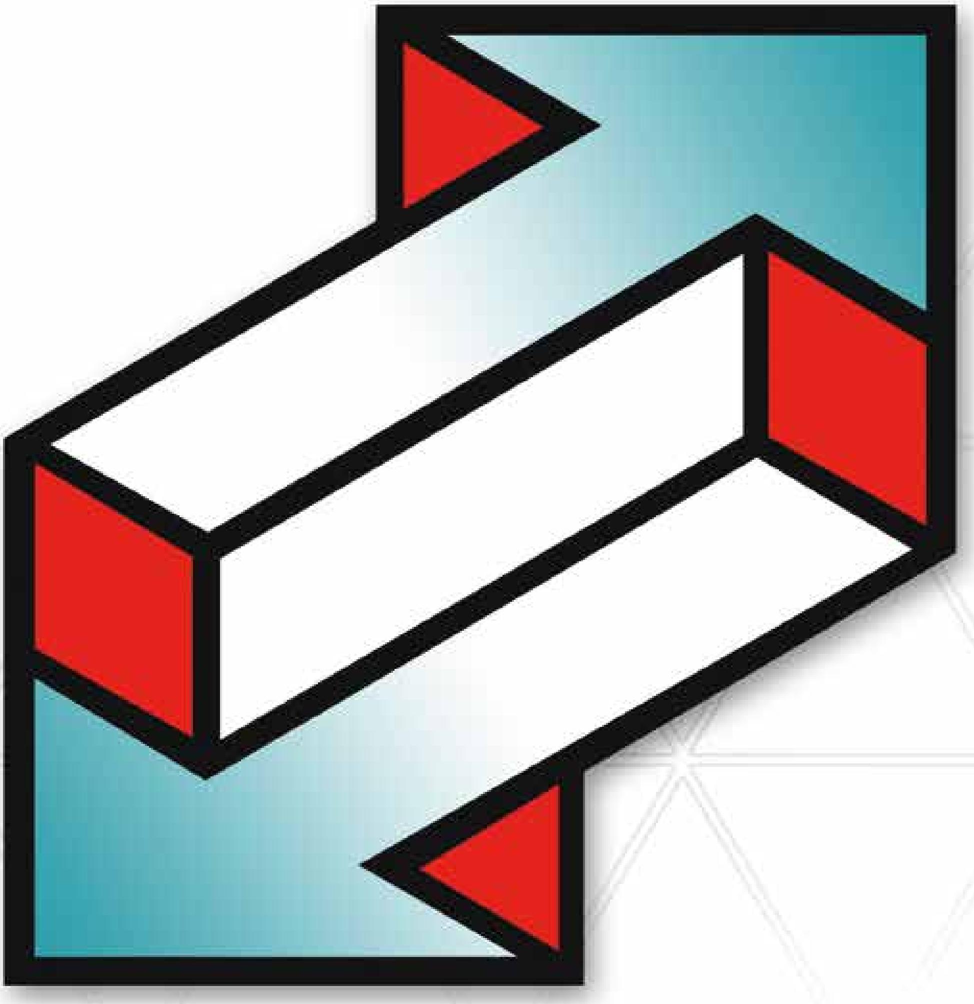
AGL TILES
Asian Granito India Ltd.
Beautiful Life



THINK DIFFERENT

ANNUAL REPORT 2016-17

ASIAN GRANITO INDIA LIMITED

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties occur, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

OUR BIG NUMBERS

4
Ranked among the four most prominent ceramic tiles companies in India

53+
Number of countries exported to

₹1066 crore
Consolidated net sales growth of 7.2% over 2015-16

8
Number of state-of-art manufacturing facilities across Gujarat

120+
Number of showrooms

₹123.6 crore
Consolidated operating profit (₹90.8 crore, 31.3.16)

5300+
Number of touch points (dealers and sub-dealers)

₹1560 crore
Consolidated Enterprise Value (₹1240 crore, as on 31.3.16)

*ALL CONSOLIDATED NUMBERS RELEVANT AS OF 31ST MARCH 2017 UNLESS OTHERWISE INDICATED

CONTENTS

Think
Different.

At Asian Granito India Limited, we are transforming with speed. From a volume-driven focus to a value-centric priority.

From an institution-driven company to a retail-centric organization.

We are transforming our DNA with the objective of doubling revenues by FY2021.

India is the fastest growing major economy.

Asian Granito India Limited is among the four largest ceramic tile brands in India.

India is marked by an unprecedented increase in disposable incomes.

