

May 4, 2024

Q4FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	3,767		3,817	
Sales (Rs. m)	5,72,321	6,87,208	5,65,854	6,57,616
% Chng.	1.1	4.5		
EBITDA (Rs. m)	65,243	81,967	67,410	79,993
% Chng.	(3.2)	2.5		
EPS (Rs.)	47.7	62.2	50.2	61.3
% Chng.	(4.9)	1.6		

Key Financials - Standalone

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. bn)	383	472	572	687
EBITDA (Rs. bn)	48	50	65	82
Margin (%)	12.6	10.5	11.4	11.9
PAT (Rs. bn)	34	35	42	55
EPS (Rs.)	38.1	39.3	47.7	62.2
Gr. (%)	51.9	3.2	21.4	30.5
DPS (Rs.)	7.5	10.0	11.0	13.0
Yield (%)	0.2	0.3	0.3	0.4
RoE (%)	31.7	26.4	26.5	28.0
RoCE (%)	27.0	22.5	23.7	24.7
EV/Sales (x)	8.3	6.8	5.6	4.7
EV/EBITDA (x)	65.9	64.2	49.5	39.3
PE (x)	92.8	90.0	74.1	56.8
P/BV (x)	26.2	21.8	17.9	14.3

Key Data

TITN.BO | TTAN IN

52-W High / Low	Rs.3,887 / Rs.2,643
Sensex / Nifty	73,878 / 22,476
Market Cap	Rs.3,137bn/ \$ 37,605m
Shares Outstanding	888m
3M Avg. Daily Value	Rs.3755.67m

Shareholding Pattern (%)

Promoter's	52.90
Foreign	19.01
Domestic Institution	10.45
Public & Others	17.55
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(4.8)	7.9	33.2
Relative	(4.8)	(6.0)	10.3

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Titan Company (TTAN IN)

Rating: ACCUMULATE | CMP: Rs3,534 | TP: Rs3,767

Expect growth rebound in 2H25; Accumulate

Quick Pointers:

- 1H25 Jewelry demand outlook remains muted on ~19% YoY spike in gold prices and lower number of wedding days
- Margins near bottom across segments, expect recovery from 2H25
- Wearables sales up 3%, Taneira & F&FA declined by 26%, Eyewear continue to remain under pressure due to muted demand and competition

We cut FY25 EPS estimate by 5% following soft demand and broad based margin pressure across segments amidst higher competition. TTAN 4Q24 PAT were miss on estimates led by lower than expected margins, muted demand in Q4 amid high gold prices & higher completion from smaller and unorganized players (more consumer offers). Watch margins suffered due to higher investments behind marketing & increased overhead costs.

While 1Q25 Jewelry demand outlook remain tepid given rising gold prices (Gold prices increased by 9.4% in Apr'24 & 19% YoY), lower number of wedding days & rising competition. Sales growth is likely to suffer in Watches/ Eyewear due to tepid demand and competitive intensity. We believe margins are near bottom and expect recovery in 2H25 led by improved traction and benefits of cost control in eyewear and watches and low base in Jewelry. Caratlane should also see improved profitability with focus on throughput and profitability with calibrated store expansion. Although TTAN remains a formidable play on emerging lifestyle segments, we expect back ended returns with muted growth expectations in 1H25. TTAN trades at 56.8x FY26E standalone EPS with 25.5% EPS CAGR over FY24-26. We assign DCF based target price of Rs3767 (Rs3817 earlier). Retain Accumulate.

Standalone Revenues (ex of Bullion) grew by 16% YoY to Rs112.6bn. Gross margins contracted by 170bps YoY to 21.2%. EBITDA grew by 6.2% YoY to Rs11.1bn. EBITDA margins contracted by 91bps YoY to 9.9% (PLe:11.5%) Adj. PAT grew by 7.1% YoY to Rs7.9bn (PLe: Rs8.1bn)

Jewelry: revenues grew by 17.3% YoY to Rs101.3bn; EBIT de-grew by 9.2% YoY to Rs10.8bn; margins contracted by 91bps YoY to 9.9%. EBIT Margins excluding bullion sales declined 80bps to 10.8%. Studded ratio was 33% in 4Q24, same as 4Q23. Tanishq added 11 stores, taking total count to 479 stores. Buyers saw decent double-digit growth YoY. While new buyer proportion at ~54% remained healthy. International expansion continues with focus shifting to non-Indian diaspora catchments with a total of 16 stores as of Mar24

Watches and Wearables revenues grew 7.9% YoY to Rs8bn; EBIT de-grew by 18.4% YoY to Rs8bn; margins contracted by 274bps YoY to 85%. Premium brands continued their strong performance. Wearables revenue grew 3% in 4Q while doubling in volume YoY showing sharp decline in realizations. Watch margins got impacted by deterioration in mix and increase in marketing & overhead costs. TTAN

plans to have higher focus on costs and revenues, which is expected to boost margins in coming years, although it is unlikely to go to earlier levels of 17-20%.

