

La Opala RG (LOG)

Consumer Discretionary | 3QFY25 Result Update

BUY

CMP: Rs235 | Target Price (TP): Rs280 | Upside: 19%

17 February 2025

FY25 likely to be another year of muted earnings growth

Key Points

- LOG's 3QFY25 operating performance came 19% below our estimates, primarily due to weak consumer sentiment. For LOG, GT has done relatively well as compared to Modern Trade and E-Commerce.
- This is the second consecutive year wherein company has not taken any price hikes (this is the trend across the Opalware industry). Current capacity utilisation stood at 65%; plus company is sitting on the inventory built up towards the end of last financial year. Considering this, the management believes there should not be any expansion in FY26.
- FY25 is likely to be the third consecutive year of muted earnings performance. However, considering the future growth potential and current valuation, we believe the risk-reward is still favourable. Therefore, after rolling forward valuation to Dec'26E, and cutting the target multiple 20 times(to factor in current demand weakness) we maintain Buy with a revised TP of Rs280.

3QFY25 performance update: LOG's Revenue (Down ~15% YoY, up ~1% QoQ) and Gross margin (declined ~12%/~4.5% YoY/QoQ) came significantly below our estimate, mainly on account of a general demand weakness, higher share of white plates and moderate discounting on cases to case basis. EBITDA also declined by ~37% YoY, with the margin contracting by 980 bps to 28.1%. LOG usually takes price hikes of 4%-6% in every Feb.

Existing capacity sufficient till FY26: Considering the ongoing weakness in demand, LOG's inventory is above normal (90 days of sales vs 60 days). Currently, the capacity utilisation is at 65%. Therefore, considering the inventory on hand plus the balance capacity, the management believes the existing capacity is sufficient till FY26

Growth avenues in Opalware: We believe that the recently adopted channel correction measures should enable LOG cover more retail touch-points in the future. The management believes that the total retail reach can be possibly increased by 50% from the current base (~22k outlets) over the medium term. We see distribution expansion as the most important growth lever in Opalware business at the current juncture. The existing Opalware capacity should enable LOG clock Rs~5bn revenue, per management.

Outlook and valuation: Distribution expansion should continue to be the key growth lever for LOG. We see the Opalware category gaining share in the overall tableware segment. While the commentary on growth is not reassuring for FY25, we believe risk-reward is still favourable. Therefore, after rolling forward valuation to Dec'26E, and cutting the target multiple from 25 to 20 times (to factor in current demand weakness) we maintain Buy with an revised TP of Rs280.

Est Change	Downward
TP Change	Downward
Rating Change	No change

Company Data and Valuation Summary

Reuters	LAOP.BO
Bloomberg	LOG IN Equity
Market Cap (Rsbn / US\$m)	26.2 / 299.0
52 Wk H / L (Rs)	386 / 234
ADTV-3M (mn) (Rs / US\$)	33.3 / 0.4
Stock performance (%) 1M/6M/1yr	(22.3)/(22.5)/(30.7)
Nifty 50 performance (%) 1M/6M/1yr	(1.2) / (1.8) / 4.6

Shareholding	1QFY25	2QFY25	3QFY25
Promoters	65.6	65.6	65.6
DII's	20.0	19.4	19.4
FII's	1.5	1.8	1.8
Others	12.9	13.2	13.1
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsmn)	FY24	FY25E	FY26E	FY27E
Net Sales	3,651	3,353	4,219	4,971
Growth YoY%	-19.3	-8.2	25.8	17.8
Gross margin %	86.1	75.0	77.0	77.0
EBITDA	1,360	1,076	1,481	1,794
EBITDA margin %	37.3	32.1	35.1	36.1
Adj PAT	1,277	976	1,296	1,512
Growth YoY%	3.9	-23.6	32.8	16.7
Adj EPS	11.3	8.8	11.7	13.6
RoCE	11.7	7.4	9.6	10.6
RoE	15.7	11.0	13.4	14.2
RoIC	25.7	17.6	23.0	23.6
P/E	20.8	26.7	20.1	17.2
EV/EBITDA	16.2	19.1	13.8	11.2
P/BV	3.1	2.8	2.6	2.3

