

## Big Q4 miss due to margin; maintain BUY on growth focus

Retail ▶ Result Update ▶ May 4, 2024

TARGET PRICE (Rs): 4,150

TTAN's Q4 PAT missed estimates by 10-12%, due to 70-100bps jewelry margin miss and higher subsidiary loss. Whereas jewelry topline growth is healthy at ~20%, the margin miss is a factor of high competition and higher gold mix in studded sales. In our view, near-term EPS growth will be hit by elevated gold prices and added promotions. But we like TTAN's focus on share gains (vs. near-term margin), as growth outlook remains robust, at ~20% CAGR. TTAN upheld its guidance of jewelry EBIT margin band of 12-13%, which though would probably stay at the lower-end, as Q1 is likely to miss the band by a margin. Growth opportunity stays healthy, with entry into new cities/catchments and expansion of existing stores. TTAN worked on ~100 Tanishq properties in FY24, with 56 new additions and ~50 renovations, as well as ~50-70 Caratlane/Mia store adds in FY24 (Jewelry square-footage up 24%). We cut estimates by 5-6% on near-term margin pain but recommend buying into any significant corrections; maintain BUY, with tweaked down TP of Rs4,150 (65x FY26E EPS).

## Titan Company: Financial Snapshot (Consolidated)

Y/E March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	405,750	510,840	573,547	689,549	831,777
EBITDA	48,790	52,920	67,155	83,272	102,709
Adj. PAT	32,740	34,960	44,120	56,350	71,564
Adj. EPS (Rs)	36.9	39.4	49.7	63.5	80.6
EBITDA margin (%)	12.0	10.4	11.7	12.1	12.3
EBITDA growth (%)	46.0	8.5	26.9	24.0	23.3
Adj. EPS growth (%)	45.4	6.8	26.2	27.7	27.0
RoE (%)	30.9	32.9	39.5	36.9	34.7
RoIC (%)	31.4	26.2	28.1	31.5	34.2
P/E (x)	95.8	89.7	71.1	55.7	43.8
EV/EBITDA (x)	64.0	60.2	47.1	37.7	30.2
P/B (x)	26.5	33.4	24.2	17.9	13.2
FCFF yield (%)	0.4	0.3	1.3	1.4	1.7

Source: Company, Emkay Research

## Q4 print a mixed bag; in-line topline; margin miss amid increasing competition

Ex-bullion sales, standalone revenue grew 17%, led by 19%/26% growth in Jewelry/Other segment, with Eyewear/Watches seeing relatively lower growth at 1%/8%. Among subsidiaries, strong trends continued in CaratLane with ~30% growth. TEAL saw sharp revival, with more than doubling of revenue in Q4, and strong trends expected to uphold in FY25 as well. Jewelry growth was led by double-digit growth in bill-cuts and a healthy 54% contribution from new buyers. Watches growth was muted at 8%, pressed by 3% uptick in Wearables and 9% growth in Analog. Growth was impacted by inventory overload for peers in the masstige segment for wearables. Eyewear disappointed, with flat revenue owing to slower traction for house brands and 2%/12% decline in frames/sunglasses. Emerging segments grew 26%, led by 36% growth in Taneira. Strong network expansion continued for Tanishq, with 13/56 store-adds in Q4/FY24. With ~50 renovations and 50/67 store additions for Caratlane/Mia, the jewelry retail space was up 24% in FY24.

## Earnings call KTAs:

1) TTAN's inventory per store is likely to increase amid sudden spurt in gold price, but company is focusing on light-weighting/merchandising at stores and increasing sourcing through Gold Metal Loan to partially offset this increase. 2) Q4 margins were low due to absence of diamond-led inventory/custom-duty gain, coupled with higher promotional offers and higher gold mix in studded sales. TTAN is working on re-engineering margin upward, which though is likely to take a few months. 3) TTAN has been watchful of the LGD space, as global players /competitors foray in this domain; but for now, it does not see any traction here. 4) Watches/Wearables category is seeing pricing pressure due to excess inventory with competitors; however, TTAN expects the froth to settle in 3-4 months. It continues to focus on top-line growth, and margins are expected to follow, with increase in scale. 5) Q1 demand is expected to be hit by the sudden splurge in gold price (lower consumer sentiment), the elections, and lesser wedding dates. 6) TTAN continues to see an opportunity in foraying into >300 new towns, along with entering new catchments and space expansion in existing stores. 7) Caratlane expansion opportunity is more in Metro/Tier-1 cities for now, and TTAN will focus on healthy SSG with calibrated expansion in existing locations for this format. 8) TTAN aims to double its international store-count (mainly US/GCC/Singapore), as traction remains strong and stores are clocking higher gross margins. 9) Sales from gold exchange were down from last year in Q4; for full-FY24, gold exchange contributed to ~40% of sales. 10) TTAN remains comfortable at current debt levels.

