

Titan Industries Ltd (TITIND)

₹ 206

WHAT'S CHANGED...

PRICE TARGET	Unchanged
EPS (FY12E)	Unchanged
EPS (FY13E)	Unchanged
RATING	Unchanged

Recent correction: an attractive entry level...

Titan Industries (Titan) corrected by ~7–8% in Monday's trading session. Over the last three sessions, the stock has corrected by over 12%. We believe this fall was led by the overall weakness in the stock market and also falling gold prices (9% fall in both domestic and international gold prices during the last three trading sessions). However, we continue to remain positive about the growth prospects of the company. For FY12E, we have modelled an average gold price of ₹ 22,851/10 gm in our estimates. The current gold prices are well above these levels.

Rural initiatives to aid jewellery segment growth

Organised jewellery players are now tapping rural markets to get the first mover advantage and also gain a higher share of the expanding rural man's wallet. Titan plans to aggressively expand its mass market jewellery franchisee – Goldplus. The company also plans to launch lower price jewellery using a diamond-like material – Diamantine to cater to the aspiring middle-class consumer. Titan has also tied up with Muthoot Finance to offer a new scheme — Swarna Samridhi — in the Andhra Pradesh market. Under the scheme, customers have to pay 20% of the actual price during purchase while the remaining is to be paid through instalments to Muthoot Finance. The instalments can be paid between 12 and 24 months, with an 11.5% interest rate. Customers will be given a 30-day interest-free period to repay the loan amount. Once this model stabilises it will be taken to other parts of the country as well.

Valuations & View

We continue to remain positive about Titan's performance, going forward. While the company may be unable to clock the growth reported in FY11 (as the higher base effect kicks in), we still expect the company to deliver a CAGR of 22% and 21% in topline and bottomline, respectively.

We believe that any fall in the price below the ₹ 200/share mark will provide a good entry position. At the CMP, the stock is trading at 38.1x and 29.0x its FY12E and FY13E EPS of ₹ 5.4 and ₹ 7.1, respectively. We continue to maintain a **HOLD** rating on Titan Industries with a target price of ₹ 213 (based on 30x FY13E EPS of ₹ 7.1).

Exhibit 1: Financial Highlights

(₹ Crore)	FY10	FY11	FY12E	FY13E
Net Sales	4,677.2	6,533.0	7,656.1	9,749.6
EBITDA	396.0	589.5	712.8	935.2
EBITDA Margin (%)	8.5	9.0	9.3	9.6
Net Profit	251.3	433.1	480.2	631.7
Net Profit Margin (%)	5.4	6.6	6.3	6.5
EPS (₹)	2.8	4.9	5.4	7.1

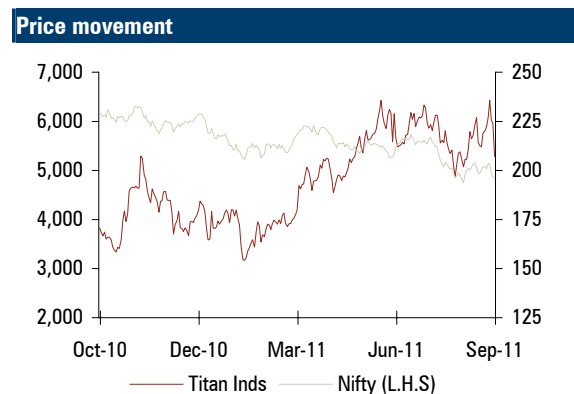
Source: Company, ICICIdirect.com Research

Rating matrix	
Rating	: Hold
Target	: ₹ 213
Target Period	: 12 months
Potential Upside	: 4%

Key Financials				
(₹ Crore)	FY10	FY11	FY12E	FY13E
Net Sales	4,677	6,533	7,656	9,750
EBITDA	396	589	713	935
Net Profit	251	433	480	632

