

**Margins expected to remain healthy, aided by better realizations and demand recovery**

**CMP: INR 346**

**Rating: BUY**

**Target Price: INR 435**

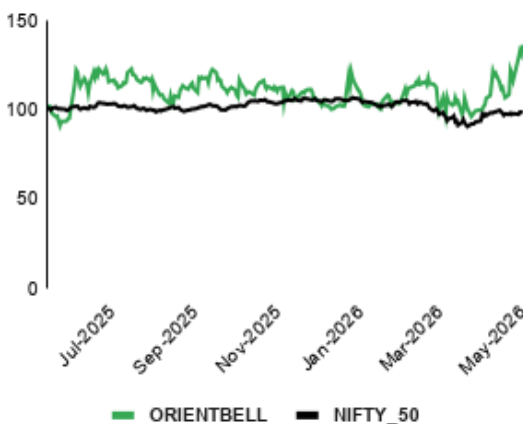
**Stock Info**

BSE	530365
NSE	ORIENTBELL
Bloomberg	OBL:IN
Sector	Ceramics
Face Value (INR)	10
Mkt Cap (INR Mn)	5,119
52w H/L (INR)	364/230
Avg Daily Volume (in 000')	15.3

**Shareholding Pattern %**

Promoters	65.92
Public & Others	34.08

Stock Performance (%)	1m	6m	12m
NIFTY	-4.2	-10.9	-5.5
OBL	+14.2	+22.8	+31.4



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Orient Bell Ltd reported good set of numbers in Q4FY26, revenue stood at INR 2,146 mn (+8% YoY/+28% QoQ); slightly below our estimates of INR 2,200 mn. EBITDA stood at INR 164 mn (+67% YoY/+51% QoQ); above our estimates of INR 154 mn. EBITDA margin stood at 7.6% vs our estimate of 7.0%. PAT for the quarter stood at INR 62mn (+130% YoY/+83% QoQ); above our estimates of INR 48 mn. PAT margin stood at 2.9% above our estimate of 2.2%.

**Investment Rationale:**

**Improvement in Balance sheet and price hikes aiding margins:** The company remains net debt-free with liquid investments of ~INR 290 Mn, providing financial flexibility. Management highlighted that the cumulative ~20% price hike implemented across March and April was largely absorbed by the market, reflecting the company's pricing power and ability to protect profitability in a volatile gas cost environment.

**Strong operating leverage driving bottom-line:** The company implemented phased price hikes of ~20% to offset a sharp ~30% increase in blended gas costs. Approximately 15% of the hike was undertaken in March, while the balance 5-6% was taken in April. Despite concerns around demand elasticity, management indicated that nearly the entire increase has been passed on, with no immediate requirement for further hikes unless gas prices witness another upward spike. Current blended gas cost stands at ~INR45/SCM, with procurement continuing through a mix of spot and formula-linked contracts.

**Morbi Disruptions acts as an Advantage:** Management highlighted that ongoing disruptions in the Morbi ceramic cluster, driven by elevated gas prices, labor shortages and liquidity stress among smaller manufacturers, are creating structural opportunities for organized players such as Orient Bell. The shutdown of smaller units and moderation in industry-wide capacity additions are aiding supply rationalization and improving pricing discipline across the sector. OBL's diversified manufacturing footprint and outside-factory stocking model continue to provide superior product availability and design assortment compared to Morbi-centric peers.

**Significant Capacity Headroom with Low Capex:** With current capacity utilization at 60-65%, the company has adequate headroom to support future volume growth without requiring significant incremental capital expenditure. Maintenance capex for FY27 is projected at ~INR 100 Mn.

**Valuation:**

With an improving mix towards vitrified tiles and sufficient capacity headroom, we expect OBL to benefit from the recovery in real estate and infrastructure demand. Improving exports have also reduced dumping by unorganized players in the domestic market, supporting better pricing discipline across the industry. We believe the margin recovery seen in Q4FY26 is largely sustainable. While Q1FY27 may witness some near-term pressure due to elevated gas costs and seasonality, margins are expected to remain healthy over FY27E, supported by i) volume recovery ii) better ASP's and iii) deeper penetration in Tier 2/3 markets through distribution. We reiterate our BUY rating with a Target Price of INR 435, based on 25x FY28E EPS of INR 17.4.

