaningful share of India's ceramic tile exports.

- Of the ~900 ceramic tiles units in Morbi (370 fully gas-based and ~530 dual-fuel units using gas and propane), shutdown levels have risen materially due to fuel crisis arise with geopolitical tensions in middle east, with nearly half of gas-based units and ~70% of dual-fuel units temporarily ceasing operations, underscoring severe stress in the cluster.
- Gujarat Gas prices corrected ~13% QoQ to Rs44.9/SCM in Q3FY26, even after its price higher than Propane (Rs 3/SCM cheaper vs GGas in Q3FY26). However, recent international developments are expected to drive a significant increase in prices due to supply disruptions.
- The situation has been further aggravated by geopolitical tensions affecting RLNG availability, prompting Gujarat Gas Limited to invoke force majeure and restrict gas allocations, including termination of certain MGO agreements. These supply constraints limit production flexibility and add to operational uncertainty.
- The conflict zone (nine countries combined) accounts for ~18% of India's ceramic tile exports, while the Middle East region accounts for ~25%. If geopolitical risks and conflicts remain elevated, Morbi's ceramic tile industry may continue operating at moderate utilization levels in the near term, with the risk of additional factory shutdowns until trade flows stabilize and demand conditions improve.

Praveen Sahay

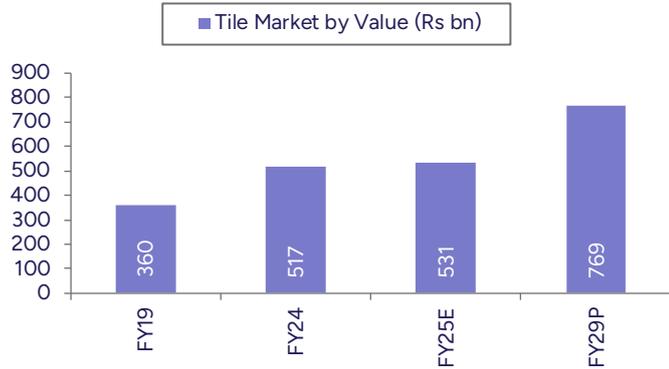
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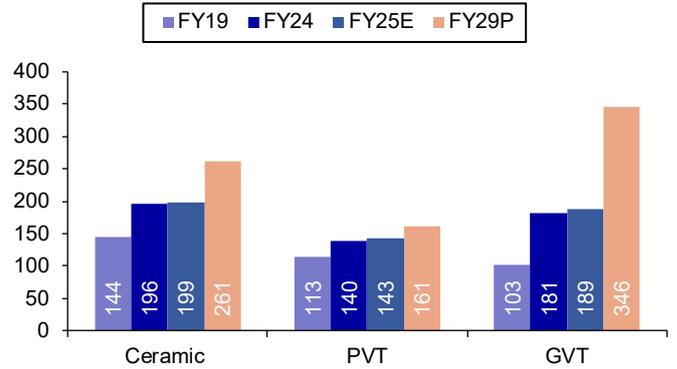
- At an industry level, the Indian ceramic tile sector has faced soft domestic and export demand, with FY25 witnessing a sharp export slowdown due to elevated ocean freight rates and geopolitical uncertainty.
- Higher freight costs significantly impacted Morbi-based exporters over the past two years, leading to inventory accumulation and dumping in the domestic market, thereby intensifying pricing pressure on organized players such as Kajaria Ceramics (KJC) and Somany Ceramics.
- Despite weak demand, KJC and Somany reported volume growth of ~6% and ~2%, respectively, in FY25, although EBITDA margins contracted by ~190bps and ~150bps to 13.5% and 8.3%, respectively.
- Encouragingly, reduced dumping by Morbi players could gradually ease domestic pricing pressure, supporting a recovery in margins. In 9MFY26, KJC and Somany reported marginal volume growth of ~0.5% and ~1.7% YoY, respectively, and KJC expects India's ceramic tiles exports to reach ~Rs160bn in FY26 (stood at Rs 120bn in 9MFY26).
- Overall, while Morbi's ceramic tile cluster faces near-term risks of further shutdowns amid weak exports and fuel/gas supply constraints, medium-term structural tailwinds from industry formalization and export normalization could help stabilize operations once demand conditions improve.
- **India has signed or concluded 4–5 Free Trade Agreements (FTAs) in CY25–CY26, which are expected to improve exports from India across several products, including ceramic tiles. We note that in CY22, when India signed an FTA with the United Arab Emirates (UAE), India's ceramic tile exports to the UAE delivered 22.6% CAGR over FY21–25, reaching Rs13.4bn in FY25 and Rs10.9bn in 9MFY26. Currently, the UAE accounts for ~7.6% of India's ceramic tile exports, the highest share for any single country. We believe a similar opportunity could emerge following FTAs signed with the United Kingdom, Oman, and the European Union, which currently account for ~4.9%, ~1.8%, and ~12.3%, respectively, of India's ceramic tile exports.**

