

WE
SAVE
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LEANER & STRONGER FUTURE READY

Annual Report
2022-23



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Because in today's fast and ever-evolving business world, incremental changes need to be supplemented with transformational initiatives that promise to alter the way business operates and, possibly, redefine the industry norm.

This truth commanded that we add a critical keystone into our overarching business philosophy.

LEANER. STRONGER. FUTURE READY.

Our out-of-the-box strategies would ensure that our in-the-box products will appeal more and sell faster than ever before, allowing us to create immense value for all those who continue to believe in our journey.

BECOMING LEANER

At Orient Bell, the diktat was very clear. Shape up. Scale up. Because we were perilously close to bloating our liabilities at the cost of our assets. The result was a no-brainer.

We had to shed our flab. Become lean for now and remain lean forever. For we understand that being lean is the most potent methodology for growing a business sustainably.

Our lean philosophy meant that we have everything we critically need and nothing that we don't. A never-ending process that requires continuous examination and retooling of our business systems and processes to eliminate inefficiencies.

In about 3-4 years, we did become lean. In a way that made us strong. **REALLY STRONG.**



IN CONVERSATION WITH THE MANAGEMENT

Q What was your idea of lean?

A **Aditya:** Lean for me was to spend money on whatever the customer would pay for and to squeeze the outflow for everything that they did not.

Himanshu: Putting our nose to the grindstone and running the Company like you're perpetually on the edge. Lean, in that sense, meant stretching every rupee for maximum value.

Q Under lean, what were your initial priorities?

A **Aditya:** The topmost priority was widening our product basket with what the customer was looking for. We invested all our energy in new product development – larger sizes and superior aesthetics. Alongside this, we worked on expanding our reach in consuming markets and to support this we added more salesforce despite reducing headcounts on an overall basis - our teeth to tail (T3R) improved to 2.2:1.

And we have significantly scaled branding for building product awareness where it mattered so that we grabbed eyeballs and generated footfalls which eventually supports the "Scale Up" over the long term.

Himanshu: Re-imagine costs by diverting available funds more towards value accretive projects like building new products, adding distribution and ramping up branding investments rather than service discretionary was the way agreed to achieve what Aditya mentioned.

We leveraged internal acumen and external expertise to redefine our operational benchmarks and realign processes to achieve our KPIs. The team renegotiated purchasing costs. Remodeled the energy mix. Unearthed every possible way to prune costs. Every rupee saved was worth the sweat invested.

Sales promised liquidity. But we needed to transform book receivables into usable funds. The team remained obsessed with timely collections. They went all out to bring in every rupee on time. At the same time, we worked to improve our production planning with a two-pronged approach - reduce inventory, especially non-premium stocks, and simultaneously achieve higher "fill in rates" to service demand. In a nutshell, achieving working capital efficacy became the mantra for our operations.

Q What did it take initially to become lean?

A **Aditya:** We adopted a three-point approach.

Became ruthless. Nothing was sacred. Every process was analysed to endorse that it was the most efficient option. Poor-performing processes were replaced.

Ignited minds. Becoming lean from the top just does not work because there is no heart to it. Improving efficiency starts at the frontline because they are the real heart of the organisation. We ignited minds and encouraged ideas to flow up the chain.

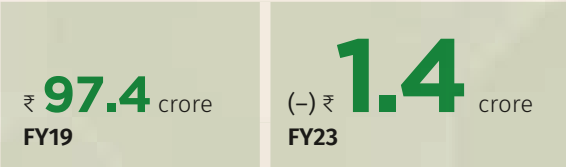
Transformed energy. We transformed team members into change agents within the organisation. Made them own their work areas. We gave them the opportunity to make it the best. The results were most encouraging, to say the least.



CORE WORKING CAPITAL DROPPED



NET DEBT COLLAPSED



What keeps Madhur Daga going?

One of the toughest goals that one can set is to Beat Yesterday. And that is especially tough if you are getting stronger. Because when you are on a path of getting stronger, beating yesterday requires a lot more effort. Now there is a risk to this goal and the risk is maybe you may not hit it. Maybe you will fall short. But that's ok. Because what I have realised is that when you set really big goals and you do your best to reach them whether you hit them or not, the process of trying so hard makes you do a lot of things that you ordinarily would not do. That not only exposes strengths but it also shows up your weaknesses. And that is something you can work on to get stronger. So sometimes its ok to bite off more than you can chew rather than nibble at mediocrity. Try your best to get there. If you get there celebrate. If you don't ..you will learn what needs to be better, you can work on your weaknesses and get stronger.

BECOMING STRONGER

With 'Shape Up' having truly shaped the contours of a committed, agile and efficient organisation, the time had come for 'Scale Up' to take center stage.

