

BSE SENSEX

37,556

S&P CNX

11,361

Motilal Oswal values your support in the Asiamoney Brokers Poll 2018 for India Research, Sales and Trading team. We [request your ballot](#).



Bloomberg	TTAN IN
Equity Shares (m)	888
M.Cap.(INRb)/(USD\$)	815.3 / 11.9
52-Week Range (INR)	1006 / 547
1, 6, 12 Rel. Per (%)	-3/5/48
12M Avg Val (INR M)	1958
Free float (%)	47.1

Financials & Valuations (INR b)

Y/E Mar	2018	2019E	2020E
Net Sales	161.2	193.9	234.6
EBITDA	16.4	21.3	26.5
PAT	11.2	14.4	18.2
EPS (INR)	12.6	16.2	20.5
Gr. (%)	39.9	28.4	26.5
BV/Sh (INR)	57.3	57.5	66.8
RoE (%)	24.0	28.2	33.0
RoCE (%)	24.7	28.9	33.7
P/E (x)	72.7	56.6	44.8
P/BV (x)	16.0	16.0	13.7

Estimate change



TP change



Rating change


CMP: INR918
TP: INR1,130(+23%)
Buy

Jewellery market share continues expanding; 2QFY19 off to a good start

- **1QFY19 reported consol. revenue (incl. other operating income) was up 9.4% YoY** to INR44.5b (est. of INR42.6b). EBITDA grew 32.3% YoY to INR4.8b (est. of INR4.3b) and recurring PAT increased 31.9% YoY to INR3.3b (est. of INR3.0b).
- **Consol. segmental performance:** (a) Reported Jewelry sales rose 6.3% YoY to INR36.4b, with segment margin up 110bp YoY to 10.5%. (b) Watches sales grew 15% YoY to INR6b, with a sharp EBIT margin improvement of 900bp to 16.7%.
- **Gross margin expanded 90bp YoY to 27.4%.** Other expenses were down 180bp YoY to 7.6% of sales, while adspend was up 50bp YoY to 3.5% and staff costs increased 30bp YoY to 5.4%. Thus, EBITDA margin expanded 190bp YoY to 10.8% (est. of 10.2%) in 1QFY19.
- **Concall highlights:** (1) Jewellery business continued to gain market share in 1QFY19. (2) Jewellery growth in July was 70%; adjusted for advancement, growth would be ~40%. (3) 1QFY19 Jewellery sales miss v/s estimate of 14-15% means that full-year growth may be ~22-23% based on its earlier target for the remaining nine months.
- **Valuation view:** There is no material change in our EPS estimate, as the slight downward revision in the Jewelry guidance and higher depreciation are offset by higher EBITDA margins. Jewelry business growth prospects remain robust, and Watches and now Eyewear have also started contributing to growth. High valuations are fully deserved for a business that has perhaps the best top-line growth potential in the large cap FMCG/retail space and also has improving outlook on margins. Maintain **Buy** with an unchanged target price of INR1,130 based on 52x Jun'20E EPS (25% premium to three-year average P/E).

