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Healthy Performance; robust growth outlook!

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

- The company enjoys industry leading margins and returns ratios.

Q2FY27 performance: Kajaria Ceramics delivered healthy volume growth, tile sales volumes rose 10% YoY to 31.8 MSM in Q2 FY27 and 8% YoY to 60.6 MSM in H1 FY27, reflecting improved demand and market-share gains. Tile realization increased ~11.4% YoY, given the price hikes. Consolidated revenue grew 23.7% YoY to ₹1,468.3 crore in Q2, supported by higher volumes and improved realizations. EBITDA rose 34.6% YoY to ₹286.5 crore, with margins expanding 157 bps to 19.5%, while PAT increased 42.5% YoY to ₹189.5 crore, driven by strong operating performance.

Investment Rationale:

- Maintains guidance of double-digit Tiles volume growth:** Management expects to sustain double-digit volume growth of ~10% over H2FY27 with double-digit volume expansion continuing into the next year as well. Furthermore, given the lower price differential between organised and unorganised players (20-25% currently vs. 40%, earlier), they expect market share gains to sustain ahead. With this, we expect Tiles revenues CAGR of 11.3% over FY26-FY28E to ₹5,299 crore, as we conservatively bake in volume CAGR of 8.5% over the same period to ~135.9 MSM with overall topline growing at 12.1% CAGR over FY26-28E to ₹6,073 crore.
- Capex revised upwards:** The company revised the planned GVT expansion capacity in Andhra Pradesh upward from 10 MSM to 12.5 MSM, with project cost estimate up from ₹210 crore to ₹340 crore. In Rajasthan, the GVT brownfield expansion has been revised from ₹165 crore to ₹180 crore for 11 MSM capacity due to higher civil costs and an enlarged warehouse, with completion expected by April 2027. The above capacity expansion provides a sufficient headroom for growth sustenance in FY28. Additionally, the board approved a new ₹34 crore tile adhesive facility with a capacity of 9,000 MT/month thereby increasing existing capacity by 50%.
- Margins to base at new levels:** The company has 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 (12.5MSM) and Gailpur (11MSM), it will bring in improved mix thereby supporting existing margins. We conservatively bake in margins for FY27 and FY28 at 18.6% and 18% respectively, as we believe that volume growth would result in some rise in operating expenses including sales & marketing

Rating and Target Price: We maintain a **BUY** rating for Kajaria Ceramics with a revised price target of ₹1540, valuing it at 34x its FY28E EPS.

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%	5,720	6,073	12.1%
EBITDA	700	626	866	11.2%	1,064	1,094	12.4%
EBITDA Margin (%)	15.3	13.5	17.9		18.6	18.0	
PAT	422	294	486	9.5%	693	711	20.9%
EPS (₹)	26.5	18.5	30.5		44.1	45.2	
P/E (x)	42.3	60.6	36.7		25.4	24.8	
EV/EBITDA (x)	24.6	27.4	19.6		16.0	15.3	
RoCE (%)	20.0	16.0	21.8		26.8	24.8	
RoE	16.1	10.7	15.8		21.6	19.7	

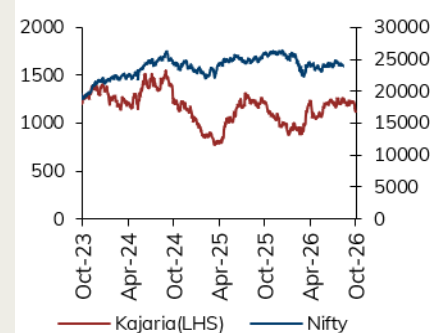
Source: Company, ICICI Direct Research

Kajaria**Particulars**

Particular	Amount (₹ crore)
Market Cap	17,601
Total Debt (H1 FY27)	306
Cash (H1 FY27)	785
EV	17,122
52-week H/L (₹)	1276 / 870
Equity capital	15.7
Face value (₹)	1.0

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Sep-26
Promoters	47.7	47.7	47.7	46.7
FII's	11.7	10.2	11.6	12.1
DII	26.3	27.5	26.2	26.1
Other	14.3	14.6	14.5	15.1

Price Chart**Key risks**

- Volatility in gas prices.
- Delay in planned completion of new capacities

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Q1FY27 – Key Performance highlights