Exhibit 2: Ceramic Tile to clock a CAGR of 9.7% over FY25-29E



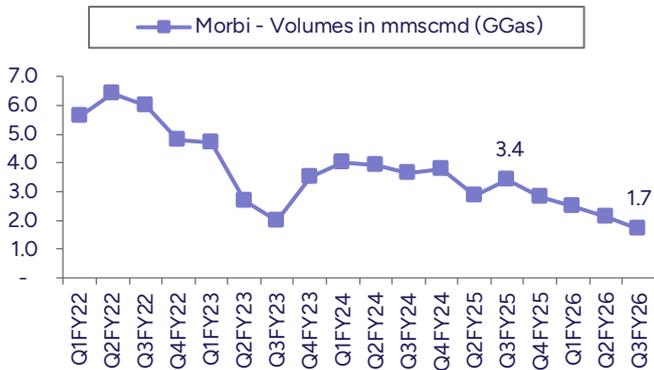
Source: Varmora DRHP, PL

Exhibit 3: Ceramic Tiles Segment-wise market size (Rs bn)



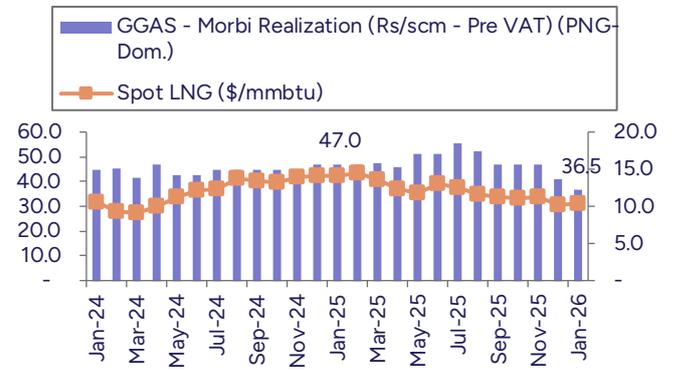
Source: Varmora DRHP, PL

Exhibit 4: GGAs - Morbi volume fell by 50% YoY in Q3FY26



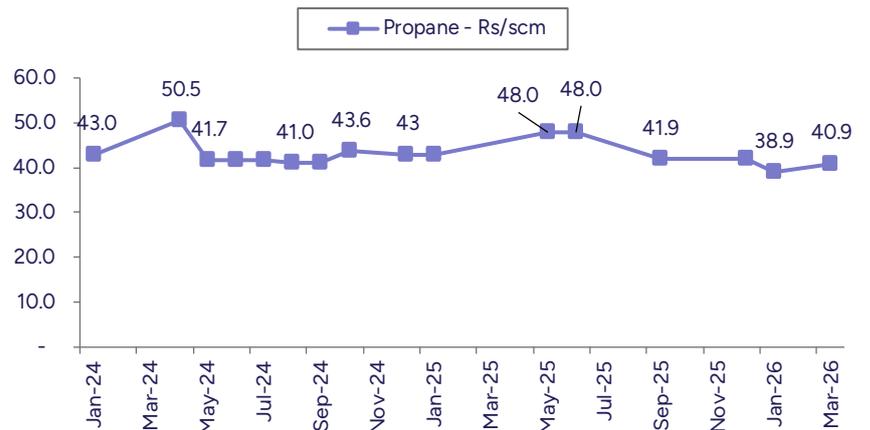
Source: Company, PL

Exhibit 5: GGAS (Morbi) prices decline to Rs37/SCM



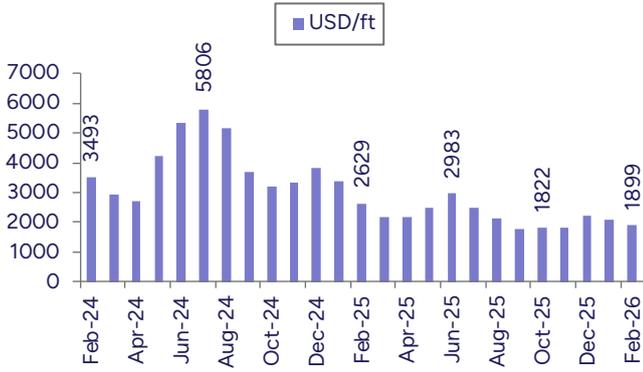
Source: Company, PL

