

CMP Rs. 87.90

SENSEX - 12359.7

Not Rated

Company Profile

La Opala RG Ltd. (LORL), promoted by Mr. Sushil Jhunjhunwala and Ajit Jhunjhunwala, is involved in the business of manufacturing Opalware and Crystalware products. It started manufacturing crystalware in March 1996 sourcing the exclusive right to use the technical know-how, information, data for the manufacture and sale of crystalware (Brand name: Solitaire) in India and abroad, from Doosan Glass of South Korea, a leading manufacturer of crystalware globally. The company made a diversification in the field of glass tableware by producing (24% lead oxide) lead crystalware at Madhupur, Bihar. In the year 1999 the company merged with itself Radha Glass, a group company manufacturing plain opalware.

Large Product Basket: LORL deals in Opalware and Crystalware products. It has a range of 100 products including teacups, mugs, plates, bowls, casseroles and the like. La Opala has an USP of elegant designs, world class quality, microwave safe, chip resistant and 100% recyclable mark.

Strong brand name & wide distribution network: It is the only well-established domestic crockery brand in the country. This Kolkata-based company has a wide network of dealers and retailers and a large marketing field force. Its product range is available across the length and breadth of the country. The main outlets currently include departmental stores, general utensils merchant and gift retailers. It has its presence both in India and abroad with around 15% of the revenue coming from exports. The company's products are exported to 30 countries across the globe including U.S.A., U.K., Spain, Belgium, France, Germany, Japan, and Dubai.

Scaling up capacities to meet growing customer demand: Owing to the established brand name and high quality, the demand for La Opala's products are increasing both in domestic and export markets. To meet the growing demand, it is going to scale up its capacity by 80% from the present levels with a capex of Rs. 35 crores. It has already bought the land in Uttaranchal and ordered for imported equipments. This automated plant is expected to be completed by February 2007. The new unit will avail an exemption of excise duty and income tax for 10 and 5 years respectively.

Strong product development capabilities - a key advantage: The company has strong product development capabilities with upgraded technology. It has the exclusive right to use the technical know-how, information, data for the manufacture and sale of crystalware (Brand name: Solitaire) in India and abroad, sourced from Doosan Glass of South Korea. It has its own research & development facilities and designing team for elegant product development. They also hire freelancers from abroad for designing their products.

On going efforts to improve margins significantly: With increase in capacity, there will be improvement in operating margins since same fixed overheads will be spread over larger volumes. This apart, the new automatic facility will have lower rejections thereby reducing other overhead charges. Going forward, reduced power charges at existing and new facility are also going to help it improve margins significantly.

Exploring new market segments and increased thrust on exports: LORL has started exploring the opportunity of supplying its products to big hotel chains in the country which would further aid the growth of the company. It is also increasing its focus on exports and target to achieve 30-35% of turnover from overseas markets in next two years against 15% currently.

Financial Performance

La Opala has registered a growth of 20% & 48% in sales and PAT respectively in FY05 over FY04. The growth in sales was due to capacity expansion and the growth in the bottom line was due to lower raw material cost, efficient cost management and lower interest cost. For 9mFY06, the company had registered a y-o-y growth of 3%, 27% and 46% in sales, EBIDTA and PAT respectively. The sales growth was modest because of plant maintenance shutdown for relining of furnace due to which there was no production for about one and a half months.

Going forward, we expect it to post superior sales and margin numbers with expansion and cost rationalisation initiatives in place. Further, tax benefits for the new plant would improve the profitability significantly.

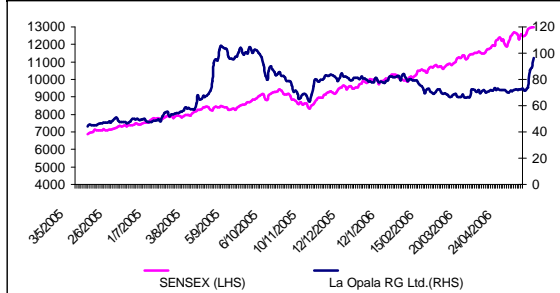
Key Share Data

Sector	Glass and Glass products.
Bloomberg Code	LOG@IN
Reuters Code	LAOP.BO
FV	Rs. 10.00
52-wk-High/ Low	Rs. 102.40/ 33
Market Cap (in Crores)	Rs. 41.55
Free Float	35.73%
Yearly Average Volume	20503

Shareholding Pattern (as on 31st March, 2006)

Promoters	64.27
Corporates	6.99
India FIs, MFs and others	5.77
FII's	1.33
Public	21.64

Price Chart as on May 5, 2006



Summary Financials

Rs. Crores

	FY03	FY04	FY05	9mFY06
Net Sales	33.48	34.75	42.07	31.83
EBIDTA	4.01	3.78	5.68	5.68
PAT	2.05	1.89	2.80	3.03
EPS (Rs.)	3.87	3.57	5.28	5.72

Concerns

Any delay in the expansion program and increase in raw material prices can have an adverse affect on the topline and the bottomline of the company.

Outlook

La Opala with its strong brand name and large variety of products with exclusive facilities will continue to have huge demand for its products driven by overall economic growth, rising disposable income levels and penetration in new market segments.

This debt-free company has good dividend payment track record and strong management integrity. It has liquid investments in its books to the tune of Rs. 14 per equity share.

We believe that with strong brand equity, on going expansion coupled with significant margin improvement, large market share and a huge distribution network, the company is all set to post big numbers in future.

The above analysis and data are based on last available prices and not official closing rates.

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