

Kajaria's Q4FY24 operational performance was a mixed bag – though revenue came broadly in-line, higher than expected costs led to a miss on PAT. Overall sales grew 3% YoY (8% QoQ) to Rs12.4bn, mainly led by volume growth of 6% YoY (9% QoQ). Realizations were under pressure, down 5%/1% YoY/QoQ to Rs369/sqm, probably owing to a challenging demand environment and higher trade discounts to dealers. EBITDA margins contracted by 74bps YoY/166bps QoQ to 13.9%, with absolute EBITDA declining 2% YoY to Rs1.7bn (Emkay: Rs1.9bn). Management has outlined growth strategies aimed at achieving 12% CAGR in total sales by FY27, thus reaching Rs65bn, while targeting EBITDA margin of 15-17%. Factoring-in the recent performance, we trim our EBITDA by 5-6% for FY25-26E. We maintain ADD on the stock, with revised TP of Rs1,320/share (earlier TP: Rs1,450), based on FY26E 37x P/E.

Kajaria Ceramics: Financial Snapshot (Consolidated)					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	37,052	43,819	45,784	50,393	57,526
EBITDA	6,107	5,920	6,997	7,908	9,311
Adj. PAT	3,770	3,524	4,221	4,749	5,726
Adj. EPS (Rs)	23.7	21.6	26.5	29.8	35.9
EBITDA margin (%)	16.5	13.5	15.3	15.7	16.2
EBITDA growth (%)	20.0	(3.1)	18.2	13.0	17.7
Adj. EPS growth (%)	22.4	(8.6)	22.5	12.5	20.6
RoE (%)	18.9	15.8	17.1	17.3	18.9
RoIC (%)	29.7	23.7	24.0	25.3	28.4
P/E (x)	48.8	52.2	43.6	38.8	32.2
EV/EBITDA (x)	29.5	30.7	25.8	22.7	19.0
P/B (x)	8.7	7.9	7.0	6.4	5.8
FCFF yield (%)	0.8	0.4	1.0	1.9	2.3

Source: Company, Emkay Research

Result Summary

Sluggish demand environment continued to loom over the tiles space, reflected in the weak realizations. Though Kajaria was able to achieve steady 6% YoY volume growth in Q4FY24 to ~30msm, realizations dipped 5% YoY (1% QoQ). Subsequently, gross margins contracted by 211bps QoQ to 36%. Revenue from the tiles segment remained constant YoY at Rs10.9bn in Q4. For FY24, volume growth was 6% YoY, at 108msm; we believe Kajaria gained market share, even as the industry is projected to have experienced nil growth. Non-tile portfolio (~12% of overall sales) continued to outperform with healthy topline growth of 24% YoY. Sanitaryware/faucets reported revenue growth of 13% YoY and surpassed the Rs1bn mark in Q4. The recent facility in Morbi (capacity: 0.45mn pieces) started commercial production in Mar-24 and will mainly cater to premium products. The Plywood and Adhesive segments recorded 74% and 24% YoY growth, respectively, on a favorable base. Kajaria continued to strength its balance sheet, as net cash improved by Rs740mn QoQ to Rs3.5bn as of Mar-24. Besides, it generated strong FCF of Rs3.1bn following the working capital release of Rs260mn and capex of Rs2.8bn.

What we liked: Healthy FCF generation and strengthening of balance sheet.

What we did not like: Lower than expected EBITDA margins.