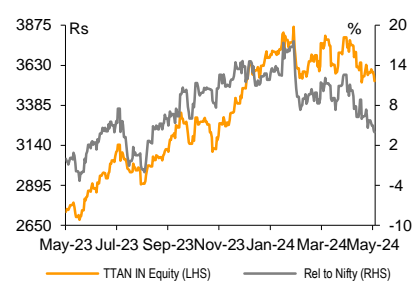
Target Price – 12M	Mar-25
Change in TP (%)	(4.6)
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	17.4
CMP (03-May-24) (Rs)	3,533.9

Stock Data	Ticker
52-week High (Rs)	3,887
52-week Low (Rs)	2,643
Shares outstanding (mn)	887.8
Market-cap (Rs bn)	3,137
Market-cap (USD mn)	37,605
Net-debt, FY25E (Rs mn)	0
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	3,755.7
ADTV-3M (USD mn)	45.0
Free float (%)	47.0
Nifty-50	22,476
INR/USD	83.4
<b>Shareholding, Mar-24</b>	
Promoters (%)	52.9
FPIs/MFs (%)	19.0/10.5

## Price Performance

(%)	1M	3M	12M
Absolute	(4.8)	(2.2)	33.2
Rel. to Nifty	(5.0)	(4.9)	7.2

## 1-Year share price trend (Rs)



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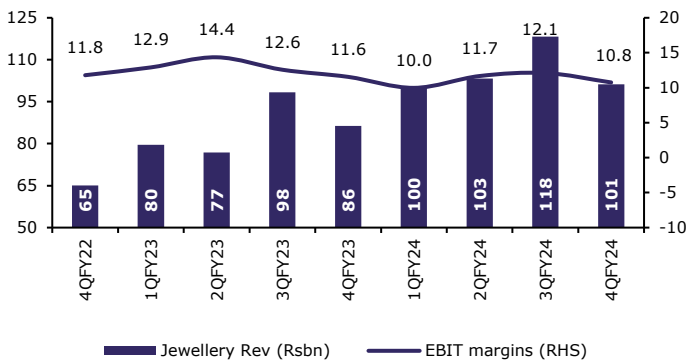
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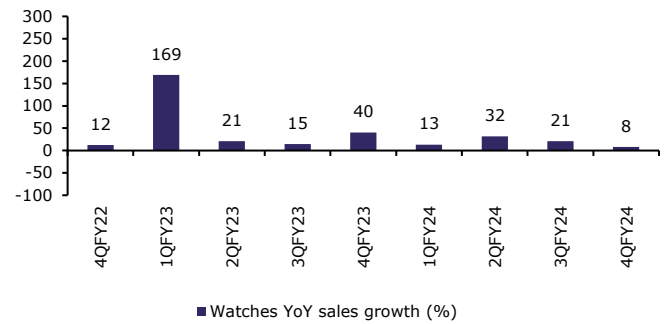
## Story in Charts

**Exhibit 1: Ex-bullion, Jewelry saw ~19% growth and LTL EBIT margin dipped by 110bps to 12.1% in Q4 (vs. 13.2% YoY)**



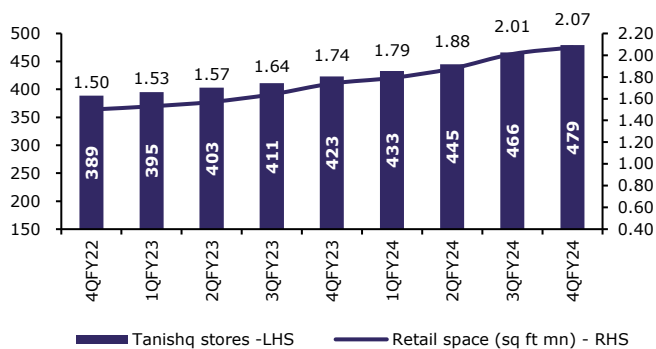
Source: Company, Emkay Research

**Exhibit 2: Watches saw muted rev. growth at 8%; EBIT margin dipped to ~8.5% amid higher mkt. spends and high wearables mix**



