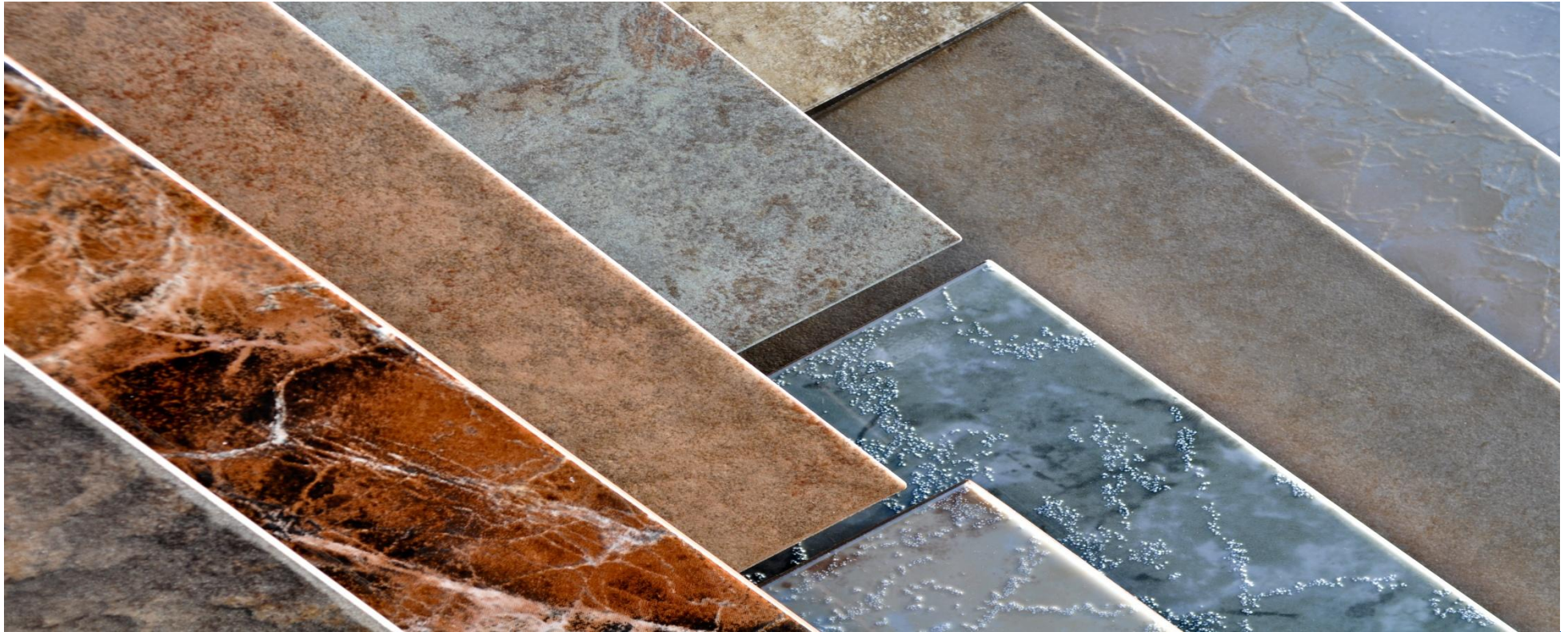


Insightful. Independent. Decisive.



Asian Granito India Ltd.

Beneficiary of GST + Product mix driving profitability

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Research Analyst

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Date: 22nd August 2017

Coverage Stock: Asian Granito India Ltd.

CMP INR 407 Target INR 640

Rating: BUY Upside: 57%

Beneficiary of GST + Product mix driving profitabilityDate: 22nd August 2017

Asian Granito India (AGL) is the fourth largest tiles manufacturer in India, with ~33MSM capacity and accounts for ~8% of the organised tiles market. AGL produces ceramic wall & floor tiles and digital, polished/glazed vitrified tiles. It is also engaged in marble and quartz manufacturing with an annual installed capacity of 1.3MSM. The company has a wide range of tiles portfolio offering 1,200 plus designs across the INR 30 to INR 165 per sq ft price range. A vibrant product range, aggressively expanding distribution network, sustained capacity expansion and potential benefits of shift of market share to organised players are expected to aid AGL outperform peers. We estimate AGL to clock revenue/PAT CAGR of ~19%/45.7% over FY17-19E, respectively, with healthy RoCE of ~20%. Initiate coverage with 'BUY' and target price of INR 640.

Ample catalysts to spur outperformance

AGL's is expected to clock revenue CAGR of ~19% over FY17-19E primarily driven by increase in tiles sales volume CAGR by 16.7%, improvement in utilization, introduction of new products and increase in distribution reach to 5,500 sales points. AGL is targeting INR 2,000 cr sales over FY17-21E. GST implementation is expected to lead to market share gains for organised players as Morbi players: a) may convert into organised players as it will be difficult to bypass GST; b) may shift focus to export markets to replace anti-dumping duty hit China, thus helping organised players like AGL gain domestic market share; or c) could outsource their facilities to organised players.

Ample levers to spur operating margin

We estimate AGL's operating margin to catapult 180bps over FY17-19E on account of: (a) increased contribution of VAPs; (b) higher B2C sales (from 35% to 50%); c) lower gas prices; d) sharpening focus on branding; and e) expansion of dealers' network— planning to add another 90; targeting 1,200 dealers by FY19. Ergo, we estimate the company's EBITDA margin to jump to 13.4% by FY19E.

Outlook and valuations: On strong turf; initiate with 'BUY'

The key drivers that will spur AGL's surge are: 1) rising capacity; 2) focused vertical for value-added products; 3) aggressive launch of new products; 4) expanding network; and 5) demand recovery. These, we believe, will boost the company's profitability in coming years, which is likely to lead to re-rating of valuation multiple. We initiate coverage on the stock with 'BUY' recommendation and target price of INR 640 based on 25x FY19E earnings (12% discount to Kajaria's target multiple). The stock is currently trading at 24x/16x FY18E and FY19E earnings, respectively.

Year to March	FY15	FY16	FY17E	FY18E	FY19E
Revenues (INR Cr)	846	994	1,066	1,233	1,505
Rev growth (%)	9.1	17.5	7.2	15.7	22.0
EBITDA (INR Cr)	60	90	124	157	202
Net Profit (INR Cr)	13	24	40	56	84
P/E (x)	62.2	37.9	31.3	23.6	15.9
EV/EBITDA (x)	18.1	13.5	12.5	9.7	7.7
RoACE (%)	8.1	10.8	12.6	15.8	20.2
RoAE (%)	5.2	7.6	10.4	12.2	16.0

Bloomberg:	ASIAN:IN
52-week range (INR):	500/ 176
Share in issue (cr):	3
M cap (INR cr):	1,212
Avg. Daily Vol. BSE/NSE :('000):	190
Promoter Holding (%)	32.4

AGL's is expected to clock revenue CAGR of ~19% over FY17-19E primarily driven by increase in tiles sales volume CAGR by 16.7%, improvement in utilization, introduction of new products and increase in distribution reach to 5,500 sales points. AGL's tiles division expected to grow at 16.4% CAGR over FY17-19E with the increase in capacity & distribution network. A vibrant product range, aggressively expanding distribution network, sustained capacity expansion and potential benefits of shift of market share to organised players are expected to aid AGL outperform peers. We estimate the company to clock EBITDA and PAT CAGR of ~28% and 45.7% over FY17-19E, respectively, with healthy RoCE of ~20%.

AGL is targeting INR 2,000 cr sales over FY17-21E, driven by - rising capacity, increase VAPs, expanding network and demand recovery

	FY17	FY18E	FY19E
Revenue	1,066	1,233	1,505
EBITDA	124	157	202
EBITDA Margin	11.6	12.7	13.4
PAT	40	56	84

Multiple levers for margin expansion - increase VAPs and B2C sales

	FY17	FY18E	FY19E
RoACE (%)	12.6	15.8	20.2
EV/Sales (x)	1.5	1.2	1.0

Higher free cash flow generation & lighter balance sheet to help further growth

Business (FY19E)	Adj EPS (INR)	Proj Multiple PER (x)	Price Target (INR)
AGL	25.6	25x	640

Entry = INR 410



PAT CAGR of 45.7% over FY17-FY19E to lead to exit multiple of 25x FY19E P/E

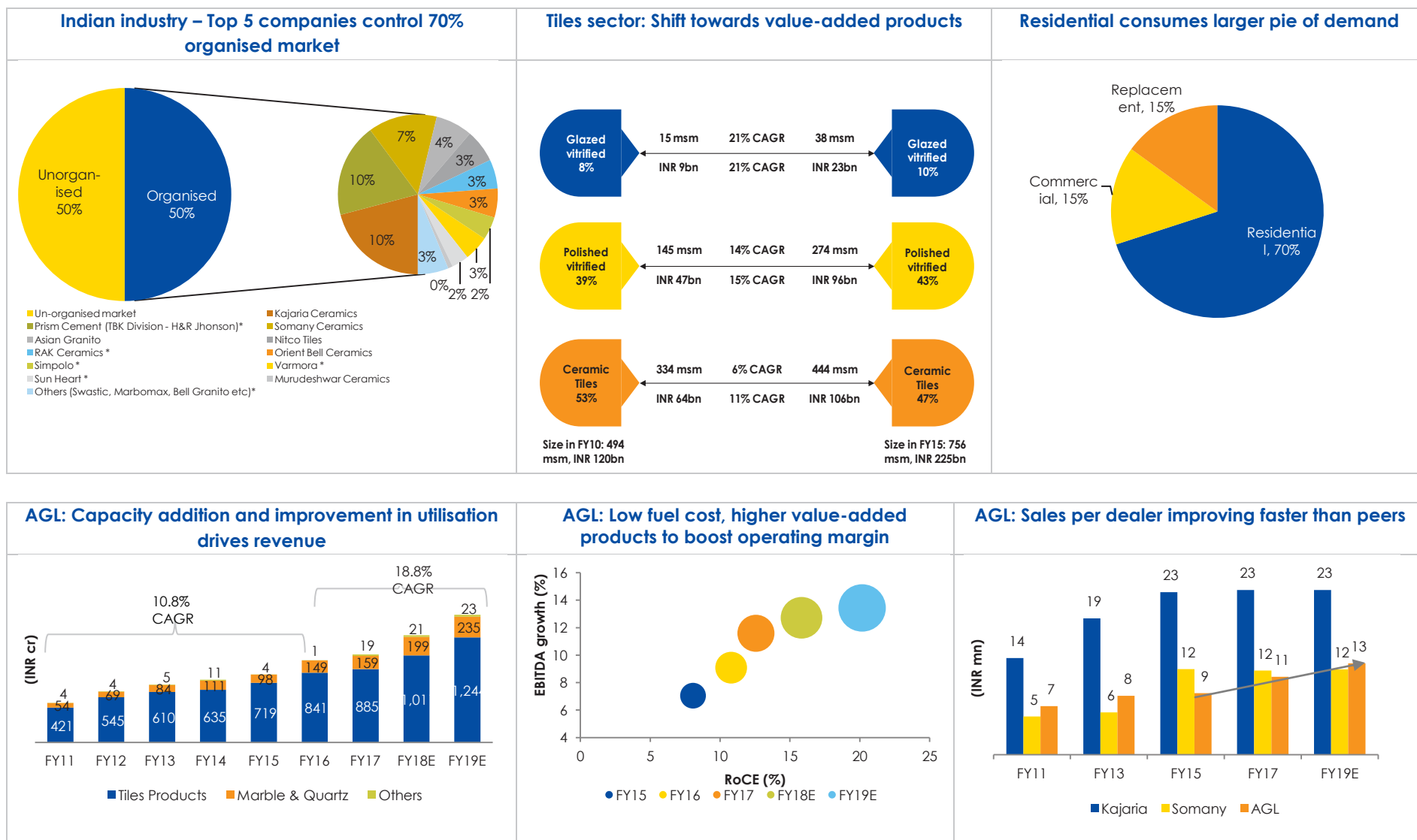
**Total
Return of
57%**

Price Target	INR 640	We have arrived at target price of INR 640, assigning 25x FY19E earnings. The company's revenue is estimated to clock CAGR of ~19% over FY17-19E driven primarily by the increase in tiles sales volume (16.7% CAGR over FY17-19E), improvement in utilization, introduction of new products and increase in distribution reach to 5,500 sales points. With the healthy sales growth, margin improvement and restricted depreciation & interest expenses, expected to result a PAT CAGR of 45.7% over FY17-19E.
Bull 25x Bull Case FY20E EPS	INR 1,023	Assuming higher revenue growth 25% and 330bps improvement in EBITDA margins, we expect AGL to generate EPS of INR 41 in FY19E. Assigning 25x FY19E earnings.
Base 25x Base Case FY19E EPS	INR 640	Assuming higher revenue growth ~19% and 180bps improvement in EBITDA margins, we expect AGL to generate EPS of ~INR 26 in FY19E. Assigning 25x FY19E earnings.
Bear 25x Bear Case FY20E EPS	INR 385	Assuming higher revenue growth 13% and 100bps improvement in EBITDA margins, we expect AGL to generate EPS of ~INR 15 in FY19E. Assigning 25x FY19E earnings.

Average Daily Turnover (INR cr)			Stock Price (CAGR)				Sensex CAGR (%)			
3 months	6 months	1 year	1 year	2 years	5 years	10 years	1 year	2 years	5 years	10 years
5.2	4.4	3.9	98.7%	272.9%	775.9%	323.8%	14.2%	16.2%	82.6%	138.0%

Business Value Drivers	Nature of Industry	The Indian tiles industry, worth INR 260bn, is the third-largest tiles producer and consumer in the world with an annual consumption of ~763 MSM. The sector is fragmented between organised and unorganised players, each ~50%; sector clocked 9.6%/15.9% volume/value CAGR over FY08-15, respectively. Top 5 companies control 70% of organised market & sector moving towards premium tiles segment.
	Opportunity Size	The current composition of industry provided opportunity for consolidation and scaling up the operations for organised players with the GST implementation – 50% unorganised pie & ~70% of India's total production of tiles from Morbi, which move to outsource their facilities or vacate market for organised players – big beneficiaries would be mid segment players like AGL. Industry, worth INR 260bn, expected to grow at ~13% y-o-y.
	Capital Allocation	In last five years, AGL has done capex of INR 379cr (including amalgamation) and generated additional sales of INR 442cr, including outsource sales. AGL expected to spend INR 120cr in coming years towards doubling quartz capacity new joint ventures and maintenance activities.
	Predictability	With the shift from unorganised to organised with regulatory changes, shift towards uses of value added products and increasing pan India presence – key drivers for growth and AGL with its capacity expansion, large product portfolio and wide distribution reach would be biggest beneficiary.
	Sustainability	The major five players accounts for 70% of organised pie and with their distribution, innovative products and capacity (own + outsourced) expected to sustain their dominance in market. AGL is driven by the goal of achieving INR 2,000 cr in revenues by FY21 accompanied by margin expansion with increase in retail sales and VAPs mix, expected to achieve with the sector structural changes.
	Disproportionate Future	With the increasing product mix towards value added vitrified tiles and quartz improve margins and increase in market share with sales volume expansion and geographic penetration – ensure that the future performance in terms of return ratios will be better than past.
	Business Strategy & Planned Initiatives	Current focus of capacity expansion (own + outsource), geographic penetration, asset light model (JV expansion), margin improvement with change in product mix and increase in B2C sales.
	Near Term Visibility	With the healthy sales growth (~19% CAGR over FY17-19E), margin improvement (180bps expansion over FY17-19E) and restricted depreciation & interest expenses, expected to result a PAT CAGR of 45.7% over FY17-19E.
	Long Term Visibility	To remain one of the biggest Tiles manufacturer in India with the increasing domestic market share and increasing export sales.

Focus Charts – Story in a nutshell



Source: Company, Edelweiss Investment Research

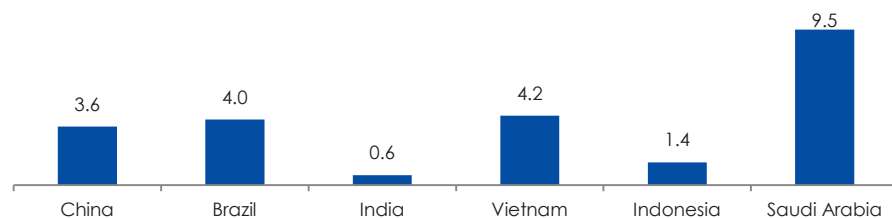
I. Tiles industry: Shift from unorganised to organised

Macro improvement, pick up in discretionary spending and government policy push are envisaged to spur the building products industry. Flooring/tile accounts for ~5% of cost of construction of a building. Housing constitutes 70% of tiles demand, followed by commercial (15%) and replacement market (15%). The domestic tiles industry is expected to clock volume CAGR of 13.0%, in coming years and organised players envisaged to outperform the industry with the implementation of GST and with the increase in value added product mix. In India, per capita consumption of tiles is as low as 0.60 sq mtrs compared to China (2.6 sq mtrs), Europe (5-6 sq mtrs) and Brazil (3.4 sq mtrs). Hence, rising disposable incomes of a burgeoning middle class and ~4 cr units of housing shortage entail humungous potential.

Cost structure of building a house

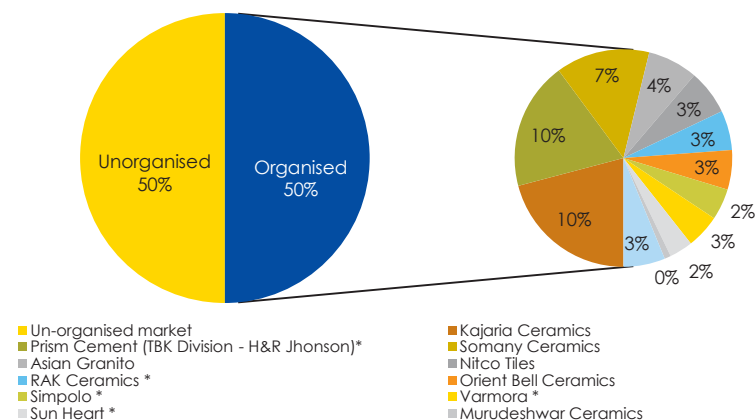
	% Total Cost	Cost (INR per sq ft)
Foundation	9	113
Floor Structure	12	150
Walls & Exterior Finish	12	150
Roof & Cover	10	125
Windows and Door	5	63
Interior Finish	8	100
Floor Finish	5	63
Interior Features	5	63
Bath Detail	4	50
Kitchen	8	100
Electrical	10	125
Plumbing	12	150
Total Cost	100	1,250

Per capita consumption of tile (Sq Mtr)

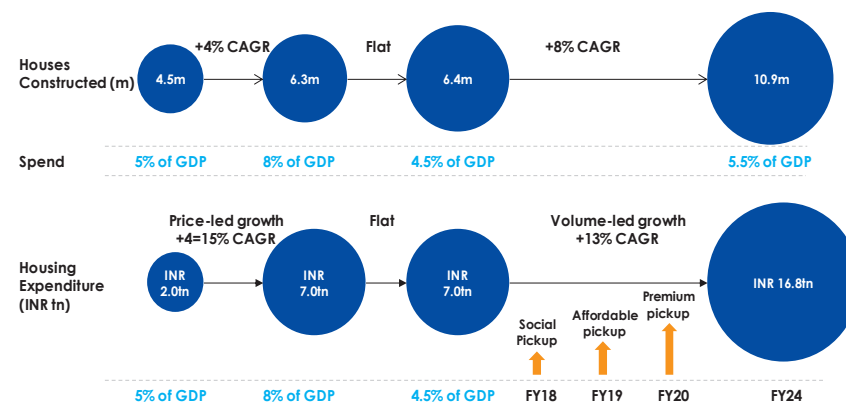


Source: Company, Edelweiss Investment Research

Indian industry – Top 5 companies control 70% organised market



Real Estate on verge of revival

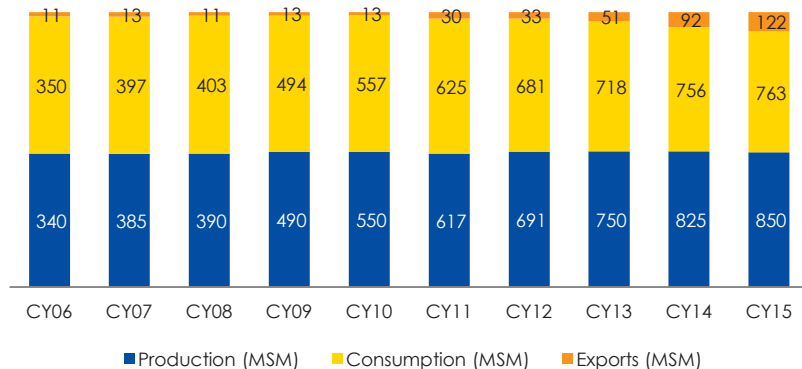


Source: Company, Edelweiss Investment Research

Multiple catalysts for tiles demand in India

Urbanisation	Expanding growth markets for Indian housing	Increase of discretionary income	Government initiatives	Growing replacement market
<ul style="list-style-type: none"> Urban housing demand in India is set to grow nearly 15mn units by end CY19. The top eight cities could account for nearly 3.4 mn units 	<ul style="list-style-type: none"> Eleven small cities are expected to generate incremental housing demand of 9.44 lakh units in coming five years 	<ul style="list-style-type: none"> Seventh Pay Commission recommendations RBI's initiative to reduce loans cost 	<ul style="list-style-type: none"> Smart Cities Mission Swachh Bharat Abhiyaan Atal Mission for Rejuvenation & Urban Transformation (AMRUT) Housing For All by 2022 Implementation of Goods and Service Tax (GST) 	<ul style="list-style-type: none"> Technological advancements have strengthened the aesthetic appeal of tiles, making them an integral home improvement component Replacement of natural stone as well as a lot of low/high end marble

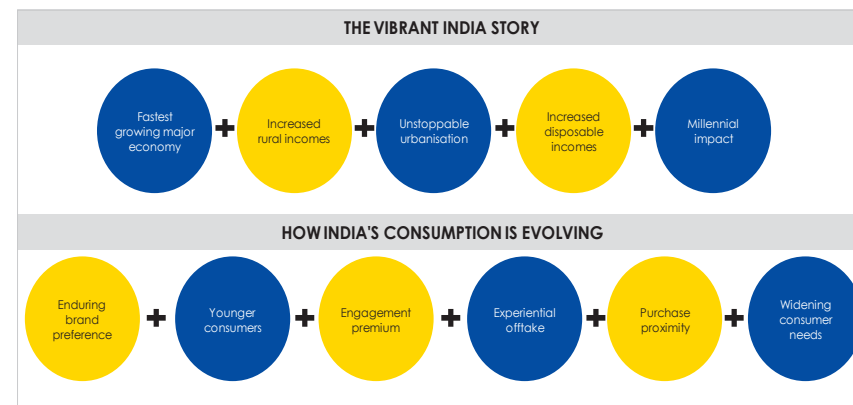
India tile industry



Source: Company, Edelweiss Investment Research

Urban housing shortage across India could catapult to an estimated 3.41 cr units by CY22 (source RNCOS), primarily on account of demand-supply gap and rising income levels among the working class seeking to purchase houses. Hence, we expect the tiles sector to gain palpable momentum over coming years.

