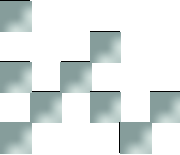


**OPAL Luxury Time
Products Ltd**

H1FY14 Results Update

Enhancing investment decisions





Explanation of CRISIL SME Fundamental and Valuation (CFV) matrix

The CRISIL SME CFV Matrix (CRISIL Fundamental and Valuation Matrix) addresses the two important analysis of an investment making process – Analysis of Fundamentals (addressed through SME Fundamental Grade) and Analysis of Returns (SME Valuation Grade) The SME fundamental grade is assigned on a five-point scale from grade 5 (indicating Excellent fundamentals) to grade 1 (Poor fundamentals). The SME valuation grade is assigned on a five-point scale from grade 5 (indicating strong upside from the current market price (CMP)) to grade 1 (strong downside from the CMP). This opinion is a relative assessment in relation to other SMEs in India. The assessment is based on a grading exercise carried out by industry specialists from CRISIL Research.

CRISIL SME Fundamental Grade	Assessment	CRISIL SME Valuation Grade	Assessment
5/5	Excellent fundamentals	5/5	Strong upside (>25% from CMP)
4/5	Superior fundamentals	4/5	Upside (10-25% from CMP)
3/5	Good fundamentals	3/5	Align (+-10% from CMP)
2/5	Moderate fundamentals	2/5	Downside (negative 10-25% from CMP)
1/5	Poor fundamentals	1/5	Strong downside (<-25% from CMP)

About CRISIL Limited

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Last updated: May, 2013

Analyst Disclosure

Each member of the team involved in the preparation of the grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.

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Opal Luxury Time Products Ltd

Top line, bottom line under pressure amidst industry headwinds



SME Fundamental Grade 4/5 (Superior fundamentals)
SME Valuation Grade 2/5 (CMP has downside)

Opal Luxury Time Products Ltd's (Opal's) H1FY14 results were below CRISIL Research's expectations. Revenues were flat at ₹96.2 mn in H1FY14 against ₹95.6 mn in H1FY13. EBITDA margin contracted sharply by 1,239 bps to 10.1% from 22.4% in H1FY13 on account of higher input costs and other expenses. The company reported net loss of ₹7.5 mn in H1FY14 compared to net profit of ₹14.1 mn in H1FY13. Owing to weak consumer sentiments prevailing in the market, we expect Opal's revenue growth to remain subdued in the near term. We retain our fundamental grade of 4/5.

Slowdown in consumer spending led to flat revenue growth

In H1FY14, Opal recorded revenues of ₹96.2 mn (y-o-y increase of 0.5%), which was significantly below our estimate of ₹120 mn. Weak consumer sentiments and persistently high inflation has led to a slowdown in urban consumer spending, especially in the luxury goods category, over the past few months. This, in turn, has adversely impacted the company's sales during the period. Unless urban consumer spending revives in H2FY14, Opal's revenue growth is expected to remain subdued.

EBITDA margin adversely impacted by higher input cost and SG&A expense

Opal's EBITDA margin contracted sharply to 10.1% in H1FY14 from 22.4% in H1FY13 owing to increase in input costs and other expenses. Raw material cost increased 350 bps y-o-y as a percentage of sales, primarily due to rupee depreciation while employee costs grew 3% y-o-y. Other expenses increased 867 bps y-o-y as a percentage of sales as the company incurred higher advertising and promotional expenses as a part of its brand-building exercise. The company was unable to pass on the increase in input cost owing to subdued demand environment, leading to pressure on EBITDA margin. Owing to a decline in EBITDA margin and high depreciation expenses (since the company expanded its manufacturing facility last year), Opal reported net loss of ₹7.5 mn in H1FY14 compared to net profit of ₹14.1 mn in H1FY13.

Stable inventory and debtor days

In H1FY14, Opal's debtor days remained stable at 127 days against 128 days in H1FY13 (calculated on TTM basis). Inventory days declined marginally to 95 days from 102 days in H1FY13.

