



Multiplying Your Money - Ethically

Multigain Securities Services Pvt. Ltd.

TechnoFunda – Titan Industries Limited

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Parmod Kumar (Sr. Technical Analyst)

Titan Industries Limited (CMP 288.00)

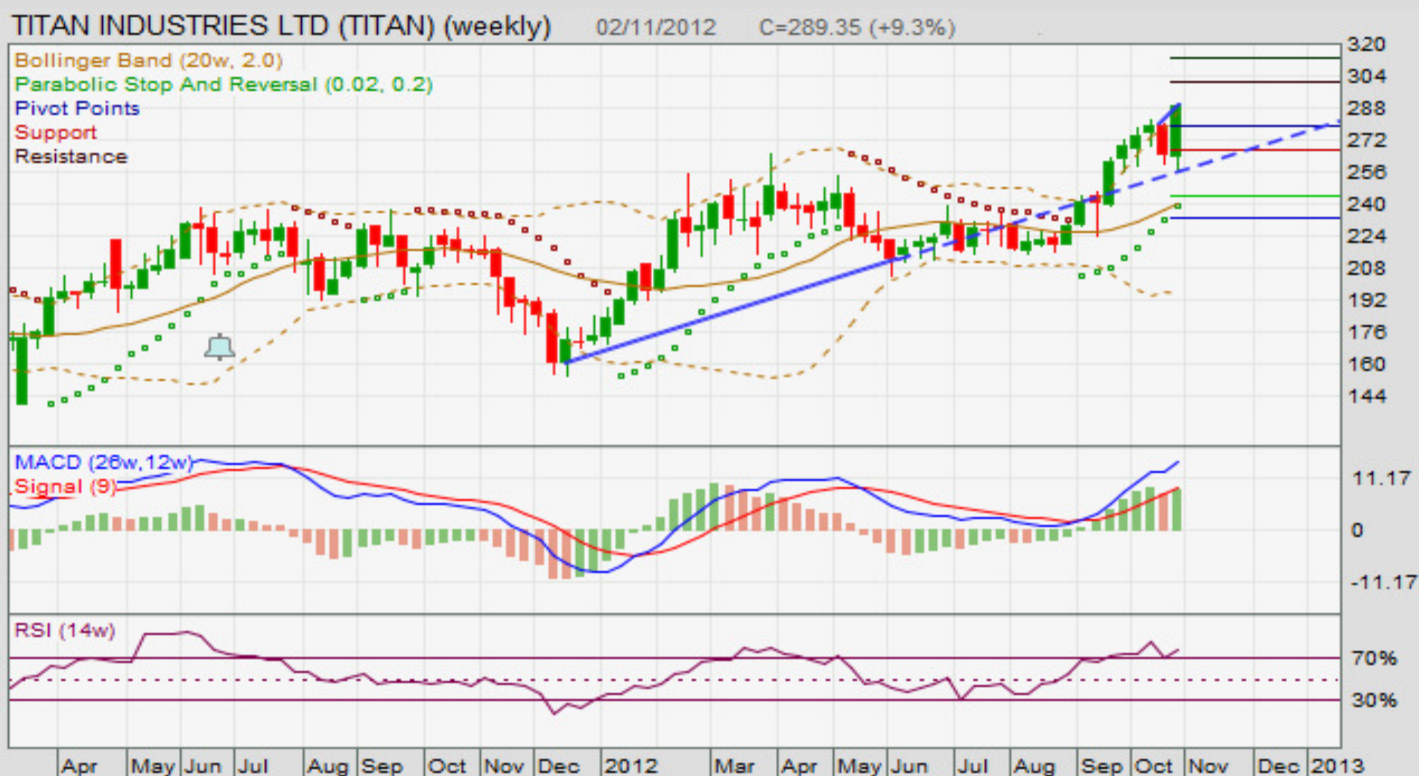
CMP: 288.00

Target Price (RS.): 322.00

Stop Loss (Rs.): 268

Duration: 3 Month

HOLDING: 3 MONTH



BUSINESS

Titan Industries is a joint venture between Tata India and Tamil Nadu Industrial Development Corporation. The company, is the leader in watch, jewellery and eyewear retailing. It owns brands such as Titan, Tanishq and Fastrack. The jewellery business contributes around 75% to the company's revenues, while the watch business contributes 20% and the remaining comes from the eyewear and precision engineering.



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FINANCIALS

Titan's net sales grew at a CAGR of 34.6% in the past five years. Its jewellery business increased at a CAGR of 45% and watch business grew at 14.6%. In FY11, the company posted revenue of Rs6,584.9 crore and net profit of Rs433.1 crore. The best part about the company's financials is its return on capital employed, with its earnings and margins improving year-on-year. The company is also a consistent dividend payer.

Titan's return on capital employed was 64% for FY11 against 45.5% in the year-ago period. The company's earnings growth during the period was 72.4% (53.3% in FY10) and operating margin was up 9.6% (8.5% in FY10).

The company has achieved this without dependence on external capital as strong brand ownership has allowed it to grow through the franchisee route unlike other retail players. It has consistently maintained strong cash flows. This has allowed the company to fund its working capital requirement and capital expenditure through internal accruals.

Titan is almost a debt-free company with cash of over Rs1,100 crore on its balance sheet.

VALUATIONS

At the current market price of Rs208, Titan Industries is trading at a price to earning multiple of 37.5.

The company cannot be compared with other industry players as they do not follow the same business model. Also, Titan Industries commands a premium over other jewellery players because of its unparalleled brand equity.

The best way to analyse the company is by considering its own historical valuations.

At the current valuation of 37, the company is trading close to its three-year average multiple of 35% and much below its three-year high valuation of 54%.



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INVESTMENT RATIONALE

As per the World Gold Council, India is the world leader in gold consumption. With 90% of the retail market in India being unorganized, there is a significant growth opportunity for companies operating in the branded segment.

The increasing awareness among consumers, mainly women, for branded jewellery in Tier I and Tier II segments is driving the market growth. Titan's contemporary designs, higher transparency and better after-sales service will allow it to enjoy premium margins, which will in turn will boost its growth further.

Also the company's recent entry into optical eyewear, precision engineering and high-end luxury watches of other brands through its retail chain Helios provide a huge growth potential.

Note: if call not achieved in time horizon advised to exit your position don't hold for longer time.

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