



Murudeshwar Ceramics Limited

BUY

June 25, 2007

Current Price : Rs100
Target Price : Rs118
Upside : **18%**

52 Week H/L : Rs125/Rs64
Avg. Daily Vol : 24,365
Market Cap. : Rs1.69bn
BSE Code : 515037
NSE Symbol : MURUDCERA

Shareholding pattern

Share holder	Mar 2007
Promoters	47.66%
FI/MF	2.13%
FII	6.66%
Public & Others	43.55%

Company Profile

Murudeshwar Ceramics Ltd (MCL), incorporated in 1983 by R N Shetty & Associates along with KSIIDC, is engaged in manufacturing of glazed ceramic tiles and vitrified tiles. MCL has two manufacturing facilities, at Hubli in Karnataka and at Karaikal in Pondicherry. MCL also has a 100% EOU granite processing unit located at Jigani near Bangalore. MCL recently invested around Rs1.02bn and expanded its capacity to 25,000 sq.mtrs/day of vitrified tiles and 22,000 sq.mtrs/day of ceramic tiles. MCL sourced the technical know-how for its projects from Sacmi Imola (SACMI), Italy. After this expansion, MCL has become one of the largest manufacturers of vitrified tiles in the country. MCL derives 60% sales from institutional clients and southern region contributes around 73% of MCL sales. MCL's operating margins are one of the best in the industry, which is due to benefit of scale and size, access to natural gas at Karaikal plant and high quality clay from their own mines at both plants.

During FY07, MCL registered a sales growth of 23.3% to Rs2.5bn and its net profit grew by 24.8% to Rs297.3mn. OPM stood at 30%.

Key Triggers

- **Inexpensive Valuations:** MCL trades at undemanding valuation of 6x FY07 earnings. With an expected earnings CAGR of 20-25%, MCL valuations appear even more attractive
- **Unlocking of land assets :** MCL owns 20 acres of land (~ 1 million square feet of developable area) at Jigani near Bangalore, which it intends to develop. The company awaits approvals for conversion of the use of the land from industrial to commercial.



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Analyst holding in stock : Nil