

BUY

CMP (Rs)	3,398
Target Price (Rs)	4,270
Potential Upside	25.7%
Sensex	78,785
Nifty	24,061

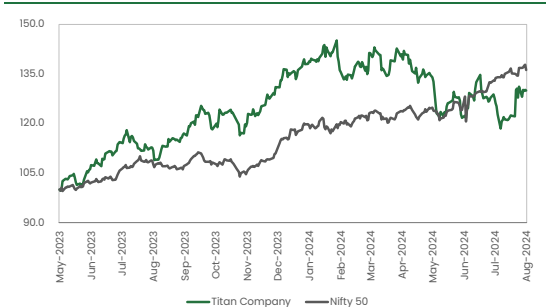
Key Stock data

BSE Code	500114
NSE Code	TITAN
Bloomberg	TTAN:IN
Shares o/s, Cr (FV 1)	88.8
Market Cap (Rs Cr)	3,01,687
3M Avg Volume	16,88,752
52 week H/L	3,887/2,882

Shareholding Pattern

(%)	Dec-23	Mar-24	Jun-24
Promoter	52.9	52.9	52.9
FII	18.9	19.0	18.2
DII	10.4	10.5	10.7
Public	17.8	17.6	18.2

1 year relative price performance



1 year Forward P/E (x)



Research Analyst

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Mixed Performance; Maintain Buy

Q1FY25 Result Update | Sector: Consumer Goods | August 05, 2024

Decent performance amid challenges: Titan reported sales growth of 6.2% YoY and 11.5% QoQ to Rs 13,266cr. During the quarter, the performance was impacted due to steep gold prices, lower number of wedding days and election-led restrictions in its core markets. Amongst segments, Jewellery segment's (88.2% of the net sales) net sales increased 7.3% YoY while watches and wearable's segment's (7.6% of the net sales) net sales increased 7.3% YoY.

Pressure on margins: During the quarter, gold prices remained elevated which led to increase in the cost of the products manufacturing and put downward pressure on margins. Its gross profit grew by 5.2% YoY and 10.9% QoQ to Rs 2,930cr with margin at 22.1% which declined by 21bps YoY/12bps QoQ. Increase in other overheads due to store expansion led to decline in EBITDA margin by 13bps QoQ/6bps YoY to 9.4%. During the quarter, interest costs saw a surge by 111% QoQ/14.4% YoY to Rs 230cr which led to decline in PAT by 7.3% YoY and 5.4% QoQ while margins contracted by 96bps QoQ/78bps YoY.

Steady performance by Jewellery segment: As on Q1FY25, Jewellery segment contributed ~88% in terms of revenue and ~92% in terms of EBIT. The segment saw healthy growth of 7.3% YoY and 10.4% QoQ to Rs 11,808 in revenue. Performance of the Jewellery business was impacted due to a steep rally in gold rates (20% YoY), election led restrictions in many markets, very few wedding dates (5% growth in wedding sales YoY) and an unprecedented heat wave across the country.

Store expansion: The Company continues to expand its footprint by increasing its store count in key strategic areas domestically and internationally. During the quarter, In India, 11 new stores (net) were added in Tanishq, 19 stores in Mia and 3 stores in Zoya respectively. Zoya opened its first store in the cities of Chennai and Pune while CaratLane added 3 new stores (net) in the quarter taking the total store count to 275 stores spread across 112 cities pan-India.

Outlook and valuation: Titan reported mixed set of numbers for the quarter. Titan has a large presence in the Jewellery industry through its brands like Tanishq, Mia, Zoya and Caratlane and has an overall market share of ~7% further, downward revision of custom duty on gold imports is a positive in the long-term with short-term implications on profitability and gold on lease. Company is also an emerging lifestyle player with presence across segments like Watches, Eye-Care and Emerging business. The company is focus on increasing its footprint by store expansion while taking efforts to improve margins. Its new business continues to see consistent growth. On the financial front, we have estimated its revenue/EBITDA/PAT to grow at 21.5%/28.0%/28.9% CAGR over FY24-26E. Thus, maintaining our **Buy** rating and a target price of **Rs 4,270**.