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

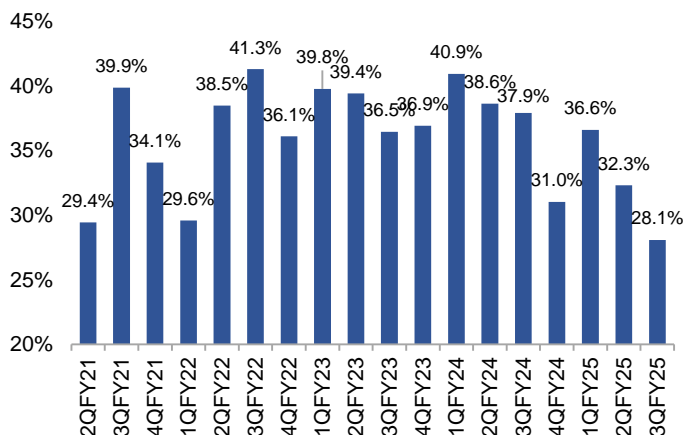
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Exhibit 1: 3QFY25 standalone performance

Particulars (Rsmn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25E	FY24	FY25E
Net Sales	862	892	1,071	825	729	906	913	805	3,651	3,353
YoY Change (%)	5.0	-33.9	-15.2	-24.2	-15.5	1.5	-14.8	-2.5	-19.3	-8.2
Gross Profit	826	772	845	702	626	648	613	627	3,145	2,514
Margin (%)	95.8	86.5	78.9	85.0	85.9	71.5	67.1	77.9	86.1	75.0
EBITDA	353	345	406	256	267	293	256	260	1,360	1,076
YoY Change (%)	8.0	-35.2	-11.8	-36.3	-24.4	-15.1	-36.9	1.7	-21.0	-20.9
Margin (%)	40.9	38.6	37.9	31.0	36.6	32.3	28.1	32.3	37.3	32.1
Depreciation	59	58	52	48	47	42	47	84	217	220
Interest	16	15	21	13	13	12	16	24	65	65
Other income	109	102	116	112	110	154	95	117	439	477
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT (bei)	387	375	450	306	317	394	288	269	1,518	1,268
PBT	387	375	450	306	317	394	288	269	1,518	1,268
Tax	99	63	8	70	80	153	57	2	240	292
ETR (%)	25.7	16.9	1.8	22.8	25.3	38.9	19.6	0.7	15.8	23.0
Reported PAT	287	312	442	237	237	241	232	267	1,277	976
Adj. PAT	287	312	442	237	237	241	232	267	1,277	976
YoY Change (%)	43.0	-20.2	27.5	-19.0	-17.6	-22.9	-47.5	12.9	3.9	-23.6
Adj. EPS	2.6	2.8	4.0	2.1	2.1	2.2	2.1	2.4	11.3	8.8

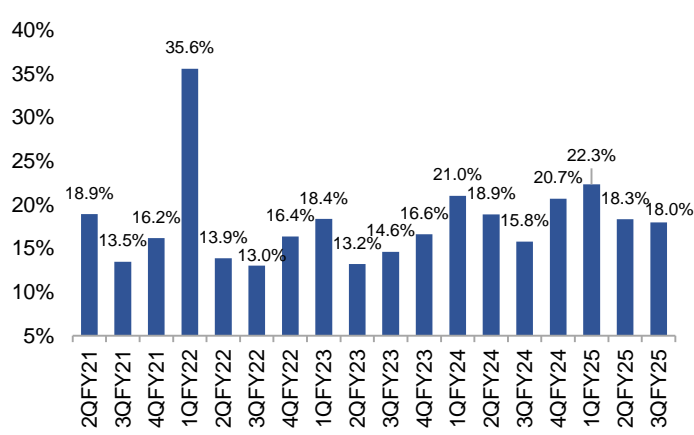
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: EBITDA margin quarterly trend



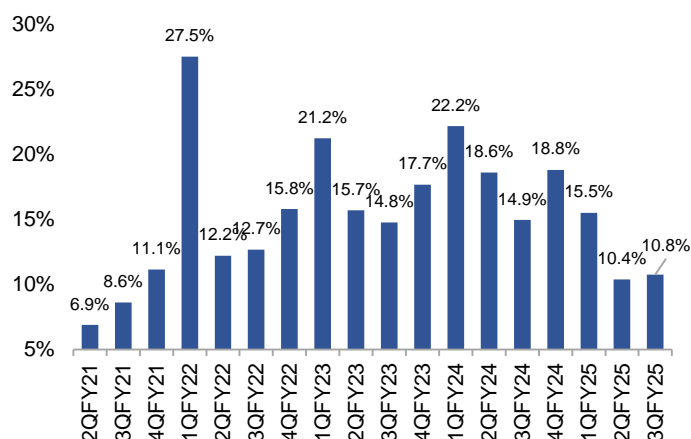
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Staff cost as % of sales - quarterly trend



