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HOLD
TP: Rs 1,270 | ▲ 6%

KAJARIA CERAMICS | Building Materials | 03 August 2026

Strong operating performance, guides double digit volume growth

- **Revenue grew 20% YoY, driven by 6% volume growth and 11% higher realisations; EBITDA margin expanded 266bps YoY**
- **Higher Morbi gas costs support pricing; management reiterates double-digit volume growth and 18-19% margin guidance**
- **Roll forward to Jun-27 TP of Rs 1,270 (ascribe 30x FY28 EPS); maintain HOLD on limited upside**

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Strong pricing drives earnings beat: Kajaria Ceramics (KJC) delivered a strong beat in Q1FY27, with revenue increasing 20% YoY (7% vs. est.), driven by 6% YoY volume growth and an 11% increase in tile realisations following price hikes undertaken to offset higher fuel costs. EBITDA increased 39% YoY, exceeding our estimate by 28%, while EBITDA margin expanded 266bps YoY to 19.6%, supported by operating leverage, lower employee and other costs as a percentage of sales, despite elevated power and fuel costs. APAT grew 56% YoY (35.2% beat), aided by margin expansion, lower interest costs and a lower effective tax rate.

Tiles and non-tile businesses deliver broad-based growth: Tiles revenue increased 15% YoY, with EBIT margin expanding 329bps to 17.0%, while the non-tile business continued to scale. Kerovit revenue increased 84% YoY, with EBIT margin expanding 756bps to 12.3%, while adhesives revenue grew 81% YoY.

Concall KTAs: Management remains constructive on FY27, citing improving industry demand and a favourable competitive environment after higher Morbi gas prices narrowed the pricing gap between organised players and Morbi manufacturers, although this benefit could reverse if gas prices normalise. The company guided for double-digit tile volume growth over the remaining nine months and 18-19% EBITDA margins, while continuing to invest in growth through ~21msm of announced capacity additions and ~Rs 4bn capex in FY27.

Raise estimates; maintain HOLD: We maintain our HOLD rating on KJC. We raise our FY27E-29E revenue/EBITDA/PAT estimates by 9%/8-10%/8-12%, respectively, reflecting stronger than expected pricing, margin performance and an improving demand outlook. While management remains constructive on volume growth and margin sustainability, we believe much of the near-term improvement is reflected in the current valuation. We retain our 30x Jun'28 EPS multiple and revise our TP to Rs 1,270 (earlier Rs 1,140).

Key changes

Target	Rating
▲	◄►

Ticker/Price	KJC IN/Rs 1,198
Market cap	US$ 2.0bn
Free float	52%
3M ADV	US$ 3.6mn
52wk high/low	Rs 1,322/Rs 870
Promoter/FPI/DII	48%/12%/26%

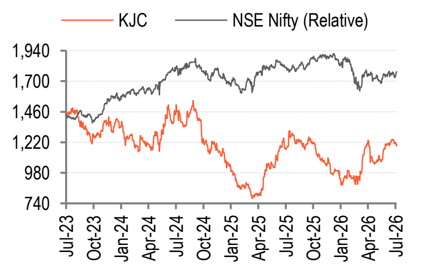
Source: NSE | Price as of 31 Jul 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	48,304	58,973	65,628
EBITDA (Rs mn)	8,650	9,659	10,557
Adj. net profit (Rs mn)	5,231	6,034	6,560
Adj. EPS (Rs)	32.8	37.9	41.2
Consensus EPS (Rs)	32.8	37.9	42.2
Adj. ROAE (%)	17.6	18.3	18.1
Adj. P/E (x)	36.5	31.6	29.1
EV/EBITDA (x)	21.4	19.0	17.2
Adj. EPS growth (%)	52.7	15.3	8.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly performance - Consolidated

