



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia/Nidhi Babaria

Q1FY20 Result update @ Dalal & Broacha

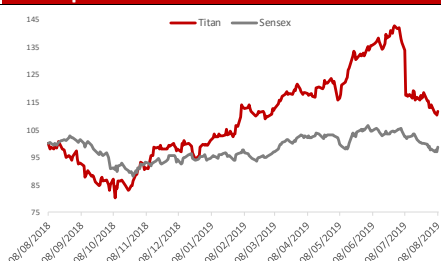
### ACCUMULATE

|               |              |
|---------------|--------------|
| Current Price | 1,060        |
| 52 Week Range | 1,341/731.70 |
| Target Price  | 1200         |
| Upside        | 13%          |

### Key Share Data

|                        |         |
|------------------------|---------|
| Market Cap (Rs.bn)     | 947.75  |
| Market Cap (US\$ mn)   | 13,535  |
| No of o/s shares (mn)  | 887     |
| Face Value             | 1       |
| Monthly Avg. vol       |         |
| (BSE+NSE) Nos (in'000) | 4234    |
| BSE Code               | 500114  |
| NSE Code               | TITAN   |
| Bloomberg              | TTAN IN |

### Price performance



Titan Company Ltd. – Q1FY20 was in-line with our expectations.

**Q1FY20: Revenue** increased by ~16% y-o-y at Rs.51,511mn, **Raw Material Cost** stood at 73.41% v/s 73.37%

**Other Expenses** increased by ~18% YoY to Rs. 4,026 mn

**EBITDA** in absolute terms increased by ~19% YoY to Rs 5,734mn. **EBITDA margins** were at 11.13% vs 10.85% YoY

**PAT (as reported)** increased by 11.59% YoY to Rs 3,661.8mn

**EPS** was at Rs. 4.10 v/s Rs. 3.70 YoY

### Segments:

**Jewellery** increased by ~14% YoY to Rs 41,641mn /**PBIT margins** stood at 10.49% v/s 10.55% YoY.

**Watches** increased ~20% to Rs 7,161mn/**PBIT margins** stood at 16.64% v/s 16.70% YoY.

**Eyeware** increased ~13% to Rs 1,488mn/**PBIT margins** stood at -7.68% v/s 1.32% YoY.

### Other KTA's:

#### JEWELLERY

-Slower growth post 15th June due to rise in gold prices as well a further increase of 2.5% on custom duty.

-Growth for the quarter was as: April 19% + May 19% + June 9% (average 16% retail)

- **Guidance: Q2FY20 growth would be subdued however H2FY20 would be ~20%, this could take the overall growth for the year in the 16-17% range (assuming 10% growth in Q2FY20).**

- **Golden harvest scheme** reached regulatory limit of 25% in April, however, is available again post submission of FY19 audited Balance sheet in June, expected to hit limit soon

- **Tanishq SSS** at +10% with target was +14%.

- Studded ratio was in-line with the previous year at 25%.

- Launched Swayahm collection in **Tanishq** of both plain and studded Jewelry /**Mia** launched 'Birthstone Pendant', 'Facets' and 'Florets' collections.

**Caratlane:** i) recorded revenue growth of 60% in Q1'20 ii) added 8 stores to its network, in Q1'20, taking the total store count to 63.

iii) Caratlane average realization is ~25% of Tanishq

### WATCH

-Partly aided by part execution of a large institutional order from Tata Consultancy Services (TCS), some more left in Q2FY20

-EBIT margin was at 16.64%, compared to 16.70% last year.

### Taneira

1 store in Hyderabad added (5 stores as on 30th June 2019)

**Valuation:** At CMP Rs. 1060 Titan trades at 59.7x FY20e EPS of Rs 17.8 and 45.8x FY21e EPS of Rs. 23.2.

**Our view:** Recent issues with larger jewelers have opened up the opportunity (in-terms of gaining more market share) for a player like Titan wherein customers demand in terms of "Trust" + "Design" + "Safety" is easily met.