Exhibit 6: Propane price in Mar'26 stood at Rs41/SCM



Source: Company, PL

Exhibit 7: Drewry WCI Composite container freight 40 ft box



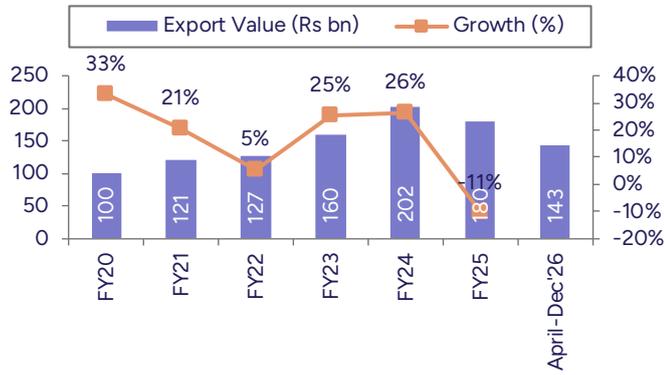
Source: Company, PL

Exhibit 8: Baltic dry Index



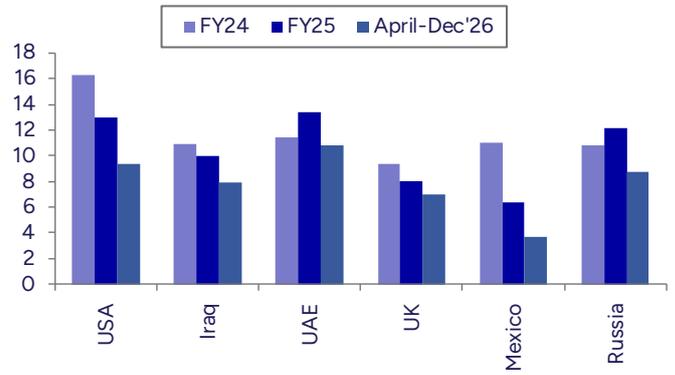
Source: Company, PL

Exhibit 9: Tiles exports decline by ~11% in FY25



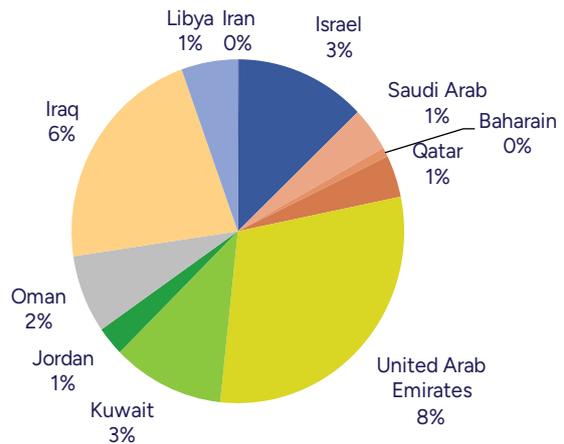
Source: Company, PL

Exhibit 10: Major export destinations for tiles from India (Rs bn)



