

May 19, 2017

Kajaria Ceramics (KAJ CER)

₹ 676

Robust volume growth; strong guidance!!!

- Kajaria Ceramics' (Kajaria) topline grew 9.9% YoY to ₹ 719.7 crore marginally better than our estimate of ₹ 689.1 crore mainly on account of volume growth of 10.9% to 19.3 million square metre (MSM) vs. our expectation of volume of 18.2 MSM
- The EBITDA margin contracted 203 bps YoY to 18.0%. It was below our expectation of 19.1% on account of higher advertisement & promotion spends and hike in gas prices
- The bottomline grew 2.8% YoY to ₹ 70.7 crore, in line with our expectation of ₹ 70.3 crore
- The board has recommended final dividend of ₹ 3 per share for FY17

Posts robust volume growth...

Kajaria has posted strong volume growth of 10.9% YoY to 19.3 MSM in Q4FY17 despite the demonetisation impact. It was led by growth of 11.2% to 6.7 MSM in JV volumes and 1.9x growth in import/outsourced volumes to 2.7 MSM. For FY17, Kajaria reported moderate sales volume growth of 5.3% to 67.7 MSM on account of demonetisation. However, the management seemed bullish over the long term and expects a demand revival. It has guided for volume growth of ~10-15% over a few years.

Capacity expansion on track...

Currently, Kajaria has installed capacity of 68.6 MSM (excluding outsourcing tie-ups/imports). On the capacity expansion front, the board recently approved the expansion of existing wall tile manufacturing capacity of Gailpur Plant by 3.5 MSM to 22 MSM. Furthermore, the company is also undergoing a greenfield expansion of 5 MSM of GVT tiles, post which capacity would rise to 77.1 MSM. The company plans to spend ₹ 400 crore on capex over the next few years, which includes ₹ 50 crore on Gailpur plant expansion and ₹ 130 crore towards Floera plant expansion. The company has planned its expansions well in sync with expected demand revival in the real estate sector with the government's focus on affordable housing. Consequently, we expect topline, bottomline to grow at 16.2%, 23.3% CAGR to ₹ 3453.6 crore, ₹ 384.5 crore, respectively, in FY17-19E.

GST to bring in consolidation in sector...

Media reports indicated the GST rate for ceramic tiles has been fixed at 28%, which would largely be a neutral rate for Kajaria as the current incidence of indirect tax is between 26.5% & 29%. However, on a positive note, GST will benefit the sector as it would provide a level playing field for organised players (unorganised players have a ~50% share in tiles market) and bring in consolidation in the sector. Furthermore, tiles industry is set to benefit from various government initiatives like 'Swachh Bharat Abhiyaan', 'Housing for All by 2022' & 'Smart City Mission' as they would drive demand for tiles. We believe Kajaria, being the market leader, would be a major beneficiary of these initiatives. It is well placed to capture these opportunities, which bodes well for its long term growth.

Recent rally leaves limited upside; maintain HOLD...

In our view, implementation of GST would act as a key catalyst for Kajaria and reduce pricing differential between organised & unorganised tiles. Further, with demand in real estate sector set to pick up with government's focus on affordable housing, Kajaria would be well placed to capture this opportunity. However, post the recent rally in the stock (up 21.5% in three months), we see limited upside. Hence, we continue to maintain our **HOLD** rating with revised TP of ₹ 725 (30x FY19E EPS).

Rating matrix		
Rating	:	Hold
Target	:	₹ 725
Target Period	:	12-18 months
Potential Upside	:	7%

What's changed?	
Target	Changed from ₹ 600 to ₹ 725
EPS FY18E	Changed from ₹ 19.5 to ₹ 18.8
EPS FY19E	Changed from ₹ 23.6 to ₹ 24.2
Rating	Unchanged

Quarterly performance					
	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Revenue	719.7	655.0	9.9	605.5	18.9
EBITDA	129.8	131.4	(1.2)	111.4	16.5
EBITDA (%)	18.0	20.1	-203 bps	18.4	-37 bps
PAT	70.7	68.8	2.8	55.1	28.3

Key financials				
₹ Crore	FY16	FY17E	FY18E	FY19E
Net Sales	2,408.8	2,545.6	2,906.4	3,435.6
EBITDA	453.7	492.3	552.4	677.7
Net Profit	229.2	252.8	298.4	384.5
EPS (₹)	14.4	15.9	18.8	24.2

Valuation summary				
	FY16	FY17E	FY18E	FY19E
P/E	46.6	42.3	35.8	27.8
Target P/E	50.3	45.6	38.6	30.0
EV / EBITDA	24.2	22.0	19.7	15.9
P/BV	11.6	9.1	7.6	6.3
RoNW (%)	24.8	21.5	21.2	22.6
RoCE (%)	27.5	26.9	26.4	29.1

Stock data	
Particular	Amount (₹ crore)
Market Capitalization	10,741.6
Total Debt	319.0
Cash	21.5
EV	11,039.1
52 week H/L (₹)	788 / 437
Equity capital	15.9
Face value (₹)	1.0

Price performance				
Return %	1M	3M	6M	12M
Kajaria	2.4	21.5	43.3	28.5
Somany	14.5	26.6	41.2	74.2
Cera	7.0	20.4	51.9	48.9

