

February 1, 2024

## Q3FY24 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,445		1,415	
Sales (Rs. m)	53,686	61,383	54,259	61,605
% Chng.	(1.1)	(0.4)		
EBITDA (Rs. m)	8,853	10,128	9,007	10,226
% Chng.	(1.7)	(1.0)		
EPS (Rs.)	35.2	41.0	36.3	41.6
% Chng.	(2.9)	(1.4)		

### Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	43,819	46,224	53,686	61,383
EBITDA (Rs. m)	5,920	7,285	8,853	10,128
Margin (%)	13.5	15.8	16.5	16.5
PAT (Rs. m)	3,445	4,443	5,605	6,529
EPS (Rs.)	21.6	27.9	35.2	41.0
Gr. (%)	(8.6)	29.0	26.2	16.5
DPS (Rs.)	3.0	6.1	7.7	9.0
Yield (%)	0.2	0.4	0.6	0.7
RoE (%)	15.5	17.8	19.6	19.8
RoCE (%)	20.6	23.2	25.4	25.8
EV/Sales (x)	5.0	4.7	4.0	3.4
EV/EBITDA (x)	36.7	29.6	24.1	20.7
PE (x)	63.5	49.3	39.1	33.5
P/BV (x)	9.4	8.3	7.1	6.2

### Key Data

KAJR.BO | KJC IN

52-W High / Low	Rs.1,524 / Rs.1,006
Sensex / Nifty	71,645 / 21,697
Market Cap	Rs.219bn/ \$ 2,639m
Shares Outstanding	159m
3M Avg. Daily Value	Rs.280.57m

### 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	5.1	(4.5)	28.9
Relative	6.0	(11.4)	7.4

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**Yet to pick in vol., growth expectation continue...**

Quick pointers:

- KJC reported tiles volume growth of 6.4% YoY in Q3FY24.
- EBITDA margin improved by 330bps YoY with fuel cost correction as % rev.

**We downward revise our FY24 estimates by 5.3% to factor in lower volume growth of 6.4% YoY and margin contracted to 15.5% (-50bps QoQ). Kajaria Ceramics (KJC) guided volume growth of 6-7% in Q4FY24 (9MFY24 reported 6.6% YoY) and reduced EBITDA margin guidance to 14-16% (earlier ~16.0%) with recent increase in gas prices & difficulty in pass-on as slowdown in dom. demand. Management indicated gradual pick-up in FY25 volumes and expected improvement in demand environment emanating from rub-off of strong growth in real estate sector to drive better volume growth in FY25.**

**We are cautiously optimistic for long term given 1) its largest player positioning in domestic tiles market, 2) focus on brand building (adv. spends at 3% sales), 3) expanding distribution network, 4) controlled fuel expenses, and 5) exponential growth in Bathware/Plywood/Adhesive businesses. We expect Revenue/EBITDA/PAT CAGR of 11.9%/19.6%/23.7% over FY23-26E and downward revise our FY25E/FY26E earnings estimate by 2.9%/1.4%. Maintain 'Accumulate' rating, as we value the stock at 35x FY26 EPS to arrive at revised TP of Rs1,445 (earlier Rs 1,415).**

**Revenues grew by 5.6%, PAT up by 40.2%:** Revenues grew by 5.6% YoY to Rs11.5bn (PLe:Rs11.7bn), on back of 6.4% YoY tiles volume growth vs flattish volume growth of Tile Industry. Tiles segment revenues grew by 3.3% YoY (contributes 89%sales) and other segment revenues grew by 28.4% YoY. Bathware (cont. 8%rev.) revenue grew by 16.0% YoY to Rs922mn. Gross margin maintained YoY at 59.3%(PLe:58%). EBITDA grew by 34.3% YoY to Rs1.8bn (PLe: Rs1.9bn). EBITDA margin improved by 330bps YoY while contracted by 50bps QoQ to 15.5%. (PLe: 16.0%). Fuel expenses % sales were at 20.8% in Q3FY24 from 25.5%/19.7% in Q3FY23/Q2FY23. PBT grew by 46.6% YoY to Rs1.5bn (PLe: Rs1.6bn). PAT grew by 40.2% YoY to Rs1.04bn (PLe: Rs1.1bn). Reported working capital at 59days by Dec-23 vs 59days in Mar-23.