- **Guidance:** Kajaria Ceramics' management expects to sustain double-digit volume growth of around 10% over the next two quarters of FY27 with double-digit volume expansion continuing into the next year as well, supported by positive market response, unification strategy, and expanding reach into Tier 2 and Tier 3 cities. However, value growth next year is expected to align closely with volume growth since price inflation experienced in the current year will likely not repeat. The company aims to deliver 145 MSM of total sales volume in the future, up from the current 130 MSM run rate, while reducing its reliance on outsourced volumes from 42 MSM down to 36-37 MSM as internal capacities commission. Margins are guided to remain stable around 18%-19%, while non-tile verticals like bathware and adhesives are projected to grow faster, aiding the top-line growth and overall margins.
- **Demand commentary:** Management has highlighted that Q2 growth has been broad-based, spanning both retail and project sales channels. **Domestic demand is expanding at an estimated market growth rate of 5%-6%, with Kajaria outperforming the broader industry by capturing additional market share.** The gain in market share is **primarily driven by deeper distribution penetration, expanding showroom networks in smaller towns, and narrowing price differentials relative to Morbi-based competitors.** Conversely, export demand from the key manufacturing hub of Morbi remained subdued during H1 FY27 due to ongoing global logistics disruptions, high container freight costs, and limited container availability.
- **Expanding institutional segment:** The institutional demand is picking up across India, driven by extensive ongoing construction activity and real estate developments. **The company's double-digit volume growth trajectory is expected to be propelled by a balanced combination of retail network sales and project sales.** To capitalize on this demand, Kajaria has strengthened its institutional coverage by aggressively expanding engagement with architects, developers, and project execution teams across geographies. **Furthermore, as Morbi manufacturers struggle with elevated gas costs and fragmented distribution networks, Kajaria is successfully capturing institutional market share.** The project demand outlook remains favourable, supporting management's confidence in maintaining steady volume momentum over the medium-term.
- **Capex commentary:** For the facility in Andhra Pradesh, the board revised the planned GVT expansion capacity upward from 10 MSM to 12.50 MSM, increasing the project cost estimate from ₹210 crore to ₹340 crore. The cost increase covers a larger shed built to accommodate future expansion up to 25 MSM, alongside a new warehouse. Completion is targeted for June 2027. In Rajasthan, the GVT brownfield expansion has been revised from ₹165 crore to ₹180 crore for 11 MSM capacity due to higher civil costs and an enlarged warehouse, with completion expected by April 2027. Additionally, the board approved a new ₹34 crore tile adhesive facility at Durgapur, West Bengal (9,000 MT/month capacity), targeted for completion by December 2027.
- **Pricing commentary:** To offset rising input costs, particularly gas, Kajaria implemented price hikes of 12%-13% till now across ceramic, PVT, and GVT lines in its Northern and Southern facilities. Consolidated revenues grew 24% YoY, partially benefiting from these pricing adjustments. Management stated that no further product price hikes are planned for the near term, as gas costs in North and South plants remain relatively stable. Future EBITDA margin expansion will rely on operational leverage, reduced fixed costs, optimized firing cycles, and freight savings from new plants rather than further price increases.

- **Working Capital:** Kajaria's overall working capital cycle remained stable, marginally increasing by 2 days to 48 days as of September 30, 2026, compared to 46 days in June 2026.
- **Gas Prices:** During Q2 FY27, Kajaria's average fuel cost stood at ₹70 per SCM, with regional averages at ~₹70.5 per SCM in the North, ₹63 per SCM in the South, and ₹75 per SCM in the West. Gas costs remained relatively stable during the quarter, but global spot gas prices surged sharply to \$28–\$30 per SCM amid geopolitical tensions in the Middle East. In Morbi, propane prices increased by ₹12.5 per SCM recently, reducing its discount over natural gas to just 5%. However, Kajaria's long-term supply agreements with GAIL insulate its Northern and Southern plants from spot market spikes.

Exhibit 1: Quarter performance

	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comments
Net Sales	1,468.3	1,186.0	23.8	1,328.1	10.6	Sales growth driven by 10% volume growth in tiles and 11% in tile realizations along with higher growth in non-tiles segments
Other Income	15.8	15.5	1.9	17.1	-8.1	
Net Purchase of Stock in Trade	317.5	256.4	23.8	279.3	13.7	
Cost of Materials Consumed	288.2	253.9	13.5	252.8	14.0	
Staff cost	140.8	130.5	7.9	139.5	0.9	
Other expenditure	137.5	116.7	17.8	125.6	9.4	
Power & Fuel cost	297.8	215.1	38.5	270.5	10.1	
EBITDA	286.6	213.5	34.3	260.4	10.1	Margin improvement driven by price hikes and operating leverage
EBITDA Margin (%)	19.5	18.0	152 bps	19.6	-9 bps	
Depreciation	43.1	41.9	2.9	42.2	2.0	
Interest	5.3	5.8	-8.7	5.0	5.6	
PBT	255.1	181.7	40.3	231.4	10.2	
Taxes	64.2	47.2	36.1	60.3	6.5	
PAT	190.7	133.0	43.4	171.0	11.5	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY27E			FY28E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	5626	5720	1.7	5936	6073	2.3	Realigned estimates
EBITDA	1003	1064	6.1	1039	1094	5.2	
EBITDA Margin (%)	17.8	18.6	77 bps	17.5	18.0	50 bps	
PAT	647	693	7.0	671	711	6.0	
EPS (₹)	40.6	44.1	8.4	42.1	45.2	7.4	

