OBL:HO:SEC:00: New Delhi : 06.11.2023

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| BSE Limited<br>Corporate Relation Department<br>1st Floor, New Trading Ring<br>Rotunga Building, Phiroze Jeejeebhoy<br>Towers, Dalal Street,<br>Mumbai - 400 001<br><br>**Stock Code - 530365** | National Stock Exchange of India Ltd.<br>Exchange Plaza,<br>Plot No. C/1, G Block,<br>Bandra-Kurla Complex,<br>Bandra (E)<br>Mumbai-400 051<br><br>***Stock Code: ORIENTBELL*** |

**Sub: Transcript of Post Earnings Call for Q2 FY24 held on 03rd November, 2023**

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, please find enclosed transcript of Earnings Call held on 03rd November, 2023 post announcement of unaudited financial results of the Company for the quarter and half year ended September 30, 2023.

The transcript of the Post Earnings Call for Q2 FY24 is also available on company's website at www.orientbell.com under below path:

Investor Relations Section> Disclosures under Regulation 46 of SEBI (LODR) Regulations> Transcripts of Post Earnings/Quarterly Calls.

Yours faithfully,
For Orient Bell Limited

YOGESH MENDIRATTA
Digitally signed by YOGESH MENDIRATTA
Date: 2023.11.06 17:52:41 +05'30'

Yogesh Mendiratta
Company Secretary & Head - Legal

Encl: as above

# "Orient Bell Limited
# Q2 and H1 FY'24 Earnings Conference Call"
# November 03, 2023

**MANAGEMENT:** **MR. ADITYA GUPTA – CEO – ORIENT BELL LIMITED**
**MR. HIMANSHU JINDAL – CFO– ORIENT BELL LIMITED**

**MODERATOR:** **MR. SUYASH SAMANT – STELLAR IR ADVISORS**

**Moderator:** Ladies and gentlemen, good day and welcome to the Orient Bell Limited Q2 and H1 FY24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

We have with us today on the call from the management of Orient Bell Limited, Mr. Aditya Gupta, Chief Executive Officer and Mr. Himanshu Jindal, Chief Financial Officer, along with Stellar IR Advisors, Investor Relations. The management will be sharing key updates and financial highlights for the quarter ended September 30, 2023, which will be followed by a question-and-answer session.

Please note that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Orient Bell Limited will not in any way be responsible for any actions taken based on such statements and undertake no obligations to publicly update these forward-looking statements.

Documents relating to the company's financial performance are available on the website of the Stock Exchanges and the Company's Investors section. Trust you have been able to go through the same.

I now hand the conference over to Mr. Aditya Gupta for his opening remarks. Thank you and over to you, sir.

**Aditya Gupta:** Thank you. Good afternoon, ladies and gentlemen. Welcome to the Q2 FY24 Earnings Call. It has been a tough quarter for us, with the marketplace demanding liberal credit and lower prices. We dropped our prices in some categories by 8%-10% during Q2 and this reflected in an ASP drop of Rs.16, which was partially made up by an improved product mix, i.e., more GVT and Vitrified.

As the price cuts took time to play out, our revenues continued to be under stress with a 7.4% drop in the quarter, while volumes were slightly better at 3.8% drop year-on-year. Some of the major highlights of the quarter are our new GVT line at Dora has started commercial production. This has added 3.3 million square metres to our capacity. The project has been completed ahead of schedule and at a significantly lower cost than planned.

The ramp-up of sales teams with our teeth-to-tail ratio further improving to 2.35, which is the highest ever. Branding investments have been maintained in spite of a tough quarter. On the product profile side, GVT is now almost a quarter of our business, up 2.2% year-on-year. Similarly, Vitrified, which includes GVT, Vitrified salience improved strongly and now stands at 47.6%, which is up 5% year-on-year. During the quarter, we also launched 150-plus new SKUs across our units. We continue our focus on strengthening the business basics and as Morbi gas prices have started hardening and our price drops are working through the markets, we expect a recovery going forward. Thank you.

**Himanshu Jindal:** Thanks Aditya. Good afternoon to all. So, the last few quarters have not been great from a revenue point of view for OBL, impacting profitability. Markets have been sluggish and the aggression from players did intensify, not only on pricing but also on credits in quarter two. Something that we have avoided as we believe in more sales backed by actual cash flows, especially when the uptake is slow. Our trading operations have done well.

