



3R MATRIX

	+	=	-
Right Sector (RS)	✓	■	■
Right Quality (RQ)	✓	■	■
Right Valuation (RV)	■	✓	■

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS	■	↔	■
RQ	■	↔	■
RV	■	↔	■

ESG Disclosure Score NEW

ESG RISK RATING Updated Feb 08, 2022 **15.04**

Low Risk

NEGL	LOW	MED	HIGH	SEVERE
0-10	10-20	20-30	30-40	40+

Source: Morningstar

Company details

Market cap:	Rs. 211,879 cr
52-week high/low:	Rs. 2,768 / 1,401
NSE volume: (No of shares)	13.5 lakh
BSE code:	500114
NSE code:	TITAN
Free float: (No of shares)	41.8 cr

Shareholding (%)

Promoters	52.9
FII	19.2
DII	10.2
Others	17.7

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-5.2	-3.1	-2.7	67.6
Relative to Sensex	0.8	1.2	2.3	50.7

Sharekhan Research, Bloomberg

Summary

- Titan's Q4FY2022 performance was affected by multiple one-offs at the revenue and profitability level, which resulted in lower EBITDA margin of 10.2% versus ours as well as street's expectation of 13-14%. Excluding one-off, EBITDA margin came at 11.2%.
- Consolidated revenue grew by 4.0% y-o-y in Q4 (excluding bullion revenues stood flat). The muted performance was because of lower sales in January 2022, affected by Omicron; volatility in gold prices; and global concerns affecting consumer sentiments.
- April witnessed good recovery in the jewellery business. Higher sales during the auspicious days, postponement of the wedding season, and market share gains will help the jewellery business to achieve double-digit growth in FY2023. Business margins will be at 12-13%.
- The stock is currently trading at 73.4x/57.4x its FY2023E/FY2024E EPS. Titan is one of our top picks in the discretionary space from a long-term view. We maintain Buy with an unchanged PT of Rs. 2,900.

Titan Company's (Titan) Q4FY2022 performance was marred by multiple one-offs affecting revenue and profitability during the quarter. The company's consolidated revenue grew by 4.0% to Rs. 7,796 crore. Excluding bullion sales, revenue stood flat during the quarter. Revenue of the jewellery business (excluding bullion sales, decreased by 4%) was affected by multiple events such as Omicron affecting January 2022 revenue performance, while volatility in gold prices and global concerns impacted consumer sentiments. The watches and eye care division grew by 12% and 6%, respectively. Consolidated EBITDA margin stood at 10.2% in Q4FY2022 versus 10.9% in Q4FY2021. However, excluding one-offs, ex-gratia expense of Rs. 82 core, EBITDA margin stood at 11.2%. The same was sequentially lower due to high bullion sales affecting the mix and higher spends towards promotional/group events. The company is optimistic about strong recovery in growth in Q1FY2023, supported by factors such as postponement of the wedding season and improved footfalls.

Key positives

- World of Titan registered retail sales growth of 15% and like-for-like growth of 13%, aiding the watches business to register good growth in Q4.
- Gross margin improved by 315 bps y-o-y to 25.3% and sequentially stood flat.
- CaratLane (subsidiary) registered sales growth of 60% with like-for-like growth of 34%.

Key negatives

- Consolidated EBITDA margin stood at 10.2%, down 70 bps y-o-y.
- Revenue growth of the eye care business moderated to 6% as Omicron impacted sales.

Management Commentary

- Performance of the jewellery business was affected by multiple factors in Q4FY2022. However, management is optimistic of growth revival from Q1FY2023. April saw good recovery and auspicious days such as Akshay Tritiya; postponement of the wedding season will drive growth in the quarters ahead. Overall jewellery business is expected to drive double-digit growth in FY2023.
- Market share gains from shift to branded jewellery players from regional brands, improving penetration in the middle-income India and south India, and higher traction to schemes such as Gold Exchange/ Golden Harvest will help the company to achieve good growth in the medium term.
- Management targets the jewellery business's margins to be 12-13%. Profitability should improve sequentially with better revenue mix, higher operating leverage, and efficiencies. With correction in inventory, EBITDA margin of the eye care business will improve with scale-up in business revenue, while margins of the watches business will improve with better mix and good sales growth.
- The company paid final dividend of Rs. 7.5 per share in FY2022 (dividend payout of 30%). Dividend payout ratio is expected to be 25-40%.

Revision in estimates – We have broadly maintained our earnings estimates for FY2023 and FY2024. The company has scheduled an Analyst Day on May 13, 2022, which will provide more details on various business strategies and insights into its future growth plans. If required, we shall revisit our estimates post the analyst meet

Our Call

View: Retain Buy with an unchanged PT of Rs. 2,900: Titan's Q4FY2022 results were affected by multiple factors. The company has geared up for expected high sales during the auspicious days and postponement of the wedding season, which will help in posting good performance for the jewellery business in Q1FY2023 and the quarters ahead. While the jewellery business is expected to post consistent double-digit growth, other businesses (including watches and eye care) are expected to scale-up fast with revamped strategies. Titan is well poised to achieve strong revenue and PAT CAGR of 19% and 28%, respectively, over FY2022-FY2024. The stock is currently trading at 73.4x and 57.4x its FY2023E and FY2024E EPS, respectively (EV/EBITDA of 48.9x/38.7x its FY2023/FY2024E EBITDA). Any correction from the current levels can be considered as a good opportunity to enter the stock from a long-term perspective. We maintain our Buy recommendation on the stock with an unchanged price target (PT) of Rs. 2,900.

