

| Issue Details | | |
|--|---|------------|
| Issue Opens | 04-08-21 | |
| Issue Closes | 06-08-21 | |
| Issue Size (in Rs. Crs) | 158.40 – 161.10 | |
| Issue Size (Shares) | 1,34,24,000 | |
| Authorised Shares | 5,60,00,000 | |
| Issued, Subscribed and Paid Up Sh. Pre offer | 3,35,55,070 | |
| Offer for Sale | 22,38,000 | |
| Face Value | Rs. 10.00 | |
| Lot Size (Sh) | 125 | |
| Price Band | Rs.118 - Rs.120 | |
| Issue Type | Book Building | |
| Book Value (in Rs.)(FY21) | 40.54 | |
| BRLMs | Pantomath Capital Advisors Private Ltd. | |
| Registrar | Link Intime India Pvt. Ltd. | |
| Listing Venue | BSE/NSE | |
| Finalization of Allotment | 11-Aug -21 | |
| Initiation of refund | 12-Aug -21 | |
| Credit to Demat Account | 13-Aug -21 | |
| Listing | 17 -Aug -21 | |
| Issue Structure | | |
| Categories | Allocation | |
| QIBs | 25.00% | |
| Non-Institutional | 35.00% | |
| Retail Portion | 40.00% | |
| Total | 100.00% | |
| Shareholding Pattern | | |
| Categories | Pre Issue | Post Issue |
| Promoter & Promoter Group | 56.09% | 42.50 |
| Public | 43.91% | 57.50 |
| Total | 100.00% | 100.00% |

Company Background

Incorporated in 2008, Exxaro Tiles Ltd. (ETL) is headquartered in Gujarat and is engaged in manufacturing and marketing of vitrified tiles used majorly for flooring solutions. It commenced business as a manufacturer of frit, a key raw material used in manufacturing of tiles and have over the years, evolved into a **manufacturer for vitrified tiles.**

Objects of the Issue

ETL proposes to utilize the net proceeds from fresh issue towards a.) Prepayment/Repayment of certain secured borrowings, b.) Funding working capital requirements, and c.) General corporate purposes.

