

Hits a pit stop!

Growth hits a pit-stop. Back-ended expansion increases want from productivity increase if Titan has to scrape through its guided 22% growth. This may be a stretch even for Titan given elevated gold prices and weak consumer sentiments. We have a DCF-based TP of Rs. 1020/sh.

HIGHLIGHTS OF THE QUARTER

- Consol. revenue grew by 15.7% (in-line) to Rs 51.5bn, as all verticals performed in-line with estimates. While reported EBIT grew 12.5% to Rs. 4.97bn, Underlying profitability was broadly in-line. Adj. EBIT (IND-AS 116 + Franchisee/Dealer meet-led expense) grew 17.5% to Rs. 5.2bn (broadly in-line; est: Rs. 5.3bn).
- Jewellery revenue grew by ~14% (est. 13.4%) to Rs 41.6bn - Grammage growth of 6% (est. 8%), balance came from realization gains. **WGC data (Jewellery demand up 12% YoY in 1QFY20) as well as channel checks (key unlisted jewelers grew at 10-18%) indicate that Titan's market share narrative may have made a pit-stop in 1Q.** Management attributed the slide in sales velocity to elevated gold prices and weak consumer sentiments and expect volumes to bounce back in 2H. Jewellery EBIT margin remained flat at 10.5% (est. 10.9%). Tanishq added 12 stores in 1Q and is targeting ~15 stores in 2Q – The expansion run-rate is disappointing given the targeted 70 stores in FY29.

We reckon given the weakness in volumes; expansion will pick up in 2H.

- Watches biz grew 20% partly aided by a large institutional order from TCS. Watches volumes grew 13% YoY on a strong base of 10%. Margins remained flat at 16.7% (in-line), however, underlying profitability is estimated to be higher adj. for BAM expenses.
- Eyewear reported healthy revenue growth of 13% to Rs. 1.19bn. (in-line). Growth in this category remains volume-led and froth with promotional discounts. led by SSSG of 14%. Margins continue to take a beating due to activation and continued brand investments.
- Other biz doing well: Other biz grew 53% YoY to Rs. 1.3bn (albeit on a low base).

STANCE

While there is no questioning the execution skills of the outfit, its no See's Candy as Titan operates in a 'put-up-more-to-earn-more' industry. The entire cumulative CFO (ex-working capital) has gone towards working capital and capex needs over FY14-19. All Plausible tailwinds baked. Our DCF bakes an 18%+ market share in jewellery in FY30 already! TTAN has corrected nearly 25% from its peak and it could well be on its way to more palatable valuations; the stock isn't there yet, though. We maintain our Neutral stance on the name.

Financial Summary

YE March (Rs mn)	1QFY20	1QFY19	YoY (%)	4QFY19	QoQ (%)	FY18	FY19	FY20E	FY21E	FY22E
Net Revenues	51,510	44,510	15.7	48,888	5.4	132,608	161,198	197,785	235,884	278,293
EBITDA	5,733	4,829	18.7	4,945	15.9	11,555	16,447	21,365	29,136	34,972
APAT	3,637	3,282	10.8	3,943	(7.8)	8,000	11,186	15,337	18,210	22,101
Diluted EPS (Rs)	4.10	3.70	10.8	4.53	(9.5)	9.0	12.6	17.3	20.5	24.9
P/E (x)						114.8	82.1	59.9	50.4	41.5
EV / EBITDA (x)						80.7	57.1	44.2	32.1	26.7
Core RoCE (%)						14.2	17.3	18.0	20.5	21.8

Source: Company, HDFC sec Inst Research

INDUSTRY JEWELLERY-RETAIL

CMP (as on 06 Aug 2019) Rs 1,047

Target Price Rs 1,020

Nifty	10,948
Sensex	36,977

KEY STOCK DATA

Bloomberg	TTAN IN
No. of Shares (mn)	888
MCap (Rs bn) / (\$ mn)	929/13,118
6m avg traded value (Rs mn)	2,794

STOCK PERFORMANCE (%)

52 Week high / low	Rs 1,341/732		
	3M	6M	12M
Absolute (%)	(3.3)	(1.2)	16.1
Relative (%)	0.9	(1.2)	18.0

SHAREHOLDING PATTERN (%)

	Dec-18	Mar-19
Promoters	52.91	52.91
FIs & Local MFs	5.90	5.24
FPIs	18.46	19.24
Public & Others	22.73	22.61
Pledged Shares	0.00	0.00

Source : BSE

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Net revenues grew by 15.7% YoY

**Jewellery biz grew by 14% YoY as sales velocity dipped given elevated gold prices and weak consumer sentiments..
Grammage grew by 6% YoY.**

Watches biz grew by modest 20% YoY; volumes 13% partly aided by the TCS order.

Adj. EBIT margin flat at 10.1%

APAT up 11% YoY

Quarterly Financials (Consolidated)

Year to March (Rs mn)	1QFY20	1QFY19	YoY (%)	4QFY19	QoQ (%)	FY20E	FY19	YoY (%)
Net Revenue	51,510	44,510	15.7	48,888	5.4	235,884	197,785	19.3
Material Expenses	37,765	32,667	15.6	35,624	6.0	172,422	144,475	19.3
Employee Expenses	2,828	2,393	18.2	2,866	(1.3)	11,802	10,193	15.8
Other Operating Expenses	5,184	4,621	12.2	5,913	(12.3)	22,524	23,203	(2.9)
EBITDA	5,733	4,829	18.7	4,485	27.8	29,136	19,915	46.3
Depreciation	760	407	86.4	408	86.0	2,898	1,628	78.0
EBIT	4,974	4,421	12.5	4,077	22.0	26,238	18,287	43.5
Other Income	571	361	58.0	563	1.4	1,654	1,829	(9.6)
Interest Cost	339	109	210.8	125	171.0	1,469	525	179.6
PBT before exceptional	5,206	4,674	11.4	4,515	15.3	26,423	19,591	34.9
Exceptional	-	-	-	-	-	-	-	-
PBT	5,206	4,674	11.4	4,515	15.3	26,423	19,591	34.9
Tax	1,560	1,388	12.5	1,032	51.2	8,191	5,682	44.2
Share of Associate Earnings	(9)	(5)	95.7	1	(1,414.3)	(22)	(22)	
RPAT	3,637	3,282	10.8	3,483	4.4	18,210	13,887	31.1
APAT	3,637	3,282	10.8	3,943	(7.8)	18,210	15,337	18.7
EPS	4.1	3.7	10.8	4.5	(9.5)	20.5	17.3	18.7

