

Titan Company

Refer to important disclosures at the end of this report

Q3 update: Robust trends across divisions drive another earnings upgrade

Titan's Q3 business update highlights a robust growth momentum, indicating healthy market share gains. The Jewelry division reported strong 37% growth (ex-bullion sales) with a 2-year CAGR of 26%. Titan has accelerated network expansion with the addition of 83/29/27 stores for Eyewear/Tanishq/Watches in 9MFY22 (vs. -13/24/-8 in 9MFY21). Factoring in the solid growth momentum, we increase our FY23/FY24 EPS estimates by 8-9% and raise our Dec'22 TP to Rs3,000 (from Rs2,770), valuing the stock at 65x Dec'23E EPS. Retain Buy.

- Jewelry grows 37% with 2-year CAGR of 26%:** Excluding bullion sales of Rs3.4bn in the base quarter, the Jewelry segment grew 37% in Q3 and posted a healthy 2-year CAGR of 26%. The strong sales CAGR was driven by a ~15% jump in ticket size vs. pre-pandemic levels, higher footfalls/conversions and a ~9% CAGR in the store count. Management attributed the strong trends to buoyant jewelry demand during the festive season as well as new customer acquisitions, aided by its regionalization strategy. The studded mix improved slightly vs. the previous year. Enrollments in the Golden Harvest Scheme (GHS) recorded strong double-digit growth. Tanishq's network was expanded by 14 stores, including two new stores at prime locations in Dubai.
- Growth in Watches/Eyewear ahead of expectations:** Watches/Eyewear also posted 27-28% growth and a 2-year CAGR of 6%/9%, helped by a 3%/7% store count CAGR and a pick-up in the wholesale channel for watches. Store additions in Eyewear have been particularly strong, with 53 new stores in Q3, in line with TTAN's commentary on aggressive expansion for this category. Titan added 20 stores for watches in Q3.
- Caratlane grows 64%; TEAL declines by 9%:** Caratlane maintained its strong growth trajectory with 64% growth in Q3 and a 2-year CAGR of ~50%. Growth has been driven by a ~30% store count CAGR and launch of new merchandise (Dunes collection). The rise in the share of studded sales in Q3 should further strengthen the margin improvement trajectory for Caratlane. Other businesses (Taneira, Fragrances and Accessories) grew 44%, aided by high operational stores and new launches. TEAL recorded a 9% decline.
- Q3 expectations:** Based on the update, we expect TTAN to report a solid 30% revenue growth to Rs95bn (37% excl Rs3.4bn bullion sale in Q3FY21). A slight improvement in the studded mix and operating leverage should lead to a ~150bps improvement in its EBITDA margins to 13.2%. We estimate a PAT of Rs8.6bn vs. Rs4.2bn in Q3FY21.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Consumer Goods & Retail \(Page 6\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	2,10,515	2,16,440	2,89,779	3,97,184	4,61,907
EBITDA	24,666	17,240	36,264	52,703	63,854
EBITDA Margin (%)	11.7	8.0	12.5	13.3	13.8
APAT	14,927	9,740	23,452	35,039	42,944
EPS (Rs)	16.8	11.0	26.4	39.5	48.4
EPS (% chg)	1.3	(34.7)	140.8	49.4	22.6
ROE (%)	23.4	13.8	27.8	32.3	30.5
P/E (x)	154.4	236.7	98.3	65.8	53.7
EV/EBITDA (x)	93.3	131.8	62.8	43.0	35.1
P/BV (x)	34.6	30.7	24.5	18.8	14.5

Source: Company, Emkay Research

CMP	Target Price
Rs 2,597 as of (January 6, 2022)	Rs 3,000 (▲) 12 months
Rating	Upside
BUY (■)	15.5 %

Change in Estimates

EPS Chg FY22E/FY23E (%)	0/9
Target Price change (%)	8.3
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY22E	FY23E
Emkay	26.4	39.5
Consensus	23.0	30.8
Mean Consensus TP (12M)	Rs 2,518	

Stock Details

Bloomberg Code	TTAN IN
Face Value (Rs)	1
Shares outstanding (mn)	888
52 Week H/L	2,678 / 1,396
M Cap (Rs bn/USD bn)	2,305 / 30.94
Daily Avg Volume (nos.)	16,58,770
Daily Avg Turnover (US\$ mn)	53.9

Shareholding Pattern Sep '21

Promoters	52.9%
FII's	19.1%
DII's	10.1%
Public and Others	17.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	12	21	47	65
Rel. to Nifty	6	20	31	32

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Exhibit 1: Quarterly preview: We expect robust growth on all fronts in Q3FY22E