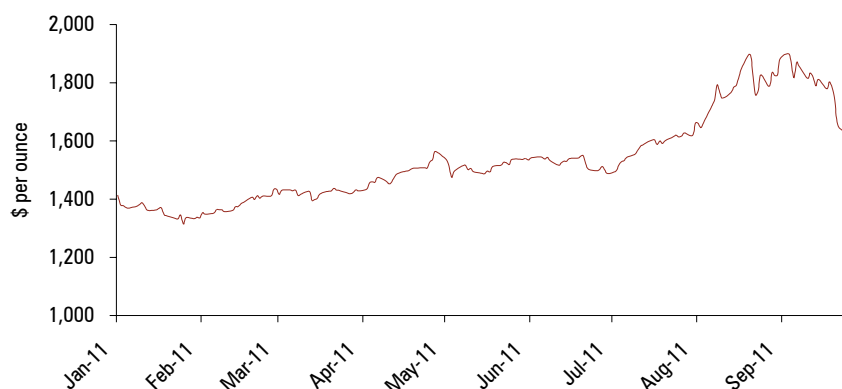
Valuation summary				
	FY10	FY11	FY12E	FY13E
PE (x)	72.8	42.2	38.1	28.9
EV to EBITDA(x)	45.9	29.3	25.3	19.2
Price to book (x)	25.2	15.8	11.2	8.1
RoNW (%)	34.4	41.8	30.8	28.8
RoCE (%)	41.7	50.2	40.3	38.0

Stock data	
Market Capitalisation	₹ 18284 crore
Debt (FY11)	₹ 68 crore
Cash (FY11)	₹ 1108 crore
EV	₹ 17244 crore
52 week H/L (₹)	238 / 140
Equity capital	₹ 88.8 crore
Face value	₹ 1
MF Holding (%)	6.2
FII Holding (%)	12.5



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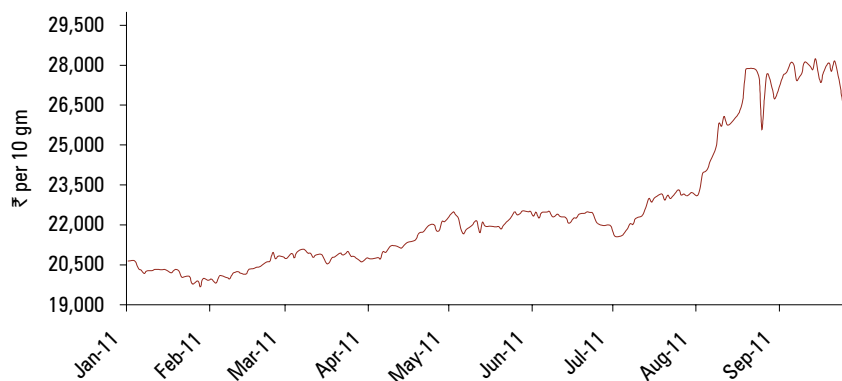
Exhibit 2: International gold prices trend



Source: Bloomberg, ICICIdirect.com Research

International and domestic gold prices have corrected by 10–15% from the peak. While international prices have fallen by 14% from the high of \$1,900/ounce, domestic prices have fallen by 10% (lower than the fall in international prices due to the depreciation of the Indian rupee)

Exhibit 3: Domestic gold prices trend



Source: Bloomberg, ICICIdirect.com Research

Initiatives in other business segments

Titan to enter Indonesian markets

Titan is planning to enter the Indonesian market in six months through a distribution tie-up. This is in line with the company’s strategy to expand into one new country each year.

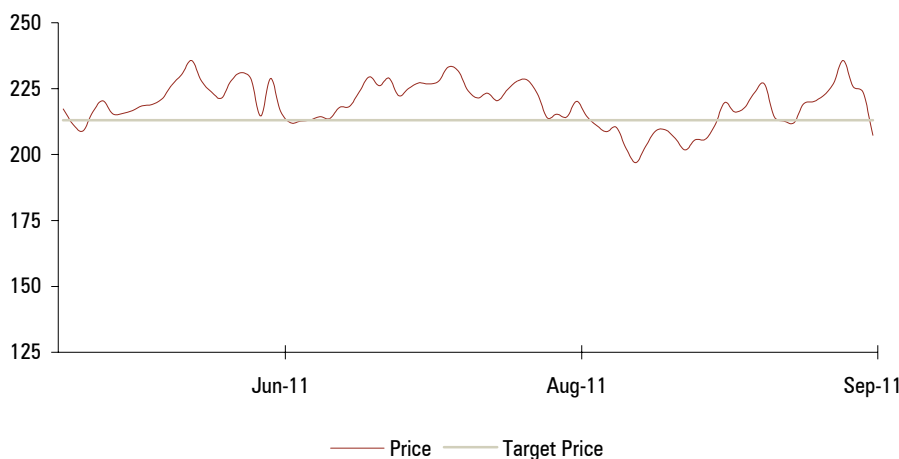
Price hikes in watches and eyewear segment to protect margins

