

India

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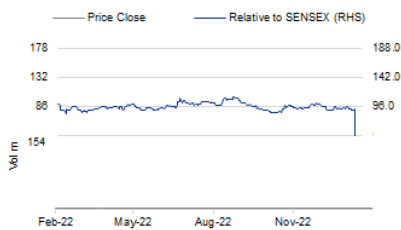
Consensus ratings*: Buy 24 Hold 5 Sell 0

Current price:	Rs1,075
Target price:	Rs1,175
Previous target:	Rs1,175
Up/downside:	9.3%
InCred Research / Consensus:	-4.1%
Reuters:	
Bloomberg:	KJC IN
Market cap:	US\$2,357m
	Rs171,119m
Average daily turnover:	US\$2.6m
	Rs190.4m
Current shares o/s:	159.2m
Free float:	52.5%

*Source: Bloomberg

Key financial forecast

	Mar-23F	Mar-24F	Mar-25F
Net Profit (Rsm)	3,349	4,923	6,124
Core EPS (Rs)	21.20	30.93	38.47
Core EPS Growth	(10.5%)	45.9%	24.4%
FD Core P/E	50.68	34.75	27.94
Recurring ROE	15.4%	20.6%	22.9%
P/BV (x)	7.55	6.79	6.03
DPS (Rs)	12.00	15.00	18.50
Dividend Yield	1.12%	1.40%	1.72%



SOURCE: BLOOMBERG

Price performance	1M	3M	12M
Absolute (%)	1.9	(6.7)	(0.6)
Relative (%)	2.9	(0.1)	(5.2)

Major shareholders	% held
Promoters	47.5
Kotak Mahindra Trustee Co Ltd A/c	4.7
Government Pension Fund Global	4.6

Kajaria Ceramics

Mumbai Experience Centre visit update

- We visited the newly opened Experience Centre of Kajaria in Mumbai and interacted with the sales and marketing team for West & South India.
- The centre displays GVT tiles and bathware. Project sales are up in Mumbai and a display centre enables higher conversion of enquiries into sales.
- No retail sales happen at the centre. The MRP is shown for various products and the customers are guided to channel partners for making purchases.

New display centre showcases a wide product and pricing range

- Kajaria Ceramics (KCL) recently opened its flagship Experience Centre in Mumbai for retail and institutional customer walk-ins to see entire product offerings such as GVT tiles, sanitaryware, and faucets under the Kajaria Eternity and Kerovit sub-brands.
- The centre is located at Andheri, a western suburb of Mumbai, and is spread across 15,000 sqft (ground + 1 storey) leased and operated by the company directly.
- The centre intends to create awareness of various new tile applications and highlight product offerings at every price point to cater to a wide range of customers. Currently, Kajaria GVT tiles fetch a 10-15% premium vs. other national/regional brands.

Frequent visits by influencers and retail customers to aid mind share

- All product offerings are showcased under one roof so that influencers like architects, interior designers, contractors, etc. can visit and see the wide variety of products, their quality and pricing.
- Retail customers get a first-hand experience of the latest trends, designs, pricing and applications of KCL's products vs. other brands available in the market.
- Bathware occupied ~1,000 sqft of display space at the centre. KCL offers a full range of sanitaryware and faucets with the Aurum collection fully comparable to premium brand offerings of Kohler, Toto, etc.
- The centre's operating team believes this helps in gaining a disproportionate advantage over peers to gain the mind and wallet share in a highly competitive market like Mumbai.

Mumbai is predominantly an institutional market

- Our interactions with the sales and marketing team helped us to gain some interesting insights on market trends and customer behaviour in West & South India.
- Project sales dominate markets like Mumbai, given that there are more apartments and less individual houses. Retail sales are higher in South India because of relatively cheaper real estate prices and more space available for self-construction.
- The experience centre is in addition to various retail dealer showrooms operated by channel partners. KCL has ~30 channel partners in and around the Mumbai region.

