



**THEY SAID
WE WOULD
NEVER
MAKE IT...**

ORIENT BELL LIMITED
(FORMERLY ORIENT CERAMICS
AND INDUSTRIES LIMITED)

ANNUAL REPORT 2011-12

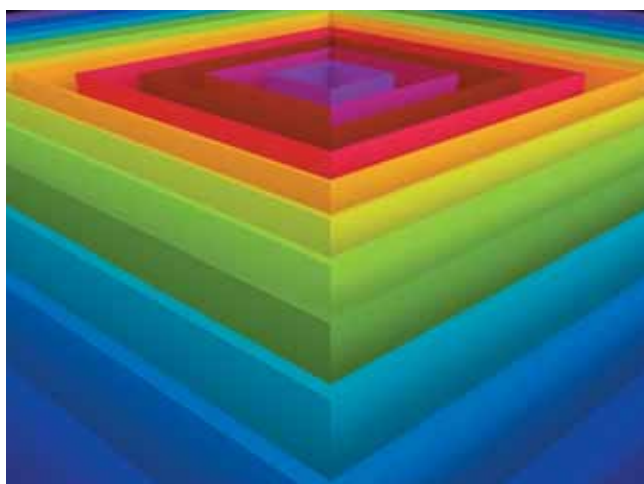
CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document contains statements about expected future events and financial and operating results of Orient Bell Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the Orient Bell Limited annual report 2011-12.

Orient Ceramics and Industries Ltd. acquired Bell Ceramics Limited on 29th December, 2010 and had proceeded to merge **Bell Ceramics Limited** with itself. The merger was completed on 30th March, 2012. Therefore, the figures of FY 2011-12 are for the merged entity – **Orient Bell Limited**, whereas the figures of FY 2010-11 are of erstwhile Orient Ceramics And Industries Limited only before merger.

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...WE ALREADY DID!

This is the first annual report of the post-acquisition Orient Bell Limited. A coming together of Orient Ceramics And Industries Limited and Bell Ceramics Limited. One with a long profitable track record and the other with an under-performing one.

This challenging integration could not have come at a more difficult time. When offtake was slowing. When debt costs were rising. When the capital markets were weakening.

Industry experts doubted. Lenders worried. Stakeholders fretted. Naysayers had a field day.

It is a measure of the rich management and industry experience of Orient Bell Limited to have countered challenging realities with a 86.77% growth in revenues and a 37.8% rise in profit after tax in 2011-12.

Resulting in attractive growth in our parent organisation and a turnaround in the acquired company within 15 months of assuming management control.

They said we would never make it..... we already did.

**ORIENT CERAMICS AND INDUSTRIES LIMITED
ACQUIRED BELL CERAMICS LIMITED IN
DECEMBER 2010.**

**ORIENT BELL LIMITED NOW POSSESSES
MANUFACTURING LOCATIONS IN NORTH, WEST
AND SOUTH INDIA.**

**THE ONLY INDIAN COMPANY WITH A DIRECT
PAN-INDIAN PRESENCE.**

**MANUFACTURING ONE OF INDIA'S LARGEST
PORTFOLIOS OF CERAMIC AND VITRIFIED
TILES.**

Origin: Orient Ceramics and Industries Limited (now Orient Bell Limited) was established in 1977 and acquired in 1993 by Mr. M.K. Daga, a first generation entrepreneur and existing promoter.

Business: Orient Bell Limited is India’s largest ceramic tiles manufacturer with a capacity of 80,000 sq. m per day and an all-India market share of 12.08%.

Presence: The Company is headquartered in New Delhi and present pan-India through a network of five Orient Tile Boutiques (Company-owned and operated), 2,184 dealers and 8,000+ sub-dealers, around 40 sales depots, presence across all 13 Home Town stores and 20 franchisees/ OTBs and numerous dealers displaying our tiles.

Products: The Company provides ceramic and vitrified floor tiles, wall tiles and highlighters in various sizes, colours and designs. The Company filed patents for its ‘Forever Tiles’ (highest abrasion-resistant tile surface) and ‘Germ-free Tiles’ (germ-resistant) that kills >99.5% of common disease causing bacteria.