Fragrances grew 9% while women handbags clocked 97% growth YoY on a low base, **Taneira** sales grew ~31% YoY, added 11 stores in Q4 Taking total store count to 84.

Eyewear revenues grew 0.6% YoY to Rs1.66bn; EBIT up by 300% YoY to Rs80mn; margins up by 360bps YoY to 4.8%. International brands grew ahead of house brands while Lenses grew by 4% & Sunglasses grew by 12%. TTAN has taken corrective measures in 2H24, which are likely to support growth and margins.

Key Concall Highlights: 1) Jewelry demand in Q4 remained soft amid rising gold prices. Demand is expected to remain soft in 1H25 given lower wedding days, and elevated gold prices. 2) Competitive intensity continues to remain high with local and regional players growing their customer base 3) market share remained stable in most of the regions despite higher competition 4) Caratlane is seeing flattish demand with focus to remain on improving SSG while being conservative for store expansion 5) Buyer growth in studded jewelry has been better than gold jewelry however value wise it remains tepid 6) solitaire for higher carat saw sluggish demand as consumers wait for more price correction 7) 80% of stores in Zoya are performing better than expected 9) International business saw a revenue of \$120mn with 90% coming from jewelry segment. 10) TTAN sees opportunity to go beyond 300 towns for Tanishq, it currently has customer base of 10mn 11) In 4Q, gold exchange program saw 40-45% contribution towards overall sales 12) Wearables segment is seeing immense pressure coming in from local players as they are operating at much lower price point 13) Jewelry margin target remains intact at 12-13% led by improved geographical/ product mix with focus on high value studded jewelry. 15) TTAN plans to pay off NCD in two tranches of 18 months & 24 months

Exhibit 1: Revenue grew by 16% YoY; Margins contract YoY across segments

Y/e March (Rs mn)	Q4FY24	Q4FY23	YoY gr. (%)	Q3FY24	FY24	FY23	YoY gr. (%)
Net Sales	112,570	97,040	16.0	130,520	471,140	382,700	23.1
Gross Profit	23,860	22,220	7.4	28,360	101,700	92,260	10.2
% of NS	21.2	22.9		21.7	21.6	24.1	
Advt & Sales Pro	1,810	1,920	(5.7)	2,360	8,290	7,390	12.2
% of NS	1.6	2.0		1.8	1.8	1.9	
Total Expenses	101,480	86,600	17.2	115,950	420,920	334,980	25.7
% of NS	90.1	89.2		88.8	89.3	87.5	
EBITDA	11,090	10,440	6.2	14,570	50,220	47,720	5.2
Margins %	9.9	10.8			10.7	12.5	
Depreciation	1,200	950	26.3	1,180	4,470	3,640	22.8
Interest	1,620	740	118.9	1,330	4,800	2,400	100.0
Other Income	1,500.0	1,040.0	44.2	1,390.0	5,100.0	2,990.0	70.6
PBT	9,770	9,790	(0.2)	13,450	46,050	44,670	3.1
Tax	1,910	2,450	(22)	3,050	10,640	11,320	(6)
Tax rate %	19.5	25.0		22.7	23.1	25.3	
Adjusted PAT	7,860	7,340	7.1	10,400	35,410	33,350	6.2

