

October 27, 2021

Q2FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	2,651		2,554	
Sales (Rs. m)	3,15,226	3,66,342	3,34,786	3,90,055
% Chng.	(5.8)	(6.1)		
EBITDA (Rs. m)	40,042	48,075	40,344	48,115
% Chng.	(0.7)	(0.1)		
EPS (Rs.)	31.6	39.6	31.5	39.2
% Chng.	0.1	1.0		

Key Financials - Standalone

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	206	265	315	366
EBITDA (Rs. bn)	17	31	40	48
Margin (%)	8.3	11.6	12.7	13.1
PAT (Rs. bn)	10	21	28	35
EPS (Rs.)	11.4	23.3	31.6	39.6
Gr. (%)	(33.2)	103.8	35.5	25.5
DPS (Rs.)	4.0	5.0	5.0	6.0
Yield (%)	0.2	0.2	0.2	0.2
RoE (%)	14.1	24.6	26.8	26.8
RoCE (%)	13.3	22.6	26.0	25.7
EV/Sales (x)	10.6	8.2	6.9	5.9
EV/EBITDA (x)	128.9	70.7	54.1	44.6
PE (x)	215.4	105.7	78.0	62.1
P/BV (x)	28.9	23.6	18.8	15.0

Key Data

TITN.BO | TTAN IN

52-W High / Low	Rs.2,678 / Rs.1,154
Sensex / Nifty	61,143 / 18,211
Market Cap	Rs.2,184bn/ \$ 29,110m
Shares Outstanding	888m
3M Avg. Daily Value	Rs.6895.74m

Shareholding Pattern (%)

Promoter's	52.90
Foreign	19.06
Domestic Institution	10.10
Public & Others	17.94
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	17.7	64.5	99.7
Relative	15.6	31.7	32.4

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Firing on all cylinders: Buy for LT Term

Quick Pointers:

- Studded ratio improved to 30% from 26% in Q2FY21, Gained Market share in Jewellery across geographies
- Eyewear EBIT margins at 23.1% as business model getting settled.
- Eyewear to see 250-300 store openings in next 12-15 months

We are increasing FY22/23/24 EPS by 7.3%/0.1%/1.1% given 1) strong demand recovery across verticals 2) operating leverage led margin expansion in Jewellery 3) All time high margins in Eyewear led by business model restructuring and benefits of backward integration of past few years. We believe that 1) Strong wedding jewellery demand, improved mix and benefits of hallmarking in Jewellery 2) aggressive store expansion of 250-300 in eyewear and 3) acceleration in store openings in watches and 4) scale up in emerging businesses like Taneira and wearables will be major growth drivers for TTAN going forward. We continue to remain positive on the long term structural story on account of market share gains, strong balance sheet, franchisee based model and strong brand. We expect Eyewear and watches to lead margin recovery on a low base and rising scale and mix improvement. Maintain BUY with DCF based TP of Rs 2651 (Rs 2554 earlier). However, we expect back ended returns given 17% and 42% returns in past1/3 months.

- Margins expand 650bps, Jewellery volumes up 101%:** Revenues (ex of Bullion) grew by 77.8% YoY to Rs69.2bn (PLe: Rs69.6bn); with Jewellery/ Watches/ Eyewear growing by 64.1%/71.8%/70.2%. Gross margins contracted by 650bps YoY to 24.3%. EBITDA grew by 224.5% YoY to Rs9.5bn (PLe: Rs8.9bn) Margins expanded by 650bps YoY to 13.3% (PLe:11.5%). Adj. PAT grew by 222.1% YoY to Rs6.4bn (PLe: Rs6.1bn). In H1, added net 60 stores. Total stores (including Caratlane) stand at 1,969 in 308 towns.
- Jewellery** Jewellery sales grew 64.1% to Rs62.98bn (including bullion sales of Rs1.92bn) and EBIT at Rs7.93bn from Rs2.85bn last year. Margins at 12.6% from 7.4%. Volume was up by 101%. Studded ratio stood at 30% vs 26% last year. Tanishq added 15 stores (64000 sq. ft. of retail space) this quarter.
- Watches** Watches sales grew 71.8% at Rs 6.87bn, EBIT came at 920mn vs - 40mn in 2Q21. Volumes up by 67%. The division added 9 Helios stores and shutdown 4 FastTrack stores in 2Q22, on net basis. **WOT** reported LTL growth of 78%, **Helios** 51% and **LFS** 102%.
- Eyewear** sales grew 70.2% to Rs1.6bn from Rs940mn last year while EBIT came at Rs 370 mn vs 90mn in 2Q21. Added 30 new Titan Eye Stores and registered 59% LTL growth.

