

# Titan Company

Estimate changes 

TP change 

Rating change 

**CMP: INR3,275**

**TP: INR3,900 (+19%)**

**Buy**

## Stellar performance; momentum to continue

Bloomberg	TTAN IN
Equity Shares (m)	888
M.Cap.(INRb)/(USDb)	2907.1 / 34.9
52-Week Range (INR)	3352 / 2269
1, 6, 12 Rel. Per (%)	4/17/12
12M Avg Val (INR M)	2718

### Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
Sales	405.8	503.5	587.8
Sales Gr. (%)	40.9	24.1	16.8
EBITDA	48.8	59.6	77.7
EBITDA Margin (%)	12.0	11.8	13.2
Adj. PAT	32.7	41.0	53.4
Adj. EPS (INR)	36.8	46.1	59.9
EPS Gr. (%)	40.2	25.4	30.0
BV/Sh.(INR)	134.1	165.3	204.3

### Ratios

RoE (%)	30.8	30.9	32.5
RoCE (%)	26.0	25.3	26.9
Payout (%)	27.2	28.0	35.0

### Valuation

P/E (x)	89.0	71.0	54.6
P/BV (x)	24.4	19.8	16.0
EV/EBITDA (x)	59.2	48.3	36.7
Div. Yield (%)	0.3	0.4	0.6

### Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	52.9	52.9	52.9
DII	10.1	10.7	11.9
FII	19.1	18.5	17.0
Others	18.0	17.9	18.2

FII Includes depository receipts

- Titan Company (TTAN) reported strong sales growth of ~37% YoY in 2QFY24 (sales rose 22% in the base quarter), beating our estimates. TTAN is one of the few consumer companies in the current context that has been growing revenue at this pace for the last 5-6 quarters, despite the high base and discretionary nature of its product segments. This underscores the superior brand positioning and the prowess of its franchise, which is consistently gaining share. Comparatively, the staples companies have found it difficult to grow their revenue beyond 6-7%. TTAN achieved double-digit growth across segments. Domestic jewelry sales were robust driven by higher diamond sales, mystique collections, and a healthy double-digit growth in both buyers and average ticket size.
- The EBITDA margin contracted YoY due to a one-time gain in the base year and some changes in the product mix. However, the margin improved sequentially by 180bp led by better studded share at ~33%. Management retained its margin guidance of 12-13% for FY24.
- Management remains optimistic on the festive and wedding seasons despite the upswing in gold prices. TTAN's other businesses such as watches, wearables, and eyecare, also consistently delivered healthy performance. **We reiterate our BUY rating with a TP of INR3,900 (premised on 65x FY25E EPS) and continue to maintain TTAN as our top Consumer Discretionary idea in India.**

### Beat on all fronts

- TTAN's 2QFY24 consolidated revenue grew 36.7% YoY to INR125.3b (est. INR107.1b).
- EBITDA grew 13.2% YoY to INR14.1b (est. INR12.5b) in 2QFY24.
- PBT increased 9.5% YoY to INR12.5b (est. INR11.2b) during the quarter.
- Recurring PAT came in at INR9.2b (est. INR8.5b) in 2QFY24, up 9.6% YoY.
- Consolidated gross margin contracted 430bp YoY, while it was up 120bp QoQ to 23.4% (est. 24.3%).
- The EBITDA margin contracted YoY due to a one-time gain in the base year and some changes in the product mix. As a percentage of sales, staff costs (down 60bp YoY), advertisement costs (down 30bp YoY), and other expenses (down 100bp YoY) led to 330bp contraction in EBITDA margin to 11.3% (est. 11.7%).
- **Segmental performance:** Jewelry sales jumped 38.6% YoY to INR110.8b (excluding gold ingots sales that rose 23.3% YoY to INR92.7b); while margin contracted 260bp YoY to 11%. Sales of watches jumped 31.6% YoY to INR10.9b, with an EBIT margin of 14.7% in 2QFY24.
- For 1HFY24, TTAN's net sales/EBITDA/Adj. PAT grew 31.3%/3.8%/2.8%.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

MotilalOswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Highlights from the management commentary**

- The contribution from new customers is currently at 48%, with a consistent trend of ~45%. New customers often start with lower ticket sizes, below INR75,000, as they familiarize themselves with the brand. Repeat customers, on the other hand, tend to make larger purchases, contributing significantly to their lifetime value.
- Gold prices have increased by around 10% since 30<sup>th</sup> Sep'23. Despite the recent stability, customers typically wait until the last moment for festive purchases. However, management expects a surge in customers over the next 10 days, provided there are no further jumps in gold prices.
- Zoya enjoys better gross margin than Tanishq, mainly due to its intensive focus on studded business (95% share). The remaining factors contributing to higher operating leverage result in significantly elevated margin and profitability.
- The company has experienced a drop in diamond prices, particularly in higher carat solitaires, due to international demand and supply dynamics. This might lead to margin dilution over the next seven to eight months, as inventory prices influence margins.

