

GMP

562

Buy Kajaria ceramics

Target

800

Kajaria ceramics Q2 FY20 Highlights:-

- 1) Revenue degrew by 1% from Rs 725 to Rs 714crs. EBITDA remained flat Rs 106crs.
- 2) EBITDA decreased by 3.6% from Rs 110crs to Rs 106crs. EBITDA margin reduced by 50bps from 15.1% to 14.8%.
- 3) PAT increased by 83% from Rs 50.63crs to Rs 93.07crs on account of adjust of tax expenses.

Management comments :-

- 1) Volume growth of 1% because Kashmir dispatches were closed after 5th August and company has 6% market share.
- 2) Floods in the south also affected the sales.
- 3) Company did investment of Rs 32 crores in kajaria plywood..

Nifty Only

Rs in crs

Particulars	Quarterly				Qoq growth (%)
	Q2FY20	Q2FY19	Yoy growth (%)	Q2FY19	
Revenue from operations	714	725	-1.5%	699	-4.1%
Raw material cost	290	267	8.6%	279.3	-2.9%
Gross profit	424	458	7.4%	420	-1.7%
Margin	59.4%	63.2%		60.0%	
Employee benefit expense	89	84		88	
Other expenses	229	264.2		224.9	
EBITDA	106	110	-3.6%	107	-0.6%
EBITDA margins	14.8%	15.1%		15.3%	
Other income	6.8	4.6		5.3	
Finance cost	5.2	4.52		4.5	
Depreciation	26.2	22.53		25.8	
Profit before tax	81	84	78.7%	78	3.8%
Share of associates	0.0	0		0	
Tax	-11.9	32.35		32.35	
Tax rate	-15%	39%		22%	
Profit after tax	93	52	79.6%	46	124.0%
PAT margins	13%	7%		7%	

Management guidance:-

- 1) Since gas prices are constant management expects 15-16% in second half of the year.
- 2) Market sentiments is picking up and company will have 10-12% volume growth

Conclusion:-

- 1) Company's investment in Plywood business and huge size of opportunity in bathware and sanitaryware business will drive the revenues of the company going.
- 2) Management is confident of achieving double digit volume growth in tiles business.
- 3) We recommend a buy on the stock with a price target of Rs 800. Stock is fairly priced at 30x FY20 PE. Any correction in the stock will be buying opportunity.

Thanks & regards,
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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.

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