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Variance analysis

	Q4FY17	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)	Comments
Net Sales	719.7	689.1	655.0	9.9	605.5	18.9	Topline growth was led by 10.9% YoY volume growth
Other Income	7.8	4.0	4.6	67.7	2.1	269.0	
Net Purchase of Stock in Trade	96.2	62.0	54.5	76.4	79.8	20.5	
Cost of Materials Consumed	180.0	172.3	185.7	-3.1	146.3	23.0	
Staff cost	70.7	81.9	66.1	7.0	72.0	-1.8	
EBITDA	129.8	131.7	131.4	-1.2	111.4	16.5	
EBITDA Margin (%)	18.0	19.1	20.1	-203 bps	18.4	-37 bps	EBITDA margins contracted on account of higher advertisement and promotional spends
Depreciation	20.5	20.2	19.9	2.8	20.6	-0.7	
Interest	7.8	8.6	10.0	-21.8	8.3	-5.4	
PBT	110.2	108.2	107.5	2.6	85.8	28.4	
Taxes	38.1	37.9	38.8	-1.8	30.9	23.2	
PAT	70.7	70.3	68.8	2.8	55.1	28.3	PAT growth remained flat at 2.8% YoY to ₹ 70.7 crore

Source: Company, ICICIdirect.com Research

Change in estimates

	FY17	FY18E			FY19E			Comments
(₹ Crore)		Old	New	% Change	Old	New	% Change	
Revenue	2,545.6	2,806.2	2,906.4	3.4	3,207.0	3,435.6	6.7	We have factored in strong volume growth
EBITDA	492.3	541.7	552.4	1.9	629.8	677.7	7.1	
EBITDA Margin (%)	19.3	19.3	19.0	-29 bps	19.6	19.7	9 bps	
PAT	252.8	309.8	298.4	-3.8	374.9	384.5	2.5	
EPS (₹)	15.9	19.5	18.8	-3.9	23.6	24.2	2.5	

Source: Company, ICICIdirect.com Research

Assumptions

	FY14	FY15	FY16	Current FY17E	Earlier FY17E	Current FY18E	Earlier FY18E	Current FY19E	Earlier FY19E	Comments
Volume in MSM										
Production	40.4	49.7	58.2	58.5	58.8	64.7	72.9	74.2	71.0	
Own	27.1	30.5	33.2	37.2	36.6	39.1	39.5	44.3	40.8	
JV	13.3	19.2	25.0	21.3	22.2	25.6	33.4	29.9	30.2	
Sales	52.0	58.5	64.3	67.7	66.4	75.7	78.8	86.8	79.8	We have factored in strong volume growth that company posted in Q4FY17 and also the bullish commentary of management
Own	27.6	29.3	32.7	37.4	36.2	39.1	39.5	44.3	40.8	
JV	14.2	18.3	24.1	22.3	22.6	25.6	33.4	29.9	30.2	
Import/Outsourced	10.2	10.9	7.6	8.1	7.6	11.0	5.9	12.6	8.8	

Source: Company, ICICIdirect.com Research

Analyst Meet Highlights

- **Brand and promotion spend:** The company has spent ₹ 74 crore on advertisement & promotion and plans to spend ₹ 100 crore for FY18
- **Volume Growth:** With the demand environment improving, the management has guided for double digit volume growth over the next three years
- **Anti dumping duty update:** The government has imposed an anti dumping duty of US\$1.87/square metre on import of vitrified tiles from China for five years. However, some players have been exempted from this duty. Hence, though this duty will not be that effective currently, over the long term we believe it would act as a protectionist measure for the tiles industry
- **Dealer network:** The company has a dealer network of 1150 dealers and 10000 touch points. It expects to add 250 more dealers in FY18. Prior to demonetisation, only 2% of transactions happened via credit card and cheques, which has now increased to ~50% at the dealer level
- **Capex:** The company plans to spend ~₹ 400 crore on capex over the next few years, which includes ₹ 50 crore on the Gailpur plant expansion and ₹ 130 crore for Floera plant
- **Sanitaryware & faucetware:** The revenue contribution from this segment was at 4.3% in FY17. The company expects revenues from this division at 5-6% of the overall topline in FY18. It also expects the faucet division to break even in FY18 and sanitaryware business to be EPS accretive