**Valuation and view**

- There are no material changes to our FY24 and FY25 forecasts.
- TTAN is one of the few consumer companies that has been growing revenue at this pace despite the high base and discretionary nature of its product segments. This underscores the superior brand positioning and the prowess of its franchise. TTAN is on track to achieve the existing jewelry revenue guidance of 2.5x FY22 revenue by FY27, implying an impressive CAGR of 20%. With a current market share of ~7% in a sizable ~INR5t market, there is significant headroom for growth.
- The gradual recovery in the studded ratio is expected to support improved gross margin in the future. Its healthy growth outlook, favorable industry trends, and a strong balance sheet, make it a compelling option in the discretionary sector. TTAN has an impressive track record of outperforming its peers as well as exceptional long-term growth potential, all of which justify its premium valuations. **We reiterate our BUY rating with a TP of INR3,900 (premised on 65x FY25E EPS) and continue to maintain it as our Top Consumer Discretionary idea in India.**

**Consolidated Quarterly Performance**

(INR b)

Y/E March	FY23				FY24E				FY23	FY24	FY24	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		2QE		
<b>Net Sales</b>	<b>94.4</b>	<b>91.6</b>	<b>116.1</b>	<b>103.6</b>	<b>119.0</b>	<b>125.3</b>	<b>141.4</b>	<b>117.8</b>	<b>405.8</b>	<b>503.5</b>	<b>107.1</b>	17.0
YoY change (%)	171.9	22.3	15.7	32.9	26.0	36.7	21.8	13.7	40.9	24.1	16.9	
<b>Gross Profit</b>	<b>24.1</b>	<b>25.3</b>	<b>27.7</b>	<b>25.1</b>	<b>26.4</b>	<b>29.3</b>	<b>37.1</b>	<b>32.7</b>	<b>102.2</b>	<b>125.4</b>	<b>26.0</b>	
Margin (%)	25.5	27.6	23.9	24.3	22.2	23.4	26.2	27.7	25.2	24.9	24.3	
<b>EBITDA</b>	<b>12.0</b>	<b>12.5</b>	<b>13.5</b>	<b>10.9</b>	<b>11.3</b>	<b>14.1</b>	<b>18.3</b>	<b>16.0</b>	<b>48.8</b>	<b>59.6</b>	<b>12.5</b>	13.0
EBITDA growth %	773.0	28.8	-6.6	24.3	-5.9	13.2	35.9	46.7	42.5	22.3	0.2	
Margin (%)	12.7	13.6	11.6	10.5	9.5	11.3	12.9	13.6	12.0	11.8	11.7	
Depreciation	1.0	1.1	1.1	1.2	1.3	1.4	1.2	1.1	4.4	5.0	1.2	
Interest	0.7	0.6	0.8	1.0	1.1	1.4	1.0	1.2	3.0	4.7	0.8	
Other Income	0.4	0.6	0.9	1.1	1.1	1.2	1.0	1.1	3.1	4.5	0.7	
<b>PBT</b>	<b>10.7</b>	<b>11.4</b>	<b>12.4</b>	<b>9.9</b>	<b>10.0</b>	<b>12.5</b>	<b>17.2</b>	<b>14.8</b>	<b>44.5</b>	<b>54.4</b>	<b>11.2</b>	11.6
Tax	2.8	3.1	3.3	2.5	2.5	3.4	4.2	3.4	11.7	13.4	2.7	
Rate (%)	26.3	26.9	26.7	25.5	24.6	26.9	24.2	23.2	26.4	24.6	24.2	
<b>Adjusted PAT</b>	<b>7.9</b>	<b>8.4</b>	<b>9.1</b>	<b>7.4</b>	<b>7.6</b>	<b>9.2</b>	<b>13.0</b>	<b>11.3</b>	<b>32.7</b>	<b>41.0</b>	<b>8.5</b>	7.6
YoY change (%)	#	30.3	-9.9	11.0	-4.3	9.6	42.6	54.0	40.2	25.4	1.8	

E: MOFSL Estimates

## Key Performance Indicators

Y/E March	FY23				FY24	
	1Q	2Q	3Q	4Q	1Q	2Q
<b>2Y CAGR (%)</b>						
Sales	118.4	41.9	23.4	17.6	85.1	29.3
EBITDA	LP	99.6	26.0	15.5	LP	20.7
PAT	LP	119.1	31.2	13.8	LP	19.5
<b>% of Sales</b>						
COGS	74.5	72.4	76.1	75.7	77.8	76.6
Operating Expenses	12.8	14.0	12.2	13.7	12.8	12.1
Depreciation	1.1	1.2	1.0	1.1	1.1	1.1
<b>YoY change (%)</b>						
COGS	161.2	18.0	17.9	34.7	31.5	44.8
Operating Expenses	88.6	41.8	30.0	30.3	25.5	18.1
Other Income	-4.3	10.9	56.1	50.0	159.1	103.3
EBIT	2,502.4	32.1	-8.2	25.3	-8.8	11.0

