

Strong performance continues

Titan posted strong set of numbers with double digit revenue growth but miss on EBITDA margins mainly due to one time diamond inventory gain in Q1FY23 which got normalised.

- Revenue at ₹1,18,970 Mn vs ₹94,430 Mn (+21% YoY) vs ₹1,03,600 Mn (+18% QoQ) ||
- EBITDA at ₹11,250 Mn vs ₹11,960 Mn (-6% YoY) vs ₹10,890 Mn (+3% QoQ)
- EBITDA Margin at 9.46% vs 12.67% (YoY) vs 10.51% (QoQ)
- Adj PAT at ₹7,560 Mn vs ₹7,850 Mn (-4% YoY) vs ₹7,300 Mn (3% QoQ)
- EPS at ₹8.48 vs ₹8.8 (YoY) vs ₹8.2 (QoQ)

Segmentals

- Jewellery:**
 - Revenues grew by 28% YoY to Rs 1,06,960 mn,
 - EBIT margins 9.6% vs 12.6% YoY and 11.01% QoQ
 - Stores +18 in Q1FY24 || Total 559
- Watches:**
 - Revenues grew by 16 % YoY to Rs 9,130 mn
 - EBIT margins 11.1 % v/s 12.47 % YoY and 12% QoQ
 - Stores (fasttrack+WOT+Helios) +26 in Q1FY24 || Total 1031
- EyeWear**
 - Revenue grew by 11% YoY to Rs 2,030 mn
 - EBIT margins 17.2% v/s 19.67% YoY and 1.21% QoQ
 - Total 908 stores

Financial Summary

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net sales	216,450	287,990	405,750	489,740	586,291
EBIDTA	17,250	33,410	48,790	54,391	73,012
Margins (%)	8.0	11.6	12.0	11.1	12.5
Adjusted net profit	9,740	22,270	32,500	35,735	49,683
EPS (Rs)	10.9	25.0	36.5	40.2	55.8
P/E (x)	242.5	106.1	72.7	66.1	47.5
EV/EBITDA (x)	135.8	70.7	48.5	43.5	32.3
RoCE (%)	15.1	26.3	27.9	26.8	30.7
RoE (%)	13.0	23.9	27.4	24.9	27.9

Source: Company, Dalal & Broacha Research

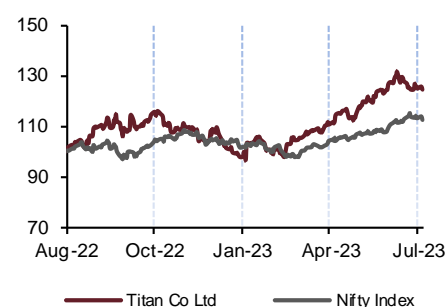
Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	3,070	3

Market data

Current price	Rs	2,977
Market Cap (Rs.Bn)	(Rs Bn)	2,643
Market Cap (US\$ Mn)	(US\$ Mn)	32,132
Face Value	Rs	1
52 Weeks High/Low	Rs	3211.1 / 2268.9
Average Daily Volume	('000)	630
BSE Code		500114
Bloomberg		TTAN.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-23	Mar-23
Promoters	52.90	52.90
Public	47.10	47.10
Total	100	100

Source: BSE

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Conference Call Highlights

A. Jewellery Division:

- Q1FY23 EBIT margins had a benefit of 100bps due to diamond inventory gains
- India business grew 20% over Q1FY23 due to healthy demand during Akshaya Tritiya and an attractive gold exchange program.
- Business also undertook investments for growth through aggressive exchange offers, brand building initiatives and pricing rationalization programs to gain market share.
- New buyer proportion at 46% vs 47% YoY indicating higher sales to existing customers YoY
- Aim is to gain 100 bps market share yearly to reach double digit in the next 3-4 years
- Wedding segment grew by 26% YoY with contribution in this quarter at ~20%
- Demand trajectory in July remains positive
- Studded product mix remained steady despite overall jewellery sales growing in double digit
- Bullion Sales Rs 9.41 Bn vs Rs 3.56 Bn YoY
- Capital employed increased on account of lower contribution from gold on loan at 27% which is expected to get back to 50% in coming quarters
- Total gold exchange at 50% for Q1FY24 (35% non Tanishq & 15% Tanishq) vs 40% YoY
- Looking to expand in newer geographies such as Singapore, Australia in the medium term
- Studded jewellery should pick up in the coming quarters due to seasonality
- Overall buyer growth was 14%
- Average ticket size moved by 6% over Q1FY23
- Caratlane total sales grew by 32% to Rs 640crs with PBT at Rs 14crs

B. Watches & Wearables Division (8.4% of revenue)

- Wearables segment achieved a strong growth of 81% over Q1FY23. Fastrack grew the fastest in the wearables segment
- Premium brands continued their strong performance and International brands seeing strong buying momentum clocking double digit growth in the analog segment.
- Wearables capital employed is high on account of inventory and debtors. Inventory will remain high till end of Q2FY24.
- Introduced newer models in the range of Rs 1500- 4000
- Currently in Top5 brands in the country

C. Emerging Business

- Fragrances, Fashion and Accessories & Indian Dress wear (taneria) grew by 37% YoY. Fashion and Accessories grew by 12% whereas Taneria grew by 81% YoY
- Recorded total recorded losses of Rs 27crores.