Domestic tile industry evolving with demand

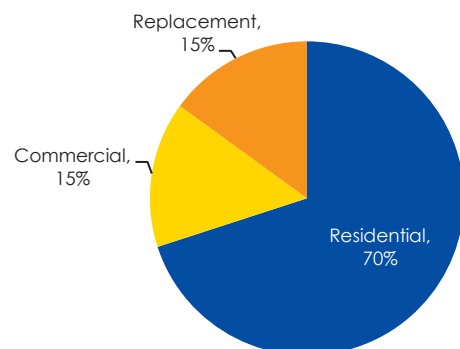


Demand for tiles is expected to grow in India in coming years on account of expanding real estate demand, rising disposable incomes and burgeoning middle class, along with government's initiatives such as "Housing For All 2022".

Ceramic tile industry statistics

World production:	12,355 MSM
India's Share:	850 MSM
World ranking (in production):	3
Per capita consumption:	0.60 sq. m
Global Industry Growth Rate:	6%
Growth Rate (India Domestic Market):	13%
Major National Player's Turnover (India):	~INR 8800 Cr
a) Glazed Wall Tile share:	45%
b) Glazed Floor Tile share:	8%
c) Vitrified Tile share:	40%
d) Industrial Tile Share:	7%
Unorganised Player's Turnover:	INR 12,900 Cr
Organised Sector:	
a) Share of Production (volume):	50%
b) Share of Production (value):	60%
Unorganised Sector:	
a) Share of Production (volume):	50%
b) Share of Production (value):	40%
Job Potential:	50,00 direct & 500,000 indirect
Investments in last 6 years:	INR 6000 Cr

Residential consumes larger pie of demand



Source: Company, Edelweiss Investment Research

II. Anti-dumping duty

a) Duty on China to boost organised players

The Directorate General of Anti-Dumping and Allied Duties (DGAD) has imposed anti-dumping duty on Chinese vitrified tiles for the next 5 years (valid up to 2022). The action was taken on an application filled by Gujarat Granito Manufacturers Association and Sabarkantha District Ceramic Association along with 24 producers of vitrified tiles in India for initiation of anti-dumping investigation and imposition of anti-dumping duty concerning imports of vitrified/porcelain tiles which originate in or are exported from China.

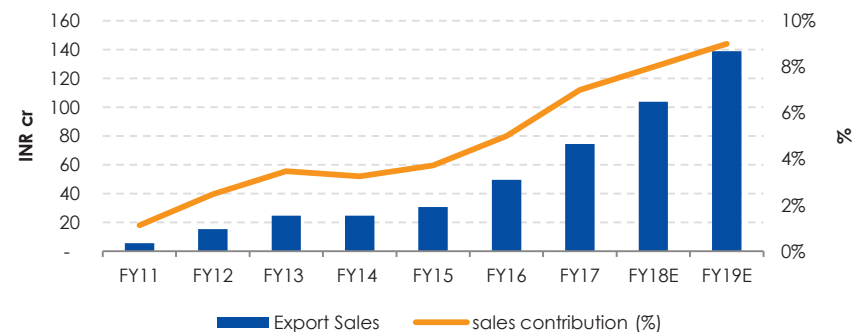
The DGAD had recommended imposition of anti-dumping duty on imports of glazed/unglazed porcelain/vitrified tiles in polished or unpolished finish with less than 3% water absorption to protect domestic players. Hence, the government imposed a provisional anti-dumping duty between USD 0.79 per sq mt and USD 1.87 per sq mt.

Vitrified tiles (polished and glazed) constitute almost ~50% of total India tiles consumption and most of the Chinese imports are in South India. AGL is expanding its capacity in South India via a JV plant and has also launched products like 800 x 800 mm/1000 x 1000 mm vitrified tiles to grab the potential opportunity and save freight cost. Post the anti-dumping duty, Chinese tiles will be expensive by INR 30 per sq mtr, creating room for domestic players to hike prices depending on demand.

b) Huge exports opportunity

The anti-dumping duty imposed on China—largest tiles exporter globally—by European countries (in May 2013 for 5 years), Korea, Vietnam, Brazil, Chile, Taiwan etc., provided an exports opportunity to Indian players. As these duties have been imposed for ~5 years, Indian players will continue to tap newer markets and gain market share. AGL exports its products to 53 countries and exports contribute ~7% (FY17) to consolidated sales, up from 3% in FY14.

AGL: Export sales increasing



Source: Company, Edelweiss Investment Research

He

III. GST: Advantage organised players

The current composition of industry provided opportunity for consolidation and scaling up operations for organised players with GST implementation. The sector have ~50% unorganised players and ~70% of India's total production of tiles from Morbi, which we believe will outsource their facilities or vacate market for organised players with the GST implementation – big beneficiaries would be mid segment players like AGL. Industry, worth INR 260bn, expected to grow at ~13% y-o-y.

AGL is expected to gain domestic market share with implementation of GST and gain from cost savings in octroi, freight, etc. We believe, the company will be major beneficiary of GST and following are probable outcomes of GST implementation:

- a) Morbi players may convert into organised players as GST will be difficult to bypass.
- b) Morbi players could focus on export markets to take advantage of anti-dumping duty on China by other countries. This could help organised players like AGL gain domestic market share.
- c) Morbi players could outsource their facilities to organised players.

We believe, GST is one of the key factors which will drive shift of market share to the organised segment and major beneficiaries will be players who have:

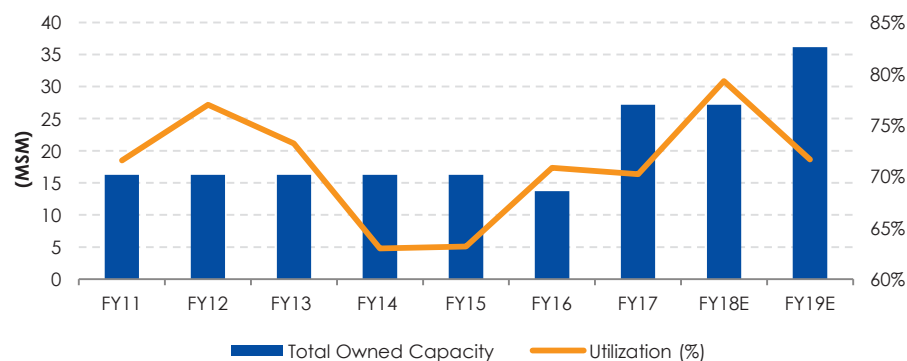
- a) Lower price differential with unorganised players.
- b) Better product quality and larger product basket.
- c) Established brand.
- d) Robust distribution network and availability of products.

IV. Asian Granito: Rise in capacity & utilisation

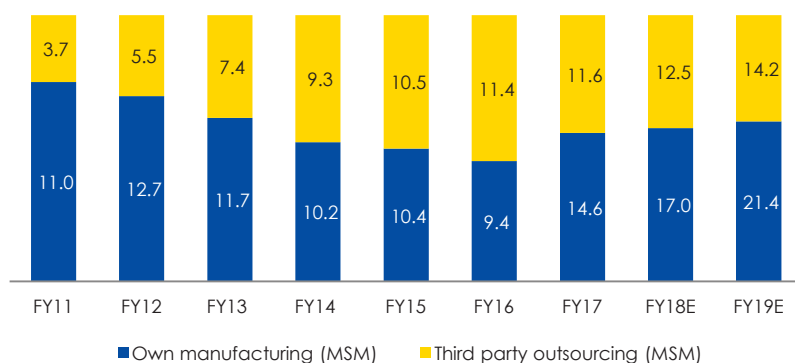
a) Improvement in owned capacity & utilisation

AGL is the fourth largest player in the domestic market with owned capacity of 33 MSM, which is estimated at 36 MSM post expansion. The company's total sales volume has jumped to 31 MSM in FY17 and expected to touch 36 MSM by FY19E.

AGL: Owned capacity and utilisation



AGL: Sales volume

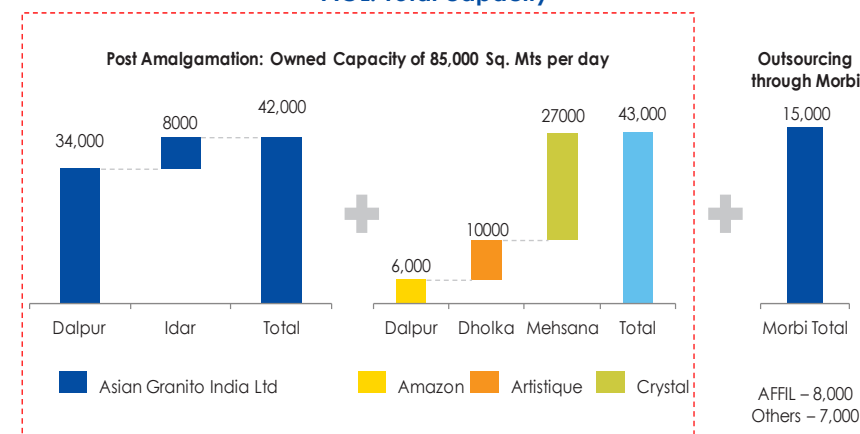


Source: Company, Edelweiss Investment Research

AGL: Manufacturing details

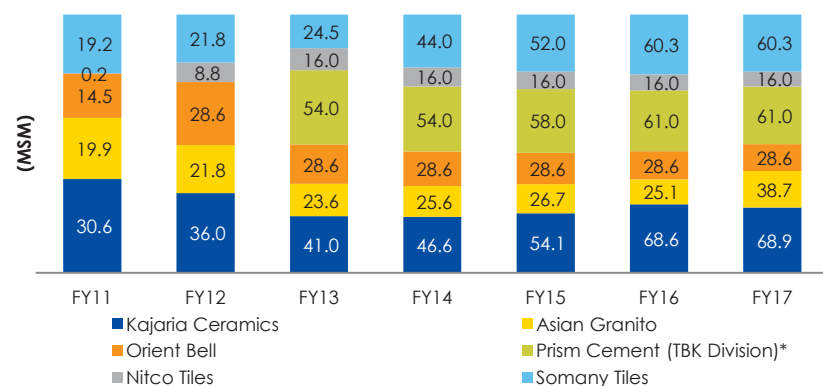
Location	Capacity	
	sq mtrs/day	mn sq mtrs/annum
FY17		
Dalpur, Himmatnagar	34,000	12.41
Idar	8,000	2.92
Dalpur, Himmatnagar (Amazon)	6,000	2.19
Dholka (Artistique)	10,000	3.65
Mehsana (Crystal)	27,000	9.86
Morbi (Outsourcing)	15,000	5.48
Total	100,000	36.50

AGL: Total capacity



Combined Capacity of 100,000 Sq. Mtrs per day (Incl. Outsource)

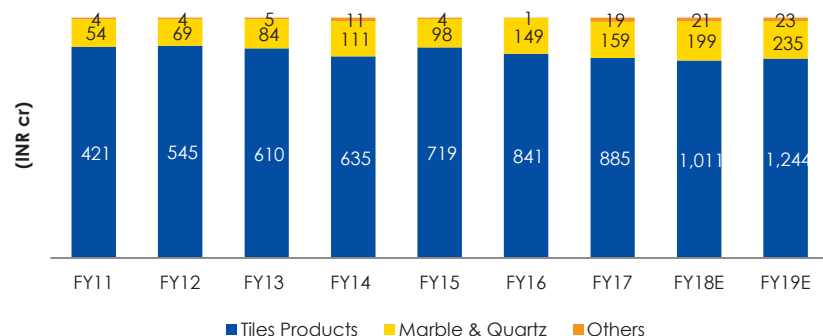
b) AGL: Capacity addition – Highest in past three years



c) Focus on premiumisation

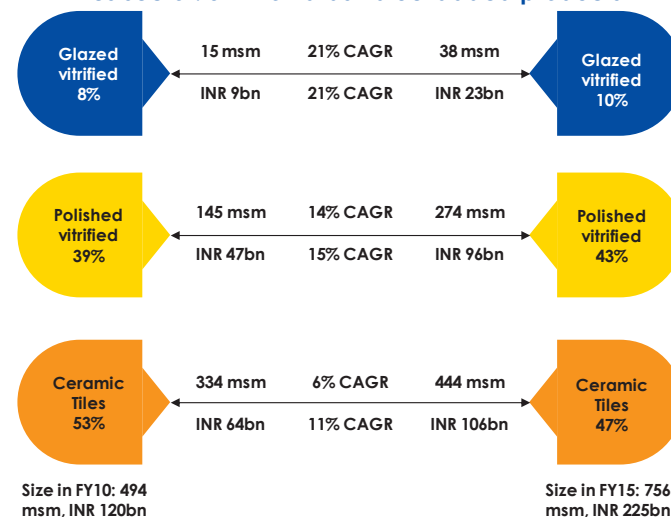
AGL is gradually shifting focus to the value-added segment—from ceramic to vitrified tiles and quartz—which enjoys better realisations. Contribution of value-added products is estimated to rise to ~50% in next couple of years. The company has created a separate vertical for its very high-value product range to sharpen focus on the segment. Further, to support this segment, AGL has widened its product basket through launch of multiple designs, sizes, textures and colours (revenue target of INR 2,000 cr by FY21).

Segment contribution



Source: Company, Edelweiss Investment Research

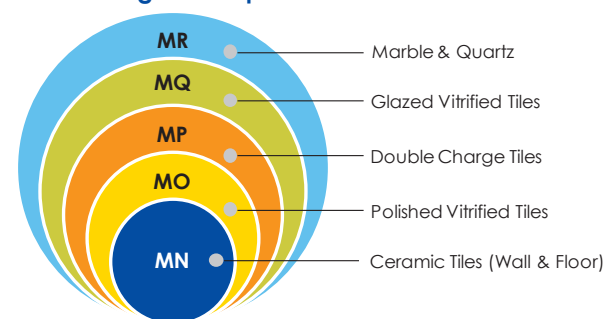
Tiles sector: Shift towards value-added products



AGL: Revenue mix shifting towards value-added products

Type of Tiles - Sales Contribution (%)	FY13	FY14	FY15	FY16	FY17
Ceramic (INR 30-65/sq ft)	46	49	43	44	36
PVT (INR 50-135/sq mt)	39	34	30	24	23
GVT (INR 70-165/sq mt)	11	11	14	16	19
Double Charge (INR 80-170/sq mt)	4	6	13	16	22

Focus on high value product mix



Product positioning

	Products pricing	New product/design launches in the last two years
Asian Granito	Ceramic Rs 30-65/sq ft Vitrified Rs 40-110/sq ft Glazed vitrified Rs 70-165/sq ft	<ul style="list-style-type: none"> CARARRA White unglazed large format Double Charge XXL – Polished Glazed Vitrified Tile Big Crack Stone – Double charged polished vitrified tile Hardstonee) Grandura (Parking Tiles) Hexabon tiles
Kajaria Ceramics	Ceramic Rs 28-100/sq ft Vitrified Rs 42-120/sq ft Glazed vitrified Rs 60-350/sq ft	<ul style="list-style-type: none"> Strome Hi definition Digital ceramic wall tiles Eternity HD (Digital Glazed/polished Vitrified Tiles) The Beast 120 x 240 cm (Italian tile)
Somany Ceramics	Ceramic Rs 30-65/sq ft Vitrified Rs 40-120/sq ft Glazed vitrified Rs 75-145/sq ft	<ul style="list-style-type: none"> Rock Solid tiles – floor tile New size addition 800 x1200 mm PVT with ultra-charge Slip Shield – slip resistant technology



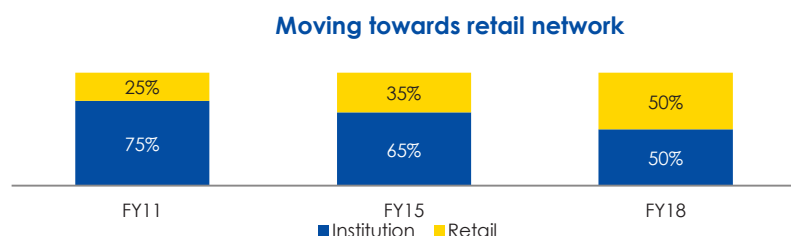
d) Sustained launch of new products

AGL is continuously launching new products, ranging from affordable tiles to upper-end glazed vitrified tiles. The expanding product basket has started creating a 'pull' for its products and also improved its realisations.

Product Name	Size in mm
Rainbow Glitz - 9 COLOR DIGITAL TILES WITH SPECIAL EFFECTS	300x900mm 300x600mm
GLISTER – POLISHED PORCELAIN TILES	600X600MM
STEP & RISER	300X1000MM 300X800MM
ECO BLANCO	300X300MM
Engineered Quartz (Different Sizes to cater to different markets)	1400 x 3100 1600 x 3200
Grestek – Splendour Series – Introduced 13 SKU's	800 x 1600
Grestek – Marvel Colour Body Tiles	300 x 600, 600 x 1200, 600 x 600, 196 x 1200
Imperio – Double Charge – Introduced 17 SKU's	800 x 800
Jumbo - Double charge – Introduced 16 SKU's	1000 x 1000
CARARRA White (World's Whitest Tile – in unglazed large format Double Charge)	800 x 800
XXL – Polished Glazed Vitrified Tile	800 x 1200
Polished Vitrified Tile (Double Charge) & Big Crack Stone (new design introduced first time in India)	800 X 1200 & 1000 X 1000
Hardstone (Outdoor Tiles in 16 mm & 10 mm thickness)	600 x 600
Grandura (Parking Tiles)	300 x 300 & 400 x 400
Hexacon Tiles (first to introduce)	304 x 350
Grestek SLIMGRES	600 x 1200

e) Moving to B2C sales

AGL's sharpened focus on retail sales is reflected in the continuously rising retail sales contribution from 25% to 35% over the past four years. The company is also enhancing its retail presence through a large network of distributors, retailers and exclusive showrooms. It is targeting retail sales of 50% in coming years via addition of new dealers & sub-dealers and exclusive showrooms. It is also eyeing geographical expansion, which will boost volumes, and higher retail presence will improve realisation, resulting in improved earnings.

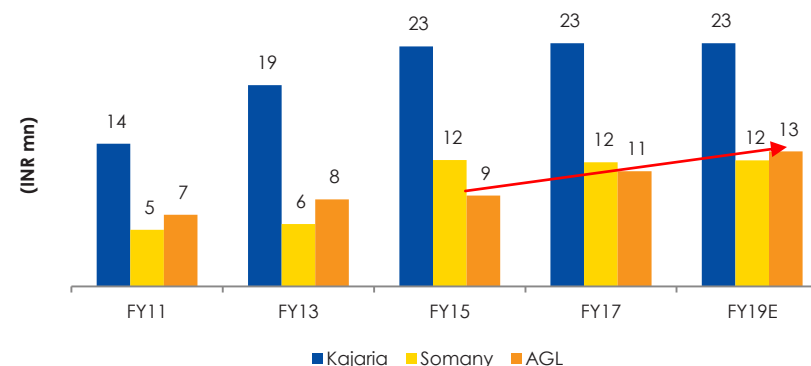


Source: Company, Edelweiss Investment Research

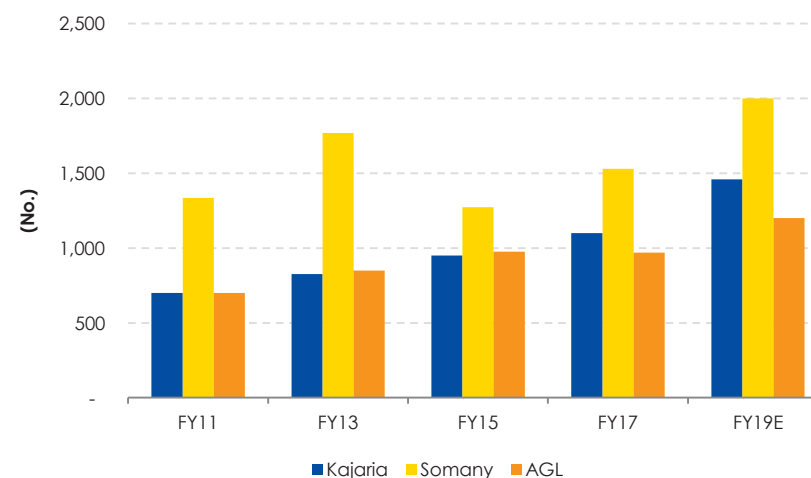
f) Strengthening its network—970 direct dealers

AGL is expanding its distribution network aggressively and also improving sales per dealer. The company has a strong and widespread dealership network of 970 currently (versus Kajaria's 1,100 and Somany's 1,528), up from 700 in FY11, and expected to reach 1,200 by FY19. It added 25 dealers in Q1FY18. The company's sales per dealer has been improving over the past three years (12.5% CAGR over FY15-17) against flat for Kajaria as well as Somany. Its dealers cater to ~4,330 sub-dealers/associate dealers across the country, almost at par with industry leader (Kajaria).

