

January 9, 2023

Company Update

■ Change in Estimates | Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	2,875		2,869	
Sales (Rs. m)	4,28,264	4,93,658	4,28,264	4,93,658
% Chng.	-	-	-	-
EBITDA (Rs. m)	56,049	64,451	56,049	64,451
% Chng.	-	-	-	-
EPS (Rs.)	43.5	51.1	43.5	51.1
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. bn)	273	365	428	494
EBITDA (Rs. bn)	35	48	56	64
Margin (%)	12.8	13.1	13.1	13.1
PAT (Rs. bn)	24	32	39	46
EPS (Rs.)	26.7	36.4	43.5	51.1
Gr. (%)	134.6	36.3	19.4	17.5
DPS (Rs.)	4.0	7.5	10.0	12.5
Yield (%)	0.2	0.3	0.4	0.5
RoE (%)	28.1	30.3	28.6	27.1
RoCE (%)	23.8	27.1	26.1	24.8
EV/Sales (x)	8.4	6.3	5.3	4.6
EV/EBITDA (x)	65.9	47.8	40.7	35.2
PE (x)	94.9	69.7	58.3	49.6
P/BV (x)	24.1	18.8	15.0	12.2

Key Data

TITN.BO | TTAN IN

52-W High / Low	Rs.2,791 / Rs.1,825
Sensex / Nifty	59,900 / 17,859
Market Cap	Rs.2,253bn / \$ 27,238m
Shares Outstanding	888m
3M Avg. Daily Value	Rs.2951.5m

Shareholding Pattern (%)

Promoter's	52.90
Foreign	16.77
Domestic Institution	11.26
Public & Others	19.07
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(3.0)	26.1	(2.2)
Relative	1.4	13.1	(2.7)

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Steady Performance on a high base

TTAN has reported 11% growth in Jewelry, 14% in Watches and 10% in Eyecare in a high base quarter. We estimate EBIDTA and PAT growth of 8.2% and 7.2% YoY. We believe double-digit Jewelry sales growth shows market share gains despite tepid demand led by 1) aggressive store expansion (22 in 3Q) 2) focus on studded and lighter jewelry 3) new ranges in wedding segment and 4) designs & campaigns to cater to regional tastes and preferences. Watches and wearables growth has been led by 3x+ growth in wearable sales, new launches and renovation of 81 WOT stores, which augurs well for coming quarters. We believe new businesses like Wearables, Taneira (Distribution and product range led), Carat lane (50% sales growth YoY) will continue to gain traction. We estimate 18% PAT CAGR over FY23-25 and arrive at a DCF based target price of Rs2875 (largely unchanged –Rs2869). We remain positive, however, expect back ended returns given rich valuations of 49x FY25 EPS. Retain Accumulate.

3QFY23 reports robust sales on high base

- Jewelry revenues** grew by 11% YoY (ex-bullion sales), led by healthy new buyer growth in the festive period, higher value purchases in the studded category, and unique new collections. Studded saw higher sales vs plain gold jewelry, while Wedding sales grew in-line with overall sales. Tanishq opened its first international store in New Jersey, USA in Dec'22, taking its international presence to 6 stores across Dubai, Abu Dhabi and USA. Added 22 stores (net) during 3Q23, taking the store count to 510.
- Watches & Wearables revenues** grew by 14% YoY led by strong traction (3x+ sales) in the wearables segment. Retail store transformation which offers a wider choice of premium brands helped to power growth for the division. Added 48 stores (net) during 3Q23, taking the store count to 953.
- Eyewear revenues** grew by 10% YoY with in-line sales from Titan Eye Plus (TEP) stores and Trade & Distribution channels. Added 36 stores (net) during 3Q23, taking the store count to 863. Targets 1,000 TEP outlets by FY23.
- Fragrances/Fashion Accessories/Indian Dress wear revenues** grew at ~50%/~21%/~150% YoY. F&FA growth was led by LFS followed by Trade, which grew ahead of the overall division. Taneira sales growth was driven by new store openings & healthy double digit growth from existing stores with encouraging response during the festive period.
- TEAL revenues** grew by ~58% YoY with Automation Solutions/Aerospace and Defence growing ~50%/~64% YoY.
- Caratlane revenues** grew ~50% YoY driven by gifting from Navratri, which continued till Bhai Dooj. Studded growth & mix was higher YoY and contributed ~75% of the business. Added 18 stores (net) during 3Q23, taking the store count to 175.