Having put our hearts out into succeeding in the initial phase, now we poured our minds into drawing a comprehensive Scale Up blueprint, which would strengthen the foundation of the organisational edifice.

Energy levels were high. Teams were in overdrive mode. Milestones achieved were celebrated. We reinforced our business step by step, year after year.

And in all the energy and excitement of this transformational journey, little did we realise that we had firmed our position into the Top 5 tile brands of India. Having made it this far, we have upped our ambition.

And there was only one way to make that happen, **BECOME FUTURE READY.**

IN CONVERSATION WITH THE MANAGEMENT

Q What is the biggest strength of Orient Bell as of date?

A **Aditya:** It is our team. Over the last five years, we worked on building a strong team because that is the essential building block for a stable organisation. Our strength starts with our C-suite comprising a team of experienced and enthusiastic professionals who are experts in their fields. The uniqueness lies in its cohesive decision-making and autonomous functioning, which ensures that what was decided was delivered. It's a genuine and honest team effort.

Himanshu: I agree with Aditya completely. Like our areas of operations are defined, the same philosophy flows down the hierarchical order but with built-in flexibilities. This ensures that the job is completed on time, come what may. Our L&D calendar has only gotten better with every year, ensuring that our people are aware and aligned with the increasing dynamism of our business world. We ring-fenced our talent across hierarchies

with ESOPs. We rolled out a Performance Linked Bonus for the entire team, which was given to them even during the Covid-impacted years.

Aditya: We have not lost any person at the C-suite level. The immediate next level is also an excellent team; with very low attrition rate. This showcases the solidity of the team and the directional stability of the organisation.

Q What are your strengths in the field?

A **Aditya:** Over the years, we have developed an extensive product basket of customer-relevant products that address every price point allowing us to cater to every growth opportunity. Our product edge is supported by an extensive and efficient distribution network which has made a defining contribution to the growth of the Company. On two accounts. One, showcasing our products to customers. Two, providing interesting insights about customer preferences and emerging trends to us. Their inputs form a

critical ingredient for our new product development strategy.

Our global exposure prompted us to look at and invest in digital solutions much before the Digital Tsunami swept across the Indian landmass. So while peers are coming to terms with this new operational platform now, our sustained investments in digital solutions over the last five years, have provided us the additional muscle to be FUTURE READY.

We have not lost any person at the C-suite level. The immediate next level is also an excellent team; with very low attrition rate. This showcases the solidity of the team and the directional stability of the organisation.

Himanshu: The prudent utilisation of funds has been an important strength. We deployed business surplus in strengthening the Balance Sheet and our physical assets. Interestingly, our capex investments have been stepped up consistently every single year over the last five financial years to support new products, create capacity, improve efficiencies and for building our distribution network. Our capex over the last decade is summarised below:

₹ **83** crore
in 6 years
FY13-18

₹ **97** crore
in 4 years
FY19-22

₹ **65** crore
in 1 year
FY23

2.2 %
of revenue

Largely for sustenance and regulatory needs

4.4 %
of revenue

Largely for GROWTH & improvement projects

9.3 %
of revenue

Largely for GROWTH

PHASED CAPACITY BUILDUP

| Q3FY21 | Q3FY22 | Q1FY23 | Q1FY23 | Q2FY23 | Q3FY24 | Total Increase in Capacity |
|---------------------------------|--------------------------------------|----------------------------------|--|--------------------------------------|------------------------------------|----------------------------|
| Completed | Completed | Completed | Completed | Completed | Underway | |
| Restart of MF-2 (Ceramic Floor) | Modernisation of MP 1 (Ceramic Wall) | Debottlenecking MF 4 (GVT Floor) | Conversion of Dora plant from Ceramic to Vitrified floor | Expansion of Hoskote plant (Ceramic) | New GVT Line-2 at Dora (Vitrified) | |
| 1.1 MSM capacity | 0.7 MSM capacity | 0.7 MSM capacity | NA | 1.8 MSM capacity | 3.3 MSM capacity | 7.6 MSM capacity |
| Capex ~ ₹5 crore | Capex ~ <₹10 crore | Capex ~ <₹11 crore | Capex ~ ₹9 crore | Capex ~ ₹34 crore | Capex ~ ₹76 crore | Capex ~ ₹145 crore |

Our capex plans were phased, which again worked in our favor. One, it allowed us to fund our projects through internal accruals. Two, cash flows increased sequentially as projects were

commissioned, strengthening business liquidity.

Before we realised, our capacity had grown by more than 25% in 3.5 years (see table below). And,

despite all the investment over the last 4-5 years, we ended FY23 with a Net Cash “positive” position, ensuring that we have sufficient financial headroom to FUEL OUR GROWTH.

