

November 5, 2024

Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ☑ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		ACCUMULATE	
Target Price	3,782		3,969	
Sales (Rs. m)	6,53,572	7,46,695	6,53,572	7,46,695
% Chng.	-	-	-	-
EBITDA (Rs. m)	72,973	85,315	74,248	88,769
% Chng.	(1.7)	(3.9)	-	-
EPS (Rs.)	54.1	64.0	55.2	67.1
% Chng.	(2.1)	(4.6)	-	-

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	472	549	654	747
EBITDA (Rs. bn)	50	58	73	85
Margin (%)	10.5	10.6	11.2	11.4
PAT (Rs. bn)	35	37	48	57
EPS (Rs.)	39.3	41.3	54.1	64.0
Gr. (%)	3.2	5.2	30.9	18.4
DPS (Rs.)	10.0	11.0	13.0	16.0
Yield (%)	0.3	0.3	0.4	0.5
RoE (%)	26.4	23.8	26.3	25.6
RoCE (%)	22.5	21.5	23.2	23.8
EV/Sales (x)	6.2	5.4	4.5	4.0
EV/EBITDA (x)	58.8	51.0	40.6	34.6
PE (x)	82.2	78.2	59.7	50.4
P/BV (x)	19.9	17.5	14.3	11.8

Key Data

TITN.BO | TTAN IN

52-W High / Low	Rs.3,887 / Rs.3,056
Sensex / Nifty	79,477 / 24,213
Market Cap	Rs.2,868bn / \$ 34,095m
Shares Outstanding	888m
3M Avg. Daily Value	Rs.4170.64m

Shareholding Pattern (%)

Promoter's	52.90
Foreign	17.32
Domestic Institution	11.47
Public & Others	18.22
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(12.0)	(8.6)	(1.4)
Relative	(9.5)	(15.0)	(20.1)

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2H outlook remains strong; Upgrade to Buy

Quick Pointers:

- Jewellery demand strong in October; FY25 EBIT margin guidance maintained at 11-11.5% (ex of custom duty impact), margins to bounce back in FY26
- Watch has strong momentum, Eyewear facing competitive pressures

Titan reported healthy growth across segment except eyewear led by 1) 10% custom duty cut boosted jewellery sales. 2) Strong demand in watches & wearables and 3) healthy response in sub 2 lakh jewellery (Caratlane and Mia). TTAN is investing for accelerating growth by increased advertising and consumer activations along with exchange schemes, which bodes well for 2H demand. Worst seems over as demand trends in October remain strong across segments, moreover higher share of wedding jewellery and lower studded jewellery in base will also support margins.

TTAN's strategy of creating multiple growth levers is intact as 1) jewellery sub brands like Mia and Caratlane are creating a strong niche. 2) Premiumisation and focus on analog watches and 3) steady scalability in Taneira. TTAN trades at 47.2x FY27E EPS with 18.2% EPS CAGR over FY24-27 even as cut EPS by 2/4.6% for FY26/27. We assign DCF based target price of Rs3782 (Rs3969 earlier). We believe that the stock offers favorable risk reward post steep correction recently. Upgrade to Buy.

Standalone Revenues grew 13.3% YoY to Rs132.2bn. Gross margins contracted by 297bps YoY/153bps QoQ to 19.4%. EBITDA declined by 16.4% YoY to Rs11.3bn. Margins contracted by 305bps YoY/147bps QoQ to 8.6%. Adj. PAT declined by 25% YoY to Rs7.1bn (PL: Rs9.4bn). Caratlane clocked Revenue/PBT of Rs8.2bn/Rs580mn. Standalone EBITDA margin ex-rate cut impact came at 10.8% a decline of ~90 bps vs 11.6% in Q2FY24 led by demand pressure in high value studded jewellery and rising gold prices

Jewellery revenues grew by 25.5% YoY to Rs10.7bn; EBIT declined by 22.7% YoY to Rs9.3bn; margins contracted by 540bps YoY to 8.7%. Ex bullion sales and one time custom duty loss of Rs2.9bn, margins declined 270bps YoY. Studded ratio was at 30% down 3pc YoY. Tanishq added 12 stores, taking total count to 502 stores. New Buyer saw double digit growth. International expansion continues with focus shifting to non- Indian diaspora catchments. 3Q sales momentum in festival and wedding season remains strong.

