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Q1FY27 Result Outlook
8th August 2027

Kajaria Ceramics Ltd

Price hikes driving ASPs higher, sustaining margins

CMP: INR 1,204

Rating: BUY

Target Price: INR 1,617

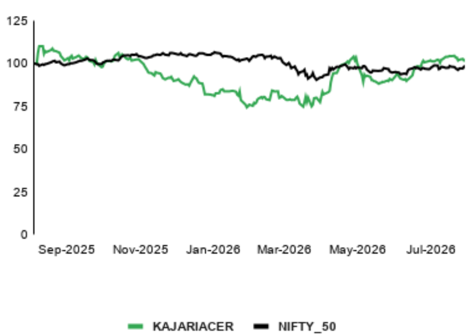
Stock Info	
BSE	500233
NSE	KAJARIACER
Bloomberg	KJC:IN
Sector	Building Materials
Face Value (INR)	1
Mkt Cap (INR Bn)	189.8
52w H/L (INR)	1,322/870
Avg Yearly Volume (in 000')	532

Shareholding Pattern %
(As on June, 2026)

Promoters	47.69
FIIs	11.58
DIIs	26.24
Public & Others	14.48

Stock Performance (%)	1m	6m	12m
Kajaria Ceramics	0.3	31.8	1.4
NIFTY	2.1	-3.7	0.2

Kajaria Ceramics vs Nifty 50



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Volumes for KJC grew by +6% YoY due to a weak April, however revenue grew ~20% primarily due to price hikes, incorporated from previous quarter onwards Kajaria Ceramics Ltd reported Q1FY27 revenues at INR 13,281 Mn, beating our estimate of INR 13,102 Mn. EBITDA stood at INR 2,603 Mn (+39%/-1%, YoY/QoQ), above our estimate of INR 2,380 Mn EBITDA Margin came in at 19.6% (vs 16.9%/19.2%, YoY/QoQ), beating our estimate of 18.2%PAT came in at INR 1,710 Mn (+53%/+10%, YoY/QoQ), above our estimate of INR 1,502 Mn. PAT Margin stood at 12.9% (vs 10.1%/11.4%, YoY/QoQ), beating our estimate of 11.5%

Volume Growth expected to improve: We anticipate the recovery in volumes to continue to improve over FY27E as renovation and construction activity in key regions such as North and East India upticks. These geographies, which were impacted by heavy monsoons in the previous quarters, are expected to drive overall volume growth for KJC. We see the quarterly muted growth to pass onto next quarter. We anticipate tile volumes for FY27E to be ~123 MSM.

Price Hike set to offtake increasing input cost: Current margins of ~19.6% Q1FY27 are expected to sustain in further quarter. Despite the volatility in gas prices the company witnessed an expansion in margins backed by a mix of cost optimization initiatives, lower input costs and unification of segment sales pipelines to single touchpoint. The price hikes also aid in sustaining topline if volumes don't sustain as expected.

Capex: Capex for FY27 has been guided at INR 4bn, primarily towards two brownfield expansion projects. These include a 10 MSM GVT tiles facility at Srikalahasti (Andhra Pradesh) with an investment of INR 2.1bn, targeted for commissioning by March 2027, and an 11 MSM GVT tiles plant at Gailpur (Rajasthan) involving INR 1.65bn, expected to be operational by April 2027. Management indicated that each of these plants has the potential to generate peak annual revenues of INR 4-4.5bn, while also delivering superior margins relative to the existing manufacturing footprint.

Management Reiterates Double-Digit Growth Outlook for FY27: Management reiterated its guidance of double-digit volume growth and ~20% revenue growth for FY27, driven by continued expansion in the projects business, dealer network additions, a richer premium product mix, and further market share gains. The sanitary ware and faucetware segment is expected to remain a key growth driver, with revenues projected to increase by 35-40% during the year. The company expects EBITDA margins to sustain at 18-19%, with annual EBITDA likely to surpass INR 10bn. Additionally, the promoters reaffirmed their decision to forgo salaries during FY27, underscoring their continued focus on long-term shareholder value creation until the company's profitability objectives are achieved.

Outlook and Valuation: Q1FY27 results displayed a moderate uptick in volumes, however incremental price hikes led to high ASPs. Despite expected muted margins in Q1FY27 given the volatility in gas prices, the effect wasn't severe as price hikes upheld the strain on margins. The sanitary ware segment is expected to witness ~10% YoY growth trajectory, while improved export realizations and recovering construction activity in North and East India should upkeep overall revenue growth. We value the company at a 30x P/E, based on FY29E EPS of INR 53.9, maintaining our target price to INR 1,617.

