

Issue Details

Issue Size	Rs. 158.40 Crore – Rs. 161.10 Crore	Price Band:	Rs.118 – Rs.120
IPO Date:	04 th Aug 2021 to 06 th Aug 2021	Offer Ratio:	QIB: 25%, HNI: 35%, Retail: 40%
Bid Lot:	125 Equity Shares and in multiples thereof		

Company Profile

Exxaro Tiles Limited is engaged in manufacturing and marketing of vitrified tiles used majorly for flooring solutions. They commenced business as a partnership firm in 2007-08 as a manufacturer of frit, which is one of the raw materials used in manufacturing of tiles and have over the years, diversified, expanded and evolved into a manufacturer for vitrified tiles. Their business operations are broadly divided into two product categories: **Double Charge Vitrified Tiles:** Double charge vitrified tiles are tiles that are fed through a press which prints the pattern with a double layer of pigment, 3 to 4 mm thicker than other types of tiles and **Glazed Vitrified Tiles:** Glazed vitrified tiles are flat slabs manufactured from ceramic materials such as clay, feldspar and quartz and other additives and fired at high temperatures to ensure high strength and low water absorption. The Company is promoted by Mukeshkumar Patel (CEO & Managing Director), Dineshbhai Patel, Rameshbhai Patel and Kirankumar Patel.

As on date, the company supplies products mainly in 6 sizes and has 1000+ designs in its product basket, which are marketed under their brand “Exxaro”. 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 3) High transparent glaze in weight method for glazed vitrified tiles. Further, they also supply wall tiles to certain of their dealers wherein they get the products manufactured on outsourced basis. Company’s integrated model has allowed to develop insights across the entire value chain right from product design, process development, manufacturing to marketing. Domestically, the company has a PAN India presence (24 states/union territories based on sales made during Fiscal 2021) and internationally they supply products in over 12 countries including Poland, UAE, Bosnia etc. The company has two state-of-the-art manufacturing facilities which are located at Padra and Talod respectively in Gujarat. They have a combined installed production capacity of 1,32,00,000 sq. mt. p.a. Their Unit II is one of the single largest plants for manufacturing glazed vitrified tiles under one roof in India. [Source: Brickwork Report]. The company has a large dealer network with whom it has developed long term relationships over the years. As on date of this RHP, the company has more than 2,000 registered dealers.

Competitive Strengths

- State-of-the-art manufacturing facilities with strong focus on design and quality
- Widespread sales and dealers network
- Wide product portfolio comprising 1000+ designs
- Experienced management and dedicated employee base

Object of the Offer

(in Rs. Million)

Particulars	Amount
Prepayment/repayment of certain secured borrowings availed by the Company	500
Funding the working capital requirements of the Company	450
General Corporate Purposes*	100

* To be finalized on determination of the Offer Price and updated in the Prospectus prior to filing with the ROC. The aggregate amount utilised for general corporate purposes shall not exceed 25% of the Gross Proceeds from the Fresh Issue.

Financials (Restated)

Particulars (Rs. In Million)	Year ending March 31, 2021	Year ending March 31, 2020	Year ending March 31, 2019
Equity Share Capital	335.55	335.55	335.55
Other Equity	1024.83	871.84	759.03
Net Worth	1,281.86	1,128.87	1,016.06
Total Borrowings	1,609.95	1,741.58	1,586.83
Revenue from Operations	2,551.45	2,407.42	2,422.51
EBITDA	473.46	429.62	378.29
Profit Before Tax	171.61	121.69	76.76
Net Profit for the year	152.23	112.59	89.17

Comparison with peers

Company	FV/Share (₹)	EPS (Basic)	RONW (%)	NAV (₹ per share)	P/E
Exxaro Tiles Limited	10	4.54	11.88	38.20	[•]
Listed Peers					
Kajaria Ceramics Limited	1	19.37	16.48	117.48	51.12
Asian Granito India Limited	10	18.57	9.11	183.82	9.89
Somany Ceramics Limited	2	13.62	8.80	154.64	48.82
Orient Bell Limited	10	5.36	3.20	167.30	61.20
Murudeshwar Ceramics Limited	10	(2.48)	(3.59)	63.20	NA

*Source: All the financial information for listed industry peers mentioned above is on a consolidated basis (unless otherwise available only on standalone basis) and is sourced from the filings made with stock exchanges, available on www.bseindia.com for the Financial Year ending March 31, 2021.

Source for Exxaro Tiles Limited: Based on the Restated Financial Statements for the year ended March 31, 2021. P/E Ratio shall be computed at the Offer Price.

Notes:

a) Considering the nature and size of business of the Company, the peers are not strictly comparable. However, above Companies have been included for broad comparison.

b) P/E Ratio has been computed based on the closing market price of equity shares on July 13, 2021, divided by the Basic EPS.

c) RONW is computed as net profit after tax attributable to equity shareholders divided by net worth as at March 31, 2021.

d) Net worth has been computed as sum of paid-up equity share capital and other equity. In case of Asian Granito Limited, partial amount received pursuant to issue of preferential shares warrants has been excluded while calculating its Networth. In case of Orient Bell Limited, amalgamation reserve has been excluded while calculating its Networth.

e) NAV is computed as the closing net worth divided by the closing outstanding number of equity shares.

