



IPO Note

Esprit Stones Limited

Recommendation: **APPLY!**

Company Background -

- Originally incorporated as "Esprit Stones Private Limited" on October 19, 2016. The registered office is located at Udaipur, Rajasthan.
- The Company is engaged in manufacturing of Engineered Stones such as (i) engineered quartz surfaces, (ii) engineered marble surfaces and (iii) unsaturated polyester resins.
- The company has presence across 21 states and Union Territories in India and export to more than 10 countries.
- The company had 295 employees as of May 31, 2024.

Objects of the Issue -

- Investment in the subsidiary, Haique Stones Private Limited (HSPL), for repayment and/ or prepayment in part or full of its outstanding borrowings.
- Investment in the Subsidiary, Haique Stones Private Limited (HSPL) for funding its Working Capital Requirement.
- Funding Working Capital Requirements.
- General Corporate Expenses.

Promoters Name -

Sunilkumar Lunawath, Nitin Gattani, Pradeepkumar Lunawath, Sangeetha Gattani, Anushree Lunawath and Siddhanth Lunawath.

Rationale for recommendation -

- ✓ The top line, bottom line and profitability margins have increased in FY 2024.
- ✓ The company has a P/E of 18.5 times on Post IPO basis compared to Industry P/E of 29.20 times.
- ✓ The company performed at par compared to its peers and their cash conversion cycle is better than its peers.
- ✓ The company has made a good recovery after the overall industry fall of FY 2023.
- ✓ The engineered stones industry is a growing industry.
- ✓ The management overview is satisfactory.

IPO Details

Opening Date	July 26, 2024
Closing Date	July 30, 2024
Allotment Date	July 31, 2024
Listing Date	Aug 02, 2024
Stock Exchange	NSE SME
Lot Size	1,600 Shares
Issue Price Per Share	₹82 to ₹87
Issue Size	50.42 Cr.
Fresh Issue	50.42 Cr.
Offer for Sale	-
Application Amt	₹ 1,39,200 (1,600 shares)

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	18,645.65	17,441.09	27,289.02
EBITDA	2,960.91	1,733.16	3,131.28
Net Profit	1,850.53	355.72	1,031.73
RoCE	25.82%	8.04%	17.20%
ROE	31.40%	5.71%	14.25%
P/E	7.59	40.85	13.83

Promoter Share Holding Pattern

Pre-Issue	Post Issue
100.00%	73.59%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	6.29	4.70
BVPS	44.82	55.96
P/E	13.83	18.51
P/BV	1.94	1.55
Mkt Cap (In Cr)	140.51	190.92

Lead Managers -

Choice Capital Advisors Private Limited

Srujan Alpha Capital Advisors LLP

Registrar -

Link Intime India Private Limited

Business Overview -

Esprit Stones Limited was incorporated as “Esprit Stones Private Limited” on October 19, 2016. Their registered office is in Udaipur, Rajasthan. They have established their presence across 21 states and Union Territories in India and export to more than 10 countries. The company has 295 employees as of May 31, 2024.

The company is engaged in manufacturing of Engineered Stones such as engineered quartz surfaces and engineered marble surfaces. Engineered Stones are composite material formed out of crushed stone that is held together by an adhesive. Engineered Stone’s non-porous characteristics, offer superior scratch, stain and heat resistance, making them extremely durable and therefore get an edge over competing products such as natural stones, laminate and other manufactured solid surfaces

The company currently has 4 manufacturing facilities located in Rajasthan, for manufacture of engineered quartz surfaces, quartz grit, unsaturated polyester resins and engineered marble surfaces. The capacity utilization is 37.36%, 34.63% and 43.74%, for FY 2022, 2023 and 2024 respectively.

Subsidiaries -

Addwaya Chemicals Private Limited - The company is involved in the business of manufacturing unsaturated polyester resin. Esprit Stones Limited holds 51% of paid-up share capital.

Haique Stones Private Limited - The company is engaged in manufacturing and processing of engineered marble surfaces. Esprit Stones holds 99.99% of the paid-up share capital.