Growth in volumes was more than 17% on a Y-o-Y basis and our trading margins expanded as well, backed by the improved product mix, despite the drop in realizations. On the other hand, volume from our own manufacturing were down 11.5% Y-o-Y and this was the primary reason for the lower top line in quarter two. On the cost front, fuel and the other input costs have come off, which is helping in the sustenance of gross margins sequentially, despite a drop in the ASP by 3.5%.

From a year-on-year perspective, last year with costs rising almost every quarter, we ended up selling stocks from cheaper inventories, opening inventories, which was not the case this time, with the drop in overall cost of production. So, this inventory change is one reason why our blended gross margins, at least in this quarter, are still lower by 3% on a Y-o-Y basis versus quarter 2.

The other reason for the drop in blended gross margins was obviously the increase in trading mix by 6% versus last year. The fixed costs and other costs, which is depreciation and finance charges, were largely similar to last year. Balance sheet remains resilient with overall debt and liabilities and our core working capital continues to be roughly 25 days for now. CRISIL reaffirming our credit rating also reflects the same.

On the capex front, we were able to commence commercial production from the new line, the new GVT line Dora well within time and our actual spends, like Aditya mentioned, were lower than what we planned for. Thanks to the good savings coming in from the overall lower cost of imports and better than planned execution of the project.

The detailed presentation is already available on the exchanges and we'll be happy to answer if you have any questions now. I request the moderator to please open the line for Q&A.

**Moderator:** Thank you, sir. Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rohit from Samatva Investments. Please go ahead.

**Rohit:** Hi, good afternoon, sir, and thank you for the opportunity. So, my first question would be if you could highlight broadly geography-wise, so north, south and western market, the demand scenario? And how do you expect it going forward during the second half of the year?

**Aditya Gupta:** Hi Rohit. I think demand has been broadly similar across geographies. There is not much of a difference. And not much data also available, but one thing which is clear is that the demand for exports has been very robust in quarter 2. We estimate about 40% to 45% growth on exports in quarter 2 over last year's quarter 2. But domestic has been similar.

**Rohit:** Got it. So, my basic reason for asking this question was because we have recently started the Dora facility and if there is sluggish demand currently right now, so how soon do you expect the

Dora facility to ramp-up in terms of capacity utilization? Or do we have to take a major price cut to enter into the South India market because this is comparatively a newer market for the company? Just wanted to get your views on how do we plan to actually increase our market share in the southern market given that the demand is actually a bit sluggish overall right now?

**Aditya Gupta:** So, Rohit, I think I agree with you. South is an extremely large market especially for GVT and it's a market where we have not had any significant play. We have been more north and east focused. So, the Dora product, the new line is something which is focused on south and west and as Himanshu was saying, with the project actually coming in at a significantly cheaper capex than what we envisaged. To give you a figure, it was about 18%, 19% cheaper than what we had thought of. We have a strong capability to compete from Dora.

Another thing which you might not be knowing is that we have the advantage of APM gas in Dora which we are paying about INR26-odd per cubic meter. So, from that perspective also, from a cost perspective, we are very strongly positioned to meet competition head on ex-Dora. So, we are quite hopeful that the ramp-up of Dora GVT line will be very good.

**Rohit:** Got it great. So just a follow-up was that in terms of backend, in terms of distributor reach, in terms of marketing, how much have we progressed or how much is still left to do in South India? Because since it's a new market, I want to know in terms of distributors, how do we plan to expand? What is our current share of South India distributors? And apart from that, in terms of backend, how ready we are to be in the South India market?

**Aditya Gupta:** So, Rohit, when you talk of share, unfortunately in our industry, we don't have any GFK type or Nielsen type figures which are available which would actually give any authoritative breakup on the kind of KPIs you have talked about. So let me answer it in a broader this thing. See we have been present in South, we have a large network of Bell Ceramics, but we are doing largely ceramics there, not GVT.

So, in terms of having trade familiarity with Orient Bell, in terms of trade, existing trade relationships with Orient Bell, they are already there. But our share of the distributor's overall business was much smaller because we were lacking this critical GVT product. With this now coming in, I think we can ramp it up significantly. We have been building up our teams in South for the last six months.

Today, in the opening statement, I talked about our teeth to tail ratio, which is the number of salespeople to non-revenue generating employees, has further improved to 2.35. And a large part of the increase has actually come in from Southern India. So that is the second initiative which is in place.

We have since September, actually the third week, fourth week of September, we have been on a massive distribution outreach program, which would have, so our mobile displays have visited some 100-odd towns in South India, South and West, largely South India, over the last two months. So, a lot of activity is happening there, so that the product from the Dora plant is kind of well received and is distributed across South.