Key Risks

Any disruption in the recovery of the jewellery business due to spike in COVID-19 cases followed by frequent lockdowns would act as a key risk to our earnings estimates.

Valuation (consolidated)

Particulars	FY21	FY22	FY23E	FY24E
Revenue	21,644	28,799	35,143	40,855
EBITDA Margin (%)	8.0	11.6	12.4	13.4
Adjusted PAT	984	2,238	2,886	3,690
% Y-o-Y growth	-35.2	-	28.9	27.9
Adjusted EPS (Rs.)	11.0	25.2	32.5	41.6
P/E (x)	-	94.7	73.4	57.4
P/B (x)	28.3	22.8	18.2	14.3
EV/EBITDA (x)	-	63.6	48.9	38.7
RoNW (%)	13.8	26.6	27.5	27.9
RoCE (%)	17.2	30.5	33.1	35.5

Source: Company; Sharekhan estimates

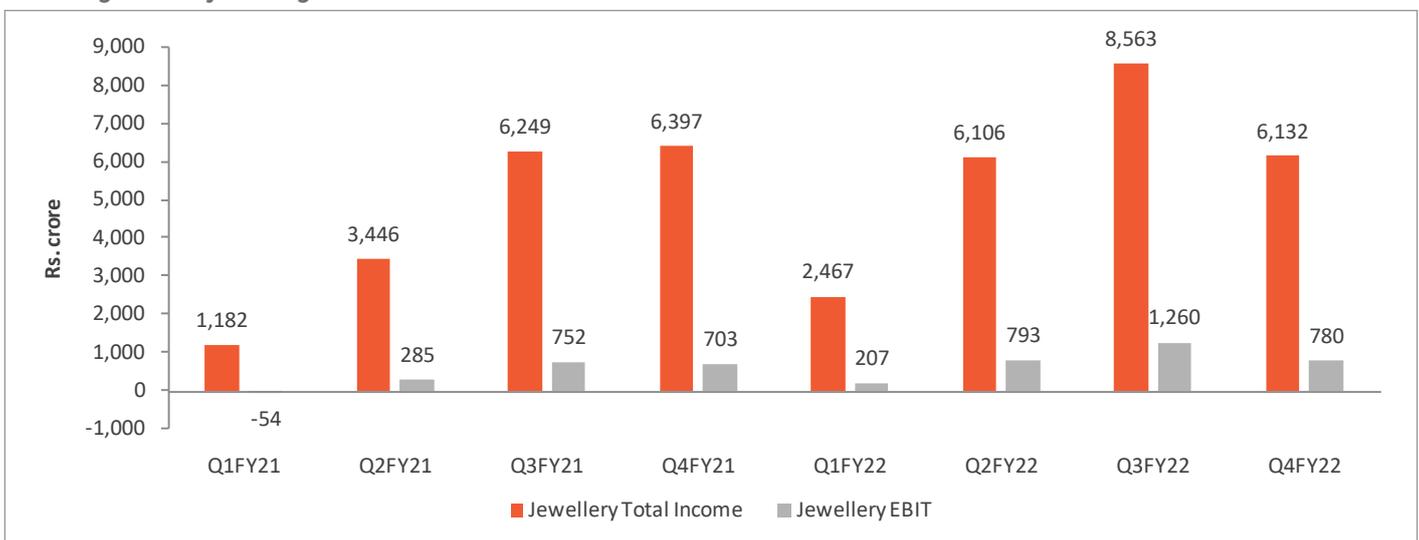
Muted quarter; Revenue growth at 4% y-o-y; EBITDA margin declined by 72 bps y-o-y

Titan's consolidated revenue grew by 4% y-o-y to Rs. 7,796 crore. Excluding bullion sales, revenue decreased by 2% y-o-y to Rs. 7,344.1 crore. Revenue of the jewellery business grew by just 1.3% y-o-y, while revenue of the watches business grew by 12.1% y-o-y and eye care business registered muted growth of 5.5% y-o-y. The company's subsidiary, CaratLane registered a strong performance by posting revenue growth of 43.1%. Consolidated gross margin improved by 315 bps to 25.3%. However, higher advertisement spends (up 96% y-o-y) and other expenses (higher 30% y-o-y) led to a 72-bps y-o-y decline in EBITDA margin to 10.2%. EBITDA margin was also majorly affected by higher sales of bullions during the quarter, which has lower margins. EBITDA decreased by 2.8% y-o-y to Rs. 794 crore. Adjusted PAT (before exceptional items) stood flat at Rs. 567 crore. Reported PAT decreased by 7.2% y-o-y to Rs. 527 crore. For full year FY2022, revenue grew by 33.1% y-o-y to Rs. 28,799 crore. EBITDA grew by 93.8% y-o-y to Rs. 3,341 crore on a low base of a 31% decline in FY2021. Reported PAT grew 2.3x y-o-y due to low base of FY2021. The company added (net) 269 stores during the year. The board has recommended a dividend of Rs. 7.50 per equity share of Re. 1 each.

