

Kajaria Ceramics Ltd

Q4FY11/FY11 Results Update

Financial highlights

(Rs Crores)	Q4 FY11	Q4 FY10	Growth	12M FY11	12M FY10	Growth
Net Sales	281.32	214.46	31%	952.35	735.53	29%
EBIDTA	42.65	30.84	38%	148.54	115.67	28%
EBIDTA	15%	14%		16%	16%	
Interest	6.65	*4.81	38%	29.86	37.52	-20%
Depreciation	7.15	7.39	-3%	29.50	26.71	10%
Profit Before Tax	28.85	18.64	55%	89.18	51.44	73%
Tax	10.42	5.87	78%	28.52	15.59	83%
Profit After Tax	18.43	12.77	44%	60.66	35.85	69%
Equity	14.71	14.71	-	14.71	14.71	-
EPS (Rs)	2.51	1.74	44%	8.24	4.87	69%

* Interest cost in Q4FY10 was lower due to foreign exchange gain amounting to Rs. 4.38 crore responsible for lower interest cost.

Production and capacity utilization

1. Ceramic glazed wall tile unit – Gailpur (Capacity 14.10 MSM p.a)

The ceramic glazed wall tile unit at Gailpur has produced 3.33 msm during the quarter ended March 2011 which is more than 95% of the capacity. During the financial year ended March 2011 this unit has produced 13.53 msm, 96% of the installed capacity.

2. Ceramic glazed floor tile unit – Sikandrabad (Operational Capacity 3.20 MSM pa.)

The total ceramic glazed floor tile capacity of this unit was 6.90 msm in the beginning of the year. We had shut down part of the ceramic tile capacity in the beginning of the year and converted the same into vitrified tiles, which has commenced commercial production in March 2011. Out of the balance available ceramic tile capacity (3.20 msm) the unit has produced 0.83 msm in this quarter, (100 %+) of the installed capacity. During the full financial year the unit has produced 3.26 msm (100 %+).

3. Vitrified tiles unit 1 – Sikandrabad (Capacity 2.40 MSM p.a)

This unit has produced 0.61 msm during the quarter ended March 2011 (100 %+) of the capacity. During the FY 2011 this unit has produced 2.38 msm, almost 100% of the installed capacity.

4. New expansion status (Capacity 8.60 msm p.a.)

The expansion of 6.00 msm annual capacity plant at Gailpur, Rajasthan to manufacture high end polished/glazed vitrified tiles has commenced commercial production on 29th March, 2011. The conversion of part of ceramic tile unit in to vitrified tile has also started production on 28th March, 2011. The full impact of production shall come in FY 2011-12.

Review of the financial performance

- *Manufacturing sales:* During Q4'11 the company has sold 4.32 msm tiles as against 5.56 msm in corresponding quarter and 20.28 msm in FY ended 31st March 2011 as compared to 19.81 msm in the corresponding Previous FY.
- *Trading sales:* During Q4'11 the company has sold 4.24 msm tiles as against 1.93 msm in previous corresponding quarter and 9.43 msm tiles full FY 2010-11 as compared to 5.47 msm in the corresponding previous FY.
- *Revenue:* The company has achieved a Net Sales of Rs 281.32 crore in Q4'11 compared with Rs 214.46 crore in the corresponding previous quarter reflecting a growth of 31%. For the full year ended 2011 the company has attained a net sale of Rs. 952.35 crore as compared to 735.53 crore in the previous corresponding year, a growth of 29%.

- *EBIDTA*: The company reported an EBIDTA of Rs. 42.65 crore in Q4'11 as compared to Rs. 30.84 crs in corresponding previous quarter (up 38%). For the full year 2010-11 the EBIDTA stood at Rs. 148.54 crore as compared to Rs. 115.67 crore (up 28%) on account of higher revenue. The EBIDTA margin declined marginally by 13 bps (15.73% to 15.60%) due higher proportion of trading sales where the margin is lower than manufacturing. We expect improvement in margin in FY 2011-12 due to higher proportion of manufacturing sales.
- *Interest*: the interest declined from Rs. 37.52 crore in FY 2009-10 to Rs. 29.86 crore in FY 2010-11 on account of better cash flow and working capital management.
- *PAT*: The company reported post tax profit of Rs. 18.43 crore in Q4'11 as compared to Rs. 12.77 crs in corresponding previous quarter (up 44%). For the full year 2010-11 the PAT 60.66 crore as compare to Rs. 35.85 crore (up 69.21%).
- *Debt Level and working capital*: Despite significant growth in operation and capacity addition, the debt portfolio increased marginally by 6.41% from Rs. 262.83 crore as on March 31, 2010 to Rs.279.68 crore as on March 31, 2011. The debt equity declined from 1.39 to 1.26. This has been due to better cash flow and significant reduction in working capital cycle. The net current assets declined from Rs. 156.29 crore in Fy 2009-10 to Rs. 74.32 crore in FY 2010-11 largely owing to decrease in the inventory holding period and superior terms of trades with debtors and creditors. Increase in project creditors in FY 2010-11 by Rs 28.76 crs as compare to previous year also contributed for lower working capital.
- *ROCE*: The capital employed in the business increased marginally by 11.07% from Rs. 452.17 crore in 2009-10 to Rs.502.24 crore in 2010-11 despite investment in 6 mn brown field capacity expansion, conversion of

part of ceramic tile capacity in to vitrified and acquisition of controlling stake in Soriso Ceramics. The average return on capital employed increased by 600 bps from 18.94% as on 31st March 2010 to 24.94% as on 31st March 2011.

- *ROE:* The Company's net worth increased 17.55% from Rs. 189.34 crore as on March 31, 2010 to Rs. 222.56 crore as on March 31, 2011. Average return on net worth increased by 905 bps from 20.40% as on 31st March 2010 to 29.45% as on 31st March 2011.
- *Dividend:* The Board has recommended a Dividend of 100% i.e. Re. 2/- per equity share for the financial year ended 31.03.2011 on the equity shares subject to the approval of the shareholders in the Annual General Meeting.

Acquisition: In Feb 2011, the company has acquired a 51% stake in a floor tile manufacturing company (Soriso Ceramic Pvt. Ltd.) in Gujarat for Rs 5.62 crore having a annual capacity of 2.30 msm (a first in the history of Kajaria).

About Kajaria Ceramics Limited

Kajaria Ceramics Limited is the largest producer of floor and wall tiles in India having an aggregate capacity of 30.60 msm* per annum. The company is providing complete tile solution to the customers by way of own production and import of tiles and bathware. Kajaria is the only Indian ceramic tile company awarded 'Superbrand' status for fifth consecutive time.

* including subsidiary capacity

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Ceramic glazed wall/floor tile is a mix of different kind of clays with coating of different kind of glaze and colours and fully stain free

\$ Vitrified / polished porcelain tile has very negligible water absorption level and has homogenous body