



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

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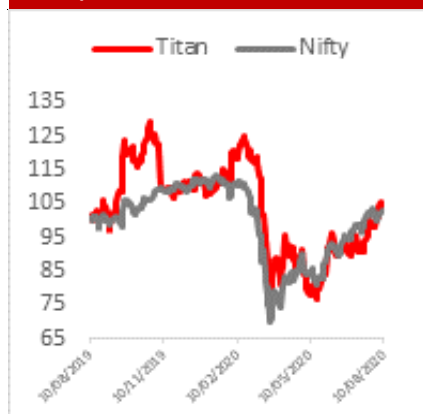
#### ACCUMULATE

Current Price	1065
52 Week Range	720/1390
Target Price	1215
Upside	13%

#### Key Share Data

Market Cap (Rs.bn)	946
Market Cap (US\$ mn)	12631
No of o/s shares (mn)	888
Face Value	1
Monthly Avg. vol	4091
(BSE+NSE) Nos	
BSE Code	500114
NSE Code	TITAN
Bloomberg	TITAN:IN

#### Price performance



% Shareholding	June-20	Marc-20
Promoters	52.91	52.91
Public	47.09	47.09
Others	0.00	0.00
<b>Total</b>	<b>100</b>	<b>100</b>

#### Titan Q1FY20 consolidated results below expectations

Consolidated Q1FY21 numbers are POST IND-AS 116

- Revenues: de-grew by 61.6% to Rs 19790mn
- EBIDTA: loss of Rs. 2530mn v/s profit of Rs. 5734.2mn

#### As% to Revenues

- **Raw Materials:** 78.07% v/s 72.61% YoY and 69.57% QoQ (*Gross margins were lower than usual due to Rs 6bn sale of bullion, where there were no profits*)
- **Advertisement:** 1.06% v/s 2.95% YoY and 2.06% QoQ
- **Other Expenses:** 20.52% v/s 7.82% YoY and 9.32% QoQ
- **Employee Cost:** de-grew by 8.1% YoY to Rs 2600mn
- **Depreciation:** increased by 22.4% YoY to Rs 930mn
- **Interest** grew by 53.6% YoY to Rs 520mn (*higher interest costs as company issued Rs. 11.50bn worth of Commercial papers, out of which Rs. 5bn matured on 30th July, 2020 ; another Rs. 5bn will mature on 18th August, 2020 and balance Rs. 1.5bn relates to subsidiary and maturity is due on 12th August, 25th September and 8th December 2020 respectively in tranches of Rs. 500mn each*)

**PBT:** loss of Rs. 3570mn as against profit of Rs. 5207mn YoY

**NPAT (post minority):** loss of Rs. 2910mn as against profit of Rs. 3662mn YoY (Tax credit of Rs. 640mn, loss from JV & associate at: Rs. 40mn and Minority interest at Rs. 60mn)

#### Outlook and Valuation:

Titan is one of the few companies in retail that is talking to get back to normalcy by Q4FY21. Gaining market share from un-organized players (who are suffering due to liquidity and other issues) with its trustworthy brand would aid its future growth. The management too is confident that Jewellery (+80% Revenue contributor) might recover faster as in anticipation of gold price rising wedding purchases could be postponed.

**At CMP of Rs 1065 Titan trades at 131x its FY21e EPS of Rs 8.2 ( due to Covid-19 situation) and 45x its FY22e EPS of Rs 24.2. We maintain Accumulate with a target price of Rs1215 (i.e 50x FY22e EPS of Rs 24.2)**

#### FINANCIALS (Rs. Mns)

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE	RoCE
FY18	161,197.7	21.6	16,446.9	10.2	11,420.9	45.5	12.9	83.6	22%	29%
FY19	197,785.2	22.7	19,914.9	10.1	14,041.5	22.9	15.8	68.0	23%	30%
FY20	210,515.4	6.4	24,665.8	11.7	15,013.9	6.9	16.9	63.6	23%	25%
FY21E	150,471.4	(28.5)	14,542.7	9.7	7,291.0	(51.4)	8.2	130.9	10%	12%
FY22E	276,054.7	83.5	32,690.2	11.8	21,336.0	192.6	24.0	44.7	24%	27%



