



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

Analyst: Kunal Bhatia 022 67141442

Q3FY20 Result update @ Dalal & Broacha

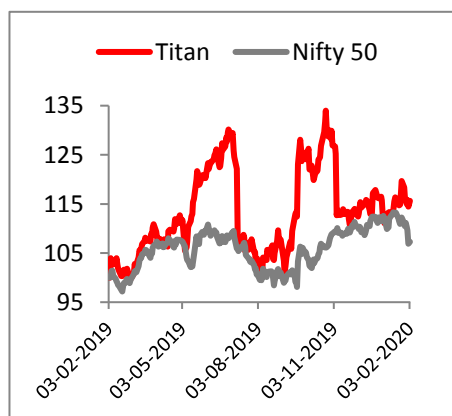
#### ACCUMULATE

Current Price	1275
52 Week Range	998/1390
Target Price	1400
Upside	10%

#### Key Share Data

Market Cap (Rs.bn)	1132.37
Market Cap (US\$ mn)	15890
No of o/s shares (mn)	887
Face Value	1
Monthly Avg. vol (BSE+NSE) Nos (in'000)	
BSE Code	500114
NSE Code	TITAN
Bloomberg	TTAN IN

#### Price performance



#### Titan Company Ltd Q3FY20 consolidated Results were in line with our estimates.

(Q3FY20 No.s as per IND-AS 116)

Revenue for Q3FY20 increased by 11.2% YoY to Rs 65273.6mn. EBITDA increased by 28.3% YoY to Rs 7584mn (adoption of IND AS 116 is adding margins in Q3FY20 to some extent). EBITDA margins stood at 11.62% vs 10% YoY.

Employee Cost were up 31.2% YoY to Rs 3267.4mn (this includes one-off provision impact of Rs 250mn towards special retriial benefits payable to the retired MD)

As % of Revenues **Raw Material Cost** stood at 74.48% v/s 74.36% YoY and **Other Expenses** down by ~19% YoY to Rs. 4123.7 mn

**Depreciation** increased by 128% to Rs 877.3mn and Interest cost increased by 185% YoY to Rs 447.2mn *both on account of IND AS 116*

Q3FY20 **PBT** increased by 8.2% YoY to Rs 6486.5mn and PAT rose by 15.4% YoY to Rs 4742.1mn (as Tax Rate YoY stood 26.83% v/s 31.44%) EPS (as reported) stood at Rs. 3.51 v/s Rs. 3.39 YoY

#### Segmental Performance:

- **Jewellery** increased by 12.2% YoY (**better than company preview**) to Rs 56057mn and PBIT margins stood at 12.56% v/s 12.94% YoY.

- **Watches** business declined by 2% YoY to Rs 6272.3mn and PBIT Margins stood at 6.22% v/s 6.77% YoY

- **Eyeware** increased by 2.94% to Rs 1333mn and PBIT margins stood at -5.03% v/s -0.10% YoY

#### Conference call KTA's

##### JEWELLERY

Q3FY20 Titan Gained **market share**, 15% growth in retail (secondary sales) which was much better than competition, industry as a whole witness decline of high single digit to low double digit. Local jewellers are facing liquidity issue hence freshness of products is low.

Growth MOM: Oct +20%, Nov +20% and Dec dropped to 4%. Jan 2020 is weak at +8%.

**Primary sales** was muted to some extent due to high base (Q3FY20 had large corporate order of gold coins)

**Caratlane** +68% growth turned EBIT positive (first time ever)

**Studded ratio** stands at 27% v/s 25% YoY

#### % Shareholding

	Dec-19	Sept-19
Promoters	52.91	52.91
Public	47.09	47.09
Others	0.00	0.00
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

#### FINANCIALS

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE	RoCE
FY18	1,61,197.7	21.6	16,446.9	10.2	11,420.9	45.5	12.9	99.1	22%	29%
FY19	1,97,785.2	22.7	19,914.9	10.1	14,041.5	22.9	15.8	80.6	23%	30%
FY20E	2,20,791.2	11.6	23,965.7	10.9	15,446.5	10.0	17.4	73.3	22%	22%
FY21E	2,62,536.7	18.9	28,569.5	10.9	19,235.8	24.5	21.7	58.8	23%	23%
FY22E	3,12,434.9	19.0	36,034.3	11.5	24,795.0	28.9	27.9	45.7	25%	27%



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L2(COFO) and L3(FOFO) stores did better than L1(COCO). Expansion preferably would be via L2 and L3 stores in smaller towns

Gold **Exchange** contribution: Excluding Tanishq was 33%. Tanishq was 9%. **Golden Harvest Scheme** contribution at 21%. **Wedding contribution** is at 23%

9MFY20 stores: (i) +34 stores in Tanishq to total 321, (ii) +27 stores in CaratLane to total 82, (iii) +8 stores in Mia to total 38.

