

HOLD Titan Company

Weak margins a killjoy for topline growth excitement

Retail ▶ Result Update ▶ August 3, 2023

TARGET PRICE (Rs): 3,000

TTAN's PAT came in 18-20% lower vs. expectations, due to a ~200bps miss on EBITDA margin. TTAN attributed the 250bps dip in jewelry margin to the 100bps one-off, inferior regional mix and growth investments (gold price correction, higher gold exchange and marketing). However, TTAN retained its full-year EBIT margin guidance of 12-13%, on continued strong trends in a studded-heavy Q2TD and expectations of a relatively richer revenue mix in Q3 (vs. Q1). In our view, Street's margin estimate will now gravitate to the lower end of the guided band on Q1 disappointment and high competitive intensity/hallmarking. While we stay confident on mkt-share gains, on TTAN's cross-functional strengths and incremental growth potential from International, Taneira and Handbags, we retain HOLD on near-term margin uncertainty. We reduce our TP by ~5% to Rs3,000 (54x Sep-25E EPS) on a 6-8% earnings cut and 3M rollover.

Titan Company: Financial Snapshot (Consolidated)

| Y/E Mar (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
|---------------------|----------|----------|----------|----------|----------|
| Revenue | 2,87,990 | 4,05,750 | 4,74,018 | 5,60,547 | 6,66,219 |
| EBITDA | 33,410 | 48,790 | 52,069 | 64,914 | 78,825 |
| Adj. PAT | 22,520 | 32,740 | 35,364 | 44,641 | 54,447 |
| Adj. EPS (Rs) | 25.4 | 36.9 | 39.8 | 50.3 | 61.3 |
| EBITDA margin (%) | 11.6 | 12.0 | 11.0 | 11.6 | 11.8 |
| EBITDA growth (%) | 93.8 | 46.0 | 6.7 | 24.7 | 21.4 |
| Adj. EPS growth (%) | 131.2 | 45.4 | 8.0 | 26.2 | 22.0 |
| RoE (%) | 26.8 | 30.9 | 26.7 | 27.1 | 26.5 |
| RoIC (%) | 31.3 | 31.4 | 28.2 | 31.4 | 33.7 |
| P/E (x) | 117.4 | 80.7 | 74.7 | 59.2 | 48.5 |
| EV/EBITDA (x) | 78.6 | 53.5 | 50.3 | 40.0 | 32.7 |
| P/B (x) | 28.4 | 22.3 | 18.0 | 14.4 | 11.6 |
| FCFF yield (%) | (0.5) | 0.5 | 1.0 | 1.3 | 1.5 |

Source: Company, Emkay Research

Decent topline performance under challenging macros/gold price volatility

Ex-bullion sales, standalone revenue grew 19%, led by 19%/36% growth in the jewelry/other segments and a relatively slower growth at 11-13% in watches/eyewear segments. Among subsidiaries, strong growth continued in Caratlane (30%), albeit staying relatively slower than the 50-60% growth in recent quarters. TEAL saw a decline of 32% in Q1, but growth is expected to revive in coming quarters, with strong order inflow. Jewelry growth was led by 14% growth in the number of buyers and 6% growth in ticket-size. New buyer proportion at 46% continued to be healthy. Watches saw 13% growth, led by an exponential growth of 81% in wearables (Fastrack) and a slower 8% growth in analog watches. Among watch formats, premium-format Helios fared the best, with 20% LTL growth in Q1. Eyewear growth at 11% was not too encouraging, and was led by international brands (vs. house brands) and Sunglasses/Lens (vs. Frames). Emerging segments grew 37%, led by 12% growth in the fashion/fragrance segment and 81% growth in Taneira. Network expansion saw some moderation, with 68 store additions in Q1 and 22% growth in the retail space to 3.6mn sqft at Q1-end.

Earnings-call KTAs: 1) TTAN's focus remains on growth with stable margins, as it expects to gain 100bps market-share every year; targets reaching double-digit market share in the next 3-4 years (vs 7% currently). 2) TTAN expects its international store tally to clock at 25 by FY24-end (19 in GCC, and 6 in USA); TTAN is exploring Australia/Singapore locations; focus is also on improving local sourcing for international operations from 10% now. 3) TTAN expects the improvement in geography/channel mix, better studded/wedding mix (26%/20% now) and the stronger traction in light weight/modern jewelry to help it achieve its guidance of 12-13% EBIT margin for FYF24. 4) In the Watch segment, one-time provision for developmental cost resulted in a lower EBIT margin at 11%; expects watch margin at 12-13% for remaining quarters. 5) Eyewear growth was driven by 8%/3% YoY growth in ASP/volume. 6) TTAN indicated Teal has a fairly strong order book ahead which should help revive segmental growth.