Soft quarter for the jewellery business

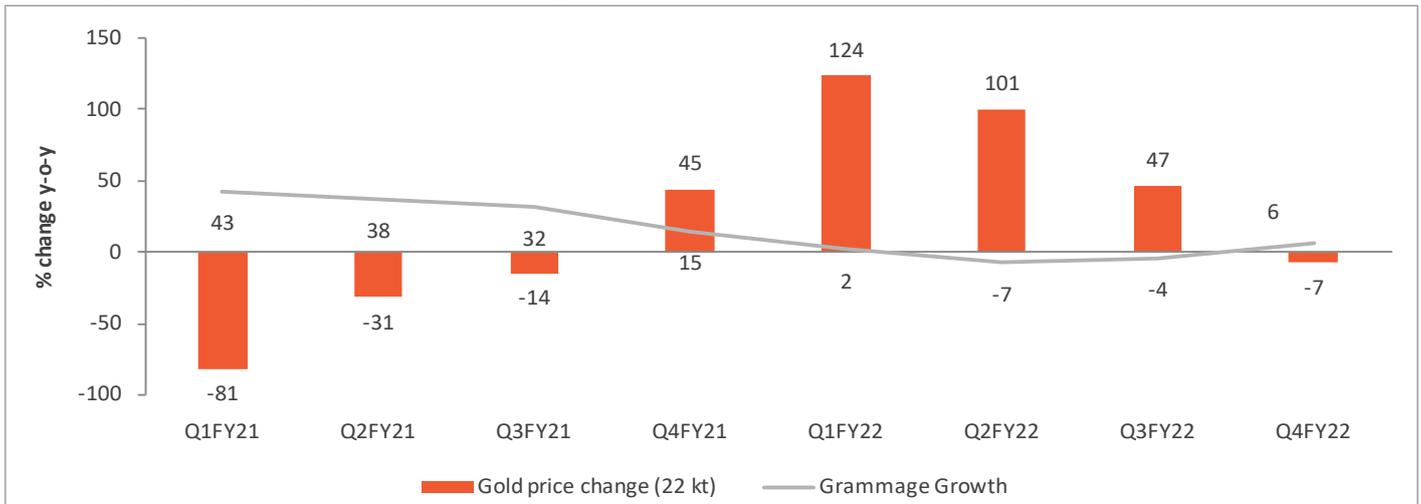
Titan's jewellery business (excluding bullion sale), contributing 88% to total revenue, registered a decline of 4.1% y-o-y in Q4FY2022 to Rs. 6,132 crore. The two-year CAGR is reported at 28%. The business saw subdued activity in top cities due to the Omicron wave in January, a very strong resurgence in February and again a drop in customer purchases in March because of sharp a rise in gold prices and impact of consumer sentiment due to the external geopolitical conflict. While walk-ins saw a minor decline, ticket sizes grew by 3% y-o-y and customer conversions remained healthy during the quarter. Sales from the top eight cities grew in single digits, while the rest of India saw a small decline. Though the plain jewellery category bore the brunt of gold volatility in March, leading to a 4% y-o-y decline for the quarter, studded sales reported 7% y-o-y growth and its ratio in the overall mix improved by ~400 bps, thereby partially cushioning the impact. Wedding category witnessed a decline of ~9% y-o-y. Other categories, however, grew by 2% y-o-y. Golden Harvest enrolments witnessed growth of 24% y-o-y, contributing 18% to total sales during the quarter. The company launched various new collections during the quarter for the upcoming wedding season as well as event-focused collections for Women's Day and Valentine's Day. During the quarter, the company acquired a minority stake in Great Heights Inc. (through its wholly owned subsidiary, TCL North America Inc.) to deepen its understanding of the 'Lab-Grown Diamonds' space. Jewellery business reported an EBIT of Rs. 780 crore (before exceptional items) in Q4FY2022, up from Rs. 703 crore in Q4FY2021, resulting in EBIT margin of 12.7%. Excluding the one-off expenses, EBIT margin for the quarter would have been 13.1%. For full year FY2022, revenue grew by 35% y-o-y and at a two-year CAGR of 18% to Rs. 23,268 crore, while EBIT grew by 13.1% y-o-y to Rs. 3,040 crore. Store expansion (net) continued as per plan with commissioning of seven new stores in Tanishq, eight in Mia by Tanishq and one in Zaya. At the quarter end, Titan had a total of 444 jewellery stores (291 Tanishq stores).

