Equity Research Report

Exxaro Tiles Ltd

NSE & BSE Listed | Premium Vitrified Tiles Manufacturer
Brand Ambassador: Ajay Devgn

Sector: Building Materials – Ceramics & Vitrified Tiles
Geographical Presence: India | Middle East | Europe
Coverage Initiation: December 2025

Investment Summary

Exxaro Tiles Ltd is a **NSE and BSE-listed** manufacturer of ceramic and vitrified tiles, positioned as a **design-led, premium-focused player** within the Indian building materials space. Over the past few years, the company has transitioned from being a volume-oriented tile manufacturer to a **brand-driven vitrified tile company**, with strong emphasis on aesthetics, technology, sustainability, and exports.

The company has significantly strengthened brand recall through the appointment of **Mr. Ajay Devgn as Brand Ambassador**, enhancing visibility across retail, institutional, and trade channels. Exxaro Tiles enjoys a **robust domestic brand presence**, supported by an expanding dealer network, and has established export footprints across the **Middle East and Europe**.

Key strategic initiatives—such as **entry into high-margin Middle East markets**, **transition of captive power usage to solar energy**, and **accelerated product innovation using digital printing and advanced surface technologies**—are beginning to reflect in operating performance. With premiumisation, export traction, and cost optimization acting simultaneously, Exxaro Tiles presents a **high operating leverage story** from a relatively low base.

Recommendation Thesis

Premiumisation & Brand Strength
Exxaro Tiles' focus on vitrified tiles, designer finishes, and premium formats enables higher realizations and margin expansion. Strong brand recall, aided by celebrity endorsement, supports pricing power and dealer pull.

Export-Led Growth (Middle East & Europe)
The company's entry into Middle East markets—known for preference toward premium, large-format and designer tiles—offers superior realizations compared to domestic mass markets. Export diversification also enhances revenue stability and foreign currency earnings.

Energy Cost Optimization via Solar Transition
The shift of captive power usage toward **solar energy** is structurally positive, lowering power costs, improving margin visibility, and strengthening ESG credentials.

Low Base with Structural Upside
Given the company's current scale, incremental improvements in realizations, margins, and volumes can translate into **disproportionately higher growth in profitability**.

Industry Overview & Market Opportunity

The Indian tiles industry is witnessing a structural shift driven by:

- Transition from ceramic to vitrified tiles
- Rising urbanisation and housing demand
- Premiumisation in residential and commercial interiors
- Increased renovation and replacement demand

Within this, the **premium and value-added vitrified tile segment**, estimated at approximately **USD 200 million**, is experiencing demand significantly ahead of organised supply. This segment includes digitally printed tiles, large-format slabs, textured and 3D surfaces, and specialised functional tiles.

Internationally, Middle East and European markets remain attractive due to high construction spend, preference for premium finishes, and sustained infrastructure and hospitality investments.

Company & Business Model

Exxaro Tiles manufactures a wide range of **polished glazed vitrified tiles (PGVT)**, digital wall tiles, and specialised surface-finish tiles catering to residential, commercial, and institutional applications. The company's strategy prioritises **realisation growth over pure volume expansion**, targeting higher return ratios and margin sustainability.

Its distribution network spans domestic dealers, project sales, and export channels, enabling balanced demand sourcing and reduced dependence on any single geography.

Product Innovation & Design Leadership

Exxaro Tiles is aligning its product roadmap with global design and technology trends, including:

- **Digital printing technology** for ultra-realistic stone, marble, and wood textures
- **Large-format slabs** and seamless surfaces for premium interiors
- **Textured and 3D designs**, including fluted and geometric patterns
- **Unique shapes and customised finishes** for architectural differentiation

• **Smart tiles** with integrated lighting and heating applications (select use cases)

Design & Aesthetic Trends Addressed

• Nature-inspired looks
• Warm and earthy colour palettes replacing cooler greys
• Luxurious gold veining and premium gloss finishes
• Textured surfaces for enhanced depth and tactility

Sustainability & Performance Focus

• Thin porcelain slabs using lower raw material intensity
• Durable, eco-friendly manufacturing practices
• Enhanced safety and hygiene features such as anti-skid and easy-clean surfaces

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Operational Efficiency & Solar Power Transition

Energy constitutes a significant cost component in tile manufacturing. Exxaro Tiles has initiated the transition of its **captive power consumption toward solar energy**, a move that is already beginning to reflect in operating metrics. Key benefits include:

• Lower and predictable power costs
• Improved EBITDA margins
• Reduced exposure to fuel price volatility
• Stronger ESG positioning

As solar utilisation increases, margin sustainability is expected to improve materially.

Financial Outlook & Growth Visibility

Near-Term Outlook

Improved product mix, export traction, and early benefits from energy optimisation are expected to result in **meaningful operating leverage** over the coming quarters.

Medium-Term Outlook

Over the next 6–12 months, growth drivers include: - Scaling of premium vitrified tile volumes - Increasing contribution from export markets - Full realisation of solar power cost benefits

Given the company’s relatively low base, successful execution could translate into **multi-fold growth in sales and profitability**, driven primarily by margin expansion rather than aggressive capacity additions.

Competitive Positioning

Exxaro Tiles differentiates itself through:

- Strong brand recall supported by celebrity endorsement
- Focus on premium and value-added vitrified tiles
- Faster adoption of global design trends
- Early integration of renewable energy within operations
- Expanding international footprint

While competition remains intense, Exxaro's design-led and premium-focused strategy provides insulation from commoditised price competition.

Key Risks

- Intense competition from larger, established tile manufacturers
- Volatility in raw material and logistics costs
- Execution risks associated with export market expansion
- Cyclicality linked to real estate and construction demand

Conclusion

Exxaro Tiles Ltd represents a **premiumisation-driven growth story** within the Indian building materials sector. The company's focus on design innovation, sustainability, export expansion, and energy efficiency positions it well for long-term value creation.

With strong brand visibility, improving cost structure, and access to a sizeable premium market opportunity, Exxaro Tiles offers an attractive **high-operating-leverage play** for investors tracking evolving consumer preferences in building materials.

Valuation & Investment View

Exxaro Tiles is in the midst of a transition from a mid-sized, volume-oriented tile manufacturer to a **premium, design-led, brand-driven building materials company**. As a result, traditional valuation metrics based solely on historical earnings may not fully capture the company's medium-term earnings potential.

Key Valuation Drivers

- Rising share of **premium vitrified tiles** with higher realisations and margins
- **Export-led growth** into Middle East and European markets, which typically command superior pricing
- Structural margin improvement driven by **solar power integration** and energy cost optimisation

- Strong brand recall supported by a celebrity brand ambassador, aiding pricing power and channel pull

Re-rating Potential

As execution stabilises and the benefits of premiumisation, exports, and cost efficiencies become visible, Exxaro Tiles could merit a **valuation multiple re-rating closer to premium building material peers**, subject to overall market conditions.

Given the company's **low base**, incremental gains in volumes and margins can translate into **disproportionately higher growth in profits and return ratios** over the medium term.

Valuation outlook remains contingent on execution consistency, demand conditions, and sector sentiment.

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