CRISIL RESEARCH

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Opal Luxury Time Products Ltd

Initiating Coverage

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.

Disclaimer:

Opal Luxury Time Products Ltd

Leading wall clock company looking to further strengthen its position

SME Fundamental Grade	**4/5 (Superior fundamentals)**
SME Valuation Grade	**3/5 (CMP is aligned)**

June 06, 2013

Fair Value	**₹115**
CMP	**₹126**

Pune-based Opal Luxury Time Products Ltd (Opal) is an established player in the domestic wall clock market. Opal enjoys a strong position in the premium wall clock segment through its flagship OPAL brand. It is gradually making its presence felt in the economy segment through the Caliber brand. The company has a pan-India distribution network of over 207 dealers, 35 direct dealers and is associated with big retail groups. However, we believe that it still lacks the scale to tap the overall growth opportunity. Opal has two key monitorables: high working capital cycle and weak internal controls & MIS. We have assigned SME Fundamental Grade of **4/5** to Opal, indicating that its fundamentals are **superior**.

Strong position in the premium wall clock market through the OPAL brand

Opal enjoys a strong position in the domestic premium wall clock market through the OPAL brand; it faces competition from few foreign brands such as Seiko and Rhythm. Opal markets a wide variety of clocks that offer different attributes, styles and are available at various price points (₹1,450 to ₹27,500). We believe that it enables the company to cater to a broad spectrum of customers. Given the company's brand positioning and product diversity, we believe that Opal is well placed to benefit from 12-15% expected growth in the organised wall clock market over FY11-16.

Benefits from pan-India distribution network but still lacks scale

Opal reaches out to the end-customer through a pan-India distribution network of nine distributors (catering to over 207 dealers) and 35 direct dealers. In organised retail, it has around 88 shop-in-counters and is associated with big retail groups such as Shoppers Stop, Home Town (Pantaloon), Evok and others. While the company benefits from its distribution network, we believe that it still lacks the scale to tap the overall demand opportunity. We believe the company's plans to expand its dealer touch points to around 600 dealers and set up additional shop-in-counters with existing and new retailers are positive for its growth prospects.

Key risks: High working capital cycle and weak internal controls

Opal reported high working capital cycle of around 200 days in FY12 because of high inventory and debtor days. Opal's high working capital is a key monitorable as we believe that it may lead to financial constraint and, thereby, hinder the growth momentum. We also believe that current internal controls and MIS are weak and need to be strengthened as the company grows in size.

Expect revenues to grow at 23% CAGR over FY13-15

We expect Opal's revenues to increase by 23% CAGR over FY13-15, driven by demand for premium wall clocks, augmentation of its reach and distribution, and relatively strong positioning in the industry compared to other players. EBITDA margin is estimated to decline from 22.8% in FY13 to 19.4% in FY15 because of higher advertising and marketing spend. PAT is estimated to increase from ₹32 mn in FY13 to ₹39 in FY15 but EPS is expected to decline from ₹13.6 to ₹11.1 due to equity infusion through the initial public offering (IPO).

Valuations: Fair value of ₹115 per share

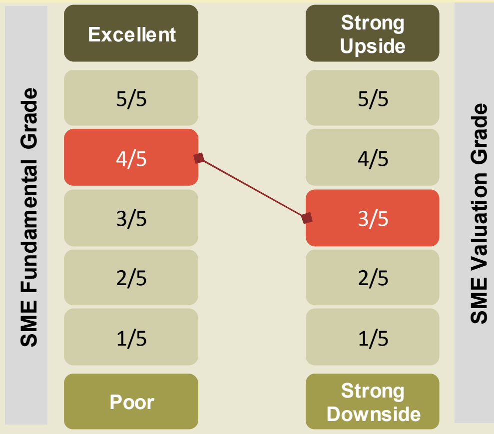
We have used the discounted cash flow (DCF) method to value Opal and arrived at a fair value of ₹115 per share. This fair value implies P/E multiples of 11.5x FY14E and 10.4x FY15E. The stock is currently trading at ₹126, translating into a valuation grade of **3/5.**

KEY FORECAST

(₹ mn)	FY11	FY12	FY13	FY14E	FY15E
Operating income	166	172	227	282	343
EBITDA	34	47	52	57	67
Adj net income	22	29	32	35	39
Adj EPS-₹	41.0	13.2	13.6	9.9	11.1
EPS growth (%)	(71.8)	(67.8)	3.1	(27.0)	12.3
RoCE (%)	24.2	24.0	20.0	13.2	11.3
RoE (%)	37.6	30.2	23.5	14.2	10.9
P/E	3.1	9.5	9.3	12.8	11.4