Revenue and earnings estimates revised downwards, fair value lowered to ₹95

We have lowered our revenue estimates for FY14 and FY15 by 16% and 20%, respectively, considering the weak demand for Opal's products. EBITDA margin estimates for FY14 and FY15 have been lowered by 799 bps and 383 bps, respectively, on account of higher input costs and SG&A expenses. Subsequently, PAT estimate for FY15 has been lowered by 67% (we expect the company to post a net loss of ₹0.6 mn in FY15). We have rolled forward estimates by one year to FY16 but the impact on valuation is offset by lowered revenue and earnings estimates. We continue to use the discounted cash flow (DCF) method to value Opal and have lowered our fair value estimate to ₹95 from ₹115.

KEY FORECAST

(₹ mn)	FY12	FY13	FY14E	FY15E	FY16E
Operating income	172.2	226.9	237.1	274.2	334.5
EBITDA	46.6	51.7	28.8	42.8	63.1
Adj net income	28.7	31.9	(0.6)	13.1	30.2
Adj EPS-₹	13.2	13.5	(0.2)	3.9	9.0
EPS growth (%)	(67.8)	2.5	(102.9)	NM	130.3
RoCE (%)	24.0	20.2	5.9	8.1	13.0
RoE (%)	30.2	23.4	(0.3)	4.8	10.2
P/E (x)	8.9	8.7	NM	30.3	13.1
P/BV (x)	2.2	1.8	1.5	1.4	1.3
EV/EBITDA (x)	7.4	6.9	16.1	10.5	6.9

Source: Company, CRISIL Research estimates



December 17, 2013

Fair Value ₹95
 CMP ₹118

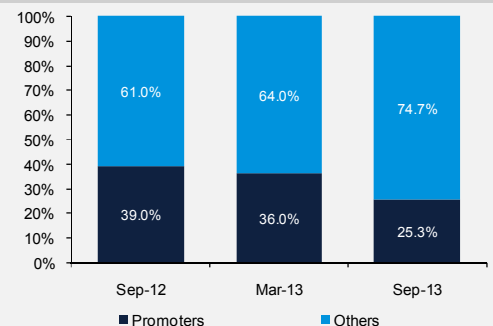
SME CFV MATRIX

SME Fundamental Grade	Excellent	Strong Upside	SME Valuation Grade
	5/5	5/5	
4/5	4/5		
3/5	3/5		
2/5	2/5		
1/5	1/5		
Poor	Strong Downside		

KEY STOCK STATISTICS

NIFTY	6155
NSE EMERGE ticker	OPAL
Face value (₹ per share)	10
Shares outstanding (mn)	3.3
Market cap (₹ mn)/(US\$ mn)	389/6
Enterprise value (₹ mn)/(US\$ mn)	417/7
Free float (%)	75%

SHAREHOLDING PATTERN



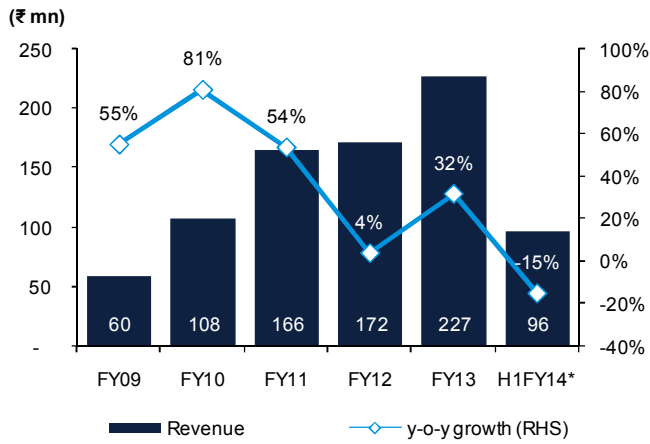
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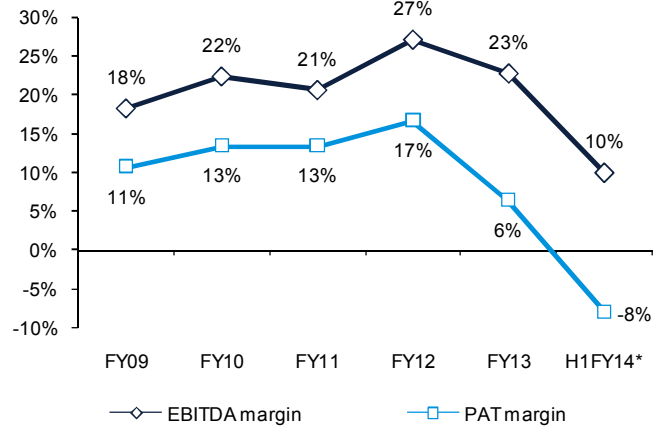
Revenues declined 15% y-o-y on annualised basis



