

Strong Tailwinds present in the sector

CMP: INR 327

Rating: BUY

Target Price: INR 652

Stock Info

BSE	530365
NSE	ORIENTBELL
Bloomberg	OBL:IN
Sector	Ceramics
Face Value (INR)	10
Mkt Cap (INR Bn)	4.78
52w H/L (INR)	466/301
Avg Daily Volume (in 000')	28.7

Shareholding Pattern %

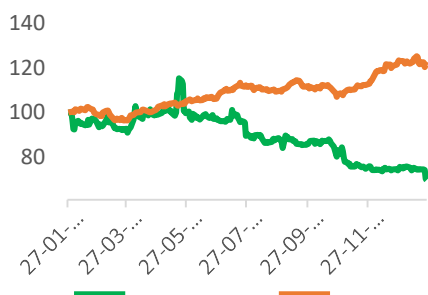
(As on September, 2024)

Promoters	64.89
Public & Others	35.11

Stock Performance (%) 1m 6m 12m

ORIENTBELL	-4.6	7.5	-19
NIFTY	-1.35	9.4	22.4

Orient Bell Vs Nifty



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Overview: Weak performance overall but silver lining is that the GVT sales contribution has improved to 40%

- **Revenues** came in at INR 1.59 Bn (+8.24% QoQ) (+0.42% YoY) (-6.13% against our estimates)
- **EBITDA** came in at INR 75 Mn (+71.2% QoQ) (+41.8% YoY) (-29% against our estimates)
- **EBITDA Margins** came in at 4.68% (Vs 2.96% QoQ) (Vs 3.31% YoY) (Vs 6.23% our estimates)
- **PAT** came in at INR 9.7 Mn (Vs -18.7 Mn QoQ) (Vs 6.9 Mn YoY) (Vs our estimates of 39.04 Mn)
- **PAT Margins** came in at 0.6% (Vs -1.26% QoQ) (Vs 0.43% YoY) (Vs 2.29% our estimates)

Important factors to keep in mind:

- Morbi exports have continued to slowdown in H1FY25 as well (INR ~10-12 Bn per month). Shutdowns were taken in Q2 in Morbi units (during Janmasthmi) and are now starting again, management is confident of better performance in H2 due to better pick up from project sales.
- Associate entity of company is added 5.5 MSM of GVT capacity (at their own capex) which will be available to company from Q3FY25.
- Company has started its own subsidiary which will work for exports of traded tiles. This will be from Dora as well as associated entities.
- Channel inventories are not stocked up at dealer level but company expects stock up now.

Outlook:

Company is continuing its focus on retail sales, hence continuing its investments in ad spends. There has been an uptrend in the industry towards project sales (as compared to Q1FY25).

The performance was significantly better than Q1FY25 which suggests that the contribution margins improved further.

We maintain our BUY rating as we believe the company is on the right footings and the volumes are going to improve in the remainder of the year. Based on our understanding, there was no growth in volumes but slightly better ASPs during the quarter. The vitrified sales have been at the highest contribution till date (ideally vitrified tiles drive in higher margins and ASPs). We expect the performance to pick up in H2FY25 with increase of project sales. We maintain our BUY rating with target of INR 652 (**target at 20x FY27EEPS**). We will continue to monitor the performance in H2 and also keep a check on the exports.

Valuation summary

Y/E Mar, Rs mn	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Net Sales	6,543	7,051	6,745	8,537	9,473	10,712
EBIDTA	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/EBIDTA, 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	Mn	unless											
mentioned	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 Q2FY25 Concall Highlights**Key Highlights from the call:**

- Capacity now stands at 42.4 MSM, company (Associate entity added 5.5 MSM in end of Q2FY25 which will be available for production from Q3)
- No material change in demand since the last quarter. Exports runrate from India has fallen from INR 15-20 Bn in H1FY24 to INR 10-12 Bn in H1FY25
- Vitrified sales mix stood at 57% and GVT sales mix stood at 40% (highest till date)
- Ad spends maintained at 4.1% to support TV ads (Vs 3.4% YoY) | Cost of production lower by 5.3% on like to like basis
- 46% of sales from OBTX (Orient Bell showrooms). Showroom count up to 380 now (added 19 new showrooms)
- The new entity which company incorporated will be used for exports of trading and own manufactured tiles. Currently trading tiles have not been exported from this entity (export scenario is weak) but the own manufactured tiles have been started for exports.
- Loss in associates because Proton added capacity (higher Op costs and depre without significant sales coming in) and the other AE is focused mainly for exports (which is not doing well)
- Company is receiving good responses for products from South and West region. For the last 9 months, the website traffic has gone up by 30%
- Dora ramp up still progressing. Lots of new projects were started in Q1. Several inquiries coming in for existing projects (which were started 2 years ago)
- H2 to be better for project sales
- Anti static tiles (INR ~2,100/SQM) is a patented product, not for volume growth but for mainly entry into different segments.
- Cash conversion days stood at 33, 0.1x Debt to Equity | 4,000+ SKUs

Outlook: Based on our understanding, there was no growth in volumes but slightly better ASPs during the quarter. The vitrified sales have been at the highest contribution till date (ideally vitrified tiles drive in higher margins and ASPs). We expect the performance to pick up in H2FY25 with increase of project sales. We maintain our BUY rating with target of INR 652. We will continue to monitor the performance in H2 and also keep a check on the exports.

Income Statement (Consolidated)

Income Statement									
Y/E Mar, Rs mn	FY19	FY20	FY21	FY22	FY23	FY24E	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	FY24E	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
	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	FY24E	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	FY24E	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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