Source: Company, CRISIL Research estimates

SME CFV MATRIX



KEY STOCK STATISTICS

NIFTY/SENSEX	5921/19519
NSE EMERGE ticker	OPAL
Face value (₹ per share)	10
Shares outstanding (mn)*	3.3
Market cap (₹ mn)/(US$ mn)**	423/8
Enterprise value (₹ mn)/(US$ mn)**	513/9
Free float (%)	75%

SHAREHOLDING PATTERN

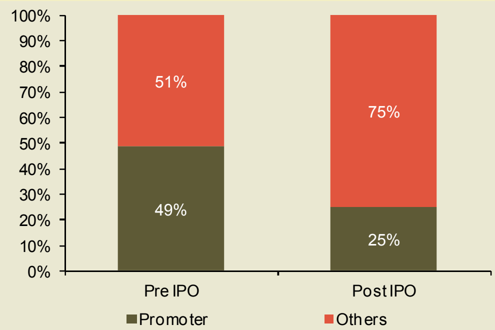


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Table 1: Opal Luxury Time Products Ltd – Business environment

Parameter	OPAL brand	Caliber brand
Revenue contribution (FY13)	91%	9%
Revenue contribution (FY15)	92%	8%
Revenue CAGR (FY11-13)	20%	55%
Revenue CAGR (FY13-15)	26%	15%
Product/service description	■ Offers 109 models of high-end wall clocks priced between ₹1,450 and ₹27,500	■ Targeting the economy segment ■ Priced in the range of ₹180 to ₹690
Geographic presence	India	
Market position	■ Strong player in the premium wall clock segment ■ Competes with foreign brands such as Seiko, Rhythm and Sansui	■ New entrant in the economy wall clock segment ■ Competes with major brands such as Ajanta, Rikon and a large number of unorganised players
Demand drivers	■ With rising disposable income and increasing urbanisation, consumers increasingly prefer organised players to unorganised ones. The trend is expected to lead to higher demand for lifestyle products ■ Besides their traditional use as a basic necessity and gift item, wall clocks are also becoming popular as an interior décor accessory	
Key challenges	■ Slowdown in consumer spending may affect demand for discretionary products such as wall clocks ■ High working capital cycle of 160-200 days. Inventory days are high because of the need to keep an inventory of three months due to high dependence on imports. The debtor days, typically 100-120 days, are high because organised retail players pay Opal only when they sell the goods ■ High dependence on imports of raw materials significantly increases the lead time to cater to large orders. In addition, it also exposes the company to the foreign currency fluctuation risk ■ Highly fragmented industry and competition from unorganised players	

Source: Company, CRISIL Research

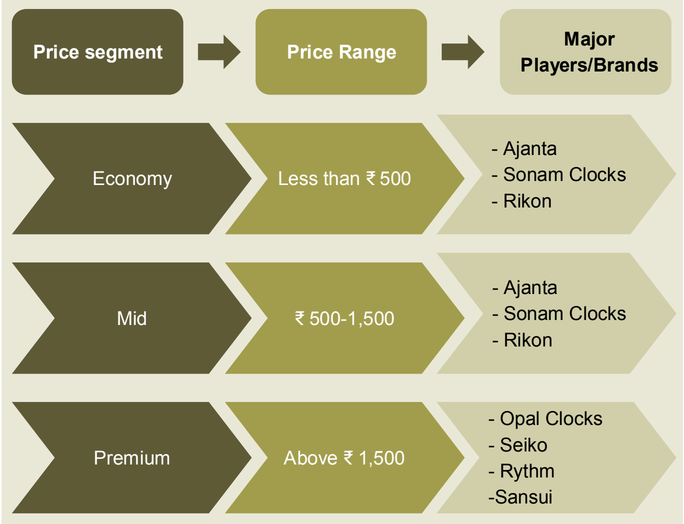
Grading Rationale

Strong position in the premium wall clock segment

The premium wall clock segment in India is primarily an oligopolistic market with the strong presence of a few major brands such as OPAL, Seiko, Rhythm and Sansui. In this segment, Opal enjoys a strong position on the back of the OPAL brand which has a strong recall among consumers. Under the OPAL brand, the company markets a wide variety of clocks - 109 models featuring different attributes, style, and aesthetics - at various price points ranging from ₹1,450 to ₹27,500. We believe that the broad product offering helps the company to cater to a consumer base having diverse preferences. The OPAL brand recorded around 35% volume CAGR during FY09-12 and simultaneously increased the prices of its top selling models by an average 7%, which demonstrates the strength of its brand. Over the next few years, the company is planning to increase its advertising and marketing spend to further strengthen the awareness of the OPAL brand, which we believe will be incrementally positive for the company.