| | |
|-----------------------|---------|
| Target Price – 12M | Jun-24 |
| Change in TP (%) | (4.8) |
| Current Reco. | HOLD |
| Previous Reco. | HOLD |
| Upside/(Downside) (%) | 0.8 |
| CMP (02-Aug-23) (Rs) | 2,977.2 |

| Stock Data | Ticker |
|-----------------------------|-----------|
| 52-week High (Rs) | 3,211 |
| 52-week Low (Rs) | 2,269 |
| Shares outstanding (mn) | 887.8 |
| Market-cap (Rs bn) | 2,643 |
| Market-cap (USD mn) | 32,003 |
| Net-debt, FY24E (Rs mn) | 0 |
| ADTV-3M (mn shares) | 1 |
| ADTV-3M (Rs mn) | 2,774.4 |
| ADTV-3M (USD mn) | 33.6 |
| Free float (%) | 47.0 |
| Nifty-50 | 19,527 |
| INR/USD | 82.6 |
| Shareholding, Jun-23 | |
| Promoters (%) | 52.9 |
| FPIs/MFs (%) | 18.5/10.6 |

Price Performance

| (%) | 1M | 3M | 12M |
|---------------|-------|------|------|
| Absolute | (2.3) | 11.8 | 24.8 |
| Rel. to Nifty | (4.0) | 3.9 | 10.9 |

1-Year share price trend (Rs)



Devanshu Bansal

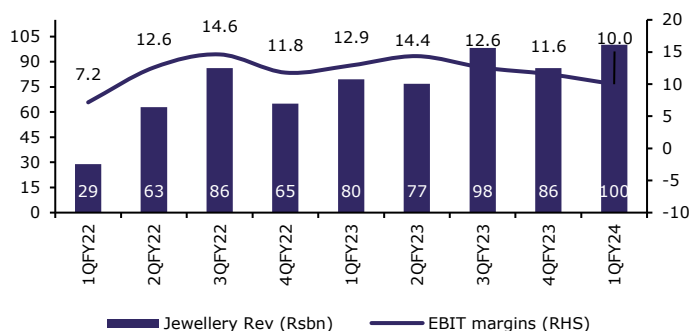
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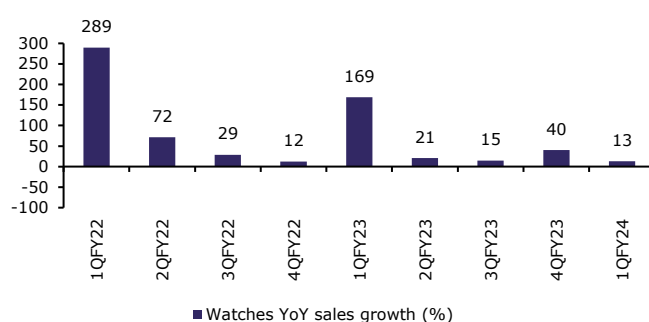
Story in Charts

Exhibit 1: Ex-bullion, Jewelry saw ~19% growth and LTL EBIT margin declined by 250bps to 11% in Q1 (vs. 13.5% YoY)



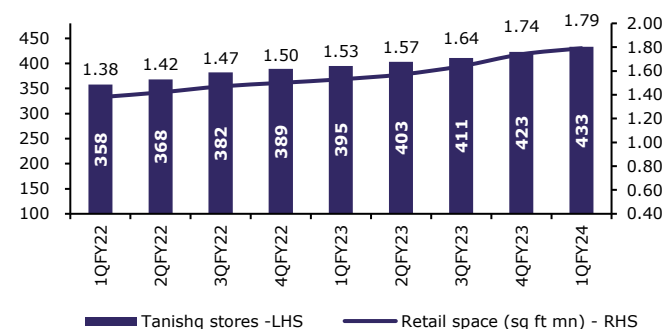
Source: Company, Emkay Research

Exhibit 2: Watches grew slowly, at 13% on YoY basis, while margins were impacted by the one-off developmental cost



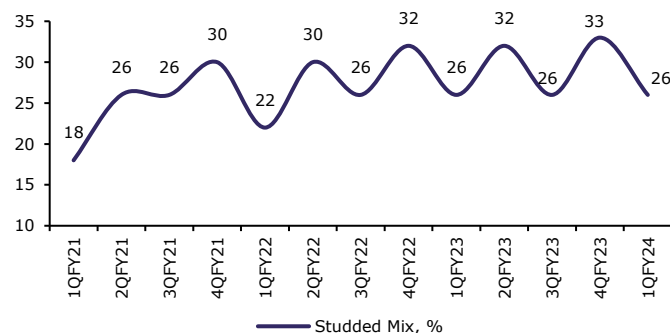
Source: Company, Emkay Research

Exhibit 3: Expansion of Tanishq continues to be strong, while network expansion for other segments moderates



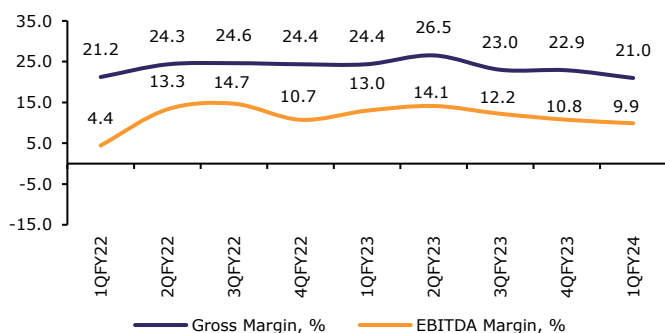
Source: Company, Emkay Research

Exhibit 4: Studded mix remained flat at 26% and continues to remain lower than pre-Covid levels



