



Titan posted stable set of numbers with strong revenue growth but miss on EBIT margins. Management maintains revenue guidance of 19-20% with EBIT margin of 12-13% in Jewellery business.

- Revenue at ₹1,03,600 Mn vs ₹77,960 Mn (+33% YoY) vs ₹1,16,090 Mn (-11% QoQ) || Revenue excluding bullion sales at ₹10,550 Mn vs ₹540 Mn (+20% YoY)
- EBITDA at ₹10,890 Mn vs ₹7,940 Mn (+37% YoY) vs ₹13,470 Mn (-19% QoQ)
- EBITDA Margin at 10.51% vs 10.18% (YoY) vs 11.6% (QoQ)
- Adj PAT at ₹7,300 Mn vs ₹5,640 Mn (+40% YoY) vs ₹9,130 Mn (-20% QoQ)
- EPS at ₹8.2 vs ₹6.3 (YoY) vs ₹10.2 (QoQ)

Segmental

- Jewellery: (87% of Income)**
 - Revenues grew by 33.3% YoY to Rs 91,200 mn,
 - EBIT margins 11.01% vs 11.21% YoY and 11.9% QoQ
 - Stores +31 in Q4FY23 || Total 763
- Watches (8.4% of Income)**
 - Revenues grew by 41.3 % YoY to Rs 8,830 mn
 - EBIT margins 12 % v/s -5.6 % YoY and 10.11% QoQ
 - Stores (fasttrack+WOT+Helios) +52 in Q4FY23 || Total 1005
- EyeWear (1.6% of Income)**
 - Revenue grew by 23.1% YoY to Rs 1,650 mn,
 - EBIT margins 1.21% v/s-5.22% YoY and 18.39% QoQ
 - Total 896 stores
- Others (3% of Income)**
 - Revenue grew by 13% YoY to Rs 3,060 mn

Financial Summary

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net sales	216,450	287,990	405,750	487,694	583,425
EBIDTA	17,250	33,410	48,790	59,368	72,436
Margins (%)	8.0	11.6	12.0	12.2	12.4
Adjusted net profit	9,740	22,270	32,500	40,030	49,606
EPS (Rs)	10.9	25.0	36.5	45.0	55.7
P/E (x)	242.5	106.1	72.7	59.0	47.6
EV/EBITDA (x)	135.8	70.7	48.5	39.7	32.5
RoCE (%)	15.1	26.3	27.9	29.0	30.1
RoE (%)	13.0	23.9	27.4	27.3	27.4

Source: Company

Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	3,065	15

Market data

Current price	Rs	2,654
Market Cap (Rs.Bn)	(Rs Bn)	2,356
Market Cap (US\$ Mn)	(US\$ Mn)	28,773
Face Value	Rs	1
52 Weeks High/Low	Rs	2,791 / 1,825
Average Daily Volume	('000)	744
BSE Code		500114
Bloomberg		TTAN.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-23	Dec-22
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 (87% of revenue) :

- Changes in franchisee agreement to have minimum impact on Titan's margins as well as franchisee operators profitability
 - The original structure in place was 15 years old which is now been altered and going forward the product mix will decide the profitability to the franchisee
- Reduction in mark up on Gold
 - Titan does not follow One nation One price policy on gold and prices are fixed as per regional competition
- 19% LFL aided by 10 to 11% buyer growth (aim to maintain double digit LFL growth)
- Overall buyer growth was 16%
- New : Repeat customers contribution to sales at 50:50
- 31 stores added across Tanishq, Mia, Zoya in the quarter. Aim to add 100 stores in next 2/3 years in top 20 cities
- EBIT margins to sustain in the range of 12.5% to 13%
- Gold exchange 30-33% contribution from non Tanishq and 9 to 10% from Tanishq customers
- Wedding jewellery contribution to sales was down by 100 bps (19%) for the full year. Target is to increase beyond 20% going forward with focus on select markets. Expect a good season in FY24
- Bullion sales was higher (~10.55 bn) on account of higher import of gold from UAE in the last 4 months. This was done to take advantage of lower custom duties on imports from UAE under the trade agreement. Bullion sales ensured better capital efficiency
- Mia recorded Rs ~7 bn in revenue and aims to double it in FY24

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

- EBIT margins should sustain in the range of 12 to 13%
- Wearables segment achieved a product sales milestone of 1million+smart watches sold for FY23.
- Premium brands continued their strong performance with brand Titan and brands in Helios stores, both achieving sizeable double-digit growths.
- Wearables contributed 10% for FY23. Wearables margins as of now are lower than traditional watches

C. Eyewear (1.6% of income)

- The dip in margins was mainly due to certain onetime expenses such as the 8 crs payments to franchisee partners, revamping of the inventory at the franchisee operator level and 22 stores were shut down so the entire impact was taken in this quarter.
- Expect the EBIT margins to be in Mid-teens going forward
- April'23 recorded the best month in their history in terms of eyewear sales.