E: MOFSL Estimates

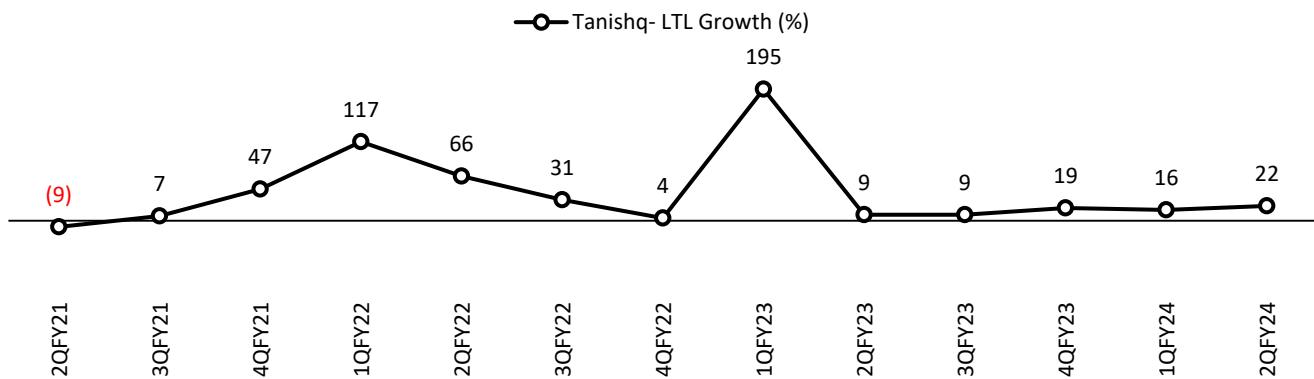
## Key exhibits

## Exhibit 1: Consolidated segmental snapshot

INR m	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24
<b>Total Sales</b>	<b>94,870</b>	<b>92,240</b>	<b>1,16,980</b>	<b>1,04,740</b>	<b>1,20,110</b>	<b>1,26,530</b>
Watches	7,860	8,300	8,110	8,830	9,130	10,920
YoY Growth	168.3%	20.5%	14.2%	41.3%	16.2%	31.6%
Jewellery	83,510	79,970	1,04,460	91,200	1,06,960	1,10,810
YoY Growth	173.8%	21.7%	15.3%	33.3%	28.1%	38.6%
Jewellery (excluding gold ingots)	79,950	75,150	1,01,310	80,650	97,550	92,650
YoY Growth	204.5%	17.8%	12.5%	24.7%	22.0%	23.3%
Eyewear	1,830	1,670	1,740	1,650	2,030	1,890
YoY Growth	173.1%	4.4%	11.5%	23.1%	10.9%	13.2%
Others	1,670	2,300	2,670	3,060	1,990	2,910
YoY Growth	53.2%	79.7%	58.0%	13.3%	19.2%	26.5%
<b>Total EBIT</b>	<b>11,370</b>	<b>12,020</b>	<b>13,240</b>	<b>10,840</b>	<b>11,110</b>	<b>13,920</b>
Watches	980	1,220	820	1,060	1,010	1,600
YoY Growth	-260.7%	35.6%	2.5%	960.0%	3.1%	31.1%
EBIT Margin	12.5%	14.7%	10.1%	12.0%	11.1%	14.7%
Jewellery	10,520	10,880	12,430	10,040	10,220	12,170
YoY Growth	431.3%	35.5%	-3.5%	26.2%	-2.9%	11.9%
EBIT Margin	12.6%	13.6%	11.9%	11.0%	9.6%	11.0%
Eyewear	360	280	320	20	350	250
YoY Growth	-376.9%	-24.3%	-5.9%	33.3%	-2.8%	-10.7%
EBIT Margin	19.7%	16.8%	18.4%	1.2%	17.2%	13.2%
Others	(490)	(360)	(330)	(280)	(470)	(100)

Source: Company, MOFSL

Exhibit 2: Tanishq's LTL growth at 22% YoY in 2QFY24



Source: Company, MOFSL

Exhibit 3: Jewelry – Key operating parameters

Jewellery	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24
Studded share	26	26	30	22	30	26	32	26	32	26	33	26	33
<b>Tanishq</b>													
LTL growth (%)	(9)	7	47	117	66	31	4	195	9	9	19	16	22
Sales growth	(4)	13	63	115	75	37	1	202	13	14	25	21	27
<b>Caratlane</b>													
LTL growth (%)	-27	10	35	260	117	56	34	306	41	35	29	8	10
Sales growth	1	39	75	300	166	84	60	370	72	60	57	44	47

Source: Company, MOFSL

Exhibit 4: Sales and LTL growth in Watches and Eyewear businesses

Watches and Eyewear	1QFY23		2QFY23		3QFY23		4QFY23		1QFY24		2QFY24	
	Sales growth	LTL growth	Sales growth	LTL growth	Sales growth	LTL growth	Sales growth	LTL growth	Sales growth	LTL growth	Sales growth	LTL growth
World of Titan	241	227	31	26	14	8	18	11	8	2	8	2
Fastrack	278	227	46	27	32	11	45	21	40	20	5	(7)
Helios	230	231	26	26	19	18	11	8	(4)	(11)	38	18
Watches LFS	358	338	63	52	20	25	42	37	33	13	15	4
Titan Eye+	180	185	12	1	14	1	22	10	13	3	9	0

Source: Company, MOFSL

Exhibit 5: Total 81 new stores added in 2QFY24 and the total count reached 2,859 stores

	1QFY23		2QFY23		3QFY23		4QFY23		1QFY24		2QFY24	
	Stores	Space	Stores	Space	Stores	Space	Stores	Space	Stores	Space	Stores	Space
	('000 Sqft)		('000 Sqft)		('000 Sqft)		('000 Sqft)		('000 Sqft)		('000 Sqft)	
<b>Watches</b>												
World of Titan	570	429	577	434	601	446	622	443	636	453	646	457
Fastrack	161	78	163	78.6	170	81	185	87	188	89	193	93
Helios	151	117	165	126	182	136	198	145	207	151	212	154
<b>Jewellery</b>												
Tanishq	395	1,530	403	1,570	411	1,640	423	1,740	433	1,800	445	1,880
Zoya	5	19	6	20	6	20	7	24	7	24	8	25
Mia	63	28	79	37	93	47	111	64	119	71	145	99
Carat Lane	143	139	157	161	175	191	222	274	233	293	246	324
<b>Eye Wear</b>												
Titan Eye+	786	481	822	504	858	525	896	554	901	557	905	564
Fastrack (Eyewear)	3	2.5	5	5.8	5	5.8	5	5.8	7	7.6	8	8.5
<b>Others</b>												
Taneira	26	75	31	88	36	101	41	115	47	139	51	147
<b>Total</b>	<b>2,303</b>	<b>2,899</b>	<b>2,408</b>	<b>3,024</b>	<b>2,537</b>	<b>3,193</b>	<b>2,710</b>	<b>3,452</b>	<b>2,778</b>	<b>3,585</b>	<b>2,859</b>	<b>3,752</b>