Haique Stones Inc - The company is involved in the trading of engineered stones. Esprit Stones holds 99.99% of the paid-up share capital.

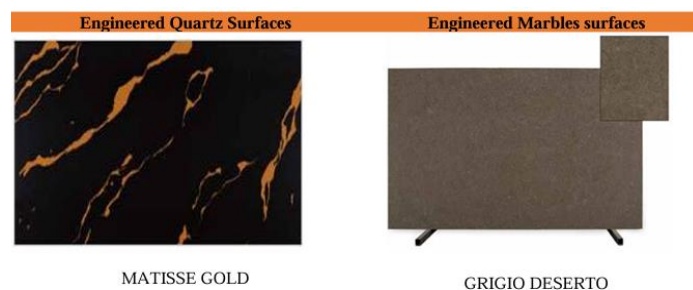
Revenue Bifurcation product wise -

(Amt in lakhs)

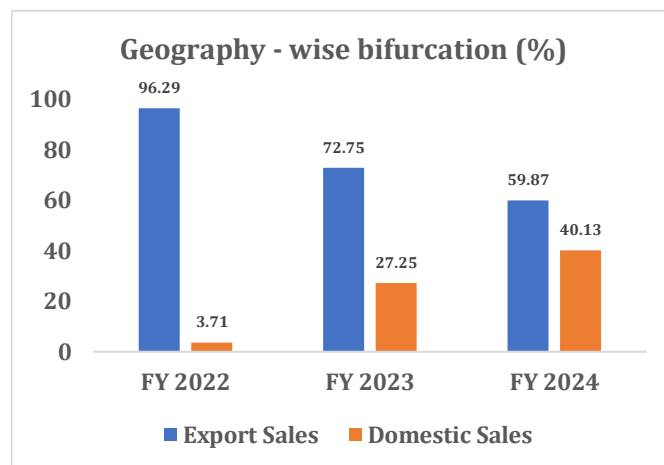
Products	FY 2022	FY 2023	FY 2024
Engineered quartz surfaces	18,504.61	14,349.08	17,236.40
Engineered marble surfaces	-	103.39	1,622.99
Unsaturated Polyester Resin	-	2,563.22	8,150.51
Total	18,504.61	17,015.69	27,009.90

Product Portfolio -

- **Engineered quartz surfaces** - These are suitable for wet rooms of commercials and residential constructions. It is used in kitchen counter-tops, table-tops, bathroom, vanities and wall-cladding.
- **Engineered marbles surfaces** - These are moulded into structures later refined and polished to be used as countertops, bathtubs, sanitary ware, kitchenware, flooring, window and door jamming, table-tops etc.
- **Unsaturated Polyester Resins** - Unsaturated polyester resin (UPR) is a polymer type widely used in the manufacturing of engineered stones, button. Fibre processing of natural stones etc.



Revenue Bifurcation geography-wise -



Competition -

Market Competition: The engineered stone market is highly competitive where the key factors of competition primarily comprise quality, price and variation in products.

Domestic Competition: The company faces competition from organized as well as unorganized players in both domestic and international market.

Barriers to entry: Moderate barriers to entry, as establishing manufacturing facility requires significant capital investment. The company has high threat of substitutes.

Bargaining Power of Suppliers: The bargaining power is high with the suppliers.

Bargaining Power of Buyers: The bargaining power is high with the customers.

Business Strategies -

Expand awareness of their premium brand: The company has recently launched their premium brand 'Haique'. They are engaged in promoting Haique through online media, print advertising, exhibitions and events.

Focusing on entering new markets: The company intends to expand their business in the Middle East countries. Also, they intend to expand their dealer's network in the Indian markets.

Expand the product line by introducing fresh designs to the portfolio: The company is focusing on introducing new products with unique designs, good quality and competitively priced products.

Focus on efficiency, cost and return on capital: They intend to improve the efficiency of operations, reduce costs, improve margins and enhance the efficiency of capital employed thereby increasing the return on capital, while still focusing on sustainable growth.

