

August 2, 2023

Q1FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	3,240		3,242	
Sales (Rs. m)	4,54,812	5,39,873	4,53,087	5,23,081
% Chng.	0.4	3.2		
EBITDA (Rs. m)	55,191	66,330	57,354	66,687
% Chng.	(3.8)	(0.5)		
EPS (Rs.)	43.2	52.6	45.5	53.8
% Chng.	(4.9)	(2.3)		

Key Financials - Standalone

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. bn)	273	383	455	540
EBITDA (Rs. bn)	33	48	55	66
Margin (%)	12.3	12.6	12.1	12.3
PAT (Rs. bn)	22	34	38	47
EPS (Rs.)	25.1	38.1	43.2	52.6
Gr. (%)	120.0	51.9	13.5	21.6
DPS (Rs.)	4.0	7.5	10.0	13.0
Yield (%)	0.1	0.3	0.3	0.4
RoE (%)	26.4	31.7	28.8	28.4
RoCE (%)	22.7	27.0	25.3	25.3
EV/Sales (x)	9.9	7.0	5.9	4.9
EV/EBITDA (x)	80.5	55.6	48.6	40.3
PE (x)	118.8	78.2	68.9	56.6
P/BV (x)	28.3	22.1	18.0	14.5

Key Data

TITN.BO | TTAN IN

52-W High / Low	Rs.3,211 / Rs.2,269
Sensex / Nifty	65,783 / 19,527
Market Cap	Rs.2,643bn/ \$ 32,003m
Shares Outstanding	888m
3M Avg. Daily Value	Rs.2774.37m

Shareholding Pattern (%)

Promoter's	52.90
Foreign	18.54
Domestic Institution	10.64
Public & Others	17.93
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.3)	29.0	24.8
Relative	(3.9)	17.5	10.3

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Refueling for sustained growth

Quick Pointers:

- Jewellery demand remains strong in July; FY24 EBIT margin guidance maintained at 12-13%
- Jewellery margin hit due to rationalization of physical gold premium, brand building and customer activation and diamond inventory gains in 1Q23

We cut our FY24/FY25 EPS estimates by 4.9%/2.3% as we cut EBIT margins in Jewellery by 50bps to 12.3% (lower end of TTAN guidance of 12-13% band) and 50bps each in watches and Eyewear. We believe TTAN is investing for future growth which is reflected in rationalization of physical gold premium, increased advertising and consumer activations and exchange schemes in a tough demand environment, which bodes well for long term growth. Demand trends in July remain strong across segments which gives us confidence of pick up in margins in coming quarters.

We expect TTAN is creating multiple growth levers led by 1) jewellery segment gains due to network expansion, regional thrust and higher growth in sub brands like Mia, Zoya and Caratlane 2) Omni-channel strategy across jewellery, watches and eyewear 3) new growth drivers like Caratlane, Titan Eye+, Taneira and 4) strong growth in wearables with smartwatch in mass segment. TTAN is an emerging lifestyle play with presence in Jewellery, Watches, Wearables, Dress Material, Fragrances and Handbags which will help sustain premium valuations. TTAN trades at 56.6x FY25E EPS with 17.7% EPS CAGR over FY23-25. We assign DCF based target price of Rs3240 (Rs3242 earlier). Retain Accumulate.

Standalone Revenues grew 24.4% YoY to Rs111.5bn. Gross margins contracted by 338bps YoY/190bps QoQ to 21.0%. EBITDA declined by 5.2% YoY to Rs11bn Margins contracted by 309bps YoY/86bps QoQ to 9.9%. Adj. PAT declined by 2% YoY to Rs7.8bn. CaratLane clocked Revenue/PBT of Rs6.4bn/Rs140mn.

Jewellery revenues grew by 25.8% YoY to Rs100.1bn; EBIT declined by 2.7% YoY to Rs10bn; margins contracted by 293bps YoY to 10%. Ex bullion sales, margins declined 250bps YoY to 11.0%. Studded ratio was unchanged at 26%. Tanishq added 10 stores, taking total count to 433 stores. Average ticket sizes grew 6% YoY. Buyer growth was ~14% YoY while new buyer proportion at ~46% remained healthy. Wedding segment grew ~26% YoY and contributed 20% to sales. International expansion continues with focus shifting to non- Indian diaspora catchments with a target to achieve 25 stores by FY24.