Financial Summary - consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net revenue	40,575	51,084	61,812	75,410
EBITDA	4,879	5,292	6,938	8,674
EBITDAM (%)	12.0	10.4	11.2	11.5
APAT	3,273	3,495	4,589	5,808
APATM (%)	8.1	6.8	7.4	7.7
EPS (Rs)	36.8	39.3	51.6	65.3
PE (x)	92.4	86.5	65.9	52.1
RoE (%)	30.9	32.9	44.7	50.8

Source : RBL Research

Moderate growth in watches, wearables and eyecare segment: Watches and wearable segment saw single digit growth of 8.9% YoY in terms of revenue to Rs 1,023cr while the eyecare segment reported flat growth of 26.5% YoY to Rs 210cr. Volumes in Wearables segment clocked healthy double digit growth, the average selling prices continued to decline leading to ~6% YoY drop in revenue. Titan World clocked a strong retail growth of ~13% YoY (9% L2L growth) despite heatwave disruptions during the quarter. In Eyecare business, Value and 'Affordable Fashion' segments drove revenue growth in Titan Eye+ retail network (~85% of the business) by 10% YoY; Revenue via the Trade channel, comprising ~6% of the business, witnessed a decline of 47% YoY. In terms of expansion, 5 new stores were added to Titan World, 7 to Helios, and 5 to Fastrack during the quarter. Titan Eye+ added 3 new stores. 'Runway', Titan's first exclusive store, offering premium sunglasses for the discerning customers, was launched in Jun-24 at Bengaluru.

Con-call highlights:

- Competition intensity continuous to be high along with consumer sentiment is soft. As a response to the increasing competition, the company had to offer discounts and offers to the end consumer which led to margin compression.
- For the full year FY25, management intends to add 40-50 Tanishq stores in India, 70-80 Mia stores, and 70-80 Caratlane stores. Additionally, 20-30 stores would undergo transformation into larger formats.
- Custom duty reduction on gold imports is impacting margins in the short term but expected to be beneficial in long term.
- Finance costs increased due to a Rs 60-65 Cr quarterly interest payment from the Caratlane acquisition borrowing, which will be cleared in 2 years.
- Management maintains its previous guidance of 12-13% EBIT margin in Jewellery business despite rise in the competitive intensity.

P&L Account Quarterly - consolidated

Particulars, Rs cr	Q1FY25	Q1FY24	Y-o-Y (%)	Q4FY24	Q-o-Q (%)
Total Volumes (Mn Cases)	13.7	13.2	3.5	15.6	(12.2)
Realisation (Rs/Case)	1,717	1,640	4.7	1,710	0.4
Net sales	2,352	2,172	8.3	2,666	(11.8)
Total material cost	1,306	1,225	6.7	1,511	(13.6)
Gross Profit	1,046	947	10.4	1,155	(9.4)
Gross Profit Margin (%)	44.5	43.6	85 bps	43.3	115 bps
Employee cost	133	125	6.5	134	(0.7)
Other overheads	455	437	4.0	659	(31.0)
Total Expenses	1,894	1,787	6.0	2,304	(17.8)
EBITDA	458	385	18.9	362	26.5
EBITDA Margin (%)	19.5	17.7	174 bps	13.6	589 bps
Depreciation	65	65	-	71	(8.5)
Interest	22	4	411.6	29	(24.1)
Other income	32	21	53.1	229	(86.0)
PBT	403	337	19.7	491	(17.9)
Tax	104	81	27.8	76	36.8
Adjusted PAT	299	255	17.1	415	(28.0)
Adj. PAT margin (%)	12.7	11.8	96 bps	15.6	-285 bps
Extra ordinary items	-	(17)	-	(31)	-
Reported PAT	299	238	25.5	384	(22.1)
EPS (Rs) ex excep. Items	4.1	3.5	17.1	5.7	(28.0)

Source : RBL Research

Net sales grew by 11.5% QoQ and 6.2% YoY

Gross margin declined on QoQ basis by 12bps and 21bps YoY

Decline in EBITDA margin by 6bps QoQ/13bps YoY

PAT growth declined by 5.4% QoQ and 7.3% YoY along with decline in margins by 96bps QoQ/78bps YoY

Material costs as a % of sales increased by 12bps QoQ/21bps YoY

Jewellery segment revenue increased by 7.3% YoY

EBIT from Watches and Wearables segment increased by 46.1% YoY

Cost analysis

As a % of net sales	Q1FY25	Q1FY24	YoY (bps)	Q4FY24	QoQ (bps)
Material costs	77.9	77.7	21.0	77.8	12.0
Employee cost	3.9	3.8	16.0	3.8	18.0
Other overheads	8.7	9.0	(24.0)	9.0	(24.0)
Total costs	90.6	90.5	13.0	90.5	6.0

