

Expanding GVT Mix and Strengthening Market Position

CMP: INR 290

Rating: BUY

Target Price: INR 652

Stock Info

BSE	530365
Bloomberg	ORIENTBELL
Sector	CERAMICS
Face Value (INR)	10
Mkt Cap (INR Bn)	4.25
52w H/L (INR)	447/265
Avg yearly Vol (in 000')	91.5

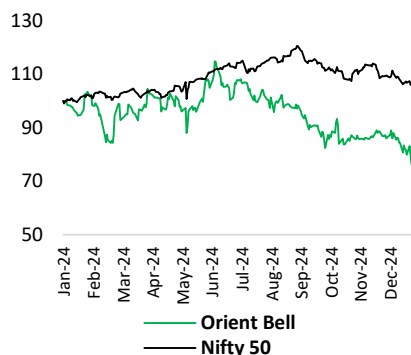
Shareholding Pattern %

(As on Dec, 2024)

Promoters	65.11%
Public & Others	34.89%

Stock Performance (%)	1m	6m	12m
ORIENTBELL	-14.5	-31.7	-26.5
NIFTY	-4	-8	+5.1

Orient Bell Vs Nifty 50



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Overview: *Sluggish market condition affected overall performance but product mix improved post Dora (GVT) expansion supporting margin improvement.*

Performance (Consol)

- **Revenues** came in at INR 1.63 Bn (+1.7% QoQ) (0.5% YoY)
- **EBITDA** came in at INR 80 Mn (-0.4% QoQ) (+533% YoY)
- **EBITDA Margins** came in at 4.9% (-7 bps QoQ) (+415 bps YoY)
- **PAT** came in at INR 9.8 Mn (-3.6% QoQ) (+128.1% YoY)
- **PAT Margins** came in at 0.6% (-3 bps QoQ) (+270 bps YoY)

Important factors to keep in mind:

- **The ceramic segment experienced a YoY decline in demand**, while the **focus has shifted to GVT due to its growth potential** and increasing salience in the product mix.
- Increased supply from Morbi and subdued demand have created market imbalances, putting pressure on prices leading to shutdowns. However, planned shutdowns and improving export demand could stabilize pricing dynamics in the future.
- **The company expects to achieve over INR 10 Bn in revenues** with its existing capacity, contingent on a recovery in domestic and export markets.
- It is also **working on strengthening its sales teams and distribution capabilities, with a particular focus on South and West India**, to capitalize on regions that are currently underpenetrated.

Outlook: With adequate capacity, a positive shift towards premium segments like large slabs and GVT, and strong marketing efforts, the company is poised to gain a first-mover advantage as opportunities emerge. While Export markets have faced challenges due to geopolitical uncertainties and volatile freight rates. Despite this, Indian tiles remain price-competitive and high quality. We expect the performance to pick up in H2FY25 with increase of GVT product mix. As the company gain mindshare of customers through its ads spend will boost its premium vitrified tiles sales leading to better margins. **We maintain our BUY rating with target of INR 652 (20x FY27EPS of INR 32.6).**

Valuation summary

Y/E Mar, Rs mn	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	6,543	7,051	6,745	8,537	9,473	10,712
EBITDA	557	472	209	516	695	890
Net Profit	322	225	9	201	327	476
PAT Adj	322	225	9	201	327	476
Diluted EPS	22.0	15.3	0.6	13.8	22.4	32.6
PER, x	14.8	21.4	518.6	23.8	14.6	10.0
EV/EBITDA, x	8.0	10.1	24.3	9.8	7.0	4.9
P/BV, x	1.7	1.6	1.6	1.5	1.4	1.2
ROE, %	11.3%	7.2%	0.3%	6.0%	8.9%	11.5%
Debt/Equity (x)	0.05	0.03	0.14	0.14	0.10	0.05

Exhibit: Quarterly Data (Consol): Not updated for Q2FY25 as the company has stopped sharing the volume data on quarterly basis