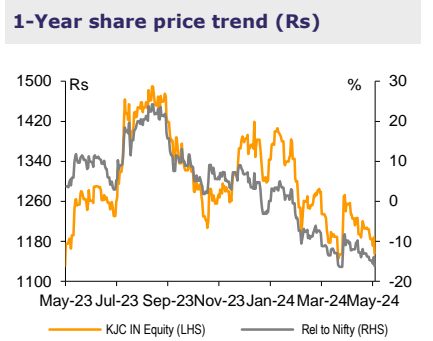
Key analyst meet takeaways:

- a) Current domestic industry pegged at Rs420bn; exports at Rs195bn worth, as of FY24. Domestic demand expected to grow 6-8%; Kajaria targets growth of 11-13% in FY24-27.
- b) Aspires for 150msqm volume by FY27 (CAGR: 12%).
- c) Mgmt indicated current tile prices have bottomed out and it does not expect further decline.
- c) Non-tile portfolio to reach revenue of Rs10bn by FY27 (Rs5.1 bn now) and contribute 15% of sales (from 12%).
- d) Projected capex at Rs2.2-2.5bnpa for FY25-27.
- e) Focus is on penetrating tier-II/III towns and aspires increasing presence to 2K towns from the current 1K.
- f) Gas prices stable QoQ in Q4FY24. Share of Biofuel at 22% blended and 30% in the North.
- g) 70% of sales now are via dealers; rest via institutional sales.
- h) Builders initiated launch of new housing projects post-2021; demand for tiles to recover from FY25.

Target Price – 12M	Mar-25
Change in TP (%)	(8.9)
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	14.2
CMP (08-May-24) (Rs)	1,155.8

Stock Data	Ticker
52-week High (Rs)	1,524
52-week Low (Rs)	1,110
Shares outstanding (mn)	159.3
Market-cap (Rs bn)	184
Market-cap (USD mn)	2,204
Net-debt, FY25E (Rs mn)	-5,010
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	320.8
ADTV-3M (USD mn)	3.8
Free float (%)	-
Nifty-50	22,303
INR/USD	83.5
Shareholding, Mar-24	
Promoters (%)	47.5
FPIs/MFs (%)	19.2/24.9

Price Performance			
(%)	1M	3M	12M
Absolute	(7.8)	(9.7)	0.7
Rel. to Nifty	(6.3)	(12.0)	(17.5)



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Quarterly Analysis

Exhibit 1: Actual vs. Estimates (Q4FY24)

(Rs mn)	Actual	Estimates		Variation (%)		Comment
		Emkay	Consensus	Emkay	Consensus	
Net sales	12,408	12,457	12,738	(0.4)	(2.6)	
EBITDA	1,720	1,873	2,012	(8.2)	(14.5)	Higher RM expenses led to a miss on the EBITDA front
EBITDA margin (%)	14	15	16			
PAT	1,024	1,097	1,223	(6.6)	(16.2)	