Watches and Wearables revenues grew by 19.1% YoY to Rs10.9bn; EBIT increased by 21.3% YoY to Rs1.6bn; margins contracted by 26bps YoY to 14.7%. Premium brands continued their strong performance with brand Titan and Helios, growing at ~32%/~43% while Wearables saw strong double digit volume growth.

Eyewear revenues grew by 6.9% YoY to Rs2.01bn; EBIT declined by 14.3% YoY to Rs240mn; margins contracted by 295bps YoY to 14.9%. Added 3 new stores (net) in 2Q25, reached total count to 904 stores. Frames and Lenses saw healthy

double-digit growth in volumes that was partly offset by decline in Sunglasses due to seasonality.

Fragrances grew 19% YoY while women handbags grew 14%, **Taneira** sales grew 12% YoY led by growth from new stores (4 new stores added in 2Q)

Key Concall Highlights: 1) Jewellery demand in Q2 remained healthy amid cuts in custom duty, however last 15 days of September were tepid due to shradh. 2) Wedding & festive demand in October remains healthy and entire 3Q is expect to see healthy demand scenario. 3) Jewellery EBIT margin saw a dip of 270bps led by 3% lower share in studded jewellery and rising gold prices. 4) Higher carat solitaire continue to see pressure due to price uncertainty, while sub 1 lakh solitaire jewellery continue to see traction. 5) Lab grown diamond has demand in sub 1 lakh jewelry but not seeing any traction in higher ticket size jewellery. 6) Tanishq/Caratlane/Mia to see store count reaching ~524/320/250 by end of FY25. 7) FY25 margin guidance intact at 11-11.5% while for FY26 it might go to 11.5-12.5% led by improving mix and focus on high value studded jewellery. 8) TEAL & Caratlane are performing well with growth to be funded by internal cash generation and borrowings. 9) Analog saw strong growth in Q2 led by premiumisation and expect this momentum to carry forward in medium term.

Exhibit 1: Revenue grew by 13.3% YoY; Margins contract by ~90bps YoY (ex-Custom duty impact)

Y/e March (Rs mn)	Q2FY25	Q2FY24	YoY gr. (%)	Q1FY25	1HFY25	1HFY24	YoY gr. (%)
Net Sales	1,32,150	1,16,600	13.3	1,20,530	2,52,680	2,48,750	1.6
Gross Profit	28,550	26,100	9.4	25,250	53,800	54,650	(1.6)
% of NS	21.6	22.4	(0.8)	20.9	21.3	22.0	(0.7)
Advt & Sales Pro	2,500	2,050	22.0	2,020	4,520	4,550	(0.7)
% of NS	1.9	1.8	0.1	1.7	1.8	1.8	(0.0)
Total Expenses	1,17,920	1,03,050	14.4	1,08,420	2,26,340	2,20,970	2.4
% of NS	89.2	88.4	0.9	90.0	89.6	88.8	0.7
EBITDA	14,230	13,550	5.0	12,110	26,340	27,780	(5.2)
Margins %	10.8	11.6	(0.9)	10.0	10.4	11.2	(0.7)
Depreciation	1,320	1,100	20.0	1,260	2,580	2,420	6.6
Interest	1,950	1,060	84.0	1,820	3,770	3,010	25.2
Other Income	1,270.0	1,220.0	4.1	1,180.0	2,450.0	2,490.0	(1.6)
PBT	12,230	12,610	(3.0)	10,210	22,440	24,840	(9.7)
Tax	3,005	3,210	-6	2,510	5,515	6,215	-11
Tax rate %	24.6	25.5	(0.9)	24.6	24.6	25.0	(0.4)
Adjusted PAT	9,225	9,400	(1.9)	7,700	16,925	18,625	(9.1)