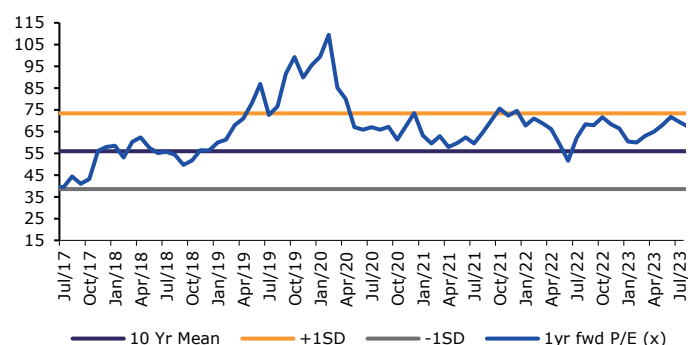
Source: Company, Emkay Research

Exhibit 5: Weak Jewelry margins led to lower overall margins



Source: Company, Emkay Research

Exhibit 6: Titan's one-year forward P/E



Source: Company, Emkay Research

Exhibit 7: Actual vs. Estimates (Q1FY24)

| (Rs mn) | Actual | Estimates | | Variation | | Comments |
|---------------|----------|-----------|-----------|-----------|-----------|---|
| | | Emkay | Consensus | Emkay | Consensus | |
| Net Sales | 1,18,970 | 1,10,091 | 1,08,637 | 8.1% | 9.5% | Ex-bullion sales (Rs9.4bn), revenue was in-line |
| EBITDA | 11,250 | 13,710 | 13,470 | -17.9% | -16.5% | Weak Jewelry margins led to lower margins |
| EBITDA Margin | 9.5% | 12.5% | 12.4% | -300 | -294 | |
| PAT | 7,530 | 9,443 | 9,205 | -20.3% | -18.2% | Lower EBITDA led to lower PAT |

Source: Company, Emkay Research

Exhibit 8: Summary of quarterly results

| Y/E, Mar (Rs mn) | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | YoY (%) | QoQ (%) | FY23TD | FY24TD | YoY (%) |
|----------------------|--------|--------|----------|----------|----------|---------|---------|--------|----------|---------|
| Revenue | 94,430 | 91,630 | 1,16,090 | 1,03,600 | 1,18,970 | 26.0 | 14.8 | 94,430 | 1,18,970 | 26.0 |
| Expenditure | 82,470 | 79,160 | 1,02,620 | 92,710 | 1,07,720 | 30.6 | 16.2 | 82,470 | 1,07,720 | 30.6 |
| Consumption of RM | 70,380 | 66,300 | 88,400 | 78,470 | 92,550 | 31.5 | 17.9 | 70,380 | 92,550 | 31.5 |
| as % of sales | 74.5% | 72.4% | 76.1% | 75.7% | 77.8% | | | 74.5% | 77.8% | |
| Other expenditure | 12,090 | 12,860 | 14,220 | 14,240 | 15,170 | 25.5 | 6.5 | 12,090 | 15,170 | 25.5 |
| as % of sales | 12.8% | 14.0% | 12.2% | 13.7% | 12.8% | | | 12.8% | 12.8% | |
| EBITDA | 11,960 | 12,470 | 13,470 | 10,890 | 11,250 | -5.9 | 3.3 | 11,960 | 11,250 | -5.9 |
| Depreciation | 1,030 | 1,060 | 1,130 | 1,190 | 1,280 | 24.3 | 7.6 | 1,030 | 1,280 | 24.3 |
| EBIT | 10,930 | 11,410 | 12,340 | 9,700 | 9,970 | -8.8 | 2.8 | 10,930 | 9,970 | -8.8 |
| Other Income | 440 | 610 | 890 | 1,140 | 1,140 | 159.1 | 0.0 | 440 | 1,140 | 159.1 |
| Interest | 650 | 600 | 790 | 960 | 1,090 | 67.7 | 13.5 | 650 | 1,090 | 67.7 |
| PBT | 10,720 | 11,420 | 12,440 | 9,880 | 10,020 | -6.5 | 1.4 | 10,720 | 10,020 | -6.5 |
| Total Tax | 2,820 | 3,070 | 3,320 | 2,520 | 2,460 | -12.8 | -2.4 | 2,820 | 2,460 | -12.8 |
| PAT | 7,900 | 8,350 | 9,120 | 7,360 | 7,560 | -4.3 | 2.7 | 7,900 | 7,560 | -4.3 |
| Extra ordinary items | 0 | 0 | -10 | 0 | 0 | | | | | |
| Reported PAT | 7,900 | 8,350 | 9,130 | 7,360 | 7,560 | -4.3 | 2.7 | 7,900 | 7,560 | -4.3 |
| Minority Interest | -50 | -40 | -90 | -60 | -30 | | | | | |
| Adjusted PAT | 7,850 | 8,310 | 9,040 | 7,300 | 7,530 | -4.1 | 3.2 | 7,850 | 7,530 | -4.1 |
| Adjusted EPS (Rs) | 8.8 | 9.4 | 10.2 | 8.2 | 8.5 | -4.1 | 3.2 | 8.8 | 8.5 | -4.1 |
| (%) | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | (bps) | (bps) | FY23TD | FY24TD | (bps) |
| EBITDA margin | 12.7 | 13.6 | 11.6 | 10.5 | 9.5 | -320 | -110 | 12.7 | 9.5 | -320 |
| EBIT margin | 11.6 | 12.5 | 10.6 | 9.4 | 8.4 | -320 | -100 | 11.6 | 8.4 | -320 |
| EBT margin | 11.4 | 12.5 | 10.7 | 9.5 | 8.4 | -290 | -110 | 11.4 | 8.4 | -290 |
| PAT margin | 8.3 | 9.1 | 7.8 | 7.0 | 6.3 | -200 | -70 | 8.3 | 6.3 | -200 |
| Effective Tax rate | 26.3 | 26.9 | 26.7 | 25.5 | 24.6 | -180 | -100 | 26.3 | 24.6 | -180 |