Quarterly Performance

Y/E March	FY18				FY19				(INR Million)			
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY18	FY19E	FY19 1QE	Var. (%)
Net Sales	40,673	34,969	43,631	41,072	44,510	45,110	53,666	50,630	161,198	193,916	42,641	4.4
YoY Change (%)	45.1	30.5	10.5	13.3	9.4	29.0	23.0	23.3	23.5	20.3	7.0	
Gross Profit	9,939	9,310	11,427	12,069	12,177	12,686	14,860	15,017	44,336	54,740		
Margin (%)	24.4	26.6	26.2	29.4	27.4	28.1	27.7	29.7	27.5	28.2		
Total Exp	37,024	30,750	39,407	36,718	39,682	39,667	48,202	45,100	144,751	172,650	38,310	
EBITDA	3,649	4,219	4,224	4,355	4,829	5,442	5,464	5,530	16,447	21,265	4,331	11.5
EBITDA Growth %	27.2	59.6	21.2	70.3	32.3	29.0	29.4	27.0	42.3	29.3	18.7	
Margins (%)	9.0	12.1	9.7	10.6	10.8	12.1	10.2	10.9	10.2	11.0	10.2	
Depreciation	295	310	349	360	407	419	437	442	1,314	1,705	325	
Interest	108	145	109	167	109	160	120	195	529	584	113	
Other Income	283	208	213	185	361	208	213	231	889	1,014	257	
PBT	3,529	3,972	3,979	4,013	4,674	5,072	5,121	5,125	15,492	19,991	4,150	12.6
Tax	1,038	1,189	1,159	893	1,388	1,420	1,434	1,356	4,279	5,597	1,162	
Rate (%)	29.4	29.9	29.1	22.3	29.7	28.0	28.0	26.5	27.6	28.0	28.0	
Adjusted PAT	2,491	2,783	2,820	3,120	3,286	3,652	3,687	3,769	11,213	14,393	2,988	10.0
YoY Change (%)	14.1	64.6	21.0	72.2	31.9	31.2	30.7	20.8	39.9	28.4	20.0	

E: MOSL Estimates

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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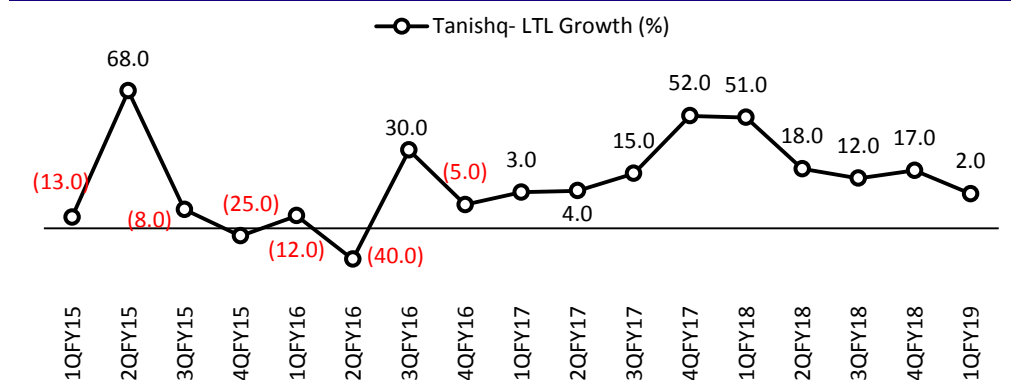
Key Quarterly Charts

Exhibit 1: Segmental Snapshot

INR m	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
Total Sales	27,150	40,001	36,150	41,317	35,177	42,962	41,275	44,872
Watches	5,247	5,125	4,985	5,186	5,718	5,355	4,924	5,963
YoY Growth	-5.0%	5.9%	11.0%	3.8%	9.0%	4.5%	-3%	15.0%
Jewelry	20,074	33,042	28,866	34,252	27,482	35,699	33,581	36,426
YoY Growth	1.2%	17.2%	56.3%	59.3%	36.9%	8.0%	14%	6.3%
Others	1,829	1,834	2,300	1,880	1,978	1,908	2,752	2,483
YoY Growth	21.8%	37.6%	107.9%	-1.2%	8.1%	4.1%	18.6%	32.1%
Total EBIT	2,440	3,550	2,551	3,525	4,113	4,085	4,104	4,778
Watches	576	529	55	399	826	686	174	996
YoY Growth	-31.1%	63.1%	-29.0%	964.0%	43.6%	29.8%	218%	149.5%
EBIT Margin	11.0%	10.3%	1.1%	7.7%	14.5%	12.8%	3.5%	16.7%
Jewelry	2,094	3,343	2,647	3,233	3,485	3,663	4,247	3,842
YoY Growth	73.8%	15.1%	27.3%	58.6%	66.4%	9.6%	60%	18.8%
EBIT Margin	10.4%	10.1%	9.2%	9.4%	12.7%	10.3%	12.6%	10.5%
Others	(229)	(321)	(151)	(106)	(198)	(265)	(317)	(59)

