

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the Company's financial statements included herein and the notes thereto. These financial statements have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

The Company's management accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. Investors are cautioned that this discussion contains forward looking statements that involve risks and uncertainties. The Company undertakes no obligations to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such statements. Readers are cautioned not to place undue reliance on the forward-looking statements as they speak only as on their date of statement.

GLOBAL ECONOMIC REVIEW 2018-19

In early 2018, the economic activity accelerated in almost all regions of the global and world economy was projected to grow at 3.9% in 2019 and after a strong growth in early 2018, global economic activity slowed notably in the second half of last year, reflecting a confluence of factors affecting major economies.

With this weakness expected to continue in first half of 2019, the International Monetary Fund's (IMF) World Economic Outlook has forecasted a decline in growth in 2019 for almost 70% of the global economy. With the pickup expected in the second half of 2019, the global economy is estimated to return to 3.6% in 2020 mainly supported by significant policy accommodation by major economies.

INDIAN ECONOMIC OVERVIEW

India's GDP grew at 7.1% in fiscal 2019 and is projected to accelerate to 7.3% in fiscal 2020 and 7.5% in fiscal 2021, as per International Monetary Fund's World Economic Outlook report. The Indian economy experienced some moderation in growth when compared to the previous year. This moderation in growth momentum is mainly on account of lower growth in 'Agriculture & allied', 'Trade, hotel, transport, storage, communication and services related to broadcasting' and 'Public administration & defence' sectors.

Rupee depreciated by 7.8 per cent vis-à-vis US dollar, 7.7 per cent against Yen, and 6.8 per cent against Euro and Pound Sterling in 2018-19. During 2018-19, Indian rupee traded with a depreciating trend against US dollar and touched Rs. 74.4 per US dollar in October 2018 before recovering to Rs. 69.2 per US dollar at end March 2019.

Manufacturing Sector is one of the key drivers of economic growth along with being a major contributor to GVA. It has emerged over the period as one of the high growth sectors in India. Honourable Prime Minister of India, Mr. Narendra Modi, had launched the 'Make in India' program to place India on the world map as a manufacturing hub and give global recognition to the Indian economy.

COMPANY OVERVIEW

Opal is a premium home décor products manufacturing and marketing company. Opal is focusing on creating a line of high-end products that moved with high-quality, precision movements and incorporated stunning designs that were works of art all by themselves. Opal is a disruptive lifestyle brand driven by the unstoppable force of changing the conventional trend. The vision for the brand is to challenge the traditional ways at seeing a product

Our brand 'Opal' has a wide presence with the products marketed by a network of distributors, dealers and organized retailers which includes popular brands such as Shoppers Stop, Home Town etc. We have also ventured into online sales by way of tie up with popular online shopping portals and also have our own shopping portal at www.opalclocks.com.

We look forward to being the most desired brand in lifestyle products through undeviating up gradation in technology and creativity - through leadership, team education and enhancing facilities.

OVERVIEW

The watches category has witnessed a tepid, single-digit compounded Annual Growth Rate in sales in the past four years. Our Vision is to build globally – respected organisation manufacturing and delivering best wall clocks. We are guided by our value system which motivates our attitudes and actions.

Your Company has a work environment that motivates performance, customer focus and innovation while adhering to the highest degree of quality and integrity.

Our Core Values are:-

- i. Client value;
- ii. Transparency;
- iii. Fairness;
- iv. Integrity; and
- v. Excellence

Our strategic objective is to build a sustainable organisation that remains relevant in changing environment.

Measures taken / undergoing:

- Reduced staff by 50%.
- Closing down Roorkee operations, closing Pune office and combining both, in an Industrial shed in Pune, hence saving Rs. 3.00 Lacs per month.
- Sold off all non-moving stocks, hence no old or dead material in stock.
- Followed up with debtors and recovered substantial amounts from debtors, hence current debtors are within the credit limit.
- Reduced Organized Retailers stores to only profitable stores. Closed down all non-performing stores.
- Increased the profitability by removing the distributor layer, and dealing directly with around 200 dealers across the country.
- Developed vendors in India, hence reliance on imports reduced.

TALENT ACQUISITION, TALENT DEVELOPMENT AND RETENTION

To cope with the demands of a Business world, characterized by profound and rapid technology change, Opal's HR strategy is focused on reskilling and transforming its workforce while providing a stimulating environment which is flexible, nurtures social contract, fosters innovation, builds a result-oriented, high performance culture. Nurturing of talent and best human resource practices will continue to differentiate and provide strength to company.

