



IPO Report

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04th Aug 21

Snapshot

Company is engaged in manufacturing & marketing of vitrified tiles. Domestically, company have PAN India presence in 24 states/ union territories based on sales made during Fiscal 2021 and internationally it supply products in over 12 countries including Poland, UAE, Italy, Bosnia etc. For the Fiscals 2021, 2020 and 2019, company's revenue from exports contributed 13.88%, 13.51% and 6.68%, respectively of its revenue from operations.

VALUATION

Company is bringing the issue at price band of Rs 118-120 per share at p/e multiple of 35 on post issue FY21 eps. Company's widespread dealer network of over 2000 registered dealers, wide product portfolio consists of 1000+ designs & healthy margins are playing positive factors for company.

Hence we recommend "Subscribe" on issue .

Price Band (Rs./Share)	118-120
Opening date of the issue	04th August 2021
Closing Date of the issue	06th August 2021
No of shares pre issue	33,555,070 Eq Shares
Issue size (No)	13,424,000 Eq Shares
Offer For Sale (No)	2238000 Eq Shares
Fresh Issue(No)	111,86,000 Eq Shares
Employee Discount	Rs 12/share
Face Value (Rs/ share)	10
Bid Lot	125

BIDDING DETAILS

QIBs (Including Anchor)	25% of the offer
Non-Institutional	35% of the offer
Retail	40% of the offer
Lead managers	Pantomath Capital Advisors Ltd
Registrar to the issue	Link Intime India Pvt. Ltd.

WHAT WE LIKE

Widespread dealer network

Exarro Tiles' marketing model for its domestic operations is majorly divided into two parts: 1) Supply of products through dealer-distribution network 2) Supply of products for infrastructure related projects and to private customers. Company have over 2,000 registered dealers and domestically, it have PAN India presence (24 states/ union territories based on sales made during Fiscal 2021). Company have a history of high customer retention and have been manufacturing products for some of its customers since commencement of production at its Unit I. As on March 31, 2021 company's sales and marketing team has 82 dedicated employees and is responsible for increasing pan-India as well as global reach of its products.

Wide product portfolio comprising 1000+ designs

As on March 31, 2021, company's product portfolio consists of 1000+ designs which are categorised into various series and available over 6 sizes. Some of company's 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.

Strong Financials

Company's EBITDA grown at a CAGR of 11.86% between Fiscal 2019 and Fiscal 2021, while its profit after tax has grown at a CAGR of 30.61% between Fiscal 2019 and Fiscal 2021. Company's revenues from exports have grown at a CAGR of 47.92% between Fiscals 2019 and 2021. Employee cost as% of sales for Exxaro is lower than the industry median which has resulted in higher profitability margins. Owing to company's qualitative products and competitive prices, its operating profitability margin at almost 18% for FY21 is better than other peers in the Industry, including some of the large players as well



COMPANY BACKGROUND

Exarro Tiles have two state-of-the-art manufacturing facilities which are located at Padra and Talod respectively in Gujarat. Company have a combined installed production capacity of 1,32,00,000 sq. mt. p.a. Its Unit II is one of the single largest plants for manufacturing glazed vitrified tiles under one roof in India. Company also have 6 display centres in 6 cities and 2 marketing offices at Delhi and Morbi to complement company's growth strategies. Company's Product portfolio consist of:

Particulars	Double Charge Vitrified Tiles	Glazed Vitrified Tiles
Description	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. This process does not permit complex patterns but results in a long-wearing tile surface, suitable for heavy traffic commercial projects.	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. These tiles are coated with glaze materials prior to the firing process
Key Features	Fross resistance, Chemical resistance, Water absorption, Skid resistance	Chemical resistance, Water absorption, Thermal shock resistance, Glossiness
Size	800*800, 600*600, 800*1200	600*1200, 600*600, 800*1600, 1000*1000, 800*800, 800*1200
Finish	Double Charge	Glossy, Matt, Sugar, Rocker, Butter, Full cover body
Key Product Series	Magico, Topaz, Galaxy, Thar, etc.	Lileria Crema, Alaska White, Adonis Series, Mishara, etc.
Application	Flooring Solutions	Flooring Solutions
Revenue from manufacturing (gross of rate difference) for the year ended March 31, 2021	₹ 678.50 million	₹ 1,738.90 million
Revenue from manufacturing (gross of rate difference) for the Fiscal 2020	₹ 777.80 million	₹ 1,453.90 million

