

August 21, 2023

Event Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	3,300		3,240	
Sales (Rs. m)	4,54,812	5,39,873	4,54,812	5,39,873
% Chng.	-	-	-	-
EBITDA (Rs. m)	55,191	66,330	55,191	66,330
% Chng.	-	-	-	-
EPS (Rs.)	42.4	50.7	43.2	52.6
% Chng.	(2.0)	(3.5)	-	-

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	45
EPS (Rs.)	25.1	38.1	42.4	50.7
Gr. (%)	120.0	51.9	11.3	19.8
DPS (Rs.)	4.0	7.5	10.0	13.0
Yield (%)	0.1	0.2	0.3	0.4
RoE (%)	26.4	31.7	28.3	27.7
RoCE (%)	22.7	27.0	24.1	23.8
EV/Sales (x)	10.1	7.2	6.1	5.2
EV/EBITDA (x)	82.4	56.9	50.6	42.0
PE (x)	121.7	80.1	72.0	60.1
P/BV (x)	29.0	22.6	18.6	15.1

Key Data

TITN.BO | TTAN IN

52-W High / Low	Rs.3,211 / Rs.2,269
Sensex / Nifty	64,949 / 19,310
Market Cap	Rs.2,708bn/ \$ 32,587m
Shares Outstanding	888m
3M Avg. Daily Value	Rs.2892.83m

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	1.8	22.0	23.1
Relative	4.7	14.6	14.3

Amnish Aggarwal

amnishaggarwal@plindia.com | 91-22-66322233

Harish Advani

harishadvani@plindia.com | 91-22-66322242

Vishwa Solanki

vishwasolanki@plindia.com | 91-22-66322244

Caratlane consolidation positive but EPS dilutive

Quick Pointers:

- Acquisition cost of Rs46.2bn for 27% stake seems on the higher side, due to significant control premium given long term growth prospects.
- Transaction expected to dilute standalone EPS by 1.9%/3.5% for FY24/FY25.

We cut our standalone FY24/FY25 EPS estimates by 1.9%/3.5% as TTAN will have to partly fund Rs46bn payout for 27% stake purchase in Caratlane. We believe this acquisition is in the right direction for acquiring full control of largest omnichannel play in light jewellery segment in India with presence across 233 stores and area of 0.29mn. Caratlane reported full turnaround in FY23 with PBT of Rs482mn and has shown a sales growth of 32.8% with 5.5% EBIT margin. We believe TTAN will be able to fully leverage growth prospects in light jewellery with omnichannel play in Caratlane.

TTAN is investing for future growth & presents a secular play on discretionary consumption with strong presence in jewellery (Tanishq, Mia, Zoya and Caratlane), watches (Titan, Fastrack and Helios), Eyewear (Titan Eye+) and also emerging in Wearables, dress material (Taneira) and accessories. Demand trends in July remain strong across segments, which gives us confidence of pick up in margins over the coming quarters. TTAN trades at 60.1x FY25E EPS with 16.4% EPS CAGR over FY23-25. We have assigned SOTP target of Rs128/share for Caratlane (Rs76 earlier) and assign a DCF based target price of Rs3300 (Rs3172 for standalone business and Rs128 for Caratlane) (Rs3240 earlier – Rs3164 for standalone and Rs76 for Caratlane). Retain 'Accumulate'.

Key Takeaways:

- Post this acquisition Titan will hold 98.28% stake in Caratlane with balance held by employees under the ESOP scheme.
- Caratlane has strong presence in Omni channel jewellery retailing targeting youth and daily wear jewellery mostly in 14/18 carat studded range.
- Caratlane has 233 stores with retail area of 0.293mn sq ft. It achieved a sale of Rs6.4bn and EBIT of Rs350mn in 1Q24.
- The stake sale consolidates the holding of TTAN in Caratlane which holds significant scope of growth in coming years.
- We believe TTAN will have to part fund the acquisition with borrowings (Rs20-25bn) which will be retired over coming couple of years.
- Given the magnitude of investment in Caratlane, we don't rule out a merger in coming 1-2 years.