**Rohit:** So out of the Orient Bell boutiques right now, how much would be in South India, if you could make this as a number you could share?

**Aditya Gupta:** So, Rohit, I don't -- we have 356 boutiques, we have been churning out a lot of non-performing boutiques this year. I don't have the number off-line available. Maybe, Pooja, you want to just note it down, we can then share it with Rohit offline.

**Rohit:** Got it. Great, sir. Thank you. So just one last question. So, in a recent interview, the market leader said that because the Morbi guys are focusing a lot on the export market, there's a potential and the organized players are actually gaining market share in the domestic market. So, would that also be a true statement from Orient Bell's perspective? Are we seeing some improvement in terms of, I get it, volumes will be a bit lower, but is Orient Bell actually gaining some market share to the Morbi guys in our strong areas?

**Himanshu Jindal:** Hi Rohit, this is Himanshu. You see, there are roughly 800-odd plants operating out of Morbi today, when we talk about tiles. So whatever results you see is obviously three, four, five players in total. There are 795 more that you may not be tracking actively. So yes, you're right. There have been structural reforms over the last few years where things have changed.

It's becoming difficult for Morbi guys to penetrate domestic markets because earlier what they were doing largely showing pricing by being non-compliant. That is out of the game. Especially post-COVID, I think again, very clear, they understand that we can do better in terms of selling ourselves as branded players onshore and they can do better selling offshore as exports.

This is something which is more or less established. So yes, you are right in a way that yes, today like Aditya mentioned, the demand conditions have not been so ripe, especially in the last few quarters. And therefore, given the pricing and the credit scenarios panning everywhere, based on how someone wants to play, he may have gone in for market grab shares, etcetera.

So yes, just to answer you in a net-net way, market share gains by branded over unbranded is happening, which is clear. How things would have panned out over a quarter-to-quarter basis, we need to see.

**Rohit:** Got it. So that's it from my side and just one last thing. I hope Mr. Daga is doing fine health-wise. So please, good wishes from my end and wishing the entire Orient Bell team warm regards for the upcoming festive season. Thank you so much.

**Aditya Gupta:** Thank you, Rohit.

**Moderator:** Thank you. The next question is from the line of Gunit Singh from Counter Cyclical PMS. Please go ahead.

**Gunit Singh:** Hi, sir. Thank you for this opportunity. So, sir, one of our largest competitors, one of the biggest players in India, Kajaria, they recently reported their results. And we saw an year-on-year growth in revenues as well as margins for them. While for us, it is quite the reverse. So, I mean, what are we doing different that we are not able to achieve, I mean, growth year-on-year? And what can we do different in your opinion to, I mean, get back to the growth trajectory?

**Aditya Gupta:** Okay. Thank you, Gunit. See, our margins are extremely sensitive to top line. And I think you're talking about the market leader. They had talked about how their overall fuel cost has come down quite a lot because they have started using some biofuels and all, which is something which we have started doing almost two years back. So, our last year baseline already had captured that benefit.

The other, the bigger part, I think, is the revenue piece, the top line piece. And this is where for a company of our size, every extra kick in revenue adds very disproportionately to our margins. More so because in our own manufacturing this thing, we enjoy healthy margins. What we have not done well, specifically coming to you what we want to do well, I already spoke to Rohit about that. So south is a major area of focus. We have seen how the market is moving very rapidly into GVT, into vitrified. And this is one area where historically we have been much more of a ceramic player.

A couple of years back, we were almost two-thirds of our business was of ceramics. Now it is kind of down broadly to about 50-50. And this is something which we have to catch up. And for us, the loss on the ceramic business is kind of dragging us down. With this Dora line coming in, we expect that the overall growth in our vitrified business will more than compensate for the loss due to the changing preferences of consumers.

**Gunit Singh:** All right. So, in H2, looking at the current demand scenario with the addition of our new line, are we looking at any growth in H2? And what kind of additional revenues should we expect from a new line? And how do we expect it to ramp it up in the coming quarters?

**Aditya Gupta:** So, we don't give out forward-looking revenue guidances. Definitely when we have put up this line in Dora, there is a clear plan to address the market with that. It's serious capacity, 3.2 million square meter annual capacity, which is now available to us from September. And as I said earlier, there is a robust plan to build up distribution, to build up our team's distribution. And we also share that the company is now working on a big marketing campaign, which is something, now that we have got the teams and the product in place, we will shortly be coming out with a large marketing campaign, which will basically drive this brand preference and help us sell this incremental capacity.

