

30 July 2016

Initiating Coverage (BUY)

ASIAN GRANITO INDIA

CMP

INR 219

Target Price

INR 289

Stock Details

Industry	Furniture, Furnishing, Paints
Bloomberg Code	ASIAN:IN
BSE Code	532888
Face Value (Rs.)	10.00
Market Cap. (Rs. Mn)	4968.2
52wk. High/Low (Adjusted) ((Rs.)	84.00 / 225.30

Shareholding Pattern Jun '15

Promoter (%)	37.52
FII (%)	0.04
DII (%)	0.10
Public - Other (%)	62.34
No. of Share Outstanding (mn)	22.58

Valuation Summary

	FY 15A	FY 16E	FY 17P	FY 18P
P/E (x)*	18.81	30.70	28.00	24.00
EV/EBITDA (x)	4.69	7.38	6.80	6.91
P/BV (x)	0.94	1.58	1.65	1.85

*TTM for Current Year

Based on Market Price as on 1st Apr is taken for Each FY

Key Financial

Rs. Mn	FY 15A	FY 16E	FY 17P	FY 18P
Net Sales	8232.4	8783.6	10514.2	12,617
EBITDA	580	665	775	946
Net Profit	121	161	161	191
EPS (Rs.)*	6.4	7.8	8.5	12.0

*Un adjusted

Key Ratios

	FY 15A	FY 16E	FY 17P	FY 18P
EBITDA Margin (%)	7.1	7.6	7.4	7.5
EBIT Margin (%)	4.7	5.3	5.3	5.7
Net Pro. Margin (%)	1.5	1.8	1.8	2.2
Debt/Equity (x)	0.05	0.03	0.00	0.00
RoNW (%)	4.3	5.3	6.0	8.0
RoCE (%)	3.7	4.7	5.3	6.9

One Year Price / Volume



We recommend 'BUY' on Asian Granito India for a target of INR 289 - valuing the company at P/E of 24x FY18E Earning.

INVESTMENT RATIONALE:

- Ranked amongst Top 4 Ceramic Companies of the Nation
- 8 State of Art Manufacturing Facilities spread across Gujarat
- Exporting Products across 50 Countries. Over 90 Showrooms with over 80 Exclusive Showrooms across India. Over 4000 Dealers & Sub-Dealers.
- Over 40X growth in Growth in just 16 years
- Diversified Clientele Profile – Real Estate; Govt.; Hotels; Malls; Banks; Hospitals; Corporates; Airports; Showrooms etc.
- Strong Growth Drivers like Amalgamation Synergies, Value Added Product, B2C Segment, Industry Growth
- Amalgamation of Artistique Ceramics Private Limited into Asian Granito India Ltd
- Focus on B2C Segment: to increase retail customer from present 35% share to 50% in future.

VALUATIONS AND VIEW:

Established in 2000, Asian Granito India Ltd (AGL) is one of the top four Indian ceramic companies. Headquartered in Gujarat, it has 8 manufacturing facilities in Gujarat with a production of more than 100,000 square meters per day. Asian Granito India Limited has been among the fastest growing Indian tile companies with a ten year CAGR in revenues of 30 per cent. We value the business at 24x FY18E EPS and recommend a BUY rating on the stock with a target price of INR 289 per share.

RISK & CONCERNS:

- **High dependence on the real estate sector**
- **Competition from low-cost Chinese imports and unorganized sector**
- **Volatility in prices of raw materials**

COMPANY BACKGROUND:

Asian Granito India Limited was established in 2000 by Mr. Kamlesh Patel and Mr. Mukesh Patel as a tile manufacturing company. The Company is India's fastest growing ceramic, vitrified tile, marble and quartz manufacturer and among the 50 most profitable global ceramic tile companies. It also is a leading innovator using technological support from SACMI (Italy).

The Company is headquartered in Ahmedabad, with manufacturing facilities spread across 320,000 square metres at Himmatnagar (Gujarat) and Idar (Gujarat). The Company is based in Gujarat with 18 offices and 50 showrooms. AGL has emerged as among the largest ceramic tile manufacturing groups in India with a global presence in 47 countries.