Watches and Wearables revenues grew by 13.4% YoY to Rs8.9bn; EBIT declined by 1% YoY to Rs1bn; margins contracted by 166bps YoY to 11.5%. Premium brands continued their strong performance with brand Titan and Helios, growing at ~17%/~38% respectively. Wearables growth at ~81% YoY in 1Q.

Eyewear revenues grew by 10.9% YoY to Rs2bn; EBIT declined by 2.8% YoY to Rs350mn; margins contracted by 243bps YoY to 17.2%. Added 5 new stores in 1Q24, reached total count to 908 stores. International brands grew ahead of house brands while Lenses & Sunglasses grew ahead of Frames.

Fragrances grew 12% while women handbags grew 14%, **Taneira** sales grew 81% as it added 6 stores during the quarter.

Key Concall Highlights: 1) Jewellery demand in April/May was subdued amid volatility in gold prices, while June saw robust demand led by stable gold prices which has sustained in July as well. 2) Eastern markets such as Bihar, Jharkhand, Chhattisgarh saw good demand traction for wedding jewellery 3) Gold exchange program contribution came at 50% in 1Q with Non-Tanishq/Tanishq gold contributing 35%/15% vs normalized 30%/10% 4) Wearables remains a key growth driver with Fastrack launching new smart watches in the range of Rs1.5-4k 7) Capital employed for Jewellery was higher amid Gold on Lease contribution down to 27%, while Watches capital employed is expected to remain higher in 2Q24 with inventory build-up in anticipation of upcoming festive season. 8) TEAL & Caratlane are performing well with growth to be funded by internal cash generation and borrowings 9) International market is performing as per expectations even as operating cost remain higher than Indian stores. Exploring new markets such as Australia & Singapore. Plan to open 5/13 stores in US/GCC taking store count to 25 in FY24 10) Jewellery margin is likely to be 12-13% for FY24 led by improved geographical/ product mix with focus on high value studded jewellery

Exhibit 1: Revenue grew by 24.4% YoY; Margins contract by 86bps QoQ

Y/e March (Rs mn)	1QFY24	1QFY23	YoY gr. (%)	4QFY23	FY23	FY22	YoY gr. (%)
Net Sales	111,450	89,610	24.4	97,040	3,82,700	2,72,100	40.6
Gross Profit	23,400	21,840	7.1	22,220	92,240	65,520	40.8
<i>% of NS</i>	<i>21.0</i>	<i>24.4</i>	<i>(3.4)</i>	<i>22.9</i>	<i>24.1</i>	<i>24.1</i>	<i>0.0</i>
Advt & Sales Pro	2,070	1,710	21.1	1,920	7,390	4,740	55.9
<i>% of NS</i>	<i>1.9</i>	<i>1.9</i>		<i>2.0</i>	<i>1.9</i>	<i>1.7</i>	
Total Expenses	100,420	77,970	28.8	86,600	3,35,000	2,39,310	40.0
<i>% of NS</i>	<i>90.1</i>	<i>87.0</i>		<i>89.2</i>	<i>87.5</i>	<i>87.9</i>	
EBITDA	11,030	11,640	(5.2)	10,440	47,700	32,790	45.5
<i>Margins %</i>	<i>9.9</i>	<i>13.0</i>	<i>(3.1)</i>	<i>10.8</i>	<i>12.5</i>	<i>12.1</i>	<i>0.4</i>
Depreciation	990	870	13.8	950	3,640	3,470	4.9
Interest	790	550	43.6	740	2,400	1,950	23.1
Other Income	990	440	125.0	1,040	2,990	2,460	21.5
PBT	10,240	10,660	(3.9)	9,790	44,650	29,830	49.7
Tax	2,470	2,730	(9.5)	2,450	11,320	7,520	50.5
<i>Tax rate %</i>	<i>24.1</i>	<i>25.6</i>		<i>25.0</i>	<i>25.4</i>	<i>25.2</i>	
Adjusted PAT	7,770	7,930	(2.0)	7,340	33,330	22,310	49.4

Source: Company, PL

Exhibit 2: Strong double digit across businesses, business investments and growth push impacts margins