Strongly positioned in the premium wall clock segment through well-known OPAL brand

Figure 1: Opal strongly placed in the premium wall clock segment



Source: Company, CRISIL Research

Figure 2: Opal caters to diverse consumer preferences in the premium category

Category	Number of styles	Price range
Mystique	15	₹2,350 to ₹9,250
Panache	63	₹1,750 to ₹6,500
Cyber	11	₹1,450 to ₹7,750
Grandeur	15	₹3,250 to ₹14,500
Eternity	4	₹3,950 to ₹5,750
Signature	1	₹27,500
Total	109	

Source: Company, CRISIL Research

Entering into the economy segment through Caliber

To expand its revenue base, the company is moving into the economy segment through its newly introduced Caliber brand. Under this brand, the company offers wall clocks priced in the range of ₹180 to ₹690. In this segment, it is likely to compete with organised brands such as Ajanta, Rikon as well as many unorganised players. Opal entered this segment in FY11 after purchasing Samay Electronics Private Ltd's (Samay's) designs and moulds when Samay decided to close down operations because of internal issues. Sales volumes of Caliber branded clocks have grown from 23,000 units in FY11 to around 80,000 in FY13. While we believe that there is a significant growth opportunity given the market size and large share of unorganised players, we believe that competition will be a major challenge.

Moving into the economy segment through the Caliber brand

Planned marketing push bodes well for growth but its execution is a monitorable

Opal's advertising and marketing spend declined from 6.8% in FY09 to 1.5% in FY12. We attribute the decline to funding constraints due to a high working capital cycle. However, with the funds raised from the recent equity infusion, the company plans to incrementally spend around ₹40 mn in advertising and brand building over the next few years. As part of the planned marketing push, the company intends to take the following steps in the next two to three years:

- Online marketing - The company plans to spend around ₹7 mn on online marketing efforts including search engine optimisation, and advertisements on search engines to create greater consumer awareness.
- Electronic media – Plans to spend around ₹6 mn on advertisements on electronic media such as radios, televisions, mobile platform and others.
- Events and sponsorships – Plans to spend around ₹16 mn on showcasing its product portfolio in various events and sponsorships organised across India.
- Outdoor – Plans to spend around ₹11 mn on outdoor advertisements such as assigned hoardings, signboards, catalogues, brochures and others.

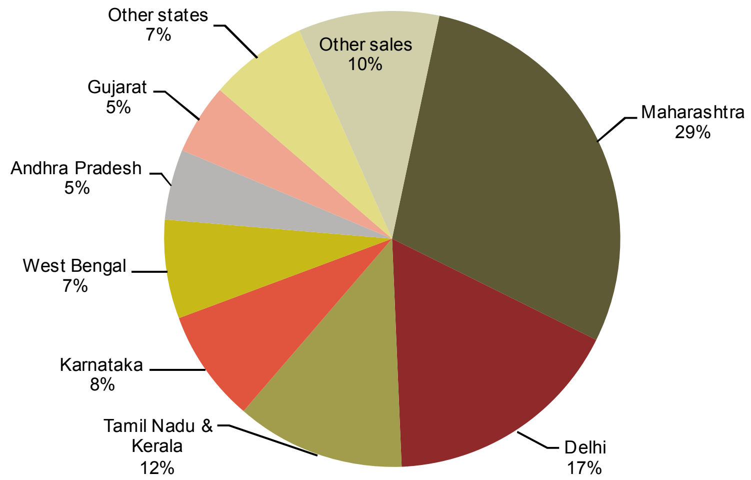
__Needs to shore up its marketing and advertising efforts; execution of marketing plans is a key monitorable__

We believe that the planned marketing strategy is incrementally positive and bodes well for Opal's growth prospects; however, execution of the strategy is a key monitorable as the inability to shore up its advertising and marketing efforts from the current levels can affect brand visibility and hamper future growth.

Existing distribution network gives a pan-India reach but still lacks scale

Opal has a pan-India distribution network that complements its strong brand equity; however, we believe that it still lacks the scale to tap the overall growth opportunity. The company markets its products through nine distributors (with a dealer base of 207 dealers), 35 direct dealers and 88 shop-in-counters in various large organised retailers such as Shoppers Stop, Reliance, West Side, Century Plywood, etc. The company plans to expand its dealer base to around 600 in both existing and newer locations, which will enhance its reach and distribution significantly. Like in the past, when the company improved its presence within organised retail by increasing the number of shop-in-counters from 34 in FY09 to 88 currently, it plans to augment the number going ahead. For example, the company has recently negotiated with the Nilkamal group for marketing its products through the latter's 21 stores located across India. We believe that the company's increasing exposure to the organised retail channel is likely to enhance customer awareness; however, Opal's small operations weaken its bargaining power with some of these big retail players and leads to high debtor days.

