

September 27, 2013

Titan Industries Ltd.

BSE Code: 500114

NSE Code: TITAN

Reuters Code:

TITN.NS

Bloomberg Code: TTAN:IN

Titan Industries Ltd. (TITAN) incorporated in 1984, is a joint venture between the Tata Group and the Tamil Nadu Industrial Development Corporation. Titan Company is the fifth largest integrated own brand watch manufacturer in the world having India's most recognized and loved brands Titan and Tanishq to its credit. Titan Company has India's largest retail network spanning over 165 towns. The company has over 364 exclusive 'World of Titan' showrooms and over 140 Fastrack stores. With a recent foray into Eyewear segment it sports 225 Titan Eye-store. Titan Company is also the largest jewellery retailer in India with over 150 Tanishq boutiques and 2 Zoya stores, over 30 Gold Plus stores.

Investor's Rationale

Topline grew 42.0% YoY on healthy performance across segment – TITAN registered a healthy growth in topline by 42% at ₹30,877.9 mn on standalone basis mainly due to strong growth across the segment. Jewellery revenue grew 47.2% at ₹26,141.6 mn fuelled by a sharp drop in price of gold in April and a good wedding season during the first quarter, followed by growth in watches and other business (Eyewear, Precision Engineering and accessories) segment by 11.3% and 37.5% at ₹4,016.5 mn and ₹1,232.1 mn, respectively.

EBITDA margin contracted 173bps YoY on margin pressure on jewellery and watch business– The EBITDA of the company grew 15.6% YoY to ₹2449.3 mn but margins contracted as jewellery segment margins were impacted by a ₹0.34 bn hit taken due to loss booked in inventory. Watches business also witness fall due to higher employee cost and rising import cost. Thus, OPM contracted 173bps YoY at 7.9% against 9.6%.

Robust bottom-line growth of 16.9% YoY on healthy topline - Titan, registered a healthy growth in bottom-line by 16.9% at ₹1,824.8 mn primarily on account of robust topline largely driven by sturdy customer addition and increased grammage per bill. However, the interest, depreciation and tax charges grew by 35.2%, 23.0% and 18.6% at ₹107.3 mn, ₹146.1 mn and ₹690.5 mn, respectively. Thus, pressurising NPM that declined by 120 bps at 5.8% against 7.0%.

Focused towards studded jewellery and Life style brands – Titan is taking measures to revive the sale of diamond jewellery with new initiatives and programmes and expect rising demand in coming quarters. Titan Eye brand plans to open 40 new stores in FY'14 and has many new products in the pipeline concentrating on age group of 40 and above and is also eyeing new launches in the lens segment. Besides, the company is also confident of resolving the supply of imported gold issue in the coming few weeks.

Market Data

Rating	BUY
CMP (₹)	234
Target Price	275
Stop Loss	205
Duration	Short-term
52-week High-Low (₹)	313.3/201.1
Rise from 52WL (%)	17.9
Correction from 52WH (%)	24.3
Beta	1.3
1 year Average Volume (mn)	2.4
	3M- 5.4
Stock Return (%)	6M- (5.8)
	1Y- (22.4)
Market Cap (₹bn)	210.18
Book Value (₹)	22.13

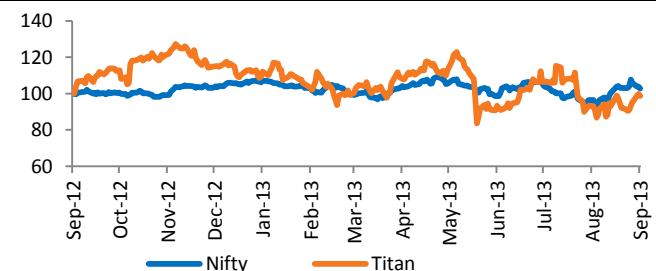
Shareholding Pattern

	Jun'13	Mar'13	Chg
Promoters (%)	53.05	53.05	0.00
FII (%)	23.12	19.08	4.04
DII (%)	2.82	2.81	0.01
Public & Others (%)	24.01	25.06	(1.05)

Quarterly Performance (Standalone)

(₹mn)	Q1 FY'14	Q1 FY'13	Q4 FY'13	YoY Change (%)	QoQ Change (%)
Sales	30,877.9	21,747.4	25,931.3	42.0	19.1
Op. exp	28,627.4	19,936.9	23,467.3	43.6	22.0
EBITDA	2,449.3	2,119.6	2,665.1	15.6	(8.1)
OPM (%)	7.9	9.6	10.2	(173bps)	(232bps)
Net profit	1,824.8	1,561.2	1,849.7	16.9	(1.3)
NPM (%)	5.8	7.0	7.0	(120bps)	(120bps)
EPS (₹)	2.1	1.8	2.1	17.0	(1.0)

One Year Price Chart





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