CAPACITY GROWTH

| Capacity MSM p.a. | Baseline Capacity Mar-20 | Capacity Mar-23 | % Increase Mar-23 vs. Mar-20 | Expected Capacity Q3FY24 | % Increase Q3FY24 vs. Mar-20 |
|-------------------|--------------------------|-----------------|------------------------------|--------------------------|------------------------------|
| Own Manufacturing | 19.3 MSM p.a. | 23.6 MSM p.a. | +22.3% | 26.9 MSM p.a. | +39.4% |
| Associate Entity | 10.0 MSM p.a. | 10.0 MSM p.a. | 0% | 10.0 MSM p.a. | 0% |
| Total OBL | 29.3 MSM p.a. | 33.6 MSM p.a. | +14.7% | 36.9 MSM p.a. | +25.9% |

Aditya: The pieces in the puzzle fit in perfectly because we were not in a race. In our blueprint, speed was not the overarching driver. It was about reimagining the business and processes basis insights and then operationalizing the changes on a digital platform. I am pleased to state that as we moved forward step by step, we grew from strength to strength.

Himanshu: This is precisely why we were able to complete our five capex projects on time and within our agreed budgets. Our business as a whole has become more robust. Our improved credit rating by agencies such as CRISIL and India Ratings (Fitch Group Company) over the years is a strong watermark to our belief.

| Period/Year | Long Term | Outlook | Short Term |
|-------------|-------------|----------|------------|
| Jun-22 | Crisil A | Stable | Crisil A1 |
| Sep-21 | Crisil A- | Stable | Crisil A2+ |
| Sep-20 | Crisil A- | Negative | Crisil A2+ |
| Nov-19 | Crisil A- | Negative | Crisil A2+ |
| Aug-18 | Crisil A- | Stable | Crisil A2+ |
| Jul-17 | Crisil A- | Stable | Crisil A2+ |
| Sep-16 | Crisil BBB+ | Positive | Crisil A2 |
| Apr-15 | Crisil BBB+ | Stable | Crisil A2 |
| Jan-14 | Crisil BBB+ | Negative | Crisil A2 |
| Nov-12 | Crisil BBB+ | Stable | Crisil A2 |
| Oct-12 | ICRA BBB | Stable | ICRA A2 |
| Sep-11 | ICRA BBB | Negative | ICRA A2 |

EXCLUSIVE TILE EXPERIENCE CENTERS (OBTBs)

141
FY19

352
FY23

NET DEBT/EBITDA

2.6x
FY19

0x
FY23

What is Madhur Daga's take on becoming stronger?

Its important to conserve energy when you are chasing medium to long-term goals. I am talking of time frames of months and years. I have three tips to help you 1) Focus on life one day at a time. Tell yourself I will be the best I can today 2) Don't complain. It will drain your energy and leave you less equipped to deal with your today 3) Anything that shows up in your life is for two reasons a) to help you celebrate your strengths or b) Help you realise that you need to get stronger. Either way,... Say thank you.

At Orient Bell, we applied this take. We took our challenges as opportunities to become stronger. And we did... one day at a time, one challenge at a time!



OUR EMINENT AND EXPERIENCED C-SUITE



Aditya Gupta

Chief Executive Officer

32+ years of multi-functional experience in industry-leading companies.

Previously worked with UB Spirits, Bharti Airtel, Reliance Communications & TATA Group.



Anil Agarwal

Chief Operations Officer

36+ years of experience in the ceramics industry.

Has been a part of the OBL team for 16+ years.



Himanshu Jindal

Chief Financial Officer

21+ years of experience in leading finance roles.

Previously worked with Heidelberg Cement, Cipla, Cargill, Pfizer and most recently, as the CFO at Den Networks.



Alok Agarwal

Chief Marketing Officer

27+ years of experience in leading marketing roles.

Previously worked with Unilever, GSK Consumer Healthcare, SaraLee and Ebay India.



Ajay Srivastava

Chief Human Resources Officer

27+ years of experience in human resource management.

Previously worked with PepsiCo, ITC Limited, Dainik Jagran and most recently as Head of HR at Baxter.



Pinaki Nandy

Chief Sales Officer

27+ years of experience in leading sales roles.

Previously worked with Vodafone and Cadbury and as Business Head – Philippines and Bangladesh at AkzoNobel.

BECOMING FUTURE READY

While Earth continues to spin at the same pace, it did centuries ago. Our world is changing much faster than we had ever imagined it.

The customer's ask. The employee's aspiration. The Earth's demand. Needs and trends have undergone a complete transformation. Than what they were even five years back.

In this scenario, being future ready is about being on edge. About everything. All the time.

Watching trends. Understanding possibilities. Aligning them to business. Remodeling processes. More importantly, doing it proactively.

