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Issue Offer

Fresh Issue of 11,185,833 equity shares upto INR 134.23Cr and OFS of 2,238,333 shares by Promoters group taking the total issue size at INR 161.09cr

Issue Summary

Price Band (Rs)	118-120
Face Value (Rs)	10
Implied Market Cap (Rs Cr)	510
Market Lot	125
Issue Opens on	Aug,4, 2021
Issue Close on	Aug,6, 2021
No. of share pre-issue	33,555,070
No. of share post issue	42,502,570
Listing	NSE / BSE

Issue Break-up (%)

QIB Portion	25
NIB Portion	35
Retail Portion	40

Book Running Lead Managers

Pantomath Capital Advisors

Registrar

Link Intime India Pvt Ltd.

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	56.09%	42.50%
Public & Others	43.91%	57.50%

Objects of the issue

- To make repayment or prepayment of secured borrowings availed by the company.
- To meet working capital requirements.
- To Meet general corporate purposes.

Exxaro Tiles Limited was 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, commenced business as a manufacturer of frit, a raw materials used in manufacturing of tiles and have over the years, evolved into a manufacturer for vitrified tiles.. 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 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. p.a. Notably, Talod Unit is one of the single largest plant for manufacturing glazed vitrified tiles under one roof in India.

Key Highlights

- ETL has a large retail network of 2,000+ dealers having long term relationships. ETL also has 6 display centers in 6 cities and 2 marketing offices at Delhi and Morbi to complement growth strategies.
- 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..
- Exxaro's 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.
- Domestically, ETL has PAN India presence with sales in 27 states
- Exxaro has clocked a revenue of INR 2,598+ Mn with an EBITDA of 20.0% for FY21, margins are even better than some of the industry peers. We understand that the financial results are based on full-fledged operations of 3 quarters only, as the major part of the first quarter was complete lockdown.

Valuation and View:

At the upper band of INR 120, the issue is valued at P/E 35(x) its FY21 diluted EPS of INR 3.4. The organized tiles industry has been gaining market share post GST implementation and midsized companies having stronger balance sheet and stable product portfolio are likely to deliver higher growth potential going ahead. We like the company backed by its wide spread dealer network, in house manufacturing facility and wide product portfolio having 1000+ designs. Company is continuously focusing on enhancing brand value and Continue to improve operating efficiencies through technology enhancements and setting up own gas station which will help in sustaining margin going ahead. Based on above factors we recommend SUBSCRIBE to the issue of Exxaro Tiles Ltd.

Industry Overview

Indian Ceramic Industry has been growing exponentially during last couple of years as the industry changes gears including continuous shift from un-organised to organised, 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-organised to organised. This assumes significant importance as the industry has been dominated by un-organised segment.

38%+ CAGR growth in Ceramics exports from India (figures in sq.mt. Mn.)



Source: Ceramics Exports from India (Ceramic World Web)

Indian ceramic tiles output (in Mn. sq.mt.) and share in global output (%)



Source: Contribution of Indian Ceramics Output

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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Key Strengths

State-of-the-art manufacturing facilities with strong focus on design and quality: Exxaro manufactures almost all their products in-house at 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. Manufacturing facilities are fully integrated from raw material handling to finished goods warehousing process, and are equipped with latest machineries such as Kiln, Press, Digital Printing, Glazing line (Unit II) enabling them to manufacture various sizes of products, minimise human labour involvement and achieving cost efficiencies. Unit II is one of the single largest plant for manufacturing glazed vitrified tiles under one roof in India. Majority of key machineries are imported and match international standards. Exxaro has an in-house laboratory, enabling it to develop new varieties, besides facilitating conducting of tests and analysis of various products. Exxaro's 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 with minimal future capital investments.