Key Points

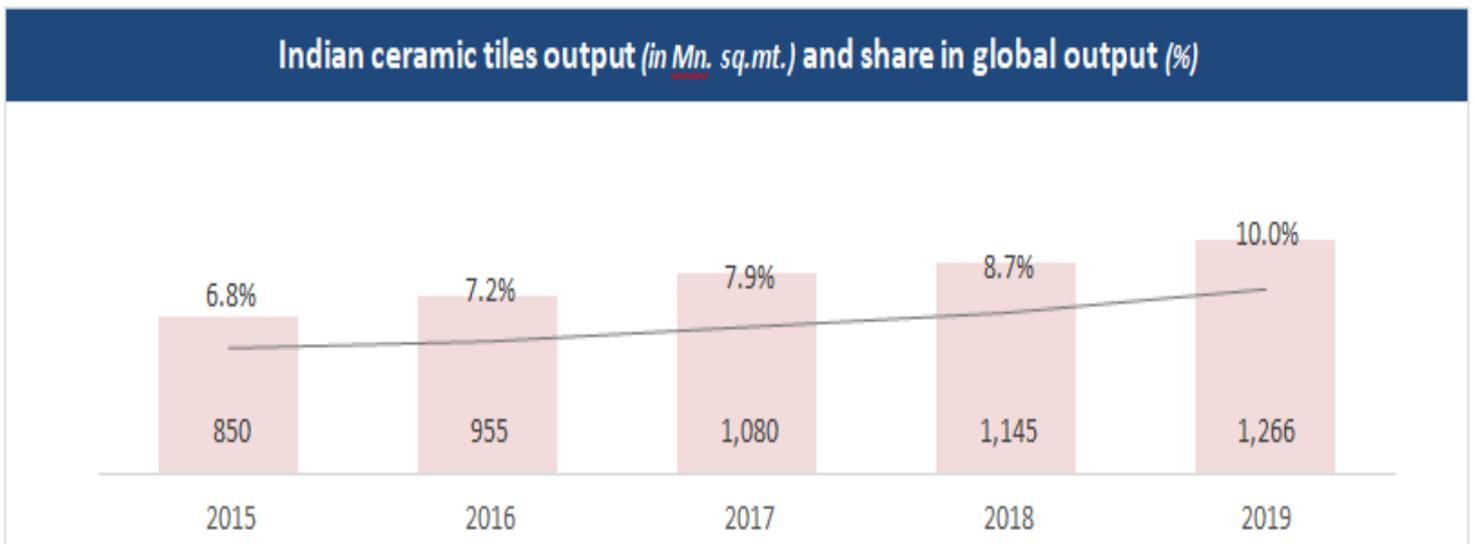
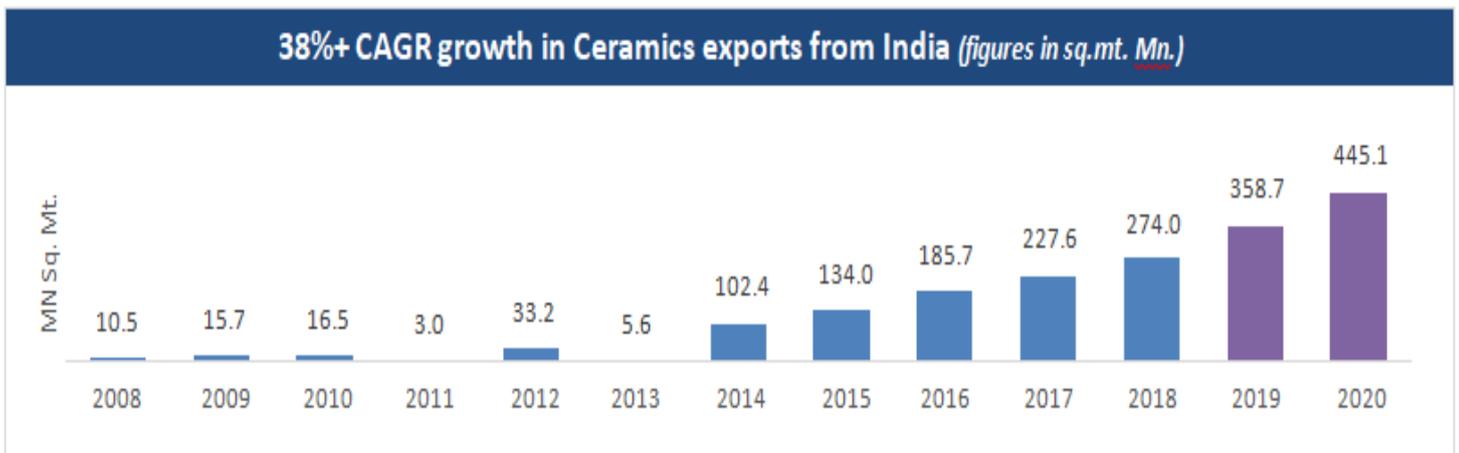
- ETL is promoted by Mukeshkumar Patel, Dineshbhai Patel, Rameshbhai Patel and Kirankumar Patel, each having considerable industry expertise in ceramics tiles industry.
- ETL has **two broad product categories**, which includes, (i) Double Charge Vitrified Tiles and (ii) Glazed Vitrified Tiles supplying in **1,000+ designs** which are sold under its own brand **"Exxaro"**.
- It has **two state-of-the-art manufacturing facilities** which are located at Padra and Talod respectively in Gujarat with a combined **installed production capacity of 132,00,000 sq. mt. per annum.** Notably, Talod Unit is **one of the single largest plant** for manufacturing glazed vitrified tiles under one roof in India.
- ETL has a large **retail network of 2,000+ dealers** having long term relationships. It also has 6 display centers in 6 cities and 2 marketing offices at Delhi and Morbi to complement growth strategies.
- Domestically, ETL has **PAN India presence** with sales in 27 states and internationally they have supplied products in over 13 countries.
- ETL has focused on R&D efforts by developing products which are innovative and in line with the trends. Some of their **key product development highlights** include: 1) 3D Effect in Double Charge Vitrified Tiles 2) Replica of Natural Stones in Double Charge Vitrified Tiles and 3) High transparent glaze in weight method for glazed vitrified tiles.
- Its **integrated model** enables developing insights across the entire value chain right from product design, process development, and manufacturing to marketing. **This helps the Company build brand faster and stronger, besides clocking high operating margins.**
- Exxaro has clocked a revenue of Rs.2,55.14 crores with an **EBITDA of 20.0%** for FY21, margins are even better than some of the industry peers.
- ETL's wide 2,000+ distribution network and retail sales has been one of the distinguishing profound factor which in turn has led to **operating leverage combined with owned manufacturing model, with no reliance on outsourced manufacturing.** It has **clocked highest average revenue growth** over last few years amongst listed peers.

