

May 9, 2024

Q4FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,318		1,445	
Sales (Rs. m)	51,336	58,098	53,686	61,383
% Chng.	(4.4)	(5.4)		
EBITDA (Rs. m)	8,034	9,296	8,853	10,128
% Chng.	(9.2)	(8.2)		
EPS (Rs.)	31.5	37.2	35.2	41.0
% Chng.	(10.5)	(9.3)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	43,819	45,784	51,336	58,098
EBITDA (Rs. m)	5,920	6,997	8,034	9,296
Margin (%)	13.5	15.3	15.7	16.0
PAT (Rs. m)	3,445	4,322	5,021	5,925
EPS (Rs.)	21.6	27.1	31.5	37.2
Gr. (%)	(8.6)	25.4	16.2	18.0
DPS (Rs.)	3.0	6.0	6.9	8.2
Yield (%)	0.3	0.5	0.6	0.7
RoE (%)	15.5	17.5	17.9	18.5
RoCE (%)	20.6	22.5	23.4	24.2
EV/Sales (x)	4.3	4.0	3.6	3.1
EV/EBITDA (x)	31.5	26.5	22.8	19.4
PE (x)	54.7	43.6	37.6	31.8
P/BV (x)	8.1	7.2	6.3	5.5

Key Data

KAJR.BO | KJC IN

52-W High / Low	Rs.1,524 / Rs.1,110
Sensex / Nifty	72,404 / 21,958
Market Cap	Rs.189bn/ \$ 2,258m
Shares Outstanding	159m
3M Avg. Daily Value	Rs.351.03m

Shareholding Pattern (%)

Promoter's	47.49
Foreign	17.96
Domestic Institution	25.22
Public & Others	9.33
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(5.8)	(7.8)	1.4
Relative	(2.8)	(17.4)	(13.5)

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Weak volume growth with correction in realisation

Quick Pointers:

- KJC reported tiles volume growth of 5.5%/6.3% YoY in Q4FY24/FY24.
- EBITDA margin contracted by 70bps YoY with realization correction.

We downward revise our FY25/26 estimates by 10.5%/9.3% due to soft volume growth expectations and the anticipation of continued lower margins. Kajaria Ceramics (KJC) guided tiles volume growth of 11-13% and EBITDA margin of 15-17% over FY25-27. We have considered ~10.0% CAGR in tiles volume over FY24-26 with cons. EBITDA margin of 16.0% in FY26. Management indicated gradual pick-up in FY25 volumes and expected growth to enable through 1) capacity additions, 2) increase in dealer penetration & showrooms, 3) brand building, 4) expansion in product portfolio, 5) intensify focus on govt. projects, and 6) improve business efficiency.

We expect Revenue/EBITDA/PAT CAGR of 12.6%/15.3%/17.1% over FY24-26E. Maintain 'Accumulate' rating, as we value the stock at 35x FY26 EPS to arrive at revised TP of Rs1,318 (earlier Rs 1,445).

Revenues grew by 3.0% YoY, PAT decline by 5.3% YoY: Revenues grew by 3.0% YoY to Rs12.4bn (PLe: Rs12.6bn), on back of 5.5% YoY volume growth. Tiles segment revenues grew by 0.7% YoY (contributes 88%sales) and other segment revenues grew by 23.8% YoY. Bathware (cont. 8%rev.) grew by 13.3% YoY. Gross margin contracted by 200bps YoY to 53.4% YoY. EBITDA decline by 2.2% YoY to Rs1.7bn (PLe: Rs2.0bn). EBITDA margin contracted by 70bps YoY to 13.9% (PLe: 16.0%). Fuel expenses % sales reported 17.0% in Q4FY24 from 20.0% in Q4FY23. PBT decline 3.1% YoY to Rs1.4bn (PLe: Rs1.7bn). PAT decline by 5.3% YoY to Rs1.02bn (PLe: Rs1.2sbn). Reported working capital of 58days vs 59days in Mar-23 and net cash improved to Rs349mn.