- **Key Concall Highlights:** 1) Despite low studded share, Jewelry margins expanded aided by scale benefit. At current rate, can sustain 12-13% margins 2) Tanishq to add 30-35 stores annually. Will close the year with 390, medium term target of 500+ 3) Build up to Diwali season has been very good and as per expectation 4) Tanishq gained market share across cities and regions in varying proportions. 5) eyewear will see addition of 250-300 stores in next 12-months, expects to sustain 18-20% margins 7) Structural profitability of Eyewear business has improved due to various initiatives undertaken over the past 6 quarters, focus on growth might impact near term margins 8) 50% of Gold sourcing is through Gold on Lease, 30-35% through Exchange Programs while rest is purchased. 9) Caratlane has piloted renting of Jewellery

Exhibit 1: Q2FY22 Results: Sales up 66% Margins expand 650 bps

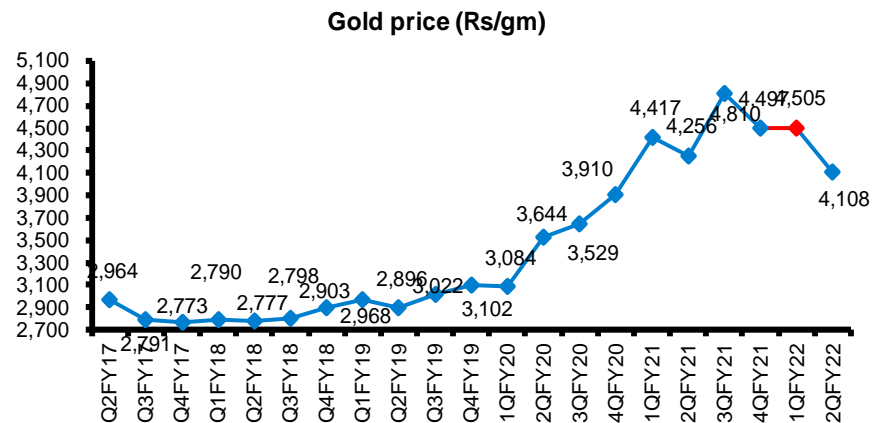
Y/e March (Rs mn)	Q2FY22	Q2FY21	YoY gr. (%)	Q1FY22	1HFY22	1HFY21	YoY gr. (%)
Net Sales	71,700	43,180	66.0	32,490	1,04,190	61,800	68.6
Gross Profit	17,450	13,310	31.1	6,900	24,350	17,150	42.0
<i>% of NS</i>	<i>24.3</i>	<i>30.8</i>	<i>(6.5)</i>	<i>21.2</i>	<i>23.4</i>	<i>27.8</i>	<i>(4.4)</i>
Advt & Sales Pro	1,090	510	113.7	370	1,563	670	133.3
<i>% of NS</i>	<i>1.5</i>	<i>1.2</i>		<i>1.1</i>	<i>1.5</i>	<i>1.1</i>	
Total Expenses	62,160	40,240	54.5	31,050	93,313	61,320	52.2
<i>% of NS</i>	<i>86.7</i>	<i>93.2</i>		<i>95.6</i>	<i>89.6</i>	<i>99.2</i>	
EBITDA	9,540	2,940	224.5	1,440	10,877	480	2,166.1
<i>Margins %</i>	<i>13.3</i>	<i>6.8</i>	<i>6.5</i>	<i>4.4</i>	<i>10.4</i>	<i>0.8</i>	<i>9.7</i>
Depreciation	910	830	9.6	830	1,740	1,650	5.5
Interest	450	440	2.3	440	890	900	(1.1)
Other Income	500	710	(29.6)	650	1,150	1,100	4.5
PBT	8,680	2,380	264.7	820	9,397	(970)	(1,068.8)
Tax	2,270	390	482.1	210	2,480	(260)	(1,053.8)
<i>Tax rate %</i>	<i>26.2</i>	<i>16.4</i>		<i>25.6</i>	<i>26.4</i>	<i>26.8</i>	
Adjusted PAT	6,410	1,990	222.1	610	6,917	(710)	(1,074.2)

Source: Company, PL

Exhibit 2: Broad based growth across segments, Jewellery margins at 12.6%, eyewear margins at 23.1%