AGL: Sales per dealer improving faster than peers

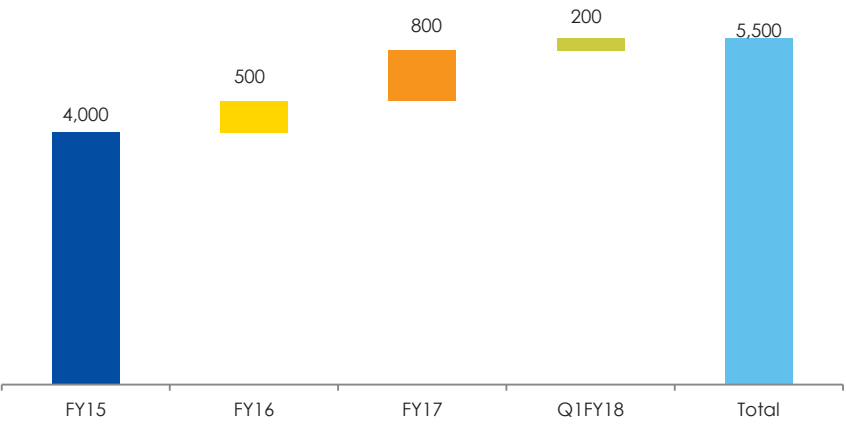


Dealer network – AGL adding fastly



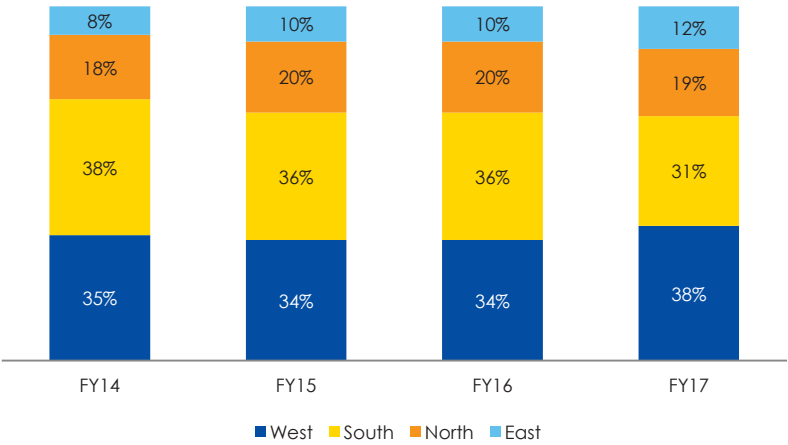
Source: Company, Edelweiss Investment Research

Addition in dealers & sub-dealers



Source: Company, Edelweiss Investment Research

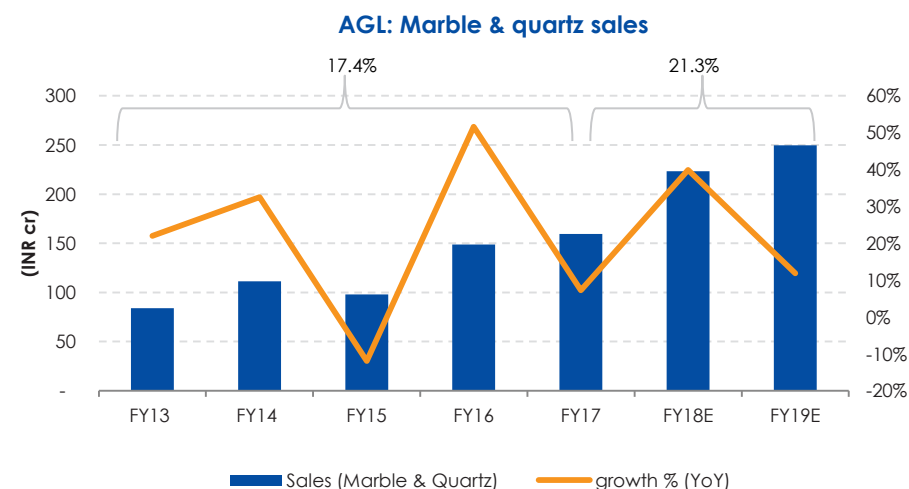
Geographical revenue break up



Source: Company, Edelweiss Investment Research

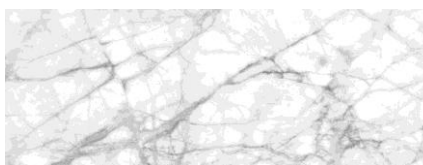
V. AGL: Quartz expansion

The Indian marble & quartz industry was pegged at ~INR 350cr compared to INR 50,000cr global market and AGL's marble division is engaged in the manufacture of marble and quartz with a market share of 45%. India is one of the key players in the global export of natural stone and is growing at faster rate. The domestic industry has posted ~14% revenue CAGR over last five years. AGL manufactures marble and quartz across a range of prices addressing the mass / mid and premium ranges. AGL has more than 102 projects customers with a diverse portfolio of >140 products in marble and quartz and a manufacturing capacity of 105,000 sq mtrs per annum. AGL has added 45 New dealers to this business in FY16 reach to 385 total dealers. AGL has strated 3rd line of Quartz commissioned in April-17 at Dalpur, resulted Quartz capacity from 2.64lac sq mt to 5.3lac sq mt, which expected to generate additional INR 40 cr sales. AGL is expected to generate ~21% revenue CAGR over FY17-19E, with the increase in capacity expansion and increase in dealers' network.



AGL's product portfolio – Marble & quartz

Marble



- Multi Colour Marble
- Nano Crystal Marble
- Imported Natural Marble
- Onyx Marble

Quartz



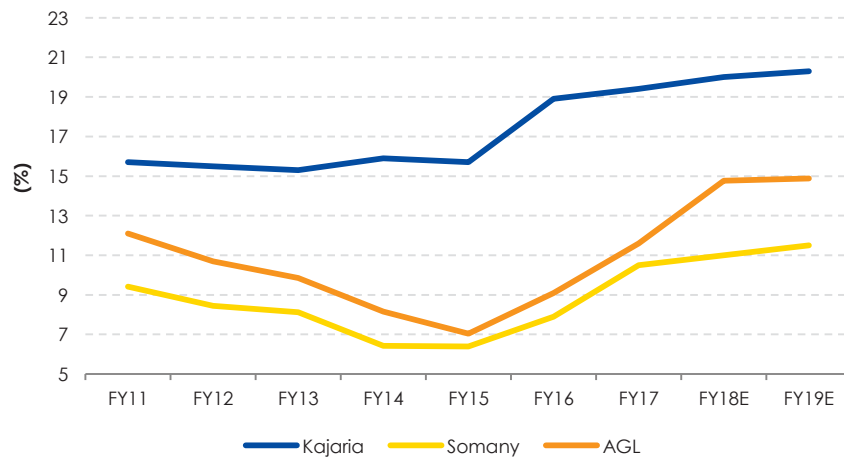
- Multi Colour Quartz
- E - Stone (Different Sizes to cater to different markets : 12mm, 15mm, 18mm, 20mm, 30mm)

Source: Company, Edelweiss Investment Research

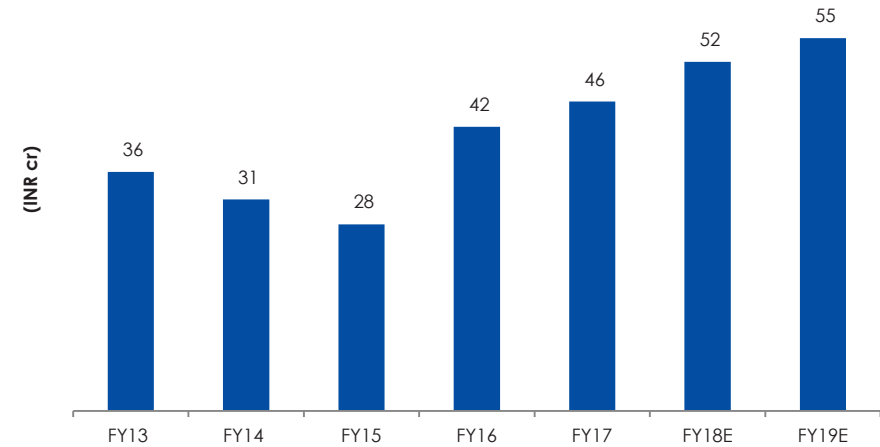
VI. Improvement in realisation to expand margin

AGL's average realisation is estimated to increase 2-3% over the next two years primarily driven by change in product and market mix. On the anvil are new products launches (like 1,000 x 1,000 mm and 800 x 1,200 mm) with higher VAPs and focus to enhance retail volumes. This is likely to lead to contribution of value-added products jumping from 35% currently to ~50% over the next two years. Also, we expect better realisations to improve the company's EBITDA margin.

AGL: EBITDA margin improving



AGL: Improving EBITDA per sq mtr



Source: Company, Edelweiss Investment Research

VII. Sharp reduction in fuel cost

Natural gas is the key source of fuel for the tiles industry and profitability is highly dependent on its availability and price. We believe, AGL is in a sweet spot on these two counts considering:

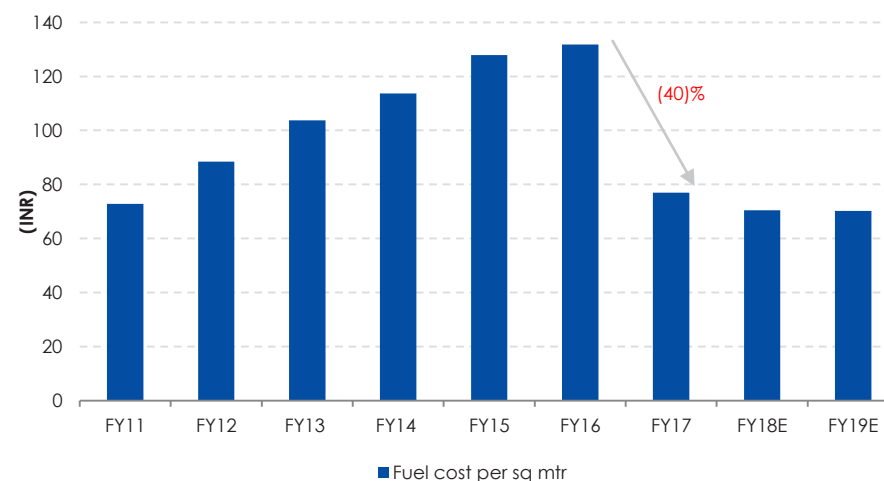
- 1) Correction in natural gas price from INR 372 per MMBTU (Million Metric British Thermal Unit) in Feb 2014 to INR 190 per MMBTU currently, (INR 41 per SCM to INR 23 per SCM).
- 2) Renegotiation of pricing formula for long-term contract of GAIL with Qatar-based RasGas.
- 3) ACPL and Crystal's contract prices at ~INR 14/scm and INR 12/scm, respectively, which are significantly lower than the spot price (INR 23 per SCM).

AGL had long-term contracts with GAIL, GSPL, IOCL and Sabarmati Gas. ACPL and Crystal Ceramics have long-term natural gas supply agreements with RasGas and ONGC, respectively, at a fixed price. ACPL and Crystal having contract price at ~INR 14/scm and INR 12/scm which is significantly lower than spot price. Hence, AGL's fuel cost reduced by ~40% y-o-y to INR 77 per sq mtrs.

Natural gas price movement (INR per MMBTU)



AGL: Fuel cost per sq mtr



Source: Company, Edelweiss Investment Research

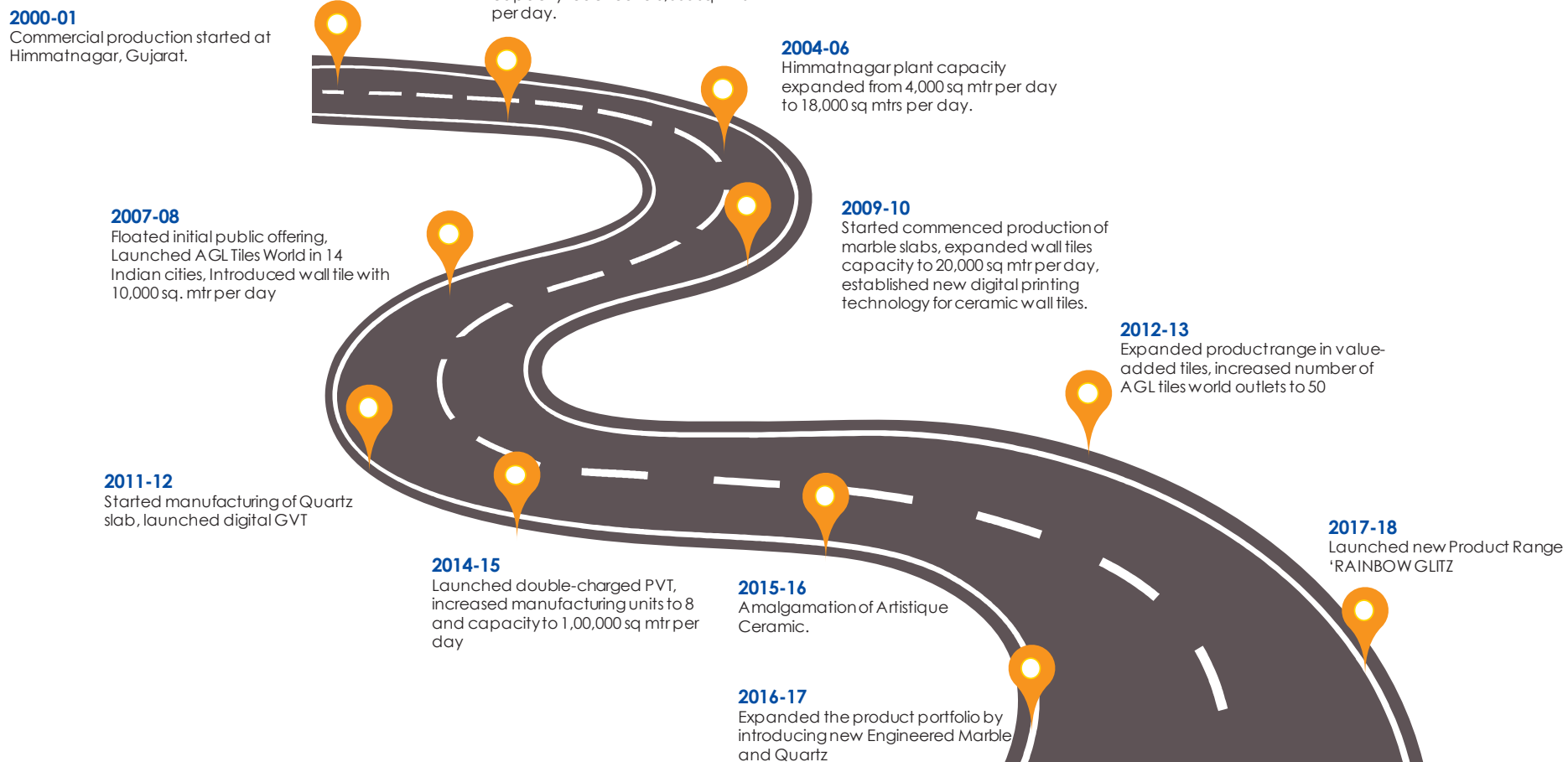
Asian Granito India Ltd. – Brief Summary

OVERALL GOAL	<ul style="list-style-type: none"> AGL is driven by the goal of achieving INR 2,000 cr in revenues by FY21 accompanied by margin expansion with increase in retail sales and VAPs mix.
GOAL CONTRIBUTORS	<ul style="list-style-type: none"> Owned Tiles Business: Grow revenue from INR 327cr in FY17 to INR 487cr by FY21; generate a larger proportion of revenues from value-added tiles Crystal Unit: Grow revenues from INR 110cr in FY17 to INR 316cr in coming years; <ul style="list-style-type: none"> Additional INR 100cr from improvement in utilization (from ~70% to 90%) Addition of one line (12k SM) results incremental >INR 100cr Marble & Quartz: Generate additional INR 60cr (from 2.64lacs sq mt to 5.3 lac sq mt); sales reach to INR 220cr; getting orders from dealers network New unit in Andhra Pradesh (in JV) – target revenue INR 150cr (we assumed ~INR 80cr), will produce GVT and soluble salt Vitrified tiles as south market has strong demand in soluble salt Vitrified tiles Increase Outsourcing being preferred partner – additional sales of INR 270cr expected to reach sales of INR 680cr
Goal Achieve through	<ul style="list-style-type: none"> Healthy product mix comparing industry, which continuously improving Ceramic tiles sector growing at ~13%; focus on second level dealers Demand of PVT & Ceramic coming from Government projects Increasing dealers' network & exclusive showrooms for high end tiles Addition in Marketing Team Increase export sales - Focus on Brazil & Gulf countries; Cost advantage & better quality
FOCUSED INVESTMENTS	<ul style="list-style-type: none"> Total Capex: ~INR 120cr over coming four years New unit in Andhra Pradesh (in JV) : ~INR 70cr capex Crystal Unit: Capacity increase from 5MSM to 9.9MSM in FY17 Quartz expansion: from 2.64lacs sq mt to 5.3 lac sq mt with capex of INR 20cr Distribution: Increase active dealers from 1500 to 2000 by 2020
PERFORMANCE MEASURES	<p>PROFITABLE GROWTH</p> <ul style="list-style-type: none"> Total income (Sales): Grew at CAGR of 12% over FY15-17 and expected to grow at ~19% CAGR over FY17-19E EBIDTA margin: Expanded by 450bps over FY15-17 and expected to expand 180 bps to 13.4% over FY17-19E Profit after tax: Grew at CAGR of 73% over FY15-17 and expected CAGR of 45.7% over FY17-19E <p>CONSISTENT VALUE CREATION</p> <ul style="list-style-type: none"> RoCE: Expected to expand 760 bps to 20.2% in next two years; expanded by 450 bps over FY15-17 Market capitalisation: Grew from INR 270cr as on 31st March 2015 to INR 1,134cr as on 31 March 2017 <p>BUSINESS HEALTH</p> <ul style="list-style-type: none"> Debt-equity ratio: Strengthened from 1.0x in FY13 to 0.8x in FY17 and expected to reach 0.6x by FY19E Cash conversion cycle: Improve from 130 days in FY13 to 90 days by FY19E Interest cover: Strengthened from 1.8x in FY15 to 2.3x in FY17 and expected to reach 4.4x by FY19E

AGL: SWOT Analysis



AGL: Key Milestones



AGL: Outlook & Valuations

AGL is currently best placed in the ceramics & tiles industry given company-specific sales and margin initiatives and significant financial and operating leverage that amplifies EPS growth in better sales environments. We expect AGL to benefit from its focus on branding and value proposition, which have driven favourable sales trend. In addition, internal initiatives enable AGL to gain market share versus competitors. The key growth drivers for AGL are: 1) rising capacity; 2) focused vertical for value-added products; 3) aggressive launch of new products; 4) expanding network; and 5) demand recovery. These, we believe, will spur the company's profitability in coming years, which is likely to lead to re-rating of valuation multiple. We initiate coverage on the stock with **'BUY'** recommendation and target price of INR 640 based on PER of 25x FY19E earnings (12% discount to Kajaria's target multiple). The stock is currently trading at 23.7x/16x FY18E and FY19E earnings, respectively. On EV/EBITDA basis, the stock is trading at 9.7x FY18E EV/EBITDA and 7.7x FY19E EV/EBITDA.

Peer Comparison

	Kajaria	Somany	Orient Bell	Asian Granito
Total capacities (Current)				
Tiles (mn sq mtrs)	62.1	51.7	30	33
Sanitaryware (mn pcs)	0.7	0.3	–	–
Faucetware (mn pcs)	1	Outsourced	–	–
Outsourced capacities (%)				
Tiles	42	58	20	13
Sanitaryware	NA	NA	–	–
Faucets	NA	100	–	–
Expansion				
Tiles (mn sq mtrs)	12.2	8	4.2	3.2
Sanitaryware (mn pcs)	–	–	–	–
Faucetware (mn pcs)	–	–	–	–
Market share (%) (Organised)				
Tiles	23	16	7	8
Sanitaryware	Negligible	2	–	–
Faucetware	Negligible	1	–	–
Revenue contribution (%)				
Tiles	95+	96	100	85
Sanitaryware		2	–	–
Faucetware	Below 5	2	–	–
Number of dealers/ distributors/retailers	10,000+	10,000+	4,000+	5,500+
Advertisement expenses as a % of sales (FY15)	2.5	1.9	1.2	0.5
Key brand	Kajaria	Somany	Orient Bell	AGL Tiles

Asian Granito India Ltd.

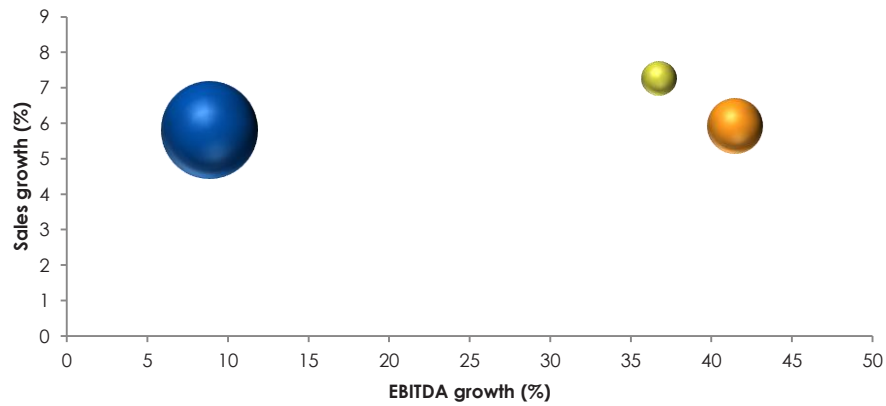
On historical average, AGL has been trading at a discount to Kajaria's one-year forward PER and EV/EBITDA. This is primarily on account of the latter's significantly better return ratios, superior EBITDA margin and lion's market share. We anticipate improvement in AGL's operating performance riding margin expansion and improving RoE & RoCE. Hence, we expect the the valuation gap between Kajaria and AGL to shrink.

