Kajaria Ceramics (KAJCER)

ICICI Direct

CMP: ₹1202 | Target ₹ 1430 (19%) | Target Period: 12 months

BUY

August 3, 2026

Robust performance, healthy outlook!

About the stock: Kajaria Ceramics is the largest manufacturer of ceramic/vitrified tiles in India with current annual capacity of 87.8 mn. sq. meters (MSM) spread across India and Nepal

- The company enjoys industry leading margins and returns ratios.

Q1FY27 performance: Kajaria Ceramics delivered a robust quarterly performance, with revenue up ~20.4% YoY to ₹1,328.08 crore, supported by a ~6% YoY rise in tile sales volumes to 28.8 MSM while realisation increased 11.1% YoY (+11.5% QoQ), given price hike to counter the higher gas prices, resulting in 17.7% increase in tile revenue at ₹1,161.5 crore. The company's focus on cost optimization and improved sales growth led to a 266-bps expansion in EBITDA margins to 19.6%, resulting in a 39.3% YoY surge in EBITDA at ₹260.4 crore. The PAT at ₹171.1 crore, was up 56.4% YoY, driven by volume growth recovery and price increase led margins expansion.

Investment Rationale:

- **Guidance of double-digit Tiles volume growth going ahead:** The management has guided for double digit volume growth in FY27, given the sustained demand recovery post a tepid April. Furthermore, given the lower price differential between organised and unorganised player (20% currently vs. 40%, earlier), they expect demand recovery to sustain ahead. Bathware revenue is estimated to grow at 35-40% in FY27. With this, we expect Tiles revenues CAGR of 10.5% over FY26-FY28E to ₹5227 crore, with volume CAGR of 7.9% over the same period to ~134.5 MSM with overall topline growing at 10.8% CAGR over FY26-28E to ₹5936 crore.
- **Margins to expand ahead:** The company has also maintained their EBITDA margin guidance at 18-19% for FY27 with EBITDA reaching the level of ~₹1000+ crore for the year. With the new GVT capacities coming up at Srikalahasti (10MSM) and Gailpur (11MSM). The management has stated that these new capacities are using a new technology which, as per them, will reduce the cost of production and will give even higher margins then their existing own manufacturing plants. We conservatively bake in margins for FY27 and FY28 at 17.8% and 17.5% respectively, as we believe that volume growth would result in some rise in operating expenses including sales & marketing
- **Expanding retail and institutional presence:** Kajaria has also partnered up with 2 of the biggest developers in India to supply them with ceramics and with this they are now focusing on both, their institutional as well as retail customers. In the retail market, with current base of ~1800 dealers and ~450 exclusive, management is expecting to add another hundred dealers, with ~50 being exclusive.

Rating and Target Price: We maintain a BUY rating for Kajaria Ceramics with a revised price target of Rs.1430, valuing it at 35x its FY28E EPS.

Kajaria

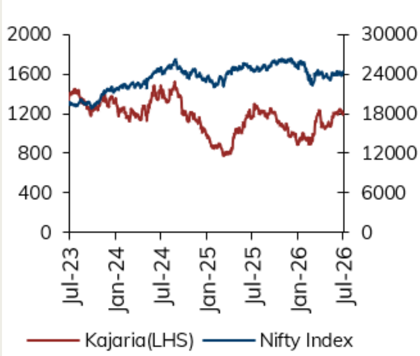
Particulars

Particular	Amount (₹ crore)
Market Cap	18,890
Total Debt (FY26)	130
Cash (FY26)	755
EV	18,265
52-week H/L (₹)	1322 / 870
Equity capital	15.9
Face value (₹)	1.0

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoters	47.6	47.7	47.7	47.7
FIIs	11.6	11.7	10.2	11.6
DII	26.0	26.3	27.5	26.2
Other	14.8	14.3	14.6	14.5

Price Chart



Key risks

(i) Volatility in gas prices.

(ii) Delay in planned completion of new capacities

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

(₹ crore)	FY24	FY25	FY26	5 yr CAGR (FY21-26)	FY27E	FY28E	2 yr CAGR (FY26-28E)
Net Sales	4,578	4,635	4,831	11.7%	5,626	5,936	10.8%
EBITDA	700	626	866	11.2%	1,003	1,039	9.6%
EBITDA Margin (%)	15.3	13.5	17.9		17.8	17.5	
PAT	422	294	486	9.5%	627	650	15.6%
EPS (₹)	26.5	18.5	30.5		39.3	40.8	
P/E (x)	45.4	65.1	39.4		30.6	29.5	
EV/EBITDA (x)	26.8	29.9	21.4		18.8	17.8	
RoCE (%)	20.0	16.0	21.8		24.6	22.9	
RoE	16.1	10.7	15.8		19.8	18.2	

