



WHAT'S ON YOUR PLATE?

LA OPALA RG LIMITED | ANNUAL REPORT 2019-20

Forward-looking statement

This document contains statements about expected future events and financial and operating results of La Opala RG 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. 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 annual report.

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WHAT’S ON YOUR PLATE?

What is on our plate is more than design and raw material.

That is the perspective with which we started the Company, expanded capacity and invested in cutting-edge technology.

This commitment has only deepened.

Because at La Opala, we don’t just manufacture tableware.

We transform lifestyles.

We enhance pride.

We provide people a reason to feel good each time they have a meal.

If you think we are about tableware then you have missed the story.

WHAT'S ON
YOUR PLATE?

THE INDIA STORY.

The India where we need to address the needs of an annual population increment that adds more individuals than anywhere in the world.

The India that is passing through a long-term growth in per capita incomes – from around ₹16,000 in the year 2,000 to around ₹1,35,000 in 2019-20.

The India that is possibly the youngest country by median age (late 20s) and hence likely to possess the largest economically productive population anywhere.

The India that it already the world's fifth largest economy and likely to emerge as the world's third largest in a decade.

The India that is possibly the fastest urbanising nation.

The India that is likely to grow from a shade less than USD 3 trillion to around USD 5 trillion in half a decade and possibly a USD 10 trillion economy in about a dozen years from now.

At La Opala, our reality is the India of today; our vision is about preparing for the India of tomorrow.



WHAT'S ON
YOUR PLATE?

AN ASPIRING INDIA

India is not just a country; it is the coming together of diverse cultures.

In these cultures, habits and preferences remained unchanged for generations and centuries.

Then something happened.

People started migrating to different cities.

People started being exposed to different cultures.

People started wearing different clothes.

People started consuming a diet they had not been raised on.

And they also began to eat on crockery they had never been accustomed to.

This transpired because Indians were not just keen to earn more; they were also committed to live better.

At La Opala, we believe that this sweeping cultural transformation has only just begun; India is at the bottom-end of a sharp J-curve that is likely to endure across the decades.

WHAT'S ON
YOUR PLATE?

OUR FUNDAMENTALS

At La Opala, we address a transformation in the way people would like to eat and live – across a population sweep likely to be the largest in the world in seven years from now.

The big question that we addressed through the last decade: Can we be proactively prepared for this transformation?

During the last few years, when it would have been convenient for us to address the challenges of the day, we did something more.

We prepared for the requirements of the future.

We invested in a futuristic technology *ahead of the curve*.

We invested in additional capacity *ahead of the curve*.

We made a QIP placement provided us with growth capital *ahead of the curve*.

We turned zero-debt with a cash surplus on our books *ahead of the curve*.

At La Opala, we believe that we are attractively placed to weather the slowdown and lockdown and return our company to growth in the quickest time when the world normalises.



WHAT'S ON
YOUR PLATE?

PROPOSED CAPACITY EXPANSION

At La Opala, we are the opal tableware market leader in India.

This leadership comes with a responsibility.

Not just of growing our market share; but of growing the market.

This responsibility comes with a challenge.

The challenge of investing in additional capacity ahead of demand.

This is precisely what we are presently engaged in.

Even as consumer sentiment appears muted in view of the pandemic-induced lockdown, we are proceeding with capacity growth.

Are we worried? Not quite.

We believe that this additional capacity will make us work harder, make us widen our distribution, enhance our brand investments and reinforce the commitment with which we went into business.

The simple objective to make people feel good when they sit down for a meal.

WHAT YOU NEED TO KNOW ABOUT LA OPALA RG LIMITED



Our values navigating our existence

Our 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.

Our mission

It serves as the standard against which we weigh our actions and decisions. Our mission is to continuously optimize 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.

Core 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.

Our track record, helping strengthen our foundation

Established in 1987, La Opala RG Limited was the

first to introduce opal glass in India. The Company is engaged in the manufacture and marketing of opal glass tableware and 24% lead crystalware products. Over the years, the Company has emerged as India's largest tableware and glassware lifestyle brand.

Our widening distribution network has enhanced product accessibility

The Company's extensive distribution network is spread across India, comprising more than 200 distributors and 12,000 retailers. The Company focused on demand coming out of semi-urban India, addressing more than 600 towns with a population of 1,00,000+. The Company also enjoys an international presence, exporting products to over 30 countries.

