

Titan posted topline growth of 20.6% (22% ex-bullion) but poor PAT growth of 6% due to drop in jewellery business EBIT to 9.9%. Key reasons [1] Higher gold prices affecting the overall consumer sentiment, [2] Increasing competitive intensity [3] Discounts & ongoing schemes to achieve sales growth.

- Revenues at ₹124.94Bn, 20.6%YoY/-11.8%QoQ
- Revenues (Ex-Bullion Sales) at ₹113.13Bn, 21.6%YoY/-19.2%QoQ
- EBITDA (excl OI) at ₹11.91Bn, 9.4%YoY/-23.9%QoQ
- Adj PAT at ₹7.71Bn, 5.7%YoY/-26.8%QoQ
- Adj EPS at ₹8.67 vs 8.21 YoY / 11.84 QoQ
- Jewellery EBIT (Ex-Bull) ₹10.91Bn, 8.7%YoY/-26.4%QoQ
- Jewellery EBITM Ex-Bull (%) came in at 11.2% vs 12.5% YoY/11.8% QoQ

Guidance/Management commentary:

- Gross margins to remain pressure for next few quarters as management prefer topline growth over margin
- Gold price volatility remains high impacting overall demand scenario & customer sentiment.
- Studded ratio maintained at similar level of 33% on YoY basis
- Impact on account of lab grown diamond is uncertain, however offtake in USA remains elevated
- Management is watchful of early adopters of Lab grown in India
- Debt levels not alarming as per management

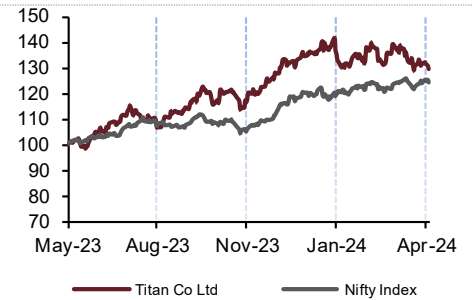
Rating	TP (Rs)	Up/Dn (%)
HOLD	3,135	-11

Market data

Current price	Rs	3,514
Market Cap (Rs.Bn)	(Rs Bn)	3,137
Market Cap (US\$ Mn)	(US\$ Mn)	37,588
Face Value	Rs	1
52 Weeks High/Low	Rs	3887 / 2657
Average Daily Volume	('000)	1,504
BSE Code		500469
Bloomberg		TTAN.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-24	Dec-23
Promoters	-	-
Public	100	100
Total	100	100

Source: BSE

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24e	FY25e	FY26e
Net sales	2,16,450	2,87,990	4,05,750	5,10,402	5,88,511	6,88,552
EBIDTA	17,250	33,410	48,790	56,690	66,476	78,712
Margins (%)	8.0	11.6	12.0	11.1	11.3	11.4
Adjusted net profit	9,740	22,270	32,500	36,632	39,642	48,453
EPS (Rs)	10.9	25.0	36.5	41.2	44.5	54.4
P/E (x)	326.4	142.7	97.8	86.8	80.2	65.6
EV/EBITDA (x)	183.2	95.2	65.2	57.0	48.6	40.9
RoCE (%)	15.1	26.3	27.9	21.3	22.6	24.0
RoE (%)	13.0	23.9	27.4	25.4	23.1	23.6

Source : Bloomberg, Dalal & Broacha Research

Kunal Bhatia
+91 22 67141442
kunal.bhatia@dalal-broacha.com

Bhavya Gandhi
+91 22 67141438
bhavya.gandhi@dalal-broacha.com

Conference Call Highlights

Store opening:

- 4Q [Tanishq + Mia + Zoya] = 29 stores
- 4Q [Caratlane] = 10 stores

Jewellery Division :

- Management wanted to achieve 20% growth in competitive scenario hence continued with various discount schemes even in soft environment leading to pressure on margins
- Immediate addressable Market for Tanishq: 300 cities from current ~270 cities
- Caratlane focus is to improve SSG
(Price point: Sub 100k mainly studded)
- Town expansion opportunities is more for Tanishq vs Caratlane
- International sales ~ \$120 Mn (90% jewellery)
- Gold exchange (Non-tanishq) : FY23 : 30% ; FY24 : 40%
- High value studded done well: 14% contribution vs 13% YoY

Watches :

- Wearables growth @ 3% vs Analog @ 9% due to clearance by Unbranded players which is expected to settle down in 3-4 months ; New launches from titan will aid growth

Valuation & Outlook

Titan management is focused on defending their market share in increasing competitive scenario. Management is ready to choose revenue growth over margins for near term. We believe this could weigh on the overall profitability in near to mid term. Companies which do not resort to 100% hedging policy on gold like Titan stand to benefit in the near term due to surge in gold prices, as they can undercut prices but still make the same margins due to rise in gold prices. Management commentary was weak this time & they don't expect strong bounce back immediately. We believe with elevated PE multiple & lower earnings outlook stock could see some correction in the near term.

Also number of weddings for FY25 will be key monitorable as FY23 had closer to 40 lakh weddings & FY24 is expected to have 35 lac weddings, however due to higher price of gold in FY25 could slow down the overall growth momentum coupled with increased competitive intensity.