Source: Company, Emkay Research

Exhibit 9: Segmental financials

| Revenue (Rs mn) | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | YoY (%) | QoQ (%) | FY23TD | FY24TD | YoY (%) |
|---------------------------|---------------|---------------|-----------------|-----------------|-----------------|---------------|---------------|---------------|-----------------|---------------|
| Watches | 7,850 | 8,290 | 8,110 | 8,710 | 8,900 | 13.4 | 2.2 | 7,850 | 8,900 | 13.4 |
| Jewelry | 79,560 | 76,850 | 98,330 | 86,310 | 1,00,080 | 25.8 | 16.0 | 79,560 | 1,00,080 | 25.8 |
| Eyewear | 1,830 | 1,670 | 1,740 | 1,650 | 2,030 | 10.9 | 23.0 | 1,830 | 2,030 | 10.9 |
| Others | 560 | 730 | 890 | 770 | 760 | 35.7 | -1.3 | 560 | 760 | 35.7 |
| Corporate | 250 | 360 | 590 | 640 | 670 | 168.0 | 4.7 | 250 | 670 | 168.0 |
| Total Standalone | 90,050 | 87,900 | 1,09,660 | 98,080 | 1,12,440 | 24.9 | 14.6 | 90,050 | 1,12,440 | 24.9 |
| Caratlane | 4,830 | 4,480 | 6,770 | 5,800 | 6,400 | 32.5 | 10.3 | 4,830 | 6,400 | 32.5 |
| Teal | 890 | 1,230 | 1,250 | 1,740 | 610 | -31.5 | -64.9 | 890 | 610 | -31.5 |
| Others | -900 | -1,370 | -700 | -880 | 670 | -174.4 | -176.1 | -900 | 670 | -174.4 |
| Total Consolidated | 94,870 | 92,240 | 1,16,980 | 1,04,740 | 1,20,120 | 26.6 | 14.7 | 94,870 | 1,20,120 | 26.6 |
| EBIT (Rs mn) | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | YoY (%) | QoQ (%) | FY23TD | FY24TD | YoY (%) |
| Watches | 1,030 | 1,230 | 890 | 980 | 1,020 | -1.0 | 4.1 | 1,030 | 1,020 | -1.0 |
| Jewelry | 10,270 | 11,030 | 12,360 | 9,970 | 9,990 | -2.7 | 0.2 | 10,270 | 9,990 | -2.7 |
| Eyewear | 360 | 280 | 320 | 20 | 350 | -2.8 | 1,650.0 | 360 | 350 | -2.8 |
| Others | -450 | -490 | -290 | -440 | -330 | -26.7 | -25.0 | -450 | -330 | -26.7 |
| Total Standalone | 11,210 | 12,050 | 13,280 | 10,530 | 11,030 | -1.6 | 4.7 | 11,210 | 11,030 | -1.6 |
| Caratlane | 340 | 290 | 640 | 400 | 350 | 2.9 | -12.5 | 340 | 350 | 2.9 |
| Teal | -50 | 140 | 0 | 190 | -110 | 120.0 | -157.9 | -50 | -110 | 120.0 |
| Others | -120 | -460 | -680 | -280 | -160 | 33.3 | -42.9 | -120 | -160 | 33.3 |
| Total Consolidated | 11,380 | 12,020 | 13,240 | 10,840 | 11,110 | -2.4 | 2.5 | 11,380 | 11,110 | -2.4 |
| Margin (%) | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | (bps) | (bps) | FY23TD | FY24TD | (bps) |
| Watches | 13.1 | 14.8 | 11.0 | 11.3 | 11.5 | -170 | 20 | 13.1 | 11.5 | -170 |
| Jewelry | 12.9 | 14.4 | 12.6 | 11.6 | 10.0 | -290 | -160 | 12.9 | 10.0 | -290 |
| Eyewear | 19.7 | 16.8 | 18.4 | 1.2 | 17.2 | -240 | 1,600 | 19.7 | 17.2 | -240 |
| Others | (80.4) | (67.1) | (32.6) | (57.1) | (43.4) | 3,690 | 1,370 | (80.4) | (43.4) | 3,690 |
| Total Standalone | 12.4 | 13.7 | 12.1 | 10.7 | 9.8 | -260 | -90 | 12.4 | 9.8 | -260 |
| Caratlane | 7.0 | 6.5 | 9.5 | 6.9 | 5.5 | -160 | -140 | 7.0 | 5.5 | -160 |
| Teal | (5.6) | 11.4 | - | 10.9 | (18.0) | -1,240 | -2,900 | (5.6) | (18.0) | -1,240 |
| Total Consolidated | 12.0 | 13.0 | 11.3 | 10.3 | 9.2 | -270 | -110 | 12.0 | 9.2 | -270 |