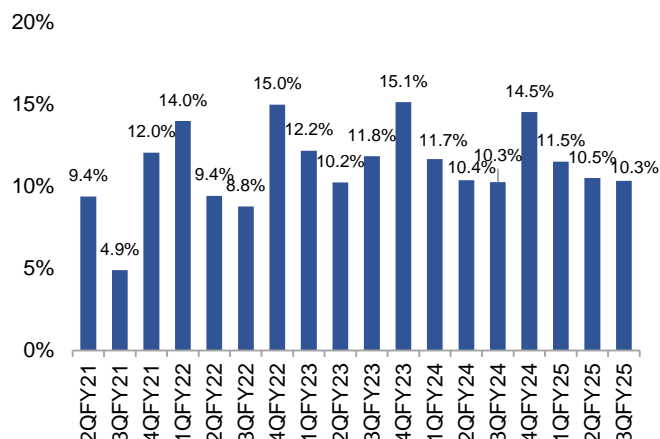
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Power & Fuel as % of sales - quarterly trend



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Other expenses as % of sales - quarterly trend



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: Actual performance v/s NBIE estimates

Standalone (Rsmn)	3QFY25	3QFY25e (NBIE)	Variance
Revenue	913	1,125	-19%
EBITDA	256	405	-37%
EBITDA margin %	28.1%	36.0%	-792bps
PAT	232	360	-36%

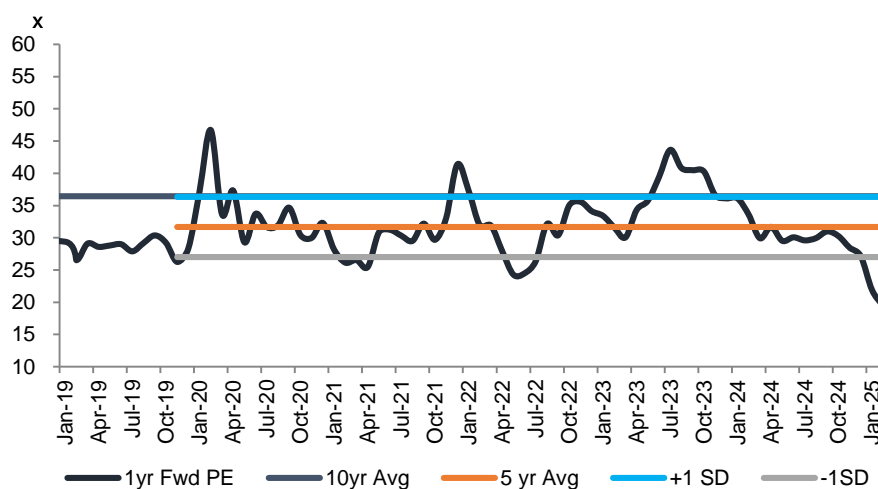
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 7: Change in earnings estimates

Consolidated (Rsmn)	Old Estimates			New estimates			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	3,934	5,170	5,537	3,353	4,219	4,971	-15%	-18%	-10%
EBITDA	1,491	1,965	2,104	1,244	1,565	1,894	-28%	-25%	-15%
EBITDA %	37.90%	38.00%	38.00%	37.1%	37.1%	38.1%	-580bps	-290bps	-190bps
APAT	1,259	1,663	1,762	1,105	1,366	1,597	-22%	-22%	-14%