Peers comparison

Company	Revenue growth (%)			EBITDA margin (%)			PAT growth (%)			ROACE (%)		
	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
Kajaria	5.8	13.1	17.1	19.4	20.0	20.3	9.7	27.2	24.4	31.7	33.4	35.1
Somany	5.9	13.2	17.2	10.5	11.0	11.5	41.3	22.4	33.2	23.2	25.1	30.1
Asian Granito	7.2	15.7	22.0	11.6	12.7	13.4	67.6	40.1	51.6	12.6	15.8	20.2

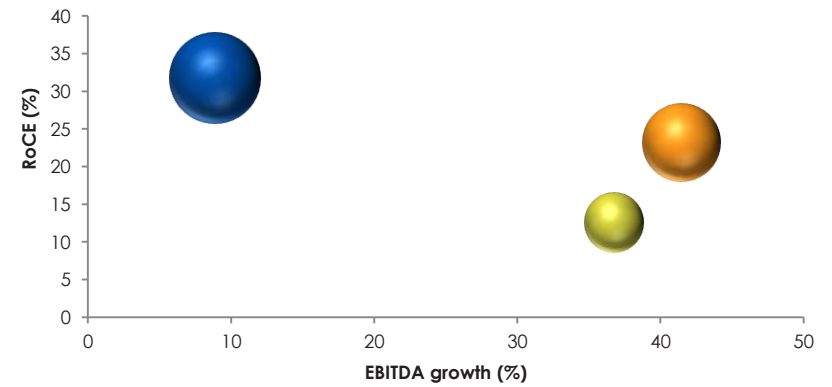
Company	Cash conversion cycle (days)			Debt/Equity (x)			Total asset turnover (x)			Diluted PE (x)			EV/EBITDA (x)		
	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
Kajaria	80.0	88.0	82.0	0.1	-	-	1.7	1.7	1.7	41.3	32.4	26.0	21.4	18.0	14.8
Somany	46.0	46.0	43.0	0.4	0.2	-	2.2	2.4	2.7	35.0	28.6	21.4	18.2	14.6	11.5
Asian Granito	109.4	94.0	90.0	0.8	0.7	0.6	1.0	1.1	1.3	31.5	23.7	16.0	12.6	9.7	7.7

Peers: Sales & EBITDA growth (FY17)



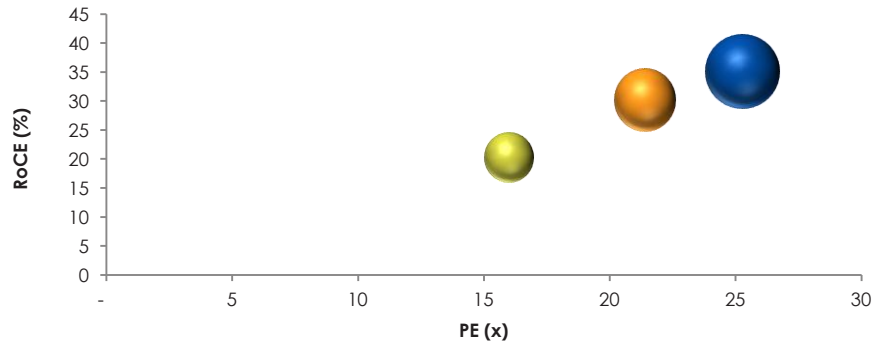
Bubble - MCap ● Kajaraia ● Somany ● AGL

Peers: Operating margin with returns



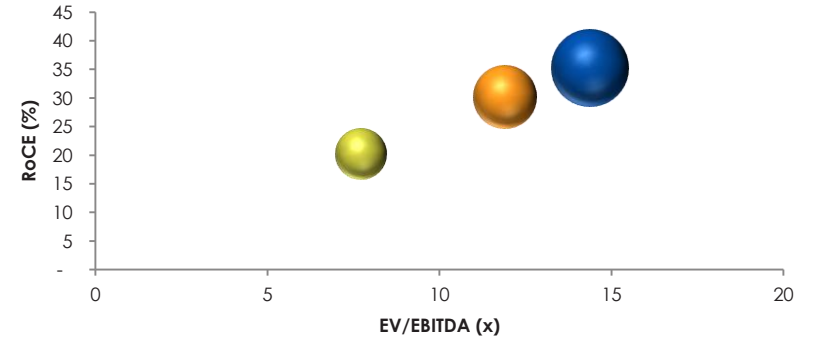
Bubble - Revenue (FY17) ● Kajaraia ● Somany ● AGL

Peers Valuations



Bubble - Revenue (FY19E) ● Kajaraia ● Somany ● AGL

Peers Valuations



Bubble - Revenue (FY19E) ● Kajaraia ● Somany ● AGL

Source: Company, Edelweiss Investment Research

Key Management

Name	Designation	Profile
Mr. Kamlesh Patel	<i>Chairman</i>	Mr. Kamlesh Patel has an overall experience of 18+ years in the tiles industry. He holds BBA degree from Sardar Patel University. Mr. Patel started his career with the foundation of Kedia Industries, a wall tiles manufacturer, in 1994. In 1999, along with Mr. Mukesh J. Patel, he started Asian Tiles.
Mr. Mukesh Patel	<i>Managing Director</i>	Mr. Mukesh Patel has 20+ years' experience in the tiles industry. He started his career with the foundation of Kedia Industries, a wall tiles manufacturer, in 1994. In 1999, along with Mr. Kamlesh Patel he started Asian Tiles.

Key Risks

- Inability to pass on fluctuating raw material prices.
- User industry growth remains muted.
- Rising competition from domestic players and neighbouring countries.

Business Overview

Company description

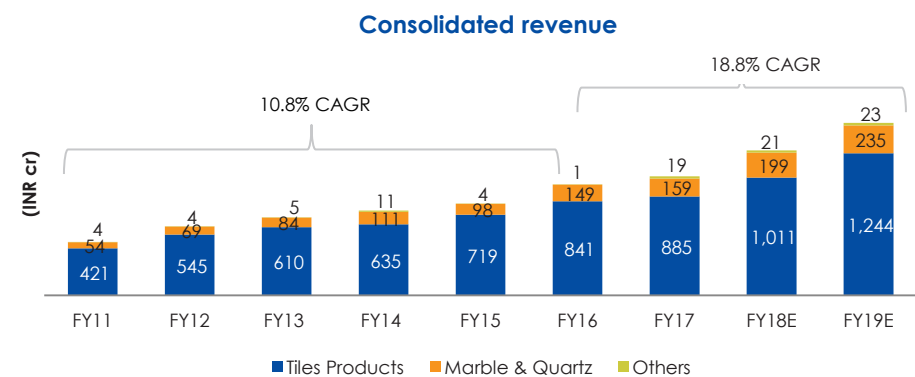
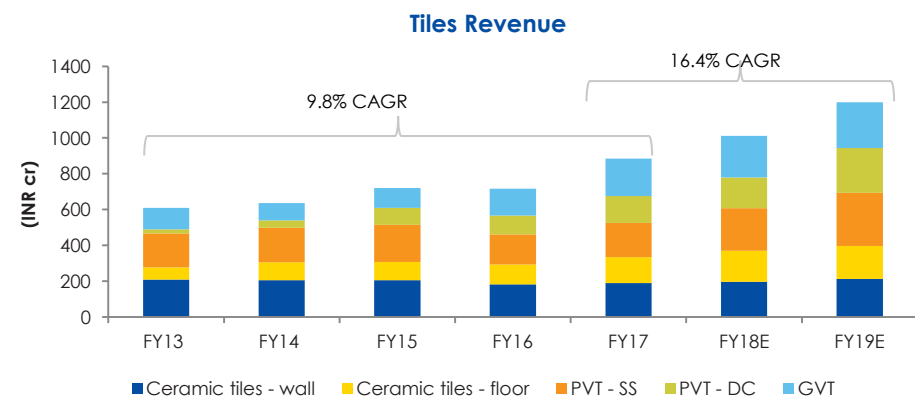
AGL was incorporated in 2000 by Gujarat-based entrepreneurs Mr. Kamlesh Patel and Mr. Mukesh Patel. AGL is the fourth largest tiles manufacturer in India with ~33MSM capacity. The company manufactures ceramic wall & floor tiles and digital/ polished/glazed vitrified tiles. It also manufactures marble & quartz with an annual installed capacity of 1.3MSM. AGL accounts for ~8% of the domestic organised tiles market. The company has wide range of tiles portfolio which offers 1,200+ designs across Rs 30 to Rs 165 per sq ft range.

Business Model	The company has 2 segments. 1) Tiles division 2) Marble and quartz division
Strategic Positioning	AGL is gradually shifting focus to the value-added segment—from ceramic to vitrified tiles and quartz—which enjoys better realizations and towards retail sales via addition of new dealers & sub-dealers and exclusive showrooms, estimated to rise to ~50% in next couple of years.
Competitive Edge	<ul style="list-style-type: none"> • Presence: The Company has its presence across India (Tier I and Tier II cities as well as metros) along with a global presence in 50+ countries through trade associates. • Technology: The Company's joint ventures with international partners in Italy have ensured access to cutting-edge technology catalyzing innovation and value-added product manufacture (digitally printed tiles and online vitrified manufacturing technology). • Product portfolio: The Company's product basket comprises tiles in a variety of sizes, designs and finishes, addressing virtually the widest consumer preference even wide range of prices addressing the mass / mid and premium ranges. • Showrooms: AGL has 16 display centres and 166+ exclusive showrooms, enhancing visibility.
Financial Structure	AGL focus on widen product range, aggressively expanding distribution network and sustained capacity expansion, which will result ~19% revenue CAGR over FY17-19E. Further, AGL would be potential beneficiary of shift of market share towards organised players with GST implementation.
Key Competitors	Kajaria Ceramics, Somany Ceramics, Orient Bell
Industry Revenue Drivers	Macro improvement, pick up in discretionary spending and government policy push are envisaged to spur the building products industry. The domestic tiles industry is expected to clock volume CAGR of 13.0%, in coming years and organised players envisaged to outperform the industry with the implementation of GST and with the increase in value added product mix.
Shareholder Value Proposition	The company is likely to clock 40% earnings CAGR over FY17-19E, results an EPS of INR 26 in FY19E. A 25x valuation can give price target of INR 640 for the company which gives an upside of 57%

Financial Analysis

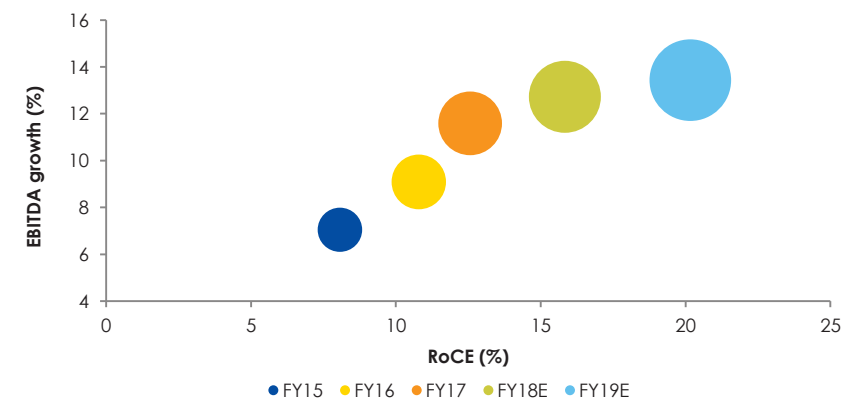
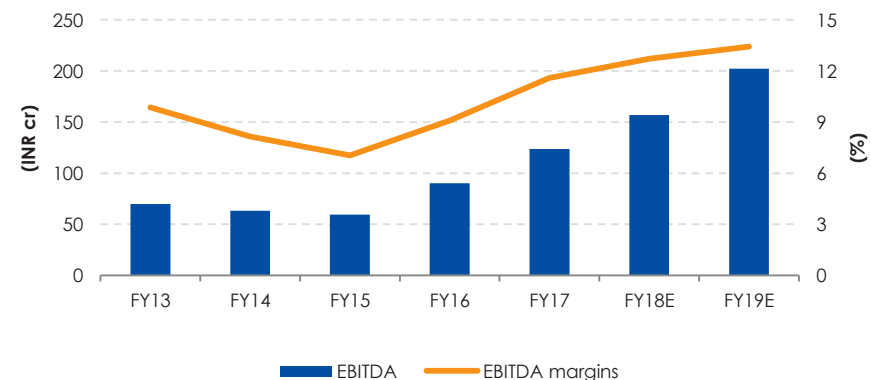
Capacity addition and improvement in utilisation drives revenue

AGL expected to increase its tiles sales volume by 16.7% CAGR over FY17-19E and improve its realisation by 1.6% over FY17-19E, results ~19% revenue CAGR during FY17-19E higher than industry's ~13% sales CAGR.



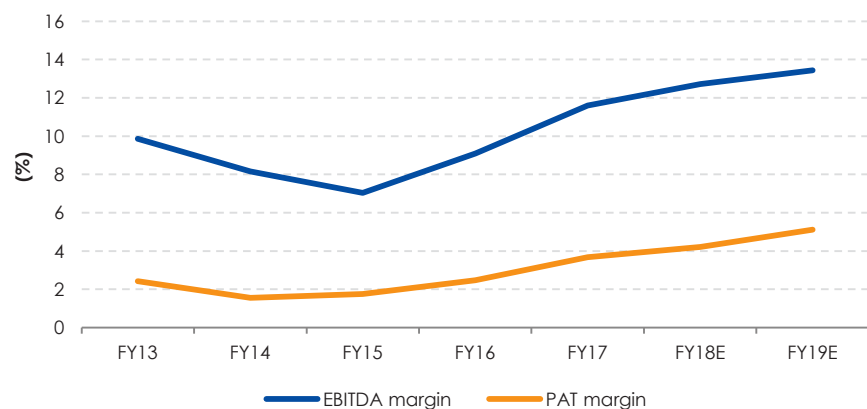
Low fuel cost, higher value-added products to boost operating margin

We estimate EBITDA margin to improve by ~180 bps over the next two years on account of benefits from merger, lower fuel cost and incremental value-added products in the portfolio. EBITDA is estimated to post CAGR of ~28% over FY17-19E.



Source: Company, Edelweiss Investment Research

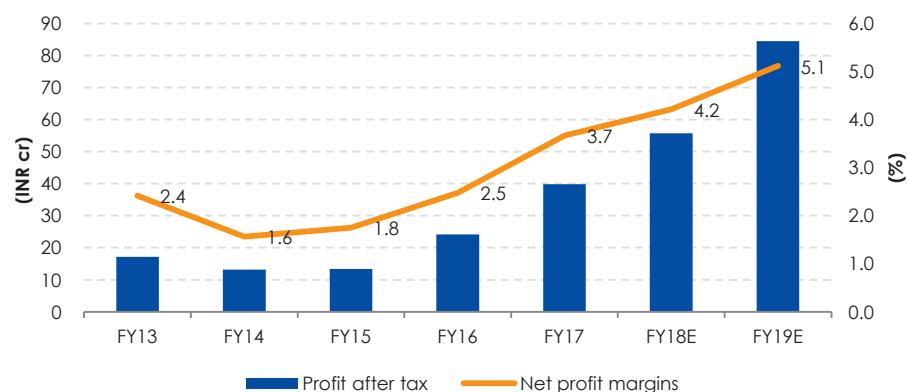
EBITDA and PAT margin improving



Robust PAT growth to sustain

With the healthy sales growth, margin improvement and restricted depreciation & interest expenses, expected to result a PAT CAGR of 45.7% over FY17-19E. PAT margin is estimated to improve from 3.7% in FY17 to 5.1% in FY19E.

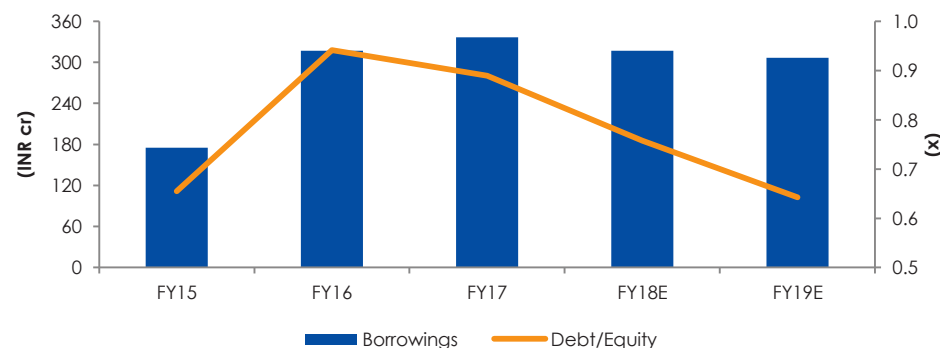
Net profit margin



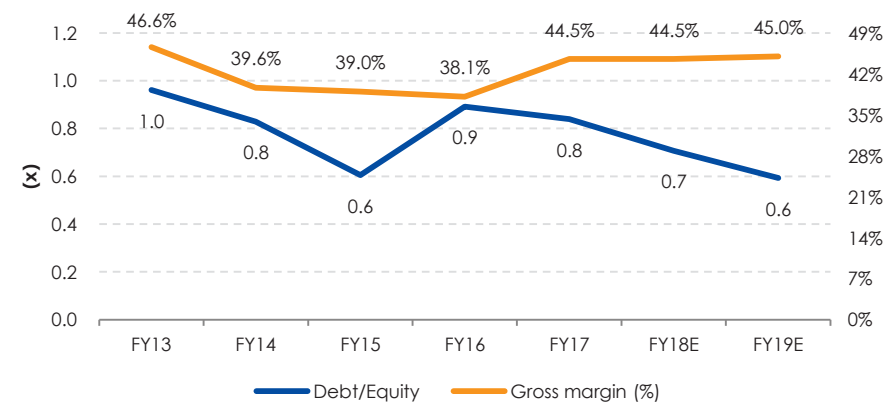
Debt to dip significantly

We estimate AGL's debt-equity ratio to improve to 0.6x in FY19E with positive free cash flow. Capacity expansion via the joint venture model will keep balance sheet stress free and help improve return ratios going forward.

Debt/Equity



Gross margin improving

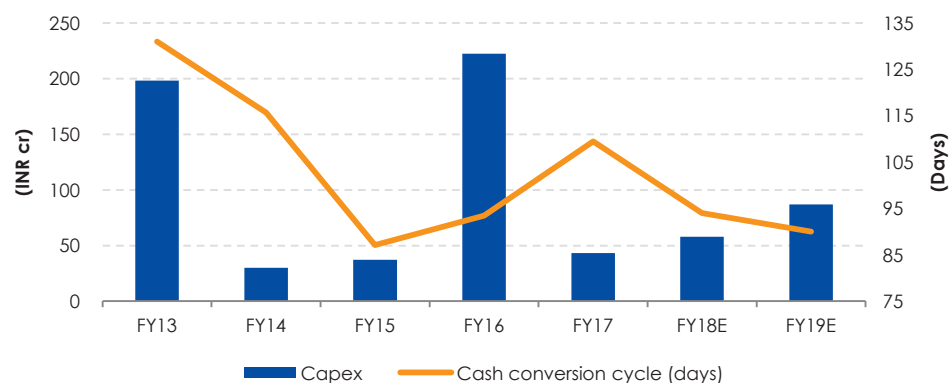


Source: Company, Edelweiss Investment Research

Lower capex & improving cash conversion cycle

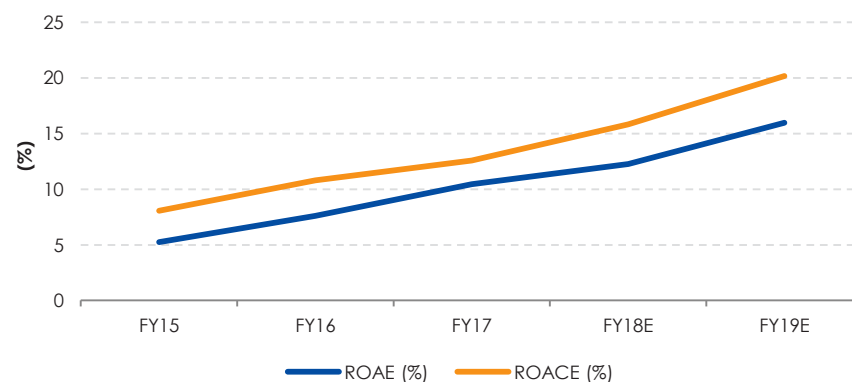
AGL's cash conversion cycle (days) have improved from 131 to 93 from FY13 to FY16 on account of improvement in product mix and expansion in distribution network, majorly with improvement in its debtors days.

We believe, there are still many untapped markets wherein AGL can extend its distribution reach. The company keeps dealers continuously motivated via attractive promotional schemes, apart from ensuring adequate stock levels and quick availability of products across range and designs, which is an advantage over competitors. This has resulted in AGL increasing its financially healthy dealers network, thereby keeping its working capital cycle largely under check. Apart from having an exhaustive and nation-wide dealer network, the company also has 182+ showrooms.

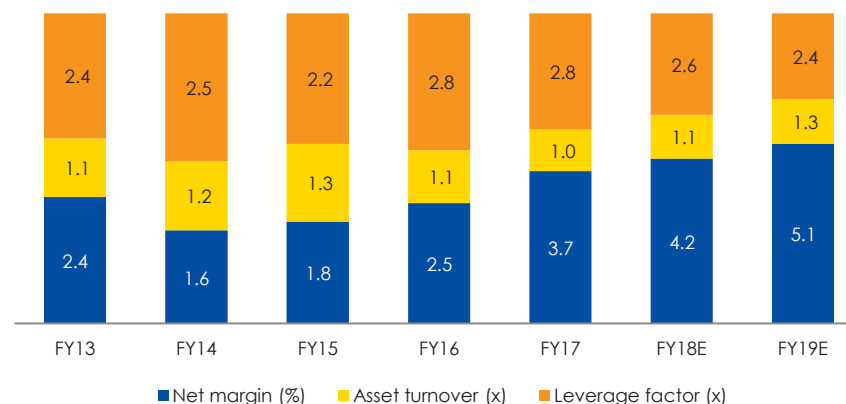


Return ratios to improve as utilisation picks up

With improving margin, we estimate AGL's RoCE and RoE to improve ~760 bps and 550 bps, respectively, over the next two years. We expect the company to clock higher RoCE on account of better product mix and lower operational cost.