Source: Company, MOFSL



## Key highlights from the management interaction

### Performance and outlook

- The company raised capital amounting to INR25b split into two tranches of INR 12.5b each. The funding, with a favorable blended rate of 7.74% over 24 months, is intended for the acquisition of CaratLane, utilizing a combination of external and internal resources.
- Gold prices have increased by around 10% since 30<sup>th</sup> Sep'23. Despite the recent stability, customers typically wait until the last moment for festive purchases. However, management expects a surge in customers over the next 10 days, provided there are no further jumps in gold prices.
- The contribution from new customers is currently at 48%, with a consistent trend of ~45%. New customers often start with lower ticket sizes, below INR75,000, as they familiarize themselves with the brand. Repeat customers, on the other hand, tend to make larger purchases, contributing significantly to their lifetime value.
- The customer profile primarily consists of individuals who traditionally purchased gold jewelry elsewhere. These customers, often from metros and larger cities, are drawn to everyday gold products like bangles, earrings, fingerings, and chains.
- Being positioned next to other prominent national brands has surprisingly worked in Tanishq's favor. Despite the perception of premium positioning, customers quickly recognize the superior quality of their designs, finishes, and in-store experiences.
- The gold exchange program's contribution was above 40%. Out of the total gold exchanged, non-Tanishq gold contributed 33% in 2QFY24.
- The margin guidance has remained consistent over the last couple of years, within a favorable band of 12-13% for the jewelry division.

### Segmental information

#### Jewelry

- Tanishq is expanding its market share by capitalizing on formalization and targeting the low-market share and high-value space. The growth is driven not only by the number of buyers but also by a 50% contribution from increased ticket sizes.
- Tanishq's growth is particularly high in the greater than INR2 lakh space, while the sub-INR50k segment faces reduced (new buyer) growth due to market competition and consumer stress.
- Tanishq has 13 international stores with a significant portion of repeat customers. It is attracting a diverse set of non-Indian customers too.
- Zoya operates in eight standalone stores, with six or seven more in the pipeline. TTAN is anticipating about 15 standalone stores before the next Diwali.
- Zoya is also present in several galleries within Tanishq company stores. The aim is to cover the top eight cities or towns.
- Zoya achieved ~INR1.4b revenue last year and is targeting 50% growth this year.
- Zoya enjoys better gross margin than Tanishq, mainly due to its intensive focus on studded business (95% share). The remaining factors contributing to higher operating leverage result in significantly elevated margin and profitability.

- CaratLane focuses on an attractive product strategy within a specific price segment, experiencing growth mainly led by buyers rather than ticket sizes.
- CaratLane's new buyer growth is comparable across Tanishq Mia on the same-store parameter. Despite concerns about same-store growth being impacted by new store additions, the overall city growth remained positive.
- CaratLane is priced at approximately INR24k to INR25k, while Mia falls in the range of INR31k to INR32k. The ticket value for Tanishq is INR140k.
- Mia is available in almost all Tanishq stores, and in some Mia stores, it also offers a complement of Tanishq products. Mia predominantly features 14-carat jewelry, while Tanishq focuses on 18-carat in the studded space.
- Customers distinguish the Tanishq brand through various aspects. With the gold exchange policy, TTAN is emphasizing on transparent pricing and the clear distinction between net weight and gross weight.

### Watches and Wearables

- Titan and International brands (Helios) were the key enablers in analog watches, exhibiting strong double-digit growth in Average Selling Price.
- The sales from e-commerce more than doubled as the partners stocked up in anticipation of strong 3QFY24 festive season sales.
- In Wearables, Fastrack jumped ~4x in volumes, growing the fastest within the portfolio.

### Eye Care Performance

- International brands experienced faster YoY growth of ~14%, while the in-house brands' growth aligned with that of the division. The share of international brands improved slightly, now contributing over 25% to the overall portfolio.
- The division's growth primarily stemmed from a rise in volumes, with the average selling price staying consistent YoY. Within channels, Titan Eye+'s growth was similar to that of the division.
- The division included four new stores of Titan Eye+ (net), while Fastrack extended its presence in metros by opening one new store in Chennai during the quarter.

### Emerging Businesses

- In the Fragrances & Fashion Accessories (F&FA) segment, Fragrances saw a 12% YoY growth, while Women's Bags, driven by the 'IRTH' brand, achieved a robust 31% YoY growth. However, other fashion accessories, including belts and wallets, experienced a 40% YoY decline.
- Taneira's sales witnessed a ~64% YoY growth. The brand expanded by opening four new stores in the quarter, bringing the total store count to 51 across 25 cities.