India is marked by a rapid growth in consumer aspirations.

Asian Granito is accelerating introduction of pioneering tile and quartz sizes, finishes and designs.

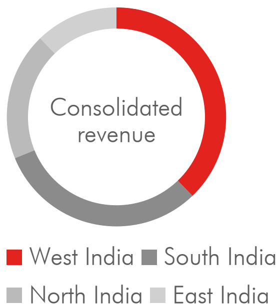
Asian Granito is addressing these realities with a growing proportion of value-added flooring products.

Background

Asian Granito was established by entrepreneurs Kamlesh Patel and Mukesh Patel in 2000. Kamlesh Patel, Chairman & Managing Director, holds 23 years of tile industry experience and established global benchmarks in his pursuit of capacity expansion and brand building. Mukesh Patel, Managing Director, possesses of similar tile industry experience, focusing on responsible innovation, technology, product development and quality commitment.

Status

The Company is the fourth largest Indian ceramic tile company and one of the largest manufacturers of polished vitrified and polished glazed vitrified tiles, wall and floor tiles, composite marble and quartz stone in India.



Manufacturing locations

- Idar: Ceramic tiles
- Dalpur: Glazed vitrified
- Dalpur: Wall ceramic
- Dholka: Wall ceramic
- Dalpur: Amazoone / Porcelain Ceramic
- Morbi: Double charge vitrified
- Mehsana: Vitrified plant
- Dalpur: Marble and quartz

Distribution

The Company has more than 5300 touch point (direct dealers and sub-dealers) and more than 120 AGL Tile exclusive stores across India. 38% of the Company's consolidated revenues were derived from West India, 31% from South India, 19% from North India and 12% from East India

Presence

• The Company is headquartered in Ahmedabad (Gujarat)

• The Company has eight manufacturing facilities in Gujarat 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.

• The Company enjoys a Pan-India marketing and distribution network comprising more than 970 direct dealers, 16 company-operated display centers and more than 120 exclusive showrooms.

• The Company's products are marketed in more than 53 countries

• The Company has 13 digital colour printers to enhance product aesthetics and design with 9-color printing technology. Beside latest technology, the company enjoys the easy availability of low-cost gas at two of its plants.

Listing

• The Company's shares are listed and actively traded on the Bombay Stock Exchange and National Stock Exchange.

• The Company's market capitalization was ₹1100crore as on March 31, 2017 (Market price ₹367); the promoters held 33.1% of the Company's equity (as on March 31, 2017).

Products

The Company provided floor and wall solution with wide range of products ranging from soluble salt (low cost) to marble & quartz (value-added)

• Ceramic wall, ceramic floor and porcelain floor tiles

• Polished vitrified tiles (PVT) in soluble salt and double-charged variants

• Polished glazed vitrified tiles (PGVT) with digital print

• Marble and quartz thickness from 12mm to 30mm

Vision

• Aspire to beautify world by attaining global leadership through innovative ceramic products, customer delight and satisfying all stakeholders.

• Remain undisputed leader in Marble & Quartz in India.

Mission

• Growing profitably across the AGL Group.

• To be pioneer in bringing latest technology and provide best quality products.

• Create competitive advantage in market and lead the industry by innovations.

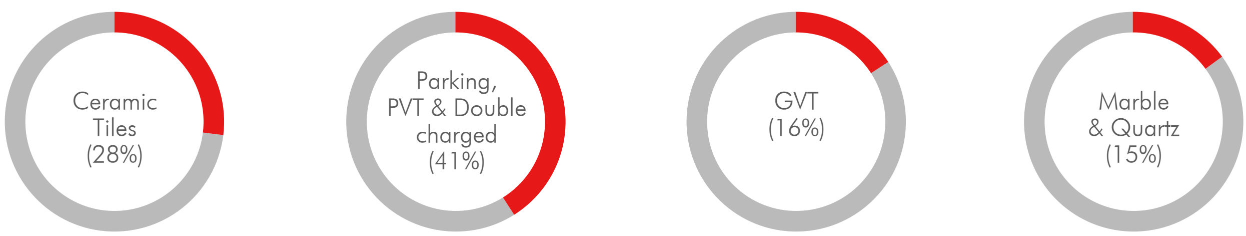
• To create healthy & productive work environment for all employees and associates.

• To empower communities for working towards safe, clean and green environment.

