

# Titan Company

Refer to important disclosures at the end of this report

## Growth and margin outlook improving

**CMP: Rs 1,217**  
as of (October 28, 2020)

**TP: Rs 1,300 (▲)**  
12 months

**Rating: BUY (■)**

**Upside: 6.8 %**

- Excluding the hedging impact of Rs4.8bn, comparable revenue fell 14% to Rs38.3bn. Comparable Jewelry revenue was down ~16% whereas watches/eyewear declined ~44%/39%. Reported revenue declined 3%. EBITDA declined 36% (excl one-offs) and was 20% below estimates.
- Adjusted gross margins fell sharply due to low studded mix (26% vs. 38% YoY) and lower contribution from watches/eyewear. Cost saving was strong, restricting comparable EBITDA margin decline to ~200bps. Further recovery in sales and strong cost savings program can drive sharp margin gains in the coming quarters.
- Titan alluded to market share gains by highlighting relatively faster recovery than peers. Festive demand has been healthy so far (high single-digit growth) and can further improve. Wedding demand was strong and we expect a boost from the upcoming wedding season.
- Faster-than-expected recovery in jewelry, market share gains and impressive cost saving offer a better earnings growth outlook over FY22-23E. We raise estimates by 4-8%. Maintain Buy with a revised TP of Rs1,300 (from Rs1215).

**Jewelry recovery remains strong; good start to festive season:** Comparable Jewelry revenue (excluding hedging and bullion impact) recovered to 84%, whereas Watch/Eyewear segments recovered to 56%/61% of Q2FY20 level (vs. 45%/10%/20% recovery in Q1FY21). Jewelry/Watch volumes recovered with YoY declines of 31%/48% in Q2 (vs. 81%/93% decline in Q1FY21). Titan indicated high single-digit growth in the first 10 days of the festive season, which appears positive and may see more upsides as the wedding season kicks in. Store expansion in jewelry has been stepped up with 14 store addition in H1 and expects to add 30-34 new Tanishq stores (largely L2 stores) in FY21E. Commentary indicated strong market share gains in jewelry and full recovery in watches by Q4.

**Studded mix improvement, eyewear turnaround and cost savings to drive margin gains ahead:** We estimate comparable gross margin decline of ~450bps YoY due to lower studded mix (26% vs. 38% in Q2FY20), high discounting and low mix of watches/eyewear. Management expects margins to recover with improvement in studded mix and continued recovery in watches and eyewear. Notably, operating expenses dived ~34%, restricting the comparable EBITDA margin decline to 200bps YoY (vs. reported 500bps decline). Strong cost saving program and full recovery in sales point to a strong margin outlook ahead.

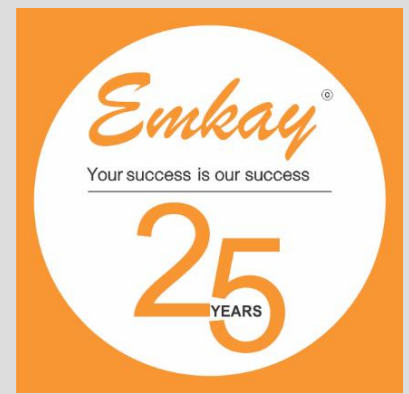
**Jewelry recovery may continue to surprise; maintain Buy:** Faster recovery in jewelry is positive and with renewed store expansion, we raise estimates by 4-8%. Recovery in growth and along with cost savings provides scope for strong margins ahead. We maintain Buy/OW in EAP, with a revised TP of Rs1,300 (from Rs1,215), based on 47x Dec'22E EPS.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Consumer Goods & Retail \(page 9\)](#)

### Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	1,90,700	2,00,096	1,71,562	2,47,617	2,91,017
EBITDA	20,022	24,177	17,022	30,859	37,682
EBITDA Margin (%)	10.5	12.1	9.9	12.5	12.9
APAT	15,292	15,176	10,298	20,394	25,312
EPS (Rs)	17.2	17.1	11.6	23.0	28.5
EPS (% chg)	24.3	(0.8)	(32.1)	98.0	24.1
ROE (%)	26.9	23.3	14.5	25.0	25.6
P/E (x)	70.7	71.2	104.9	53.0	42.7
EV/EBITDA (x)	53.4	44.5	62.8	34.6	28.1
P/BV (x)	17.5	15.8	14.6	12.1	10.0

Source: Company, Emkay Research



### Change in Estimates

EPS Chg FY21E/FY22E (%)	(3)/4
Target Price change (%)	7.0
Target Period (Months)	12
Previous Reco	BUY

### Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	11.6	23.0
Consensus	10.7	21.2
Mean Consensus TP (12M)	Rs 1,132	

### Stock Details

Bloomberg Code	TTAN IN
Face Value (Rs)	1
Shares outstanding (mn)	888
52 Week H/L	1,347 / 720
M Cap (Rs bn/USD bn)	1,080 / 14.63
Daily Avg Volume (nos.)	33,15,674
Daily Avg Turnover (US\$ mn)	51.5

