



CRISIL SME IER Independent Equity Research

**OPAL Luxury Time
Products Ltd**

H2FY14 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

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

About CRISIL Research

CRISIL Research is India's largest independent and integrated research house. We provide insights, opinions, and analysis on the Indian economy, industries, capital markets and companies. We are India's most credible provider of economy and industry research. Our industry research covers 70 sectors and is known for its rich insights and perspectives. Our analysis is supported by inputs from our network of more than 4,500 primary sources, including industry experts, industry associations, and trade channels. We play a key role in India's fixed income markets. We are India's largest provider of valuations of fixed income securities, serving the mutual fund, insurance, and banking industries. We are the sole provider of debt and hybrid indices to India's mutual fund and life insurance industries. We pioneered independent equity research in India, and are today India's largest independent equity research house. Our defining trait is the ability to convert information and data into expert judgments and forecasts with complete objectivity. We leverage our deep understanding of the macro economy and our extensive sector coverage to provide unique insights on micro-macro and cross-sectoral linkages. We deliver our research through an innovative web-based research platform. Our talent pool comprises economists, sector experts, company analysts, and information management specialists.

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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

Strong performance in H2FY14



SME Fundamental Grade 4/5 (Superior fundamentals)

SME Valuation Grade 2/5 (CMP has downside)

OPAL Luxury Time Product Ltd's (OPAL's) H2FY14 revenues and earnings were above CRISIL Research's expectations. Revenues grew 17.2% y-o-y in H2FY14. EBITDA margin contracted to 20.1% against 23% in H2FY13 owing to higher raw material cost and other expenses. Adjusted PAT declined 31% y-o-y to ₹12.3 mn from ₹17.9 mn in H2FY13, but was above our estimate of ₹6.5 mn. Although top-line growth moderated in FY14, OPAL's growth recovery has been faster than our expectations and this growth momentum is expected to continue in FY15 driven by revival in consumer spending for discretionary products. We maintain our SME Fundamental Grade of **4/5**.

Healthy top-line growth in H2FY14, expect growth to continue in FY15

After a weak H1FY14, when its top line remained flat y-o-y, OPAL's revenues increased 17.2% y-o-y to ₹154 mn vs ₹131 mn in H2FY13, driven primarily by volume growth in both OPAL and Caliber brands. Despite a better H2FY14, revenue growth moderated in FY14 - up 10.1% y-o-y to ₹250 mn against 31.8% y-o-y growth in FY13. However, we expect a better FY15 for the company on the back of gradual recovery in discretionary consumer spending translating into healthy sales traction. We forecast 16% revenue CAGR over FY14-16E, with both Opal and Caliber registering steady volume growth.

Lower operating margin and higher tax expense pulled down PAT

OPAL's adjusted PAT declined 31% y-o-y to ₹12.3 mn on account of contracting EBITDA margin, and higher depreciation and income tax expense. EBITDA margin contracted 290 bps y-o-y to 20.1% as the company was unable to pass on the hike in material costs (expanded 139 bps y-o-y as a percentage of sales) in a challenging demand environment. Other expenses also increased (expanded 337 bps y-o-y as a percentage of sales) as the company ramped up its brand-building activities, which is expected to continue going forward. We expect top-line growth to translate into better absorption of fixed costs which, in turn, is likely to result in improvement in operating margins in the near future - we expect EBITDA margin to increase to 17.3% and 18.9% in FY15 and FY16, respectively.

FY15 estimates raised; fair value maintained at ₹95

OPAL's growth recovery has been faster than our expectations and we expect revival in consumer spending in FY15 to drive this growth momentum further. Hence, we have raised our estimates for FY15. Our estimates for FY16 are unchanged as growth expectations are already factored into our FY16 numbers. Despite increasing our earnings estimate for FY15, our DCF-based fair value estimate of ₹95 is maintained as the impact of FY15 financials to overall valuation is marginal. At the current market price of ₹115, the valuation grade is **2/5**.