Our world-class products have strengthened our recall

The Company 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

Our brand portfolio evoked sustainable margins

The Company enjoys a strong market positioning through three brands to cater to different customer segments.

'La Opala' is the flagship brand of the Company and caters to entry-level dinner sets, plates, bowls, coffee mugs and other products. La Opala offers two well crafted collections - Melody and Novo.

'Diva' offers a premium range of products under five collections - Classique, Ivory, Cosmo, Quadra and Sovrana.

'Solitaire' markets crystal glassware.

La Opala collaborated with the renowned Indian fashion designer Manish Malhotra to design and curate its premium

Our capacities have enhanced our preparedness

The Company has scaled its capacities across the decade. The opalware capacity at Sitarganj (Uttarakhand) has increased five-fold since FY08. The expansions have ensured adequate capacity for the Company to address consumer demands. The Company intends to expand its manufacturing capacity by setting up a greenfield plant at Sitarganj.

Manufacturing units

Location	Products manufactured
Sitarganj, Uttarakhand	Opalware
Madhupur, Jharkhand	Opalware and Crystalware

range of opalware under the brand Diva. The brand had also engaged Bipasha Basu, a popular face of the Bollywood industry, as its brand ambassador in the past.

Our focused alliances have helped enhance our product innovation

The Company collaborated with South Korea's Hosan Glass for technical assistance to manufacture opal glassware in 1988. To diversify, in 1996, Solitaire, a range of 24% lead crystal glassware, was introduced by La Opala in technical collaboration with the South Korean company Doosan Glass. This diversification was funded through an IPO in 1995 (shares offered at ₹40 each).

Our experienced management help us in providing strategic direction and ensure growth

The Company is steered by the able leadership and experience of its Board, with Mr. AC Chakrabortti as the Chairman and Non-Executive Director, Mr. Sushil Jhunjunwala as the promoter and the Executive Vice-Chairman, Mr. Ajit Jhunjunwala as the Managing Director and Ms. Nidhi Jhunjunwala as the Executive Director. The Board is supported by a strong team of experienced professionals and skilled workers at the Company's manufacturing facilities.

Listing

The Company's shares are listed on the Bombay Stock Exchange and National Stock Exchange. The market capitalisation of the Company stood at ₹1637.81 Crore as on 31st March, 2020.

1987

La Opala Glass Private Limited was incorporated.

1988

Pioneered in opal glass technology in India, the first opal glass plant was set up at Madhupur, Bihar.

1991

La Opala earned the honour of being the first exporter of opal glass tableware.

1995

La Opala became the first Public Limited tableware company.

1996

Pioneered in 24% lead crystal glassware technology in India.

Set up the first crystal glass plant at Madhupur, Bihar.

Launched India's first 24% lead crystal glassware, under the brand name 'Solitaire'.

1997

The first Indian company to export 24% lead crystal tableware.

1999

La Opala Glass Ltd. merged with Radha Glass & Industries Ltd, forming La Opala RG Ltd.

2005

The Company was recognised as Export House from the Government of India.

Awards and accolades

- ET Bengal Awards (nominated six years at a stretch, awarded in all six)
- Best Under a Billion – Forbes, 2013
- "Star SME Medium Scale Manufacturing" by Business Today SME Awards
- 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 and 2019 (*The Financial Express*)

2007

The first Indian company to supply 24% lead crystal glassware to world renowned Rosenthal.

Set up fully automated state-of-the-art plant at Sitargunj, Uttarakhand, to produce world class opal glass tableware.

2008

Launched 'Diva', the hi-tech world class opal brand in the premium segment.

2011

Ranked 250th among the top 400 small cap companies of India by Dalal Street.

2012

The Company completed the major expansion plan at Sitargunj, Uttarakhand plant.

2013

Awarded the prestigious Bengal Corporate Awards by Economic Times for the best entity in innovation in business model.

Presented with Forbes Best under a billion "Top 200 Companies in Asia".

Presented with "Star SME Medium Scale Manufacturing" by Business Today SME Awards.

2014

La Opala shares were split from ₹10 face value to ₹2.

Awarded with the prestigious ET Bengal Corporate Award for Best Innovation In Business Model.

2015

Presented with the Economic Times Bengal Corporate Award for "Best Financial Performer in the ₹100 - 300 Crore Category".

