

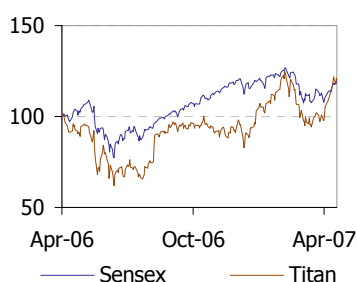
Titan Industries

Relative to sector: **Neutral**

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Relative Performance



Source: Bloomberg, ENAM Research

Stock data

No. of shares	: 44mn
Market cap	: Rs 42.3bn
52 week high/low	: Rs 1,053/ Rs 486
Avg. daily vol. (6 mth)	: 509,100 shares
Bloomberg code	: TTAN IN
Reuters code	: TITN.BO

Shareholding (%) Mar-07 QoQ chg

Promoters	: 53.1	0.0
FIIs	: 15.1	1.3
MFs / UTI	: 1.1	(2.8)
Banks / FIs	: 0.5	0.0
Others	: 30.3	1.6

RETAIL EXPANSION TO DRIVE GROWTH

Titan Industries (TIL) has reported revenues of Rs 5.97bn (\uparrow 41% YoY), EBITDA of Rs 718mn (\uparrow 28% YoY) and adjusted profit after tax of Rs 500mn (\uparrow 13% YoY) for Q4FY07. Titan's performance for the quarter was ahead of our expectations largely due to firm underlying growth across both watches and jewellery.

FY07 – Highlights

- **Jewellery division** grew by 63% YoY (Volume/ sales mix \sim 32% YoY). Higher same store sales, "Gold Plus" expansion and higher gold coin sales were the key contributors. Planned store rollout for FY08E - Gold Plus 10 & Tanishq 13. PBIT Margins (\uparrow 77bps) improved as TIL was able to prevent dilution of studded jewellery revenue contribution (\sim 30% of jewellery sales). However we continue to maintain a downward bias in our forecasted margins as contribution from low margin businesses will increase.
- **The time products division** continued its strong performance by growing at 19.7% in FY07, highest in the last few years. Huge back ended growth expected in World of Titan with \sim 48 stores to be added in FY08 over 208 stores in FY07. PBIT Margins (\downarrow 219bps) declined due to non-capitalized store expansion cost. Thus margins are expected to remain benign through FY08E.
- **Q4FY07 summary:** Revenues grew by 41% to Rs 5.9bn on the back of both jewellery (\uparrow 49%) & time products (\uparrow 27%). The management pursued an aggressive variety driven up-stocking strategy for the jewellery segment. EBITDA margins (\downarrow 126bps) declined due higher personnel cost & overheads.

Upgrading earnings; sector Neutral rating

A focussed store expansion strategy along with a close watch on store economics will see revenue growth at a 27% CAGR and earnings growth of 24% CAGR through FY07E-09E. We have upgraded our EPS estimates for FY08E (\uparrow 3%) and FY09E (\uparrow 7%). At CMP (Rs 953) the stock trades at 27x FY08E earnings and 22x FY09 earnings. Due to higher earnings visibility, we upgrade the stock to sector **Neutral**.

Financial summary (Standalone)

Y/E Mar	Net Sales (Rs mn)	Adj. PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBIDTA (x)	DPS (Rs.)
2006	14,402	1,113	-	26.3	41	31.7	76.5	32.2	22.7	3.0
2007	20,902	1,283	-	28.9	10	29.1	48.1	35.3	19.0	5.0
2008E	27,063	1,564	34.2	35.2	22	27.0	37.4	35.0	17.3	6.0
2009E	33,911	1,964	45.4	44.2	26	21.5	35.1	37.7	13.8	8.0

Source: *Consensus broker estimates, Company, ENAM estimates

Results update (Standalone)

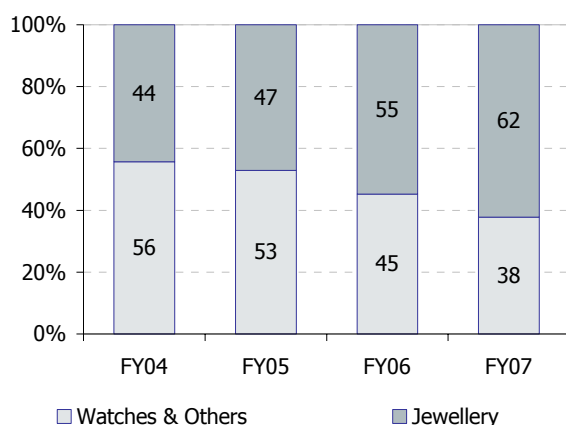
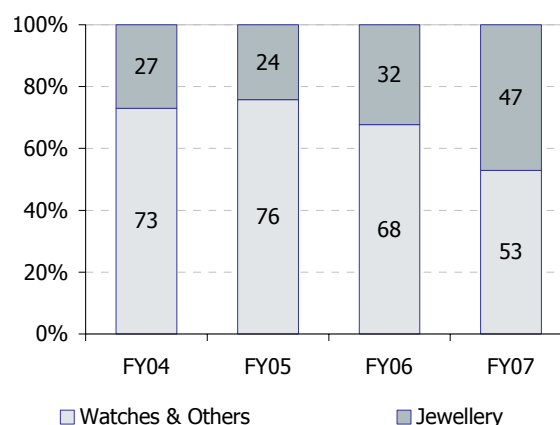
(Rs mn)	Quarter ended					12 months ended		
	Mar-07	Mar-06	% Chg	Dec-06	% Chg	Mar-08E	Mar-07	% Chg
Net Sales	5,966	4,231	41.0	5,291	12.7	27,063	20,902	29.5
EBIDTA	718	563	27.7	606	18.6	2,580	2,093	23.3
Other income	4	10	(57.7)	9	(52.9)	43	82	(48.2)
PBIDT	722	572	26.2	615	17.6	2,622	2,175	20.6
Depreciation	72	52	38.8	70	2.3	295	256	15.2
Interest	66	58	13.5	47	41.3	184	257	(28.3)
PBT	585	463	26.4	498	17.5	2,143	1,661	29.0
Tax	85	18	368.5	179	(52.5)	579	379	52.8
Adjusted PAT	500	445	12.5	320	56.7	1,564	1,283	22.0
Extra ordinary income/ (exp.)	(197)	(73)	170.3	(44)	347.4	(40)	(341)	(88.3)
Reported PAT	303	372	(18.5)	275	10.1	1,524	941	61.9
No. of shares (mn)	44	42	-	44	-	44	44	-
EBIDTA margins (%)	12.0	13.3	-	11.5	-	9.5	10.0	-
PBIDT margins (%)	12.1	13.5	-	11.6	-	9.7	10.4	-
EPS - annualized (Rs.)	45.1	42.1	7.1	28.8	56.7	35.2	28.9	21.5