KEY FORECAST

(₹ mn)	FY12	FY13	FY14#	FY15E	FY16E
Operating income	172	227	250	289	334
EBITDA	47	52	41	50	63
Adj net income	29	32	5	16	30
Adj EPS-₹	13.2	13.5	1.4	4.7	9.0
EPS growth (%)	(67.8)	2.5	(77.0)	226.2	90.9
RoCE (%)	24.0	20.2	8.8	9.7	13.0
RoE (%)	30.2	23.4	2.2	5.5	10.0
P/E (x)	8.5	8.3	78.1	24.0	12.5
P/BV (x)	2.1	1.7	1.3	1.3	1.2
EV/EBITDA (x)	7.2	6.7	11.3	8.8	6.7

Based on abridged financials

Source: Company, CRISIL Research estimates

June 26, 2014

Fair Value ₹95

CMP ₹115

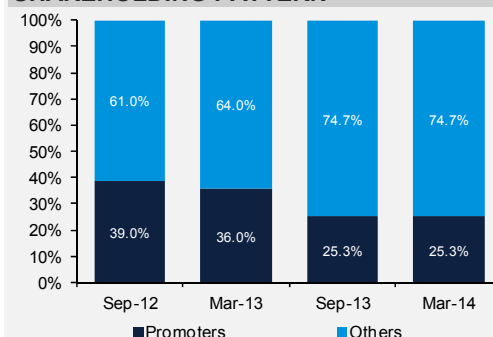
SME CFV MATRIX

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	7493
NSE EMERGE ticker	OPAL
Face value (₹ per share)	10
Shares outstanding (mn)	3.3
Market cap (₹ mn)/(US\$ mn)	372/6
Enterprise value (₹ mn)/(US\$ mn)	435/7
Free float (%)	74.7%
52 week high/low (₹)	128/98

SHAREHOLDING PATTERN



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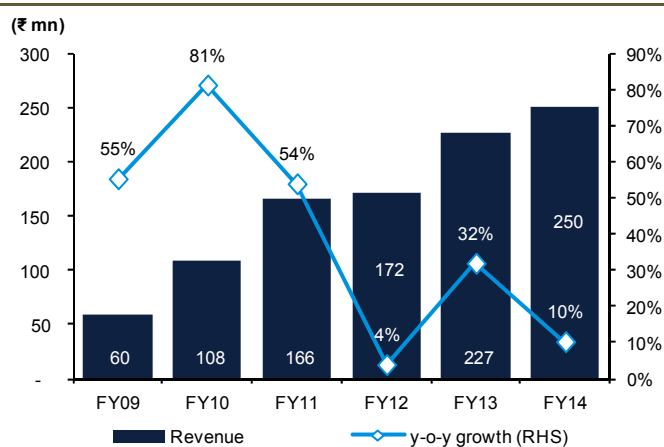
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H2FY14 Results Summary

(₹ mn)	H2FY14	H1FY14	H2FY13	q-o-q (%)	y-o-y (%)	FY14	FY13	y-o-y (%)
Net sales	154	96	131	59.8	17.2	250	227	10.1
Raw materials cost	87	55	73	59.2	20.1	142	124	14.7
Raw materials cost (% of net sales)	56.9%	57.1%	55.5%	-23bps	139bps	57.0%	54.7%	227bps
Employee costs	10	9	11	9.7	(9.0)	19	20	(3.7)
Other expenses	25	23	17	12.9	47.2	48	31	52.8
EBITDA	31	10	30	219.8	2.5	41	52	(21.4)
EBITDA margin	20.1%	10.1%	23.0%	1006bps	-290bps	16.2%	22.8%	-653bps
Depreciation	8	6	4	50.6	100.3	14	5	164.5
EBIT	23	4	26	446.4	(13.2)	27	46	(42.4)
Interest and finance charges	9	9	9	0.4	(8.8)	17	17	4.4
Operating PBT	14	(4)	17	NM	(15.7)	9	30	(68.3)
Other income	0	2	1	(94.5)	(81.8)	2	1	78.6
Extraordinary income/(expense)	-	-	(17)	-	NM	-	(17)	NM
PBT	14	(2)	0	NM	32,612	12	14	(15.8)
Tax	2	5	(1)	(67.3)	NM	7	(1)	NM
PAT	12	(8)	1	NM	1,696.5	5	15	(67.2)
Adj PAT	12	(8)	18	NM	(30.9)	5	32	(84.8)
Adj PAT margin	8.0%	-7.8%	13.6%	NM	-558bps	1.9%	14.1%	-1213bps
No. of equity shares (mn)	3.4	3.4	2.4	-	-	3.4	2.4	42.40
Adj EPS (₹)	3.7	(2.2)	7.6	NM	(51.5)	1.4	13.5	(89.4)