Source: Company, PL

Exhibit 2: Strong double digit across businesses, eyewear remains under pressure

(Rs m)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Total Sales	87,540	109,070	97,440	111,770	1,17,030	1,29,700	1,13,280	1,20,970	1,32,550
Watches	8,290	8,110	8,710	8,900	10,920	9,820	9,400	10,210	13,010
YoY Growth	20.7%	14.5%	40.0%	13.4%	31.7%	21.1%	7.9%	14.7%	19.1%
Jewellery	76,850	98,330	86,310	100,080	1,03,300	1,17,090	1,01,250	1,07,870	1,16,470
YoY Growth	22.0%	14.1%	32.6%	25.8%	34.4%	19.1%	17.3%	7.8%	12.7%
Eyewear	1670	1,740	1,650	2030	1880	1670	1660	2090	2010
YoY Growth	4.4%	11.5%	23.1%	10.9%	12.6%	-4.0%	0.6%	3.0%	6.9%
Others	730	890	770	760	930	1,120	970	800	1,060
YoY Growth	58.7%	71.2%	83.3%	35.7%	27.4%	25.8%	26.0%	5.3%	14.0%
Total EBIT	12,360	13,400	10,640	11,090	13,700	14,810	11,550	12,120	11,210
Watches	1,230	890	980	1,020	1,600	550	800	1,150	1,940
YoY Growth	33.7%	8.5%	1080%	-1.0%	30.1%	-38.2%	-18.4%	12.7%	21.3%
EBIT Margin	14.8%	11.0%	11.3%	11.5%	14.7%	5.6%	8.5%	11.3%	14.9%
Jewellery	11,030	12,360	9,970	9,990	12,060	14,320	10,890	11,030	9,320
YoY Growth	39.1%	-1.9%	30.0%	-2.7%	9.3%	15.9%	9.2%	10.4%	-22.7%
EBIT Margin	14.4%	12.6%	11.6%	10.0%	11.7%	12.2%	10.8%	10.2%	8.0%
Eyewear	280	320	20	350	280	140	80	200	240
YoY Growth	-24.3%	-5.9%	125.0%	-2.8%	0.0%	-56.3%	300.0%	-42.9%	-14.3%
EBIT Margin	16.8%	18.4%	1.2%	17.2%	14.9%	8.4%	4.8%	9.6%	11.9%
Others	(180)	(170)	(330)	(270)	(240)	(200)	(220)	(260)	(290)

Source: Company, PL

Exhibit 3: LTL growth at 15%, studded share at 30% down 3pc YoY

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Jewellery									
Volume Gr %	3	1	10	4	6	-6	-2	-17	-5
Studded Share %	32	26	33	26	33	24	33	26	30
Sales Gr %	22.0%	14.1%	32.6%	25.8%	34.4%	19.1%	17.3%	23.7%	12.7%
Tanishq									
Sales Gr %	13	14	25	22	27.0	16.0	19.0	8.0	21.0
LTL Growth %	9	9	19	22	22.0	10.0	14.0	3.0	15.0
Stores	403	411	423	433	445	466	479	490	502
Area (sq. Ft)	1,570,000	1,640,000	1,740,000	1,800,000	1880000	2010000	2080000	2160000	2250000
Caratline									
Sales	4,480	6,770	5,800	6,400	6,480	8,930	7,480	7,540	8,290
Sales Gr %	52.9	51.5	58.9	32.8	44.6	31.9	29.0	17.8	27.9
EBIT	290	640	400	350	260	820	520	380	580
EBIT Margin %	6.5	9.5	6.9	5.5	4.0	9.2	7.0	5.0	7.0
Stores	157	175	222	233	246	262	272	275	286
Area (Sq Ft)	161000	191000	274000	293000	324000	349000	370000	375000	388000