Y/E, Mar (Rs. mn)	3QFY21	2QFY22	3QFY22E	YoY (%)	QoQ (%)
Revenue	72,870	71,700	95,045	30.4	32.6
EBITDA	8,580	9,540	12,510	45.8	31.1
EBITDA Margin, %	11.8	13.3	13.2	140	-10
Adjusted PAT	4,190	6,410	8,591	105.0	34.0
Adjusted EPS	4.7	7.2	9.7	105.0	34.0

Source: Company, Emkay Research

Exhibit 2: Key Growth assumptions (%)

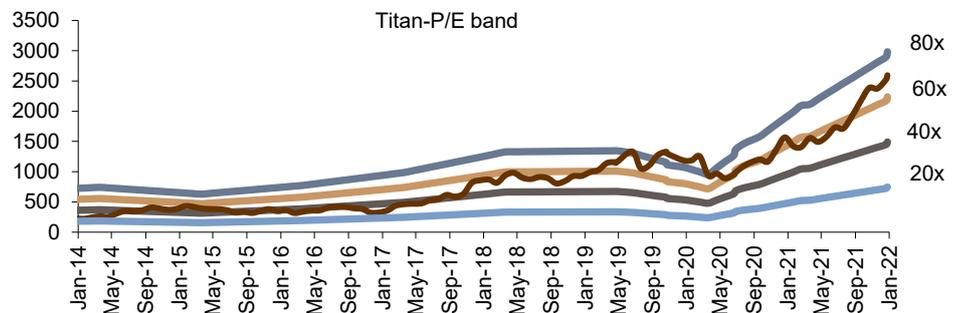
Particulars	FY20	FY21	FY22E	FY23E	FY24E
Jewelry	4.4	11.3	31.2	37.6	16.1
Watches	7.2	-39.6	56.0	33.1	13.3
Eyewear	6.4	-31.1	51.5	31.8	17.1
Caratlane	49.3	13.8	40.5	50.0	30.0
TEAL	34.2	-23.7	21.8	10.0	10.0

Source: Company, Emkay Research

Exhibit 3: Changes in estimates

Y/E, Mar (Rs. mn)	FY22E			FY23E			FY24E		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenues	2,88,092	2,89,779	0.6	3,66,974	3,97,184	8.2	4,26,813	4,61,907	8.2
EBITDA	36,171	36,264	0.3	48,718	52,703	8.2	59,532	63,854	7.3
EBITDA Margin (%)	12.6	12.5	0 bps	13.3	13.3	0 bps	13.9	13.8	-10 bps
APAT	23,386	23,452	0.3	32,098	35,039	9.2	39,783	42,944	7.9
EPS (Rs)	26.3	26.4	0.3	36.2	39.5	9.2	44.8	48.4	7.9

Source: Company, Emkay Research

Exhibit 4: TTAN's 1-Yr fwd PE valuation chart

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	2,10,515	2,16,440	2,89,779	3,97,184	4,61,907
Expenditure	1,85,850	1,99,200	2,53,516	3,44,481	3,98,052
EBITDA	24,666	17,240	36,264	52,703	63,854
Depreciation	3,480	3,750	4,241	5,117	5,787
EBIT	21,186	13,490	32,023	47,586	58,067
Other Income	1,532	1,860	1,860	2,222	2,656
Interest expenses	1,662	2,030	2,449	2,865	3,212
PBT	21,057	13,320	31,434	46,944	57,511
Tax	6,090	3,530	7,901	11,805	14,468
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	(40)	(50)	(80)	(100)	(100)
Reported Net Income	14,927	9,740	23,452	35,039	42,944
Adjusted PAT	14,927	9,740	23,452	35,039	42,944

Balance Sheet

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity share capital	888	888	888	888	888
Reserves & surplus	65,800	74,088	93,102	1,21,926	1,57,768
Net worth	66,688	74,976	93,990	1,22,814	1,58,655
Minority Interest	44	44	44	44	44
Loan Funds	19,658	14,210	13,387	13,767	13,890
Net deferred tax liability	(1,259)	(590)	(356)	(105)	181
Total Liabilities	85,131	88,640	1,07,065	1,36,520	1,72,771
Net block	24,864	23,730	24,189	24,272	23,685
Investment	6,127	33,030	28,041	28,041	28,041
Current Assets	1,00,067	1,03,920	1,33,004	1,86,490	2,39,863
Cash & bank balance	3,811	5,600	6,206	16,394	42,755
Other Current Assets	6,959	7,520	7,520	7,520	8,272
Current liabilities & Provision	47,340	73,590	79,720	1,03,833	1,20,367
Net current assets	52,728	30,330	53,284	82,657	1,19,495
Misc. exp	0	0	0	0	0
Total Assets	85,131	88,640	1,07,065	1,36,520	1,72,771