Particulars (Rs mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	BOBCAPS Q1FY27E	Variance (%)
Total operating income	13,281	11,027	20.4	13,734	(3.3)	12,406	7.1
Raw-Material expense	5,321	4,425	20.3	6,290	(15.4)	5,653	(5.9)
Gross Profit	7,960	6,603	20.6	7,443	6.9	6,753	17.9
Employee expense	1,395	1,360	2.6	1,281	8.9	1,294	7.9
Power & Fuel costs	2,705	2,240	20.8	2,244	20.5	2,227	21.5
Other expense	1,256	1,135	10.7	1,284	(2.2)	1,197	4.9
EBITDA	2,604	1,869	39.3	2,635	(1.2)	2,035	28.0
D&A	422	436	(3.2)	423	(0.2)	423	(0.2)
EBIT	2,181	1,432	52.3	2,211	(1.4)	1,612	35.4
Interest cost	50	52	(3.7)	57	(12.6)	57	(12.6)
Non-operating expense/(income)	(183)	(141)	29.1	(85)	114.6	(129)	41.7
PBT	2,314	1,522	52.1	2,239	3.3	1,683	37.5
Tax	603	396	52.3	674	(10.5)	424	42.4
Reported PAT from continued operations	1,711	1,126	52.0	1,565	9.3	1,260	35.8
Profit/(loss) from discontinued operations	(1)	(23)	(97.8)	1	(200.0)	0	NA
Reported PAT	1,710	1,103	55.0	1,566	9.2	1,260	35.8
Minority Interest	16	13	18.0	8	93.8	7	140.8
Reported PAT after Minority Interest	1,695	1,090	55.5	1,558	8.8	1,253	35.2
Adjusted PAT	1,695	1,090	55.5	1,588	6.7	1,253	35.2
As % of net revenues			**chg (bps)**		**chg (bps)**		**chg (bps)**
Gross margin	59.9	59.9	6	54.2	574	54.4	550
Employee cost	10.5	12.3	(183)	9.3	118	10.4	8
Power costs	20.4	20.3	6	16.3	403	17.9	242
Other cost	9.5	10.3	(83)	9.4	11	9.7	(19)
EBITDA margin	19.6	16.9	266	19.2	42	16.4	320
Tax rate	26.1	26.0	4	30.1	(404)	25.2	90
APAT margin	12.8	9.9	288	11.6	120	10.1	266

Source: Company, BOBCAPS Research

Fig 2 – Segment performance

Particulars	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Revenue (Rs mn)					
Tiles	11,594	10,113	14.6	12,127	(4.4)
Non-Tile (Bathware)	1,687	915	84.4	1,607	5.0
Total	13,281	11,027	20.4	13,734	(3.3)
EBIT margin (%)					
Tile	17.0	13.7	329	17.1	(3)
Non-Tile (Bathware)	12.3	4.7	756	8.9	336
Total	16.4	13.0	344	16.1	32
Operational Data					
Tiles Sales Volume (msm)	28.8	27.2	6.0	33.5	(14.1)
Tiles Realization (Rs/sqm)	403.3	362.9	11.1	361.9	11.5
Tiles EBIT per unit (Rs/sqm)	69	51	34.1	62	11.1

Source: Company, BOBCAPS Research

Earnings Call Highlights

- **Industry dynamics turn favourable, but gas volatility remains the key swing factor:** Management highlighted that Morbi gas prices surged from ~Rs 48/scm to Rs 86-88/scm following the Gulf conflict, compared with only 10-12% inflation at KJC's north and south plants. This narrowed KJC's pricing gap with Morbi from ~40% to below 20%, improving the competitiveness of organised players; however, management cautioned that this advantage could reverse if gas prices normalise.

- **Demand recovery broadening; management guides for double-digit volume growth:** After a weak April due to the Morbi shutdown, dealer pre-buying and labour shortages due to elections and LPG shortages, demand recovered through May-July. Backed by stronger retail expansion, increasing project wins and improving dealer traction, the company guided double-digit tile volume growth over the remaining nine months of FY27 and 20%+ revenue growth for FY27.

