OBL:HO:SEC:00: New Delhi : 28.02.2025

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 India Ratings and Research (a Fitch Group Company) (Ind-Ra) has reaffirmed its 'IND A1' ratings on the bank facilities of Orient Bell Ltd (OBL).

Rating Action

Instrument Description	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating Assigned along with Outlook/Watch	Rating Action
Fund based/ non-fund-based limits*	-	-	-	INR2,000	IND A1	Affirmed

*fund-based and non-fund-based limits are interchangeable

The re-affirmation of the credit ratings by India Ratings and Research reflects the unique strength and positioning of Orient Bell Limited within the tiles industry.

The rating rationale dated 27th February 2025, released by India Ratings and Research are attached herewith and also available on it's website i.e. on www.indiaratings.co.in.

You are requested to take this information on your record.

Yours faithfully,
For Orient Bell Limited

YOGESH MENDIRATTA
YOGESH MENDIRATTA 2025.02.28 12:06:07 +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'

Feb 27, 2025 | Ceramics

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

Details of Instruments

Instrument Description	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating Assigned along with Outlook/Watch	Rating Action
Fund based/ non-fund-based limits*	-	-	-	INR2,000	IND A1	Affirmed

*fund-based and non-fund-based limits are interchangeable

Analytical Approach

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

Detailed Rationale of the Rating Action

The affirmation reflects OBL's comfortable credit profile in FY24 despite a decline in the profitability. Furthermore, the favourable shift in the company's product mix towards high-margin vitrified tiles and higher demand for the same supported an improvement in OBL's profitability in 9MFY25 and these factors are likely to continue to bolster the company's performance in the medium term. The ratings are supported by adequate liquidity, with unutilised working capital limits and adequate unencumbered cash balance, supported by cash flows, which would cover the repayments falling due over FY26-FY27.

List of Key Rating Drivers

Strengths

- Comfortable credit metrics; likely to remain stable in FY26
- Change in product mix; performance likely to improve in FY26
- Revenue and EBITDA grew in 9MFY25; operational performance to improve further in FY26
- Strong promoter track record

Weaknesses

- Inherent industry risks

Detailed Description of Key Rating Drivers

Comfortable Credit Metrics; Likely to Remain Stable in FY26: OBL maintained comfortable credit metrics during FY21-FY24, supported by its strong cash flow from operations. The gross interest coverage (EBITDA/ gross interest expense) remained strong in FY24, but despite lower interest expenses, the ratio declined to 10.78x in FY24 (FY23: 19.73x; FY22: 13.54x) because of a fall in EBITDA. During 9MFY25, the interest expense increased to around INR37 million, from the debt availed for the capex at the Dora facility. Following this, the gross interest coverage fell to around 5.81x in 9MFY25. However, the coverage is likely to improve in FY25 owing to an improvement in profitability in 4QFY25, as the tied-up projects are entering the final stages, when requirement of tiles would increase. The net leverage (net debt/ EBITDA) increased to 1.33x in FY24 (FY23: net cash positive, FY22: net cash positive) on account of debt availed for capex; however, the leverage is likely to improve over FY25-FY26 at the back of improved profitability.

Change in Product Mix; Performance Likely to Improve in FY26: OBL's product mix has witnessed a favourable change with the completion of capex to expand the capacity of glazed vitrified tiles (GVT) and the ongoing ramp-up of new capacities over FY25-FY26. The share of GVT in the sales volumes rose to 32% over FY24-9MFY25 (FY23: 23%), and the share of ceramics declined to 50% over the same period (56%). The revenue share of GVT increased to around 40% over FY24-9MFY25 (FY23: 30%). The share of ceramics declined to 42% in 9MFY25 (FY24: 43%, FY23: 50%). 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. With the shift in the product mix towards vitrified tiles, which has a higher average selling price per square meter, the topline and profitability are likely to improve over FY25-FY26.