New product trends

- Big slabs (4 ft * 8 ft) account for 8-10% of GVT tile sales (Ultima series) for KCL. There is limited competition and KCL expects a shift in the revenue mix in favour of large-sized tiles.
- Kitchen platforms are witnessing a greater adoption of tiles vs. granite/quartz by real estate developers. There is a 15-20% price advantage currently in favour of tiles vs. quartz.
- The best-selling tile stock-keeping unit or SKU is the 4ft * 2ft slab.

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Figure 1: KCL's Experience Centre



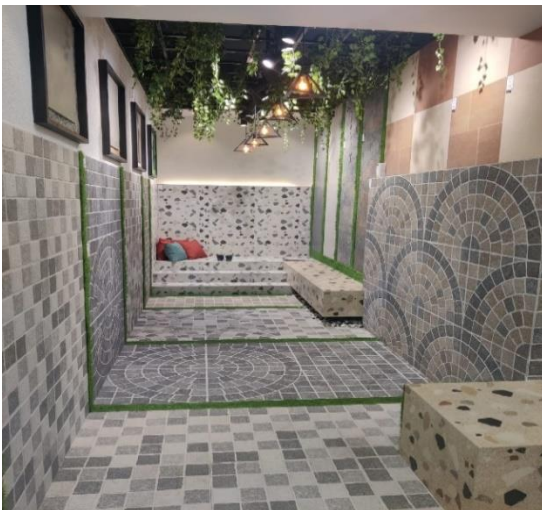
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Comparison between GVT tiles and Italian marble

	GVT	Italian Marble
Maintenance	Very Low	Very High
Stain-Proof	Yes	No
Porosity	Low	Very High
Price	Affordable	Very High
Handling	Easy	Very Difficult
Consistency	Yes	No
Eco-Friendly	Yes	No
Wastage	Low	Very High
Ready to Use	Yes	No
Fixing Cost	Low	Very High
Scratch Resistance	High	Very Low
Flexural Strength	Very High	Low

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Tile design applications



SOURCE: INCRED RESEARCH, COMPANY REPORTS

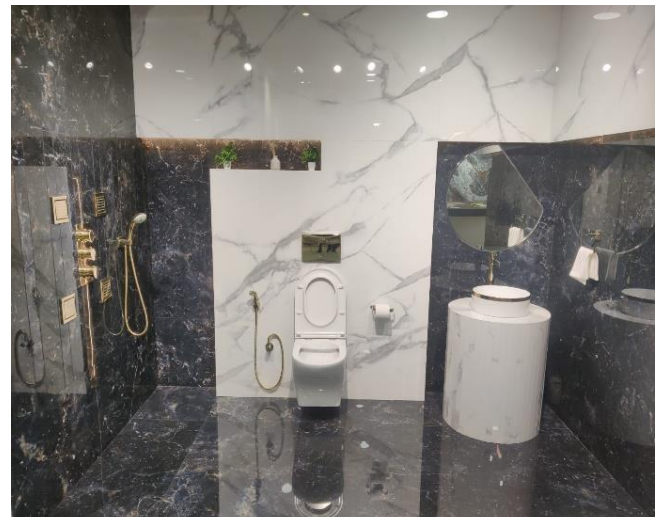


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Aurum bathware premium range



SOURCE: INCRED RESEARCH, COMPANY REPORTS



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: History and existing infrastructure



SOURCE: INCRED RESEARCH, COMPANY REPORTS



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Profit & Loss

(Rs mn)	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Net Revenues	37,052	43,643	50,528	60,582
Gross Profit	21,501	26,186	29,812	35,743
Operating EBITDA	6,107	5,805	7,983	9,844
Depreciation And Amortisation	(1,154)	(1,330)	(1,421)	(1,704)
Operating EBIT	4,953	4,475	6,562	8,141
Financial Income/(Expense)	125	61	77	129
Pretax Income/(Loss) from Assoc.				
Non-Operating Income/(Expense)	23	50	53	55
Profit Before Tax (pre-EI)	5,102	4,586	6,692	8,324
Exceptional Items		(37)		
Pre-tax Profit	5,102	4,549	6,692	8,324
Taxation	(1,274)	(1,211)	(1,779)	(2,212)
Exceptional Income - post-tax				
Profit After Tax	3,827	3,339	4,912	6,112
Minority Interests	(58)	10	11	12
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	3,770	3,349	4,923	6,124
Recurring Net Profit	3,770	3,375	4,923	6,124
Fully Diluted Recurring Net Profit	3,770	3,375	4,923	6,124