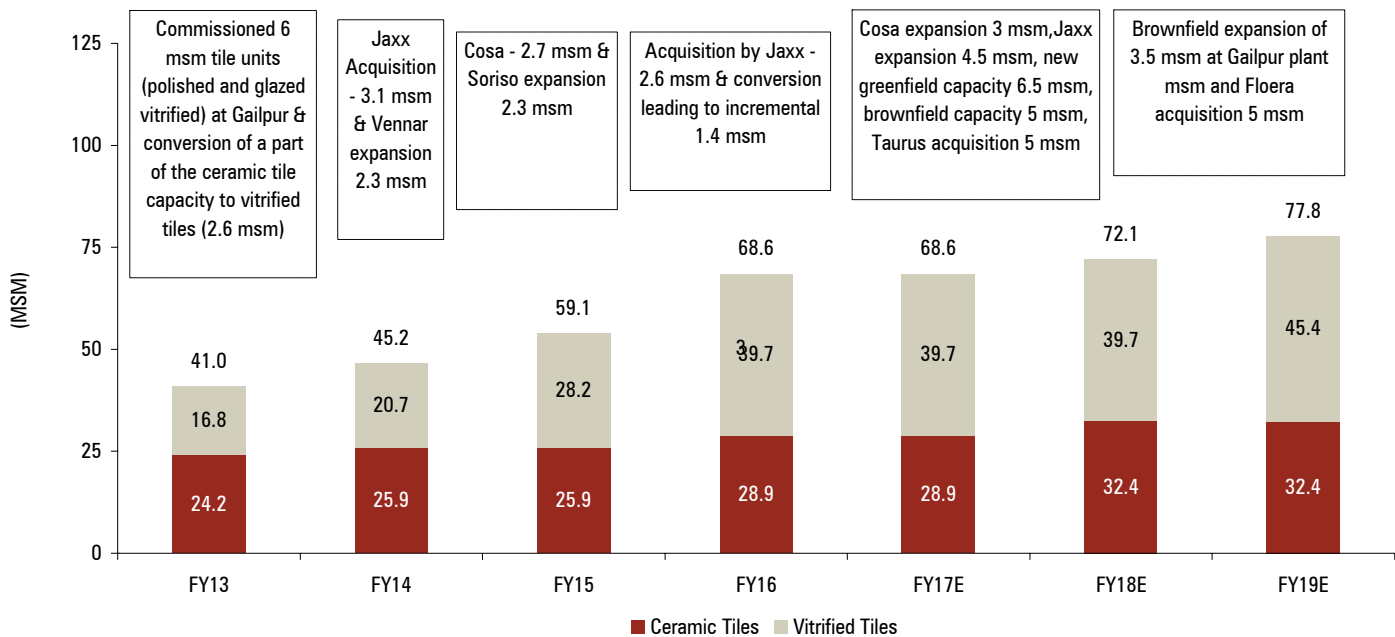
Company Analysis

Kajaria is expected to augment its capacity to 77.1 MSM by H2FY19E

Market leader to augment its capacity to 77.1 MSM by H2FY19E...

Kajaria Ceramics is the largest manufacturer of ceramic and vitrified tiles in India. Being the market leader, it has significantly increased its capacity from 30.6 MSM in FY11 to 68.6 MSM in FY17. This was driven mainly through the acquisition of a stake in Cosa, Soriso, Vennar and Jaxx and expansion/conversion of existing facilities. Kajaria augmented its capacity to 68.6 MSM by commencement of greenfield facility of polished vitrified tiles at Malutana (Rajasthan) with 6.5 MSM capacity. Further, it had also acquired a 51% stake in Taurus Tiles Pvt Ltd. Also, the company has put up a brownfield facility at its existing location in Rajasthan for production of 3 MSM capacity of ceramic wall tiles and it commenced full production in September 2015. The Board has approved the expansion of existing wall tile manufacturing capacity of Gailpur Plant by 3.5 MSM to 22 MSM (Gailpur plant's total capacity would rise to 28 MSM). Overall, this expansion would augment Kajaria's capacity to 72.1 MSM. Furthermore, the company is also undergoing a greenfield expansion of 5 MSM of GVT tiles post which capacity would rise to 77.1 MSM. Kajaria has planned its expansions well in sync with expected demand revival in post GST implementation demonetisation impact fading out

Exhibit 1: Capacity trend...

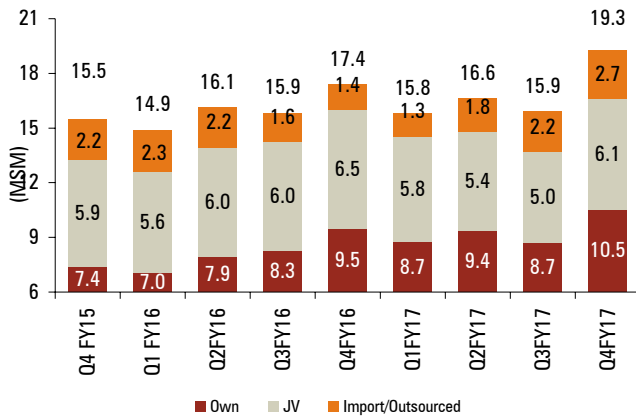


Source: Company, ICICIdirect.com Research

Sales volume to grow to 86.8 MSM in FY19E...

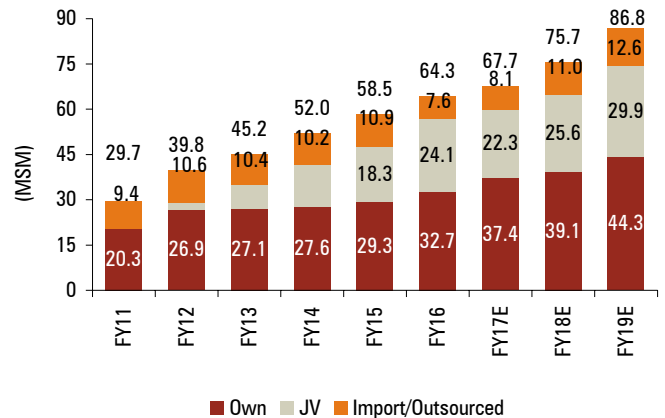
Over the past few years, key driver of sales volume (16.9% CAGR in FY10-16) for Kajaria has been the capacity expansion mainly through JV (Jaxx, Cosa, Soriso, Taurus, Vennar acquisition and their expansion). Going ahead, we expect sales volumes of Kajaria to be supported by incremental capacity addition in the above-mentioned expansion and JVs. Consequently, we expect the sales volume of Kajaria to grow to 86.8 MSM by FY19E.

