

February 1, 2024

Q3FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	3,671		3,640	
Sales (Rs. m)	5,63,602	6,52,196	5,63,681	6,52,289
% Chng.	-	-	-	-
EBITDA (Rs. m)	68,397	79,901	69,304	80,798
% Chng.	(1.3)	(1.1)	-	-
EPS (Rs.)	52.5	62.1	53.3	62.9
% Chng.	(1.6)	(1.4)	-	-

Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. bn)	383	478	564	652
EBITDA (Rs. bn)	48	54	68	80
Margin (%)	12.6	11.3	12.1	12.3
PAT (Rs. bn)	34	37	47	55
EPS (Rs.)	38.1	41.1	52.5	62.1
Gr. (%)	51.9	7.8	27.8	18.3
DPS (Rs.)	7.5	10.0	13.0	16.0
Yield (%)	0.2	0.3	0.4	0.4
RoE (%)	31.7	27.6	28.7	27.5
RoCE (%)	27.0	23.2	24.2	24.6
EV/Sales (x)	8.5	6.9	5.9	5.0
EV/EBITDA (x)	67.6	61.5	48.3	41.2
PE (x)	95.3	88.3	69.1	58.4
P/BV (x)	26.9	22.3	17.9	14.6

Key Data

TITN.BO | TTAN IN

52-W High / Low	Rs.3,887 / Rs.2,269
Sensex / Nifty	71,645 / 21,697
Market Cap	Rs.3,220bn/ \$ 38,812m
Shares Outstanding	888m
3M Avg. Daily Value	Rs.3050.69m

Shareholding Pattern (%)

Promoter's	52.90
Foreign	19.05
Domestic Institution	10.05
Public & Others	18.00
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(1.4)	20.8	54.6
Relative	(0.5)	12.1	28.9

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Just a blip in growth journey

Quick Pointers:

- Jewellery demand muted in 3Q, 200bps lower studded share impacts margins, 4Q outlook improves led by offers
- Wearables sales up 65%, Taneira 61% & F&FA declined by 7%, Eyewear under pressure due to muted demand and competition

We cut FY24/25/26 EPS by 2/1.6/1.4% following margin pressure across segments indicating some softness in demand and higher competition. TTAN 3Q24 PAT missed on estimates, led by 200bps lower share of studded jewellery, muted demand in Q3 amid high gold prices & higher completion from smaller and unorganized players (more consumer offers). Watch margins suffered due to higher investments behind wearables/ Fastrack and higher sales of margin dilutive online channel.

4Q Jewellery demand outlook is positive (January month sales) given marriage season and stabilization in Gold prices. We expect improvement in watch margins, however Eye wear seems to be having poor visibility due to heightened competition. TTAN continues to imbibe multiple growth engines led by 1) Jewellery network expansion, regional thrust and sub brands like Mia, Zoya and Caratlane 2) Omni-channel strategy across jewellery, watches and eyewear 3) rising presence in higher growth segments of wearables, dress material, handbags and fashion accessories. TTAN is a formidable play on emerging lifestyle segments which will gain from rising discretionary spends. TTAN trades at 58.4x FY26E EPS with 23% EPS CAGR over FY24-26. We assign DCF based target price of Rs3627 (Rs3640 earlier). We recommend Accumulate TTAN on declines for LT gains.

Standalone Revenues (ex of Bullion) grew by 20% YoY to Rs133.4bn. Gross margins contracted by 129bps YoY to 21.7%. EBITDA grew by 9.5% YoY to Rs14.6bn Margins contracted by 107bps YoY to 11.2% (PLe:11.9%) Adj. PAT grew by 9.4% YoY to Rs10.4bn (PLe: Rs11.08bn)

Jewellery revenues grew by 19.1% YoY to Rs117bn; EBIT grew by 15.9% YoY to Rs14.3bn; margins contracted by 34bps YoY to 12.2%. Margins excluding bullion sales declined 63bps to 12.4%. Studded ratio was 24% in 3Q24 down by 2% vs 2Q23. Tanishq added 21 stores, taking total count to 466 stores. Buyer saw double digit growth YoY. while new buyer proportion at ~50% remained healthy. International expansion continues with focus shifting to non- Indian diaspora catchments with a total of 14 stores as of Dec23

Watches and Wearables revenues grew by 21.1% YoY to Rs9.8bn; EBIT de-grew by 38.2% YoY to Rs5.5bn; margins contracted by 537bps YoY to 5.6%. Premium brands continued their strong performance. Wearables grew ~65% YoY in 3Q.