USP: The Company is the only one in the Indian industry to have a full time European designer and a design studio in Castellon, Spain, for product design and development.

Listing: Equity shares listed on the Bombay and National Stock Exchanges; market capitalisation of ₹ 57.39 cr (31 March 2012).

Certifications: ISO 9001:2008, ISO 14001:2004 and OHSAS 18001-approved manufacturing facilities; CE certification for quality management systems (QMS); member of the Indian Green Building Council (IGBC).

Key customers: DLF, Unitech, Parsvnath, Sobha Developers, BPTP, Rahejas, L&T, Rites, CPWD, MES and AAI, among several others; extended décor solutions to Europe, Southeast Asia, the Middle East and SAARC countries.

Showpiece projects: Provided design expertise to prestigious institutions/edifices like the Rashtrapati Bhavan, Delhi High Court, Delhi Metro Rail Corporation stations, new Kolkata airport and ITC Sonar (Kolkata), among several others.

Asset portfolio

Location	Land spread (acres)	Annual installed capacity (mn sq. m)	Product portfolio	Production, 2011-12 (mn sq. m)	Sales, 2011-12 (mn sq. m)	Plant USP	Outlook
Sikandrabad, Uttar Pradesh	40 acres	14	20x20, 20x30, 30x45, 30x60, 25x37.5 cm wall tiles and 30x30, 40x40, 60x60 cm floor tiles	12.71	13	All kind of wall and floor tiles under one roof. Digital technology for tile decorations. Plant with ISO 9001,14001 and 18001 certificates and first ceramic plant in India to have carbon credits.	
Dora, Gujarat	117365 sq mtr	6.2	30x30 and 40x40 cm floor tiles	2.86	2.92	Ideally located to cater western markets. Plant utilising economically priced APM gas.	
Hoskote, Karnataka	35.8 acres	8.4	30x30,40x40 and 50x50 cm floor tiles	6.84	6.88	Unique in India; utilised the ‘dry’ process in tile manufacture thereby keeping production costs low	Expect to operate on natural gas from 2013 end

KEY FINANCIAL NUMBERS

86.77%
REVENUE GROWTH

2011-12	₹ 585.32 cr
2010-11	₹ 313.40 cr

92.99%
EBIDTA GROWTH

2011-12	₹ 50.99 cr
2010-11	₹ 26.42 cr

66.13%
CASH PROFIT GROWTH

2011-12	₹ 32.48 cr
2010-11	₹ 19.55 cr

31.58%
PROFIT BEFORE TAX AND
EXCEPTIONAL ITEMS

2011-12	₹ 10.04 cr
2010-11	₹ 7.63 cr

37.87%
NET PROFIT GROWTH

2011-12	₹ 13.47 cr
2010-11	₹ 9.77 cr

3 BPS
RONW GROWTH

2011-12	9%
2010-11	8.7%

84 BPS
ROCE GROWTH

2011-12	14.2%
2010-11	5.8%

KEY HIGHLIGHTS, 2011-12

- Turned Bell Ceramics around within only 18 months of takeover. Bell operations made a profit in F.Y. 2011-12.
- Achieved 80.87% growth in sales to 26.16 mn sq. m.
- Average tiles realisations increased 9% to ₹ 233 per sq. m.
- Increased outsourcing (vitrified and digital tiles) to ₹ 108 cr.
- Established the innovative and patented 'Forever Tiles' (highest abrasion-resistant tiles).
- Filed patent for 'Germ Free' Tiles (anti-bacterial tiles). We are the only Company in India to have developed this innovative patentable technology. The tiles remove more than 99.5% common disease causing bacteria from tiles.
- Expanded dealer network all over India by adding over 1,000 new dealers and improved our branding and display.
- Established the Orient International division to source world-class tiles from countries in Europe and Asia.