Source: Company, PL

Exhibit 11: India's Ceramic tiles export – Middle East region



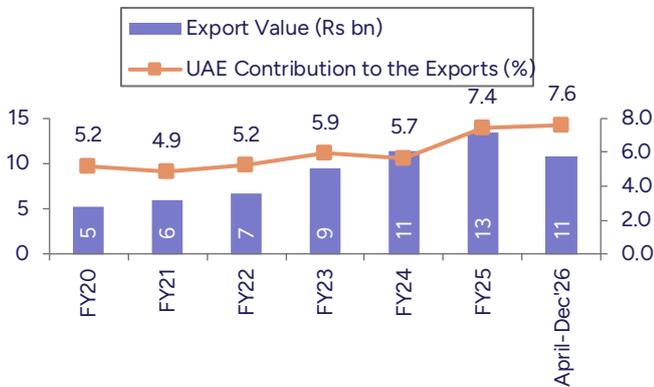
Source: Company, PL

Exhibit 12: Major India FTAs signed / concluded in 2025-26

Agreement	Partner Countries	Status (2025)	Key Details
India-UK FTA (CETA)	United Kingdom	Signed – July 2025	Tariff elimination on ~90–99% of goods; expected to significantly boost bilateral trade.
India-Oman CEPA	Oman	Signed – Dec 2025	Duty-free access on ~98% of Indian exports to Oman.
India-EFTA TEPA	European Free Trade Association (Switzerland, Norway, Iceland, Liechtenstein)	Implemented – Oct 2025	Tariff concessions on ~92% of tariff lines; includes ~\$100bn investment commitment over 15 years.
India-EU FTA	European Union	Signed – Jan 2026	Tariff reduction on most goods: Duties will be eliminated or reduced on ~90–96% of traded goods between India and the EU
India-New Zealand FTA	New Zealand	Finalized Dec 2025	Aims to double bilateral trade within 5 years