Valuation & Outlook

Management maintains revenue guidance of 19-20% with EBIT margin of 12-13% in jewellery business. There could be near term head winds in terms of demand due to volatile gold prices. However management is confident of a similar growth trajectory going forward aided by focus on wedding jewellery and continuing the strong store openings. We believe the margins should improve going forward especially in other business on account of the efforts taken.

Considering only ~7% market share in Jewellery segment (market size of ~4 lac crores) the runway for growth for Titan is massive and it should reach double digits in the next 5 years. As the economy expands and the GDP per capita rises the discretionary spends are bound to increase and Titan is well placed to take advantage of it. It has an excellent track record which surpasses its peers and based on the opportunities ahead, the premium valuation is justified in our opinion.

Valuations @ Rs 2,654: 59x FY24E EPS of Rs.45 and 48x FY25E EPS of Rs.56, we maintain **ACCUMULATE** on the stock for a **target price of Rs.3,065 valuing the company at 55x FY25E EPS of Rs.56.**

Quarterly Financials

Particulars (Rs Mns)	Q4FY23	Q4FY22	YoY		QoQ	
			Growth (%)	Q3FY23	Growth (%)	
Sale of products/services	92,150	72,670	26.8	111,670	(17.5)	
Other operating revenues	11,450	5,290	116.4	4,420	159.0	
Total Operating Revenues	103,600	77,960	32.9	116,090	(10.8)	
Other income	1,140	760	50.0	890	28.1	
Total Income	104,740	78,720	33.1	116,980	(10.5)	
			-			
Total RM Cost	78,470	58,270	34.7	88,400	(11.2)	
RM to Op Revenue	75.74%	74.74%		76.15%		
Employee benefits expense	4,570	3,950	15.7	4,110	11.2	
Advertising	2,510	1,980	26.8	2,730	(8.1)	
Ad Spends to OP Revenue	2.42%	2.54%		2.35%		
Other expenses	7,160	5,820	23.0	7,380	(3.0)	
O. Exps to Op Revenue	6.91%	7.47%		6.36%		
EBITDA (exc. OI)	10,890	7,940	37.2	13,470	(19.2)	
EBITDA Margin	10.51%	10.18%		11.60%		
Depreciation	1,190	1,020	16.7	1,130	5.3	
PBIT	10,840	7,680	41.1	13,230	(18.1)	
Interest	960	610	57.4	790	21.5	
PBT	9,880	7,070	39.7	12,440	(20.6)	
Total Tax	2,520	1,260	100.0	3,320	(24.1)	
Tax Rate	25.5%	17.8%		26.7%		
PAT	7,360	5,270	39.7	9,130	(19.4)	
Exceptional item		540				
Share of profit from JV/ Associate		-		10		
Minority Interest		170	(100.0)	90	(100.0)	
Adjusted PAT	7,300	5,640	29.4	9,040	(19.2)	
NPM	6.97%	7.16%		7.73%		
Equity	890	890		890		
FV	1	1		1		
EPS	8.2	6.3	29.4	10.2	(19.2)	
Segmental Revenues						
Watches	8,830	6,250	41.3	8,110	8.9	
% to Operating Income	8.5%	7.9%		6.9%		
Jewellery	91,200	68,430	33.3	104,460	(12.7)	
% to Operating Income	88.0%	86.9%		89.3%		
Eyewear	1,650	1,340	23.1	1,740	(5.2)	
% to Operating Income	1.6%	1.7%		1.5%		
Others	2,510	2,290	9.6	2,140	17.3	
% to Operating Income	2.4%	2.9%		1.8%		
Corporate (unallocated)	550	410	34.1	530	3.8	
% to Operating Income	0.5%	0.5%		0.5%		
Total	104,740	78,720	33.1	116,980	(10.5)	
PBIT Margins:						
Watches	12.00%	-5.60%		10.11%		
Jewellery	11.01%	11.21%		11.90%		
Eyewear	1.21%	-5.22%		18.39%		
Others	-5.58%	0.87%		-7.48%		