DuPont Analysis



Source: Company, Edelweiss Investment Research

Financials

Income statement						(INR cr)						Balance sheet						(INR cr)						Ratios					
Year to March		FY15	FY16	FY17	FY18E	FY19E	As on 31st March		FY15	FY16	FY17	FY18E	FY19E	Year to March		FY15	FY16	FY17	FY18E	FY19E	Year to March		FY15	FY16	FY17	FY18E	FY19E		
Income from operations		846	994	1,066	1,233	1,505	Equity share capital		23	23	30	30	30	ROAE (%)	5.2	7.6	10.4	12.2	16.0	ROAE (%)		8.1	10.8	12.6	15.8	20.2			
Direct costs		667	743	733	834	1,006	Reserves & surplus		267	333	371	417	487	Debtors (days)	71	72	107	90	80	Debtors (days)		71	72	107	90	80			
Employee costs		44	59	71	83	101	Shareholders funds		290	363	401	448	517	Current ratio	2.5	2.5	2.3	2.3	2.2	Current ratio		2.5	2.5	2.3	2.3	2.2			
Other expenses		120	160	210	243	296	Borrowings		175	317	337	317	307	Debt/Equity	0.6	0.9	0.8	0.7	0.6	Debt/Equity		0.6	0.9	0.8	0.7	0.6			
Total operating expenses		786	904	942	1,077	1,303	Minority interest		0	19	22	22	22	Inventory (days)	82	90	94	84	80	Inventory (days)		82	90	94	84	80			
EBITDA		60	90	124	157	202	Sources of funds		465	699	760	786	846	Payable (days)	67	69	91	80	70	Payable (days)		67	69	91	80	70			
Depreciation and amortisation		19	28	34	38	42	Gross block		338	609	652	710	797	Cash conversion cycle (days)	87	93	109	94	90	Cash conversion cycle (days)		87	93	109	94	90			
EBIT		40	63	89	119	160	Depreciation		149	211	245	283	325	Debt/EBITDA	2.9	3.5	2.7	2.0	1.5	Debt/EBITDA		2.9	3.5	2.7	2.0	1.5			
Interest expenses		23	29	39	38	37	Net block		188	398	406	426	471	Adjusted debt/Equity	0.6	0.8	0.8	0.7	0.6	Adjusted debt/Equity		0.6	0.8	0.8	0.7	0.6			
Other income		1	1	4	3	3	Total fixed assets		203	398	406	426	471																
Profit before tax		19	35	53	83	126	Investments		11	13	17	17	17																
Provision for tax		6	11	13	27	42	Inventories		191	245	273	284	330	Valuation parameters															
Core profit		13	24	40	56	84	Sundry debtors		166	197	311	304	330	Year to March	FY15	FY16	FY17	FY18E	FY19E	Year to March		FY15	FY16	FY17	FY18E	FY19E			
Profit after tax		13	24	40	56	84	Cash and equivalents		15	17	19	23	-24	Diluted EPS (INR)	6.5	10.8	13.0	17.3	25.6	Diluted EPS (INR)		6.5	10.8	13.0	17.3	25.6			
Minority Interest		1	1	-1	-4	-8	Loans and advances		21	28	33	38	46	Y-o-Y growth (%)	22.1	64.3	20.9	32.8	48.2	Y-o-Y growth (%)		22.1	64.3	20.9	32.8	48.2			
Adjusted net profit		15	25	39	52	77	Other current assets		0	2	2	2	2	CEPS (INR)	15.0	23.0	24.5	29.9	39.6	CEPS (INR)		15.0	23.0	24.5	29.9	39.6			
Equity shares outstanding (mn)		2	2	3	3	3	Total current assets		392	489	638	651	684	Diluted P/E (x)	62.2	37.9	31.3	23.6	15.9	Diluted P/E (x)		62.2	37.9	31.3	23.6	15.9			
EPS (INR) basic		6.5	10.8	13.0	17.3	25.6	Sundry creditors and others		155	187	265	270	289	Price/BV(x)	3.2	2.6	3.1	2.7	2.4	Price/BV(x)		3.2	2.6	3.1	2.7	2.4			
Diluted shares (Cr)		2.3	2.3	3.0	3.0	3.0	Provisions		5	6	14	15	16	EV/Sales (x)	1.3	1.2	1.4	1.2	1.0	EV/Sales (x)		1.3	1.2	1.4	1.2	1.0			
EPS (INR) fully diluted		6.5	10.8	13.0	17.3	25.6	Total CL & provisions		159	193	279	285	304	EV/EBITDA (x)	18.1	13.5	12.5	9.7	7.7	EV/EBITDA (x)		18.1	13.5	12.5	9.7	7.7			
Dividend payout (%)		0.0	0.0	10.0	8.7	7.8	Net current assets		233	296	359	365	380	Diluted shares O/S	2.3	2.3	3.0	3.0	3.0	Diluted shares O/S		2.3	2.3	3.0	3.0	3.0			
							Misc expenditure		37	-8	-22	-22	-22	Basic EPS	6.5	10.8	13.0	17.3	25.6	Basic EPS		6.5	10.8	13.0	17.3	25.6			
							Uses of funds		465	699	760	786	846	Basic PE (x)	62.2	37.9	31.3	23.6	15.9	Basic PE (x)		62.2	37.9	31.3	23.6	15.9			
							Book value per share (INR)		128	158	133	149	172	Dividend yield (%)	0.0	0.0	0.3	0.4	0.5	Dividend yield (%)		0.0	0.0	0.3	0.4	0.5			
							Cash flow statement																						
							Year to March		FY15	FY16	FY17	FY18E	FY19E																
							Net profit		13	23	40	56	84																
							Add: Depreciation		19	28	34	38	42																
							Add: Others		1	1	-1	-4	-8																
							Gross cash flow		40	78	88	90	119																
							Less: Changes in W. C.		-44	61	62	2	61																
							Operating cash flow		84	18	26	87	58																
							Less: Capex		37	222	43	58	87																
							Free cash flow		47	-205	-17	29	-29																
							Growth metrics (%)																						
							Year to March		FY15	FY16	FY17	FY18E	FY19E																
							Revenues		9.1	17.5	7.2	15.7	22.0																
							EBITDA		(5.7)	51.6	36.8	27.0	28.8																
							PBT		(12.5)	85.3	51.8	56.4	51.6																
							Net profit		0.8	78.6	67.6	40.1	51.6																
							EPS		22.1	64.3	20.9	32.8	48.2																

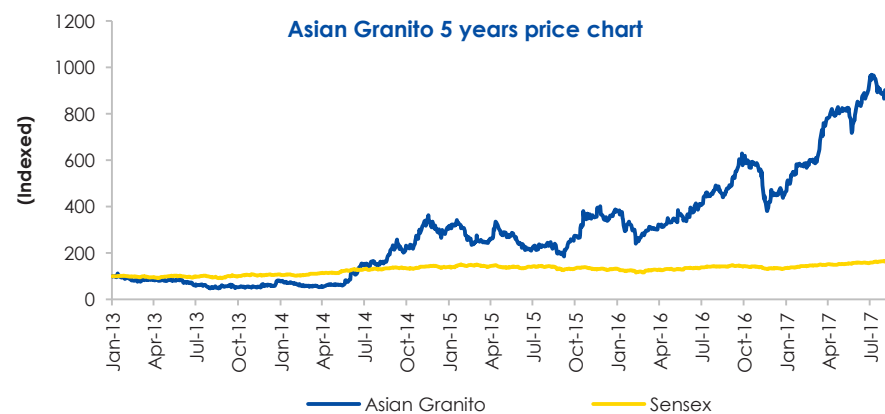
Edelweiss Broking Limited, 1st Floor, Tower 3, Wing B, Kohinoor City Mall, Kohinoor City, Kirod Road, Kurla(W)
Board: (91-22) 4272 2200

Vinay Khattar

Head Research

vinay.khattar@edelweissfin.com

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate between 5-15% over a 12-month period
Reduce	Return below 5% over a 12-month period



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Initiating Coverage
Building Products
Asian Granito India Ltd.
BUY

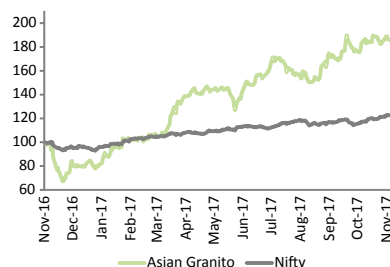
CMP (Rs)	487
Target Price (Rs)	642
Potential Upside	31.8%
Sensex	33,452
Nifty	10,366

Key Stock data

BSE Code	532888
NSE Code	ASIANILES
Bloomberg	ASIAN:IN
Shares o/s, Cr (FV 10)	3.0
Market Cap (Rs Cr)	1,465
3M Avg Volume	100,000
52 week H/L	518/176

Shareholding Pattern

(%)	Mar-17	Jun-17	Sep-17
Promoter	33.1	32.4	32.3
FII	3.0	4.9	5.1
DII	1.8	3.8	4.0
Others	62.1	58.9	58.6

1 Year relative price performance

Multiple growth levers

Established in 2000, Asian Granito India Ltd. (AGIL) is the fourth largest ceramic company in India with a global footprint across 53 countries. AGIL manufactures and markets interior & infrastructure products like vitrified wall & floor tiles, porcelain, natural marble composite and quartz. It has 8 state of the art manufacturing units spread across Gujarat and has 196 exclusive showrooms across India.

Investment rationale

- Given India's consumption potential, demand from retail is expected to remain robust in the next few years. Thus, the management is focused on increasing the number of its exclusive outlets from 196 currently to 500 by FY21E. It is targeting revenue mix of 50:50 (retail:institutional) in the next 3-4 years from (35:65) currently.
- GST implementation will help the organized players, including AGIL, to gain market share in the coming years. To encourage domestic manufacturers, the government has imposed an anti-dumping duty between USD 0.79 per sq mt and USD 1.87 per sq mt on all vitrified tiles imported from China in April 2017 for a period of five years (valid till 2022), which is expected to provide some relief to domestic tile players.
- The management is planning to increase its capacity utilization to 85% in the next 3-4 years from 65% in FY17, while selectively outsourcing the production of non-value added tiles. It is focusing on going through JVs and outsourcing model to expand its tiles capacity, which will help it to create an asset light business structure.
- The market for quartz stone in India is estimated at around Rs. 450 cr, which is growing at ~30% every year. Further, the export market for quartz stone is huge and it is targeting exports to US, Canada, EU and other Middle East Asian countries. The management is targeting to triple its quartz revenue in the next 2-3 years.
- The proportion of revenues from value added products is expected to increase from ~35% to ~60-65% over the next 3-4 years. AGIL also benefitted from falling natural gas prices in the last 3 years and favorable long term gas supply contracts with some of the major gas suppliers, which we expect to continue in the coming years as well.

Outlook & Valuation

AGIL is well placed to reap the benefits of the favorable outlook for the tile and quartz industry. The management has an ambitious target of reaching Rs. 2,000 cr revenue by FY21E from Rs. 1,066 cr in FY17. Factors like rising disposable income, lower per capita consumption of tiles in India, pick up in real estate sector; rapid urbanization and improvement in rural economy augur well for the tile industry. The company has been launching new and latest products to increase its offerings and providing value addition to its customers. We expect its operational and profit margins to improve on back of better product mix, focus on B2C sales, higher capacity utilization and asset light JV expansion plan. We expect revenue and PAT to increase at CAGR of 16.3% and 32% respectively over FY17-20E. We recommend a Buy on the stock with a target price of Rs. 642.

Financial Summary

Particulars, Rs cr	FY17	FY18E	FY19E	FY20E
Net revenue	1,066	1,222	1,436	1,676
EBITDA	124	157	198	234
OPM (%)	11.6	12.9	13.8	14.0
Adj PAT	39	51	69	90
PATM (%)	3.7	4.2	4.8	5.4
EPS, Rs	13.2	17.4	24.8	32.1
RoE (%)	10.2	12.1	14.3	16.2
P/E (x)	37.2	27.7	19.5	15.0

Source : Company; RSL Research

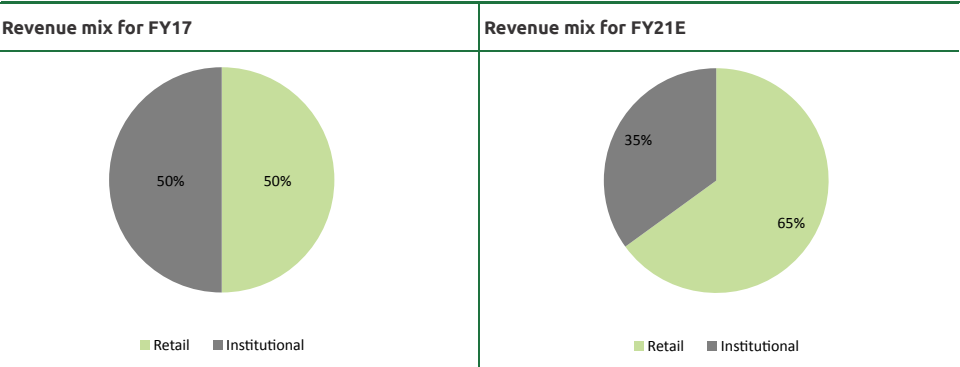
Research Analyst

Ajay Pasari, CFA
 ajay.pasari@religare.com

Revenue mix is expected to improve from 50-50 (retail:institutional) currently to (65:35) by FY21E, which would improve its relizations

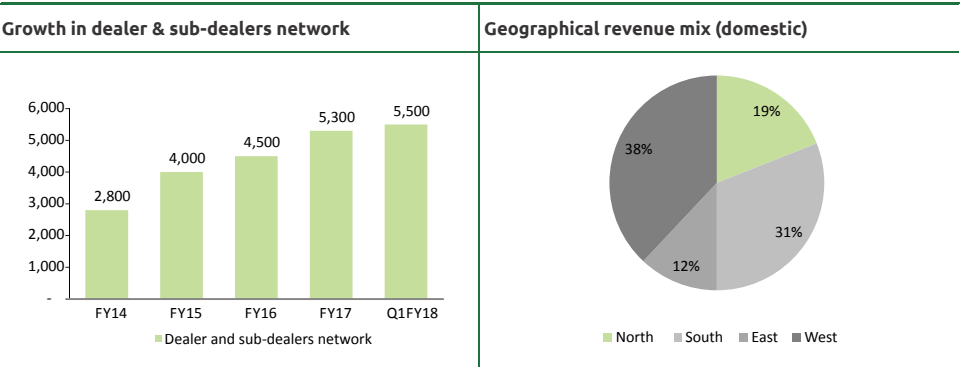
Investment rationale
Focus on increasing retail sales to drive revenue growth and improve margins

AGIL has been an institutional player with majority of its products marketed and sold to real estate builders and government institutions. This helped the company to market large volume of its products through its dedicated sales channels. As a result 65% of its total revenue was derived from institutional channel in FY17. Given India's consumption potential, demand from retail segment is expected to remain robust in the next few years. Thus, the management is focused on increasing the number of its outlets (owned and franchisee operated) from 196 currently to 500 in FY21E. With this, AGIL is trying to capture more market geographies along with enhanced distribution network, which would enable the company to reach pockets with growing consumption appetite. The management is targeting revenue mix of 50:50 (retail:institutional) in the next 3-4 years from (35:65) currently.



Source : Company; RSL Research

The company is expanding its dealer network at a great pace. AGIL has 5,500 touch points (direct dealers and sub-dealers) and more than 195 AGL Tile exclusive stores across India. In terms of geographical presence in India, 38% of the its consolidated revenue was derived from West India, 31% from South India, 19% from North India and 12% from East India. It is looking to expand its presence in North and East India. It is targeting to reach 8,000 dealers and sub-dealers and 500 exclusive tiles stores by FY21E. Also increasing retail sales will improve its operating margins in the coming years.



Source : Company; RSL Research

Focusing on less penetrated areas in North and East India with stronger dealer network and more exclusive showrooms

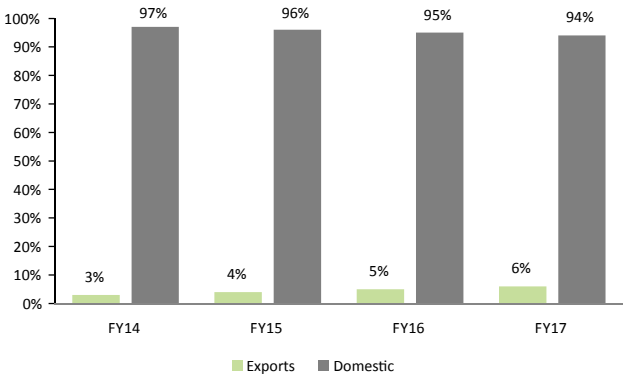
Reforms and initiatives like GST, Housing for all, anti-dumping duty, etc. augur well for AGIL's growth

Government reforms like GST, Anti-dumping duty and Housing for all to aid revenue growth

AGIL is well placed to capitalize on the various reforms and initiatives taken by the government in the last year. GST implementation will help the organised players, including AGIL, to gain market share in the coming years. The unorganised players command ~50% share of the total ceramic market and GST will reduce the price differential between them and the organised segment. Also this will create a uniform market for all the organised players, which in turn will result in removal of inter-state barriers and improvement in supply chain. Morbi (Gujarat) accounts for ~70% of the total tiles production in the country. The ceramic industry in Morbi has started facing slowdown with 28% rate of GST on the sector and as a result players in Morbi are focusing more on exports to survive from domestic losses. This in turn will help the organized companies like AGIL to capture more of the domestic market pie with higher penetration in new territories, branding and better product offerings.

To encourage domestic manufacturers, the government has imposed an anti-dumping duty between USD 0.79 per square metre and USD 1.87 per square metres on all vitrified tiles imported from China in April 2017 for a period of five years (valid till 2022), which is expected to provide some relief to domestic tile players against cheaper Chinese imports. Apart from domestic duty, the anti-dumping duty imposed on China (in May 2013 for a period of 5 years) by European countries, Korea, Brazil, Taiwan, Chile, etc. provided good opportunity to Indian players to explore export markets. As a result, AGIL has been able to increase its export sales from ~3% in FY14 to ~6% in FY17, which we expect to, increase further in the coming years. According to Ceramic World Review report, the per capita consumption of ceramic tiles in India is only 0.59 SQM compared to 3.39, 3.95 and 4.4 SQM in Brazil, China and Vietnam respectively. The Indian ceramic tile industry is the world's third largest manufacturer of ceramic tiles at 825 million square metres (MSM), after China and Brazil. India is also the third largest consumer of tiles in the world with about 6.25% of all global ceramic tile consumption.

Rising share of exports in the total revenue



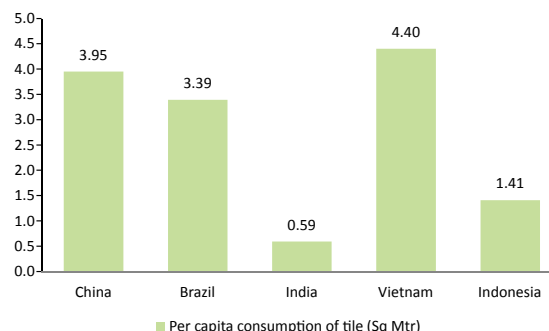
Source : Company; RSL Research

AGIL is focusing on increasing its exports sales in the coming years. It is targeting to increase exports revenue contribution from 6% in FY17 to 10% in FY18E

Factors like rising disposable income, lower per capita consumption of tiles in India, pick up in real estate sector; rapid urbanization and improvement in rural economy augur well for the tile industry. Also, government initiatives and projects like Housing for all, Smart cities, Swachh Bharat Abhiyan, etc. are further likely to contribute to the sectors growth, which in turn would benefit AGIL in terms of revenue growth.

Low per capita tile consumption in India compared to other developing countries provides immense upside potential

Per capita consumption of tile



Source : Ceramic World Review

Rising tiles capacity utilization and quartz expansion to boost revenue and profitability

AGIL is the fourth largest tiles company in India and has eight manufacturing facilities in Gujarat with an aggregate production capacity of around 100,000 square meters per day including an outsourcing capacity (Morbi) of 15,000 square meters per day. The management is planning to increase its capacity utilization to 85% in the next 3-4 years from 65% in FY17, while selectively outsourcing the production of non-value added tiles. The company is focusing on going through joint venture and outsourcing model to expand its tiles capacity, which will help it to create an asset light business structure and improve asset turnover ratio in the coming years.