Source: Company, Emkay Research

Exhibit 10: Peer Comparison

| Companies | Price (Rs) | Mcap (Rs bn) | Reco | Target Price (Rs) | EPS (Rs) | | | P/E (x) | | | EV / EBITDA (x)* | | |
|-----------------------|--------------|--------------|-------------|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------|-------------|-------------|
| | | | | | FY24E | FY25E | FY26E | FY24E | FY25E | FY26E | FY24E | FY25E | FY26E |
| ABFRL | 218 | 207 | Hold | 215 | -4.3 | -2.3 | -0.8 | NA | NA | NA | 15.8 | 10.6 | 8.3 |
| Jubilant FoodWorks | 488 | 322 | Sell | 420 | 6.0 | 8.8 | 11.0 | 81.2 | 55.4 | 44.4 | 25.4 | 19.8 | 16.7 |
| Page Industries | 38,714 | 432 | Sell | 35,000 | 495.4 | 652.5 | 792.2 | 78.1 | 59.3 | 48.9 | 48.3 | 38.1 | 32.1 |
| Titan Company | 2,977 | 2,643 | Hold | 3,000 | 39.8 | 50.3 | 61.3 | 74.7 | 59.2 | 48.5 | 50.4 | 40.4 | 33.3 |
| Westlife Development | 929 | 145 | Buy | 1,035 | 10.4 | 12.9 | 17.1 | 89.5 | 72.1 | 54.2 | 29.4 | 24.9 | 20.3 |
| Devyani International | 194 | 234 | Hold | 175 | 1.9 | 2.9 | 3.8 | 100.0 | 66.0 | 50.5 | 29.4 | 21.9 | 17.5 |
| Sapphire Foods | 1,342 | 85 | Hold | 1,400 | 22.6 | 32.6 | 44.1 | 59.4 | 41.1 | 30.4 | 15.2 | 11.1 | 8.9 |
| Ethos | 1,402 | 33 | Buy | 1,540 | 29.8 | 45.0 | 56.9 | 47.0 | 31.1 | 24.6 | 22.5 | 15.4 | 12.2 |
| Go Fashion | 1,246 | 67 | Buy | 1,430 | 19.3 | 26.4 | 34.0 | 64.4 | 47.1 | 36.6 | 24.8 | 18.9 | 15.0 |

Source: Company, Emkay Research, *Post-IndAS116 EBITDA

Exhibit 11: Changes in estimates

| (Rs mn) | FY24E | | | FY25E | | | FY26E | | |
|--------------------|----------|----------|----------|----------|----------|----------|----------|----------|------------|
| | Old | New | % change | Old | New | % change | Old | New | Change (%) |
| Revenue | 4,72,947 | 4,74,018 | 0.2 | 5,63,136 | 5,60,547 | -0.5 | 6,73,904 | 6,66,219 | -1.1 |
| EBITDA | 57,950 | 52,069 | -10.1 | 70,502 | 64,914 | -7.9 | 84,184 | 78,825 | -6.4 |
| EBITDA margins (%) | 12.3 | 11.0 | -130 bps | 12.5 | 11.6 | -90 bps | 12.5 | 11.8 | -70 bps |
| Net profit | 39,825 | 35,364 | -11.2 | 48,489 | 44,641 | -7.9 | 57,828 | 54,447 | -5.8 |
| EPS (Rs) | 44.9 | 39.9 | -11.2 | 54.6 | 50.3 | -7.9 | 65.1 | 61.3 | -5.8 |

Source: Company, Emkay Research

Exhibit 12: Quarterly snapshot of retail growth

| Particulars | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 |
|----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| World of Titan | 86% | 79% | 24% | 15% | 241% | 31% | 14% | 18% | 8% |
| Tanishq | 115% | 75% | 37% | 1% | 202% | 13% | 14% | 25% | 22% |
| Titan Eye+ | 74% | 69% | 19% | -4% | 180% | 12% | 14% | 22% | 13% |
| Fastrack | 63% | 51% | 9% | -9% | 230% | 26% | 19% | 11% | -4% |
| Helios | 73% | 69% | 43% | 35% | 278% | 46% | 32% | 45% | 40% |
| LFS (watches) | 323% | 103% | 35% | 8% | 358% | 63% | 20% | 42% | 33% |