Analyst meet highlights: 1) Domestic Tiles Industry is expected to grow at 6-8% CAGR over FY24-27. KJC holds ~10% market share in domestic tile industry, **2)** KJC expected low double digit (11-13%) tiles vol. growth with EBITDA margin of 15-17%. **3)** Tiles segment contributes 89% KJC rev. which expected to go down to 85% by FY27, **3)** Bathware/Plywood/Adhesives contributed 8%/2%/1% to KJC revenue, **4)** Volume and Value contribution of Ceramic/PVT/GVT tiles were 43%/26%/31% and 38%/26%/36%, respectively; **5)** KJC focus on branding, improving the quality of its distribution network (added/discontinue 200/150 dealers in FY24) and improving value added products, **6)** Improving its penetration in tier 3&4 cities and focus on adding exclusive showrooms for tile & Bathware, **7)** Retail/institution mix in tiles segment maintained at 70%/30%, in institution govt/large builder/mid builder accounts 12%/8%/10%, **8)** KJC aims to reach Rs 6.5bn revenue by FY27, targeting CAGR of 11%/23%/19%/44% in Tiles/Bathware/Plywood/Adhesives segments, **9)** KJC projected yearly maintenance capex of Rs 2.25-2.5bn over FY25-27, **10)** Planned capacity addition of 5.1msm in Nepal JV (commissioned by Jun/Jul-24), 6msm in Keronite Tiles & investment in Kajaria Ultima and 1.5 lac pc sanitaryware expansion in Kerrovit Global, **11)** Adhesive segment to maintain EBITDAM at 18-20% and setting up adhesives manufacturing facility in Gailpur.

Exhibit 1: Q4FY24 Result Overview: Sales grew by 3.0% YoY; Adj. PAT decline by 10.5% YoY

Y/e March (Rs mn)	Q4FY24	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Sales	12,408	12,048	3.0	11,518	7.7	45,784	43,819	4.5
Expenditure								
Operating & Manufacturing Expenses	5,779	5,368	7.7	4,692	23.2	19,770	18,070	9.4
<i>% of Net Sales</i>	<i>46.6</i>	<i>44.6</i>		<i>40.7</i>		<i>43.2</i>	<i>41.2</i>	
Gross Profit	6,629	6,681	(0.8)	6,826	(2.9)	26,015	25,749	1.0
<i>% of Net Sales</i>	<i>53.4</i>	<i>55.4</i>		<i>59.3</i>		<i>56.8</i>	<i>58.8</i>	
Personnel Cost	1,297	1,164	11.4	1,319	(1.7)	5,053	4,612	9.5
<i>% of Net Sales</i>	<i>10.5</i>	<i>9.7</i>		<i>11.5</i>		<i>11.0</i>	<i>10.5</i>	
Other Expenses	3,612	3,757	(3.9)	3,719	(2.9)	13,965	15,216	(8.2)
<i>% of Net Sales</i>	<i>29.1</i>	<i>31.2</i>		<i>32.3</i>		<i>30.5</i>	<i>34.7</i>	
Total Expenditure	10,688	10,289	3.9	9,730	9.9	38,787	37,899	2.3
EBITDA	1,720	1,759	(2.2)	1,788	(3.8)	6,997	5,920	18.2
<i>Margin (%)</i>	<i>13.9</i>	<i>14.6</i>		<i>15.5</i>		<i>15.3</i>	<i>13.5</i>	
Other income	174	104	67.4	113	54.7	462	336	37.5
Depreciation	425	343	23.8	389	9.2	1,480	1,329	11.4
EBIT	1,470	1,520	(3.3)	1,511	(2.8)	5,517	4,592	20.2
Interest	66	72	(8.7)	50	32.7	211	223	(5.4)
PBT	1,403	1,448	(3.1)	1,462	(4.0)	5,768	4,625	24.7
Total Taxes	354	298	18.8	379	(6.7)	1,435	1,163	23.4
<i>ETR (%)</i>	<i>25.2</i>	<i>20.6</i>		<i>25.9</i>		<i>24.9</i>	<i>25.1</i>	
Adjusted PAT	1,037	1,158	(10.5)	1,047	(1.0)	4,322	3,445	25.4

Source: Company, PL

Exhibit 2: Segmental Breakup: Tiles revenues grew by 0.7% YoY, with volume growth of 5.5YoY

Y/e March (Rs mn)	Q4FY24	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Revenues								
Tiles	10,917	10,843	0.7	10,128	7.8	40,609	39,514	2.8
Others	1,492	1,205	23.8	1,389	7.4	5,175	4,306	20.2
Sales Volumes (Tiles in mn sq. m)								
Own Manufacturing	16.1	15.2	6.1	15.3	5.4	59.9	57	4.6
Subsidiaries	6.1	5.9	3.0	5.3	69.9	21.1	19	8.8
Outsource	7.4	6.9	6.3	6.5	13.4	27.2	25	8.4
Realisation (Rs/Sqm)								
Own Manufacturing	377	396	(4.7)	380	(0.7)	383	400	(4.3)
Subsidiaries	369	390	(5.4)	375	(1.0)	376	388	(3.0)
Outsource	352	365	(3.6)	360	(2.1)	359	362	(1.0)

