



Moments of Pride



LA OPALA RG LIMITED
ANNUAL REPORT 2018-19

The La Opala story goes back almost three decades. The Jhunjhunwala family was involved with the glass manufacturing industry but had not forayed into manufacturing premium tableware yet.

It was 1987 when the founder of the Company Mr. Sushil Jhunjhunwala came across ‘opal glass’ tableware on a business trip to South Korea. It was his foresight that gave birth to the brand ‘La Opala’ in 1988 and brought opalware to Indian tables that were till then mostly accustomed to metal utensils. By 1996, La Opala had pioneered the manufacture of handcrafted 24% Lead crystal glass.

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

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

VISION

The desire for beautiful things is universal. The dedication to enrich life with brilliance of beauty is rare. Our vision is to be the chosen tableware of every home across the world.

MISSION

Our roadmap starts with our mission, which is enduring. It declares our purpose as a company and serves as the standard against which we weigh our actions and decisions. Our mission is to continuously optimise satisfaction of 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.

Forward-looking statement

In this annual report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral –that we periodically make contain forward-looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipates’, ‘estimates’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’ and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether because of new information, future events or otherwise.

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It has been more than a decade since we commissioned our modern tableware manufacturing facility in Sitargunj, an inflection point in our 31-year journey.

The big question that we have been asked is how we have transformed India’s tableware space thereafter.

Our answer: We have grown the sector. We have introduced a wider product range. We have influenced consumers to upgrade their lifestyle.



But more than anything, we have brought specialness to the timeless act of eating a meal.

Reflected in something priceless.

Moments of Pride.

THE VARIOUS MOMENTS OF PRIDE THAT LA OPALA HELPED INSPIRE ACROSS THE LAST DECADE

PRIDE

...when the daughter
invests in a dinner set
with the proceeds of
her first salary

GRATITUDE

...when the newly-
married couple unpack
gifts to find a dinner
set they would have
had to buy

SURPRISE

...when the lady at the
kitty party turns the La
Opala plate over (when
no one is looking) to
check if it is imported

RESPECT

... when long-standing
shareholders examine
the wealth that La
Opala has created for
them

CONVICTION

... when the buyer's
face transforms to
'I knew it!' after she
asks to be shown the
best tableware brand
and the store manager
produces La Opala

CONTENTMENT

...when the
homemaker sits for
lunch that she has
prepared and is served
on a plate that makes
her feel that all is well
with the world

RELIEF

...when our trade
partners find La Opala
merchandise moving
faster than the others,
enhancing working
capital efficiency

SELF-ESTEEM

... when our
shopfloor manager
reports 100%
quality acceptance
batch after batch

RECOGNITION

...when our company
wins an award at a
prestigious forum
for product quality,
process consistency
and organisational
achievement



MOMENTS OF PRIDE

When La Opala went into business in the late Eighties, the first question we encountered was 'Why?'

'Why do you need to enter the business of tableware?'

'Why do you think people will shift from stainless steel plates?'

Thirty years later, the questions have changed.

People ask: 'When are you introducing new designs?'

'When will you extend into other tableware areas?'

This transition – largely the result of La Opala's first-moving presence – has helped transform our position from market leader to thought leader.

Increasing our moments of pride.



MOMENTS OF PRIDE

When La Opala embarked on investing in a new manufacturing facility more than a decade ago, the biggest challenge was one of scale.

The Company warranted an investment of ₹40 crore at a time when the Company's revenues were no more than ₹60 crore.

A number of well-meaning industry observers advised caution. One small error or delay in stabilising operations could stress cash flows, pushing the Company into a vice-like cycle.

However, the Company demonstrated a big leap of faith in selecting to invest in state-of-the-art automated technology. Following teething challenges, production stabilised, quality improved and manufacturing costs declined.

Transforming the Company into a modern showpiece.

Enhancing our moment of pride.



MOMENTS OF PRIDE

When La Opala set out to market a larger quantity of tableware about a decade ago, we had two options available to us.

One, we could have focused singularly on increasing our market share.

Two, we could have focused on growing the market and concurrently accounting for a disproportionate market share.

We selected the second option.

This priority warranted the manufacture of a product that could be benchmarked with the best in the developed world and provided at half the price.

Besides, the Company resolved to stabilise the price line, enhancing relative affordability.

The result is that La Opala expanded capacity and amortised fixed costs more effectively as opposed to passing on cost increases.

The result is that La Opala has entered thousands of homes across the country in the last decade, where its products have been accepted as a part of everyday lives.

Enhancing our moments of pride.



