

04 August 2024

India | Equity Research | Q1FY25 results review

## Titan Company

Consumer Staples &amp; Discretionary

### Outlier quarter

Titan's domestic jewellery business had an abnormally weak quarter (LFL and revenue growth of 3% and 8% YoY respectively) due to external headwinds of steep gold price inflation, lower number of wedding days, election-led restrictions in its core markets while it had a significantly better performance in south (+16% YoY). Customs duty cut is likely to have long-term benefits of accelerating industry formalisation. That said, the current phase appears to have hit an airpocket [formalisation gains accruing more to competition, necessity to choose revenue OR margins, new city addition driven expansion [opportunity] in India is largely done with, for now etc.]. Portfolio play (Mia (<5% contribution to domestic jewellery) and Caratlane) in jewellery shall accelerate. Positively, it maintains EBITDA margin guidance of 11.5-12.5%. Maintain **HOLD**.

### Revenue growth below aspirations impacted by external headwinds and aggressive expansion by competition

Consolidated sales grew 13% YoY to INR 122bn. Jewellery revenue stood at INR 108bn (+10% YoY). In Jewellery, domestic business grew 8% YoY to INR 96bn driven by 3% LFL growth in secondary. Key factors that impacted revenue growth: 1) 20% YoY rise in the gold price, 2) election-led restrictions in several markets, 3) few wedding dates; revenue from wedding sales grew 5% YoY, 4) heat wave across the country which impacted customer footfalls.

Other key highlights; (1) Buyer growth during the quarter was 2% YoY, while new buyer contribution (in jewellery segment) stood at healthy 45%. (2) Average spends per buyer grew 6% YoY. (3) Revenue from studded jewellery grew 6% YoY. (4) Studded revenue share was stable at 26%. (4) CaratLane continues to deliver healthy growth trends with revenue of INR7.5bn (+18% YoY) with 5% EBIT margin.

Store addition; it added 12 stores in Tanishq (total 491 – including 11 stores in GCC, 4 stores in US and 1 store in Singapore), 19 Mia stores (197 – including one store in GCC), 3 CaratLane stores (275) and 3 Zoya stores (11).

### Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	3,83,670	4,69,680	5,52,077	6,48,786
EBITDA	48,790	52,920	61,522	73,281
EBITDA Margin (%)	12.7	11.3	11.1	11.3
Net Profit	32,740	34,690	39,761	49,019
EPS (Rs)	36.9	39.1	44.8	55.2
EPS % Chg YoY	45.4	6.0	14.6	23.3
P/E (x)	93.9	88.6	77.3	62.7
EV/EBITDA (x)	63.2	59.3	50.8	42.4
RoCE (%)	27.3	22.6	22.2	22.9
RoE (%)	30.8	32.6	37.2	35.3

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#### Market Data

Market Cap (INR)	3,074bn
Market Cap (USD)	36,699mn
Bloomberg Code	TTAN IN
Reuters Code	TITN.BO
52-week Range (INR)	3,887 / 2,882
Free Float (%)	47.0
ADTV-3M (mn) (USD)	70.9

Price Performance (%)	3m	6m	12m
Absolute	(3.0)	(4.2)	16.3
Relative to Sensex	(12.6)	(17.0)	(6.9)

Earnings Revisions (%)	FY25E	FY26E
Revenue	-	-
EBITDA	1.4	2.0
EPS	(0.9)	(0.3)

#### Previous Reports

02-06-2024: [Company Update](#)

05-05-2024: [Q4FY24 results review](#)

Revenue from watches grew 14% YoY led by outperformance in the analog segment (17% YoY, ~87% contribution). In analog watches, Fastrack brand reported 25% YoY growth (16% YoY volume) while Titan brand grew 16% YoY and Helios grew 8% YoY. Titan World reported 13% YoY secondary retail revenue growth led by 9% YoY L2L. Wearable segment underperformed: 6% decline in revenue growth impacted by continuously falling average selling price. It added 17 new stores in 1QFY25 taking the total EBO count to 1,137.