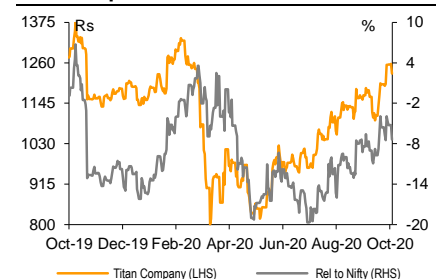
### Shareholding Pattern Sep '20

Promoters	52.9%
FIIIs	18.1%
DIIIs	11.0%
Public and Others	18.1%

### Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	7	16	30	(8)
<b>Rel. to Nifty</b>	2	11	4	(9)

### Relative price chart



Source: Bloomberg

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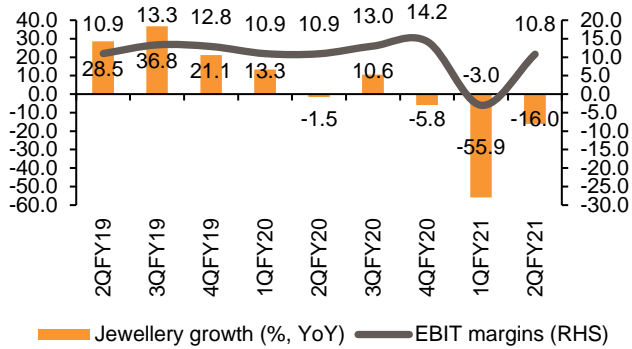
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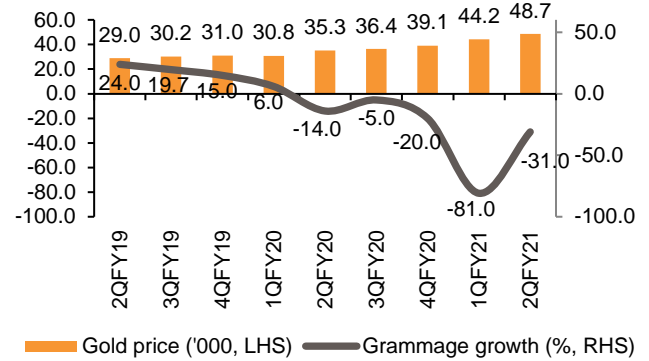
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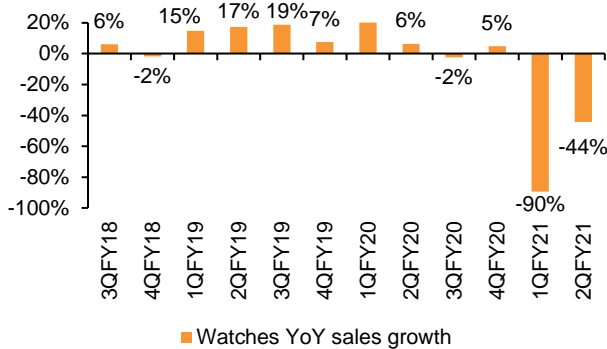
## Story in Charts

**Exhibit 1: Decent recovery in jewelry sales and margins**


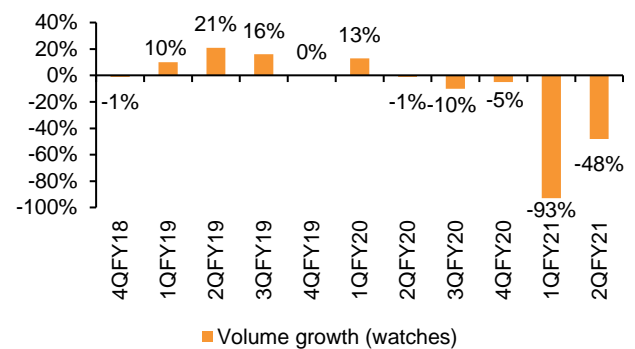
Source: Company, Emkay Research\*comparable figures for Q2FY21