Source: Company, PL

**Exhibit 2: Double digit growth in Jewellery, Margins disappoint across segments**

(Rs m)	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Total Sales	73,050	89,800	87,540	1,09,070	97,440	1,11,770	1,17,030	1,29,700	113,280
Watches	6,220	7,850	8,290	8,110	8,710	8,900	10,920	9,820	9,400
YoY Growth	12.1%	168.8%	20.7%	14.5%	40.0%	13.4%	31.7%	21.1%	7.9%
Jewellery	65,070	79,560	76,850	98,330	86,310	1,00,080	1,03,300	1,17,090	101,250
YoY Growth	1.3%	175.2%	22.0%	14.1%	32.6%	25.8%	34.4%	19.1%	17.3%
Eyewear	1340	1830	1670	1740	1650	2030	1880	1670	1660
YoY Growth	5.5%	173.1%	4.4%	11.5%	23.1%	10.9%	12.6%	-4.0%	0.6%
Others	420	560	730	890	770	760	930	1,120	970
YoY Growth	20.0%	300.0%	58.7%	71.2%	83.3%	35.7%	27.4%	25.8%	26.0%
Total EBIT	7,330	11,560	12,360	13,400	10,640	11,090	13,700	14,810	11,550
Watches	-100	1,030	1,230	890	980	1,020	1,600	550	800
YoY Growth	-121.7%	283.9%	33.7%	8.5%	1080.0%	-1.0%	30.1%	-38.2%	-18.4%
EBIT Margin	-1.6%	13.1%	14.8%	11.0%	11.3%	11.5%	14.7%	5.6%	8.5%
Jewellery	7,670	10,270	11,030	12,360	9,970	9,990	12,060	14,320	10,890
YoY Growth	9.1%	396.1%	39.1%	-1.9%	30.0%	-2.7%	9.3%	15.9%	9.2%
EBIT Margin	11.8%	12.9%	14.4%	12.6%	11.6%	10.0%	11.7%	12.2%	10.8%
Eyewear	-80	360	280	320	20	350	280	140	80
YoY Growth	-134.8%	-376.9%	-24.3%	-5.9%	125.0%	-2.8%	0.0%	-56.3%	300.0%
EBIT Margin	-6.0%	19.7%	16.8%	18.4%	1.2%	17.2%	14.9%	8.4%	4.8%
Others	(160)	(100)	(180)	(170)	(330)	(270)	(240)	(200)	(220)

Source: Company, PL

Exhibit 3: Jewellery: LTL growth at 14%, studded share at 33%, flat YoY

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Jewellery									
Volume Gr %	-7	170	3	1	10	4	6	-6	NA
Studded Share %	30	26	32	26	33	26	33	24	33
Sales Gr %	1.3	175.2	22.0	14.1	32.6	25.8	34.4	19.1	17.3
Tanishq									
Sales Gr %	37	1	202	13	14	25	22	27.0	19.0
LTL Growth %	31	4	195	9	9	19	22	22.0	14.0
Stores	382	389	395	403	411	423	433	445	479
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	2080000

Source: Company, PL

Exhibit 4: Watches sales up 9% driven by premiumisation & higher ASP

Particulars	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Watches									
Sales Growth %	12.1	168.8	20.7	14.5	40.0	13.4	22.0	22.0	9.0
Volume Growth %	-1	109	1	3	31	0	NA	NA	NA
World Of Titan									
Sales Growth %	15	241	31	14	18	8	8	7	12
LTL Sales growth %	13	227	26	8	11	2	2	3	7
Stores	544	570	577	601	622	636	646	655	665
Helios									
Sales Growth %	35	278	46	32	45	33	38	36	30
LTL Sales growth %	14	227	27	11	21	13	18	20	14
Stores	136	151	165	182	198	207	212	223	237
Fastrack									
Sales Growth %	-9	230	26	19	11	-4	5	-5	6
LTL Sales growth %	-5	231	26	18	8	-11	-7	-13	-4
Stores	163	161	163	170	185	188	193	198	218
LFS									
Sales Growth %	8	358	63	20	42	33	15	14	4
LTL Sales growth %	3	338	52	25	37	13	4	12	-8

Source: Company, PL

Exhibit 5: 4Q Eyewear sales remained flattish, decline in store count continues

Eyewear	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Sales Gr %	-4	180	12	14	22	13	12	0	0.6
LTL Growth % (Titan Eye+)	-13	185	1	1	10	3	0	-6	0
Stores	733	786	822	858	901	908	913	905	902
Area (sq Ft)	455,000	481,000	504,000	525,000	559,800	564,600	572,500	570,000	554,000