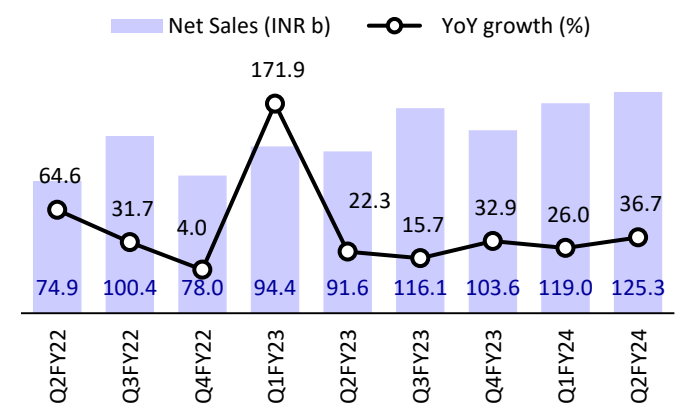
### Lab-grown diamond

- The company has experienced a drop in diamond prices, particularly in higher-carat solitaires, due to international demand and supply dynamics. This might lead to margin dilution over the next seven to eight months as inventory prices influence margins.
- The company primarily focuses on the non-solitaire diamond business, and the future price trend remains unpredictable.

- The major portion of TTAN’s studded business pertains to non-solitaire items. The company has not found the necessity to make price adjustments in this segment, considering it as part of the usual fluctuations. Price corrections have only been implemented on the solitaire side.
- Internationally, higher carat diamond prices have declined due to factors like a bullwhip effect in the supply chain, weak demand due to economic factors (especially in China, Europe, Japan, and the US), and a shift in the US bridal market towards lab-grown diamonds, which accounted for 40% by volume. This, along with oversupply, has led to price corrections.

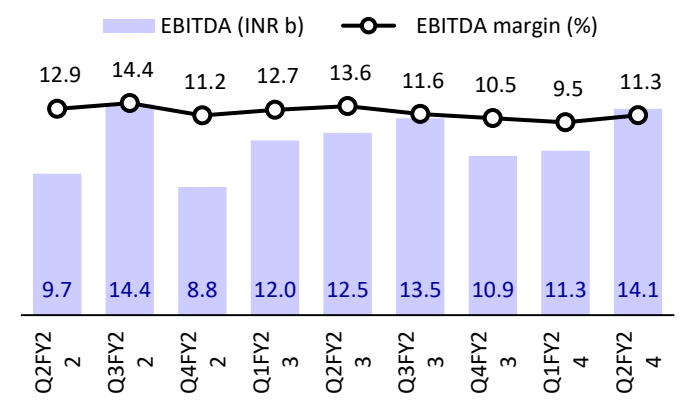
## Story in Charts

**Exhibit 1: Net sales grew by 36.7% YoY to 125.3b**



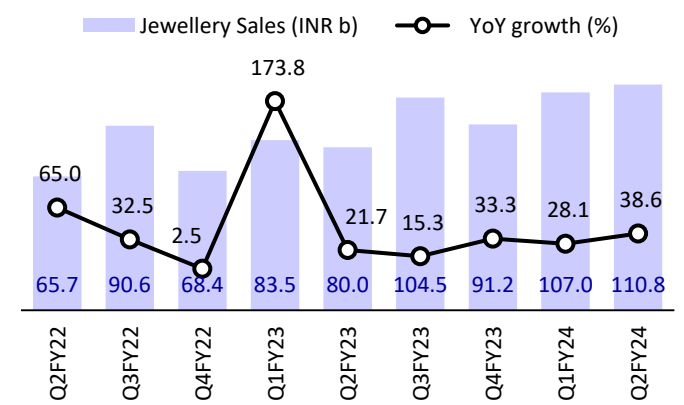
Sources: Company reports, MOFSL

**Exhibit 2: EBITDA margin contracted 230bp YoY to 11.3%**



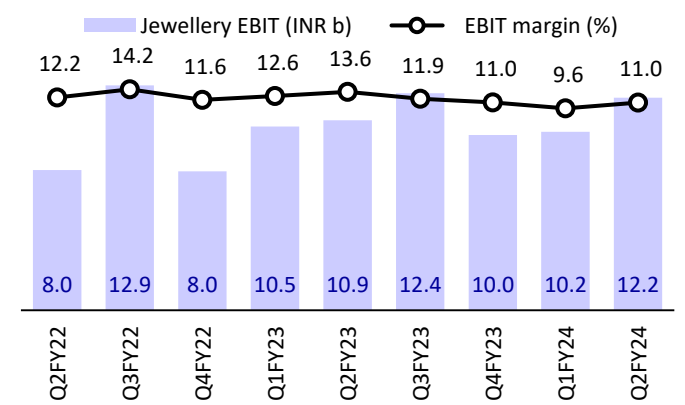
Sources: Company reports, MOFSL

**Exhibit 3: Jewelry sales grew 38.6% YoY to 110.8b**



Sources: Company reports, MOFSL

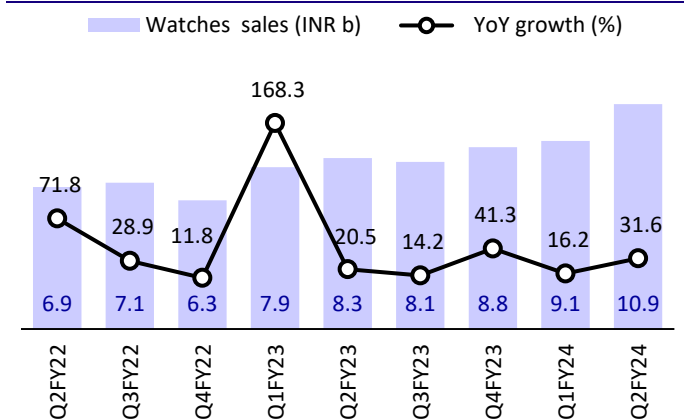
**Exhibit 4: EBIT margin contracted 260bp YoY to 11%**