Source: Bloomberg, Emkay Research

Exhibit 2: Quarterly Analysis

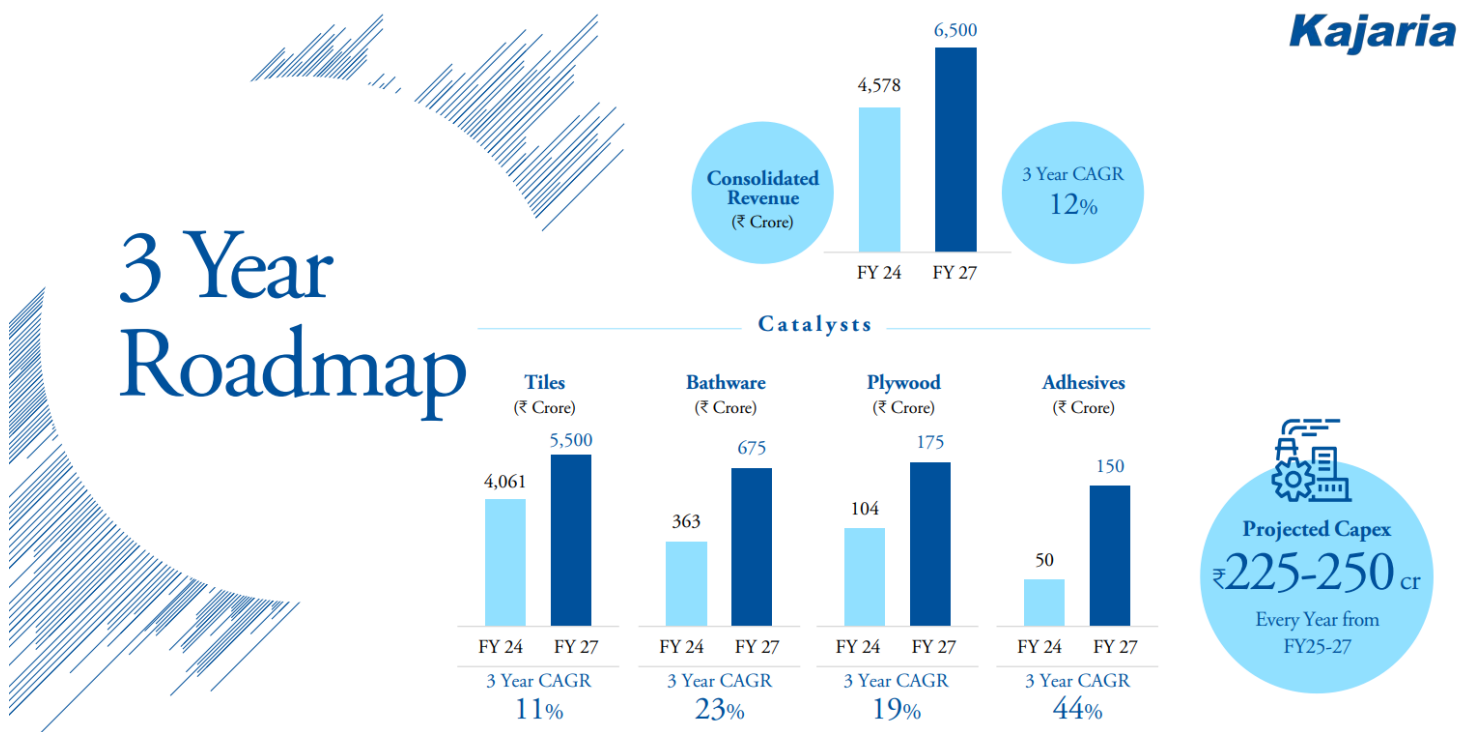
(Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
Revenue	12,048	10,642	11,216	11,518	12,408	3.0	7.7	43,819	45,784	4.5
Expenditure	10,289	8,950	9,419	9,730	10,688	3.9	9.9	37,899	38,787	2.3
Total RM costs	5,368	4,717	4,582	4,692	5,779	7.7	23.2	18,070	19,769	9.4
Staff cost	1,164	1,137	1,300	1,319	1,297	11.4	(1.7)	4,612	5,053	9.5
Other expenditure	1,343	1,159	1,327	1,324	1,494	11.3	12.9	4,663	5,304	13.8
Power & Fuel costs	2,414	1,937	2,211	2,395	2,118	(12.3)	(11.6)	10,554	8,661	(17.9)
EBITDA	1,759	1,692	1,797	1,788	1,720	(2.2)	(3.8)	5,920	6,997	18.2
Depreciation	343	305	361	389	425	23.8	9.2	1,329	1,480	11.4
EBIT	1,416	1,387	1,437	1,399	1,295	(8.6)	(7.4)	4,592	5,517	20.2
Other Income	104	93	83	113	174	67.4	54.7	336	462	37.5
Interest	72	53	43	50	66	(8.7)	32.7	223	211	(5.4)
PBT	1,448	1,427	1,477	1,462	1,403	(3.1)	(4.0)	4,705	5,768	22.6
Total Tax	298	336	366	379	354	18.8	(6.7)	1,163	1,435	23.4
Adjusted PAT	1,150	1,091	1,111	1,083	1,050	(8.7)	(3.0)	3,542	4,334	22.4
(Profit)/loss from JVs/Ass/MI	28	16	31	41	25			27	113	
PAT after MI	1,123	1,075	1,080	1,042	1,024	(8.8)	(1.7)	3,515	4,221	20.1
Extra ordinary items	(43)	-	-	-	-			(79)	-	
Reported PAT	1,080	1,075	1,080	1,042	1,024	(5.2)	(1.7)	3,436	4,221	22.9