Source:RHP



INVESTMENT RATIONALE

<p><i>Wide product portfolio comprising 1000+ designs</i></p>	<p>Some of company's 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. Exarro Tiles have an in-house laboratory for quality control purpose which have 24 employees as on March 31, 2021. Owing to company's qualitative products and competitive prices, company's operating profitability margin is better than its other peers in the Industry, including some of the large players as well.</p>
<p><i>Widespread sales and dealers network</i></p>	<p>Company's marketing model for its domestic operations is majorly divided into two parts: 1) Supply of company's products through dealer-distribution network 2) Supply of products for infrastructure related projects and to private customers. As on date, company have over 2,000 registered dealers and domestically, company have PAN India presence (24 states/ union territories based on sales made during Fiscal 2021). Company have maintained long term relationships with most of its dealers. Company's dealers network is aided by its 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 its products vis-à-vis products of its competitors.</p>
<p><i>State-of-the-art manufacturing facilities with strong focus on design and quality</i></p>	<p>Exarro Tiles manufacture majority of its products in-house at its two Units which have a combined installed production capacity of 1,32,00,000 sq.mt. p.a. Unit I is spread over 37,460 sq.mt. whereas Unit II is spread over 1,23,504 sq.mt. Company's manufacturing facilities are fully integrated from raw material handling to finished goods warehousing process, and are equipped with latest key machineries such as Kiln, Press, Digital Printing, Glazing line (Unit II) enabling company to manufacture various sizes of products, minimise human labour involvement and achieving cost efficiencies. Company's Unit II is one of the single largest plant for manufacturing glazed vitrified tiles under one roof in India. Majority of company's key machineries are imported and match international standards. Both are Units are ISO 9001: 2015, ISO 45001:2018 and ISO 14001: 2015 certified. Company has also obtained Certification certifying that both Units has been found to be CE compliant. Company also have an in-house laboratory, enabling the company to develop new varieties, besides facilitating conducting of tests and analysis of various products. Company's facilities are multi-purpose that are designed to allow a level of flexibility enabling it to manufacture various sizes of its products and provide company with the ability to modify and customize its product portfolio to address the changing requirements of customers with minimal future capital investments. Over the years, company have made continuous investments in its manufacturing infrastructure to support its product portfolio requirements and reach.</p>



INSTALLED CAPACITY & CAPACITY UTILIZATION

Particulars	Unit	As of and for the financial year ended March 31,		
		2019	2020	2021
<i>Unit I</i>				
Installed Capacity	Sq mt	3,600,000	3,600,000	3,600,000
Actual Production	Sq mt	2,896,349	3,000,885	23,19,626
Capacity Utilization	(%)	80.45%	83.36%	64.43%
<i>Unit II</i>				
Installed Capacity	Sq mt	9,600,000	9,600,000	9,600,000
Actual Production	Sq mt	4,592,003	6,197,464	69,07,100
Capacity Utilization	(%)	47.83%	64.56%	71.95%

Source : RHP

OBJECTS OF ISSUE

. Company proposes to utilise the net proceeds from the fresh issue towards funding the following objects:

1. Prepayment/repayment of certain secured borrowings availed by company;
2. Funding the working capital requirements of the company; and
3. General corporate purposes.

RISKS

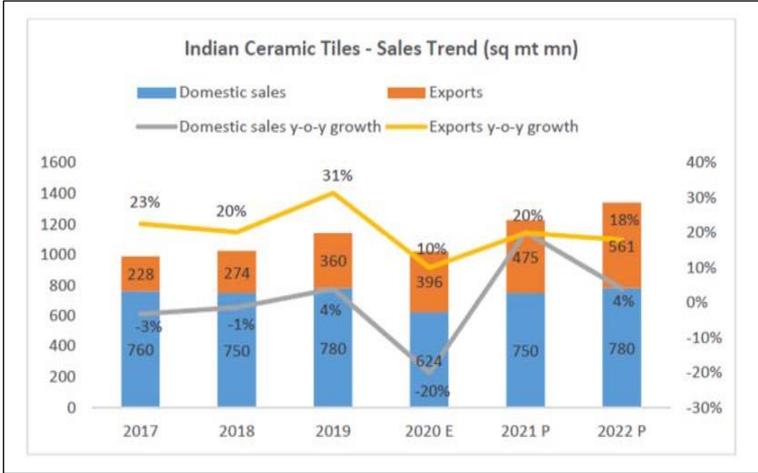
Volatility in the supply and pricing of company's raw materials and stores & spares may have an adverse effect on company's business, financial condition and results of operations.