At end-December-2024, OBL had a strong distribution network, with over 2000-plus dealers and a retail network of 375 Orient Bell tiles showrooms (23 added during 9MFY25). The company has been focusing on and investing in its digital platform to improve B2C sales and improve its brand presence. The market has been impacted by competition in the domestic market, decline in exports, and the exports-related challenges being faced by players in the Morbi region, as reflected in the shutdown of various facilities in the area. This along with expenditure on marketing initiatives are likely to keep margins low in the near term. Ind-Ra believes the margins would improve over FY26, supported by growth in the GVT segment and improved market conditions in the Morbi region.

Revenue and EBITDA Grew in 9MFY25; Operational Performance to Improve Further in FY26: OBL witnessed a turnaround in its performance in 9MFY25, with its revenue rising slightly to INR4,715 million (9MFY24: INR4,661 million) and its EBITDA increasing to INR215 million (INR113 million), driven by the improvement in the product mix, with a shift in focus towards GVT from ceramics. The sales volumes are likely to slightly moderate in FY25 but improve gradually from FY26, backed by the addition of capacities at Dora facility and stabilisation of capacity additions at other units. Consequently, OBL's operating performance is likely to improve in FY26. Furthermore, the management plans to increase its brand presence with retail customers, for which it is spending on marketing initiatives.

In FY24, OBL's revenue had declined to INR6,745 million (FY23: INR7,051 million; FY22: INR6,543 million), led by lower realisations and volumes. The EBITDA fell sharply to INR209 million in FY24 (FY23: INR472 million; FY22: INR557 million) due to volatility in gas prices, increased competition and higher outlay on advertising expenses. The EBITDA margin fell to 3.1% in FY24 (6.7%; 8.5%).

Strong Promoter Track Record: The agency has considered the strong track record of the management in running the business, along with the presence of experienced promoters and the resultant strong relationship with its 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.

Liquidity

Adequate: During the 12 months ended December 2024, the company's monthly average utilisation of the fund-based limits was less than 2% and that of the non-fund-based limits was 23%. The liquidity is supported by cash flow from operations of INR384 million in FY24 (FY23: INR327 million; FY22: INR539 million), unencumbered cash balance of INR133 million (FY23: INR32 million, FY22: INR407 million), and adequate availability of unutilised fund-based limits. OBL’s free cash flows continued to be negative at INR262 million in FY24 (FY23: negative INR280 million; FY22: INR266 million) on account of the capex undertaken for expansion of its GVT operations over FY23-FY24. The free cash flows are likely to turn positive in FY25, backed by the absence of any major capex plans over the next one-to-two years and likely improvement in cash flows from newly added capacities.

OBL's net working capital cycle was almost stable at 55 days in FY24 (FY23: 56 days, FY22: 51 days), with an increase in creditor days to 85 days (65,64), an increase in debtor days to 71 days (58, 58), and an increase in inventory to 68 days (64, 57), mainly on account of weak demand and supply glut in the Morbi cluster. The agency expects the net working capital cycle to remain largely stable over the medium term. OBL has scheduled debt repayments of INR115 million and INR137 million for FY26 and FY27, respectively, which will be serviced through internal cash accruals, with a debt service coverage ratio of 5.5x-6.0x in FY25 and 2.0-2.5x in FY26-FY27.

Rating Sensitivities

Positive: A substantial improvement in the scale of operations and profitability while maintaining the credit profile and adequate liquidity will be positive for the ratings.

Negative: Deterioration in the scale of operations and/ or deterioration in liquidity, leading to the net adjusted leverage exceeding 2.0x will be negative for the ratings.

About the Company

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. In FY24, the company had a total tile production capacity of 26.86msmpa, with 24.05msm sales volumes. 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 as on 31 December 2024.

Key Financial Indicators

Particulars	9MFY25*	FY24	FY23
Revenue (INR million)	4715	6,745	7,051
EBITDA (INR million)	215	209	472
EBITDA margin (%)	4.6	3.1	6.7
Interest coverage (x)	5.81	10.78	19.73
Net leverage (x)	0.97	1.33	-0.03
Source: OBL, Ind-Ra; *provisional numbers			

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Ratings	Historical Rating/Outlook	
				1 December 2023	2 September 2022
Fund-based/non-fund-based limits	Short-term	INR2,000	IND A1	IND A1	IND A1

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Fund based/Non fund based limits	Low

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

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About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

The Rating Process

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