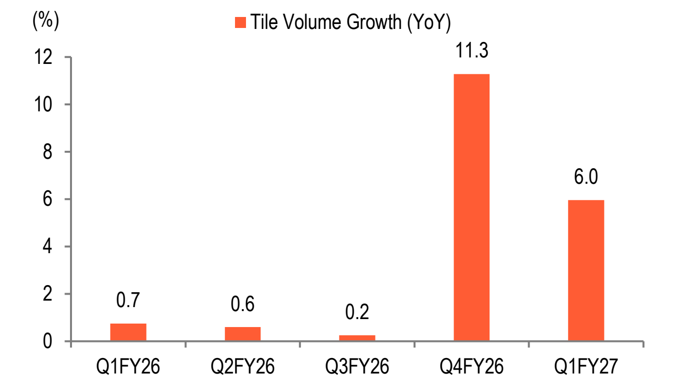
- **Margin outlook remains healthy, subject to fuel-cost stability:** Management guided for 18-19% EBITDA margins for FY27 (Q1: 19.6%) and EBITDA above Rs10bn, supported by pricing actions and operating leverage. However, sustainability of these margins remains linked to the gas-price environment discussed abov

- **Capacity expansion to support medium-term growth:** KJC approved an additional 11msm GVT brownfield expansion at Gailpur (Rs 1.65bn), alongside the previously announced 10msm expansion at Srikalahasti (Rs 2.10bn), taking cumulative announced capacity additions to ~21msm. Both projects are expected to be commissioned by Apr'27, with FY27 capex guided at ~Rs 4bn.

- **Kerovit and adhesives remain key growth pillars:** Kerovit revenue is expected to grow 35-40% in FY27, although management indicated margins will remain under pressure during the ongoing restructuring. The company also announced the acquisition of the remaining 15% stake in Kerovit from Aravali Investments, reaffirming its long-term commitment to the bathroom solutions business, while adhesives continue to benefit from increasing consumer preference for organised brands.

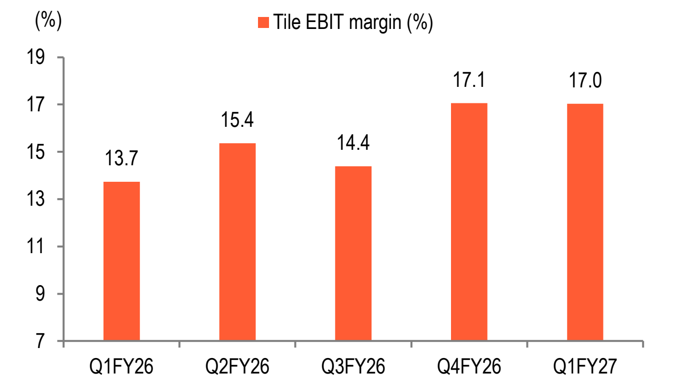
- **Buyback progressing; corporate structure simplified:** The Rs 2.97bn buyback (21.5 lakh shares at Rs 1,380/share) has been completed from a shareholder payment perspective, with only regulatory formalities pending. Separately, KJC has discontinued KPPL (plywood) operations and deconsolidated Kajaria UKP, resulting in a cleaner reporting structure going forward.