Capacities Build Up

				SQ. M – Square Metres MSM – Million Square Metres
OWN PLANTS (Tiles)	Product Range	Capacity (SQ. M per day)	Capacity Utilization (FY17)	Owned Capacity of 15.2 MSM p.a.
AGL– Dalpur Plant	Ceramic Tiles	15,000	63%	
	GVT	16,000	75%	
AGL– Idar Plant	Ceramic Tiles	8,000	60%	
AGL–Artistique Plant Dholka	Ceramic Tiles	7,000	50%	
Subsidiary Plants (Tiles)	Product Range	Capacity (SQ. M per day)	Capacity Utilization (FY17)	Subsidiary Plants Current Capacity at 10.8 MSM p.a.
Crystal Plant- (Mehsana) AGL has a 70% stake	Double Charge (DC)	12,000	50%	
	PVT	9,000	50%	
	GVT	6,000	80%	
Amazon (Dalpur) AGL has a 94% stake	Ceramic Tiles	6,000	61%	
Outsourced Capacity with no Equity Stake ~ 18,000 Sq. Metres per day (5.9 MSM p.a.)				
OWN PLANTS (Marble & Quartz)	Location	Capacity (SQ. M per day)	Capacity Utilization (FY17)	Marble & Quartz Current Capacity at 1.2 MSM p.a.
Marble	Dalpur	2,200	62%	
Quartz	Dalpur	1,600	98%	

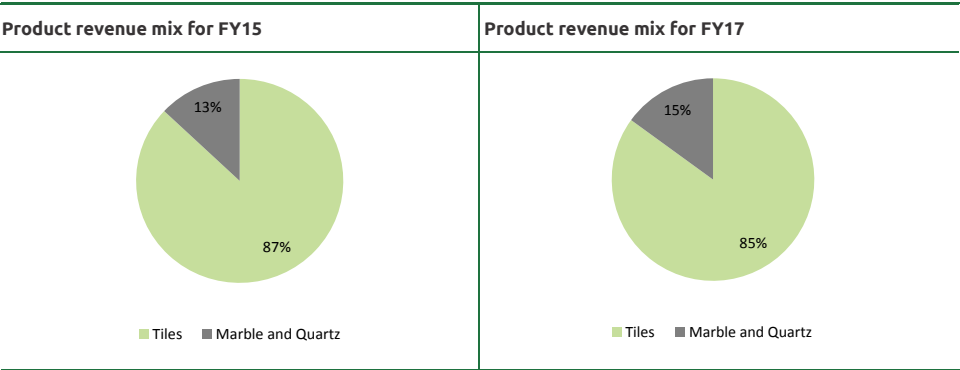
Source : Company

Overall capacity utilization stood at 65% in FY17, which is expected to improve to 80-85% in the next 3-4 years. Higher capacity utilization should improve margins of the company

It is also engaged in processing marble and quartz with a market share of ~25% in India. AGIL commissioned its third line of quartz stone facility at its Himmatnagar plant dedicated for exports. With this expansion, its capacity has increased from 2.64 lakh square meter to 5.28 lakh square meter, which is expected to generate additional Rs. 60 cr revenue in FY18E. The market for quartz stone in India is estimated at around Rs. 450 cr, which is growing at ~30% every year. Further, the export market for quartz stone is huge with global sales of high purity quartz estimated at \$555 million in 2016 and is expected to reach \$1,048 million by 2024 as per industry reports. Asian Granito is targeting exports to US, Canada, EU and other Middle East Asian countries. It has launched 20 mm and 30 mm

The production and sales of value added products is increasing, which in turn would improve profitability margins in the coming years

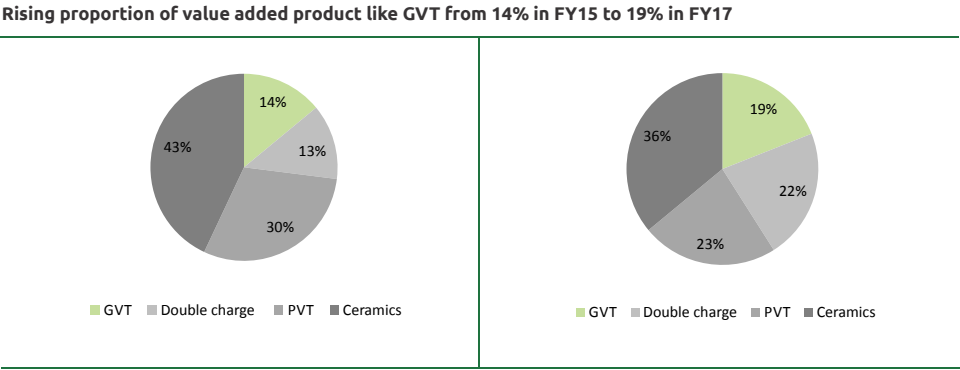
thickness slabs of quartz in the large format of 70.5 feet X 5.25 feet, the commercial production of which started in April 2017. It will mainly export 30 mm of quartz stone to the target countries. The management is targeting to increase revenue from quartz division to Rs. 125 cr in the next 2-3 years compared to Rs. 45 cr in FY17.



Source : Company; RSL Research

Value added products, higher realizations and lower fuel cost to improve margins

AGIL provides floor and wall solution with wide range of products ranging from soluble salt (low cost) to marble & quartz (value-added) products. It is focusing on increasing the manufacturing of high value added products like GVT, Double Charge and Marble & Quartz, which in turn will improve overall realization. The proportion of revenues from value added products is expected to increase from ~35% to ~60-65% over the next 3-4 years. With increase in retail sales and launch of value added products like 1200 x 1200mm and 1200 x 2400mm tiles, it will be able to improve its overall realizations in the coming years.

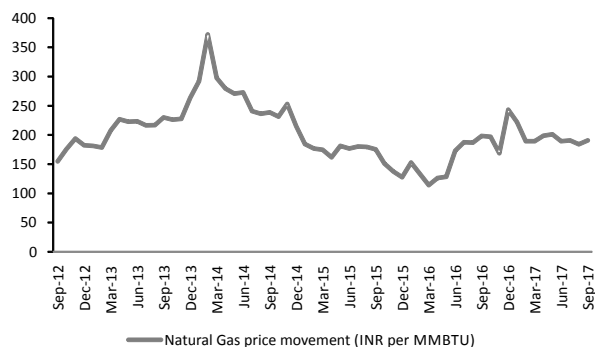


Source : Company; RSL Research

AGIL procures gas from ONGC and RAS at lower prices compared to the prevailing market prices

In 2016, AGIL was amalgamated with Artisique Ceramics (Artistique holds 94.2% in Amazon Ceramics and 99.9% in Kediya Ceramics, wherein Kediya Ceramics holds 70% in Crystal Ceramics). The company acquired Artistique Ceramics as a strategic move as Artistique had contract with RAS Gas for supply of natural gas at a rate 30% lower than the market rate. Also, Crystal Ceramics has a natural gas supply contract with ONGC, which is significantly lower compared to the market price. Since natural gas is one the major source of fuel for the tile industry, AGIL benefitted from falling natural gas prices in the last 3 years and favorable long term gas supply contracts with some of the major gas suppliers, which we expect to continue in the coming years as well.

Natural gas price trend

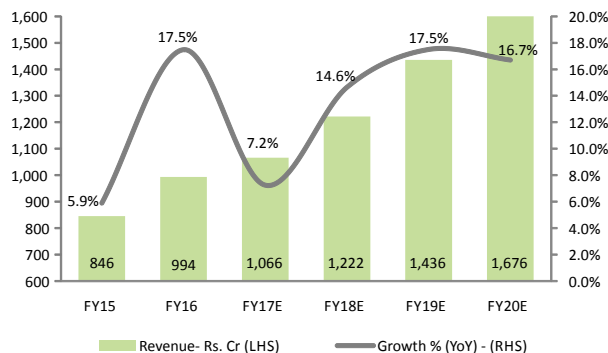


Source : Company; RSL Research

The management is targeting revenue of Rs 2,000 cr by FY21E, which we believe is achievable given its expanding dealer network, focus on retail sales, JV expansion plan and launching new product range

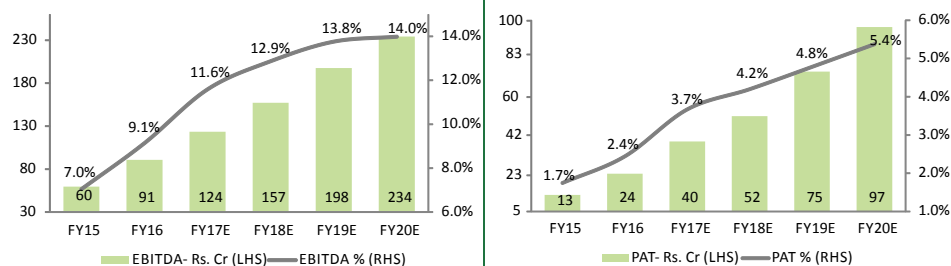
AGIL has been launching new and latest products to increase its offerings and providing value addition to its customers. We expect its operational and profit margins to improve on back of better product mix, focus on B2C sales, higher capacity utilization and asset light JV expansion plan. As a result, debt is expected to remain stable and healthy operating cash flows in the coming years could be used to repay the debt.

Revenue to grow at CAGR of 16.3% between FY17-20E



Source : Company; RSL Research

Better product mix, higher B2C sales and increasing capacity utilization to improve margins



Source : Company; RSL Research

Company background

Established in 2000, Asian Granito India Ltd. (AGIL) is the fourth largest ceramic company in India with a global footprint across 53 countries. AGIL manufactures and markets interior & infrastructure products like vitrified wall & floor tiles, porcelain, natural marble composite and quartz. It has 8 state of the art manufacturing units spread across Gujarat and has 196 exclusive showrooms across India. It has an extensive marketing and distribution network which comprises of over 5,500 dealers and sub-dealers covering each state.

The Company has eight manufacturing facilities with an aggregate production capacity of more than 100,000 square meters per day including an outsourcing capability of 15,000 sq meters per day. It has 13 digital color printers to enhance product aesthetics and design with 9-color printing technology. Besides latest technology, it also enjoys the easy availability of low-cost gas at two of its plants.

AGIL's Clientele include prominent names from Hospitality, Real estate and educational institutions like The Leela Palace, Hotels and Resorts, ITC hotels, Lodha group, Godrej group, Tata group, DLF Masters, Sobha Developers, Prestige group, Manipal university (Jaipur), etc.

Product range

CERAMIC TILES	POLISHED VITRIFIED TILES (PVT)	GLAZED VITRIFIED TILES (GVT)
Digital Wall	Soluble Salt	Grestek
Porcellanto	Twin Charge	Hardstone
Polished Porcellino	Hexagon	Hi-Tech Tuff Guard Digital
	Grandura Plus	Splendour Series
	Grandura Pixelo	XXL Series
	Grandura Exterior	Marvel Series
DOUBLE CHARGE (DC) TILES	MARBLE	QUARTZ
Jumbo	Multi Colour Marble	Multi Colour Quartz
Imperio	Nano Crystal Marble	E-Stone
Nano Tech	Imported Natural Marble	
	Onyx Marble	

Source : Company

Risks

- Increasing competition from peers like Kajaria Ceramics, Somany Ceramics, etc. can impact its revenue and profitability.
- The company exports its products to over 53 countries and is looking to increase its export sales in the coming years. Thus, any volatility in foreign currencies can negatively impact its profitability.
- Slowdown in demand for tiles or quartz due to unforeseen reasons (example- demonetization) could impact its growth strategy.
- The company is looking to expand in new markets both on domestic and international fronts. However failure and less demand in such new markets would impact its revenue and profitability.

P&L Account- consolidated

Particulars, Rs cr	FY17	FY18E	FY19E	FY20E
Net revenue	1,066.0	1,222.0	1,435.9	1,675.7
Expenditure				
Raw material consumed	591.2	653.1	746.0	852.5
Employee cost	71.4	84.2	99.4	119.3
Other expenses	279.8	327.4	392.9	469.5
Total expenditure	942.4	1,064.7	1,238.3	1,441.3
EBITDA	123.6	157.3	197.6	234.4
OPM (%)	11.6	12.9	13.8	14.0
Other income	3.6	3.7	3.9	4.1
Depreciation	34.5	40.0	45.7	49.1
PBIT	92.7	121.0	155.9	189.4
Interest expenses	39.5	41.6	43.0	43.0
PBT	53.2	79.4	112.9	146.4
Exceptional items	0.0	0.0	0.0	0.0
Tax	13.4	27.0	38.4	49.8
Tax rate %	25.2	34.0	34.0	34.0
PAT	39.8	52.4	74.5	96.6
Less: Share of minority interest	-3.4	-4.1	-9.0	-9.9
Add: Profit/Loss of associates	2.7	3.0	3.1	3.3
Adjusted Net Profit	39.1	51.3	68.7	90.0
PATM (%)	3.7	4.2	4.8	5.4
EPS	13.2	17.4	24.8	32.1

Source : Company; RSL Research

Balance sheet- consolidated

Particulars, Rs cr	FY17	FY18E	FY19E	FY20E
Share Capital	30.1	30.1	30.1	30.1
Reserves & Surplus	371.0	417.2	483.5	569.3
Total Shareholder's Fund	401.1	447.3	513.6	599.4
Minority interest	22.1	22.1	22.1	22.1
Non-Current Liabilities	190.7	194.7	199.1	203.7
Long term borrowing	127.2	127.2	127.2	127.2
Deferred tax liability	33.6	35.3	37.1	38.9
Other long term liabilities	29.7	32.1	34.7	37.4
Long term provision	0.2	0.2	0.2	0.2
Current Liabilities	488.5	530.0	572.8	613.6
Short term borrowing	209.4	219.9	230.9	230.9
Trade payables	230.0	257.6	286.0	323.2
Short term provisions	14.2	15.9	17.5	19.3
Other current liabilities	34.8	36.5	38.3	40.3
Total liabilities	1,102.3	1,194.1	1,307.5	1,438.8
Fixed Assets	406.4	431.4	465.8	476.6
Non Current investment	16.5	16.5	16.5	16.5
Long Term loans & advances	20.5	21.5	21.9	22.4
Other non-current assets	20.9	20.9	20.9	20.9
Current Assets	637.9	703.7	782.3	902.3
Inventories	273.4	298.0	333.7	380.4
Trade receivables	311.0	295.5	310.3	328.9
Cash & Cash equivalents	18.6	74.6	101.9	155.7
Short term loans and advances	32.6	33.3	34.0	34.6
Other current assets	2.3	2.4	2.5	2.7
Total assets	1,102.3	1,194.1	1,307.5	1,438.8

Source : Company; RSL Research

Cash Flow statement- consolidated

Particulars, Rs cr	FY17	FY18E	FY19E	FY20E
Profit Before Tax	53.2	79.4	112.9	146.4
Add: Depreciation	34.5	40.0	45.7	49.1
Add: Interest cost	39.5	41.6	43.0	43.0
Others	-5.8	0.0	0.0	0.0
Op profit before working capital changes	121.4	161.0	201.5	238.5
Changes In working Capital	-46.3	24.3	-15.6	-21.1
Direct taxes	-9.9	-27.0	-38.4	-49.8
Cash Flow From Operating Activities	65.2	158.3	147.5	167.6
Cash Flow from Investing Activities				
Purchase of Fixed assets	-47.0	-70.0	-80.0	-60.0
Sale of Fixed assets	6.1	0.0	0.0	0.0
Net proceeds from Investment	-0.7	0.0	0.0	0.0
Others	3.6	0.0	0.0	0.0
Cash Flow from Investing Activities	-38.1	-70.0	-80.0	-60.0
Cash from Financing Activities				
Proceeds from issuance of shares	0.0	0.0	0.0	0.0
Net proceeds from borrowing	14.9	10.5	11.0	0.0
Dividend (incl dividend tax)	-1.5	-6.2	-8.2	-10.8
Interest cost	-39.5	-41.6	-43.0	-43.0
Others	0.3	5.0	0.0	0.0
Cash Flow from Financing Activities	-25.8	-32.3	-40.2	-53.8
Net Cash Inflow / Outflow	1.3	56.0	27.3	53.9
Opening Cash & Cash Equivalents	17.3	18.6	74.6	101.9
Closing Cash & Cash Equivalent	18.6	74.6	101.9	155.7

Source : Company; RSL Research

Key Financial ratios- consolidated

Particulars, Rs cr	FY17	FY18E	FY19E	FY20E
Dividend per share Rs	0.5	1.7	2.3	3.0
Dividend Yield (%)	0.1	0.3	0.5	0.6
Payout %	3.8	10.0	10.0	10.0
EPS Rs	13.0	17.4	24.8	32.1
Book Value per share Rs	133.3	148.6	170.6	199.1
Profitability Ratios				
EBITDA / Total income (%)	11.6	12.9	13.8	14.0
PBT/Total income (%)	5.0	6.5	7.9	8.7
NPM / Total income (%)	3.7	4.2	4.8	5.4
ROCE (%)	12.5	15.1	17.9	19.9
ROE (%)	10.2	12.1	14.3	16.2
Liquidity ratios				
Debt-Equity Ratio	0.8	0.8	0.7	0.6
Current Ratio	1.3	1.3	1.4	1.5
Interest Cover Ratio	2.3	2.9	3.6	4.4
Turnover ratios				
Total Asset Ratio	1.0	1.1	1.1	1.2
Fixed Assets Ratio	2.7	2.9	3.2	3.5
Debtors Velocity Overall (Days)	86.9	90.6	77.0	69.6
Inventory (Days)	88.8	85.3	80.3	77.8
Creditors Velocity (Days)	66.1	72.8	69.1	66.3
Cash Conversion cycle	109.6	103.1	88.2	81.0
GROWTH YOY%				
Sales Growth %	7.2	14.6	17.5	16.7
Operating Profit %	36.0	27.3	25.6	18.6
Net Profit Growth %	61.1	31.1	33.8	31.1
VALUATION				
P / E Ratio	37.2	27.7	19.5	15.0
P / BV Ratio	3.6	3.3	2.8	2.4
EV / EBITDA	14.4	11.0	8.7	7.1

Source : Company; RSL Research

Before you use this research report, please ensure to go through the disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 and Research Disclaimer at the following link : http://old.religareonline.com/research/Disclaimer/Disclaimer_RSL.html

Specific analyst(s) specific disclosure(s) inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 is/are as under:

Statements on ownership and material conflicts of interest, compensation—Research Analyst (RA)

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

S. No.	Statement	Answer	
		Tick appropriate	
		YES	NO
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		NO
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		NO
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		NO
	I/we have received any compensation from the subject company in the past twelve months?		NO
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		NO
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		NO
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		NO
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		NO
	I/we have served as an officer, director or employee of the subject company?		NO
	I/we have been engaged in market making activity for the subject company?		NO

Nature of Interest (if answer to F (a) above is Yes :

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above, are given below]

SS.No	Name(s) of RA	Signatures of RA	Serial Question of question which the signing RA needs to make separate declaration / answer	YES	NO

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CIN : L17110GJ1995PLC027025



— Beautiful Life —

Date: 22.11.2017

To,
Corporate Relations Department,
Bombay Stock Exchange Limited,
2nd Floor, P.J Towers,
Dalal Street,
Mumbai-400 001

To,
Corporate Relations Department
National Stock Exchange of India Ltd.
Exchange Plaza,
Plot No., C/1, G-Block,
Bandra Kurla Complex,
Bandra (E),
Mumbai - 400 051
Scrip Code: **ASIAN TILES**

Scrip Code: **532888**

Dear Sir/ Madam,

Sub: Investor Presentation.

This is to inform you that the Company has organized a conference call for analysts and investors, Friday, 24th November, 2017 at 04:00 pm, to discuss the financial performance for Q2 & H1 FY 2018.

This is to further inform that the copy of the latest Investor Presentation as has been uploaded on the website of the Company www.aglasiangranito.com and is enclosed herewith for your information as also for the information of your members and the public at large.

This information is submitted to you pursuant to Regulation 30(6) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015.

Kindly note that changes may happen due to exigencies on the part of Host / Company.

You are kindly requested to take the same on record.

Thanking you,

Yours faithfully,

For Asian Granito India Limited

Sd/-

Authorised signatory

Encl.: As above



Investor Presentation

November 2017



DESIGN THE

BEAUTIFUL

LIFE.

Safe Harbor

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Certain statements contained in this presentation that are not statements of historical fact constitute “forward-looking statements.” You can generally identify forward-looking statements by terminology such as “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “intend”, “may”, “objective”, “goal”, “plan”, “potential”, “project”, “pursue”, “shall”, “should”, “will”, “would”, or other words or phrases of similar import. These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. Important factors that could cause actual results, performance or achievements to differ materially include, among others: (a) our ability to successfully implement our strategy, (b) our growth and expansion plans, (c) changes in regulatory norms applicable to the Company, (d) technological changes, (e) investment income, (f) cash flow projections, and (g) other risks.

