

CMP: INR 238

Rating: BUY

Target Price: INR 415

Stock Info

BSE	530365
NSE	ORIENTBELL
Bloomberg	OBL:IN
Sector	Ceramics
Face Value (INR)	10
Mkt Cap (INR Bn)	3.77
52w H/L (INR)	447/215
Avg Daily Volume (in 000')	22.7

Shareholding Pattern %

(As on March, 2025)

Promoters	65.35
Public & Others	34.65

Stock Performance (%) 1m 6m 12m

ORIENTBELL	+1.0	+1.04	+6.2
NIFTY	+8.2	-23.0	-32.1



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Overview: Uptick in demand environment coupled with adequate capacity and increasing ASP.

- Revenue stood at INR 1,981 Mn ; +22.4% QoQ and (-4.1%) YoY
- EBITDA came in at INR 98 Mn ; +23.1% QoQ but down (-20%) YoY
- EBITDA Margin stood at 5%, flat on QoQ and degrowth on YoY basis.
- PAT was at INR 27 Mn ; +182% QoQ but down (-44%) YoY
- PAT Margins came in at 1.4% viz (2.4% & 0.6%, YoY & QoQ)

Important factors to keep in mind:

- Increased supply from Morbi and subdued demand has created an oversupply in the market. However, with improving demand scenario in the domestic market and easing of freight costs, domestic players like OBL are positioned to perform well.
- The company is continually expending (~4% of sales) onto marketing to work on brand building initiatives which is expected to augur well for OBL over the long term, moreover there is no loss in market share despite intense competition in the market.
- We believe OBL's investments in strategic objectives like enhancing premium product mix, expanding reach, and building brand awareness have positioned it aptly to capitalize on the expected pickup in demand as real estate cycles improve. Tiles being typically on of the last leg of the real estate life cycle we see the demand to be pent-up in nature.

Outlook:

With a growing share of vitrified tiles (VT) and sufficient capacity to meet demand, we anticipate an uptick in the real estate (RE) and infrastructure sectors to favor OBL. The company's focus on the project segment, coupled with strong marketing efforts, positions it for long-term gains. Although export markets have faced challenges due to geopolitical uncertainties, we view this as a temporary pressure. The relaxation of freight costs continues to benefit domestic players like OBL. We expect OBL's numbers to improve in H2FY25, driven by an i) increased share of glazed vitrified tiles (GVT), ii) improving Average Selling Prices (ASP) and iii) pent-up demand. Margins are projected to improve to ~6%(FY26E), reiterating our BUY recommendation with a new target price of INR 415 with a PE of 26x (2027E EPS of INR 16).

Valuation summary

Y/E Mar, Rs mn	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Sales	6,543	7,051	6,745	6,698	8,567	9,904
EBIDTA	557	472	209	281	552	649
Net Profit	322	225	9	30	181	233
PAT Adj	322	225	9	30	181	233
Diluted EPS	22.0	15.3	0.6	2.0	12.4	16.0
PER, x	14.8	21.4	520.3	159.6	26.3	20.5
EV/EBIDTA, x	8.0	10.1	24.3	17.4	10.9	8.9
P/BV, x	1.7	1.6	1.6	1.6	1.5	1.4
ROE, %	11.3%	7.2%	0.3%	0.9%	5.4%	6.5%
Debt/Equity (x)	0.05	0.03	0.14	0.15	0.10	0.06

Exhibit: Quarterly Data (Consol):

