OBL:HO:SEC:00: New Delhi : 01.12.2023

BSE Limited
Corporate Relation Department
1st Floor, New Trading Ring
Rotunga BuildingPhiroze Jeejeebhoy Towers
Dalal Street,
Mumbai - 400 001

Stock Code - 530365

National Stock Exchange of India Ltd.
Exchange Plaza,
Plot No. C/1, G Block,
Bandra-Kurla Complex,
Bandra (E)
Mumbai-400 051

Stock Code: ORIENTBELL

Sub: Intimation under Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 – Credit Rating

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015, this is to inform you that in line with the CRISIL (which has reaffirmed the Company's Long term and short term ratings CRISIL A/stable and CRISIL A1 respectively already informed on 25/09/2023), India Ratings & Research (a Fitch Group Company) has also reaffirmed its 'IND A1' rating on the short term working capital facilities of Orient Bell Ltd (OBL) as under:-

Fund based / Non-fund based working capital limits*	**IND A1**

***limits are fungible between fund based and non-fund based working capital**

The re-affirmation of the credit ratings by two of India's most reputed rating agencies i.e. India Ratings & Research and CRISIL reflects the unique strength and positioning of Orient Bell Limited within the tiles industry.

The rating rationale published by India Ratings & Research (A Fitch Group Company) dated 1st December, 2023 is attached herewith. The rating rationale can also be accessed at https://www.indiaratings.co.in/pressrelease/67437.

You are requested to take this information on your record.

Yours faithfully,
For Orient Bell Limited

YOGESH MENDIRATTA
Digitally signed by YOGESH MENDIRATTA
Date: 2023.12.01 18:10:46 +05'30'

Yogesh Mendiratta
Company Secretary & Head – Legal

Encl: as above

India Ratings & Research
A Fitch Group Company

India Ratings Affirms Orient Bell's Working Capital Facility at 'IND A1'

Dec 01, 2023 | Ceramics

India Ratings and Research (Ind-Ra) has affirmed Orient Bell Limited's (OBL) short-term working capital facility's rating as follows:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating	Rating Action
Fund-based/ Non-fund-based working capital limits*	-	-	-	INR2,000	IND A1	Affirmed

*limits are fungible between fund-based and non-fund-based working capital

Analytical Approach: Ind-Ra continues to take a standalone view of OBL to arrive at the ratings.

Key Rating Drivers

Steady Business Profile; Pan-India Presence: OBL is a leading tile manufacturer in India, with a mix of own and outsourced manufacturing. It has a country-wide supply chain and an omni-channel marketing model, with a wide variety of stock keeping units. OBL has a diversified product mix of ceramics and vitrified tiles, which contributed in a ratio of about 53:47 to the top-line in 1HFY24 (FY23: 56:44, FY22: 57:43). The value-added products constituted about 45% of the overall sales in FY23 (FY22: 40%). At end-September 2023, OBL had a strong distribution network, with over 2,000 dealers and a retail network of 356 franchise stores. The company has been focusing on and investing in its digital platform to improve B2C sales and improve its brand presence. Furthermore, OBL has undertaken capex to expand its glazed vitrified tiles (GVT) capacity in Dora plant, which is likely to support a shift in the product mix to GVT from ceramics, in line with market demand.

Capacity Enhancement through Ongoing Capex: OBL has undertaken capex of around INR750 million to expand the capacity of GVT large-sized tiles at its Dora facility to 5.46 million square meter per annum (msmpa) from 2.16msmpa. The capex would be funded through internal accruals and a term loan of INR500 million; Ind-Ra expects the added capacities to generate cash flows from the coming quarters. During FY21-FY23, OBL incurred capex of INR680 million on debottlenecking of operations at its Sikandrabad facility, which led to an increase in its monthly capacity to 12,35,000 square metre (sqm) of 60,000sqm, expansion at its Hoskote facility, which increased its monthly capacity by 1.50 lakhs per square metre to 5.5 lakhs per square metre, and converting its operations at the Dora facility to vitrified tiles from ceramic tiles in 1QFY23. This along with the capex in FY24 is likely support OBL's focus on augmenting its presence in the fast-growing southern and western Indian markets and pushing its high-margin vitrified tiles offerings. The agency expects the volumes to remain moderate in FY24 but improve from FY25. OBL has been in the business of manufacturing of tiles for over four decades, and given its experience, Ind-Ra expects the capex and offtake risk to be moderate. As on 30 September 2023, OBL's Sikandrabad (Bulandshahr) facility had a capacity of 14.8msmpa, Hoskote (Bangalore) facility had a capacity of 6.6msmpa and

Dora (Bharuch- Gujarat) facility had a capacity of 5.46msmpa (including expansion of 3.3msmpa).

Moderate Financial Performance and Credit Metrics: OBL's revenue grew around 8% yoy to INR7,051 million in FY23 (FY22: INR6,543 million; FY21: INR5,025 million), backed by a slight increase in realisations and steady sales volumes. The EBITDA, however, moderated to INR472 million (FY22: INR557 million, FY21: INR324 million), with the EBITDA margin falling to 6.7% (8.5%; 6.5%), owing to volatility in gas prices. OBL's dependence on debt had previously been low and it had undertaken capex from internal accruals in FY23. In FY24, however, the company has tied up debt of INR500 million for the expansion at its Dora facility.