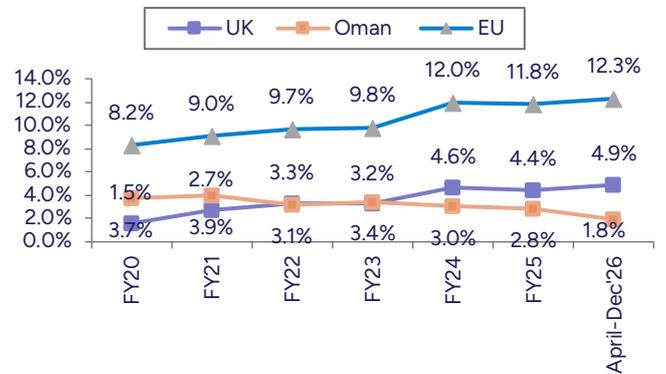
Source: Company, PL

Exhibit 13: UAE export value and contribution to exports



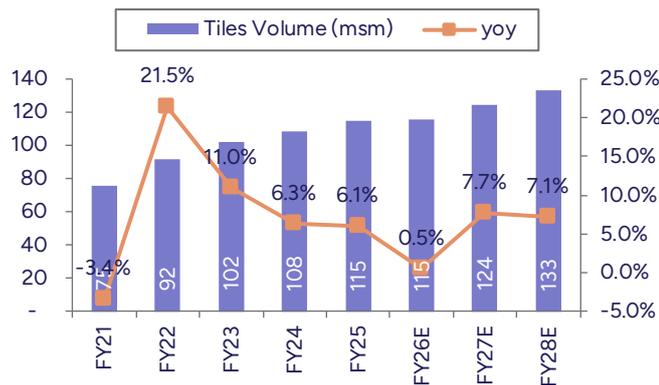
Source: Company, PL

Exhibit 14: UK, Oman and EU tiles contribution to exports



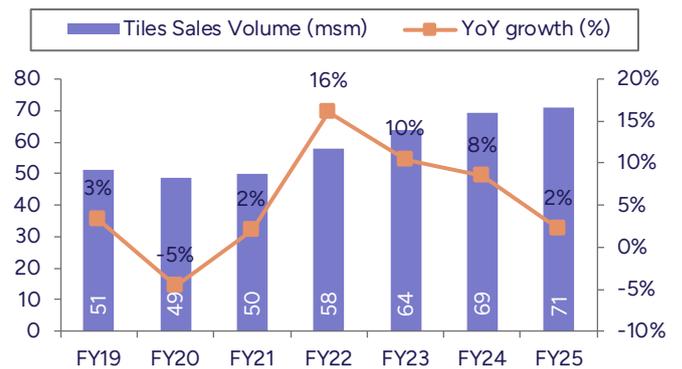
Source: Company, PL

Exhibit 15: KJC vol to clock a CAGR of 7.4% over FY26-28E



Source: Company, PL

Exhibit 16: SOMC volume grew by 7.0% over FY22-25



Source: Company, PL

Impact of India-UAE FTA Agreement: In CY22, India and the United Arab Emirates signed the landmark India–UAE Comprehensive Economic Partnership Agreement (CEPA), aimed at deepening bilateral trade by eliminating or sharply reducing tariffs on a majority of traded goods.

- At the time of signing, India’s ceramic tiles exports to the UAE contributed around 5.2% of total ceramic tiles exports, following the implementation of the FTA and the benefit of lower tariff barriers, this share has increased to 7.4% in FY25, reflecting a meaningful rise in trade intensity.
- The agreement provides near-zero duty access on a large proportion of Indian goods, improving price competitiveness and reducing landed costs in the UAE market. For sectors such as ceramic tiles and other building materials, lower tariffs enhance India’s competitive positioning versus non-FTA countries, especially in a price-sensitive market.

Additionally, the UAE’s role as a regional re-export hub for the Middle East and Africa further amplifies ceramic tiles export opportunities for Indian manufacturers. Overall, the India–UAE CEPA has structurally strengthened export momentum, improved market access, and created sustained tailwinds for export-oriented sectors including ceramic tiles.

India–EU Trade Deal Impact: India–EU Free Trade Agreement is structurally positive for export-oriented sectors. The agreement with the European Union — which creates one of the world’s largest free trade zones — envisages tariff reduction on ~99.5% of Indian goods, materially improving price competitiveness in European markets and potentially doubling bilateral trade by 2032.

In FY25, the EU contributes ~12% to India’s total ceramic tile exports, with Poland (~3%) and Romania (~2%) being the key contributors, while most other EU nations remain underpenetrated with low single-digit shares. Post-FTA implementation, lower tariffs are expected to reduce landed costs, enhance competitiveness versus non-FTA countries, and improve access across the region.

Similar to the experience seen after the India–UAE CEPA — where export contribution increased meaningfully post tariff rationalisation — we expect a gradual rise in the EU’s share of total tile exports. Higher traction from Poland and Romania, along with deeper penetration in underrepresented EU markets, could drive a steady increase in Europe’s contribution, providing sustained export tailwinds for Indian tile manufacturers.