**Exhibit 2: QoQ recovery in gold grammage has been healthy**


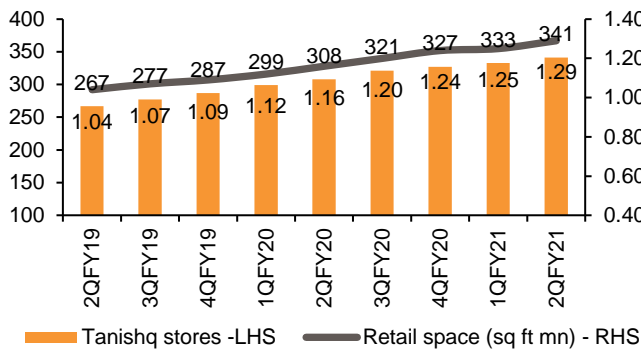
Source: Company, Emkay Research

**Exhibit 3: Recovery in watch segment has been relatively slow**


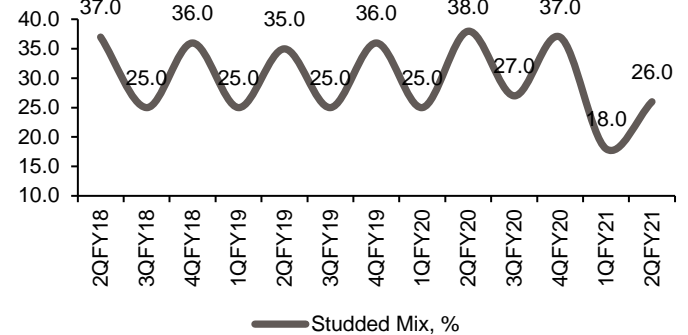
Source: Company, Emkay Research

**Exhibit 4: Volume growth of watches impacted by lower outings**


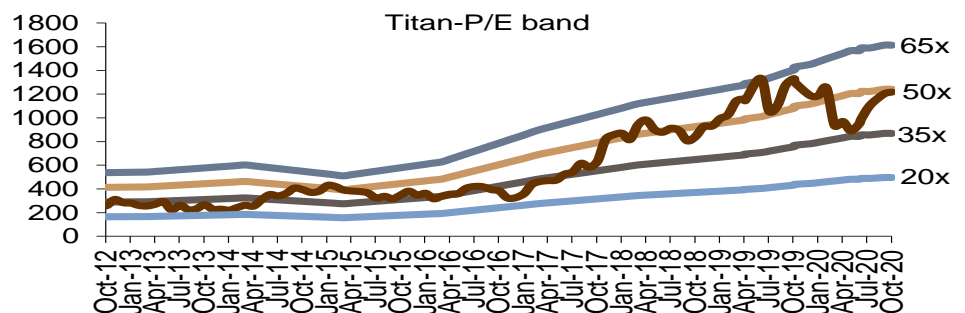
Source: Company, Emkay Research

**Exhibit 5: Expansion of Tanishq continues despite challenges**


Source: Emkay Research, Company

**Exhibit 6: Studded mix recovered but still remained low YoY**


Source: Emkay Research, Company

**Exhibit 7: One-year forward PE band**


Source: Company, Emkay Research

**Exhibit 8: Actual vs. Estimates (Q2FY21)**

Rs mn	Actual	Estimates		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenues	43,180	42,792	40,179	0.9%	7.5%	Revenue in line
EBITDA	2,940	4,163	4,074	-29.4%	-27.8%	EBITDA lower due to one-offs and higher hedging losses
EBITDA Margin (%)	6.8%	9.7%	10.1%	-292	-333	
APAT	1,985	2,358	2,146	-15.8%	-7.5%	PAT was lower due to lower EBITDA

Source: Company, Emkay Research

**Exhibit 9: Changes in estimates**

Y/E, Mar (Rs. mn)	FY21E			FY22E			FY23E		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	%Change
Revenues	1,67,393	1,71,562	2.5	2,33,604	2,47,617	6.0	2,73,709	2,91,017	6.3
EBITDA	15,366	14,580	-5.1	27,218	28,173	3.5	32,296	34,674	7.4
EBITDA Margin (%)	9.2	8.5	-70 bps	11.7	11.4	-30 bps	11.8	11.9	10 bps
APAT	10,661	10,298	-3.4	19,638	20,394	3.9	23,481	25,312	7.8
EPS (Rs)	12.0	11.6	-3.4	22.1	23.0	3.9	26.4	28.5	7.8