Benchmarks:-

- 1 Diverse Workforce;
- 2 Talent Development; and
- 3 Talent Retention

SWOT ANALYSIS

The SWOT analysis discusses the strengths, weaknesses, opportunities and threats of the Company

❖ **Strengths:-**

Competitive Strengths

The following are our principal competitive strengths:

▪ **Established Brand**

We have established 'Opal' as a brand which reflects quality, service and a distinctive design in a largely unorganized market. With 'Opal', we aim to majorly incorporate an elegant design element and a premium appeal to our products matched with technology and brand attachment. Our established brand has enabled us to tap additional selling platforms like organized retail, e-commerce, gift shops, crockery stores, etc.

Experience of buying and using an Opal product is unique because of the distinctive service provided from the time of purchase of the product and continuing thereafter, thereby reinforcing the essence of the brand.

We believe that, having an established brand provides us an opportunity to enter into new product categories.

▪ **Multiple sales-channels**

Our growth over the years is largely owing to our ability to leverage multiple sales-channel viz. distributors & dealers, organized retail, e-commerce, etc. In addition, we believe that we have been one of the pioneers in extending our distribution network beyond the traditional modes of watch & clock trade. These channels include departmental stores, hypermarkets, gifts shops, home décor stores, furniture stores, crockery dealers, etc. Presently, we market our product line through over various counters and online shopping portals.

▪ **Lean Business Model**

Our business model is focused on product designing, marketing and brand building. Hence, our investments are limited to that in moulds, in-house assembling facilities and working capital. We believe that our focus on product designing has helped us to roll-out new products on a regular basis. Certain manufacturing processes are delivered by third-party vendors who form an integral part of the entire process. We have an in-house 4-member product-design-team whose expertise is key to our designing process and who is also supported by free-lance designers to design products based on current trends. Strong product development with contemporary designs and a regular roll-out of new products has helped us to grow rapidly in a short span of time.

▪ **Diverse products**

We offer a diverse product mix which varies with the following parameters: -

1. Price Range;
2. Mould-component-make (wood, metal, acrylic, glass, etc.), and;
3. Styles (statue, table, digital, contemporary, etc.);

Such diverse product mix helps us in catering to diverse customer segments. We believe that our ability to translate latest fashion trends into actual clock designs differentiates us over our competitors. We believe that with our diverse product mix, we have transformed the clock from a mere timepiece to a piece of art.

▪ **Experienced Management Team**

Our Company is managed by a team of professionals who have been successful in bringing in a right blend of youth and experience. We believe we have a strong and experienced management including our key managerial personnel some of whom have been working with us since incorporation. We believe that our management team has played a vital role in the growth of our business and in the development of consistent

procedures and internal controls. Our management, supported by capable employees, will continue to be an important driver for growth and success in our business activities.

Other Strengths

- **The varied offerings to diverse segments;**
- **The quality of watches is impressive;**
- **Visual Merchandizing has been Opal's strength ever since its inception;**
- **Excellent customer service;**
- **Innovation is core to its strategy;**

❖ **Weakness:-**

- i. Youths are fascinated with mobile phones & watches and incidentally, they show the time;
- ii. Rural India does not form a substantial part of customer base;
- iii. Competition from several premium wrist watches and maintain brand essence means lot of investments;
- iv. Lack of avenues to do a research driven marketing as lots of products have 'emotional appeal' which cannot be documents;
- v. Increasingly changing taste of consumers when it comes to 'visual appeal' driven products.

❖ **Opportunities**

- i. Rural market may be tapped;
- ii. Rising penetration of internet and e-commerce websites which may allow reach to interiors of the country

❖ **Threats/Challenges**

- i. Infrastructure challenges to reach interiors of the country;
- ii. Threats from local / unbranded substitutes at throw-away prices;
- iii. Changing fashion trend;
- iv. Mobile Phones and wrist watches are substitutes to the Wall Clocks;
- v. Unorganised Sector;
- vi. Chinese Watches.

Design Differentiation

Watches under the Opal have always been guided by great design. This year too, the division engaged with several design experts to take design and functionality offerings to new levels of consumer delight.

Looking Ahead

The Opal's team is excited and looking forward to the future. Opal intends to build on this momentum while stepping into 2019-20, armed with a new set of initiatives designed to take the recrafting journey forward.