Eyewear business revenue grew 3% YoY at INR 2 bn led by 10% growth in volume. Titan Eye Plus secondary sales reported 7% YoY growth L2L. Revenue from value segment grew 10% YoY in Titan Eye Plus retail network (85% revenue contribution). Revenue from trade channel (6% revenue contribution) declined 47% YoY. Number of buyers grew 8% YoY while average selling price declined 4% YoY. It has added 3 net new stores during the quarter; EOP 905 stores.

### **Stable operating margin in jewellery business**

EBIT margin remained stable YoY at 10.7%. It has expanded marginally by 15bps YoY to 11.2% in Jewellery segment led by stable margin and overall cost optimisation. EBIT margin has contracted marginally by 20bps YoY in Watches segment but sharply by 768 bps YoY in Eyecare (impact of higher ad-spends; +24%YoY) while average selling price continues to decline. Adjusted PAT declined 1% YoY to INR 7.7bn. Management maintains its previous guidance of 11.5-12.5% EBITDA margin in Jewellery business despite rise in the competitive intensity. It indicated it is likely to increase ad-spends in a few markets given the higher competitive intensity. It further highlighted one-time impact of ~INR 5-5.5bn due to cut in customs duty.

### **Valuation and risks**

We largely maintain our FY25E-26E earnings estimates; modelling revenue / EBITDA / PAT CAGR of 18 / 18 / 18 (%) over FY24-26E. Maintain HOLD with a DCF-based revised target price of INR 3,300 (vs INR 3,200 previously). Key upside risk is gold price volatility leading to lower competitive activity. Key downside risk is worsening of macro environment leading to demand slowdown.

**Exhibit 1: Q1FY25 results review (Standalone – Reported)**

(INR mn)	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
<b>Net Revenues</b>	<b>1,11,450</b>	<b>1,02,070</b>	<b>9</b>	<b>1,01,300</b>	<b>10</b>
COGS	(86,200)	(78,670)	10	(77,440)	11
<b>Gross profit</b>	<b>25,250</b>	<b>23,400</b>	<b>8</b>	<b>23,860</b>	<b>6</b>
Staff cost	(4,160)	(3,700)	12	(3,750)	11
A&SP	(2,020)	(2,070)	(2)	(1,810)	12
Other opex	(6,960)	(6,600)	5	(7,210)	(3)
<b>Total opex</b>	<b>(13,140)</b>	<b>(12,370)</b>	<b>6</b>	<b>(12,770)</b>	<b>3</b>
<b>EBITDA</b>	<b>12,110</b>	<b>11,030</b>	<b>10</b>	<b>11,090</b>	<b>9</b>
Other income	1,180	990	19	1,500	(21)
Finance cost	(1,820)	(790)	130	(1,620)	12
D&A	(1,260)	(990)	27	(1,200)	5
<b>PBT</b>	<b>10,210</b>	<b>10,240</b>	<b>(0)</b>	<b>9,770</b>	<b>5</b>
Tax	(2,510)	(2,470)	2	(1,910)	31
<b>Recurring PAT</b>	<b>7,700</b>	<b>7,770</b>	<b>(1)</b>	<b>7,860</b>	<b>(2)</b>
Extraordinary items	-	-	-	-	-
<b>Net profit (reported)</b>	<b>7,700</b>	<b>7,770</b>	<b>(1)</b>	<b>7,860</b>	<b>(2)</b>
<b>EPS</b>	<b>8.7</b>	<b>8.8</b>	<b>(1)</b>	<b>8.9</b>	<b>(2)</b>
<b>Costs as a % of sales</b>					
COGS	77.3	77.1	26 bps	76.4	89 bps
<b>Gross margin (%)</b>	<b>22.7</b>	<b>22.9</b>	<b>-27 bps</b>	<b>23.6</b>	<b>-90 bps</b>
Staff cost	3.7	3.6	10 bps	3.7	3 bps
A&SP	1.8	2.0	-22 bps	1.8	2 bps
Other opex	6.2	6.5	-23 bps	7.1	-88 bps
<b>EBITDA margin (%)</b>	<b>10.9</b>	<b>10.8</b>	<b>5 bps</b>	<b>10.9</b>	<b>-9 bps</b>
Income tax rate (%)	24.6	24.1	46 bps	19.5	503 bps