Clientele

Hospitality	Real estate	Educational institutions
• The Leela Palace, Hotels and Resorts • ITC Hotels • Bharati Hotels	• Adani Group • Lodha Group • Godrej Group • TATA Group • Ansal API • DLF Masters • Unitech • Sobha Developers • Brigade Group • SLS Developers • Rohan Housing • Prestige Group • Sriram Properties • Skyline Builders • Muthoot Developers • Kent Construction	• Rajasthan Agricultural Research Institute (Jaipur) • Manipal University (Jaipur) • Central University of Rajasthan (Jaipur) • SDM Institute of Technology (Ujire) • Raja Rajeshwari Medical College (Bengaluru)

Our revenues, 2016-17



MILESTONES

2002
Commenced production of 16"x16" ceramic floor tiles with 2,500 square metres per day capacity

2003
Production capacity of ceramic floor tiles enhanced to 6,000 square metres per day

2004
Established exclusive Asian Granito India Limited (AGL) production facility at Himmatnagar with a manufacturing capacity of 4,000 square meters of 24"x24" and 20"x20" vitrified tiles per day.

2005
Expanded production at Himmatnagar plant to 6,000 square meters per day; introduced a new 36"x36" size

2006
Expanded Himmatnagar plant capacity to 18,000 square meters per day.
Established a 8.25 MW wind mill power project at Vanku in Kutch District.

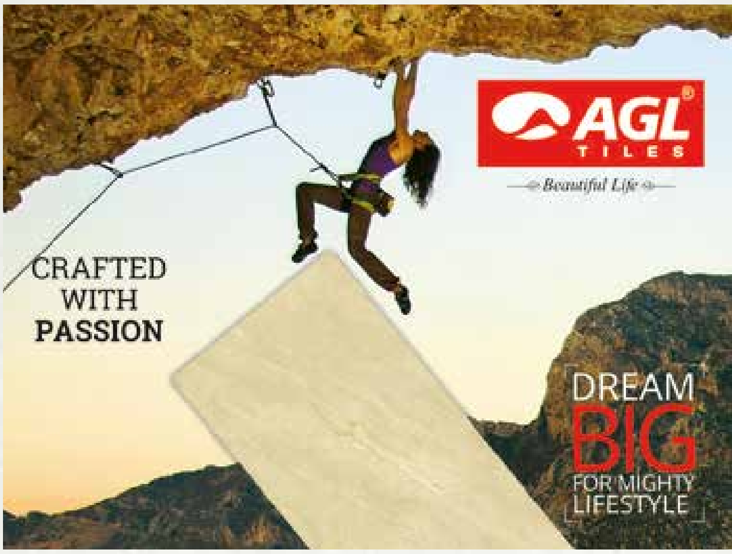
2007
Made an IPO; mobilized ₹67.90 crore
Launched AGL Tiles World (exclusive display centers) in 14 cities

2008
Launched an exclusive collection of wall tiles; introduced India's largest size (300x900mm) with a production capacity of 10,000 square metres per day.
Launched an exquisite collection of wall tiles (300x900 mm) with a production capacity of 10,000 square meters per day.

2009
Commenced production of a range of AGL marble slabs (10x4 square feet).

2010
Increased wall tile production capacity by 20,000 square meters per day
Established new digital printing technology for ceramic wall tiles
Launched Bonzer7 brand

2011
Commenced quartz slab production (10x4 square feet)
Launched digital glazed vitrified tiles
Introduced four-colour digital printing technology
Increased AGL Tiles World showrooms to 20; established 18 depots pan-India



2012

Commenced six-colour digital tile printing

2013

Introduced hi-tech 600"x600" Tuff Guard digital Porcellanto value-added tile basket

Introduced digital glazed vitrified tiles in the Tuff Guard range (800"x800" and 605"x605" variants)

Expanded AGL Tiles World outlets to 50

2014

Launched double-charged polished vitrified tiles in the large format (800x800 square mm)

Introduced Carrara White in the large unglazed format

Introduced eight-colour digital printing

Increased the number of manufacturing units to eight

Increased production capacity to 1 lac square metres per day

Implemented state of-the-art technology at the Idar plant; increased capacity to 8,000 square metres per day

Launched the Grestek XXL tiles range

2015

Launched 16 mm Grestek and Hardstone heavy-duty vitrified tiles

Introduced digital-vitrified Grandura+ parking tiles

2016

Amalgamation of Artisique Ceramics Pvt Ltd with Asian Granito India Ltd (AGL)

Launched Grestek-Marvel Colour Body tiles.

Introduced 1000mmX1000mm Double Charge Tiles known as Jumbo.