| Particulars (Rs. Crs) | FY21 | FY20 | FY19 |
|-------------------------|--------|--------|--------|
| Revenue from Operations | 255.14 | 240.74 | 242.25 |
| Other Income | 4.71 | 3.22 | 1.76 |
| Profit Before Tax (PBT) | 17.16 | 12.17 | 7.68 |
| Profit After Tax (PAT) | 15.22 | 11.26 | 8.92 |
| PATM (%) | 6.00 | 4.68 | 3.68 |
| Equity | 33.56 | 33.56 | 33.56 |
| EPS (Rs.) | 4.54 | 3.36 | 2.66 |

Source: Company's RHP, Ace Equity, AUM Research

Industry Snapshot

Indian Ceramic Industry has been growing exponentially during last couple of years as the industry changes gears including continuous shift from un-organized to organized, shift in product focus with increasing share of Glazed Vitrified Tiles (GVT) and Polished Glazed Vitrified Tiles (PGVT), growing global penetration of large slabs, implementation of best in class technology and innovation to manufacture products suitable for global markets. Transformational changes such as GST, RERA, e-way bill and the like have paved the way for moving the industry from un-organized to organized. This assumes significant importance as the industry has been dominated by un-organized segment.



Source: Company's RHP, Ace Equity, AUM Research

Notably, India has conquered the 2nd position in global exports of tiles surpassing Spain. India now contributes more than 10% of the global ceramic output. Over the next few years, Indian Ceramic Industry is bound to witness a handsome flow of domestic and foreign investments as the Indian growth story continues its march towards leading the world at 1st position.

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Competitive Strengths & Economic Moat

- ✦ ETL manufactures almost all their products in-house at two Units which have a combined installed production capacity of 1,32,00,000 sq.mt. per annum. Manufacturing facilities are fully integrated from raw material handling to finished goods warehousing process. Its facilities are multi-purpose that are designed to allow a level of flexibility enabling to manufacture various sizes of products and provide the ability to modify and customize product portfolio to address the changing requirements of customers.
- ✦ It focuses on developing new and trending designs, meet stringent quality and technical specifications and providing better pricing and delivery terms. Its dealers network is aided by capable in-house sales and marketing team which liaise with the dealers on a regular basis for customer inputs, **market demands as well as positioning of products vis-à-vis products of competitors.**
- ✦ The company has gradually diversified, expanded and evolved their operations from manufacturer of frit to manufacturing vitrified tiles. Their product portfolio consists of **1,000+ designs** which are categorized into various series. It is also engaged in continuous product development and introduction of new designs to keep up with the trends. Some of the key product development highlights include: 1) 3D Effect in Double Charge Vitrified Tiles 2) Replica of Natural Stones in Double Charge Vitrified Tiles 3) High transparent glaze in weight method for glazed vitrified tiles.

Key Business Strategies

- ✦ ETL intends to make consistent efforts to strengthen and bolster their brand “Exxaro” **and enhance brand visibility** by undertaking various marketing initiatives. Since it is a relatively young and most of its peers have had a longer operating history, going forward, to attain parity with listed industry peers, it intends to make **conscious efforts to promote their brand and increase brand recall** by gradually increasing advertising and publicity expenses in line with the operations growth.
- ✦ ETL aims to **focus on increasing penetration in existing markets** by expanding dealers’ network in Tier-2 cities, Tier-3 cities and rural areas as there are significant untapped opportunities in these cities. It also aims to appoint more dealers in states where it has strong presence to **strengthen network further and increase business operations in such States by deepening penetration** at selective Tier-2 cities, Tier-3 cities and rural villages. Further, company also aim to increase presence based on product portfolio.
- ✦ Management believes that in order to meet robust demand, it may have to **increase manufacturing capacities** and engage with companies who manufacture qualitative products as per their specifications on an outsourced basis. It has purchased certain lands at Morbi. Further, the outsourcing of manufacturing and marketing of products under own brand is a common practice in the Industry. This shall enable it to offer a comprehensive product range to dealers, **increase sales and cash flow from operations.**
- ✦ ETL continues to further develop their technology systems to **increase asset productivity, operating efficiencies and strengthen its position.** It is in the process of setting up of **own gas station for internal gas consumption to optimize operating costs such as power & fuel costs which forms a significant portion in terms of costs of operations.** Setting up **own LNG gas station on own land for internal consumption will help it in reducing external dependency.**