**Con-Call highlights: 1)** KJC expects a 6-7% increase in tile volume for 4QFY24. Company guided gradual improvement in vol. & expects double digit growth in coming years with 14-16% EBITDA margin for FY24 and 15-17% for FY25E, **2)** KJC does not expect any price hike in tiles sector in spite of 17% increase in gas price since Aug'23, **3)** Tile exports run rate has decreased from Rs 17-18bn/month in Apr-Oct'23 to Rs 12-13bn/month in Nov'23-Jan'24, **4)** Avg. fuel prices were at Rs39/SCM in Q3FY24, **5)** Capex maintained at ~Rs3.7bn for FY24, Nepal JV expected to complete by Jun'24, **6)** KJC expanding in Morbi with 6MSM GVT unit costing Rs 500mn & start large slab tile manufacturing unit at cost of Rs 300mn, **7)** Mgmt expects Batherware's EBITDA margin will be in the range of 9-10% FY24and enhance sanitaryware capacity from 0.75mn pieces to 1.35mn pieces by FY24, **8)** Plywood segment expected to clock rev. of Rs 770mn/Rs 1.0bn/Rs 1.5bn in FY24/FY25/FY26 and KJC has spent Rs420mn to acquire 51% in a north base plywood company having capacity of 2.1mm sqm.

**Exhibit 1: Q3FY24 Result Overview: Sales grew by 5.6% YoY; Adj. PAT grew by 40.9% YoY**

Y/e March (Rs mn)	Q3FY24	Q3FY23	YoY gr. (%)	Q2FY24	QoQ gr. (%)	9MFY24	9MFY23	YoY gr. (%)
<b>Net Sales</b>	<b>11,518</b>	<b>10,911</b>	<b>5.6</b>	<b>11,216</b>	<b>2.7</b>	<b>33,376</b>	<b>31,771</b>	<b>5.1</b>
<b>Expenditure</b>								
Operating & Manufacturing Expenses	4,692	4,444	5.6	4,582	2.4	13,990	12,703	10.1
<i>% of Net Sales</i>	<i>40.7</i>	<i>40.7</i>		<i>40.8</i>		<i>41.9</i>	<i>40.0</i>	
Gross Profit	6,826	6,467	5.5	6,635	2.9	19,386	19,068	1.7
<i>% of Net Sales</i>	<i>59.3</i>	<i>59.3</i>		<i>59.2</i>		<i>58.1</i>	<i>60.0</i>	
Personnel Cost	1,319	1,166	13.2	1,300	1.5	3,756	3,448	8.9
<i>% of Net Sales</i>	<i>11.5</i>	<i>10.7</i>		<i>11.6</i>		<i>11.3</i>	<i>10.9</i>	
Other Expenses	3,719	3,971	(6.3)	3,538	5.1	10,353	11,460	(9.7)
<i>% of Net Sales</i>	<i>32.3</i>	<i>36.4</i>		<i>31.5</i>		<i>31.0</i>	<i>36.1</i>	
Total Expenditure	9,730	9,581	1.6	9,419	3.3	28,099	27,610	1.8
<b>EBITDA</b>	<b>1,788</b>	<b>1,331</b>	<b>34.3</b>	<b>1,797</b>	<b>(0.5)</b>	<b>5,277</b>	<b>4,161</b>	<b>26.8</b>
<i>Margin (%)</i>	<i>15.5</i>	<i>12.2</i>		<i>16.0</i>		<i>15.8</i>	<i>13.1</i>	
Other income	113	75	50.7	83	36.3	288	232	24.1
Depreciation	389	325	19.6	361	7.9	1,055	985	7.1
<b>EBIT</b>	<b>1,511</b>	<b>1,080</b>	<b>39.9</b>	<b>1,519</b>	<b>(0.5)</b>	<b>4,510</b>	<b>3,407</b>	<b>32.4</b>
Interest	50	83	(40.1)	43	16.9	145	151	(3.8)
<b>PBT</b>	<b>1,462</b>	<b>997</b>	<b>46.6</b>	<b>1,477</b>	<b>(1.0)</b>	<b>4,365</b>	<b>3,257</b>	<b>34.0</b>
Total Taxes	379	261	45.5	366	3.5	1,081	865	25.0
<i>ETR (%)</i>	<i>25.9</i>	<i>26.1</i>		<i>24.8</i>		<i>24.8</i>	<i>26.6</i>	
<b>Adjusted PAT</b>	<b>1,047</b>	<b>743</b>	<b>40.9</b>	<b>1,083</b>	<b>(3.4)</b>	<b>3,206</b>	<b>2,375</b>	<b>35.0</b>

