



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia/Nidhi Babaria

Q3FY19 Result update @ Dalal & Broacha

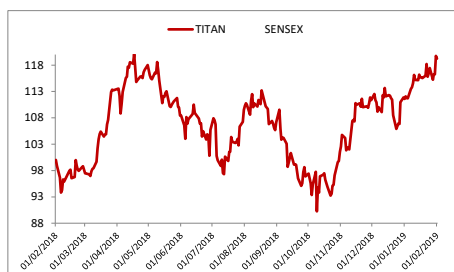
ACCUMULATE

Current Price	1,025
52 Week Range	1,049/731.70
Target Price	1,115
Upside	9%

Key Share Data

Market Cap (Rs.bn)	910.60
Market Cap (US\$ mn)	9,10,602
No of o/s shares (mn)	887
Face Value	1
Monthly Avg. vol (BSE+NSE) Nos (in'000)	2142
BSE Code	500114
NSE Code	TITAN
Bloomberg	TTAN IN

Price performance



% Shareholding

	Sep-18	Sep-18
Promoters	52.91	52.91
Others	47.09	47.09
Total	100.0	100.0

Titan Company Ltd. – Q3FY19 was above our expectations.

Q3FY19: Revenue increased by 35% y-o-y at Rs.58,715mn, mainly on account of 37% YoY growth in Jewellery segment.

Raw Material Cost stood at 74.76% v/s 74.69%

Other Expenses increased by 48% YoY to Rs. 5,090 mn (includes Rs 700mn provision for IL&FS)

EBITDA in absolute increased by 40% YoY to Rs 5,912mn. **EBITDA margins** were at 10.07% vs 9.68% YoY

PAT(as reported) increased by 45.89% YoY to Rs 4109mn

EPS was at Rs. 4.63 v/s Rs. 3.17 YoY

Segments:

Jewellery increased by 37% YoY to Rs 49,970mn supported by wedding season /**PBIT margins** stood at 12.94% v/s 10.04% YoY.

Watches increased 18% to Rs 6412mn/**PBIT margins** stood at 6.77% v/s 12.65% YoY.

Eyeware increased 40% to Rs 1295mn/**PBIT margins** stood at -0.10% v/s -4.77% YoY.

Other con-call KTA's:

-Jewellery:

-January month sales growth are in a bit lower at 17%-18%.

-Wedding contributed 30-33% in Q3FY19 of Jewellery Sales. Plain category also benefitted from a large institutional order of ~INR 200 crores of gold coins.

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

-80% growth to come from SSG, where expansion is on a rapid space. Stores normally take 2 years to breakeven.

-Golden Harvest and Gold exchange programme continue to drive customer acquisitions.

-Golden exchange scheme contributed 40% in Q3FY19. The scheme was open between November mid to December end only.

-50-60% customers are the 1st time buyers in Tanishq.

-Q4FY19 would grow at ~22% and FY19 also expected be at 22% growth in sales.

-Titan revisits making charges on periodical basis region-wise.

-Gold inventory led to dilution of margins in Q2FY19 which was reversed in Q3FY19. This was one of the reason to boost margin.

-EBIT to remain at same level going forward.

-Tanishq added 24 stores in 9M FY'19, adding 65k square feet, on net basis.

-Total store addition in FY19e at 40stores.

-Watches:

-E-commerce contribution is touching double digits. Significant part over here is from Fastrack and sonata.

-Margin was low due to higher adspend. Expect 15%-16% for the full year in FY19.

-Favre Leuba to take 3-4 years to breakeven and Mont blanc to breakeven in 3 years.

-Eyeware:

-Strong revenue growth of 40% driven by a healthy like-to-like sales growth of 13%, network expansion and commencement of frames distribution in this fiscal.

-Profits affected by continuing investments in brand through advertising

-25 stores were added in 9M FY'19, adding 16,000 sq. ft. of retail space, on net basis.

-Others:

-Skinn brand reached Rs. 1000mn turnover where the company has 7-8% market share. Where 30% is sold from world of titans store.

-Cartalane on substantial levels and on a path to breakeven. Revenue recorded a 43% growth, primarily due to network expansion.

-Taneria growing at good space with 4 outlets till 9MFY19. 2 in Bangalore and 2 in Delhi.

-Tax rate guidance 29% in FY19.

Valuation & Rating: At CMP Rs. 1025 it trades at 41x FY21 EPS of Rs. 25. We recommend investors to Accumulate for long-term with revised target price to Rs. 1,115.

FINANCIALS

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE	RoCE
FY17	132,608.3	17.6	11,555.0	8.7	7,851.0	16.4	8.8	115.9	19%	25%
FY18	161,197.7	21.6	16,446.9	10.2	11,420.9	45.5	12.9	79.7	22%	29%
FY19E	196,159.3	21.7	20,433.4	10.4	13,668.0	19.7	15.4	66.6	23%	31%
FY20E	233,720.5	19.1	26,112.6	11.2	17,582.4	28.6	19.8	51.8	25%	34%
FY21E	278,088.5	19.0	32,620.4	11.7	22,134.0	25.9	24.9	41.1	26%	35%



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