Second additional Furnace with a press line was installed at the Sitargunj Plant.

2016

Presented with the Economic Times Bengal Corporate Award for "Best Financial Performer in the ₹100 - 300 Crore Category".

Acknowledged as "India's Most Trusted Table Ware Brand" by TRA.

Grand launch of "SOVRANA" and "QUADRA" from the Sitargunj Plant.

The Decal Plant was set up at the Sitargunj Plant.

2017

Won the "Best CSR Idea" in the Economic Times Bengal Corporate Awards.

Won CFO of the Year Award - Rank 3 in Small Enterprises - Manufacturing Category.

2018

The Capacity of the Second Furnace was increased.

Awarded with the prestigious ET Bengal Corporate Award for Best Financial Performance 2018 of 100 Crore to 200 Crore.

Launched the Cosmo Collection – Catering to the HORECA Segment (Hotels, Restaurants & Caterers).

2019

Won CFO of the Year Award - Rank 1 in Small Enterprises - Manufacturing Category.

MILESTONES

HOW THE STRENGTH OF LA OPALA'S BRANDS HAVE TRANSLATED INTO SUPERIOR MULTI-YEAR GROWTH

Revenues (₹ Crore)



Definition
Growth in revenues net of taxes.

Why is this measured?
It is an index that showcases the Company's ability to optimise business operating costs despite inflationary pressures, which can be easily compared with the retrospective average and sectoral peers.

What does it mean?
The Company reported attractive offtake despite marketplace pressures and the outbreak of Covid-19 that resulted in a nationwide lockdown from late March 2020 onwards.

Value impact
The Company could perform better than the sectoral average.

EBITDA (₹ Crore)



Definition
Earning before the deduction of interest, depreciation, extraordinary items and tax.

Why is this measured?
It is an index that showcases the Company's ability to optimise business operating costs despite inflationary pressures and can be easily compared with retrospective averages of sectoral peers.

What does it mean?
Helps create a robust growth engine and allows the Company to build profits in a sustainable manner.

Value impact
A high EBITDA highlights the Company's operational efficiency and stable earnings potential.

Net profit (₹ Crore)



Definition
Profit earned during the year after deducting all expenses and provisions.

Why is this measured?
It highlights the strength in the business model in generating value for its shareholders.

What does it mean?
Ensures that adequate cash is available for reinvestment and allows the Company's growth engine to not run out of steam.

Value impact
The Company reported a healthy bottomline on account of a robust brand recall, product quality and affordability.

EBITDA margin (%)



Definition
EBITDA margin is a profitability ratio used to measure a company's pricing strategy and operating efficiency.

Why is this measured?
The EBITDA margin gives an idea of how much a company earns (before accounting for interest and taxes) on each rupee of sales.

What does it mean?
Demonstrates adequate buffer in the business, which when multiplied by scale, enhances surpluses.

Value impact
The Company reported creditable margins despite market place pressures and weak consumer sentiment, validating the strength of its brand.

ROCE (%)



Definition
It is a financial ratio that measures a company's profitability and the efficiency with which its capital is employed in the business.

Why is this measured?
ROCE is a useful metric for comparing profitability across companies based on the amount of capital they use – especially in capital-intensive sectors.

What does it mean?
Enhanced ROCE can potentially drive valuations and perception (on listing).

Value impact
The Company reported a strong RoCE despite a weakness in consumer sentiment and the lockdown impact in the last week of 2019-20.

Net worth (₹ Crore)



Definition
This is derived through the accretion of shareholder-owned funds.

Why is this measured?
Net worth indicates the financial soundness of the Company – the higher the better.

What does it mean?
This indicates the borrowing capacity of the Company and influences the gearing (which in turn influenced the cost at which the Company can mobilise debt).

Value impact
The Company reported an improved net worth during a sluggish 2019-20, strengthening its liquidity and business model.

LA OPALA. THE BIG NUMBERS

1	2	50%	30	3	7	200	12,000
(Rank), La Opala among the opalware players in India	Manufacturing facilities across India	Market share in organised opalware sector	(Countries), Export presence	Brands	Sub-brands	Distributors, 2019-20	Retailers, 2019-20

Chairman's overview

“WE ARE OPTIMISTIC OF PROTECTING OUR BALANCE SHEET AS LONG THE COVID-19 IMPACT SUSTAINS AND STRENGTHENING OUR PROFIT & LOSS ACCOUNT WHEN CONSUMER SENTIMENT RECOVERS.”