OBL maintained a net cash position during FY21-FY23, supported by its strong cash flow from operations. Despite the moderation in EBITDA in FY23, the gross interest coverage improved to 19.73x in FY23 (FY22: 13.54x; FY21: 5.74x), backed by lower interest expense.

In 1HFY24, OBL's revenue declined to INR3,039 million (1HFY23: INR3,246 million) and its EBITDA fell to INR82 million (INR243 million), on account of lower sales volumes, resulting from the ongoing shift in focus towards GVT from ceramics; the sales volumes are likely to pick up from FY25. The EBITDA per square metre deteriorated to INR5.86 in 1QFY24 from INR18.69 in 4QFY23 on account of higher gas prices but it increased to INR9.25 in 2QFY24. The management plans to increase its brand presence with retail customers, for which it plans to undertake marketing expenditure in 2HFY24.

Liquidity Indicator - Adequate: During the 12 months ended October 2023, the company's monthly average utilisation of the fund-based limits was less than 10% and that of non-fund-based limits was 21%. The liquidity is supported by cash flow from operations of INR327 million in FY23 (FY22: INR539 million; FY21: INR135 million), unencumbered cash balance of INR32 million (FY22: INR406 million; FY21: INR507 million), and the availability of unutilised fund-based limits of around of INR790 million as of October 2023. The cash flow from operations decreased in FY23 owing to lower EBITDA and unfavourable changes in working capital changes. The free cash flows turned negative at INR290 million in FY23 (FY22: INR252 million; FY21: INR45 million) on account of the capex undertaken for expansion of its GVT operations. The free cash flows are likely to remain negative in FY24 owing to a slowdown in operations, and debt-funded capex, but would improve from FY25 at the back of the newly added capacities. OBL's receivable days were stable at 58 days in FY23 (FY22: 58 days, FY21: 67 days) as a result of sustained low customer credit and its continued focus on stronger counterparties. The working capital cycle stretched to 44 days in FY23 (FY22: 40 days; FY21: 40 days) mainly due to an increase in inventory days to 52 days (47; 51). The agency expects the working capital cycle to be around 45 days over the medium term, considering the ongoing capex. OBL has scheduled debt repayments of INR75 million and INR19 million for FY24 and FY25, respectively, which will be serviced through internal cash accruals, with a debt service coverage ratio of 4x-5x.

Strong Promoter Track Record: Ind-Ra derives comfort from the long track record of the management, along with experienced promoters and the resultant strong relationship with clients.

Inherent Industry Risks: The tiles sector is dependent on the real estate sector, which displays cyclical demand for building materials. The ceramic tiles industry is also dominated by intense competition from organised and unorganised sectors. Furthermore, the industry is dependent on natural gas, the rising prices of which can lead to volatility in the gross margins of players. Hence, the ability to manage the pass-through of volatile gas prices amid competition becomes a key rating monitorable. Also, the need to transport bulky raw material renders the company vulnerable to fluctuations in diesel prices. OBL has adopted various cost rationalisation measures, including the usage of alternate plant locations, job work and energy sources, to mitigate any negative impact of the volatility in natural gas prices.

Rating Sensitivities

Positive: Successful capex completion with an increase in the scale of operations and profitability while maintaining the adequate liquidity will be positive for the ratings.

Negative: Inability to maintain the scale of operations and/ or the margins and the net adjusted leverage exceeding 2.0x will be negative for the ratings.

Company Profile

OBL is engaged in the manufacturing, trading and selling of ceramic and vitrified tiles. The company has three owned manufacturing plants and two plants under a joint venture, all spread across Gujarat, Karnataka, and Uttar Pradesh. The company had a total tile production capacity of 32msmpa, with 24.5msm sales volumes in FY23.

FINANCIAL SUMMARY

Particulars	1HFY24 (Provisional)	FY23	FY22
Revenue (INR million)	3,039	7,051	6,543
EBITDA (INR million)	82	472	557
EBITDA margin (%)	2.7	6.7	8.5
Interest coverage (x)	8.95	19.73	13.54
Net leverage* (x)	1.01	-0.03	-0.56
*Debt includes LC acceptances Source: OBL, Ind-Ra			

Non-Cooperation with previous rating agency

Not applicable

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Rating History

Instrument Type	Current Rating			Historical Rating/Outlook
	Rating Type	Rated Limits (million)	Rating	2 September 2022
Fund-based/Non-fund based working capital limits	Short-term	INR2,000	IND A1	IND A1

Bank wise Facilities Details

Click here to see the details

Complexity Level of Instruments

Instrument Type	Complexity Indicator
Fund based working capital limit	Low
Non-Fund based working capital limit	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

Contact

Primary Analyst
Rajat Mehta
Senior Analyst
India Ratings and Research Pvt Ltd
DLF Epitome, Level 16, Building No. 5, Tower B DLF Cyber City, Gurugram Haryana - 122002
+91 124 6687293
For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst
Pooja Garg
Senior Analyst
0124 6687270

Media Relation
Ameya Bodkhe
Marketing Manager
+91 22 40356121

APPLICABLE CRITERIA

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

The Rating Process

DISCLAIMER