(Rs m)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24
Total Sales	32,640	71,910	95,330	73,050	89,800	87,540	109,070	97,440	111,770
Watches	2,920	6,870	7,080	6,220	7,850	8,290	8,110	8,710	8,900
YoY Growth	289.3%	71.8%	28.7%	12.1%	168.8%	20.7%	14.5%	40.0%	13.4%
Jewellery	28,910	62,980	86,170	65,070	79,560	76,850	98,330	86,310	100,080
YoY Growth	62.1%	64.1%	30.8%	1.3%	175.2%	22.0%	14.1%	32.6%	25.8%
Eyewear	670	1600	1560	1,340	1830	1670	1,740	1,650	2030
YoY Growth	123.3%	70.2%	25.8%	5.0%	173.1%	4.4%	11.5%	23.1%	10.9%
Others	140	460	520	420	560	730	890	770	760
YoY Growth	250.0%	100.0%	44.4%	23.0%	300.0%	58.7%	71.2%	83.3%	35.7%
Total EBIT	1,220	9,210	13,730	7,330	11,560	12,360	13,400	10,640	11,090
Watches	-560	920	820	-100	1,030	1,230	890	980	1,020
YoY Growth	-65.9%	-2400.0%	43.9%	-121.7%	283.9%	33.7%	8.5%	1080%	-1.0%
EBIT Margin	-19.2%	13.4%	11.6%	-1.6%	13.1%	14.8%	11.0%	11.3%	11.5%
Jewellery	2,070	7,930	12,600	7,670	10,270	11,030	12,360	9,970	9,990
YoY Growth	-483.3%	178.2%	67.6%	9.1%	396.1%	39.1%	-1.9%	30.0%	-2.7%
EBIT Margin	7.2%	12.6%	14.6%	11.8%	12.9%	14.4%	12.6%	11.6%	10.0%
Eyewear	-130	370	340	-80	360	280	320	20	350
YoY Growth	-58.1%	311.1%	54.5%	-134.8%	-376.9%	-24.3%	-5.9%	125.0%	-2.8%
EBIT Margin	-19.4%	23.1%	21.8%	-6.0%	19.7%	16.8%	18.4%	1.2%	17.2%
Others	(160)	(10)	(30)	(160)	(100)	(180)	(170)	(330)	(270)

Source: Company, PL

Exhibit 3: LTL growth at 22%, studded share at 26%

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24
Jewellery									
Volume Gr %	124	101	47	-7	170	3	1	10	NA
Studded Share %	22	30	26	30	26	32	26	33	26
Sales Gr %	62.1%	64.1%	30.8%	1.3%	175.2%	22.0%	14.1%	32.6%	25.8%
Tanishq									
Sales Gr %	115	75	37	1	202	13	14	25	22
LTL Growth %	117	66	31	4	195	9	9	19	22
Stores	358	368	382	389	395	403	411	423	433
Area (sq. Ft)	13,80,000	14,20,000	14,70,000	15,00,000	15,30,000	1,570,000	1,640,000	1,740,000	1,800,000

Source: Company, PL

Exhibit 4: Watches sales up 13.4%, strong growth witnessed across brands (ex Fastrack)

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24
Watches									
Sales Growth %	291.3	71.8	28.7	12.1	168.8	20.7	14.5	40.0	13.4
Volume Growth %	466	67	21	-1	109	1	3	31	NA
World Of Titan									
Sales Growth %	86	79	24	15	241	31	14	18	8
LTL Sales growth %	91	78	22	13	227	26	8	11	2
Stores	509	513	520	544	570	577	601	622	636
Helios									
Sales Growth %	73	69	43	35	278	46	32	45	33
LTL Sales growth %	78	51	30	14	227	27	11	21	13
Stores	106	112	126	136	151	165	182	198	207
Fastrack									
Sales Growth %	63	51	9	-9	230	26	19	11	-4
LTL Sales growth %	80	52	11	-5	231	26	18	8	-11
Stores	166	164	163	163	161	163	170	185	188
LFS									
Sales Growth %	323	103	35	8	358	63	20	42	33
LTL Sales growth %	324	102	33	3	338	52	25	37	13