Exhibit 2: Quarterly sales volume trend



Source: Company, ICICIdirect.com Research

Exhibit 3: Sales volume trend

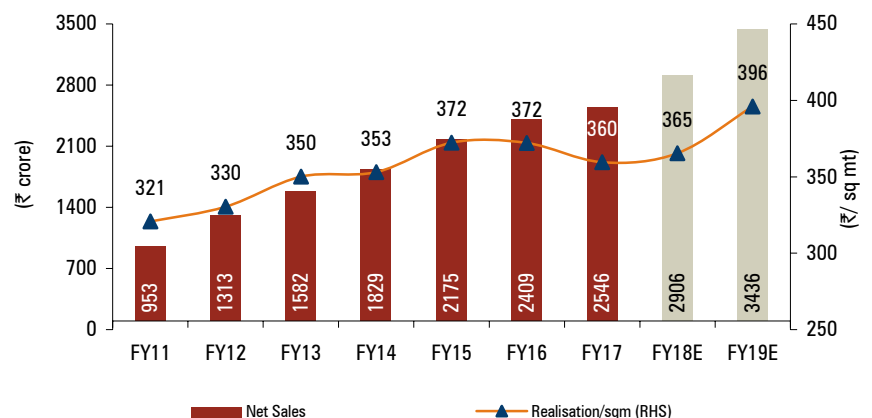


Source: Company, ICICIdirect.com Research

Revenues to continue its growth momentum...

Kajaria's revenues have grown at a strong CAGR of 21.9% in FY10-16, driven mainly by its expansion of capacity (grew from 23.4 MSM in FY10 to 68.6 MSM in FY16) and increasing mix towards high value polished and glazed vitrified tiles. Kajaria has significantly expanded its capacity of high value polished and glazed vitrified tiles on account of i) structural shift in consumer demand for these tiles and ii) higher margins compared to standard ceramic tiles. With an expected revival in the demand scenario in H2FY18E post GST implementation and stable EBITDA margins, we expect topline, bottomline to grow at 16.2%, 23.3% CAGR to ₹ 3435.6 crore, ₹ 384.5 crore, respectively, in FY16-19E. Furthermore, the realisation is expected to improve to at ₹ 396/sq metre.

Exhibit 4: Revenue and realisation trend...

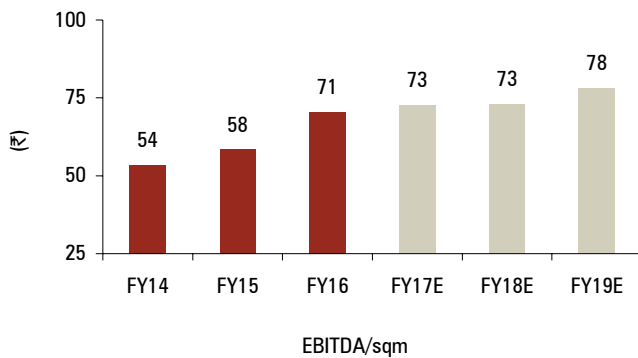


Source: Company, ICICIdirect.com Research

Margins to expand 40 bps to 19.7% in FY17-19E...

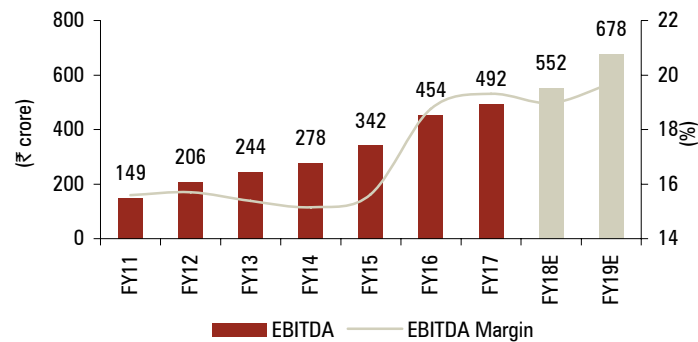
Kajaria has been one of the very few players that has maintained its margins in the 15-18% range driven by its superior share in high value vitrified tiles and the relatively lower increase in its fuel cost on account of its long term contract with Gail. We believe the savings in P&F costs has bottomed out and expect EBITDA margins to expand only 40 bps due to change in product mix to 19.7% in FY19E. EBITDA/sq metre is expected to grow to ₹ 78 in FY19E.