Exhibit 17: European Union contribution of tiles

Contribution (%) - of Total Exports	FY20	FY21	FY22	FY23	FY24	FY25	Apr- Dec'26
Austria	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Belgium	1.0%	0.8%	0.4%	0.5%	0.8%	0.5%	0.4%
Bulgaria	0.1%	0.1%	0.1%	0.1%	0.3%	0.2%	0.4%
Croatia	0.2%	0.4%	0.6%	0.6%	0.7%	1.0%	0.9%
Cyprus	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%
Czech Republic	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Denmark	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Estonia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Finland	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
France	0.1%	0.2%	0.1%	0.2%	0.3%	0.2%	0.2%
Germany	0.3%	0.4%	0.5%	0.4%	0.3%	0.3%	0.3%
Greece	0.5%	0.5%	0.6%	0.9%	1.5%	1.2%	1.5%
Hungary	0.0%	0.1%	0.0%	0.0%	0.1%	0.1%	0.1%
Ireland	0.2%	0.2%	0.3%	0.2%	0.4%	0.4%	0.4%
Italy	1.2%	1.4%	1.5%	1.6%	1.5%	1.1%	1.1%
Latvia	0.0%	0.0%	0.0%	0.1%	0.2%	0.0%	0.1%
Lithuania	0.0%	0.1%	0.2%	0.2%	0.2%	0.3%	0.4%
Malta	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%
Netherlands	0.2%	0.2%	0.1%	0.2%	0.2%	0.3%	0.2%
Poland	2.6%	2.8%	2.9%	2.6%	2.7%	3.0%	3.0%
Portugal	0.1%	0.1%	0.2%	0.3%	0.3%	0.3%	0.4%
Romania	0.8%	0.9%	1.4%	1.1%	1.5%	2.0%	2.0%
Slovenia	0.0%	0.1%	0.2%	0.2%	0.2%	0.1%	0.1%
Spain	0.5%	0.4%	0.4%	0.4%	0.5%	0.4%	0.5%
Sweden	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EU contribution to the total exports	8.2%	9.0%	9.7%	9.8%	12.0%	11.8%	12.3%

Source: Company, PL

India-USA Trade Deals Impact: The India–US trade understanding is incrementally positive for export-oriented sectors such as tiles. The agreement with the United States has reduced tariffs on Indian goods to 10–15% from ~18% (earlier reduced from 50%), effectively removing earlier punitive duties and creating a relative tariff advantage over competitors such as China (37%), Bangladesh (20%) and Pakistan (19%).

The US currently accounts for ~7% of India’s total ceramic tile exports in FY25 (and ~6.5% in Apr–Nov FY26), making it an important non-Middle East market. Given that ceramic tiles are a price-sensitive category operating on tight margins, a 5–7 percentage point tariff advantage materially improves landed cost competitiveness and supplier positioning. The recent reduction is expected to revive dispatch volumes and redirect incremental demand toward Indian suppliers, particularly as China continues to face significantly higher duties.

Similar to the impact seen in other trade agreements, we expect the US contribution — currently ~7% of total exports — to gradually increase, supported by improved pricing parity, better order visibility, and a potential shift in sourcing preference in favour of India under the evolving India–US trade framework.

Exhibit 18: Country-wise tiles export

Country-wise Export Contribution (%)	FY20	FY21	FY22	FY23	FY24	FY25	April-Dec'26
Saudi Arabia	21.7	14.0	7.3	5.5	2.6	1.3	1.0
USA	3.6	6.9	6.3	7.3	8.1	7.2	6.5
Iraq	4.2	4.4	5.5	5.3	5.4	5.5	5.6
UAE	5.2	4.9	5.2	5.9	5.7	7.4	7.6
Nepal	3.9	3.2	4.8	2.5	1.4	1.1	0.7
Kuwait	3.7	4.3	4.0	4.3	3.7	3.8	2.8
Thailand	2.5	2.6	3.3	3.2	2.7	2.8	2.6
UK	1.5	2.7	3.3	3.2	4.6	4.4	4.9
Mexico	5.0	4.4	3.3	3.3	5.5	3.5	2.6
Russia	0.6	1.7	3.2	3.1	5.3	6.7	6.1
Oman	3.7	3.9	3.1	3.4	3.0	2.8	1.8
Jordan	0.3	0.6	3.0	3.3	0.6	0.3	0.7
Poland	2.6	2.8	2.9	2.6	2.7	3.0	3.0
Indonesia	5.1	3.9	2.8	2.1	1.0	1.8	1.3
Israel	0.0	0.0	2.1	3.3	3.4	3.7	3.2
Others	36.4	39.6	40.0	41.6	44.2	44.5	49.5

Source: Company, PL

Can the Israel–Iran Conflict Affect Ceramic Tiles export?

