

4th October, 2019

Company Name:- Kajaria ceramics

Address:- J1/B1 (Extn.), Mohan Co - op Industrial Estate, Delhi

Industry:- Ceramics

Established Date:- 1954

Website: <http://www.naperol.com/>

CMP: Rs. 560

52 week High/low: 650/417

PE Ratio: 29.78

Dividend yield %: 0.58%

Market Cap: Rs 8860 crs

Company Background

The largest manufacturer of ceramic and vitrified tiles in India. Equipped with cutting-edge technology, we at Kajaria strive to deliver quality products and services to our customers. Our team of experts work around the clock to ensure that the quality of our product is never compromised.

In order to cater to the specific needs of our customers we produce various categories of tiles, including kitchen tiles, bathroom tiles, wall tiles, floor tiles and exterior wall tiles. We aim at producing tiles that complement the distinctive style of our customers and cater to the vast needs of Indian audience. All of our tiles are crafted with intense care using state-of-the-art technology to ensure that we live up to the expectations of our buyers. Choicest of materials are used to produce our magnificent range of products.

Key ratios

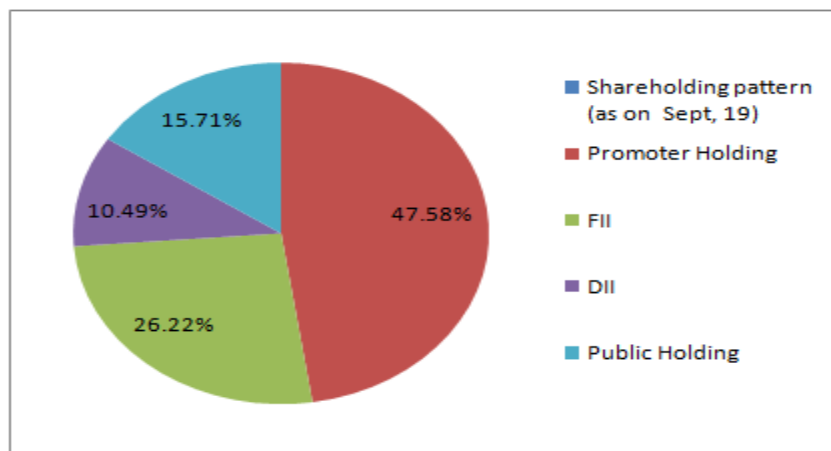
Amt (in crs)

Particulars	2015	2016	2017	2018	2019
PE Ratio	36	16	36.7	38	41
Debt-equity ratio	0.4	0.3	0.2	0.2	0.1
Gross block	1675	1694	1661	1541	1245
Non-current investments	0.1	0.1	0.1	0.3	0.3
Book value per share (in Rs)	93	61	74	84	98
EV/EBITDA	18	8	18.5	19.4	20
Sales (in Rs. crs)	2186	2700	2854	2782	2956
EBITDA (in Rs. crs)	354	457	496	456	450
PAT (in Rs. crs)	175	231	252	235	226
Dividend Payout %	18	17	19	21	21