Risk Factors -

The company derived majority of its revenue from top 10 customers which accounted to 62.32%, 63.94% and 83.64% for FY 2024, FY 2023 and FY 2022 respectively.

The company derived majority of its revenue from exports which accounted to 59.87%, 72.75% and 92.44% for FY 2024, FY 2023 and FY 2022 respectively. Most of the exports were made to USA.

The company has 10 outstanding cases against it for taxation matters amounting to Rs. 393.52 lakhs.

1 outstanding case filed by the company for criminal matter amounting to Rs. 34.51 lakhs.

The company has contingent liabilities amounting to Rs. 698.33 lakhs for FY 2023-24.

The company has unsecured loans amounting to Rs. 2,356.01 lakhs.

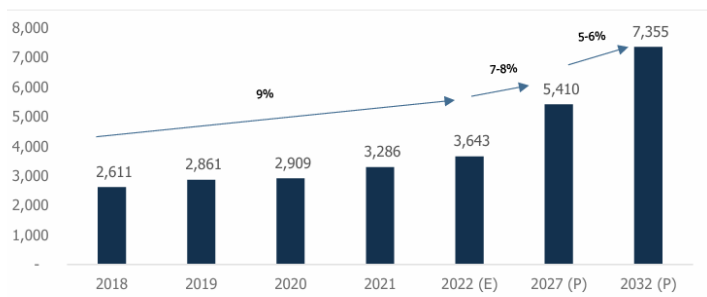
The company has negative cash flow from operations in FY 2023.

PEER ANALYSIS

Particulars	Esprit Stones Limited			Pokarna Limited			Pacific Industries Limited			Global Surfaces Limited			Elegant Marbles & Grani Industries Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	9.9%	2.0%	3.8%	11.9%	9.1%	12.7%	5.4%	3.5%	6.3%	18.0%	13.4%	8.6%	9.0%	8.5%	11.8%
EBITDA Margin	16%	10%	11%	28%	25%	32%	12%	13%	14%	25.1%	21.2%	16.9%	11.2%	12.7%	17.4%
RoCE	26%	8%	17%	17%	20%	22%	6%	4%	5%	20.8%	8.8%	6.9%	3.0%	4.0%	4.2%
ROE	31%	6%	14%	18%	13%	15%	4%	2%	3%	26.6%	9.3%	6.0%	2.5%	2.9%	3.1%
EPS (INR)	11.46	2.13	6.29	25.25	21.23	28.18	30.06	10.68	17.23	17.68	6.36	4.41	7.35	8.31	12.23
P/E	7.59	40.85	13.83	29.21	11.52	15.12	9.89	10.89	10.23	0.00	26.05	52.32	15.44	12.84	20.19

Indian Engineered Stone Market -

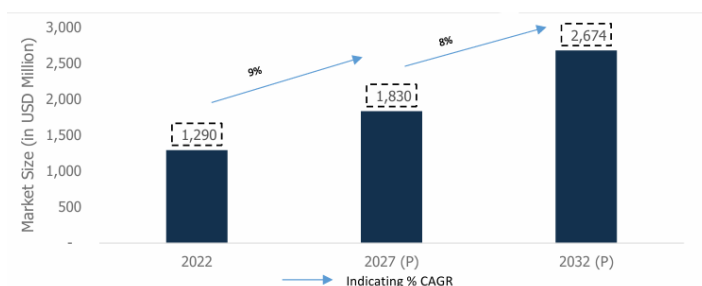
The Indian engineered stone market is estimated to be valued at \$3,643 million in 2022. The industry is expected to grow at a CAGR of 7-8% in the projected years between 2022 to 2027. By the year 2032, the Indian engineered stone market is expected to reach \$7,355 million. More than half of quartz in India comes from the state of Andhra Pradesh, followed by Rajasthan. Other states where quartz is available are Chhattisgarh, Gujarat, West Bengal, Karnataka and Jharkhand. The industry mainly consists of unorganized players. The demand for engineered stones has increased tremendously owing to its wide range of applications, cost effectiveness, and many other characteristics such as strength, durability, and availability in various colour pellets.