Widespread sales & dealers network: Exxaro's marketing model for domestic operations is majorly divided into two parts: 1) through retail network, and 2) through infrastructure related projects and to private customers. Exxaro has over 2,000 registered dealers and domestically, and PAN India presence with presence in 27 states. Exxaro focuses on developing new and trending designs, meet stringent quality and technical specifications and providing better pricing and delivery terms. 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. Exxaro has sales and marketing team of 80+ dedicated employees

Wide product portfolio comprising 1000+ designs Exxaro 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 categorised into various series. Exxaro 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 tile

Key Growth Drivers

Strengthening brand value: Exxaro intends to make consistent efforts to strengthen their brand "Exxaro" and enhance brand visibility by undertaking various marketing initiatives. Since Exxaro is a relatively young and most of the peers have had a longer operating history, going forward, to attain parity with listed industry peers, Exxaro 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.

Expand dealer network in existing markets and increase export presence: Exxaro Tiles 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. ETL 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, ETL also aim to increase presence based on product portfolio.

Increase sales by enhancing manufacturing capacities and procuring materials on outsourced basis: Exxaro 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. Exxaro 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 Exxaro to offer a comprehensive product range to dealers, increase sales and cash flow from operations.

Continue to improve operating efficiencies through technology enhancements and setting up own gas station Exxaro continues to further develop their technology systems to increase asset productivity, operating efficiencies and strengthen competitive position. Exxaro is in the process of setting up of own gas station for internal gas consumption to optimise 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 Exxaro reduce external dependency.

Key Risks

- Fuel is a major cost for the manufacturing of tiles and any major rise in international prices could have an adverse impact on the company's profitability. The tiles sector is highly dependent on the new construction, and any
- slowdown in the new launches by the real-estate sector could result in a slowdown in the off take. However, the replacement market plays a sizable role and hence it could compensate the same..

Other Highlights

- Exxaro has grown at 21%+ CAGR over FY15-19. While, at the same time, it has been generating higher margins consistently and its margins currently are even better than the industry peers owing to its distinct integrated model of owned manufacturing and retail sales.
- Exxaro focuses on distribution network and retail sales has been one of the differentiating factor leading to higher margins which is also coupled with owned manufacturing model with no reliance on outsourced manufacturing
- Exxaro has also been a pioneer in glazed vitrified tiles having one of the single largest facility for GVT under one roof in India, this has enabled Exxaro to launch differentiated products for various sizes, designs that are used for multiple solutions.
- ETL has consistently grown over last few years while maintaining high EBITDA Margins

Peer Comparison

Company (in INR Mn)	CMP (INR)	Revenue	EBITDA	EBITDA M (%)	PAT	D/E (x)	EPS (INR)	RoE (%)	P/E (x)
Exxaro Tiles Limited^	120	2598	520	20%	152	1.1	4.5	11.2	26.6
Kakaria Ceramics Limited	1002	27809	5087	18%	3087	0.0	19	16.5	53
Somany Ceramics Limited	714	16505	1908	11%	613	0.5	14	9.3	51
Orient Bell Limited	371	5025	322	6%	43	0.1	5.4	1.7	69