Fragrances declined 6% while women handbags clocked 25% growth YoY, **Taneira** sales grew ~61% YoY

Eyewear revenues de-grew 4% YoY to Rs1.67bn; EBIT declined by 56.3% YoY to Rs140mn; margins contracted by 1000bps YoY to 8.4%. International brands grew ahead of house brands while Lenses de-grew by 5% & Sunglasses grew by 5%.

Key Concall Highlights: 1) Jewellery demand in October & November was muted amid rising gold prices however December month saw some pick up and January is doing better than December 2) Sub 100k and >500k jewellery segment is witnessing some pressure in demand 3) Gained market share in most of the regions while market share remained stable in remaining areas 4) Took minor price correction in solitaire however it was not much of significance 5) Caratlane has been witnessing pressure in <50k ticket size earlier, however this time premium segment too was muted to some extent. 6) There has been an acceleration in competition from unorganized and smaller players which has led to additional discounts and offers in 3Q. 7) Margins in 3Q were impacted led by lower share of studded jewellery and additional discounts/offers 8) TTAN plan to increase Tanishq's reach from current 260 to 300 towns by FY26 9) International market is performing as per expectations, opened 2 new store in US, one in Singapore & one Mia store in Dubai 11) Store expansion to mostly come from L2 format followed by L3 format. 12) Jewellery margin target remains intact at 12-13% led by improved geographical/product mix with focus on high value studded jewellery 13) For Jewellery - 4Q growth to be better than 3Q growth on YoY basis 14) Watches and wearables long term margin target intact at 16% led by premiumisation in smart watches

Exhibit 1: Revenue grew by 20% YoY; Margins contract YoY

Y/e March (Rs mn)	Q3FY24	Q3FY23	YoY gr. (%)	Q2FY24	9MFY24	9MFY23	YoY gr. (%)
Net Sales	1,30,520	1,08,750	20.0	1,16,600	3,58,570	2,85,660	25.5
Gross Profit	28,360	25,030	13.3	26,100	77,860	70,040	11.2
<i>% of NS</i>	<i>21.7</i>	<i>23.0</i>		<i>22.4</i>	<i>21.7</i>	<i>24.5</i>	
Adv & Sales Pro	2,360	2,030	16.3	2,050	6,480	5,470	18.5
<i>% of NS</i>	<i>1.8</i>	<i>1.9</i>		<i>1.8</i>	<i>1.8</i>	<i>1.9</i>	
Total Expenses	1,15,950	95,450	21.5	1,03,050	3,19,420	2,48,380	28.6
<i>% of NS</i>	<i>88.8</i>	<i>87.8</i>		<i>88.4</i>	<i>89.1</i>	<i>86.9</i>	
EBITDA	14,570	13,300	9.5	13,550	39,150	37,280	5.0
<i>Margins %</i>	<i>11.2</i>	<i>12.2</i>			<i>10.9</i>	<i>13.1</i>	
Depreciation	1,180	930	26.9	1,100	3,270	2,690	21.6
Interest	1,330	610	118.0	1,060	3,180	1,660	91.6
Other Income	1,390.0	910.0	52.7	1,220.0	3,600.0	1,950.0	84.6
PBT	13,450	12,670	6.2	12,610	36,300	34,880	4.1
Tax	3,050	3,160	(3)	3,210	8,730	8,870	(2)
<i>Tax rate %</i>	<i>22.7</i>	<i>24.9</i>		<i>25.5</i>	<i>24.0</i>	<i>25.4</i>	
Adj. PAT	10,400	9,510	9.4	9,400	27,570	26,010	6.0

Source: Company, PL

Exhibit 2: Strong double digit growth across businesses (ex- Eyewear), Margins disappoint

