



Touch  
*of*  
Class

LA OPALA RG LIMITED  
30TH ANNUAL REPORT 2016-17

HOW LA OPALA HAS TRANSFORMED LIFESTYLES / 04

THIS IS HOW WE HAVE GROWN OVER THE YEARS / 10

CHAIRMAN'S REVIEW / 12

MANAGEMENT OVERVIEW / 14

CONTENTS OUR STRENGTHS THAT ADDRESS  
A GROWING BUSINESS POTENTIAL / 24

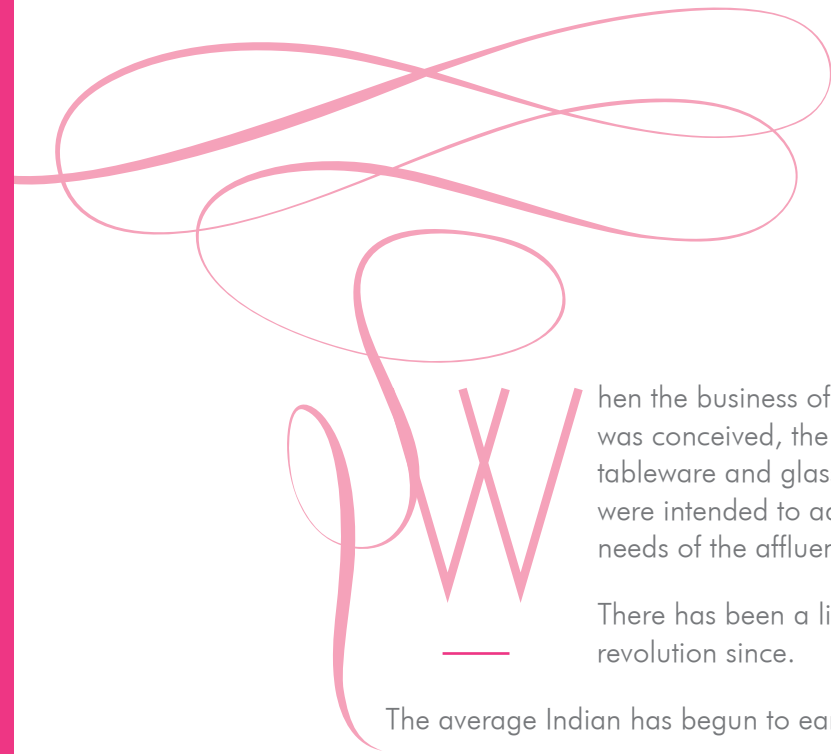
CORPORATE INFORMATION / 26

NOTICE / 27

DIRECTORS' REPORT / 30

MANAGEMENT DISCUSSION AND ANALYSIS / 67

FINANCIAL SECTION / 69



When the business of La Opala was conceived, the Company's tableware and glassware products were intended to address the needs of the affluent.

There has been a lifestyle revolution since.

The average Indian has begun to earn considerably more.

The average Indian has begun to aspire towards a visibly superior lifestyle.

The average Indian is willing to spend more.

The result is that La Opala is one of India's first organized sector brands to create a large market that did not exist.

La Opala is evolving preferences through distinctive design, wide product range, superior quality, effective branding and wide distribution.

**La Opala is not just addressing an emerging lifestyle revolution but making it happen as well.**

At La Opala, what we manufacture in our factories are tableware and glassware. What we market in our stores is pride.



At La Opala, the principal issue is not 'How can we price better?' The operative thinking is 'How much can we make people feel better?'



At La Opala, the focus is never 'Is there a market for our world-class products?' The emphasis is always on 'Can we create a market instead?'

When we entered the business of tableware and glassware almost three decades ago, the first reaction was 'There is really no viable market for this in India.'

There used to be a time not too long ago when most of India ate off stainless steel plates and drank out of stainless steel glasses.

People asked whether this would ever change.

Stainless steel was attractively priced, shatter-proof and hygienically safe.

Just when most industry observers felt that a company like La Opala would always remain niche, something happened.

India transformed.

India began to earn more. Indians began to move into larger homes. The country began to derive a greater pride in home ownership. Indians began to travel abroad frequently. India began to dine out often. Indians also began to be influenced by social media.

One of the most visible everyday manifestations of this transformation has been visible on tables across India.

Opalware started replacing metal. Fashion displaced function. Trendy replaced tradition.

La Opala was at the right place at the right time.

As India's largest and most visible tableware brand, it capitalized and catalyzed.

It addressed a growing market through product positioning, manufacture and availability.

It positively influenced the market through superior designs, widening collections and enhanced consumer value.

And that has made all the difference.