* Annualised growth

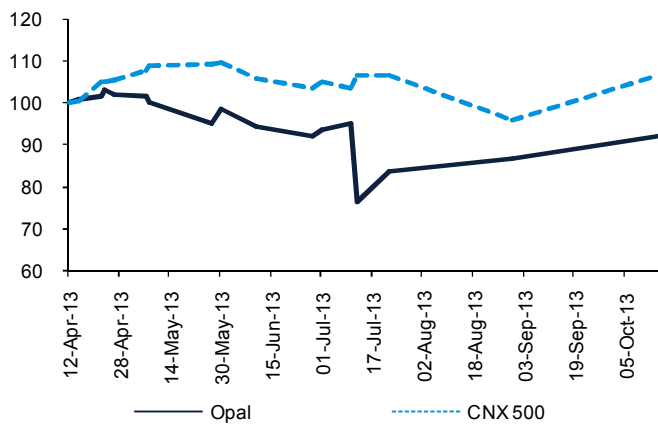
Source: Company, CRISIL Research

EBITDA and PAT margins contracted significantly in H1FY14



Source: Company, CRISIL Research

Share price movement



-Indexed to 100

Source: NSE, CRISIL Research

Earnings Estimates Revised Downwards

₹ mn	Unit	FY14E			FY15E			FY16E		
		Old	New	% change	Old	New	% change	Old	New	% change
Revenue	(₹ mn)	282	237	-16%	343	274	-20%	408	334	-18%
EBITDA	(₹ mn)	57	28.8	-49%	67	42.8	-36%	85	63	-25%
EBITDA margin	%	20.2%	12.2%	-799bps	19.4%	15.6%	-383bps	20.7%	18.9%	-188bps
PAT	(₹ mn)	35	(1)	NM	39	13	-67%	49	30	-38%
PAT margin	%	12.3%	-0.3%	-1254bps	11.4%	4.8%	-662bps	12.0%	9.0%	-300bps
EPS	(₹)	9.90	(0.18)	NM	11.10	3.90	-65%	11.14	8.98	-19%

Source: Company, CRISIL Research estimates

Reasons for changes in estimates

Line item	FY14E	FY15E	FY16E
Revenues	Lowered due to: <ul style="list-style-type: none"> Lower-than-expected sales growth in Opal and Calibre brands during H1FY14. Slowdown in consumer spending for discretionary and luxury items owing to persistently high inflation and weak macroeconomic environment. 		
EBITDA margins	Lowered because of the following reasons: <ul style="list-style-type: none"> Higher-than-expected increase in advertising and marketing expenses led to a sharp increase in SG&A expenses. Rupee depreciation and high inflation have led to a sharp increase in key input costs. 		
PAT margins	<ul style="list-style-type: none"> Lowered as EBITDA margin estimates are revised downwards. Increase in depreciation expense as the company expanded its manufacturing capacity in FY13. 		

Source: Company, CRISIL Research

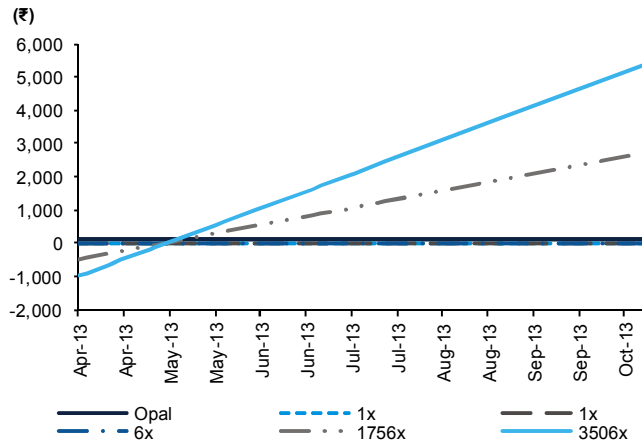
Valuation

Grade: 2/5

We have rolled forward our estimates by one year to FY16 but the impact on valuation is offset by the downward revision of revenue and earnings estimates. We continue to use the DCF method to value Opal and revise the fair value estimate to ₹95 from ₹115 owing to lowering of earning estimates. This fair value implies P/E multiples of 24.3x FY15E EPS and 10.3x FY16E EPS. At the current market price of ₹118, the valuation grade is 2/5.