Cash Flow

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
PBT (Ex-Other income) (NI+Dep)	21,017	13,270	31,354	46,844	57,411
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(18,456)	24,085	(22,114)	(18,934)	(10,191)
Operating Cashflow	540	40,390	8,029	24,087	41,752
Capital expenditure	(3,027)	(1,196)	(2,500)	(3,000)	(3,000)
Free Cash Flow	(2,487)	39,194	5,529	21,087	38,752
Investments	(444)	(26,914)	5,000	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(4,885)	(28,099)	2,489	(3,000)	(3,000)
Equity Capital Raised	2	0	0	0	0
Loans Taken / (Repaid)	6,747	(5,594)	(1,560)	0	0
Dividend paid (incl tax)	(5,351)	(3,551)	(4,439)	(6,215)	(7,102)
Other Financing Cash Flow	(2,244)	673	(1,463)	(1,821)	(2,076)
Financing Cashflow	(2,508)	(10,502)	(9,911)	(10,900)	(12,391)
Net chg in cash	(6,854)	1,789	606	10,187	26,362
Opening cash position	10,665	3,811	5,600	6,206	16,394
Closing cash position	3,811	5,600	6,206	16,394	42,755

Source: Company, Emkay Research

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Key Ratios

Profitability (%)	FY20	FY21	FY22E	FY23E	FY24E
EBITDA Margin	11.7	8.0	12.5	13.3	13.8
EBIT Margin	10.1	6.2	11.1	12.0	12.6
Effective Tax Rate	28.9	26.5	25.1	25.1	25.2
Net Margin	7.1	4.5	8.1	8.8	9.3
ROCE	36.0	21.9	40.3	46.0	43.1
ROE	23.4	13.8	27.8	32.3	30.5
RoIC	35.9	22.1	53.5	58.8	60.8

Per Share Data (Rs)	FY20	FY21	FY22E	FY23E	FY24E
EPS	16.8	11.0	26.4	39.5	48.4
CEPS	20.7	15.2	31.2	45.2	54.9
BVPS	75.1	84.5	105.9	138.3	178.7
DPS	5.0	4.0	5.0	7.0	8.0

Valuations (x)	FY20	FY21	FY22E	FY23E	FY24E
PER	154.4	236.7	98.3	65.8	53.7
P/CEPS	125.3	170.9	83.2	57.4	47.3
P/BV	34.6	30.7	24.5	18.8	14.5
EV / Sales	10.9	10.5	7.9	5.7	4.8
EV / EBITDA	93.3	131.8	62.8	43.0	35.1
Dividend Yield (%)	0.2	0.2	0.2	0.3	0.3

Gearing Ratio (x)	FY20	FY21	FY22E	FY23E	FY24E
Net Debt/ Equity	(0.1)	(0.4)	(0.3)	(0.3)	(0.4)
Net Debt/EBIDTA	(0.2)	(1.9)	(0.8)	(0.7)	(1.0)
Working Cap Cycle (days)	84.8	41.7	59.3	60.9	60.6

Growth (%)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	6.4	2.8	33.9	37.1	16.3
EBITDA	23.9	(30.1)	110.3	45.3	21.2
EBIT	15.9	(36.3)	137.4	48.6	22.0
PAT	7.5	(34.7)	140.8	49.4	22.6

Quarterly (Rs mn)	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22E
Revenue	72,870	71,350	32,490	71,700	95,045
EBITDA	8,580	7,950	1,440	9,540	12,510
EBITDA Margin (%)	11.8	11.1	4.4	13.3	13.2
PAT	4,190	5,290	610	6,410	8,591
EPS (Rs)	4.7	6.0	0.7	7.2	9.7

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Promoters	52.9	52.9	52.9	52.9	52.9
FIs	18.1	18.6	18.1	18.4	19.1
DIs	11.0	10.9	11.1	9.9	10.1
Public and Others	18.1	17.6	17.9	18.8	17.9

Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
28-Oct-21	2,375	2,778	12m	Buy	Ashit Desai
06-Oct-21	2,148	2,530	12m	Buy	Ashit Desai
04-Aug-21	1,800	2,000	12m	Buy	Ashit Desai
07-Jul-21	1,727	1,810	12m	Buy	Ashit Desai
30-Apr-21	1,492	1,725	12m	Buy	Ashit Desai
07-Apr-21	1,514	1,650	12m	Buy	Ashit Desai
11-Feb-21	1,525	1,650	12m	Buy	Ashit Desai
07-Dec-20	1,425	1,450	12m	Buy	Ashit Desai
26-Nov-20	1,327	1,450	12m	Buy	Ashit Desai
29-Oct-20	1,178	1,300	12m	Buy	Ashit Desai
07-Oct-20	1,254	1,215	12m	Buy	Ashit Desai
11-Aug-20	1,066	1,215	12m	Buy	Ashit Desai
10-Jun-20	977	1,100	12m	Buy	Ashit Desai
14-Apr-20	967	1,100	12m	Buy	Ashit Desai
08-Apr-20	913	1,100	12m	Buy	Ashit Desai
05-Feb-20	1,280	1,240	12m	Hold	Ashit Desai
25-Dec-19	1,204	1,230	12m	Hold	Ashit Desai
06-Nov-19	1,156	1,230	12m	Hold	Ashit Desai
20-Sep-19	1,264	1,385	12m	Buy	Ashit Desai
06-Aug-19	1,047	1,150	12m	Buy	Ashit Desai
08-May-19	1,089	1,200	12m	Buy	Ashit Desai
09-Apr-19	1,099	1,080	12m	Buy	Ashit Desai
02-Feb-19	992	1,080	12m	Buy	Ashit Desai

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Consumer Goods & Retail



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Sector

Consumer Goods & Retail

Analyst bio

Ashit Desai holds a PGDM and FRM (US GARP) with 13 years of research experience on the sell side. His team currently covers 24 stocks in the Indian Consumer and Retail space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight based on Current NAV	Change vs last published EAP (bps)
Consumer Goods & Retail	10.14	10.14	0%	0	100.00	
Asian Paints	1.52	0.76	-50%	-76	7.49	0
Berger Paints	0.18	0.00	-100%	-18	0.00	0
Britannia Industries	0.41	0.51	23%	9	5.01	0
Colgate-Palmolive	0.19	0.20	8%	1	1.99	0
Dabur India	0.33	0.35	7%	2	3.43	0
Emami	0.10	0.10	-4%	0	0.95	0
Godrej Consumer Products	0.35	0.34	-3%	-1	3.31	0
Hindustan Unilever	2.06	1.40	-32%	-66	13.81	0
ITC	1.85	1.89	2%	4	18.60	0
Marico	0.25	0.29	19%	5	2.90	0
Nestle India	0.68	0.37	-46%	-31	3.61	0
Pidilite Industries	0.38	0.00	-100%	-38	0.00	0
Radico Khaitan	0.00	0.28	NA	28	2.73	0
United Breweries	0.10	0.47	351%	36	4.61	0
United Spirits	0.00	0.33	NA	33	3.26	0
Varun Beverages	0.12	0.22	75%	9	2.13	0
ABFRL	0.09	0.16	81%	7	1.61	0
Jubilant FoodWorks	0.27	0.25	-8%	-2	2.42	0
Page Industries	0.22	0.51	127%	29	5.03	0
Titan Company	1.03	1.25	22%	23	12.37	0
TCNS Clothing	0.00	0.23	NA	23	2.32	0
Westlife Development	0.00	0.24	NA	24	2.41	0
Cash	0.00	0.00	NA	0	0.00	0

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	5-Jan-21	5-Jul-21	5-Oct-21	6-Dec-21	5-Jan-22
EAP - Consumer Goods & Retail	100.0	122.5	131.7	149.0	141.8	148.8
BSE200 Neutral Weighted Portfolio (ETF)	100.0	119.5	125.7	139.9	129.2	137.3

*Performance measurement base date 1st April 2019

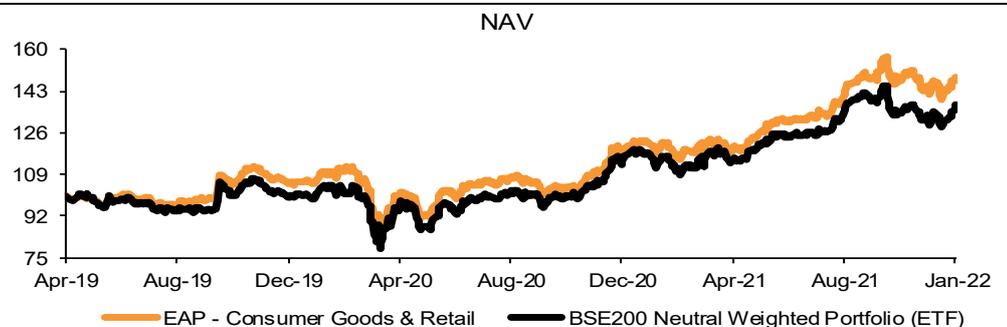
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Consumer Goods & Retail	4.9%	-0.1%	13.0%	21.5%
BSE200 Neutral Weighted Portfolio (ETF)	6.3%	-1.9%	9.3%	14.9%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

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Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

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