(Rs m)	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22
Total Sales	44,447	62,167	44,604	18,920	43,540	72,990	71,390	32,640	71,910
Watches	7,187	6,253	5,568	750	4,000	5,500	5,550	2,920	6,870
YoY Growth	6.4%	-2.4%	4.9%	-89.5%	-44.3%	-12.0%	-0.3%	289.3%	71.8%
Jewellery	35,278	54,087	37,544	17,830	38,370	65,890	64,220	28,910	62,980
YoY Growth	-1.5%	10.6%	-5.8%	-55.9%	8.8%	21.8%	71.1%	62.1%	64.1%
Eyewear	1,542	1,333	1,077	300	940	1,240	1,270	670	1600
YoY Growth	28.5%	2.9%	-17.4%	-79.8%	-39.0%	-7.0%	17.9%	123.3%	70.2%
Others	440	494	415	40	230	360	350	140	460
YoY Growth	33.2%	32.6%	12.5%	-89.0%	-47.7%	-66.4%	-15.6%	250.0%	100.0%
Total EBIT	4,897	7,375	5,870	-2,670	2,800	8,230	7,630	1,220	9,210
Watches	1,134	521	722	-1,640	-40	570	460	-560	920
YoY Growth	-6.9%	-4.1%	149.3%	-228.5%	-103.5%	9.4%	-36.3%	-65.9%	-2400.0%
EBIT Margin	16.7%	8.3%	13.0%	-218.7%	-1.0%	10.4%	8.3%	-12.0%	13.4%
Jewellery	3,841	7,013	5,339	-540	2,850	7,520	7,030	2,070	7,930
YoY Growth	-2.0%	7.8%	4.2%	-112.2%	-25.8%	7.2%	31.7%	-483.3%	178.2%
EBIT Margin	11.0%	13.0%	14.2%	-3.0%	7.4%	11.4%	10.9%	6.0%	12.6%
Eyewear	20	-67	18	-310	90	220	230	-130	370
YoY Growth	-299.0%	358.9%	-209.0%	171.2%	352.3%	-428.4%	1170.7%	-58.1%	311.1%
EBIT Margin	1.0%	-5.0%	4.4%	-103.3%	9.6%	17.7%	18.1%	5.0%	23.1%
Others	(98)	(92)	(209)	(180)	(100)	(80)	(90)	(160)	(10)

Source: Company, PL

Exhibit 3: Average Gold Prices down 7% YoY


Source: Bloomberg, PL

Exhibit 4: Grammage increases 101%, studded share at 30%

	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22
Jewellery									
Volume Gr %	-14	-5	-20	-81	-31	-14	45	124	101
Studded Share %	38	27	37	18	26	26	30	22	30
Sales Gr %	-1.5%	10.6%	-5.8%	-55.9%	-25.8%	21.8%	71.1%	62.1%	64.1%
Tanishq									
Sales Gr %	7	15	-4	-23	-4	13	63	115	75
LTL Growth %	2	9	-9	-18	-9	7	47	117	66
Stores	308	321	327	333	341	351	353	358	368
Area (sq. Ft)	11,60,000	12,00,000	12,40,000	12,50,000	12,90,000	13,40,000	13,60,000	13,80,000	14,20,000

Source: Company, PL

Exhibit 5: Watches sales up 71.8% on a low base, LFS lead with 103% growth

	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22
Watches									
Sales Growth %	6.4	-2.4	4.9	-89.5	-44.3	-12.0	-0.3	291.3	71.8
Volume Growth %	-1	-10	-5	-93	-48	-26	-4	466	67
World Of Titan									
Sales Growth %	-1	11	-7	-59	-50	-14	8	86	79
LTL Sales growth %	-3	11	-9	-51	-49	-15	7	91	78
Stores	489	492	499	505	506	499	511	509	513
Helios									
Sales Growth %	9	23	10	-51	-34	-9	10	73	69
LTL Sales growth %	1	12	-3	-29	-30	-14	6	78	51
Stores	86	88	92	93	96	98	103	106	112
Fastrack									
Sales Growth %	-7	1	-10	-64	-50	-24	-4	63	51
LTL Sales growth %	-12	-4	-12	-58	-47	-22	-2	80	52
Stores	180	179	183	192	180	169	168	166	164
LFS									
Sales Growth %	6	8	-9	-86	-66	-23	-3	323	103
LTL Sales growth %	1	3	-15	-84	-67	-23	-3	324	102