Y/E Mar, INR Mn	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	6,745	6,698	6,915	8,110	8,957
EBIDTA	209	281	395	500	620
%Margin	3.10%	4.19%	5.72%	6.17%	6.92%
PAT	9	28	136	188	254
Diluted EPS	0.6	1.9	8.4	12.9	17.4
PER, x	556.9	181.3	41.5	27.2	20.1
EV/EBIDTA, x	25.9	18.6	12.9	9.5	7.5
P/BV, x	1.7	1.7	1.6	1.5	1.4
ROIC, %	-0.1%	1.5%	4.6%	7.0%	9.2%
ROE, %	0.3%	0.9%	4.1%	5.4%	6.8%
Debt/Equity (x)	0.14	0.15	0.09	0.06	0.04

## Exhibit: Quarterly Data (Consol, INR Mn):

	Q4FY26	Q3FY26	Q4FY25	Q-o-Q	Y-o-Y
<b>Total Operating Revenues</b>	<b>2,146.42</b>	<b>1,688.15</b>	<b>1,982.53</b>	27%	8%
<i>Growth (%)</i>	8.27%	3.55%	-4.84%		
Total Raw Material Cost	1,032.56	772.78	1,022.40		
<b>Gross Profit</b>	<b>1,113.86</b>	<b>915.37</b>	<b>960.13</b>	22%	16%
<b>GP Margins</b>	<b>51.89%</b>	<b>54.22%</b>	<b>48.43%</b>	-2.3 bps	3.5 bps
<i>bpsGrowth (%)</i>	16.01%	2.70%	-11.23%		
Employee Cost	266.14	251.68	254.03		
<i>Growth (%)</i>	4.77%	-2.41%	1.69%		
Power & Fuel	379.07	308.00	282.56		
<i>Growth (%)</i>	34.16%	-0.97%	-29.20%		
Other Expenses	318.40	253.10	336.68		
<i>Growth (%)</i>	-5.43%	2.26%	6.92%		
<b>EBITDA</b>	<b>150.24</b>	<b>102.60</b>	<b>86.86</b>	46%	73%
<b>EBITDA Margins</b>	<b>7.00%</b>	<b>6.08%</b>	<b>4.38%</b>	0.9 bps	2.6 bps
Other Income	12.38	13.80	11.64		
<i>Growth (%)</i>	6.40%	170.51%	119.58%		
Depreciation	61.41	53.65	54.98		
<i>Growth (%)</i>	11.70%	-4.71%	-0.03%		
Finance Cost	6.83	9.41	10.68		
<i>Growth (%)</i>	-36.02%	-12.86%	87.35%		
<b>PBT</b>	<b>83.84</b>	<b>58.30</b>	<b>35.57</b>	44%	136%
Tax	21.39	13.25	8.10		
<b>Adjusted PAT</b>	<b>71.17</b>	<b>43.13</b>	<b>27.47</b>	65%	159%
<b>Adjusted PAT Margins</b>	<b>3.30%</b>	<b>2.53%</b>	<b>1.38%</b>	0.8 bps	1.9 bps
EPS	4.88	2.96	1.88	65%	159%

**Orient Bell Limited – Q4FY26 Earnings Call KTAs****CMP: INR 349 | Market Cap: INR 5,135 Mn****Management Guidance**

- Growth & Margins: Management expects FY27 performance and margins to improve over FY26.
- Capacity utilization is expected to gradually improve beyond the current 60–65% levels as demand conditions stabilize.
- Capex: No major capacity expansion is planned for FY27. Maintenance capex is budgeted at ~INR 100 Mn (+/- INR 40 Mn).
- Strategic Priorities: Continued focus on brand investments, dealer engagement, and digital enablement to improve customer conversion and strengthen retail presence.

**Key Highlights**

- Pricing Hikes: OBL implemented cumulative price hikes of ~20% across March and April to offset elevated gas and input costs.
- Volume & Revenue Growth: Q4FY26 volumes grew 7% YoY, while revenues increased 7.5% YoY. For FY26, volumes and revenues grew 4.4% and 3.1% YoY, respectively.
- Healthy Balance Sheet: The company remains net debt-free with cash and liquid investments of ~INR 290 Mn.
- Working Capital Improvement: Strong working capital discipline led to a 9-day reduction in debtor days to 48 days, while the overall cash conversion cycle improved to 20 days from 26 days.
- Utilization Headroom: Current utilization levels of ~60–65% provide room for incremental growth without meaningful near-term capacity expansion.
- Industry Consolidation Tailwinds: Disruptions in the Morbi cluster due to elevated gas prices and labor shortages are creating market share opportunities for organized and diversified players such as OBL.