Fig 3 – KJC's tile volumes grew by 6% YoY in Q1FY27



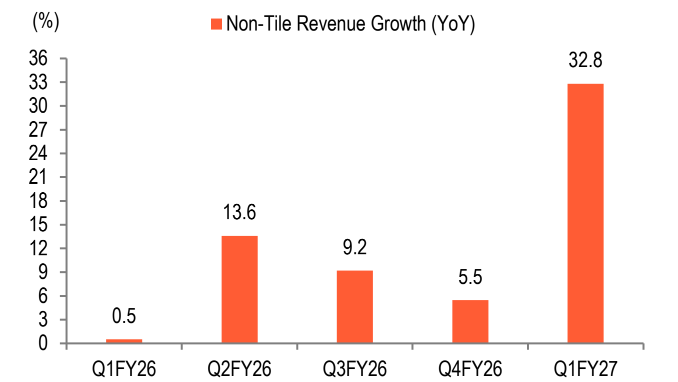
Source: Company, BOBCAPS Research

Fig 4 – Tile EBIT margin expanded by 329bps to 17% in Q1FY27



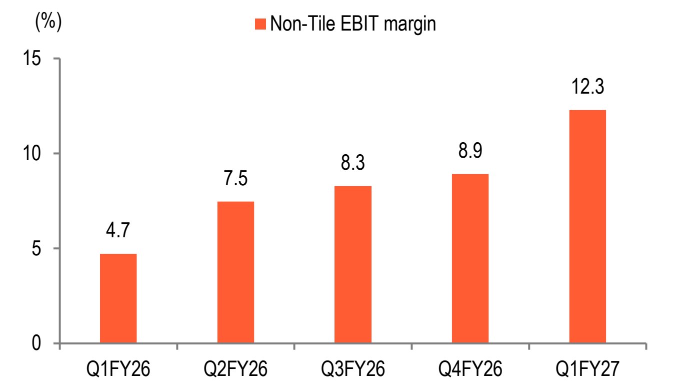
Source: Company, BOBCAPS Research

Fig 5 – Non-tile (i.e. bathware) revenue spiked by 33% YoY in Q1FY27



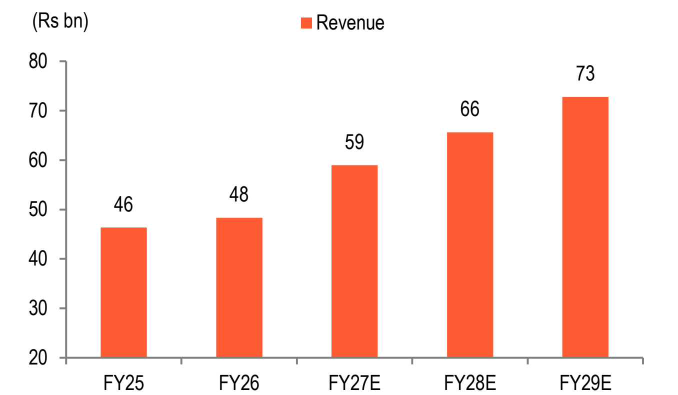
Source: Company, BOBCAPS Research

Fig 6 – Non-tile EBIT margin improved by 756bps to 12.3% in Q1FY27



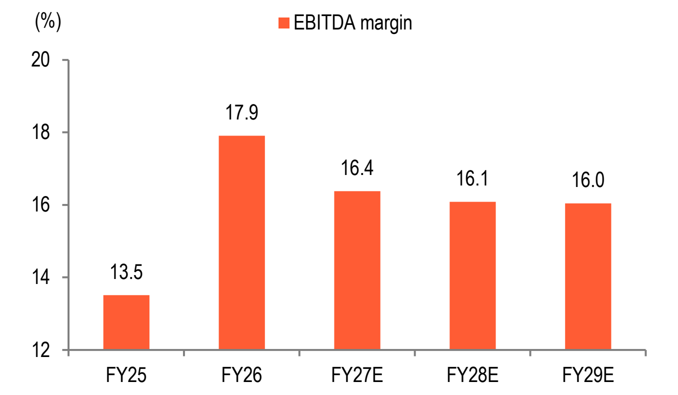
Source: Company, BOBCAPS Research

Fig 7 – KJC's revenue growth projected at 15% CAGR over FY26-FY29E



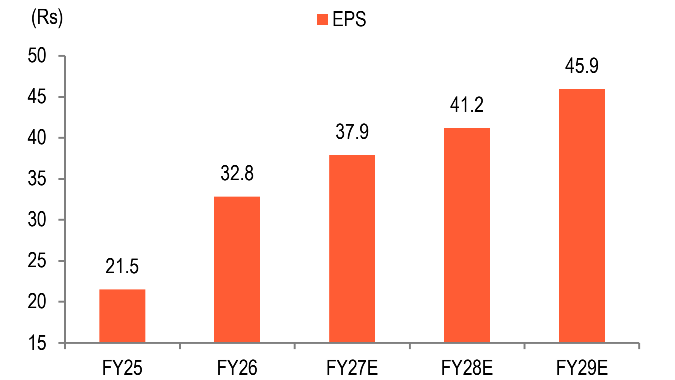
Source: Company, BOBCAPS Research

Fig 8 – KJC EBITDA margin is projected to be near to its 10Y avg level of 16% over FY27E-FY29E