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

We reported ₹270.01 Crore in revenues in 2019-20, a 2.91% decrease over the previous financial year.

We reported ₹84.27 Cr in profit after tax in 2019-20, a 13.82% increase over the previous financial year.

We ended the year under review with ₹258.80 Crore cash on our books as on 31st March, 2020.

The principal development during the year under review transpired at the far end, when India was locked down following the outbreak of the Covid-19 pandemic. Your Company lost almost 10 days of offtake and since this was the last week of the year, usually the most productive week through the year, the revenue 'loss' was estimated at around ₹15 Crore.

Case for competitiveness

The principal question that a number of observers are asking is whether the Company will remain competitive from this point onwards.

My answer is that the Company will remain relatively liquid and competitive through the course of the pandemic hangover for some good reasons.

One, the Company has been cautious and conservative through its existence. This is best reflected in the sequence and planning of our successive expansion programmes. India is the possibly the largest addressable tableware market in the world on account of its

under-consumption and low organised sector presence. In such a scenario it would have been tempting to expand aggressively. However, the Company prudently selected to announce expansions only after the existing capacity utilisation crossed 80% and would touch rated utilisation by the time the new capacity was commissioned. This sequenced approach protected the Company from building excessive capacity that could translate into considerably higher production than the market could bear and, in turn, potentially compromise our realisations.

Two, the Company commissioned its Sitargunj facility through a mix of debt and accruals. The long-term debt was completely repaid well before the due date. By the time the Company was ready for its next expansion, it selected to make a qualified institutional placement of equity shares at a premium. The following expansion rounds by the Company have been financed through net worth, eliminating the Company's dependence on debt and strengthening the Company's capacity to counter weak market cycles.

Three, the Company remained a retail-driven brand that invested progressively in its recall with the objective to sustain revenues even during the most challenging times.

Four, we engaged with a pan-India distribution footprint. We protected the scale and spread of this network across the years, enhancing our revenue visibility.

We believe that all these competitive strengths will be increasingly evident across the foreseeable future as our society seeks to normalise following the lockdown.

Comfortably placed

At a time when most companies are worried about the repayment and servicing of debt, we possess no such liability. At a time when most companies are worried about price wars in a challenging market place, our organised sector competition is negligible at best and unlikely to emerge now that we are commissioning yet another expansion. At a time when Indian brands are worried about cheaper imports, a moderation in imports is likely following weakening of the Indian currency.

At La Opala, we continue to be optimistic of our long-term prospects because our product is mature, globally benchmarked for quality and priced lower than pure melamine and bone china. Your Company offers consumers products across price points, making them habit-forming.

On account of these reasons, we are optimistic of protecting our Balance Sheet as long the Covid-19 impact sustains and strengthening our Profit & Loss Account when consumer sentiment recovers.

AC Chakrabortti,
Chairman and Non-Executive Director

LA OPALA AND THE COVID-19 IMPACT

The outbreak of the pandemic

The COVID-19 pandemic is the most defining global crisis in living memory. The spread of the virus disrupted the global economy and consumer sentiment starting December 2019. The virus was declared a global pandemic by the World Health Organisation in March 2020.

The response

Most global governments declared lockdowns in successive phases. The Indian government implemented a national lockdown in late March 2020, which covered the comprehensive closure of offices, factories and public places. All international, inter-state and intra-state travel was restricted and borders sealed to limit pandemic impact.

La Opala's responsiveness

La Opala moved with proactive speed in temporarily shutting

its offices and manufacturing facilities.

The Company's business was affected as the lockdown was announced in the last month of the financial year, equivalent to a notional sales 'loss' of around ₹15 Crore. The impact of a decline in offtake during March 2020 affected the performance during the fourth quarter of FY20. The lockdown being extended from the last month of 2019-20 into the first quarter of the current financial year; this affected the Company's capacity to manufacture, market and distribute. Due to the impact of the pandemic-induced lockdown, which affected the sales prospects of the Company during the first quarter of the current financial year, it deferred the expansion plan at its Sitargunj unit by around six months, providing it breathing

space till consumer demand revived. Fortunately, one of the Company's furnaces was under refurbishment in the last quarter of the year under review; this refurbishment was extended and the furnace remained deliberately inoperative through the first quarter of the current financial year, moderating manufacturing and inventory holding costs. The furnace will be brought back on stream as soon as the demand outlook revives.