Financials are as on FY21; ^ at upper price band

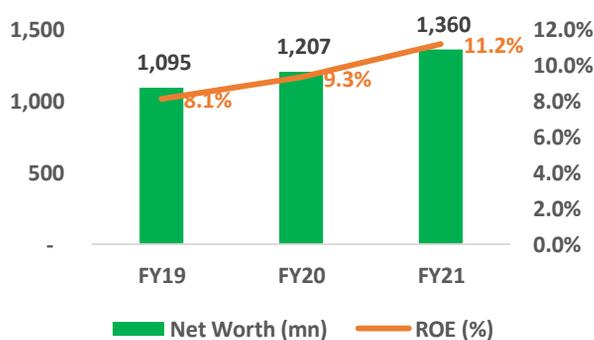
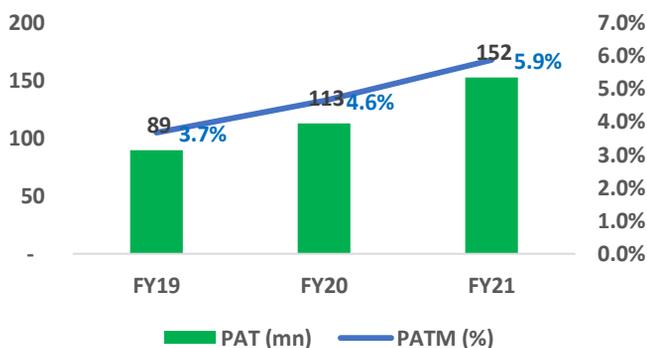
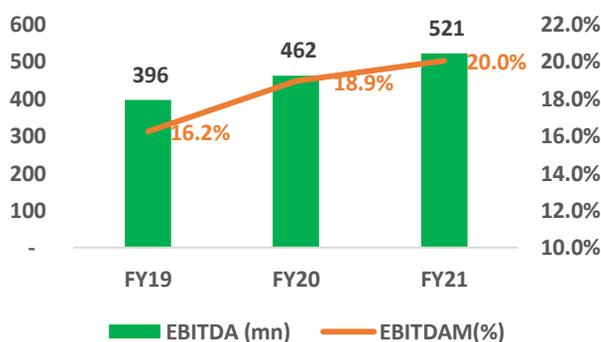
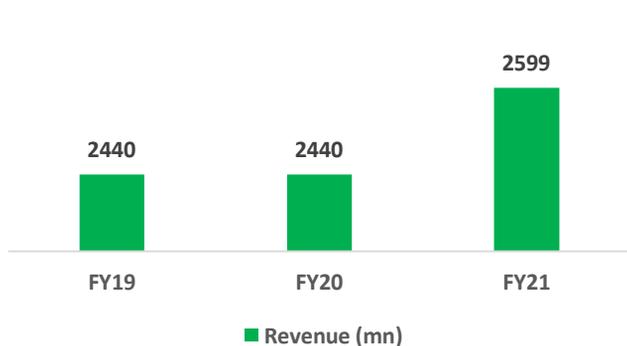
Management

Key Person	Description
Mr Mukesh Patel	Mr Mukesh Patel is the Chairman and Managing Director of the company, having 19 years of experience in building materials and ceramics industry. He is responsible for entire financial management and overall business development
Mr Kirit Patel	Mr Kirit Patel is the Whole Time Director of the company, having 15 years of experience in sales and marketing of the manufacturing industry. He is responsible for sales and distribution process and monitors the HR department.
Mr Dinesh Patel	Mr Dinesh Patel is the Whole Time Director of the Company, having 18 years of experience in the manufacturing industry. He is responsible for production and administrative operations.

Financial Performance

Particulars (in mn.)	FY19	FY20	FY21
Revenue	2,440	2,440	2,599
EBITDA	396	462	521
EBITDAM(%)	16.2%	18.9%	20.0%
PAT	89	113	152
PATM (%)	3.7%	4.6%	5.9%
EPS (INR as reported)	2.7	3.6	4.5
Net Worth	1,095	1,207	1,360
Total Debt	1,435	1,621	1,610
Total Assets	3,693	3,871	3,853
ROE (%)	8.1%	9.3%	11.2%

Charts



Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
 Building No. 10, 1st Floor
 Andheri Ghatkopar Link Road
 Chakala, Andheri (E)
 Mumbai – 400093
 Tel: (91-22) 42254800
 Fax: (91-22) 42254880

Registered Office

Arihant House
 E-5 Ratlam Kothi
 Indore - 452003, (M.P.)
 Tel: (91-731) 3016100
 Fax: (91-731) 3016199

Stock Rating Scale

BUY
 ACCUMULATE
 HOLD
 NEUTRAL
 REDUCE
 SELL

Absolute Return

>20%
 12% to 20%
 5% to 12%
 -5% to 5%
 -5% to -12%
 <-12%

**Research Analyst
Registration No.**

INH000002764

Contact

SMS: 'Arihant' to 56677

Websitewww.arihantcapital.com**Email Id**instresearch@arihantcapital.com

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Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
 Andheri Ghatkopar Link Road, Chakala, Andheri (E)
 Tel. 022-42254800 Fax. 022-42254880