

October 6, 2021

Event Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		ACCUMULATE	
Target Price	2,554		1,916	
Sales (Rs. m)	2,76,392	3,34,786	2,61,058	3,11,842
% Chng.	5.9	7.4		
EBITDA (Rs. m)	29,108	40,344	27,266	39,364
% Chng.	6.8	2.5		
EPS (Rs.)	21.7	31.5	20.1	30.3
% Chng.	7.9	3.9		

Key Financials - Standalone

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	206	276	335	390
EBITDA (Rs. bn)	17	29	40	48
Margin (%)	8.3	10.5	12.1	12.3
PAT (Rs. bn)	10	19	28	35
EPS (Rs.)	11.4	21.7	31.5	39.2
Gr. (%)	(33.2)	90.3	45.0	24.5
DPS (Rs.)	4.0	5.0	5.0	6.0
Yield (%)	0.2	0.2	0.2	0.3
RoE (%)	14.1	23.1	27.2	26.9
RoCE (%)	13.3	21.3	26.5	26.0
EV/Sales (x)	9.3	6.9	5.7	4.8
EV/EBITDA (x)	112.6	65.5	47.0	38.9
PE (x)	188.0	98.8	68.2	54.8
P/BV (x)	25.2	20.9	16.6	13.2

Key Data

TITN.BO | TTAN IN

52-W High / Low	Rs.2,207 / Rs.1,154
Sensex / Nifty	59,190 / 17,646
Market Cap	Rs.1,907bn / \$ 25,428m
Shares Outstanding	888m
3M Avg. Daily Value	Rs.4582.6m

Shareholding Pattern (%)

Promoter's	52.90
Foreign	18.41
Domestic Institution	9.87
Public & Others	18.82
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	6.3	40.8	79.0
Relative	4.7	17.0	19.7

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Firing on all cylinders: Upgrade to BUY

We are increasing FY22/FY23 EPS estimates by 7.9% and 3.9% to Rs21.7 and Rs31.5 and introduce FY24 EPS estimates at Rs39.2. Our earnings upgrade stems from a strong 78% sales growth in 2Q led by broad based growth across Jewellery, watches and eyewear. We estimate 2Q PAT at Rs6.1bn, a growth of 205%. We note that the reported numbers are far better than our channel checks which suggested industry growth of 25%, suggesting market share gains. We note that We don't rule out some inventory stocking by Tanishq franchisees ahead of festival season.

We believe that worst is over as over 90% stores are operational and rising vaccinations are improving consumer confidence and footfalls. Growth in watches, Eyewear and Accessories has shown faster recovery which is a big positive given low base in coming quarters. We believe TTAN is well placed to capitalise on growth led by 1) benefit of hallmarking with strong brand as organized players in jewellery gain share 2) Omni-channel strategy across jewellery, watches and eyewear and 3) new growth drivers like Caratlane, Titan Eye+, Taneira, and entry into high growth segments like Over the Head headphones and Truly Wireless earphones.

We estimate 45% PAT CAGR over FY21-24 and upgrade to BUY (Accumulate earlier) with a DCF based target price of Rs2555 (Rs 1916 earlier) as long term structural story remains intact on account of market share gains, strong balance sheet, franchisee based model and Omni Channel across product segments. Upgrade to Buy

2QFY22 Update

- Jewellery Sales up 78% YoY** as demand postponement due to second wave triggered a strong comeback. We estimate EBIT of Rs7.5bn with a margin of 11%, partly impacted by higher share of plain gold in sales. Plain and studded segments grew in double digits, however higher growth in plain segment led to lower studded mix. TTAN launched digital gold, an offering that allows customers to purchase gold online, lock-in the gold prices and convert it into jewelry at a later stage. Golden Harvest Scheme (GHS) enrollments also surpassed the pre-pandemic levels. Added 13 new stores during the quarter and launched first category-specific campaign for leadership in Earrings - 'Stunning Every Ear' and 'Little Big Moments', an ode to special moments.
- Watches grew 73% YoY** on account of sales acceleration witnessed across all product brands. We estimate EBIT of Rs1.1bn with a margin of 16%. E-com continued its growth momentum while Walk-ins continued to slowly improve with malls and LFS at 65% and 70% of pre-pandemic levels. Tier-2 cities witnessing better recovery in walk-ins than metros. Launched new collections under 'Titan Solidarity', 'Titan Athleisure', 'Raga Silver', 'Raga Chic' & 'Purple pastels' catering to different lifestyle segments. Forayed into the fast-growing smart hearables category comprising of mid-premium range of Neckbands and plans to expand into Headphones & Buds segments. Added 8 new stores during the quarter.