% Of Net Revenue	1QFY20	1QFY19	YoY (bps)	4QFY19	QoQ (bps)	FY20E	FY19	YoY (bps)
Material Cost	73.3	73.4	(8)	72.9	45	73.1	73.0	5
Employee Expenses	5.5	5.4	11	5.9	(37)	5.0	5.2	(15)
Other Expenses	10.1	10.4	(32)	12.1	(203)	9.5	11.7	(218)
EBITDA	11.1	10.8	28	9.2	196	12.4	10.1	228
Tax Rate	30.0	29.7	28	22.9	711	31.0	29.0	199
APAT	7.1	7.4	(31)	8.1	(101)	7.7	7.8	(3)

Source: Company, HDFC sec Inst Research

Quarterly Segmental (Reported)

Year to March (Rs mn)	1QFY20	1QFY19	YoY (%)	4QFY19	QoQ (%)	FY20E	FY19	YoY (%)
Segmental Revenues								
Jewellery	41,641	36,426	14.3	41,054	1.4	195,997	163,901	19.6
Watches	7,161	5,963	20.1	5,312	34.8	28,146	24,475	15.0
Eyewear	1,488	1,316	13.1	1,277	16.5	5,858	5,088	15.1
Others	1,306	853	53.2	1,387	(5.8)	6,042	4,834	25.0
Corporate (unallocated)	486	315	54.3	420	15.5	1,449	1,318	10.0
Total	52,082	44,872	16.1	49,451	5.3	237,493	199,615	19.0

Segmental EBIT

Jewellery	4,370	3,842	13.7	4,989	(12.4)	23,259	19,080	21.9
Watches	1,192	996	19.7	123	866.3	3,096	2,668	16.1
Eyewear	(114)	17	(756.9)	(45)	154.6	2	(24)	(107.9)
Others	(36)	(97)	(62.9)	22	(259.8)	102	13	715.4
Corporate (unallocated)	125	20	529.1	(450)	(127.8)	(221)	(1,642)	(86.6)
Total	5,536	4,778	15.9	4,640	19.3	26,238	20,094	30.6

Capital Employed

Jewellery	16,944	16,998	(0.3)	25,193	(32.7)		25,193	
Watches	11,497	10,398	10.6	10,949	5.0		10,949	
Eyewear	2,457	2,139	14.8	2,674	(8.1)		2,674	
Others	3,861	2,849	35.5	3,706	4.2		3,706	
Corporate (unallocated)	27,865	22,304	24.9	18,319	52.1		18,319	
Total Capital Employed	62,623	54,688	14.5	60,842	2.9		60,842	

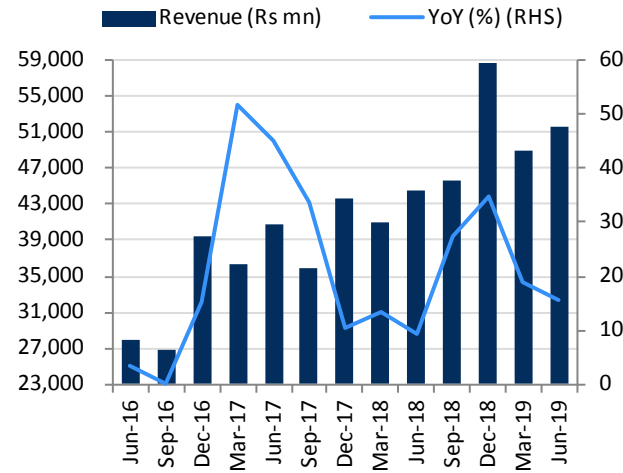
Source: Company, HDFC sec Inst Research

EBIT Margin (Reported)

Year to March (Rs mn)	1QFY20	1QFY19	YoY (bps)	4QFY19	QoQ (bps)	FY20E	FY19	YoY (bps)
Jewellery	10.5	10.5	(5)	12.2	(166)	11.9	11.6	23
Watches	16.6	16.7	(6)	2.3	1,432	11.0	10.9	10
Eyewear	(7.7)	1.3	(900)	(3.5)	(417)	0.0	(0.5)	50
Others	(2.7)	(11.3)	858	1.6	(436)	1.7	0.3	143
Corporate (unallocated)	25.8	6.3	1,946	(107.1)	13,285	(15.2)	(124.6)	10,940
Total	10.6	10.6	(2)	9.4	125	11.0	10.1	98

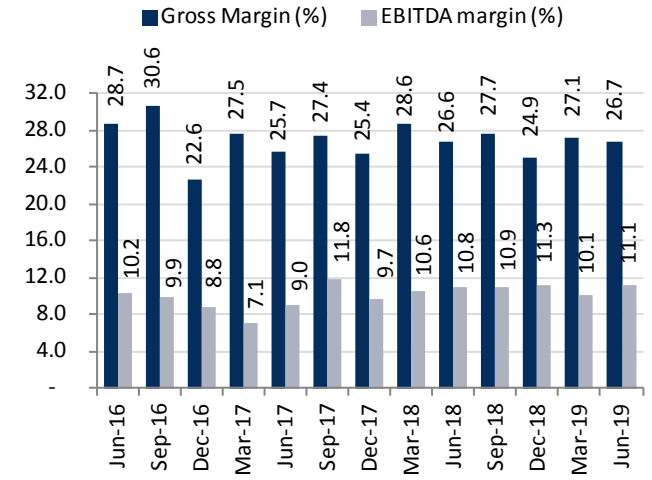
Source: Company, HDFC sec Inst Research, Note: FY19/FY20E EBIT is Pre-IND-AS 116 as segment-level impact not disclosed