Quarterly trend in jewellery business



Source: Company, Sharekhan Research

Jewellery: Gold price change (22 kt) and Grammage Growth

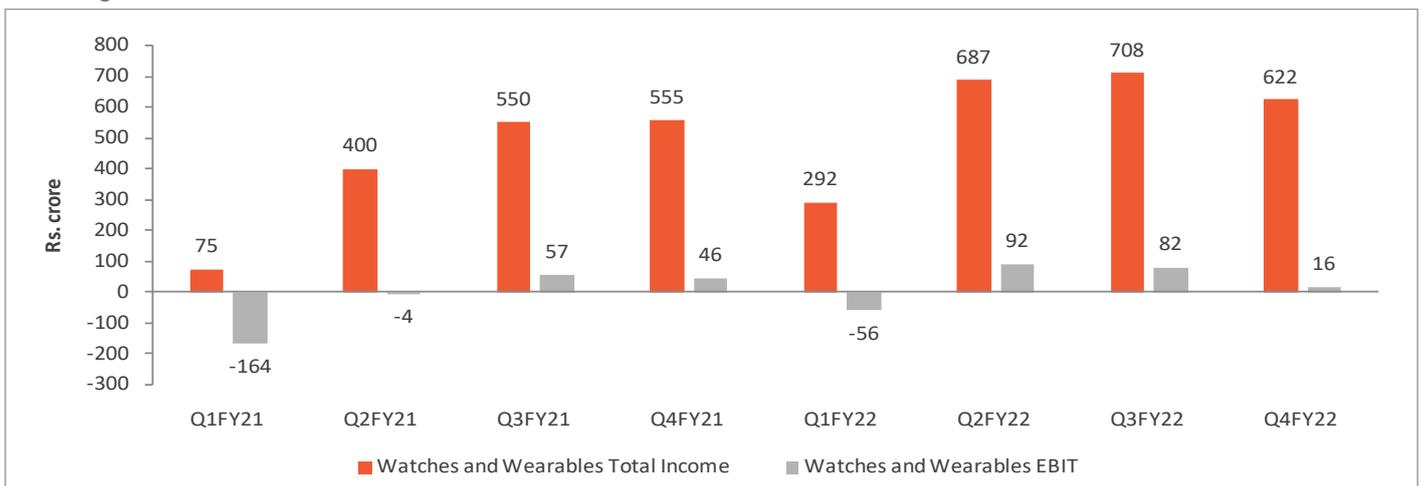


Source: Company, Sharekhan Research

Decent Q4 for watches and wearables business

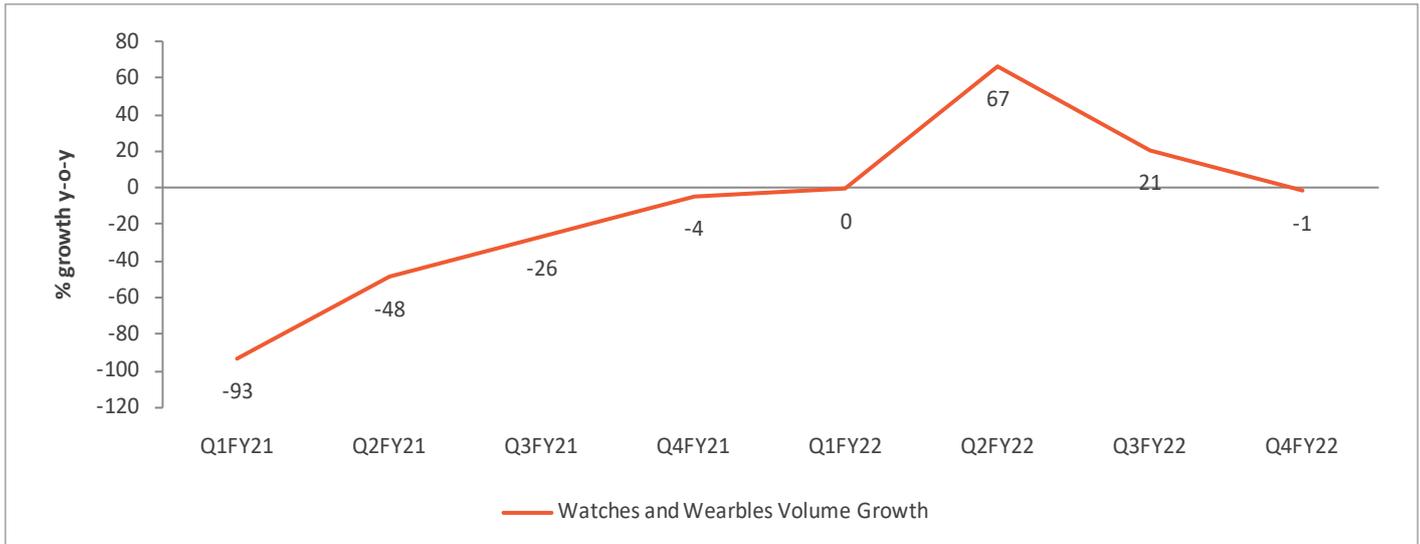
The watches and wearables business, which contributes 9% to total revenue, registered 12.1% y-o-y growth and 6% two-year CAGR to Rs. 622 crore amidst a challenging external environment with sales increasing across all offline channels because of Titan brand. Sales from retail (Titan World) and Large Format Stores (LFS) witnessed growth of 13% and 17%, respectively, followed by Trade. Growth in the quarter was entirely value led, with volumes remaining flat y-o-y. Western and northern regions saw much higher growth amongst geographies. Titan’s new analog collections of ‘Octane Aerobatics’ (eight mechanical variants), ‘Ladies Edge’ (six variants), and ‘Unending Beauty’ (11 variants); Fastrack’s ‘After Dark’ (nine variants); and Sonata’s new collections of ‘Versatyle’ (10 variants) and ‘Women of Steel’ (15 variants) were well received. The smart watches and hearables segment saw significant acceleration during the quarter with the new launches across ‘Titan Smart Pro’ (six variants), ‘Fastrack Reflex Vox’ (four variants), and ‘Reflex Tunes- FT3’ (four variants) evoking lot of interest and excitement. The category now contributes ~7% to overall revenue. The watches and wearables business reported EBIT of Rs. 16 crore (before exceptional items) in Q4FY2022 compared to Rs. 46 crore in Q4FY2021. In FY2022, revenue grew by 47% y-o-y to Rs. 2,309 crore and EBIT grew by 5.8% y-o-y to Rs. 134 crore. Watches and eye care has high share of manpower; hence, profitability was impacted during the quarter due to exceptional items (VRS scheme introduced by the company). Watches EBIT would have been Rs. 42 crore in Q4FY2022 and Rs. 160 crore in FY2022, excluding exceptional items. Store expansions (net) continued with 24 new stores in Titan World and 10 in Helios. Over 44 Titan World stores were renovated to a new format to offer a wider choice of premium brands enhancing the overall customer experience. Fastrack is in the process of being reimagined, so there were no new store additions in FY2022. The company plans to open 10-12 stores across the country in FY2023.

