



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia 022 67141442

Associate: Suraj Nandu 022 67141438

Result Update @ Dalal & Broacha

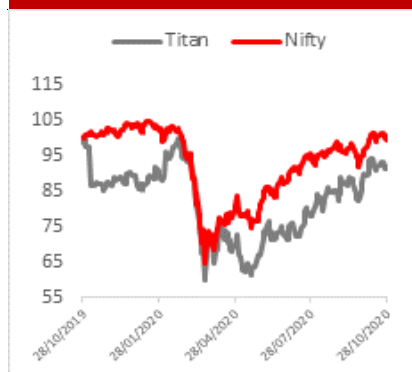
Book Partial Profits

Current Price	1217
52 Week Range	720/1345
Target Price	1240
Upside	2%

Key Share Data

Market Cap (Rs.bn)	1081
Market Cap (US\$ mn)	14601
No of o/s shares (mn)	888
Face Value	1
Monthly Avg. vol (BSE+NSE) Nos	3022
BSE Code	500114
NSE Code	TITAN
Bloomberg	TITAN:IN

Price performance



% Shareholding

	Sep-20	June-20
Promoters	52.90	52.91
Public	47.10	47.09
Others	0.00	0.00
Total	100	100

Revenues declined by 2.3% YoY to Rs 45530mn.

EBIDTA in absolute terms was down 40% YoY to Rs 3130mn. **EBIDTA margins stood at 6.87% v/s 11.2% YoY and loss in Q1FY21. Margins were lower mainly on account of lower studded share in Jewellery business and sale of raw-gold worth Rs 3910mn in Q2FY21.**

Hedging loss stood at Rs ~4850mn in Q2FY21 and Rs 6900mn for H1FY21. This was mainly on account of in-effective hedges, however the impact on bottom-line is negligible as it gets nullified by lower gold-cost in the P&L.

Net Profit declined by 44% YoY to Rs 1750mn.

Other Details

Reported Raw Materials to Revenue stood at 68.8% v/s 70.25% YoY and 78.07% QoQ. However taking the impact of in-effective hedge of Rs 4850mn it stands at 79.4% in Q2FY21 mainly due to lower studded share in jewellery and sale of raw gold.

Advertisement to Revenue stood at 1.34% v/s 3.06% YoY and 1.06% QoQ

Other expenses 17.88% v/s 8.94% YoY and 20.52% QoQ (other expenses includes loss of in-effective hedges)

SEGMENTS

Jewellery: (87% of Income)

- Revenues increased by 9.1% YoY to Rs 39830mn, PBIT margins stood at 7.2% v/s 10.4% YoY
- Q2 and H1FY21 includes sale of Gold-ingots worth Rs ~3910mn and Rs ~9920 mns respectively disclosed as other operating revenues.
- PBIT margins (includes Provision of Rs 340 mn towards overdue from one of the brokers for Gold hedging; excluding this and sale of bullion from Sales EBIT margins for Q2FY21 is 9%)

Watches (9% of Income)

- Revenues declined by 44% YoY to Rs 4010mn EBIT margins stood at -ve 3% v/s 14.4% YoY

EyeWear (2% of Income)

- Revenue declined by 39% YoY to Rs 940mn, EBIT margins stood at 9.57% v/s 1.29% YoY

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	94.6	22%	29%
FY19	1,97,785.2	22.7	19,914.9	10.1	14,041.5	22.9	15.8	76.9	23%	30%
FY20	2,10,515.4	6.4	24,665.8	11.7	15,013.9	6.9	16.9	72.0	23%	25%
FY21E	1,72,208.8	(18.2)	11,745.8	6.8	5,336.8	(64.5)	6.0	202.5	8%	9%
FY22E	2,76,228.6	60.4	31,732.4	11.5	20,308.4	280.5	22.9	53.2	24%	26%



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Conference Call Keytakeaways