**Demand & Margin Outlook**

Management remains positive on medium-term demand.

The ongoing supply-side disruption in Morbi is expected to support pricing discipline and aid organized players in gaining market share. Margins are expected to remain resilient YoY as the company has successfully passed on the recent cost inflation through calibrated price hikes. While Q1 remains seasonally weaker, OBL expects profitability to sustain above FY26 levels, supported by product mix improvement and cost optimization initiatives.

**Outlook**

Industry-wide disruptions in the Morbi cluster are likely to support organized market share gains over the medium term, particularly for players with diversified manufacturing capabilities and stronger balance sheets. Further, OBL's net debt-free status, improving cash conversion cycle and available utilization headroom position the company favorably for incremental growth as demand conditions normalize.

However, sustainability of recent price hikes, dealer inventory absorption, and gas price stability remain key monitorables going forward.

## Income Statement (Consolidated, INR Mn)

## Income Statement

Y/E Mar, Rs mn	FY24	FY25	FY26	FY27E	FY28E
<b>Net sales</b>	<b>6,745</b>	<b>6,698</b>	<b>6,915</b>	<b>8,110</b>	<b>8,957</b>
Growth, %	-4.3%	-0.7%	3.2%	17.3%	10.4%
Other income	27	27	30	31	33
Raw material expenses	2,957	3,161	3,059	3,450	3,724
Employee expenses	992	1,002	1,031	1,217	1,344
Other Operating expenses	2,586	2,254	2,429	2,944	3,269
<b>EBITDA (Core)</b>	<b>209</b>	<b>281</b>	<b>395</b>	<b>500</b>	<b>620</b>
Growth, %	-55.73%	34.20%	40.80%	26.54%	23.94%
Margin, %	3.10%	4.19%	5.72%	6.17%	6.92%
Depreciation	214	225	223	223	237
Interest paid	19	48	36	77	100
Other Income					
Non-recurring Items					
<b>Pre-tax profit</b>	<b>11</b>	<b>38</b>	<b>164</b>	<b>244</b>	<b>330</b>
Tax provided	2	9	39	56	76
<b>Profit after tax</b>	<b>9</b>	<b>28</b>	<b>124</b>	<b>188</b>	<b>254</b>
<b>PAT Adj.</b>	<b>9</b>	<b>28</b>	<b>136</b>	<b>188</b>	<b>254</b>
Growth, %	-95.92%	209.98%	378.06%	38.35%	35.34%
Unadj. shares (m)	15	15	15	15	15

## Balance Sheet (Consolidated, INR Mn)

## Balance Sheet

As at 31st Mar, Rs mn	FY24	FY25	FY26	FY27E	FY28E
PPE	2,963	2,781	2,615	2,543	2,507
CWIP	1	8	4	0	0
Financial Assets	137	135	147	153	160
Other Non Current Assets	13	31	28	31	34
<b>Total Non current Assets</b>	<b>3,114</b>	<b>2,956</b>	<b>2,795</b>	<b>2,728</b>	<b>2,701</b>
Inventories	890	616	652	933	1,031
Receivables	1,315	1,306	1,127	1,222	1,350
Cash & CE	134	344	301	564	611
Other Current Assets	90	73	71	69	73
<b>Total Current Assets</b>	<b>2,429</b>	<b>2,339</b>	<b>2,443</b>	<b>2,789</b>	<b>3,064</b>
<b>Total assets</b>	<b>5,543</b>	<b>5,295</b>	<b>5,238</b>	<b>5,517</b>	<b>5,765</b>
<b>Total Equities</b>	<b>3,130</b>	<b>3,161</b>	<b>3,288</b>	<b>3,475</b>	<b>3,729</b>
Non current borrowings	430	303	167	164	114
Other Non current liabilities	309	324	327	325	324
<b>Total Non current liabilities</b>	<b>739</b>	<b>627</b>	<b>493</b>	<b>489</b>	<b>438</b>
Current borrowings	24	156	145	28	28
Trade Payables	1,489	1,114	1,063	1,267	1,301
Other Current Liabilities	161	237	248	258	268
<b>Total Current Liabilities</b>	<b>1,674</b>	<b>1,507</b>	<b>1,456</b>	<b>1,553</b>	<b>1,597</b>
<b>Total equity &amp; liabilities</b>	<b>5,543</b>	<b>5,295</b>	<b>5,238</b>	<b>5,517</b>	<b>5,765</b>

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**Stock Rating Scale**

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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