

Jewelry EBIT Margin lower

Titan posted topline growth of 22% (24% ex-bullion) but poor PAT growth of 15% due to drop in jewellery business EBIT to 11.6% (vs 11.9% in 2QFY24) & higher advertisement, finance cost, depreciation & other expenses outgo.

- Revenue at ₹1,39,630 Mn vs ₹1,11,670 Mn (+25% YoY) vs ₹1,07,080 Mn (+30% QoQ) || Revenue excluding bullion sales (+23.8% YoY)
- EBITDA at ₹15,650 Mn vs ₹13,470 Mn (+16% YoY) vs ₹14,110 Mn (+11% QoQ)
- EBITDA Margin at 11.05% vs 11.60% (YoY) vs 11.26% (QoQ)
- Adj PAT at ₹10,530 Mn vs ₹9,040 Mn (+16% YoY) vs ₹9,150 Mn (+15% QoQ)
- EPS at ₹11.83 vs ₹10.16 (YoY) vs ₹10.28 (QoQ)

Guidance/Management commentary:

- Maintains jewellery EBIT margins at 12-13%
- Good festive season led to sales growth however December month was blip but things have started reviving in January; 4Q likely to bounce back & likely to be better than 3Q
- Management believes Gross margins were inline with their expectations.

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



February 5, 2024

Rating	TP (Rs)	Up/Dn (%)
HOLD	3,122	-14

Market data

Current price	Rs	3,612
Market Cap (Rs.Bn)	(Rs Bn)	3,207
Market Cap (US\$ Mn)	(US\$ Mn)	38,649
Face Value	Rs	1
52 Weeks High/Low	Rs	886.95 / 2268.9
Average Daily Volume	('000)	1,435
BSE Code		500114
Bloomberg		TTAN.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-23	Sep-23
Promoters	52.90	52.90
Public	47.10	47.10
Total	100	100

Source: BSE

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Conference Call Highlights

Store opening:

- 3Q [Tanishq + Mia + Zoya] = 39 stores
- 3Q [Caratlane] = 13 stores

Jewellery Division :

- Stability in buyer growth but like to like sales for Caratlane/Tanishq/Mia saw some softness in the new customers in the sub Rs.1 lakh owing to economic challenges
- Due to shrad difference September to November would be a better comparison & growth was healthy during this period
- Gold prices were up 16% in 3QFY24 leading to higher competition
- Lower studded mix @ 24% 3QFY24 vs 26% in 3QFY23
- Gained market share in few markets & stable in few
- Titan tracks 45-50 competitors at city level on regular basis
- Saw resistance in eyewear business during Sept-Nov period, however Dec was a relief
- No significant impact on diamond margins || Taken some minor correction on solitaire
- Watches & wearables margins likely to be 16% when it achieves a sales of 5k-10k crs
- Studded mix is higher in international stores

Valuation & Outlook

Despite increasing competition Tanishq continues to remain undisputed leader while gaining market share in few geographies. 1-2 quarter here & there but largely management is confident of sales momentum continuing in FY25 & jewellery EBIT margins to be in the range of 12-13%.

We believe 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 price rise of gold FY24 growth momentum continued higher base.

At CMP of Rs 3,628 the stock is trading at 68x FY26e expected EPS of Rs.53, we maintain our rating to *HOLD* with a target price of Rs.3,051 (58x 12 Mnth Fwd PE multiple closer to mean)

