

Asian Granito

Performance Update

Y/E March (₹ cr)	3QFY18	3QFY17	% yoy	2QFY18	% qoq
Net sales	264	248	6.4	274	(3.9)
EBITDA	36	34	5.6	37	(2.4)
EBITDA margin (%)	13.7	13.8	(10bp)	13.5	21bp
Adjusted PAT	12	13	(7.7)	16	(27.7)

Source: Company, Angel Research

For 3QFY2018, Asian Granito (AGL) posted results in line with our expectations on top-line basis, however bottom-line disappointed. Revenue grew by ~6% yoy (after adjusting exercise duty top-line growth grew ~13.8%) to ₹264cr, driven by strong volume growth of ~25%. On the operating front, margins contracted by 10bps yoy due to higher power (gas price rose more than 10% during the quarter) and employee costs. This led to PAT de-growth of ~8% yoy to ₹12cr.

Top-line driven by strong volume growth: The company's top-line grew by ~6% yoy to ₹264cr (after adjusting exercise duty top-line growth grew ~13.8%) on the back of strong volume growth (up by ~25%). In the Tiles & Quartz segment, the company has reported ~25% & 40% volume growth respectively. However, the Marble segment witnessed a sharp volume decline of ~37%.

Increase in power and employee costs impacted the operating margins: On the operating front, margins contracted by 10bps yoy due to higher power (gas price rose more than 10% during the quarter) and employee costs. This led to PAT de-growth of ~8% yoy to ₹12cr.

Outlook and Valuation: We expect various initiatives taken by the government like smart cities, housing for all by 2022, and push towards providing sanitation, to further lead to creation of new demand avenues for entry level or lower priced tiles (ceramic tiles). We expect AGIL to report net revenue CAGR of ~8% to ~₹1,253cr over FY2017-19E. On bottom-line front, we expect CAGR of ~18% to ₹55cr over FY2017-19E owing to better product mix, higher B2C sales and amalgamation synergy. **Currently we have neutral rating on stock.**

Key financials

Y/E March (₹ cr)	FY2016	FY2017	FY2018E	FY2019E
Net sales	994	1,066	1,130	1,253
% chg	18.1	7.2	6.0	10.9
Net profit	25	39	52	55
% chg	24.8	39.1	52.5	54.8
EBITDA margin (%)	9.1	11.6	13.2	12.2
EPS (₹)	8.2	13.0	17.4	18.2
P/E (x)	63.0	39.9	29.7	28.5
P/BV (x)	4.3	3.9	3.4	3.1
RoE (%)	6.8	9.8	11.6	10.8
RoCE (%)	9.0	11.9	14.8	13.9
EV/Sales (x)	1.9	1.8	1.6	1.5
EV/EBITDA (x)	20.7	15.2	12.4	12.1

Source: Company, Angel Research, Note: CMP as of February 12, 2018

NEUTRAL

CMP ₹519

Target Price -

Investment Period 12 Months

Stock Info	
Sector	Ceramic
Market Cap (₹ cr)	1,560
Net Debt (₹ cr)	315
Beta	1.0
52 Week High / Low	617/265
Avg. Daily Volume	40,763
Face Value (₹)	10
BSE Sensex	34,300
Nifty	10,540
Reuters Code	ASGI.BO
Bloomberg Code	ASIAN.IN

Shareholding Pattern (%)	
Promoters	32.7
MF / Banks / Indian Fls	7.3
FII / NRIs / OCBs	5.1
Indian Public / Others	55.0

