



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

Analyst: Kunal Bhatia/Nidhi Babaria

Q4FY19 Result update @ Dalal & Broacha

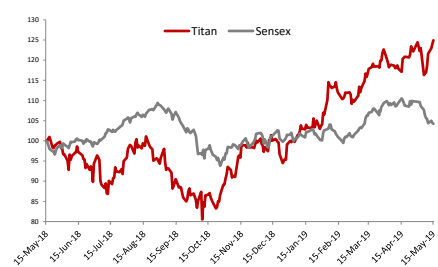
#### ACCUMULATE

Current Price	1,160
52 Week Range	1,167/731.70
Target Price	1261
Upside	9%

#### Key Share Data

Market Cap (Rs.bn)	102.88
Market Cap (US\$ mn)	14,697
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	Mar-19	Dec-18
Promoters	52.91	52.91
Others	47.09	47.09
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**Titan Company Ltd. – Q4FY19 was in-line with our expectations.**

**Q4FY19: Revenue** increased by ~20% y-o-y at Rs.49,450mn, mainly on account of ~22% YoY growth in Jewellery segment.

**Raw Material Cost** stood at 73.09% v/s 71.44%

**Other Expenses** increased by ~18% YoY to Rs. 4,897 mn (includes Rs 460mn provision for IL&FS, hence now 100% provided i.e, Rs. 1450mn.)

**EBITDA** in absolute terms increased by 3% YoY to Rs 4,485mn. **EBITDA margins** were at 9.17% vs 10.60% YoY

**PAT(as reported)** increased by 14.37% YoY to Rs 3,482mn

**EPS** was at Rs. 3.92 v/s Rs. 3.43 YoY

#### Segments:

**Jewellery** increased by ~22% YoY to Rs 41,054mn supported by wedding season /**PBIT margins** stood at 12.15% v/s 12.65% YoY.

**Watches** increased ~11% to Rs 5,312mn/**PBIT margins** stood at 2.32% v/s 3.54% YoY.

**Eyeware** increased ~18% to Rs 1,277mn/**PBIT margins** stood at -3.52% v/s 2.12% YoY.

#### Other KTA's:

#### -Jewellery:

-Target growth for FY20:

1) 22% revenue growth (target for 5 years-20% CAGR)

2) 14% SSG

3) 71 new Tanishq stores (Target of 450-500 stores in FY23)

4) 35% increase in exchange jewelry sales.

5) Margin to maintained at same level.

- Akshaya Tritiya did well with YTD 19% YoY growth.

- Wedding segment **20% of overall jewellery / with 40% more wedding dates in FY20** this segment is expected to do better / last 9M i.e. Q2+Q3+Q4 witnessed 35% growth

-Wedding segment to double, where Hyper Regionalization are key initiatives to increase its presence. ~80 stores do wedding collection.

- Migration of customers in high-value studded jewellery has increased over last 18 months.

- Studded share Q4FY19 at 36% similar YoY / full year 29% /

- Sale on account of the occasion i.e. "Engagement" is expected to increase **4x in FY20**, and over 10x in the next five years.

-Golden harvest scheme contributed 20% and Gold exchange scheme at 35% & 40% for FY19 and for Q4FY19 respectively

-Hero Market: 20 cities to gain share 8% by FY21.

-Temporary inventory valuation hit in Jewellery Rs 37 crores / will reverse in coming quarter/ titan hedges 100% gold / overall inventory days declined by nine days between FY17-19.

#### -Watches:

- **Target for FY23:** - 15mn units below Rs.2,000 price points.

- Company to launch clocks in FY20.

-Volume at 16.8mn +12% (1st time double digit growth in 7 years). Sonata brand- 5.6m watches (target 6.3mn), FastTrack- 5m watches

-Global watch market size at USD84B / Of this smart watch is at USD19B which is growing at +80%.

- Titan is now the 2<sup>nd</sup> largest wearable company in India.

-Launch of: Reflex Wav : SF Rush @999 : Radar - Smart Wallet.

-LFS:- +23%growth / Helios:- +24% growth / E-commerce:- 52% growth

#### 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	131.2	19%	25%
FY18	1,61,197.7	21.6	16,446.9	10.2	11,420.9	45.5	12.9	90.2	22%	29%
FY19	1,97,785.2	22.7	19,914.9	10.1	14,041.5	22.9	15.8	73.3	23%	30%
FY20E	2,39,647.4	21.2	26,116.4	10.9	17,625.3	25.5	19.9	58.4	25%	34%
FY21E	2,87,117.6	19.8	32,988.2	11.5	22,398.7	27.1	25.2	46.0	26%	36%



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**-Eyeware:**

- Target: - 1) Value growth 20 % - 1,000 Cr (UCP turnover)
- 2) Volume growth 26 % - targeting 4.4 mn customers.
- 3) Identified 50 catchments in India where it wants to dominate, either by opening a very large store or a few small stores.