Source: Company, Emkay Research

**Exhibit 10: Quarterly performance (standalone)**

Y/E, Mar (Rs m)	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	YoY (%)	QoQ (%)	FY20TD	FY21TD	YoY (%)
<b>Revenue</b>	<b>44,350</b>	<b>62,062</b>	<b>44,288</b>	<b>18,620</b>	<b>43,180</b>	<b>-2.6</b>	<b>131.9</b>	<b>93,747</b>	<b>61,800</b>	<b>-34.1</b>
<b>Expenditure</b>	<b>39,218</b>	<b>54,706</b>	<b>38,251</b>	<b>21,080</b>	<b>40,240</b>	<b>2.6</b>	<b>90.9</b>	<b>82,962</b>	<b>61,320</b>	<b>-26.1</b>
Consumption of RM	31,378	46,627	30,978	14,780	29,870	-4.8	102.1	67,513	44,650	-33.9
as % of sales	70.8%	75.1%	69.9%	79.4%	69.2%			72.0%	72.2%	
Employee Cost	2,657	2,851	2,440	2,220	2,120	-20.2	-4.5	5,111	4,340	-15.1
as % of sales	6.0%	4.6%	5.5%	11.9%	4.9%			5.5%	7.0%	
Advertising & SP	1,254	1,412	759	160	510	-59.3	218.8	2,595	670	-74.2
as % of sales	2.8%	2.3%	1.7%	0.9%	1.2%			2.8%	1.1%	
Other expenditure	3,929	3,816	4,074	3,920	7,740	97.0	97.4	7,744	11,660	50.6
as % of sales	8.9%	6.1%	9.2%	21.1%	17.9%			8.3%	18.9%	
<b>EBITDA</b>	<b>5,132</b>	<b>7,356</b>	<b>6,037</b>	<b>-2,460</b>	<b>2,940</b>	<b>-42.7</b>	<b>-219.5</b>	<b>10,785</b>	<b>480</b>	<b>-95.5</b>
Depreciation	737	777	902	820	830	12.6	1.2	1,418	1,650	16.3
<b>EBIT</b>	<b>4,395</b>	<b>6,579</b>	<b>5,135</b>	<b>-3,280</b>	<b>2,110</b>	<b>-52.0</b>	<b>-164.3</b>	<b>9,367</b>	<b>-1,170</b>	<b>-112.5</b>
Other Income	307	197	401	390	710	131.4	82.1	867	1,100	26.9
Interest	408	405	379	460	440	8.0	-4.3	711	900	26.7
<b>PBT</b>	<b>4,294</b>	<b>6,371</b>	<b>5,156</b>	<b>-3,350</b>	<b>2,380</b>	<b>-44.6</b>	<b>-171.0</b>	<b>9,523</b>	<b>-970</b>	<b>-110.2</b>
Total Tax	1,093	1,671	1,588	-650	390	-64.3	-160.0	2,614	-260	-109.9
<b>PAT after MI</b>	<b>3,202</b>	<b>4,699</b>	<b>3,568</b>	<b>-2,700</b>	<b>1,990</b>	<b>-37.8</b>	<b>-173.7</b>	<b>6,909</b>	<b>-710</b>	<b>-110.3</b>
Extra ordinary items	0	0	0	0	0			0	0	
Reported PAT	3,202	4,699	3,568	-2,700	1,990	-37.8	-173.7	6,909	-710	-110.3
<b>Adjusted PAT</b>	<b>3,196</b>	<b>4,695</b>	<b>3,562</b>	<b>-2,712</b>	<b>1,985</b>	<b>-37.9</b>	<b>-173.2</b>	<b>6,898</b>	<b>-727</b>	<b>-110.5</b>
<b>Adjusted EPS</b>	<b>3.6</b>	<b>5.3</b>	<b>4.0</b>	<b>-3.1</b>	<b>2.2</b>	<b>-37.9</b>	<b>-173.2</b>	<b>7.8</b>	<b>-0.8</b>	<b>-110.5</b>

Margins (%)						(bps)	(bps)			(bps)
EBIDTA	11.6	11.9	13.6	-13.2	6.8	-480	2,000	11.5	0.8	-1,070
EBIT	9.9	10.6	11.6	-17.6	4.9	-500	2,250	10.0	-1.9	-1,190
EBT	9.7	10.3	11.6	-18.0	5.5	-420	2,350	10.2	-1.6	-1,170
PAT	7.2	7.6	8.0	-14.6	4.6	-260	1,920	7.4	-1.2	-850
Effective Tax rate	25.4	26.2	30.8	19.4	16.4	-910	-300	27.4	26.8	-60

Source: Company, Emkay Research

**Exhibit 11: Segment performance**

Revenue (Rs mn)	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	YoY (%)	QoQ (%)	FY20TD	FY21TD	YoY (%)
Watches	7,187	6,253	5,568	750	4,000	-44.3	433.3	14,333	4,750	-66.9
Jewelry	35,278	54,087	37,544	17,830	38,370	8.8	115.2	75,752	56,200	-25.8
Eyewear	1,542	1,333	1,077	300	940	-39.0	213.3	3,030	1,240	-59.1
Others	440	494	415	40	230	-47.7	475.0	803	270	-66.4
Corporate	210	92	85	90	350	66.8	288.9	695	440	-36.7
<b>Total</b>	<b>44,657</b>	<b>62,259</b>	<b>44,688</b>	<b>19,010</b>	<b>43,890</b>	<b>-1.7</b>	<b>130.9</b>	<b>94,613</b>	<b>62,900</b>	<b>-33.5</b>
<b>EBIT (Rs mn)</b>										
Watches	1,134	521	722	-1,640	-40	-103.5	-97.6	2,410	(1,680)	-169.7
Jewelry	3,841	7,013	5,339	-540	2,850	-25.8	-627.8	8,261	2,310	-72.0
Eyewear	20	-67	18	-310	90	352.3	-129.0	(94)	(220)	133.1
Others	-98	-92	-209	-180	-100	1.8	-44.4	(284)	(280)	-1.2
<b>Total</b>	<b>4,897</b>	<b>7,375</b>	<b>5,870</b>	<b>-2,670</b>	<b>2,800</b>	<b>-42.8</b>	<b>-204.9</b>	<b>10,294</b>	<b>130</b>	<b>-98.7</b>
<b>Margin (%)</b>										
Watches	15.8	8.3	13.0	(218.7)	(1.0)	-1,680	21,770	16.8	(35.4)	-5,220
Jewelry	10.9	13.0	14.2	(3.0)	7.4	-350	1,050	10.9	4.1	-680
Eyewear	1.3	(5.0)	1.7	(103.3)	9.6	830	11,290	(3.1)	(17.7)	-1,460
Others	(22.3)	(18.6)	(50.3)	(450.0)	(43.5)	-2,110	40,650	(35.3)	(103.7)	-6,840
<b>Total</b>	<b>11.0</b>	<b>11.8</b>	<b>13.1</b>	<b>(14.0)</b>	<b>6.4</b>	<b>-460</b>	<b>2,040</b>	<b>10.9</b>	<b>0.2</b>	<b>-1,070</b>