The Company has a pan-India marketing and distribution network, employing over 2,800 dealers and subdealers reinforced by 16 depots and 50+ exclusive showrooms which helps in promoting its range of products to a wide range of consumers.

Products

- Marble
- Quartz
- Tiles
 - Digital Micro Crystal Tiles
 - Hi-Tech Tuff Guard Digital Tiles
 - Porcellanto Digital Tiles
 - Digital Glazed Vitrified Tiles (DGVT)
 - Digital Ceramic Wall Tiles (DCT)
 - Digital Ceramic Floor Tiles
 - Grestek (GVT)
 - Vitrified Polished Tiles (PVT)
 - Grandura
 - Ceramic Wall Tiles
 - Ceramic Floor Tiles

INDUSTRY OVERVIEW:

India's ranking in world ceramic tile production stands at #3 (China and Brazil are the top 2) and is growing at an annual growth rate of 15% contributed largely by urbanization, a boom in the retail industry, and optimism in India's economic outlook. Ceramic production today is a sizeable contribution to the country's GDP (with a turnover of INR 18,000 crores) at 600 million sq mts p.a.

Booming real estate sector along with availability of housing loans on low interest rates has provided the much awaited thrust to Indian tiles market. During the last two years a phenomenal growth has been recorded in the field of ceramic tiles to meet the industry demand from every corner of the country. The major players in Indian tiles market are Kajaria, H&R Johnson, Nitco, Somany and Asian Granito accounting for majority of the sales. The industry has a positive outlook on the sidelines of governmental reforms in order to attract more foreign investment in real estate and retail section.

According to "India Tiles Market Forecast & Opportunities, 2017", with the increasing construction activities, the tiles market in the country is set to flourish. The demand from institutional customers is outpacing the retail demand in many regions of the

country. The overall Indian tiles market is expected to witness compounded annual growth rate of more than 18% for next five years till 2017. However, during the same period demand for vitrified tiles is expected to grow at the compounded annual growth rate of 21% due to increasing institutional sales.

The domestic market of ceramic tiles in India has undergone a vast change, with vitrified tiles now constituting half of the total tiles market. With the introduction of modern technology in designing and manufacturing, the market has opened up new segments such as 3D tiles, germ-free tiles and artistic designer tiles. Although unorganized players make up 50% of the total ceramic tiles market of India, the organized sector is fast outpacing the former, with breakthrough in innovation and strategic alliances. Moreover, India has among the lowest per capita consumption of ceramic tiles in the world, with low penetration of tiles in urban market and a virtually untapped but highly potential rural market. All these factors, coupled with declining manufacturing competitiveness of China, are set to drive the tremendous growth expected in the Indian ceramic tiles market.

Peer Comparison

Company	CMP (Rs)	P/E*	Mcap (Rs Cr)	Div Yld (%)	NP Qtr (Rs Cr)	Qtr Profit Var (%)	Sales Qtr (Rs Cr)	Qtr Sales Var (%)	CMP/BV
Asian Paints	1,114	56.7	1,06,869.27	0.67	552.6	18.47	3,637.4	9.09	17.36
Kansai Nerolac	166	20.3	659.0	0.89	126.5	32.89	1,047.1	7.36	5.24
Berger Paints	238	62.5	23,092.1	0.50	92.8	59.73	1,129.7	8.59	15.62
Kajaria Ceramics	1,270	42.8	10,091.4	0.32	70.2	38.28	664.3	9.74	10.54
Akzo Nobel	1,678	40.1	7,828.4	4.17	52.6	17.76	677.2	14.35	10.76
Cera Sanitary.	2,359	34.4	3,067.7	0.38	21.4	36.57	213.6	12.02	6.93
Somany Ceramics	606	36.0	2,566.9	0.30	17.9	70.64	413.9	5.16	7.96
Asian Granito	219	28.2	494.8	-	5.7	30.34	226.7	(4.31)	1.59