D. TEAL

- Current orderbook of Rs 500 crs, majority to be executed in FY24.

Valuation & Outlook

We believe investors should focus more on the larger picture i.e ***"Market Share Gains"*** in the jewellery segment rather than giving higher weightage to small blips in quarterly margins. At CMP of Rs 2,978 the stock is trading at 74x FY24E EPS of Rs.40.2 and 53x FY25E EPS of Rs.56, we maintain ***ACCUMULATE*** on the stock for a ***target price of Rs.3,070 valuing the company at 55x FY25E EPS of Rs.56.***

Quarterly Financials

Particulars (Rs Mns)	Q1FY24	Q1FY23	YoY		QoQ	
			Growth (%)	Q4FY23	Growth (%)	
Sale of products/services	108,510	89,750	21%	92,150	18%	
Other operating revenues	10,460	4,680	124%	11,450	-9%	
Total Operating Revenues	118,970	94,430	26%	103,600	15%	
Other income	1,140	440	159%	1,140	0%	
Total Income	120,110	94,870	27%	104,740	15%	
Total RM Cost	92,550	70,380	32%	78,470	18%	
RM to Op Revenue	77.79%	74.53%		75.74%		
Employee benefits expense	4,480	3,870	16%	4,570	-2%	
Advertising	2,740	2,180	26%	2,510	9%	
Ad Spends to OP Revenue	2.30%	2.31%		2.42%		
Other expenses	7,950	6,040	32%	7,160	11%	
O. Exps to Op Revenue	6.68%	6.40%		6.91%		
EBITDA (exc. OI)	11,250	11,960	-6%	10,890	3%	
EBITDA Margin	9.46%	12.67%		10.51%		
Depreciation	1,280	1,030	24%	1,190	8%	
PBIT	11,110	11,370	-2%	10,840	2%	
Interest	1,090	650	68%	960	14%	
PBT	10,020	10,720	-7%	9,880	1%	
Total Tax	2,460	2,820	-13%	2,520	-2%	
Tax Rate	24.6%	26.3%		25.5%		
PAT	7,560	7,900	-4%	7,360	3%	
Exceptional item	-	-				
Share of profit from JV/ Associate	-	-				
Minority Interest	30	50	-40%		30.0	
Adjusted PAT	7,530	7,850	-4%	7,300	0.0	
NPM	6.27%	8.27%		6.97%		
Equity	890	890		890		
FV	1	1		1		
EPS	8.48	8.82	-4%	8.20	3%	
Segmental Revenues						
Watches	9,130	7,860	16%	8,830	3%	
% to Operating Income	7.6%	8.3%		8.5%		
Jewellery	106,960	83,510	28%	91,200	17%	
% to Operating Income	89.1%	88.0%		88.0%		
Eyeware	2,030	1,830	11%	1,650	23%	
% to Operating Income	1.7%	1.9%		1.6%		
Others	1,370	1,440	-5%	2,510	-45%	
% to Operating Income	1.1%	1.5%		2.4%		
Corporate (unallocated)	620	230	170%	550	13%	
% to Operating Income	0.5%	0.2%		0.5%		
Total	120,110	94,870	27%	104,740	15%	
PBIT Margins:						
Watches	11.1%	12.47%		12.00%		
Jewellery	9.6%	12.60%		11.01%		
Eyeware	17.2%	19.67%		1.21%		
Others	-27.01%	-11.11%		-5.58%		

Source: Company, Dalal & Broacha Research

Financials

P&L (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	216,450	287,990	405,750	489,740	586,291
Operating Expenses	(164,140)	(216,410)	(303,550)	(371,702)	(436,787)
Employee Cost	(10,650)	(13,490)	(16,470)	(19,764)	(23,717)
Other Expenses	(24,410)	(24,680)	(36,940)	(43,883)	(52,776)
Operating Profit	17,250	33,410	48,790	54,391	73,012
Depreciation	(3,750)	(3,990)	(4,410)	(5,100)	(5,757)
PBIT	13,500	29,420	44,380	49,291	67,254
Other income	1,860	2,340	3,080	2,702	2,648
Interest	(2,030)	(2,180)	(3,000)	(4,000)	(3,508)
PBT	13,330	29,580	44,460	47,993	66,395
Profit before tax (post exceptional)	13,330	29,580	44,460	47,993	66,395
Provision for tax	(3,530)	(7,060)	(11,730)	(12,080)	(16,712)
Reported PAT	9,800	22,520	32,730	35,913	49,683
MI	(10)	(250)	(240)	(168)	(118)
Net Profit	9,790	22,270	32,490	35,745	49,566
Adjusted Profit (excl Exceptionals)	9,740	22,270	32,500	35,735	49,683

