

OBL: HO: SEC:00:

New Delhi : 27.11.2019

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 under 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 CRISIL has reaffirmed credit rating for the Company as follows:

Long-Term Rating	CRISIL A-/Negative
Short-Term Rating	CRISIL A2+

The rating re-affirmation by CRISIL reflects the Company's established market position in the tiles industry, diversified geographical and customer profiles and a comfortable financial risk profile despite challenging market conditions. Rating Rationale dated 26.11.2019 issued by CRISIL is attached herewith.

You are requested to take this information on your record.

Yours faithfully,
for Orient Bell Limited


Yogesh Mendiratta
Company Secretary & Head-Legal



Encl: as above

Orient Bell Limited

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CIN: L14101UP1977PLC021546

Ratings

Rating Rationale

November 26, 2019 | Mumbai

Orient Bell Limited

Rating outlook revised to 'Negative'; ratings reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.236.15 Crore
Long Term Rating	CRISIL A-/Negative (Outlook revised from 'Stable' and rating reaffirmed)
Short Term Rating	CRISIL A2+ (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has revised its rating outlook on the long-term bank facilities of Orient Bell Limited (OBL) to **'Negative'** from 'Stable' and reaffirmed the rating at **'CRISIL A-'**; the short-term rating has been reaffirmed at 'CRISIL A2+'.

The outlook revision reflects the weakening of OBL's business risk profile due to slowdown in the industry and muted demand. Revenue reduced to Rs 583 crore in fiscal 2019 from Rs 672 crore a year before, while the operating margin declined to 6.5% in fiscal 2019 from 8.4% two years ago because of continuous increase in gas prices; this trend may continue going forward as well due to weak demand and reduced realisations. Cash accrual dropped to Rs 24.56 crore in fiscal 2019 from Rs 54.21 crore in the previous fiscal (extraordinary income of Rs 22.43 crore due to liquidation of holdings), and is expected to remain at Rs 20-25 crore over the medium term. Debt protection metrics also weakened: interest coverage ratio reduced to 4.3 times from 5.2 times. Operating margin is expected to remain moderate over the medium term, and any decline may further weaken debt protection metrics.

The ratings continue to reflect OBL established market position in the tiles industry, diversified geographical and customer profiles, and a comfortable financial risk profile. These strengths are partially offset by vulnerability to demand from end-user industry, and exposure to intense competition and fluctuations in gas and raw material prices.

Analytical Approach

Unsecured loans (outstanding at Rs 15 crore as on March 31, 2019) extended by promoters have been treated as neither debt nor equity as these loans are subordinated to bank debt and may remain in business over the medium term.

Key Rating Drivers & Detailed Description

Strengths

* Established market position

With capacity of 29 million square meters, OBL is one of the leading organised tiles manufacturers in India. After acquisition of Bell Ceramic Ltd in 2010, it has become a pan-India player with plants in the northern, southern, and western regions. OBL is focused on improving its brand presence over pan-India and has thus increased the budget for marketing and branding spends.

* Diversified geographical and customer profiles

Clientele is varied, comprising institutional buyers and over 4,000 dealers across the country. Thus, revenue and profitability remain insulated from adverse fluctuations in the preferences of any particular customer or region.

* Comfortable financial risk profile

Gearing was healthy at 0.37 time as on March 31, 2019, and should remain below 0.50 time over the medium term. Interest coverage and net cash accrual to total debt ratios were 4.3 times and 0.29 time, respectively, in fiscal 2019 and are projected at 3.6-4.7 times and 0.3-0.4 time, respectively, over the medium term. Financial risk profile should remain adequate, supported by prudent working capital management, leading to low debt levels.

Weaknesses

* Vulnerability to demand from end-user industry

The ceramic tiles industry reported a decline in fiscal 2019 due to slowdown in the real estate market. OBL's turnover fell 18% for the fiscal and was Rs 582.99 crore; sales are likely to reduce further in fiscal 2020. Dependence on the real estate market and its economic scenarios should continue to constrain business.