- Return to normalcy in-line with expectation. On overall basis recovery is at 89% YoY.
- Impact of in-effective hedge loss of Rs 4850mn is negligible on EBIDTA and bottom line. Ineffective hedges to reduce substantially as predictability of sales improves.
- Net cash positive as on Q2FY21 v/s net debt at end of Q4FY20

Jewellery:

- **Grammage** de-growth 31%
- **Recovery rate** stood at 98% (excluding sale of Raw Gold) / Retail value level recovery @ 96% and 74% at buyer level. Target is to get to get to 90-100% recovery in Q3FY21 and 100%+ in Q4FY21
- Tier 3 has done better than tier 2
- Golden Harvest Scheme witnessed 85% recovery of fresh enrolment
- **Festive period** witnessed high single digit growth on a YoY basis
- **Store opened** 14 / plan to add 30-34 for the entire fiscal
- **Conversion** rates and Average ticket price rising
- **Studded** ratio 26% v/s 34% YoY v/s 18% in Q1FY21 / Discounting in studded has reduced on a YoY basis
- **Gold coin sales** 14% v/s 3% YoY
- **Hallmarking** deffered to June-21 from Dec-20
- Company has also set up a wholly owned subsidiary 'Titan Commodity Trading Ltd.' to eliminate third party risks in future
- **Caratlane** (75% sub) strong recovery with 10% growth and turned EBIT positive (aided by online sales and store re-opening) / 5 new store additions with total store count at 97

Watches and Wearables:

- **Recovery rate** 55% in Q2FY21, Sept-20 was at 70% aided by E-Commerce / should end FY21 at same level of last year
- Chip watch launched with 'Titan Pay' in collaboration between SBI & Titan

Eye-Wear

- **Recovery rate** 61% in Q2FY21 on YoY basis, Sept-20 was at 70%
- **PBT positive** in Q2FY21 (led by better product mix and cost controls)
- **Stores** opened 14 shut 38 / plan to add ~25-30 for FY21



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Others:

- **'Taneira'** launched its 1st store in Chennai total store count 13 covering six cities
- Fragrances and accessories recovery rate 50% mainly due to slow opening of Large format stores

Valuations: @ Rs 1217, Titan trades at 53x FY22e EPS of Rs 23 and 44x FY23e EPS of Rs 27.5. ***We have already achieved our target of Rs 1215 as per our previous update and believe most of the short to medium-term triggers are factored in the CMP. We would recommend partial profit booking.***



