Twitter Thread by Aditya Kondawar

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Exxaro Tiles IPO

Let's understand everything about the business and its IPO!

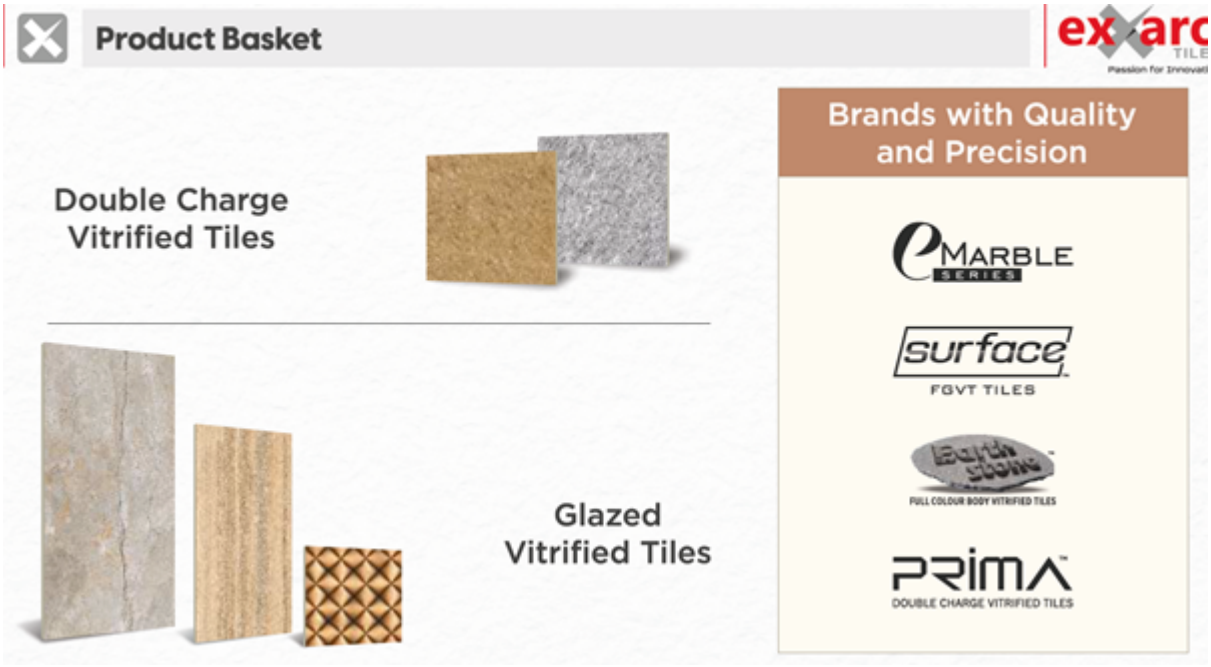
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#IPOwithJST #Tiles

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About Exxaro Tiles

- Incorporated in 2008
- Manufactures vitrified tiles - Double Charge Vitrified Tiles and Glazed Vitrified Tiles made from ceramic materials
- Principal raw materials used in the manufacturing process are feldspar, clay, frit, bentonite, etc



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- Company has long term gas supply agreements with various suppliers for natural gas procurement
- Product portfolio consists of 1000+ different designs of tiles in 6 sizes
- Topaz Series, Galaxy Series, and High Gloss Series are some of the well-established products

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Who does it supply to?

- Large Infra projects i.e. residential, educational, commercial, hotels, hospitals, government, builders or developers, religious institutions, etc
- Also exports tiles to different countries such as Poland, Bosnia, the USA, and others



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Distribution

- Selling products to retail customers through a distribution network of dealers and sub-dealers across India.
- 2000+ registered dealers

- Incorporated in 2008; Exxaro is engaged in manufacturing of vitrified tiles
- 2 manufacturing facilities in Vadodara and Talod spread over 1.5 lacs sq. mtr.
- 2 broad product categories : Double Charge Vitrified Tiles & Glazed Vitrified Tiles
- Developed insights across value chain from product designing, process development, manufacturing to marketing
- Sells products under own umbrella brand "Exxaro"
- Key product development: 1) 3D Effect in Double Charge Vitrified Tiles; 2) Replica of Natural Stones in Double Charge Vitrified Tiles and 3) High transparent glazed vitrified tiles
- Domestic Presence: Across 27 states of India with large dealers network; Major presence in Tier 1 cities; expanding in Tier 2 & Tier 3 regions
- International Presence: 13 countries; export revenue CAGR @ 150% over FY18-20
- Awarded with "POWERBRANDS - RISING STAR 2018" at London, UK

2000+ Dealers Network	**132L sq. mt.** Production Capacity p.a.
13 Countries	**1000+** Designs
19.8% EBITDA Margin (9M FY21)	**INR 2400 Mn+** Total Revenue (FY20)

Unit 2 is one of the single largest plant for manufacturing glazed vitrified tiles under one roof in India

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Manufacturing -

For FY21 - capacity utilization of the Padra Facility was 64.43% while that of the Talod Facility was 71.95%

Facility 1 : Padra (Land Area: 37,460 sq. mtr.)