Sources: Company reports, MOFSL

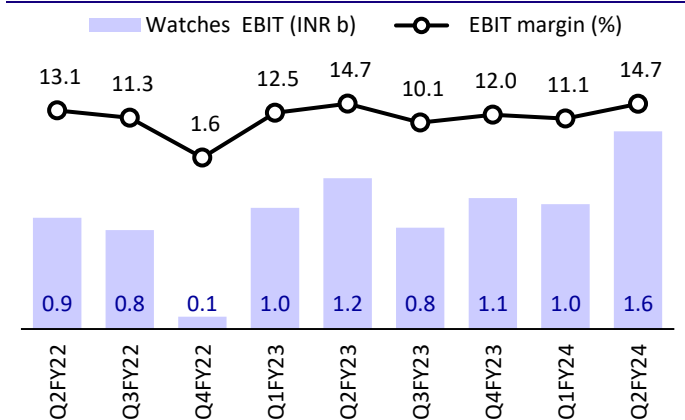


**Exhibit 5: Watches sales grew by 31.6% to 10.9b**



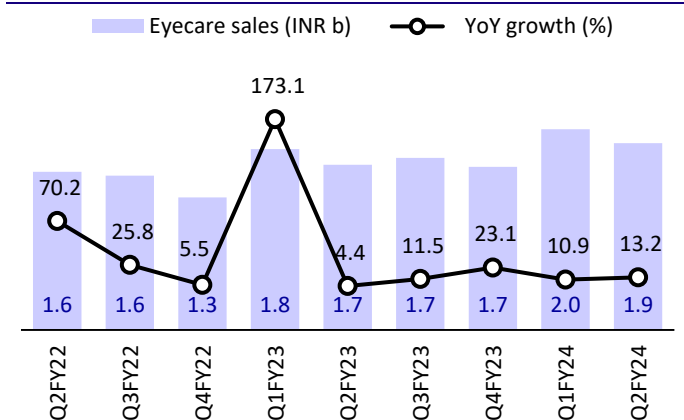
Sources: Company reports, MOFSL

**Exhibit 6: EBIT margin remain flat YoY to 14.7%**



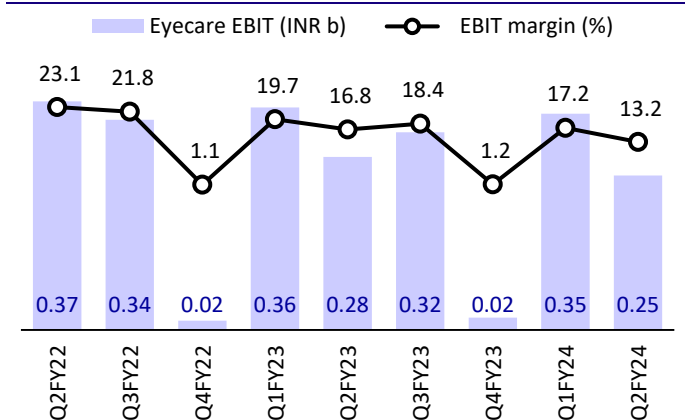
Sources: Company reports, MOFSL

**Exhibit 7: Eyecare sales grew by 13.2% YoY to 1.9b**



Sources: Company reports, MOFSL

**Exhibit 8: EBIT margin contracted 350bp YoY to 13.2%**



Sources: Company reports, MOFSL

## Valuation and view

### Strong growth over the last 10 years

- TTAN delivered strong growth in the Jewelry business, aided by its: a) store expansion efforts, b) focus on erstwhile weak cities, c) increased focus on wedding jewelry, d) greater focus on studded jewelry, e) attractive schemes such as Golden Harvest, and f) intensified focus on the gold exchange program. Considering the regulatory tailwinds in favor of organized players (such as TTAN) like GST implementation and mandatory quoting of one's PAN details for purchases of over INR200k (from INR500k earlier), TTAN has done well in the past 10 years.
- In the decade ended FY23, it clocked a net sales/EBITDA/PAT CAGR of ~15%/~17%/~16%. These numbers easily place TTAN among the best performers over this period.

### Our view on the stock

- There are no material changes to our FY24 and FY25 forecasts.
- TTAN is one of the few consumer companies that has been growing revenue at this pace despite the high base and discretionary nature of its product segments. This underscores the superior brand positioning and the prowess of its franchise. TTAN is on track to achieve the existing jewelry revenue guidance



of 2.5x FY22 revenue by FY27, implying an impressive CAGR of 20%. With a current market share of ~7% in a sizable ~INR5t market, there is significant headroom for growth.

- The gradual recovery in the studded ratio is expected to support improved gross margin in the future. Its healthy growth outlook, favorable industry trends, and a strong balance sheet, make it a compelling option in the discretionary sector. TTAN has an impressive track record of outperforming its peers as well as exceptional long-term growth potential, all of which justify its premium valuations. **We reiterate our BUY rating with a TP of INR3,900 (premised on 65x FY25E EPS) and continue to maintain it as our Top Consumer Discretionary idea in India.**

#### Exhibit 9: No material changes to our forecasts

(INR b)	New		Old		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Sales	503.5	587.8	492.2	568.0	2.3	3.5
EBITDA	59.6	77.7	58.6	76.0	1.8	2.3
PAT	41.0	53.4	39.9	51.9	2.9	2.8