Imperio Double charge launched in size 800mmX 800mm.

Extended our new size in Grestek Splendour series 800mm X 1600mm.

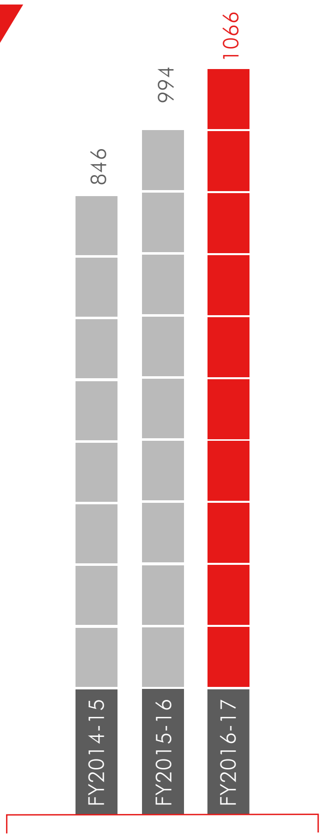
2017

Increased number of AGL outlets to 120+; increased number of touch points (dealers and distributors) to 5300+

THIS IS HOW WE HAVE GROWN OVER THE YEARS

NET REVENUES
₹ CRORE

Consolidated net revenues grew at CAGR of 8% in last 3 years, margins have improved by 455 bps to 11.6%



Definition
Sales growth after deducting excise duties.

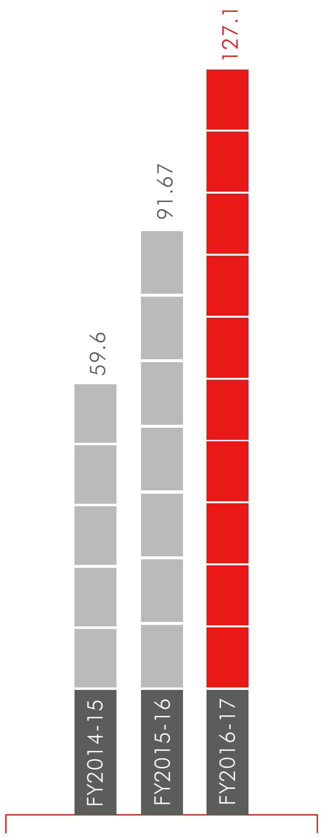
Why we measure
This measure reflects the result of our ability to understand market trends and service customers with corresponding products, superior technologies and competent supply chain management.

Performance
Our aggregate consolidate net sales increased 7.2% YoY to ₹1066 crore in FY2016-2017, which compared favorably around 6% growth of the country's infrastructure and construction sector.

Value impact
Creates a robust growth engine on which to build profits and make our shareholders belief stronger.

EBITDA
₹ CRORE

+Consolidated EBITDA reported at CAGR growth of 29% in the last 3 years



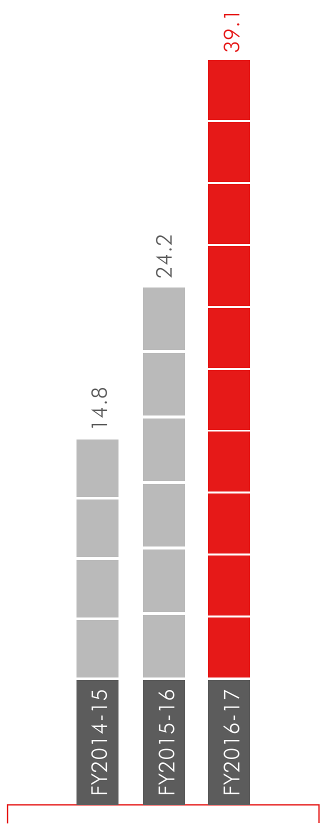
Definition
Earning before the deduction of fixed expenses (interest, depreciation, extraordinary items and tax).

Why we measure
It is an index that showcases the Company's ability to optimize business operating costs despite inflationary pressures, which can be easily compared with the retrospective average and sectoral peers.

Performance
The Company's consolidate EBITDA grew every single year through the last 3 years. The Company reported a 38.6% YoY increase in its consolidated EBITDA in FY2016-2017 – an outcome of pain taking efforts of its team in improving operational efficiency.

NET PROFIT AFTER M.I.
₹ CRORE

+Net profit grew at CAGR of more than 38.7% across the last 3 years



Definition
Profit earned during the year after deducting all expenses and provisions.