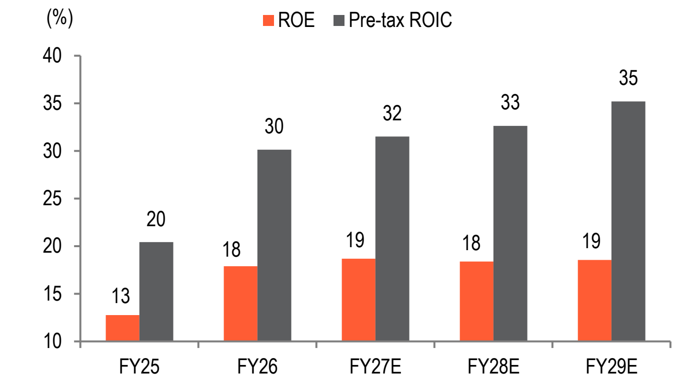
Source: Company, BOBCAPS Research

Fig 9 – EPS is forecast to grow at 12% CAGR over FY26-FY29E



Source: Company, BOBCAPS Research

Fig 10 – KJC is likely to generate healthy return ratio over FY27E-FY29E



Source: Company, BOBCAPS Research

Valuation Methodology

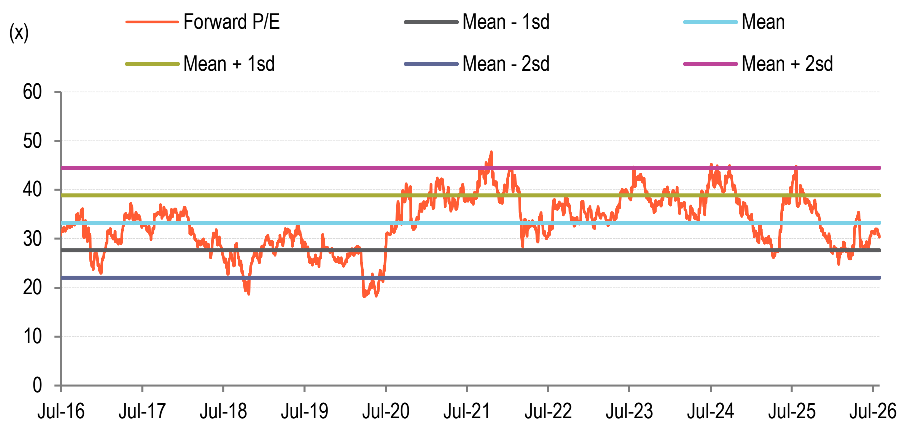
We maintain our HOLD rating on KJC. We raise our FY27E-29E revenue/EBITDA/PAT estimates by 9%/8-10%/8-12%, respectively, reflecting stronger than expected pricing, margin performance and an improving demand outlook. While management remains constructive on volume growth and margin sustainability, we believe much of the near-term improvement is reflected in the current valuation. We retain our 30x Jun'28 EPS multiple and revise our TP to Rs 1,270 (earlier Rs 1,140).

Fig 11 – Revised estimates

Particulars	New			Old			Change (%)		
Consolidated (Rs bn)	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Total operating income	59.0	65.6	72.8	54.2	60.3	66.7	8.8	8.8	9.2
EBITDA	9.7	10.6	11.7	8.9	9.8	10.6	8.5	7.7	10.2
EBITDA Margin	16.4	16.1	16.0	16.4	16.3	16.0	(2)	(21)	4
Adjusted PAT	6.0	6.6	7.3	5.4	6.1	6.6	11.7	7.5	10.9
EPS (Rs)	37.9	41.2	45.9	34.1	38.0	41.4	11.1	8.4	11.0