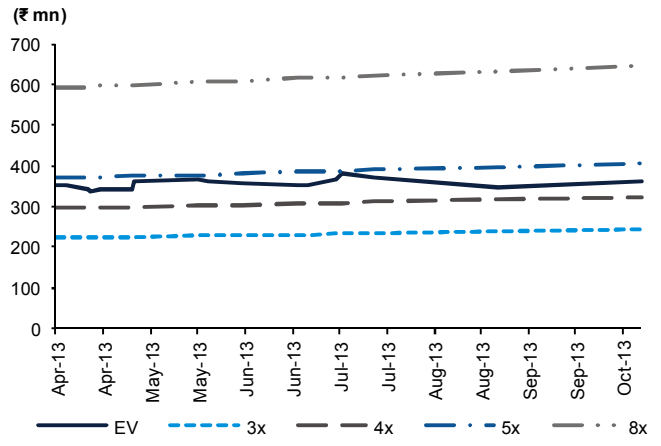
Fair value lowered to ₹95 from ₹115

One-year forward P/E band



Source: NSE, CRISIL Research

One-year forward EV/EBITDA band



Source: NSE, CRISIL Research

CRISIL SME IER reports released on Opal Luxury Time Products Ltd

Date	Nature of report	Fundamental grade	Fair value	Valuation grade	CMP (on the date of report)
14-Jun-13	Initiating coverage	4/5	₹115	3/5	₹126
17-Dec-13	H1FY14 Result Update	4/5	₹95	2/5	₹118

Annexure: Financials

Income statement

(₹ mn)	FY12	FY13	FY14E	FY15E	FY16E
Operating income	172	227	237	274	334
EBITDA	47	52	29	43	63
EBITDA margin	27.1%	22.8%	12.2%	15.6%	18.9%
Depreciation	1	5	11	15	15
EBIT	45	46	17	28	48
Interest	17	17	15	13	13
Operating PBT	28	30	2	15	35
Other income	1	1	4	1	2
Exceptional inc/(exp)	0	(17)	-	-	-
PBT	29	14	6	16	37
Tax provision	0	(1)	7	3	7
Minority interest	-	-	-	-	-
PAT (Reported)	29	15	(1)	13	31
Less: Exceptionals	0	(17)	-	-	-
Adjusted PAT	29	32	(1)	13	31

Ratios

	FY12	FY13	FY14E	FY15E	FY16E
Growth					
Operating income (%)	3.8	31.8	4.5	15.7	22.0
EBITDA (%)	36.3	10.8	(44.2)	48.5	47.4
Adj PAT (%)	28.7	11.1	(101.9)	NM	130.6
Adj EPS (%)	(67.8)	2.5	(102.9)	NM	130.6
Profitability					
EBITDA margin (%)	27.1	22.8	12.2	15.6	18.9
Adj PAT Margin (%)	16.7	14.1	(0.3)	4.8	9.2
RoE (%)	30.2	23.4	(0.3)	4.9	10.4
RoCE (%)	24.0	20.2	5.9	8.1	13.0
RoC (%)	25.7	22.6	6.4	8.6	13.8
Valuations					
Price-earnings (x)	8.9	8.7	NM	29.8	12.9
Price-book (x)	2.2	1.8	1.5	1.4	1.3
EV/EBITDA (x)	7.4	6.9	16.0	10.3	6.8
EV/Sales (x)	2.0	1.6	1.9	1.6	1.3
Dividend payout ratio (%)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
B/S ratios					
Inventory days	102	99	95	90	90
Creditors days	36	52	48	46	45
Debtor days	161	124	130	120	112
Working capital days	224	197	198	183	172
Gross asset turnover (x)	10.5	8.9	3.1	2.0	2.2
Net asset turnover (x)	12.5	10.8	3.8	2.5	3.0
Sales/operating assets (x)	11.3	7.1	2.7	2.2	3.0
Current ratio (x)	6.7	4.4	4.8	4.9	5.2
Debt-equity (x)	0.8	0.6	0.3	0.3	0.2
Net debt/equity (x)	0.8	0.5	0.2	0.2	0.1
Interest coverage (EBITDA/interest)	2.7	3.1	1.9	3.2	4.9
Interest coverage (EBIT/interest)	2.6	2.8	1.2	2.1	3.7