Source: Company, ICICI Direct Research

Q1FY27 – Key Performance highlights

- **Guidance:** Kajaria Ceramics' management has given double-digit volume growth for the next 3 quarters. They have also maintained their EBITDA margin guidance at 18-19% for FY27 with EBITDA reaching the level of ~₹1000+ crore for the year. Bathware revenue is estimated to grow at 35-40% in FY27. In line with FY26, the management has decided to forgo remuneration for FY27 as well.
- **Demand commentary:** The management stated that the demand was soft during the April month mainly because of total shutdown in Morbi cluster due to gas unavailability, labour shortage due to elections and increased gas prices in other regions. They have also stated that demand started picking up after April and the trend has continued into July which gives them confidence for double-digit margin growth guidance. Product wise, demand for GVT has been strong, while PVT demand has been low. Ceramic Tiles continues to be limited to wall Tiles demand. In terms of exports, Industry tile exports for Q1 were ~₹3000 crore, negatively impacted by the Morbi shutdown and the Middle East conflict. For FY27, exports are estimated to reach ~₹12,000 crore
- **Expanding institutional segment:** The management stated that they have partnered up with 2 of the biggest developers in India to supply them with ceramics and with this they are now focusing on both, their institutional as well as retail customers. For retail market their focus is on increasing Kajaria exclusive dealers in the market, with current base of ~1800 dealers and ~450 exclusive, management is expecting to add another hundred dealers, with ~50 being exclusive
- **Capex commentary:** The board has considered a brownfield expansion at Gailpur at an approximate cost of ₹165 crore for putting up 11 MSM capacity of GVT. This expansion is expected to be completed by April 2027. Additionally, previously it had announced 10 MSM expansion at Srikalahasti plant at ₹ 210 crore. Thus, the planned capex for the year is at ₹ 400 crore for FY27. These new capacities are using a new technology which, as per the management, will reduce the cost of production and will give even higher margins then their existing own manufacturing plants.
- **Pricing commentary:** For North/South, Kajaria raised prices by 10-11 % while Morbi cluster players have increased the prices by almost 40-45%, reflecting steeper gas inflation. The management stated that there used to be around 40% price difference in tiles between them and unorganised players in the market, which has reduced to 20%, thereby aiding demand for organised players including Kajaria.
- **Working capital:** The Working capital days in Q1FY27 fell to 46 vs 59 days in Q1FY26, due to lower inventory and receivable days. The net cash was at ₹985 crore as of Q1FY27.
- **Gas Prices**: In Q1FY27, due to the ongoing West Asia conflict, Gas prices in Q1 were ₹ 64/SCM (North) (₹ 55.5/SCM in Q4), INR 85/SCM (Morbi) (₹ 46.6/SCM in Q4) and ₹ 70-73/SCM (South) (₹ 49.6/SCM in Q4), averaging ₹ 71/SCM on blended basis. Morbi gas prices spiked sharply as GSPC is the sole supplier" in Morbi, while Kajaria's multi-location manufacturing footprint (Morbi + North + South) reduced this vulnerability

Exhibit 1: Quarter performance

	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
Net Sales	1,328.1	1,102.7	20.4	1,373.4	-3.3	Tile sales volumes were at 28.8 MSM, up ~6% YoY with total revenues up 20.4% YoY to ₹1328.1 crore.
Other Income	17.1	13.2	29.5	12.5	37.2	
Net Purchase of Stock in Trade	279.3	183.1	52.6	404.0	-30.9	
Cost of Materials Consumed	252.8	259.4	-2.5	225.0	12.3	
Staff cost	139.5	136.0	2.6	128.1	8.9	
Other expenditure	125.6	113.5	10.7	128.4	-2.2	
Power & Fuel cost	270.5	224.0	20.8	224.4	20.5	
EBITDA	260.4	186.9	39.3	263.5	-1.2	
EBITDA Margin (%)	19.6	16.9	266 bps	19.2	42 bps	Margin is up 266 bps YoY to 19.6% due to industry wide price increase because of high gas prices
Depreciation	42.2	43.6	-3.2	42.3	-0.2	
Interest	5.0	5.2	-3.7	5.7	-12.6	
PBT	231.4	149.0	55.3	223.9	3.3	
Taxes	60.3	39.6	52.3	67.4	-10.5	
PAT	169.5	109.0	55.5	155.8	8.8	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY27E			FY28			Comments
(₹ Crore)	Old	New	% Change	Old	New	% Change	
Revenue	5438	5626	3.4	5757	5936	3.1	Realigned estimates
EBITDA	933	1003	7.5	981	1039	6.0	
EBITDA Margin (%)	17.2	17.8	68 bps	17.0	17.5	47 bps	
PAT	583	627	7.5	610	650	6.5	
EPS (₹)	36.6	39.3	7.5	38.3	40.8	6.5	

Source: Company, ICICI Direct Research

Exhibit 3: Assumptions

Volume in MSM	FY23	FY24	FY25	FY26	FY27	FY28
Sales	101.7	108.1	114.7	115.4	125.7	134.5
YoY	11%	6%	6%	1%	9%	7%
Realisation (₹/sqm)	388	376	364	371	398	389
YoY	6%	-3%	-3%	2%	7%	-2%