Source: Company, Emkay Research

Exhibit 13: Quarterly snapshot of LTL growth

| Titan brands | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 |
|----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| World of Titan | 91% | 78% | 22% | 13% | 227% | 26% | 8% | 11% | 2% |
| Tanishq | 119% | 66% | 31% | 4% | 195% | 9% | 9% | 19% | 22% |
| Titan Eye+ | 47% | 59% | 10% | -13% | 185% | 1% | 1% | 10% | 3% |
| Fastrack | 80% | 52% | 11% | -5% | 231% | 26% | 18% | 8% | -11% |
| Helios | 78% | 51% | 30% | 14% | 227% | 27% | 11% | 21% | 20% |
| LFS (watches) | 324% | 102% | 33% | 3% | 338% | 52% | 25% | 37% | 13% |

Source: Company, Emkay Research

Titan Company: Consolidated Financials and Valuations

Profit & Loss

| Y/E Mar (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue | 2,87,990 | 4,05,750 | 4,74,018 | 5,60,547 | 6,66,219 |
| Revenue growth (%) | 33.1 | 40.9 | 16.8 | 18.3 | 18.9 |
| EBITDA | 33,410 | 48,790 | 52,069 | 64,914 | 78,825 |
| EBITDA growth (%) | 93.8 | 46.0 | 6.7 | 24.7 | 21.4 |
| Depreciation & Amortization | 3,990 | 4,410 | 4,992 | 5,774 | 6,646 |
| EBIT | 29,420 | 44,380 | 47,077 | 59,140 | 72,179 |
| EBIT growth (%) | 118.1 | 50.8 | 6.1 | 25.6 | 22.0 |
| Other operating income | 0 | 0 | 0 | 0 | 0 |
| Other income | 2,340 | 3,080 | 3,696 | 4,013 | 4,314 |
| Financial expense | 2,180 | 3,000 | 3,620 | 3,631 | 3,897 |
| PBT | 29,580 | 44,460 | 47,152 | 59,522 | 72,596 |
| Extraordinary items | (540) | 0 | 0 | 0 | 0 |
| Taxes | 7,060 | 11,730 | 11,788 | 14,880 | 18,149 |
| Minority interest | 0 | 0 | 0 | 0 | 0 |
| Income from JV/Associates | 0 | 10 | 0 | 0 | 0 |
| Reported PAT | 21,980 | 32,740 | 35,364 | 44,641 | 54,447 |
| PAT growth (%) | 125.7 | 49.0 | 8.0 | 26.2 | 22.0 |
| Adjusted PAT | 22,520 | 32,740 | 35,364 | 44,641 | 54,447 |
| Diluted EPS (Rs) | 25.4 | 36.9 | 39.8 | 50.3 | 61.3 |
| Diluted EPS growth (%) | 131.2 | 45.4 | 8.0 | 26.2 | 22.0 |
| DPS (Rs) | 4.0 | 10.0 | 8.0 | 9.5 | 11.5 |
| Dividend payout (%) | 16.2 | 27.1 | 20.1 | 18.9 | 18.8 |
| EBITDA margin (%) | 11.6 | 12.0 | 11.0 | 11.6 | 11.8 |
| EBIT margin (%) | 10.2 | 10.9 | 9.9 | 10.6 | 10.8 |
| Effective tax rate (%) | 23.9 | 26.4 | 25.0 | 25.0 | 25.0 |
| NOPLAT (pre-IndAS) | 22,398 | 32,671 | 35,308 | 44,355 | 54,135 |
| Shares outstanding (mn) | 887.8 | 887.8 | 887.8 | 887.8 | 887.8 |