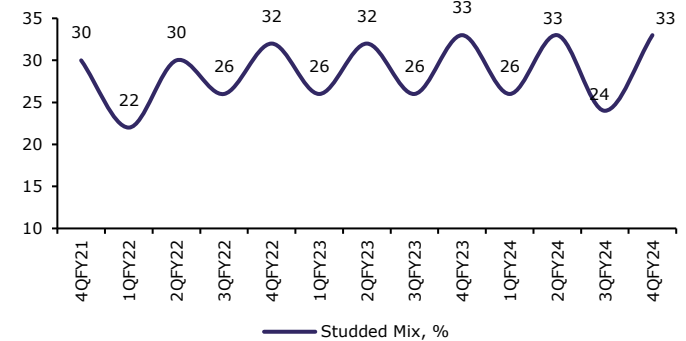
Source: Company, Emkay Research

**Exhibit 3: Tanishq's network expansion remains strong, together with 13/56 store additions in Q4/FY24**



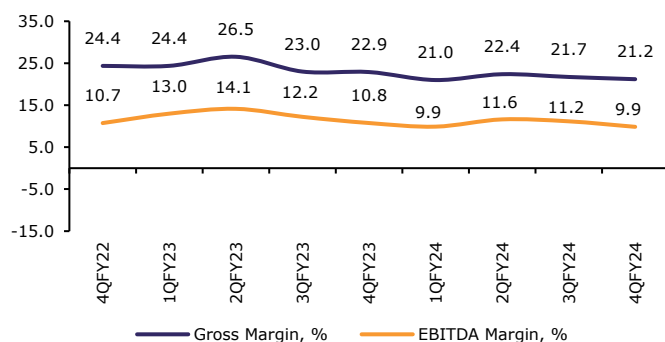
Source: Company, Emkay Research

**Exhibit 4: Although studded mix was flat YoY, EBIT margin was down, due to absence of one-off gains and higher gold mix in studded**



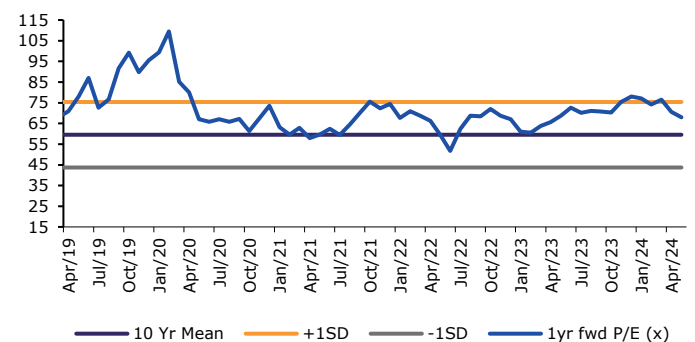
Source: Company, Emkay Research

**Exhibit 5: Absence of one-off gains and custom duty benefit, coupled with higher promotional offers, impacted gross/EBITDA margin**



Source: Company, Emkay Research

**Exhibit 6: Titan's one-year forward P/E**



Source: Company, Emkay Research

## Exhibit 7: Actual vs. Estimates (Q4FY24)

(Rs mn)	Actual	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net Sales	124,940	112,525	105,671	11.0%	18.2%	Standalone Jewelry sales (ex-bullion) were inv line with our estimates.
EBITDA	11,910	13,555	12,939	-12.1%	-8.0%	Lower EBITDA margin was due to a miss on jewelry margin and higher subsidiary loss
EBITDA Margin	9.5%	12.0%	12.2%	-251	-271	
PAT	7,710	8,477	8,762	-9.0%	-12.0%	PAT miss was partially offset by higher other income and lower tax rate