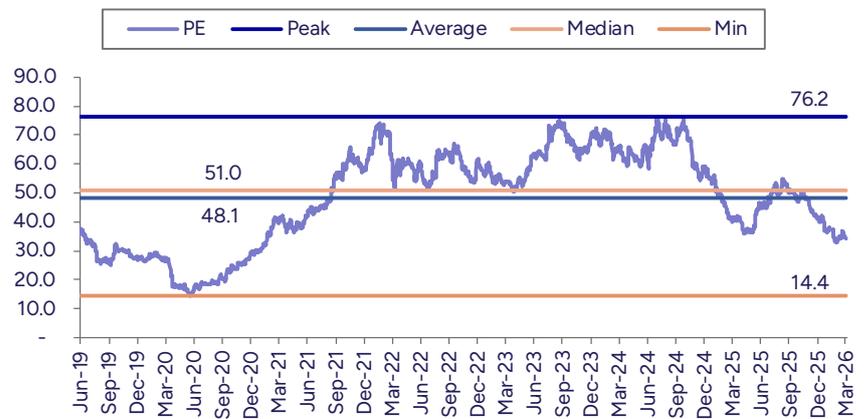
- The ongoing geopolitical tensions between Israel-Iran could create near-term headwinds for Indian tile exports, given the region’s meaningful contribution to overall exports in FY25 and Apr–Dec’26.
- The impact is likely to be more logistical and cost-driven rather than structural, with heightened risks around the Strait of Hormuz potentially increasing freight rates, marine insurance premiums, and transit times.
- Since tiles are bulky and freight-sensitive products, a 15–20% rise in logistics costs could pressure margins or affect competitiveness if exporters are unable to fully pass on costs. Additionally, shipment delays and trade uncertainty may slow project execution and working capital cycles in affected markets.
- The impact could be partially offset by stable to improving traction in the United States and the European Union, where exporters may benefit from supply chain diversification and favorable trade dynamics.
- Overall, while Middle East exports may see temporary moderation under an extended conflict scenario, diversified geographic exposure could help cushion the overall export growth trajectory.
- In FY25, exports exposure to key Middle East markets stood meaningfully high — Israel (3.7%), Saudi Arabia (1.3%), Iraq (5.5%), UAE (7.4%), and Kuwait (3.8%), along with USA (7.2%). In April–Dec’26, contribution trends show moderation in some Middle East markets — Israel (3.2%), Saudi (1.0%), Kuwait (2.8%) — while UAE (7.6%) and Iraq (5.6%) remain relatively resilient.

Outlook & Valuation

After a challenging FY25 marked by freight inflation and geopolitical disruptions, the Indian tile industry appears poised for gradual recovery. The India–EU and India–US trade agreements represent structural catalysts that could increase export contribution, improve competitiveness, and support margin normalization for organized players over the next 2–3 years.

For KJC, we have considered 7.4% CAGR in tiles volume over FY26–28E with EBITDA margin of 17.0% in FY28. We expect Revenue/EBITDA/PAT CAGR of 9.3%/9.3%/15.3% over FY26–28E. Maintained 'BUY.'

Exhibit 19: KJC is trading at 28x/25x for FY27E/FY28E



Source: Company, PL

Key Risks

- **Geopolitical Risk:** A meaningful share of exports is exposed to Middle East markets such as Israel, Saudi Arabia, Iraq, UAE, and Kuwait. Any escalation in regional conflict could disrupt trade flows, delay projects, and weaken demand visibility.
- **Freight & Logistics Volatility:** Tiles are bulky and freight-sensitive products, making logistics cost a key determinant of competitiveness. Any spike in ocean freight, container shortages, or higher insurance premiums can materially impact realizations and margins.
- **Margin Pressure from Morbi Competition:** Morbi-based exporters dominate India's tile exports and tend to redirect excess inventory domestically during export slowdowns. This can lead to dumping and pricing pressure on organized players, impacting industry profitability.
- **Currency Fluctuation Risk:** Volatility in INR against USD or Euro can impact export realizations and pricing stability. Sharp currency movements may increase hedging costs and create uncertainty in margin planning.
- **Demand Cyclicalities in Key Markets:** Tile demand is closely linked to real estate and construction activity across export geographies. A slowdown in housing or infrastructure spending can reduce order inflows and export momentum.
- **Working Capital & Shipment Delays:** Geopolitical disruptions or port congestion can extend transit times and receivable cycles. This may increase working capital requirements, especially for project-driven export orders.
- **Gas Price Volatility:** Gas is a key input cost for tile manufacturers, particularly in Morbi. Any spike in domestic gas prices can compress margins and reduce export competitiveness.