Exhibit 1: We expect topline growth of 30% for Caratlane over FY23-26

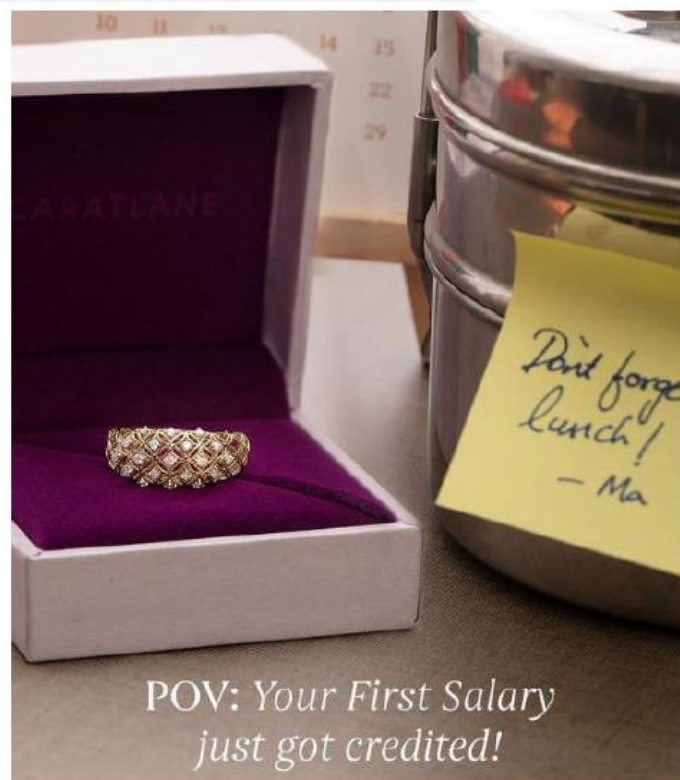
Y/e March (Rs mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenues	7,157	12,572	21,551	29,094	37,822	47,277
<i>Growth</i>	15.2%	75.7%	71.4%	35.0%	30.0%	25.0%
EBITDA	(10)	368	855	2,092	2,691	3,782
<i>Margin</i>	-0.2%	5.1%	6.8%	9.7%	9.3%	10.0%
<i>Growth</i>	-97.5%	-3972.6%	132.5%	144.6%	28.7%	40.5%
PBT	(273)	16	482	1,396	2,149	3,100
<i>Growth</i>	-40.9%	-105.9%	2872.8%	189.9%	53.9%	44.3%
Adj PAT	(273)	16	987	1,024	1,827	2,325
<i>Growth</i>	-40.9%	-105.9%	5994.4%	3.7%	78.4%	27.3%

Source: Company, PL

Exhibit 2: Caratlane sales grew by 33% YoY in 1Q24, area increased to 0.29mn sqft vs 0.27mn/0.14mn sqft in 4Q23/1Q23

(Rs mn)	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24
Caratlane													
Sales	440	1,500	2,750	2,550	1,590	2,930	4,470	3,650	4,820	4,480	6,770	5,800	6,400
<i>Sales Gr %</i>	-67.6	-27.2	33.5	59.4	261.4	95.3	62.5	43.1	203.1	52.9	51.5	58.9	32.8
EBIT	-140	-100	210	150	-40	140	330	160	340	290	640	400	350
<i>EBIT Margin %</i>	-31.8	-6.7	7.6	5.9	-2.5	4.8	7.4	4.4	7.1	6.5	9.5	6.9	5.5
Stores	92	97	108	117	121	123	129	138	143	157	175	222	233
Area (sq Ft)	76000	83000	93000	105000	109000	112000	120000	132000	139000	161000	191000	274000	293000

Source: Company, PL

Exhibit 3: New launches as per occasion with focus on youth and daily wear


#FirstSalary campaign focused on expressing gratitude to those who support you in your journey, especially your Mom by gifting them diamond jewellery



Ada collection is conceptualized, designed and created to celebrate the woman who loves to be unique and stand out in a crowd of millions

Source: Company, PL

Exhibit 4: Jewellery - 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 5: Jewellery/Watches/Eyewear margins are expected to be at 12.5%/16%/21.5% for FY24

(Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Jewellery							
Sales	1,59,881	1,66,983	1,85,880	2,42,540	3,40,070	4,04,956	4,79,940
<i>Growth %</i>	22.8	4.4	11.3	30.5	40.2	19.1	18.5
EBIDTA	19,700	21,561	17,908	31,374	44,632	50,620	59,992
<i>Growth %</i>	25.3	9.4	(16.9)	75.2	42.3	13.4	18.5
<i>EBIDTA Margin %</i>	12.3	12.9	9.6	12.9	13.1	12.5	12.5
Watches							
Sales	24,409	25,261	15,250	22,420	31,720	36,478	43,044
<i>Growth %</i>	18.8	3.5	(39.6)	47.0	41.5	15.0	18.0
EBIDTA	3,441	4,438	137	1,907	4,926	5,836	7,102
<i>Growth %</i>	13.9	29.0	(96.9)	1,294.1	158.4	18.5	21.7
<i>EBIDTA Margin %</i>	14.1	17.6	0.9	8.5	15.5	16.0	16.5
Eyewear							
Sales	5,101	5,372	3,610	5,060	6,780	8,516	10,508
<i>Growth %</i>	23.2	5.3	(32.8)	40.2	34.0	25.6	23.4
EBIDTA	137	320	713	919	1,472	1,831	2,312
<i>Growth %</i>	(11.0)	133.3	123.0	28.9	60.1	24.4	26.3
<i>EBIDTA Margin %</i>	2.7	6.0	19.8	18.2	21.7	21.5	22.0
Others							
Sales	1,334	1,841	1,040	1,650	3,480	4,644	6,070
<i>Growth %</i>	27.9	38.0	(43.5)	58.7	110.9	33.4	30.7
EBIDTA	-554	-444	-240	-210	-620	-1,161	-1,335
<i>Growth %</i>	29.9	(19.8)	(46.0)	(12.5)	195.2	87.3	15.0
<i>EBIDTA Margin %</i>	(41.5)	(24.1)	(23.1)	(12.7)	(17.8)	(25.0)	(22.0)

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	61,586
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	1,908	1,488
Profit Before Tax	29,830	45,210	50,283	60,216
Margin (%)	10.9	11.8	11.1	11.2
Total Tax	7,520	11,320	12,571	15,054
Effective tax rate (%)	25.2	25.0	25.0	25.0
Profit after tax	22,310	33,890	37,712	45,162
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	22,310	33,890	37,712	45,162
YoY gr. (%)	120.0	51.9	11.3	19.8
Margin (%)	8.2	8.8	8.3	8.4
Extra Ord. Income / (Exp)	(510)	-	-	-
Reported PAT	21,800	33,890	37,712	45,162
YoY gr. (%)	148.6	55.5	11.3	19.8
Margin (%)	8.0	8.8	8.3	8.4
Other Comprehensive Income	(50)	(460)	-	-
Total Comprehensive Income	21,750	33,430	37,712	45,162
Equity Shares O/s (m)	890	890	890	890
EPS (Rs)	25.1	38.1	42.4	50.7

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	63,761	65,894
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	10,172	13,064
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	4,969	13,003
Other Current Assets	8,520	11,010	13,190	15,116
Total Assets	2,01,370	2,50,880	3,15,268	3,66,095
Equity				
Equity Share Capital	890	890	890	890
Other Equity	92,840	1,19,050	1,45,361	1,78,953
Total Network	93,730	1,19,940	1,46,251	1,79,843
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	93,321	97,109
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	3,15,268	3,66,095

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	29,830	44,650	50,283	60,216
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	1,908	1,488
Add. Other	(2,090)	820	(3,565)	(798)
Op. profit before WC changes	33,020	51,060	53,336	66,759
Net Changes-WC	(12,000)	(35,670)	1,163	(14,485)
Direct tax	(7,520)	(11,320)	(12,571)	(15,054)
Net cash from Op. activities	13,500	4,070	41,928	37,220
Capital expenditures	(3,360)	(4,750)	(5,078)	(5,901)
Interest / Dividend Income	-	-	-	-
Others	(1,100)	(2,470)	(46,000)	(1,143)
Net Cash from Inv. activities	(4,460)	(7,220)	(51,078)	(7,044)
Issue of share cap. / premium	(559)	(460)	(2,502)	-
Debt changes	2,250	9,650	20,000	(7,975)
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	6,198	(22,143)
Net change in cash	5,370	(2,570)	(2,951)	8,034
Free Cash Flow	10,140	(680)	36,851	31,320