MOMENTS OF PRIDE

We were told, 'Your product will be appreciated and kept in the drawing room showcase for everyone to see but seldom used.'

At La Opala, we responded to this challenge.

We created a superior product. Our products are tempered, 100% microwave-safe, zero animal bone ash, scratch-proof and completely food grade (no heavy metal)

We create market-expanding price slots: we launched an irresistible dinner set, ideal for a family of six at a price far less than what anyone would have expected – the best branded tableware for a price that attracted first-time consumers and widened the market.

We provide improved brand options across incremental price points. Only a modest price increase makes it possible for the consumer to upgrade to a product of the next level.

The result is that La Opala has long ceased to be an adornment in the showcases of its customers. It has quietly been taken out, dusted, washed and used – and then used again.

The biggest transformation that La Opala has inspired is the everyday use of a product long considered aspirational.

Enriching daily lives with moments of pride.



THINGS TO KNOW ABOUT LA OPALA RG LIMITED

VALUES

Integrity: Acting and taking decisions in a manner that are fair and honest, Following the highest standards of professionalism and being recognised for doing so. Integrity for us means not only financial and intellectual integrity, but encompasses all other dimensions.

Commitment: We are committed to deliver value to all our stakeholders, consumers, employees and other business partners. In the process we are being accountable for our own actions and decisions.

Passion: We need to be passionate about our work and passionate about our business. We need to hire passionate employees, we need to create passionate customers.

QUALITY ALLIANCES

Being inspired by global standards and striving to be at par with them has always been a primary La Opala feature from inception.

In 1987 it was on a visit to South Korea that the founder came across crockery made from milky white glass or opalware and envisioned it on every Indian table. From then onwards, the opalware manufacturing technology followed in South Korea has inspired La Opala and led to collaborations.

An agreement was struck between La Opala and Hosan Glass. In 1988, a small factory was set up in Madhupur to manufacture opal glass in India for the first time.

In 1996, Solitaire, a range of 24% lead crystal glassware, was introduced in technical collaboration with South Korea's Doosan Glass. This diversification was funded through an IPO in 1995 (shares offered at ₹40 each).

INFLECTION POINT

The Company commissioned a greenfield 100% automated state-of-the-art European technology plant at Sitarganj, Uttarakhand. This ₹40 crore investment (Sitarganj) was made at a time when the Company's revenues were only ₹60 crore. The investment was directed to address the absence of scale in the business, replace high manual component and labour intensity with automation and prepare the Company for the next round of growth. The investment moderated production cost, enhanced realisations and increased output, transforming the Company's fortunes.

BIG LEAP

The Company scaled investments in automated manufacturing technology at the Sitarganj unit. This rapid growth in capacity translated into a high market share, competitive advantage and presence across a large number of Indian towns and retail outlets.

PRODUCT MIX

La Opala provides the widest portfolio within the country's tableware segment.

Opal glassware: Plates | Bowls | Dinner Sets | Cup-Saucer Sets | Coffee Mugs | Coffee Cups | Tea Sets | Soup Sets | Pudding | Dessert Sets

Crystalware: Barware | Vases | Bowls | Stemware

BRANDS

The Company's prominent brands comprise La Opala (Melody, Novo), Diva (Classique, Ivory, Quadra and Sovrana) and Solitaire. Diva (opalware) and Solitaire (crystalware) address premium consumer needs. The La Opala brand addresses the largest end of the market.

PRESENCE

La Opala RG Limited is headquartered in Kolkata (West Bengal) and the brand enjoys a pan-India presence. The Company exports to more than 35 countries (USA, UK, France, Turkey, Middle East and South East Asian countries to name a few). La Opala RG Limited possesses the largest opalware capacity in India across its Sitargunj and Madhupur plants.

BRAND

La Opala has collaborated with renowned Indian fashion designer Manish Malhotra for the design of its premium range of opalware under the brand Diva. The same brand had engaged actor Bipasha Basu as brand ambassador in the past.

LA OPALA®	
NOVO —collection— Stronger products at affordable prices	MELODY —collection— The original collection by La Opala
Divi from LA OPALA®	
CLASSIQUE —collection— First to elevate tableware quality	
IVORY —collection— International styling adored through years	
QUADRA —collection— Dining experience made trendy	
SOVRANA —collection— Evokes an aura of nobility and prestige	

AWARDS

ET Bengal Awards (nominated five years out of five, awarded in four)

Best Under a Billion – Forbes, 2013

CAPEXIL Award and EPCH Award year-on-year

India's Most Trusted Dinnerware Brand (The Brand Trust Report, India Study – 2016)

FE CFO Awards – 2017 (The Financial Express)

LISTING

The Company's shares are listed on the Bombay Stock Exchange and National Stock Exchange. The market capitalisation of the Company stood at ₹2,407 crore as on 31st March 2019.