Quarterlies													
INR mentioned	Mn unless otherwise	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	
Capacity (MSM per quarter)													
Own		5.25	5.25	5.90	5.90	5.90	5.90	5.90	5.90	6.73	6.73	6.73	
AE+Trading		2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	
Total		7.75	7.75	8.40	8.40	8.40	8.40	8.40	8.40	9.23	9.23	9.23	
Volumes (MSM)													
Own		4.67	5.41	4.09	4.36	4.30	4.59	3.52	3.86	3.93	4.66	3.63	
AE+Trading		1.96	2.35	1.22	1.59	1.88	2.44	1.48	1.86	1.85	2.87	1.55	
Total		6.63	7.76	5.31	5.95	6.18	7.03	5.00	5.72	5.78	7.53	5.18	
Utilisation Total (%)		86%	100%	63%	71%	74%	84%	60%	68%	63%	82%	56%	
Average Selling Price (INR/MSM)													
Own		267	266	284	284	284	284	286	276	278	276	279	
AE+Trading		298	298	290	290	286	282	286	280	280	273	297	
Blended		276	276	286	286	284	283	286	277	279	275	286	
Total Operating Revenues													
		1,839.50	2,159.50	1,545.00	1,730.00	1,772.60	2,003.30	1,441.20	1,597.30	1,622.80	2,083.30	1,481.40	
Growth (%)						-3.64%	-7.23%	-6.72%	-7.67%	-8.45%	3.99%	2.79%	
Total Raw Material Cost		737.70	882.90	459.00	644.70	703.60	941.80	605.70	713.10	636.80	1,001.70	664.40	
Gross Profit		1,101.80	1,276.60	1,086.00	1,085.30	1,069.00	1,061.50	835.50	884.20	986.00	1,081.60	817.00	
GP Margins		59.90%	59.12%	70.29%	62.73%	60.31%	52.99%	57.97%	55.36%	60.76%	51.92%	55.15%	
Growth (%)						-2.98%	-16.85%	-23.07%	-18.53%	-7.76%	1.89%	-2.21%	
Employee Cost		244.30	245.90	247.70	262.20	257.20	241.50	244.40	239.90	257.80	249.80	248.30	
Growth (%)						5.28%	-1.79%	-1.33%	-8.50%	0.23%	3.44%	1.60%	
Power & Fuel		388.70	449.80	457.40	443.70	463.30	419.50	336.30	349.50	400.00	399.10	289.20	
Growth (%)						19.19%	-6.74%	-26.48%	-21.23%	-13.66%	-4.86%	-14.01%	
Other Expenses		279.40	321.80	256.30	260.60	251.00	268.90	225.50	241.90	318.70	314.90	235.70	
Growth (%)						-10.16%	-16.44%	-12.02%	-7.18%	26.97%	17.11%	4.52%	
EBITDA		189.40	259.10	124.60	118.80	97.50	131.60	29.30	52.90	9.50	117.80	43.80	
EBITDA Margins		10.30%	12.00%	8.06%	6.87%	5.50%	6.57%	2.03%	3.31%	0.59%	5.65%	2.96%	
Other Income		10.00	7.10	21.30	16.50	6.30	9.70	11.30	7.50	3.10	5.30	5.50	
Growth (%)						-37.00%	36.62%	-46.95%	-54.55%	-50.79%	-45.36%	-51.33%	
Depreciation		57.30	55.50	48.60	52.60	57.00	52.90	53.80	50.40	55.00	55.00	56.90	
Growth (%)						-0.52%	-4.68%	10.70%	-4.18%	-3.51%	3.97%	5.76%	
Finance Cost		7.00	11.60	6.50	5.30	5.80	6.30	4.80	4.40	4.40	5.70	12.80	
Growth (%)						-17.14%	-45.69%	-26.15%	-16.98%	-24.14%	-9.52%	166.67%	
PBT		139.80	202.50	93.10	79.20	41.90	84.50	-17.30	9.20	-45.60	65.40	-19.70	
Tax		18.80	37.30	23.10	19.30	10.50	21.10	-4.20	2.30	-12.00	16.10	-1.00	
Adjusted PAT		121.00	165.20	70.00	59.90	31.40	63.40	-13.10	6.90	-33.60	49.30	-18.70	
Adjusted PAT Margins		6.54%	7.62%	4.47%	3.43%	1.77%	3.15%	-0.90%	0.43%	-2.07%	2.36%	-1.26%	
EPS		8.40	11.45	4.85	4.14	2.17	4.38	-0.90	0.47	-2.31	3.38	-1.28	
Contribution margins		38.87%	38.34%	39.62%	36.23%	34.21%	32.00%	34.64%	33.44%	36.17%	32.89%	35.70%	

Orient Bell Q3FY25 Concall Highlights**Guidance**

- The company expects to achieve over INR 10 Bn in revenues with its existing capacity, contingent on a recovery in domestic and export markets.
- It is also working on strengthening its sales teams and distribution capabilities, with a particular focus on South and West India, to capitalize on regions that are currently underpenetrated.
- To achieve the targeted EBITDA margin of 8-10% and bridge the 4% gap, the company plans to increase volume by 20-30% without being aggressive on price discounting.

Product Mix and Capacity

- The company's GVT salience rose to 40% of product mix in 9MFY25, (Vs 27% in Q3FY24), with the vitrified tile mix reaching an all-time high of 58% in Q3FY25.
- Marketing spends was 4% in 9MFY25 (Vs >3% in Q3FY24) includes TV ads, digital and in-shop branding aimed at brand building and support sales of premium products.
- The ceramic segment experienced a YoY decline in demand, while the focus has shifted to GVT due to its growth potential and increasing salience in the product mix.
- The company's total capacity at 42.2 Mn sqmt, including associated entity (new line of 5.5 Mn sqmt. GVT capacity to be operational in Feb-25).