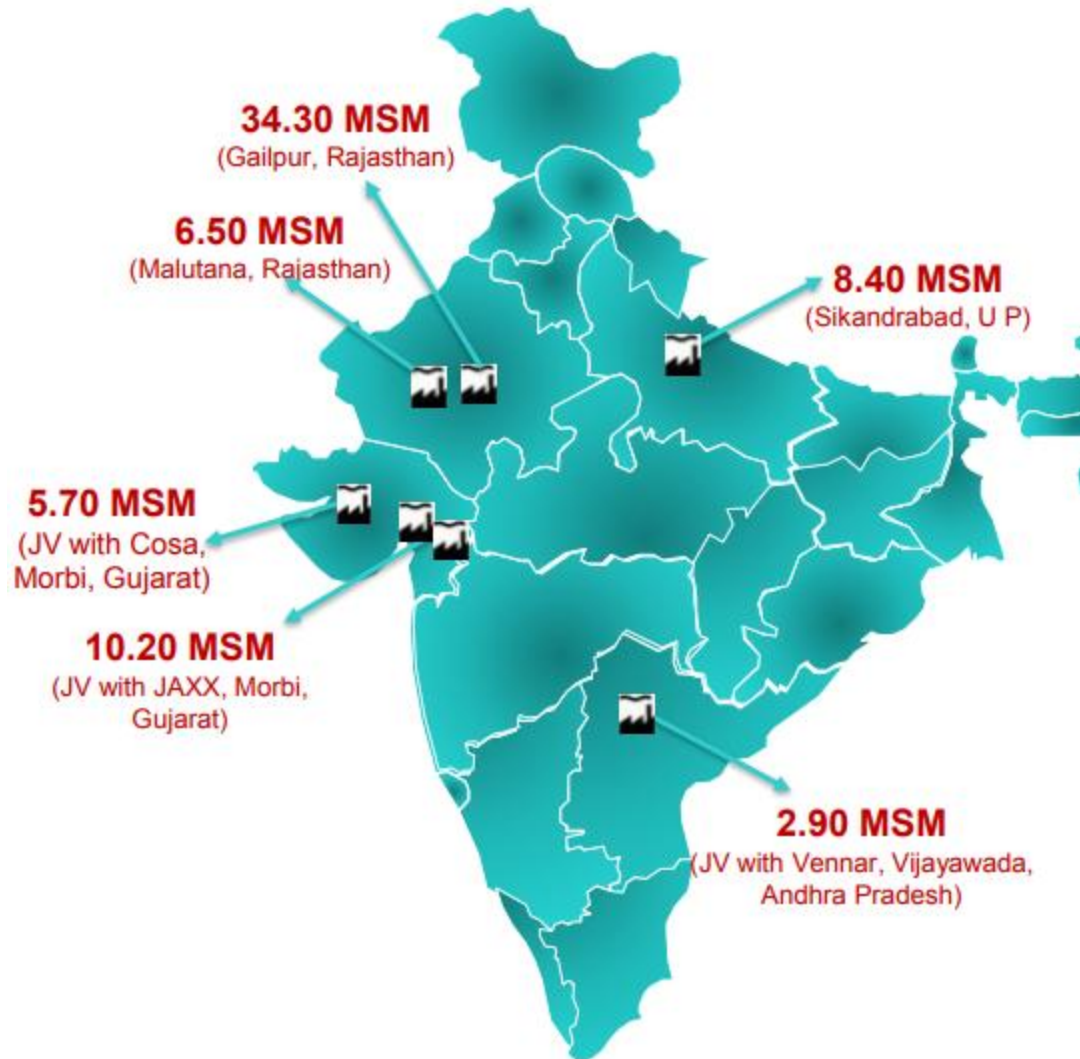
Shareholding pattern

Shareholding pattern (as on Sept, 19)