Source: Company, PL

Exhibit 6: Eyewear stages a strong performance during the quarter

Eyewear	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22
Sales Gr %	35	11	-8	-46	-35	-14	28	74	69
LTL Growth % (Titan Eye+)	28	3	-16	-44	-34	-15	27	47	59
Stores	561	578	584	569	557	571	599	605	629
Area (sq Ft)	3,71,000	3,81,000	3,86,000	3,78,000	3,71,000	3,76,000	3,88,000	3,89,000	4,00,000

Source: Company PL

Exhibit 7: Stage Set for strong recovery from 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	2,32,425	2,76,740
Growth %	20.4	24.3	22.8	4.4	11.3	25.0	19.1
EBIDTA	11,232	15,893	19,996	21,813	18,023	28,533	35,888
Growth %	36.8	41.5	25.8	9.1	(17.4)	58.3	25.8
EBIDTA Margin %	10.7	12.2	12.5	13.1	9.7	12.3	13.0
Watches							
Sales	20,138	20,547	24,409	25,261	15,826	24,688	28,392
Growth %	2.6	2.0	18.8	3.5	(37.4)	56.0	15.0
EBIDTA	2,376	3,083	3,572	3,789	32	3,333	5,111
Growth %	18.5	29.7	15.9	6.1	(99.2)	10,430.0	53.3
EBIDTA Margin %	11.8	15.0	14.6	15.0	0.2	13.5	18.0

Source: PL Research

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	2,06,020	2,65,005	3,15,226	3,66,342
YoY gr. (%)	2.9	28.6	19.0	16.2
Cost of Goods Sold	1,57,690	1,94,919	2,19,697	2,65,283
Gross Profit	48,330	70,086	95,529	1,01,059
Margin (%)	23.5	26.4	30.3	27.6
Employee Cost	9,110	12,717	15,128	17,581
Other Expenses	-	14,487	25,969	18,526
EBITDA	17,010	30,814	40,042	48,075
YoY gr. (%)	(30.2)	81.2	29.9	20.1
Margin (%)	8.3	11.6	12.7	13.1
Depreciation and Amortization	3,310	3,607	3,996	4,313
EBIT	13,700	27,206	36,046	43,763
Margin (%)	6.6	10.3	11.4	11.9
Net Interest	1,810	1,981	1,961	2,177
Other Income	1,810	2,396	3,353	5,414
Profit Before Tax	13,700	27,621	37,437	46,999
Margin (%)	6.6	10.4	11.9	12.8
Total Tax	3,560	6,952	9,423	11,830
Effective tax rate (%)	26.0	25.2	25.2	25.2
Profit after tax	10,140	20,669	28,014	35,170
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	10,140	20,669	28,014	35,170
YoY gr. (%)	(33.2)	103.8	35.5	25.5
Margin (%)	4.9	7.8	8.9	9.6
Extra Ord. Income / (Exp)	(1,370)	-	-	-
Reported PAT	8,770	20,669	28,014	35,170
YoY gr. (%)	(42.2)	135.7	35.5	25.5
Margin (%)	4.3	7.8	8.9	9.6
Other Comprehensive Income	2,060	-	-	-
Total Comprehensive Income	10,830	20,669	28,014	35,170
Equity Shares O/s (m)	888	888	888	888
EPS (Rs)	11.4	23.3	31.6	39.6

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	265	315	366
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	97,516	1,14,778	1,29,080
Trade receivables	2,908	3,266	3,886	4,516
Cash & Bank Balance	5,118	4,135	9,288	30,758
Other Current Assets	6,710	3,313	3,940	4,579
Total Assets	1,58,598	1,75,965	2,12,526	2,56,279
Equity				
Equity Share Capital	888	888	888	888
Other Equity	74,640	91,665	1,15,241	1,45,084
Total Network	75,528	92,553	1,16,129	1,45,971
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	1,430	1,855	2,206	2,564
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	7,660	8,634	10,079
Other current liabilities	24,040	31,558	37,286	43,139
Total Equity & Liabilities	1,58,598	1,75,965	2,12,525	2,56,278

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	15,544	27,621	37,437	46,999
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	2,396	3,353	5,414
Add. Other	719	1,550	696	762
Op. profit before WC changes	21,108	34,623	44,110	54,035
Net Changes-WC	203	(16,464)	(23,259)	(10,002)
Direct tax	(3,917)	(6,952)	(9,423)	(11,830)
Net cash from Op. activities	17,395	11,207	11,427	32,204
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	(983)	5,153	21,470
Free Cash Flow	14,713	8,764	8,907	29,677