*TTM

FINANCIAL OVERVIEW

(in Million)	Q4 FY16 Performance Highlight						
	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	YoY (%)	QoQ (%)
Revenue	236.90	193.27	235.77	215.79	226.71	-4.30%	5.06%
Other Income	0.07	0.14	0.41	0.22	-0.14		
Total Income	236.97	193.41	236.19	216.00	226.57	-4.39%	4.89%
Expenditure	-225.10	-178.78	-219.22	-198.56	-209.25		
As a % of Sales	95.02%	92.50%	92.98%	92.02%	92.30%		
Interest	-6.23	-5.06	-5.79	-5.91	-4.6	-26.16%	-22.17%
PBDT	5.63	9.58	11.18	11.53	12.72		
As a % of Sales	2.38%	4.96%	4.74%	5.34%	5.61%		
Depreciation	-0.07	-4.86	-5.29	-5.43	-4.7		
PBT	5.56	4.71	5.89	6.1	8.02	44.24%	31.48%
As a % of Sales	2.35%	2.44%	2.50%	2.83%	3.54%		
Tax	-1.21	-1.39	-1.38	-2.02	-2.36	95.04%	16.83%
Net Profit	4.35	3.32	4.5	4.08	5.67	30.34%	38.97%
As a % of Sales	1.84%	1.72%	1.91%	1.89%	2.50%		
Equity	22.58	22.58	22.58	22.58	22.58	0.00%	0.00%
EPS (Rs)	1.93	1.47	1.99	1.81	2.51	30.05%	38.67%
CEPS (Rs)	1.96	3.62	4.34	4.21	4.59		
OPM %	5.01	7.57	7.2	8.08	7.64		
NPM %	1.84	1.72	1.91	1.89	2.5		

Income Statement (Consolidated)

Y/E Mar (Rs mn)	FY 12A	FY 13A	FY 14A	FY 15A	FY 16E	FY 17P	FY 18P
Net Sales	6,238	7,084	7,752	8,232	8,762	10,514	12,617
Other Operating Income	-	-	-	-	22	-	-
Expenditure	5,571	6,385	7,120	7,652	8,125	9,757	11,687
EBITDA	667	698	632	580	659	757	930
Depreciation	219	217	216	190	203	213	225
EBIT	448	482	415	390	456	544	705
Interest Expenses	203	252	212	223	215	271	317
PBT	245	229	204	167	241	272	388
Tax	90	83	84	56	87	99	132
Other Income	25	24	12	10	6	18	16
Extraordinary Items	-	-	-	-	-	-	-
Net Income Before Adjustment	181	171	132	121	161	191	272
Minority Int./Income from Assoc.	-	-	11	-	-	-	-
Adjusted PAT	181	171	121	121	161	191	272

Balance Sheet (Consolidated)

Y/E Mar (Rs mn)	FY 12A	FY 13A	FY 14A	FY 15A	FY 16E	FY 17P	FY 18P
Equity share capita	211	222	226	226	226	226	226
Reserves & surplus	2,185	2,399	2,528	2,672	2,896	3,026	3,298
Share Warrants	-	26	-	-	-	-	-
Misc Expenditure	-	-	-	-	-	-	-
Net worth	2,396	2,646	2,754	2,898	3,121	3,252	3,524
Minority Interest	-	-	-	-	-	-	-
Share Application Money	-	-	-	-	-	-	-
Loan Funds	412	337	200	146	93	-	144
Net deferred tax liability	159	155	166	181	205	205	205
Other Long-term Liabilities	57	63	78	87	-	111	133
Long-term Provisions	-	-	0	1	101	122	146
Total Liabilities	3,023	3,202	3,199	3,315	3,521	3,692	4,154
Net block	1,850	1,764	1,848	2,030	1,968	2,005	2,011
Investment, Loan & Adv.	102	639	622	563	681	748	870
Total Current Assets	3,432	4,081	4,384	3,921	3,954	4,835	5,892
Current Liabilities & Provisions	2,361	3,283	3,656	3,202	3,083	3,898	4,620
Net Current Assets	1,071	798	728	720	871	937	1,272
Total Assets	3,023	3,202	3,199	3,315	3,521	3,692	4,154

Cash Flow (Consolidated)

Y/E Mar (Rs mn)	FY 15A	FY 16E	FY 17P	FY 18P
Operating Cash Flow	1,042	438	291	193
Cash Flow from Investments	(326)	(260)	(317)	(353)
Cash Flow from Financing	(761)	(308)	93	212
Net Changes in Cash	(45)	(129)	67	52
Opening Cash	192	147	18	85
Closing Cash Balance	147	18	85	137

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