

# Kajaria Ceremics Ltd.

*"Capacity expansion & sustained realisation to drive growth..."*

**"Hold"**

9th May' 14

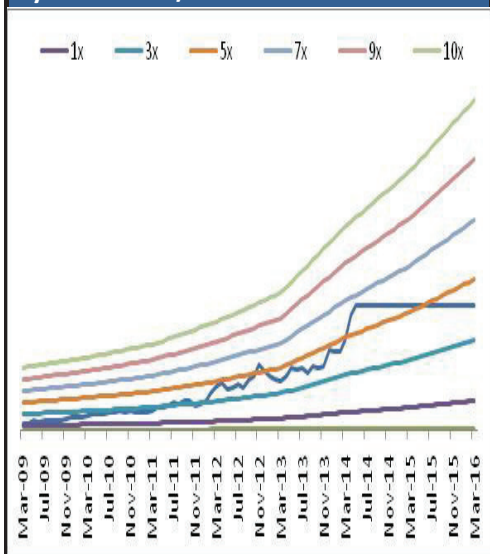
Result update	Hold
CMP	484
Target Price	NA
Previous Target Price	350
Upside	NA
Change from Previous	NA

Market Data	
BSE Code	500233
NSE Symbol	KAJARIACER
52wk Range	174/320
Mkt Capital	3,657
Average Daily	63,000
Nifty	6,660

Stock	1M	1yr	YTD
Absolute	29.8	131.8	30.9
Rel. to Nifty	30.2	117.8	31.0

Share	4QFY14	3QFY14	2QFY14
Promoters	58.9	58.9	55.2
FII	8.0	8.7	8.0
DII	18.0	18.5	21.1
Others	15.1	13.9	15.6

## 1 yr Forward P/B



FY2013-14 was proved as special significance in Kajaria journey as the fiscal in which the Company has taken the big leap toward attaining a dominant position in the Indian tile industry. Despite the slowdown in the overall industrial space, company performed well in 4QFY14 numbers. Company's consolidated revenues increased by 19.9 per cent to Rs 524.3 crore while net profit witnessed a growth by 36.9 per cent to Rs 42.1 crore on yoy basis. Company's EBITDA has gone up by 23.8% on yoy to Rs 84.0 crore against Rs 67.8 crore. The EBITDA margin of the company too has improved by 50 bps and stands at 16.0% in current quarter. For the Full year company witnessed a sales growth of 16.2%, whereas EBITDA and PAT registered a growth of 14.7% & 18.9%.

We expect the further journey will be more exciting as company plan to add further 50% in this existing capacity of 46.60 mn sq mtrs as on 31-3-14, by acquiring a 51% stake in Taurus Tiles, 100% stake in Kajaria Bathware and increase its stake to 61% in Jaxx Vitrified from 51% earlier in its coming period. Company is also analyzing the prospects of a faucets unit- in order to emerge as a holistic bathroom solution provider. We believe that these initiatives will facilitate the company in retaining its industry position and will provide visibility on future growth in near term.

However, owing to the recent price surge in counter in past one month of almost 35% make the current price unjustified at current valuation for make a new position. We downgrade our rating on the stock from "Buy" to "Neutral" however, we maintain our positive view due to its leadership position, proposed capacity expansion and its asset light strategy. We will in future

## Foray in Faucets business

KCL will acquire 100% stake in Kajaria Bathware Pvt Ltd (KBPL), which plans to put up a faucets plant of 1.5 mn pieces per annum in Gailpur (Rajasthan) at a cost of Rs 500 mn. It will also sell 64% stake in Kajaria Sanitaryware Pvt Ltd (KSPL) to KBPL. KSPL was setting up sanitaryware capacity of 7 lakh pieces per annum at Morbi. We will update on the ownership structure of KBPL and KSPL post the analyst meet.

## Valuation :

At the current CMP of Rs. 484, the stock is trading at a PE of 20x and 16x of FY15E and FY16E. The company can post RoE of 26.4% and 26.2% & EPS of Rs. 24.1 and Rs. 30.5 FY14E and FY15E. However, owing to the recent price surge in counter in past one month of almost 35% make the current price unjustified at current valuation for make a new position. We downgrade our rating on the stock from "Buy" to "Neutral" however, we maintain our positive view due to its leadership position, proposed capacity expansion and its asset light strategy. We will in future as flow of information from company will provide and review our estimates accordingly.