GROWING REVENUES WITH CONSISTENTLY HIGH MARGINS

| PARTICULARS (Rs. Crs) | FY21 | FY20 | FY19 | FY18 | FY17 |
|-----------------------|--------|--------|--------|--------|--------|
| Total Revenue | 259.85 | 243.96 | 244.00 | 221.25 | 175.17 |
| EBITDA | 52.05 | 46.18 | 39.58 | 41.16 | 33.07 |
| PAT | 15.22 | 11.26 | 8.92 | 9.14 | 12.30 |
| Equity Capital | 33.56 | 33.56 | 33.56 | 33.56 | 32.90 |
| Net Worth | 102.48 | 120.74 | 109.46 | 100.46 | 61.31 |
| EBITDA Margins | 20.0% | 18.9% | 16.2% | 18.0% | 18.9% |

Revenue from operations has been growing consistently backed by retail sales. ETL has been able to clock **decent revenue growth in FY21** even with COVID impacted first quarter. Its **strategy of owned manufacturing coupled with focus on retail driven sales has helped it to sustain its higher EBITDA margin over years.**



- Strengthening Balance Sheet with consistent growth in Net Worth
- Post IPO, Networth to breach 275 crores



- Long term debt almost back to FY14 levels while it has built Gross Block of Rs.235 crores
- Gradual repayment of long term debt out of internal cash accruals

Financials

| Financial Highlights- Standalone (Values in Rs. Crore) | | | |
|---|-------------|-------------|-------------|
| Description | FY20 | FY19 | FY18 |
| Inc / Exp Performance | | | |
| Gross Sales | 240.74 | 242.25 | 219.54 |
| Total Income | 243.96 | 244.01 | 221.25 |
| Total Expenditure | 197.78 | 204.42 | 180.09 |
| PBIDT | 46.18 | 39.59 | 41.16 |
| PBIT | 31.89 | 25.50 | 29.38 |
| PBT | 12.17 | 7.68 | 15.35 |
| PAT | 11.26 | 8.92 | 9.14 |
| EPS | 3.36 | 2.66 | 2.72 |
| Book Value | 35.98 | 32.62 | 29.94 |
| Equity and Debt | | | |
| Equity Paid Up | 33.56 | 33.56 | 33.56 |
| Reserves and Surplus | 87.18 | 75.90 | 66.91 |
| Net Worth | 120.74 | 109.46 | 100.46 |
| Total Debt (Long Term plus Short Term) | 174.16 | 158.66 | 179.02 |
| Capital Employed | 294.90 | 268.12 | 279.48 |
| Assets and Liabilities | | | |
| Gross Block | 234.43 | 233.00 | 230.10 |
| Investments | 1.37 | 0.00 | 0.00 |
| Cash and Bank balance | 3.54 | 4.49 | 10.46 |
| Net Current Assets (Including Current Investments) | 38.44 | 19.73 | 18.63 |
| Total Current Liabilities | 171.52 | 150.99 | 153.06 |
| Total Assets | 384.54 | 356.84 | 368.90 |
| Cash Flows | | | |
| Cash Flow from Operations | 4.94 | 40.81 | 1.66 |
| Cash Flow from Investing activities | -1.68 | -4.95 | -14.18 |
| Cash Flow from Finance activities | -4.22 | -38.19 | 15.74 |
| Free Cash flow | -14.46 | 15.33 | -29.14 |
| Financial Ratios | | | |
| Debt to Equity(x) | 1.44 | 1.45 | 1.78 |
| Current Ratio(x) | 1.22 | 1.13 | 1.12 |
| ROCE (%) | 11.33 | 9.36 | 11.06 |
| RONW (%) | 9.78 | 7.80 | 9.39 |
| PBIDTM (%) | 19.18 | 16.34 | 18.75 |
| PATM (%) | 4.68 | 3.68 | 4.16 |

Source: Company's RHP, Ace Equity, AUM Research

Aum Capital RESEARCH DESK

| | | | |
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