## SEGMENTS, YoY

- **Jewellery (90.3% Revenue):** revenues de-grew by 56.2% to Rs. 18240mn/EBIT: loss at Rs. 680mn v/s profit of Rs. 4369.7mn
- **Watches (3.8% revenues):** revenues de-grew by 89.4% to Rs. 760mn/EBIT: loss at Rs. 1730mn v/s profit of Rs. 1191.5mn
- **Eyewear (2% Revenues):** revenues de-grew by 79.8% to Rs. 300mn/EBIT: loss at Rs. 310mn v/s loss of Rs. 114.3mn
- **Other business (4% Revenue)** revenues de-grew by 38% to Rs. 810mn/EBIT: loss at Rs. 120mn v/s loss of Rs. 35.8mn

## Other Key Takeaways

- 1) **Store re-openings:** started post unlock 1.0 in May 2020; as at end of June 2020, 83% of stores had re-opened.
- 2) revenue recoveries in June YoY: (i) Watches & Wearables: 21%, (ii) Jewellery: 77%, (iii) Eyewear: 25%
- 3) **Jewellery:** sales of diamond studded jewellery were negatively impacted however plain gold jewellery revenues were better than expectations even though gold prices were high/ Demand was impacted due to postponement of weddings, curb in discretionary spends and restrictions in movement of people
- 4) **Stores:** total count stands at 1736 as on 30th June, 2020 with a retail area of 2.2mn sq.ft across all its brands

## Conference call Key Takeaways

### Guidance:

- Management has set target of full recovery by Q4FY21
- Jewellery might get back faster

Rising price of gold aided jewellery demand, however the challenge is creation of demand when people are not socializing

Other Expenses remained flat: at Rs 4060mn on a YoY basis due to ineffective hedges. These are not actual losses and will nullify as sales rise.

### Recovery:

- a) Jewellery division in July-20 witnessed 1% growth (in retail) on a YoY basis but it was on a lower base. (June-20 was 77% recovery).
- b) Eyewear on overall basis (primary sales) 12% in May, 23% in June and 39% in July, (in stores that were open July saw 85% recovery)
- c) Watches LTL stores open in July were 57%, overall 40% sales recovery, larger format 32% LTL, overall retail was 50%



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**Watches division demand generation factors:**

- a) Occasion gifting
- b) Fast track demand driver was youngsters purchasing online

**Jewellery Division highlights**

- a) Market share gained for Jewellery in June and July as unorganized players had liquidity issue and Titan with safety, trust and variety was preferred choice
- b) Online and Omni-channel now contribute ~6% of revenues
- c) Golden Harvest scheme: 35% in Q1FY21 v/s 21% YoY and July too was at 32%
- d) Buyer recovery rate in studded and gold was similar but value was higher in gold
- e) Lower price band product had sluggish growth, however Rs 1-3 lac received good traction.
- f) Recovery rate for studded Jewellery was 59% in June and 67% in July overall 77% in June and 101% in July
- g) Wedding contribution: 23% in June-20 v/s 20% in July-20 and 20% in July-19
- h) Gold exchange: 22% v/s 30% in YoY June-20 and 26% v/s 30% in July-20

**Valuation:** At CMP of Rs 1065 Titan trades at 131x its FY21e EPS of Rs 8.2 ( due to Covid-19 situation) and 45x its FY22e EPS of Rs 24.2. We maintain Accumulate with a target price of Rs1215 (i.e 50x FY22e EPS of Rs 24.2)