Exhibit 5: EBITDA/sq metre trend



Source: Company, ICICIdirect.com Research

Exhibit 6: EBITDA and EBITDA margin trend



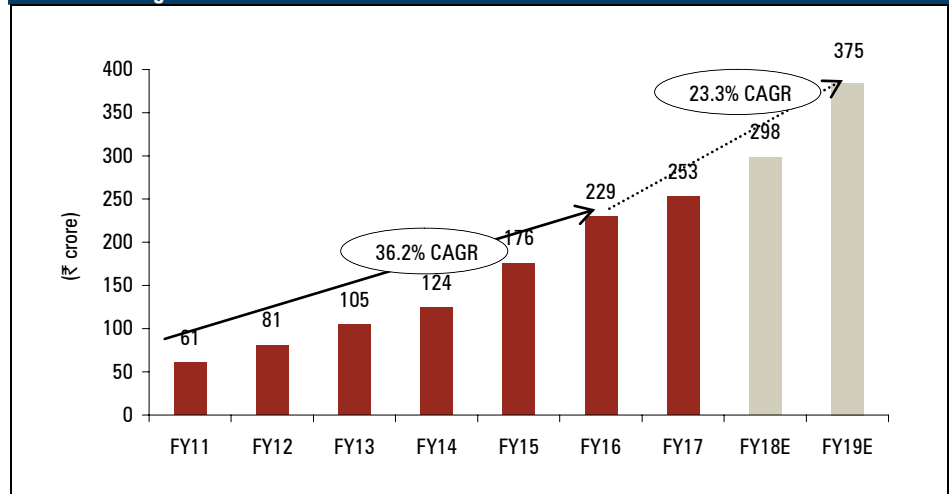
Source: Company, ICICIdirect.com Research

We expect the bottomline to record a healthy CAGR of 23.3% in FY17-19E aided mainly by the strong topline show and stable margins

Bottomline to grow at healthy pace of 23.3% CAGR in FY17-19E...

Kajaria has witnessed strong PAT growth of 36.2% over FY10-16 driven by its robust topline growth, superior operating margins and muted interest expenses due to stagnant debt levels. Going ahead, we expect Kajaria to post a healthy bottomline CAGR of 23.3% in FY17-19E aided mainly by decent topline show and steady improvement in margins.

Exhibit 7: PAT growth trend

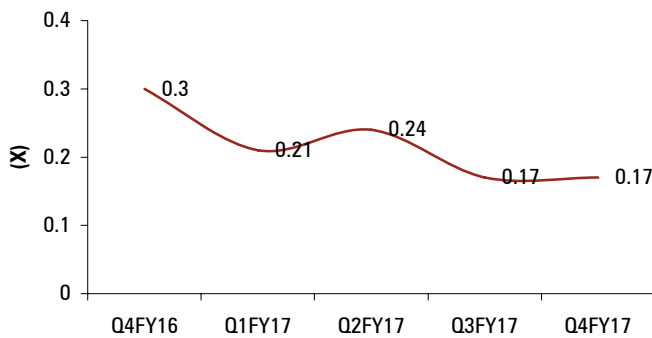


Source: Company, ICICIdirect.com Research

To become net-debt free by FY18E...

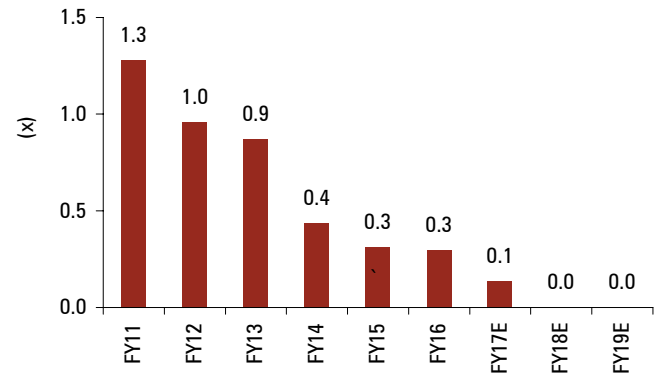
Currently, the company has a debt to equity ratio of 0.2x, which is much below debt equity levels of 2.0x in FY09. The sharp improvement in debt to equity was possible through the improvement in net working capital which came down from 132 days in FY08 to 46 days in Q3FY17. We expect the company to become net-debt free by FY18E as the future capacity expansion would be funded through strong internal accruals.

Exhibit 8: Quarterly debt to equity trend



Source: Company, ICICIdirect.com Research

Exhibit 9: Net debt to equity trend



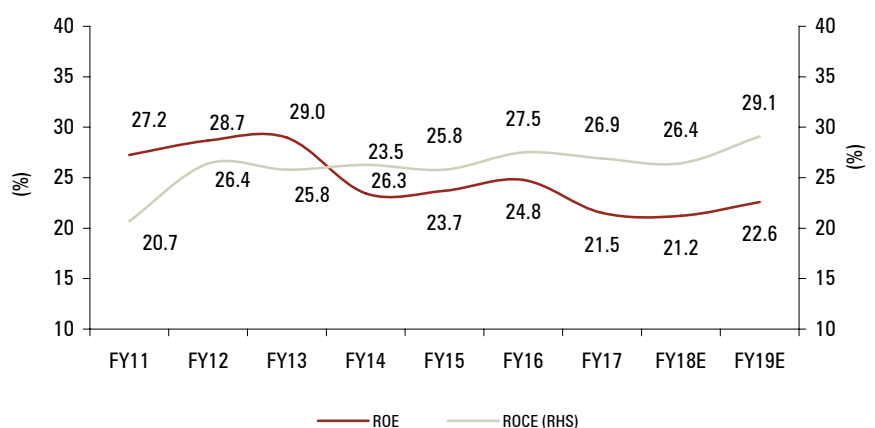
Source: Company, ICICIdirect.com Research

Return ratios to moderate...