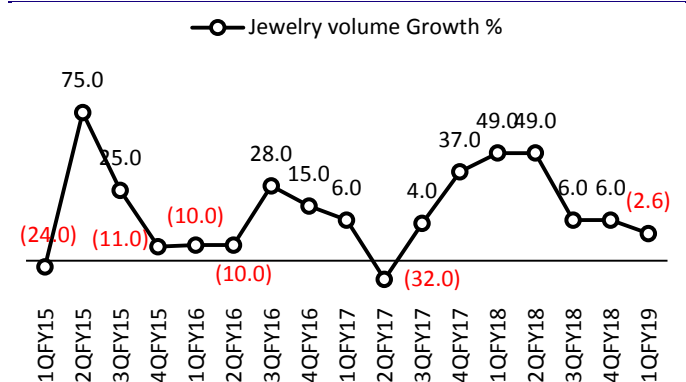
Source: Company, MOSL

Exhibit 2: Tanishq LTL growth stood at 2% for 1QFY19



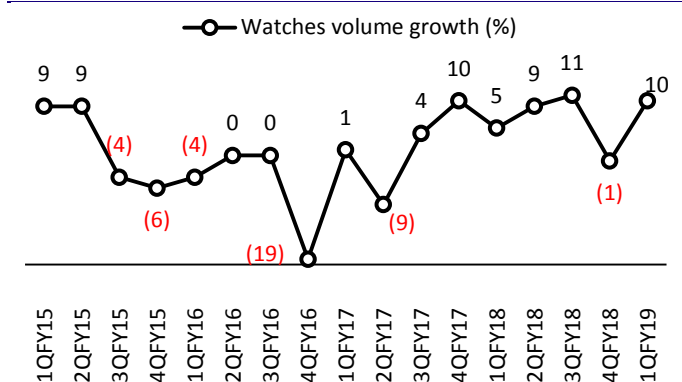
Source: Company, MOSL

Exhibit 3: Jewelry grammage declined 3% YoY in 1QFY19 on a high base of 49% growth



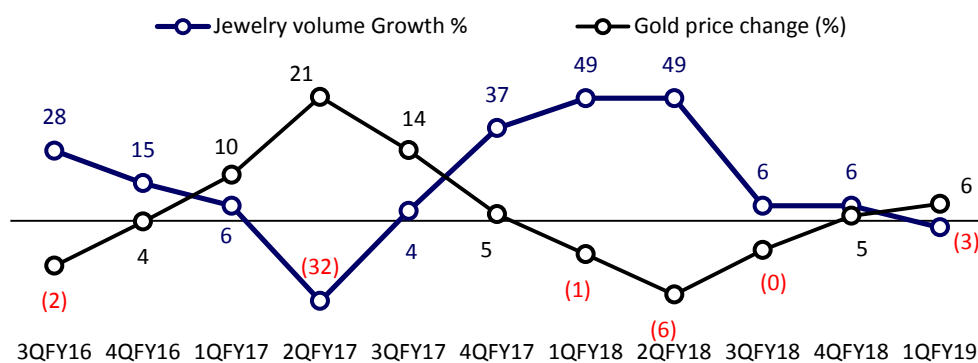
Source: Company, MOSL

Exhibit 4: Watches volumes up 10% YoY in 1QFY19 on a low base



Source: Company, MOSL

Exhibit 5: Jewelry volume growth against the gold price movement



Source: Company, MOSL

Exhibit 6: Jewelry: Key operating parameters

Jewelry	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Volume Gr (%)	(10)	(10)	28	15	6	(32)	4	37	49	49	6	6	(3)
Studded Share (%)	29	24	25	34	24	42	21	30	24	36	25	36	25
Sales Gr (%)	(11)	(32)	20	1	3	0	17	55	59	37	8	14	6