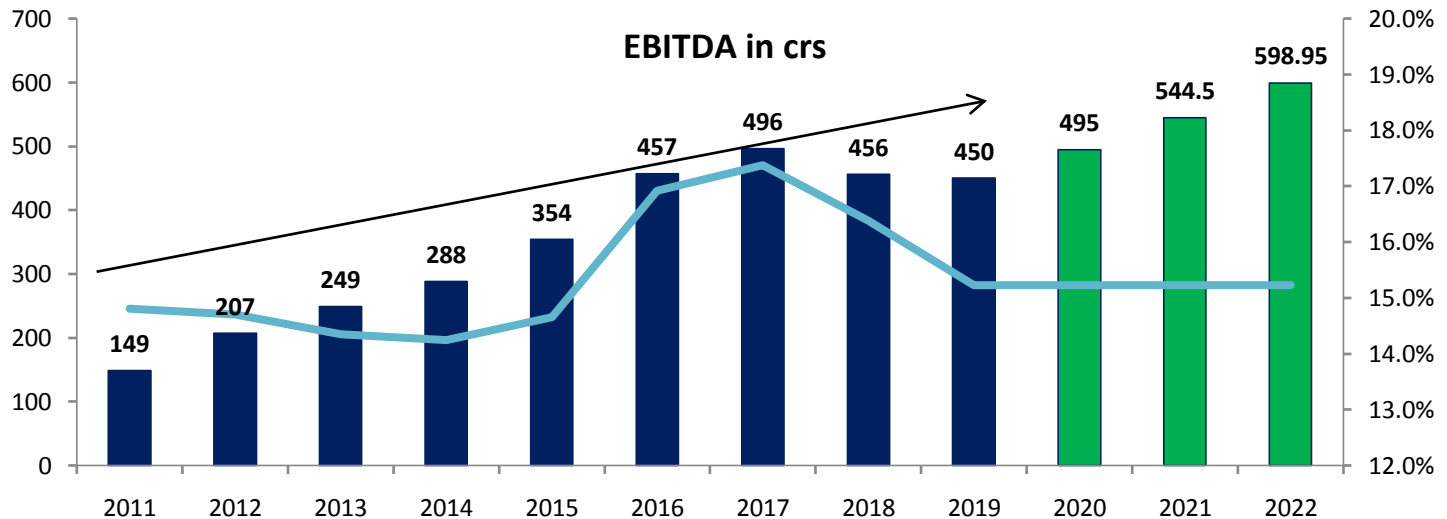
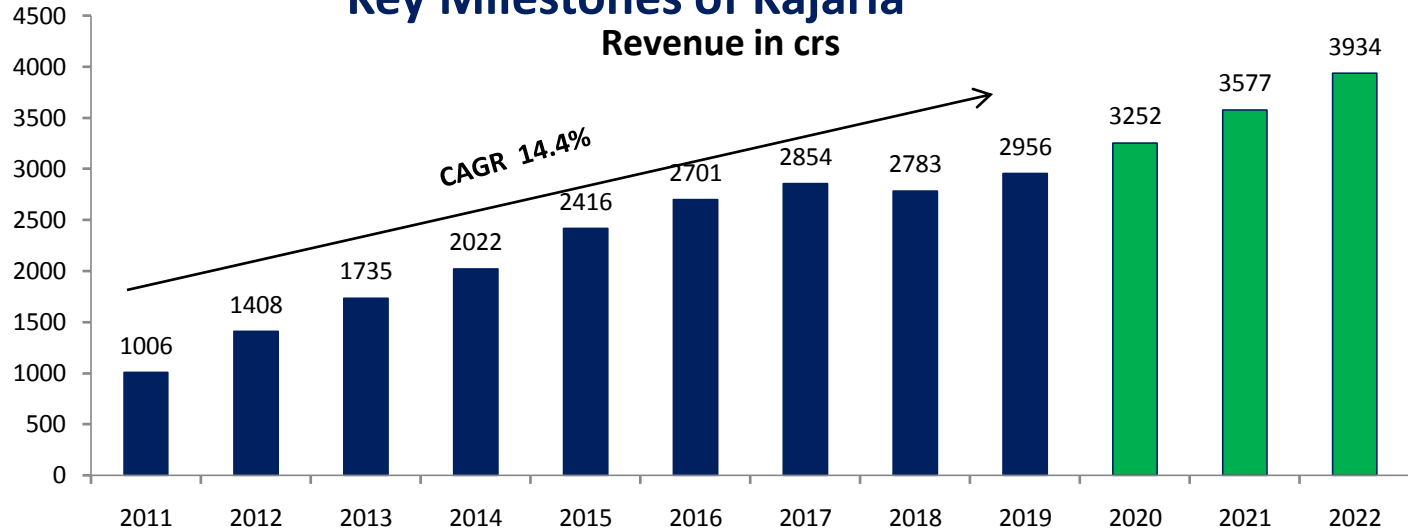
Promoter Holding	47.58%
FII	26.22%
DII	10.49%
Public Holding	15.71%