(Rs m)	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Total Sales	95,330	73,050	89,800	87,540	109,070	97,440	111,770	117,030	129,700
Watches	7,080	6,220	7,850	8,290	8,110	8,710	8,900	10,920	9,820
YoY Growth	28.7%	12.1%	168.8%	20.7%	14.5%	40.0%	13.4%	31.7%	21.1%
Jewellery	86,170	65,070	79,560	76,850	98,330	86,310	100,080	1,03,300	117,090
YoY Growth	30.8%	1.3%	175.2%	22.0%	14.1%	32.6%	25.8%	34.4%	19.1%
Eyewear	1560	1,340	1830	1670	1,740	1,650	2030	1,880	1670
YoY Growth	25.8%	5.0%	173.1%	4.4%	11.5%	23.1%	10.9%	12.6%	-4.0%
Others	520	420	560	730	890	770	760	930	1,120
YoY Growth	44.4%	23.0%	300.0%	58.7%	71.2%	83.3%	35.7%	27.4%	25.8%
Total EBIT	13,730	7,330	11,560	12,360	13,400	10,640	11,090	13,700	14,810
Watches	820	-100	1,030	1,230	890	980	1,020	1,600	550
YoY Growth	43.9%	-121.7%	283.9%	33.7%	8.5%	1080%	-1.0%	30%	-38.2%
EBIT Margin	11.6%	-1.6%	13.1%	14.8%	11.0%	11.3%	11.5%	14.7%	5.6%
Jewellery	12,600	7,670	10,270	11,030	12,360	9,970	9,990	12,060	14,320
YoY Growth	67.6%	9.1%	396.1%	39.1%	-1.9%	30.0%	-2.7%	9.3%	15.9%
EBIT Margin	14.6%	11.8%	12.9%	14.4%	12.6%	11.6%	10.0%	11.7%	12.2%
Eyewear	340	-80	360	280	320	20	350	280	140
YoY Growth	54.5%	-134.8%	-376.9%	-24.3%	-5.9%	125.0%	-2.8%	0.0%	-56.3%
EBIT Margin	21.8%	-6.0%	19.7%	16.8%	18.4%	1.2%	17.2%	14.9%	8.4%
Others	(30)	(160)	(100)	(180)	(170)	(330)	(270)	-240	(200)

Source: Company, PL

Exhibit 3: Jewellery: LTL growth at 10%, studded share at 24% declines 2% YoY

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Jewellery									
Volume Gr %	47	-7	170	3	1	10	NA	NA	NA
Studded Share %	26	30	26	32	26	33	26	33	24
Sales Gr %	30.8%	1.3%	175.2%	22.0%	14.1%	32.6%	25.8%	34.4%	19.1%
Tanishq									
Sales Gr %	37	1	202	13	14	25	22	27.0	16.0
LTL Growth %	31	4	195	9	9	19	22	22.0	10.0
Stores	382	389	395	403	411	423	433	445	466
Area (sq. Ft)	1,470,000	1,500,000	1,530,000	1,570,000	1,640,000	1,740,000	1,800,000	1880000	2730000

Source: Company, PL

Exhibit 4: Watches sales up 22% led by 65% growth in wearables, strong growth witnessed across brands (ex Fastrack)

Particulars	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Watches									
Sales Growth %	28.7	12.1	168.8	20.7	14.5	40.0	13.4	22.0	22.0
Volume Growth %	21	-1	109	1	3	31	NA	NA	NA
World Of Titan									
Sales Growth %	24	15	241	31	14	18	8	8	7
LTL Sales growth %	22	13	227	26	8	11	2	2	3
Stores	520	544	570	577	601	622	636	646	655
Helios									
Sales Growth %	43	35	278	46	32	45	33	38	36
LTL Sales growth %	30	14	227	27	11	21	13	18	20
Stores	126	136	151	165	182	198	207	212	223
Fastrack									
Sales Growth %	9	-9	230	26	19	11	-4	5	-5
LTL Sales growth %	11	-5	231	26	18	8	-11	-7	-13
Stores	163	163	161	163	170	185	188	193	198
LFS									
Sales Growth %	35	8	358	63	20	42	33	15	14
LTL Sales growth %	33	3	338	52	25	37	13	4	12

Source: Company, PL

Exhibit 5: 3Q Eyewear sales flat, LTL declines 6%, first time after 4Q22

Eyewear	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Sales Gr %	19	-4	180	12	14	22	13	12	0
LTL Growth % (Titan Eye+)	10	-13	185	1	1	10	3	0	-6
Stores	682	733	786	822	858	901	908	913	905
Area (sq Ft)	428,000	455,000	481,000	504,000	525,000	559,800	564,600	572,500	570,000

Source: Company PL

Exhibit 6: Tanishq is expanding International presence with stores in USA & Singapore


Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	3,83,260	4,77,884	5,63,602	6,52,196
YoY gr. (%)	40.5	24.7	17.9	15.7
Cost of Goods Sold	2,90,460	3,67,102	4,31,371	4,96,086
Gross Profit	92,800	1,10,782	1,32,230	1,56,109
Margin (%)	24.2	23.2	23.5	23.9
Employee Cost	13,620	16,703	19,701	22,474
Other Expenses	14,070	19,861	20,641	26,555
EBITDA	48,260	53,845	68,397	79,901
YoY gr. (%)	44.2	11.6	27.0	16.8
Margin (%)	12.6	11.3	12.1	12.3
Depreciation and Amortization	3,640	4,297	4,876	5,566
EBIT	44,620	49,547	63,521	74,336
Margin (%)	11.6	10.4	11.3	11.4
Net Interest	2,400	3,250	3,087	3,238
Other Income	2,990	2,437	1,842	2,550
Profit Before Tax	45,210	48,733	62,275	73,648
Margin (%)	11.8	10.2	11.0	11.3
Total Tax	11,320	12,183	15,569	18,412
Effective tax rate (%)	25.0	25.0	25.0	25.0
Profit after tax	33,890	36,550	46,706	55,236
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	33,890	36,550	46,706	55,236
YoY gr. (%)	51.9	7.8	27.8	18.3
Margin (%)	8.8	7.6	8.3	8.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	33,890	36,550	46,706	55,236
YoY gr. (%)	55.5	7.8	27.8	18.3
Margin (%)	8.8	7.6	8.3	8.5
Other Comprehensive Income	(460)	-	-	-
Total Comprehensive Income	33,430	36,550	46,706	55,236
Equity Shares O/s (m)	890	890	890	890
EPS (Rs)	38.1	41.1	52.5	62.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	19,430	21,706	24,427	27,585
Tangibles	17,820	19,880	22,353	25,320
Intangibles	1,610	1,826	2,074	2,265
Acc: Dep / Amortization	8,400	9,934	11,626	13,509
Tangibles	7,130	8,449	9,926	11,594
Intangibles	1,270	1,485	1,700	1,915
Net fixed assets	11,030	11,773	12,801	14,076
Tangibles	10,690	11,432	12,427	13,726
Intangibles	340	341	374	350
Capital Work In Progress	1,270	1,387	1,516	1,657
Goodwill	-	-	-	-
Non-Current Investments	16,900	63,761	65,894	68,199
Net Deferred tax assets	1,440	1,909	2,252	2,606
Other Non-Current Assets	13,380	15,792	18,166	20,549
Current Assets				
Investments	21,430	10,172	13,064	22,362
Inventories	1,49,520	1,81,541	2,09,850	2,36,244
Trade receivables	9,080	11,114	13,263	15,705
Cash & Bank Balance	7,920	4,380	12,677	17,881
Other Current Assets	11,010	13,859	15,781	17,609
Total Assets	2,50,880	3,25,244	3,76,535	4,29,933
Equity				
Equity Share Capital	890	890	890	890
Other Equity	1,19,050	1,44,198	1,79,335	2,20,331
Total Networkth	1,19,940	1,45,088	1,80,225	2,21,221
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	2,140	2,673	3,659	4,234
Other non current liabilities	13,590	13,138	15,022	17,093
Current Liabilities				
ST Debt / Current of LT Debt	62,800	99,167	1,01,533	1,00,439
Trade payables	9,650	13,551	15,634	17,824
Other current liabilities	42,760	51,626	60,462	69,122
Total Equity & Liabilities	2,50,880	3,25,244	3,76,535	4,29,933

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	44,650	48,733	62,275	73,648
Add. Depreciation	3,640	4,297	4,876	5,566
Add. Interest	1,950	2,400	3,250	3,087
Less Financial Other Income	2,990	2,437	1,842	2,550
Add. Other	820	(3,661)	(837)	(1,230)
Op. profit before WC changes	51,060	51,770	69,565	81,071
Net Changes-WC	(35,670)	1,832	(15,726)	(20,018)
Direct tax	(11,320)	(12,183)	(15,569)	(18,412)
Net cash from Op. activities	4,070	41,418	38,270	42,641
Capital expenditures	(4,750)	(5,157)	(6,033)	(6,982)
Interest / Dividend Income	-	-	-	-
Others	(2,470)	(46,000)	(1,143)	(1,166)
Net Cash from Inv. activities	(7,220)	(51,157)	(7,177)	(8,148)
Issue of share cap. / premium	(460)	(2,502)	-	-
Debt changes	9,650	20,000	(7,975)	(11,963)
Dividend paid	(6,660)	(8,900)	(11,570)	(14,240)
Interest paid	(1,950)	(2,400)	(3,250)	(3,087)
Others	-	-	-	-
Net cash from Fin. activities	580	6,198	(22,795)	(29,290)
Net change in cash	(2,570)	(3,540)	8,298	5,204
Free Cash Flow	(680)	36,261	32,236	35,660