Source: Company, Emkay Research

## Exhibit 8: Summary of quarterly results

Y/E, March (Rs mn)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
<b>Revenue</b>	<b>103,600</b>	<b>118,970</b>	<b>125,290</b>	<b>141,640</b>	<b>124,940</b>	20.6	-11.8	<b>405,750</b>	<b>510,840</b>	25.9
<b>Expenditure</b>	<b>92,710</b>	<b>107,720</b>	<b>111,180</b>	<b>125,990</b>	<b>113,030</b>	21.9	-10.3	<b>356,960</b>	<b>457,920</b>	<b>28.3</b>
Consumption of RM	78,470	92,550	95,990	108,700	97,080	23.7	-10.7	303,550	394,320	29.9
as % of sales	75.7%	77.8%	76.6%	76.7%	77.7%			74.8%	77.2%	
Other expenditure	14,240	15,170	15,190	17,290	15,950	12.0	-7.8	53,410	63,600	19.1
as % of sales	13.7%	12.8%	12.1%	12.2%	12.8%			13.2%	12.5%	
<b>EBITDA</b>	<b>10,890</b>	<b>11,250</b>	<b>14,110</b>	<b>15,650</b>	<b>11,910</b>	9.4	-23.9	<b>48,790</b>	<b>52,920</b>	<b>8.5</b>
Depreciation	1,190	1,280	1,440	1,540	1,580	32.8	2.6	4,410	5,840	32.4
<b>EBIT</b>	<b>9,700</b>	<b>9,970</b>	<b>12,670</b>	<b>14,110</b>	<b>10,330</b>	6.5	-26.8	<b>44,380</b>	<b>47,080</b>	<b>6.1</b>
Other Income	1,140	1,140	1,240	1,360	1,590	39.5	16.9	3,080	5,330	73.1
Interest	960	1,090	1,400	1,690	2,010	109.4	18.9	3,000	6,190	106.3
<b>PBT</b>	<b>9,880</b>	<b>10,020</b>	<b>12,510</b>	<b>13,780</b>	<b>9,910</b>	0.3	-28.1	<b>44,460</b>	<b>46,220</b>	<b>4.0</b>
Total Tax	2,520	2,460	3,360	3,250	2,200	-12.7	-32.3	11,730	11,270	-3.9
<b>PAT</b>	<b>7,360</b>	<b>7,560</b>	<b>9,150</b>	<b>10,530</b>	<b>7,710</b>	4.8	-26.8	<b>32,730</b>	<b>34,950</b>	<b>6.8</b>
Extraordinary items	0	0	-10	0	0					
<b>Reported PAT</b>	<b>7,360</b>	<b>7,560</b>	<b>9,160</b>	<b>10,530</b>	<b>7,710</b>	4.8	-26.8	<b>32,740</b>	<b>34,960</b>	<b>6.8</b>
Minority Interest	-60	-30	-10	0	0					
<b>Adjusted PAT</b>	<b>7,300</b>	<b>7,530</b>	<b>9,150</b>	<b>10,530</b>	<b>7,710</b>	5.6	-26.8	<b>32,500</b>	<b>34,920</b>	7.4
<b>Adjusted EPS (Rs)</b>	<b>8.2</b>	<b>8.5</b>	<b>10.3</b>	<b>11.9</b>	<b>8.7</b>	5.6	-26.8	<b>36.6</b>	<b>39.3</b>	<b>7.4</b>
<b>(%)</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>(bps)</b>	<b>(bps)</b>	<b>FY23</b>	<b>FY24</b>	<b>(bps)</b>
EBITDA margin	10.5	9.5	11.3	11.0	9.5	-100	-150	12.0	10.4	-170
EBIT margin	9.4	8.4	10.1	10.0	8.3	-110	-170	10.9	9.2	-170
EBT margin	9.5	8.4	10.0	9.7	7.9	-160	-180	11.0	9.0	-190
PAT margin	7.0	6.3	7.3	7.4	6.2	-90	-130	8.0	6.8	-120
Effective Tax rate	25.5	24.6	26.9	23.6	22.2	-330	-140	26.4	24.4	-200