(Source: RHP)

Indian – Unsaturated Polyester Resin

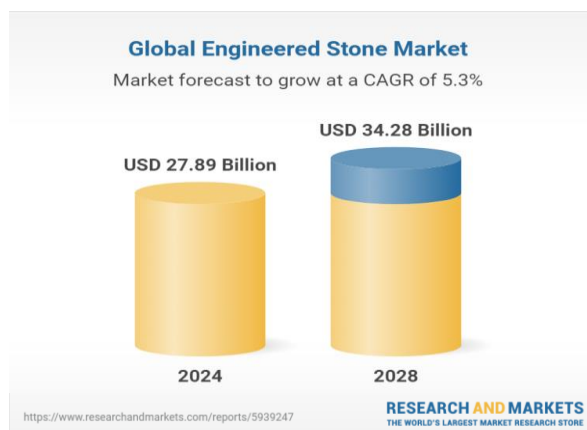
The Indian unsaturated polyester resin market was valued at \$1,290 million in 2022 and is projected to reach \$2,674 million by 2032, registering a CAGR of 8% from 2022 to 2032. The unsaturated polyester resin market in India is experiencing significant growth, buoyed by robust development in the construction and automotive industries. As India strives for economic growth and technological advancement, the unsaturated polyester resin market is poised to play a pivotal role in fostering innovation and contributing to the nation’s industrial development.



(Source: RHP)

Global Engineered Stone Market-

- The global engineered stone industry is expected to grow at a CAGR of 5-6% between 2027 and 2032. It is expected to reach \$48,104 million by 2032.
- The engineered quartz has been the major contributor in the engineered stone segment followed by the engineered marble stone.
- Asia Pacific’s engineered stone segment is valued at an estimated \$15,014 million in 2022. It is expected to grow at a CAGR of 7-8 % between 2022 and 2027 and is estimated to reach \$27,997 million by 2032.
- The global unsaturated polyester resin market was valued at \$9,962 million in 2022 and is projected to reach \$18,145 million by 2032, registering a CAGR of 6% from 2022 to 2032.



- The engineered stones market is also expected to expand in the USA, driven by the growing demand for building and construction activities. Further, the increased demand for countertops in new construction and renovations is expected to boost the engineered stone market in the USA.
- The engineered quartz has been the highest contributor to the engineered stone market in Europe in the historical period. The engineered stone segment estimated to be valued at \$4,120 million in 2022 and is expected to grow at a CAGR of 6-7% between 2022 and 2027. In future, the engineered marble stone is expected to grow at a higher CAGR between 5%-6%.
- The engineered stone market in LAMEA grew at a CAGR of 6% and stood at \$2,156 million in 2021. It is expected to reach \$4,289 million in 2032. Under LAMEA, the UAE engineered stone market was valued at \$551 million in 2021 and is projected to reach \$1,137 million by 2032.

Key Management -

Key Management Persons Name -	Sunilkumar Lunawath
Age	48
Designation and No. of years of experience	Promoter and Managing Director, 25+ Years of experience
Qualification	-
Roles and Responsibility	-
Other Directorships	Rajasthan Packaging Co Private Limited, Aravalli BIZ Ventures Private Limited, Aglow Chemicals Private Limited, Haique Stones Inc. etc.

Key Management Persons Name -	Nitin Gattani
Age	49
Designation and No. of years of experience	Promoter and Joint-Managing Director, 25+ years of experience
Qualification	-
Roles and Responsibility	-
Other Directorships	Shreya Petrochem Private Limited, Lakecity Enterprises Private Limited, Shree Logistics Private Limited, Haique Stones Inc. etc.

Key Management Persons Name -	Pradeepkumar Lunawath
Age	51
Designation and No. of years of experience	Promoter and Executive Director, 21+ years of experience
Qualification	-
Roles and Responsibility	-
Other Directorships	Rose Marbles Private Limited, Aravali Minerals and Chemical Industries Private Limited, Aravalli BIZ Ventures Private Limited etc.