Source: Company, ENAM Research

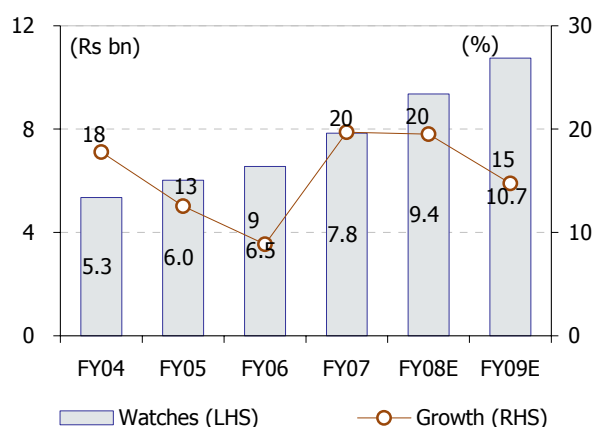
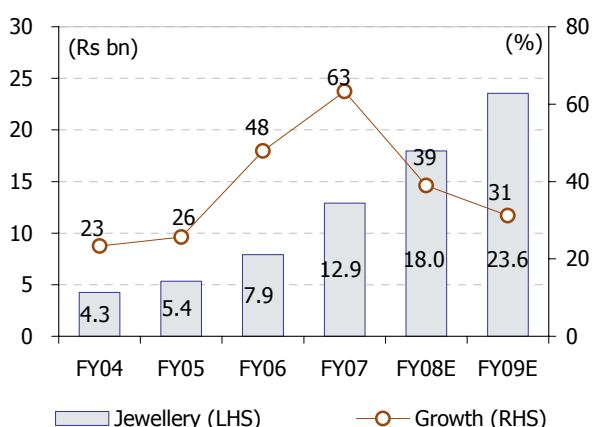
Prescription Eyewear – The New Venture

Titan Industries Limited has announced the pilot launch (April 2007) of Titan Eye+, the company's foray into the prescription eyewear business. The prescription eyewear foray represents Titan's third major line of consumer business after jewellery and watches. The current Indian prescription eyewear market is sizeable with nearly 30% of the population requiring vision correction. The overall market at ~Rs 24bn is highly fragmented and largely dominated by standalone outlets. Organized players constitute only 5%-7% of the overall market. While a few indigenous optical brands operate in the mid to premium segment, several other unorganized players offer low price and low quality products for the mass markets. The management intends to position Titan Eye+ in the mid priced segment offering optical solutions for varying consumer needs – trust, style and consistent quality.

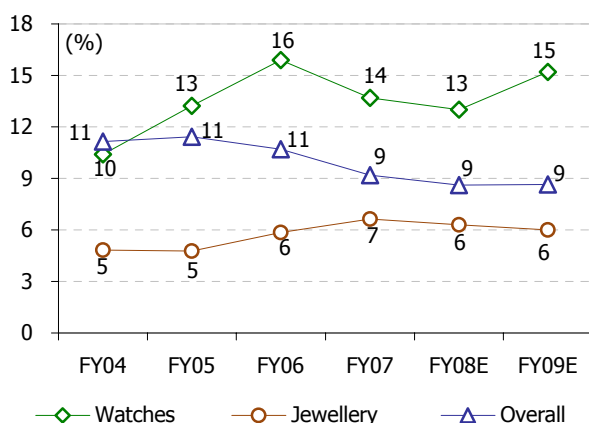
Titan Eye+ will be piloted in the initial phase and subsequently rolled out nationally in the next fiscal. During the pilot phase the company plans to open 5 outlets in Bangalore and one in Nagpur. If proven successful, the management intends to take the total number of outlets to 20 by FY08 ended. We have not factored in this into our earnings forecast.

TITAN: Sales mix**TITAN: EBIT mix**

Source: Company, ENAM Research

TITAN Watches: Revenue trend**TITAN Jewellery: Revenue trend**

Source: Company, ENAM Research

TITAN: PBIT trend**TITAN: Planned Store Roll Out**

(Yr end nos)	FY06	FY07	FY08E	FY09E
Watches				
- World of Titan	180	208	256	279
- Time Zone	120	121	124	126
Jewellery				
- Tanishq	83	88	101	113
- Gold Plus	2	10	20	30

Source: Company, ENAM Research

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