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Quarterly Snapshot

Particulars (Rs Mns)	Q2FY21	Q2FY20	Growth	Q1FY21	Growth	H1FY21	H1FY20	Growth
Sale of products/services	41270.0	46007.1	-10.3%	13680.00	201.7%	54950.00	96958.10	-43.3%
Other operating revenues	4260.0	608.8	599.7%	6110.00	-30.3%	10370.00	1168.70	787.3%
Total Operating Revenues	45530.00	46615.9	-2.3%	19790.00	130.1%	65320.00	98126.80	-33.4%
Other income	480.0	317.5	51.2%	410.00	17.1%	890.00	888.30	0.2%
Total Income	46010.00	46933.4	-2.0%	20200.00	127.8%	66210.00	99015.10	-33.1%
Cost of Materials Consumed	33550	39905.5	-15.9%	7120	371.2%	40670.00	71501.30	-43.1%
Purchase of stock-in-trade	4350	9303.2	-53.2%	670	549.3%	5020.00	15832.20	-68.3%
Changes in stock	-6580	-16460.2	-60.0%	7660	-185.9%	1080.00	-17181.00	-106.3%
Total RM Cost	31320	32748.5	-4.4%	15450	102.7%	46770	70152.5	-33.3%
RM to Op Revenue	68.79%	70.25%		78.07%		71.60%	71.49%	
Employee benefits expense	2480	3051.2	-18.7%	2600	-4.6%	5080.00	5879.50	-13.6%
Employee to Op Revenue	5.45%	6.55%		13.14%		7.78%	5.99%	
Advertising	610	1428	-57.3%	210	190.5%	820.00	2946.30	-72.2%
Ad Spends to OP Revenue	1.34%	3.06%		1.06%		1.26%	3.00%	
Other expenses	7990	4165.2	91.8%	4060.00	96.8%	12050.00	8191.30	47.1%
O. Exps to Op Revenue	17.55%	8.94%		20.52%		18.45%	8.35%	
EBITDA (exc. OI)	3130.00	5223	-40.1%	-2530.00	-223.7%	600.00	10957.20	-94.5%
EBITDA Margin	6.87%	11.20%		-12.78%		0.92%	11.17%	
EBITDA	3610.00	5540.5	-34.8%	-2120.00	-270.3%	1490.00	11845.50	-87.4%
Depreciation	940	822	14.4%	930	1.1%	1870.00	1581.50	18.2%
PBIT	2670	4718.5	-43.4%	-3050	-187.5%	-380	10264	-103.7%
Interest	490	448.6	9.2%	520	-5.8%	1010.00	787.10	28.3%
PBT	2180.00	4269.9	-48.9%	-3570.00	-161.1%	-1390.00	9476.90	-114.7%
Total Tax	440	1127.3	-61.0%	-640	-168.8%	-200.00	2687.7	-107.4%
Tax Rate	20.2%	26.4%		17.9%		14.4%	28.4%	
PAT	1740.0	3142.6	-44.6%	-2930.0	-159.4%	-1190.0	6789.2	-117.5%
Exceptional item		0				0.00	0.00	
Share of profit from JV/ Associate	10	26.1	-61.7%	40	-75.0%	50.00	35.30	41.6%
Minority Interest	-20	-26.8	-25.4%	-60	-66.7%	-80.00	-51.30	55.9%
Adjusted PAT	1750.0	3143.3	-44.3%	-2910.0	-160.1%	-1160.0	6805.2	-117.0%
NPM	3.80%	6.70%		-14.41%		-1.75%	6.87%	
Equity	887.8	887.8	0.0%	887.8	0.0%	887.8	887.8	0.0%
FV		1				1	1	
EPS	2.0	3.5	-44.3%	-3.3	-160.1%	-1.3	7.7	-117.0%
Segmental Revenues								
Watches	4010	7201.3	-44.3%	760.00	427.6%	4770.00	14362.40	-66.8%
% to Operating Income	8.7%	15.3%		3.8%		7.2%	14.5%	
Jewellery	39830	36499.7	9.1%	18240.00	118.4%	58070.00	78140.70	-25.7%
% to Operating Income	86.6%	77.8%		90.3%		87.7%	78.9%	
Eyewear	940	1542.2	-39.0%	300	213.3%	1240.00	3030.00	-59.1%
% to Operating Income	2.0%	3.3%		1.5%		1.9%	3.1%	
Others	1130	1480.4	-23.7%	810.00	39.5%	1940.00	2786.70	-30.4%
% to Operating Income	2.5%	3.2%		4.0%		2.9%	2.8%	
Corporate (unallocated)	100	209.8	-52.3%	90	11.1%	190.00	695.30	-72.7%
% to Operating Income	0.2%	0.4%		0.4%		0.3%	0.7%	
Total	46010.0	46933.4	-2.0%	20200.0	127.8%	66210.0	99015.1	-33.1%
PBIT								
Watches	-120	1036.9	-111.6%	-1730	-93.1%	-1850.00	2228.40	-183.0%
% to segmental Income	-2.99%	14.40%		-227.63%		-38.78%	15.52%	
Jewellery	2860	3794.1	-24.6%	-680	-520.6%	2180.00	8163.80	-73.3%
% to segmental Income	7.18%	10.39%		-3.73%		3.75%	10.45%	
Eyewear	90	19.9	352.3%	-310	-129.0%	-220.00	-94.40	133.1%
% to segmental Income	9.57%	1.29%		-103.33%		-17.74%	-3.12%	
Others	70	62.4	12.2%	-120	-158.3%	-50.00	26.60	-288.0%
% to segmental Income	6.19%	4.22%		-14.81%		-2.58%	0.95%	



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