There has been a sharp improvement in Kajaria's return ratios in FY09-15 on the back of its strong bottomline show. We would like to highlight that given the equity dilution (58.8 lakh shares issued to the WestBridge Crossover fund over FY14 and FY15). Return ratios are expected to moderate, going forward (RoE and RoCE of 22.6% and 29.1%, respectively, in FY19E).

Return ratios are expected to moderate (RoE and RoCE of 22.6% and 29.1%, respectively, in FY19E)

Exhibit 10: Return on equity and return on capital employed trend



Source: Company, ICICIdirect.com Research

We expect topline, bottomline to grow at a CAGR of 16.2%, 23.3%, respectively, in FY17-19E. We have a **HOLD** recommendation on the stock. We value the stock at ₹ 725 (~30x FY19E EPS)

Outlook and valuation

Kajaria has exhibited impressive revenue and earnings growth of 21.9% and 36.2%, respectively, in FY10-16 led by its capacity expansion and by moving to the high value vitrified tiles. The RoCE and RoE also jumped sharply to ~31.8% and 25.9%, respectively, in FY16 vs. 13.1% and 5.5%, respectively, in FY09 while the leverage has reduced sharply to 0.2x currently, from 2.0x in FY09.

Going ahead, we expect Kajaria to remain the beneficiary of the rising organised market pie given the preference for branded products as well as consolidation in the form of JV with local players. As a result, Kajaria is expected to witness 16.2% and 23.2% CAGR in topline and earnings, respectively, over FY17-19E.

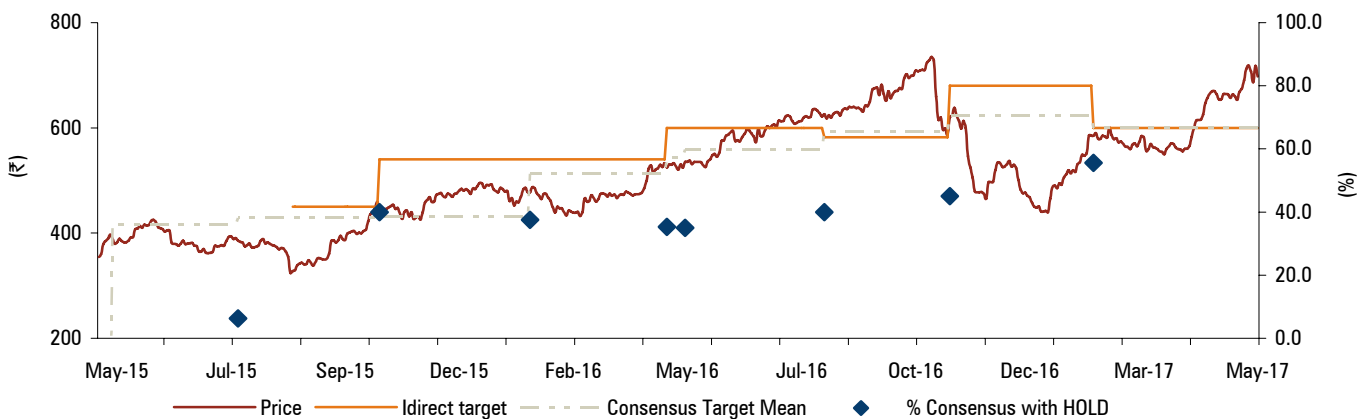
In our view, implementation of GST would act as a key catalyst for Kajaria and reduce pricing differential between organised & unorganised tiles. Further, with demand in real estate sector set to pick up with government's focus on affordable housing, Kajaria would be well placed to capture this opportunity. However, post the recent rally in the stock (up 21.5% in three months), we see limited upside. Hence, we continue to maintain our **HOLD** rating with revised TP of ₹ 725 (30x FY19E EPS).

Exhibit 11: Valuation metrics

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	2408.8	10.8	14.4	30.5	46.6	24.2	24.8	27.5
FY17E	2545.6	5.7	15.9	10.3	42.3	22.0	21.5	26.9
FY18E	2906.4	14.2	18.8	18.0	35.8	19.7	21.2	26.4
FY19E	3435.6	18.2	24.2	28.9	27.8	15.9	22.6	29.1