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	FY24	FY25E	FY26E
Net Revenues	3,83,260	4,71,784	5,72,321	6,87,208
YoY gr. (%)	40.5	23.1	21.3	20.1
Cost of Goods Sold	2,90,460	3,77,819	4,34,021	5,16,274
Gross Profit	92,800	93,965	1,38,300	1,70,934
Margin (%)	24.2	19.9	24.2	24.9
Employee Cost	13,620	15,030	20,006	23,682
Other Expenses	14,070	12,949	24,861	29,213
EBITDA	48,260	49,764	65,243	81,967
YoY gr. (%)	44.2	3.1	31.1	25.6
Margin (%)	12.6	10.5	11.4	11.9
Depreciation and Amortization	3,640	4,470	5,100	5,952
EBIT	44,620	45,294	60,144	76,015
Margin (%)	11.6	9.6	10.5	11.1
Net Interest	2,400	4,800	6,279	4,479
Other Income	2,990	5,100	2,719	2,319
Profit Before Tax	45,210	45,594	56,584	73,855
Margin (%)	11.8	9.7	9.9	10.7
Total Tax	11,320	10,630	14,146	18,464
Effective tax rate (%)	25.0	23.3	25.0	25.0
Profit after tax	33,890	34,964	42,438	55,391
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	33,890	34,964	42,438	55,391
YoY gr. (%)	51.9	3.2	21.4	30.5
Margin (%)	8.8	7.4	7.4	8.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	33,890	34,964	42,438	55,391
YoY gr. (%)	55.5	3.2	21.4	30.5
Margin (%)	8.8	7.4	7.4	8.1
Other Comprehensive Income	(460)	(30)	-	-
Total Comprehensive Income	33,430	34,934	42,438	55,391
Equity Shares O/s (m)	890	890	890	890
EPS (Rs)	38.1	39.3	47.7	62.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	19,430	24,345	28,679	34,384
Tangibles	17,820	22,010	26,605	32,119
Intangibles	1,610	2,335	2,074	2,265
Acc: Dep / Amortization	8,400	9,685	11,600	13,870
Tangibles	7,130	8,200	9,900	11,955
Intangibles	1,270	1,485	1,700	1,915
Net fixed assets	11,030	14,660	17,079	20,514
Tangibles	10,690	13,810	16,705	20,164
Intangibles	340	850	374	350
Capital Work In Progress	1,270	870	951	1,040
Goodwill	-	-	-	-
Non-Current Investments	16,900	69,110	71,445	73,970
Net Deferred tax assets	1,440	1,530	2,286	2,746
Other Non-Current Assets	13,380	15,520	18,725	21,191
Current Assets				
Investments	21,430	16,350	15,000	25,848
Inventories	1,49,520	1,68,740	2,12,653	2,48,257
Trade receivables	9,080	9,370	11,432	13,729
Cash & Bank Balance	7,920	8,050	12,305	3,630
Other Current Assets	11,010	12,900	14,308	17,180
Total Assets	2,50,880	3,28,620	3,87,630	4,41,849
Equity				
Equity Share Capital	890	890	890	890
Other Equity	1,19,050	1,43,680	1,75,231	2,19,052
Total Network	1,19,940	1,44,570	1,76,121	2,19,942
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	2,140	33,770	8,715	4,462
Other non current liabilities	13,590	16,660	15,022	17,093
Current Liabilities				
ST Debt / Current of LT Debt	62,800	76,080	1,10,809	1,09,227
Trade payables	9,650	9,430	15,876	18,781
Other current liabilities	42,760	48,110	61,088	72,345
Total Equity & Liabilities	2,50,880	3,28,620	3,87,630	4,41,849

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	44,650	45,594	56,584	73,855
Add. Depreciation	3,640	4,470	5,100	5,952
Add. Interest	1,950	2,400	4,800	6,279
Less Financial Other Income	2,990	5,100	2,719	2,319
Add. Other	820	30,880	(31,753)	(6,373)
Op. profit before WC changes	51,060	83,344	34,730	79,713
Net Changes-WC	(35,670)	(16,330)	2,893	(25,338)
Direct tax	(11,320)	(10,630)	(14,146)	(18,464)
Net cash from Op. activities	4,070	56,384	23,477	35,911
Capital expenditures	(4,750)	(7,700)	(7,600)	(9,477)
Interest / Dividend Income	-	-	-	-
Others	(2,470)	(50,620)	(1,236)	(1,260)
Net Cash from Invt. activities	(7,220)	(58,320)	(8,835)	(10,737)
Issue of share cap. / premium	(460)	(1,434)	(1,097)	-
Debt changes	9,650	14,800	5,300	(16,000)
Dividend paid	(6,660)	(8,900)	(9,790)	(11,570)
Interest paid	(1,950)	(2,400)	(4,800)	(6,279)
Others	-	-	-	-
Net cash from Fin. activities	580	2,066	(10,387)	(33,849)
Net change in cash	(2,570)	130	4,255	(8,674)
Free Cash Flow	(680)	48,684	15,878	26,434

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	38.1	39.3	47.7	62.2
CEPS	42.2	44.3	53.4	68.9
BVPS	134.8	162.4	197.9	247.1
FCF	(0.8)	54.7	17.8	29.7
DPS	7.5	10.0	11.0	13.0
Return Ratio(%)				
RoCE	27.0	22.5	23.7	24.7
ROIC	20.1	14.9	16.7	18.4
RoE	31.7	26.4	26.5	28.0
Balance Sheet				
Net Debt : Equity (x)	0.3	0.4	0.5	0.4
Net Working Capital (Days)	142	131	133	129
Valuation(x)				
PER	92.8	90.0	74.1	56.8
P/B	26.2	21.8	17.9	14.3
P/CEPS	83.8	79.8	66.2	51.3
EV/EBITDA	65.9	64.2	49.5	39.3
EV/Sales	8.3	6.8	5.6	4.7
Dividend Yield (%)	0.2	0.3	0.3	0.4