Figure 3: Wide distribution network gives Opal a pan-India presence



Source: Company, CRISIL Research

Well placed to benefit from growth in the organised wall clock market

As per industry sources, the organised wall clock market is estimated at around ₹3-3.5 bn market as of 2011, and is expected to grow at 12-15% CAGR over FY11-16. We believe that Opal is well placed to benefit from the demand in the organised wall clock market given its strong position in the segment through the OPAL brand. We mention below the key factors that will drive growth going ahead:

- Increase in per capita disposable income of Indians to drive demand for real estate, consumer durables and lifestyle products and a consequent increase in consumption of home décor accessories.
- Increasing preference for branded products over unbranded products.
- Increasing shift in consumer preference about wall clocks from a basic necessity and gift item to an interior décor accessory.

Risk of funding constraint because of high working capital cycle

Opal's business model is highly working capital intensive, apparent from 200 working capital days posted in FY13. This is driven by high inventory days of around 100 and debtor days of around 125. Inventory days are high because the company is significantly dependent on imports for raw material and needs to maintain high raw material inventory to meet demand. Debtor days are high because of the following factors:

- The company derives around 30% of its sales through organised retail players who pay the company only when they sell the goods, which is typically more than 100-120 days. We believe that the company has low bargaining power with the organised retailers because of its size.
- On an average, the company receives payment from its distributors in 90 days.

Because of a structurally high working capital cycle, the company had faced funding constraints as reflected in the decline in advertising and marketing spend - from 6.8% in FY09 to 1.5% in FY12. Going ahead, while we expect inventory days to decline - as the company is setting up its mould manufacturing unit and plans to source non-critical components domestically, we have limited visibility on the magnitude and timing of the benefit. As a result, we believe that working capital is a key monitorable as it may potentially lead to fund constraints and hinder the growth momentum.

Risk of plagiarism due to non-exclusivity arrangement with vendors

The company procures the majority of its raw materials directly from various vendors in Taiwan. The imports include critical components such as clock movements and moulds. The company does not have non-disclosure agreements (NDA) with vendors to protect its business expertise. While the company has long-standing business relations with these vendors, we believe that the absence of NDA exposes the company to risks of imitation if the vendors share the mould designs with competitors.

Key Risks

Slowdown in consumer spending may impact demand for premium wall clocks

We believe that consumer spending for premium wall clocks is discretionary in nature and demand is significantly dependent on consumer's disposable income. A persistently high inflationary environment and any further slowdown in economic growth will decrease the disposable income in the hands of the consumers. This can negatively impact the demand for discretionary products such as premium wall clocks. Opal derives around 95% of its revenues from the sale of premium wall clocks.

Execution of advertisement and brand enhancement plan is a key monitorable

Strength of the OPAL brand and customer awareness are the company's key competitive advantages, which we believe are dependent on the company's sustained marketing and brand building efforts. However, advertising and marketing spend over the recent years has declined significantly. The company has earmarked an incremental spending of around ₹40 mn over the next few years for advertising and brand-building efforts. We believe that it is incrementally positive but execution of planned marketing push is a key monitorable. Inability of the company to improve its marketing can impact the sustainability of its brand visibility and future growth

Volatility in raw material prices and availability may impact operations and profitability

The company is exposed to volatility in raw material prices and the risk of non-availability since it imports around 60% of its raw materials. Clock movements, an integral part of wall clocks, are sourced from vendors in Taiwan. Some of the other clock components such as moulds, dials, glass cuttings are procured from domestic and international vendors. The company does not have long-term arrangements with vendors and, hence, runs the risk of not only non-availability of raw materials and volatility in prices but also exposure to foreign currency fluctuations. Further, if the company loses any of these vendors, it would have a significant impact on business operations and profitability.

Management and Corporate Governance

Experienced management team but execution capability a key monitorable

Mr Subhash Gujar founded Opal in 1996. Prior to that, he was a distributor of Allwyn and Titan watches. He has more than 15 years of experience in manufacturing, assembling and marketing in the clock industry. He is involved in most of the strategic decisions of the company. His son, Mr Sameer Gujar, is the managing director and has around five years of experience in the wall clock industry. He is involved in identifying growth opportunities in both domestic and the international markets, and oversees the operations and marketing of the company.

The second line of management's experience is commensurate with the size of the company but needs to be strengthened to support the next phase of growth. Mr Sanjay Goel, who has recently joined the company as chief executive officer, brings with him around 20 years of experience in senior management positions; however, he has limited experience in the wall clock industry. We believe that the company remains significantly dependent on Mr Subash Gujar for key strategic decisions and guidance.

