

Growth story intact...

In its quarterly preview of Q4FY19, the management highlighted that the jewellery division continued to gain market share despite headwinds impacting the jewellery industry. The division added a record number of Tanishq stores (35) with revenue growth of 22% for FY19. The watches division sustained its healthy performance on the back of new product launches, especially in the smart watch category, resulting in robust revenue growth of 16% in FY19. The management remains optimistic on the growth outlook with the aim of achieving 20% topline growth in FY20E.

Another solid performance for Tanishq in FY19...

After a tepid start to FY19, Titan's jewellery division (Tanishq) ended on a high, with healthy revenue growth of ~22% in FY19 (the division reported 30% YoY revenue growth in H2FY19 vs. 17% in H1FY19). FY19 was a challenging year for the jewellery industry owing to; a) tightening of credit policy, b) surge in gold prices and c) lower number of wedding dates. Despite headwinds, Tanishq continued to gain market share in FY19. The management added highest number of Tanishq stores in a single year (net addition 35 stores) taking the total store count to 312 in FY19. We expect the aggressive store addition run rate to sustain in FY20, FY21E. The management highlighted that new diamond collections such as, 'Gulnaaz', 'Utsava' and 'Preen' saw robust traction. The new collections are in line with Titan's strategy to scale up its share of high value studded jewellery segment to 50% by FY23. Titan continued to aggressively add CaratLane stores, to strengthen its Omni-channel strategy. CaratLane recorded robust revenue CAGR of 42% in FY16-19E, albeit on a small base, with EBITDA breakeven expected in FY19E. In order to capitalise on the potential, Titan invested ₹ 100 crore to increase its stake in CaratLane from 66.39% to 69.74%.

Revenue growth revival witnessed in watches and eyewear

After five consecutive years of single digit revenue growth, the watches division registered a turnaround in FY19 with 16% revenue growth. The division strengthened its smart watches product portfolio with number new launches. Smart products including wearables grew at 80%+, crossing the landmark of ₹ 100 crore in FY19. On a net basis, the division added six WOT stores, eight Fastrack stores and eight Helios stores in FY19. For the eyewear division, the management's strategy to increase assortment at more affordable points have worked out well in FY19 with revenue growth of 23%.

Strong business model aiding sustained profitable growth

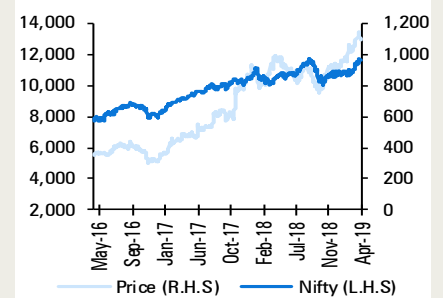
Titan has consistently displayed its ability to gain market share amid a tough industry scenario. Robust balance sheet (30%+ RoCE and virtually debt free status) and asset light distribution model (A/TO: ~10x) has enabled it to outpace peers in terms of store addition. Enriched jewellery portfolio with launch of new collections (wedding space) and sustained investment in brand building is enabling better than industry revenue growth. We model revenue, earnings CAGR of 21%, 27% respectively, in FY18-21E. We reiterate our **BUY** rating on the stock with a revised target price of ₹ 1290 (49.0x FY21E EPS).



Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	96,768.7
Debt (FY18) (₹ Crore)	79.0
Cash (FY18) (₹ Crore)	617.9
EV (₹ Crore)	96,229.7
52 week H/L	1146 / 732
Equity Capital (₹ Crore)	88.8
Face Value (₹)	1

Price Chart



Key Highlights

- Despite headwinds, the jewellery division reported healthy revenue growth of 22% in FY19
- Driven by new product launches, watches division reported robust revenue growth of 16% in FY19
- The management stays upbeat on the growth outlook with 20% overall growth in FY20E

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Key Financial Summary

(₹ Crore)	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	13,260.8	16,119.8	19,641.7	23,636.7	28,206.3
EBITDA	1,155.5	1,644.7	2,101.7	2,694.6	3,328.3
PAT	711.5	1,130.1	1,462.3	1,886.8	2,338.4
P/E (x)	136.0	85.6	66.2	51.3	41.4
EV/Sales (x)	7.2	6.0	4.9	4.1	3.4
EV/EBITDA (x)	83.1	58.5	45.8	35.6	28.7
RoCE (%)	24.7	29.3	31.3	33.8	34.9
RoE (%)	16.8	22.2	23.7	25.5	26.2

Exhibit 1: Profit & Loss Statement

(Year-end March)	FY18	FY19E	FY20E	FY21E
Total operating Income	16,119.8	19,641.7	23,636.7	28,206.3
Growth (%)	21.6	21.8	20.3	19.3
Raw Material Expenses	11,686.2	14,181.3	16,876.6	20,421.3
Employee Expenses	885.1	1,021.4	1,252.7	1,438.5
Mfg, Admin & selling Exps	1,903.8	2,337.4	2,812.8	3,018.1
Total Operating Expenditure	14,475.1	17,540.0	20,942.2	24,877.9
EBITDA	1,644.7	2,101.7	2,694.6	3,328.3
Growth (%)	42.3	27.8	28.2	23.5
Depreciation	131.4	158.6	180.2	201.3
Interest	52.9	48.3	44.9	40.4
Other Income	88.9	146.6	158.3	172.6
PBT	1,549.2	2,041.3	2,627.9	3,259.2
Exception items	16.7	0.0	0.0	0.0
Total Tax	427.9	592.0	751.6	928.9
Share of JV/Minority int	25.4	13.0	10.5	8.0
PAT	1,130.1	1,462.3	1,886.8	2,338.4
Growth (%)	58.8	29.4	29.0	23.9
EPS (₹)	12.7	16.5	21.3	26.3