Financials

P&L (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	2,16,450	2,87,990	4,05,750	4,87,694	5,83,425
Operating Expenses	(1,64,140)	(2,16,410)	(3,03,550)	(3,64,795)	(4,34,652)
Employee Cost	(10,650)	(13,490)	(16,470)	(19,764)	(23,717)
Other Expenses	(24,410)	(24,680)	(36,940)	(43,766)	(52,621)
Operating Profit	17,250	33,410	48,790	59,368	72,436
Depreciation	(3,750)	(3,990)	(4,410)	(5,062)	(5,715)
PBIT	13,500	29,420	44,380	54,306	66,721
Other income	1,860	2,340	3,080	2,702	3,068
Interest	(2,030)	(2,180)	(3,000)	(3,275)	(3,497)
PBT	13,330	29,580	44,460	53,733	66,292
Profit before tax (post exceptional)	13,330	29,580	44,460	53,733	66,292
Provision for tax	(3,530)	(7,060)	(11,730)	(13,525)	(16,686)
Reported PAT	9,800	22,520	32,730	40,208	49,606
MI	(10)	(250)	(240)	(168)	(118)
Net Profit	9,790	22,270	32,490	40,040	49,489
Adjusted Profit (excl Exceptionals)	9,740	22,270	32,500	40,030	49,606
Balance Sheet	FY21	FY22	FY23	FY24E	FY25E
Equity capital	890	890	890	890	890
Reserves	74,080	92,140	1,17,620	1,45,641	1,80,248
Net worth	74,970	93,030	1,18,510	1,46,531	1,81,138
MI	50	300	530	698	816
Non Current Liabilites	12,350	13,490	18,550	18,742	18,949
Current Liabilites	77,150	1,05,120	1,32,640	1,50,562	1,70,979
TOTAL LIABILITIES	1,64,520	2,11,940	2,70,230	3,16,533	3,71,882
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	1,31,970	1,74,540	2,24,086	2,66,439	3,16,149
Current investments	28,050	150	21,640	21,640	21,640
Inventories	84,080	1,36,090	1,65,840	1,99,300	2,37,466
Trade Receivables	3,660	5,650	6,740	8,101	9,691
Cash and Bank Balances	5,600	15,730	13,446	18,683	26,014
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	1,64,520	2,11,940	2,70,230	3,16,533	3,71,882

Cash Flow St. (Rs. mn)	FY21	FY22	FY23	FY24E	FY25E
Net Profit	9,740	22,270	32,500	40,030	49,606
Add: Dep. & Amort.	3,750	3,990	4,410	5,062	5,715
Cash profits	13,490	26,260	36,910	45,093	55,321
(Inc)/Dec in					
-Sundry debtors	(545)	(1,990)	(1,090)	(1,361)	(1,590)
-Inventories	(3,050)	(52,010)	(29,750)	(33,460)	(38,165)
-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)	2,449	2,794
Change in working capital	(2,467)	(48,110)	(21,710)	(30,069)	(36,214)
CF from Oper. activities	11,023	(21,850)	15,200	15,024	19,107
CF from Inv. activities	(29,444)	20,560	(31,734)	(9,062)	(9,705)
CF from Fin. activities	20,210	11,410	14,250	(725)	(2,061)
Cash generated/(utilised)	1,789	10,120	(2,284)	5,237	7,342
Cash at start of the year	3,811	5,600	15,730	13,446	18,683
Cash at end of the year	5,600	15,720	13,446	18,683	26,014

Source: Dalal & Broacha Research, Company

Ratios	FY21	FY22	FY23	FY24E	FY25E
OPM	8.0	11.6	12.0	12.2	12.4
NPM	4.46	7.67	7.95	8.16	8.46
Tax rate	(26.5)	(23.9)	(26.4)	(25.2)	(25.2)
Growth Ratios (%)					
Net Sales	2.8	33.1	40.9	20.2	19.6
Operating Profit	(30.1)	93.7	46.0	21.7	22.0
PBIT	(36.3)	117.9	50.8	22.4	22.9
PAT	(35.1)	128.7	45.9	23.2	23.9
Per Share (Rs.)					
Net Earnings (EPS)	11	25	37	45	56
Cash Earnings (CPS)	15.2	29.5	41.5	50.7	62.2
Dividend	3.8	7.5	10.0	13.5	16.7
Book Value	84.2	104.5	133.2	164.6	203.5
Free Cash Flow	11.3	(25.2)	14.4	14.8	19.4
Valuation Ratios					
P/E(x)	242.5	106.1	72.7	59.0	47.6
P/B(x)	31.5	25.4	19.9	16.1	13.0
EV/EBIDTA(x)	135.8	70.7	48.5	39.7	32.5
Div. Yield(%)	0.1	0.3	0.4	0.5	0.6
FCF Yield(%)	0.4	(0.9)	0.5	0.6	0.7
Return Ratios (%)					
ROE	13%	24%	27%	27%	27%
ROCE	15%	26%	28%	29%	30%

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