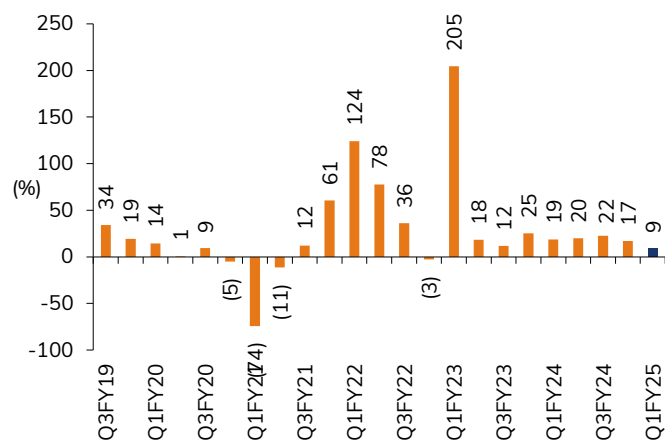
Source: Company data, I-Sec research

**Exhibit 2: Q1FY25 segment performance (Reported)**

(INR mn)	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
<b>Revenues</b>					
Jewellery	98,790	90,700	9	89,980	10
Watches	10,210	8,900	15	9,400	9
Eyewear	2,090	2,030	3	1,660	26
Others/ Corporate	1,540	1,430	8	1,760	(13)
<b>Total Standalone</b>	<b>1,12,630</b>	<b>1,03,060</b>	<b>9</b>	<b>1,02,800</b>	<b>10</b>
Bullion Sales	<b>10,780</b>	4,820	124	11,270	(4)
CaratLane	7,540	6,400	18	7,480	1
TEAL	1,970	610	223	3,730	(47)
Others/ Consol Adj	940	670	40	1,260	(25)
<b>Total Consolidated</b>	<b>1,33,860</b>	<b>1,20,120</b>	<b>11</b>	<b>1,26,540</b>	<b>6</b>
<b>EBIT</b>					
Jewellery	11,030	9,990	10	10,890	1
Watches	1,150	1,020	13	800	44
Eyewear	200	350	(43)	80	150
Others/ Corporate	(350)	(330)	6	(380)	(8)
<b>Total Standalone</b>	<b>12,030</b>	<b>11,030</b>	<b>9</b>	<b>11,390</b>	<b>6</b>
CaratLane	380	350	9	520	(27)
TEAL	110	(110)	(200)	640	(83)
Others/ Consol Adj	(490)	(160)	206	(630)	(22)
<b>Total Consolidated</b>	<b>12,030</b>	<b>11,110</b>	<b>8</b>	<b>11,920</b>	<b>1</b>
<b>EBIT margin (%)</b>					
Jewellery	11.2	11.0	15 bps	12.1	-94 bps
Watches	11.3	11.5	-20 bps	8.5	275 bps
Eyewear	9.6	17.2	-768 bps	4.8	475 bps
<b>Total Standalone</b>	<b>10.7</b>	<b>10.7</b>	<b>-3 bps</b>	<b>11.1</b>	<b>-40 bps</b>
CaratLane	5.0	5.5	-43 bps	7.0	-192 bps
TEAL	5.6	(18.0)	2361 bps	17.2	-1158 bps
<b>Total Consolidated</b>	<b>9.0</b>	<b>9.2</b>	<b>-27 bps</b>	<b>9.4</b>	<b>-44 bps</b>