Quarterlies										
	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Total Operating Revenues	1,772.60	2,003.30	1,441.20	1,597.30	1,622.80	2,083.30	1,481.40	1,603.50	1,630.20	1,982.53
Growth (%)				0.00%	-8.45%	3.99%	2.79%	0.39%	0.46%	-4.84%
Total Raw Material Cost	703.60	941.80	605.70	713.10	636.80	1,001.70	664.40	735.40	738.90	1,022.40
Gross Profit	1,069.00	1,061.50	835.50	884.20	986.00	1,081.60	817.00	868.10	891.30	960.13
GP Margins	60.31%	52.99%	57.97%	55.36%	60.76%	51.92%	55.15%	54.14%	54.67%	48.43%
Growth (%)				0.00%	-7.76%	1.89%	-2.21%	-1.82%	-9.60%	-11.23%
Employee Cost	257.20	241.50	244.40	239.90	257.80	249.80	248.30	242.10	257.90	254.03
Growth (%)				0.00%	0.23%	3.44%	1.60%	0.92%	0.04%	1.69%
Power & Fuel	463.30	419.50	336.30	349.50	400.00	399.10	289.20	288.90	311.00	282.56
Growth (%)				0.00%	-13.66%	-4.86%	-14.01%	-17.34%	-22.25%	-29.20%
Other Expenses	251.00	268.90	225.50	241.90	318.70	314.90	235.70	262.10	247.50	336.68
Growth (%)				0.00%	26.97%	17.11%	4.52%	8.35%	-22.34%	6.92%
EBITDA	97.50	131.60	29.30	52.90	9.50	117.80	43.80	75.00	74.90	86.86
EBITDA Margins	5.50%	6.57%	2.03%	3.31%	0.59%	5.65%	2.96%	4.68%	4.59%	4.38%
Other Income	6.30	9.70	11.30	7.50	3.10	5.30	5.50	4.90	5.10	11.64
Growth (%)				0.00%	-50.79%	-45.36%	-51.33%	-34.67%	64.52%	119.58%
Depreciation	57.00	52.90	53.80	50.40	55.00	55.00	56.90	57.10	56.30	54.98
Growth (%)			#DIV/0!	0.00%	-3.51%	3.97%	5.76%	13.29%	2.36%	-0.03%
Finance Cost	5.80	6.30	4.80	4.40	4.40	5.70	12.80	13.50	10.80	10.68
Growth (%)				0.00%	-24.14%	-9.52%	166.67%	206.82%	145.45%	87.35%
PBT	41.90	84.50	17.30	9.20	-45.60	65.40	-19.70	7.90	13.80	35.57
Tax	10.50	21.10	4.20	2.30	-12.00	16.10	-1.00	-1.80	4.10	8.10
Adjusted PAT	31.40	63.40	13.10	6.90	-33.60	49.30	-18.70	9.70	9.70	27.47
Adjusted PAT Margins	1.77%	3.15%	-0.90%	0.43%	-2.07%	2.36%	-1.26%	0.60%	0.59%	1.38%
EPS	2.17	4.38	0.90	0.47	-2.31	3.38	-1.28	0.66	0.66	1.88

Orient Bell Q4FY25 Concall Highlights**Guidance**

- OBL expects H2 FY26 to be much better than H1 FY26.
- OBL plans to continue the strategic shift towards premiumization and optimization in FY26, which should help improve ASPs.
- Capex in FY26 will be more focused on maintenance and regulatory requirements rather than growth capex. The estimated amount for regulatory capex, plus some repair/maintenance, is not expected to be very large, potentially around INR 50-100 Mn.
- OBL expects to see good results from the rebuilt government sales vertical this year (FY26), following a systematic approach to target specific departments and projects.

Forward Looking Statements

- Management expects more capacity to come online in Morbi in H1 FY26 in spite of market conditions, anticipating that this capacity overhang will continue until the market turns better.
- Structurally, freight rates are expected to be subdued for FY26 compared to earlier years, which is seen as a positive factor for exports. However, volatility and uncertainty remain in the export market, influenced by factors like US tariffs and economic growth in the US/Europe.
- OBL does not foresee any capacity addition in FY26. The company will wait for capacity utilization to reach about 80-85% before embarking on the next capex cycle.
- Historically, when exports are weak, capacity from Morbi is often diverted into the domestic market at variable cost pricing. Volatility in the export market makes predicting the future difficult.
- OBL is very confident in ramping up capacity utilization to 70-80% over time, driven by expected long-term demand increase from India's population growth, rising per capita consumption, and urbanization. The challenge is predicting the exact timing of this market upturn.
- OBL believes its investments in strategic objectives like enhancing premium product mix, expanding reach, and building brand awareness have positioned it strongly to capitalise on the expected pickup in demand as real estate cycles improve. Tiles are typically one of the last products needed in the real estate cycle.