HOW LA OPALA HAS  
**transformed  
lifestyles**

LA OPALA .  
**The Recall**

“La Opala reconciled the attractiveness of bone china and the endurance of stainless steel”  
– Mumbai dealer, La Opala

“La Opala brought to a generic space the power of an FMCG brand.”  
– Delhi dealer, La Opala

“La Opala virtually created the category.”  
– Hyderabad dealer, La Opala

“La Opala has taken a largely-overlooked category like tableware and enhanced respect.”  
– Chennai dealer, La Opala

“La Opala brought an international quality of product into everyday Indian lives.”  
– Jaipur dealer, La Opala

LA OPALA .  
**Intangible strengths**

“La Opala created the strongest distribution network across any Indian tableware brand”  
– Kolkata dealer, La Opala

“La Opala created the concept of trade partners creating wealth for the first time in the sector”  
– Ahmedabad dealer, La Opala

LA OPALA .  
**Trendy**

“La Opala’s opal crockery made steel ware appear so downmarket!”  
– Guwahati dealer, La Opala

“People would rather give a newly-wed a La Opala dinner set than a cash envelope.”  
– Pune dealer, La Opala

“La Opala’s biggest contribution to the tableware category is that it democratized a class product into mass consumption.”  
– Bangalore dealer, La Opala

“I have people from the districts coming to buy fine opal glass crockery.”  
– Bhubaneswar dealer, La Opala



HOW LA OPALA HAS

# transformed lifestyles

LA OPALA .  
Popular

“La Opala has not serviced an existing market. It has widened a market.”  
– Jammu dealer, La Opala

“There used to be a time when opal ware would move slowly off our shelves. It moves fastest now!”  
– Chandigarh dealer, La Opala

“There used to be a time when people brought the cheapest. People extend to buy La Opala’s premium affordable products now.”  
– Agra dealer, La Opala

LA OPALA .  
Value-added

“La Opala brought to this category the discipline of focused brand-spending resulting in growing consumer footfalls – it outspends rivals by a long shot.”  
– Raipur dealer, La Opala

“La Opala helped consumers cross the hump of price-sensitivity. In opal ware the consumer usually tends to buy the premium La Opala.”  
– Bhopal dealer, La Opala

“La Opala has transformed the response to tableware: customers do not want to compromise on quality when it comes to serving food in the best possible manner.”  
– Noida dealer, La Opala

LA OPALA.

# India's largest tableware and glassware lifestyle brand.

## Delivering value. Enhancing pride. Enriching lifestyles.

### Our Vision

Our vision is to be the chosen tableware of every home across the world.

### Our Mission

Our mission is to continuously satisfy our consumers through our world-class products and services. This, we believe, is the best way to ensure consistent success for our Company, shareholders and employees.

### Our business

La Opala RG Limited has been three decades in business (established 1987). The Company is India's only listed pure-play tableware company.

The Company was established with the enthusiasm to market modern tableware products in India at a time when most Indians ate off tableware made of alternative materials.

The Company selected to manufacture and marketing of opal glass tableware and 24% lead crystal ware products.

Over the years, the Company's opal glassware portfolio has widened: plates, bowls, dinner sets, cup-saucer sets, coffee mugs, coffee cups, tea sets, soup sets, pudding and dessert sets; the crystal ware products comprise bar ware, vases, bowls, stem ware and heat-resistant borosilicate cookware.



### Our locations

La Opala RG Limited is head-quartered in Kolkata (West Bengal) and conducts all its manufacturing operations in India. The Company exports products to more than 40 countries.

La Opala RG Limited possesses the largest opal glass tableware capacity in India across its Sitarganj and Madhupur facilities.

Location	State	Products manufactured
Sitarganj	Uttarakhand	Opalware
Madhupur	Jharkhand	Crystal ware Opal ware

### Our brands

The Company's prominent brands comprise La Opala, Diva (Classique, Ivory, Quadra and Sovrana) and Solitaire.

Diva (tableware) and Solitaire (crystal ware) address premium consumer needs.

The La Opala brand addresses the largest end of the market.

### Our management

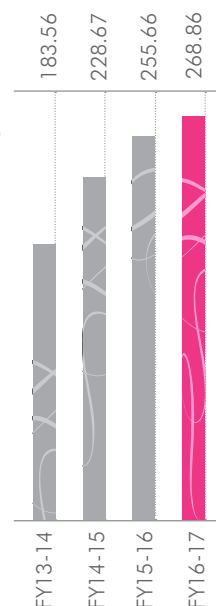
The management of La Opala RG Limited comprises Mr. Sushil Jhunjhunwala as Vice Chairman & Managing Director, Mr. Ajit Jhunjhunwala as Joint Managing Director and Ms. Nidhi Jhunjhunwala as Executive Director. The Company's employees comprise technologists, professionals and shop floor professionals.