Per share

(₹)	FY12	FY13	FY14E	FY15E	FY16E
Adj EPS (₹)	13.2	13.5	(0.2)	4.0	9.1
CEPS	13.8	15.8	3.2	8.3	13.7
Book value	54.4	65.7	79.2	83.2	92.3
Dividend (₹)	-	-	-	-	-
Actual o/s shares (mn)	2.2	2.4	3.4	3.4	3.4

Balance Sheet

(₹ mn)	FY12	FY13	FY14E	FY15E	FY16E
Liabilities					
Equity share capital	22	24	34	34	34
Reserves	97	131	233	246	276
Minorities	-	-	-	-	-
Net worth	118	155	266	279	310
Convertible debt	-	-	-	-	-
Other debt	99	87	81	72	75
Total debt	99	87	81	72	75
Deferred tax liability (net)	1	(0)	1	1	1
Total liabilities	218	241	347	352	385
Assets					
Net fixed assets	17	25	100	117	102
Capital WIP	3	19	32	-	-
Total fixed assets	20	44	132	117	102
Investments	0	0	0	0	0
Current assets					
Inventory	48	61	62	68	82
Sundry debtors	76	77	84	90	110
Loans and advances	19	25	26	27	33
Cash & bank balance	10	8	17	28	43
Marketable securities	-	-	-	-	-
Total current assets	153	171	189	213	269
Total current liabilities	23	39	39	44	51
Net current assets	130	132	150	169	218
Intangibles/Misc. expenditure	68	65	65	65	65
Total assets	218	241	347	352	385

Cash flow

(₹ mn)	FY12	FY13	FY14E	FY15E	FY16E
Pre-tax profit	29	31	6	16	37
Total tax paid	(0)	(0)	(6)	(3)	(7)
Depreciation	1	5	11	15	15
Working capital changes	(29)	(4)	(9)	(8)	(33)
Net cash from operations	1	32	3	20	13
Cash from investments					
Capital expenditure	(22)	(27)	(99)	-	-
Investments and others	(0)	0	-	-	-
Net cash from investments	(23)	(27)	(99)	-	-
Cash from financing					
Equity raised/(repaid)	28	3	129	-	-
Debt raised/(repaid)	9	(12)	(6)	(9)	3
Dividend (incl. tax)	-	-	-	-	-
Others (incl extraordinary)	(10)	2	(17)	-	-
Net cash from financing	27	(7)	106	(9)	3
Change in cash position	5	(2)	9	11	16
Closing cash	10	8	17	28	43

Half-yearly financials

(₹ mn)	H1FY13	H2FY13	H1FY14
Net Sales	95.6	146.8	96.2
Change (q-o-q)	NA	54%	-34%
EBITDA	21.5	30.2	9.7
Change (q-o-q)	NA	41%	-68%
EBITDA margin	22%	23%	10%
PAT	14.1	17.9	(7.5)
Adj PAT	14.1	0.7	(7.5)
Change (q-o-q)	NA	-95%	NM
Adj PAT margin	15%	1%	-8%
Adj EPS	6.5	0.3	(2.2)

Source: CRISIL Research

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- Value more than ₹53 trillion (USD 960 billion) of Indian debt securities, comprising outstanding securities
- Sole provider of fixed income and hybrid indices to mutual funds and insurance companies; we maintain 12 standard indices and over 100 customised indices
- Ranking of Indian mutual fund schemes covering 70 per cent of assets under management and ₹4.7 trillion (USD 85 billion) by value
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- Assigned the first IPO grade in India

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