Source: BOBCAPS Research

Fig 12 – KJC 1YF PE band chart



Source: Bloomberg, BOBCAPS Research

Fig 13 – Key assumptions

Particulars (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tile Volume Growth	6.1	3.3	8.7	9.1	7.9
Tile Realization Growth	(3.1)	(0.7)	11.8	0.6	1.1
Tile Revenue Growth	2.7	2.6	21.5	9.8	9.2
Non-Tile Revenue Growth	(1.2)	8.0	26.4	22.7	22.9
Non-Tile Revenue Share	10.9	11.4	11.8	13.1	14.5

Source: Company, BOBCAPS Research

Key Risks

Key upside/downside risks to our estimates:

- Better-than-expected recovery in real estate demand and sharp improvement in non-tile segment margins are key upside risks.
- Market share loss in tiles and a steep decline in tile exports from India are key downside risks.

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Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**46,351**	**48,304**	**58,973**	**65,628**	**72,810**
EBITDA	6,262	8,650	9,659	10,557	11,679
Depreciation	1,654	1,694	1,927	2,105	2,198
EBIT	4,608	6,956	7,732	8,452	9,481
Net interest inc./(exp.)	(200)	(226)	(200)	(200)	(200)
Other inc./(exp.)	427	529	621	600	600
Exceptional items	483	0	0	0	0
EBT	4,352	7,258	8,153	8,852	9,881
Income taxes	1,360	1,928	2,084	2,239	2,498
Extraordinary items	0	440	0	0	0
Min. int./Inc. from assoc.	(49)	(6)	(35)	(53)	(64)
Reported net profit	**2,943**	**4,885**	**6,034**	**6,560**	**7,319**
Adjustments	483	347	0	0	0
Adjusted net profit	**3,426**	**5,231**	**6,034**	**6,560**	**7,319**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	3,381	3,195	3,901	4,341	4,816
Other current liabilities	2,352	2,370	2,370	2,370	2,370
Provisions	299	293	357	398	441
Debt funds	1,759	1,303	1,483	1,594	1,715
Other liabilities	1,670	1,826	1,826	1,826	1,826
Equity capital	159	159	159	159	159
Reserves & surplus	27,284	30,497	33,758	37,304	41,260
Shareholders' fund	28,101	31,305	34,486	37,934	41,782
Total liab. and equities	**37,562**	**40,292**	**44,423**	**48,464**	**52,950**
Cash and cash eq.	5,829	7,551	8,869	11,754	15,028
Accounts receivables	5,702	6,285	7,673	8,539	9,473
Inventories	6,181	5,515	7,465	8,492	9,596
Other current assets	474	473	564	622	683
Investments	302	354	354	354	354
Net fixed assets	15,839	15,351	14,735	13,940	13,052
CWIP	1,087	1,193	1,193	1,193	1,193
Intangible assets	1,335	1,395	1,395	1,395	1,395
Deferred tax assets, net	53	73	73	73	73
Other assets	760	2,103	2,103	2,103	2,103
Total assets	**37,562**	**40,292**	**44,423**	**48,464**	**52,950**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**6,685**	**8,147**	**5,197**	**7,130**	**7,881**
Capital expenditures	(2,205)	(1,273)	(1,311)	(1,311)	(1,311)
Change in investments	0	0	0	0	0
Other investing cash flows	390	458	384	363	363
Cash flow from investing	**(1,816)**	**(816)**	**(926)**	**(948)**	**(948)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	100	(447)	179	112	121
Interest expenses	(145)	(160)	(200)	(200)	(200)
Dividends paid	(1,752)	(1,911)	(2,772)	(3,014)	(3,362)
Other financing cash flows	0	0	(160)	(195)	(218)
Cash flow from financing	**(1,797)**	**(2,519)**	**(2,953)**	**(3,297)**	**(3,660)**
Chg in cash & cash eq.	**3,073**	**4,813**	**1,318**	**2,885**	**3,274**
Closing cash & cash eq.	**8,214**	**13,027**	**14,344**	**17,230**	**20,504**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	18.5	30.7	37.9	41.2	45.9
Adjusted EPS	21.5	32.8	37.9	41.2	45.9
Dividend per share	9.0	14.0	17.4	18.9	21.1
Book value per share	172.3	192.4	212.9	235.2	260.0