Source: Company, PL

Exhibit 4: Watches sales up 19%, strong growth witnessed across brands (ex Fastrack)

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Watches									
Sales Growth %	20.7	14.5	40.0	13.4	22.0	22.0	9.0	12.0	19.0
Volume Growth %	1	3	31	NA	NA	NA	NA	NA	NA
World Of Titan									
Sales Growth %	31	14	18	8	8	7	12	13	15
LTL Sales growth %	26	8	11	2	2	3	7	9	11
Stores	577	601	622	636	646	655	665	670	688
Helios									
Sales Growth %	46	32	45	33	38	36	30	24	43
LTL Sales growth %	27	11	21	13	18	20	14	11	28
Stores	165	182	198	207	212	223	237	225	227
Fastrack									
Sales Growth %	26	19	11	-4	5	-5	6	15	14
LTL Sales growth %	26	18	8	-11	-7	-13	-4	5	5
Stores	163	170	185	188	193	198	218	242	256
LFS									
Sales Growth %	63	20	42	33	15	14	4	5	11
LTL Sales growth %	52	25	37	13	4	12	-8	-7	3

Source: Company, PL

Exhibit 5: Eyewear saw LTL growth of 3%

Eyewear	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Sales Gr %	12	14	22	13	12	0	4	3	5
LTL Growth % (Titan Eye+)	1	1	10	3	0	-6	0	7	3
Stores	822	858	901	908	913	905	898	901	904
Area (sq Ft)	5,04,000	5,25,000	5,59,800	5,64,600	5,72,500	5,70,000	5,73,000	5,75,000	5,79,000

Source: Company PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	4,71,784	5,49,103	6,53,572	7,46,695
YoY gr. (%)	23.1	16.4	19.0	14.2
Cost of Goods Sold	3,77,819	4,22,294	4,92,810	5,63,237
Gross Profit	93,965	1,26,809	1,60,762	1,83,458
Margin (%)	19.9	23.1	24.6	24.6
Employee Cost	15,030	19,194	22,521	25,731
Other Expenses	12,949	21,717	27,801	33,896
EBITDA	49,764	58,085	72,973	85,315
YoY gr. (%)	3.1	16.7	25.6	16.9
Margin (%)	10.5	10.6	11.2	11.4
Depreciation and Amortization	4,470	5,100	5,952	6,972
EBIT	45,294	52,985	67,021	78,342
Margin (%)	9.6	9.6	10.3	10.5
Net Interest	4,800	6,234	4,248	4,003
Other Income	5,100	2,296	1,412	1,654
Profit Before Tax	45,594	49,047	64,184	75,993
Margin (%)	9.7	8.9	9.8	10.2
Total Tax	10,630	12,262	16,046	18,998
Effective tax rate (%)	23.3	25.0	25.0	25.0
Profit after tax	34,964	36,785	48,138	56,995
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	34,964	36,785	48,138	56,995
YoY gr. (%)	3.2	5.2	30.9	18.4
Margin (%)	7.4	6.7	7.4	7.6
Extra Ord. Income / (Exp)	-	(5,700)	-	-
Reported PAT	34,964	31,085	48,138	56,995
YoY gr. (%)	3.2	(11.1)	54.9	18.4
Margin (%)	7.4	5.7	7.4	7.6
Other Comprehensive Income	(30)	(30)	(30)	(30)
Total Comprehensive Income	34,934	31,055	48,108	56,965
Equity Shares O/s (m)	890	890	890	890
EPS (Rs)	39.3	41.3	54.1	64.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	24,345	28,679	34,384	41,211
Tangibles	22,010	26,605	32,119	38,737
Intangibles	2,335	2,074	2,265	2,474
Acc: Dep / Amortization	9,685	11,600	13,870	16,564
Tangibles	8,200	9,900	11,955	14,434
Intangibles	1,485	1,700	1,915	2,130
Net fixed assets	14,660	17,079	20,514	24,647
Tangibles	13,810	16,705	20,164	24,303
Intangibles	850	374	350	344
Capital Work In Progress	870	951	1,040	1,138
Goodwill	-	-	-	-
Non-Current Investments	69,110	71,445	73,970	76,709
Net Deferred tax assets	1,530	2,194	2,611	2,983
Other Non-Current Assets	15,520	18,648	21,084	23,820
Current Assets				
Investments	16,350	15,000	25,848	35,726
Inventories	1,68,740	2,04,651	2,36,246	2,70,190
Trade receivables	9,370	10,968	13,056	14,917
Cash & Bank Balance	8,050	4,263	(9,664)	(7,487)
Other Current Assets	12,900	13,728	16,339	18,667
Total Assets	3,28,620	3,69,908	4,14,115	4,76,244
Equity				
Equity Share Capital	890	890	890	890
Other Equity	1,43,680	1,63,848	2,00,386	2,43,111
Total Networth	1,44,570	1,64,738	2,01,276	2,44,001
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	33,770	8,565	4,243	4,848
Other non current liabilities	16,660	15,022	17,093	19,638
Current Liabilities				
ST Debt / Current of LT Debt	76,080	1,07,611	1,04,664	1,09,297
Trade payables	9,430	15,232	17,861	20,406
Other current liabilities	48,110	58,740	68,978	78,053
Total Equity & Liabilities	3,28,620	3,69,908	4,14,115	4,76,244