Management team has experience but remains significantly dependent on Mr Subash Gujar

Innoventive Industries Ltd, Mr Chandu Chavan's group company, held 51% stake in Opal pre IPO and holds 33% stake post IPO. This Pune-based engineering firm manufactures steel tubes, automotive components and oil country tubular goods. It is not involved in the day-to-day operations of Opal.

While the management has shown the ability to identify growth opportunities, we believe that it has been slow in addressing key business risks (such as risk of plagiarism due to non-disclosure agreement with suppliers) and weakness in internal control system and MIS. In addition, there have been lapses in cash flow management system, and delays in paying income taxes during FY09-12.

Internal controls & MIS are weak and need to be strengthened

Board recently expanded to meet the regulatory requirements; board processes are in place

Opal expanded its board to six directors (consisting of three independent directors) before the IPO listing to meet the regulatory requirements of a public-listed company. The board, though small, is experienced and majority of its members are on the board of Innoventive Venture and Innovative Industries Ltd. The company has all the necessary committees, including audit and investor grievance, in place to support its corporate governance practice. An independent director, Mr Ramchandran Nair, heads the four-member audit committee; another independent director, Mr Ramprasad Joshi, heads the shareholder grievance committee.

Board is small but fairly experienced and commensurate with the size of business

Accounting policy in recognising revenues appears aggressive

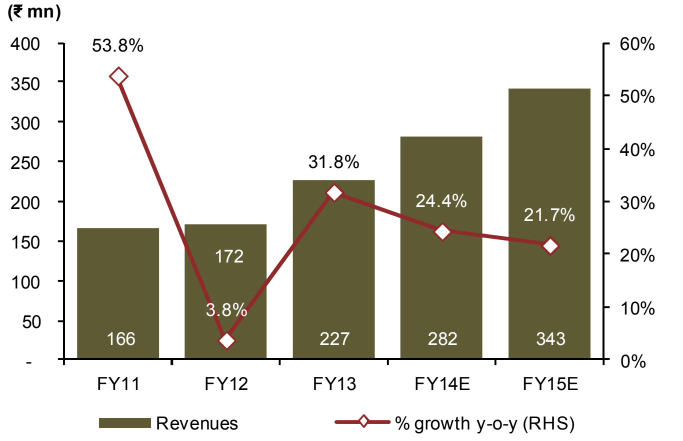
Opal recognises revenues for its products as and when they are delivered to organised retailers and before they are sold to the end customer. The retailers pay Opal only when the products are sold to the end customer, which typically takes more than 100-120 days. The retailers do not bear the risk of inventory if the products are unsold. To us, the accounting policy for revenue recognition appears aggressive. The company derives around 30% of its revenues through organised retail.

Financial Outlook and Valuation

Expect 23% CAGR for revenues over FY13-15 largely driven by volume growth

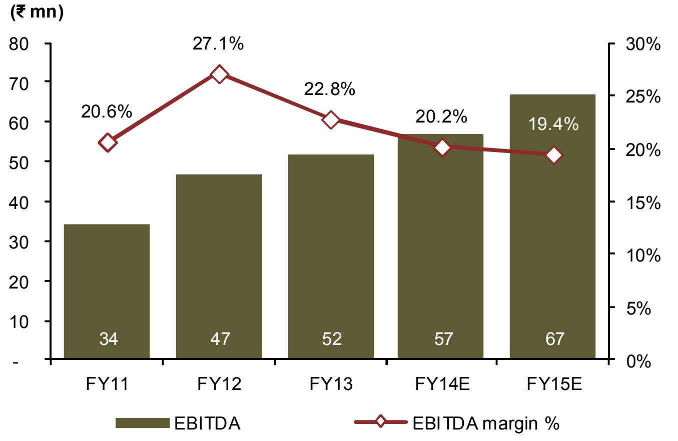
We expect Opal's revenues to grow to ₹343 mn by FY15 at a two-year CAGR of 23% largely driven by volume growth of 20%. We believe that growth will be driven by Opal's strong position in the premium wall clock segment coupled with expansion in distribution network and planned marketing efforts. We expect sales of OPAL and Caliber clocks to increase at 26% and 15% CAGR, respectively, driven primarily by volume growth. Over FY09-13, sales grew at 40% CAGR, again largely driven by volumes.