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At CMP of Rs 3,572 the stock is trading at 66x FY26e expected EPS of Rs.54, we maintain our rating to *HOLD* with a target price of Rs.3,122 (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)	3QFY24	3QFY23	YoY		2QFY24	QoQ
				Growth (%)		
Sale of products/services	1,39,630	1,11,670	25%		1,07,080	30%
Other operating revenues	2,010	4,420	-55%		18,210	-89%
Total Operating Revenues	1,41,640	1,16,090	22%		1,25,290	13%
Other income	1,360	890	53%		1,240	10%
Total Income	1,43,000	1,16,980	22%		1,26,530	13%
Total RM Cost	1,08,700	88,400	23%		95,990	13%
RM to Op Revenue	76.74%	76.15%			76.61%	
Employee benefits expense	4,800	4,110	17%		4,630	4%
Advertising	3,380	2,730	24%		2,680	26%
Ad Spends to OP Revenue	2.39%	2.35%			2.14%	
Other expenses	9,110	7,380	23%		7,880	16%
O. Exps to Op Revenue	6.43%	6.36%			6.29%	
EBITDA (exc. OI)	15,650	13,470	16%		14,110	11%
EBITDA Margin	11.05%	11.60%			11.26%	
Depreciation	1,540	1,130	36%		1,440	7%
PBIT	15,470	13,230	17%		13,910	11%
Interest	1,690	790	114%		1,400	21%
PBT	13780	12,440	11%		12,510	10%
Total Tax	3250	3,320	-2%		3,360	-3%
Tax Rate	23.6%	26.7%			26.9%	
PAT	10530	9,130	15%		9,160	15%
Exceptional item						
Share of profit from JV/ Associate		10			10	
Minority Interest		90	-100%		10	-1000%
Adjusted PAT	10530	9,040	16%		9,150	15%
NPM	7.36%	7.73%			7.23%	
Equity	890	890			890	
FV	1	1			1	
EPS	11.83	10.16	16%		10.28	15%
Segmental Revenues		0.1617704				
Watches	9,860	8,110	22%		10,920	-10%
% to Operating Income	6.9%	6.9%			8.6%	
Jewellery	1,27,420	1,04,460	22%		1,10,810	15%
% to Operating Income	89.1%	89.3%			87.6%	
Eyewear	1,680	1,740	-3%		1,890	-11%
% to Operating Income	1.2%	1.5%			1.5%	
Others	3,130	2,140	46%		2,180	44%
% to Operating Income	2.2%	1.8%			1.7%	
Corporate (unallocated)	910	530	72%		730	25%
% to Operating Income	0.6%	0.5%			0.6%	
Total	1,43,000	1,16,980	22%		1,26,530	13%
PBIT Margins:						
Watches	5.7%	10.11%			14.65%	
Jewellery	11.6%	11.90%			10.98%	
Eyewear	7.7%	18.39%			13.23%	
Others	1.60%	-7.48%			-0.92%	

Source : Company

Financials

P&L (Rs mn)	FY21	FY22	FY23	FY24e	FY25e	FY26e
Net Sales	2,16,450	2,87,990	4,05,750	5,10,402	5,88,511	6,88,552
Operating Expenses	(1,64,140)	(2,16,410)	(3,03,550)	(3,90,458)	(4,47,268)	(5,24,677)
Employee Cost	(10,650)	(13,490)	(16,470)	(19,764)	(23,717)	(27,274)
Other Expenses	(24,410)	(24,680)	(36,940)	(43,491)	(51,050)	(57,889)
Operating Profit	17,250	33,410	48,790	56,690	66,476	78,712
Depreciation	(3,750)	(3,990)	(4,410)	(4,200)	(4,741)	(5,046)
PBIT	13,500	29,420	44,380	52,490	61,735	73,666
Other income	1,860	2,340	3,080	2,702	479	525
Interest	(2,030)	(2,180)	(3,000)	(6,000)	(9,237)	(9,440)
PBT	13,330	29,580	44,460	49,191	52,977	64,751
Profit before tax (post exceptional)	13,330	29,580	44,460	49,191	52,977	64,751
Provision for tax	(3,530)	(7,060)	(11,730)	(12,381)	(13,334)	(16,298)
Reported PAT	9,800	22,520	32,730	36,810	39,642	48,453
MI	(10)	(250)	(240)	(168)	(118)	(82)
Net Profit	9,790	22,270	32,490	36,642	39,525	48,371
Adjusted Profit (excl Exceptionals)	9,740	22,270	32,500	36,632	39,642	48,453