Source: Nirmal Bang Institutional Equities Research

Exhibit 8: One-year forward P/E



Source: Company, Nirmal Bang Institutional Equities Research

Financials

Exhibit 9: Income statement

Y/E March (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	4,523	3,651	3,353	4,219	4,971
Growth YoY%	40.2%	-19.3%	-8.2%	25.8%	17.8%
Gross Profit	3,733	3,145	2,514	3,248	3,827
Gross margin %	82.5	86.1	75.0	77.0	77.0
Staff costs	695	689	603	717	795
% of Sales	15.4	18.9	18.0	17.0	16.0
Other expenses	1,317	1,095	835	1,050	1,238
% of Sales	29.1	30.0	24.9	24.9	24.9
EBITDA	1,722	1,360	1,076	1,481	1,794
Growth YoY%	40.8	-21.0	-20.9	37.6	21.2
EBITDA margin %	38.1	37.3	32.1	35.1	36.1
Depreciation	218	217	220	242	280
EBIT	1,504	1,143	856	1,238	1,515
Interest	75	65	65	65	65
Other income	218	439	477	559	571
PBT (bei)	1,647	1,518	1,268	1,732	2,021
PBT	1,647	1,518	1,268	1,732	2,021
ETR	25.3	15.8	23.0	25.2	25.2
PAT	1,230	1,277	976	1,296	1,512
Adj PAT	1,230	1,277	976	1,296	1,512
Growth YoY%	30.1	3.9	-23.6	32.8	16.7

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: Balance sheet

Y/E March (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	222	222	222	222	222
Reserves	7,527	8,293	8,976	9,884	10,942
Net worth	7,749	8,515	9,198	10,106	11,164
Long term debt	83	56	-	-	-
Short term debt	39	32	32	32	32
Total debt	122	87	32	32	32
Net Debt	-4,101	-4,678	-5,554	-5,680	-5,987
Other non-current liabilities	506	403	403	403	403
Total Equity & Liabilities	8,378	9,006	9,634	10,541	11,600
Gross block	3,453	3,467	3,567	4,167	4,767
Accumulated depreciation	1,388	1,605	1,825	2,068	2,347
Net Block	2,065	1,862	1,741	2,099	2,419
CWIP	2	57	57	57	57
Intangible and others	-	-	-	-	-
Other non-current assets	178	182	201	221	243
Investments	5,538	5,881	6,162	6,372	6,614
Trade receivables	362	245	367	462	545
Inventories	757	1,003	459	578	681
Cash & Cash equivalents	45	6	826	953	1,259
Other current assets	22	36	80	80	80
Total current assets	1,187	1,291	1,733	2,073	2,565
Trade payables	262	87	80	100	118
Other current liabilities	330	180	180	180	180
Total current liabilities	591	267	259	280	298
Total Assets	8,378	9,006	9,634	10,541	11,600

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 11: Cash flow

Y/E March (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	1,647	1,518	1,268	1,732	2,021
Depreciation	218	217	220	242	280
Interest	75	65	65	65	65
Other adjustments	-210	-437	-477	-559	-571
Change in Working capital	-309	-351	371	-193	-168
Tax paid	-328	-329	-292	-436	-509
Operating cash flow	1,093	682	1,156	852	1,118
Capex	-221	-82	-100	-600	-600
Free cash flow	872	600	1,056	252	518
Other investing activities	-468	-166	178	328	307
Investing cash flow	-689	-247	78	-272	-293
Issuance of share capital	-	-	-	-	-
Movement of Debt	-18	-35	-56	-	-
Dividend paid (incl DDT)	-311	-333	-293	-389	-454
Other financing activities	-75	-65	-64	-65	-65
Financing cash flow	-404	-433	-413	-454	-518
Net change in cash flow	0	2	821	126	307
Opening C&CE	44	4	6	826	953
Closing C&CE	45	6	826	953	1,259