Key Management Persons Name -	Sunil Gattani
Age	59
Designation and No. of years of experience	Non-Executive Director, 22+ years of experience
Qualification	Bachelor of Engineering (Textiles)
Roles and Responsibility	-
Other Directorships	Shree Logistics Private Limited, Malwa Petro Products Private Limited and Cleantech Rubbers Private Limited etc.

Key Management Persons Name -	Neelam Tater
Age	33
Designation and No. of years of experience	Independent Director, 6+ years of experience
Qualification	Bachelor of Commerce, Practiced chartered accountant from April 2017 till September 2021.
Roles and Responsibility	-
Other Directorships	Manba Finance Limited, Gaze Fashiontrade Limited, Pacific Industries Limited and Star Housing Finance Limited etc.

Key Management Persons Name -	Narendra Sharma
Age	51
Designation and No. of years of experience	Independent Director, 30+ years of experience
Qualification	Bachelor of Commerce, Accounting Technician Certificate.
Roles and Responsibility	-
Other Directorships	Kimberley Engineers Private Limited and Aravalli Marble Industries Private Limited etc.

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	18,645.65	17,441.09	27,289.02
Other Income	356.95	165.43	188.80
Total Income	19,002.60	17,606.52	27,477.82
Expenses			
Cost of Materials Consumed	10,908.75	10,634.87	16,007.31
Purchase if stock-in-trade	363.61	721.85	1,332.16
Changes in Inventories of finished goods, work-in-progress and stock-in-trade	-1,289.72	-1,513.21	-725.19
Employee Benefit Expenses	1,353.77	1,585.39	1,816.69
Finance Cost	325.43	634.24	997.11
Depreciation and Amortisation	625.09	733.11	913.29
Other expenses	4,348.33	4,279.03	5,726.77
Total Expenses	16,635.26	17,075.28	26,068.14
EBITDA	2,960.91	1,733.16	3,131.28
EBITDA Margin	15.88%	9.94%	11.47%
Profit/(Loss) before tax	2,367.34	531.24	1,409.68
Tax Expense			
Current tax	-557.93	-106.46	-386.11
Deferred Tax Expenses	41.76	-69.09	10.62
Prior year(s)	-0.64	0.03	-2.46
Total Tax	-516.81	-175.52	-377.95
Profit/(Loss) for the year	1,850.53	355.72	1,031.73
Net Profit Margin	9.92%	2.04%	3.78%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	950.00	950.00	1,615.00
Reserves and surplus	4,943.32	5,277.81	5,623.80
Total Shareholder's Fund	5,893.32	6,227.81	7,238.80
2. Minority Interest	7.27	19.67	35.63
Total Equity	5,900.59	6,247.48	7,274.43
3. Non-current liabilities			
Long-term borrowings	2,727.49	5,694.56	5,111.71
Long-term provisions	395.21	464.30	453.68
Deferred Tax Liability	23.15	37.39	54.92
Total Non-current liabilities	3,145.85	6,196.25	5,620.31
4. Current liabilities			
Short-term borrowings	3,072.27	6,184.99	7,430.20
Trade Payables			
Total outstanding dues of MSME	973.00	1,279.00	235.12
Total outstanding dues of creditors other than MSME	3,346.37	2,566.28	4,847.03
Other Current Liabilities	1,631.66	1,305.34	1,862.84
Short-term provisions	-	22.90	189.42
Total Current liabilities	9,023.30	11,358.51	14,564.61
Total Liabilities	12,169.15	17,554.76	20,184.92
Total Equity and Liabilities	18,069.74	23,802.24	27,459.35
ASSETS			
1. Non-current assets			