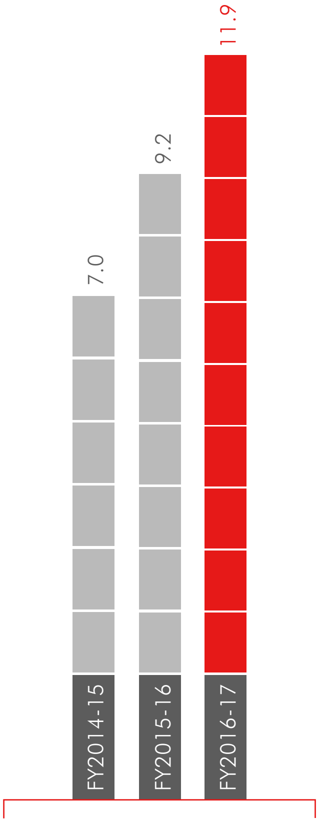
Why we measure
It highlights the strength in the business model in generating value for its shareholders.

Performance
The Company's consolidated net profit grew every single year through the last 3 years. The Company reported a 61.24% YoY increase in its consolidated Net Profit in FY2016-17 – reflecting the robustness and resilience of the business model in growing shareholder value despite external vagaries.

Value impact
Adequate cash pool available for reinvestment, accelerating the growth engine

EBITDA MARGIN
(%)

Consolidated EBITDA margin improved around 490 bps in the last 3 years



Definition
EBITDA margin is a profitability ratio used to measure a company's pricing strategy and operating efficiency. Higher the operating margin, better for the Company.

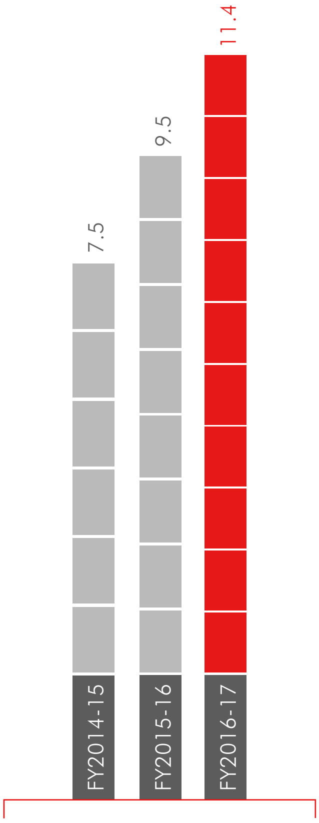
Why we measure
The EBITDA margin gives an idea of how much a company earns (before accounting for interest and taxes) on each rupee of sales.

Performance
The Company reported a 245 bps YoY increase in consolidated EBITDA margin in FY2016-2017. This was the result of lower input cost, decline in price of gas, increase in sales of high margin products and many other cost efficiency measures which helped company to improve its EBITDA margins.

Value impact
Demonstrates adequate buffer in the business, which when multiplied by scale, enhances surpluses

ROCE
(%)

The Company focused on improving return ratios resulting in 190 bps YoY improvement in ROCE.



Definition
It is a financial ratio that measures a company's profitability and the efficiency with which its capital is employed in the business.

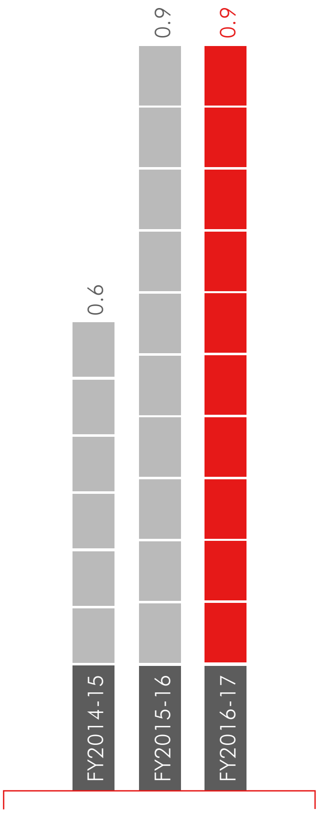
Why we measure
ROCE is a useful metric for comparing profitability across companies based on the amount of capital they use - especially in capital-intensive sectors.

Performance
The Company reported a 190 bps YoY increase in consolidate ROCE in FY2016-2017.Improvement in consolidated RoCE was on account of sharp improvement in margins.