**Going forward:** Q4FY20 guidance stands at 13% growth supported by good marriage days, market share gains are possible.

**WATCHES:** Trade Channel issues still persisting due to liquidity crunch albeit lower compared to earlier this is the largest channel for the segment. Jan 2020 was better than December. Own retail stores did well.

**EYEWEAR:** Revenue growth moderated to 2.9%, primarily led by heavy competitive activity, lower primary sales to trade channels and the disruption in the second half of December due to the nation-wide protests.

#### Other business

**Taneira** added 3 stores in Q3FY20 one each in Mumbai, Bangalore and NCR/Total store count stands at 10 in 5 cities/Launched in house design collections "Courtyard tales" and "Chokola". Expanded from 2 stores in Feb-2017 to 10 by Dec-2019.

Efforts are towards making the model viable to expand via franchise route.

**Valuation and Outlook:** At CMP of Rs 1275 stock trades at 58.8x its FY21e EPS of Rs 21.7 and 45.7x FY22e EPS of Rs 28.

Titan is one of the few qualitative companies that has the potential to grow at a CAGR of 20% for next few years. Recent issues with larger jewellers have opened up the opportunity (in-terms of gaining more market share) for players like Titan wherein customers demand in terms of "Trust" + "Design" + "Safety" is easily met. Thus it would continue to enjoy premium valuation.

**We rollover our estimates to FY22 and value Titan at PE of 50x FY22 earnings. We maintain Accumulate with a target price of Rs 1400 i.e. upside of 10%.**



	Q3FY19	Q3FY20
<b>Revenue from operations</b>		
Sale of products/services	58398.2	64546
Other operating revenues	316.7	727.8
Excise duty	0	
<b>Total Operating Revenues</b>	<b>58714.9</b>	<b>65273.6</b>
%Growth		11.17%
Other income	626.2	226.9
		-63.77%
<b>Net sales</b>	<b>59341.1</b>	<b>65500.5</b>
%Growth		10.38%
	#REF!	
<b>Expenses</b>		
Cost of Materials Consumed	29404.9	28788.7
%Growth		-2.10%
% to Operating Income	50.08%	44.10%
Purchase of stock-in-trade	9445.8	8105.3
%Growth		-14.19%
% to Operating Income	16.09%	12.42%
Changes in stock	4809.6	11725
%Growth		143.78%
% to Operating Income	8.19%	17.96%
<b>Total RM Cost</b>	<b>43660.3</b>	<b>48619</b>
%Growth		11.36%
% to Operating Income	74.36%	74.48%
Employee benefits expense	2491.2	3267.4
%Growth		31.16%
% to Operating Income	4.24%	5.01%
Advertising	1561.6	1679.4
%Growth		7.54%
% to Operating Income	2.66%	2.57%
Other expenses	5089.8	4123.7
%Growth		-18.98%
% to Operating Income	8.67%	6.32%
<b>Total Expenses</b>	<b>52802.9</b>	<b>57689.5</b>
<b>EBITDA (exc. OI)</b>	<b>5912</b>	<b>7584.1</b>
%Growth		28.28%
<b>EBITDA Margin</b>	<b>10.07%</b>	<b>11.62%</b>
<b>EBITDA</b>	<b>6538.2</b>	<b>7811</b>
<b>EBITDA Margin</b>	<b>11.02%</b>	<b>11.93%</b>
Depreciation	384.7	877.3
<b>PBIT</b>	<b>6153.5</b>	<b>6933.7</b>
%Growth		12.68%
Interest	156.7	447.2
	0.27%	0.69%
<b>PBT</b>	<b>5996.8</b>	<b>6486.5</b>
%Growth		8.17%
<b>Tax expense.</b>		
Current tax	1853.8	1649.3
Less : MAT credit	0	
Deferred tax	31.5	91.1
<b>Total Tax</b>	<b>1885.3</b>	<b>1740.4</b>
	<b>31.44%</b>	<b>26.83%</b>
<b>PAT</b>	<b>4111.5</b>	<b>4746.1</b>
%Growth		15.43%
Exceptional item	0	
Share of profit from JV/ Associate	0.6	4.1
Minority Interest	-21	-4.2
<b>Adjusted PAT</b>	<b>4131.9</b>	<b>4746.2</b>
%Growth		14.87%
<b>NPM</b>	<b>6.96%</b>	<b>7.25%</b>
<b>EPS</b>	<b>4.65</b>	<b>5.35</b>





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