Source: Company, Emkay Research

## Exhibit 9: Segmental financials

Revenue (Rs mn)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
Watches	8,710	8,900	10,920	9,820	9,400	7.9	-4.3	32,960	39,040	18.4
Jewelry	86,310	100,080	103,300	118,290	101,250	17.3	-14.4	341,050	422,920	24.0
Eyewear	1,650	2,030	1,880	1,670	1,660	0.6	-0.6	6,890	7,240	5.1
Others	770	760	930	1,120	970	26.0	-13.4	2,950	3,780	28.1
Corporate	640	670	790	1,010	790			1,840	3,260	77.2
<b>Total Standalone</b>	<b>98,080</b>	<b>112,440</b>	<b>117,820</b>	<b>131,910</b>	<b>114,070</b>	<b>16.3</b>	<b>-13.5</b>	<b>385,690</b>	<b>476,240</b>	<b>23.5</b>
CaratLane	5,800	6,400	6,500	8,930	7,480	29.0	-16.2	21,880	29,310	34.0
Teal	1,740	610	1,250	2,020	3,730	114.4	84.7	5,110	7,610	48.9
Others	-880	670	960	150	1,260			-3,850	3,040	-179.0
<b>Total Consolidated</b>	<b>104,740</b>	<b>120,120</b>	<b>126,530</b>	<b>143,010</b>	<b>126,540</b>	<b>20.8</b>	<b>-11.5</b>	<b>408,830</b>	<b>516,200</b>	<b>26.3</b>
EBIT (Rs mn)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
Watches	980	1,020	1,600	550	800	-18.4	45.5	4,130	3,970	-3.9
Jewelry	9,970	9,990	12,060	14,320	10,890	9.2	-24.0	43,630	47,260	8.3
Eyewear	20	350	280	140	80	300.0	-42.9	980	850	-13.3
Others	-440	-330	-270	-230	-380			-1,670	-1,210	-27.5
<b>Total Standalone</b>	<b>10,530</b>	<b>11,030</b>	<b>13,670</b>	<b>14,780</b>	<b>11,390</b>	<b>8.2</b>	<b>-22.9</b>	<b>47,070</b>	<b>50,870</b>	<b>8.1</b>
CaratLane	400	350	260	820	520	30.0	-36.6	1,670	1,950	16.8
Teal	190	-110	200	250	640	236.8	156.0	280	980	250.0
Others	-280	-160	-210	-380	-630			-1,540	-1,380	-10.4
<b>Total Consolidated</b>	<b>10,840</b>	<b>11,110</b>	<b>13,920</b>	<b>15,470</b>	<b>11,920</b>	<b>10.0</b>	<b>-22.9</b>	<b>47,480</b>	<b>52,420</b>	<b>10.4</b>
Margin (%)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	(bps)	(bps)	FY23	FY24	(bps)
Watches	11.3	11.5	14.7	5.6	8.5	-270	290	12.5	10.2	-240
Jewelry	11.6	10.0	11.7	12.1	10.8	-80	-140	12.8	11.2	-160
Eyewear	1.2	17.2	14.9	8.4	4.8	360	-360	14.2	11.7	-250
Others	(57.1)	(43.4)	(29.0)	(20.5)	(39.2)			-56.6	-32.0	2,460
<b>Total Standalone</b>	<b>10.7</b>	<b>9.8</b>	<b>11.6</b>	<b>11.2</b>	<b>10.0</b>	<b>-80</b>	<b>-120</b>	<b>12.2</b>	<b>10.7</b>	<b>-150</b>
CaratLane	6.9	5.5	4.0	9.2	7.0	10	-220	7.6	6.7	-100
Teal	10.9	(18.0)	16.0	12.4	17.2	620	480	5.5	12.9	740
<b>Total Consolidated</b>	<b>10.3</b>	<b>9.2</b>	<b>11.0</b>	<b>10.8</b>	<b>9.4</b>	<b>-90</b>	<b>-140</b>	<b>11.6</b>	<b>10.2</b>	<b>-150</b>

Source: Company, Emkay Research

## Exhibit 10: Peer Comparison

Companies	Price (Rs)	Mcap (Rs bn)	Reco	Target Price (Rs/sh)	EPS (Rs)			P/E (x)			EV/EBITDA (x)*		
					FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
<b>Titan Company</b>	<b>3,534</b>	<b>3,137</b>	<b>Buy</b>	<b>4,150</b>	<b>39.4</b>	<b>49.7</b>	<b>63.5</b>	<b>89.7</b>	<b>71.1</b>	<b>55.7</b>	<b>59.6</b>	<b>47.0</b>	<b>37.9</b>
Page Industries	34,793	388	Reduce	36,250	527.9	609.4	725.5	65.9	57.1	48.0	42.1	36.9	31.4
Jubilant FoodWorks	463	305	Sell	420	4.3	5.3	6.7	106.6	87.3	68.8	26.8	23.3	20.0
Devyani International	166	200	Reduce	165	0.7	1.5	2.3	250.0	109.1	71.3	31.3	24.1	18.8
ABFRL	254	258	Reduce	230	-5.6	-4.4	-2.2	NA	NA	NA	18.3	12.8	10.0
Westlife Foodworld	843	131	Buy	900	4.4	4.9	10.0	189.9	172.3	84.5	34.9	31.1	23.2
Sapphire Foods	1,414	90	Buy	1,700	8.7	19.2	28.6	162.4	73.8	49.4	18.8	14.5	11.4
Go Fashion	1,046	56	Buy	1,300	15.3	18.8	26.3	68.1	55.4	39.7	22.6	19.2	14.9
Ethos	2,344	57	Buy	2,950	34.6	41.4	52.7	67.8	56.6	44.5	35.1	26.2	19.6
Senco Gold	924	72	Buy	1,100	23.4	29.8	37.7	39.5	31.0	24.5	20.4	16.6	13.5
Varun Beverages	1,507	1,958	Add	1,500	15.8	20.4	26.8	95.2	73.8	56.1	55.4	43.9	35.4
Aditya Vision	3,493	45	Buy	5,150	66.6	93.2	133.7	52.4	37.5	26.1	27.8	20.9	15.6