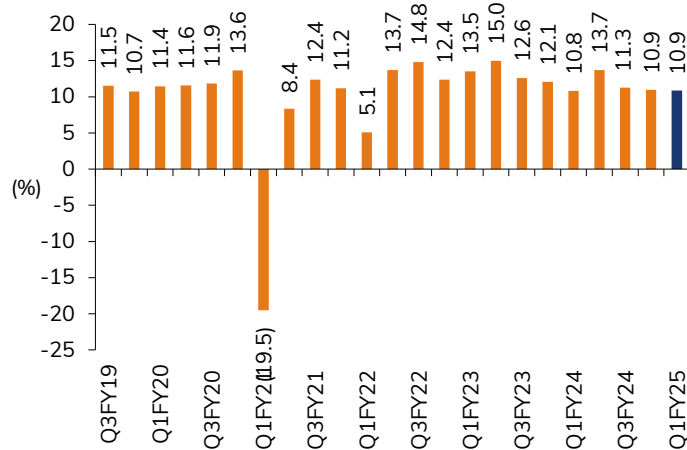
Source: Company data, I-Sec research

Exhibit 3: Revenue growth



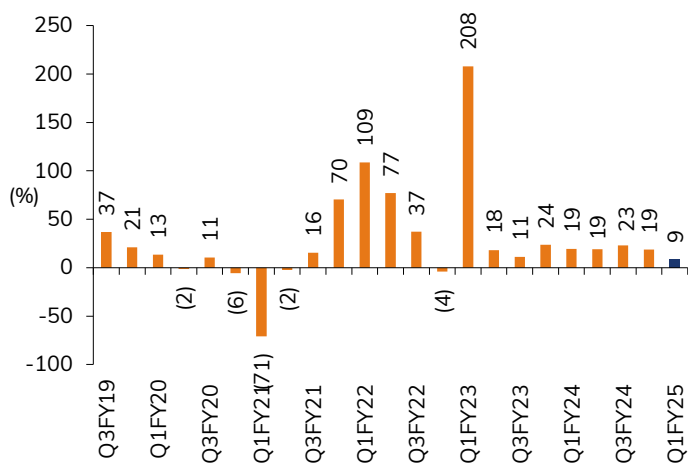
Source: Company data, I-Sec research

Exhibit 4: EBITDA margin



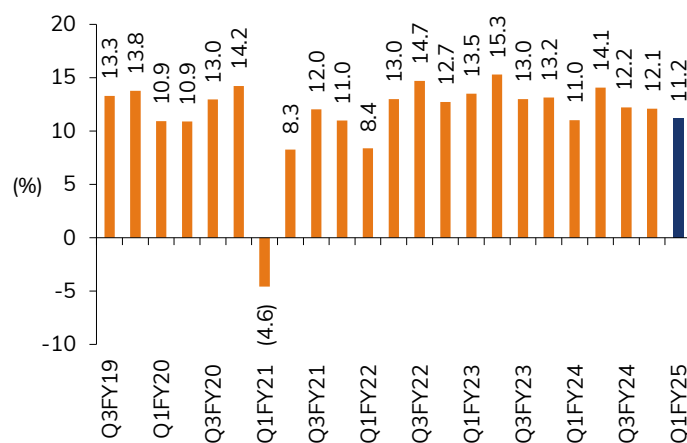
Source: Company data, I-Sec research

Exhibit 5: Jewellery revenue growth



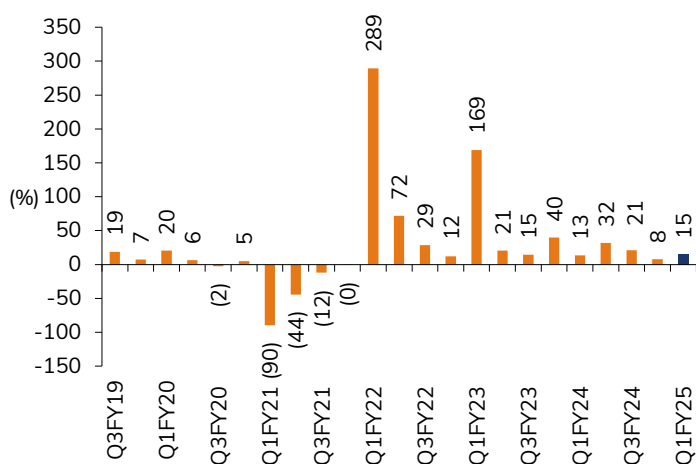
Source: Company data, I-Sec research

Exhibit 6: Jewellery EBIT margin



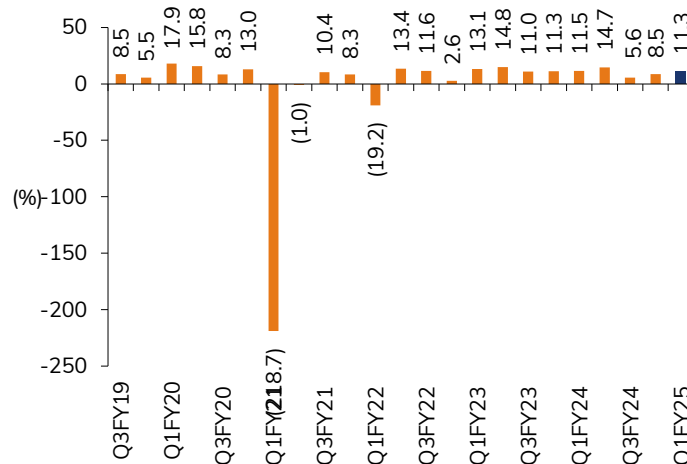
Source: Company data, I-Sec research

Exhibit 7: Watches revenue growth

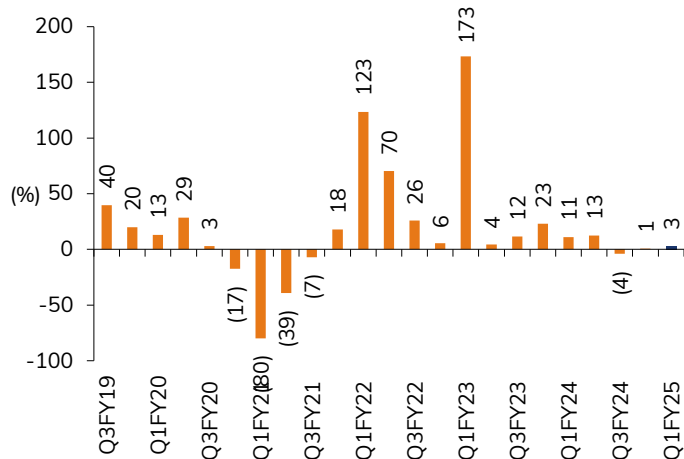


Source: Company data, I-Sec research

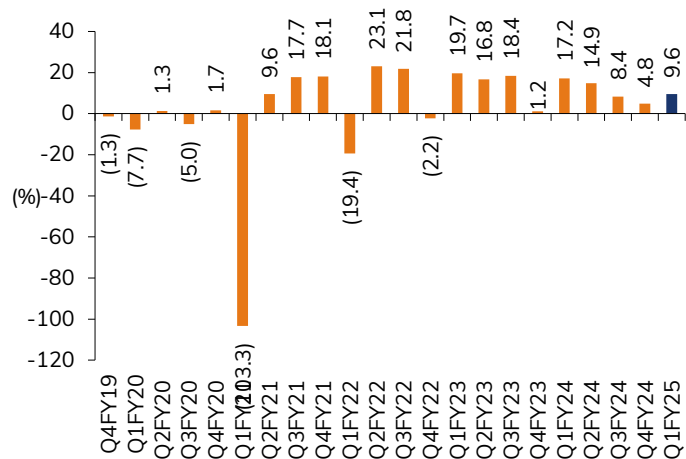
Exhibit 8: Watches EBIT margin



Source: Company data, I-Sec research

**Exhibit 9: Eyewear revenue growth**

Source: Company data, I-Sec research

**Exhibit 10: Eyewear EBIT margin**

Source: Company data, I-Sec research

**Exhibit 11: Shareholding pattern**

%	Dec'23	Mar'24	Jun'24
Promoters	52.9	52.9	52.9
Institutional investors	29.3	29.5	29.1
MFs and other	6.5	6.5	6.7
FIs/ Banks	0.0	0.0	0.1
Insurance Cos.	3.7	3.8	3.9
FIIIs	19.1	19.2	18.4
Others	17.8	17.6	18.0

Source: Bloomberg, I-Sec research