Quarterly trend in watches business



Source: Company, Sharekhan Research

Quarterly trend in watches and wearables volume growth

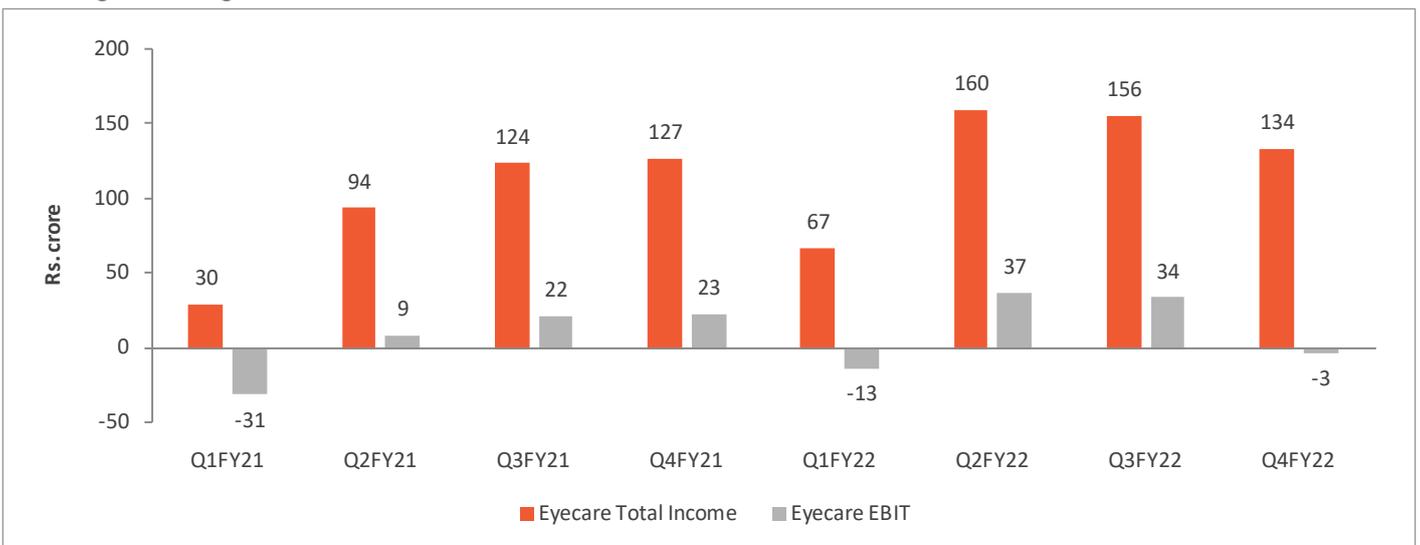


Source: Company, Sharekhan Research

Steady growth in Eye care

The eye care business grew by 5.5% y-o-y during the quarter to Rs. 134 crore. The business reported a two-year CAGR of 12%. The division’s growth was led by in-house brands of frames and sunglasses both growing in healthy double digits of 22% and 11%, respectively. Lenses were flat y-o-y. Product innovation continued to be the core focus area and centre piece of Titan Eyeplus offerings. ‘EyeX’ - launched in January 2022 – a first-of-its-kind Smart Wearable product established the division as a pioneer in smart eye care within a short span of time. Eye care business reported loss of Rs. 3 crore (before exceptional items) in Q4FY2022 compared to EBIT of Rs. 23 crore in Q4FY2021. For full year FY2022, revenue registered 38% y-o-y growth to Rs. 517 crore. EBIT grew by 10.6% y-o-y to Rs. 55 crore. Watches and eye care have high share of manpower; hence, profitability was impacted during the quarter due to exceptional items (VRS scheme introduced by the company). Excluding exceptional items, eye care EBIT would have been Rs. 3 crore for Q4FY2022 and Rs. 61 crore for FY2022. Network expansion continued in line with ambitious growth plans for the next year.

Quarterly trend in eye wear business



Source: Company, Sharekhan Research

Other businesses performance - Fragrances and Fashion Accessories, Taneira

Other businesses grew by 20% y-o-y to Rs. 42 crore, aided by increased sales from departmental stores and e-commerce, which led to healthy 21% y-o-y growth in fragrances and 67% y-o-y growth in fashion accessories businesses. Taneira grew 4% y-o-y. Brand SKINN ran a Valentine's Day campaign, garnering over 8 million views and 3.2 lakh engagements. Fastrack women's bags 'Spring Summer collection - Soft Cocooning' was launched in March 2022 with 96 variants. The collection plays with both PU and Nylon material and is an amalgamation of comfort-driven yet trendy looks in summer pastel hues. Taneira launched its stores in Jamshedpur and Lucknow, extending its presence to eight cities, taking the total tally to 20 stores. A hand weaving loom installation at the flagship store at Indiranagar, Bangalore, saw a one-of-a-kind initiative to provide a first-hand experience of the complete saree-making process to customers. Other businesses reported loss of Rs. 16 crore (before exceptional items) as compared to loss of Rs. 9 crore in Q4FY2021. In FY2022, other businesses grew by 57% y-o-y to Rs. 154 crore. Loss (before exceptional items) stood at Rs. 51 crore, against loss of Rs. 93 crore in FY2021.