Particulars	FY 22	FY 23	FY 24
Property, Plant & Equipment	6,617.90	11,652.92	11,041.40
Capital Work-In-Progress	2,235.50	-	756.35
Intangible Assets	0.06	6.37	4.50
Other Non- current Assets	898.94	461.88	398.58
Total Non-Current assets	9,752.40	12,121.17	12,200.83
2. Current assets			
Inventories	3,497.63	5,308.33	6,135.32
Trade Receivables	2,485.35	4,138.70	7,247.62
Cash & Cash equivalents	1,209.00	289.80	324.51
Short term loans and advances	1,016.13	1,935.98	1,532.10
Other Current Assets	109.23	8.26	18.97
Total Current assets	8,317.34	11,681.07	15,258.52
Total Assets	18,069.74	23,802.24	27,459.35

Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	2,038.63	-2,851.54	1,422.79
Net Cash Flow from Investing Activities	-2,527.83	-2,641.04	-1,129.09
Net Cash Flow from Financing Activities	552.14	5,427.68	-339.05

Key Ratios

<u>Per Share Data</u>	FY 22	FY 23	FY 24	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24
Diluted EPS	11.46	2.13	6.29	EV/EBITDA	3.54	10.28	6.21
BV per share	36.49	38.56	44.82	Market Cap / Sales	1.02	1.09	0.70
<u>Operating Ratios</u>				P/E	7.59	40.85	13.83
EBITDA Margins	15.88%	9.94%	11.47%	Price to Book Value	2.38	2.26	1.94
PAT Margins	9.92%	2.04%	3.78%	<u>Solvency Ratios</u>			
Inventory days	68.47	111.09	82.06	Debt / Equity	0.98	1.91	1.73
Debtor days	48.65	86.61	96.94	Current Ratio	0.92	1.03	1.05
Creditor days	136.51	121.08	106.83	Quick Ratio	0.53	0.56	0.63
<u>Return Ratios</u>				Asset Turnover	1.03	0.73	0.99
RoCE	25.82%	8.04%	17.20%	Interest Coverage Ratio	7.18	1.58	2.22
RoE	31.40%	5.71%	14.25%				

LEAD MANAGER TRACK RECORD -

The lead managers to the issue are Choice Capital Advisors Private Limited and Srujan Alpha Capital Advisors LLP. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Managers in recent times –

Choice Capital Advisors Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Ramdevbaba Solvent Limited	50.27	85.00	April 23, 2024	91.25
2.	Vishnu Prakash R Punglia Limited	308.88	99.00	Sep 05, 2023	202.80
3.	Global Space Technologies Limited	20.02	66.00	Aug 07, 2017	19.43
4.	Khemani Distributors & Marketing Limited	15.84	100.00	March 30, 2016	80.80
5.	Bhanderi Infracon Limited	6.48	120.00	Aug 08, 2014	91.80
6.	Chemtech Industrial Valves Limited	7.43	15.00	Jan 31, 2014	178.20

The company has handled 2 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 23rd July 2024.

As per the offer document, from the above-mentioned mandates 3 have opened at discount and the remaining have opened at a premium on the listing day.

Srujan Alpha Capital Advisors LLP –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Kontor Space Limited	15.62	93.00	Oct 10, 2023	143.10
2.	DHARNI Capital Services Limited	10.74	20.00	Jan 31, 2023	44.10

The company has handled 2 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 23rd July 2024.

As per the offer document, from the above-mentioned mandates all have opened at a premium on the listing day.

Recommendation -

The company has been in the industry since 2016 and have decent experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO and annualised basis is around 18.5 times which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E is 29.20 times.

The company has seen a sudden increase in the top line and bottom line for FY 2024, as the company suffered a setback in the previous year due to Anti-dumping duty imposed by USA on imports from India. The profitability margins have increased for FY 2024.

The engineered stone market is a growing industry as the demand for these products have increased due to its low maintenance, durability and aesthetic appeal. The overall industry suffered due to the duties imposed on import goods in FY 2023. Also, the company has performed at par compared to its peers.

The growth in the margins causes slight concern. Thus, knowledgeable and informed investors **MAY APPLY** to this IPO keeping in mind that it is for a long-term investment.

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