Source: MOFSL

## Financials and valuations

Income Statement								(INR b)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Net Sales</b>	<b>161.2</b>	<b>197.8</b>	<b>210.5</b>	<b>216.4</b>	<b>288.0</b>	<b>405.8</b>	<b>503.5</b>	<b>587.8</b>
Change (%)	21.6	22.7	6.4	2.8	33.1	40.9	24.1	16.8
<b>Gross Profit</b>	<b>44.3</b>	<b>53.8</b>	<b>59.0</b>	<b>52.3</b>	<b>71.6</b>	<b>102.2</b>	<b>125.4</b>	<b>156.7</b>
Margin (%)	27.5	27.2	28.0	24.2	24.9	25.2	24.9	26.6
Other expenditure	27.9	33.9	34.0	35.1	37.4	53.4	65.8	78.9
<b>EBITDA</b>	<b>16.4</b>	<b>19.9</b>	<b>24.9</b>	<b>17.2</b>	<b>34.2</b>	<b>48.8</b>	<b>59.6</b>	<b>77.7</b>
Change (%)	42.3	21.1	25.1	-30.8	98.5	42.5	22.3	30.3
Margin (%)	10.2	10.1	11.8	8.0	11.9	12.0	11.8	13.2
Depreciation	1.3	1.6	3.5	3.8	4.0	4.4	5.0	5.3
Int. and Fin. Charges	0.5	0.5	1.7	2.0	2.2	3.0	4.7	5.1
Other Income - Recurring	0.9	1.8	1.5	1.9	2.3	3.1	4.5	4.6
<b>Profit before Taxes</b>	<b>15.5</b>	<b>19.6</b>	<b>21.3</b>	<b>13.3</b>	<b>30.4</b>	<b>44.5</b>	<b>54.4</b>	<b>71.9</b>
Change (%)	43.7	26.5	8.8	-37.5	128.2	46.3	22.5	32.1
Margin (%)	9.6	9.9	10.1	6.2	10.6	11.0	10.8	12.2
Tax	4.5	6.1	5.8	3.6	7.9	11.5	13.4	18.6
Deferred Tax	0.2	0.5	-0.4	0.1	0.8	-0.2	0.0	0.0
Tax Rate (%)	27.6	29.0	28.9	26.5	23.2	26.4	24.6	25.8
<b>Profit after Taxes</b>	<b>11.2</b>	<b>13.9</b>	<b>15.2</b>	<b>9.8</b>	<b>23.3</b>	<b>32.7</b>	<b>41.0</b>	<b>53.4</b>
Change (%)	39.9	24.0	8.9	-35.4	138.4	40.2	25.4	30.0
Margin (%)	7.0	7.0	7.2	4.5	8.1	8.1	8.2	9.1
Extraordinary income	-167	0	-185	0	-1,360	0	0	0
<b>Reported PAT</b>	<b>11.0</b>	<b>13.9</b>	<b>14.9</b>	<b>9.7</b>	<b>22.0</b>	<b>32.7</b>	<b>41.0</b>	<b>53.4</b>

Balance Sheet								(INR b)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Share Capital	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Preference Share Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reserves	50.0	60.0	65.8	74.1	92.4	118.2	145.8	180.5
<b>Net Worth</b>	<b>50.9</b>	<b>60.8</b>	<b>66.7</b>	<b>75.0</b>	<b>93.3</b>	<b>119.0</b>	<b>146.7</b>	<b>181.4</b>
Loans	0.8	0.3	7.2	1.5	5.2	22.0	28.5	30.0
Lease liabilities	0.0	0.0	12.4	12.6	13.6	18.7	20.7	20.7
Deferred Tax	-0.3	-0.7	-1.5	-1.0	-1.8	-1.6	-1.6	-1.6
<b>Capital Employed</b>	<b>51.3</b>	<b>60.5</b>	<b>84.9</b>	<b>88.1</b>	<b>110.3</b>	<b>158.2</b>	<b>194.4</b>	<b>230.5</b>
Gross Block	13.4	15.4	17.7	18.2	19.3	21.9	26.0	28.2
Less: Accum. Deprn.	2.1	3.3	4.6	5.8	7.1	8.4	13.4	18.8
<b>Net Fixed Assets</b>	<b>11.2</b>	<b>12.1</b>	<b>13.1</b>	<b>12.4</b>	<b>12.2</b>	<b>13.4</b>	<b>12.5</b>	<b>9.5</b>
Intangibles	3.5	3.6	4.0	3.8	3.7	3.8	3.8	3.8
Capital WIP	0.4	0.3	0.1	0.2	0.7	1.3	1.3	1.3
Right of use asset	0.0	0.0	9.3	9.2	9.7	12.9	12.9	12.9
Investments	0.4	1.1	1.6	28.2	2.9	25.2	25.7	26.6
<b>Curr. Assets, L&amp;A</b>	<b>79.3</b>	<b>99.3</b>	<b>105.8</b>	<b>109.7</b>	<b>180.8</b>	<b>212.1</b>	<b>266.4</b>	<b>330.1</b>
Inventory	59.2	70.4	81.0	84.1	136.1	165.8	196.0	223.7
Account Receivables	3.0	4.2	3.1	3.7	5.7	6.7	10.3	12.1
Cash and Bank Balance	6.2	10.7	3.8	5.6	15.7	13.4	26.2	55.3
Others	11.0	14.1	17.9	16.3	23.4	26.1	33.9	39.0
<b>Curr. Liab. and Prov.</b>	<b>43.5</b>	<b>55.9</b>	<b>49.0</b>	<b>75.2</b>	<b>99.8</b>	<b>110.5</b>	<b>128.2</b>	<b>153.7</b>
Current Liabilities	41.9	53.9	46.1	73.4	97.4	106.8	125.3	150.5
Provisions	1.6	2.1	2.9	1.9	2.4	3.7	2.9	3.2
<b>Net Current Assets</b>	<b>35.8</b>	<b>43.4</b>	<b>56.8</b>	<b>34.5</b>	<b>81.1</b>	<b>101.6</b>	<b>138.3</b>	<b>176.5</b>
Misc. Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Application of Funds</b>	<b>51.3</b>	<b>60.5</b>	<b>84.9</b>	<b>88.3</b>	<b>110.3</b>	<b>158.2</b>	<b>194.4</b>	<b>230.5</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>12.6</b>	<b>15.7</b>	<b>17.1</b>	<b>11.0</b>	<b>26.2</b>	<b>36.8</b>	<b>46.1</b>	<b>59.9</b>
Cash EPS	14.0	17.3	18.9	12.9	28.3	38.9	51.9	66.1
BV/Share	57.3	68.5	75.2	84.5	105.1	134.1	165.3	204.3
DPS	4.6	6.0	4.1	4.0	7.5	10.0	12.9	21.0
Payout %	36.4	38.5	23.8	36.5	28.6	27.2	28.0	35.0
<b>Valuation (x)</b>								
P/E	259.1	208.9	191.7	296.8	124.8	89.0	71.0	54.6
Cash P/E	233.6	188.8	173.5	253.7	115.7	84.2	63.1	49.5
EV/Sales	18.0	14.6	13.8	13.3	10.0	7.1	5.7	4.9
EV/EBITDA	176.3	145.3	116.7	166.6	84.5	59.2	48.3	36.7
P/BV	57.1	47.8	43.5	38.7	31.1	24.4	19.8	16.0
Dividend Yield (%)	0.1	0.2	0.1	0.1	0.2	0.3	0.4	0.6
<b>Return Ratios (%)</b>								
RoE	24.0	24.9	23.8	13.8	27.7	30.8	30.9	32.5
RoCE	24.7	25.5	22.5	13.0	25.2	26.0	25.3	26.9
RoIC	29.8	28.0	23.9	14.9	32.0	31.2	31.7	37.2
<b>Working Capital Ratios</b>								
Debtor (Days)	7	8	5	6	7	6	8	8
Asset Turnover (x)	3.1	3.3	2.5	2.5	2.6	2.6	2.6	2.5
<b>Leverage Ratio</b>								
Debt/Equity (x)	0.0	0.0	0.1	0.0	0.1	0.2	0.2	0.2