CORE VALUES

Integrity

- We have the highest level of integrity of character
- We display transparency in communication and feedback

Quality

- We provide highest quality products and services and seek regular feedback for improvement
- We set high levels of benchmarks to judge self and subordinates on quality on an ongoing basis

Customers

- We treat our internal and external customers with respect
- We constantly work to delight customers

Agility

- We execute all plans as per agreed timelines
- We believe in getting more done in similar or lesser time
- We show a sense of urgency in conducting a collective business

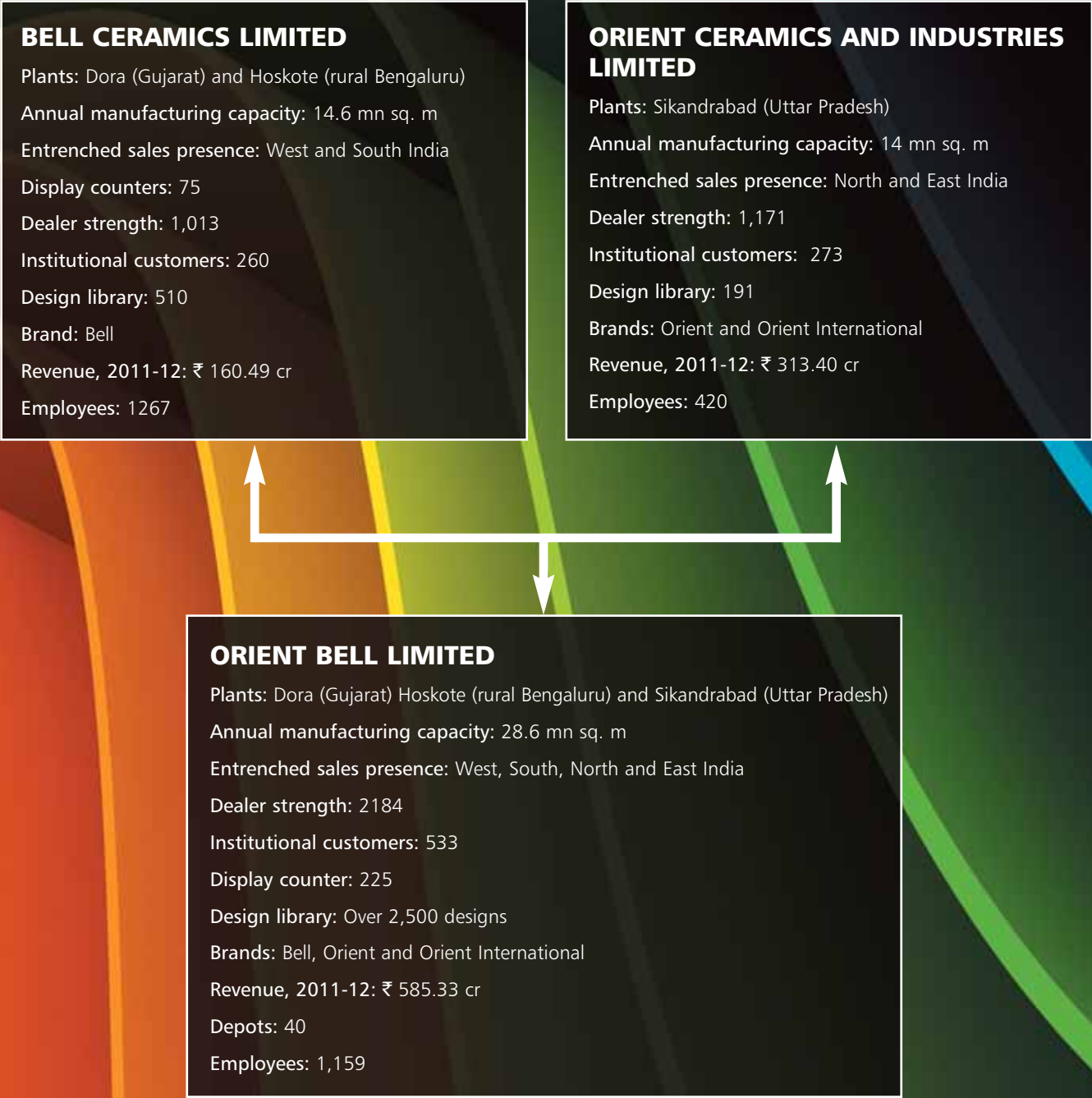
Partners

- We believe in maintaining excellent relationships with our business partners
- We seek active engagement and delight of business partners

Performance

- We take ownership and deliver expected business performance
- We are aware of the business goals and constantly strive to achieve them

HOW THE TWO BECAME ONE...