Source: Company, Emkay Research

**Exhibit 12: Quarterly snapshot of retail growth**

Particulars	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21
World of Titan	8%	0%	9%	6%	-1%	11%	-7%	-59%	-50%
Tanishq	38%	34%	20%	16%	7%	15%	-4%	-23%	-4%
Titan Eye+	18%	23%	21%	20%	35%	11%	-8%	-46%	-35%
Fastrack	10%	4%	8%	4%	-7%	1%	-10%	-64%	-50%
Helios	45%	16%	14%	8%	9%	23%	10%	-51%	-34%
LFS (Watches)	33%	20%	20%	16%	6%	8%	-9%	-86%	-66%

Source: Company, Emkay Research

**Exhibit 13: Quarterly snapshot of LTL growth**

Particulars	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21
World of Titan	9%	-2%	7%	6%	-3%	11%	-9%	-51%	-49%
Tanishq	32%	27%	14%	10%	2%	9%	-9%	-18%	-9%
Titan Eye+	8%	13%	14%	14%	28%	3%	-16%	-44%	-34%
Fastrack	6%	-1%	2%	1%	-12%	-4%	-12%	-58%	-47%
Helios	16%	6%	6%	5%	1%	12%	-3%	-29%	-30%
LFS (Watches)	26%	15%	16%	12%	1%	3%	5%	-84%	-67%

Source: Company, Emkay Research

**Exhibit 14: Peer comparison**

Companies	Price (Rs)	Mcap (Rs bn)	Target Price (Rs)	Reco	EPS (Rs)			P/E (x)			EV / EBITDA (x)		
					FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
<b>Titan Company</b>	1,217	1,080	1,300	Buy	17.1	11.6	23.0	71.2	104.9	53.0	62.8	34.6	28.1
Jubilant FoodWorks	2,180	288	2,400	Buy	24.5	27.4	41.6	89.0	79.6	52.4	29.8	22.7	19.3
Page Industries	20,197	225	17,800	Hold	307.7	278.5	409.5	65.6	72.5	49.3	45.0	31.7	27.7
ABFRL	158	131	180	Buy	(1.9)	-4.4	0.8	-84.0	-35.7	204.6	19.9	11.3	9.7
Shoppers Stop	176	16	210	Hold	(13.7)	-33.2	-5.1	-12.8	-5.3	-34.5	15.6	2.8	2.5

Source: Company, Emkay Research

## Other Key Highlights

- **H2FY21 Outlook:** Titan has seen high single-digit growth in the first 10 days of the festive month. Titan continues to expect growth to return in Q4FY21E.
- **Jewelry:** Comparable revenue declined 16% YoY in Q2FY21. Adj. EBIT margins at ~10.8% were stable YoY despite much lower studded mix (26% vs. 38% in Q2FY20). This is due to a healthy cut in operating expenses for the segment. Titan expects bunched up weddings to help sales in Q3FY21E. Titan alluded to market share gains by indicating big time challenges to unorganized players, 55-70% recovery in standalone players and slower recovery relative to Tanishq in other regional/national chains as well.
- **Watches:** Recovery has been decent at ~56% in Q2FY21 (vs. ~10% recovery in Q1FY21). However, Titan reported a loss of Rs40mn at the EBIT level. Titan expects a recovery in margins with the return of growth. However, it indicated investments in the analog and wearables segments to delay margin recovery slightly.
- **Eyewear:** Recovery has been decent at ~61% in Q2FY21 (vs. ~20% recovery in Q1FY21). However, the segment reported a healthy improvement in margins with an operating profit of Rs90mn in Q2FY21, despite a ~40% decline in revenues. Titan expects FY22/23 margins to recover strongly for this segment.
- **Store openings:** All stores are currently operational. Titan expects to open 30-34 stores in the Tanishq segment (vs. 40 stores in FY20) and 30 stores in the eyewear segment in FY21E.
- Rental negotiations led to a one-time gain of Rs0.3bn in Q2FY21 and Rs0.5bn in H1FY21.
- Titan sold low-margin Gold bullion worth Rs3.9bn/Rs9.9bn in Q2FY21/H2FY21.
- Ineffective hedges and one-time loss recognition pertaining to receivables led to an increase in other expenses by Rs4.8bn/Rs0.34bn, respectively. Adjusting for these, other expenses declined ~35% YoY.
- **Golden harvest scheme** has seen a new enrolment recovery of 85% in Q2FY21. Titan expects Q1FY22E revenues to be affected by lower GHS enrolments in Q1FY21. However, Titan indicated that it has introduced shorter duration schemes to compensate for this loss.