Source: Company, ICICIdirect.com Research

Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
Feb-11	Acquires a 51% stake in Soriso Ceramic Pvt. Ltd in Gujarat for ₹ 5.62 crore having a annual capacity of 2.30 msm
Apr-12	Acquires 51% stake in Vennar Ceramics Ltd, based in Vijayawada, Andhra Pradesh with an annual capacity of 2.30 msm
Feb-12	Acquires 51% stake in Jaxx Vitrified Pvt Ltd, based in Morbi, Gujarat with an annual capacity of 3.10 msm
Oct-12	Acquires 51% stake in Cosa Ceramics Pvt Ltd, based in Morbi, Gujarat, with an annual production capacity of 2.70 msm
Q2FY14	Outlines capex of ₹ 450 crore over the next two years
Nov-13	Equity fund raising from WestBridge Crossover Fund aggregating ₹ 150 crore (equity and warrant)
Nov-13	Production shutdown by Morbi tile manufacturers
Dec-13	Production strike in Morbi called off
Sep-14	Jaxx and Cosa expand their capacity by 4.5 MSM and 3 MSM, respectively
Jun-15	Gujarat government reduces price of natural gas by ₹ 2.8 per SCM from ₹ 31.8 per SCM to ₹ 29 per SCM, which is a positive for Kajaria Ceramics
Jul-15	Kajaria's board approves acquisition of a 51% stake in Floera Ceramics Pvt Ltd. Floera Ceramics plans to set up a manufacturing facility of polished vitrified tiles with a capacity of 5.7 MSM per annum in Andhra Pradesh
Jul-15	Kajaria plans to set up a greenfield plant for manufacturing polished vitrified tiles at Malutana with a capacity increase to 6.5 MSM per annum
Aug-15	The government declares its plan to convert 98 Indian cities to Smart Cities, which will lead to an increase in demand of building materials auguring well for Kajaria Ceramics
Mar-16	The government imposes an anti-dumping duty of US \$1.37 per square metre on all vitrified tiles from China for six months

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Kajaria Securities Pvt. Ltd.	31-Dec-16	40.5%	64.4	0.0
2	WestBridge Capital Partners, LLC	31-Dec-16	7.4%	11.8	0.0
3	Jwalamukhi Investment Holdings	31-Dec-16	5.5%	8.7	0.0
4	Norges Bank Investment Management (NBIM)	30-Sep-16	3.1%	4.9	0.0
5	IIFL Inc	31-Dec-16	2.1%	3.3	0.0
6	LTR Focus Fund	31-Dec-16	1.3%	2.0	0.0
7	Kajaria (A K) HUF	31-Dec-16	1.2%	2.0	0.1
8	Goldman Sachs Asset Management International	28-Feb-17	1.2%	1.9	0.0
9	Goldman Sachs Asset Management (India) Private Ltd.	31-Dec-16	1.2%	1.9	0.0
10	ABG Capital, Ltd.	31-Dec-16	1.2%	1.8	0.0

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Jun-16	Sep-16	Dec-16	Mar-17
Promoter	47.18	47.33	47.39	47.39
Public	52.82	52.67	52.61	52.61
Others	0.00	0.00	0.00	0.00
Total	100.00	100.00	100.00	100.00

Recent Activity

Buys			Sells		
Investor name	Value(m)	Shares(m)	Investor name	Value(m)	Shares(m)
Franklin Templeton Asset Management (India) Pvt. Ltd.	14.1	1.6	TIAA Global Asset Management	(4.6)	(0.7)
DSP BlackRock Investment Managers Pvt. Ltd.	1.6	0.2	Mirae Asset Global Investments (India) Pvt. Ltd.	(3.4)	(0.4)
JPMorgan Asset Management U.K. Limited	0.8	0.1	Lazard Asset Management, L.L.C.	(1.8)	(0.2)
Invesco Hong Kong Limited	0.7	0.1	Rainier Investment Management, LLC	(1.2)	(0.2)
Wasatch Advisors, Inc.	0.5	0.1	Driehaus Capital Management, LLC	(1.0)	(0.1)

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement					₹ Crore				
(₹ Crore)	FY16	FY17	FY18E	FY19E					
Net Sales	2,408.8	2,545.6	2,906.4	3,435.6					
Other Operating Income	9.7	4.0	4.4	4.9					
Total operating income	2,418.5	2,549.6	2,910.8	3,440.5					
Raw Material Expenses	178.0	242.3	276.6	327.0					
Cost of Materials Consumed	668.4	677.1	773.1	905.3					
Employee benefit expenses	252.7	288.7	332.0	381.8					
Other Expenses	856.1	845.2	972.2	1,143.8					
Total operating expenses	1,955.1	2,053.3	2,353.9	2,758.0					
EBITDA	453.7	492.3	552.4	677.7					
Interest	36.8	34.0	24.0	21.0					
Depreciation	72.6	81.4	90.0	97.7					
Other income	3.8	15.4	17.7	20.3					
PBT	357.7	396.3	460.5	584.1					
Taxes	123.7	142.5	161.2	198.6					
PAT before MI	234.0	253.8	299.3	385.5					
Minority Interest	4.8	1.0	1.0	1.0					
PAT	229.2	252.8	298.4	384.5					
Growth (%)	30.5	10.3	18.0	28.9					
EPS (₹)	14.4	15.9	18.8	24.2					