- Eyewear revenues up 74% YoY with healthy growth witnessed across all segments. E-commerce push has progressed well with launch of Titan Eyeplus' App. 'ClearSight Z' - first-of-its-kind '8 in 1' lens was launched with 'Titan GenXT along with Fastrack 'Computer Glasses' and 'Steal Frames' at attractive price points. Added 24 stores during the Quarter.
- **Caratlane** continued its growth trajectory with 95% YoY growth, aided by Omni-channel framework providing versatile options to customers. 2 stores were added during 2Q22 taking the total store count to 123. A new gifting campaign 'Say by-bye to bad gifts' with attractive price points was launched to persuade customers to buy jewellery as meaningful gifts.
- **Taneira** - All stores of 'Taneira' re-opened post lockdown and were operational for about 80% of the total available store days. Multimedia campaigns on activation, conducted to boost sales, showed good traction amongst the customers with highest ever traffic seen for the brand website.
- **Fragrances & Accessories** Women bags continued to be a strong focus for the division with high growth witnessed in E-commerce and entry into leading department chains.
- **TEAL** performance was subdued due to delay in execution and shipments, caused by semiconductor shortages, logistics and travel restrictions, which are expected to ease in H2 FY'22. Automation Solutions Business continued its momentum with the highest ever order acquisition in the 2nd quarter. Aerospace & Defense business, witnessing strong recovery in single aisle, helicopter and business jet businesses with twin aisle continuing to experience certain challenges.

Exhibit 1: Revenue to grow 79% with strong growth across segments

Particulars (Rs m)	Q2FY22E	Q2FY21	YoY gr. (%)	Q1FY22	QoQ gr. (%)	Remarks
Sales	77,292	43,180	79.0	32,490	137.9	TTAN to report strong Revenue growth of 79% as demand postponement due to second wave triggered strong comeback in Jewelry segment. Watches and Eyewear also grew strongly on account of improving walk in and continued growth across E-Com.
EBITDA	8,889	2,940	202.3	1,440	517.3	
Margin (%)	11.5	6.8		4.4		
PBT	8,139	2,380	242.0	820	892.5	
Adj. PAT	6,088	1,990	205.9	610	898.0	
Jewellery Volume Growth (%)	83	(21.0)		124.0		
Jewellery Margins (%)	11.0	7.4		7.2		
Watch Volume Growth (%)	63.0	(48.0)		466.0		
Watch Margins (%)	15.9	(1.0)		(19.2)		

Source: Company, PL

Exhibit 2: Watches and Jewelry to witness sharp recovery in FY22

(Rs m)	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Jewellery							
Sales	1,04,752	1,30,231	1,59,881	1,66,983	1,85,877	2,43,813	2,96,918
Growth %	20.4	24.3	22.8	4.4	11.3	31.2	21.8
EBIDTA	11,232	15,893	19,996	21,813	18,023	26,828	36,301
Growth %	36.8	41.5	25.8	9.1	(17.4)	48.9	35.3
EBIDTA Margin %	10.7	12.2	12.5	13.1	9.7	11.0	12.2
Watches							
Sales	20,138	20,547	24,409	25,261	15,826	24,688	27,775
Growth %	2.6	2.0	18.8	3.5	(37.4)	56.0	12.5
EBIDTA	2,376	3,083	3,572	3,789	32	3,333	4,999
Growth %	18.5	29.7	15.9	6.1	(99.2)	10,430.0	50.0
EBIDTA Margin %	11.8	15.0	14.6	15.0	0.2	13.5	18.0

