

RESEARCH**ORIENT BELL | NOT RATED**

Tile competition turns benign on gas supply challenges

SUMMARY**ORIENT BELL**

- Real estate completion cycle driving demand recovery, with OBL's volume and value growth gaining momentum in Q1FY27
- Gas led cost inflation being absorbed through price hikes, with margin trajectory stable-to-improving on the back of operating leverage
- Orient Bell, with robust cash flow generation and existing installed capacity, is well placed to capture rising domestic tile demand

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| Building Materials

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Demand recovery gaining traction; Q1FY27 trends remain healthy:

Management highlighted a meaningful improvement in industry demand, with growth accelerating to ~8% YoY in Q4FY26, supported by the real-estate completion cycle as projects launched during FY22-23 enter the tiling stage. Orient Bell's (OBL) capacity utilization increased to 70-75% in Apr-May'26 from 65% in Q4FY26. Management indicated demand momentum remains healthy in Q1FY27, supported by both volume growth and higher realisations.

Morbi resumes operation in May; challenges persists for smaller players:

Following the Mar-Apr'26 disruption, 75-80% of Morbi units resumed operations by May'26, although labour shortages initially constrained utilization levels. Management noted Morbi manufacturers currently have order visibility of 20-25 days and are contemplating another round of price hikes of Rs 3-4/sq ft in Jun'26 amid further increases in gas costs. Some smaller and less-efficient units may remain structurally challenged.

Shift towards organised players on supply challenges: The disruption has prompted several dealers to diversify sourcing beyond Morbi to ensure supply reliability. Management indicated that dealers who were previously fully dependent on Morbi are increasingly adding organized brands to their product portfolio. This trend, coupled with improved service levels and product availability, is supporting market share gains for organized players.

Gas inflation driving price hikes across companies: OBL's blended gas cost increased to Rs 60/scm in Q1FY27 from Rs 46/scm in Q4FY26, with sharp increases across all regions. To offset higher costs, the company implemented cumulative price hikes of 18-20% during Mar-May'26, while Morbi manufacturers increased prices by 35-40% and other organized players by 15-20%.

Pricing power keeping margin intact: Management believes current price hikes are sufficient to offset existing cost pressures and absorb a further Rs 1-2/scm increase in gas prices. Demand has remained resilient despite higher prices, aided by healthy project activity and limited supply availability. Consequently, management expects margins to remain stable-to-improve going forward.



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