Showrooms and Dealer Engagement

- For OBTX (Orient Bell tiles showrooms) contributes 45% of sales. The tile boutiques have added 23 centers in 9MFY25, including 9 in last month, bringing the total to 375 active displays received a positive response from dealers.
- With rising competition, weak demand and increasing pricing pressure dealer inventory levels have reduced, and the company is actively engaging with them to address concerns and optimize its product mix for better margin.

Brand Building & Operating Cost Optimization

- Marketing spends was 4% in 9MFY25 (Vs >3% in Q3FY24) includes TV ads, digital and in-shop branding aimed at brand building and support sales of premium products.
- The blended fuel cost decreased by 14% YoY to INR 33 per SCM in 9MFY25 from INR 38.39 per SCM last year, aided by softening of prices and cost optimization fuel mixes.
- Company offset the savings from cost optimization to soften product prices, driving sales and volumes.
- To achieve the stated EBITDA margin of 8-10% and bridge the gap of 4% difference company is focusing on increasing its volume by 20-30% as demand arises, without being aggressive price discounting.

Domestic and Export Challenges

- Increased supply from Morbi and subdued demand have created market imbalances, putting pressure on prices leading to shutdowns. However, planned shutdowns and improving export demand could stabilize pricing dynamics in the future.
- Export markets have faced challenges due to geopolitical uncertainties and volatile freight rates. Despite this, Indian tiles remain price-competitive and high quality.
- Due to weakness in demand, the new GVT line came online in Q2FY25 has not resulted in any volume, but with demand generation activity with marketing spends could be successful.

Market Opportunity

- The tile market in India still remains fragmented and only 20% organized with a market share of INR 500 Bn.
- With adequate capacity, a positive shift towards premium segments like large slabs and GVT, and marketing efforts, the company is poised to gain a first-mover advantage as opportunities emerge.

Income Statement

Y/E Mar, Rs mn	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	5,711	4,923	5,025	6,543	7,051	6,745	8,537	9,473	10,712
Growth, %		-13.8%	2.1%	30.2%	7.8%	-4.3%	26.6%	11.0%	13.1%
Other income	19	52	19	30	54	27	29	30	31
Raw material expenses	2,567	2,363	2,413	2,697	2,749	2,957	3,614	3,839	4,282
Employee expenses	756	736	793	925	1,009	992	1,218	1,343	1,454
Other Operating expenses	2,018	1,564	1,494	2,365	2,821	2,586	3,189	3,596	4,086
EBITDA (Core)	370	261	324	557	472	209	516	695	890
Growth, %		-29.58%	24.42%	71.71%	-15.14%	-55.70%	146.53%	34.69%	28.06%
Margin, %	6.48%	5.29%	6.45%	8.51%	6.70%	3.10%	6.04%	7.34%	8.31%
Depreciation	165	206	206	206	211	214	236	258	269
Interest paid	87	81	57	41	24	19	47	36	22
Other Income									
Non-recurring Items									
Pre-tax profit	141	29	114	351	299	11	271	442	643
Tax provided	48	-42	38	30	74	2	71	115	167
Profit after tax	93	71	77	322	225	9	201	327	476
PAT Adj.	93	71	59	322	225	9	201	327	476
Growth, %	-59.13%	-23.31%	-17.67%	449.13%	-30.13%	-95.91%	2082.00%	63.05%	45.39%
Unadj. shares (m)	14	14	14	14	14	15	15	15	15

Balance Sheet (Consolidated)

Balance Sheet									
As at 31st Mar, Rs mn	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
PPE	2,387	2,321	2,065	2,072	2,500	2,963	2,930	2,874	2,807
CWIP	10	7	3	6	28	1	1	1	1
Financial Assets	100	107	113	123	130	137	137	143	149
Other Non Current Assets	9	13	26	65	35	13	14	14	15
Total Non current Assets	2,506	2,448	2,207	2,265	2,693	3,114	3,081	3,032	2,971
Inventories	855	806	602	688	861	890	1,056	1,142	1,214
Receivables	1,162	869	926	1,033	1,112	1,315	1,516	1,583	1,589
Cash & CE	35	30	510	411	33	134	275	366	727
Other Current Assets	29	48	99	125	111	91	94	99	104
Total Current Assets	2,081	1,753	2,137	2,256	2,118	2,429	2,941	3,190	3,634
Total assets	4,587	4,202	4,344	4,522	4,811	5,543	6,022	6,222	6,605
Total Equities	2,326	2,396	2,493	2,848	3,102	3,130	3,406	3,783	4,258
Non current borrowings	451	412	305	65	44	430	430	316	181
Other Non current liabilities	400	340	343	286	302	309	308	307	307
Total Non current liabilities	851	752	648	351	346	739	738	623	488
Current borrowings	430	82	93	91	43	24	33	29	26
Trade Payables	709	772	972	997	1,153	1,489	1,677	1,609	1,647
Other Current Liabilities	271	200	138	235	167	161	169	177	186
Total Current Liabilities	1,410	1,053	1,203	1,323	1,363	1,674	1,879	1,815	1,859
Total equity & liabilities	4,587	4,202	4,344	4,522	4,811	5,543	6,022	6,222	6,605