Balance Sheet

(Rs mn)	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Cash And Equivalents	4,244	4,652	4,155	5,538
Total Debtors	5,133	6,218	7,199	8,631
Inventories	4,659	6,218	7,199	8,631
Total Other Current Assets	478	667	772	926
Total Current Assets	14,513	17,754	19,324	23,726
Fixed Assets	11,022	12,836	14,481	15,999
Total Investments				
Intangible Assets	85	85	85	85
Total Other Non-Current Assets	4,245	2,512	2,812	1,712
Total Non-current Assets	15,352	15,432	17,377	17,795
Short-term Debt	1,041	1,190	855	855
Current Portion of Long-Term Debt				
Total Creditors	2,981	3,826	4,845	5,809
Other Current Liabilities	2,441	2,989	3,461	4,149
Total Current Liabilities	6,464	8,005	9,161	10,814
Total Long-term Debt	238	589	424	424
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	559	559	559	559
Total Non-current Liabilities	797	1,148	983	983
Total Provisions	733	733	733	733
Total Liabilities	7,994	9,887	10,877	12,530
Shareholders Equity	21,224	22,662	25,197	28,376
Minority Interests	648	638	627	615
Total Equity	21,872	23,300	25,824	28,991

Cash Flow

(Rs mn)	Mar-22A	Mar-23F	Mar-24F	Mar-25F
EBITDA	6,107	5,805	7,983	9,844
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(621)	(1,440)	(576)	(1,366)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	165	75	129	184
Net Interest (Paid)/Received	(111)	(61)	(77)	(129)
Tax Paid	(1,285)	(1,211)	(1,779)	(2,212)
Cashflow From Operations	4,255	3,167	5,680	6,322
Capex	(2,687)	(1,410)	(3,366)	(2,122)
Disposals Of FAs/subsidiaries	53			
Acq. Of Subsidiaries/Investments	(491)	500		(500)
Other Investing Cashflow	215	289	308	339
Cash Flow From Investing	(2,910)	(621)	(3,058)	(2,282)
Debt Raised/(repaid)	(2,266)	500	(500)	
Proceeds From Issue Of Shares	52			
Shares Repurchased				
Dividends Paid	1,273	(1,910)	(2,388)	(2,945)
Preferred Dividends				
Other Financing Cashflow	(92)	(228)	(232)	(211)
Cash Flow From Financing	(1,032)	(1,638)	(3,120)	(3,156)
Total Cash Generated	313	908	(497)	884
Free Cashflow To Equity	(921)	3,046	2,123	4,039
Free Cashflow To Firm	1,218	2,318	2,391	3,829

Key Ratios

	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue Growth	33.2%	17.8%	15.8%	19.9%
Operating EBITDA Growth	20.0%	(5.0%)	37.5%	23.3%
Operating EBITDA Margin	16.5%	13.3%	15.8%	16.2%
Net Cash Per Share (Rs)	18.63	18.04	18.06	26.75
BVPS (Rs)	133.36	142.35	158.27	178.24
Gross Interest Cover	38.91	19.63	28.33	38.65
Effective Tax Rate	25.0%	26.6%	26.6%	26.6%
Net Dividend Payout Ratio	34.7%	41.6%	35.6%	35.3%
Accounts Receivables Days	46.54	47.46	48.46	47.69
Inventory Days	98.45	113.70	118.19	116.31
Accounts Payables Days	59.31	71.17	76.39	78.28
ROIC (%)	29.2%	22.2%	30.2%	33.6%
ROCE (%)	23.2%	19.2%	25.6%	28.8%
Return On Average Assets	18.1%	14.4%	18.9%	21.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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