Source: Company, MOSL

Exhibit 7: Tanishq posted LTL retail sales growth of 2% in 1QFY19

Jewellery	1QFY18	4QFY18	1QFY19
	Tanishq+Goldplus	Tanishq+Goldplus	Tanishq+Goldplus
Sales Gr %	55	19	8
LTL Growth %	51	17	2
Stores	241	263	265

Source: Company, MOSL

Exhibit 8: Watches segment sales saw growth of 15% YoY

Watches	1QFY18			4QFY18			1QFY19		
Gr %	Sales Growth	LTL Growth	Stores (x)	Sales Growth	LTL Growth	Stores (x)	Sales Growth	LTL Growth	Stores (x)
World of Titan	9	6	482	(3)	(4)	486	3	2	496
Helios	40	24	54	32	5	70	25	(2)	72
Fastrack	(3)	(3)	161	1	(6)	166	4	0	173
LFS - Watches	20	8	NA	14	11	NA	17	12	NA
Sales Gr (%)	3.8			(2.5)			15.0		
Net sales INR b	5.2			5.4			6.0		

Source: Company, MOSL

Exhibit 9: Titan Eye+: Sales grew 19%, with LTL retail growth of 8%

Titan Eye+	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
Stores	405	413	428	448	457	462	478	500	509
Sales Growth (%)	9	10	10	9	10	10	23	23	19
LTL Growth (%)	(2)	4	4	1	3	3	14	14	8

Source: Company, MOSL

Con-call highlights

Jewelry business

- Titan gained market share again in 1QFY19.
- Jewelry growth in July was at 70% YoY. When adjusted for advancement, the growth was at 40% YoY (with 20% increase in customer acquisition). The last week of July saw activation.
- 1QFY19 sales miss versus expectations of 14-15% means that full-year growth may be ~22-23% based on its earlier targets for the remainder of the year.
- For Titan, June was the only bad month in the first four months of the year as it saw a decline of 20% YoY. Sales in April and May were up 20% YoY.
- The high jewelry margins attained in 1QFY19 may not be sustainable going forward.
- Exchange sales proportion was at 43% in 1QFY19 versus 40% in 1QFY18. Share of exchange sales was up in July. The newly launched range '*Gulnaz*' has done very well.
- Higher studded sales proportion aided EBIT margin growth of 110bp YoY in 1QFY19.
- Store expansion is on target for Titan with 10 stores being added in 1QFY19.

Watches and eyewear

- The company saw 21% YoY sales growth on a comparable basis in 1QFY19.
- Double-digit margins are likely in Watches in FY19. Titan achieved 18.8% margins in watches in 1QFY19. Brand/ mix/ channel/activation can vary on a quarterly basis for Titan. '*Titan*' brand sales were much higher during the quarter resulting in a positive mix.
- Eyewear is on the way to meet 26% YoY growth for the full year. The recent ad campaign has been well received. The company is targeting 3.6m customers in FY19 from 2.3m customers in FY18, but with higher sale of lower-priced products now, average sales per customer will come down.

Other points

- Depreciation increased YoY because they moved from a rented corporate office space to a newly owned one. There is also some accelerated depreciation on furniture and fixture.