Balance Sheet	FY21	FY22	FY23	FY24e	FY25e	FY26e
Equity capital	890	890	890	890	890	890
Reserves	74,080	92,140	1,17,620	1,43,262	1,70,894	2,04,729
Net worth	74,970	93,030	1,18,510	1,44,152	1,71,784	2,05,619
MI	50	300	530	698	816	898
Non Current Liabilities	12,350	13,490	18,550	46,672	46,879	47,103
Current Liabilities	77,150	1,05,120	1,32,640	1,88,247	2,05,467	2,27,081
TOTAL LIABILITIES	1,64,520	2,11,940	2,70,230	3,79,769	4,24,947	4,80,701
Non Current Assets	32,550	37,400	46,144	94,864	1,00,503	1,02,781
Fixed Assets	24,320	25,060	30,174	34,174	38,174	40,424
Goodwill	1,230	1,230	1,230	46,000	46,000	46,000
Non Current Investments	190	2,790	3,510	3,510	3,510	3,510
Deferred Tax Asset	1,050	1,870	1,580	1,580	1,580	1,580
Long Term Loans and Advances	430	420	540	621	714	821
Other Non Current Assets	5,330	6,030	9,110	8,979	10,525	10,446
Current Assets	1,31,970	1,74,540	2,24,086	2,84,905	3,24,444	3,77,920
Current investments	28,050	150	21,640	21,640	21,640	21,640
Inventories	84,080	1,36,090	1,65,840	2,13,321	2,44,358	2,86,649
Trade Receivables	3,660	5,650	6,740	8,478	9,776	11,438
Cash and Bank Balances	5,600	15,730	13,446	22,751	27,332	34,377
Short Term Loans and Advances	760	4,230	1,350	1,485	1,634	1,797
Other Current Assets	9,820	12,690	15,070	17,230	19,704	22,020
TOTAL ASSETS	1,64,520	2,11,940	2,70,230	3,79,769	4,24,947	4,80,701

Cash Flow St. (Rs. mn)	FY21	FY22	FY23	FY24e	FY25e	FY26e
Net Profit	9,740	22,270	32,500	36,632	39,642	48,453
Add: Dep. & Amort.	3,750	3,990	4,410	4,200	4,741	5,046
Cash profits	13,490	26,260	36,910	40,832	44,384	53,499
(Inc)/Dec in						
-Sundry debtors	(545)	(1,990)	(1,090)	(1,738)	(1,297)	(1,662)
-Inventories	(3,050)	(52,010)	(29,750)	(47,481)	(31,038)	(42,291)
-Loans/advances	906	(3,460)	2,760	(216)	(242)	(270)
- Other Current Assets	382	(3,410)	(5,320)	(2,029)	(4,019)	(2,237)
+Current Liab and						
Provisions	(2,084)	7,710	12,490	4,548	5,009	5,517
Sundry Creditors	1,923	5,050	(800)	3,476	2,272	3,096
Change in working capital	(2,467)	(48,110)	(21,710)	(43,440)	(29,315)	(37,848)
CF from Oper. activities	11,023	(21,850)	15,200	(2,608)	15,068	15,652
CF from Inv. activities	(29,444)	20,560	(31,734)	(52,970)	(8,731)	(7,296)
CF from Fin. activities	20,210	11,410	14,250	64,884	(1,746)	(1,311)
Cash generated/(utilised)	1,789	10,120	(2,284)	9,305	4,591	7,044
Cash at start of the year	3,811	5,600	15,730	13,446	22,751	27,332
Cash at end of the year	5,600	15,720	13,446	22,751	27,332	34,367

Ratios	FY21	FY22	FY23	FY24e	FY25e	FY26e
OPM	8.0	11.6	12.0	11.1	11.3	11.4
NPM	4.46	7.67	7.95	7.14	6.73	7.03
Tax rate	(26.5)	(23.9)	(26.4)	(25.2)	(25.2)	(25.2)
Growth Ratios (%)						
Net Sales	2.8	33.1	40.9	25.8	15.3	17.0
Operating Profit	(30.1)	93.7	46.0	16.2	17.3	18.4
PBIT	(36.3)	117.9	50.8	18.3	17.6	19.3
PAT	(35.1)	128.7	45.9	12.7	8.2	22.2
Per Share (Rs.)						
Net Earnings (EPS)	11	25	37	41	45	54
Cash Earnings (CPS)	15.2	29.5	41.5	45.9	49.9	60.1
Dividend	3.8	7.5	10.0	12.3	13.4	16.3
Book Value	84.2	104.5	133.2	162.0	193.0	231.0
Free Cash Flow	11.3	(25.2)	14.4	(2.0)	21.3	24.2
Valuation Ratios						
P/E(x)	326.4	142.7	97.8	86.8	80.2	65.6
P/B(x)	42.4	34.2	26.8	22.1	18.5	15.5
EV/EBIDTA(x)	183.2	95.2	65.2	57.0	48.6	40.9
Div. Yield(%)	0.1	0.2	0.3	0.3	0.4	0.5
FCF Yield(%)	0.3	(0.7)	0.4	(0.1)	0.6	0.7
Return Ratios (%)						
ROE	13%	24%	27%	25%	23%	24%
ROCE	15%	26%	28%	21%	23%	24%

Source: Dalal & Broacha Research, Company

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