Plant locations of Kajaria



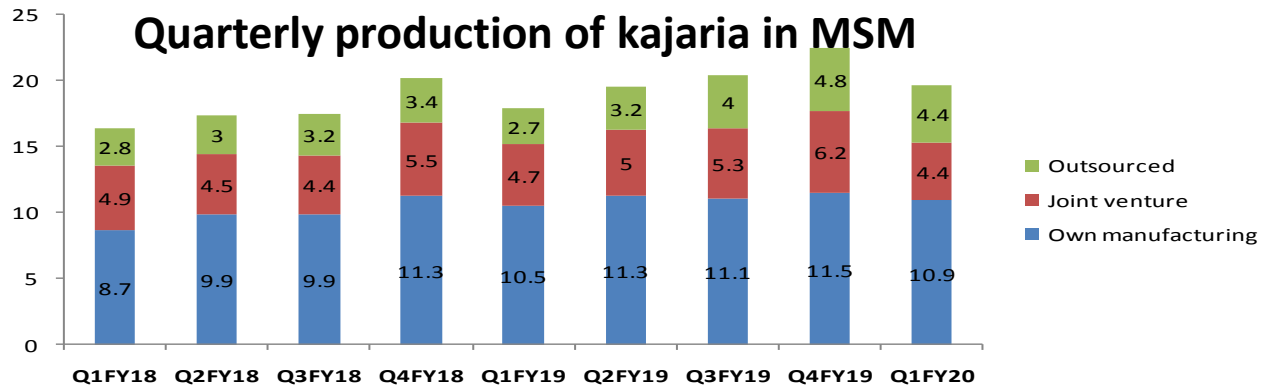
Key Milestones of Kajaria Revenue in crs



Gross block	Freehold land	leasehold land	Buildings	Plant & equipment	Furniture	Vehicles	Office equipments	Computers	Display assets
2016	25	8	321	1101	9	25	9	5	18
2017	28	10	339	1179	10	30	14	7	25
2018	39	13	338	1193	11	36	13	5	26

Annual capacity (MSM)

Subsidiaries	Q1FY20	Q4FY19	Q3FY19	Q2FY19	Q1FY19	Q4FY18	Q3FY18	Q2FY18	Q1FY18
Soriso					3.67	3.67	3.67	3.67	3.67
JAXX	10.2	10.2	10.2	10.2	10.2	10.2	10.2	10.2	10.2
VENNAR	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
COSA	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7
Taurus									5
Kajaria flora limited	5	5	5	5	5	5	5	5	5
Kajaria Bathware	1.6	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54
	25.4	25.34	25.34	25.34	25.34	25.34	25.34	25.34	30.34
Production (MSM)	15.64	17.24	16.31	17.47	16.31	16.22	14.13	14.62	15.27
Annual capacity	62%	68%	64%	69%	64%	64%	56%	58%	50%



Global outlook of ceramic tiles

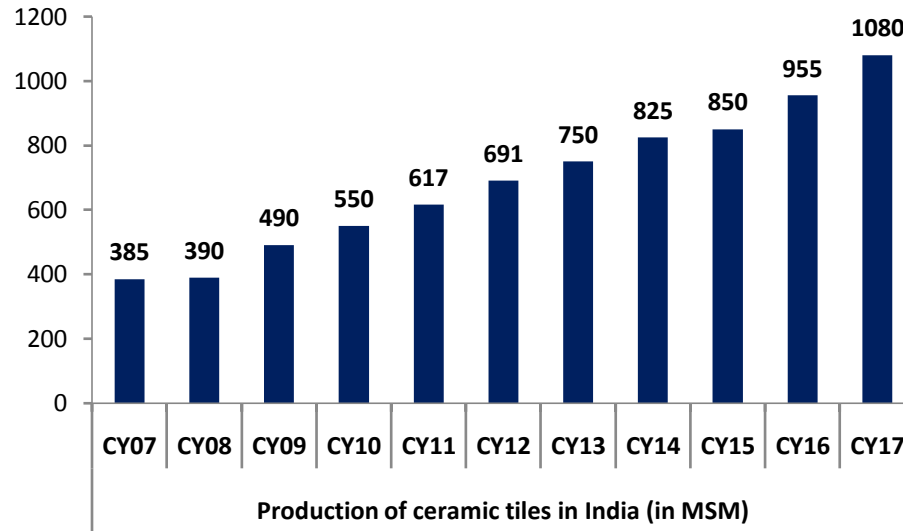
Production of top 10 countries (MSM)