Figure 4: Revenues to increase at 23% CAGR over FY13-15 primarily driven by volume growth



Source: Company, CRISIL Research

Figure 5: Increase in marketing spend to put pressure on EBITDA margins



Source: Company, CRISIL Research

EBITDA margin expected to decline to 19.4% due to expected ramp-up in marketing efforts

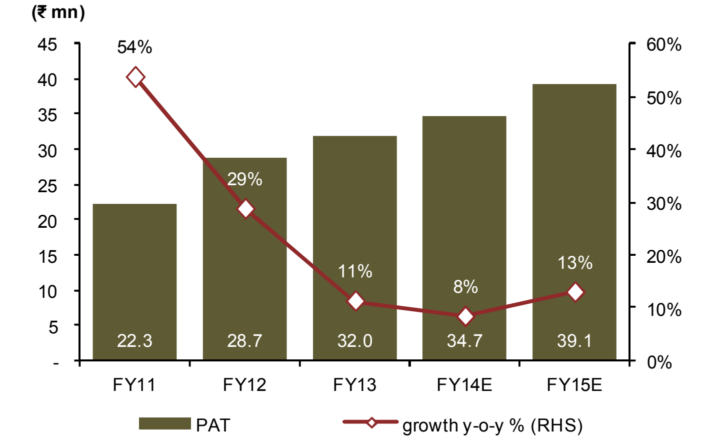
We expect EBITDA margin to decline from 22.8% in FY13 to 19.4% in FY15 primarily because of increase in advertising and marketing spend for brand building. Post that, we expect incremental benefits of marketing push to reflect in incremental improvement in margins. In the past, EBITDA margin has remained volatile but improved from 18.3% in FY09 to 22.8% in FY13 driven by a decline in operating costs and operating leverage benefit resulting from a growing revenue base.

PAT to grow at a CAGR of 11% over FY13-15; return ratios to decline

We expect PAT to increase at a CAGR of 11% from ₹32 mn in FY13 to ₹39 mn in FY15, driven by sales growth. The company incrementally plans to invest ₹102 mn from the IPO proceeds into indigenisation of mould designs and capacity expansion. We expect majority of the capital expenditure to be capitalised in FY14 and FY15 because of which depreciation charge will increase. Over FY09-13, PAT increased at a CAGR of 49% from ₹6.4 mn to ₹32 mn driven by EBITDA margin expansion and lower taxes. We expect return ratios to decline over the next two years because of decline in EBITDA margins, equity infusion and decline in asset turnover from the planned capex. RoE is expected to decline from 23.6% in FY13 to

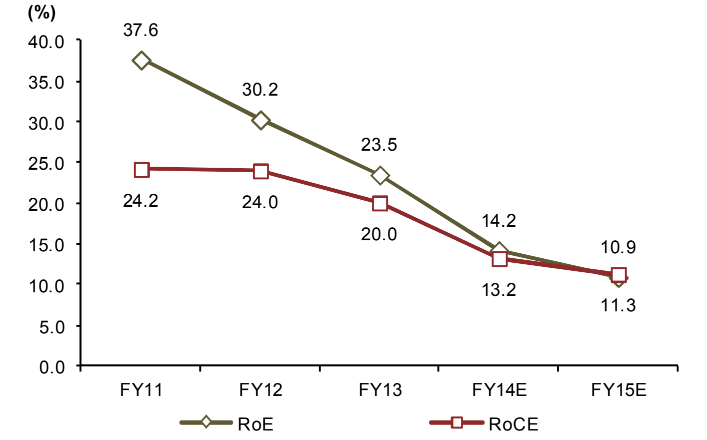
10.9% in FY15; RoCE is expected to decline from 20.0% to 11.3% during the same period. Post that we expect the return ratios to increase driven by improvement in asset turnover ratio.

Figure 6: PAT to grow at a CAGR of 11% over FY13-15



Source: Company, CRISIL Research

Figure 7: RoE to fall due to dip in margins, equity infusion



Source: Company, CRISIL Research

We assign fair value of ₹115 per share

CRISIL Research has used discounted cash flow (DCF) method to value Opal. Our fair value is ₹115 per share. This fair value implies P/E multiples of 11.5x FY14E and 10.4x FY15E. At the current market price of ₹126, the valuation grade is **3/5**.

Our DCF-based fair value for Opal is ₹115 per share, implying P/E multiple of 10.4x FY15E earnings

Key DCF assumptions

We have projected free cash flow until FY21. We expect EBITDA margin to decline from 22.8% in FY13 to 20.4% in the terminal year driven by expected increase in competitive intensity.