### AWARDS AND ACCOLADES

2016	2017
ET Bengal Corporate Awards (Best Financial Performance)	ET Bengal Corporate Awards (Best Financial Performance)
India's Most Trusted Dinnerware Brand (The Brand Trust Report, India Study)	FE CFO Awards – 2017 (The Financial Express) CAPEXIL (Special Export Awards)

This is how we have grown over the years

#### FINANCIAL Higher revenues (₹ cr)



##### Definition

The sales growth without deducting excise duties.

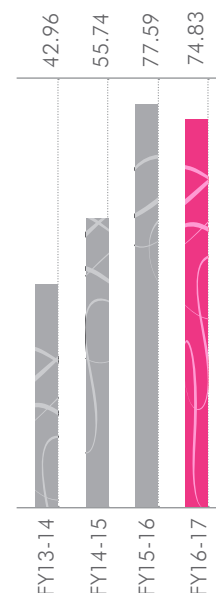
##### Why we measure

This measure reflects the result of our capacity to understand market needs and service them with corresponding manufacture, relevant brands, dealer engagement and virtually the entire supply chain.

##### Performance

Our aggregate sales increased 5.16% from ₹268.86 crore in FY 2016-17, which compared favourably with the 7.1% growth of the country's economy.

#### FINANCIAL Operating profit growth (₹ cr)



##### Definition

What the Company earned before the deduction of interest, depreciation, extraordinary items and tax.

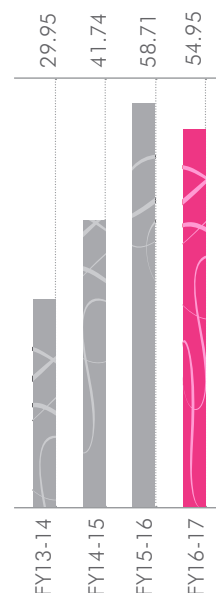
##### Why we measure

This measure is an index of the Company's operating profitability (as distinct from financial), which can be easily compared with sector peers.

##### Performance

The Company's operating profit grew every single year through the last eight years. The Company reported a 3.56% decline in its operating profit in FY 2016-17 following the demonetization impact.

#### FINANCIAL Profit after tax (₹ cr)



##### Definition

What the Company earned after interest, depreciation, extraordinary items and tax.

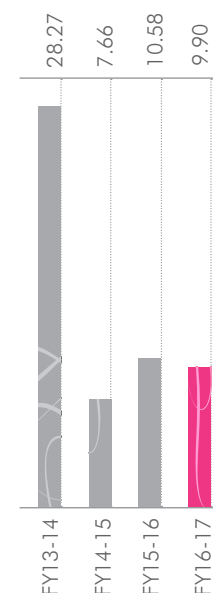
##### Why we measure

This measure is an index of the Company's net profitability, which can be easily compared with sector peers.

##### Performance

The Company's net profit declined 6.41% in FY2016-17 following a hesitant consumer sentiment across the last two quarters of FY2016-17.

#### FINANCIAL Earnings per share (₹)



##### Definition

The profit after tax divided by the number of equity shares outstanding.

##### Why we measure

This measure is an index of the Company's earnings capability filtering down to the shareholder level which can be easily compared with sector peers.

##### Performance

The Company's EPS declined from ₹10.58 in FY2015-16 to ₹9.90 in FY2016-17.

#### FINANCIAL Operating margin movement (%)



##### Definition

The movement in percentage points in profit before interest, depreciation, exceptional items and tax divided by the Company's revenues and expressed as a margin.

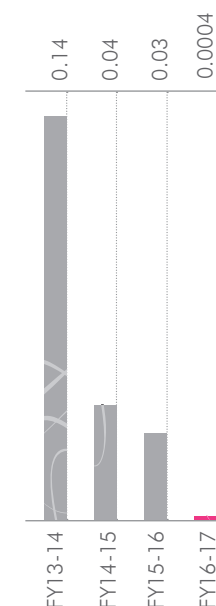
##### Why we measure

This movement essentially indicates whether the business is becoming more efficient or not.

##### Performance

The Company's operating profit margin increased every single year through the eight years ending FY2015-16. The Company's margins declined temporarily due to sluggish off take arising out of the demonetization.

#### FINANCIAL Gearing Debt-equity ratio



##### Definition

This is derived through the ratio of debt to net worth (less revaluation reserves).