Source: Company, PL

**Exhibit 2: Segmental Breakup: Tiles revenues grew by 2.9% YoY, with volume growth of 6.4YoY**

Y/e March (Rs mn)	Q3FY24	Q3FY23	YoY gr. (%)	Q2FY24	QoQ gr. (%)	9MFY24	9MFY23	YoY gr. (%)
<b>Revenues</b>								
Tiles	10,128	9,839	2.9	9,998	1.3	29,693	28,671	3.6
Others	1,389	1,072	29.6	1,218	14.1	3,683	3,101	18.8
<b>Sales Volumes (Tiles in mn sq. m)</b>								
Own Manufacturing	15.3	14.0	9.2	14.8	3.1	43.9	42	4.0
Subsidiaries	5.3	5.0	6.2	4.8	239.2	14.9	13	11.3
Outsource	6.5	6.5	0.5	6.9	(5.1)	19.8	18	9.2
<b>Realisation (Rs/Sqm)</b>								
Own Manufacturing	380	401	(5.2)	386	(1.5)	385	402	(4.1)
Subsidiaries	375	389	(3.6)	379	(0.6)	344	342	0.7
Outsource	360	355	1.5	360	0.0	387	395	(1.9)

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Net Revenues</b>	<b>43,819</b>	<b>46,224</b>	<b>53,686</b>	<b>61,383</b>
YoY gr. (%)	18.3	5.5	16.1	14.3
Cost of Goods Sold	18,070	19,220	22,226	25,412
Gross Profit	25,749	27,004	31,460	35,970
Margin (%)	58.8	58.4	58.6	58.6
Employee Cost	4,612	5,085	5,610	6,200
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>5,920</b>	<b>7,285</b>	<b>8,853</b>	<b>10,128</b>
YoY gr. (%)	(3.1)	23.1	21.5	14.4
Margin (%)	13.5	15.8	16.5	16.5
Depreciation and Amortization	1,329	1,445	1,600	1,709
<b>EBIT</b>	<b>4,592</b>	<b>5,840</b>	<b>7,252</b>	<b>8,419</b>
Margin (%)	10.5	12.6	13.5	13.7
Net Interest	223	199	179	159
Other Income	336	400	475	520
<b>Profit Before Tax</b>	<b>4,625</b>	<b>6,035</b>	<b>7,548</b>	<b>8,779</b>
Margin (%)	10.6	13.1	14.1	14.3
Total Tax	1,163	1,510	1,887	2,195
Effective tax rate (%)	25.1	25.0	25.0	25.0
<b>Profit after tax</b>	<b>3,463</b>	<b>4,525</b>	<b>5,661</b>	<b>6,585</b>
Minority interest	17	82	56	56
Share Profit from Associate	(1)	-	-	-
<b>Adjusted PAT</b>	<b>3,445</b>	<b>4,443</b>	<b>5,605</b>	<b>6,529</b>
YoY gr. (%)	(8.6)	29.0	26.2	16.5
Margin (%)	7.9	9.6	10.4	10.6
Extra Ord. Income / (Exp)	79	(5)	-	-
<b>Reported PAT</b>	<b>3,524</b>	<b>4,438</b>	<b>5,605</b>	<b>6,529</b>
YoY gr. (%)	(6.5)	25.9	26.3	16.5
Margin (%)	8.0	9.6	10.4	10.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,524	4,438	5,605	6,529
<b>Equity Shares O/s (m)</b>	<b>159</b>	<b>159</b>	<b>159</b>	<b>159</b>
<b>EPS (Rs)</b>	<b>21.6</b>	<b>27.9</b>	<b>35.2</b>	<b>41.0</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>24,686</b>	<b>28,386</b>	<b>30,386</b>	<b>32,386</b>
Tangibles	24,672	28,372	30,372	32,372