AT

LA OPALA,
THE FOCUS
GOES BEYOND
TABLEWARE
TO HOW WE
CAN ENHANCE
EXPERIENCES.

I am pleased to present the
performance of the Company
during the year under review.

We were a ₹65.26 crore revenues
company in 2008-09; we are a ₹278.09
crore revenues company today (2018-19).

We were a ₹0.81 crore profit after tax
company in 2008-09; we are a ₹74.03
crore PAT company today (2018-19).

We had no cash on the books as on 31st March 2009; we had ₹233.68 crore cash on our books as on 31st March 2019.

The principal reason why the Company reported revenue and profit growth in the last decade is that it consistently focused on one over-riding reality: enhancing moments of pride.

At La Opala, we recognised that for a retail product like tableware, success would lie in enhancing its emotional connect with consumers. The focus then was not in enhancing functional convenience as much as it was about enhancing a sense of pride, making consumers feel good about themselves and investing their moments of use with a sense of pride.

The ability to extend a product from its physical attributes to the experiential has proved to be relevant as well. India is transitioning from a past when it was prudent to deny oneself better products to a time when Indians are spending more on their lifestyles.

This transformation is visible in virtually every area of modern living. More people seek vacations in exotic locations. The eating out phenomenon has evolved from once in a blue moon to once a week or more. The need to borrow that was once resisted has now yielded to buy a number of products on credit. The frugality of the past has been replaced with a need to project oneself more actively on social media. The ability to stay with a few set of clothes across an extended period has transformed into a wider wardrobe. The capacity to use public transport has extended to the ownership of a personal vehicle. The need to communicate using a functional cell-phone has been replaced by superior smartphone alternatives.

At La Opala, we recognised that for a retail product like tableware, success would lie in enhancing its emotional-connect with consumers.

At La Opala, we see ourselves as a company operating within this spectrum: offering consumers a widening range of tableware products across every price point; providing these at points that are proximate for consumption and providing these around confidence-enhancing assurances of enduring quality.

At La Opala, we are optimistic of sustaining our success for a number of reasons.

We have consistently led the market. We are recognised for the pace of new product introduction. We benchmark our products around new nascent trends. We invest higher in our branding and promotion than any other tableware company. We manufacture around a global benchmark. We have consistently invested in incremental manufacturing capacity ahead of the market curve. We now invest in additional capacity only out of net worth.

These reasons provide me with the optimism that the Company is attractively placed to sustain its organisational momentum, outperform market growth and enhance value for its stakeholders.

AC Chakrabortti

Chairman and Non-Executive Director



“THE COMPANY WILL
STRENGTHEN ITS RESEARCH
SPENDING WITH THE
OBJECTIVE TO EMERGE
AS A WORLD-CLASS AND
INNOVATIVE MANUFACTURER
OF TABLEWARE”

Sushil Jhunjhunwala, Executive Vice-Chairman,
analyses the Company's performance in 2018-19



Q/ Were you pleased with the performance of the Company in 2018-19?

a/ The Company reported softer sales growth of 7.2%, which was below the growth rate achieved in the earlier years. This was due to a convergence of various factors like disruptions due to a natural calamity in South India (Kerala), which represents a strong market for the Company's products. Besides, the year under review was marked by the entry of competitors, discount differentials in the pricing of products and the after-effects of GST that extended into the first half of the year under review. Exports were affected by unsettled economic conditions in the Middle East.

Q/ What then is the big message that the management intends to send out to shareholders?

a/ The management is cognizant of the challenges and has taken a number of initiatives: strategic and tactical, to revert to the retrospective sales growth average. Besides, the management responded with speed to prevailing realities, exercised tighter managerial control, moderated costs and implemented strategic pricing to protect profitability.

Q/ Were the Company's financials impaired in any way?

a/ The Company continued to be financially sound. The Company increased dividend from ₹1.10 per share to ₹1.20 (₹2 face-value). Net worth increased from ₹503.60 crore as on 31.03.2018 to ₹529.13 crore as on 31.03.2019, compared with the equity share capital of ₹22 crore. The Company remained debt-free with sufficient resources to address ₹150 crore in capital expenditure at the second plant at Sitargunj. The result is that the Company's Balance Sheet remained protected, empowering it to retain its leadership and sustain growth into the future.