Revenue and growth



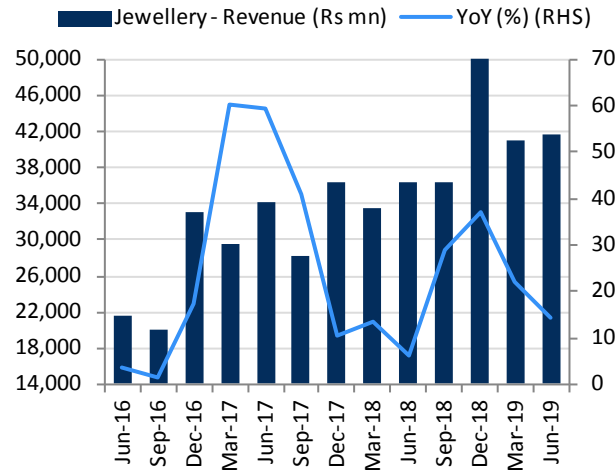
Source: Company, HDFC sec Inst Research

Gross margin and EBITDA margin



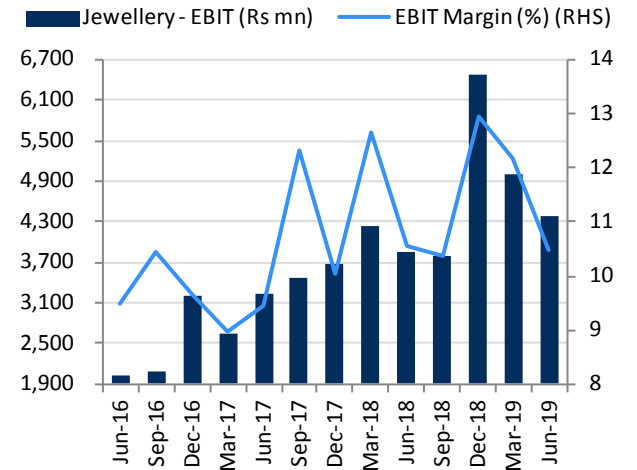
Source: Company, HDFC sec Inst Research

Jewellery Biz – Revenue and growth



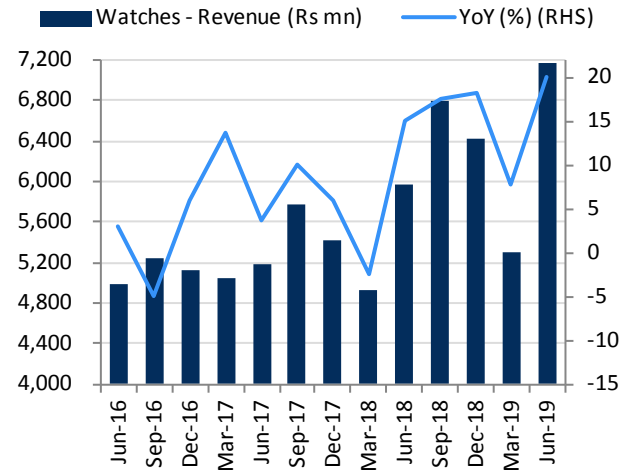
Source: Company, HDFC sec Inst Research

Jewellery – EBIT and EBIT margin



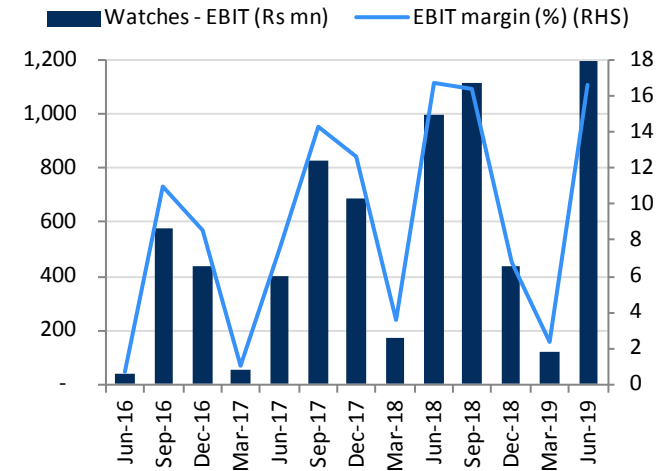
Source: Company, HDFC sec Inst Research

Watches segment – Revenue and growth



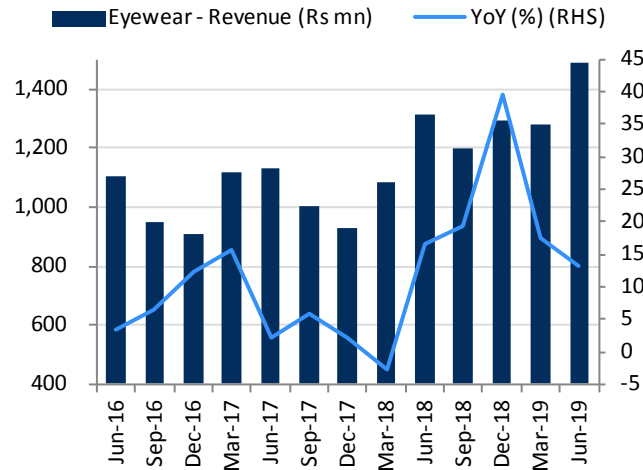
Source: Company, HDFC sec Inst Research

Watches – EBIT and EBIT margin



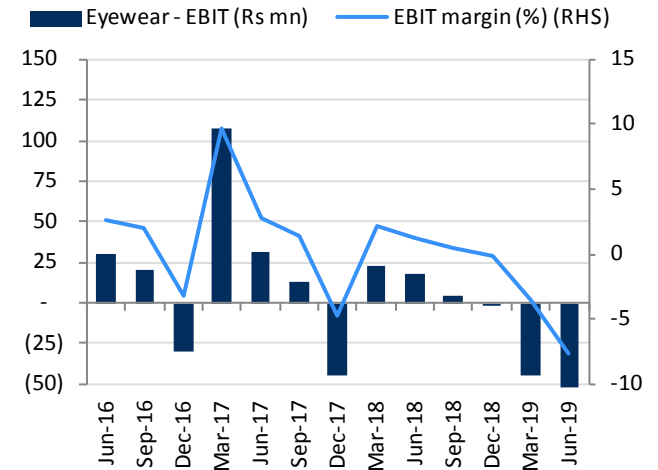
Source: Company, HDFC sec Inst Research

Eyewear segment – Revenue and growth



Source: Company, HDFC sec Inst Research

Eyewear – EBIT and EBIT margin

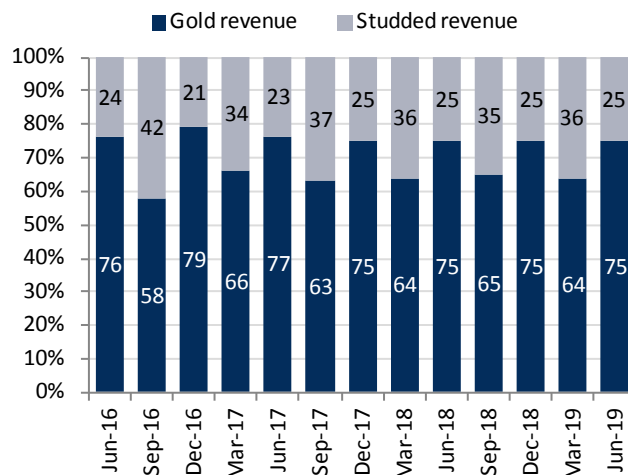


Source: Company, HDFC sec Inst Research

Studded ratio ay 25% continues to remain stable

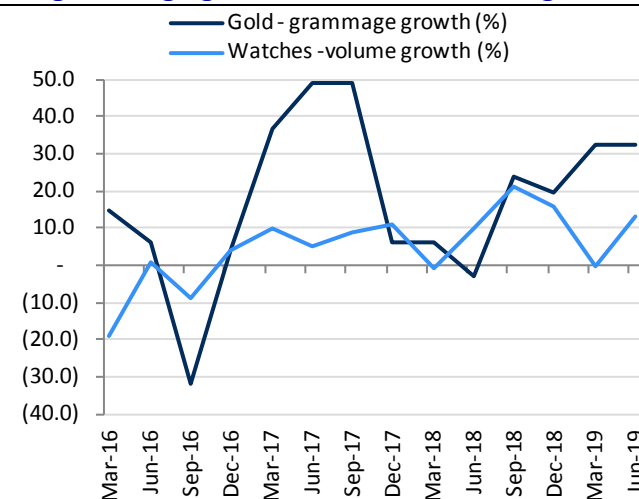
Gold volume grew by 6% YoY on a low base of -2.6% growth in 1QFY19.

Jewellery biz - Studded ratio



Source: Company, HDFC sec Inst Research

Gold grammage growth, Watches volume growth



Source: Company, HDFC sec Inst Research

Sales Value Growth (%)	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
World of Titan	8	9	7	8	-3	8	8	0	9	6
Tanishq	55	55	22	15	19	3	38	34	20	16
Helios	4	40	9	37	32	25	45	16	14	8
Fastrack	0	-3	4	10	1	4	10	4	8	4
LFS-Watches	12	20	4	11	14	17	33	20	20	16
Titan Eye +	9	10	10	23	10	19	18	23	21	20

Source: Company, HDFC sec Inst Research

Like to Like Growth (%)	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
World of Titan	5	6	5	7	-4	2	9	-2	7.0	6.0
Tanishq	52	51	18	12	17	2	32	27	14.0	10.0
Helios	-3	24	-9	4	5	-2	16	6	6.0	5.0
Fastrack	-1	-3	2	6	-6	0	6	-1	2.0	1.0
LFS-Watches	3	8	1	6	11	12	26	15	16.0	12.0
Titan Eye +	1	3	3	14	1	8	8	13	14.0	14.0