Abs.(%)	3m	1yr	3yr
Sensex	3.8	21.0	19.1
AGL	5.5	88.1	326.4

3-year price chart



Source: Company, Angel Research

Amarjeet S Maurya

022-39357800 Ext: 6831

amarjeet.maurya@angelbroking.com

Exhibit 1: 3QFY2018 Consolidated Performance

Y/E March (₹ cr)	3QFY18	3QFY17	% yoy	2QFY18	% qoq	9MFY18	9MFY17	% chg
Net Sales	264	248	6.4	274	(3.9)	764	731	4.5
Consumption of RM	129	122	5.9	143	(9.8)	390	386	0.9
(% of Sales)	49.0	49.2		52.2		51.0	52.8	
Staff Costs	19	15	25.8	22	(13.5)	61	45	34.6
(% of Sales)	7.4	6.2		8.2		8.0	6.2	
Other Expenses	79	76	3.4	72	10.1	210	207	1.8
(% of Sales)	29.9	30.7		26.1		27.5	28.3	
Total Expenditure	228	214	6.5	237	(4.1)	661	638	3.6
Operating Profit	36	34	5.6	37	(2.4)	103	93	10.9
OPM	13.7	13.8		13.5		13.4	12.7	
Interest	11	12	(7.9)	9	20.9	28	30	(5.5)
Depreciation	6	6	(2.0)	5	19.8	18	18	2.8
Other Income	1	0	156.7	1	(47.6)	2.41	0.6	301.7
PBT (excl. Ext Items)	20.3	16.9	20.3	24.7	(17.9)	59	46	28.5
Ext (Income)/Expense	-	-		-		-	-	
PBT (incl. Ext Items)	20	17	20.3	25	(17.9)	59	46	28.5
(% of Sales)	7.7	6.8		9.0		7.7	6.2	
Provision for Taxation	7	3	126.5	11	(30.7)	21	15	42.5
(% of PBT)	36.7	19.5		43.4		37	33	
Reported PAT	13	14	(5.4)	14	(8.2)	37	31	21.6
PATM	4.9	5.5		5.1		4.9	4.2	
Minority Interest After NP								
Profit/Loss of Associate Company	(1)	(1)		2		2	2	
Reported PAT	12	13	(7.7)	16	(27.7)	39	32	21.0

Source: Company, Angel Research

Key investment arguments

Focus on high value products

AGIL's current vitrified sales (45%) are lower in comparison to its peers like Somany Ceramics (50%) and Kajaria Ceramics (63-64%). Recently, AGIL has launched various products in premium segments like Imperio, Jumbo – Double Charge, CARARRA White, XXL – Polished Glazed Vitrified Tiles and Polished Vitrified Tiles (Double Charge). Going forward, we expect AGIL's profit margins to improve due to increase in focus on higher vitrified product sales, which is a high margin segment.

Margins to get a leg up post shift from B2B to B2C

AGIL has continuously focused on improving B2C sales from the current levels (37% in FY17). It is expected to reach up to 50% over next 3 years following multiple initiatives taken to increase direct interaction with customers including strengthening distribution network, launch of exclusive brand showrooms, trade schemes on high value products and participation in key trade exhibitions.

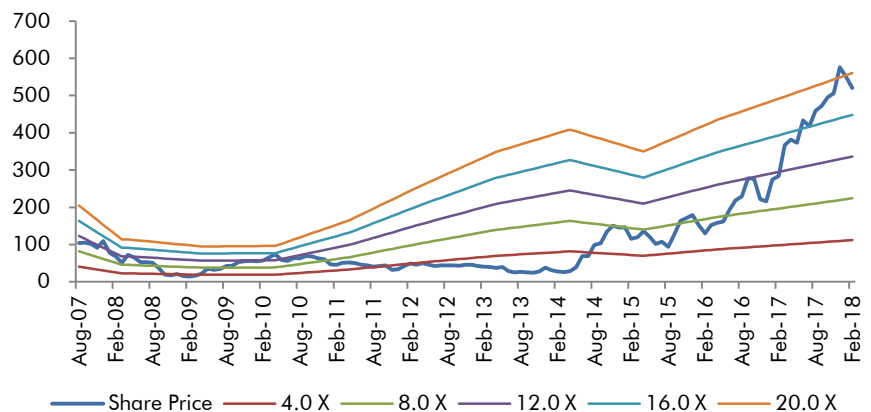
Further strengthening distribution network

AGIL has an extensive marketing and distribution network, comprising more than 5,780 dealers and sub-dealers. Currently, the company has 200+ exclusive dealer showrooms, on top of which it plans to add 500 new showrooms in next 3 years. The company also runs 16 large-format exclusive corporate display stores for dealers and architects. Going forward, we expect the company to continue to expand its network through dealers & sub-dealers.

