

Titan Company Limited

Instrument	Amount	Rating Action
	In Crore	October 2016
Fund Based Facilities	200	[ICRA]AA+(stable) outlook (Reaffirmed)
Non-Fund Based Facilities	1000	[ICRA]A1+ (Reaffirmed)
Fixed Deposit Programme	800	MAAA(stable) outlook (Reaffirmed)
Fixed Deposit Programme	700	MAAA(stable) outlook (Assigned)

ICRA has reaffirmed the rating assigned to the Rs. 200 crore fund based limits of Titan Company Limited (Titan) at [ICRA]AA+ (pronounced as ICRA double A plus) and also reaffirmed the [ICRA]A1+ (pronounced as ICRA A one plus) rating assigned to the Rs. 1000 crore non fund based limits of Titan. The rating of MAAA (pronounced as M triple A) assigned to the Rs. 800 crore fixed deposit programme of Titan has also been reaffirmed. ICRA has also assigned the rating of MAAA (pronounced as M triple A) assigned to the Rs. 700 crore additional fixed deposit programme of the company. The outlook on the long and medium term ratings is *stable*.

The rating reaffirmation continues to factor in Titan's leadership in the organised watches and jewellery segments drawing on the high quality of its products, the wide product range catering to various styles and price points and the extensive distribution and service network. Titan's strong parentage and the high financial flexibility arising from the high profitability, healthy cash generation and low debt levels are other factors that support the rating. Titan however faces growth pressures in the watches division given the increasing competitive intensity, the presence of mobile phones as time-keeping devices and the continued weak consumer sentiment. The overall growth in revenues and earnings during FY2016 was impacted by the reduced sales in the jewellery segment from Q4 of FY2016 as consumer sentiment was impacted by the introduction of PAN card disclosure norms for sales more than Rs 2 lakh and imposition of excise duty. Moreover there has been relatively lower subscription and sales from the new jewellery saving scheme floated in FY2015 in compliance with regulatory requirements of Companies Act 2013. ICRA also notes that the total amount of deposits raised under the new scheme was capped at 25% of Titan's net worth, due to which sales from such schemes have been much lower than in previous years ; this limit has recently been enhanced to 35%, which is a positive development for Titan. Further, the steady increase in gold prices in the current fiscal have negatively impacted consumer sentiment. In the absence of any near term trigger for gold price decline, demand is expected to remain muted for the rest of the fiscal despite the expected pick up in volumes in the second half of FY2017 aided by marriage and festive seasons. The ratings continue to factor in the high competition in the domestic jewellery retail space with all major players expanding across markets (which could limit growth potential and restrict margin expansion). However, ICRA draws comfort from the large size of the jewellery industry in India and Titan's low level of penetration which, combined with the brand strengths, translate into strong long-term growth prospects. The ratings also continue to be constrained by the cyclicity of demand for Titan's products, the vulnerability of jewellery demand to gold price fluctuations and the working capital intensive nature of its operations. Nevertheless, Titan's financial profile is expected to continue to remain consistent with the rated category.

Company Profile

Titan Company Limited, formerly Titan Industries Limited, was incorporated in 1984 as a joint venture between the Tata Group and Tamil Nadu Industrial Development Corporation Limited (TIDCO). Tata Group and TIDCO currently hold 25.17% and 27.88% respectively in Titan with the rest held by institutional investors and the public. Titan is a market leader in the domestic wristwatches (with brands such as 'Titan', 'Sonata' 'Fastrack' and 'Xylys') and domestic branded jewellery markets ('Tanishq' 'Zoya' and 'Gold Plus' brands). In FY2016, Titan's jewellery division contributed 77% of its revenues; sales of watches contributed to 17% with the balance coming from sale of precision engineering components and eye-wear.



Recent Results

In FY2016, Titan has reported profit after taxes (PAT) of Rs. 706 crore on net sales of Rs. 11,265 crore as against PAT of Rs. 823 crore on net sales of Rs. 11,903 crore for the previous year. In Q1 of financial year FY2017 the company has reported PAT of Rs. 127 crore on net sales of Rs. 2799 crore.

October 2016

For further details please contact:

Analyst Contacts:

Rohit Inamdar (Tel. No. +91-124-4545847)
rohit.inamdar@icraindia.com

Mathew Eranat (Tel. No. +91-80-43326415)
mathew.eranat@icraindia.com

Adarsh Reddy (Tel. No. +91-80-43326405)
adarsh.reddy@icraindia.com

Relationship Contacts:

L. Shivakumar (Tel. No. +91-22-61143406)
shivakumar@icraindia.com

© Copyright, 2016, ICRA Limited. All Rights Reserved

Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500