Adjusted EPS (Rs)	7.0	6.7	6.8	6.5	6.4	(8.8)	(1.7)	22.1	26.5	20.1
(%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (bps)	QoQ (bps)	FY23	FY24	YoY (bps)
EBITDAM	14.6	15.9	16.0	15.5	13.9	(74)	(166)	13.5	15.3	177
EBITM	11.8	13.0	12.8	12.1	10.4	(132)	(171)	10.5	12.1	157
EBTM	12.0	13.4	13.2	12.7	11.3	(71)	(138)	10.7	12.6	186
PATM	9.5	10.3	9.9	9.4	8.5	(109)	(94)	8.1	9.5	138
Effective Tax rate	20.6	23.5	24.8	25.9	25.2			24.7	24.9	
Titles	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
Sales Volumes (MSM)	28.0	25.0	26.5	27.1	29.6	5.5	9.2	102	108	6.3
Own Manufacturing	15.2	13.8	14.8	15.3	16.1	6.1	5.4	57	60	4.6
Subsidiaries	5.9	4.8	4.8	5.3	6.1	3.0	14.8	20	21	7.8
Outsourced	6.9	6.4	6.9	6.5	7.4	6.3	13.4	25	27	9.2
Realization(Rs/CBM)	387	382	378	374	369	(4.6)	(1.3)	389	376	(3.3)
Own Manufacturing	396	391	386	380	377	(4.7)	(0.7)	400	383	(4.3)
Subsidiaries	390	279	379	375	369	(5.4)	(1.6)	382	376	(1.4)
Outsourced	365	442	360	360	352	(3.6)	(2.1)	367	359	(2.2)
Net sales	10,843	9,566	9,998	10,128	10,917	0.7	7.8	39,515	40,609	2.8
Other Segments (Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
Sanitaryware/Faucets	902	837	853	922	1,023	13.3	10.9	3,155	3,635	15.2
Plywood	188	143	235	340	327	73.7	(3.9)	773	1,044	35.0
Adhesives	115	96	130	128	143	24.2	11.8	376	496	31.9
Grand Total	12,048	10,642	11,216	11,518	12,408	3.0	7.7	43,819	45,784	4.5