Outlook and Valuation

We expect various initiatives taken by the government like smart cities, housing for all by 2022, and push towards providing sanitation, to further lead to creation of new demand avenues for entry level or lower priced tiles (ceramic tiles). We expect AGIL to report a net revenue CAGR of ~8% to ~₹1,253cr over FY2017-19E. On bottom-line front, we expect CAGR of ~18% to ₹55cr over FY2017-19E owing to better product mix, higher B2C sales and amalgamation synergy. **Currently we have neutral rating on stock.**

Exhibit 2: One year forward PE Chart



Source: Company, Angel Research

Risks

- 1) Lower than expected recovery in real estate industry can impact the overall performance (~65% revenue comes from B2B business).
- 2) Increase in gas prices can impact the company's operating performance.

Company Background

Asian Granito India Limited (AGL) was established in 2000 by Mr. Kamlesh Patel and Mr. Mukesh Patel. AGL is one of the top three Indian Ceramic Companies engaged in the business of manufacturing, and trading of Ceramic Wall, Floor, Vitrified Tiles, Marble & Quartz Headquartered in Gujarat. AGL has 8 manufacturing facilities in Gujarat. AGL has production of 1,00,000 sqm per day including outsourcing. Pan India marketing & distribution network of more than 5,780 dealers and sub-dealers and over 206+ showrooms with global footprint with exports to over 53 countries.

Consolidated Profit & Loss Statement

Y/E March (₹ cr)	FY2015	FY2016	FY2017	FY2018E	FY2019E
Total operating income	842	994	1,066	1,130	1,253
% chg	9.0	18.1	7.2	6.0	10.9
Total Expenditure	781	904	942	981	1,100
Cost of Materials	534	615	591	576	636
Personnel	42	59	71	90	103
Power, Oil & Fuel	131	128	141	145	160
Others Expenses	74	102	138	169	200
EBITDA	61	90	124	149	153
% chg	(5.1)	48.4	36.8	20.7	2.5
(% of Net Sales)	7.2	9.1	11.6	13.2	12.2
Depreciation & Amortization	19	28	34	35	37
EBIT	42	63	89	114	115
% chg	(1.6)	50.0	42.0	28.3	1.0
(% of Net Sales)	5.0	6.3	8.4	10.1	9.2
Interest & other Charges	23	29	39	39	36
Other Income	1	1	4	4	4
(% of PBT)	4.7	3.9	6.7	4.5	4.3
Share in profit of Associates	-	-	-	-	-
Recurring PBT	20	35	53	79	83
% chg	(11.3)	74.2	51.9	49.3	4.3
Prior Period & Extraordinary Expense/(Inc.)	-	-	-	-	-
PBT (reported)	20	35	53	79	83
Tax	6	11	13	26	27
(% of PBT)	27.9	32.2	25.2	33.0	33.0
PAT (reported)	15	24	40	53	55
Add: Share of earnings of associate	-	2	3	3	3
Less: Minority interest (MI)	-	2	3	3	3
Extraordinary Items		(1)			
PAT after MI (reported)	15	25	39	52	55
% chg	1.7	70.9	57.8	34.2	4.3
(% of Net Sales)	1.7	2.5	3.7	4.6	4.4
Basic EPS (₹)	4.8	8.2	13.0	17.4	18.2
Fully Diluted EPS (₹)	4.8	8.2	13.0	17.4	18.2
% chg	1.7	70.9	57.8	34.2	4.3

Exhibit 3: Consolidated Balance Sheet

Y/E March (₹ cr)	FY2015	FY2016	FY2017	FY2018E	FY2019E
SOURCES OF FUNDS					
Equity Share Capital	23	23	30	30	30
Reserves & Surplus	267	341	371	423	479
Shareholders Funds	290	363	401	454	509
Minority Interest	-	19	22	19	19
Total Loans	175	335	350	320	320
Deferred Tax Liability	18	30	34	30	30
Total Liabilities	483	747	807	831	885
APPLICATION OF FUNDS					
Gross Block	338	603	644	694	744
Less: Acc. Depreciation	149	211	239	274	311
Net Block	188	392	405	421	433
Capital Work-in-Progress	15	6	1	6	6
Investments	11	13	17	13	13
Current Assets	438	539	679	627	694
Inventories	191	245	273	285	316
Sundry Debtors	166	197	311	220	240
Cash	15	17	19	21	25
Loans & Advances	21	30	35	56	63
Other Assets	46	50	41	45	50
Current liabilities	168	203	295	236	260
Net Current Assets	270	336	384	391	433
Deferred Tax Asset	-	-	-	-	-
Mis. Exp. not written off	-	-	-	-	-
Total Assets	483	747	807	831	885