Exhibit 1: Revenue to increase by 11.5% with double-digit growth across segments

Particulars (Rs m)	3QFY23	3QFY22	YoY gr. (%)	2QFY23	QoQ gr. (%)	Remarks
Sales	106,139	95,150	11.5	87,300	21.6	
EBITDA	15,139	13,990	8.2	12,340	22.7	
Margin (%)	14.3	14.7		14.1		
PBT	14,139	13,170	7.4	11,550	22.4	TTAN to report strong growth across segments on high base driven by jewelry segment.
Adj. PAT	10,576	9,870	7.2	8,570	23.4	
Jewellery Revenue Growth (%)	11.0	30.8		22.0		
Jewellery Margins (%)	14.5	14.6		14.4		
Watch Revenue Growth (%)	14.0	28.7		20.7		
Watch Margins (%)	13.5	11.6		14.8		

Source: Company, PL

Exhibit 2: Watches & Jewelry to post double digit growth over FY23-25

(Rs m)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Jewellery							
Sales	159,881	166,983	185,880	242,540	324,839	379,413	435,742
Growth %	22.8	4.4	11.3	30.5	33.9	16.8	14.8
EBIDTA	19,995	21,813	18,130	31,730	43,853	50,841	57,954
Growth %	25.8	9.1	(16.9)	75.0	38.2	15.9	14.0
EBIDTA Margin %	12.5	13.1	9.8	13.1	13.5	13.4	13.3
Watches							
Sales	24,409	25,261	15,250	22,420	31,388	37,666	44,445
Growth %	18.8	3.5	(39.6)	47.0	40.0	20.0	18.0
EBIDTA	3,552	4,533	220	2,040	4,865	6,026	7,333
Growth %	15.2	27.6	(95.1)	827.3	138.5	23.9	21.7
EBIDTA Margin %	14.5	17.9	1.4	9.1	15.5	16.0	16.5

Source: PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	2,72,780	3,65,252	4,28,264	4,93,658
YoY gr. (%)	32.4	33.9	17.3	15.3
Cost of Goods Sold	2,05,098	2,72,250	3,18,929	3,70,818
Gross Profit	67,682	93,001	1,09,336	1,22,840
Margin (%)	24.8	25.5	25.5	24.9
Employee Cost	11,430	14,586	16,679	18,736
Other Expenses	9,690	12,131	15,255	15,805
EBITDA	34,952	47,945	56,049	64,451
YoY gr. (%)	105.5	37.2	16.9	15.0
Margin (%)	12.8	13.1	13.1	13.1
Depreciation and Amortization	3,470	3,558	4,077	4,696
EBIT	31,482	44,387	51,972	59,754
Margin (%)	11.5	12.2	12.1	12.1
Net Interest	1,950	2,329	2,507	2,631
Other Income	1,780	1,794	2,866	4,337
Profit Before Tax	31,312	43,852	52,330	61,460
Margin (%)	11.5	12.0	12.2	12.4
Total Tax	7,520	11,433	13,612	15,958
Effective tax rate (%)	24.0	26.1	26.0	26.0
Profit after tax	23,792	32,419	38,718	45,502
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	23,792	32,419	38,718	45,502
YoY gr. (%)	134.6	36.3	19.4	17.5
Margin (%)	8.7	8.9	9.0	9.2
Extra Ord. Income / (Exp)	(510)	-	-	-
Reported PAT	23,282	32,419	38,718	45,502
YoY gr. (%)	165.5	39.2	19.4	17.5
Margin (%)	8.5	8.9	9.0	9.2
Other Comprehensive Income	(50)	-	-	-
Total Comprehensive Income	23,232	32,419	38,718	45,502
Equity Shares O/s (m)	890	890	890	890
EPS (Rs)	26.7	36.4	43.5	51.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	17,610	19,793	22,403	25,525
Tangibles	16,220	18,220	20,620	23,500
Intangibles	1,390	1,573	1,783	2,025
Acc: Dep / Amortization	7,130	8,550	10,123	11,882
Tangibles	6,090	7,295	8,653	10,197
Intangibles	1,040	1,255	1,470	1,685
Net fixed assets	10,480	11,243	12,280	13,644
Tangibles	10,130	10,925	11,967	13,303
Intangibles	350	318	313	340
Capital Work In Progress	710	860	935	1,018
Goodwill	-	-	-	-
Non-Current Investments	14,170	15,861	17,284	18,873
Net Deferred tax assets	1,360	1,823	2,138	2,465
Other Non-Current Assets	10,860	11,782	12,884	14,199
Current Assets				
Investments	150	15,000	20,360	23,570
Inventories	1,27,870	1,45,668	1,67,338	1,92,490
Trade receivables	4,950	6,494	7,616	8,780
Cash & Bank Balance	10,490	11,337	24,955	45,723
Other Current Assets	8,520	10,958	12,420	13,822
Total Assets	2,01,370	2,44,018	2,91,851	3,48,907
Equity				
Equity Share Capital	890	890	890	890
Other Equity	92,840	1,19,232	1,49,686	1,84,697
Total Network	93,730	1,20,122	1,50,576	1,85,587
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	1,790	2,370	2,780	3,205
Other non current liabilities	10,260	11,040	12,398	13,998
Current Liabilities				
ST Debt / Current of LT Debt	53,860	59,624	67,552	78,497
Trade payables	10,550	11,888	14,032	16,384
Other current liabilities	31,180	38,973	44,513	51,236
Total Equity & Liabilities	2,01,370	2,44,018	2,91,851	3,48,907