	CY13	CY14	CY15	CY16	CY17
China	5700	6000	5970	6495	6400
India	750	825	850	955	1080
Brazil	871	903	899	792	790
Vietnam	300	360	440	485	560
Spain	420	425	440	492	530
Italy	363	382	395	416	530
Iran	500	410	300	340	373
Turkey	340	315	320	330	355
Indonesia	390	420	370	360	307
Egypt	200	220	230	250	300
	9834	10260	10214	10915	11225

Consumption of top 10 countries

	CY13	CY14	CY15	CY16	CY17
China	4556	4894	4885	5475	5498
India	718	756	763	785	760
Brazil	837	853	816	706	708
Vietnam	251	310	400	412	580
Indonesia	360	407	357	369	336
USA	230	231	254	274	283
Turkey	226	215	234	241	254
Egypt	170	190	190	215	252
Mexico	187	197	218	235	242
Saudi arabia	235	244	263	248	303
	7770	8297	8380	8960	9216

Production of ceramic tiles



Structural changes in the industry

The tile industry is going through the transitional phase due to recent shift from Coal Gasifier to Natural Gas, resulting in increased compliance for the unorganised sector which should accelerate the shift towards organised players.

Setting up a dedicated ceramic cluster in Andhra Pradesh (AP)

The key reasons for setting up a ceramic tile cluster in the Southern India are mentioned below:

1. Southern region is the second highest consumer of vitrified tiles, after western region due to a high emphasis on health and hygiene.
 2. Imports from China through ports of Vizag, Chennai and Vishakhapatnam are expensive after the levy of anti-dumping duty on ceramic tiles.
 3. Ceramic tile are fragile, yet heavy and hence requires higher handling efficiency.
 4. Transportation and handling cost is high for manufacturers since manufacturing units are concentrated in Morbi, Gujarat.
-
1. Higher demand from Tier II and Tier III cities. ❓ Low penetration of organised sector in the region

	Industry Value (in crs)	Industry Qty (MSM)	kajaria Qty (MSM)	Kajaria Market share
Glazed vitrified tiles	4000	80	17.5	22%
Polished vitrified tiles	11000	250	22.4	9%
Ceramic Wall & floor tiles	12000	430	28.14	7%
	27000			

Industry size is Rs 27,00crs. However, National organised brands contributes less than 50% to the industry.

Company	Value (In crs)
Kajaria Ceramics	2711
Somani Ceramics	1713
Priosm johnson	1685
Asian Granito	1156
RAK Ceramics	750
Simpolo	750
Varmora	700
Orient bell ceramics	648
Nitco Tiles	610
Sun heart	600
Murudeshwar Ceramics	119
Others (Swastik, Restile,ITACA)	658
	12100

Conclusion

1. We expect KJC to gain market share even in the current challenging environment led by its robust distribution and brand heft.
2. While recent correction in the stock has rendered valuation (24x FY21E EPS) attractive.
3. Healthy FCF yield offer a compelling investment case. Hence, we recommend to **'BUY'** the stock for medium term to long term horizon.



Disclaimer

This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. . Neither Nifty only, nor any person connected with it, accepts any liability arising from the use of this document

We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable though its accuracy or completeness cannot be guaranteed.

View expressed by research analyst may or may not be the view of the company “Nifty only” Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.