Exhibit 20: Valuation Summary

Company Names	S/ C	Rating	CMP (Rs)	TP (Rs)	MCap (Rs bn)	Sales (Rs bn)				EBITDA (Rs bn)				PAT (Rs bn)				EPS (Rs)				RoE (%)				PE (x)			
						FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
Astral Ltd.	C	BUY	1,663	1,794	447.4	58.3	64.4	74.9	86.6	9.5	10.6	12.6	14.9	5.2	5.8	7.5	9.2	19.3	21.5	28.1	34.3	15.3	15.0	17.1	17.9	86.2	77.5	59.3	48.5
Century Plyboard (I)	C	Acc	704	843	156.7	45.3	52.0	60.2	69.2	4.9	6.6	8.2	9.7	2.0	2.8	4.1	5.4	9.0	12.7	18.3	24.1	8.7	11.3	14.6	16.7	78.6	55.7	38.5	29.2
Cera Sanitaryware	C	BUY	4,764	6,800	61.4	19.2	20.5	23.2	25.9	2.9	2.7	3.3	3.7	2.4	2.2	2.7	3.0	189.9	171.4	206.2	230.4	18.2	15.5	16.6	16.4	25.1	27.8	23.1	20.7
Finolex Industries	C	Acc	186	199	115.1	41.4	41.0	44.8	49.8	4.8	4.9	5.6	6.6	4.8	4.8	5.5	6.4	7.8	7.8	8.9	10.4	8.3	7.8	8.7	9.8	23.8	23.8	20.9	17.9
Greenpanel Industries	C	BUY	202	369	24.8	14.4	15.5	18.7	21.4	1.3	1.4	3.4	4.0	0.7	0.4	1.8	2.3	5.9	3.4	14.7	18.5	5.3	3.0	12.3	13.6	34.4	59.1	13.8	11.0
Kajaria Ceramics	C	BUY	944	1,056	150.4	46.4	46.9	51.1	56.0	6.3	8.0	8.7	9.5	3.4	4.5	5.3	6.0	21.5	28.4	33.4	37.7	12.8	15.6	16.4	16.4	43.9	33.3	28.2	25.0
Supreme Industries	C	BUY	3,950	4,566	501.9	104.5	111.4	128.1	146.1	14.3	14.4	18.6	21.4	9.6	8.6	12.2	14.5	75.6	67.3	95.8	114.1	17.8	14.5	18.6	19.3	52.2	58.7	41.2	34.6

Source: Company, PL

Acc=Accumulate / S=Standalone / C=Consolidated

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Amber Enterprises India	BUY	8,617	7,048
2	Astral Ltd.	BUY	1,794	1,504
3	Avalon Technologies	BUY	1,175	1,021
4	Bajaj Electricals	Accumulate	449	409
5	Cello World	BUY	621	508
6	Century Plyboard (I)	Accumulate	843	798
7	Cera Sanitaryware	BUY	6,800	5,054
8	Crompton Greaves Consumer Electricals	BUY	346	245
9	Cyient DLM	Accumulate	418	364
10	Finolex Industries	Accumulate	199	175
11	Greenpanel Industries	BUY	369	229
12	Havells India	Accumulate	1,634	1,447
13	Kajaria Ceramics	BUY	1,056	902
14	Kaynes Technology India	BUY	5,502	3,700
15	KEI Industries	BUY	5,573	3,853
16	LG Electronics India	BUY	1,808	1,469
17	Polycab India	BUY	9,744	7,122
18	Premier Energies	BUY	892	683
19	R R Kabel	BUY	1,844	1,356
20	Supreme Industries	BUY	4,566	3,349
21	Syrma SGS Technology	BUY	929	755
22	Vikram Solar	BUY	326	215
23	Voltas	Hold	1,442	1,349
24	Waaree Energies	BUY	3,600	2,599

PL's Recommendation Nomenclature

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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(Indian Clients)

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