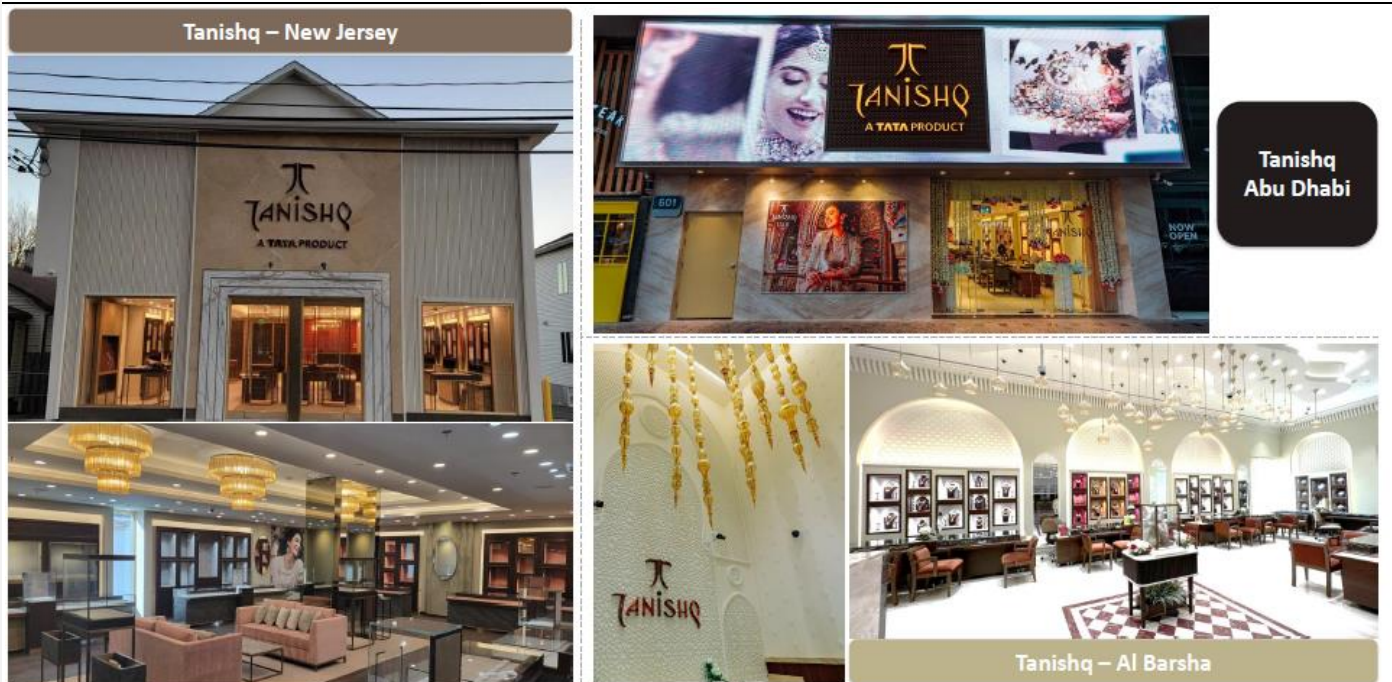
Source: Company, PL

Exhibit 5: Eyewear grew at 4 year CAGR of 8.1%

Eyewear	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24
Sales Gr %	74	69	19	-4	180	12	14	22	13
LTL Growth % (Titan Eye+)	47	59	10	-13	185	1	1	10	3
Stores	605	629	682	733	786	822	858	901	908
Area (sq Ft)	3,89,000	4,00,000	4,28,000	4,55,000	4,81,000	5,04,000	525,000	559,800	564,600