##### Why we measure

This is one of the defining measures of the Company's financial health, indicating the ability of the Company to remunerate shareholders over debt providers (the lower the gearing the better). In turn, it indicates the ability of the Company to sustain growth in profits, margins and shareholder value.

##### Performance

The Company's gearing strengthened from 0.32 in 2013 to 0.0004 in FY2016-2017.

#### FINANCIAL Receivables (days of turnover equivalent)



##### Definition

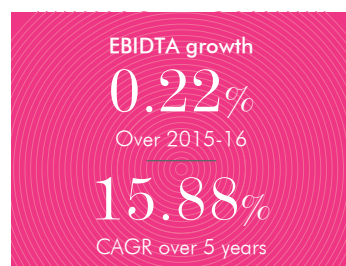
This is the Company's sundry debtors as a proportion of revenues (expressed in number of days).

##### Why we measure

Receivables (in terms of the number of days) expressed how fast the Company was getting sales proceeds into the Company, the lower the better.

##### Performance

The Company's receivables of 45 days of turnover equivalent were achieved through advances from dealers and modest credit tenures.





**A**t La Opala, the one consistent thread running through our strategy over the last three decades has been the desire to make better and different products than what was usually available.

While this would be interpreted by most as a strategy to compete for market share, the reality is that we always focused on market creation first, convinced that a superior market share would inevitably follow.

Our strategy was relevant to the circumstances. When we entered the business three decades ago, consumers were price-sensitive in a pre-liberalization India. Most of our consumers who brought our products comprised the affluent; there was a general apprehension whether our products would ever be purchased by the wider majority. What has happened contrarily is that the products that constituted the higher end of what we marketed to the affluent only are now brought by the wider majority.

This transformation has been on account of a convergence of three realities in a post-liberalization India over the last three decades: India has earned more, India has aspired more and India has expended more.

There has been a large transformation in the way we live. **Firstly**, India has become younger. The country's median age has declined to the

mid-twenties, making it one of the youngest countries in the world.

**Secondly**, much of India is being driven by the millennial population, described as those born at the end of the last century to the first few years of the present millennium, a generation that is marked by a greater willingness to consume.

**Thirdly**, a large number of those in their twenties, in India, are engaged in their first jobs, kick-starting a consumption cycle; besides, the wide availability of home mortgages is also driving home ownership across a progressively younger target segment, which in turn is propelling the off take of tableware products.

**Fourthly**, I believe that an increase in personal incomes on the one hand and declining inflation on the other are enhancing disposable incomes, driving discretionary consumption.

**Fifthly**, a larger part of the expenditure by India's middle-class is moving away from staples towards products that enhance lifestyles.

## Chairman's review

At La Opala, we believe that we are placed uniquely to capitalize on this lifestyle transformation for some good reasons.

At our Company, we do not just design products to address the needs of the day; we are entrepreneurially engaged in trying to understand what designs consumers would like in future. In doing so, we are not just involved in addressing existing markets; we are engaged in growing markets and accounting for a disproportionately large share.

At our Company, we are progressively occupied in the premiumization of our offerings, which represents a win-win proposition including enhanced lifestyle for consumers and increased realizations for our Company.

At La Opala, we believe that this strategic direction is safe; the interruption in our performance momentum that transpired in the third quarter of the year under review are perfectly logical as our products address items of discretionary consumption. During times of nervous consumer sentiment the offtake of our products will indeed be affected. However, it will rebound thereafter when sentiment normalizes.

India's lifestyle consumption is still at the early end of its cycle. With La Opala accounting for the largest share of India's organized tableware and glassware segments, we believe that our future prospects appear attractive.

Across the foreseeable future, La Opala expects to utilize a larger portion of its installed production capacity and market a bigger proportion of value-added products, enhancing value for all its stakeholders.

**Mr. A. C. Chakraborti**  
Chairman

At our Company, we do not just design products to address the needs of the day; we are entrepreneurially engaged in trying to understand what designs consumers would like in future.

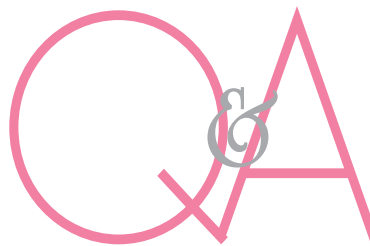


“We possess deep competitive strengths to drive our growth in a sustainable way from this point onwards”



**Q: Were you pleased with the performance of the Company during the year under review?**

**A:** La Opala reported its first profit decline in a number of years in FY2016-17, the Company’s profit after tax declining by 6.41% or ₹3.76 crore during the year under review. The Company’s revenues increased 5.16% during the period. The decline was on account of the demonetization-induced weakness in India starting November 2016 and extending well into March 2017. A currency squeeze staggered movement between trade partners, affecting our revenues in the third and fourth quarters. I must however indicate that the performance of the Company would have been more extensively affected but for the robust brand and consumer walk-in purchases during the festive season.



