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New Delhi : 02.09.2022

BSE Limited  
Corporate Relation Department  
1st Floor, New Trading Ring  
Rotunga Building Phiroze 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 regarding Credit Rating**

**Ref : Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform you that India Ratings & Research (a Fitch Group Company) has assigned short term credit rating for the Company as follows:

Short-Term Rating	IND A1
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The rating assigned by India Ratings & Research demonstrates a strong operational and financial position of the Company. The Rating Rationale dated 02<sup>nd</sup> September, 2022 issued by India Rating & Research is attached herewith. The rating rationale can also be accessed at <https://www.indiaratings.co.in/pressrelease/59408>

You are requested to take this information on your record.

Yours faithfully,  
for Orient Bell Limited

YOGESH  
MENDIRATT  
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Digitally signed by  
YOGESH  
MENDIRATTA  
Date: 2022.09.02  
20:50:02 +05'30'

Yogesh Mendiratta  
Company Secretary & Head-Legal

Encl: as above

Orient Bell Limited

## India Ratings Assigns Orient Bell's Proposed Working Capital Facilities 'IND A1'

Sep 02, 2022 | Construction

India Ratings and Research (Ind-Ra) has rated Orient Bell Limited's (OBL) proposed short-term working capital facilities at 'IND A1'. The detailed rating action is as follows:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating	Rating Action
Proposed working capital limits <sup>#</sup>	-	-	-	INR2,000	IND A1	Assigned

<sup>#</sup>limits are fungible between fund-based and non-fund-based working capital

### Key Rating Drivers

**Robust Business Profile:** OBL is a leading tile manufacturer with a mix of own and outsourced manufacturing. It has a country-wide supply chain, omni-channel marketing model with a wide variety of stock keeping units. OBL has a diversified product mix with ceramics and vitrified; both roughly contributed in a ratio of 57:43 to the top line in FY22. The value-added products constituted about 40% of the overall sales in FY22. OBL had a strong distribution network with over 2,000 dealers and a retail network of 305 stores at end-June 2022. OBL is focusing on and investing in its digital platform to improve B2C sales and targets to incur 3%-4% of its sales for marketing spends over FY23-FY24.

**Healthy Financial Performance and Credit Metrics:** OBL's revenue grew 78% yoy to INR1,545 million in 1QFY23 on a low base stemming from the COVID-19 outbreak. The revenue growth was further supported by OBL's improved product mix, higher realisation and channel expansion during the quarter. Its EBITDA improved to INR125 million in 1QFY23 (1QFY22: negative INR44 million) due to a rise in sales realisation and a switch to alternate economical sources to counter the rise in energy and other costs. OBL has maintained a net cash position since FY21, supported by its strong cash flow from operations. Its net adjusted leverage (net debt/operating EBITDA) stood at negative 0.38x in FY22 (FY21:

negative 0.58x; FY20: 1.96x) while the gross interest coverage improved to 13.67x (5.39x; 3.29x), backed by an increase in the EBITDA. OBL has scheduled debt repayments of INR75 million and INR19 million for FY23 and FY24, respectively; with a debt service coverage ratio of 4.4x-5x.

In FY22, OBL's revenues improved 30% yoy to INR6,543 million, backed by a 17% yoy increase in the overall sales volume and an 11% yoy increase in blended realisation. The EBITDA margins also improved to 8.5% in FY22 from 6.5% in FY21, due to an improved value-added mix and cost containment measures. The overall capacity utilisation at OBL's plants improved to over 80% in FY22. The EBITDA margins are likely to remain subdued in FY23 due to inflation and high channel inventory. However, the agency expects around 10% annual volume growth over the medium term, supported by capacity expansion.

**Capacity Enhancement through Ongoing Capex:** OBL is incurring capex amounting to INR680 million over FY21-FY23, leading to its capacity increasing by 5.5million square metre per annum (msmpa). This includes the upgradation of line 1 at the company's Hoskote plant in Bengaluru costing INR365 million, which is likely to be completed in 2QFY23 and become operational by October 2022. Also, the conversion of the company's Dora plant from ceramic to vitrified was completed in 1QFY23. These two projects are likely to result in a rise in the company's capacity by 3msmpa (for the rest of the 2.5msmpa, the capex was already completed in FY22), with a focus on augmenting access to the high-growing southern and western Indian markets and pushing the high-margin vitrified tiles offerings. The agency expects the volumes to increase significantly in FY24 as a result of the capex incurred in FY23. OBL has been in the business of manufacturing of tiles for over four decades and therefore, Ind-Ra assumes the capex and offtake risk to be only moderate.

**Liquidity Indicator - Adequate:** During the 12 months ended June 2022, the company's monthly average utilisation of the fund-based limits was nil and that of non-fund-based limits was 22%. The company had healthy operational cash flows and a cash position of around INR406 million at FYE22 (FYE21: INR507 million). However, its cash flow from operations were INR539 million in FY22 (FY21: INR135 million), backed by improved EBITDA. The surplus fund flow from operations of INR469 million in FY23 and INR502 million in FY24 are likely to be available for debt repayments, along with the unused fund-based limits of INR900 million in June 2022. The free cash flows increased to INR252 million in FY22 (FY21: INR45 million), led by the absence of any major capex. OBL's receivable days improved to 58 in FY22 (FY21: 67; FY20: 64) as a result of lower customer credit and its focus on stronger counterparties. The inventory days were moderate at 47 in FY22 (FY21: 51). Overall, the working capital cycle remained at 40 days in FY22 and the agency expects it to be at around 45 over the medium term, considering the ongoing capex.

**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 also dependent on natural gas, the rising prices of which can lead to a volatility in the gross margins of players. Hence, an ability to manage the pass through of volatile gas prices amid competition becomes a key rating monitorable. Also, there is a movement of bulky raw material during transportation, which is sensitive to 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:** An inability to maintain the scale of operations and or the margins and the net adjusted leverage increasing above 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 FY22.

## FINANCIAL SUMMARY

Particulars (INR million)	FY22	FY21
Gross revenue	6,543	5,025
Operating EBITDA	557	324
Operating EBITDA margin (%)	8.5	6.5
Operating EBITDA/gross interest expense (x)	13.67	5.39
Total adjusted net debt/operating EBITDAR (x)	-0.38	-0.58
Source: Ind-Ra; OBL		

## Solicitation Disclosures

Additional information is available at [www.indiaratings.co.in](http://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.

## Bank wise Facilities Details

[Click here to see the details](#)

## Complexity Level of Instruments

Instrument Type	Complexity Indicator
Working capital facility	Low

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

## Contact

### Primary Analyst

Mahaveer Jain

Director

India Ratings and Research Pvt Ltd

Wockhardt Towers, 4th Floor, West Wing, Bandra Kurla Complex, Bandra East, Mumbai - 400051

+91 80 46666817

For queries, please contact: [infogrp@indiaratings.co.in](mailto:infogrp@indiaratings.co.in)

### Secondary Analyst

Sangam Chaudhary

Analyst

124 6687288

### Chairperson

Rohit Sadaka

Director

+91 33 40302503

**Media Relation**

Ankur Dahiya

Senior Manager – Corporate Communication

+91 22 40356121

**APPLICABLE CRITERIA**

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**Corporate Rating Methodology****Short-Term Ratings Criteria for Non-Financial Corporates****DISCLAIMER**

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