Intangibles	15	15	15	15
<b>Acc: Dep / Amortization</b>	<b>10,547</b>	<b>11,992</b>	<b>13,593</b>	<b>15,302</b>
Tangibles	10,547	11,992	13,593	15,302
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>14,139</b>	<b>16,394</b>	<b>16,793</b>	<b>17,084</b>
Tangibles	14,124	16,379	16,779	17,069
Intangibles	15	15	15	15
Capital Work In Progress	817	500	500	500
Goodwill	327	-	-	-
Non-Current Investments	19	19	19	19
Net Deferred tax assets	(765)	(765)	(765)	(765)
Other Non-Current Assets	-	-	-	-
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	5,647	6,006	6,945	7,941
Trade receivables	6,012	6,342	7,365	8,421
Cash & Bank Balance	3,938	4,908	7,350	10,556
Other Current Assets	1,550	1,550	1,550	1,550
<b>Total Assets</b>	<b>33,305</b>	<b>36,623</b>	<b>41,573</b>	<b>47,272</b>
<b>Equity</b>				
Equity Share Capital	159	159	159	159
Other Equity	23,109	26,373	30,494	35,293
<b>Total Networkth</b>	<b>23,268</b>	<b>26,533</b>	<b>30,653</b>	<b>35,452</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	518	518	518	518
Provisions	-	-	-	-
Other non current liabilities	496	523	607	695
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	1,575	1,375	1,175	975
Trade payables	3,104	3,301	3,817	4,364
Other current liabilities	2,804	2,832	3,261	3,727
<b>Total Equity &amp; Liabilities</b>	<b>33,305</b>	<b>36,623</b>	<b>41,573</b>	<b>47,272</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	3,614	4,443	5,605	6,529
Add. Depreciation	1,329	1,445	1,600	1,709
Add. Interest	150	134	120	107
Less Financial Other Income	336	400	475	520
Add. Other	(4,749)	(1,149)	(2,448)	(2,485)
Op. profit before WC changes	344	4,872	4,878	5,859
Net Changes-WC	2,216	510	1,164	1,189
Direct tax	(1,163)	(1,510)	(1,887)	(2,195)
<b>Net cash from Op. activities</b>	<b>2,560</b>	<b>5,383</b>	<b>6,042</b>	<b>7,049</b>
Capital expenditures	(2,240)	(3,383)	(2,000)	(2,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
<b>Net Cash from Invt. activities</b>	<b>(2,240)</b>	<b>(3,383)</b>	<b>(2,000)</b>	<b>(2,000)</b>
Issue of share cap. / premium	(697)	(5)	-	-
Debt changes	814	(200)	(200)	(200)
Dividend paid	(575)	(1,178)	(1,485)	(1,729)
Interest paid	-	-	-	-
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(459)</b>	<b>(1,383)</b>	<b>(1,685)</b>	<b>(1,929)</b>
<b>Net change in cash</b>	<b>(139)</b>	<b>617</b>	<b>2,357</b>	<b>3,119</b>
Free Cash Flow	320	2,000	4,042	5,049