Source:RHP

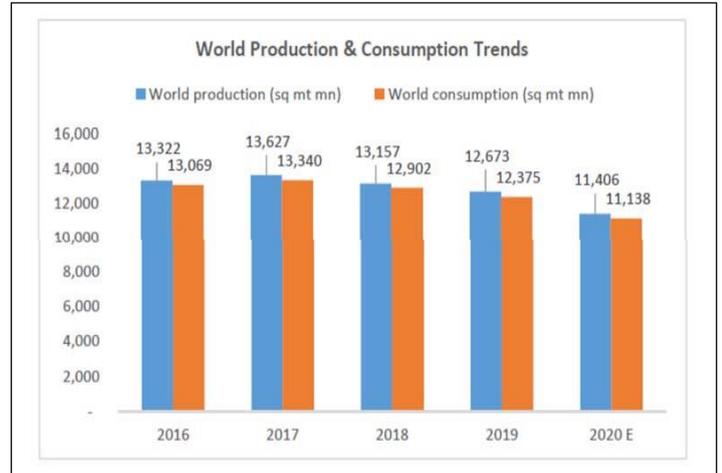


INDUSTRY OVERVIEW

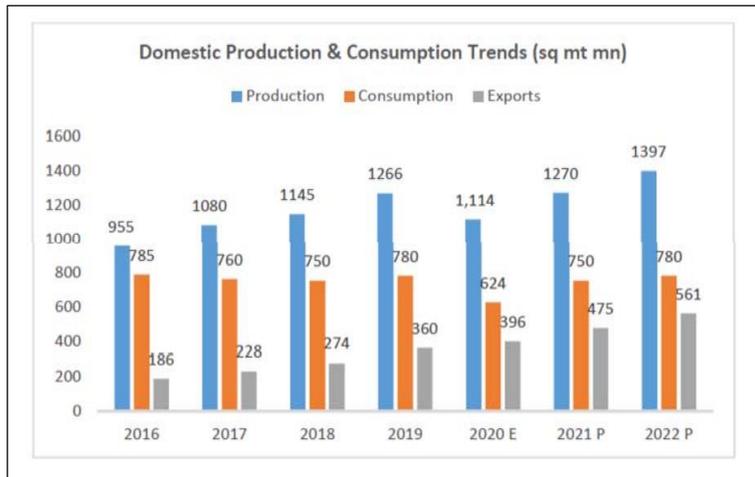
Indian Ceramic Tile Sales Trend (sq mt mn)