Source: Company, Angel Research

Exhibit 4: Consolidated Cashflow Statement

Y/E March (₹ cr)	FY2015	FY2016	FY2017	FY2018E	FY2019E
Profit before tax	19	35	53	79	83
Depreciation	19	28	34	35	37
Change in Working Capital	49	(64)	(46)	(5)	(38)
Interest / Dividend (Net)	23	29	39	39	36
Direct taxes paid	(6)	(5)	(10)	(26)	(27)
Others	0	(1)	(6)	(1)	(1)
Cash Flow from Operations	104	21	65	121	90
(Inc.)/ Dec. in Fixed Assets	(30)	(224)	(42)	(47)	(50)
(Inc.)/ Dec. in Investments	2	(3)	(3)	3	-
Cash Flow from Investing	(33)	(221)	(38)	(50)	(50)
Issue of Equity	-	8	-	-	-
Inc./(Dec.) in loans	(53)	160	15	(30)	-
Dividend Paid (Incl. Tax)	-	-	(2)	-	-
Interest / Dividend (Net)	(23)	36	(39)	(39)	(36)
Cash Flow from Financing	(76)	203	(26)	(69)	(36)
Inc./(Dec.) in Cash	(4)	3	1	2	4
Opening Cash balances	19	15	17	19	21
Closing Cash balances	15	17	19	21	25

Source: Company, Angel Research

Exhibit 5: Key Ratios

Y/E March	FY2015	FY2016	FY2017E	FY2018E	FY2019E
Valuation Ratio (x)					
P/E (on FDEPS)	107.6	63.0	39.9	29.7	28.5
P/CEPS	46.5	30.4	21.0	17.7	16.8
P/BV	5.4	4.3	3.9	3.4	3.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
EV/Sales	2.0	1.9	1.8	1.6	1.5
EV/EBITDA	28.1	20.7	15.2	12.4	12.1
EV / Total Assets	2.6	2.0	1.7	1.7	1.6
Per Share Data (Rs)					
EPS (Basic)	4.8	8.2	13.0	17.4	18.2
EPS (fully diluted)	4.8	8.2	13.0	17.4	18.2
Cash EPS	11.1	17.0	24.7	29.2	30.9
DPS	0.0	0.0	0.0	0.0	0.0
Book Value	96.3	120.7	133.3	150.7	169.3
Returns (%)					
ROCE	9.0	9.0	11.9	14.8	13.9
Angel ROIC (Pre-tax)	9.5	9.4	12.4	15.5	14.6
ROE	5.0	6.8	9.8	11.6	10.8
Turnover ratios (x)					
Asset Turnover (Gross Block)	2.5	1.6	1.7	1.6	1.7
Inventory / Sales (days)	83	90	92	92	92
Receivables (days)	72	72	72	71	70
Payables (days)	61	57	53	52	52
Working capital cycle (ex-cash) (days)	94	105	111	111	110

Source: Company, Angel Research

Research Team Tel: 022 - 39357800

 E-mail: research@angelbroking.com

 Website: www.angelbroking.com

DISCLAIMER

Angel Broking Private Limited (hereinafter referred to as "Angel") is a registered Member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited and MCX Stock Exchange Limited. It is also registered as a Depository Participant with CDSL and Portfolio Manager with SEBI. It also has registration with AMFI as a Mutual Fund Distributor. Angel Broking Private Limited is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH000000164. Angel or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities Market. Angel or its associates including its relatives/analyst do not hold any financial interest/beneficial ownership of more than 1% in the company covered by Analyst. Angel or its associates/analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. Angel/analyst has not served as an officer, director or employee of company covered by Analyst and has not been engaged in market making activity of the company covered by Analyst.

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Pvt. Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Pvt. Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Pvt. Limited endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Neither Angel Broking Pvt. Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

Note: Please refer to the important 'Stock Holding Disclosure' report on the Angel website (Research Section). Also, please refer to the latest update on respective stocks for the disclosure status in respect of those stocks. Angel Broking Pvt. Limited and its affiliates may have investment positions in the stocks recommended in this report.

Disclosure of Interest Statement	Asian Granito
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹ 1 lakh for Angel, its Group companies and Directors