Q/ Why was capacity expansion necessary at this point?

a/ This capacity expansion was necessary for multiple reasons.

One, India's opalware market continues to grow, making it necessary to invest in additional capacity.

Two, we were already at 85% of our capacity utilisation at our Sitargunj plant during the last financial year, so prospective planning was necessary.

Three, increased manufacturing capacity sends out a strong signal to our distribution partners that when they develop a market, we would be able to provide them with adequate product quantity.

Four, we believe that the proposed capacity expansion will increase our competitiveness in terms of procurement and other economies.

Q/ What is the outlook for the Company?

a/ At La Opala, we are optimistic of our prospects for some good reasons – our product

is mature, can be globally compared for quality, is cheaper than pure melamine and bone china and is qualitatively superior compared with these alternatives. As a result, we see a growing relevance for opalware across the foreseeable future.

Besides, we are an entrepreneurial organisation managed with a professional commitment; our promoters are hands-on; we are operationally austere with no debt and sizable cash on our book; our margins are attractive; our scale is growing which should translate into increased economies and our expansion will provide a straight three-year visibility until 2023.

Q/ What is the role of technology in the Company's growth from this point?

a/ Our future will be increasingly influenced by cutting-edge technology development. Many of the Company's activities and operating models could undergo large change. To retain leadership and sustain growth (revenues and profit), it will be necessary to introduce technologies that enhance adaptability to changing market dynamics. This will also involve deeper communication with distributors, agents and foreign associates for strengthening the Company's long-term performance.

Q/ How does the Company intend to strengthen its relevance from this point onwards?

a/ Being the tableware industry leader, we believe that growth will depend on the introduction of new products, new designs, enhanced quality, deeper distribution and continuous cost reduction.

More importantly, the Company will strengthen its research spending with the objective to emerge as a world-class and innovative manufacturer of tableware. In view of this, the Company has decided to commission a research & development facility comprising qualified scientists and chemical engineers coupled with the appointment of recognised personalities from the glass and ceramic industries. Besides, the Company will seek to synergically diversify and seize new opportunities. We believe that these initiatives will not just strengthen our competitiveness but also help us emerge with a larger global personality across the foreseeable future.

THE OPTIMISM THAT UNDERLIES OUR BUSINESS MODEL

A distinctive La Opala
personality

CHARACTER

High promoter ownership: The Company's high promoter stake (65%) enhances stakeholder confidence

Focus: A distinctive tableware focus has deepened the Company's specialisation

Ethical: The Company complies completely with regulatory requirements

CHOICE

Graduating preferences: The Company is engaged in transforming legacy habits and creating first-time tableware users

Range of brand choice: The Company customises product options, reflected in incremental price points, low-priced entry point and widening range - an aspirational ladder of choice

MANUFACTURING

Seeding: The Company seeds demand through proactive capacity creation

Technology-led: The Company invested in cutting-edge manufacturing technology from 2008 onwards, translating into superior quality/lower costs

CHOICE

Bottom-up distribution: The Company focused on demand coming out of semi-urban India, addressing more than 650 towns with a population of 100,000+

Broadbased exports: The Company exported products to more than 35 countries

Channel partner selection: The Company works with credible and liquid channel partners; channel partner attrition has been negligible in years

BRAND

Recall: The Company's products generate a superior recall around 'pride'

Graduating preferences: The Company is engaged in transforming legacy habits and creating first-time tableware users

No 'seconds' approach: The Company does not market 'seconds'; it recycles products that do not meet its demanding standards

Largest by far: The Company is India's largest organised opalware brand by far

Multi-cycle experience: The Company possesses more than 30 years of unmatched multi-cycle experience in the tableware sector in India

People retention: The Company's competitive advantage is drawn from senior executives with long standing experience

FINANCIAL

Margins: The Company reported an EBIDTA margin of 40.97% in 2018-19

Receivables cycle: The Company leverages the cash on its books to provide credit to trade partners

Debt strategy: The Company is virtually debt-free

Growth capital pipeline: The Company possessed ₹529.13 crore in capital (net worth) on its books

Net worth: The Company possessed ₹529.13 crore in net worth and ₹0.89 crore in debt as on 31st March 2019; 44.16% of net worth was in cash cum cash equivalents

Cash pool: The Company aggregated a sizable cash corpus through an equity placement and accruals (cash of ₹233.68 crore, 31st March 2019)

MANAGEMENT DISCUSSION AND ANALYSIS



Indian economic overview

India retained its position as the sixth largest economy and the fastest-growing trillion-dollar economy in 2018-19. However, after growing 7.2% in 2017-18, the Indian economy grew at 6.8% in 2018-19.