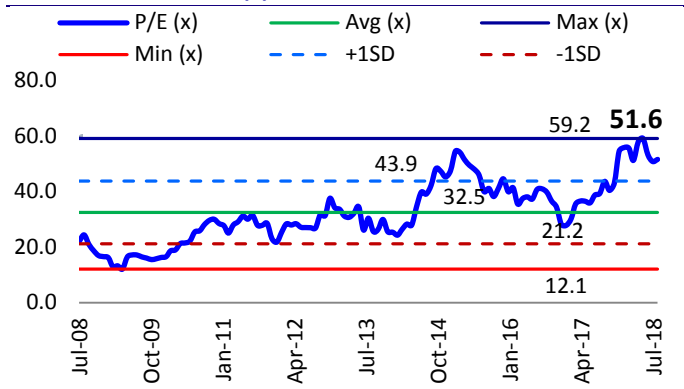
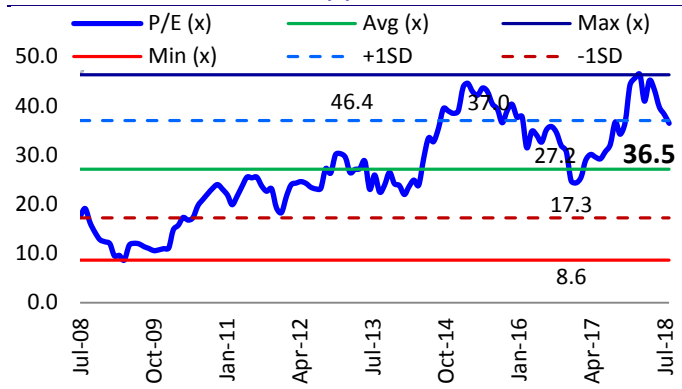
Valuation and view

- There is no material change in our EPS estimate, as the slight downward revision in the Jewelry guidance and higher depreciation are offset by higher EBITDA margins. Jewelry business growth prospects remain robust, and Watches and now Eyewear have also started contributing to growth. High valuations are fully deserved for a business that has perhaps the best top-line growth potential in the large cap FMCG/retail space and also has improving outlook on margins.
- Maintain **Buy** with an unchanged target price of INR1,130 based on 52x Jun'20E EPS (25% premium to three-year average P/E).

Exhibit 10: There is no material change in our FY19/20 EPS estimate

	New		Old		Change (%)	
	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Sales	193,916	234,553	197,292	238,964	-1.7%	-1.8%
EBITDA	21,265	26,500	20,990	26,058	1.3%	1.7%
PAT	14,393	18,208	14,406	18,164	-0.1%	0.2%

Source: Company, MOSL

Exhibit 11: Titan P/E (x)**Exhibit 12: Retail sector P/E (x)**

Financials and valuations

Income Statement

(INR Million)

Y/E March	2014	2015	2016	2017	2018	2019E	2020E
Net Sales	109,158	119,032	112,759	132,608	161,198	193,916	234,553
Change (%)	7.9	9.0	-5.3	17.6	21.6	20.3	21.0
Total Expenditure	98,673	107,496	103,412	121,053	144,751	172,650	208,053
EBITDA	10,484	11,536	9,347	11,555	16,447	21,265	26,500
Change (%)	3.6	10.0	-19.0	23.6	42.3	29.3	24.6
Margin (%)	9.6	9.7	8.3	8.7	10.2	11.0	11.3
Depreciation	656	874	982	1,105	1,314	1,705	1,903
Int. and Fin. Charges	871	807	424	377	529	584	574
Other Income - Recurring	1,202	706	739	705	889	1,014	1,266
Profit before Taxes	10,159	10,562	8,681	10,777	15,492	19,991	25,289
Change (%)	0.9	4.0	-17.8	24.1	43.7	29.0	26.5
Tax	2,761	2,410	1,710	3,021	4,500	5,597	7,081
Tax Rate (%)	27.0	22.0	22.1	25.6	27.6	28.0	28.0
Profit after Taxes	7,411	8,233	6,765	8,018	11,213	14,393	18,208
Change (%)	2.1	11.1	-17.8	18.5	39.9	28.4	26.5
Margin (%)	6.8	6.9	6.0	6.0	7.0	7.4	7.8
Extraordinary income	0	0	0	-1,027	-167	0	0
Reported PAT	7,411	8,233	6,765	6,991	11,047	14,393	18,208

Balance Sheet

(INR Million)