Source: Company, HDFC sec Inst Research

Quarterly snapshot (actual vs HDFC estimates)

Rs. Mn	1QFY19	4QFY19	1QFY20	YoY (%)	QoQ (%)	1QFY20E	Variance (%)
Net Revenue	44,510	48,888	51,510	15.7	5.4	51,312	0.4
Total COGS	32,667	35,624	37,765	15.6	6.0	37,612	0.4
Gross Profit	11,843	13,264	13,746	16.1	3.6	13,700	0.3
<i>Gross Profit Margin (%)</i>	<i>26.6</i>	<i>27.1</i>	<i>26.7</i>	<i>8 bps</i>	<i>(45 bps)</i>	<i>26.7</i>	<i>(1 bps)</i>
Total Operating expenses	7,015	8,779	8,012	14.2	(8.7)	7,902	1.4
Reported EBITDA	4,829	4,485	5,733	18.7	27.8	5,798	(1.1)
<i>EBITDA Margin (%)</i>	<i>10.8</i>	<i>9.2</i>	<i>11.1</i>	<i>28 bps</i>	<i>196 bps</i>	<i>11.3</i>	<i>(17 bps)</i>
Adj EBITDA	4,829	4,945	5,623	16.5	13.7	5,798	(3.0)
<i>Adj EBITDA Margin (%)</i>	<i>10.8</i>	<i>10.1</i>	<i>10.9</i>	<i>7 bps</i>	<i>80 bps</i>	<i>11.3</i>	<i>(38 bps)</i>
Depreciation	407	408	760	86.4	86.0	472	60.8
EBIT	4,421	4,077	4,974	12.5	22.0	5,326	(6.6)
<i>EBIT Margin (%)</i>	<i>9.9</i>	<i>8.3</i>	<i>9.7</i>	<i>(28 bps)</i>	<i>132 bps</i>	<i>10.4</i>	<i>(72 bps)</i>
Adj EBIT	4,421	4,077	5,194	17.5	27.4	5,326	(2.5)
<i>Adj EBIT Margin (%)</i>	<i>9.9</i>	<i>8.3</i>	<i>10.1</i>	<i>15 bps</i>	<i>174 bps</i>	<i>10.4</i>	<i>(30 bps)</i>
Finance cost	109	125	339	210.8	171.0	168	102.0
Other income	361	563	571	58.0	1.4	409	39
PBT	4,674	4,515	5,206	11.4	15.3	5,568	(6.5)
Exceptional Item	-	-	-	-	-	-	-
Tax Expenses	1,388	1,032	1,560	12.5	51.2	1,653	(5.6)
<i>Effective Tax Rate (%)</i>	<i>29.7</i>	<i>22.9</i>	<i>30.0</i>	<i>28 bps</i>	<i>711 bps</i>	<i>29.7</i>	<i>28 bps</i>
Share of associate earnings	(5)	1	(9)	95.7	(1,414.3)	(5)	70.4
EO items	-	-	-	-	-	-	-
PAT	3,282	3,483	3,637	10.8	4.4	3,909	(7.0)
APAT	3,282	4,183	3,637	10.8	(13.1)	3,909	(7.0)
APAT margin (%)	7.4	8.6	7.1	(31 bps)	(150 bps)	8.7	(160 bps)

Source: Company, HDFC sec Inst Research

Segment-wise performance (actual vs HDFC estimates)