The principal developments during the year under review comprised a sustained increase in per capita income, decline in national inflation, steadying interest rates, and weakened consumer sentiment starting from the second half of the financial year. The weaker sentiment was on account of a large non-banking financial company announcing its

inability to address liabilities.

In 2018, the country attracted more foreign inflows than China - ~US\$ 38 billion, higher than China's US\$ 32 billion. India witnessed a 23-notch jump to the 77th position in the World Bank's latest report on the ease of doing business that captured the performance of 190 countries.

Inflation (including food and energy prices) was pegged at 2.6% on an annual basis, one of the lowest in years. The rupee rebounded after touching a low of ₹74.45 to a dollar to close the financial year at ₹69.44. During the

fiscal under review, the Indian Government continued to invest deeper in digitisation, renewable energy capacity generation and infrastructure building. (Source: CSO)

Outlook

Assuming no major global and domestic political shocks, India's markets are expected to perform better on account of millennial mindsets, increased aspirations, incomes, wider product availability and increased branding by manufacturers. (Source: CSO, Fitch, Economic Times, Business Standard, IBEF, Business Today, India Today).

Indian opalware market overview

The Indian opalware market was estimated at ₹500 crore in 2018. The vibrancy of this opalware industry owes to the cultural diversity of India.

Despite being fragmented, the opalware market has been growing steadily. Opalware is superior to alternative products. The way Indians perceive crockery has undergone dramatic changes in the past few years. Crockery is no longer seen as utilitarian but as a lifestyle product. In line with changing attitudes, crockery designs undergone a continuous change.

Looking ahead, the demand for branded tableware in India is expected to see significant growth on account of aesthetic appeal, microwave-friendly characteristics and affordability. Dining utensils in Indian kitchens largely dominated by steel and plastic products have yielded to tableware. However, this scenario is fast changing as the inclination towards glass and opalware products increases due to changing consumer preferences.

Opportunities

- Shift in consumer preferences
- Burgeoning middle-class
- Changing lifestyles
- Widening product choice
- Attractive pricing
- Deepening penetration

Threats

- Increasing competition
- Presence of substitute products

The Company overview

La Opala remains the largest player in the Indian opalware market with a dominant share. The opalware category, being one of the fastest-growing markets, is gaining traction from individual and institutional consumers. The

Company reported growth in capacities across the last decade. The opalware capacity at Sitarganj (Uttarakhand) grew 5x since FY09. The Company established a distribution network and developed a strong recall among

customers. The Company is a recipient of Top Export Award & Trophy from EPCH (Export Promotion Council for Handicrafts) and CAPEXIL (Chemical and Allied Export Promotion Council).

Financial analysis, FY2018-19

ANALYSIS OF THE PROFIT AND LOSS STATEMENT

Revenues: Revenues from operations reported 7.19% growth from ₹259.45 crore in FY2017-18 to ₹278.09 crore in FY2018-19 due to launch of new product and designs, revamping of packing and focus on advertisement and publicity. Other incomes of the Company reported a growth of 31.04% due to an increase in income from investments arising from surplus funds and receipt of higher dividends. Other income accounted for a 5.89% share of the Company's revenues.

Expenses: Total expenses of the Company increased by 9.33% from ₹167.26 crore during FY2017-18 to ₹182.87 crore due to an increase in operational scale, revision

in prices of material, remuneration of employees and increase in advertisement and sales promotion.

ANALYSIS OF THE BALANCE SHEET

Sources of funds

- Net worth increased by 5.07% from ₹503.60 crore as on 31st March 2018 to ₹529.13 crore as on 31st March 2019 owing to an increase in reserves and surplus. The Company's equity share capital comprising 11,10,00,000 equity shares of ₹2 each, remained unchanged during the year under review.

- The Company did not have any long-term borrowings.

- Finance costs decreased by 18.35 % from ₹0.84 crore during FY2017-18 to

₹0.68 crore during FY2018-19 following a lower utilisation of working capital limits.

Working capital management

Current assets increased by 20.27% from ₹280.29 crore as on 31st March 2018 to ₹337.10 crore as on 31st March 2019 owing to the growing business scale. Current and Quick Ratios stood at 9.04 and 7.74 respectively during FY2018-19 compared to 7.82 and 6.94 , respectively, during FY2017-18.

Margins

The Company reported an EBDITA margin of 40.97% by operating scale, cost control and better product mix.

Human resources

La Opala focuses on enhancing employee well-being and potential. The Company provides an invigorating workplace, attractive growth opportunities and fair compensation.