**Exhibit 12: Price chart**

Source: Bloomberg, I-Sec research

## Financial Summary

### Exhibit 13: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	3,83,670	4,69,680	5,52,077	6,48,786
<b>Operating Expenses</b>	<b>3,34,880</b>	<b>4,16,760</b>	<b>4,90,555</b>	<b>5,75,505</b>
EBITDA	48,790	52,920	61,522	73,281
<b>EBITDA Margin (%)</b>	<b>12.7</b>	<b>11.3</b>	<b>11.1</b>	<b>11.3</b>
Depreciation & Amortization	4,410	5,840	6,791	7,596
EBIT	44,380	47,080	54,731	65,685
Interest expenditure	3,000	6,190	7,959	8,253
Other Non-operating Income	3,080	5,330	6,363	8,075
Recurring PBT	44,460	46,220	53,136	65,507
<b>Profit / (Loss) from Associates</b>	<b>10</b>	-	-	-
<b>Less: Taxes</b>	<b>11,730</b>	<b>11,530</b>	<b>13,374</b>	<b>16,488</b>
PAT	32,730	34,690	39,761	49,019
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	(5,000)	-
Net Income (Reported)	32,740	34,690	34,761	49,019
<b>Net Income (Adjusted)</b>	<b>32,740</b>	<b>34,690</b>	<b>39,761</b>	<b>49,019</b>

Source Company data, I-Sec research

### Exhibit 14: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	2,03,210	2,40,930	2,90,603	3,53,975
of which cash & cash eqv.	13,430	15,260	25,344	42,249