The company is planning to take a price hike to the extent of 4% to mitigate the impact of input cost increases. Titan buys some of its watches and eyewear products from China. China has steadily raised labour costs over the last three years. Hence, the company will need to take price hikes to pass on the impact of the same in order to protect its margins.

ICICIdirect.com coverage universe

			Sales (₹ Crore)	EPS (₹)	PE (x)	EV/EBITDA	RoNW(%)	RoCE (%)	
Shoppers Stop									
Idirect Code	SHOSTO	CMP (₹)	364 FY11	2,323.6	5.3	80.5	28.5	8.6	10.7
		Target (₹)	383 FY12E	3,192.8	8.3	50.0	18.4	12.0	17.7
MCap	3003	Upside (%)	5 FY13E	3,833.4	13.7	30.3	13.3	16.5	24.1
Titan Industries									
Idirect Code	TITIND	CMP (₹)	207 FY11	6,533.0	4.9	42.5	32.6	41.8	50.2
		Target (₹)	213 FY12E	7,656.1	5.4	38.3	28.1	30.8	40.3
MCap	18399	Upside (%)	3 FY13E	9,749.6	7.1	29.1	21.3	28.8	38.0

Exhibit 4: Recommendation History



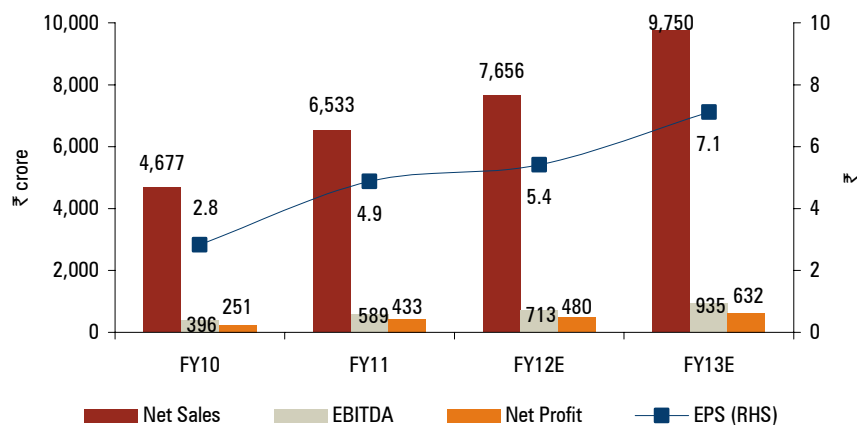
Source: Bloomberg, ICICIdirect.com Research

Exhibit 5: Recent Releases

Date	Event	CMP	Target Price	Rating
24-Mar-11	Initiating Coverage	175	181	HOLD
8-Apr-11	Q4FY11 Preview	196	181	HOLD
3-May-11	Q4FY11 Result Update	189	213	HOLD
5-Jul-11	Q1FY12 Preview	218	213	HOLD
29-Jul-11	Q1FY12 Result Update	228	213	HOLD

Source: ICICIdirect.com Research

Exhibit 6: The road ahead...



Source: Company, ICICIdirect.com Research

RATING RATIONALE

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Strong Buy: > 15%/20% for large caps / midcaps, respectively;
 Buy: Between 10% and 15%/20% for large caps / midcaps, respectively;
 Hold: Up to +/-10%;
 Sell: -10% or more;

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