

Titan

Healthy topline print; profitability disappoints

While Titan continued to clock healthy revenue growth of INR 103.6bn (up 33%; 4-year CAGR: 21%; HSIE: INR 98.8bn), the margin fell short of expectations. Jewellery sales (ex-bullion; standalone) grew 23.5% (4-year CAGR: 18.4%) in Q4FY23 as both the number of buyers and ticket sizes aided growth. Non-jewellery growth of 31% YoY (4-year CAGR: 13%) remained healthy too (in-line). However, overall profitability disappointed. Consolidated jewellery EBITM, at 11% (vs HSIE: 11.7%), declined 20 bps YoY as (1) competitive intensity continued to keep gold price premium in check; (2) benefits from high diamond prices continued to wear off; and (3) low-margin gold ingots increased in the mix. Non-jewellery profitability disappointed too. We maintain our FY24/25 EPS estimates and REDUCE rating with a DCF-based TP of INR2,400/sh (implying 47x Jun-25 P/E).

Note: TP change is a function of DCF rollover.

- Q4FY23 highlights:** Consolidated revenue grew 32.9% YoY to INR 103.6bn (HSIE: INR98.8bn). Jewellery sales (ex-bullion; standalone) grew 23.5% (4-year CAGR: 18.4%) in Q4FY23 as both the number of buyers (+15% YoY) and ticket sizes (+8% YoY) aided growth. Consolidated jewellery sales grew 33% to INR91.2bn (4-year CAGR 22%; HSIE: INR 84.9bn). However, ex-bullion sales were largely in line. Grammage grew 10% YoY. The studded ratio stood at 33% for Q4 (vs 32% in Q4FY22). Q4 LTL growth for jewellery stood at 19%. Consolidated jewellery EBITM declined 20bps YoY to 11% (HSIE: 11.7%) as (1) competitive intensity continued to keep gold price premium in check; (2) benefits from high diamond prices continued to wear off; and (3) low-margin gold ingots increased in salience. Ex-bullion, the standalone jewellery EBITM stood at 13.2% in Q4. Watches/eyewear/others clocked 13.5/6.6/16% CAGRs over four years in Q4. Non-jewellery segment's profitability disappointed too (watches/eyewear/others EBITM stood at 12/1.2/-5.6%). The company added 12/18/47/1 Tanishq/Mia/Caratlane/Zoya stores (net) in Q4. APAT grew 39.7% YoY to INR7.36bn (HSIE: INR8.5bn).
- Outlook:** Titan's execution has been on point and it has benefited from a sharp gold price rise and the channelling of elevated household savings over FY19-23. This benefit is unlikely to repeat and most of the heavy lifting from here on has to be volume-led, which could restrain supernormal growth rates in a slowing economy. We maintain our FY24/25 EPS estimates and our REDUCE rating with a DCF-based TP of INR2,400/sh (implying 47x Jun-25 P/E).

Quarterly financial summary

(Rs mn)	Q4 FY23	Q4FY22	YoY (%)	Q3 FY23	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenue	1,03,600	77,960	32.9	1,16,090	(10.8)	2,87,990	4,05,750	4,45,758	4,96,369	5,56,882
EBITDA	10,890	7,940	37.2	13,470	(19.2)	33,680	48,790	54,269	60,977	68,968
APAT	7,360	5,270	39.7	9,130	(19.4)	22,790	32,740	38,221	44,055	50,497
EPS (Rs)	8.3	5.9	39.7	10.3	(19.4)	25.7	36.9	43.1	49.6	56.9
P/E (x)						103.4	72.0	61.7	53.5	46.7
EV/EBITDA (x)						72.1	49.5	44.1	39.0	34.2
Core RoCE(%)						16.7	19.3	20.5	21.6	22.4

Source: Company, HSIE Research, Consolidated Financials

Change in estimates

(Rs mn)	FY23E			FY24E			FY25E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	4,05,750	4,00,215	1.4	4,45,758	4,40,210	1.3	4,96,369	4,89,247	1.5
Gross Profit	1,01,580	1,02,931	(1.3)	1,13,825	1,13,657	0.1	1,27,493	1,26,318	0.9
Gross Profit Margin (%)	25.0	25.7	(68 bps)	25.5	25.8	(28 bps)	25.7	25.8	(13 bps)
EBITDA	48,790	50,427	(3.2)	54,269	53,926	0.6	60,977	59,737	2.1
EBITDA margin (%)	12.0	12.6	(58 bps)	12.2	12.3	(8 bps)	12.3	12.2	7 bps
APAT	32,740	33,878	(3.4)	38,221	38,242	(0.1)	44,055	44,044	0.0
APAT margin (%)	8.1	8.5	(40 bps)	8.6	8.7	(11 bps)	8.9	9.0	(13 bps)
EPS	36.9	38.2	(3.4)	43.1	43.1	(0.1)	49.6	49.6	0.0

Source: Company, HSIE Research

REDUCE

CMP (as on 3 May 2023) INR 2,654

Target Price INR 2,400

NIFTY 18,090

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 2,300	INR 2,400
	FY24E	FY25E
EPS %	-0.1	-

KEY STOCK DATA

Bloomberg code	TTAN IN
No. of Shares (mn)	888
MCap (INR bn) / (\$ mn)	2,356/28,802
6m avg traded value (INR mn)	2,498
52 Week high / low	INR 2,791/1,825

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	7.8	(4.0)	11.2
Relative (%)	7.2	(4.6)	3.8

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	52.90	52.90
FIs & Local MFs	5.54	5.78
FPIs	17.53	17.51
Public & Others	24.03	23.81

Pledged Shares - -

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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