

Sales
Note

Asian Granito India Limited (AGIL)

6th March, 2018

BUY

CMP (₹)	Target (₹)
489	607
Potential upside	Absolute Rating
24%	BUY

Market Info (as on 5th March, 2018)

BSE Sensex	33,746.78
Nifty S&P	10,356.25

Stock Detail

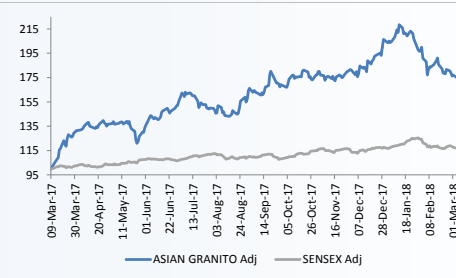
BSE Group	B
BSE Code	532888
NSE Code	ASIANTILES
Bloomberg Code	ASIAN IN
Market Cap (₹mn)	14,679
Free Float (%)	67%
52wk Hi/Lo	617 / 273
Avg. Daily Volume (NSE)	18,855
Face Value / Div. per share (₹)	10.00 / 0.00
Shares Outstanding (mn)	30

Shareholding Pattern (%)

Promoters	Public
32.66	67.34

Financial Snapshot	(₹mn)			
Y/E March	FY16	FY17	FY18E	FY19E
Net Sales	9,939	10,660	11,320	13,018
EBITDA	908	1,235	1,482	1,822
Net Profit	243	391	538	703
P/E	17.67	28.22	27.35	20.93
ROE (%)	6.82%	9.75%	11.84%	13.39%
EPS	8.60	13.00	17.88	23.36

Share Price Performance



Rel. Perf.	1Mth	3 Mths	6Mths	1Yr
AGIL (%)	(11.49)	(1.94)	6.52	75.62
Sensex (%)	(5.18)	3.70	6.76	17.47

Source: Company data, Retail Research

Company Snapshot

Asian Granito India Ltd.(AGIL) is a Gujarat based company established in the year 2000, the company has emerged as one of the largest ceramic tile companies of India in a short span of 17 years on the back of increasing own manufacturing capacities, joint ventures and outsourcing. The company is the 4th largest in India and 3rd largest listed player. AGIL produces ceramic wall & floor tiles and polished/glazed vitrified tiles. The company's total tile manufacturing capacity is ~33MSM capacity with 8 manufacturing units in Gujarat. 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. AGIL exports its products to 53 countries.

Investment Rationale

Strong volume growth aided by robust distribution network

AGIL has more than 5,300 touch points (1,120 direct dealers and sub-dealers) and more than 190 exclusive showrooms & 16 Display Centres across India, an additional 60 showrooms are in the pipeline which will be inaugurated next year. AGIL is expanding its distribution network aggressively and also improving sales per dealer. The company has shown robust volume growth of 26% Y-o-Y in Q3FY18 (against of 10%-6% volume growth of its peers), for 9M FY18 the company's volumes have grown by 23% Y-o-Y. The company is setting up of a 50,000 sq. ft. showroom in Morbi, dedicated for export branding, aiming to double Exports from ₹ 60 Crs. in FY 17 to ₹ 150 Crs. over the next 2 years. This will help AGIL to improve operating margins and will prove as a safer bet in the upcoming quarters. The company has actively taken part in many international exhibitions and planned to increase its branding & Marketing expenditure to 3-3.5% next year from 2.5% this year this will not affect operating margins so will be an added advantage from the company's financial perspective.

Increasing focus towards value added products

AGIL is gradually shifting focus to the value-added segment—from ceramic to vitrified tiles and quartz—which enjoys better margins. The company's Glazed Vitrified Tiles (GVT), Double Charge Tile sales have grown from 27% in FY15 to 45% in FY18 (9months), Contribution of value-added products is estimated to rise to more than 50% in next couple of years; gaining the more realization will help to boost profitability. The company has created a separate vertical for its very high-value product range to sharpen focus on the segment. The quartz division of the company is ramping up its capacity from 1600 sqm per day to 5600 sqm per day which is estimated to give the company 3x revenue of its capex, the export market for quartz stone is huge and it is targeting exports to US, Canada, EU and other Middle East countries.

Increasing revenue share from retail sales

AGIL is Increasing its focus on retail sales and government projects which will enable AGIL to withstand the slowdown in the real estate sector. The retail sales of the company have increased from 30% in FY15 to 37% in FY17, and aimed to expand to 50%. AGIL is focusing its sales from retail & government sales by increasing its distribution network through a large network of distributors, retailers and exclusive showrooms. It is also eyeing geographical expansion through a JV in south, it aims 25% of business coming from Government in the future, which will boost volumes, and higher retail presence. Its 1,120 direct dealers cater to ~4,330 sub-dealers/associate dealers across the country and aims to increase the dealership network to over 8,000 in couple of years.

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Favorable Macro economic factors like GST & Affordable housing

AGIL is well placed to reap the benefits of the favorable outlook for the tile and quartz industry. The government recently reduced GST rate on tiles and marble from 28% to 18%, which is positive for AGIL, this is expected to accelerate the share of the organized sector from current 40% & increase tax compliance, E-way bill system for inter-state movement of goods across the country is likely to be implemented from 1 April, 2018 will further fasten the process of formalization of the sector. Apart from this, the budget allocations for redevelopment & construction of 600 major railway stations & airports along with Affordable housing schemes will drive the demand for the tile industry.

Valuation

At CMP of ₹489, Asian Granito India Ltd. (AGIL) is trading at 28.2x P/E of its FY17 EPS of ₹13. With its aggressively expanding distribution network, sustained capacity expansion and potential benefits of shift of market share to organized players AGIL is expected to outperform peers, we expect the stock to trade at 26x P/E of its FY19E EPS of ₹23.36. We assign a **BUY** rating on the stock with a price target of ₹607 which is 24% upside from its current levels.

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NOTES

Name	Designation	Email	Contact
Tanvi Shetty	Analyst - Fundamental Research	tanvi@geplcapital.com	91 (22) 6614 2693

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Reg./Corp. Office : D-21 Dhanraj Mahal, CSM Marg, Colaba, Mumbai 400 001 Contact No +91 22 66182400

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