



IPO Snapshot – Exxaro Tiles Limited

02-August-2021

Issue Snapshot:

Issue Open: Aug 04 – Aug 06 2021

Price Band: Rs. 118 – 120

*Issue Size: 13,424,000 eq shares
(Fresh Issue of 11,186,000 eq sh +
Offer for sale of 2,238,000 eq sh)

Issue Size: Rs.158.4 – 161.1 cr

Reservation for:

QIB	Upto	25% eq sh
Non Institutional	atleast	35% eq sh
Retail	atleast	40% eq sh

Face Value: Rs 10

Book value: Rs 38.20 (Mar 31, 2021)

Bid size: - 125 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity: Rs. 33.55 cr

*Post issue Equity: Rs. 44.74 cr

Listing: BSE & NSE

Book Running Lead Managers: Pantomath
Capital Advisors Private Ltd

Registrar to issue: Link Intime India
Private Ltd

Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoter and Promoter Group	56.1	42.1
Public	43.9	57.9
Total	100.0	100.0

*=assuming issue subscribed at higher band
Source for this Note: RHP

Background & Operations:

Exxaro Tiles Ltd (ETL) is engaged in manufacturing and marketing of vitrified tiles used majorly for flooring solutions. It 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. Its 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. This process does not permit complex patterns but results in a long-wearing tile surface, suitable for heavy traffic commercial projects.

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. These tiles are coated with glaze materials prior to the firing process.

ETL supply products mainly in 6 sizes. It has 1000+ designs in its product basket, which are marketed under its brand "Exxaro". Its well-known brand series include Topaz Series, Galaxy Series, High Gloss Series, etc. Some of its 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 it also supplies wall tiles to certain of its dealers wherein it gets the products manufactured on outsourced basis.

ETL's integrated model has allowed it to develop insights across the entire value chain right from product design, process development, manufacturing to marketing. It is distinguished by its large dealer network with whom it has developed long term relationships over the years. The Company has more than 2,000 registered dealers. It also supplies products for large infrastructure related projects. Domestically, it has PAN India presence (24 states/ union territories based on sales made during Fiscal 2021) and internationally it supplies products in over 12 countries including Poland, UAE, Italy, Bosnia etc.

For the Fiscals 2021, 2020 and 2019, ETL's revenue from exports contributed 13.88%, 13.51% and 6.68%, respectively of its revenue from operations. Its revenues from exports have grown at a CAGR of 47.92% between Fiscals 2019 and 2021. It has two state-of-the-art manufacturing facilities which are located at Padra and Talod respectively in Gujarat. Also it has 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.

For the Fiscals 2021, 2020 and 2019, ETL's revenue from operations was Rs. 2,551.45 million, Rs. 2,407.42 million and Rs. 2,422.51 million, respectively, growing at a CAGR of 2.62% between Fiscal 2019 and Fiscal 2021. EBITDA for the Fiscals 2021, 2020 and 2019 was Rs.473.46 million, Rs.429.62 million and Rs.378.29 million respectively, growing at a CAGR of 11.86% between Fiscal 2019 and Fiscal 2021, while profit after tax for the Fiscals 2021, 2020 and 2019 was Rs.152.23 million, Rs.112.59 million and Rs.89.17 million respectively, growing at a CAGR of 30.61% between Fiscal 2019 and Fiscal 2021.

Objects of Issue:

The Offer comprises a Fresh Issue by ETL and Offer for Sale by the Selling Shareholders.

Offer for Sale

ETL will not receive any proceeds of the Offer for Sale by the Selling Shareholder. However, except for the listing fees which shall be solely borne by the Company, all offer expenses will be shared, upon successful completion of the Offer, between ETL and the Selling Shareholder on a pro-rata basis, in proportion to the Equity Shares issued and allotted by the Company in the Fresh Issue and the offered shares sold by the Selling Shareholder in the Offer for Sale.