...AND HOW THE ONE BECAME BIGGER THAN THE SUM OF TWO....

Overview

Orient Ceramics acquired a majority stake in Bell Ceramics in December 2010 for a total enterprise valuation of around ₹ 115 cr.

Orient Ceramics held 68.31% in Bell, including shares acquired through public offer. On 30th March, 2012 both companies merged to form Orient Bell Limited. The shareholders of Bell Ceramics Limited were allotted one share of Orient Bell Limited for every four shares of Bell Ceramics Limited.

Benefits for Bell

Orient Ceramics leveraged its rich industry experience to make the following improvements at Bell Ceramics within months of acquisition:

Strengthened end product quality: First line quality at Bell improved from 60-65% to 80-85% in 2011-12, strengthening realisations, bottomline and brand.

Strengthened logistical efficiency: Earlier, 60% of Bell's clay requirement was procured 600 km from its plant; transportation cost was two-three times the cost of clay. Now almost 40% of the plant's clay requirement is sourced 15 km from the plant. Result: lower freight and raw material cost.

Switched the fuel mix: Earlier, Bell's plant consumed two-third APM gas and one-third GAIL gas (nearly three times costlier than APM gas). Now, Bell's plant consumes almost 100% of APM gas.

Re-engineered costs: Earlier, Bell ran its operations on two production lines. Now,

with only one line producing 80% of two lines since January 2012, fuel costs dropped 33%, manpower costs declined and productivity increased significantly.

Reduced overheads: Earlier, Bell had a non-manufacturing cost structure that was not commensurate with its operational size. Now, production planning, sales, marketing, administration and finance functions have been centralised. There have been significant savings in overhead costs.

Benefits for both

Both brands have benefitted from each other. Bell has been able to offer many new products to customers through Orient's outsourcing arrangements and Orient gained in South and West Indian markets due to association with a strong brand and established distribution network.

Better branding strategy: Earlier, Bell accounted for a number of mid-level tile brands. Now, Bell has not only graduated to the premium end but also used some of its existing brands to protect Orient's premium varieties in price-sensitive markets. As a result, Bell's average price realisation has significantly increased.

The result: Orient Ceramics reported an 86.77% growth in its topline and a 37.8% growth in profit after tax in 2011-12.

Orient Bell also acquired a huge tax hedge of over ₹ 50 cr due to the past accumulated tax losses of Bell Ceramics.

OUR BUSINESS MODEL

Branding

At Orient Bell, we recognise that we are in a business driven by perception. In view of this, we have selected to consciously create a recall around the following attributes – ‘aesthetic’, ‘innovative’ and ‘value for money’.

Positioning

At Orient Bell, we recognize that tiles is a growing segment and all segments at all product pricing are growing; higher-end growing faster. With a range of products to suit all price segments, excellent designs, patent pending products and a value-for-money proposition, our average realisation increased by 9% in 2011-12.

Scale

At Orient Bell, we believe that scale plays a critical role in enhancing competitive advantage for an evident reason: as product demand increases, companies with a dearth of capacity progressively lose shelf space and are eventually edged out by companies with larger capacities and availability (and hence lower costs). Following the Bell acquisition, we have gained manufacturing capacity that is the highest in the industry.

Distribution

At Orient Bell, we realise that in a business where the consumer is unlikely to visit any retail store if material is not available on the first visit, product availability drives offtake. In view of this, our tiles are available across more than 10,000 retailers across the country. This network makes it possible for our tiles to be available closest to consumption points and structured in a manner that the material moves quickest from our factories and outsourcing locations.

Manufacturing

At Orient Bell, we realise that success is increasingly derived from the ability to service customers quickest and best. Over the last couple of years, we have extended from one location and zone to three across the country, making it possible to service customer needs at the lowest transportation cost (inward of raw material and outward of finished products). We have also invested in our manufacturing locations with superior technologies to enhance our competitiveness.