Value impact
Enhanced ROCE can potentially drive valuations and perception (on listing)

DEBT-EQUITY RATIO

The Company focused on reducing debt across group companies in-spite capex programs. The Company also initiated the process to reduce working capital loans by focusing on moderating debtors and inventories.



Definition
This is derived through the ratio of debt to net worth (less revaluation reserves).

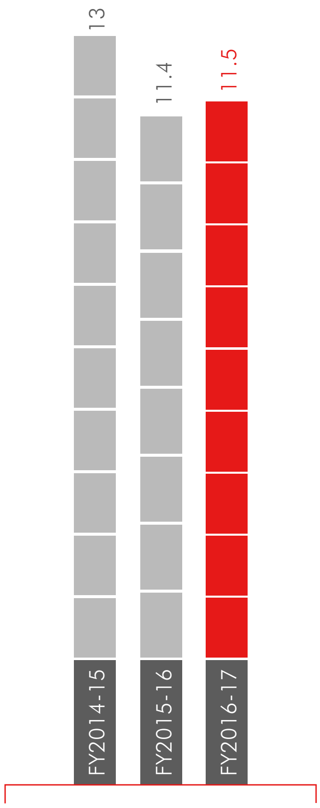
Why we measure
This is one of the defining measures of a company's financial health, indicating the ability of the Company to remunerate shareholders over debt providers (the lower the gearing the better). In turn, it indicates the ability of the Company to sustain growth in profits, margins and shareholder value.

Performance
The Company's consolidated debt to equity ratio remained stable at 0.9x in spite debt have increased marginally YoY on account of Brown field expansion at crystal. Gearing ratio remained stable at 0.9x in FY2016-2017. We recommend that this ratio be read in conjunction with net debt/operating profit (declining, indicating a growing ability to service debt).

Value impact
Enhanced shareholder value by keeping the equity side constant; enhanced flexibility in progressively moderating debt cost

AVERAGE DEBT COST
(%)

The Company focused on reducing debt cost across group companies which would help reduce interest out flow.



Definition
This is derived through the calculation of the average cost of the consolidated debt on the Company's books.

Why we measure
This indicates our ability in convincing bankers and other debt providers of the robustness of our business model, translating into a progressively lower debt cost (potentially leading to higher margins).

Performance
Increase in working capital was on account of capex at crystal plant for double charge and also due to higher working capital requirement. However we believe that working capital has peaked up and may decline from this level.

Value impact
Enhanced cash flows; strengthened credit rating for successive declines in debt cost

PRESENCE AND PIPELINE

THE TWO DRIVERS OF OUR REINVENTION STORY

The big message that I wish to communicate is that it took Asian Granito around 15 years to get to ₹1000 crore in turnover; we believe that it will take the Company four years to get to ₹2000 crore in consolidated gross revenues.

At Asian Granito, we believe that if we need to compress the growth of a decade and a half into a mere 20% of that time, then the usual will not work. The Company will need to do different things to get differentiated results.

There are a number of strategic imperatives that we believe will virtually reinvent the Company.

In my overview, I will talk of just two – presence and pipeline.

I believe that this combination – presence and pipeline – will progressively alter the DNA of the Company towards value-addition; superior return on capital employed and enhanced value in the hands of all those stakeholders associated with our company.

Presence

In the first decade-and-a-half, Asian Granito was a company that selected to manufacture products out of Gujarat. The result is that we were largely perceived as a Gujarat company.

Pipeline

Conventionally, AGL has followed an institutions-driven marketing approach. The majority of our output was marketed to real estate builders and government institutions. During the early days of our existence, this sales direction was justified as it enabled AGL to market a large quantity of products through its dedicated sales channel; besides, the Company was still at an early stage in its investment cycle marked by a mismatch between prevailing cash flows and investments required to create a large retail sales channel. The result is that 70% of the Company's revenues were consistently derived from the institutional channel.

At AGL, we believe that the time has come to move the needle. India's consumption-driven growth story is being increasingly driven by a growing off-take by individuals building or renovating homes across the country. A growing off-take by individuals is being driven by a number of factors: enhanced home pride and higher disposable incomes.

AGL is bringing a new urgency to this business priority. In more than a decade of its existence, AGL had franchisee-owned and franchisee operated 75 outlets (FOFO); in just one year (2016-17), the Company increased the number of FOFO outlets to 120, the largest increase in its distribution footprint presence in any single year. During the current financial year, we intend to widen our FOFO family to 200, which is almost equivalent to opening two new FOFOs a week. The fact that we are trebling our distribution footprint within the space of just two years will