### Cash Flow Statement

(INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(loss) before Tax	15.3	19.6	21.0	13.3	29.0	44.5	54.4	71.9
Int./Div. Received	-0.1	1.1	-0.4	-0.6	-1.3	-1.1	-4.5	-4.6
Deferred Revenue Exp.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation & Amort.	1.3	1.6	3.5	3.8	4.0	4.4	5.0	5.3
Interest Paid	-0.1	-0.5	0.7	1.4	1.2	1.6	4.7	5.1
Direct Taxes Paid	4.6	6.4	5.6	2.7	8.0	11.5	13.4	18.6
Incr in WC	12.4	3.0	22.7	-26.2	32.2	24.1	25.8	9.1
<b>CF from Operations</b>	<b>-0.5</b>	<b>12.4</b>	<b>-3.5</b>	<b>41.4</b>	<b>-7.2</b>	<b>13.7</b>	<b>20.5</b>	<b>50.1</b>
Incr in FA	3.0	2.6	3.5	1.4	2.2	4.2	4.1	2.3
<b>Free Cash Flow</b>	<b>-3.5</b>	<b>9.8</b>	<b>-6.9</b>	<b>40.0</b>	<b>-9.4</b>	<b>9.5</b>	<b>16.4</b>	<b>47.8</b>
Investments	-4.1	0.2	-3.2	27.3	-16.4	18.6	0.5	1.0
Others	-0.3	0.2	0.7	-1.4	-7.1	-2.2	-4.5	-4.6
<b>CF from Invest.</b>	<b>1.4</b>	<b>-3.1</b>	<b>-1.0</b>	<b>-27.3</b>	<b>21.4</b>	<b>-20.6</b>	<b>-0.2</b>	<b>1.4</b>
Issue of Shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Incr in Debt	0.0	0.0	6.9	-5.6	3.4	16.8	6.6	1.4
Dividend Paid	2.8	4.0	5.4	3.6	3.6	6.7	11.5	18.7
Others	-0.2	0.9	4.0	3.2	3.9	5.5	2.7	5.1
<b>CF from Fin. Activity</b>	<b>-2.5</b>	<b>-4.9</b>	<b>-2.4</b>	<b>-12.3</b>	<b>-4.0</b>	<b>4.6</b>	<b>-7.6</b>	<b>-22.3</b>
<b>Incr/Decr of Cash</b>	<b>-1.6</b>	<b>4.5</b>	<b>-6.9</b>	<b>1.8</b>	<b>10.1</b>	<b>-2.3</b>	<b>12.8</b>	<b>29.1</b>
Add: Opening Balance	7.8	6.2	10.7	3.8	5.6	15.7	13.4	26.2
<b>Closing Balance</b>	<b>6.2</b>	<b>10.7</b>	<b>3.8</b>	<b>5.6</b>	<b>15.7</b>	<b>13.4</b>	<b>26.2</b>	<b>55.3</b>

E: MOFSL Estimates

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NOTES

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