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 12: Key ratios

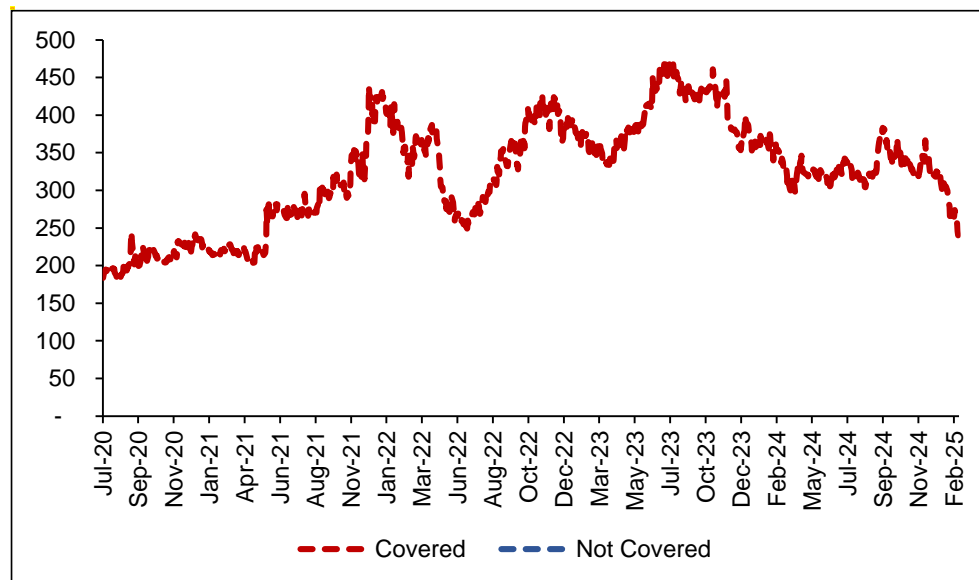
Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Per share (Rs)					
Adj EPS	10.9	11.3	8.8	11.7	13.6
Book value	69.8	76.7	82.9	91.0	100.6
DPS	2.8	3.0	2.6	3.5	4.1
Valuation (x)					
P/Sales	5.8	7.1	7.8	6.2	5.2
EV/EBITDA	13.2	16.2	19.1	13.8	11.2
P/E	21.6	20.8	26.7	20.1	17.2
P/BV	3.4	3.1	2.8	2.6	2.3
Return ratios (%)					
RoCE	14.6	11.7	7.4	9.6	10.6
RoCE (pre-tax)	19.5	13.9	9.6	12.8	14.2
RoE	16.2	15.7	11.0	13.4	14.2
RoIC	29.4	25.7	17.6	23.0	23.6
Profitability ratios (%)					
Gross margin	82.5	86.1	75.0	77.0	77.0
EBITDA margin	38.1	37.3	32.1	35.1	36.1
PAT margin	25.9	31.2	25.5	27.1	27.3
Liquidity ratios (%)					
Current ratio	8.5	20.3	22.3	21.9	22.2
Quick ratio	7.3	16.9	20.7	20.1	20.1
Solvency ratio (%)					
Net Debt to Equity ratio	-0.5	-0.5	-0.6	-0.6	-0.5
Turnover ratios					
Fixed asset turnover ratio (x)	2.2	2.0	1.9	2.0	2.1
Debtor days	29	25	40	40	40
Inventory days	61	100	50	50	50
Creditor days	21	9	9	9	9
Net working capital days	69	116	81	81	81

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
7 October 2012	Buy	96	114
12 November 2013	Buy	112	134
14 February 2014	Buy	129	174
15 February 2014	Buy	129	174
17 February 2014	Buy	129	174
12 March 2014	Buy	140	174
14 May 2014	Buy	176	211
4 July 2014	Buy	181	211
14 August 2014	Accumulate	243	254
9 October 2014	Accumulate	337	353
10 October 2014	Accumulate	340	353
7 November 2014	Accumulate	424	458
9 February 2015	Buy	365	433
13 May 2015	Buy	382	446
14 August 2015	Accumulate	530	590
16 November 2015	UR	574	-
5 February 2016	UR	641	-
17 May 2016	UR	558	-
22 August 2016	UR	582	-
16 November 2016	UR	533	-
8 February 2017	UR	478	-
11 May 2017	UR	536	-
31 August 2017	UR	481	-
1 July 2020	Buy	185	233
14 August 2020	Buy	195	233
13 November 2020	Buy	207	240
7 January 2021	Buy	239	280
12 February 2021	Buy	210	280
25 May 2021	Buy	265	310
16 August 2021	Buy	274	320
26 September 2021	Buy	293	340
2 November 2021	Buy	335	390
27 January 2022	Buy	415	480
31 May 2022	Buy	269	400
13 August 2022	Buy	314	400
6 September 2022	Buy	332	500
13 November 2022	Buy	413	500
30 November 2022	Buy	381	500
14 February 2023	Buy	362	500
22 March 2023	Buy	335	470
29 May 2023	Buy	381	470
10 August 2023	Buy	449	540
14 November 2023	Buy	447	520
13 February 2024	Buy	367	450
02 June 2024	Buy	310	370
12 August 2024	Buy	310	380
14 November 2024	Buy	328	380
17 February 2025	Buy	235	280

Rating Chart



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BUY > 15%

HOLD -5% to 14%

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