Industry Highlights

- Recent meetings among Morbi associations to discuss price increases suggest they are also "hurting badly," and there is an intent for prices to at least stop dropping. If export activity picks up and capacity is diverted, it will stabilize prices and have a positive impact on the industry.
- A good pipeline of project demand is expected to emerge anytime given the real estate project sales over the past few years, which OBL is positioned to benefit from.

- The company continually invests in sales and marketing activities to drive audience growth in the coming years.
- The capacity overhang in Morbi is expected to continue, impacting the domestic market.
- A small uptake in exports could provide a significant boost to domestic players.
- Low inventory levels at dealers are seen as potentially positive if exports increase and prices stabilize, as dealers would likely stop postponing purchases.
- The company believes it is ready for growth, with capex complete and investments made in branding and advertisement, just waiting for the market to turn.
- While the market is getting more institutionalized (projects), OBL notes the importance of retail for brand positioning.
- OBL implemented cost-saving initiatives and process improvements, enhancing operational efficiency and reducing the cost of operations.
- The vitrified mix improved to the highest level of 58.5%. GVT grew to 41%.
- Investment was made in brand and team structure to support the shift towards premiumization. Marketing activities continued, including an all-TV campaign.
- OBL positions itself as a solution provider making tile shopping easier, supported by website-based tools and a wide product range. This approach has won external recognition, including Brand of the Year for the fifth consecutive year.
- The performance in FY25 was impacted because the downfall in ceramics was steeper than anticipated. While OBL maintained ASP due to a boost in GVT volume, better performance in ceramics would have resulted in a much better revenue figure.
- Government orders were significantly skewed towards ceramic tiles, contributing to reduced government sales. OBL has rebuilt its government vertical and is systematically targeting 85 departments for business.
- Recent top-level resignations are described as personal choices and not reflective of the company's strength. OBL is considered a very strong company, with market scale being the only disappointment due to tough conditions.

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 (Consolidated)

Income Statement									
Y/E Mar, Rs mn	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Net sales	5,711	4,923	5,025	6,543	7,051	6,745	6,698	8,567	9,904
Growth, %		-13.8%	2.1%	30.2%	7.8%	-4.3%	-0.7%	27.9%	15.6%
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	3,161	4,064	4,573
Employee expenses	756	736	793	925	1,009	992	1,002	1,201	1,459
Other Operating expenses	2,018	1,564	1,494	2,365	2,821	2,586	2,254	2,750	3,223
EBITDA (Core)	370	261	324	557	472	209	281	552	649
Growth, %		-29.58%	24.42%	71.71%	-15.14%	-55.73%	34.20%	96.69%	17.61%
Margin, %	6.48%	5.29%	6.45%	8.51%	6.70%	3.10%	4.19%	6.45%	6.56%
Depreciation	165	206	206	206	211	214	225	256	267
Interest paid	87	81	57	41	24	19	48	100	108
Other Income									
Non-recurring Items									
Pre-tax profit	141	29	114	351	299	11	39	230	310
Tax provided	48	-42	38	30	74	2	9	53	81
Profit after tax	93	71	77	322	225	9	30	177	229
PAT Adj.	93	71	59	322	225	9	30	177	229
Growth, %	-59.13%	-23.31%	-17.67%	449.13%	-30.13%	-95.92%	226.00%	491.58%	29.61%
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	FY25	FY26E	FY27E
PPE	2,387	2,321	2,065	2,072	2,500	2,963	2,781	2,920	3,915
CWIP	10	7	3	6	28	1	8	1	1
Financial Assets	100	107	113	123	130	137	135	141	147
Other Non Current Assets	9	13	26	65	35	13	31	34	36
Total Non current Assets	2,506	2,448	2,207	2,265	2,693	3,114	2,956	3096	4,099
Inventories	855	806	602	688	861	890	616	1,833	1,140
Receivables	1,162	869	926	1,033	1,112	1,315	1,306	1,432	1,492
Cash & CE	35	30	510	411	33	134	344	-1,001	-923
Other Current Assets	29	48	99	125	111	90	73	73	76
Total Current Assets	2,081	1,753	2,137	2,256	2,118	2,429	2,339	1,536	1,785
Total assets	4,587	4,202	4,344	4,522	4,811	5,543	5,295	5,433	5,884
Total Equities	2,326	2,396	2,493	2,848	3,102	3,130	3,161	3,337	3,566
Non current borrowings	451	412	305	65	44	430	303	302	165
Other Non current liabilities	400	340	343	286	302	309	324	322	321
Total Non current liabilities	851	752	648	351	346	739	627	624	486
Current borrowings	430	82	93	91	43	24	156	31	31
Trade Payables	709	772	972	997	1,153	1,489	1,114	1,196	1,547
Other Current Liabilities	271	200	138	235	167	161	237	245	254
Total Current Liabilities	1,410	1,053	1,203	1,323	1,363	1,674	1,507	1,732	1,832
Total equity & liabilities	4,587	4,202	4,344	4,522	4,811	5,543	5,295	5,433	5,884