Source: Company, Emkay Research

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Exhibit 3: Three-year Roadmap



Source: Company

Exhibit 4: We have cut our EPS by 9% for FY25-26E

Earnings revision	FY25E			FY26E		
	Old	New	Change (%)	Old	New	Change (%)
Revenue (Rs mn)	51,519	50,393	(2.2)	59,290	57,526	(3.0)
EBITDA (Rs mn)	8,355	7,908	(5.4)	9,953	9,311	(6.5)
PAT (Rs mn)	5,197	4,749	(8.6)	6,275	5,726	(8.8)

Source: Emkay Research

Exhibit 5: We maintain our ADD rating with revised TP of Rs1,320/sh (from Rs1,450), based on 37x Mar-26E P/E

P/E-based methodology	
Mar-26E EPS (Rs)	36
P/E (x)	37
Target Price (Rs/share)	1,320
CMP (Rs/share)	1,156
Upside (%)	14

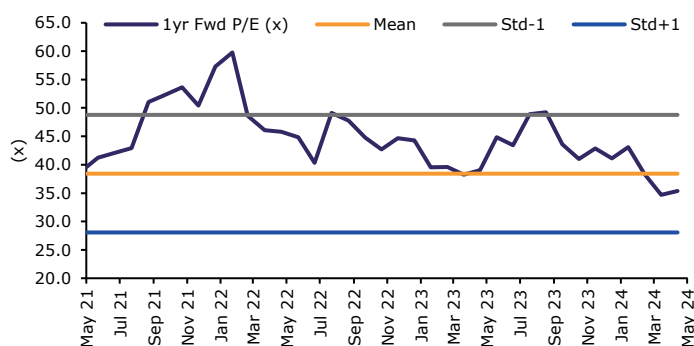
Source: Emkay Research

Exhibit 6: Annual analysis and key assumptions

(Consolidated)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY18-24	FY24-26E
Assumptions											CAGR
Capacity (msm)	68	68	73	70	70	82	86	96	106	4.0	11.0
Volumes (msm)	72	80	78	75	92	102	108	119	133	7.0	11.0
Realisation (Rs/sqm)	357	343	334	336	365	389	376	372	375	0.8	0.0
EBITDA (Rs/sqm)	63	56	53	67	67	58	65	67	70	0.3	3.9
P&L (Rs bn)											
Revenue	27	30	28	28	37	44	46	50	58	9.1	12.1
Growth	6	9	(5)	(1)	33	18	4	10	14		
EBITDA	4.6	4.5	4.2	5.1	6.1	5.9	7.0	7.9	9.3	7.4	15.4
EBITDA margin (%)	16.8	15.2	14.8	18.3	16.5	13.5	15.3	15.7	16.2		
Adj. Net Profit	2.3	2.3	2.6	3.1	3.8	3.5	4.2	4.7	5.7	10.3	16.5
PAT margin (%)	8.6	7.8	9.1	11.1	10.2	8.0	9.2	9.4	10.0		
Balance Sheet (Rs bn)											
Equity	13.5	15.7	17.1	18.7	21.2	23.3	26.2	28.8	31.9		
Net Debt	0.5	(1.6)	(1.2)	(3.5)	(3.7)	(2.4)	(3.5)	(5.0)	(6.8)		
Net Debt-to-EBITDA (x)	0.1	(0.4)	(0.3)	(0.7)	(0.6)	(0.4)	(0.5)	(0.6)	(0.7)		
Net Debt-to-Equity (x)	0.0	(0.1)	(0.1)	(0.2)	(0.2)	(0.1)	(0.1)	(0.2)	(0.2)		
Cash Flow (Rs bn)											
OCF before NWC change	3.2	3.3	3.1	4.2	4.8	4.7	5.7	6.5	7.7		
Change in NWC	(1.0)	(0.1)	(1.0)	0.9	(0.6)	(1.9)	0.3	(0.4)	(0.8)		
Capex	(1.4)	(1.1)	(1.2)	(1.0)	(2.6)	(2.1)	(2.8)	(2.5)	(2.5)		
FCF	0.8	2.0	0.9	4.0	1.6	0.8	3.1	3.7	4.4		
Return ratios (%)											
RoE	18.5	15.8	15.5	17.2	18.9	15.8	17.1	17.3	18.9		
RoCE	15.6	13.9	14.0	15.2	16.9	14.3	15.3	15.9	17.5		
RoIC	15.4	14.5	14.8	17.4	20.5	16.3	17.4	18.4	21.0		
Valuations (x)											
P/E							43.6	38.8	32.2		
EV/EBITDA							26.0	22.8	19.2		
P/B							7.0	6.4	5.8		