Source: Company Data, PL Research

Key Financial Metrics

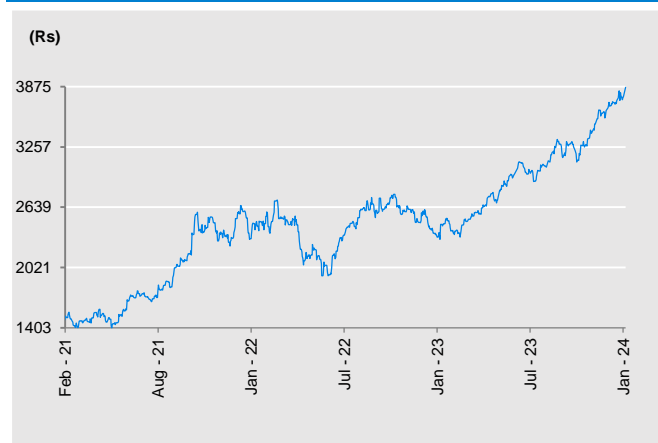
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	38.1	41.1	52.5	62.1
CEPS	42.2	45.9	58.0	68.3
BVPS	134.8	163.0	202.5	248.6
FCF	(0.8)	40.7	36.2	40.1
DPS	7.5	10.0	13.0	16.0
Return Ratio(%)				
RoCE	27.0	23.2	24.2	24.6
ROIC	20.1	15.9	18.1	19.1
RoE	31.7	27.6	28.7	27.5
Balance Sheet				
Net Debt : Equity (x)	0.3	0.6	0.4	0.3
Net Working Capital (Days)	142	137	134	131
Valuation(x)				
PER	95.3	88.3	69.1	58.4
P/B	26.9	22.3	17.9	14.6
P/CEPS	86.0	79.0	62.6	53.1
EV/EBITDA	67.6	61.5	48.3	41.2
EV/Sales	8.5	6.9	5.9	5.0
Dividend Yield (%)	0.2	0.3	0.4	0.4

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	97,040	1,11,450	1,16,600	1,30,520
YoY gr. (%)	33.4	24.4	33.6	20.0
Raw Material Expenses	74,820	88,050	90,500	1,02,160
Gross Profit	22,220	23,400	26,100	28,360
Margin (%)	22.9	21.0	22.4	21.7
EBITDA	10,440	11,030	13,550	14,570
YoY gr. (%)	33.5	(5.2)	9.8	9.5
Margin (%)	10.8	9.9	11.6	11.2
Depreciation / Depletion	950	990	1,100	1,180
EBIT	9,490	10,040	12,450	13,390
Margin (%)	9.8	9.0	10.7	10.3
Net Interest	740	790	1,060	1,330
Other Income	1,040	990	1,220	1,390
Profit before Tax	9,790	10,240	12,610	13,450
Margin (%)	10.1	9.2	10.8	10.3
Total Tax	2,450	2,470	3,210	3,050
Effective tax rate (%)	25.0	24.1	25.5	22.7
Profit after Tax	7,340	7,770	9,400	10,400
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	7,340	7,770	9,400	10,400
YoY gr. (%)	35.4	(2.0)	9.7	9.4
Margin (%)	7.6	7.0	8.1	8.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	7,340	7,770	9,400	10,400
YoY gr. (%)	49.5	(2.0)	9.7	9.4
Margin (%)	7.6	7.0	8.1	8.0
Other Comprehensive Income	80	(10)	(120)	(10)
Total Comprehensive Income	7,420	7,760	9,280	10,390
Avg. Shares O/s (m)	890	890	890	890
EPS (Rs)	8.2	8.7	10.6	11.7

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-24	Accumulate	3,640	3,706
2	03-Nov-23	Accumulate	3,387	3,275
3	07-Oct-23	Accumulate	3,312	3,310
4	21-Aug-23	Accumulate	3,300	3,050
5	02-Aug-23	Accumulate	3,240	2,977
6	12-Jul-23	Accumulate	3,242	3,088
7	06-Jul-23	BUY	3,242	3,106
8	03-May-23	BUY	2,992	2,651
9	11-Apr-23	BUY	2,956	2,578
10	02-Feb-23	BUY	2,905	2,308

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Hold	3,159	3,242
2	Avenue Supermarts	BUY	4,484	3,841
3	Britannia Industries	Hold	5,130	5,177
4	Colgate Palmolive	Reduce	2,170	2,536
5	Dabur India	Accumulate	617	553
6	Emami	Accumulate	565	555
7	Hindustan Unilever	Hold	2,724	2,565
8	ITC	Accumulate	489	450
9	Jubilant FoodWorks	Hold	526	534
10	Kansai Nerolac Paints	Accumulate	346	337
11	Marico	Hold	559	516
12	Metro Brands	Hold	1,109	1,166
13	Mold-tek Packaging	Hold	918	876
14	Nestle India	Accumulate	2,679	2,619
15	Pidilite Industries	Accumulate	2,764	2,590
16	Restaurant Brands Asia	Accumulate	151	114
17	Titan Company	Accumulate	3,640	3,706
18	Westlife Foodworld	Hold	839	828

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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