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	29,830	44,487	52,967	62,094
Add. Depreciation	3,470	3,558	4,077	4,696
Add. Interest	1,810	1,950	2,329	2,507
Less Financial Other Income	1,780	1,794	2,866	4,337
Add. Other	(2,090)	(847)	(594)	(704)
Op. profit before WC changes	33,020	49,148	58,778	68,593
Net Changes-WC	(12,000)	(22,916)	(14,652)	(11,591)
Direct tax	(7,520)	(11,433)	(13,612)	(15,958)
Net cash from Op. activities	13,500	14,799	30,514	41,045
Capital expenditures	(3,360)	(4,472)	(5,189)	(6,142)
Interest / Dividend Income	-	-	-	-
Others	(1,100)	(869)	(478)	(502)
Net Cash from Inv. activities	(4,460)	(5,341)	(5,667)	(6,644)
Issue of share cap. / premium	(559)	(2)	-	-
Debt changes	2,250	-	-	-
Dividend paid	(3,551)	(6,660)	(8,900)	(11,125)
Interest paid	(1,810)	(1,950)	(2,329)	(2,507)
Others	-	-	-	-
Net cash from Fin. activities	(3,670)	(8,612)	(11,229)	(13,632)
Net change in cash	5,370	847	13,618	20,768
Free Cash Flow	10,140	10,328	25,325	34,902