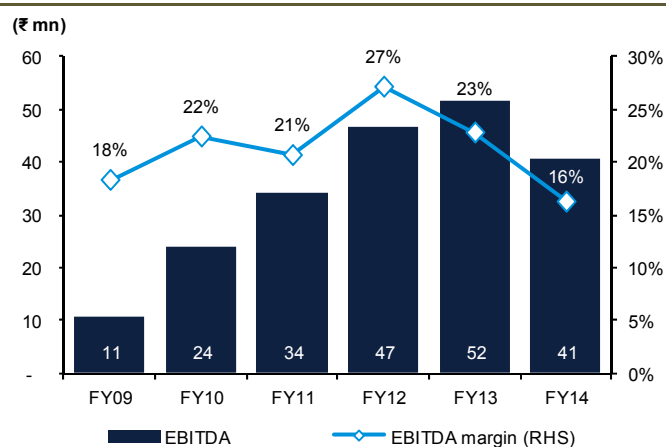
Source: Company, CRISIL Research

FY14 revenues grew 10.1% y-o-y



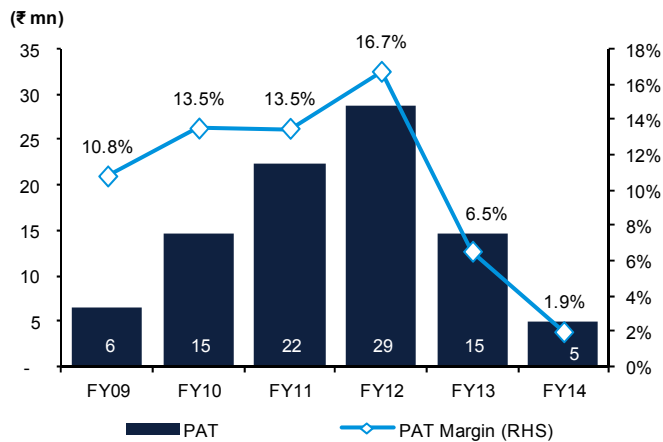
Source: Company, CRISIL Research

EBITDA margin contracted to 16.2% in FY14



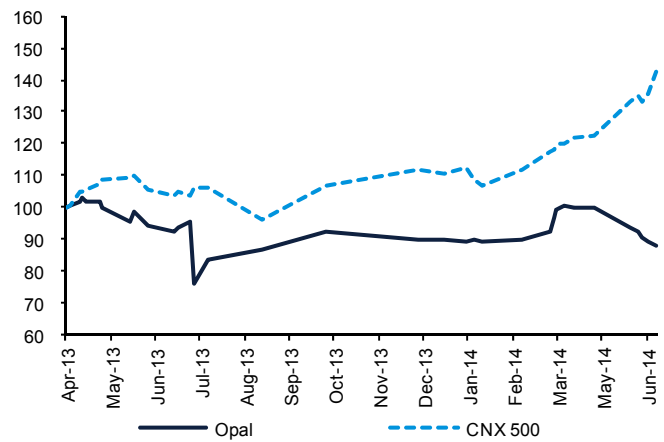
Source: Company, CRISIL Research

Adjusted PAT declined 30.9% y-o-y



Source: NSE, CRISIL Research

Share price movement



-Indexed to 100

Source: NSE, CRISIL Research

Earnings Estimates Revised upwards

₹ mn	Unit	FY15E			FY16E		
		Old	New	% change	Old	New	% change
Revenue	(₹ mn)	274	289	5%	334	334	0%
EBITDA	(₹ mn)	43	50	17%	63	63	0%
EBITDA margin	%	15.6%	17.3%	170bps	18.9%	18.9%	0bps
PAT	(₹ mn)	13	16	19%	30	30	0%
PAT margin	%	4.8%	5.5%	62bps	9.0%	9.0%	0 bps
EPS	(₹)	4.0	4.7	19%	9.0	9.0	0%

Source: Company, CRISIL Research estimates

Reasons for changes in estimates

Line item	FY15E
Revenues	Raised as the company's growth has picked up faster than our expectations. We expect the revival to continue in FY15, driven by recovery in consumer spending
EBITDA margins	Raised as higher revenues are expected to lead to higher-than-expected operating leverage in FY15
PAT	Increased on account of higher EBITDA estimate. However, we have also increased our interest expense assumption for FY15 as the company's interest cost increased in H2FY14