Particulars	Unit	FY 18	FY 19	FY 20	9M FY21
Installed Capacity	Sq.mt	3,600,000	3,600,000	3,600,000	3,600,000
Actual Production	Sq.mt	3,108,924	2,896,349	3,000,885	1,500,233
Capacity Utilization	(%)	86.36%	80.45%	83.36%	55.56%*

Facility 2 : Talod (Land Area: 123,504 sq. mtr.)

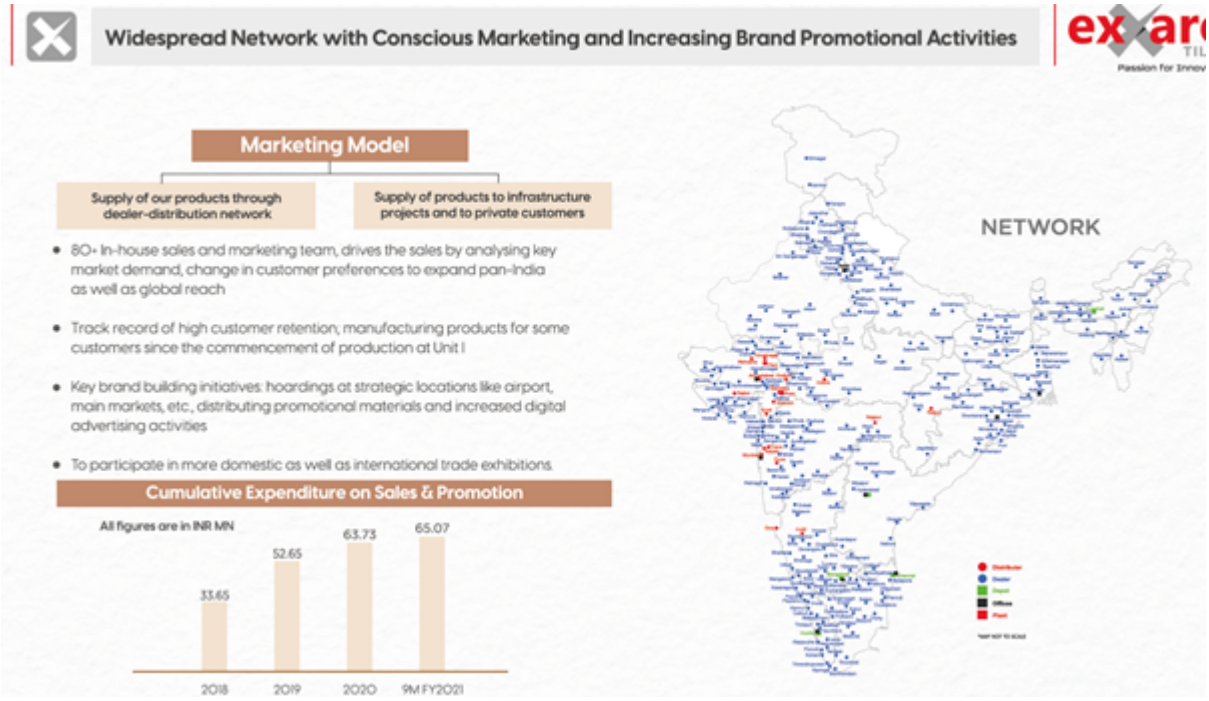


Particulars	Unit	FY 18	FY 19	FY 20	9M FY21
Installed Capacity	Sq.mt	9,600,000	9,600,000	9,600,000	9,600,000
Actual Production	Sq.mt	3,168,269	4,592,003	6,197,464	4,626,022
Capacity Utilization	(%)	33.00%	47.83%	64.56%	64.25%*

Both the facilities conform to PCB norms, has requisite ISO Accreditations, includes common facilities such as In-house Laboratory, workshop and other necessary arrangements

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Marketing | Sales & Promotion



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Issue Details

Price – ■ 118 - 120
Date – 4 to 6 August
Issue Size – Rs 161 Cr
Split – 134 Cr Fresh issue + 27 Cr Offer for sale
Mcap Post issue – 536 Cr (Small company)

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Objectives of Issue –

- 50 cr towards repaying the existing debt
- 45 cr towards working capital
- Meet general corporate purposes.