Q2FY20 seems to be a tough quarter with a base of 27.5% growth in Q2FY19 plus management cautioning a lower growth v/s Q1FY20, thus we expect the stock to remain under pressure and would recommend investors to use this opportunity to **Accumulate** for long-term.

| % Shareholding | June-19      | Mar-19       |
|----------------|--------------|--------------|
| Promoters      | 52.91        | 52.91        |
| Others         | 47.09        | 47.09        |
| <b>Total</b>   | <b>100.0</b> | <b>100.0</b> |

| FINANCIALS |            |         |          |      |          |         |      |       |     |      |
|------------|------------|---------|----------|------|----------|---------|------|-------|-----|------|
| Year       | Net Sales  | %growth | EBITDA   | OPM% | PAT      | %growth | EPS  | PE(x) | RoE | RoCE |
| FY17       | 1,32,608.3 | 17.6    | 11,555.0 | 8.7  | 7,851.0  | 16.4    | 8.8  | 119.9 | 19% | 25%  |
| FY18       | 1,61,197.7 | 21.6    | 16,446.9 | 10.2 | 11,420.9 | 45.5    | 12.9 | 82.4  | 22% | 29%  |
| FY19       | 1,97,785.2 | 22.7    | 19,914.9 | 10.1 | 14,041.5 | 22.9    | 15.8 | 67.0  | 23% | 30%  |
| FY20E      | 2,32,114.5 | 17.4    | 24,227.8 | 10.4 | 15,762.2 | 12.3    | 17.8 | 59.7  | 22% | 31%  |
| FY21E      | 2,78,003.8 | 19.8    | 30,126.4 | 10.8 | 20,561.1 | 30.4    | 23.2 | 45.8  | 25% | 33%  |



| in mn                            | Q1FY19         | Q1FY20         |
|----------------------------------|----------------|----------------|
| Sales                            | 44065.7        | 50951.00       |
| Other operating income           | 444.6          | 559.9          |
| <b>Total revenue</b>             | <b>44510.3</b> | <b>51510.9</b> |
| % growth                         | 9.43%          | 15.73%         |
| Other Income                     | 361.3          | 570.80         |
| % growth                         |                | 57.99%         |
| <b>Net sales</b>                 | <b>44871.6</b> | <b>52081.7</b> |
| % growth                         |                | 16.07%         |
| RM                               | 32333.1        | 37404          |
| % growth                         |                | 16%            |
| % to Revenue                     | 73.37%         | 73.41%         |
| Employee cost                    | 2393.2         | 2828.30        |
| % growth                         |                | 18.18%         |
| % to Revenue                     | 5.43%          | 5.55%          |
| Other Expenses                   | 4955.3         | 5544.40        |
| % growth                         |                | 11.89%         |
| % to Revenue                     | 11.25%         | 10.88%         |
| <b>Total Expenses</b>            | <b>39681.6</b> | <b>45776.7</b> |
| % growth                         |                | 15.36%         |
| % to Revenue                     | 90.05%         | 89.84%         |
| EBITDA (in OI)                   | 5190           | 6305           |
| EBITDA (exc OI)                  | 4384.1         | 5174.3         |
| % growth                         |                | 18%            |
| EBITDA Margin                    | 9.95%          | 10.16%         |
| Depreciation                     | 407.4          | 759.50         |
| <b>PBIT</b>                      | <b>4782.6</b>  | <b>5545.5</b>  |
| % growth                         |                | 15.95%         |
| Finance Cost                     | 108.9          | 338.50         |
| <b>PBT</b>                       | <b>4673.7</b>  | <b>5207</b>    |
| % growth                         |                | 11.41%         |
| Tax                              | 1387.5         | 1560.4         |
| <b>Tax Rate</b>                  | <b>29.7%</b>   | <b>30.0%</b>   |
| <b>PAT</b>                       | <b>3286.2</b>  | <b>3646.6</b>  |
| % growth                         |                | 10.97%         |
| Exceptional item                 | 0              | 0              |
| Share of profit from JV/ Associa | 4.7            | 9.20           |
| <b>Adj. PAT</b>                  | <b>3281.5</b>  | <b>3637.4</b>  |
| % growth                         |                | 10.85%         |
| NPM                              | 7.45%          | 7.14%          |
| Equity                           | 887.8          | 887.8          |
| FV                               | 1              | 1              |
| EPS                              | 3.70           | 4.10           |



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