Source: Company, Emkay Research; \*Post-IndAS116 EBITDA

**Exhibit 11: Changes in estimates**

(Rs mn)	FY25E			FY26E			FY27
	Old	New	% change	Old	New	Change (%)	New
Revenue	572,885	573,547	0.1	694,819	689,549	-0.8	831,777
<b>EBITDA</b>	<b>71,209</b>	<b>67,155</b>	<b>-5.7</b>	<b>87,763</b>	<b>83,272</b>	<b>-5.1</b>	<b>102,709</b>
EBITDA margin (%)	12.4	11.7	-70 bps	12.6	12.1	-60 bps	12.3
Net profit	46,971	44,120	-6.1	59,198	56,350	-4.8	71,564
EPS (Rs)	52.9	49.7	-6.1	66.7	63.5	-4.8	80.6

Source: Company, Emkay Research

**Exhibit 12: Quarterly snapshot of retail growth**

Particulars	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
World of Titan	15%	241%	31%	14%	18%	8%	8%	7%	12%
Tanishq	1%	202%	13%	14%	25%	22%	27%	16%	19%
Titan Eye+	-4%	180%	12%	14%	22%	13%	9%	0%	4%
Fastrack	-9%	230%	26%	19%	11%	-4%	5%	-5%	6%
Helios	35%	278%	46%	32%	45%	40%	38%	36%	30%
LFS (watches)	8%	358%	63%	20%	42%	33%	15%	14%	4%

Source: Company, Emkay Research

**Exhibit 13: Quarterly snapshot of LTL growth**

Particulars	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
World of Titan	13%	227%	26%	8%	11%	2%	2%	3%	7%
Tanishq	4%	195%	9%	9%	19%	22%	22%	10%	14%
Titan Eye+	-13%	185%	1%	1%	10%	3%	0%	-6%	0%
Fastrack	-5%	231%	26%	18%	8%	-11%	-7%	-13%	-4%
Helios	14%	227%	27%	11%	21%	20%	18%	20%	14%
LFS (watches)	3%	338%	52%	25%	37%	13%	4%	12%	-8%

Source: Company, Emkay Research

## Titan Company: Consolidated Financials and Valuations

Profit and Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>405,750</b>	<b>510,840</b>	<b>573,547</b>	<b>689,549</b>	<b>831,777</b>
Revenue growth (%)	40.9	25.9	12.3	20.2	20.6
<b>EBITDA</b>	<b>48,790</b>	<b>52,920</b>	<b>67,155</b>	<b>83,272</b>	<b>102,709</b>
EBITDA growth (%)	46.0	8.5	26.9	24.0	23.3
Depreciation & Amortization	4,410	5,840	6,781	7,956	9,283
<b>EBIT</b>	<b>44,380</b>	<b>47,080</b>	<b>60,374</b>	<b>75,316</b>	<b>93,427</b>
EBIT growth (%)	50.8	6.1	28.2	24.7	24.0
Other operating income	0	0	0	0	0
Other income	3,080	5,330	6,604	7,265	7,991
Financial expense	3,000	6,190	8,151	7,447	5,999
<b>PBT</b>	<b>44,460</b>	<b>46,220</b>	<b>58,827</b>	<b>75,133</b>	<b>95,419</b>
Extraordinary items	0	0	0	0	0
Taxes	11,730	11,270	14,707	18,783	23,855
Minority interest	0	0	0	0	0
Income from JV/Associates	10	10	0	0	0
<b>Reported PAT</b>	<b>32,740</b>	<b>34,960</b>	<b>44,120</b>	<b>56,350</b>	<b>71,564</b>
PAT growth (%)	49.0	6.8	26.2	27.7	27.0
<b>Adjusted PAT</b>	<b>32,740</b>	<b>34,960</b>	<b>44,120</b>	<b>56,350</b>	<b>71,564</b>
<b>Diluted EPS (Rs)</b>	<b>36.9</b>	<b>39.4</b>	<b>49.7</b>	<b>63.5</b>	<b>80.6</b>
Diluted EPS growth (%)	45.4	6.8	26.2	27.7	27.0
<b>DPS (Rs)</b>	<b>10.0</b>	<b>11.0</b>	<b>9.5</b>	<b>11.5</b>	<b>11.5</b>
<b>Dividend payout (%)</b>	<b>27.1</b>	<b>27.9</b>	<b>19.1</b>	<b>18.1</b>	<b>14.3</b>
EBITDA margin (%)	12.0	10.4	11.7	12.1	12.3
EBIT margin (%)	10.9	9.2	10.5	10.9	11.2
Effective tax rate (%)	26.4	24.4	25.0	25.0	25.0
<b>NOPLAT (pre-IndAS)</b>	<b>32,671</b>	<b>35,600</b>	<b>45,280</b>	<b>56,487</b>	<b>70,070</b>
Shares outstanding (mn)	887.8	887.8	887.8	887.8	887.8