Rs. Mn	1QFY19	4QFY19	1QFY20	YoY (%)	QoQ (%)	1QFY20E	Variance (%)
Revenue (Rs. Mn)	44,872	49,451	52,082	16.1	5.3	51,312	1.5
-Jewellery	36,426	41,054	41,641	14.3	1.4	41,306	0.8
-Watches	5,963	5,312	7,161	20.1	34.8	7,095	0.9
-Eyewear	1,316	1,277	1,488	13.1	16.5	1,487	0.1
-Others	853	1,387	1,306	53.2	(5.8)	1,109	17.8
-Unallocated	315	420	486	54.3	15.5	315	54.3
EBIT (Rs. Mn)	4,778	4,640	5,536	15.9	19.3	5,326	4.0
-Jewellery	3,842	4,989	4,370	13.7	(12.4)	4,502	(2.9)
-Watches	996	123	1,192	19.7	866.3	1,185	0.6
-Eyewear	17	(45)	(114)	(756.9)	154.6	30	(484.4)
-Others	(97)	22	(36)	(62.9)	(259.8)	(111)	(67.7)
-Unallocated	20	(450)	125	529.1	(127.8)	(280)	(144.7)
EBIT margin (%)							
-Jewellery	10.5	12.2	10.5	(5 bps)	(166 bps)	10.9	(41 bps)
-Watches	16.7	2.3	16.6	(6 bps)	1432 bps	16.7	(6 bps)
-Eyewear	1.3	(3.5)	(7.7)	(900 bps)	(417 bps)	2.0	(968 bps)
-Others	(11.3)	1.6	(2.7)	858 bps	(436 bps)	(10.0)	726 bps
-Unallocated	6.3	(107.1)	25.8	1946 bps	13285 bps	(89.0)	11482 bps
Operating Expenses (Rs mn)	7015	9019	8472	20.8	(6.1)	8362	1.3
Employee expenses	2393	2866	2828	18.2	(1.3)	2720	4.0
Advertising expenses	1554	1383	1518	(2.3)	9.8	1693	(10.3)
Other expenses	3067	4771	4126	34.5	(13.5)	3949	4.5

Source: Company, HDFC sec Inst Research

Assumptions

	FY18	FY19	FY20E	FY21E	FY22E
Jewellery Biz					
Net Revenue (Rs mn)	132,569	163,901	195,997	233,328	277,509
YoY (%)	25.1	23.6	19.6	19.0	18.9
-Gold Jewellery	93,175	114,677	137,135	162,788	193,057
YoY (%)	24.9	23.1	19.6	18.7	18.6
-Studded Jewellery	39,393	49,223	58,863	70,541	84,452
YoY (%)	25.6	25.0	19.6	19.8	19.7
EBITDA (Rs mn)	15,105	19,654	23,912	29,049	35,105
YoY(%)	44.5	30.1	21.7	21.5	20.8
EBITDA margin (%)	11.4	12.0	12.2	12.5	12.7
Total gold sold (tonnes)	25.9	29.6	34.4	39.6	45.6
YoY(%)	23.1	14.4	16.2	15.1	15.1
Average gold price (Rs/gm)	30,708	32,703	34,012	35,032	36,083
YoY(%)	(0.5)	6.5	4.0	3.0	3.0
Studded share (%)	29.7	30.0	30.0	30.2	30.4
Total no. of stores	330	398	453	513	563
Revenue/store (Rs mn)	430	450	461	483	516
EBITDA/store (Rs mn)	49	54	56	60	65
Revenue per sq ft (Rs)	128,137	144,631	156,435	161,947	171,758
Watches Biz					
Net Revenue (Rs mn)	21,315	24,475	28,146	32,154	36,077
YoY (%)	3.4	14.8	15.0	14.2	12.2
EBITDA (Rs mn)	2,471	3,079	3,569	4,110	4,647
YoY (%)	16.4	24.6	15.9	15.1	13.1
EBITDA margin (%)	11.6	12.6	12.7	12.8	12.9
Watches sold (mn pieces)	15.2	17.0	19.6	21.9	24.1
YoY (%)	8.0	12.0	15.0	12.0	10.0
Eyewear Biz					
Net Revenue (Rs mn)	4150	5088	5858	6705	7623
YoY (%)	0.2	22.6	15.1	14.5	13.7
EBITDA (Rs mn)	159	146	197	259	333
YoY (%)	(43.0)	(8.2)	35.2	31.4	28.4
EBITDA margin (%)	3.8	2.9	3.4	3.9	4.4
Eyewear sold (mn)	6.3	7.9	9.4	11.1	12.9
YoY (%)	1	26	19	18	16
Other Biz					
Net Revenue (Rs mn)	3,719	4,834	6,042	7,069	8,200
YoY (%)	11.1	30.0	25.0	17.0	16.0

Source: Company, HDFC sec Inst Research

Estimate change

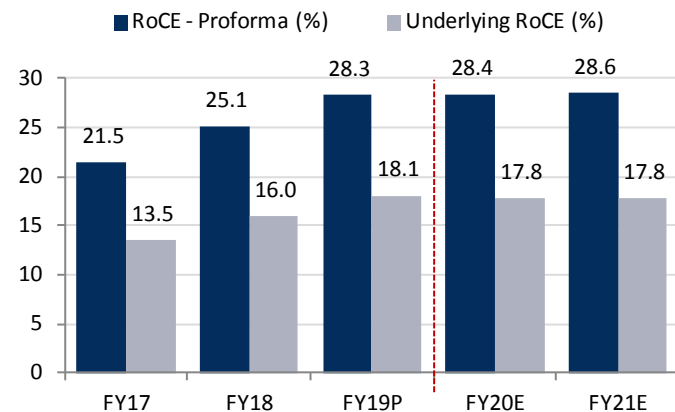
(Rs mn)	FY20E			FY21E			FY22E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	235,884	236,445	(0.2)	278,293	278,964	(0.2)	328,184	328,984	(0.2)
Gross Profit	63,462	63,613	(0.2)	74,607	74,787	(0.2)	87,834	88,049	(0.2)
Gross Profit Margin (%)	26.9	26.9	0 bps	26.8	26.8	0 bps	26.8	26.8	-
EBITDA	29,136	26,960	8.1	34,972	32,659	7.1	41,784	39,189	6.6
EBITDA margin (%)	12.4	11.4	95 bps	12.6	11.7	86 bps	12.7	11.9	82 bps
APAT	18,210	17,944	1.5	22,101	21,978	0.6	26,434	26,026	1.6
APAT margin (%)	7.7	7.6	13 bps	7.9	7.9	6 bps	8.1	7.9	14 bps
EPS (Rs)	20.5	20.2	1.5	24.9	24.8	0.6	29.8	29.3	1.6