Cash Flow (Consolidated)

CashFlow									
Y/E Mar, INR mn	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Pre-tax profit	122	-23	123	321	245	-16	343	481	610
Depre & Other Items	136	300	160	207	191	239	166	153	131
Chg in working capital	69	323	354	-152	-100	156	-170	-211	-30
Cash flow from operating activities	327	600	637	376	336	379	339	422	712
Capital expenditure	-589	-137	55	-216	-661	-650	-200	-200	-200
Other investing activities	-4	-7	-4	-9	-6	-9	0	-5	-5
Cash flow from investing activities	-592	-144	50	-226	-667	-659	-200	-205	-205
Equity raised/(repaid)	9	-1	20	33	30	19	0	0	0
Debt raised/(repaid)	240	-396	-218	-242	-68	366	10	-119	-138
Other financing activities	24	-65	-9	-41	-9	-5	-8	-8	-7
Cash flow from financing activities	273	-461	-207	-250	-47	380	2	-126	-145
Net chg in cash	8	-6	480	-100	-378	101	142	91	361
Opening cash balance	28	35	30	510	411	33	134	275	366
Closing cash balance	36	30	510	411	33	134	275	366	727

Ratios (Consolidated)

Ratios	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Per Share data									
EPS (INR)	6.5	5.0	4.1	22.3	15.5	0.6	18.9	25.9	32.6
Growth, %	-59.2%	-23.5%	-18.1%	446.2%	-30.4%	-95.9%	2891.6%	37.3%	25.7%
Book NAV/share (INR)	163.2	167.8	173.7	197.3	214.2	214.6	233.4	259.3	291.9
DPS (INR)									
Return ratios									
Return on assets (%)	3.70%	2.91%	2.66%	14.21%	8.35%	0.30%	8.93%	12.46%	15.98%
Return on equity (%)	3.99%	2.97%	2.35%	11.30%	7.25%	0.29%	8.08%	9.99%	11.15%
Return on capital employed (%)	7.06%	3.41%	4.37%	11.91%	9.14%	0.58%	9.86%	12.11%	13.69%
Turnover ratios									
Asset turnover (x)	1.2	1.2	1.2	1.4	1.5	1.2	1.4	1.5	1.6
Sales/Working Capital (x)	9.0	7.3	11.9	12.5	9.8	10.9	10.6	9.4	10.1
Receivable days	74.3	64.5	67.3	57.6	57.6	71.2	66.0	61.0	55.0
Inventory days (on sales)	54.6	59.8	43.7	38.4	44.6	48.2	46.0	44.0	42.0
Payable days (on sales)	45.3	57.2	70.6	55.6	59.7	80.6	73.0	62.0	57.0
Working capital days	83.6	67.0	40.3	40.4	42.5	38.7	39.0	43.0	40.0
Liquidity ratios									
Current ratio (x)	1.5	1.6	1.4	1.4	1.5	1.4	1.4	1.6	1.6
Quick ratio (x)	0.8	0.9	0.9	0.9	0.9	0.8	0.9	0.9	0.9
Interest cover (x)	2.6	1.3	2.4	9.3	13.2	1.1	8.8	15.5	31.4
Dividend cover (x)	-	-	-	-	-	-	-	-	-
Total debt/Equity (%)	0.38	0.21	0.16	0.05	0.03	0.14	0.14	0.09	0.05
Net debt/Equity (%)	0.36	0.19	(0.04)	(0.09)	0.02	0.10	0.06	(0.01)	(0.12)
Valuation									
PER (x)	6.5	4.9	5.3	22.0	15.3	0.6	18.9	25.9	32.6
PEG (x) - y-o-y growth	(0.1)	(0.2)	(0.3)	0.0	(0.5)	(0.0)	0.0	0.7	1.3
Price/Book (x)	2.6	2.5	2.4	2.1	2.0	2.0	1.8	1.6	1.4
EV/Net sales (x)	1.1	1.3	1.1	0.8	0.8	0.9	0.7	0.6	0.5
EV/EBITDA (x)	17.6	23.7	17.3	9.9	12.3	29.3	9.8	7.6	6.0
EV/EBIT (x)	29.1	57.5	40.9	14.4	18.5	275.4	14.7	10.9	8.2

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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