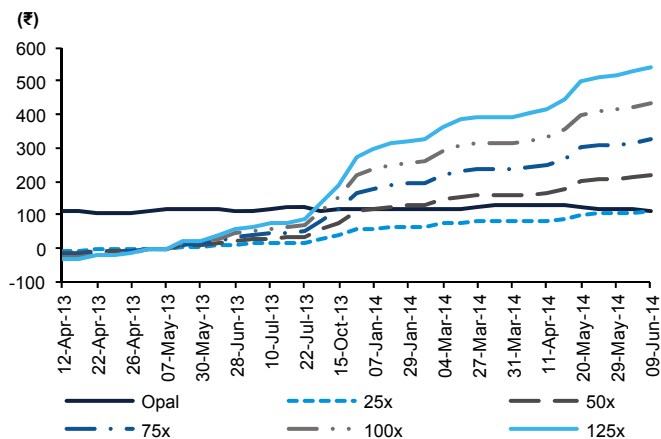
Source: Company, CRISIL Research

Valuation

Grade:2/5

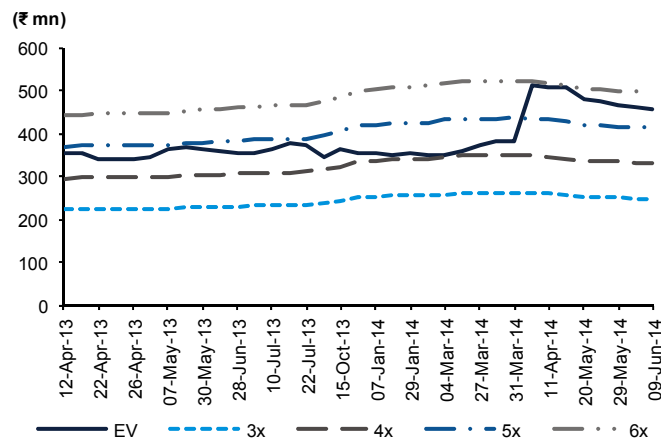
Despite an upward revision in earnings estimate for FY15, we maintain our fair value of ₹95 as the impact of FY15 financials to the valuation is marginal. This fair value implies P/E multiples of 20.1x FY15E and 10.4x FY16E EPS. The stock is currently trading at ₹115, which implies P/E multiples of 24.4x FY15E and 12.8x FY16E EPS. At the current market price, the valuation grade is **2/5**.

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
26-Jun-14	H2FY14 Result Update	4/5	₹95	2/5	₹115

Annexure: Financials

Income statement

(₹ mn)	FY12	FY13	FY14#	FY15E	FY16E
Operating income	172	227	250	289	334
EBITDA	47	52	41	50	63
EBITDA margin	27.1%	22.8%	16.2%	17.3%	18.9%
Depreciation	1	5	14	14	15
EBIT	45	46	27	36	49
Interest	17	17	17	17	15
Operating PBT	28	30	9	18	34
Other income	1	1	2	1	3
Exceptional inc/(exp)	0	(17)	-	-	-
PBT	29	14	12	19	37
Tax provision	0	(1)	7	3	7
Minority interest	-	-	-	-	-
PAT (Reported)	29	15	5	16	30
Less: Exceptionals	0	(17)	-	-	-
Adjusted PAT	29	32	5	16	30

Ratios

	FY12	FY13	FY14#	FY15E	FY16E
Growth					
Operating income (%)	3.8	31.8	10.1	15.6	15.7
EBITDA (%)	36.3	10.8	(21.4)	23.3	26.1
Adj PAT (%)	28.7	11.1	(84.8)	226.2	90.9
Adj EPS (%)	(67.8)	2.5	(77.0)	226.2	90.9
Profitability					
EBITDA margin (%)	27.1	22.8	16.2	17.3	18.9
Adj PAT Margin (%)	16.7	14.1	1.9	5.5	9.0
RoE (%)	30.2	23.4	2.2	5.5	10.0
RoCE (%)	24.0	20.2	8.8	9.7	13.0
RoC (%)	25.7	22.6	8.2	9.5	13.5
Valuations					
Price-earnings (x)	8.7	8.5	79.6	24.4	12.8
Price-book (x)	2.1	1.7	1.4	1.3	1.2
EV/EBITDA (x)	7.3	6.8	11.5	8.9	6.8
EV/Sales (x)	2.0	1.5	1.9	1.5	1.3
Dividend payout ratio (%)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
B/S ratios					
Inventory days	102	99	98	95	95
Creditors days	36	52	30	54	53
Debtor days	161	124	134	130	117
Working capital days	224	197	212	208	190
Gross asset turnover (x)	10.5	8.9	3.3	2.2	2.2
Net asset turnover (x)	12.5	10.8	4.0	2.8	3.0
Sales/operating assets (x)	11.3	7.1	2.7	2.2	2.8
Current ratio (x)	6.7	4.4	7.6	4.8	4.7
Debt-equity (x)	0.8	0.6	0.3	0.3	0.2
Net debt/equity (x)	0.8	0.5	0.3	0.2	0.1
Interest coverage (EBITDA/interest)	2.7	3.1	2.4	2.9	4.3
Interest coverage (EBIT/interest)	2.6	2.8	1.5	2.1	3.3