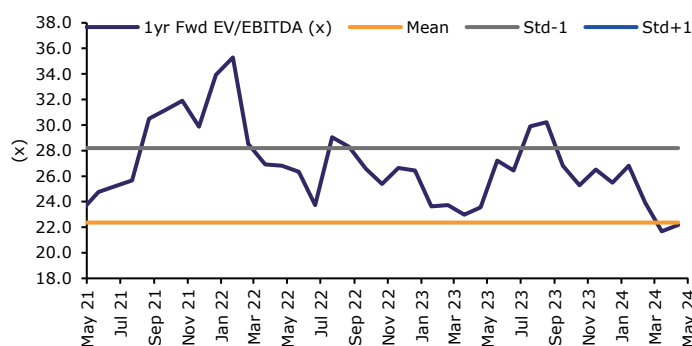
Source: Company, Emkay Research

Exhibit 7: One-year forward P/E



Source: Company, Emkay Research

Exhibit 8: One-year forward EV/EBITDA



Source: Company, Emkay Research

Kajaria Ceramics: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	37,052	43,819	45,784	50,393	57,526
Revenue growth (%)	33.2	18.3	4.5	10.1	14.2
EBITDA	6,107	5,920	6,997	7,908	9,311
EBITDA growth (%)	20.0	(3.1)	18.2	13.0	17.7
Depreciation & Amortization	1,154	1,329	1,480	1,724	1,895
EBIT	4,953	4,592	5,517	6,183	7,416
EBIT growth (%)	23.2	(7.3)	20.2	12.1	19.9
Other operating income	0	0	0	0	0
Other income	276	336	462	486	510
Financial expense	127	223	211	205	172
PBT	5,102	4,705	5,768	6,464	7,754
Extraordinary items	0	79	0	0	0
Taxes	1,274	1,163	1,435	1,608	1,928
Minority interest	58	17	101	103	105
Income from JV/Associates	0	(1)	(12)	(5)	5
Reported PAT	3,770	3,445	4,221	4,749	5,726
PAT growth (%)	22.4	(8.6)	22.5	12.5	20.6
Adjusted PAT	3,770	3,524	4,221	4,749	5,726
Diluted EPS (Rs)	23.7	21.6	26.5	29.8	35.9
Diluted EPS growth (%)	22.4	(8.6)	22.5	12.5	20.6
DPS (Rs)	8.0	9.0	9.0	13.4	16.2
Dividend payout (%)	33.8	41.6	34.0	45.0	45.0
EBITDA margin (%)	16.5	13.5	15.3	15.7	16.2
EBIT margin (%)	13.4	10.5	12.1	12.3	12.9
Effective tax rate (%)	25.0	24.7	24.9	24.9	24.9
NOPLAT (pre-IndAS)	3,716	3,457	4,145	4,646	5,571
Shares outstanding (mn)	159.3	159.3	159.3	159.3	159.3

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	5,102	4,705	5,768	6,464	7,754
Others (non-cash items)	0	0	0	0	0
Taxes paid	1,274	1,163	1,435	1,608	1,928
Change in NWC	(479)	(2,505)	(34)	(353)	(822)
Operating cash flow	4,566	3,179	4,835	5,947	6,560
Capital expenditure	(3,109)	(2,452)	(2,969)	(2,500)	(2,500)
Acquisition of business	0	(19)	(165)	0	0
Interest & dividend income	276	336	462	486	510
Investing cash flow	(2,783)	(2,135)	(2,672)	(2,014)	(1,990)
Equity raised/(repaid)	59	216	(185)	0	0
Debt raised/(repaid)	291	814	(387)	(500)	(300)
Payment of lease liabilities	0	0	0	0	0
Interest paid	(127)	(223)	(211)	(205)	(172)
Dividend paid (incl tax)	(1,273)	(1,433)	(1,433)	(2,137)	(2,577)
Others	(146)	(983)	800	(70)	(15)
Financing cash flow	(1,197)	(1,610)	(1,416)	(2,912)	(3,064)
Net chg in Cash	586	(565)	748	1,020	1,506
OCF	4,566	3,179	4,835	5,947	6,560
Adj. OCF (w/o NWC chg.)	5,045	5,684	4,870	6,300	7,382
FCFF	1,458	728	1,866	3,447	4,060
FCFE	1,749	1,541	1,479	2,947	3,760
OCF/EBITDA (%)	74.8	53.7	69.1	75.2	70.5
FCFE/PAT (%)	46.4	43.7	35.0	62.1	65.7
FCFF/NOPLAT (%)	39.2	21.1	45.0	74.2	72.9