Source: Company PL

Exhibit 6: Tanishq is expanding International presence



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	2,72,780	3,83,260	4,54,812	5,39,873
YoY gr. (%)	32.0	40.5	18.7	18.7
Cost of Goods Sold	2,06,580	2,90,460	3,45,205	4,09,504
Gross Profit	66,200	92,800	1,09,607	1,30,369
Margin (%)	24.3	24.2	24.1	24.1
Employee Cost	11,430	13,620	15,896	18,871
Other Expenses	9,690	14,070	18,682	22,222
EBITDA	33,470	48,260	55,191	66,330
YoY gr. (%)	89.0	44.2	14.4	20.2
Margin (%)	12.3	12.6	12.1	12.3
Depreciation and Amortization	3,470	3,640	4,218	4,743
EBIT	30,000	44,620	50,973	61,587
Margin (%)	11.0	11.6	11.2	11.4
Net Interest	1,950	2,400	2,598	2,858
Other Income	1,780	2,990	2,926	3,650
Profit Before Tax	29,830	45,210	51,302	62,378
Margin (%)	10.9	11.8	11.3	11.6
Total Tax	7,520	11,320	12,825	15,594
Effective tax rate (%)	25.2	25.0	25.0	25.0
Profit after tax	22,310	33,890	38,476	46,783
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	22,310	33,890	38,476	46,783
YoY gr. (%)	120.0	51.9	13.5	21.6
Margin (%)	8.2	8.8	8.5	8.7
Extra Ord. Income / (Exp)	(510)	-	-	-
Reported PAT	21,800	33,890	38,476	46,783
YoY gr. (%)	148.6	55.5	13.5	21.6
Margin (%)	8.0	8.8	8.5	8.7
Other Comprehensive Income	(50)	(460)	-	-
Total Comprehensive Income	21,750	33,430	38,476	46,783
Equity Shares O/s (m)	890	890	890	890
EPS (Rs)	25.1	38.1	43.2	52.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	17,610	19,430	21,706	24,427
Tangibles	16,220	17,820	19,880	22,353
Intangibles	1,390	1,610	1,826	2,074
Acc: Dep / Amortization	7,130	8,400	9,934	11,626
Tangibles	6,090	7,130	8,449	9,926
Intangibles	1,040	1,270	1,485	1,700
Net fixed assets	10,480	11,030	11,773	12,801
Tangibles	10,130	10,690	11,432	12,427
Intangibles	350	340	341	374
Capital Work In Progress	710	1,270	1,387	1,516
Goodwill	-	-	-	-
Non-Current Investments	14,170	16,900	18,319	19,895
Net Deferred tax assets	1,360	1,440	1,817	2,157
Other Non-Current Assets	10,860	13,380	14,971	16,902
Current Assets				
Investments	150	21,430	28,485	36,646
Inventories	1,27,870	1,49,520	1,73,557	2,02,141
Trade receivables	4,950	9,080	10,577	12,704
Cash & Bank Balance	10,490	7,920	12,862	25,780
Other Current Assets	8,520	11,010	13,190	15,116
Total Assets	2,01,370	2,50,880	2,96,032	3,56,456
Equity				
Equity Share Capital	890	890	890	890
Other Equity	92,840	1,19,050	1,46,125	1,81,338
Total Network	93,730	1,19,940	1,47,015	1,82,228
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	1,790	2,140	2,543	3,505
Other non current liabilities	10,260	13,590	12,450	13,953
Current Liabilities				
ST Debt / Current of LT Debt	53,860	62,800	73,321	85,084
Trade payables	10,550	9,650	12,373	14,743
Other current liabilities	31,180	42,760	48,330	56,943
Total Equity & Liabilities	2,01,370	2,50,880	2,96,032	3,56,456

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	29,830	44,650	51,302	62,378
Add. Depreciation	3,470	3,640	4,218	4,743
Add. Interest	1,810	1,950	2,400	2,598
Less Financial Other Income	1,780	2,990	2,926	3,650
Add. Other	(2,090)	820	(3,565)	(798)
Op. profit before WC changes	33,020	51,060	54,354	68,921
Net Changes-WC	(12,000)	(35,670)	(17,149)	(19,755)
Direct tax	(7,520)	(11,320)	(12,825)	(15,594)
Net cash from Op. activities	13,500	4,070	24,380	33,572
Capital expenditures	(3,360)	(4,750)	(5,078)	(5,901)
Interest / Dividend Income	-	-	-	-
Others	(1,100)	(2,470)	(558)	(586)
Net Cash from Inv. activities	(4,460)	(7,220)	(5,636)	(6,486)
Issue of share cap. / premium	(559)	(460)	(2,502)	-
Debt changes	2,250	9,650	-	-
Dividend paid	(3,551)	(6,660)	(8,900)	(11,570)
Interest paid	(1,810)	(1,950)	(2,400)	(2,598)
Others	-	-	-	-
Net cash from Fin. activities	(3,670)	580	(13,802)	(14,168)
Net change in cash	5,370	(2,570)	4,942	12,918
Free Cash Flow	10,140	(680)	19,302	27,671

