



NOTHING PREDICTION
BUT SOLID DECISION

BUY- Kajaria Ceramics Ltd (Ceramics - Tiles / Sanitaryware)

Sept	2010	CMP	77	TARGET	120,133
BSE Code	500233	NSE Symbol	KAJARIACER	P/E	13.81038
ISIN Demat	INE217B01028	Div & Yield %	1.29534	EPS	5.59
Book Value	25.73	Market Cap(Rs.Cr)	568.192	Face Value	2

- Kajaria Ceramics Q1 results were better than our estimates with 25% revenue growth and PAT growth of 87% YoY. We maintain our BUY reco on the stock.
- Commissioning of the vitrified plant in Jan'10 contributed to volume growth of 5% while improved product mix drove blended realisations by 16%.
- The company shifted from high cost propane to natural gas for fuel from May'10, which is expected to drive its EBITDA margins with estimated annual cost savings of Rs.190 mn.
- Ongoing capex for setting up 6mn sqm vitrified tiles plant is scheduled to be commissioned by Dec'10

Fix Capital (FII's) bought sizable stake in Kajaria on 22 Sept 10.

Strong revenue growth driven by improved product mix

Kajaria reported net revenue growth of 25% to Rs. 2 bn, 5% higher than our est. The company commissioned manufacturing of polished vitrified tiles in Jan'10 which has helped kajaria to report volume growth of 5% to 6.1mn sqm in Q1FY11. Driven by sustainable focus on improving product mix, which included higher share of value added products and higher manufacturing of larger sized tiles, blended realisations for Q1 FY11 improved by 16% YoY.

Lower fuel cost and increase in realisation to drive margins

The company has shifted from high cost propane to low cost natural gas from May'10 which is likely to result in annual cost savings of Rs. 190mn. Further, improved product realisation are expected to support margin expansion in subsequent quarters. The company reported EBITDA margins of 16% in

Q1 FY11, which was in line with our est. by 87% to Rs. 113mn, which was 15% above our estimates. EPS for the quarter stood at Rs. 1.5 as against Rs. 0.8 in Q1 FY10.

Capex on schedule, Maintain Buy

The company's capex plan to put vitrified plans (polished and glazed) is as per schedule (expected completion by Dec'10) should drive its volume growth for FY12. Management outlook for the industry remains buoyant driven by strong volume growth at 14% and growing preference for high end value added tiles which is likely to drive overall realisations and EBITDA margins. Further, with improved asset turnover of 2.5x on brownfield capex as against the historical 1x, Kajaria is likely to witness RoE expansion from 19% in FY10 to 26% by FY12E. We believe that with strong brand and diversified dealers distribution network, Kajaria is well placed to benefit from the industry growth. We maintain our FY11E and FY12 EQS estimates of Rs. 6.7 and Rs. 9.1 respectively and recommend Buy with a price target of Rs. 120, based on 10x FY12E EPS.

ShareHoldings on June'10

Promotor share holding

Sr. No	Name of the shareholder	Total shares held	
		Number of shares	Shares as a percentage
1	Shikha Kajaria	200000	0.27
2	Rasika Kajaria	250000	0.34
3	Chetan Kajaria	800000	1.09
4	Rishi Kajaria	922858	1.25
5	Ashok Kumar Kajaria	995375	1.35
6	Versha Devi Kajaria	1170007	1.59
7	Ashok Kumar Kajaria	2884500	3.92
8	Cheri Ceramics Pvt Ltd	4860385	6.61
9	Pearl Tile Marketing Pvt Ltd	5084240	6.91
10	Kajaria Securities Pvt Ltd	6611905	8.99
11	Kajaria Export Ltd	13992545	19.02
TOTAL		37771815	51.34

Others share holding

Sr. No	Name of the shareholder	Total shares held	
1	Alchemy India Long Term Fund Ltd	1000000	1.36
2	Dsp Black Rock Micro Cap Fund	1250118	1.7
3	Dsp Blackrock Tax Saver Funds	1350000	1.83
4	Moonstar Securities Trading & Finance Co Ltd	2004001	2.72

5	Swarn Projects Limited	2295836	3.12
6	Rakesh Jhunjhunwala	2502642	3.4
7	Ashish Dhawan	3549411	4.82
8	High Value Traders Pvt Ltd	4084735	5.55
TOTAL		18036743	24.5
Individual shareholders holding nominal share capital up to Rs. 1 lakh		8088087	10.99