Key Risk Factors

- Volatility in the supply and pricing of Company's raw materials and stores & spares may have an adverse effect on their business, financial condition and results of operations.
- Company's manufacturing operations are critical to its business and any shutdown of its manufacturing facilities may have an adverse effect on their business, results of operations and financial condition. Further company's manufacturing facilities are concentrated in a single region i.e. Gujarat and the inability to operate and grow the business in this particular region may have an adverse effect on their business, financial condition, results of operations, cash flows and future business prospects.
- The company's business is dependent on the performance of the real estate, infrastructure and other related industries where their products are utilized. Uncertainty regarding the real estate market, infrastructure sector, economic conditions and other factors beyond company's control could adversely affect demand for their products, costs of doing business and financial performance.
- The Company requires significant amounts of working capital for a continued growth. Their inability to meet their working capital requirements may have an adverse effect on the results of operations. Further, Failure to manage its inventory could have an adverse effect on their net sales, profitability, cash flow and liquidity.

- The company has entered into long term gas supply agreements with various suppliers for the procurement of natural gas. Any under-utilization of the quantities of natural gas may trigger the 'take or pay' provisions contained in such agreements which may have an adverse impact on company's financial condition.
- The industry in which the company operates is labour intensive and company's manufacturing operations may be materially adversely affected by strikes, work stoppages or increased wage demands by its employees or those of its suppliers.
- There have been some instances of non-filing/ delays /incorrect filings in the past with certain statutory authorities. If the authorities impose monetary penalties on the company or take certain punitive actions against them in relation to the same, their business, financial condition and results of operations could be adversely affected.
- The Company is dependent on third party transportation providers, with whom they have no formal arrangements, for the delivery of the raw materials and finished goods and any disruption in their operations or a decrease in the quality of their services or an increase in the transportation costs could adversely affect the Company's reputation and results of operations.
- Information relating to the estimated manufacturing capacities and capacity utilization rates of company's manufacturing facilities included in this RHP is based on various assumptions and estimates. Actual production and future capacity utilization rates may vary from such estimated manufacturing capacity information and historical capacity utilization rates.
- There are outstanding litigation proceedings filed by the Company. Any adverse outcome in such proceedings may have an adverse impact on the reputation, business, financial condition, results of operations and cash flows. For more details, refer to point no. 31 on page 35 of RHP.
- The company does not own the land on which its display centres and marketing offices are located.
- The company is subject to various risks associated with the overseas markets in which it may operate, including but not limited to foreign currency exchange rate fluctuations and tax, if any. These risks may have an adverse effect on their business, prospects, results of operations and financial condition.
- The company has certain contingent liabilities that have not been provided for in their financials which if materialised, could adversely affect its financial condition. For more details, refer to point no. 33 on page 35 of RHP.
- The company currently avail benefits under certain export promotion schemes. Any failure in meeting the obligations under such schemes, may result in adversely affecting their business operations and financial condition.
- The company had volatile cash flow from operations and negative cash flow from investing and financing activities during the Fiscal 2021, 2020 and 2019.
- Company's lenders have charge over their movable and immovable properties in respect of finance availed by them. Company's inability to meet their obligations under its debt financing arrangements could adversely affect their business, results of operations and cash flows.
- Unsecured loans taken by the Company can be recalled by the lenders at any time.
- Company's Promoters, directors and members of the Promoter Group have provided personal guarantees to certain loan facilities availed by the company, which if revoked may require alternative guarantees, repayment of amounts due or termination of the facilities, which in turn may adversely impact the cash flow, business and result of operations.
- The company appoints contract labour for carrying out certain of their operations and they may be held responsible for paying the wages of such workers, if the independent contractors through whom such workers are hired default on their obligations, and such obligations could have an adverse effect on company's results of operations, cash flows and financial condition.
- Company's Promoters have interests in the Company other than the reimbursement of expenses and normal remuneration or benefits. Any such interests may result in a conflict of interest, which may have an adverse effect on the business.

- The company has in the past entered into related party transactions and may continue to do so in the future. These or any future related party transactions may potentially involve conflicts of interest and there can be no assurance that the company could not have achieved better terms, had such arrangements been entered into with unrelated parties.
- The Red Herring Prospectus contains certain non-GAAP financial measures and certain other selected statistical information related to company's operations and financial performance. These non-GAAP measures and statistical information may vary from any standard methodology that is applicable across the manufacturing industry, and therefore may not be comparable with financial or statistical information of similar nomenclature computed and presented by other manufacturing companies.
- Company's Promoters and members of the Promoter Group will continue jointly to retain significant influence over the Company after the Offer, which will allow them to determine the outcome of matters submitted to shareholders for approval.
- The average cost of acquisition of Equity Shares by Company's Promoters and the Selling Shareholder could be lower than the floor price.
- The company will not receive any proceeds from the Offer for Sale.
- The continuing effect of COVID-19 pandemic on the company's business and operations is highly uncertain and cannot be predicted.

(Please refer the entire list of risk factors given in section II (page 22 onwards) given in RHP)

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