SUSHIL JHUNJHUNWALA,  
VICE CHAIRMAN  
AND MANAGING DIRECTOR,  
REVIEWS THE COMPANY’S WORKING  
IN FY2016-17

**Q: How did the Company respond to this unforeseen reality?**

**A:** The Company responded to the unforeseen reality of the demonetization by working closely with the trade. It would have been easy to step back and wait for the storm to blow over; on the contrary, the Company engaged in an on-going dialogue with its trade partners, relaxing credit

lines when necessary and encouraging them to go out and market more of our products. In view of this, must state that the decline in revenues during those two quarters would have been sharper but for the Company’s proactive responsiveness. I must also state here that the index of our competitiveness during this challenging period was reflected in our receivables cycle: 45 days of turnover equivalent in FY2016-17 compared with 37 days in FY2015-16 following demonetization-induced weakness when the receivable cycles of our competitors were higher.

**Q: What were among the principal achievements by the Company during the year under review?**

**A:** One of the most decisive initiatives that we undertook during the year under review was the decision on product ranges. The timing couldn’t have been more challenging: since

this transpired in January 2017, there was a suggestion that perhaps their launches could be delayed. We launched Quadra, which comprised a collection of square plates and bowls – as opposed to the conventional round shape that we always produced - addressing premium needs. During the year under review, we also launched the formal Sovrana brand, which was positioned as more premium than Quadra but with a stronger value-for-money proposition than bone china.

We believe that these launches highlight a number of realities: one, we believe that the evolving consumption pattern within the country has opened up new niches waiting to be addressed; we believe that there is a wider room for premium products that are benchmarked with global designs and trends; we believe that we possess a wide and deep distribution network that will be able to market a larger and more premium throughput; we believe that this increased

production will enable us to increase capacity utilization and amortize fixed costs more effectively.

**Q: How would you describe the competitive forces during the year under review?**

**A:** There was an increase in the opalware segment in India during the year under review, the competition largely coming from imported and local brands. At La Opala, we welcome competition: we believe that for the last couple of decades, La Opala was among the handful organized brands in India that enhanced product awareness that helped grow the market; we believe that increased competition will enhance category visibility, which, in turn, is likely to benefit the market leader (La Opala).

**Q: What other initiatives did the Company embark upon to strengthen its working during the year under review?**

**A:** At La Opala, we perceived that any sectoral weakness –

We believe that there is a wider room for premium products that are benchmarked with global designs and trends.

however temporary – would represent an opportunity to leverage the strength of our Balance Sheet and grow the business at the cost of competition. This is reflected in our brand spending during the year under review. Besides, we evolved the pitch of the communication from direct product push to concept creation where we encouraged consumers to graduate the quality of their lifestyles.

**Q: What went right for the Company during the year?**

**A:** We believe that our manufacturing capacity of 21,000 tonnes per annum, places a responsibility on us to engage in enhancing capacity marketing for opal ware, deepening our marketing and introducing strategic product extensions. In view of this, the Company introduced a new product category – cups, saucers and mugs in February 2016 with the objective to

help customers buy something that complemented what they had originally bought, which received a fair traction through the course of the year. The Company capitalized on the process of tempering for the Diva range of tea and coffee crockery, introducing a strength that cannot be found in glass or bone china variants. The Company sustained the positioning of dinner sets from the casual to the formal under the Diva brand, strengthening revenues.

The Company ensured that the newly-introduced products prominently occupied shelf-spaces across the nation. The Company discontinued relationships with under-performing distributors and entered into new relationships, enhancing distribution effectiveness.

The full impact of the incremental production from our Sitargunj unit was reflected

during the course of FY2016-17. We increased the proportion of value-added products and distributors. We widened our footprint across more states.

**Q: How attractively is the Company placed within its business?**

**A:** The Company is attractively placed: ₹133.13 crore of cash on its books in the form of liquid investments, attractive operating leverage in the form of unutilized manufacturing capacity, aggressive brand spending that represents a competitive moat, each year's accrual being larger than successive capex cycles and a vastly under-utilized working capital sanction. The result is that we not only possess the resources to commission the next round of capacity expansion but also possess resources needed to invest in promotion and the working capital to sustain our growth in a sustainable manner for years to come.

# India's lifestyle revolution

WHAT SOME OF INDIA'S  
BUSINESS AND THOUGHT  
LEADERS HAVE TO SAY  
ABOUT IT.