This presentation is for general information purposes only, without regard to any specific objectives, financial situations or informational needs of any particular person. The Company may alter, modify or otherwise change in any manner the content of this presentation, without obligation to notify any person of such change or changes

Company Overview



Ranked
amongst
Top **3**

Ranked amongst Top
3 Listed Ceramic
Companies in India

196 +
Showrooms

180+ Exclusive
Showrooms & **16**
Display Centres across
India, totalling to **196+**
showrooms

8 Plants

8 State of the Art
Manufacturing
Facilities
spread across Gujarat

5,650 +
Dealers /
Sub-
Dealers

Over **5,650**
Touch Points

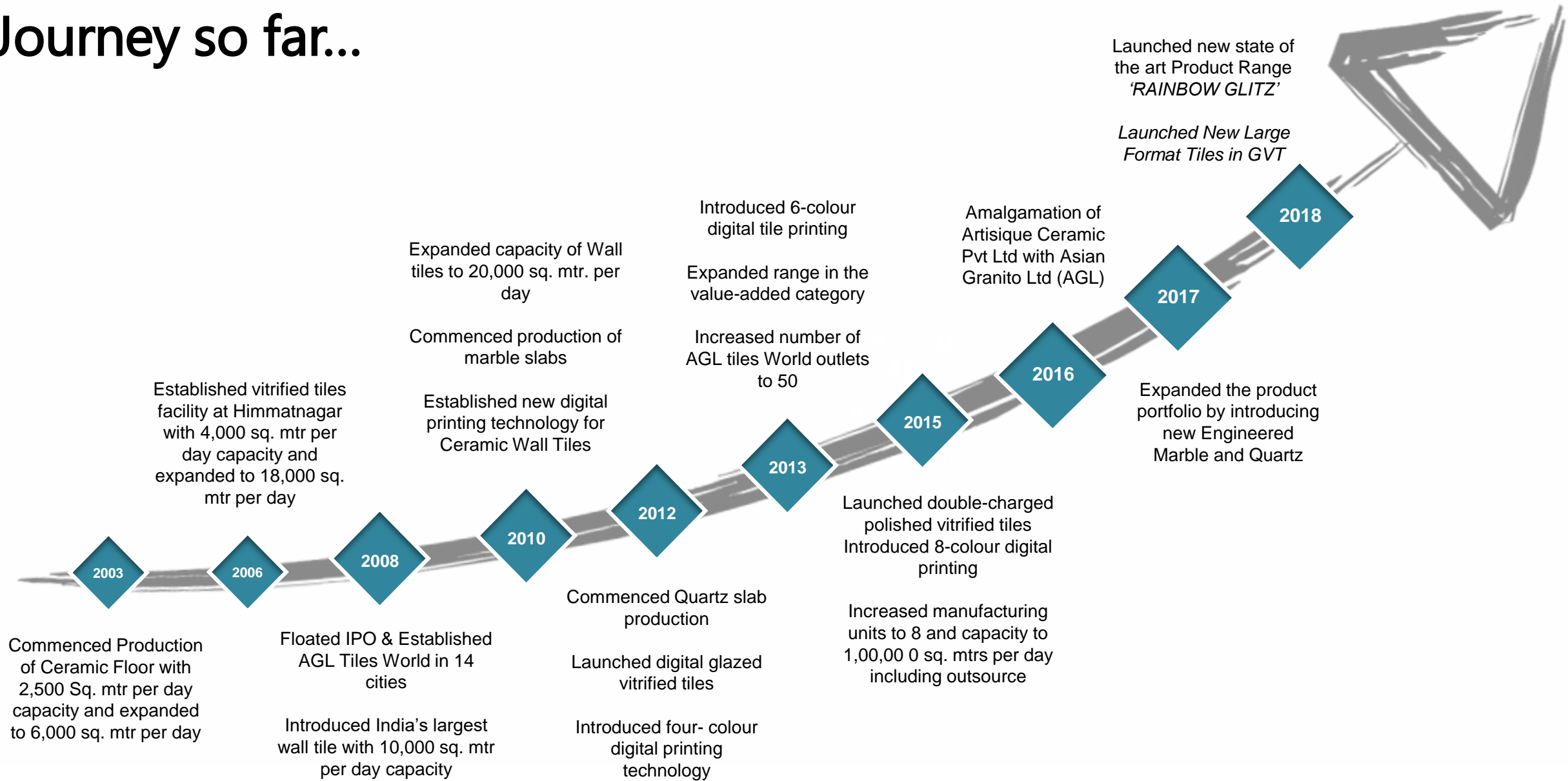
53+
Countries

Exporting Products
across
53 + Countries

Over **40X**
Capacity
Growth

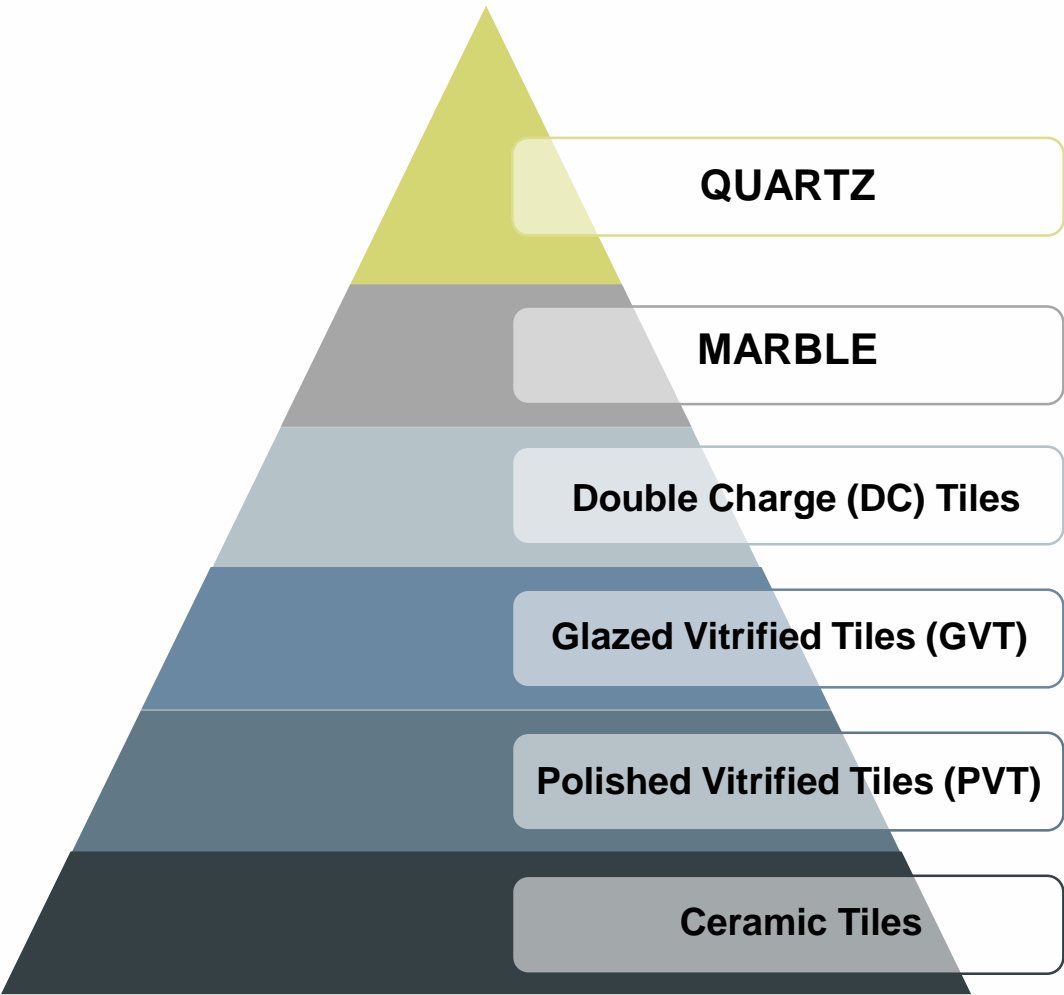
Over **40X** growth in
just 17 years from 2,500
MSM in FY 2000 to
1,00,000 MSM in 2017

Journey so far...



The year indicates Financial Year

Largest Product Range



CERAMIC TILES	POLISHED VITRIFIED TILES (PVT)	GLAZED VITRIFIED TILES (GVT)
Digital Wall	Soluble Salt	Grestek
Porcellanto	Twin Charge	Hardstone
Polished Porcellino	Hexagon	Hi-Tech Tuff Guard Digital
	Grandura Plus	Splendour Series
	Grandura Pixelo	XXL Series
	Grandura Exterior	Marvel Series
DOUBLE CHARGE (DC) TILES	MARBLE	QUARTZ
Jumbo	Multi Colour Marble	Multi Colour Quartz
Imperio	Nano Crystal Marble	E-Stone
Nano Tech	Imported Natural Marble	
	Onyx Marble	

Capacities Build Up

OWN PLANTS (Tiles)	Product Range	Capacity (SQ. M per day)	Capacity Utilization (FY17)
AGL – Dalpur Plant	Ceramic Tiles	15,000	63%
	GVT	16,000	75%
AGL – Idar Plant	Ceramic Tiles	8,000	60%
AGL – Artistique Plant - Dholka	Ceramic Tiles	7,000	50%

Owned Capacity of
15.2 MSM p.a.

Subsidiary Plants (Tiles)	Product Range	Capacity (SQ. M per day)	Capacity Utilization (FY17)
Crystal Plant - (Mehsana) AGL has a 70% stake	Double Charge (DC)	12,000	50%
	PVT	9,000	50%
	GVT	6,000	80%
Amazoon (Dalpur) AGL has a 94% stake	Ceramic Tiles	6,000	61%

Subsidiary Plants - Current
Capacity at 10.8 MSM p.a.

Outsourced Capacity with no Equity Stake ~ 18,000 Sq. Metres per day (5.9 MSM p.a.)

OWN PLANTS (Marble & Quartz)	Location	Capacity (SQ. M per day)	Capacity Utilization (FY17)
Marble	Dalpur	2,200	62%
Quartz	Dalpur	1,600	98%

Marble & Quartz - Current
Capacity at 1.2 MSM p.a.

TOTAL CAPACITY : + 1,00,000 Sq. Metres per day

SQ. M – Square Metres
MSM – Million Square Metres

Professional Team



B. M. SINGHAL
Senior Vice President - Marble



CA HIMANSHU SHAH
General Manager - Finance



RAHUL SHARMA
Associate VP - GVT



Mr. PATTANSHETTY
VP – Tile Operations



SANJAY KAUL
Associate VP – Business
Development



CHIRAG DAVE
Associate VP – BONZER 7



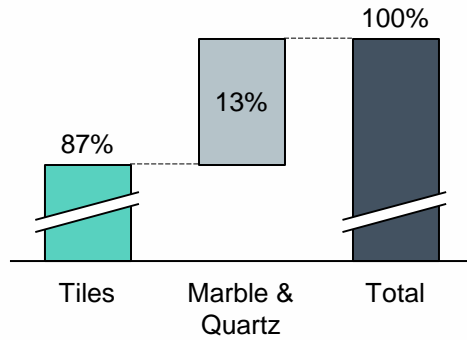
Growth Drivers

Product Name	Size in mm
GRESTEK – Marble X Series	1200 X 1200 1200 X 2400
GRESTEK – Platina Series	300 X 1200
Rainbow Glitz - 9 COLOR DIGITAL TILES WITH SPECIAL EFFECTS	300 x 900 300 x 600
GLISTER – POLISHED PORCELAIN TILES	600 X 600
STEP & RISER	300 X 1000 300 X 800
ECO BLANCO	300 X 300
Engineered Quartz (Different Sizes to cater to different markets)	1400 x 3100 1600 x 3200
Grestek – Splendour Series – Introduced 13 SKU's	800 x 1600
Grestek – Marvel Colour Body Tiles	300 x 600, 600 x 1200, 600 x 600, 196 x 1200
Imperio – Double Charge – Introduced 17 SKU's	800 x 800
Jumbo - Double charge – Introduced 16 SKU's	1000 x 1000
CARARRA White (World's Whitest Tile – in unglazed large format Double Charge)	800 x 800
Polished Vitrified Tile (Double Charge) & Big Crack Stone (new design introduced first time in India)	800 X 1200 & 1000 X 1000
Hardstone (Outdoor Tiles in 16 mm & 10 mm thickness)	600 x 600
Grandura (Parking Tiles)	300 x 300 & 400 x 400
Hexacon Tiles (first to introduce)	304 x 350

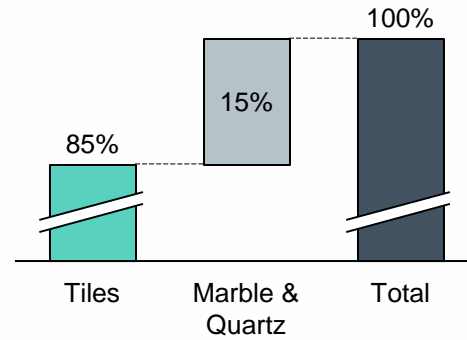
INNOVATION is the key to Future Growth as new products will lead to Higher Realizations and Better Margins



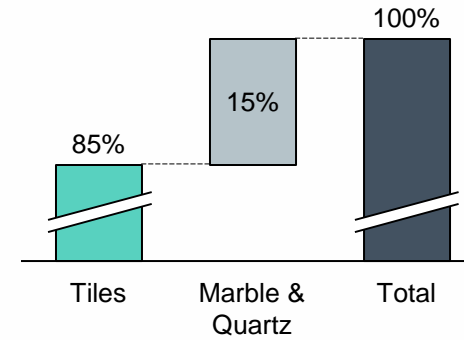
FY 2015



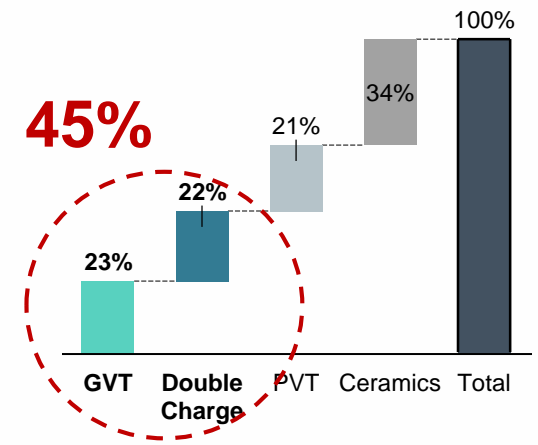
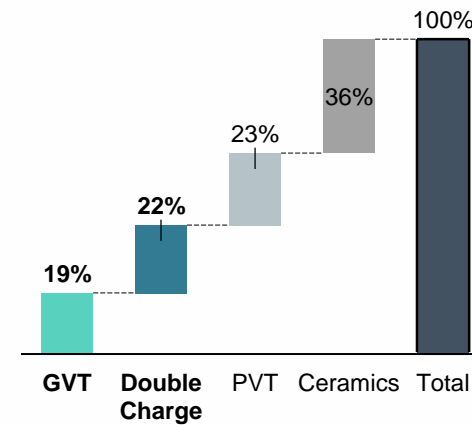
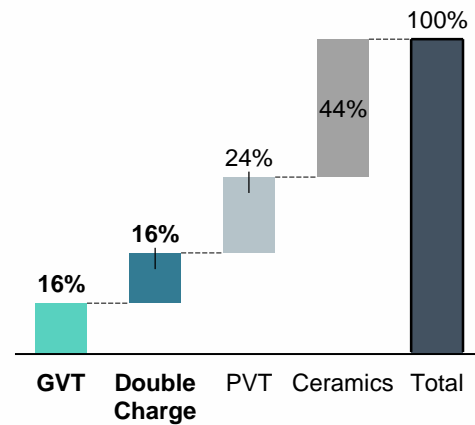
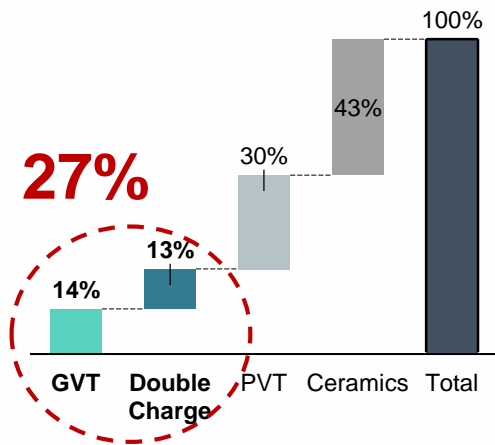
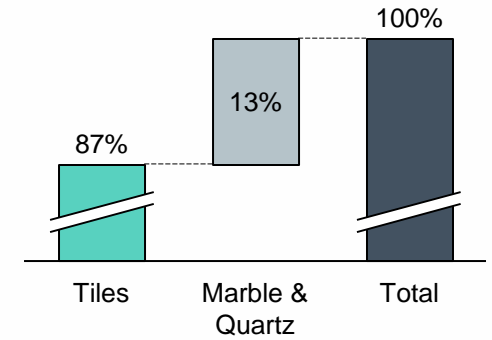
FY 2016



FY 2017



H1 FY18



AGL aims to increase its Premium & Value Added Products > 50% by FY 2021

CRYSTAL PLANT - MEHSANA

Access to Low Cost Gas

- Long Term Contract with ONGC
- To be renewed every year at APM Pricing
- Gas Priced at ~ 1/3 Cost of RLNG

Value Added Products

Expanded Capacities by 12,000 SQM per day to manufacture Double Charge (DC) Tiles which have High Margins

Brownfield Expansion by FY 2020

- Plan to expand capacities of Value Added Products by another 12,000 SQM per day
 - Capex would be ~Rs. 35 – 40 crore
 - Will help increase Topline by ~ Rs. 150 crore with High Margins of + 18%

1st in the World to introduce 5 Layer Tiles Kiln from SACMI-ITALY

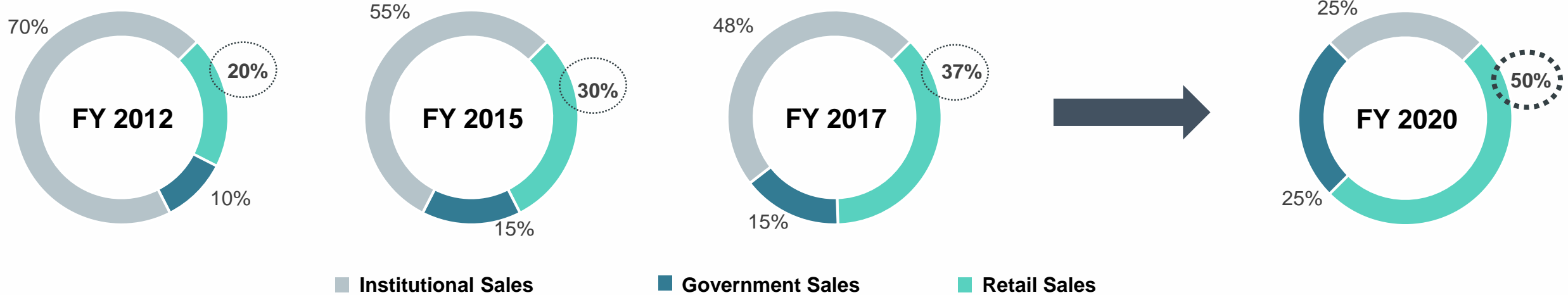
Product Innovations

Value Added Products

Focus on B2C Segment

Marble & Quartz

Distribution Network



- ✓ Mapping market for towns with population > 20,000
- ✓ Initiatives to increase Direct Interaction with Customers
- ✓ Dealer Network
- ✓ AGL exclusive showrooms

- ✓ AGL Digital Express
- ✓ Increased more A+/A/B+ counters
- ✓ Trade schemes on high value products
- ✓ Participated in key trade exhibition

Product Innovations

Value Added Products

Focus on B2C Segment

Marble & Quartz

Distribution Network

Expansion of Product Portfolio by introducing new range of Engineered Marble & Quartz segment

3rd Line of Quartz commissioned from 1st April, 2017 at Dalpur in Gujarat

Post Expansion we have DOUBLED our Capacity

LARGEST Manufacturer of Quartz in India post expansion

Premium Segment - Higher Realisation

Company enjoys 43% domestic market share in this segment

The products have a thickness of 20mm & 30mm

Catering to the domestic as well as export markets

Expansion of Marble & Quartz Facility by another 5,600 sq. metres per day to take place of which 4,800 Sq. metres would be through JV's in the next 3 years

Product Innovations

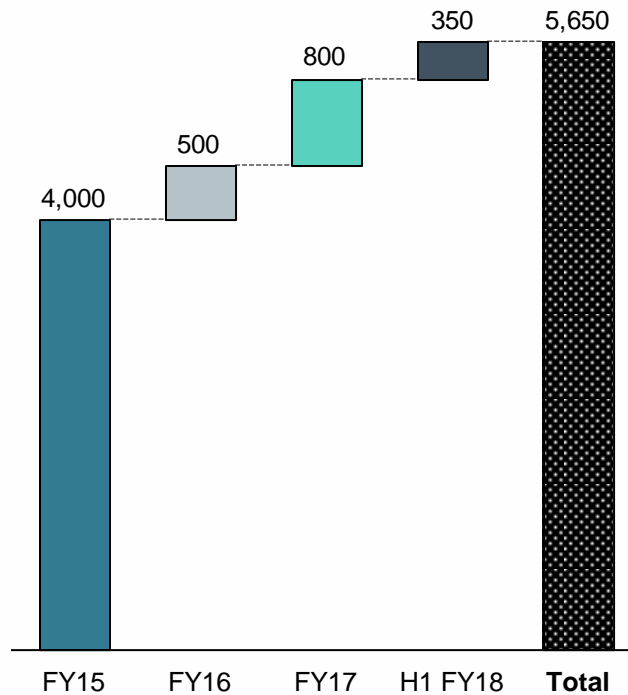
Value Added Products

Focus on B2C Segment

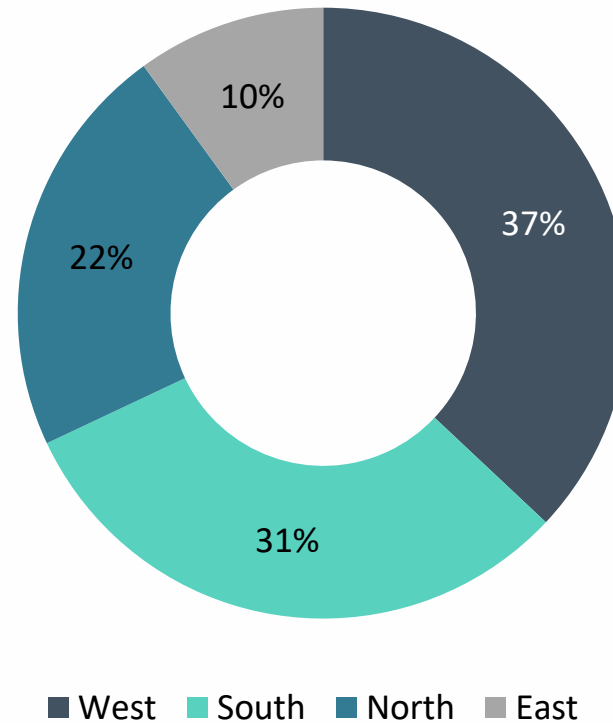
Marble & Quartz

Distribution Network

Addition in Dealers & Sub-Dealers



Geographical Revenue Breakup



As on 30th September, 2017

+ 1,045
Direct Dealers

Unique **196+**
Exclusive AGL Tile Stores
across India including
16 Display Centres

Strong Global Footprint Presence in 53+ countries across the globe



***Set up of a 50,000 sq. ft.
showroom in Morbi
Dedicated for Export Branding***

***Plan to Double Exports
from Rs. 60 Crs. in FY 17
to Rs. 150 Crs. over the
next 2 years***

Maps not to scale. All data, information, and maps are provided "as is" without warranty or any representation of accuracy, timeliness or completeness

GST – A Game Changer

- **On 10th November, 2017, the GST Council cut GST rates on Marble, Granite and Ceramic Tiles of all kinds from 28% to 18%**
- This is extremely positive for the ceramic industry as a whole. This will not only augment sector growth but will also encourage unorganised players to pay taxes which were facing problems post demonetisation and slowdown in real estate
- Lowering GST on Tiles, Marbles and Granite will give push to Government's infrastructure push —100 Smart Cities, Swachh Bharat Abhiyaan and Housing For All By 2022—along with real estate reforms which would catalyze sectoral growth
- The reforms will offer level playing field for all players in the industry, reduce logistic cost, and offer scope for inorganic growth as the industry is likely to gain through consolidation post GST
- Expect Volume off-take to improve for organised players, especially for Asian Granito
- Working Capital woes and Margin Pressures likely to ease post reduction in GST
- We expect inflection in volumes once E-Way billing gets implemented

GST – A Game Changer

1

Increase in Market Share of the Organised Players especially AGL

2

Cost Competitive

Level Playing Field for All Players in the Industry

3

Reduction in Logistics Cost

4

High Industry Growth

Through consolidation, Industry is expected to grow @ 13% for next 5 years

5

Scope for Inorganic Growth

Affordable Housing

1

Market potential of affordable housing is expected to touch Rs 6.25 trillion by 2022

2

Development of Smart Cities

The Smart Cities Mission is expected to catalyze tiles demand from offices and residential spaces

3

Construction Market

India's construction market is expected to reach USD 1 trillion by 2025, the third largest globally

4

Pradhan Mantri Awas Yojana

Aims to construct two crore houses in India, in three phases, till 2022

5

Swachh Bharat Abhiyan

Aims to build 60 million toilets by 2019

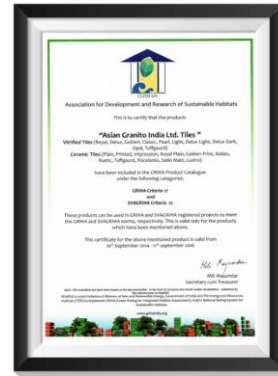
Awards & Accolades



ISO 9001 : 2008



ISO 14001 : 2004



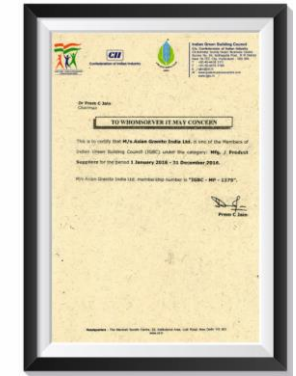
GRIHA CERTIFIED



CERTIFIED ONE STAR
EXPORT HOUSE



CORPORATE
MEMBER OF IID



MEMBER OG IGBC



AGL is now a MEGA BRAND
Latest Recognition by Architecture +
Design - 2016



Energy Conservation Award
received from the President of India



RISING ENTREPRENEUR of the
Year Award

CSR Activities



Regular Blood Donation Camps



World Environment Awareness Program



Contribution to the AKSHAY PATRA Foundation



Educational Development in Backward Region – Asian Institute of Technology



AGL

A Brand of the Future....