Source: PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	206,020	276,392	334,786	390,055
YoY gr. (%)	2.9	34.2	21.1	16.5
Cost of Goods Sold	157,690	206,741	236,781	286,320
Gross Profit	48,330	69,651	98,005	103,735
Margin (%)	23.5	25.2	29.3	26.6
Employee Cost	9,110	13,264	16,067	18,720
Other Expenses	-	14,881	26,637	19,337
EBITDA	17,010	29,108	40,344	48,115
YoY gr. (%)	(30.2)	71.1	38.6	19.3
Margin (%)	8.3	10.5	12.1	12.3
Depreciation and Amortization	3,310	3,607	3,996	4,313
EBIT	13,700	25,500	36,348	43,802
Margin (%)	6.6	9.2	10.9	11.2
Net Interest	1,810	1,981	1,961	2,177
Other Income	1,810	2,265	2,996	4,907
Profit Before Tax	13,700	25,785	37,383	46,532
Margin (%)	6.6	9.3	11.2	11.9
Total Tax	3,560	6,490	9,409	11,712
Effective tax rate (%)	26.0	25.2	25.2	25.2
Profit after tax	10,140	19,295	27,974	34,820
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	10,140	19,295	27,974	34,820
YoY gr. (%)	(33.2)	90.3	45.0	24.5
Margin (%)	4.9	7.0	8.4	8.9
Extra Ord. Income / (Exp)	(1,370)	-	-	-
Reported PAT	8,770	19,295	27,974	34,820
YoY gr. (%)	(42.2)	120.0	45.0	24.5
Margin (%)	4.3	7.0	8.4	8.9
Other Comprehensive Income	2,060	-	-	-
Total Comprehensive Income	10,830	19,295	27,974	34,820
Equity Shares O/s (m)	888	888	888	888
EPS (Rs)	11.4	21.7	31.5	39.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	24,070	26,173	28,277	30,382
Tangibles	22,348	24,448	26,549	28,651
Intangibles	1,722	1,725	1,728	1,731
Acc: Dep / Amortization	13,018	16,313	19,922	23,846
Tangibles	11,848	15,066	18,600	22,450
Intangibles	1,171	1,246	1,321	1,397
Net fixed assets	11,052	9,860	8,355	6,536
Tangibles	10,500	9,381	7,948	6,201
Intangibles	551	479	407	335
Capital Work In Progress	250	276	305	339
Goodwill	-	-	-	-
Non-Current Investments	10,830	11,913	13,104	14,415
Net Deferred tax assets	1,050	276	335	390
Other Non-Current Assets	10,410	10,717	11,034	11,362
Current Assets				
Investments	27,530	31,660	44,323	50,972
Inventories	79,840	100,969	121,005	136,489
Trade receivables	2,908	3,407	4,127	4,808
Cash & Bank Balance	5,118	400	3,517	23,852
Other Current Assets	6,710	3,455	4,185	4,876
Total Assets	158,598	175,978	213,487	257,396
Equity				
Equity Share Capital	888	888	888	888
Other Equity	74,640	90,291	113,826	143,319
Total Networkth	75,528	91,179	114,714	144,206
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	1,430	1,934	2,343	2,730
Other non current liabilities	9,710	10,681	11,749	12,924
Current Liabilities				
ST Debt / Current of LT Debt	40,940	31,658	36,522	41,601
Trade payables	6,950	7,733	8,753	10,225
Other current liabilities	24,040	32,792	39,406	45,709
Total Equity & Liabilities	158,598	175,977	213,486	257,395

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	15,544	25,785	37,383	46,532
Add. Depreciation	3,350	3,607	3,996	4,313
Add. Interest	1,495	1,844	1,981	1,961
Less Financial Other Income	1,810	2,265	2,996	4,907
Add. Other	719	1,618	745	787
Op. profit before WC changes	21,108	32,855	44,104	53,592
Net Changes-WC	203	(18,892)	(25,304)	(10,811)
Direct tax	(3,917)	(6,490)	(9,409)	(11,712)
Net cash from Op. activities	17,395	7,472	9,391	31,069
Capital expenditures	(2,682)	(2,443)	(2,520)	(2,527)
Interest / Dividend Income	-	-	-	-
Others	1,501	(759)	(835)	(918)
Net Cash from Inv. activities	(1,181)	(3,202)	(3,355)	(3,445)
Issue of share cap. / premium	(795)	795	-	-
Debt changes	(6,262)	(3,500)	3,500	-
Dividend paid	(3,551)	(4,439)	(4,439)	(5,327)
Interest paid	(1,495)	(1,844)	(1,981)	(1,961)
Others	-	-	-	-
Net cash from Fin. activities	(12,104)	(8,988)	(2,920)	(7,288)
Net change in cash	4,110	(4,718)	3,116	20,336
Free Cash Flow	14,713	5,029	6,871	28,542