Source: Company, ICICI Direct Research

Exhibit 2: Cash Flow Statement

(Year-end March)	FY18	FY19E	FY20E	FY21E
PAT	1,130.1	1,462.3	1,886.8	2,338.4
Add: Depreciation	131.4	158.6	180.2	201.3
(Inc)/dec in Current Assets	-1,443.9	-1,269.8	-1,529.6	-1,823.2
Inc/(dec) in CL and Provision	205.2	378.0	572.4	715.4
Others	0.0	0.0	0.0	0.0
CF from operating activities	22.8	729.2	1,109.8	1,431.9
(Inc)/dec in Investments	382.7	-20.5	-27.7	-21.4
(Inc)/dec in Fixed Assets	-373.5	-253.5	-257.0	-237.9
(Inc)/dec in CWIP	108.7	13.0	0.0	9.1
Others	-50.3	0.0	0.0	0.0
CF from investing activities	67.6	-261.1	-284.7	-250.2
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	79.0	-28.1	-5.1	-4.6
Others	-330.4	-389.9	-656.9	-814.3
CF from financing activities	-251.4	-418.0	-662.0	-818.9
Net Cash flow	-161.0	50.1	163.1	362.9
Opening Cash	778.9	617.9	668.0	831.1
Closing Cash	617.9	668.0	831.1	1,194.0

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet

(Year-end March)	FY18	FY19E	FY20E	FY21E
Liabilities				
Equity Capital	88.8	88.8	88.8	88.8
Reserve and Surplus	5,001.1	6,073.6	7,303.5	8,827.6
Total Shareholders funds	5,089.9	6,162.3	7,392.3	8,916.4
Total Debt	79.0	50.9	45.8	41.2
Deferred Tax Liability	(32.9)	(32.9)	(32.9)	(32.9)
Other long term liabilities	(1.8)	(1.8)	(1.9)	(1.9)
Total Liabilities	5,134.2	6,178.5	7,403.3	8,922.8
Assets				
Gross Block	1,558.1	1,811.6	2,068.7	2,306.5
Less: Accu Depreciation	230.0	388.6	568.8	770.1
Net Block	1,328.1	1,423.0	1,499.9	1,536.4
Capital WIP	43.4	30.4	30.4	21.3
Goodwill on Consolidation	123.0	123.0	123.0	123.0
Total Fixed Assets	1,494.5	1,576.4	1,653.2	1,680.7
Investments	58.7	79.2	106.9	128.3
Inventory	5,924.8	6,995.7	8,289.1	9,891.5
Debtors	295.7	349.8	401.5	479.1
Loans and Advances	994.4	1,139.2	1,323.7	1,466.7
Other Current Assets	-	-	-	-
Cash	617.9	668.0	831.1	1,194.0
Total Current Assets	7,832.8	9,152.6	10,845.3	13,031.4
Creditors	2,489.8	3,121.1	3,756.0	4,482.1
Other Current Liabilities	1,723.2	1,473.1	1,418.2	1,410.3
Provisions	141.1	137.7	130.2	127.4
Total Current Liabilities	4,354.0	4,732.0	5,304.3	6,019.8
Net Current Assets	3,478.8	4,420.7	5,541.0	7,011.6
Others Non Current Assets	102.2	102.2	102.2	102.2
Application of Funds	5,134.2	6,178.5	7,403.3	8,922.8

Source: Company, ICICI Direct Research

Exhibit 4: Key Ratios

(Year-end March)	FY18	FY19E	FY20E	FY21E
Per share data (₹)				
EPS	12.7	16.5	21.3	26.3
Cash EPS	13.9	18.1	23.2	28.5
BV	57.3	69.4	83.3	100.4
DPS	2.6	3.8	6.4	7.9
Cash Per Share	7.0	7.5	9.4	13.4
Operating Ratios				
EBITDA Margin (%)	10.2	10.7	11.4	11.8
PBT Margin (%)	9.61	10.39	11.12	11.56
PAT Margin (%)	6.9	7.4	7.9	8.3
Inventory days	134.2	130.0	128.0	128.0
Debtor days	6.7	6.5	6.2	6.2
Creditor days	56.4	58.0	58.0	58.0
Return Ratios (%)				
RoE	22.2	23.7	25.5	26.2
RoCE	29.3	31.3	33.8	34.9
RoIC	29.9	31.8	34.4	35.5
Valuation Ratios (x)				
P/E	85.6	66.2	51.3	41.4
EV / EBITDA	58.5	45.8	35.6	28.7
EV / Net Sales	6.0	4.9	4.1	3.4
Market Cap / Sales	6.0	4.9	4.1	3.4
Price to Book Value	19.0	15.7	13.1	10.9
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	1.8	1.9	2.0	2.2
Quick Ratio	0.4	0.5	0.5	0.5

Source: Company, ICICI Direct Research

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