Source: Company, Emkay Research

Cash flows

| Y/E Mar (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
|------------------------------|----------------|-----------------|-----------------|-----------------|-----------------|
| PBT | 29,580 | 44,460 | 47,152 | 59,522 | 72,596 |
| Others (non-cash items) | 3,990 | 4,410 | 4,992 | 5,774 | 6,646 |
| Taxes paid | (8,060) | (11,610) | (11,788) | (14,880) | (18,149) |
| Change in NWC | (36,381) | (22,606) | (13,564) | (17,581) | (21,563) |
| Operating cash flow | (9,231) | 17,664 | 30,413 | 36,466 | 43,427 |
| Capital expenditure | (2,619) | (4,264) | (3,500) | (3,500) | (3,500) |
| Acquisition of business | (2,370) | (720) | 0 | 0 | 0 |
| Interest & dividend income | 2,340 | 3,080 | 3,696 | 4,013 | 4,314 |
| Investing cash flow | 22,912 | (26,474) | (3,500) | (3,500) | (3,500) |
| Equity raised/(repaid) | 0 | 0 | 0 | 0 | 0 |
| Debt raised/(repaid) | 3,540 | 16,780 | (21,950) | 0 | 0 |
| Payment of lease liabilities | (3,272) | (4,113) | (4,452) | (5,005) | (5,655) |
| Interest paid | (1,156) | (1,869) | (2,320) | (2,070) | (2,025) |
| Dividend paid (incl tax) | (4,439) | (8,878) | (7,102) | (8,434) | (10,210) |
| Others | 1,777 | 4,590 | 0 | 0 | 0 |
| Financing cash flow | (3,550) | 6,510 | (35,824) | (15,509) | (17,889) |
| Net chg in Cash | 10,130 | (2,300) | (8,911) | 17,456 | 22,038 |
| OCF | (9,231) | 17,664 | 30,413 | 36,466 | 43,427 |
| Adj. OCF (w/o NWC chg.) | 27,150 | 40,270 | 43,977 | 54,047 | 64,990 |
| FCFF | (11,850) | 13,400 | 26,913 | 32,966 | 39,927 |
| FCFE | (11,690) | 13,480 | 26,988 | 33,348 | 40,344 |
| OCF/EBITDA (%) | (27.6) | 36.2 | 58.4 | 56.2 | 55.1 |
| FCFE/PAT (%) | (51.9) | 41.2 | 76.3 | 74.7 | 74.1 |
| FCFF/NOPLAT (%) | (52.9) | 41.0 | 76.2 | 74.3 | 73.8 |

Source: Company, Emkay Research

Balance Sheet

| Y/E Mar (Rs mn) | FY22 | FY23 | FY24E | FY25E | FY26E |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Share capital | 888 | 888 | 888 | 888 | 888 |
| Reserves & Surplus | 92,243 | 1,17,619 | 1,45,881 | 1,82,088 | 2,26,326 |
| Net worth | 93,131 | 1,18,507 | 1,46,769 | 1,82,976 | 2,27,213 |
| Minority interests | 300 | 530 | 530 | 530 | 530 |
| Deferred tax liability (net) | (1,160) | (610) | (274) | 109 | 546 |
| Total debt | 18,770 | 40,680 | 17,779 | 16,535 | 14,953 |
| Total liabilities & equity | 1,11,041 | 1,59,107 | 1,64,804 | 2,00,150 | 2,43,242 |
| Net tangible fixed assets | 12,180 | 13,430 | 14,225 | 14,713 | 14,894 |
| Net intangible assets | 2,290 | 2,460 | 2,540 | 2,524 | 2,045 |
| Net ROU assets | 9,730 | 12,850 | 12,819 | 12,342 | 11,329 |
| Capital WIP | 850 | 1,440 | 1,440 | 1,440 | 1,440 |
| Goodwill | 1,230 | 1,230 | 1,230 | 1,230 | 1,230 |
| Investments [JV/Associates] | 2,800 | 3,520 | 3,520 | 3,520 | 3,520 |
| Cash & equivalents | 15,880 | 35,070 | 26,159 | 43,615 | 65,653 |
| Current assets (ex-cash) | 1,63,831 | 1,97,137 | 2,36,100 | 2,76,969 | 3,26,551 |
| Current Liab. & Prov. | 97,750 | 1,08,030 | 1,33,093 | 1,55,997 | 1,83,580 |
| NWC (ex-cash) | 66,081 | 89,107 | 1,03,007 | 1,20,971 | 1,42,971 |
| Total assets | 1,11,041 | 1,59,107 | 1,64,804 | 2,00,150 | 2,43,242 |
| Net debt | (15,860) | (35,070) | (26,159) | (43,615) | (65,653) |
| Capital employed | 92,291 | 1,18,427 | 1,47,025 | 1,83,615 | 2,28,289 |
| Invested capital | 90,281 | 1,17,847 | 1,32,455 | 1,50,345 | 1,71,399 |
| BVPS (Rs) | 104.9 | 133.5 | 165.3 | 206.1 | 255.9 |
| Net Debt/Equity (x) | (0.2) | (0.3) | (0.2) | (0.2) | (0.3) |
| Net Debt/EBITDA (x) | (0.5) | (0.7) | (0.5) | (0.7) | (0.8) |
| Interest coverage (x) | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| RoCE (%) | 38.1 | 45.0 | 38.3 | 38.2 | 37.1 |