Source: Company, ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Net Sales	**4,635**	**4,831**	**5,626**	**5,936**
Raw Material Exp	898	1,075	1,170	1,223
Cost of Materials	1,068	992	1,238	1,316
Emp Cost	566	530	585	629
Other Expenses	1,477	1,368	1,629	1,728
Total op. expenses	4,009	3,965	4,622	4,896
EBITDA	**626**	**866**	**1,003**	**1,039**
Interest	20	23	20	20
Depreciation	165	169	184	197
Other income	43	53	55	65
PBT	435	679	854	887
Taxes	136	193	221	230
PAT before MI	299	487	633	658
Minority Interest	5	1	6	8
PAT	**294**	**486**	**627**	**650**
Growth (%)	(30.3)	65.1	29.0	3.7
EPS (₹)	**18.5**	**30.5**	**39.3**	**40.8**

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Profit after Tax	**294**	**486**	**627**	**650**
Depreciation	165	169	184	197
Interest	20	23	20	20
Others	93	140	166	165
CF before WC changes	573	818	997	1,031
Net Increase in CA	(9)	(128)	(222)	(89)
Net Increase in CL	44	(14)	85	37
Net CF from op. activities	**502**	**495**	**639**	**749**
(Purchase)/Sale of FA	(286)	(137)	(523)	(200)
Net CF from Inv. activities	**(259)**	**(89)**	**(468)**	**(135)**
Inc / (Dec) in Equity Capital	(23)	58	(266)	-
Dividend	(143)	(223)	(255)	(255)
Interest paid	(20)	(23)	(20)	(20)
Inc / (Dec) in Loans	5	(46)	-	-
Net CF from Fin. activities	**(175)**	**(234)**	**(535)**	**(267)**
Net Cash flow	69	172	(364)	347
Opening Cash	514	583	755	391
Closing Cash/ Cash	**583**	**755**	**391**	**738**

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Liabilities				
Equity Capital	15.9	15.9	15.7	15.7
Reserve and Surplus	2,728.4	3,049.7	3,156.0	3,550.7
Net worth	2,744.3	3,065.6	3,171.7	3,566.4
Minority Interest	65.8	64.9	70.9	78.9
Total Debt	175.9	130.3	130.3	130.3
Other Liabilities	162.0	174.7	174.7	174.7
Total Liabilities	**3,153.1**	**3,443.4**	**3,555.6**	**3,958.3**
Assets				
Gross Block	2,829.1	3,079.1	3,479.1	3,679.1
Less Acc. Dep	1,144.4	1,313.8	1,498.2	1,695.0
Net Block	1,684.7	1,642.1	1,980.9	1,984.1
Intangibles Assets	32.7	32.6	32.6	32.6
Capital WIP	108.7	119.3	119.3	119.3
Total Fixed Assets	1,826.2	1,793.9	2,132.7	2,135.9
Investments	33.9	39.0	39.0	39.0
Inventory	618.1	551.5	709.0	748.1
Sundry Debtors	570.2	628.5	770.6	813.1
Loans & Advances	84.5	219.7	141.8	149.6
Cash & Bank	582.9	755.1	391.4	738.5
Other Current Assets	40.5	41.5	41.5	41.5
Total Current Assets	1,896.2	2,196.3	2,054.3	2,490.8
Trade Payable	338.1	319.5	360.4	380.2
Other CL	235.2	237.0	276.0	291.2
Provisions	29.9	29.3	34.1	36.0
Net Current Assets	1,293.1	1,610.5	1,383.8	1,783.3
Total Assets	**3,153.1**	**3,443.4**	**3,555.6**	**3,958.3**

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

	FY25	FY26	FY27E	FY28E
Per Share Data (₹)				
EPS - Diluted	18.5	30.5	39.3	40.8
Cash EPS	28.9	41.1	50.9	53.1
Book Value	172.3	192.4	199.1	223.9
Dividend per share	9.0	14.0	16.0	16.0
Operating Ratios (%)				
EBITDA / Net Sales	13.5	17.9	17.8	17.5
PAT / Net Sales	6.3	10.1	11.1	10.9
Inventory Days	49	42	46	46
Debtor Days	45	47	50	50
Creditor Days	27	24	23	23
Return Ratios (%)				
RoNW	10.7	15.8	19.8	18.2
RoCE	16.0	21.8	24.6	22.9
RoIC	19.0	26.2	27.2	27.5
Valuation Ratios (x)				
EV / EBITDA	29.9	21.4	18.8	17.8
P/E (Diluted)	65.1	39.4	30.6	29.5
EV / Net Sales	4.0	3.8	3.4	3.1
Market Cap / Sales	4.1	4.0	3.4	3.2
Price to Book Value	7.0	6.2	6.0	5.4
Dividend Yield (%)	0.7	1.2	1.3	1.3
Solvency Ratios (x)				
Net Debt / Equity	(0.2)	(0.2)	(0.1)	(0.2)
Debt/EBITDA	0.3	0.2	0.1	0.1
Current Ratio	2.2	2.5	2.5	2.5
Quick Ratio	**1.2**	**1.5**	**1.4**	**1.4**

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

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Sell: <-15%

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