At CMP of Rs 3,514 the stock is trading at 65x FY26e expected EPS of Rs.54, we maintain our rating to **HOLD** with a target price of Rs.3,135 (58x 12 Mnth Fwd PE multiple closer to mean)

12 Month Forward PE Multiple Chart



Source : Bloomberg, Dalal & Broacha Research

Quarterly Financials

Particulars (Rs Mns)	4QFY24	4QFY23	YoY		3QFY24	QoQ Growth (%)
			Growth (%)			
Sale of products/services	1,12,290	92,150	22%		1,39,630	-20%
Other operating revenues	12,650	11,450	10%		2,010	529%
Total Operating Revenues	1,24,940	1,03,600	21%		1,41,640	-12%
Other income	1,590	1,140	39%		1,360	17%
Total Income	1,26,530	1,04,740	21%		1,43,000	-12%
Total RM Cost	97,080	78,470	24%		1,08,700	-11%
RM to Op Revenue	77.70%	75.74%			76.74%	
Employee benefits expense	4,730	4,570	4%		4,800	-1%
Advertising	2,680	2,510	7%		3,380	-21%
Ad Spends to OP Revenue	2.15%	2.42%			2.39%	
Other expenses	8,540	7,160	19%		9,110	-6%
O. Exps to Op Revenue	6.84%	6.91%			6.43%	
EBITDA (exc. OI)	11,910	10,890	9%		15,650	-24%
EBITDA Margin	9.53%	10.51%			11.05%	
Depreciation	1,580	1,190	33%		1,540	3%
PBIT	11,920	10,840	10%		15,470	-23%
Interest	2,010	960	109%		1,690	19%
PBT	9910	9,880	0%		13,780	-28%
Total Tax	2200	2,520	-13%		3,250	-32%
Tax Rate	22.2%	26.7%			23.6%	
PAT	7710	7,360	5%		10,530	-27%
Exceptional item						
Share of profit from JV/ Associate	-					
Minority Interest	0	60	-100%			0%
Adjusted PAT	7710	7,300	6%		10,530	-27%
NPM	6.09%	6.97%			7.36%	
Equity	890	890			890	
FV	1	1			1	
EPS	8.66	8.20	6%		11.83	-27%
Segmental Revenues		0.1668984				
Watches	9,390	8,830	6%		9,860	-5%
% to Operating Income	7.4%	8.4%			6.9%	
Jewellery	1,10,050	91,200	21%		1,27,420	-14%
% to Operating Income	87.0%	87.1%			89.1%	
Eyeware	1,660	1,650	1%		1,680	-1%
% to Operating Income	1.3%	1.6%			1.2%	
Others	4,700	2,510	87%		3,130	50%
% to Operating Income	3.7%	2.4%			2.2%	
Corporate (unallocated)	730	550	33%		910	-20%
% to Operating Income	0.6%	0.5%			0.6%	
Total	1,26,530	1,04,740	21%		1,43,000	-12%
PBIT Margins:						
Watches	8.1%	12.00%			5.68%	
Jewellery	9.9%	11.01%			11.63%	
Eyeware	4.2%	1.21%			7.74%	
Others	8.3%	-5.58%			1.60%	

Source : Company

Financials

P&L (Rs mn)	FY21	FY22	FY23	FY24e	FY25e	FY26e
Net Sales	2,16,450	2,87,990	4,05,750	5,13,180	5,91,627	6,92,145
Operating Expenses	(1,64,140)	(2,16,410)	(3,03,550)	(3,94,320)	(4,52,595)	(5,28,106)
Employee Cost	(10,650)	(13,490)	(16,470)	(18,640)	(22,368)	(25,723)
Other Expenses	(24,410)	(24,680)	(36,940)	(44,960)	(51,216)	(58,077)
Operating Profit	17,250	33,410	48,790	55,260	65,448	80,238
Depreciation	(3,750)	(3,990)	(4,410)	(5,840)	(6,476)	(6,833)
PBIT	13,500	29,420	44,380	49,420	58,973	73,405
Other income	1,860	2,340	3,080	2,990	390	354
Interest	(2,030)	(2,180)	(3,000)	(6,190)	(8,963)	(9,466)
PBT	13,330	29,580	44,460	46,220	50,400	64,293
Profit before tax (post exceptional)	13,330	29,580	44,460	46,220	50,400	64,293
Provision for tax	(3,530)	(7,060)	(11,730)	(11,270)	(12,686)	(16,183)
Reported PAT	9,800	22,520	32,730	34,950	37,714	48,111
MI	(10)	(250)	(240)	(40)	(28)	(20)
Net Profit	9,790	22,270	32,490	34,910	37,686	48,091
Adjusted Profit (excl Exceptionals)	9,740	22,270	32,500	34,900	37,714	48,111