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Credit Rating - (Brickwork ratings)

- For Fund-based long-term borrowing as BWR BBB+ with a stable outlook

- For Non-Fund based - short term borrowing as BWR A3+. Rating valid till Aug 5, 2021

Hat tip - what does the rating mean? Check here - https://t.co/LCtEQ76pFu

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Risks –

- Provided security in respect of loans by creating a charge over movable and immovable properties. The total amounts outstanding and payable are Rs 143 Cr as of FY21

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- As of FY21 - Trade receivables of Rs 90 Cr, 24% of the total balance sheet (has been constant at this % last 2 years also)
- Rs 3.3 Cr is due for 6 months+ and up to 1 year
- Rs 12 Cr due for 1 year+

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- As of the date of RHP, they are yet to recover the amount of Rs. 3.7 Cr from 64 debtors on which they have filed complaints

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Financials -

B/S - Receivables high, debt to come down post IPO , debt to equity to get better

P&L - CAGR given, Net profit aided by lower cost of purchases

CF - Cash flows have been good

Statement	Particulars (Rs Cr)	FY21	FY20	FY19	Comments
B/S	Total Balance sheet Size	369	387	358	-
	Total Debt	143	162	143	50 cr debt repayment from IPO money so 93 cr debt
	Total Equity	136	121	109	134 cr fresh issue so , 270 cr total equity post IPO
	Debt to Equity	1.1	1.3	1.3	Post IPO, debt to equity will be 0.34x
	Cash + Bank Equivalents	2.2	0.5	1.5	
Prepared by JST Investments					
P&L	Revenue	259	244	244	Revenue 2 year CAGR is 3%
	EBITDA	52	46	39	EBITDA 2 year CAGR is 15.5%
	Net Profit	15.3	11.3	8.9	Net profit 2 year CAGR is 29%
	OPM	20%	19%	16%	-
	NPM	6%	5%	4%	-
Prepared by JST Investments					
CF	CFO	38	5.7	41	-
	CFI	-1.7	-2.5	-5.2	-
	CFF	-34.4	-4.2	-38.2	-
	FCF	36.7	4.3	37.9	-

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In FY21 - EPS was Rs 4.54, RoE 11.88%, NAV Rs 38.2, and Sales of Rs 259 cr

Valuation -

P/E – 26.4x | P/S – 2.1x | P/BV – 3.1x

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Peer comparison (Screener)

Of course Kajaria, Cera, Somany are very big when compared to Exxaro

Asian Granito - 2-year rev cagr has been 4%, 2-year profit cagr has been 65%, debt also low, still trades at 10x PE

Murudeshwar made a loss, trades at 2.1x P/S

Peer comparison

Sector: Ceramic Products Industry: Ceramics - Tiles / Sanitaryware

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Sales Rs.Cr.	CF Opr 10Yrs Rs.Cr.	OP 12M Rs.Cr.	Debt / Eq
1.	Kajaria Ceramics	994.25	51.37	15825.21	2780.90	2476.92	508.82	0.07
2.	Cera Sanitary.	4453.00	57.47	5791.52	1224.33		158.06	0.09
3.	Somany Ceramics	708.20	43.15	3001.31	1650.46	1130.81	190.77	0.61
4.	Asian Granito	176.55	10.55	601.23	1292.30		135.95	0.42
7.	Murudesh.Ceramic	29.90		156.47	80.49	264.50	8.97	0.25

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Ceramic Clusters in India (Morbi being the market leader)

End Users

End of thread! Thanks for reading!

We will post about Krsnaa IPO tomorrow and then Cartrade and Nuvoco Vistas also soon!

Ceramic Clusters in India – Morbi accounts for ~90% of the market share

Morbi
- Products : Ceramic tiles Sanitary Ware, technical and industrial ceramics
- No. Of Units: 610 units
- Cluster turnover:3.500 mio EUR

Thangarh
- Products: Sanitary ware, refractories,wall tiles and art tiles
- No. Of units: 225 units
- Cluster turnover:20 mio EUR

Virudhachalam
- Products: Refractory tiles, electrical items [insulators] and decorative items
- No. of units:300 units
- Cluster production:60000 tonnes p.a



Himatnagar
- Products: Walls and Floor tiles [ceramics]
- No. of Units:10
- Cluster turnover:397 mio EUR

Khurja
- Products:Crockery, electrical items [insulators], laboratory and sanitary ware
- No. of units:400 units
- Cluster turnover:50 mio EUR

Palpara
- Products: Ceramic pottery, clay dolls and terracotta products
- No. of units: 675 units
- Cluster turnover:0.3 mio EUR

East & West Godavari
- Products: Bricks, ceramic jars and other ceramic products
- No. Of units:83 units
- Cluster turnover : 6.6 mio EUR

Sources: Messe Muenchenindia