Marketing Activities

- From 1st November, 2017 we have begun our **New Brand Campaign (*Chala De Jaadoo*)** on all platforms i.e. Electronic Media, Digital Media and Outdoor Marketing PAN India
- Showcase Ad Commercials in **1,400 Screens across** India in Major Cinemas during **3 Mega Blockbusters**
- **Advertisement in Top In flight & Architect Magazines**
- **Participation in International Exhibitions** : CERSAIE – Italy, Big-5 Dubai, Expo Nacional Ferretera – Mexico
- Active online presence in Social Media : Facebook, Twitter, Pinterest
- Extensive Regional Road Shows in Gujarat, Maharashtra and Kerala



ACE TECH
(Mumbai & Delhi)



Asia's Most Promising Brand 2017

Marketing Activities

Cab Branding in
Chennai



Awarded The Next Fortune
500 India Company



BIG 5 Dubai Airport Branding

Marketing Activities



Cersaie Exhibition - Italy



Expo Nacional Ferretera
Mexico



Bonzer 7 New Product
Launch @ Taj Bangalore

Future Marquee Events

Visit us at Worldwide Exhibitions



02 To 05 - NOV 2017
BEC, GOREGAON (E)
Stand No.: D-3, C-6 Hall-1



14 To 17 - DEC 2017
PRAGATI MAIDAN
Stand No.: A-6-7, Hall-14



16 To 19 - NOV 2017
Exhibition Centre, Gandhinagar,
Gujarat, India
Stand No.: HB-2&3, Hall-6



26 - 29 NOVEMBER 2017
Dubai World Trade Centre
Dubai, UAE
Stand No: D 181

Marquee Clientele

WELSPUN



Dare to Commit

LODHA

DLF MASTERS 2009

Godrej



ANSAL API

Building lifestyles since 1967

NEXA



ITC HOTELS
RESPONSIBLE LUXURY

Reliance
RETAIL

Aapki Khushi. Hamari Khushi.

Infosys
POWERED BY INTELLECT
DRIVEN BY VALUES

ADLABS
Never a dull moment

HDIL
Creating Value

unitech

AXIS BANK



adani

दिल्ली मेट्रो रेल कॉर्पोरेशन लिमिटेड
Delhi Metro Rail Corporation Limited

THE LEELA
PALACES HOTELS RESORTS

MANIPAL
UNIVERSITY
INSPIRED BY LIFE

airtel

idea

L&T Infotech

Reliance
Industries Limited
Growth is Life

TATA HOUSING

Vision 2021

Revenues
Rs. **2,000** Crore

Retail Sales
> 50%

**Premium &
Value Added
Products**
> 50%

**Reduce
Working
Capital Days**
< 60 days

Branding
**~ 3.5% of
Revenues**

Increase in Capacity
Utilization of Own Plants

Increase in
manufacturing of High
Value Added Products
like GVT, Double Charge

Increase the dealership
network to over 8,000

Increase Direct
Dealers to + 2,000

Increase Retail Stores
to +500 by FY 21

Expansion of Marble &
Quartz Facility by another
5,600 sq. metres per day

Joint Venture (JV) in
South India
(Acquire a 51% stake
Capex : Rs. 35 – 40 Crs.)

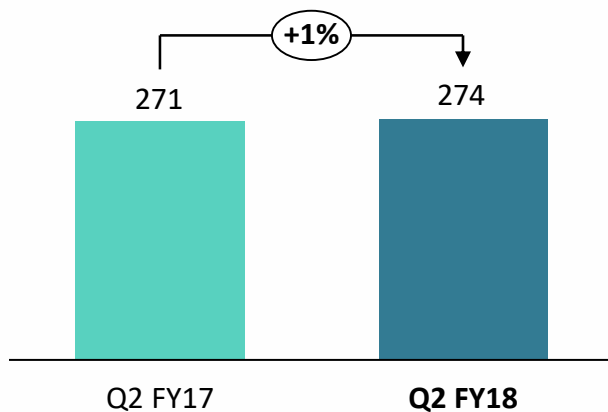
Expansion of Crystal
Plant by another 12,000
sq. metres per day

Set up of a 50,000 sq. ft.
showroom in Morbi
- Dedicated for exports

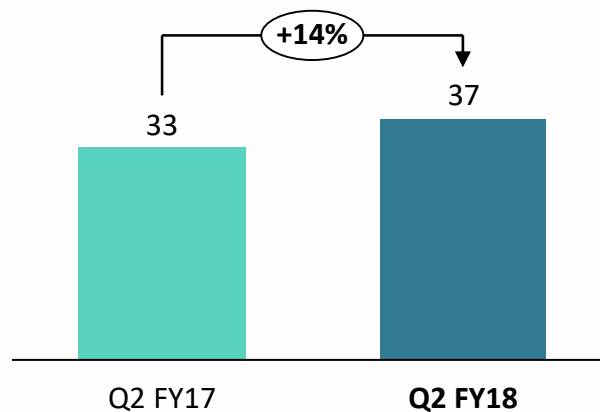
Financials

Financial Highlights – Q2 FY18

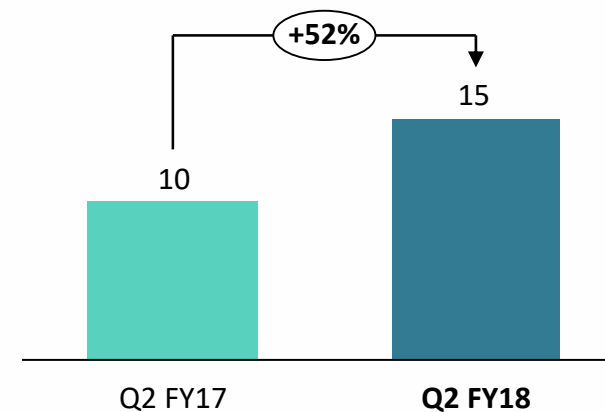
Net Revenues



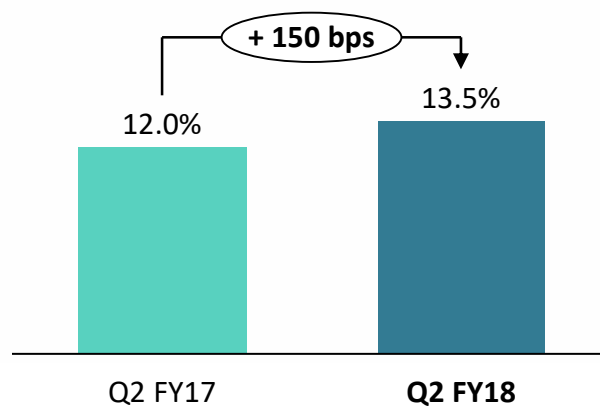
EBITDA



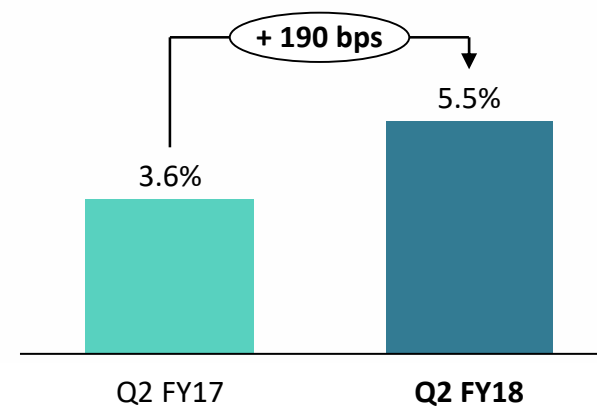
Profit after Tax (PAT)*



EBITDA Margins (%)



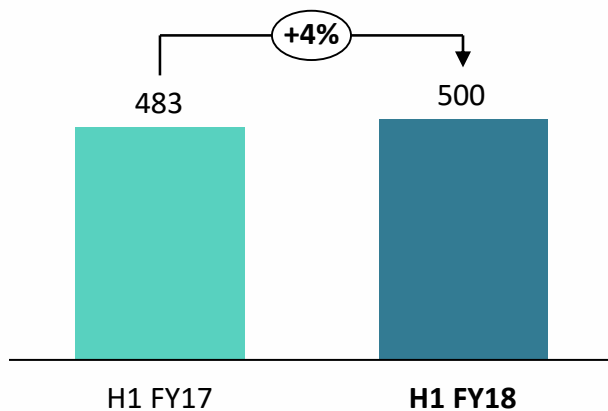
PAT Margins (%)*



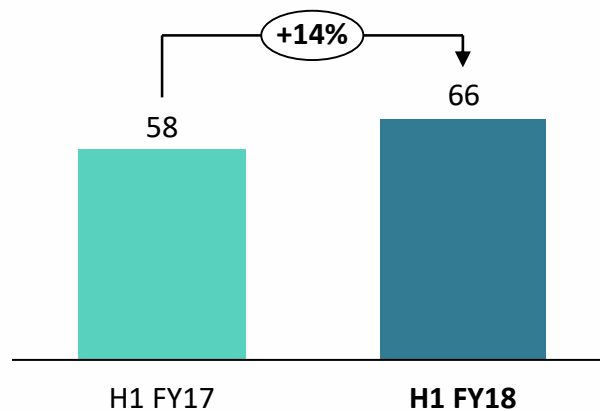
* PAT includes Share of Profits of Associates / JV & Minority Interest

Financial Highlights – H1 FY18

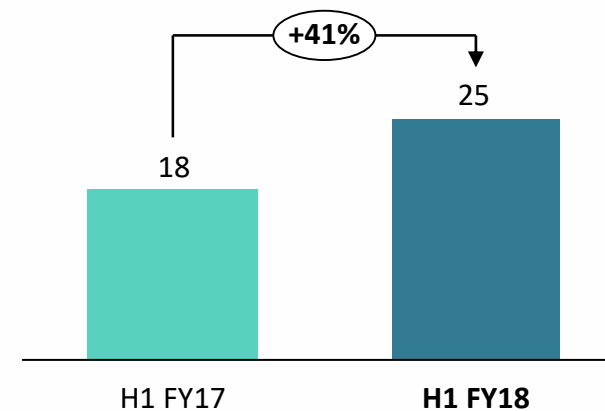
Net Revenues



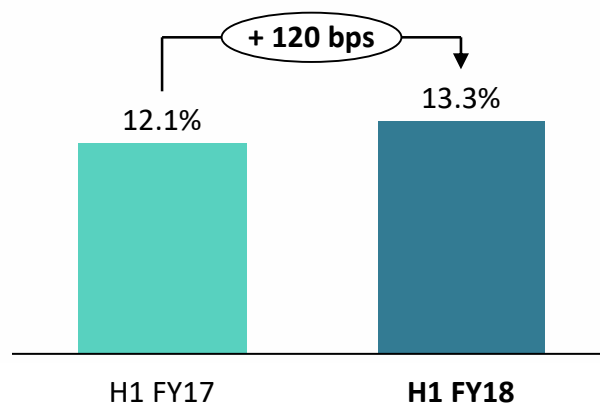
EBITDA



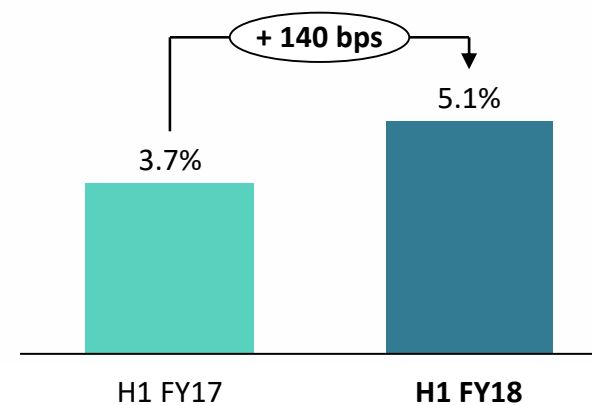
*Profit after Tax (PAT)**



EBITDA Margins (%)



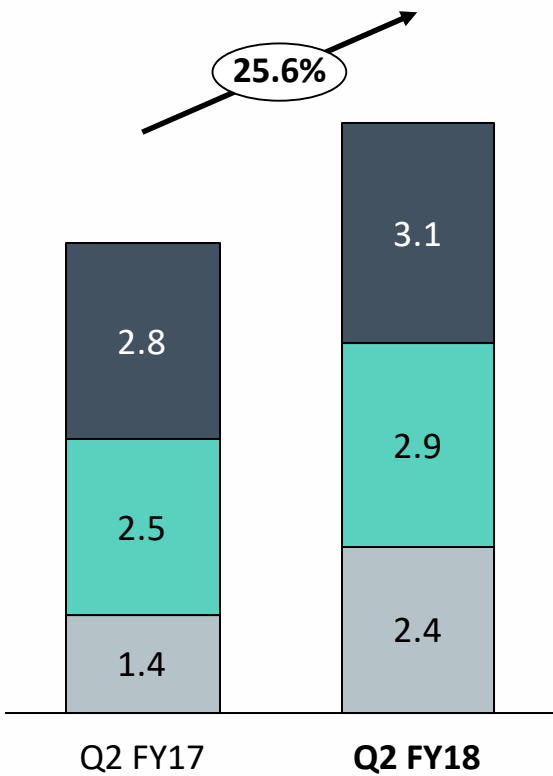
*PAT Margins (%)**



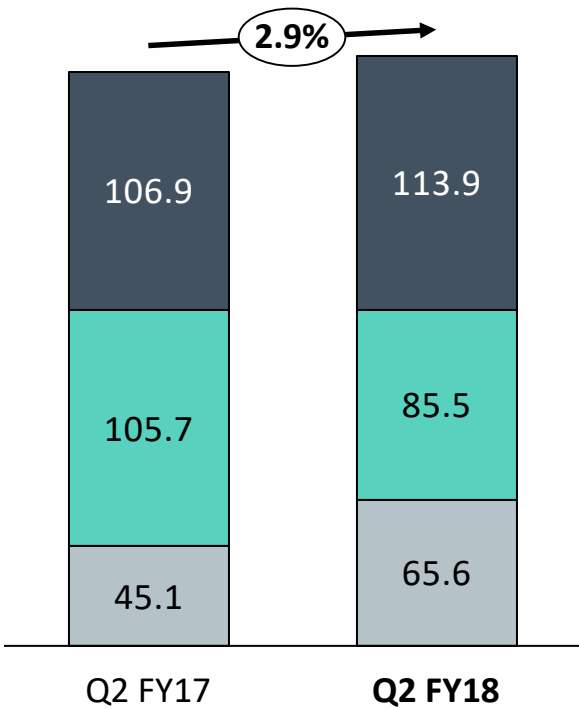
* PAT includes Share of Profits of Associates / JV & Minority Interest

Business Performance* – Q2 FY18

Volume Break-up (MSM)



Revenue Break-up (Rs. Crs)

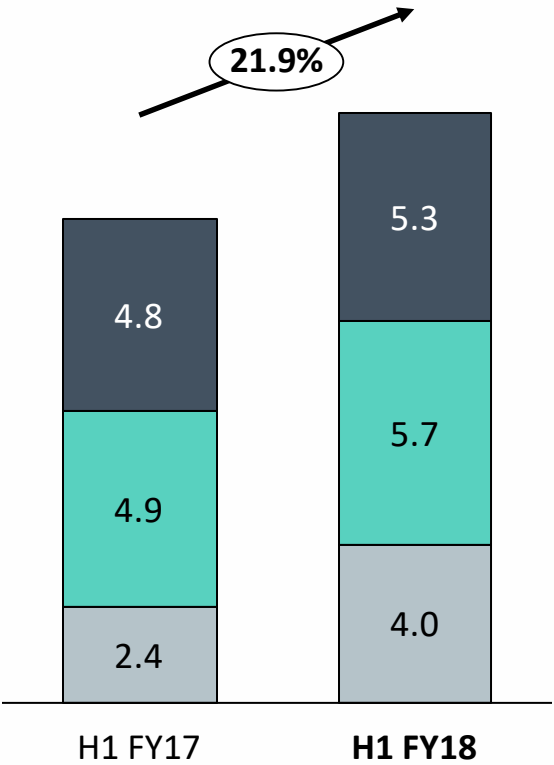


Own Manufacturing Outsourcing Associate

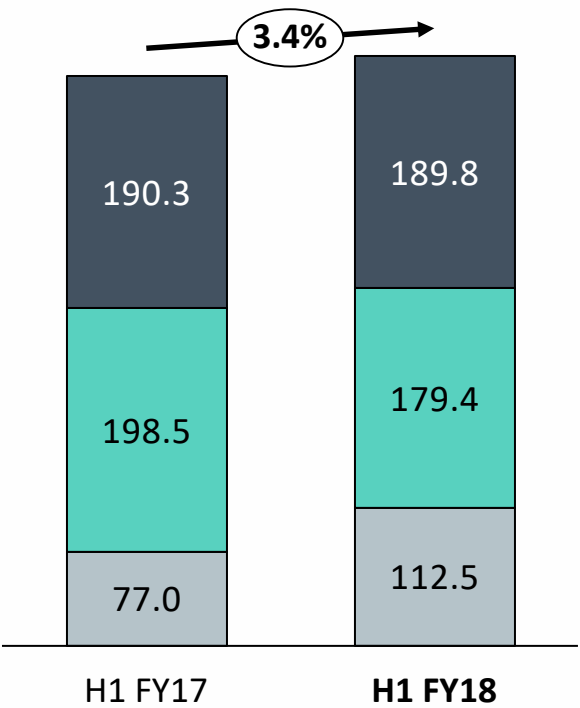
* Tiles, Marble & Quartz Division

Business Performance* – H1 FY18

Volume Break-up (MSM)



Revenue Break-up (Rs. Crs)



Own Manufacturing Outsourcing Associate

* Tiles, Marble & Quartz Division

Consolidated Profit & Loss

Particulars (Rs. Crs)	Q2 FY18	Q2 FY17	Y-o-Y	H1 FY18	H1 FY17	Y-o-Y
Net Revenue from Operations	274.5	271.3	1%	500.2	483.1	4%
Total Raw Material	143.4	152.9		260.4	264.3	
Employee Expenses	22.4	15.2		41.8	30.1	
Other Expenses	71.6	70.6		131.6	130.4	
EBITDA	37.1	32.6	14%	66.5	58.3	14%
EBITDA Margin (%)	13.5%	12.0%		13.3%	12.1%	
Other Income	1.5	0.1		1.6	0.3	
Depreciation	5.0	4.9		12.3	11.7	
EBIT	33.5	27.8	21%	55.8	47.0	19%
EBIT Margin (%)	12.2%	10.2%		11.2%	9.7%	
Finance Cost	8.8	10.4		17.6	18.3	
Profit before Tax	24.7	17.4		38.3	28.7	
Tax	10.7	8.4		14.0	11.7	
Profit After Tax	14.0	9.0	55%	24.3	17.0	43%
Share of Profit of Associates	2.2	1.9		3.0	2.6	
Minority Interest (MI)	1.2	1.0		1.9	1.6	
Net Profit for the period after Share of Profit of Associates & MI	15.0	9.9	52%	25.4	18.0	41%
PAT Margin (%)	5.5%	3.6%		5.1%	3.7%	
Other Comprehensive Income	-0.1	0.0		-0.1	0.0	
Total Comprehensive Income	14.9	9.9	51%	25.2	18.0	41%
EPS	4.99	3.28		8.44	5.97	

Consolidated Balance Sheet

Equity & Liabilities (Rs. Crs.)	September-17
Equity share capital	30.1
Other Equity	396.9
Total Equity	427.0
Non Controlling Interest	20.7
Financial Liabilities	
Borrowings	99.3
Other financial liabilities	11.8
Provisions	0.0
Deferred tax liabilities (Net)	29.0
Other non-current liabilities	5.2
Total Non Current Liabilities	145.3
Financial Liabilities	
Borrowings	247.8
Trade payables	166.3
Other financial liabilities	39.2
Other current liabilities	24.5
Provisions	0.7
Current tax liability (Net)	3.6
Total Current Liabilities	482.1
Total Liabilities	627.4
TOTAL EQUITY AND LIABILITIES	1,075.1

Assets (Rs. Crs.)	September-17
Property, plant and equipment	403.4
Capital work in progress	1.1
Investment properties	0.7
Other Intangible assets	0.0
Investment in subsidiary, associate and a joint venture	0.0
Financial assets	
Investments	16.5
Loans	12.5
Others	1.6
Other non-current assets	4.9
Total Non Current Assets	440.6
Inventories	298.3
Financial Assets	
Trade receivables	283.1
Cash and cash equivalents	14.5
Bank balances	4.8
Loans	0.5
Others	4.7
Other current assets	28.7
Total Current Assets	634.5
TOTAL ASSETS	1,075.1



ASIAN GRANITO INDIA LIMITED

COMPANY

ASIAN GRANITO LIMITED

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