Source: Company, Emkay Research

Cash Flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	44,460	46,220	58,827	75,133	95,419
Others (non-cash items)	4,410	5,840	6,781	7,956	9,283
Taxes paid	(11,610)	(12,180)	(14,707)	(18,783)	(23,855)
Change in NWC	(22,606)	(28,523)	(13,351)	(23,530)	(29,042)
<b>Operating cash flow</b>	<b>17,664</b>	<b>17,557</b>	<b>45,702</b>	<b>48,223</b>	<b>57,804</b>
Capital expenditure	(3,800)	(6,744)	(5,000)	(5,000)	(5,000)
Acquisition of business	(720)	(3,280)	0	0	0
Interest & dividend income	3,080	5,330	6,604	7,265	7,991
<b>Investing cash flow</b>	<b>(26,010)</b>	<b>(5,044)</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>(5,000)</b>
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	16,780	56,550	(12,500)	(12,500)	(12,500)
Payment of lease liabilities	(4,113)	(4,531)	(4,651)	(5,166)	(5,713)
Interest paid	(1,660)	(4,603)	(6,246)	(5,162)	(3,256)
Dividend paid (incl tax)	(8,878)	(9,766)	(8,434)	(10,210)	(10,210)
Others	3,917	(48,333)	0	0	0
<b>Financing cash flow</b>	<b>6,046</b>	<b>(10,683)</b>	<b>(31,831)</b>	<b>(33,038)</b>	<b>(31,679)</b>
Net chg in Cash	(2,300)	1,830	8,870	10,186	21,125
OCF	17,664	17,557	45,702	48,223	57,804
Adj. OCF (w/o NWC chg.)	40,270	46,080	59,053	71,753	86,846
FCFF	13,864	10,813	40,702	43,223	52,804
FCFE	13,944	9,953	39,155	43,041	54,796
OCF/EBITDA (%)	36.2	33.2	68.1	57.9	56.3
FCFE/PAT (%)	42.6	28.5	88.7	76.4	76.6
<b>FCFF/NOPLAT (%)</b>	<b>42.4</b>	<b>30.4</b>	<b>89.9</b>	<b>76.5</b>	<b>75.4</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	888	888	888	888	888
Reserves & Surplus	117,619	93,042	128,729	174,869	236,223
<b>Net worth</b>	<b>118,507</b>	<b>93,930</b>	<b>129,616</b>	<b>175,757</b>	<b>237,111</b>
Minority interests	530	0	0	0	0
Deferred tax liability (net)	(610)	(1,060)	(676)	(239)	259
<b>Total debt</b>	<b>40,680</b>	<b>101,870</b>	<b>88,824</b>	<b>75,643</b>	<b>62,373</b>
<b>Total liabilities &amp; equity</b>	<b>159,107</b>	<b>194,740</b>	<b>217,764</b>	<b>251,161</b>	<b>299,743</b>
Net tangible fixed assets	13,430	14,370	15,211	15,785	16,092
Net intangible assets	2,460	2,566	2,613	2,196	1,780
Net ROU assets	12,850	15,430	13,843	11,498	8,244
Capital WIP	1,440	970	970	970	970
Goodwill	1,230	1,230	1,230	1,230	1,230
Investments [JV/Associates]	3,520	6,800	6,800	6,800	6,800
<b>Cash &amp; equivalents</b>	<b>35,070</b>	<b>31,920</b>	<b>40,790</b>	<b>50,976</b>	<b>72,101</b>
Current assets (ex-cash)	197,137	234,730	266,863	317,008	378,018
Current Liab. & Prov.	108,030	116,760	135,158	161,336	192,806
<b>NWC (ex-cash)</b>	<b>89,107</b>	<b>117,970</b>	<b>131,704</b>	<b>155,672</b>	<b>185,212</b>
<b>Total assets</b>	<b>159,107</b>	<b>194,740</b>	<b>217,764</b>	<b>251,161</b>	<b>299,743</b>
Net debt	(13,120)	46,460	25,090	2,404	(31,221)
Capital employed	140,377	171,250	194,820	228,897	278,251
<b>Invested capital</b>	<b>117,847</b>	<b>153,820</b>	<b>167,973</b>	<b>191,184</b>	<b>218,642</b>
BVPS (Rs)	133.5	105.8	146.0	198.0	267.1
Net Debt/Equity (x)	(0.1)	0.5	0.2	0.0	(0.1)
Net Debt/EBITDA (x)	(0.3)	0.9	0.4	0.0	(0.3)
Interest coverage (x)	0.1	0.1	0.1	0.1	0.1
<b>RoCE (%)</b>	<b>39.9</b>	<b>33.6</b>	<b>36.6</b>	<b>39.0</b>	<b>40.0</b>