**Gunit Singh:** All right. Would the marketing campaign put some more pressure on our margins, which are already at quite a low level? And in terms of guidance, since the fuel prices are also going down, like you mentioned, do we expect margins to get to better levels, even FY '23 levels? Do we expect that for H2?

**Himanshu Jindal:** So, Himanshu this side again, See, Aditya mentioned we have to do branding. This is something which has been agreed with all stakeholders internally. And yes, it may have repercussions on the short-term profitability. This is understood. But please do appreciate there's a lot of capex already gone in. I have to make sure that we sell volumes.

I think one learning that we had over the last one year and 1.5 years is that, see, earlier, whatever branding interjections we did, these were largely digital, which is what helped us sell more when the markets resumed with a vigour post-COVID. We were already doing virtual showrooms, etcetera. This also helped.

Today, last 1.5 years, what we realized, largely whatever we were doing is already copy-pasted by our peers. And they eventually started spending more on mass media, something that we were not doing because of the deep pockets that we don't have. So, there is a consensus now that, yes, what we need to do on volumes, even if it comes at a cost to the short-term profitability, that should be, okay.

Part of this will obviously come in from the volume ramp-up, in terms of the margins. And the balance would obviously come in from some product mix as well, gains as well, right? So, we have to go for it. In terms of the gross profit margins, you would have seen how we have done over the last few quarters, over the last few years, FY'21/'22, for example, or '22- '23. We were in line with the best, or we were the best.

You count any listed, unlisted, all put together, we were clearly there. Last few quarters have been difficult for reasons that we spelt out, largely revenues, largely the gas price differentials that we had vis-à-vis the others. With some of these elements getting addressed now, I think over a period of time, our gross profit margins would again be more or less in line with the best. And then when the scale kicks in, automatically a lot gets addressed. Does that answer your question?

**Gunit Singh:** Yes, it does. So, what kind of ad spend do we ad-spread for H2 going forward as a percentage of our revenues?

**Himanshu Jindal:** We are still looking at it. We are trying to see what makes sense. We have to make it meaningful; this is clear. And whatever we do has to be more consistent, at least for some quarters. Some years. So, we have to be very cautious as to what we do. This is still in the making. Allow us some time, and then we can obviously come back.

**Gunit Singh:** All right. Got it. And what is the current capacity utilization?

**Himanshu Jindal:** These were not great, already, our sales are, it's there in the detailed presentation. So, it was largely in line with what we sold, the production. And therefore, the capacity utilization on a blended basis has not been that kind. Please do remember, there are new capacities which come up last year, and the market conditions have been sluggish. So, count all of that in. It's something close to 70%, just to answer you. For quarter two, we were operating at something like 70% odd.

**Gunit Singh:** All right. That's all from my side. Thank you. I wish you all the best.

**Himanshu Jindal:** Thank you.

**Moderator:** Thank you. The next question is from the line of Keshav Garg from Counter Cyclical PMS. Please go ahead.

**Keshav Garg:** Sir, my concern is that this is the fourth consecutive quarter when our sales are dropping year-on-year. And if we compare our numbers with the industry leader, then they have shown mid-single-digit growth year-on-year. And today, Prism Johnson also came out with their numbers. They have also shown year-on-year growth in their tile segment of mid-single-digit and their PBIT has tripled. Kajaria's PBIT has also gone up 40%.

Whereas it is understandable since our top line is only falling and we are losing market share, then obviously, operating de-leverage will kick in. So, the primary concern is that, when will we stop losing market share from the already low base that we are in?

**Aditya Gupta:** So, valid this thing. As I talked about some of the reasons that we have in terms of, we have had in terms of a very high ceramic play. I think with the new capacity which are coming up, we only had between, our vitrified capacity has historically, GVT capacity, vitrified capacity has been very low, with this new line coming in. For the first time, we can seriously address some of the biggest markets in the country, which is South and West.

So, going forward with the teams in place, with the new ad campaigns which we are talking about, which, Himanshu said, is going to be a very significant departure from what we have done in the past. And also, the new product, which is a GVT line, we expect that things will get better.

**Keshav Garg:** So, now that we already have a low base for the second half of this year, that even last year, in the third quarter, year-on-year, our revenues fell. So, you think that now, going forward, in the second half of this year, at least on a year-on-year degrowth, this trend will get arrested, and maybe reverse, or maybe, if not reverse, first, the trend has to stop of year-on-year fall in revenues. So, in your judgment, when can we expect that to happen?