Source: Company, Emkay Research

Valuations and key Ratios

| Y/E Mar | FY22 | FY23 | FY24E | FY25E | FY26E |
|--------------------------|-------------|-------------|-------------|-------------|-------------|
| P/E (x) | 117.4 | 80.7 | 74.7 | 59.2 | 48.5 |
| P/CE(x) | 99.7 | 71.1 | 65.5 | 52.4 | 43.3 |
| P/B (x) | 28.4 | 22.3 | 18.0 | 14.4 | 11.6 |
| EV/Sales (x) | 9.1 | 6.4 | 5.5 | 4.6 | 3.9 |
| EV/EBITDA (x) | 78.6 | 53.5 | 50.3 | 40.0 | 32.7 |
| EV/EBIT(x) | 89.3 | 58.8 | 55.6 | 44.0 | 35.7 |
| EV/IC (x) | 29.1 | 22.1 | 19.8 | 17.3 | 15.0 |
| FCFF yield (%) | (0.5) | 0.5 | 1.0 | 1.3 | 1.5 |
| FCFE yield (%) | (0.4) | 0.5 | 1.0 | 1.3 | 1.5 |
| Dividend yield (%) | 0.1 | 0.3 | 0.3 | 0.3 | 0.4 |
| DuPont-RoE split | | | | | |
| Net profit margin (%) | 7.8 | 8.1 | 7.5 | 8.0 | 8.2 |
| Total asset turnover (x) | 3.5 | 3.9 | 3.6 | 3.4 | 3.2 |
| Assets/Equity (x) | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| RoE (%) | 26.8 | 30.9 | 26.7 | 27.1 | 26.5 |
| DuPont-RoIC | | | | | |
| NOPLAT margin (%) | 7.8 | 8.1 | 7.4 | 7.9 | 8.1 |
| IC turnover (x) | 4.0 | 3.9 | 3.8 | 4.0 | 4.1 |
| RoIC (%) | 31.3 | 31.4 | 28.2 | 31.4 | 33.7 |
| Operating metrics | | | | | |
| Core NWC days | 59.5 | 59.4 | 61.8 | 61.4 | 61.2 |
| Total NWC days | 83.8 | 80.2 | 79.3 | 78.8 | 78.3 |
| Fixed asset turnover | 9.1 | 11.1 | 11.4 | 12.5 | 14.0 |
| Opex-to-revenue (%) | 13.3 | 13.2 | 13.3 | 13.3 | 13.4 |

Source: Company, Emkay Research

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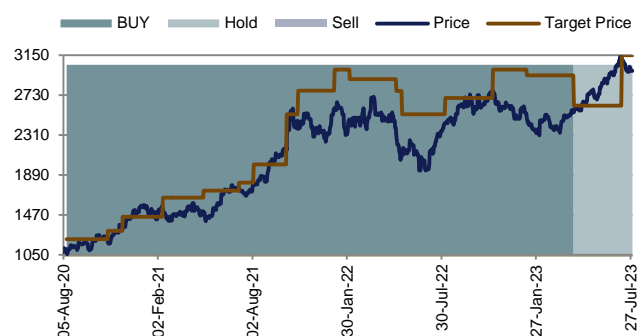
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| Date | CMP (INR) | TP (INR) | Rating | Analyst |
|-----------|-----------|----------|--------|-----------------|
| 10-Jul-23 | 3,046 | 3,150 | Hold | Devanshu Bansal |
| 04-May-23 | 2,670 | 2,620 | Hold | Devanshu Bansal |
| 09-Apr-23 | 2,548 | 2,620 | Hold | Devanshu Bansal |
| 03-Feb-23 | 2,463 | 2,940 | Buy | Devanshu Bansal |
| 09-Jan-23 | 2,485 | 2,940 | Buy | Devanshu Bansal |
| 05-Nov-22 | 2,770 | 3,000 | Buy | Devanshu Bansal |
| 06-Oct-22 | 2,593 | 2,700 | Buy | Devanshu Bansal |
| 06-Aug-22 | 2,433 | 2,700 | Buy | Devanshu Bansal |
| 07-Jul-22 | 2,128 | 2,530 | Buy | Devanshu Bansal |
| 15-May-22 | 2,092 | 2,530 | Buy | Devanshu Bansal |
| 04-May-22 | 2,290 | 2,775 | Buy | Devanshu Bansal |
| 08-Apr-22 | 2,510 | 2,900 | Buy | Devanshu Bansal |
| 04-Feb-22 | 2,471 | 2,900 | Buy | Devanshu Bansal |
| 06-Jan-22 | 2,596 | 3,000 | Buy | Devanshu Bansal |
| 28-Oct-21 | 2,375 | 2,778 | Buy | Devanshu Bansal |
| 06-Oct-21 | 2,148 | 2,530 | Buy | Devanshu Bansal |
| 04-Aug-21 | 1,800 | 2,000 | Buy | Devanshu Bansal |
| 07-Jul-21 | 1,727 | 1,810 | Buy | Devanshu Bansal |
| 30-Apr-21 | 1,492 | 1,725 | Buy | Devanshu Bansal |
| 07-Apr-21 | 1,514 | 1,650 | Buy | Devanshu Bansal |
| 11-Feb-21 | 1,525 | 1,650 | Buy | Devanshu Bansal |
| 07-Dec-20 | 1,425 | 1,450 | Buy | Devanshu Bansal |
| 26-Nov-20 | 1,327 | 1,450 | Buy | Devanshu Bansal |
| 29-Oct-20 | 1,178 | 1,300 | Buy | Devanshu Bansal |
| 07-Oct-20 | 1,254 | 1,215 | Buy | Devanshu Bansal |
| 11-Aug-20 | 1,066 | 1,215 | Buy | Devanshu Bansal |

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

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