

## Consumer Products

### Company Overview

La Opala RG Limited (LORGL) is one of the leading players in the tableware products (opal and glass) in India. It sells its opalware products under two brands i.e. La Opala (economy segment) and Diva (premium segment) and glassware products under Solitaire brand. It is operating in the opalware segment for around three decades and is one of the major domestic manufacturers operating in this segment. The company is operating in the glassware segment for more than two decades. Over the period, the company has developed a strong brand image for its LaOpala and Solitaire brand. Further, the company launched its premium product range through 'Diva' brand in 2008. The company also operates a small windmill (600 KW) at Jaisalmer, Rajasthan which is maintained by Enercon India Ltd.

### Investment Rationale

#### Premiumization and brand recall will further strengthen margins

With a focus on better margins, LORGL has constantly improved its revenue mix by concentrating on high value or premium products. From a capacity of 4000 TPA in FY13 for its premium brand Diva (which currently has four sub-brands - Classique, Quadra, Ivory and Sovarna), they have scaled it up by 400% to 16000 TPA by the end of FY18. This also helped the company take the premium product share mix in total revenue from 48% in FY13 to 75% in FY18. Going forward this is all set to increase more and help strengthen the margins.

#### Changing market shift to benefit La Opala the most

The Indian houseware market was traditionally structured such that the middle class only relied on stainless steel tableware for daily use while using the expensive priced melamine, glassware or ceramic for special occasions, gifting or for guests. But with rising per capita income, size of opportunity and changing dynamics of Indian Families La Opala stands to benefit from more discretionary spending on their products. According to LORGL's FY19 annual report, currently Indian opalware market was estimated at INR 500 crore in 2018 and India's tableware market stood close to INR 10000 crore. Of this, opalware accounts for close to 5%, while steel, bone china and melamine account for 60%, 31% and 9%, respectively. LORGL is the segment leader with 43% industry capacity and 48% revenue market share and thus, a shift from steel to opalware presents a huge opportunity for the company.

### Valuation and outlook

La Opala is the segment leader and has no debt on its books. Changing Industry dynamics, higher margin products and more discretionary spending on their products translate into a good earnings growth for the company going forward. Taking all these factors into consideration, we have valued the stock by assigning 18.1x P/E multiple on FY21E with a BUY rating on this stock for target of INR 178, translating into an 18% upside from the CMP.

### Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

### Sector Outlook

Positive

### Stock

CMP (INR)	151
Target Price (INR)	178
NSE Symbol	LAOPALA
Bloomberg	LOG IN
Reuters	LAOP.BO

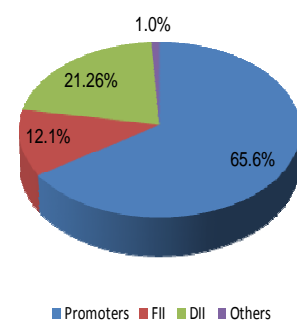
### Key Data

Nifty	12226.7
52WeekH/L(INR)	224/130.5
O/s Shares (Mn)	111.0
Market Cap (INR bn)	16.93
Face Value (INR)	2

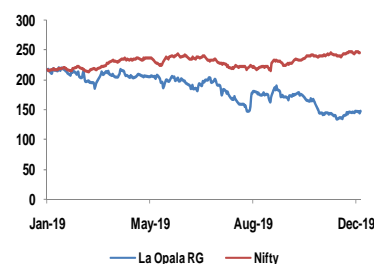
### Average volume

3 months	621,706,180
6 months	572,176,460
1 year	461,687,020

### Share Holding Pattern (%)



### Relative Price Chart



# Weekly Wealth

## Key Financials

YE March (Rs. millions)	FY17	FY18	FY19	FY20E	FY21E
<b>Revenue</b>	<b>2,352</b>	<b>2,593</b>	<b>2,781</b>	<b>3,472</b>	<b>4,124</b>
<i>Revenue Growth (Y-o-Y)</i>	<i>(5.6%)</i>	<i>10.2%</i>	<i>7.3%</i>	<i>24.8%</i>	<i>18.8%</i>
<b>EBIDTA</b>	<b>877</b>	<b>1,066</b>	<b>1,123</b>	<b>1,480</b>	<b>1,787</b>
<i>EBIDTA Growth (Y-o-Y)</i>	<i>1.5%</i>	<i>21.5%</i>	<i>5.3%</i>	<i>31.8%</i>	<i>20.7%</i>
<b>Net Profit</b>	<b>622</b>	<b>734</b>	<b>740</b>	<b>855</b>	<b>1,092</b>
<i>Net Profit Growth (Y-o-Y)</i>	<i>5.9%</i>	<i>18.1%</i>	<i>0.8%</i>	<i>15.5%</i>	<i>27.7%</i>
<b>Diluted EPS</b>	<b>5.6</b>	<b>6.6</b>	<b>6.7</b>	<b>7.7</b>	<b>9.8</b>
<i>Diluted EPS Growth (Y-o-Y)</i>	<i>5.9%</i>	<i>18.1%</i>	<i>0.8%</i>	<i>15.5%</i>	<i>27.7%</i>

## Key Ratios

<b>EBIDTA (%)</b>	<b>37.3%</b>	<b>41.1%</b>	<b>40.4%</b>	<b>42.6%</b>	<b>43.3%</b>
NPM (%)	26.4%	28.3%	26.6%	24.6%	26.5%
<b>RoE (%)</b>	<b>14.3%</b>	<b>14.6%</b>	<b>14.0%</b>	<b>13.5%</b>	<b>15.3%</b>
RoCE (%)	20.0%	21.0%	21.2%	23.4%	25.1%

## Valuation Ratios

<b>P/E (x)</b>	<b>26.3x</b>	<b>22.2x</b>	<b>22.1x</b>	<b>19.1x</b>	<b>15.0x</b>
EV/EBITDA	18.7x	15.4x	14.5x	11.0x	9.1x
<b>P/BV (x)</b>	<b>3.8x</b>	<b>3.2x</b>	<b>3.1x</b>	<b>2.6x</b>	<b>2.3x</b>
Market Cap. / Sales (x)	6.9x	6.3x	5.9x	4.7x	4.0x

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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**Week Gone****Corporate Office:**

4th floor,  
Rustom Bldg,  
29, Veer Nariman Road, Fort,  
Mumbai-400001  
Phone- +91 22 6159 6464  
Fax-+91 22 6159 6160  
Website- [www.bpwealth.com](http://www.bpwealth.com)

**Registered Office:**

24/26, 1st Floor, Cama Building,  
Dalal street, Fort,  
Mumbai-400001  
  
BP Wealth Management Pvt. Ltd.  
CIN No: U67190MH2005PTC154591  
  
BP Equities Pvt. Ltd.  
CIN No: U67120MH1997PTC107392