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	4.0	3.8	3.1	2.8	2.5
EV/EBITDA	29.8	21.4	19.0	17.2	15.3
Adjusted P/E	55.7	36.5	31.6	29.1	26.1
P/BV	7.0	6.2	5.6	5.1	4.6

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	78.7	72.1	74.0	74.1	74.1
Interest burden (PBT/EBIT)	94.4	104.3	105.5	104.7	104.2
EBIT margin (EBIT/Revenue)	9.9	14.4	13.1	12.9	13.0
Asset turnover (Rev./Avg TA)	123.4	119.9	132.8	135.4	137.5
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.4	1.3	1.3
Adjusted ROAE	12.5	17.6	18.3	18.1	18.4

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	3.6	4.2	22.1	11.3	10.9
EBITDA	(11.4)	38.1	11.7	9.3	10.6
Adjusted EPS	(21.0)	52.7	15.3	8.7	11.6
Profitability & Return ratios (%)					
EBITDA margin	13.5	17.9	16.4	16.1	16.0
EBIT margin	9.9	14.4	13.1	12.9	13.0
Adjusted profit margin	7.4	10.8	10.2	10.0	10.1
Adjusted ROAE	12.5	17.6	18.3	18.1	18.4
ROCE	16.9	23.0	23.2	22.9	23.2
Working capital days (days)					
Receivables	45	47	47	47	47
Inventory	49	42	46	47	48
Payables	27	24	24	24	24
Ratios (x)					
Gross asset turnover	1.8	1.8	2.1	2.2	2.4
Current ratio	2.6	3.0	3.2	3.6	3.9
Net interest coverage ratio	23.0	30.7	38.7	42.3	47.4
Adjusted debt/equity	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

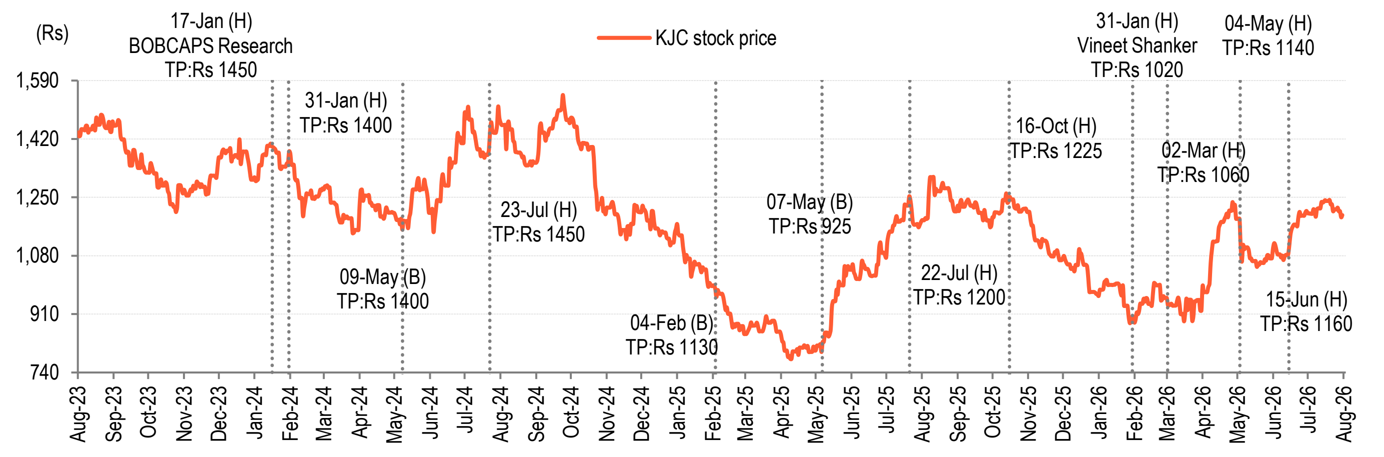
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): KAJARIA CERAMICS (KJC IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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