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	11.4	23.3	31.6	39.6
CEPS	15.1	27.3	36.1	44.5
BVPS	85.1	104.3	130.8	164.4
FCF	16.6	9.9	10.0	33.4
DPS	4.0	5.0	5.0	6.0
Return Ratio(%)				
RoCE	13.3	22.6	26.0	25.7
ROIC	10.9	19.4	22.7	25.1
RoE	14.1	24.6	26.8	26.8
Balance Sheet				
Net Debt : Equity (x)	0.1	0.0	(0.1)	(0.3)
Net Working Capital (Days)	134	128	127	123
Valuation(x)				
PER	215.4	105.7	78.0	62.1
P/B	28.9	23.6	18.8	15.0
P/CEPS	162.4	90.0	68.2	55.3
EV/EBITDA	128.9	70.7	54.1	44.6
EV/Sales	10.6	8.2	6.9	5.9
Dividend Yield (%)	0.2	0.2	0.2	0.2

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Net Revenue	72,870	71,350	32,490	71,700
YoY gr. (%)	17.4	61.1	74.5	66.0
Raw Material Expenses	56,930	56,110	25,590	54,250
Gross Profit	15,940	15,240	6,900	17,450
Margin (%)	21.9	21.4	21.2	24.3
EBITDA	8,580	7,950	1,440	9,540
YoY gr. (%)	16.6	31.7	(158.5)	224.5
Margin (%)	11.8	11.1	4.4	13.3
Depreciation / Depletion	840	820	830	910
EBIT	7,740	7,130	610	8,630
Margin (%)	10.6	10.0	1.9	12.0
Net Interest	460	450	440	450
Other Income	370	340	650	500
Profit before Tax	7,650	7,020	820	8,680
Margin (%)	10.5	9.8	2.5	12.1
Total Tax	2,090	1,730	210	2,270
Effective tax rate (%)	27.3	24.6	25.6	26.2
Profit after Tax	5,560	5,290	610	6,410
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	5,560	5,290	610	6,410
YoY gr. (%)	18.3	48.3	(122.6)	222.1
Margin (%)	7.6	7.4	1.9	8.9
Extra Ord. Income / (Exp)	(1,370)	-	-	-
Reported PAT	4,190	5,290	610	6,410
YoY gr. (%)	(10.8)	48.3	(122.6)	222.1
Margin (%)	5.7	7.4	1.9	8.9
Other Comprehensive Income	60	370	260	(500)
Total Comprehensive Income	4,250	5,660	870	5,910
Avg. Shares O/s (m)	888	888	890	888
EPS (Rs)	6.3	6.0	0.7	7.2

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Oct-21	BUY	2,554	2,148
2	06-Oct-21	BUY	2,554	2,148
3	04-Aug-21	Accumulate	1,916	1,800
4	07-Jul-21	Accumulate	1,869	1,763
5	05-Jul-21	Accumulate	1,663	1,755
6	29-Apr-21	Accumulate	1,663	1,507
7	07-Apr-21	Accumulate	1,663	1,518
8	07-Apr-21	Accumulate	1,663	1,518
9	10-Feb-21	Hold	1,601	1,563
10	07-Jan-21	UR	-	1,573

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,675	3,002
2	Avenue Supermarts	Accumulate	5,359	5,324
3	Bajaj Electricals	Hold	1,246	1,284
4	Britannia Industries	Accumulate	4,260	3,939
5	Burger King India	BUY	251	159
6	Colgate Palmolive	Accumulate	1,852	1,532
7	Crompton Greaves Consumer Electricals	BUY	530	451
8	Dabur India	Hold	647	615
9	Emami	Accumulate	624	545
10	Havells India	Accumulate	1,400	1,286
11	Hindustan Unilever	Accumulate	2,930	2,547
12	ITC	BUY	271	231
13	Jubilant FoodWorks	Accumulate	4,111	3,965
14	Kansai Nerolac Paints	Accumulate	661	646
15	Marico	Hold	532	564
16	Mold-tek Packaging	BUY	669	666
17	Nestle India	Accumulate	19,501	19,368
18	Pidilite Industries	Reduce	2,221	2,416
19	Titan Company	BUY	2,554	2,148
20	Titan Company	BUY	2,554	2,148
21	Voltas	UR	-	1,250
22	Westlife Development	BUY	605	554

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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