

## 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** Dec Quarter PAT Rs **17.59 Cr. up 112.69% YoY** and Revenue Rs. 253.85 Cr. up by 42% 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 was completed by Feb, 2011.

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.

**The conversion program** of part of ceramics **floor tiles at sikandrabad plant into vitrified (2.6MSMp.a.)** was completed by 28Mar, 2011 which lead improvement in realization and, margins.

**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 4<sup>th</sup> consecutive time.

<b>Price Rs 77.00</b>	<b>TP Rs. 90+</b>
<b>NSE Code</b>	<b>KAJARIACER</b>
<b>BSE Code</b>	<b>500233</b>
<b>ISIN Code</b>	<b>INE217B01028</b>
<b>Industry</b>	<b>Tiles</b>

## Key Share Data:

<b>Face Value</b>	<b>Rs.2</b>
<b>52 Weak H/L</b>	<b>Rs.83.60 / 49.25</b>
<b>Equity Cap.(Cr.)</b>	<b>Rs.14.71</b>
<b>Market Cap.(Cr.)</b>	<b>Rs. 566.33</b>
<b>Book Value</b>	<b>Rs.25.74</b>
<b>EPS(TTM)</b>	<b>Rs. 7.48</b>
<b>P/E(Adj.FY12E)</b>	<b>Rs. 6.23</b>
<b>Industry P/E Ratio</b>	<b>Rs. 9.57</b>

## Share Holding Pattern as on 31Mar, 2011

<b>Promoter</b>	<b>51.33</b>
<b>FII</b>	<b>3.45</b>
<b>DII</b>	<b>7.72</b>
<b>Bodies Corp.</b>	<b>11.62</b>
<b>Others</b>	<b>25.88</b>
<b>Total</b>	<b>100.00</b>

## Stock Performance with Sensex



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## Share holding more than 1% as on Mar, 2011

S.No.	Name of the Shareholder	No. of Shares	% of Total Shares
<b>A</b>	<b>Promoters</b>	<b>37771815</b>	<b>51.33</b>
<b>B</b>	<b>Public</b>	<b>16214959</b>	<b>22.04</b>
1	Ashish Dhawan	4508458	6.13
2	High Value Traders Pvt Ltd	2013430	2.74
3	Mogan Stanley Mauritius Company Ltd	1289802	1.75
4	HSBC Progressive Themes fund	1787627	2.43
5	DSP Black Rock Tax Saver Fund	1515500	2.06
6	Swarn Projects Ltd	1835700	2.49
7	Rakesh Jhunjhunwala	750000	1.02
8	Alchemy India Long Term Fund Ltd	1000000	1.36
9	DSP Balck Rock Micro Cap Fund	1514442	2.06
	<b>Total</b>	<b>53986774</b>	<b>73.37</b>

## Ratio Analysis

Particulars	2008-09	2009-10	2010-11E*	2011-12E*
<b>P/E</b>	31.40	13.93	9.75	6.24
<b>P/CEPS</b>	7.96	7.81	6.28	4.55
<b>P/B.V.</b>	1.71	2.64	2.38	1.81
<b>EBIDTA %</b>	14.41	15.71	15.90	16.50
<b>NPM %</b>	1.34	4.87	6.18	7.57
<b>RoNW %</b>	5.43	18.94	24.44	29.05
<b>RoCE %</b>	1.82	7.93	11.01	15.32
<b>RoA %</b>	2.72	10.32	12.95	20.40
<b>E.V./EBIDTA</b>	6.22	6.55	5.71	4.20
<b>E.V./Sale</b>	0.90	1.03	0.91	0.69

## Annual Results

(Rs. In Cr.)

Particulars	2008-09	2009-10	2010-11E*	2011-12E*
<b>Revenue</b>	665.88	736.35	940.00	1200.00
<b>Expenditure</b>	569.95	620.68	790.50	1002.00
<b>EBIDTA</b>	95.93	115.67	149.50	198.00
<b>Depreciation</b>	24.94	26.71	32.10	33.70
<b>EBIT</b>	70.99	88.96	117.40	164.30
<b>Interest</b>	58.24	37.52	33.50	34.00
<b>Tax</b>	3.85	15.59	25.80	39.50
<b>Net Profit</b>	8.90	35.85	58.10	90.80
<b>Cash Profit</b>	33.84	62.56	90.20	124.50
<b>Reserve</b>	149.07	174.62	223.00	297.90
<b>Equity (FV. 2)</b>	14.71	14.71	14.71	14.71
<b>EPS</b>	1.21	4.87	7.90	12.35
<b>CEPS</b>	4.60	8.51	12.26	16.93
<b>Book Value</b>	22.27	25.74	30.34	42.50

Note: \* Analyst Estimated

## 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. We positive on Company's expansion plan for Polished & Glazed tiles, which will kick the margin in FY12.

We expect Kajaria will maintain **top line growth of 27%** in FY11 and **28%** in FY12. More importantly in the Q3, the company has shown a very strong kind of traction in numbers. Revenues are up by **42%** YoY and the **bottom-line is up by 113%**. **Kajaria Ceramics** is trading at highly attractive **P/E of 9.75 on its FY11E EPS and 6.24 on FY12E**.

Hence we give Accumulate **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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