-Reached 3.5mn customers in FY19 (+46% to 3.5mn in FY19)

-Commercial production commenced – 1.6 lakh

-Sales growth by 300% (2.8 cr to 9cr) from online sales

-Revival of sunglass business – 20% Growth

**-Others:**

-**Skinn:** Target for FY23- Rs 500 Cr, 4 Mn+ consumers. Current Market Share 9%; topped 1 million units. Largest distributed perfume with 3,000 points of sale, including 32 exclusive kiosks.

-**CaratLane:** Target for FY20:- Rs. 600 cr (45% growth over FY19) / EBITDA break-even in FY20 / FY23 target: - Rs. 1500cr / Change in business model from being an omni channel to brick-and mortar stores will be higher than online sales in FY20.

-**Mia:** Target for FY20:- to reach Rs 250cr (54% growth over FY19) / 21 new Mia stores / Target for FY23:- Rs 800 cr

-**Zoya:** Retail expansion of 5 new Boutiques with target to reach Rs. 115cr in FY20

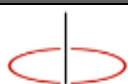
**-Taneira:**

- 1) USP of hand-woven outfits
- 2) Addressable market expected to grow from ~Rs.35,000-40,000 cr to ~70,000 cr by FY23.
- 3) Targeting to open 15 new stores in FY20 and establish retail network in top 20 towns in 5 years.
- 4) Currently has presence in 5 stores and online network / response for 1<sup>st</sup> 4 stores is very good with average 50% sales from repeat customers or referrals.
- 5) Potential of Rs. 800cr – 1000cr business in 7-8 years.
- 6) Bridal market forms 60% of the opportunity and is a big market for Taneira; 70% of the bridal wear market in India is sarees.
- 7) Price per unit of silk sarees at the Taneira store range between INR1,000- 250,000; average is around INR10,000-14,000 range.

-**TEAL:** Exported 30 projects to 17 countries.

-**Succession Planning:** i) 79% of the Top talent identified as successors for critical roles. ii) Identified Successors for 75% critical positions. iii) 20% of new positions filled by Top Talent

**Valuation & Rating:** At CMP Rs. 1160 it trades at 45x FY21 EPS of Rs. 25. We recommend investors to accumulate for long-term with revised target price to Rs. 1,261.



in mn	Q4FY18	Q4FY19	FY18	FY19
Sales	40595.6	48234.90	161197.7	197785.2
Other operating income	476.6	652.8		
<b>Total revenue</b>	<b>41072.2</b>	<b>48887.7</b>	<b>161197.7</b>	<b>197785.2</b>
% growth	13.28%	19.03%		22.70%
Other Income	184.7	562.90	888.60	1829.40
% growth		204.76%		105.87%
<b>Net sales</b>	<b>41256.9</b>	<b>49450.6</b>	<b>162086.3</b>	<b>199614.6</b>
% growth		19.86%		23.15%
RM	29003.1	35257.1	116862.20	143942.50
% growth		22%		23.17%
% to Revenue	71.44%	73.09%	72.50%	72.78%
Employee cost	2462.7	2865.50	8850.8	10192.7
% growth		16.36%		15.16%
% to Revenue	6.07%	5.94%	5.49%	5.15%
Other Expenses	5251.7	6280.10	19037.8	23735.1
% growth		19.58%		24.67%
% to Revenue	12.94%	13.02%	11.81%	12.00%
<b>Total Expenses</b>	<b>36717.5</b>	<b>44402.7</b>	<b>144750.8</b>	<b>177870.3</b>
% growth		20.93%		22.88%
% to Revenue	90.45%	92.06%	89.80%	89.93%
EBITDA (in OI)	4539.4	5047.9	17335.5	21744.3
EBITDA (exc OI)	3878.1	3832.2	16446.9	19914.9
% growth		-1%		21%
EBITDA Margin	9.55%	7.94%	10.20%	10.07%
Depreciation	359.5	408.40	1314.3	1628.4
<b>PBIT</b>	<b>4179.9</b>	<b>4639.5</b>	<b>16021.2</b>	<b>20115.9</b>
% growth		11.00%		25.56%
Finance Cost	167.1	124.90	529.2	525.4
<b>PBT</b>	<b>4012.8</b>	<b>4514.6</b>	<b>15492</b>	<b>19590.5</b>
% growth		12.50%		26.46%
Tax	892.9	1032.3	4278.7	5682.4
<b>Tax Rate</b>	<b>22.3%</b>	<b>22.9%</b>	<b>27.6%</b>	<b>29.0%</b>
<b>PAT</b>	<b>3119.9</b>	<b>3482.3</b>	<b>11213.3</b>	<b>13908.1</b>
% growth		11.62%		24.03%
Exceptional item	57	0	166.5	0
Share of profit from JV/ Associa	18.8	0.70	-254.1	-133.4
<b>Adj. PAT</b>	<b>3044.1</b>	<b>3481.6</b>	<b>11300.9</b>	<b>14041.5</b>
% growth		14.37%		24.25%
NPM	7.50%	7.22%	7.01%	7.10%
Equity	887.8	887.8	887.8	887.8
FV	1	1	1	1
EPS	3.43	3.92	12.73	15.82



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