Total Current Liabilities & Provisions	1,07,300	1,16,130	1,36,337	1,60,027
<b>Net Current Assets</b>	<b>95,910</b>	<b>1,24,800</b>	<b>1,54,266</b>	<b>1,93,948</b>
Investments	25,150	23,450	23,450	23,450
Net Fixed Assets	13,440	17,380	12,797	7,537
ROU Assets	12,850	15,430	15,430	15,430
Capital Work-in-Progress	1,330	880	880	880
Total Intangible Assets	3,800	4,370	4,370	4,370
Long Term Loans & Advances	8,140	10,570	10,570	10,570
Deferred Tax assets	1,580	1,870	1,870	1,870
<b>Total Assets</b>	<b>1,62,200</b>	<b>1,98,750</b>	<b>2,23,633</b>	<b>2,58,055</b>
<b>Liabilities</b>				
<b>Borrowings</b>	<b>21,950</b>	<b>78,380</b>	<b>77,380</b>	<b>73,880</b>
<b>Deferred Tax Liability</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>
Provisions	2,400	2,740	2,740	2,740
Other Liabilities	50	180	180	180
Equity Share Capital	890	890	890	890
Reserves & Surplus	1,18,150	93,040	1,18,923	1,56,845
<b>Total Net Worth</b>	<b>1,19,040</b>	<b>93,930</b>	<b>1,19,813</b>	<b>1,57,735</b>
Minority Interest	-	-	-	-
<b>Total Liabilities</b>	<b>1,62,200</b>	<b>1,98,750</b>	<b>2,23,633</b>	<b>2,58,055</b>

Source Company data, I-Sec research

### Exhibit 15: Quarterly trend

(INR mn, year ending March)