Subsidiary performance

- ♦ **Titan Engineering and Automation Limited (TEAL):** Strong revenue growth of 77% y-o-y to Rs. 179 crore triggered due to postponement of deliveries because of supply chain disruptions earlier. Enquiries have shown a gradual improvement but are still below normalised levels. The aerospace business achieved moderate growth with good recovery in orders. The manufacturing facility at Hosur has been upgraded to operationalise a state-of-the-art ISO 6 (1,000 Class) Clean Room and Cleaning Facility to serve customers in the precision component business. The business reported profit of Rs. 21 crore (before taxes and exceptional items) in Q4FY2022, higher than profit of Rs. 9 crore in Q4FY2021. For full year FY2022, the business registered revenue of Rs. 378 crore and profit of Rs. 24 crore (before taxes and exceptional items) compared to revenue of Rs. 354 crore and profit of Rs. 40 crore in FY2021.
- ♦ **CaratLane (72.3% owned):** Business revenue grew by 43% y-o-y to Rs. 365 crore in Q4FY2022 across product categories and locations aided by CaratLane's digital first strategy. The digital approach allowed for early trend detections, leading to focused reactions in high potential micro opportunities. Sales in February 2022 nearly matched the highest monthly sales of November 2021 (of Dhanteras), driven by the highly successful Valentine Day's campaign of Love it or Hate it, #GiftACaratLane. Harmony, a new collection inspired by the design of sound waves, was well received by customers. The company's handcrafted silver jewellery brand, Shaya, opened its first-ever physical store at Mumbai and Bengaluru, while deepening its presence in metro cities to improve accessibility. The business reported profit of Rs. 11 crore (before taxes and exceptional items) in Q4FY2022, higher than profit of Rs. 10 crore in Q4FY2021. For full year FY2022, the business registered revenue of Rs. 1,256 crore and profit of Rs. 39 crore (before taxes and exceptional items) compared to revenue of Rs. 716 crore and profit of Rs. 2 crore in FY2021.

Key concall highlights

- ♦ **Strong demand outlook** – Gold price volatility impacted big-ticket wedding expenses in March. As gold prices have moderated downward in the past few weeks, demand is gradually picking up. Titan witnessed good traction in demand in April and expects the momentum to continue in Q1FY2023. The company is eyeing good growth in every business, leading to overall strong growth in FY2023.
- ♦ **Gold hallmarking implementation on track** – The hallmarking activity has stabilised across the districts in which it was identified as mandatory. The authorities are trying to ensure that hallmarking is complied with through regular checks. Management has indicated that hallmarking has led to increased migration of customers towards stronger players/organised retail, coupled with strong new customer addition.
- ♦ **Exploring the lab-grown diamonds space** – As guided by management, penetration of natural diamonds is high in India. However, the penetration is negligible for lab-grown diamonds. However, in the US, lab-grown diamonds have good demand and higher penetration. As the company plans to expand in the US and other international markets, understanding of this space will aid the company in achieving good growth.
- ♦ **EBIT margins to improve** – Management has indicated that jewellery margin is expected to stay at 12-13% going ahead. Eye care business has been consistently profitable and with scale up in the business, margins are expected to improve in the coming quarters.

Results (Consolidated)

	Rs cr				
Particulars	Q4FY22	Q4FY21	y-o-y (%)	Q3FY22	q-o-q (%)
Net sales	7,267.0	7,351.0	-1.1	9,903.0	-26.6
Other operating revenues	529.0	143.0	-	134.0	-
Total Revenue	7,796.0	7,494.0	4.0	10,037.0	-22.3
Raw material cost	5,827.0	5,837.0	-0.2	7,501.0	-22.3
Employee cost	395.0	290.0	36.2	324.0	21.9
Advertising	198.0	101.0	96.0	208.0	-4.8
Other expenses	582.0	449.0	29.6	562.0	3.6
Total operating cost	7,002.0	6,677.0	4.9	8,595.0	-18.5
EBITDA	794.0	817.0	-2.8	1,442.0	-44.9
Other income	76.0	57.0	33.3	57.0	33.3
Interest & other financial cost	61.0	51.0	19.6	57.0	7.0
Depreciation	102.0	93.0	9.7	98.0	4.1
Profit Before Tax	707.0	730.0	-3.2	1,344.0	-47.4
Tax	140.0	162.0	-13.6	332.0	-57.8
Adjusted PAT before MI	567.0	568.0	-0.2	1,012.0	-44.0
Extraordinary item	40.0	0.0	-	0.0	-
Reported PAT	527.0	568.0	-7.2	1,012.0	-47.9
Adjusted EPS (Rs.)	6.4	6.4	-0.2	11.4	-44.0
			Bps		Bps
GPM (%)	25.3	22.1	315	25.3	-1
EBITDA margins (%)	10.2	10.9	-72	14.4	-418
NPM (%)	6.8	7.6	-82	10.1	-332
Tax rate (%)	19.8	22.2	-238	24.7	-489