Key Financial Ratios

Years	Mar 2010	Mar 2009	Mar 2008	Mar 2007	Mar 2006
Debt-Equity Ratio	1.67	2.09	2.26	1.93	1.37
Long Term Debt-Equity Ratio	1.02	1.22	1.42	1.27	0.86
Current Ratio	1.05	1.05	1.02	0.95	0.81
Fixed Assets	1.47	1.39	1.05	0.97	0.94
Inventory	5.5	4.73	3.88	4.72	6.07
Debtors	10.57	9.94	7.91	7.7	7.6
Interest Cover Ratio	2.21	1.22	1.48	1.43	3.53
PBIDTM (%)	15.73	13.88	16.17	13.12	19.48
PBITM (%)	12.25	10.27	11.7	8.16	14.33
PBDTM (%)	10.19	5.45	8.25	7.42	15.42
CPM (%)	8.16	4.9	7.3	6.72	13.16
APATM (%)	4.68	1.29	2.84	1.76	8.01
ROCE (%)	19.99	14.5	12.81	8.77	16.75
RONW (%)	20.4	5.62	10.13	5.53	22.17

Quarterly Results

Particulars	Jun 2010 (Rs.Cr)	Mar 2010 (Rs.Cr)	Dec 2009 (Rs.Cr)	Sep 2009 (Rs.Cr)	Jun 2009 (Rs.Cr)	Mar 2009 (Rs.Cr)
Gross Sales	207.05	226.29	188.34	192.24	159.88	189.47
Other Operating Income	0.39	0.48	0.2	0.08	0.06	0.59
Other Income	0	0	0	0	0	0
Total Income	195.5	214.94	179.9	185.45	156.06	185.7
Total Expenditure	164.2	184.1	150.86	155.01	130.71	157.47
PBITD	31.3	30.84	29.04	30.44	25.35	28.23
Interest	7.77	4.81	10.04	11.75	10.92	20.15

PBDT	23.53	26.03	19	18.69	14.43	8.08
Depreciation	7.36	7.39	6.48	6.47	6.37	6.22
Tax	4.85	5.87	4.25	3.45	2.02	1.29
Deferred Tax	0	0	0	0	0	0
Reported Profit After Tax	11.32	12.77	8.27	8.77	6.04	0.57
Extra-ordinary Items	0	0	0	0	0	0
Adjusted Profit After Extra-ordinary item	11.32	12.77	8.27	8.77	6.04	0.57
EPS (Unit Curr.)	1.54	1.74	1.12	1.19	0.82	0.08
EPS (Adj) (Unit Curr.)	1.54	1.74	1.12	1.19	0.82	0.08
Calculated EPS (Unit Curr.)	1.54	1.74	1.12	1.19	0.82	0.08
Calculated EPS (Adj) (Unit Curr.)	1.54	1.74	1.12	1.19	0.82	0.08
Calculated EPS (Ann.) (Unit Curr.)	6.16	6.94	4.5	4.77	3.28	0.31
Calculated EPS (Adj) (Ann.) (Unit Curr.)	6.16	6.94	4.5	4.77	3.28	0.31
Book Value (Unit Curr.)	0	0	0	0	0	0
Dividend (%)	0	0	0	0	0	0
Equity	14.71	14.71	14.71	14.71	14.71	14.71
Reserve & Surplus	0	0	0	0	0	0
Face Value	2	2	2	2	2	2
Public Shareholding (No Of.Shares)	35811765	35811765	34961765	34961765	35611765	35611765
Public Shareholding (% in Equity)	48.67	48.67	47.51	47.51	48.4	48.4
Pledged/Encumbered - No. of Shares	0	0	0	1500000	1500000	1500000
Pledged/Encumbered - % in Total Promoters Holding	0	0	0	3.88	3.95	3.95

Pledged/Encumbered - % in Total Equity	0	0	0	2.04	2.04	2.04
Non Encumbered - No. of Shares	37771815	37771815	38621815	37121815	36471815	36471815
Non Encumbered - % in Total Promoters Holding	100	100	100	96.12	96.05	96.05
Non Encumbered - % in Total Equity	51.33	51.33	52.49	50.45	49.56	49.57
PBIDTM(%)	16.04	14.38	16.16	16.42	16.25	15.25
PBDM(%)	12.06	12.14	10.57	10.08	9.25	4.36
PATM(%)	5.8	5.95	4.6	4.73	3.87	0.31

Profit & Loss A/c

	(Rs. In Crores)					
	Mar 2010	Mar 2009	Mar 2008	Mar 2007	Mar 2006	Mar 2005
INCOME :						
Sales Turnover	766.75	691.2	528.91	436.8	351.79	300.4
Excise Duty	31.22	26.32	28.37	25.64	21.36	20.46
Net Sales	735.53	664.88	500.54	411.16	330.43	279.94
Other Income	5.77	1	3.61	0.98	0.81	1.02
Stock Adjustments	0.55	-10.95	31.32	45.1	14.47	0.2
Total Income	741.85	654.93	535.47	457.24	345.71	281.16
EXPENDITURE :						
Raw Materials	360.29	353.45	267.23	227.75	147.06	103.78
Power & Fuel Cost	106.07	91.69	78.55	75.39	60.62	53.37
Employee Cost	61.29	49.18	40.4	27.6	20.06	16.44
Other Manufacturing Expenses	16.77	13.37	14.03	13.19	10.08	10.3
Selling and Administration Expenses	69.09	53.3	47.92	54.61	38.34	33.47
Miscellaneous Expenses	7.73	-1.99	1.83	1.39	1.01	3.04