Source: HDFC sec Inst Research

Peer Set Comparison

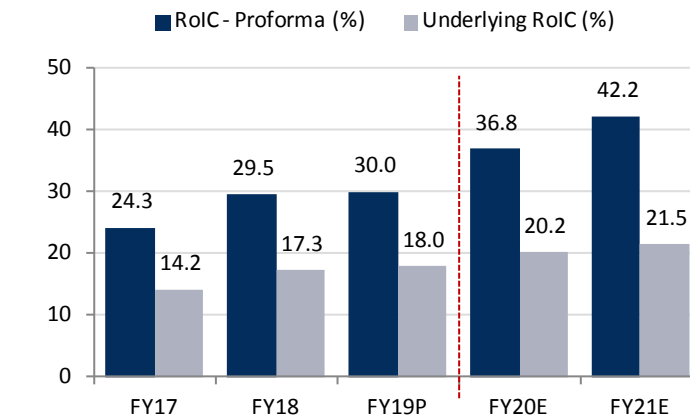
	MCap (Rs bn)	CMP (Rs)	Reco	TP (Rs)	EPS (Rs)			P/E (x)			EV/EBITDA (x)			Core ROCE (%)		
					FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Titan	929.0	1,047	NEU	1,020	20.5	24.9	29.8	50.4	41.5	34.7	32.1	26.7	22.3	18.0	18.0	18.0
PCJ	13.6	35	NR	-	37.6	37.4	40.1	68.4	82.6	98.9	63.6	54.4	44.4	-	-	-
TJL	4.0	294	BUY	590	22.1	28.8	35.2	13.1	10.1	8.2	10.9	9.4	8.4	7.6	8.7	9.2
TBZ	2.1	31	NR	-	3.9	4.5	5.7	17.1	14.8	11.7	12.9	12.0	11.1	4.4	4.7	5.1