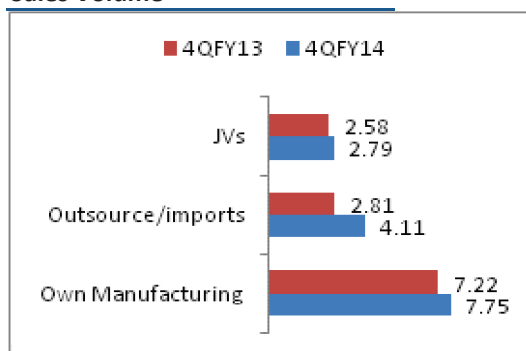
Financials	4QFY14	3QFY14	(QoQ)-%	4QFY13	Rs, Crore
Revenue	524.3	427.9	22.5	437.3	(YoY)-%
EBITDA	84.0	66.5	26.3	67.8	23.9
PAT	42.1	29.4	43.2	30.8	36.8
EBITDA Margin	16.0%	15.5%	50 bps	15.5%	50 bps
PAT Margin	8.0%	6.8%	120 bps	7.0%	100 bps

(Source: Company/ Eastwind Research)

(Consolidated)

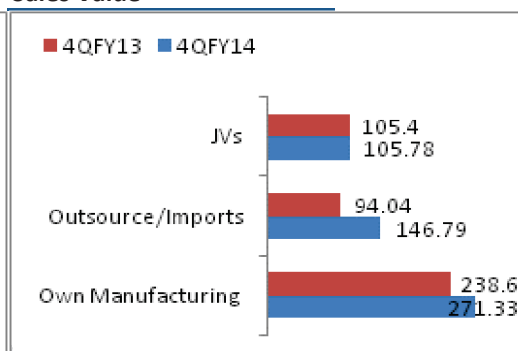
# Kajaria Ceremics Ltd.

## Sales Volume



(Source: Company/Eastwind Research )

## Sales Value



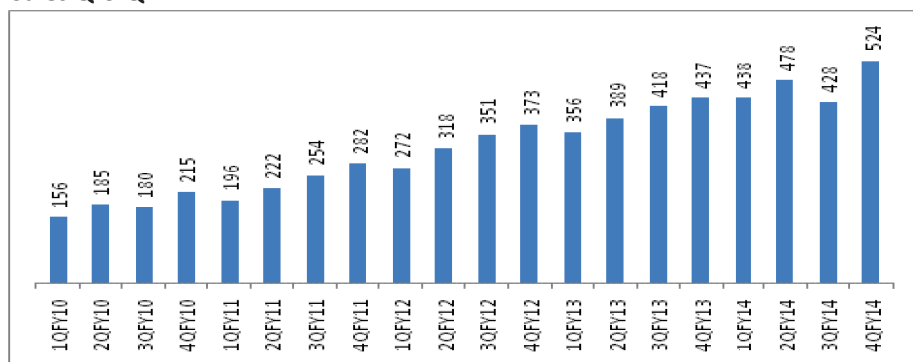
(Source: Company/Eastwind Research )

## Management Guidance FY15:

Expect 18-20% Revenue growth in FY15 out of which a volume growth of about 14 percent and price and value both should add about 4-5 percent.

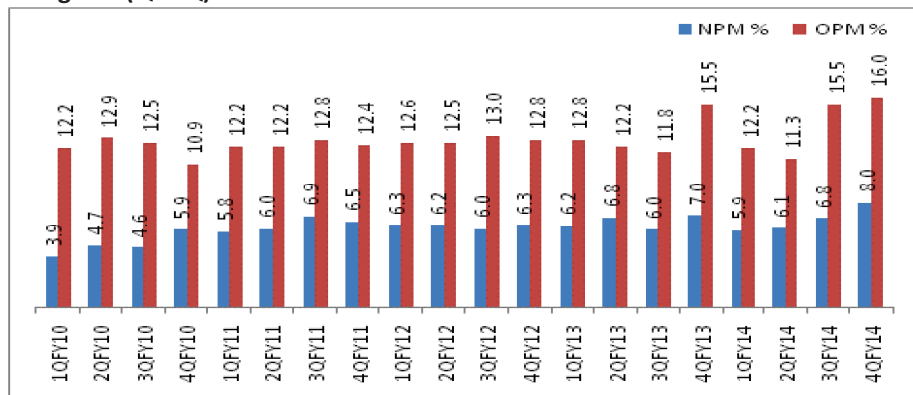
EBITDA margin to be somewhere around 16% in FY15, Expecting a growth somewhere between 50bps to 100bps.