Per share

(₹)	FY12	FY13	FY14#	FY15E	FY16E
Adj EPS (₹)	13.2	13.5	1.4	4.7	9.0
CEPS	13.8	15.8	5.6	9.0	13.3
Book value	54.4	65.7	84.3	85.5	94.5
Dividend (₹)	-	-	-	-	-
Actual o/s shares (mn)	2.2	2.4	3.4	3.4	3.4

Balance Sheet

(₹ mn)	FY12	FY13	FY14#	FY15E	FY16E
Liabilities					
Equity share capital	22	24	34	34	34
Reserves	97	131	250	254	284
Minorities	-	-	-	-	-
Net worth	118	155	283	287	317
Convertible debt	-	-	-	-	-
Other debt	99	87	82	82	59
Total debt	99	87	82	82	59
Deferred tax liability (net)	1	(0)	6	6	6
Total liabilities	218	241	372	376	383
Assets					
Net fixed assets	17	25	99	107	116
Capital WIP	3	19	40	20	-
Total fixed assets	20	44	139	127	116
Investments	0	0	0	0	0
Current assets					
Inventory	48	61	67	75	87
Sundry debtors	76	77	92	103	115
Loans and advances	19	25	32	34	39
Cash & bank balance	10	8	2	20	17
Marketable securities	-	-	-	-	-
Total current assets	153	171	193	232	257
Total current liabilities	23	39	26	49	55
Net current assets	130	132	167	183	202
Intangibles/Misc. expenditure	68	65	65	65	65
Total assets	218	241	372	376	383

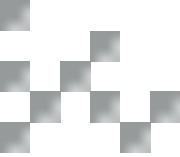
Cash flow

(₹ mn)	FY12	FY13	FY14#	FY15E	FY16E
Pre-tax profit	29	31	12	19	37
Total tax paid	(0)	(0)	(0)	(3)	(7)
Depreciation	1	5	14	14	15
Working capital changes	(29)	(4)	(42)	2	(22)
Net cash from operations	1	32	(16)	33	23
Cash from investments					
Capital expenditure	(22)	(27)	(109)	(3)	(3)
Investments and others	(0)	0	-	-	-
Net cash from investments	(23)	(27)	(109)	(3)	(3)
Cash from financing					
Equity raised/(repaid)	28	3	129	-	-
Debt raised/(repaid)	9	(12)	(4)	-	(23)
Dividend (incl. tax)	-	-	-	-	-
Others (incl extraordinary)	(10)	2	(5)	(12)	-
Net cash from financing	27	(7)	119	(12)	(23)
Change in cash position	5	(2)	(6)	18	(3)
Closing cash	10	8	2	20	17

Half-yearly financials

(₹ mn)	H1FY13	H2FY13	H1FY14	H2FY14
Net Sales	95.6	146.8	96.2	153.6
Change (q-o-q)	NA	54%	-34%	60%
EBITDA	21.5	30.2	9.7	30.9
Change (q-o-q)	NA	41%	-68%	220%
EBITDA margin	0.2	23%	10%	20%
PAT	14.1	0.7	(7.5)	12.3
Adj PAT	14.1	17.9	(7.5)	12.3
Change (q-o-q)	NA	27%	NM	NM
Adj PAT margin	0.1	14%	-8%	8%
Adj EPS	6.5	7.6	(2.2)	3.7

Source: CRISIL Research



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Our Capabilities

Making Markets Function Better

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- Inputs to India's leading corporates in market sizing, demand forecasting, and project feasibility
- Published the first India-focused report on Ultra High Net-worth Individuals
- All opinions and forecasts reviewed by a highly qualified panel with over 200 years of cumulative experience

Funds and Fixed Income Research

- Largest and most comprehensive database on India's debt market, covering more than 15,000 securities
- Largest provider of fixed income valuations in India
- Value more than ₹53 trillion (US\$ 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 (US\$ 85 billion) by value
- Retained by India's Employees' Provident Fund Organisation, the world's largest retirement scheme covering over 60 million individuals, for selecting fund managers and monitoring their performance

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- Largest independent equity research house in India, focusing on small and mid-cap companies; coverage exceeds 125 companies
- Released company reports on 1,442 companies listed and traded on the National Stock Exchange; a global first for any stock exchange
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