



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

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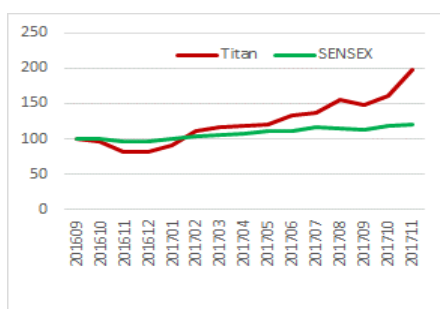
### Not Rated

Current Price	776
52 Week Range	823.3/296.3

### Key Share Data

Market Cap (Rs.bn)	679
Market Cap (US\$ mn)	10445
No of o/s shares (mn)	887.8
Face Value	1
Monthly Avg.vol (BSE+NSE) Nos'000	2904
BSE Code	500114
NSE Code	TITAN
Bloomberg	TTAN IN

### Price performance



### % Shareholding

	Sept-17	Jun-17
Promoters	52.91	53.05
Institutions	27.07	27.06
Others	20.02	19.89
<b>Total</b>	<b>100</b>	<b>100</b>

**Jewellery (80%+ of Revenues) still a big opportunity ahead:**  
- **2.5x in 5 years:** the company has stated plan to grow at a CAGR of 20-25% over next 4-5 years (GST and Demon were bonus) with focus on following factors: 1) Wedding 2) High Value Diamond Studded Jewellery 3) GHS expansion 4) Hero Market 5) Network Expansion

**1) Wedding (opportunity Size 150000crs):** Contributed less than 5% of Tanishq Revenues ~3years back ( now sub20% growing @ 40-50% YoY) since Tanishq was a) at premium to others b) not consideration set of serious wedding purchase c)Family Jewellers dominated for every linguistic community.

The company has identified 18 linguistic communities contributing to 80-90% of wedding purchases and have built merchandise as per their preferences under "Rivaah", targeted by emotional connect between Father and Daughter.

**Making Charges Rationalization, was at premium of 30-40% to market:** Industry Growth had vanished few years back (FY16 Jewellery segment saw negative -7.5% growth) and market share in Wedding and High Value studded became important, 1st-April-2015 the company took reduction in making charges by 300bps to become competitive in plain gold that improved price perception. Current range is 8%-35% which is just 10% premium, being an aspirational brand.

**2)High Value Studded (+Rs2lac average price) : (now ~10% of Tanishq)**  
The Company under-estimated the opportunity when the PAN card rule of Rs 5lac plus Jewellery had come by vacating the range, however post the Pan Card rule of Rs 2lac plus range they came out with collections above Rs2.5lac (" Queen of Hearts") and has done extremely well.

**3) GHS expansion:** Introduced in new avatar (10 instalments +0.75 free) v/s (10installments+1free) earlier and contributes now ~18% of Sales now v/s 30% when it was last discontinued. Opportunity is to go up to 25% of sales. People end up buying 80% in new scheme used to be 50% when old scheme was available.

**4) Hero Markets:** Company has identified 16-17 markets in the country where average markets share is lower than National average for many reasons. These would be focused for high SSS growth going forward.

**5) Network Expansion:** Titan is currently at 140 towns potential is to go upto 250 towns. Plan to add ~20 stores on a YoY basis for next 3-4 years with an average size of ~3000sq ft (Mostly franchise).

-Ticket Size in case of Jewellery is going to come down gradually. Women want something which is accessible. The Jewellery would become more an accessory going forward hence price point for daily wear is important and Mia and Caratlane are building blocks for the same with Rs 20000 average price points.

-Jewellery Market ~Rs 2.5lac crore market though not growing is a big opportunity for organized players like Titan ( which has ~5% market share) going forward.

### Key Financials (Rs in mn)

Year	Net Sales	%Growth	EBITDA	OPM (%)	PAT	%Growth	EPS	P/E	ROE	ROCE
FY15	119,032	15.1	11,536	9.7	8,233	11.1	9.3	83	28	26.1
FY16	112,759	-5.3	9,347	8.3	6,765	-17.8	8	102	19.7	20
FY17	129,789	9	11,555	8.9	8,017	18.5	9	86	20.6	21



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## **WATCHES**

- Channel Mix changed, share of Wallet reduced significantly due to E-commerce, high penetrated product and the connect with youth from Fasttrack had reduced, the company has tried to correct these at all levels over last 2 years.
- Ecommerce now become 10% from 0% in 2 years with exclusive agreements with E-Commerce.
- Smart Watches with valuable functionality at good value price points is what Titan offers currently like Fastrack Reflex Rs2k watch competes with Rs10k Fitbit.
- Company has worked a lot on cost base. VRS Rs 100crs paid to 275 people, payback period of this is 3 years Rs 35 crs savings on employee cost YoY.
- Media buying agency changed.

Going forward Wrist being the Prime Real Estate on your body watches remains a key segment for Titan who has design in its DNA, the company endeavour to grow in teens

## **EYEWARE**

Average price point in the industry is low.

Category is becoming cooler and titan still needs to improve.

Industry is still small at \$1bn and not growing.

Competition from companies like Lens Cart is increasing since gross margins is strong however sustainability is a question.

**View:** At CMP of Rs 766 the stock trades at 60x FY18e EPS of Rs 12.7 and 47.6x its FY19e EPS of Rs 16.1 and 39.4x its FY20e EPS of Rs 19.4 (Bloomberg Estimates). With 80% of the business i.e. Jewellery expected to do a CAGR of 20-25% and gain market share where the organized player like Titan is only 5% Market share we believe the opportunity is tremendous. We are positive on the stock.



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