

HSIE Results Daily

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Results Reviews

- **Kajaria Ceramics:** We maintain our BUY rating on Kajaria Ceramics (KJC), with a revised target price of INR 1,420/share (21x its Mar'24E consolidated EBITDA). We continue to like KJC for its market share gain and superior margin in the tiles segment (function of its robust distribution and cost controls) and its fast expansion in the bath ware and ply businesses. In Q4FY22, KJC's consolidated revenue grew 16% YoY, led by 13% NSR surge. However, higher gas prices pulled down EBITDA by 13% YoY. EBITDA margin cooled off 5pp YoY. KJC expanded its tiles capacity by 17% in Apr-May'22. It also hiked prices by ~2% in tiles from 1st May to pass on soaring fuel prices.

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Kajaria Ceramics

Soaring gas prices dent margins

We maintain our BUY rating on Kajaria Ceramics (KJC), with a revised target price of INR 1,420/share (21x its Mar'24E consolidated EBITDA). We continue to like KJC for its market share gain and superior margin in the tiles segment (function of its robust distribution and cost controls) and its fast expansion in the bath ware and ply businesses. In Q4FY22, KJC's consolidated revenue grew 16% YoY, led by 13% NSR surge. However, higher gas prices pulled down EBITDA by 13% YoY. EBITDA margin cooled off 5pp YoY. KJC expanded its tiles capacity by 17% in Apr-May'22. It also hiked prices by ~2% in tiles from 1st May to pass on soaring fuel prices.

- Q4FY22 performance:** Kajaria posted lower-than-estimated margin (~200bps miss) in Q4FY22, as margin compressed QoQ on rising gas prices (crude linked). Tiles sales volumes/revenue rose 2/16% YoY (2-year CAGR 19/29%). Outsourced volume continues to lead growth (+12% YoY, 2-year CAGR 39%). Price hikes taken at end of Nov-21 drove up NSR by 3% QoQ, thereby moderating the impact of soaring gas prices. Bath ware/ply revenues firmed up 16/25% YoY.
- Outlook:** For FY23, KJC targets volume/revenue growth of ~15-20%/20-25%. It expects India's tiles export to increase by ~35% YoY, as sharp spikes in gas and electricity prices in European countries have increased Indian tile's competitiveness. This in turn should be positive for domestic players. KJC has expanded its tiles capacity by 17% in Apr-May'22, bolstering its volume growth and market share gain. Factoring in the higher gas price impact, we have cut our FY23E EBITDA estimate by 4%.

Quarterly/annual financial summary (consolidated)

YE Mar (INR mn)	Q4 FY22	Q4 FY21	YoY (%)	Q3 FY22	QoQ (%)	FY20	FY21	FY22P	FY23E	FY24E
Tiles sales (MSM)	26.0	25.4	2.3	25.6	1.3	78.1	75.4	91.7	108.4	128.3
NSR (Rs/Kg)	385	341	12.9	375	2.7	360	369	404	446	453
Tiles Revenue	9,999	8,659	15.5	9,616	4.0	26,049	25,328	33,634	43,455	51,969
Other Revenue	1019	867	17.6	1066	-4.4	2,032	2,481	3,418	4851.1	6,119
Net Sales	11,018	9,525	15.7	10,682	3.1	28,080	27,809	37,052	48,306	58,087
EBITDA	1,659	1,909	-13.1	1,838	-9.7	4,159	5,088	6,107	8,186	10,521
EBITDAM (%)	15.1	20.0		17.2		14.8	18.3	16.5	16.9	18.1
APAT	958	1,271	-24.7	1,220	-21.5	2,553	3,081	3,770	5,311	7,013
Diluted EPS (Rs)	6.0	8.0	-24.7	7.7	-21.5	16.0	19.4	23.7	33.4	44.1
EV / EBITDA (x)						36.1	29.0	24.3	18.1	14.0
P/E (x)						58.8	48.7	39.8	28.3	21.4
RoE (%)						14.9	16.6	18.3	22.8	26.3

Source: Company, HSIE Research, Other revenues comprises bath ware and ply

Estimates revision summary

INR mn	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %
Net Sales	46,290	48,306	4.4	55,319	58,087	5.0
EBITDA	8,555	8,186	-4.3	10,539	10,521	-0.2
APAT	4,847	5,311	9.6	6,074	7,013	15.5

Source: HSIE Research

BUY

CMP (as on 17 May 22)	INR 942
Target Price	INR 1,420
NIFTY	16,259

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,450	INR 1,420
EBITDA revision %	FY23E (4.3)	FY24E (0.2)

KEY STOCK DATA

Bloomberg code	KJC IN
No. of Shares (mn)	159
MCap (INR bn) / (\$ mn)	150/2,017
6m avg traded value (INR mn)	269
52 Week high / low	INR 1,375/877

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(25.5)	(19.8)	6.2
Relative (%)	(19.3)	(10.3)	(3.4)

SHAREHOLDING PATTERN (%)

	Dec-21	Mar-22
Promoters	47.51	47.50
FIs & Local MFs	17.26	20.32
FPIs	22.45	21.27
Public & Others	12.77	10.91
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Rajesh Ravi	Kajaria Ceramics	MBA	NO
Keshav Lahoti	Kajaria Ceramics	CA	NO

Disclosure:

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