The Orient Bell team has made a beginning. Which has been heartening and rewarding. But this is a long journey that will get more **ENLIGHTENING** and **ENRICHING**.

orientbell
tiles



**LESS
IS
MORE**

Please switch off lights & fans when not in use. Save energy.



**LESS
IS
MORE**

Cut less trees, Recycle more papers.



**LESS
IS
MORE**

Waste less water. Turn the tap Off when not in use.



**LESS
IS
MORE**

Waste less food, take as little as you need.

TRY BEFORE YOU BUY



At www.orientbell.com/trialook

orientbell
tiles
boutique



IN CONVERSATION WITH THE MANAGEMENT



Q What is the future of the tile sector?

A Aditya: Tile industry is at an inflection point. Housing continues to be an underserved need in our country. Combining the 140 Crore population & the world's fastest growing economy results in a recipe for rapid growth. Another positive factor is that India has emerged as a preferred source for International markets, as global economy picks up the demand will go up.

Himanshu: People aspirations have soared with their growing disposable income. They don't want to expend energy in shopping for tiles, they wish to invest in an appealing look. This transition is creating the demand for large-sized, value-added tiles and the preference towards organised players. I am also of the opinion that national brands will play a more defining role in the advancement of the tile sector going forward as regulatory norms are creating more level playing field for all. This change

demands that national brands deploy strategies that will make it tile buying increasingly convenient.

Q What is the defining trend you see, and what have you done about it?

A Aditya: Today's consumer spends most of his time on mobile and laptop. The consumer does everything with clicks and touches on his screen. Absolutely everything. Virtual has become the new reality. But to buy tiles his only option was to visit multiple tile shops and negotiate his way through. It's a huge pain point for the tile shopper.

Orientbell Tiles has pioneered online tile shopping. Customers can browse tiles by color, finish, size, type from our product range of 3,000+ SKUs to select tiles at their own convenience. They can even estimate the budget buying these tiles would require at their pincode. They can try their selected tiles in their homes virtually before they buy. They can even place the order online and request for home delivery.

We have taken a noteworthy step towards making 'Finding The Perfect Tile for Your Home Easier.' I am confident this convenience will become the defining tile-buying trend over the coming years. And our Digital & IT teams would keep bettering the digital solutions in line with the evolving customer trends.

Q What are some of the other technology interventions that position Orient Bell as a partner of choice?

A Aditya: We have empowered our dealers with a comprehensive mobile application that enables them to do everything. They can check their ledger balances, invoice details. See images of tiles. Check their stock availability. Place an order and get updates on delivery. Make payments. See progress against schemes. Get updates on new products and schemes. Our dealers can also show mock-ups to customers virtually with tiles of their choice, making tile buying an engaging experience. More than 500 Channel Partners are using this application practically

every day. Distress has transformed to delight.

The intangible positives are immense 1) Communication to Channel Partners is uniform, 2) Our dealings is transparent, 3) Channel Partner issues are resolved with speed, and 4) Channel Partner trust in the Orient Bell brand increases. Another critical technology deployment has been in despatches. We launched a Transport Management System which collapsed our despatch time (between material readiness to loading) to a few hours. Adding new power to our sales cycle.

Q How else are you making Orient Bell more future ready?

A Aditya: Orient Bell will establish a stronger presence in the South and West markets. We are significantly increasing our channel partners in these regions. And are growing our sales force to support them. Over the coming years, we will cater to opportunities mushrooming from every Indian pin code.

Himanshu: Vitrified tiles are an emerging trend, especially in the urban markets owing to their superior aesthetic appeal. We were late entrants in this space. But we are making progress. Having completed two projects that have enhanced our capacity in the vitrified tile space, we announced a third – a 3.3 MSM capacity GVT Line (Line-2) at Dora to cater to the high-growth South and West markets.

This is partly financed through external funding, which has been secured at attractive rates with considerable in-built flexibilities regarding the funds' drawdown and repayment. Currently, revenue contribution from vitrified tiles stands at about 44%. Over time, vitrified tiles will emerge as the key revenue contributor and dominant business driver for Orient Bell.

We are also one of the few companies in our industry who understand and support the financing needs of our channel partners. Last year, we partnered with some of the leading lenders

to implement attractive financing solutions for our channel. We managed to make a difference to them where it mattered most.

Q What other innovation are you bringing into Orient Bell?

A Himanshu: Strengthening our presence especially in the bigger and higher growth South & West markets, required us to add people across all functions and hierarchies. Considering the immense interest generated in the open positions, we deployed a robotic solution, 'Avi,' for the initial screening of candidates based on functional, behavioural and technical capabilities. It's quite an attraction at Orient Bell.

