

## Kajaria Ceramics Ltd.

Instrument	Amount Rated (Rs. crore)	Rating Action
Fund Based Limits	50.00	[ICRA]AA (Stable) (revised from [ICRA]AA- (Stable))
Non Fund based Limits	125.00	[ICRA]A1+ reaffirmed
Unallocated	30.00	[ICRA]A1+ reaffirmed
Short Term Loan	20.00	[ICRA]A1+ reaffirmed

ICRA has upgraded its long term rating on the Rs.50.00 crore<sup>^</sup> fund based bank limits of Kajaria Ceramics Ltd. (KCL)<sup>†</sup> to [ICRA]AA (pronounced ICRA double A) from [ICRA]AA- (pronounced ICRA double A minus). ICRA has also reaffirmed its rating of [ICRA]A1+ (ICRA A one plus) on the Rs. 175 crore non fund based limits and unsecured loans of KCL. The outlook on the long term rating is 'Stable'.

The upward revision in rating is driven by KCL's healthy scaling up of operations and improvement in financial metrics during 2014-15 and H1 2015-16 as reflected by healthy growth in operating income, improvement in profitability margins, comfortable capital structure and strong debt protection metrics. The ratings continue to factor in the established presence and extensive experience of the promoters in the ceramic tile industry and KCL's established brand and strong market presence. The company continues to undertake capacity expansions, both in-house as well as under JV's wherein the investments have been funded through internal cash accruals. Over the last few years KCL has made acquisitions in Gujarat and Andhra Pradesh which has resulted in increase in installed capacity on a consolidated basis and improved its access to western and southern regions of the country. Owing to its strong brand, KCL has also been able to pass on the increase in raw material and power and fuel costs to its customers as reflected by growth in realisations thereby securing healthy profitability margins and return metrics. The ratings are further supported by the company's widespread distribution network. The ratings are however constrained by the competitive nature of the ceramic tile industry and vulnerability of company's profitability to increase in raw material as it comprises a major part of the cost structure.

Going forward, the operating income of the company is expected to report healthy growth and profitability margins are expected to improve as the gas prices will decline as per the new terms of agreement between Petronet LNG and RasGas. The ability of the company to increase its market share and maintain a healthy financial profile would be the key rating sensitivities.

### Company Profile

KCL was incorporated in 1985 as a manufacturer and trader in ceramic tiles, by Mr Ashok Kajaria in technical collaboration with Todagres SA, Spain and it started its operations in 1988 with a capacity of 1 million sqm per annum at its ceramic tiles manufacturing facility at Sikanderabad (District Bulandshahr), UP. Since then the company has extended production capacities as well as the product range. The company is mainly engaged in manufacturing ceramic glazed wall and floor tiles and vitrified tiles. It also imports vitrified tiles from China and various high-end tiles from leading European brands, which are marketed under the brand name of 'Kajaria. KCL also imports sanitary-ware. The manufacturing facilities of the company are located in Sikanderabad (Uttar Pradesh) and Gailpur (Rajasthan) apart from five manufacturing facilities (JV's) of ceramic and vitrified tiles in Gujarat and one facility (JV's) in Andhra Pradesh and KCL has a majority stake in each of them. With these acquisitions and expansions carried out both in-house and in subsidiaries, the total tile manufacturing capacity of the company has increased to 62.1 million square meters (sqm) on consolidated basis.

<sup>^</sup> 100 lakh = 1 crore = 10 million

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications



### Recent Results

In 2014-15, on a standalone basis KCL reported a net profit of Rs. 168.36 crore on an operating income of Rs. 2233 crore, as against a net profit of Rs. 116.74 crore on an operating income of Rs. 1882 crore in the previous year. For H1 2015-16, KCL reported net profit of Rs. 106.20 crore on an operating income of Rs. 1179 crore.

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