Titan: Proforma vs underlying RoCE



Source: Company, HDFC sec Inst Research

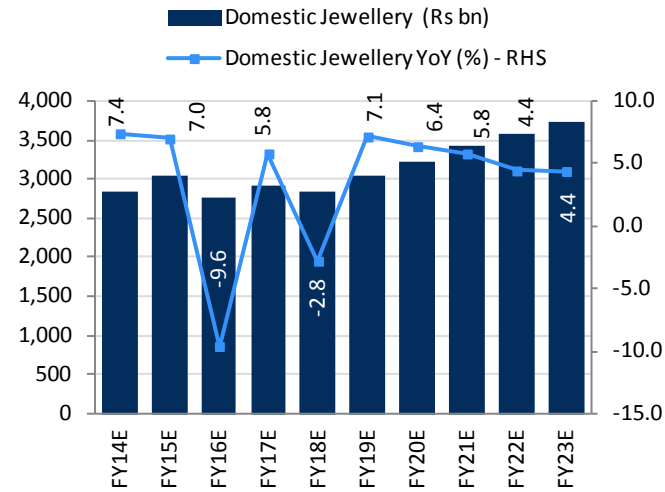
Titan: Proforma vs underlying RoIC



Source: Company, HDFC sec Inst Research

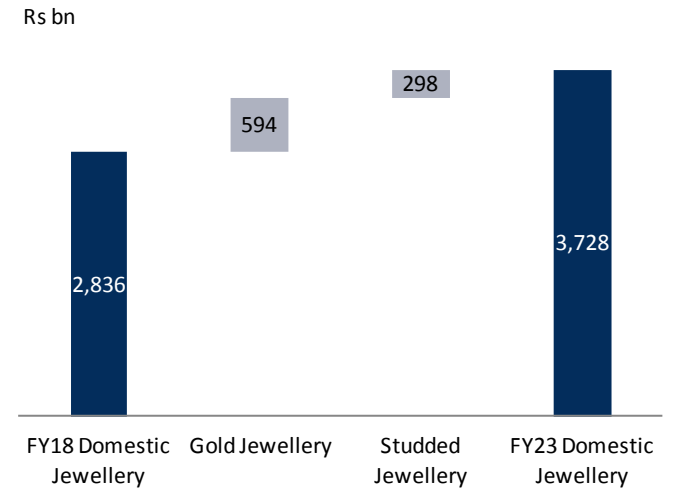
Industry Charts

Domestic Jewellery to grow at 6% CAGR



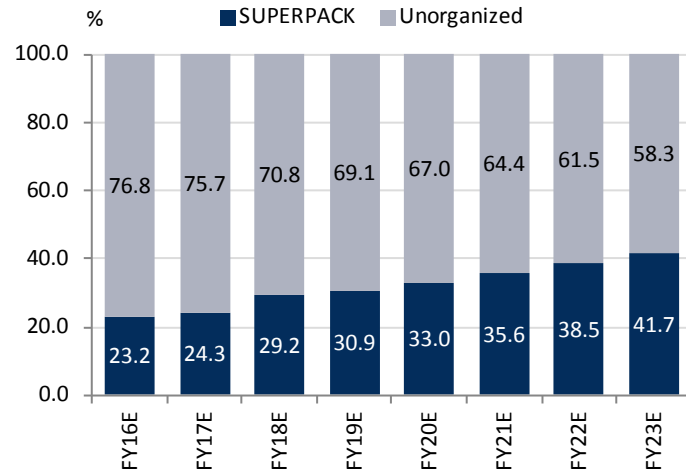
Source: Company, HDFC sec Inst Research

Indian Jewellery: Growth contribution over FY18-23E



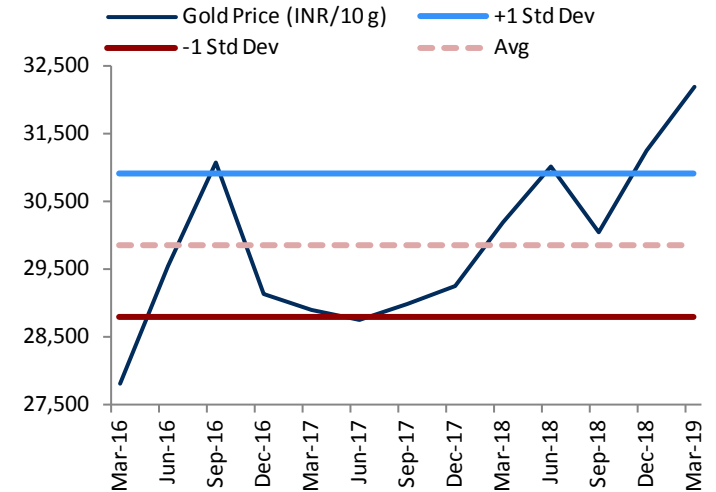
Source: Company, HDFC sec Inst Research

SUPERPACK'S share to touch 42% by FY23E



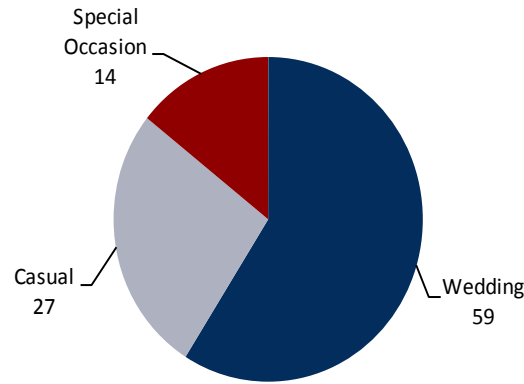
Source: Company, HDFC sec Inst Research

Gold price near its all time high



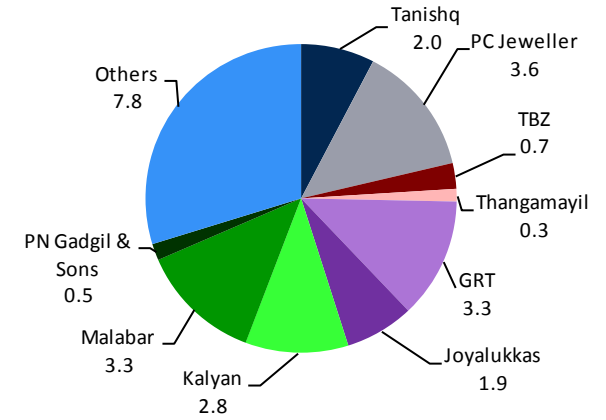
Source: Company, HDFC sec Inst Research

Domestic Jewellery consumption pattern



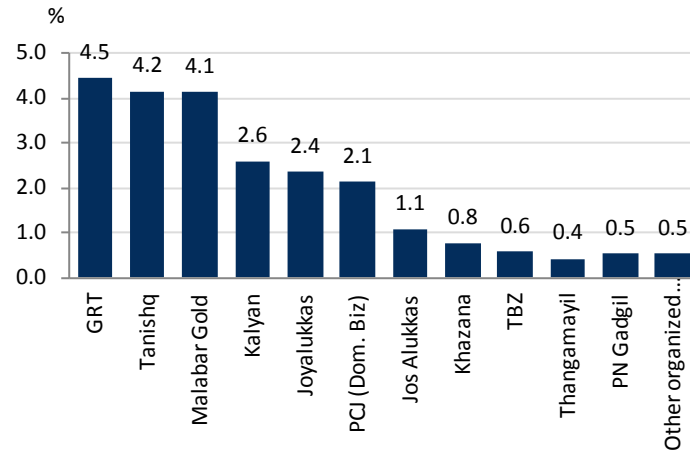
Source: Company, HDFC sec Inst Research

SUPERPACK's est. wedding share



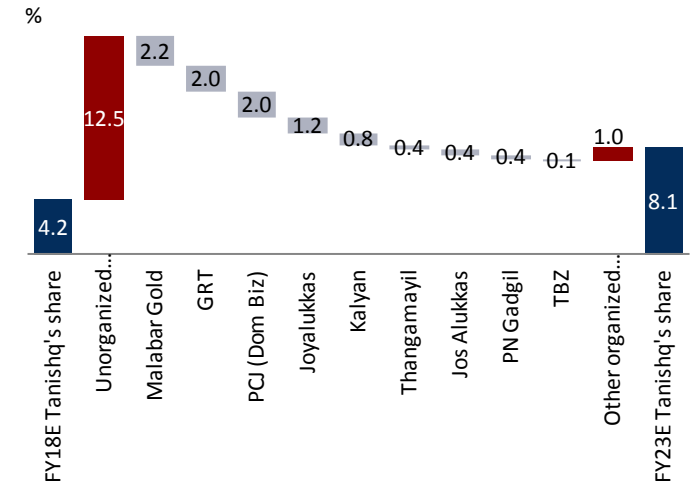
Source: Company, HDFC sec Inst Research

Player-wise estimated market share (%)



Source: Company, HDFC sec Inst Research

Tanishq to nearly double its share by FY23E



Source: Company, HDFC sec Inst Research

Income Statement

(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
Net Revenues	161,198	197,785	235,884	278,293	328,184
Growth (%)	21.6	22.7	19.3	18.0	17.9%
COGS	117,425	144,475	172,422	203,686	240,349
Employee Expense	8,851	10,193	11,802	13,785	16,092
A&P Expense	4,940	5,992	6,792	7,874	9,122
S&D Expense	4,757	5,549	6,264	7,112	8,223
Rent Expense	2,170	2,274	236	250	263
Other Expenses	6,609	7,938	9,232	10,613	12,352
EBITDA	16,447	21,365	29,136	34,972	41,784
EBITDA Growth (%)	42.3	29.9	36.4	20.0	19.5%
EBITDA Margin (%)	10.2	10.1	12.4	12.6	12.7%
Depreciation	1,314	1,628	2,898	3,641	3,934
EBIT	15,133	19,737	26,238	31,331	37,849
Other Income (Including EO Items)	722	1,829	1,654	2,759	3,330
Interest	529	525	1,469	1,558	1,692
PBT	15,326	21,041	26,423	32,533	39,487
Total Tax	4,279	5,682	8,191	10,410	13,031
RPAT before associate earnings	11,047	15,358	18,232	22,122	26,456
Share of Associate earnings	(28)	(22)	(22)	(22)	(22)
RPAT	11,019	15,337	18,210	22,101	26,434
Exceptional Gain/(loss)	(167)	-	-	-	-
Adjusted PAT	11,186	15,337	18,210	22,101	26,434
APAT Growth (%)	39.8	37.1	18.7	21.4	19.6%
Adjusted EPS (Rs)	12.6	17.3	20.5	24.9	29.8
EPS Growth (%)	39.8	37.1	18.7	21.4	19.6

Source: Company, HDFC sec Inst Research

Balance Sheet

(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
SOURCES OF FUNDS					
Share Capital - Equity	888	888	888	888	888
Reserves	50,011	59,814	72,670	87,274	103,536
Total Shareholders Funds	50,899	60,702	73,558	88,162	104,423
Minority Interest	(18)	141	141	141	141
Long Term Debt	-	317	317	317	317
Short Term Debt	27,295	36,346	43,592	52,157	62,800
Total Debt	27,295	36,663	43,909	52,474	63,116
Net Deferred Taxes	(1,351)	(688)	(688)	(688)	(688)
Other Non-current Liabilities & Provns	13	13	13	13	13
TOTAL SOURCES OF FUNDS	76,838	96,831	116,933	140,102	167,006
APPLICATION OF FUNDS					
Net Block	13,512	14,436	31,140	30,327	29,425
CWIP	430	318	318	318	318
Goodwill on Consolidation	1,230	1,230	1,230	1,230	1,230
Other Non-current Assets	1,083	1,572	1,572	1,572	1,572
Total Non-current Assets	16,255	17,556	34,260	33,447	32,545
Investments	344	392	392	392	392
Inventories	59,248	70,388	77,627	91,965	108,901
Debtors	2,957	4,205	4,270	5,038	5,941
Other Current Assets	8,860	12,513	12,974	15,306	18,050
Cash & Equivalents	6,195	11,357	25,409	35,909	47,334
Total Current Assets	77,261	98,463	120,280	148,218	180,227
Creditors	8,777	9,060	10,805	12,748	15,033
Other Current Liabilities & Provns	8,245	10,520	11,194	13,207	15,125
Total Current Liabilities	17,022	19,580	21,999	25,954	30,158
Net Current Assets	60,239	78,883	98,281	122,264	150,070
TOTAL APPLICATION OF FUNDS	76,838	96,831	132,933	156,102	183,006