At a time when most companies are worried about the repayment and servicing of debt, the Company possesses no such liability.



Management review

“THE COMPANY WILL CONTINUE TO STRENGTHEN THE INTEGRITY OF ITS BALANCE SHEET AND PREPARE IT-SELF FOR A DEMAND UPTURN.”

Sushil Jhunjhunwala, Executive Vice-Chairman,
analyses the Company's performance in 2019-20

Q How would you review the performance of the Company during the year under review?

The year under review was challenging from a demand perspective. As the Indian economy slowed, there was a decline in disposable incomes, which, in turn, affected the offtake of our products. Besides, a slowdown in the country's real estate sector affected apartment sales and deliveries, which, in turn, affected the offtake of tableware. And lastly, sales were affected during the last ten days of the financial year under review, equivalent to a notional sales loss of around ₹15 Crore. Against this backdrop, the Company reported a 2.91% decline in revenues and a 13.82% increase in profit after tax.

Q How was the overall positioning of the Company's brand affected during the year under review?

The brand of the Company remained protected during the year under review. At La Opala, we believe that this was one of our most important achievements: at a time when markets and consumer sentiment were weak, it would have been easy to reduce our sticker prices with the objective to sell a large quantity. The management resisted this temptation to seek a short-term benefit at the expense of a long-term asset. The Company retained the price integrity of its products and protected its brand salience during the year under review. The result is that when consumer sentiment revives, we expect that the appeal of our products will have been retained.

Q How was 'La Opala' positioned during the year under review?

La Opala was positioned like it always has: a superior tableware brand over conventional alternatives. We believe that La Opala does not provide a functional convenience: it enhances the user's pride. Besides, it does so at one of the most attractive price points, a reality that has endured across the decade. La Opala plays two concurrent roles: enhancing pride for all those who use our products in addition to carrying a concurrent responsibility to widen the market.

Q How do you explain the responsibility to widen the market?

India is the second most populous country. A large part of the country continues to consume metal and legacy tableware. During the last decade, we accelerated a shift towards the consumption of opalware through superior quality (following our technology-driven expansion in 2007) and a superior price-value proposition. By keeping our sticker prices attractive and affordable, we did not just service an existing market: we helped widen the market as well. The result is that in a number of semi-urban and rural communities, La Opala has graduated from just another tableware brand to a 'must receive' gift during marriages; it is generally the most preferred gifting item on social occasions as well,

reinforced by the belief that 'This product will actually be used and enhance pride during every meal.'

Q What is the implementation schedule of the Company's next expansion round?

The Company intended to expand its manufacturing capacity - by setting up a greenfield plant at Sitargunj by end of the second half of the current financial year. The impact of the pandemic-induced lockdown has affected sales prospects during the current financial year. The result is that the Company has selected to defer the expansion by around six months into 2021-22, which provides it with a bigger breathing room with respect to a revival in consumer demand. We believe that while the larger installed capacity will warrant a deeper responsibility to market an additional quantum, the expansion will also provide the Company with a larger flexibility: from two furnaces comprising five manufacturing lines in our showpiece Sitargunj facility, we will have increased our capacity to three furnaces across eight manufacturing lines. We believe that this configuration will make it possible for us to address changes in the marketplace with increased responsiveness.

Q How did the Company transform this into a competitive entry barrier?

The Company did not just price products affordably for the vast bulge of India's aspiring middle-class: concurrently the Company continued to expand its manufacturing capacity. The result is that with each successive increase in production capacity at a relatively modest capital cost per tonne, the Company possessed a larger financial room to keep sticker prices steady. The result of this combined action - larger capacity and affordable sticker price - translated into an effective competitive advantage.

Q A number of shareholders will seek to know whether the proposed capacity expansion was at all necessary.

When we embarked on capacity expansion a year ago, we were already operating our manufacturing facility at 85% capacity utilisation. If we did not expand at that point, the growth of the market would have provided an opportunity for prospective competition. By announcing an expansion when we did, the Company enhanced the morale of our distribution partners that they would get an abundant supply of products to help build their markets. Besides, we believe that the proposed capacity expansion will strengthen our capacity to increase our procurement economies.