

LA OPALA: Lifestyle enriching products as company mission

THE COMPANY

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 per cent lead crystal ware products. Over the years, the company has emerged as India's largest tableware and glassware lifestyle brand.

La Opala's 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 focuses on demand coming out of semi-urban India, addressing more than 600 towns with a population of 1,000,000+.

INDIA AND THE INTERNATIONAL MARKET

The company aims to address the India where there is an annual population increment that adds more individuals than anywhere in the world. As well as the India that is passing through a long-term growth in per capita incomes and is possibly the youngest country by median age (late 20s) and hence likely to



La Opala Rg. Limited is a primary marketer of life style products and manufacturer in the tableware sector. The company believes that the desire for beautiful things is universal, however, the dedication to enrich life with the brilliance of beauty is rare. Company mission is therefore to continuously optimize satisfaction of consumers through world-class products and services, ensuring consistent success for the company, shareholders and employees.



possess the largest economically productive population anywhere.

India is, in fact, already the world's fifth largest economy and likely to emerge as the world's third largest in a decade. It is possibly the fastest urbanising nation and 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.

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 and started being exposed to different cultures. People started wearing different clothes and 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. La Opala believes 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.

The company already enjoys an international presence, exporting products to over 30 countries.

PROPOSED CAPACITY EXPANSION

La Opala is the opal tableware market leader in India, and despite the consumer sentiment appearing muted in view of the pandemic-induced lockdown, the company is proceeding with capacity growth. This growth will allow La Opala to widen distribu-



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 off-take of our products. Besides, a slowdown in the country's real estate sector affected apartment sales and deliveries, which, in turn, affected the off-take 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 INR 15 Crore. Against this back-

tion, enhance brand investments and reinforce the commitment with which the company initially went into business.

PRODUCTS

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. La Opala collaborated with renowned Indian fashion designer Manish Malhotra to design and curate its premium range of opalware under the brand Diva.
- Solitaire markets crystal glassware.

PERFORMANCE DURING 2019-20

La Opala reported INR 270.01 Crore in revenues in 2019-20, a 2.91 per cent decrease over the previous financial year. They reported INR 84.27 Crore in profit after tax in 2019-20, a 13.82 per cent increase over the previous financial year, and ended the year under review with



INR 258.80 Crore cash on their books as at 31 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. The company lost almost 10 days of off-take 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 INR 15 Crore.

SUSHIL JHUNJHUNWALA, EXECUTIVE VICE-CHAIRMAN ON THE COMPANY'S PERFORMANCE IN 2019-20

• *How would you review the performance of the company during the year under review?*

drop, the company reported a 2.91 per cent decline in revenues and a 13.82 per cent increase in profit after tax.

• *How was the overall positioning of the company's brand affected during the year under review?*

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

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 quan-



tity. 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.

• *How was La Opala positioned during the year under review?*

La Opala was positioned like it has always been: 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.

• *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.

• *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.

• *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 the 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 chosen to defer the expansion by around six months into 2021-22, which provides it with more 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 higher 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.

When we embarked on capacity expansion a year ago, we were already operating our manufacturing facility at 85 per cent capacity utilisation. If we had not expanded 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



LA OPALA - COMPANY OVERVIEW

La Opala RG Limited is the largest player in the Indian opalware sector with a dominant market share. The opalware category is fast gaining consumers' attention, resulting in enhanced traction from diverse categories of consumers. The company has two manufacturing units, one at Madhupur (Jharkhand) and the other at Sitarganj (Uttarakhand). The company deepened its distribution network and brand recall. 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).



build their markets. Besides, we believe that the proposed capacity expansion will strengthen our capacity to increase our procurement economies.

• *How is the company positioned to survive the impact of the pandemic induced lockdown?*

The company is comfortably positioned to survive the full impact of the lockdown for some good reasons: the company does not have debt on its books, having net cash of INR 258.80 Crore as at 31 March 2020 and addressed the entire requirement of its INR 140 Crore investment outlay out of net worth. Net worth increased from INR 529 Crore as at 31 March 2019 to INR 545 Crore as at 31 March 2020, compared with the equity share capital of INR 22 Crore. The result is that the company's

Balance Sheet remained robust to weather the impact of the lockdown. This perpetuates an ongoing competitive advantage: the largest tableware capacity addition undertaken in the country at the lowest financing cost (net worth) with a wider equipment configuration.

• *What is the company's priority during the current financial year?*

The company was fortunate that one of its furnaces was under refurbishing in the last quarter of the financial under review; this refurbishment was extended and the furnace remained deliberately inoperative through the first quarter of the current financial year, moderating our manufacturing costs and inventory holding costs. The furnace will be brought back on stream as soon as the demand outlook

revives. Meanwhile, the company will continue to engage deeper with its trade partners to explore ways of addressing consumers. Besides, the company will focus on shrinking its receivables cycle during the current financial year. At a time when the consumer outlook appears uncertain, the company will continue to strengthen the integrity of its Balance Sheet and prepare itself for a demand upturn.

LA OPALA BUSINESS MODEL

When La Opala ventured into the business, the opal tableware market in India was virtually non-existent. In the late 1980s, companies addressing the tableware market in India either imported products or worked with traditional materials (glass, bone china and metal). This provided an opportunity for the company to create aspirational products that would influence consumers to upgrade their lifestyles. The rationale continues to be relevant; over the past few years the market is being re-defined in various ways: rise in disposable incomes, growing urbanisation, increased exposure to global lifestyle trends on social media and greater home-pride. The company is not just addressing an emerging lifestyle revolution but making it happen as well. ■

LA OPALA®

**LA OPALA RG LTD.
HEADQUARTERS**

Chittrakoot Bldg. - 10th Floor 230 A
AJC Bose Road
700020 Kolkata - India
Tel.: 0091-33-65036656
Fax: 0091-33-22870284
E-mail: nfo@laopala.in

www.laopala.in