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	45,594	49,047	64,184	75,993
Add. Depreciation	4,470	5,100	5,952	6,972
Add. Interest	2,400	4,800	6,234	4,248
Less Financial Other Income	5,100	2,296	1,412	1,654
Add. Other	30,880	(31,735)	(6,368)	(1,412)
Op. profit before WC changes	83,344	27,212	70,003	85,802
Net Changes-WC	(16,330)	6,215	(23,313)	(25,620)
Direct tax	(10,630)	(12,262)	(16,046)	(18,998)
Net cash from Op. activities	56,384	21,165	30,644	41,184
Capital expenditures	(7,700)	(7,600)	(9,477)	(11,203)
Interest / Dividend Income	-	-	-	-
Others	(50,620)	(1,236)	(1,260)	(1,286)
Net Cash from Invst. activities	(58,320)	(8,835)	(10,737)	(12,488)
Issue of share cap. / premium	(1,434)	(6,827)	(30)	(30)
Debt changes	14,800	5,300	(16,000)	(8,000)
Dividend paid	(8,900)	(9,790)	(11,570)	(14,240)
Interest paid	(2,400)	(4,800)	(6,234)	(4,248)
Others	-	-	-	-
Net cash from Fin. activities	2,066	(16,117)	(33,834)	(26,518)
Net change in cash	130	(3,787)	(13,927)	2,177
Free Cash Flow	48,684	13,565	21,168	29,981

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	39.3	41.3	54.1	64.0
CEPS	44.3	47.1	60.8	71.9
BVPS	162.4	185.1	226.2	274.2
FCF	54.7	15.2	23.8	33.7
DPS	10.0	11.0	13.0	16.0
Return Ratio(%)				
RoCE	22.5	21.5	23.2	23.8
ROIC	14.9	15.1	16.8	17.5
RoE	26.4	23.8	26.3	25.6
Balance Sheet				
Net Debt : Equity (x)	0.4	0.5	0.4	0.3
Net Working Capital (Days)	131	133	129	129
Valuation(x)				
PER	82.2	78.2	59.7	50.4
P/B	19.9	17.5	14.3	11.8
P/CEPS	72.9	68.6	53.2	44.9
EV/EBITDA	58.8	51.0	40.6	34.6
EV/Sales	6.2	5.4	4.5	4.0
Dividend Yield (%)	0.3	0.3	0.4	0.5

