

About the company:

Kajaria Ceramics Limited is an India-based ceramic floor and wall tile manufacturer. The Company's manufacturing facilities are located at Sikandrabad and Gailpur. Sikandrabad unit's annual floor tile capacity is 6.9 million square meters and Gailpur unit's annual wall tile capacity is 14.10 million square meters. The Company manufactures ceramic glazed wall and floor tiles. It also customizes floor tiles for diverse applications in heavy footfall spaces, pavements, landscapes, living rooms and bathrooms. It imports vitrified tiles from China. The Company's product portfolio consists of wall tiles, floor tiles, highlighters, vitrifies tiles and imported tiles. The Company is marketing ceramic tiles through dealers, sub-dealers and retailers.

Investment Rational :

Kajaria Ceramic's June Quarter PAT Rs **11.32 Cr. up 87% YoY** and Revenue Rs. 195.11 Cr. up by 25% is showing good operational performance.

Kajaria Ceramics is positioning itself as one of the largest manufacturers of Ceramics tiles (Floor & Wall) with an annualized **growth of 22% over the last five years** against the Industry's 15%.

Debt/Equity ratio of company is going down significantly from **2.01 in FY09 to 1.39 in FY10** and expected to go down to **1.25 in FY11** indicating good fundamental strength.

Brown field expansion by 6 MSM of Polished and Glazed Vitrified tiles at Gailpur (Rajasthan) almost **25% of existing Capacity** of 23.40 MSM expected to go on stream by December, 2010.

The per capita consumption of Ceramics/Vitrified tile in India is **0.36 Sq.Mtr** against China's per capita consumption 2.00 Sq.Mtr indicating lot of scope of consumption in India.

Kajaria sells 70% in retail and 30% in projects (Builders) as against Industry average 50:50.

Kajaria ceramics has signed an agreement with GAIL for supply of RLNG for its Gailpur plant (Rajasthan) which will help reduce the **fuel cost substantially by approx. Rs.18-19 Cr.** In full year.

Strong distribution network of more than 6000 dealers and sub-dealers with 17 office -cum-display centres in all over India.

Strong Brand Recall under the name of "**KAJARIA**" No.1 brand in ceramics tiles in India. Kajaria Ceramics is the only Ceramics tile Company in the country conferred with "Superbrand" for 4th consecutive time.

CMP Rs. 67.90	TP Rs. 90+
NSE Code	KAJARIACER
BSE Code	500233
ISIN Code	INE217B01028
Industry	Tiles

Key Share Data:

Face Value	Rs.2
52 Weak H/L	Rs.72 / 35.90
Equity Cap.(Cr.)	Rs.14.71
Market Cap.(Cr.)	Rs. 499.40
Book Value	Rs.25.74
EPS(TTM)	Rs. 5.59
P/E Ratio	Rs. 12.14
Industry P/E Ratio	Rs. 9.27

Share Holding Pattern as on 30Jun, 2010

Promoter	51.33
FII	2.16
DII	5.76
Bodies Corp.	18.23
Others	22.52
Total	100.00

Stock Performance with Sensex



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Share holding more than 1% as on Jun, 2010

S.No.	Name of the Shareholder	No. of Shares	% of Total Shares
A	Promoters	3,77,71,815	51.33
B	Public	1,80,36,743	24.51
1	High Value Traders Pvt Ltd	40,84,735	5.55
2	Ashish Dhawan	35,49,411	4.82
3	Rakesh Jhunjhunwala	25,02,642	3.40
4	Swarn Projects Ltd	22,95,836	3.12
5	Moonstar Securities Trading & Finance Pvt Ltd.	20,04,001	2.72
6	DSP Black Rock Tax Saver Fund	13,50,000	1.83
7	DSP Balck Rock Micro Cap Fund	1250118	1.70
8	Alchemy India Long Term Fund Ltd	10,00,000	1.36
	Total	55,808,558	75.84

Share Holding Pattern from Jun, 2009 to Jun, 2010

	Jun,2010	Mar,2010	Dec,2009	Sep,2009	Jun,2009
Promoters %	51.33	51.33	52.49	52.49	51.60
Public %	48.67	48.67	47.51	47.51	48.40
FII	2.16	3.13	1.43	1.48	0.14
DII	5.76	6.45	1.64	1.50	1.50
Bodies Corporate	18.23	17.57	20.69	23.32	25.86
Retail	22.52	21.52	23.75	21.21	20.90
Total	7,35,83,580	7,35,83,580	7,35,83,580	7,35,83,580	7,35,83,580

Ratio Analysis

Particulars	2007-08	2008-09	2009-10	2010-11 E*
P/E	16.89	31.40	13.93	7.45
P/CEPS	6.57	7.96	7.81	5.18
P/B.V.	1.64	1.71	2.64	2.04
EBIDTA %	16.29	14.41	15.71	17.00
NPM %	2.99	1.34	4.87	7.13
RoNW %	9.70	5.43	18.94	27.38
RoCE %	3.05	1.82	7.93	13.27
E.V./EBIDTA	7.12	6.22	6.55	4.72
E.V./Sale	1.16	0.90	1.03	0.80

Annual Results

(Rs. In Cr.)

Particulars	2007-08	2008-09	2009-10	2010-11 E*
Revenue	502.65	665.88	736.35	940.00
Expenditure	420.76	569.95	620.68	780.00
EBIDTA	81.89	95.93	115.67	160.00
Depreciation	23.61	24.94	26.71	29.50
EBIT	58.28	70.99	88.96	130.50
Interest	39.78	58.24	37.52	35.50
Tax	5.01	3.85	15.59	28.00
Net Profit	15.02	8.90	35.85	67.00
Cash Profit	38.63	33.84	62.56	96.50
Reserve	140.17	149.07	174.62	230.00
Equity (FV. 2)	14.71	14.71	14.71	14.71
EPS	2.04	1.21	4.87	9.11
CEPS	5.25	4.60	8.51	13.12
Book Value	21.06	22.27	25.74	33.27

Note: * Analyst Estimated 2010-11

Valuation

Our outlook for the industry remains buoyant driven by strong volume growth at approx 15% and Kajaria is well placed to benefit from the Industry growth with strong brand and strong dealer's distribution network. The company's expansion plan for Polished & Glazed tiles, is as per schedule (expected to go on stream by December, 2010) should drive its volume growth for FY11 & FY12.

We expect Kajaria will maintain **top line growth of 27%** in FY11 and **23%** in FY12. More importantly in the Q1, the company has shown a very strong kind of traction in numbers. Revenues are up by **25%** YoY and the **bottom-line is up by 87%**. **Kajaria Ceramics** is trading at highly attractive **P/E of 7.45 on its FY11E EPS**.

Hence we initiate **BUY rating with a target price of Rs.90+** in coming 6 to 9 months.

Arch Finance Limited (Member: NSE & BSE, NSDL & CDSL)

ARCH FINANCE LTD:- NSE CASH-INB 23969834 F&O INF 230969834; BSE:INB010969831
DP: CDSL -IN-DP-CDSL-406-2007; NSDL IN-DP-NSDL-284-2007; Mutual fund: 48283

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