**Key Financials (Standalone)****Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>1,90,700</b>	<b>2,00,096</b>	<b>1,71,562</b>	<b>2,47,617</b>	<b>2,91,017</b>
<b>Expenditure</b>	<b>1,70,678</b>	<b>1,75,919</b>	<b>1,54,540</b>	<b>2,16,758</b>	<b>2,53,334</b>
<b>EBITDA</b>	<b>20,022</b>	<b>24,177</b>	<b>17,022</b>	<b>30,859</b>	<b>37,682</b>
Depreciation	1,389	3,097	3,265	3,622	4,067
<b>EBIT</b>	<b>18,633</b>	<b>21,080</b>	<b>13,758</b>	<b>27,237</b>	<b>33,615</b>
Other Income	1,785	1,232	1,532	1,532	1,839
Interest expenses	445	1,263	1,523	1,505	1,614
<b>PBT</b>	<b>19,974</b>	<b>21,050</b>	<b>13,767</b>	<b>27,264</b>	<b>33,840</b>
Tax	5,530	5,873	3,469	6,871	8,528
Extraordinary Items	(700)	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
<b>Reported Net Income</b>	<b>13,744</b>	<b>15,176</b>	<b>10,298</b>	<b>20,394</b>	<b>25,312</b>
<b>Adjusted PAT</b>	<b>15,292</b>	<b>15,176</b>	<b>10,298</b>	<b>20,394</b>	<b>25,312</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	888	888	888	888	888
Reserves & surplus	60,929	67,361	73,219	88,286	1,07,384
<b>Net worth</b>	<b>61,817</b>	<b>68,249</b>	<b>74,107</b>	<b>89,174</b>	<b>1,08,272</b>
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Loan Funds</b>	<b>0</b>	<b>6,262</b>	<b>6,262</b>	<b>6,262</b>	<b>6,262</b>
Net deferred tax liability	(848)	(1,721)	(1,721)	(1,721)	(1,721)
<b>Total Liabilities</b>	<b>60,970</b>	<b>72,790</b>	<b>78,649</b>	<b>93,716</b>	<b>1,12,813</b>
<b>Net block</b>	<b>10,699</b>	<b>10,957</b>	<b>11,031</b>	<b>13,099</b>	<b>15,048</b>
<b>Investment</b>	<b>8,759</b>	<b>9,831</b>	<b>9,831</b>	<b>9,831</b>	<b>9,831</b>
<b>Current Assets</b>	<b>94,142</b>	<b>97,902</b>	<b>1,02,608</b>	<b>1,31,125</b>	<b>1,58,484</b>
Cash & bank balance	10,010	3,560	10,333	12,876	20,529
Other Current Assets	309	2,530	2,538	2,547	2,557
<b>Current liabilities &amp; Provision</b>	<b>52,881</b>	<b>46,007</b>	<b>45,321</b>	<b>60,839</b>	<b>71,050</b>
<b>Net current assets</b>	<b>41,261</b>	<b>51,895</b>	<b>57,287</b>	<b>70,285</b>	<b>87,434</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>60,970</b>	<b>72,790</b>	<b>78,649</b>	<b>93,716</b>	<b>1,12,813</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>18,189</b>	<b>19,817</b>	<b>12,235</b>	<b>25,732</b>	<b>32,001</b>
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(3,854)	(17,958)	1,381	(10,455)	(9,497)
<b>Operating Cashflow</b>	<b>10,171</b>	<b>346</b>	<b>14,934</b>	<b>13,533</b>	<b>19,658</b>
Capital expenditure	(2,189)	(3,211)	(3,731)	(5,690)	(6,016)
<b>Free Cash Flow</b>	<b>7,982</b>	<b>(2,865)</b>	<b>11,203</b>	<b>7,843</b>	<b>13,642</b>
Investments	(1,422)	(1,072)	0	0	0
Other Investing Cash Flow	0	0	0	0	0
<b>Investing Cashflow</b>	<b>(1,825)</b>	<b>(3,050)</b>	<b>(2,199)</b>	<b>(4,158)</b>	<b>(4,178)</b>
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	0	6,262	0	0	0
Dividend paid (incl tax)	(4,014)	(5,351)	(4,439)	(5,327)	(6,215)
Other Financing Cash Flow	0	(3,394)	0	0	0
<b>Financing Cashflow</b>	<b>(4,458)</b>	<b>(3,746)</b>	<b>(5,962)</b>	<b>(6,832)</b>	<b>(7,828)</b>
<b>Net chg in cash</b>	<b>3,887</b>	<b>(6,450)</b>	<b>6,773</b>	<b>2,543</b>	<b>7,652</b>
Opening cash position	6,123	10,010	3,560	10,333	12,876
<b>Closing cash position</b>	<b>10,010</b>	<b>3,560</b>	<b>10,333</b>	<b>12,876</b>	<b>20,529</b>