Source: Company Data, PL Research

Key Financial Metrics

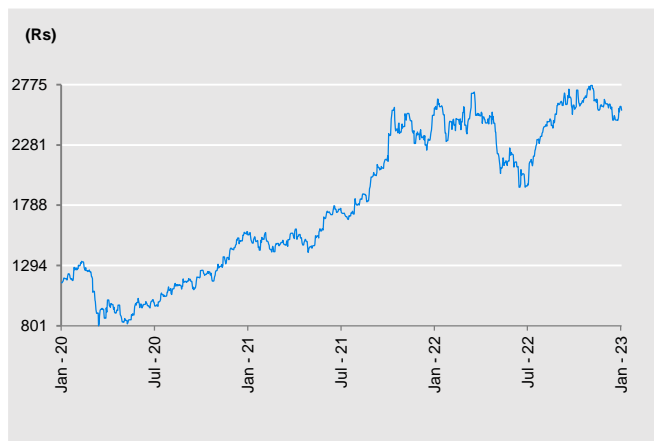
Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	26.7	36.4	43.5	51.1
CEPS	30.6	40.4	48.1	56.4
BVPS	105.3	135.0	169.2	208.5
FCF	11.4	11.6	28.5	39.2
DPS	4.0	7.5	10.0	12.5
Return Ratio(%)				
RoCE	23.8	27.1	26.1	24.8
ROIC	16.5	20.4	21.1	21.4
RoE	28.1	30.3	28.6	27.1
Balance Sheet				
Net Debt : Equity (x)	0.5	0.3	0.1	0.0
Net Working Capital (Days)	164	140	137	137
Valuation(x)				
PER	94.9	69.7	58.3	49.6
P/B	24.1	18.8	15.0	12.2
P/CEPS	82.9	62.8	52.8	45.0
EV/EBITDA	65.9	47.8	40.7	35.2
EV/Sales	8.4	6.3	5.3	4.6
Dividend Yield (%)	0.2	0.3	0.4	0.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY22	Q1FY23	Q2FY23	Q3FY23E
Net Revenue	72,760	89,610	87,300	1,06,139
YoY gr. (%)	2.0	175.8	21.8	11.5
Raw Material Expenses	55,030	67,770	64,130	79,991
Gross Profit	17,730	21,840	23,170	26,148
Margin (%)	24.4	24.4	26.5	24.6
EBITDA	7,820	11,640	12,340	15,139
YoY gr. (%)	(1.6)	708.3	29.4	8.2
Margin (%)	10.7	13.0	14.1	14.3
Depreciation / Depletion	880	870	890	880
EBIT	6,940	10,770	11,450	14,259
Margin (%)	9.5	12.0	13.1	13.4
Net Interest	540	550	500	570
Other Income	760	440	600	450
Profit before Tax	7,160	10,660	11,550	14,139
Margin (%)	9.8	11.9	13.2	13.3
Total Tax	1,740	2,730	2,980	3,563
Effective tax rate (%)	24.3	25.6	25.8	25.2
Profit after Tax	5,420	7,930	8,570	10,576
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	5,420	7,930	8,570	10,576
YoY gr. (%)	2.5	1,200.0	33.7	7.2
Margin (%)	7.4	8.8	9.8	10.0
Extra Ord. Income / (Exp)	(510)	-	-	-
Reported PAT	4,910	7,930	8,570	10,576
YoY gr. (%)	(7.2)	1,200.0	33.7	7.2
Margin (%)	6.7	8.8	9.8	10.0
Other Comprehensive Income	200	-	(260)	-
Total Comprehensive Income	5,110	7,930	8,310	10,576
Avg. Shares O/s (m)	890	-	890	890
EPS (Rs)	6.1	-	9.6	11.9

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Nov-22	Accumulate	2,875	2,770
2	05-Aug-22	Accumulate	2,608	2,433
3	07-Jul-22	BUY	2,520	2,128
4	07-Jul-22	BUY	2,520	2,014
5	13-May-22	BUY	2,701	2,092
6	03-May-22	BUY	2,701	2,387
7	08-Apr-22	BUY	2,754	2,510
8	06-Apr-22	BUY	2,754	2,530
9	03-Feb-22	BUY	2,832	2,475

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	3,326	2,978
2	Avenue Supermarts	BUY	4,854	3,843
3	Britannia Industries	Hold	4,297	4,359
4	Colgate Palmolive	Hold	1,639	1,517
5	Dabur India	Accumulate	609	553
6	Emami	Accumulate	521	420
7	Hindustan Unilever	Accumulate	2,798	2,580
8	ITC	Accumulate	365	335
9	Jubilant FoodWorks	BUY	610	500
10	Kansai Nerolac Paints	Accumulate	563	419
11	Marico	Hold	531	513
12	Mold-tek Packaging	Hold	940	983
13	Nestle India	Accumulate	20,201	19,890
14	Pidilite Industries	Hold	2,679	2,522
15	Restaurant Brands Asia	Accumulate	156	111
16	Titan Company	Accumulate	2,875	2,770
17	Westlife Foodworld	BUY	854	769

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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