Source: Company, Sharekhan Research

Segment revenue

	Rs cr				
Particulars	Q4FY22	Q4FY21	y-o-y (%)	Q3FY22	q-o-q (%)
Watches	622.0	555.0	12.1	708.0	-12.1
Jewellery (excluding bullion sales)	6,132.0	6,397.0	-4.1	8,563.0	-28.4
Eyewear	134.0	127.0	5.5	156.0	-14.1
Others/Corporate	89.0	65.0	36.9	89.0	0.0
Bullion sales	375.0	25.0	-	54.0	-
Standalone	7,352.0	7,169.0	2.6	9,570.0	-23.2
Caratlane	365.0	255.0	43.1	447.0	-18.3
TEAL	179.0	105.0	70.5	82.0	118.3
Others/Consol. Adj	-24.0	23.0	-	-4.0	-
Consolidated	7,872.0	7,552.0	4.2	10,095.0	-22.0

Source: Company, Sharekhan Research

Segment EBIT

	Rs cr				
Particulars	Q4FY22	Q4FY21	y-o-y (%)	Q3FY22	q-o-q (%)
Watches	16.0	46.0	-65.2	82.0	-80.5
Jewellery	780.0	703.0	11.0	1,260.0	-38.1
Eyewear	-3.0	23.0	-	34.0	-
Others/Corporate	-23.0	-25.0	-8.0	-7.0	-
Standalone	770.0	747.0	3.1	1,369.0	
Caratlane	17.0	15.0	13.3	33.0	-48.5
TEAL	21.0	9.0	-	5.0	-
Others/Consol. Adj	-40.0	11.0	-	-6.0	-
Consolidated	768.0	782.0	-1.8	1,401.0	-45.2

Source: Company, Sharekhan Research

Segment EBIT margins

Particulars	(%)				
	Q4FY22	Q4FY21	y-o-y bps	Q3FY22	q-o-q bps
Watches	2.6	8.3	-572	11.6	-901
Jewellery	12.7	11.0	173	14.7	-199
Eyewear	-2.2	18.1	-	21.8	-
Standalone	10.5	10.4	5	14.3	-383
Consolidated	9.8	10.4	-60	13.9	-412

Source: Company, Sharekhan Research

Retail network

Brand	Net Additions (in FY22)		As on March 31 '22		
	Stores	Sq. Ft.	Stores	Towns	Sq. Ft.
Tanishq	36	145K	389	234	1.50mn
Zoya	1	0.8K	5	4	19K
CaratLane	21	27K	138	50	132K
Mia	10	6.5K	50	19	20K
WOT	33	8K	544	250	418K
Fastrack	-5	(4K)	163	83	78K
Helios	33	23K	136	56	107K
Titan Eye+	134	66K	733	231	455K
Taneira	6	9K	20	9	59K
Total	269	283K	2,178	337	2.8mn

Source: Company, Sharekhan Research

Retail growth

Brand	Q4 FY22		FY22	
	Sales value growth (%)	Like-to-Like growth (%)	Sales value growth (%)	Like-to-Like growth (%)
Tanishq	1	4	38	41
CaratLane	60	34	98	66
World of Titan	15	13	-13	-15
Fastrack	-9	-5	-32	-29
Helios	35	14	9	-6
LFS (for Watches)	8	3	43	40
Titan Eye+	-4	-13	27	19

Source: Company, Sharekhan Research

Outlook and Valuation

■ Sector view - Short-term uncertainties persist; Medium-term growth prospects intact

Q4FY2022 was a volatile quarter, which got disrupted twice – first due to partial lockdowns caused by Omicron wave in January and again in March, in which consumer sentiments were affected adversely due to (a) sharp increase and volatility in gold prices and (b) uncertainty due to a fragile geopolitical situation. High inflation and global uncertainties will play on consumer sentiments in the near term despite receding pandemic risk. Drivers such as improved footfalls, postponement of the wedding season, and corporates/institutions operating at full capacity will help demand for discretionary products to remain high in the coming quarters. Store-level efficiencies, stringent cost control, and negotiation with landlords would help operational costs to remain under control. We believe changing aspirations, higher sales through the e-commerce platform, and expansion in retail footprints in tier-3 and tier-4 towns would help keep medium-long term structural story of the retail industry in India intact.

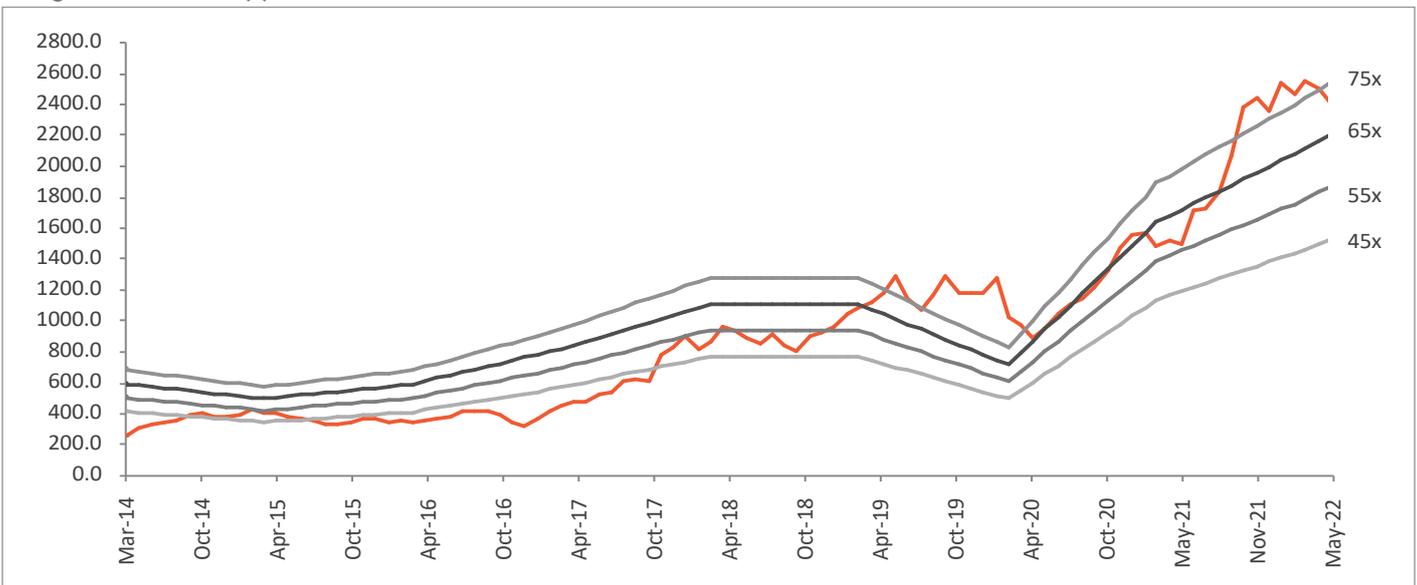
■ Company outlook - Impact of the third wave to phase out soon; Growth momentum to sustain