Source: Company Data, PL Research

Key Financial Metrics

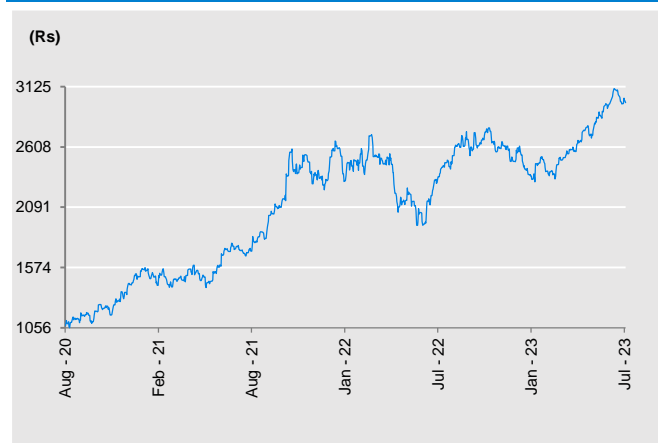
Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	25.1	38.1	43.2	52.6
CEPS	29.0	42.2	48.0	57.9
BVPS	105.3	134.8	165.2	204.8
FCF	11.4	(0.8)	21.7	31.1
DPS	4.0	7.5	10.0	13.0
Return Ratio(%)				
RoCE	22.7	27.0	25.3	25.3
ROIC	15.7	20.1	20.0	20.9
RoE	26.4	31.7	28.8	28.4
Balance Sheet				
Net Debt : Equity (x)	0.5	0.3	0.2	0.1
Net Working Capital (Days)	164	142	138	135
Valuation(x)				
PER	118.8	78.2	68.9	56.6
P/B	28.3	22.1	18.0	14.5
P/CEPS	102.8	70.6	62.1	51.4
EV/EBITDA	80.5	55.6	48.6	40.3
EV/Sales	9.9	7.0	5.9	4.9
Dividend Yield (%)	0.1	0.3	0.3	0.4

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	87,300	1,08,750	97,040	1,11,450
YoY gr. (%)	21.8	14.3	33.4	24.4
Raw Material Expenses	64,130	83,720	74,820	88,050
Gross Profit	23,170	25,030	22,220	23,400
Margin (%)	26.5	23.0	22.9	21.0
EBITDA	12,340	13,300	10,440	11,030
YoY gr. (%)	29.4	(4.9)	33.5	(5.2)
Margin (%)	14.1	12.2	10.8	9.9
Depreciation / Depletion	890	930	950	990
EBIT	11,450	12,370	9,490	10,040
Margin (%)	13.1	11.4	9.8	9.0
Net Interest	500	610	740	790
Other Income	600	910	1,040	990
Profit before Tax	11,550	12,670	9,790	10,240
Margin (%)	13.2	11.7	10.1	9.2
Total Tax	2,980	3,160	2,450	2,470
Effective tax rate (%)	25.8	24.9	25.0	24.1
Profit after Tax	8,570	9,510	7,340	7,770
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	8,570	9,510	7,340	7,770
YoY gr. (%)	33.7	(3.6)	35.4	(2.0)
Margin (%)	9.8	8.7	7.6	7.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	8,570	9,510	7,340	7,770
YoY gr. (%)	33.7	(3.6)	49.5	(2.0)
Margin (%)	9.8	8.7	7.6	7.0
Other Comprehensive Income	(260)	(270)	80	(10)
Total Comprehensive Income	8,310	9,240	7,420	7,760
Avg. Shares O/s (m)	890	890	890	890
EPS (Rs)	9.6	10.7	8.2	8.7

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Jul-23	Accumulate	3,242	3,088
2	06-Jul-23	BUY	3,242	3,106
3	03-May-23	BUY	2,992	2,651
4	11-Apr-23	BUY	2,956	2,578
5	02-Feb-23	BUY	2,905	2,308
6	09-Jan-23	Accumulate	2,875	2,538
7	05-Nov-22	Accumulate	2,875	2,770
8	05-Aug-22	Accumulate	2,608	2,433

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Hold	3,527	3,400
2	Avenue Supermarts	BUY	4,574	3,678
3	Britannia Industries	Hold	4,800	5,174
4	Colgate Palmolive	Hold	1,869	1,898
5	Dabur India	Accumulate	590	592
6	Emami	Accumulate	517	427
7	Hindustan Unilever	Hold	2,775	2,700
8	ITC	Accumulate	478	465
9	Jubilant FoodWorks	Hold	490	476
10	Kansai Nerolac Paints	Accumulate	328	320
11	Marico	Hold	581	574
12	Mold-tek Packaging	Hold	968	1,074
13	Nestle India	Accumulate	23,585	22,325
14	Pidilite Industries	Hold	2,664	2,649
15	Restaurant Brands Asia	Accumulate	146	112
16	Titan Company	Accumulate	3,242	3,088
17	Westlife Foodworld	Accumulate	932	898

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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