Y/E March	2014	2015	2016	2017	2018	2019E	2020E
Share Capital	888	888	888	888	888	888	888
Reserves	24,352	32,637	34,178	41,700	49,993	50,189	58,382
Net Worth	25,240	33,525	35,066	42,587	50,881	51,077	59,270
Loans	8,063	998	1,131	0	790	500	250
Deferred Tax	-93	64	131	-33	-329	-329	-329
Capital Employed	33,209	34,587	36,327	42,555	51,342	51,248	59,191
Gross Block	10,399	11,824	13,559	9,858	13,384	15,509	17,584
Less: Accum. Depn.	4,495	5,103	6,054	1,220	2,137	3,842	5,745
Net Fixed Assets	5,903	6,720	7,506	8,638	11,247	11,667	11,840
Intangibles	59	102	200	3,337	3,495	3,495	3,495
Capital WIP	329	552	1,067	1,432	430	430	430
Investments	230	290	26	3,937	16	16	16
Curr. Assets, L&A	54,456	50,932	54,624	66,698	79,694	93,629	107,485
Inventory	38,672	40,493	44,472	49,257	59,248	67,501	78,339
Account Receivables	1,520	1,897	1,925	2,076	2,957	3,081	4,177
Cash and Bank Balance	8,925	2,138	1,442	8,159	6,523	10,437	10,467
Others	5,338	6,403	6,785	7,205	10,965	12,610	14,502
Curr. Liab. and Prov.	27,768	24,010	27,095	41,488	43,540	57,989	64,074
Current Liabilities	23,938	22,943	25,794	40,056	41,909	56,579	62,663
Provisions	3,830	1,067	1,302	1,433	1,631	1,411	1,411
Net Current Assets	26,688	26,922	27,529	25,210	36,154	35,640	43,411
Application of Funds	33,209	34,587	36,327	42,555	51,342	51,248	59,191

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	2014	2015	2016	2017	2018	2019E	2020E
Basic (INR)							
EPS	8.3	9.3	7.6	9.0	12.6	16.2	20.5
Cash EPS	9.1	10.3	8.7	10.2	14.0	18.1	22.7
BV/Share	28.4	37.8	39.5	48.0	57.3	57.5	66.8
DPS	2.4	2.8	5.4	3.6	4.6	8.1	11.3
Payout %	28.6	29.8	70.3	39.7	36.3	50.0	55.0
Valuation (x)							
P/E	109.9	99.0	120.4	101.6	72.7	56.6	44.8
Cash P/E	101.0	89.5	105.6	89.7	65.5	50.6	40.5
EV/Sales	7.5	6.8	7.2	6.1	5.0	4.2	3.4
EV/EBITDA	77.6	70.5	87.1	69.5	49.2	37.8	30.4
P/BV	32.3	24.3	23.2	19.1	16.0	16.0	13.7
Dividend Yield (%)	0.3	0.3	0.6	0.4	0.5	0.9	1.2
Return Ratios (%)							
RoE	33.0	28.0	19.7	20.6	24.0	28.2	33.0
RoCE	30.5	26.1	20.0	21.0	24.7	28.9	33.7
RoIC	45.7	30.0	19.9	24.8	29.8	33.2	40.0
Working Capital Ratios							
Debtor (Days)	5	6	6	6	7	6	7
Asset Turnover (x)	3.3	3.4	3.1	3.1	3.1	3.8	4.0
Leverage Ratio							
Debt/Equity (x)	0.3	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

(INR Million)