Source: Company, ICICI Direct Research

Exhibit 3: Assumptions

Volume in MSM	FY23	FY24	FY25	FY26	FY27E	FY28E
Sales	101.7	108.1	114.7	115.4	125.1	135.9
YoY	11%	6%	6%	1%	8%	9%
Realization (₹/sqm)	388	376	364	371	403	390
YoY	6%	-3%	-3%	2%	9%	-3%

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	5,720	6,073
Raw Material Exp	898	1,075	1,190	1,251
Cost of Materials	1,068	992	1,258	1,347
Emp Cost	566	530	555	619
Other Expenses	1,477	1,368	1,653	1,762
Total op. expenses	4,009	3,965	4,656	4,979
EBITDA	626	866	1,064	1,094
Interest	20	23	20	20
Depreciation	165	169	156	169
Other income	43	53	55	65
PBT	435	679	943	970
Taxes	136	193	244	251
PAT before MI	299	487	699	719
Minority Interest	5	1	6	8
PAT	294	486	693	711
Growth (%)	(30.3)	65.1	42.5	2.6
EPS (₹)	18.5	30.5	44.1	45.2

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement ₹ crore				
(₹ Crore)	FY25	FY26	FY27E	FY28E
Profit after Tax	294	486	693	711
Depreciation	165	169	156	169
Interest	20	23	20	20
Others	93	140	189	186
CF before wc changes	573	818	1,058	1,086
Net Increase in CA	(9)	(128)	(249)	(102)
Net Increase in CL	44	(14)	96	42
Net CF from op. activities	502	495	661	775
(Purchase)/Sale of FA	(286)	(137)	(293)	(200)
Net CF from Inv. activities	(259)	(89)	(238)	(135)
Inc / (Dec) in Equity Capital	(23)	58	(266)	-
Dividend	(143)	(223)	(283)	(314)
Interest paid	(20)	(23)	(20)	(20)
Inc / (Dec) in Loans	5	(46)	-	-
Net CF from Fin. activities	(175)	(234)	(563)	(326)
Net Cash flow	69	172	(140)	313
Opening Cash	514	583	755	616
Closing Cash/ Cash	583	755	616	929

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	3,193.9	3,590.2
Net-worth	2,744.3	3,065.6	3,209.6	3,605.9
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	3,593.5	3,997.8
Assets				
Gross Block	2,507.2	2,550.5	2,950.5	3,150.5
Less Acc. Dep	923.3	1,015.4	1,171.7	1,340.3
Net Block	1,684.7	1,642.1	1,778.7	1,810.2
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	1,930.5	1,962.0
Investments	33.9	39.0	39.0	39.0
Inventory	618.1	551.5	720.9	765.3
Sundry Debtors	570.2	628.5	783.6	831.9
Loans & Advances	84.5	219.7	144.2	153.1
Cash & Bank	582.9	755.1	615.5	928.7
Other Current Assets	40.5	41.5	41.5	41.5
Total Current Assets	1,896.2	2,196.3	2,305.7	2,720.5
Trade Payable	338.1	319.5	366.4	389.0
Other CL	235.2	237.0	280.7	298.0
Provisions	29.9	29.3	34.6	36.8
Net Current Assets	1,293.1	1,610.5	1,623.9	1,996.8
Total Assets	3,153.1	3,443.4	3,593.5	3,997.8

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
	FY25	FY26	FY27E	FY28E
Per Share Data (₹)				
EPS - Diluted	18.5	30.5	44.1	45.2
Cash EPS	28.9	41.1	54.0	55.9
Book Value	172.3	192.4	204.2	229.5
Dividend per share	9.0	14.0	18.0	20.0
Operating Ratios (%)				
EBITDA / Net Sales	13.5	17.9	18.6	18.0
PAT / Net Sales	6.3	10.1	12.1	11.7
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	21.6	19.7
RoCE	16.0	21.8	26.8	24.8
RoIC	19.8	28.7	32.2	31.8
Valuation Ratios (x)				
EV / EBITDA	27.4	19.6	16.0	15.3
P/E (Diluted)	60.6	36.7	25.4	24.8
EV / Net Sales	3.7	3.5	3.0	2.8
Market Cap / Sales	3.8	3.6	3.1	2.9
Price to Book Value	6.5	5.8	5.5	4.9
Dividend Yield (%)	0.8	1.3	1.6	1.8
Solvency Ratios (x)				
Net Debt / Equity	(0.2)	(0.2)	(0.2)	(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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