Cash Flow (Consolidated)

CashFlow

Y/E Mar, INR mn	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Pre-tax profit	122	-23	123	321	245	-16	11	200	278
Depre & Other Items	136	300	160	207	191	239	244	233	218
Chg in working capital	69	323	354	-152	-100	154	-77	-189	-67
Cash flow from operating activities	327	600	637	376	336	378	178	243	429
Capital expenditure	-589	-137	55	-216	-661	-650	-51	-149	-200
Other investing activities	-4	-7	-4	-9	-6	-9	-3	-5	-6
Cash flow from investing activities	-592	-144	50	-226	-667	-659	-53	-150	-206
Equity raised/(repaid)	9	-1	20	33	30	19	1	-1	0
Debt raised/(repaid)	240	-396	-218	-242	-68	366	75	-126	-137
Other financing activities	24	-65	-9	-41	-9	-3	10	-9	-8
Cash flow from financing activities	273	-461	-207	-250	-47	382	86	-135	-145
Net chg in cash	8	-6	480	-100	-378	101	210	-188	78
Opening cash balance	28	35	30	510	411	33	134	344	-1,033
Closing cash balance	36	30	510	411	33	134	344	-1,033	-923

Ratios (Consolidated)

Ratios	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Per Share data									
EPS (INR)	6.5	5.0	4.1	22.3	15.5	0.6	2.0	12.1	15.7
Growth, %	-59.2%	-23.5%	-18.1%	446.2%	-30.4%	-95.9%	226.0%	491.6%	29.6%
Book NAV/share (INR)	163.2	167.8	173.7	197.3	214.2	214.6	216.6	228.7	244.4
DPS (INR)									

Return ratios

Return on assets (%)	3.70%	2.91%	2.66%	14.21%	8.35%	0.29%	1.01%	2.25%	5.59%
Return on equity (%)	3.99%	2.97%	2.35%	11.30%	7.25%	0.29%	0.95%	5.30%	6.43%
Return on capital employed (%)	7.06%	3.41%	4.37%	11.91%	9.14%	0.57%	2.22%	8.24%	10.22%

Turnover ratios

Asset turnover (x)	1.2	1.2	1.2	1.4	1.5	1.2	1.3	1.5	1.7
Sales/Working Capital (x)	9.0	7.3	11.9	12.5	9.8	10.9	13.7	10.6	11.3
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	1.3	1.5	1.5
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	1.8	3.3	3.8
Dividend cover (x)	-	-	-	-	-	-	-	-	-
Total debt/Equity (%)	0.38	0.21	0.16	0.05	0.03	0.14	0.15	0.10	0.06
Net debt/Equity (%)	0.36	0.19	(0.04)	(0.09)	0.02	0.10	0.04	0.40	0.31

Valuation

PER (x)	6.5	4.9	5.3	22.0	15.3	0.6	2.0	12.1	15.7
PEG (x) - y-o-y growth	(0.1)	(0.2)	(0.3)	0.0	(0.5)	(0.0)	0.0	0.0	0.5
Price/Book (x)	2.1	2.1	2.0	1.7	1.6	1.6	1.6	1.5	1.4
EV/Net sales (x)	1.0	1.0	0.9	0.7	0.7	0.8	0.7	0.7	0.6
EV/EBITDA (x)	14.9	19.7	14.1	8.0	10.1	24.3	17.4	11.1	9.1
EV/EBIT (x)	24.6	47.9	33.4	11.7	15.2	228.9	58.1	18.7	14.2

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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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