Y/E March	2014	2015	2016	2017	2018	2019E	2020E
OP/(loss) before Tax	10,159	10,562	8,681	10,777	15,492	19,991	25,289
Int./Div. Received	-1,202	-706	-739	-705	-889	-1,014	-1,266
Deferred Revenue Exp.	0	0	0	0	0	0	0
Depreciation & Amort.	656	874	982	1,105	1,314	1,705	1,903
Interest Paid	871	807	424	377	529	584	574
Direct Taxes Paid	2,761	2,410	1,710	3,021	4,500	5,597	7,081
Incr in WC	14,588	7,021	1,302	-9,036	12,580	-4,428	7,741
CF from Operations	-6,864	2,105	6,335	17,570	-633	20,096	11,678
Extraordinary Income	0	0	0	-1,027	-167	0	0
Incr in FA	1,806	1,691	2,348	-198	2,681	2,125	2,075
Free Cash Flow	-8,670	414	3,987	16,741	-3,481	17,971	9,603
Investments	44	61	-265	3,912	-3,921	0	0
CF from Invest.	-1,850	-1,752	-2,084	-4,741	1,074	-2,125	-2,075
Issue of Shares	0	0	3	16	0	0	0
Incr in Debt	8,002	-7,065	133	-1,131	790	-290	-250
Dividend Paid	2,181	2,116	2,458	4,757	2,778	4,014	7,851
Others	-453	-2,041	2,625	240	89	9,753	1,473
CF from Fin. Activity	6,274	-7,140	-4,948	-6,112	-2,077	-14,057	-9,574
Incr/Decr of Cash	-2,440	-6,787	-696	6,718	-1,637	3,914	30
Add: Opening Balance	11,365	8,925	2,138	1,442	8,159	6,523	10,437
Closing Balance	8,925	2,138	1,442	8,160	6,523	10,437	10,466

E: MOSL Estimates

Corporate profile

Company description

Titan Industries (TTAN) is one of India's largest specialty retailers. It is the market leader in Watches and a pioneer in Branded Jewelry. The company's economy segment watch, Sonata is the largest selling watch in the country. TTAN entered the branded jewelry segment in 1996 with the brand and remains the largest player in this segment.

Exhibit 1: Sensex rebased

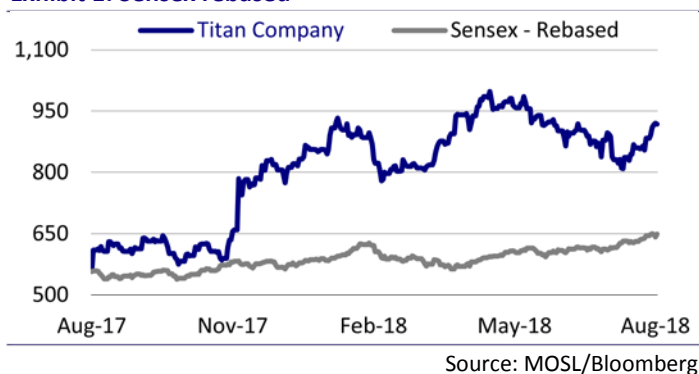


Exhibit 2: Shareholding pattern (%)

	Jun-18	Mar-18	Jun-17
Promoter	52.9	52.9	53.1
DII	6.6	6.3	5.4
FII	20.5	20.7	21.6
Others	20.0	20.1	19.9

Note: FII Includes depository receipts

Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
Jhunjhunwala Rakesh Radheshyam	5.8
Matthews Pacific Tiger Fund	1.9
Life Insurance Corporation Of India	1.7
Jhunjhunwala Rekha Rakesh	1.3
Jhunjhunwala Rakesh Radheshyam	5.8

Source: Capitaline

Exhibit 4: Top management

Name	Designation
K Gnanadesikan	Chairman
N N Tata	Vice Chairman
Bhaskar Bhat	Managing Director
Ramesh Chand Meena	Nominee (TIDCO)

Source: Capitaline

Exhibit 5: Directors

Name	Name
Harish Bhat	Hema Ravichandar*
Ashwani Puri*	Ireena Vittal*
Das Narayan Das*	T K Balaji*

*Independent

Exhibit 6: Auditors

Name	Type
B S R & Co LLP	Statutory
Vijayakrishna K T	Secretarial Audit

Source: Capitaline

Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY19	16.2	17.3	-6.5
FY20	20.5	21.5	-4.5

Source: Bloomberg

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>= 15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst becomes inconsistent with the investment rating legend, the Research Analyst shall within 28 days of the inconsistency, take appropriate measures to make the recommendation consistent with the investment rating legend.

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