WACC computation

	FY14-22	Terminal value
Cost of equity	18.8%	18.8%
Cost of debt (post tax)	13.5%	11.1%
WACC	**16.8%**	**15.7%**
Terminal growth rate		4.0%

Sensitivity analysis to terminal WACC and terminal growth rate

		Terminal growth rate				
		2.0%	3.0%	4.0%	5.0%	6.0%
Terminal WACC	14.8%	113	120	128	138	150
	16.8%	97	101	106	113	120
	15.8%	104	109	**115**	124	133
	16.8%	97	101	106	113	120
	17.8%	90	94	98	103	109

Relative valuation

While the company does not have any close comparable peers that operate in the wall clock industry or have similar business models, we have compared Opal with companies that have the B2C (business to consumer) business model, in which brand and distribution network is important and depend on consumer spending on interior décor accessories and household durables. Our fair value of ₹115 per share for Opal implies a discount of around 40% on FY14 P/E compared to the average of 17.4x for comparable companies. We believe that the discount is justified as Opal is a significantly smaller player compared to its listed peers.

Table 3: Relative valuation

		FY13			P/E			P/B			EV/EBITDA		
Name	CMP	Sales growth (%)	EBITDA margin (%)	RoE	FY12	FY13	FY14	FY12	FY13	FY14	FY12	FY13	FY14
Opal	**126**	**32%**	**22.8%**	**23.6%**	**9.5x**	**9.3x**	**12.8x**	**2.3x**	**1.9x**	**1.3x**	**7.8x**	**7.5x**	**8.2x**
Ceramics and tiles													
Cera Sanitaryware	451	53%	15.4%	29.0%	18.0x	12.5x	10.3x	4.1x	3.2x	2.5x	10.7x	7.8x	6.1x
Kajaria Ceramics	227	19%	15.3%	30.7%	16.3x	13.0x	10.1x	4.7x	3.6x	2.8x	1.5x	1.2x	1.0x
Average					17.2x	12.8x	10.2x	4.4x	3.4x	2.7x	6.1x	4.5x	3.6x
Household durables													
TTK Prestige	3,446	23.1%	15.0%	39.1	34.5x	29.4x	24.2x	13.7x	9.9x	7.5x	22.1x	19.6x	14.7x
Gandhimathi Appliances	366	22.2%	9.4%	24.4	20.3x	13.1x	9.5x	5.1x	2.2x	1.8x	7.6x	7.1x	5.5x
Hawkins	2,340	17%	13%	39.0%	39.8x	35.7x	33.0x	23.2x	14.0x	9.9x	25.3x	21.1x	19.6x
Average					31.5x	26.1x	22.2x	14.0x	8.7x	6.4x	18.3x	15.9x	13.3x
Others													
Nilkamal	171	14.6%*	10.4%*	14.6%*	4.6x	NA	NA	0.6x	NA	NA	4.1x	NA	NA
Overall average					**25.8x**	**20.7x**	**17.4x**	**10.2x**	**6.6x**	**4.9x**	**13.4x**	**11.4x**	**9.4x**

* For Nilkamal, these are FY12 figures

CRISIL Research

Company Overview

Pune-based Opal Luxury Time Products Pvt. Ltd manufactures and markets high-end designer luxury clocks under the OPAL brand at its manufacturing plant in Roorkee, Uttarakhand. The business was established by Mr Subhash Gujar in Pune in 1996 and was later converted into a private limited company in February 2007. Mr Chandu Chavan, promoter of Innoventive Industries Ltd, along with some major shareholders acquired a majority stake in Opal in March 2007. Mr Chavan's group is not involved in day-to-day business operations and is a financial investor in the company. In April 2013, the company went for a public offering and raised ₹150 mn. The company sells two brands: OPAL, with a product range of over 150 exclusive wall clock and table clock models; and Caliber (launched in May 2010) in the more affordable price range.

History of the company

Year	Major developments
2007	Incorporated as Opal Luxury Time Products Private Limited in February
2010	Relocated its manufacturing operations to Roorkee
2011	Purchased clock moulds from Samay Electronics Private Limited for entry into the mass market
2012	Conversion from private limited company to public limited company
2013	Got publicly listed on the NSE SME exchange

Source: Company, CRISIL Research

Annexure: Financials

Income statement

(₹ mn)	FY11	FY12	FY13#	FY14E	FY15E
Operating income	**166**	**172**	**227**	**282**	**343**
EBITDA	**34**	**47**	**52**	**57**	**67**
EBITDA margin	**20.6%**	**27.1%**	**22.8%**	**20.2%**	**19.4%**
Depreciation	1	1	5	12	16
EBIT	**33**	**45**	**46**	**45**	**50**
Interest	12	17	17	16	15
Operating PBT	**22**	**28**	**30**	**29**	**35**
Other income	1	1	1	6	4
Exceptional inc/(exp)	-	0	-	-	-
PBT	**23**	**29**	**31**	**35**	**39**
Tax provision	0	0	(1)	0	1
Minority interest	-	-	-	-	-
PAT (Reported)	**22**	**29**	**32**	**35**	**39**
Less: Exceptionals	-	0	-	-	-
Adjusted PAT	**22**	**29**	**32**	**35**	**39**