## Sales Q-o-Q



(Source: Company/Eastwind Research )

## Margin % (Q-o-Q)



(Source: Company/Eastwind Research )

# Kajaria Ceremics Ltd.

## Key Financials

PARTICULAR	2009A	2010A	2011A	2012A	2013A	2014E	2014A	2015E	2016E
<b>Performance</b>									
Revenue	664.9	736.4	952.3	1313.0	1612.0	1934.4	1840.0	2208.0	2669.4
Other Income	1.0	0.0	1.1	1.5	3.0	3.0	6.3	3.0	3.0
Total Income	665.9	736.4	953.4	1314.5	1615.0	1937.4	1846.3	2211.1	2672.5
EBITDA	94.9	115.7	147.9	206.8	244.5	285.3	280.7	342.2	413.8
EBIT	70.0	89.0	118.2	167.5	199.9	238.3	233.7	292.2	361.8
DEPRICIATION	24.9	26.7	29.7	39.3	44.6	47.0	47.0	50.0	52.0
INTREST COST	58.2	37.5	30.1	48.5	45.4	44.1	40.8	36.0	36.0
PBT	12.7	51.4	89.2	120.5	157.6	197.2	199.2	259.3	328.8
TAX	3.8	15.6	28.5	38.1	49.9	62.4	67.8	82.1	104.1
Extra Oridiniary Items	NA	NA	NA	NA	NA	NA	NA	NA	NA
Reported PAT	8.9	35.8	60.7	82.5	107.7	127.7	124.2	177.2	224.7
Dividend (INR)	1.7	8.6	17.1	21.4	25.7	29.9	29.9	34.2	39.0
DPS	0.2	1.2	2.3	2.9	3.5	4.1	4.1	4.6	5.3
EPS	1.2	4.9	8.2	11.2	14.6	17.4	16.9	24.1	30.5
<b>Yeild %</b>									
EBITDA %	14.3%	15.7%	15.5%	15.7%	15.2%	14.8%	15.3%	15.5%	15.5%
NPM %	1.3%	4.9%	6.4%	6.3%	6.7%	6.6%	6.7%	8.0%	8.4%
Earning Yeild %	4.4%	7.9%	10.9%	6.6%	7.6%	5.6%	4.8%	5.0%	6.3%
Dividend Yeild %	0.9%	1.9%	3.1%	1.7%	1.8%	1.3%	1.2%	1.0%	1.1%
ROE %	5.5%	18.9%	27.3%	29.2%	30.2%	27.7%	23.5%	26.4%	26.2%
ROCE%	1.8%	7.9%	11.9%	18.1%	20.4%	18.7%	17.2%	20.8%	21.6%
<b>Position</b>									
Net Worth	162	189	223	282	357	462	530	673	858
Total Debt	325	263	288	175	170	220	194	180	180
Capital Employed	487	452	510	457	527	682	723	853	1038
No of Share (Adj)	7	7	7	7	7	7	7	7	7
CMP	27	62	76	170	192	311	349	484	484
<b>Valuation</b>									
Book Value	22.0	25.7	30.2	38.3	48.5	62.7	72.0	91.4	116.6
P/B	1.2	2.4	2.5	4.4	4.0	4.9	4.8	5.3	4.1
Int/Coverage	1.2	2.4	3.9	3.5	4.4	5.4	5.7	8.1	10.0
P/E	23	13	9	15	13	18	21	20	16

(Source: Company/Eastwind Research )

(Ammount in crores)