Summary (INR Mn)	FY26	FY27E	FY28E	FY29E
Revenue	48,304	54,064	60,167	65,746
EBITDA	8,650	10,020	11,669	13,706
Margins %	*17.9%*	*18.5%*	*19.4%*	*20.8%*
Net Profit	4,961	6,113	7,376	8,573
NPM %	*10.3%*	*11.3%*	*12.3%*	*13.0%*
EPS	31.2	38.4	46.4	53.9
ROA (%)	12%	14%	15%	16%
ROIC(%)	16%	18%	19%	20%
RoE (%)	16%	18%	19%	20%
D/E	0.10	0.07	0.06	0.06

Source: Company, Arihant Research

INR Mn (Consolidated)	Q1FY27	Q4FY26	Q1FY26	Q-o-Q	Y-o-Y
Net Sales	**13,281**	**13,734**	**11,027**	***-3.3%***	***20.4%***
Gross Profit	5,255	5,200	4,363	***-0.2%***	***-3.2%***
Gross Margin	39.6%	37.9%	39.6%	-	-
Employee costs	1,395	1,281	1,443	***8.9%***	***2.6%***
EBITDA	**2,604**	**2,635**	**1,869**	***-1.2%***	***39.3%***
EBITDA margin	19.6%	19.2%	11.3%	-	-
Other Non-Operating Income	121	24	65	***407.9%***	***50.8%***
Depreciation	422	423	434	***-0.2%***	***-3.2%***
EBIT	**2,181**	**1,716**	**949**	***-1.4%***	***52.3%***
Finance costs	50	58	57	***-12.6%***	***-3.7%***
PBT	**2,303**	**2,211**	**1,235**	***3.0%***	***52.2%***
Tax Expense	603	674	344	***-10.5%***	***52.3%***
Effective tax rate	26%	30%	32%	-	-
PAT	**1,701**	**1,561**	**735**	***9.0%***	***53.6%***
PAT margin	12.8%	11.4%	10.1%	-	-
EPS	10.7	9.8	5.3	***9.0%***	***53.6%***

Concall Highlights – Q1FY27

Management Guidance and Revenue Outlook:

Management is targeting a 20% value growth for FY27, driven by an anticipated 10% increase in volume and a corresponding 10% contribution from value

While Q1 FY27 achieved a 6% YoY volume growth, the company expects double-digit volume growth over the next nine months. Total tile sales volume for the year is projected at approximately 130 million square meters, up from 118 million square meters in FY26.

For the full year, the company is aiming to exceed the INR 10,000 Mn EBITDA mark:

Margin Sustainability and Fuel Dynamics Consolidated revenue for Q1 FY27 reached INR 13,280 Mn, a 20% increase primarily attributed to higher selling prices necessitated by fuel impacts EBITDA margins for the quarter stood at 196%, and management expects to maintain a full-year EBITDA margin profile between 18% and 19% The pricing strategy remains dynamic; while price hikes of 13% to 14% have been implemented to offset gas costs, management notes that the price differential between Kajaria and unorganized Morbi-based competitors has narrowed from 40% to under 20% This compression is expected to drive a decisive consumer shift toward branded products.

Capacity Expansion and Capital Expenditure Kajaria has committed to a total CAPEX of approximately INR 4,000 Mn for FY27, which includes both expansionary and maintenance requirements

Key projects:

Srikalahasti Facility, A 10MSM brownfield expansion in the South, budgeted at INR 2,100 Mn, Gailpur Facility: A 11MSM expansion in Rajasthan at a cost of INR 1,650 Mn, utilizing existing infrastructure to achieve higher capital efficiency These new lines, expected to be operational in Q1 of the next financial year, will focus on larger tile sizes (slabs) and utilize high-volume, cost-effective technology

Segmental and Distribution Strategy Bathware (Kerovit):

This segment registered a 33% revenue growth in Q1 to INR 1,220 Mn Management is guiding for 35% to 40% value growth for the full year, with significant margin improvements expected next year following ongoing restructuring Adhesives: Revenue grew to INR 450 Mn in Q1, with the business expected to scale rapidly as the price gap with informal players narrows Distribution: The company plans to add approximately 100 new dealers this year, with a specific focus on exclusive showrooms to enhance brand visibility Institutional Shift: A major breakthrough with two large-scale Indian builders is expected to provide the lion's share of volume growth in the project segment, a vertical where the company was previously less aggressive Operational and Corporate Governance Notes The company has successfully reduced its working capital cycle by 5 days to 46 days and intends to maintain this lean cycle going forward In a notable move for corporate governance, the promoters have committed to not withdrawing any remuneration/salary for the current financial year. While outsourcing currently accounts for a significant portion of sales to meet immediate demand, management expects dependence on external sourcing to decrease once the new internal capacities at Srikalahasti and Gailpur come online next year.

Outlook: Kajaria Ceramics has signaled a robust growth outlook for FY27, supported by a strategic shift towards a unified organizational structure and aggressive expansion into the institutional project segment. Despite a volatile Q1 impacted by geopolitical disruptions and fuel cost surges, management has issued confident double-digit volume growth guidance for the remainder of the year. The company is leveraging a narrowing price gap between branded and unorganized players to capture market share, supported by a significant INR 4,000 Mn capex plan.

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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