Ratios

	FY11	FY12	FY13#	FY14E	FY15E
Growth					
Operating income (%)	53.8	3.8	31.8	24.3	21.4
EBITDA (%)	41.7	36.3	10.9	9.9	17.0
Adj PAT (%)	53.6	28.7	10.5	9.1	12.3
Adj EPS (%)	(71.8)	(67.8)	2.3	(27.0)	12.3
Profitability					
EBITDA margin (%)	20.6	27.1	22.8	20.2	19.4
Adj PAT Margin (%)	13.5	16.7	14.0	12.3	11.4
RoE (%)	37.6	30.2	23.5	14.2	10.9
RoCE (%)	24.2	24.0	20.0	13.2	11.3
RoIC (%)	26.2	25.7	22.0	18.9	16.0
Valuations					
Price-earnings (x)	3.1	9.5	9.3	12.8	11.4
Price-book (x)	1.0	2.3	1.9	1.3	1.2
EV/EBITDA (x)	4.5	7.8	7.5	8.2	6.6
EV/Sales (x)	0.9	2.1	1.7	1.7	1.3
B/S ratios					
Inventory days	88	102	99	95	90
Creditors days	46	36	39	40	40
Debtor days	150	161	124	125	125
Working capital days	163	224	204	191	186
Gross asset turnover (x)	15.4	10.5	6.5	3.3	2.4
Net asset turnover (x)	17.8	12.5	7.8	4.0	3.1
Sales/operating assets (x)	17.8	11.3	7.4	3.3	2.8
Current ratio (x)	4.8	6.7	5.5	6.8	6.8
Debt-equity (x)	1.3	0.8	0.6	0.3	0.2
Net debt/equity (x)	1.2	0.8	0.6	0.1	(0.0)
Interest coverage	2.9	2.6	2.8	2.8	3.3

Per share

	FY11	FY12	FY13#	FY14E	FY15E
Adj EPS (₹)	41.0	13.2	13.5	9.9	11.1
Book value	131.6	54.4	64.7	95.8	106.9

Balance Sheet

(₹ mn)	FY11	FY12	FY13#	FY14E	FY15E
Liabilities					
Equity share capital	5	22	24	35	35
Reserves	66	97	128	301	340
Minorities	-	-	-	-	-
Net worth	**72**	**118**	**152**	**337**	**375**
Convertible debt	-	-	-	-	-
Other debt	90	99	95	92	88
Total debt	**90**	**99**	**95**	**92**	**88**
Deferred tax liability (net)	1	1	1	1	1
Total liabilities	**162**	**218**	**248**	**429**	**464**
Assets					
Net fixed assets	11	17	41	99	123
Capital WIP	-	3	(0)	32	(8)
Total fixed assets	**11**	**20**	**41**	**131**	**115**
Investments	-	0	0	0	0
Current assets					
Inventory	40	48	61	73	84
Sundry debtors	68	76	77	97	117
Loans and advances	8	19	25	31	34
Cash & bank balance	4	10	5	67	93
Marketable securities	-	-	-	-	-
Total current assets	**120**	**153**	**169**	**269**	**329**
Total current liabilities	**25**	**23**	**31**	**39**	**48**
Net current assets	**95**	**130**	**138**	**229**	**281**
Intangibles/Misc. expenditure	**56**	**68**	**68**	**68**	**68**
Total assets	**162**	**218**	**248**	**429**	**464**

Cash flow

(₹ mn)	FY11	FY12	FY13#	FY14E	FY15E
Pre-tax profit	23	29	31	35	39
Total tax paid	(0)	(0)	0	(0)	(1)
Depreciation	1	1	5	12	16
Working capital changes	(34)	(29)	(13)	(29)	(26)
Net cash from operations	**(10)**	**1**	**24**	**18**	**29**
Cash from investments					
Capital expenditure	(14)	(22)	(27)	(102)	-
Investments and others	-	(0)	-	-	-
Net cash from investments	**(14)**	**(23)**	**(27)**	**(102)**	**-**
Cash from financing					
Equity raised/(repaid)	4	28	2	150	-
Debt raised/(repaid)	24	9	(4)	(4)	(4)
Dividend (incl. tax)	-	-	-	(17)	-
Others (incl extraordinaries)	(2)	(10)	-	17	-
Net cash from financing	**26**	**27**	**(2)**	**146**	**(4)**
Change in cash position	2	5	(5)	62	26
Closing cash	4	10	5	67	93

Source: CRISIL Research

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