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### Quarterly Snapshot

Particulars	Q1FY21	Q1FY20	Growth	Q4FY20	Growth
Sale of products/services	13680.0	50951	-73.2%	46173.10	-70.4%
Other operating revenues	6110.0	559.9	991.3%	941.90	548.7%
<b>Total Operating Revenues</b>	<b>19790.00</b>	<b>51510.9</b>	<b>-61.6%</b>	<b>47115.00</b>	<b>-58.0%</b>
Other income	410.0	570.8	-28.2%	417.10	-1.7%
Total Income	20200.00	52081.7	-61.2%	47532.10	-57.5%
Cost of Materials Consumed	7120	31595.8	-77.5%	30133.4	-76.4%
Purchase of stock-in-trade	670	6529	-89.7%	5970.5	-88.8%
Changes in stock	7660	-720.8	-1162.7%	-3324.7	-330.4%
<b>Total RM Cost</b>	<b>15450</b>	<b>37404</b>	<b>-58.7%</b>	<b>32779.2</b>	<b>-52.9%</b>
RM to Op Revenue	78.07%	72.61%		69.57%	
Employee benefits expense	2600	2828.3	-8.1%	2847.3	-8.7%
Employee to Op Revenue	13.14%	5.49%		6.04%	
Advertising	210	1518.3	-86.2%	971.3	-78.4%
Ad Spends to OP Revenue	1.06%	2.95%		2.06%	
Other expenses	4060	4026.1	0.8%	4392.70	-7.6%
O. Exps to Op Revenue	20.52%	7.82%		9.32%	
<b>EBITDA (exc. OI)</b>	<b>-2530.00</b>	<b>5734.2</b>	<b>-144.1%</b>	<b>6124.50</b>	<b>-141.3%</b>
EBITDA Margin	-12.78%	11.13%		13.00%	
EBITDA	-2120.00	6305	-133.6%	6541.60	-132.4%
Depreciation	930	759.5	22.4%	1020.8	-8.9%
PBIT	-3050	5545.5	-155.0%	5520.8	-155.2%
Interest	520	338.5	53.6%	427.4	21.7%
<b>PBT</b>	<b>-3570.00</b>	<b>5207</b>	<b>-168.6%</b>	<b>5093.40</b>	<b>-170.1%</b>
Total Tax	-640	1560.4	-141.0%	1661.8	-138.5%
Tax Rate	17.9%	30.0%		32.6%	
PAT	-2930.0	3646.6	-180.3%	3431.6	-185.4%
Exceptional item					
Share of profit from JV/ Associate	40	9.2	334.8%	0.9	4344.4%
Minority Interest	-60	-24.5	144.9%	-31.8	88.7%
<b>Adjusted PAT</b>	<b>-2910.0</b>	<b>3661.9</b>	<b>-179.5%</b>	<b>3462.5</b>	<b>-184.0%</b>
NPM	-14.41%	7.03%		7.28%	
Equity	887.8	887.8	0.0%	887.8	0.0%
FV		1		1	
EPS	-3.3	4.1	-179.5%	3.9	-184.0%
<b>Segmental Revenues</b>					
Watches	760	7161.1	-89.4%	5582.60	-86.4%
% to Operating Income	3.8%	13.7%		11.7%	
Jewellery	18240	41641	-56.2%	38993.00	-53.2%
% to Operating Income	90.3%	80.0%		82.0%	
Eyewear	300	1487.8	-79.8%	1077.1	-72.1%
% to Operating Income	1.5%	2.9%		2.3%	
Others	810	1306.3	-38.0%	1812.30	-55.3%
% to Operating Income	4.0%	2.5%		3.8%	
Corporate (unallocated)	90	485.5	-81.5%	67.1	34.1%
% to Operating Income	0.4%	0.9%		0.1%	
<b>Total</b>	<b>20200.0</b>	<b>52081.7</b>	<b>-61.2%</b>	<b>47532.1</b>	<b>-57.5%</b>
<b>PBIT</b>					
Watches	-1730	1191.5	-245.2%	542.7	-418.8%
% to segmental Income	-227.63%	16.64%		9.72%	
Jewellery	-680	4369.7	-115.6%	5300.6	-112.8%
% to segmental Income	-3.73%	10.49%		13.59%	
Eyewear	-310	-114.3	171.2%	18.1	-1812.7%
% to segmental Income	-103.33%	-7.68%		1.68%	
Others	-120	-35.8	235.2%	-3.2	3650.0%
% to segmental Income	-14.81%	-2.74%		-0.18%	





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