Source: Company, Emkay Research

Valuations and Key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	95.8	89.7	71.1	55.7	43.8
P/CE(x)	84.5	76.9	61.6	48.8	38.8
P/B (x)	26.5	33.4	24.2	17.9	13.2
EV/Sales (x)	7.7	6.2	5.5	4.6	3.7
EV/EBITDA (x)	64.0	60.2	47.1	37.7	30.2
EV/EBIT(x)	70.4	67.6	52.4	41.7	33.2
EV/IC (x)	26.5	20.7	18.8	16.4	14.2
FCFF yield (%)	0.4	0.3	1.3	1.4	1.7
FCFE yield (%)	0.4	0.3	1.2	1.4	1.7
Dividend yield (%)	0.3	0.3	0.3	0.3	0.3
<b>DuPont-RoE split</b>					
Net profit margin (%)	8.1	6.8	7.7	8.2	8.6
Total asset turnover (x)	3.4	3.3	3.1	3.3	3.3
Assets/Equity (x)	1.1	1.5	1.6	1.4	1.2
<b>RoE (%)</b>	<b>30.9</b>	<b>32.9</b>	<b>39.5</b>	<b>36.9</b>	<b>34.7</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	8.1	7.0	7.9	8.2	8.4
IC turnover (x)	3.9	3.8	3.6	3.8	4.1
<b>RoIC (%)</b>	<b>31.4</b>	<b>26.2</b>	<b>28.1</b>	<b>31.5</b>	<b>34.2</b>
<b>Operating metrics</b>					
Core NWC days	59.4	57.3	58.9	57.7	57.6
<b>Total NWC days</b>	<b>80.2</b>	<b>84.3</b>	<b>83.8</b>	<b>82.4</b>	<b>81.3</b>
Fixed asset turnover	11.3	11.6	11.4	12.9	14.9
Opex-to-revenue (%)	13.2	12.5	12.9	13.0	13.2

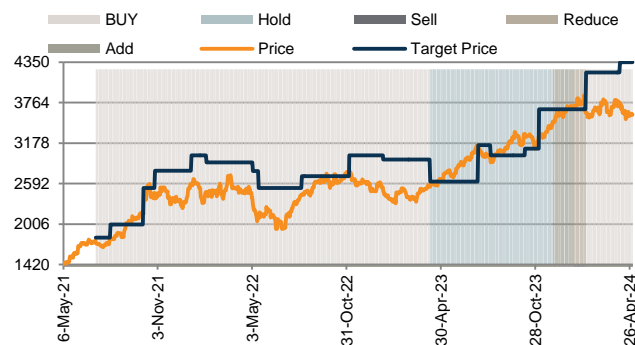
Source: Company, Emkay Research

## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
07-Apr-24	3,754	4,350	Buy	Devanshu Bansal
02-Feb-24	3,612	4,200	Buy	Devanshu Bansal
10-Jan-24	3,714	3,670	Reduce	Devanshu Bansal
30-Nov-23	3,491	3,670	Add	Devanshu Bansal
04-Nov-23	3,275	3,670	Hold	Devanshu Bansal
08-Oct-23	3,310	3,100	Hold	Devanshu Bansal
03-Aug-23	2,902	3,000	Hold	Devanshu Bansal
10-Jul-23	3,046	3,150	Hold	Devanshu Bansal
04-May-23	2,670	2,620	Hold	Devanshu Bansal
09-Apr-23	2,548	2,620	Hold	Devanshu Bansal
03-Feb-23	2,463	2,940	Buy	Devanshu Bansal
09-Jan-23	2,485	2,940	Buy	Devanshu Bansal
05-Nov-22	2,770	3,000	Buy	Devanshu Bansal
06-Oct-22	2,593	2,700	Buy	Devanshu Bansal
06-Aug-22	2,433	2,700	Buy	Devanshu Bansal
07-Jul-22	2,128	2,530	Buy	Devanshu Bansal
15-May-22	2,092	2,530	Buy	Devanshu Bansal
04-May-22	2,290	2,775	Buy	Devanshu Bansal
08-Apr-22	2,510	2,900	Buy	Devanshu Bansal
04-Feb-22	2,471	2,900	Buy	Devanshu Bansal
06-Jan-22	2,596	3,000	Buy	Devanshu Bansal
28-Oct-21	2,375	2,778	Buy	Devanshu Bansal
06-Oct-21	2,148	2,530	Buy	Devanshu Bansal
04-Aug-21	1,800	2,000	Buy	Devanshu Bansal
07-Jul-21	1,727	1,810	Buy	Devanshu Bansal

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research



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