Fresh Issue

ETL proposes to utilise the Net Proceeds from the Fresh Issue towards funding the following objects:

- Prepayment/repayment of certain secured borrowings availed by ETL;
- Funding the working capital requirements of the Company; and
- General corporate purposes

Utilisation of Net Proceeds

Particulars	Amount (Rs. in million)
Prepayment/repayment of certain secured borrowings availed by ETL	500.0
Funding the working capital requirements of the Company	450.0
General corporate purposes	*
Total	*

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

Business Strategy:

- Strengthen brand value
- Expand dealer network in existing markets and increase export presence
- Increase sales by enhancing manufacturing capacities and procuring materials on outsourced basis
- Continue to improve operating efficiencies through technology enhancements and setting up own gas station

Key Concerns:

- Volatility in the supply and pricing of raw materials and stores & spares may have an adverse effect on the business, financial condition and results of operations
- The shortage or non-availability of power, fuel and water facilities may adversely affect its vitrified tiles manufacturing process and have an adverse impact on the results of operations and financial condition.
- Company requires significant amounts of working capital for a continued growth. Inability to meet working capital requirements may have an adverse effect on the results of operations
- Lenders have charge over ETL's movable and immovable properties in respect of finance availed by it.
- Inability to meet obligations under its debt financing arrangements could adversely affect the business, results of operations and cash flows.
- Manufacturing operations are critical to the business and any shutdown of its manufacturing facilities may have an adverse effect on the business, results of operations and financial condition.
- An inability to expand or manage distribution network for business or the loss of any significant dealer may adversely affect the business and results of operations.
- ETL 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.
- Business is dependent on the performance of the real estate, infrastructure and other related industries where its products are utilized.
- Any adverse change in regulatory requirements governing products and the products of ETL's customers, may adversely impact its business, prospects, results of operations and financial condition.
- Orders placed by customers may be delayed, modified or cancelled, which may have an adverse effect on the business, financial condition and results of operations.
- ETL has not entered into any long term or definitive agreements with its dealers or customers. If its dealers or customers choose not to source their requirements from it, the business, financial condition and results of operations may be adversely affected.
- ETL currently avails benefits under certain export promotion schemes. Any failure in meeting the obligations under such schemes, may result in adversely affecting its business operations and its financial condition.
- 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 the financial condition.

- The industry in which ETL operates is labour intensive and its manufacturing operations may be materially adversely affected by strikes, work stoppages or increased wage demands by its employees or those of its suppliers.
- An inability to address changing industry standards and consumer trends may adversely affect the business, results of operations and financial condition.
- If ETL is unable to continue to implement its brand building and marketing initiatives, for each of its brands, its business and prospects may be adversely affected.
- Any increase in interest rates would have an adverse effect on the results of operations and will expose the Company to interest rate risks.
- Certain Unsecured loans taken by ETL can be recalled by the lenders at any time.
- The industry segments in which ETL operates being fragmented, it faces competition from other players, which may affect the business operations and financial conditions.
- The continuing effect of the COVID-19 pandemic on ETL's business and operations is highly uncertain and cannot be predicted.
- The Company is dependent on third party transportation providers, with whom it has no formal arrangements, for the delivery of its 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 Company's reputation and results of operations.
- Business prospects and continued growth depends on ETL's ability to access financing at competitive rates and competitive terms, which amongst other factors is dependent on its credit rating.
- If ETL is not able to obtain, renew or maintain its statutory and regulatory licenses, registrations and approvals required to operate its business, it may have a material adverse effect on the business, results of operations and financial condition.
- 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.
- Inability to effectively manage growth or to successfully implement business plan and growth strategies could have an adverse effect on the business, results of operations and financial condition.
- Business operations are exposed to various standard financial risks such as liquidity risk, market risk and credit risk.
- Activities involving ETL's manufacturing process can be dangerous and can cause injury to people or property in certain circumstances.
- Changes in technology may render ETL's current technologies obsolete or require it to make substantial capital investments.
- Under-utilization of manufacturing capacities could have an adverse effect on the business and results of operations.
- Fluctuations in the exchange rate of the Rupee and other currencies could have a material adverse effect on the value of the Equity Shares, independent of the operating results.
- The extent and reliability of Indian infrastructure could adversely affect ETL's results of operations and financial condition.

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