Source: Company Data, PL Research

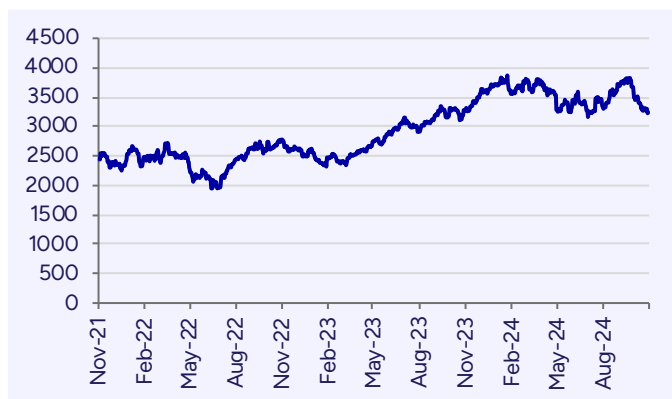
Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	1,30,520	1,12,570	1,20,530	1,11,450
YoY gr. (%)	20.0	16.0	8.1	(4.4)
Raw Material Expenses	1,02,160	88,710	95,280	88,050
Gross Profit	28,360	23,860	25,250	23,400
Margin (%)	21.7	21.2	20.9	21.0
EBITDA	14,570	11,090	12,110	11,030
YoY gr. (%)	9.5	6.2	9.8	(18.6)
Margin (%)	11.2	9.9	10.0	9.9
Depreciation / Depletion	1,180	1,200	1,260	990
EBIT	13,390	9,890	10,850	10,040
Margin (%)	10.3	8.8	9.0	9.0
Net Interest	1,330	1,620	1,820	790
Other Income	1,390	1,500	1,180	990
Profit before Tax	13,450	9,770	10,210	10,240
Margin (%)	10.3	8.7	8.5	9.2
Total Tax	3,050	1,910	2,510	2,470
Effective tax rate (%)	22.7	19.5	24.6	24.1
Profit after Tax	10,400	7,860	7,700	7,770
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	10,400	7,860	7,700	7,770
YoY gr. (%)	9.4	7.1	(0.9)	(17.3)
Margin (%)	8.0	7.0	6.4	7.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	10,400	7,860	7,700	7,770
YoY gr. (%)	9.4	7.1	(0.9)	(17.3)
Margin (%)	8.0	7.0	6.4	7.0
Other Comprehensive Income	(10)	110	(10)	(10)
Total Comprehensive Income	10,390	7,970	7,690	7,760
Avg. Shares O/s (m)	890	890	890	890
EPS (Rs)	11.7	8.8	8.7	8.7

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	Accumulate	3,969	3,670
2	02-Aug-24	Accumulate	3,958	3,462
3	09-Jul-24	Accumulate	3,545	3,269
4	31-May-24	Accumulate	3,578	3,242
5	04-May-24	Accumulate	3,767	3,534
6	09-Apr-24	Accumulate	3,817	3,682
7	01-Feb-24	Accumulate	3,671	3,627
8	08-Jan-24	Accumulate	3,640	3,706

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Reduce	2,605	3,073
2	Avenue Supermarts	Hold	4,748	4,573
3	Britannia Industries	Accumulate	6,397	6,206
4	Colgate Palmolive	Reduce	2,973	3,219
5	Dabur India	Hold	589	547
6	Emami	Hold	836	743
7	Hindustan Unilever	Hold	2,744	2,659
8	ITC	Accumulate	539	472
9	Jubilant FoodWorks	Hold	582	629
10	Kansai Nerolac Paints	Reduce	286	292
11	Marico	Accumulate	693	629
12	Metro Brands	Hold	1,208	1,165
13	Mold-tek Packaging	Accumulate	853	749
14	Nestle India	Accumulate	2,689	2,379
15	Pidilite Industries	Accumulate	3,339	3,122
16	Restaurant Brands Asia	Hold	109	92
17	Titan Company	Accumulate	3,969	3,670
18	Westlife Foodworld	Hold	797	802

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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