* Exposure to intense competition

Intense competition (from the unorganised sector and reputed brands such as Kajaria Ceramics Ltd, Nitco Ltd, Somany Ceramics Ltd, and HR Johnson India) may continue to restrict scalability and limit pricing power, thereby constraining profitability.

* Susceptibility to fluctuations in gas and raw material prices

Expenses incurred to procure raw materials (different types of clays, feldspar, silica, kaolin, and carbonates) comprise 50-

60% of total operating cost, while gas and power costs comprise 20-25%. Hence, even a slight variation in input prices will drastically impact profitability, as seen in fiscal 2018, when increase in gas prices led to a fall in margin to 7.3% from 8.4% in fiscal 2017.

Liquidity: Strong

Expected net cash accrual of Rs 21 crore and Rs 25 crore will be sufficient to meet debt obligation of Rs 12.8 crore and Rs 11.8 crore in fiscals 2020 and 2021, respectively. Bank limit utilisation averaged 27% over the 12 months ended September 2019. Current ratio was 1.47 times as on March 31, 2019.

Outlook: Negative

CRISIL believes OBL's revenue and operating margin will remain under pressure over the medium term due to weakened demand scenario.

Rating sensitivity factors

Upward Factors

- *Improvement in operating income by more than 20% and in margin by 400 basis points
- *Reduction in working capital cycle

Downward Factors

- *Decline in operating income by more than 20% from fiscal 2019 level
- *Fall in operating profitability by 200 basis points
- * Larger-than-expected debt-funded capital expenditure weakening financial risk profile.

About the Company

OBL (formerly, Orient Ceramics and Industries Ltd) is a public limited company listed on the Bombay Stock Exchange and National Stock Exchange, and promoted by Mr Daga and family. It manufactures glazed ceramic wall, floor, and vitrified tiles under Orient Bell brand. Facilities are in Sikanderabad (Uttar Pradesh), Dora (Gujarat) and Hoskote (Karnataka).

Key Financial Indicators

Particulars	Unit	2019	2018
Revenue	Rs crore	582.99	671.80
Profit After Tax (PAT)	Rs crore	8.90	40.05
PAT margin	%	1.53	6.0
Adjusted debt/adjusted networkth	Times	0.37	0.28
Interest coverage	Times	4.3	5.2

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Cr)	Rating assigned with outlook
NA	Letter of credit & Bank Guarantee	NA	NA	NA	80	CRISIL A2+
NA	Long Term Loan	NA	NA	Mar-2023	49.15	CRISIL A-/Negative
NA	Working Capital Facility	NA	NA	NA	107	CRISIL A-/Negative

Annexure - Rating History for last 3 Years

Instrument	Current			2019 (History)		2018		2017		2016		Start of 2016
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	156.15	CRISIL A-/Negative			07-08-18	CRISIL A-/Stable	24-07-17	CRISIL A-/Stable	16-09-16	CRISIL BBB+/Positive	CRISIL BBB+/Stable
						30-07-18	CRISIL A-/Stable					
Non Fund-based Bank Facilities	LT/ST	80.00	CRISIL A2+			07-08-18	CRISIL A2+	24-07-17	CRISIL A2+	16-09-16	CRISIL A2	CRISIL A2
						30-07-18	CRISIL A2+					

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount	Rating	Facility	Amount	Rating

	(Rs.Crore)			(Rs.Crore)	
Letter of credit & Bank Guarantee	80	CRISIL A2+	Letter of credit & Bank Guarantee	80	CRISIL A2+
Long Term Loan	49.15	CRISIL A-/Negative	Long Term Loan	49.15	CRISIL A-/Stable
Working Capital Facility	107	CRISIL A-/Negative	Working Capital Facility	107	CRISIL A-/Stable
Total	236.15	--	Total	236.15	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for Construction Industry](#)

[CRISILs Approach to Recognising Default](#)

[CRISILs Criteria for rating short term debt](#)

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