Balance Sheet	FY21	FY22	FY23E	FY24E	FY25E
Equity capital	890	890	890	890	890
Reserves	74,080	92,140	117,620	142,635	177,295
Net worth	74,970	93,030	118,510	143,525	178,185
MI	50	300	530	698	816
Non Current Liabilities	12,350	13,490	18,550	18,742	18,949
Current Liabilities	77,150	105,120	132,640	151,377	171,710
TOTAL LIABILITIES	164,520	211,940	270,230	314,341	369,661
Non Current Assets	32,550	37,400	46,144	50,094	55,733
Fixed Assets	24,320	25,060	30,174	34,174	38,174
Goodwill	1,230	1,230	1,230	1,230	1,230
Non Current Investments	190	2,790	3,510	3,510	3,510
Deferred Tax Asset	1,050	1,870	1,580	1,580	1,580
Long Term Loans and Advances	430	420	540	621	714
Other Non Current Assets	5,330	6,030	9,110	8,979	10,525
Current Assets	131,970	174,540	224,086	264,247	313,928
Current investments	28,050	150	21,640	21,640	21,640
Inventories	84,080	136,090	165,840	203,074	238,632
Trade Receivables	3,660	5,650	6,740	8,135	9,739
Cash and Bank Balances	5,600	15,730	13,446	12,683	22,580
Short Term Loans and Advances	760	4,230	1,350	1,485	1,634
Other Current Assets	9,820	12,690	15,070	17,230	19,704
TOTAL ASSETS	164,520	211,940	270,230	314,341	369,661

Source: Dalal & Broacha Research, Company

Cash Flow St. (Rs. mn)	FY21	FY22	FY23E	FY24E	FY25E
Net Profit	9,740	22,270	32,500	35,735	49,683
Add: Dep. & Amort.	3,750	3,990	4,410	5,100	5,757
Cash profits	13,490	26,260	36,910	40,835	55,441
(Inc)/Dec in					
-Sundry debtors	(545)	(1,990)	(1,090)	(1,395)	(1,604)
-Inventories	(3,050)	(52,010)	(29,750)	(37,234)	(35,558)
-Loans/advances	906	(3,460)	2,760	(216)	(242)
- Other Current Assets	382	(3,410)	(5,320)	(2,029)	(4,019)
'-Current Liab and					
Provisions	(2,084)	7,710	12,490	4,548	5,009
Sundry Creditors	1,923	5,050	(800)	2,726	2,603
Change in working capital	(2,467)	(48,110)	(21,710)	(33,600)	(33,811)
CF from Oper. activities	11,023	(21,850)	15,200	7,235	21,629
CF from Inv. activities	(29,444)	20,560	(31,734)	(9,100)	(9,747)
CF from Fin. activities	20,210	11,410	14,250	1,103	(1,976)
Cash generated/(utilised)	1,789	10,120	(2,284)	(762)	9,906
Cash at start of the year	3,811	5,600	15,730	13,446	12,683
Cash at end of the year	5,600	15,720	13,446	12,683	22,580

Ratios	FY21	FY22	FY23E	FY24E	FY25E
OPM	8.0	11.6	12.0	11.1	12.5
NPM	4.46	7.67	7.95	7.26	8.44
Tax rate	(26.5)	(23.9)	(26.4)	(25.2)	(25.2)
Growth Ratios (%)					
Net Sales	2.8	33.1	40.9	20.7	19.7
Operating Profit	(30.1)	93.7	46.0	11.5	34.2
PBIT	(36.3)	117.9	50.8	11.1	36.4
PAT	(35.1)	128.7	45.9	10.0	39.0
Per Share (Rs.)					
Net Earnings (EPS)	11	25	37	40	56
Cash Earnings (CPS)	15.2	29.5	41.5	45.9	62.3
Dividend	3.8	7.5	10.0	12.0	16.7
Book Value	84.2	104.5	133.2	161.3	200.2
Free Cash Flow	11.3	(25.2)	14.4	6.8	22.3
Valuation Ratios					
P/E(x)	242.5	106.1	72.7	66.1	47.5
P/B(x)	31.5	25.4	19.9	16.5	13.3
EV/EBIDTA(x)	135.8	70.7	48.5	43.5	32.3
Div. Yield(%)	0.1	0.3	0.4	0.5	0.6
FCF Yield(%)	0.4	(0.9)	0.5	0.3	0.8
Return Ratios (%)					
ROE	13%	24%	27%	25%	28%
ROCE	15%	26%	28%	27%	31%

Source: Company, Dalal & Broacha Research

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