Source: Company, Emkay Research

**Key Ratios**

<b>Profitability (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EBITDA Margin	10.5	12.1	9.9	12.5	12.9
EBIT Margin	9.8	10.5	8.0	11.0	11.6
Effective Tax Rate	27.7	27.9	25.2	25.2	25.2
Net Margin	7.6	7.6	6.0	8.2	8.7
ROCE	36.3	35.0	22.0	36.0	36.5
ROE	26.9	23.3	14.5	25.0	25.6
RoIC	46.9	41.6	23.5	42.4	44.1

<b>Per Share Data (Rs)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EPS	17.2	17.1	11.6	23.0	28.5
CEPS	18.8	20.6	15.3	27.1	33.1
BVPS	69.6	76.9	83.5	100.4	122.0
DPS	3.7	5.0	5.0	6.0	7.0

<b>Valuations (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
PER	70.7	71.2	104.9	53.0	42.7
P/CEPS	64.8	59.1	79.7	45.0	36.8
P/BV	17.5	15.8	14.6	12.1	10.0
EV / Sales	5.6	5.4	6.2	4.3	3.6
EV / EBITDA	53.4	44.5	62.8	34.6	28.1
Dividend Yield (%)	0.3	0.4	0.4	0.5	0.6

<b>Gearing Ratio (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Net Debt/ Equity	(0.2)	(0.1)	(0.1)	(0.2)	(0.2)
Net Debt/EBIDTA	(0.5)	(0.2)	(0.7)	(0.4)	(0.6)
Working Cap Cycle (days)	59.8	88.2	99.9	84.6	83.9

<b>Growth (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Revenue	22.1	4.9	(14.3)	44.3	17.5
EBITDA	15.5	20.8	(29.6)	81.3	22.1
EBIT	14.8	13.1	(34.7)	98.0	23.4
PAT	18.2	10.4	(32.1)	98.0	24.1

<b>Quarterly (Rs mn)</b>	<b>Q2FY20</b>	<b>Q3FY20</b>	<b>Q4FY20</b>	<b>Q1FY21</b>	<b>Q2FY21</b>
Revenue	44,350	62,062	44,288	18,620	43,180
EBITDA	5,132	7,356	6,037	(2,460)	2,940
<b>EBITDA Margin (%)</b>	<b>11.6</b>	<b>11.9</b>	<b>13.6</b>	<b>(13.2)</b>	<b>6.8</b>
PAT	3,202	4,699	3,568	(2,700)	1,990
<b>EPS (Rs)</b>	<b>3.6</b>	<b>5.3</b>	<b>4.0</b>	<b>(3.0)</b>	<b>2.2</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Sep-19</b>	<b>Dec-19</b>	<b>Mar-20</b>	<b>Jun-20</b>	<b>Sep-20</b>
Promoters	52.9	52.9	52.9	52.9	52.9
FII	18.8	18.3	17.7	17.6	18.1
DII	8.7	9.1	10.9	10.8	11.0
Public and Others	19.7	19.7	18.5	18.7	18.1