	Sep-23	Dec-23	Mar-24	Jun-24
Net Sales	99,050	1,29,320	1,01,300	1,11,450
% growth (YOY)	20.1	22.5	17.1	9.2
EBITDA	13,550	14,570	11,090	12,110
Margin %	13.7	11.3	10.9	10.9
Other Income	1,220	1,390	1,500	1,180
Extraordinaries	-	-	-	-
Adjusted Net Profit	9,400	10,400	7,860	7,700

Source Company data, I-Sec research

### Exhibit 16: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Operating Cashflow</b>	<b>13,700</b>	<b>16,950</b>	<b>28,766</b>	<b>34,016</b>
Working Capital Changes	(24,130)	(25,360)	(19,383)	(22,777)
Capital Commitments	(4,320)	(6,910)	(2,208)	(2,336)
<b>Free Cashflow</b>	<b>9,380</b>	<b>10,040</b>	<b>26,557</b>	<b>31,681</b>
<b>Other investing cashflow</b>	<b>(13,790)</b>	<b>5,020</b>	<b>6,363</b>	<b>8,075</b>
Cashflow from Investing Activities	(18,110)	(1,890)	4,154	5,739
Issue of Share Capital	-	(51,330)	-	-
Interest Cost	(3,000)	(6,190)	(7,959)	(8,253)
Inc (Dec) in Borrowings	16,770	56,290	(1,000)	(3,500)
Dividend paid	(6,660)	(8,880)	(8,878)	(11,098)
Others	(2,540)	(3,180)	-	-
Cash flow from Financing Activities	4,570	(13,290)	(17,837)	(22,850)
<b>Chg. in Cash &amp; Bank balance</b>	<b>160</b>	<b>1,770</b>	<b>15,084</b>	<b>16,906</b>
Closing cash & balance	2,350	4,090	19,234	31,139

Source Company data, I-Sec research

### Exhibit 17: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Per Share Data (INR)</b>				
Reported EPS	36.9	39.1	44.8	55.2
Adjusted EPS (Diluted)	36.9	39.1	44.8	55.2
Cash EPS	41.8	45.7	52.4	63.8
Dividend per share (DPS)	10.0	-	10.0	12.5
Book Value per share (BV)	134.1	105.8	135.0	177.7
Dividend Payout (%)	27.1	-	22.3	22.6
<b>Growth (%)</b>				
Net Sales	33.2	22.4	17.5	17.5
EBITDA	46.0	8.5	16.3	19.1
EPS (INR)	45.4	6.0	14.6	23.3
<b>Valuation Ratios (x)</b>				
P/E	93.9	88.6	77.3	62.7
P/CEPS	82.7	75.8	66.0	54.3
P/BV	25.8	32.7	25.7	19.5
EV / EBITDA	63.2	59.3	50.8	42.4
P / Sales	8.0	6.5	5.6	4.7
Dividend Yield (%)	0.3	-	0.3	0.4
<b>Operating Ratios</b>				
Gross Profit Margins (%)	26.6	24.8	23.6	23.9
EBITDA Margins (%)	12.7	11.3	11.1	11.3
Effective Tax Rate (%)	26.4	24.9	25.2	25.2
Net Profit Margins (%)	8.5	7.4	7.2	7.6
Net Debt / Equity (x)	0.1	0.7	0.4	0.2
Net Debt / EBITDA (x)	0.2	1.2	0.8	0.4
Fixed Asset Turnover (x)	18.6	19.1	19.4	21.1
Working Capital Days	102	105	100	99
Inventory Turnover Days	180	163	160	160
Receivables Days	7	9	9	9
Payables Days	13	12	12	12
<b>Profitability Ratios</b>				
RoCE (%)	27.3	22.6	22.2	22.9
RoE (%)	30.8	32.6	37.2	35.3
RoIC (%)	35.9	29.9	29.0	31.3

Source Company data, I-Sec research



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