Source: Company, HDFC sec Inst Research

Cash Flow Statement

(Rs mn)	FY17	FY18	FY19P	FY20E	FY21E
Reported PBT	15,298	19,569	26,423	32,533	39,487
Non-operating & EO Items	(723)	103	(1,676)	(2,781)	(3,351)
Interest Expenses	529	525	1,469	1,558	1,692
Depreciation	1,314	1,628	2,898	3,641	3,934
Working Capital Change	(12,365)	(3,036)	(5,346)	(13,483)	(16,380)
Tax Paid	(4,561)	(6,360)	(8,191)	(10,410)	(13,031)
OPERATING CASH FLOW (a)	(507)	12,429	15,577	11,058	12,351
Capex	(2,993)	(2,451)	(19,602)	(2,828)	(3,032)
Free Cash Flow (FCF)	(3,500)	9,978	(4,025)	8,230	9,319
Investments	3,316	(6,381)	-	-	-
Non-operating Income	636	849	1,654	2,759	3,330
INVESTING CASH FLOW (b)	960	(7,983)	(17,948)	(69)	297
Debt Issuance/(Repaid)	790	(389)	23,246	8,565	10,643
Interest Expenses	(541)	(525)	(1,469)	(1,558)	(1,692)
FCFE	(3,251)	9,063	17,751	15,237	18,269
Share Capital Issuance	-	-	-	-	-
Dividend	(2,774)	(3,974)	(5,354)	(7,496)	(10,173)
Others	-	-	(0)	(0)	0
FINANCING CASH FLOW (c)	(2,524)	(4,888)	16,423	(489)	(1,223)
NET CASH FLOW (a+b+c)	(2,072)	(443)	14,052	10,500	11,426
EO Items, Others	1,471	6,387	6,370	6,370	6,370
Closing Cash & Equivalents	6,179	10,665	24,716	35,216	46,642

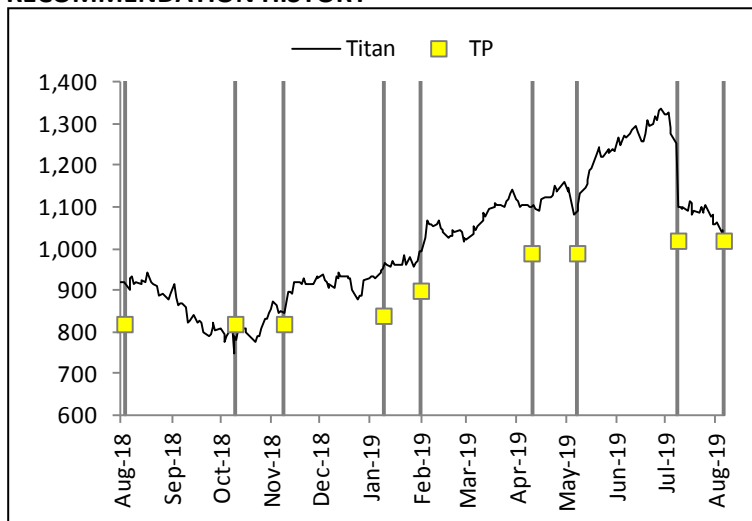
Source: Company, HDFC sec Inst Research

Key Ratios

	FY17	FY18	FY19P	FY20E	FY21E
PROFITABILITY (%)					
GPM	27.2	27.0	26.9	26.8	26.8
EBITDA Margin	10.2	10.1	12.4	12.6	12.7
EBIT Margin	9.4	10.0	11.1	11.3	11.5
APAT Margin	6.9	7.8	7.7	7.9	8.1
RoE	24.0	27.5	27.1	27.3	27.5
RoIC (or Core RoCE)	17.3	18.0	20.5	21.8	22.7
RoCE	16.0	18.1	18.0	18.0	18.0
EFFICIENCY					
Tax Rate (%)					
Fixed Asset Turnover (x)	27.6	29.0	31.0	32.0	33.0
Inventory (days)	12.0	12.8	6.7	7.4	8.0
Debtors (days)	123	120	120	121	121
Other Current Assets (days)	6	7	7	7	7
Payables (days)	20	23	20	20	20
Other Current Liab & Provns (days)	20	17	17	17	17
Cash Conversion Cycle (days)	19	19	17	17	17
Net Debt/Equity (x)	110	113	113	113	114
Interest Coverage (x)	0.4	0.4	0.3	0.2	0.2
PER SHARE DATA (Rs)					
EPS					
CEPS	12.6	17.3	20.5	24.9	29.8
Dividend	14.1	19.1	23.8	29.0	34.2
Book Value	3.8	5.0	7.0	9.5	11.5
VALUATION					
P/E (x)					
P/BV (x)	82.1	59.9	50.4	41.5	34.7
EV/EBITDA (x)	18.0	15.1	12.5	10.4	8.8
EV/Revenues (x)	57.1	44.2	32.1	26.7	22.3
OCF/EV (%)	5.8	4.8	4.0	3.4	2.8
FCF/EV (%)	(0.1)	1.3	1.7	1.2	1.3
FCFE/Mkt Cap (%)	(0.4)	1.1	(0.4)	0.9	1.0
Dividend Yield (%)	(0.4)	1.0	1.9	1.7	2.0

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
4-Aug-18	918	NEU	820
10-Oct-18	750	NEU	820
10-Nov-18	848	NEU	820
9-Jan-19	952	NEU	840
2-Feb-19	991	NEU	900
10-Apr-19	1,099	NEU	990
9-May-19	1,088	NEU	990
9-Jul-19	1,099	NEU	1,020
7-Aug-19	1,047	NEU	1,020

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- BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period
- NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
- SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

INSTITUTIONAL RESEARCH

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