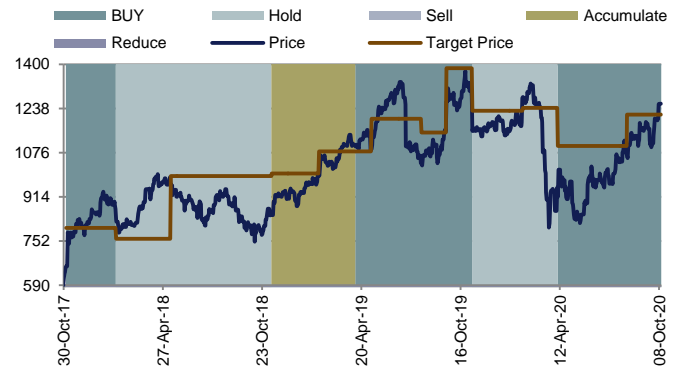
Source: Capitaline

## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
07-Oct-20	1,254	1,215	12m	Buy	Ashit Desai
11-Aug-20	1,066	1,215	12m	Buy	Ashit Desai
10-Jun-20	977	1,100	12m	Buy	Ashit Desai
14-Apr-20	967	1,100	12m	Buy	Ashit Desai
08-Apr-20	913	1,100	12m	Buy	Ashit Desai
05-Feb-20	1,280	1,240	12m	Hold	Ashit Desai
25-Dec-19	1,204	1,230	12m	Hold	Ashit Desai
06-Nov-19	1,156	1,230	12m	Hold	Ashit Desai
20-Sep-19	1,264	1,385	12m	Buy	Ashit Desai
06-Aug-19	1,047	1,150	12m	Buy	Ashit Desai
08-May-19	1,089	1,200	12m	Buy	Ashit Desai
09-Apr-19	1,099	1,080	12m	Buy	Ashit Desai
02-Feb-19	992	1,080	12m	Accumulate	Ashit Desai
09-Nov-18	848	1,000	12m	Accumulate	Ashit Desai
11-May-18	956	990	12m	Hold	Amit Purohit
01-Feb-18	831	760	12m	Hold	Amit Purohit
03-Nov-17	660	800	12m	Buy	Amit Purohit

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research



## Emkay Alpha Portfolio – Consumer Goods & Retail



### Analyst: Ashit Desai

#### Contact Details

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+91 22 6612 1340

#### Sector

Consumer Goods & Retail

#### Analyst bio

Ashit Desai holds a PGDM and FRM (US GARP) with 12 years of research experience on the sell side. His team currently covers 24 stocks in the Indian Consumer and Retail space.

### EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
<b>Consumer Goods &amp; Retail</b>	<b>11.87</b>	<b>11.87</b>	<b>0%</b>	<b>0</b>	<b>100.00</b>
Asian Paints	1.51	0.75	-50%	-76	6.33
Berger Paints	0.23	0.00	-100%	-23	0.00
Britannia Industries	0.64	0.92	43%	28	7.74
Colgate-Palmolive	0.31	0.38	20%	6	3.16
Dabur India	0.45	0.50	12%	5	4.23
Emami	0.12	0.00	-100%	-12	0.00
Godrej Consumer Products	0.40	0.47	19%	8	3.98
Hindustan Unilever	2.97	2.39	-19%	-57	20.16
ITC	2.23	2.47	11%	24	20.83
Marico	0.28	0.33	18%	5	2.81
Nestle India	0.94	0.76	-19%	-18	6.42
Pidilite Industries	0.36	0.00	-100%	-36	0.00
Radico Khaitan	0.00	0.38	NA	38	3.19
United Breweries	0.10	0.45	362%	35	3.75
United Spirits	0.00	0.29	NA	29	2.44
Varun Beverages	0.10	0.22	130%	13	1.89
ABFRL	0.08	0.28	252%	20	2.36
Jubilant FoodWorks	0.21	0.22	9%	2	1.89
Page Industries	0.18	0.00	-100%	-18	0.00
Shoppers Stop	0.00	0.00	NA	0	0.00
Titan Company	0.79	1.05	34%	26	8.83
<b>Cash</b>	<b>0.00</b>	<b>0.00</b>	<b>NA</b>	<b>0</b>	<b>0.00</b>

Source: Emkay Research

\* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

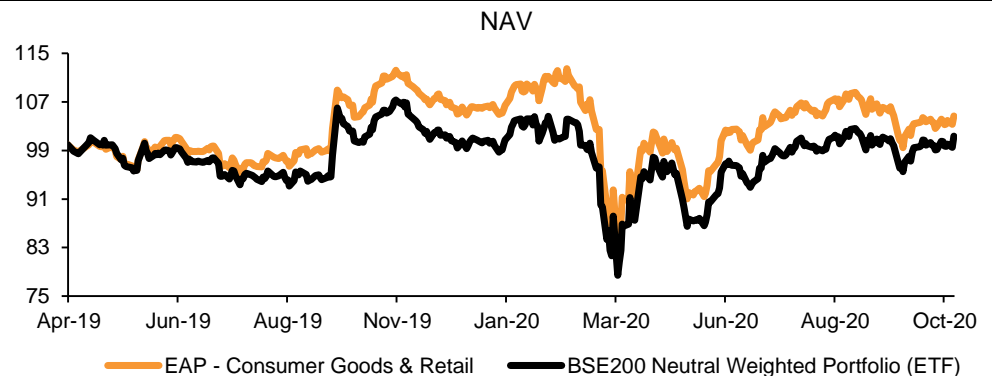
### Sector portfolio NAV

	Base					Latest
	1-Apr-19	28-Jan-20	28-Apr-20	28-Jul-20	25-Sep-20	27-Oct-20
EAP - Consumer Goods & Retail	100.0	108.8	99.6	105.6	101.3	104.7
BSE200 Neutral Weighted Portfolio (ETF)	100.0	103.2	96.0	99.7	97.1	101.4

\*Performance measurement base date 1<sup>st</sup> April 2019

Source: Emkay Research

### NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

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Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 29 Oct 2020 03:41:44 (SGT)

Dissemination Date: 29 Oct 2020 03:42:44 (SGT)

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