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	159	159	159	159	159
Reserves & Surplus	21,065	23,109	26,006	28,618	31,767
Net worth	21,224	23,268	26,165	28,777	31,926
Minority interests	648	776	591	591	591
Deferred tax liability (net)	0	0	0	0	0
Total debt	2,444	3,354	3,078	2,615	2,399
Total liabilities & equity	24,316	27,398	29,834	31,983	34,916
Net tangible fixed assets	10,998	13,705	15,335	16,414	17,323
Net intangible assets	108	341	338	335	331
Net ROU assets	389	420	426	432	439
Capital WIP	2,634	817	679	379	79
Goodwill	108	341	341	341	341
Investments [JV/Associates]	0	19	185	185	185
Cash & equivalents	5,014	4,449	5,196	6,216	7,722
Current assets (ex-cash)	11,111	13,974	13,696	14,631	16,097
Current Liab. & Prov.	5,550	5,908	5,595	6,177	6,821
NWC (ex-cash)	5,562	8,066	8,101	8,454	9,276
Total assets	24,316	27,398	29,834	31,983	34,916
Net debt	(3,735)	(2,356)	(3,490)	(5,010)	(6,816)
Capital employed	23,151	26,137	28,462	30,574	33,423
Invested capital	16,668	22,113	23,774	25,203	26,930
BVPS (Rs)	133.2	146.1	164.3	180.6	200.4
Net Debt/Equity (x)	(0.2)	(0.1)	(0.1)	(0.2)	(0.2)
Net Debt/EBITDA (x)	(0.6)	(0.4)	(0.5)	(0.6)	(0.7)
Interest coverage (x)	41.1	22.1	28.3	32.5	46.0
RoCE (%)	16.9	14.3	15.3	15.9	17.5

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
P/E (x)	48.8	52.2	43.6	38.8	32.2
P/CE(x)	37.4	37.9	32.3	28.4	24.2
P/B (x)	8.7	7.9	7.0	6.4	5.8
EV/Sales (x)	4.9	4.1	3.9	3.6	3.1
EV/EBITDA (x)	29.5	30.7	25.8	22.7	19.0
EV/EBIT(x)	36.4	39.6	32.7	29.0	23.9
EV/IC (x)	10.8	8.2	7.6	7.1	6.6
FCFF yield (%)	0.8	0.4	1.0	1.9	2.3
FCFE yield (%)	1.0	0.8	0.8	1.6	2.1
Dividend yield (%)	0.7	0.8	0.8	1.2	1.4
DuPont-RoE split					
Net profit margin (%)	10.2	8.0	9.2	9.4	10.0
Total asset turnover (x)	1.7	1.8	1.7	1.7	1.8
Assets/Equity (x)	1.1	1.1	1.1	1.1	1.1
RoE (%)	18.9	15.8	17.1	17.3	18.9
DuPont-RoIC					
NOPLAT margin (%)	10.0	7.9	9.1	9.2	9.7
IC turnover (x)	2.2	2.3	2.0	2.1	2.2
RoIC (%)	29.7	23.7	24.0	25.3	28.4
Operating metrics					
Core NWC days	54.8	67.2	64.6	61.2	58.9
Total NWC days	54.8	67.2	64.6	61.2	58.9
Fixed asset turnover	1.9	2.1	1.9	1.9	1.9
Opex-to-revenue (%)	41.5	45.3	41.5	41.1	40.6

Source: Company, Emkay Research

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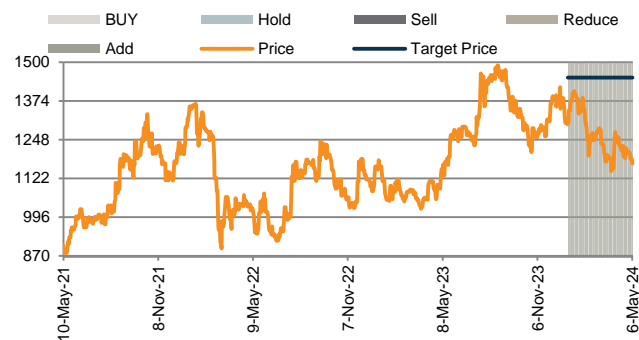
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RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
06-Apr-24	1,255	1,450	Add	Dharmesh Shah
03-Jan-24	1,299	1,450	Add	Dharmesh Shah

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

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