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	43,819	45,784	51,336	58,098
YoY gr. (%)	18.3	4.5	12.1	13.2
Cost of Goods Sold	18,070	19,770	21,151	23,878
Gross Profit	25,749	26,015	30,186	34,220
Margin (%)	58.8	56.8	58.8	58.9
Employee Cost	4,612	5,053	5,365	6,100
Other Expenses	-	-	-	-
EBITDA	5,920	6,997	8,034	9,296
YoY gr. (%)	(3.1)	18.2	14.8	15.7
Margin (%)	13.5	15.3	15.7	16.0
Depreciation and Amortization	1,329	1,480	1,591	1,715
EBIT	4,592	5,517	6,443	7,581
Margin (%)	10.5	12.0	12.6	13.0
Net Interest	223	211	161	141
Other Income	336	462	475	520
Profit Before Tax	4,625	5,768	6,758	7,960
Margin (%)	10.6	12.6	13.2	13.7
Total Tax	1,163	1,435	1,681	1,980
Effective tax rate (%)	25.1	24.9	24.9	24.9
Profit after tax	3,463	4,334	5,077	5,981
Minority interest	17	-	56	56
Share Profit from Associate	(1)	(12)	-	-
Adjusted PAT	3,445	4,322	5,021	5,925
YoY gr. (%)	(8.6)	25.4	16.2	18.0
Margin (%)	7.9	9.4	9.8	10.2
Extra Ord. Income / (Exp)	79	-	-	-
Reported PAT	3,524	4,322	5,021	5,925
YoY gr. (%)	(6.5)	22.6	16.2	18.0
Margin (%)	8.0	9.4	9.8	10.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,524	4,322	5,021	5,925
Equity Shares O/s (m)	159	159	159	159
EPS (Rs)	21.6	27.1	31.5	37.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	24,686	28,077	30,327	32,627
Tangibles	24,672	28,067	30,317	32,617
Intangibles	15	10	10	10
Acc: Dep / Amortization	10,547	12,027	13,618	15,332
Tangibles	10,547	12,027	13,618	15,332
Intangibles	-	-	-	-
Net fixed assets	14,139	16,050	16,710	17,295
Tangibles	14,124	16,040	16,699	17,285
Intangibles	15	10	10	10
Capital Work In Progress	817	679	679	679
Goodwill	327	327	327	327
Non-Current Investments	19	148	148	148
Net Deferred tax assets	(765)	(839)	(839)	(839)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	37	37	37
Inventories	5,647	5,322	6,609	7,462
Trade receivables	6,012	6,194	7,043	7,971
Cash & Bank Balance	3,938	5,141	7,003	9,613
Other Current Assets	1,550	648	648	648
Total Assets	33,305	35,429	40,193	45,299
Equity				
Equity Share Capital	159	159	159	159
Other Equity	23,109	26,006	29,697	34,052
Total Networkth	23,268	26,165	29,856	34,212
Non-Current Liabilities				
Long Term borrowings	518	635	635	635
Provisions	-	-	-	-
Other non current liabilities	496	533	598	677
Current Liabilities				
ST Debt / Current of LT Debt	1,575	1,071	871	671
Trade payables	3,104	2,933	3,633	4,101
Other current liabilities	2,804	2,662	3,171	3,575
Total Equity & Liabilities	33,305	35,429	40,193	45,299

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	4,625	5,756	5,021	5,925
Add. Depreciation	1,329	1,480	1,591	1,715
Add. Interest	(20)	(100)	108	94
Less Financial Other Income	336	462	475	520
Add. Other	161	4	(2,177)	(2,171)
Op. profit before WC changes	6,094	7,141	4,543	5,562
Net Changes-WC	(1,875)	260	1,035	1,039
Direct tax	(1,265)	(1,385)	(1,681)	(1,980)
Net cash from Op. activities	2,955	6,017	5,577	6,601
Capital expenditures	(2,082)	(2,785)	(2,250)	(2,300)
Interest / Dividend Income	265	(197)	-	-
Others	(20)	5	-	-
Net Cash from Invt. activities	(1,837)	(2,976)	(2,250)	(2,300)
Issue of share cap. / premium	12	11	-	-
Debt changes	427	(393)	(200)	(200)
Dividend paid	(1,433)	(1,394)	(1,330)	(1,569)
Interest paid	(166)	(168)	-	-
Others	(189)	(219)	-	-
Net cash from Fin. activities	(1,348)	(2,163)	(1,530)	(1,769)
Net change in cash	(230)	878	1,797	2,531
Free Cash Flow	873	3,232	3,327	4,301