Balance Sheet	FY21	FY22	FY23	FY24e	FY25e	FY26e
Equity capital	890	890	890	890	890	890
Reserves	74,080	92,140	1,17,620	91,828	1,18,200	1,51,858
Net worth	74,970	93,030	1,18,510	92,718	1,19,090	1,52,748
MI	50	300	530	-	28	48
Non Current Liabilities	12,350	13,490	18,550	56,190	56,409	56,646
Current Liabilities	77,150	1,05,120	1,32,640	1,65,280	1,99,374	2,21,222
TOTAL LIABILITIES	1,64,520	2,11,940	2,70,230	3,14,188	3,74,901	4,30,664
Non Current Assets	32,550	37,400	46,160	57,780	62,521	66,114
Fixed Assets	24,320	25,060	30,190	35,190	39,190	41,440
Goodwill	1,230	1,230	1,230	1,230	1,230	1,230
Non Current Investments	190	2,790	3,510	6,790	6,790	6,790
Deferred Tax Asset	1,050	1,870	1,580	1,870	1,870	1,870
Long Term Loans and Advances	430	420	540	720	828	952
Other Non Current Assets	5,330	6,030	9,110	11,980	12,613	13,832
Current Assets	1,31,970	1,74,540	2,24,070	2,56,408	3,12,380	3,64,550
Current investments	28,050	150	21,640	16,660	16,660	16,660
Inventories	84,080	1,36,090	1,65,840	1,90,510	2,47,268	2,88,523
Trade Receivables	3,660	5,650	6,740	10,180	9,828	11,497
Cash and Bank Balances	5,600	15,730	13,430	15,588	11,937	18,114
Short Term Loans and Advances	760	4,230	1,350	2,810	3,091	3,400
Other Current Assets	9,820	12,690	15,070	20,660	23,596	26,355
TOTAL ASSETS	1,64,520	2,11,940	2,70,230	3,14,188	3,74,901	4,30,664

Cash Flow St. (Rs. mn)	FY21	FY22	FY23	FY24e	FY25e	FY26e
Net Profit	9,740	22,270	32,500	34,900	37,714	48,111
Add: Dep. & Amort.	3,750	3,990	4,410	5,840	6,476	6,833
Cash profits	13,490	26,260	36,910	40,740	44,190	54,944
(Inc)/Dec in						
-Sundry debtors	(545)	(1,990)	(1,090)	(3,440)	352	(1,670)
-Inventories	(3,050)	(52,010)	(29,750)	(24,670)	(56,758)	(41,255)
-Loans/advances	906	(3,460)	2,760	(1,640)	(389)	(433)
- Other Current Assets	382	(3,410)	(5,320)	(7,840)	(3,569)	(3,978)
'-Current Liab and						
Provisions	(2,084)	7,710	12,490	6,710	5,193	5,716
Sundry Creditors	1,923	5,050	(800)	1,960	4,001	3,020
Change in working capital	(2,467)	(48,110)	(21,710)	(28,920)	(51,170)	(38,600)
CF from Oper. activities	11,023	(21,850)	15,200	11,820	(6,980)	16,343
CF from Inv. activities	(29,444)	20,560	(31,750)	(9,140)	(10,466)	(9,083)
CF from Fin. activities	20,210	11,410	14,250	(522)	13,805	(1,083)
Cash generated/(utilised)	1,789	10,120	(2,300)	2,158	(3,641)	6,177
Cash at start of the year	3,811	5,600	15,730	13,430	15,588	11,937
Cash at end of the year	5,600	15,720	13,430	15,588	11,937	18,104

Ratios	FY21	FY22	FY23	FY24e	FY25e	FY26e
OPM	8.0	11.6	12.0	10.8	11.1	11.6
NPM	4.46	7.67	7.95	6.76	6.37	6.95
Tax rate	(26.5)	(23.9)	(26.4)	(24.4)	(25.2)	(25.2)
Growth Ratios (%)						
Net Sales	2.8	33.1	40.9	26.5	15.3	17.0
Operating Profit	(30.1)	93.7	46.0	13.3	18.4	22.6
PBIT	(36.3)	117.9	50.8	11.4	19.3	24.5
PAT	(35.1)	128.7	45.9	7.4	8.1	27.6
Per Share (Rs.)						
Net Earnings (EPS)	11	25	37	39	42	54
Cash Earnings (CPS)	15.2	29.5	41.5	45.8	49.7	61.7
Dividend	3.8	7.5	10.0	11.8	12.7	16.2
Book Value	84.2	104.5	133.2	104.2	133.8	171.6
Free Cash Flow	11.3	(25.2)	12.7	9.5	(3.3)	25.5
Valuation Ratios						
P/E(x)	321.1	140.4	96.2	89.6	82.9	65.0
P/B(x)	41.7	33.6	26.4	33.7	26.3	20.5
EV/EBIDTA(x)	180.2	93.6	64.1	57.7	48.8	39.7
Div. Yield(%)	0.1	0.2	0.3	0.3	0.4	0.5
FCF Yield(%)	0.3	(0.7)	0.4	0.3	(0.1)	0.7
Return Ratios (%)						
ROE	13%	24%	27%	38%	32%	31%
ROCE	15%	26%	28%	25%	27%	29%

Source: Dalal & Broacha Research, Company

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Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992 | E-mail: equity.research@dalal-broacha.com