Source: Company Data, PL Research

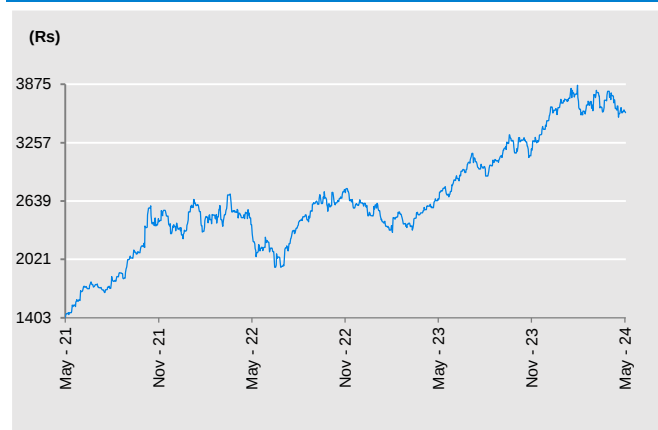
Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	1,11,450	1,16,600	1,30,520	1,12,570
YoY gr. (%)	24.4	33.6	20.0	16.0
Raw Material Expenses	88,050	90,500	1,02,160	88,710
Gross Profit	23,400	26,100	28,360	23,860
Margin (%)	21.0	22.4	21.7	21.2
EBITDA	11,030	13,550	14,570	11,090
YoY gr. (%)	(5.2)	9.8	9.5	6.2
Margin (%)	9.9	11.6	11.2	9.9
Depreciation / Depletion	990	1,100	1,180	1,200
EBIT	10,040	12,450	13,390	9,890
Margin (%)	9.0	10.7	10.3	8.8
Net Interest	790	1,060	1,330	1,620
Other Income	990	1,220	1,390	1,500
Profit before Tax	10,240	12,610	13,450	9,770
Margin (%)	9.2	10.8	10.3	8.7
Total Tax	2,470	3,210	3,050	1,910
Effective tax rate (%)	24.1	25.5	22.7	19.5
Profit after Tax	7,770	9,400	10,400	7,860
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	7,770	9,400	10,400	7,860
YoY gr. (%)	(2.0)	9.7	9.4	7.1
Margin (%)	7.0	8.1	8.0	7.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	7,770	9,400	10,400	7,860
YoY gr. (%)	(2.0)	9.7	9.4	7.1
Margin (%)	7.0	8.1	8.0	7.0
Other Comprehensive Income	(10)	(120)	(10)	110
Total Comprehensive Income	7,760	9,280	10,390	7,970
Avg. Shares O/s (m)	890	890	890	890
EPS (Rs)	8.7	10.6	11.7	8.8

Source: Company Data, PL Research



Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Apr-24	Accumulate	3,817	3,682
2	01-Feb-24	Accumulate	3,671	3,627
3	08-Jan-24	Accumulate	3,640	3,706
4	03-Nov-23	Accumulate	3,387	3,275
5	07-Oct-23	Accumulate	3,312	3,310
6	21-Aug-23	Accumulate	3,300	3,050
7	02-Aug-23	Accumulate	3,240	2,977
8	12-Jul-23	Accumulate	3,242	3,088
9	06-Jul-23	BUY	3,242	3,106

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Reduce	2,698	2,857
2	Avenue Supermarts	BUY	4,704	4,716
3	Britannia Industries	Hold	5,157	4,793
4	Colgate Palmolive	Reduce	2,174	2,622
5	Dabur India	Accumulate	563	525
6	Emami	Accumulate	496	457
7	Hindustan Unilever	Accumulate	2,543	2,260
8	ITC	Accumulate	488	426
9	Jubilant FoodWorks	Hold	507	448
10	Kansai Nerolac Paints	Reduce	288	281
11	Marico	Hold	554	510
12	Metro Brands	Hold	1,063	1,038
13	Mold-tek Packaging	Hold	891	871
14	Nestle India	Accumulate	2,695	2,563
15	Pidilite Industries	Accumulate	2,764	3,019
16	Restaurant Brands Asia	Accumulate	137	101
17	Titan Company	Accumulate	3,817	3,682
18	Westlife Foodworld	Hold	820	814

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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