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Per Share(Rs)</b>				
EPS	21.6	27.9	35.2	41.0
CEPS	30.0	37.0	45.3	51.7
BVPS	146.2	166.7	192.5	222.7
FCF	2.0	12.6	25.4	31.7
DPS	3.0	6.1	7.7	9.0
<b>Return Ratio(%)</b>				
RoCE	20.6	23.2	25.4	25.8
ROIC	17.2	19.9	23.6	26.2
RoE	15.5	17.8	19.6	19.8
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.2)	(0.3)
Net Working Capital (Days)	71	71	71	71
<b>Valuation(x)</b>				
PER	63.5	49.3	39.1	33.5
P/B	9.4	8.3	7.1	6.2
P/CEPS	45.9	37.2	30.4	26.6
EV/EBITDA	36.7	29.6	24.1	20.7
EV/Sales	5.0	4.7	4.0	3.4
Dividend Yield (%)	0.2	0.4	0.6	0.7

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
<b>Net Revenue</b>	<b>12,048</b>	<b>10,642</b>	<b>11,216</b>	<b>11,518</b>
YoY gr. (%)	9.4	5.6	4.1	5.6
Raw Material Expenses	5,368	4,717	4,582	4,692
Gross Profit	6,681	5,925	6,635	6,826
Margin (%)	55.4	55.7	59.2	59.3
<b>EBITDA</b>	<b>1,759</b>	<b>1,692</b>	<b>1,797</b>	<b>1,788</b>
YoY gr. (%)	6.0	10.2	38.9	34.3
Margin (%)	14.6	15.9	16.0	15.5
Depreciation / Depletion	343	305	361	389
<b>EBIT</b>	<b>1,416</b>	<b>1,387</b>	<b>1,436</b>	<b>1,399</b>
Margin (%)	11.8	13.0	12.8	12.1
Net Interest	72	53	43	50
Other Income	104	93	83	113
<b>Profit before Tax</b>	<b>1,406</b>	<b>1,427</b>	<b>1,474</b>	<b>1,459</b>
Margin (%)	11.7	13.4	13.1	12.7
Total Tax	298	336	366	379
Effective tax rate (%)	21.2	23.5	24.8	26.0
<b>Profit after Tax</b>	<b>1,108</b>	<b>1,091</b>	<b>1,108</b>	<b>1,080</b>
Minority interest	26	16	29	38
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>1,124</b>	<b>1,075</b>	<b>1,082</b>	<b>1,045</b>
YoY gr. (%)	17.4	16.5	47.1	40.6
Margin (%)	9.3	10.1	9.6	9.1
Extra Ord. Income / (Exp)	(43)	-	(2)	(3)
<b>Reported PAT</b>	<b>1,082</b>	<b>1,075</b>	<b>1,080</b>	<b>1,042</b>
YoY gr. (%)	13.0	16.5	39.9	40.2
Margin (%)	9.0	10.1	9.6	9.0
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>1,082</b>	<b>1,075</b>	<b>1,080</b>	<b>1,042</b>
Avg. Shares O/s (m)	159	159	159	159
<b>EPS (Rs)</b>	<b>7.1</b>	<b>6.8</b>	<b>6.8</b>	<b>6.6</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	02-Jan-24	Accumulate	1,415	1,297
2	22-Oct-23	Accumulate	1,368	1,230
3	09-Oct-23	Accumulate	1,445	1,319
4	26-Jul-23	Hold	1,363	1,393
5	04-Jul-23	Hold	1,264	1,255
6	18-May-23	Accumulate	1,264	1,185
7	06-Apr-23	BUY	1,302	1,055
8	20-Mar-23	BUY	1,302	1,057

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Accumulate	2,064	1,830
2	Bajaj Electricals	Hold	1,047	1,026
3	Century Plyboard (I)	BUY	888	780
4	Cera Sanitaryware	Accumulate	8,597	7,842
5	Crompton Greaves Consumer Electricals	BUY	397	313
6	Finolex Industries	Accumulate	247	234
7	Greenpanel Industries	BUY	498	424
8	Havells India	Accumulate	1,538	1,306
9	Kajaria Ceramics	Accumulate	1,415	1,297
10	KEI Industries	Hold	3,268	3,315
11	Polycab India	BUY	6,021	4,335
12	R R Kabel	BUY	1,857	1,435
13	Supreme Industries	Accumulate	4,823	4,070
14	Voltas	Hold	1,003	990

**PL's Recommendation Nomenclature (Absolute Performance)**

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



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