Source: Company Data, PL Research

Quarterly Financials (Rs m)

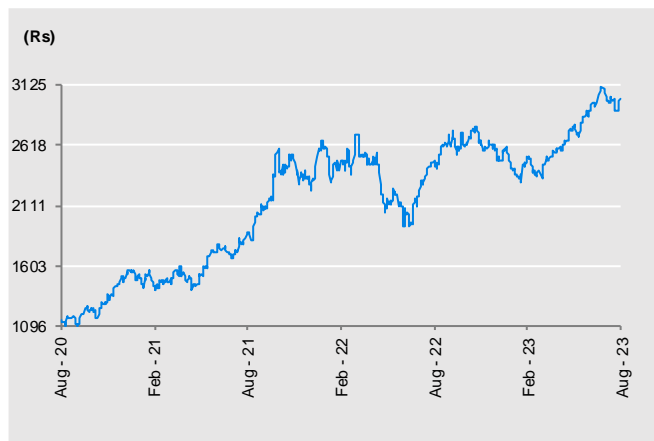
Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	87,300	1,08,750	97,040	1,11,450
YoY gr. (%)	21.8	14.3	33.4	24.4
Raw Material Expenses	64,130	83,720	74,820	88,050
Gross Profit	23,170	25,030	22,220	23,400
Margin (%)	26.5	23.0	22.9	21.0
EBITDA	12,340	13,300	10,440	11,030
YoY gr. (%)	29.4	(4.9)	33.5	(5.2)
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

Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	25.1	38.1	42.4	50.7
CEPS	29.0	42.2	47.1	56.1
BVPS	105.3	134.8	164.3	202.1
FCF	11.4	(0.8)	41.4	35.2
DPS	4.0	7.5	10.0	13.0
Return Ratio(%)				
RoCE	22.7	27.0	24.1	23.8
ROIC	15.7	20.1	17.0	18.1
RoE	26.4	31.7	28.3	27.7
Balance Sheet				
Net Debt : Equity (x)	0.5	0.3	0.5	0.4
Net Working Capital (Days)	164	142	138	135
Valuation(x)				
PER	121.7	80.1	72.0	60.1
P/B	29.0	22.6	18.6	15.1
P/CEPS	105.3	72.3	64.7	54.4
EV/EBITDA	82.4	56.9	50.6	42.0
EV/Sales	10.1	7.2	6.1	5.2
Dividend Yield (%)	0.1	0.2	0.3	0.4

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	02-Aug-23	Accumulate	3,240	2,977
2	12-Jul-23	Accumulate	3,242	3,088
3	06-Jul-23	BUY	3,242	3,106
4	03-May-23	BUY	2,992	2,651
5	11-Apr-23	BUY	2,956	2,578
6	02-Feb-23	BUY	2,905	2,308
7	09-Jan-23	Accumulate	2,875	2,538
8	05-Nov-22	Accumulate	2,875	2,770

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	4,500	4,670
4	Colgate Palmolive	Hold	1,869	1,898
5	Dabur India	Accumulate	600	555
6	Emami	Accumulate	517	460
7	Hindustan Unilever	Hold	2,775	2,700
8	ITC	Accumulate	478	449
9	Jubilant FoodWorks	Hold	490	476
10	Kansai Nerolac Paints	Accumulate	351	327
11	Marico	Hold	581	574
12	Mold-tek Packaging	Hold	956	1,003
13	Nestle India	Accumulate	23,585	22,325
14	Pidilite Industries	Hold	2,610	2,545
15	Restaurant Brands Asia	Accumulate	142	117
16	Titan Company	Accumulate	3,240	2,977
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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