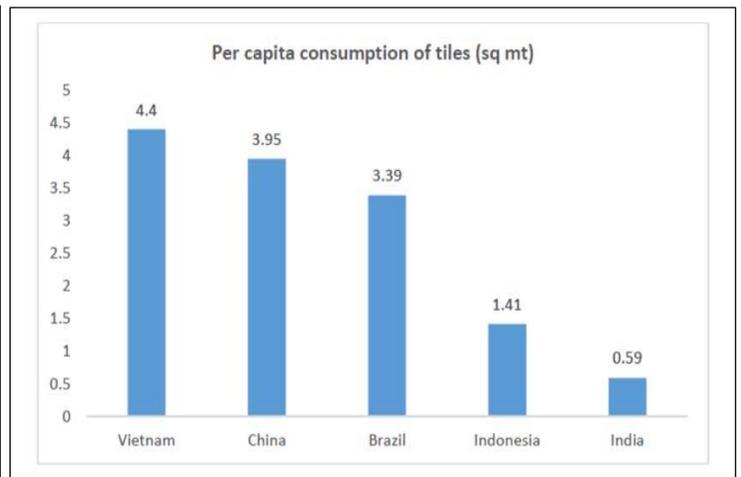
World Production & Consumption Trends



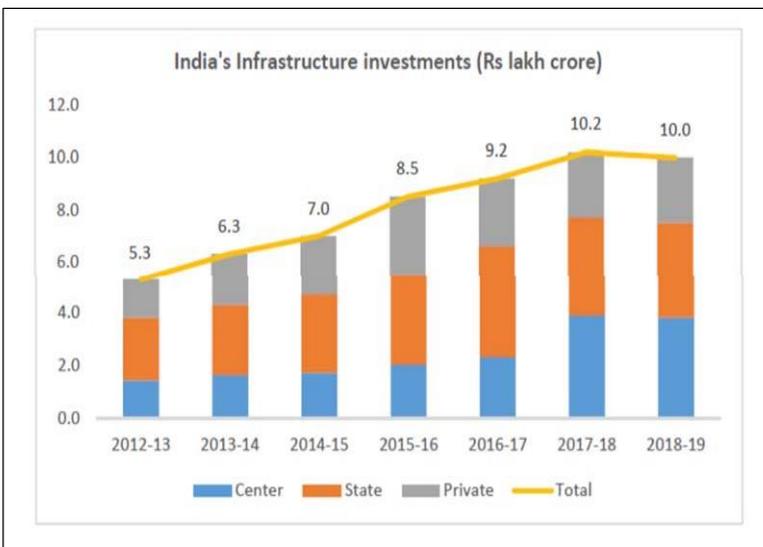
Domestic Production & Consumption Trends (sq mt mn)



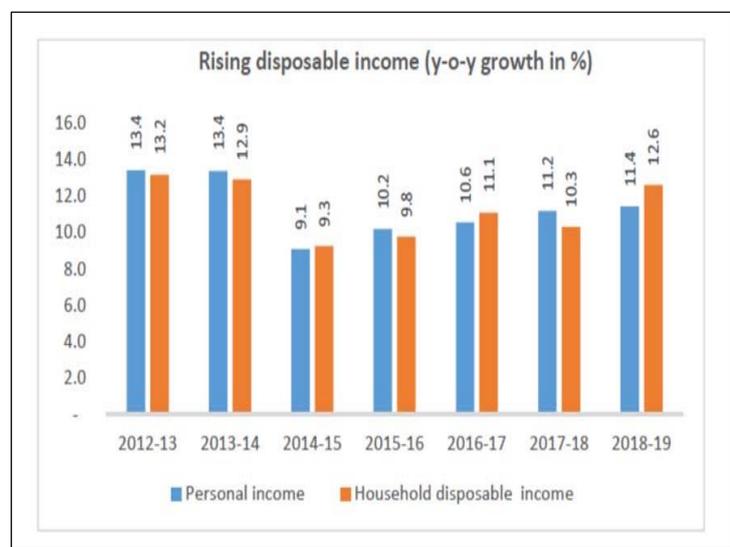
Per Capita Consumption of tiles (sq mt)



India's Infrastructure Investments (Rs Lakh Crore)



Rising disposable income (y-o-y growth in %)



Source: RHP



(Rs in Mn)

Financials	FY21	FY20	FY19
Total Revenue (A)	2551.45	2407.42	2422.51
Total Expenditure (B)	2077.99	1977.81	2044.22
EBIDTA	473.46	429.61	378.29
EBIDTA Margin	18.56	17.85	15.62
Other Income	47.08	32.22	17.56
Depreciation	136.34	142.97	140.81
EBIT	384.20	318.86	255.04
Interest	212.60	197.18	178.28
PBT	171.60	121.68	76.76
Tax	19.37	9.10	-12.42
PAT	152.23	112.58	89.18
NPM	5.97	4.68	3.68
ROE %	11.19	9.32	8.15
EPS	4.54	3.36	2.66
Eq Cap	335.55	335.55	335.55
Net Worth	1,360.38	1,207.39	1,094.58

PEERS ANALYSIS

Following is peer group analysis:

Name of the Company	Basic EPS (Rs. per share)	RONW (%)	NAV (Rs. per share)	Total Income (Rs. in millions)
<i>Exxaro Tiles Limited</i>	<i>4.54</i>	<i>11.88%</i>	<i>38.20</i>	<i>2,598.53</i>
Peer Group				
Kajaria Ceramics Limited	19.37	16.48%	117.48	28,022.00
Asian Granito India Limited	18.57	9.11%	183.82	12,936.38
Somany Ceramics Limited	13.62	8.80%	154.64	16,632.40
Orient Bell Limited	5.36	3.20%	167.30	5,043.40
Murudeshwar Ceramics Limited	(2.48)	(3.59)%	63.20	817.52

Source: RHP



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