**Aditya Gupta:** So, I think, again, you are asking me a guidance kind of a thing. I have already answered that. You are just kind of asking the same thing in slightly different words. We have said that.

**Keshav Garg:** I mean, it's a pretty simple question that...

**Aditya Gupta:** I understand your question very clearly. It is a simple question, yes. But I also said that, as a policy, we don't give out forward guidance’s. So, there is also a very simple...

**Keshav Garg:** Because, you see, the tile market is not shrinking. So, there is something that -- there is some problem that, when the market is not shrinking, then why are our revenues shrinking? I mean...

**Himanshu Jindal:** Keshav, let me try and pitch in here. See, please try and appreciate, and I will take you sometime back, when we were doing very well. Why were we doing so well in 2020, 2021, 2022? I think a lot of our initiatives played out then. Yes, the base was smaller, and we were doing very well. The markets were resonant, and we were doing better than our competition. Why were the markets so better? Because there was a whole lot of rejuvenation demand, or renovation demand, or expansions happening at homes.

There was unsold inventory that the developers were selling as well, where the last mile finishing was still to be done. This is where the tiles demand was essentially coming in from. Last 1.5 years have been difficult. Not only you would have looked at our commentaries, but I’m also sure you're quoting the market leader.

The market leader also may have said that the markets have been challenging. Even the guidance that they might have given may not have been -- you know, the actuals may have been different than that. Right? So, it's not something which is so unknown. Everyone is saying the same thing. Yes, the market leader and a few others who have put in a lot of money and effort in terms of building the brand earlier, in terms of putting up more and more GVT capacities earlier, they have been able to show growth, which is understandable.

They have gained market shares. But like I said, there are 800 players. If you exclude all those who are doing exports, and you exclude all those who are in those top three, four, five rankings, you would find the majority who are selling onshore are finding it difficult to sell. And this is where, Aditya and me, we both mentioned, branding investments is something that is agreed. Mass media campaign is something that we are coming out with.

There is a new Dora GVT line which is going to support the scale-up, especially for South, which is a market where we were not present at all. Our vitrified mixes there in that market was horrible. So, we were not selling enough GVT. All of that should happen. Now, how soon? We are very hopeful that the markets are going to revive very soon as well. That's our belief.

Again, based on a very simple fundamental, that last one year, 1.5 years have been tight, but there are still launches happening. There is still a lot of construction material, building material which is getting sold in these years. And you see that in all numbers which are coming in from other building products. Right? So eventually, as and when the finishing happens for these apartments, condominiums, real estate deliveries, whenever they happen, they have no choice but to go to players who can service that demand.

Would they go to unbranded or would they go to branded? This is the question that you need to answer and I need to answer for ourselves. So as and when the market conditions ripen up with all these investments which are going in, we should be able to come back strongly. So just allow us some more time, be more patient.

**Keshav Garg:** Sure, sir. Sir, and also till last quarter you mentioned that we were at a disadvantage as regards the gas cost. So where do we stand on that parameter today?

**Himanshu Jindal:** We are very much now more or less in line with whatever is happening everywhere. I think in Hoskote we still have a disadvantage, but largely all across we are very strong. So, in Sikandrabad, if I count my blessings in terms of what I fire in my spray dryer, the biofuels, etcetera, plus the gas put together, my blended cost is around INR39- INR40, which is very close to where the others are operating in that market.

Even in West, in my own plant, as Aditya mentioned, INR27 per SCM is what I pay. In the new line, in Dora, whatever my associate entities, my JV partners produce in Morbi, that's exactly in line with what Morbi produces.

So, Dora is slightly at a disadvantage, but generally if you see, we are largely now in line with the market. But please do remember that gas prices have gone up a little in the month of October by INR2.5- INR3- INR4 roughly across locations.

**Keshav Garg:** Sure, sir. Sir, thank you very much and I sincerely hope that we stop losing market share at the earliest and sir, best of luck to you.

**Aditya Gupta:** Thank you, Keshav.

**Moderator:** Thank you. Ladies and gentlemen, if you wish to ask a question, you may please press star and one. Participants who wish to ask questions, may please press star and one at this time. We have no further questions. I would now like to hand the conference over to Mr. Aditya Gupta for closing comments. Over to you, sir.

**Aditya Gupta:** Thank you. Thanks everybody for your participation. Look forward to getting back to you in the month of January. Thank you.

**Himanshu Jindal:** Thank you.

**Moderator:** Thank you. On behalf of Orientbell Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.