Less: Pre-operative Expenses Capitalised	0	0	0	0	0	0
Total Expenditure	621.24	559	449.96	399.93	277.17	220.4
Operating Profit	120.61	95.93	85.51	57.31	68.54	60.76
Interest	42.46	58.24	41.86	24.9	14.28	14.61
Gross Profit	78.15	37.69	43.65	32.41	54.26	46.15
Depreciation	26.71	24.94	23.61	21.68	18.12	14.88
Profit Before Tax	51.44	12.75	20.04	10.73	36.14	31.27
Tax	14.19	1.79	1.91	1.31	4.01	2.09
Fringe Benefit tax	0	0.8	0.66	0.48	0.46	0
Deferred Tax	1.4	1.26	2.45	1.27	3.5	3.69
Net Profit	35.85	8.9	15.02	7.67	28.17	25.49
Extraordinary Items	-0.48	-0.24	0.66	-0.1	-0.06	-1.4
Adjusted Net Profit	36.33	9.14	14.36	7.77	28.23	26.89
Adjst. below Net Profit	0	0	-0.01	-0.01	0	0
P & L Balance brought forward	81.91	72.85	58.94	52.33	34.41	19.17
Statutory Appropriations	0	0	0	0	0	0
Appropriations	18.34	-0.16	1.1	1.05	10.25	10.25
P & L Balance carried down	99.42	81.91	72.85	58.94	52.33	34.41
Dividend	7.36	1.47	1.47	1.47	5.15	5.15
Preference Dividend	0	0	0	0	0	0
Equity Dividend %	50	10	10	10	35	35
Earnings Per Share-Unit Curr	4.71	1.18	2.01	1.01	3.73	16.83
Earnings Per Share(Adj)-Unit Curr	4.71	1.18	2.01	1.01	3.73	3.37
Book Value-Unit Curr	25.73	22.02	21.04	19.24	18.43	80.5

Balance Sheet

(Rs. In Crores)

	Mar 2010	Mar 2009	Mar 2008	Mar 2007	Mar 2006	Mar 2005
SOURCES OF FUNDS :						
Share Capital	14.72	14.72	14.72	14.72	14.72	14.72
Reserves Total	174.62	147.35	140.17	126.89	120.9	103.77
Equity Share Warrants	0	0	0	0	0	0
Equity Application Money	0	0	0	0	0	0
Total Shareholders Funds	189.34	162.07	154.89	141.61	135.62	118.49
Secured Loans	258.83	292.67	290.6	307.38	192.08	140.17
Unsecured Loans	4	32.5	46.66	24.99	10.5	5.02
Total Debt	262.83	325.17	337.26	332.37	202.58	145.19
Total Liabilities	452.17	487.24	492.15	473.98	338.2	263.68
APPLICATION OF FUNDS :						
Gross Block	543.55	501.49	490.07	514.19	388.49	360.66
Less : Accumulated Depreciation	198.76	173.83	151.87	159.14	138.41	120.37
Less: Impairment of Assets	0	0	0	0	0	0
Net Block	344.79	327.66	338.2	355.05	250.08	240.29
Lease Adjustment	0	0	0	0	0	0
Capital Work in Progress	2.54	0	2.63	2.98	31.68	6.18
Producing Properties	0	0	0	0	0	0
Investments	3.39	3.39	3.39	6.46	4.46	4.46
Current Assets, Loans & Advances						
Inventories	140.26	138.46	153.94	118.98	65.95	49.96
Sundry Debtors	77.32	67.8	71.25	62.51	50.92	41.63
Cash and Bank	4.49	7.89	8.28	3.99	5.04	2.88
Loans and Advances	75.58	82.68	46	40.79	25.31	26.89
Total Current Assets	297.65	296.83	279.47	226.27	147.22	121.36
Less : Current Liabilities and Provisions						
Current Liabilities	119.77	82.99	74.76	63.74	36.77	55.26
Provisions	21.58	4.2	4.58	3.29	9.99	8.37
Total Current Liabilities	141.35	87.19	79.34	67.03	46.76	63.63
Net Current Assets	156.3	209.64	200.13	159.24	100.46	57.73
Miscellaneous Expenses not written off	0	0	0	0	0	0
Deferred Tax Assets	0	0	0	0	0	0
Deferred Tax Liability	54.85	53.45	52.2	49.75	48.48	44.98
Net Deferred Tax	-54.85	-53.45	-52.2	-49.75	-48.48	-44.98
Total Assets	452.17	487.24	492.15	473.98	338.2	263.68
Contingent Liabilities	110.52	86.44	69.01	88.7	99.01	51.95