Titan's revenue and PAT grew by 33% and 2.3x in FY2022. Q2 and Q3 performance was led by strong festive demand and pent-up demand aiding the company to report strong revenue and profitability growth. Q4 performance was affected by multiple factors, including COVID-19 third wave and global uncertainties. The company continues to gain market share in its jewellery business in some of the key markets. Higher demand for wedding jewellery due to a delayed wedding season, market share from small jewellers, and addition of more stores in tier-2 and tier-3 towns would help the jewellery business to achieve double-digit growth in the medium to long term. Strong recovery in revenue of all business verticals would help profitability to improve in the coming years.

■ Valuation - Retain Buy with an unchanged PT of Rs. 2,900

Titan's Q4FY2022 results were affected by multiple factors. The company has geared for expected high sales during the auspicious days and postponement of the wedding season, which will help in posting good performance for the jewellery business in Q1FY2023 and the quarters ahead. While the jewellery business is expected to post consistent double-digit growth, other businesses (including watches and eye care) are expected to scale-up fast with revamped strategies. Titan is well poised to achieve strong revenue and PAT CAGR of 19% and 28%, respectively, over FY2022-FY2024. The stock is currently trading at 73.4x and 57.4x its FY2023E and FY2024E EPS, respectively (EV/EBITDA of 48.9x/38.7x its FY2023/FY2024E EBITDA). Any correction from the current levels can be considered as a good opportunity to enter the stock from a long-term perspective. We maintain our Buy recommendation on the stock with an unchanged price target (PT) of Rs. 2,900.

One-year forward P/E (x) band



Source: Sharekhan Research

Peer Comparison

Companies	P/E (x)			EV/EBITDA (x)			RoCE (%)		
	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Trent	-	-	70.4	47.5	33.3	26.2	9.6	12.1	15.9
Titan Company	94.7	73.4	57.4	63.6	48.9	38.7	30.5	33.1	35.5

Source: Company, Sharekhan estimates

About company

Titan is a joint venture between Tata Group and Tamil Nadu Industrial Development Corporation (TIDCO). The company is a leading organised jeweller in India with its trusted brand, Tanishq. The company started as a watch company under the brand, Titan, and is the fifth largest integrated own brand watch manufacturer in the world. The company's key watch brands are Titan, Fastrack, and Sonata. The company is present in the eye care segment with its brand, TitanEyeplus, and in other segments such as perfumes. The company recently entered the saree market with its brand, Taneira. Titan has a retail chain of 2,178 stores across 337 towns with retail area crossing 2.8 million sq. ft. nationally for all its brands.

Investment theme

Titan is one of India's top retailers with a strong presence in discretionary product categories such as jewellery, watches, and eye care. The company is one of the top brands in the watches segment; while in the jewellery space, it is gaining good acceptance because of the shift from non-branded to the branded space and expansion in middle income towns. The company endeavours to grow by 2.5x by FY2023 in its jewellery business.

Key Risks

- ♦ **Rise in gold prices:** Any increase in gold prices would affect profitability of the jewellery segment and earnings growth of the company.
- ♦ **Slowdown in discretionary consumption:** Any slowdown in discretionary consumption would act as a key risk to demand of the jewellery and watches division.
- ♦ **Increased competition in highly penetrated categories:** Increased competition in the highly penetrated categories such as watches or jewellery would act as a threat to revenue growth.

Additional Data

Key management personnel

S. Krishnan	Chairman
C.K. Venkataraman	Managing Director
N.N. Tata	Vice Chairman
Ashok Kumar Sonthalia	Chief Financial Officer
Dinesh Shetty	Company Secretary

Source: Company

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Jhunjhunwala Rakesh	3.98
2	Life Insurance Corp of India	3.15
3	Blackrock Inc	1.57
4	Vanguard Group Inc	1.52
5	SBI Funds Management	1.41
6	ICICI Prudential Life Insurance Co.	1.08
7	Jhunjhunwala Rekha Rakesh	1.07
8	UTI Asset Management Co Ltd	0.76
9	Matthews International Capital Management	0.46
10	Axis Asset Management Co Ltd	0.45

Source: Bloomberg

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Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

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