Source: Company, ICICIdirect.com Research

Cash flow statement					₹ Crore				
(₹ Crore)	FY16	FY17E	FY18E	FY19E					
Profit after Tax	229.2	252.8	298.4	384.5					
Depreciation	72.6	81.4	90.0	97.7					
Interest	36.8	34.0	24.0	21.0					
Others	119.9	127.1	143.5	178.3					
Cash Flow before wc changes	458.6	495.4	555.9	681.5					
Net Increase in Current Assets	(158.4)	(34.0)	(258.2)	(224.5)					
Net Increase in Current Liabilities	96.1	(64.0)	69.9	95.6					
Net CF from operating activities	285.1	273.9	206.4	354.0					
(Purchase)/Sale of Fixed Assets	(263.1)	(138.6)	(166.0)	(151.5)					
Net CF from Investing activities	(259.3)	(123.3)	(148.3)	(131.2)					
Inc / (Dec) in Equity Capital	2.8	54.6	-	-					
Dividend	(47.8)	(57.4)	(68.6)	(88.4)					
Interest paid	(36.8)	(34.0)	(24.0)	(21.0)					
Inc / (Dec) in Secured Loans	77.8	(83.3)	-	(50.0)					
Inc / (Dec) in Unsecured Loans	(24.9)	-	-	-					
Net CF from Financing activities	(15.4)	(120.2)	(91.7)	(158.5)					
Net Cash flow	10.4	30.5	(33.6)	64.4					
Opening Cash	11.1	21.5	52.0	18.3					
Closing Cash/ Cash Equivalent	21.5	52.0	18.3	82.7					

Source: Company, ICICIdirect.com Research

Balance sheet					₹ Crore				
(₹ Crore)	FY16	FY17E	FY18E	FY19E					
Liabilities									
Equity Capital	15.9	15.9	15.9	15.9					
Reserve and Surplus	906.4	1,159.2	1,389.0	1,685.0					
Total Shareholders funds	925.1	1,175.1	1,404.9	1,700.9					
Minority Interest	76.1	76.0	77.0	78.0					
Total Debt	296.3	213.0	213.0	163.0					
Deferred Tax Liability	91.6	110.6	110.6	110.6					
Total Liabilities	1,398.7	1,585.1	1,815.8	2,062.8					
Assets									
Gross Block	1,525.1	1,718.3	1,799.3	1,954.3					
Less Acc. Dep	418.5	555.7	645.6	743.3					
Net Block	1,106.6	1,162.7	1,153.7	1,211.0					
Net Intangibles Assets	13.9	14.6	14.6	14.6					
Capital WIP	7.8	8.3	93.3	89.8					
Total Fixed Assets	1,128.3	1,185.6	1,261.6	1,315.4					
Investments	0.1	0.1	0.1	0.1					
Inventory	384.2	372.0	508.3	600.9					
Sundry Debtors	274.2	338.9	419.2	527.1					
Loans & Advances	109.1	90.1	131.7	155.7					
Cash & Bank Balances	21.5	52.0	18.3	82.7					
Other Current Assets	1.0	1.5	1.5	1.5					
Total Current Assets	790.1	854.5	1,079.1	1,368.0					
Trade Payable	280.4	292.1	338.9	400.6					
Other Current Liabilities	165.8	152.7	174.4	206.1					
Provisions	73.6	10.3	11.7	13.8					
Net Current Assets	270.3	399.4	554.1	747.4					
Total Assets	1,398.7	1,585.1	1,815.8	2,062.8					

Source: Company, ICICIdirect.com Research

Key ratios									
	FY16	FY17E	FY18E	FY19E					
Per Share Data (₹)									
EPS - Diluted	14.4	15.9	18.8	24.2					
Cash EPS	19.0	21.0	24.4	30.3					
Book Value	58.2	74.0	88.4	107.0					
Dividend per share	3.0	3.6	4.3	5.6					
Operating Ratios (%)									
EBITDA / Net Sales	18.8	19.3	19.0	19.7					
PAT / Net Sales	9.5	9.9	10.3	11.2					
Inventory Days	58	53	64	64					
Debtor Days	42	49	53	56					
Creditor Days	42	42	43	43					
Return Ratios (%)									
RoNW	24.8	21.5	21.2	22.6					
RoCE	27.5	26.9	26.4	29.1					
RoIC	27.8	27.2	27.4	30.9					
Valuation Ratios (x)									
EV / EBITDA	24.2	22.0	19.7	15.9					
P/E (Diluted)	46.6	42.3	35.8	27.8					
EV / Net Sales	4.6	4.3	3.7	3.1					
Market Cap / Sales	4.4	4.2	3.7	3.1					
Price to Book Value	11.6	9.1	7.6	6.3					
Dividend Yield (%)	0.4	0.5	0.6	0.8					
Solvency Ratios (x)									
Net Debt / Equity	0.3	0.1	0.1	0.1					
Debt/EBITDA	0.7	0.4	0.4	0.2					
Current Ratio	1.5	1.8	2.0	2.1					
Quick Ratio	0.7	0.9	1.1	1.1					

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Tiles Universe)

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			P/B (x)			RoE (%)		
	(₹)	TP(₹)	Rating		FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E
Kajaria Ceramics (KAJCER)	673	725	Hold	10691	14.4	15.9	18.8	46.6	42.3	35.8	24.2	22.0	19.7	11.6	9.1	7.6	24.8	21.5	21.2
Somany Ceramics (SPLIND)	778	655	Hold	3380	15.3	21.5	25.6	52.2	37.1	31.1	26.0	20.9	17.6	7.9	6.7	5.7	15.1	18.1	18.4

Source: Company, ICICIdirect.com Research

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Buy: >10%/15% for large caps/midcaps, respectively;
Hold: Up to +/-10%;
Sell: -10% or more;



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