Source: Company Data, PL Research

Key Financial Metrics

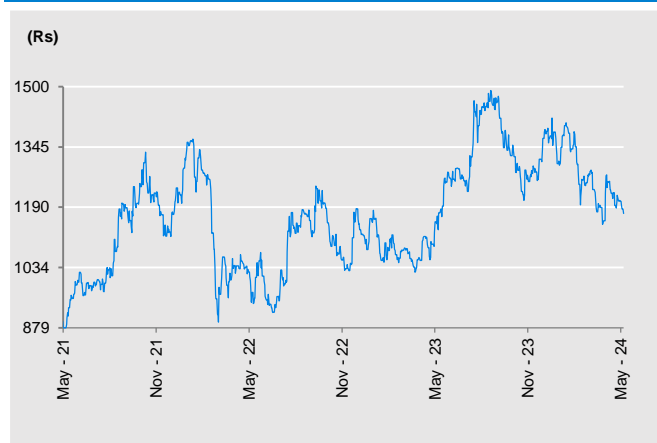
Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	21.6	27.1	31.5	37.2
CEPS	30.0	36.4	41.5	48.0
BVPS	146.2	164.3	187.4	214.8
FCF	5.5	20.3	20.9	27.0
DPS	3.0	6.0	6.9	8.2
Return Ratio(%)				
RoCE	20.6	22.5	23.4	24.2
ROIC	17.2	19.3	21.4	23.9
RoE	15.5	17.5	17.9	18.5
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.2)	(0.2)
Net Working Capital (Days)	71	68	71	71
Valuation(x)				
PER	54.7	43.6	37.6	31.8
P/B	8.1	7.2	6.3	5.5
P/CEPS	39.5	32.5	28.5	24.7
EV/EBITDA	31.5	26.5	22.8	19.4
EV/Sales	4.3	4.0	3.6	3.1
Dividend Yield (%)	0.3	0.5	0.6	0.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	10,642	11,216	11,518	12,408
YoY gr. (%)	5.6	4.1	5.6	3.0
Raw Material Expenses	4,717	4,582	4,692	5,779
Gross Profit	5,925	6,635	6,826	6,629
Margin (%)	55.7	59.2	59.3	53.4
EBITDA	1,692	1,797	1,788	1,720
YoY gr. (%)	10.2	38.9	34.3	(2.2)
Margin (%)	15.9	16.0	15.5	13.9
Depreciation / Depletion	305	361	389	425
EBIT	1,387	1,436	1,399	1,295
Margin (%)	13.0	12.8	12.1	10.4
Net Interest	53	43	50	66
Other Income	93	83	113	174
Profit before Tax	1,427	1,474	1,459	1,396
Margin (%)	13.4	13.1	12.7	11.3
Total Tax	336	366	379	354
Effective tax rate (%)	23.5	24.8	26.0	25.3
Profit after Tax	1,091	1,108	1,080	1,043
Minority interest	16	29	38	18
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,075	1,082	1,045	1,031
YoY gr. (%)	16.5	47.1	40.6	(8.3)
Margin (%)	10.1	9.6	9.1	8.3
Extra Ord. Income / (Exp)	-	(2)	(3)	(7)
Reported PAT	1,075	1,080	1,042	1,024
YoY gr. (%)	16.5	39.9	40.2	(5.3)
Margin (%)	10.1	9.6	9.0	8.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,075	1,080	1,042	1,024
Avg. Shares O/s (m)	159	159	159	159
EPS (Rs)	6.7	6.8	6.6	6.5

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-24	Accumulate	1,445	1,242
2	01-Feb-24	Accumulate	1,445	1,375
3	02-Jan-24	Accumulate	1,415	1,297
4	22-Oct-23	Accumulate	1,368	1,230
5	09-Oct-23	Accumulate	1,445	1,319
6	26-Jul-23	Hold	1,363	1,393
7	04-Jul-23	Hold	1,264	1,255
8	18-May-23	Accumulate	1,264	1,185

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Accumulate	2,244	1,995
2	Bajaj Electricals	Hold	997	996
3	Century Plyboard (I)	BUY	848	644
4	Cera Sanitaryware	Accumulate	8,486	7,190
5	Crompton Greaves Consumer Electricals	BUY	359	281
6	Finolex Industries	Hold	251	259
7	Greenpanel Industries	Accumulate	355	310
8	Havells India	Accumulate	1,774	1,664
9	Kajaria Ceramics	Accumulate	1,445	1,242
10	KEI Industries	Hold	4,032	3,893
11	Polycab India	BUY	6,065	5,317
12	R R Kabel	BUY	1,857	1,558
13	Safari Industries (India)	BUY	5,188	4,338
14	Supreme Industries	BUY	5,094	4,110
15	Voltas	Hold	1,199	1,232

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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