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Q1FY25 Result Update
6th August, 2024

Orient Bell Ltd

Strong Tailwinds present in the sector

CMP: INR 399

Rating: BUY

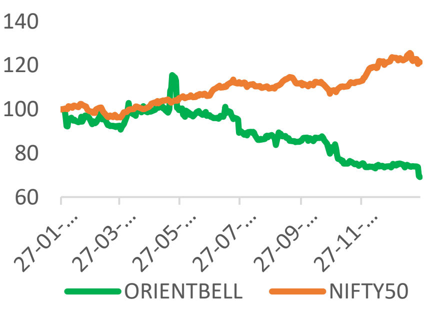
Target Price: INR 652

Stock Info	
BSE	530365
NSE	ORIENTBELL
Bloomberg	OBL:IN
Sector	Ceramics
Face Value (INR)	10
Mkt Cap (INR Bn)	5.77
52w H/L (INR)	500/301
Avg Daily Volume (in 000')	28.7

Shareholding Pattern % *(As on June, 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 set of numbers with poor topline growth (driven by lower volumes). Silver lining is the increased GVT contribution (at 38% of sales).

Contribution margins remain healthy

- **Revenues** came in at INR 1.48 Bn (-28.9% QoQ) (+2.8% YoY) (-21.2% against our estimates)
- **Contribution margins** came in at 35.7% (Vs 32.89% QoQ) (Vs 34.65% YoY) (Vs our estimates of 34.56%)
- **EBITDA** came in at INR 43.8 Mn (-62.8% QoQ) (+49.5% YoY) (-61.9% against our estimates)
- **EBITDA Margins** came in at 2.96% (Vs 5.65% QoQ) (Vs 2.03% YoY) (Vs 6.12% our estimates)
- **PAT** came in at INR -18.7 Mn (Vs 49.3 Mn QoQ) (Vs -13.1 Mn YoY) (Vs our estimates of 46.98 Mn)
- **PAT Margins** came in at -1.26% (Vs 2.36% QoQ) (Vs -0.9% YoY) (Vs 2.49% our estimates)

Important factors to keep in mind:

- Morbi exports have continued to slowdown in Q1FY25 as well (INR ~40 Bn in Q1). There are going to be shutdowns in Q2 in Morbi units (during Janmasthmi), management is confident of better performance in Q2 due to less volumes from Morbi.
- Associate entity of company is adding 5.5 MSM of GVT capacity (at their own capex) which will be additional capacity available to company.
- 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.
- The overall performance was weak just because of lack of volumes. The company has managed to improve its contribution margins even further

Outlook: Even though company has reported PAT losses, the contribution margins have improved. This shows clear trend that whenever the volumes improve, the performance will automatically improve. 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). **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. The peers have performed better but the commentary for all has been positive. **We roll over our estimates to FY27 and revise our target to INR 652 (18 month price target at 20x FY27EEPS).**

Valuation summary Y/E Mar, Rs mn	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Net Sales	6,543	7,051	6,745	8,383	9,473	10,547
EBIDTA	557	472	209	614	760	885
Net Profit	322	225	9	275	378	475
PAT Adj	322	225	9	275	378	475
Diluted EPS	22.0	15.3	0.6	18.9	25.9	32.6
PER, x	18.1	26.1	632.8	21.2	15.4	12.3
EV/EBIDTA, x	9.9	12.3	29.3	9.8	7.6	6.0
P/BV, x	2.1	2.0	2.0	1.8	1.6	1.4
ROE, %	11.3%	7.2%	0.3%	8.1%	10.0%	11.2%
Debt/Equity (x)	0.05	0.03	0.14	0.14	0.09	0.05

Exhibit: Quarterly Data (Consol)

	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 Q1FY25 Concall Highlights:

Operational Metrics:

- **Own Volumes** came in at 3.63 MSM (Vs 4.66 QoQ) (Vs 4.59 YoY)
- **Trading Volumes** came in at 1.55 MSM (Vs 2.87 QoQ) (Vs 1.48 YoY)
- **Own ASP** came in at INR 279/MSM (Vs 276 QoQ) (Vs 286 YoY)
- **Trading ASP** came in at INR 297/MSM (Vs 273 QoQ) (Vs 286 YoY)

Key Highlights from the concall:

- Management highlighted that the quarter was slow due to slowdown in exports and weak domestic demand due to elections. The weak exports were due to substantial rise in freight charges.
- Additionally, company had increased the discounts during the quarter to push more sales. This has led to slight volume growth. Company gave additional 1.5% discount (as compared to Q4FY24).
- GVT sales stood at 38% (Vitrified sales stood at 56%). Going ahead, company is getting more capacities by its associate entity which is adding 5.5 MSM in Vitrified Tiles.
- Company has INR 410 Mn net debt and is comfortable at these levels, repayments to commence from June 2025. WC days increased to 35 (from 19 in Q4) to support ongoing sales initiatives.
- Company is adding Solar PPA at Sikandarabad (already has at Hoskote) to save more on power costs. Company is still looking into whether they will put it at Dora
- Recently, company started a subsidiary to export trading tiles. This is mainly to cater to regions where company is not present. This will be done from Dora unit and Associate entities.
- The Dora facility is still not at its optimum levels, management feels it will take another 2-3 quarters for the facility to operate at optimum levels.
- No capex has been planned as of now for FY25. Channel restocking to happen soon
- Proton has completed capacity expansion and trials are currently ongoing.

Morbi:

- Demand is coming back, a lot of orders of Q1 were postponed due to higher freight costs. A lot of units in Morbi are also going to take shutdowns in Q2 (during Janmasthmi) for maintenance (not a lot of units took shutdown last year). This gives confidence to the company that Q2 will be better than Q1
- More shutdowns in Morbi have taken place. Additional 40-50 units shut down permanently in Q1 taking total shut units to 290 (out of 1000). None of the morbi units are purely export oriented. Whenever the export demand is weak, the volumes flow in domestic channels
- Exports from Morbi for Q1 stood at approx. INR 40 Bn (mainly shipments were postponed due to higher freight costs)

Costs:

- Cost cutting measures were present at usual which helped company reduce their cost of production by 6.9% YoY (considering constant Product Mix and Energy costs)
- Marketing spends stood at 4.2% for the quarter and will largely remain close to 4% for the remainder year as well. This is due to the online as well as TV ads
- Average fuel costs stood at INR ~43, flat sequentially. Even though ASPs have increased, the price erosion is present (due to higher discounts)

Outlook: Even though company has reported PAT losses, the contribution margins have improved. This shows clear trend that whenever the volumes improve, the performance will automatically improve. 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). **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. The peers have performed better but the commentary for all has been positive. **We roll over our estimates to FY27 and revise our target to INR 652 (18 month price target at 20x FY27EEPS)**

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**	**8,383**	**9,473**	**10,547**
Growth, %		**-13.8%**	**2.1%**	**30.2%**	**7.8%**	**-4.3%**	**24.3%**	**13.0%**	**11.3%**
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	3,513	3,839	4,177
Employee expenses	756	736	793	925	1,009	992	1,085	1,196	1,316
Other Operating expenses	2,018	1,564	1,494	2,365	2,821	2,586	3,171	3,678	4,169
EBITDA (Core)	**370**	**261**	**324**	**557**	**472**	**209**	**614**	**760**	**885**
Growth, %		-29.58%	24.42%	71.71%	-15.14%	-55.70%	193.22%	23.78%	16.50%
Margin, %	6.48%	5.29%	6.45%	8.51%	6.70%	3.10%	7.32%	8.02%	8.39%
Depreciation	165	206	206	206	211	214	234	256	267
Interest paid	87	81	57	41	24	19	46	35	21
Other Income									
Non-recurring Items									
Pre-tax profit	**141**	**29**	**114**	**351**	**299**	**11**	**372**	**511**	**642**
Tax provided	48	-42	38	30	74	2	97	133	167
Profit after tax	**93**	**71**	**77**	**322**	**225**	**9**	**275**	**378**	**475**
PAT Adj.	**93**	**71**	**59**	**322**	**225**	**9**	**275**	**378**	**475**
Growth, %	-59.13%	-23.31%	-17.67%	449.13%	-30.13%	-95.91%	2891.62%	37.26%	25.72%
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**
Total equity & liabilities	**4,587**	**4,202**	**4,344**	**4,522**	**4,811**	**5,543**	**6,022**	**6,222**	**6,605**

Cash Flow (Consolidated)

Cash Flow									
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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