Source: Company Data, PL Research

Key Financial Metrics

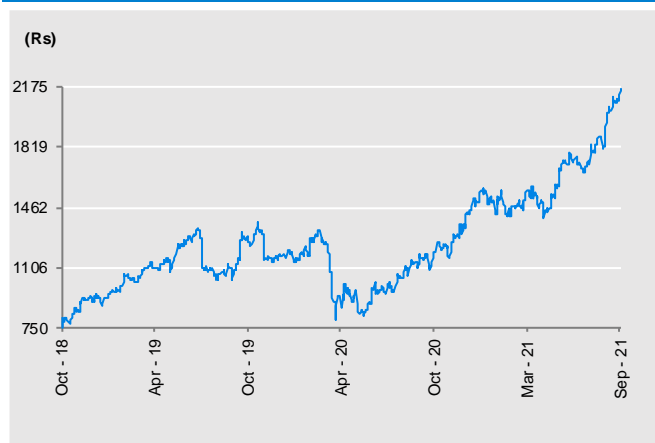
Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	11.4	21.7	31.5	39.2
CEPS	15.1	25.8	36.0	44.1
BVPS	85.1	102.7	129.2	162.4
FCF	16.6	5.7	7.7	32.1
DPS	4.0	5.0	5.0	6.0
Return Ratio(%)				
RoCE	13.3	21.3	26.5	26.0
ROIC	10.9	17.7	21.9	24.0
RoE	14.1	23.1	27.2	26.9
Balance Sheet				
Net Debt : Equity (x)	0.1	-	(0.1)	(0.2)
Net Working Capital (Days)	134	128	127	123
Valuation(x)				
PER	188.0	98.8	68.2	54.8
P/B	25.2	20.9	16.6	13.2
P/CEPS	141.8	83.3	59.6	48.7
EV/EBITDA	112.6	65.5	47.0	38.9
EV/Sales	9.3	6.9	5.7	4.8
Dividend Yield (%)	0.2	0.2	0.2	0.3

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY21	Q4FY21	Q1FY22	Q2FY22E
Net Revenue	72,870	71,350	32,490	77,292
YoY gr. (%)	17.4	61.1	74.5	79.0
Raw Material Expenses	56,930	56,110	25,590	51,167
Gross Profit	15,940	15,240	6,900	26,125
Margin (%)	21.9	21.4	21.2	33.8
EBITDA	8,580	7,950	1,440	8,889
YoY gr. (%)	16.6	31.7	(158.5)	202.3
Margin (%)	11.8	11.1	4.4	11.5
Depreciation / Depletion	840	820	830	890
EBIT	7,740	7,130	610	7,999
Margin (%)	10.6	10.0	1.9	10.3
Net Interest	460	450	440	460
Other Income	370	340	650	600
Profit before Tax	7,650	7,020	820	8,139
Margin (%)	10.5	9.8	2.5	10.5
Total Tax	2,090	1,730	210	2,051
Effective tax rate (%)	27.3	24.6	25.6	25.2
Profit after Tax	5,560	5,290	610	6,088
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	5,560	5,290	610	6,088
YoY gr. (%)	18.3	48.3	(122.6)	205.9
Margin (%)	7.6	7.4	1.9	7.9
Extra Ord. Income / (Exp)	(1,370)	-	-	-
Reported PAT	4,190	5,290	610	6,088
YoY gr. (%)	(10.8)	48.3	(122.6)	205.9
Margin (%)	5.7	7.4	1.9	7.9
Other Comprehensive Income	60	370	260	-
Total Comprehensive Income	4,250	5,660	870	6,088
Avg. Shares O/s (m)	888	888	890	888
EPS (Rs)	6.3	6.0	0.7	6.9

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	4-Aug-21	Accumulate	1,916	1,800
2	7-Jul-21	Accumulate	1,869	1,763
3	5-Jul-21	Accumulate	1,663	1,755
4	29-Apr-21	Accumulate	1,663	1,507
5	7-Apr-21	Accumulate	1,663	1,518
6	7-Apr-21	Accumulate	1,663	1,518
7	10-Feb-21	Hold	1,601	1,563
8	7-Jan-21	UR	-	1,573
9	28-Oct-20	Accumulate	1,352	1,217
10	8-Oct-20	Accumulate	1,352	1,254

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,511	3,159
2	Avenue Supermarts	BUY	3,744	3,397
3	Bajaj Electricals	Hold	1,246	1,284
4	Britannia Industries	Accumulate	3,911	3,505
5	Burger King India	BUY	250	172
6	Colgate Palmolive	Accumulate	1,846	1,710
7	Crompton Greaves Consumer Electricals	BUY	518	486
8	Dabur India	Hold	588	614
9	Emami	Accumulate	624	573
10	Havells India	Accumulate	1,414	1,390
11	Hindustan Unilever	Accumulate	2,915	2,785
12	ITC	BUY	258	212
13	Jubilant FoodWorks	Accumulate	3,404	3,065
14	Kansai Nerolac Paints	Accumulate	661	628
15	Marico	Hold	525	547
16	Mold-tek Packaging	BUY	598	510
17	Nestle India	Accumulate	19,290	18,023
18	Pidilite Industries	Reduce	1,904	2,221
19	Titan Company	Accumulate	1,916	1,800
20	Voltas	UR	-	1,250
21	Westlife Development	BUY	603	512

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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