Source : RBL Research

Segmental Revenue

Particulars, Rs cr	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Watches and Wearables	1,023	939	8.9	913	12.0
Jewellery	11,808	11,005	7.3	10,696	10.4
Eyecare	210	166	26.5	203	3.4
Others	277	470	(41.1)	137	102.2
Corporate (Unallocated)	68	73	(6.8)	62	9.7
Total Income	13,386	12,653	5.8	12,011	11.4

Source : RBL Research

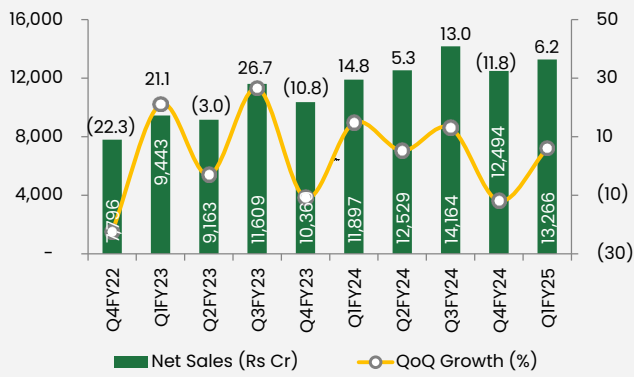
Segmental EBIT

Particulars, Rs cr	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Watches and Wearables	111	76	46.1	101	9.9
Jewellery	1,102	1,091	1.0	1,022	7.8
Eyecare	19	7	171.4	35	(45.7)
Others	(15)	39	-	(37)	(59.5)
Corporate (Unallocated)	(14)	(21)	-	(10)	-
Total	1,203	1,192	0.9	1,111	8.3

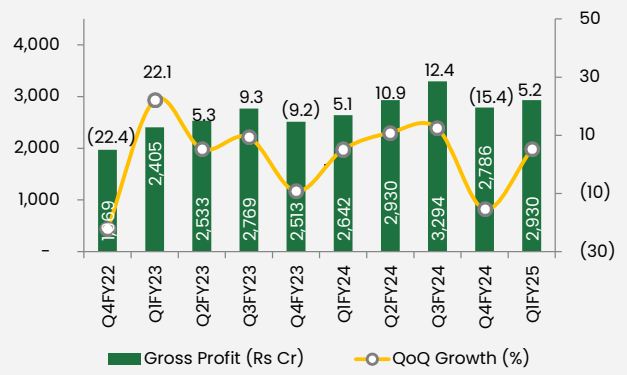
Source : RBL Research

Story in charts

Net sales grew by 11.5% QoQ and 6.2% YoY

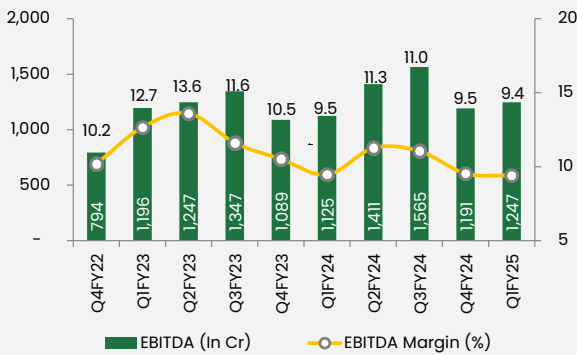


Gross profit grew by 10.9% QoQ and 5.2% YoY

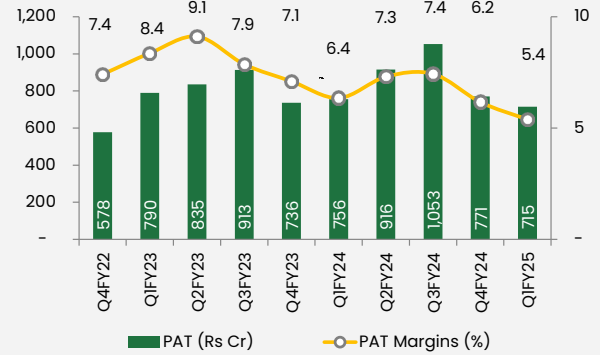


Source : RBL Research

EBITDA grew by 10.8% QoQ, while margin remained at 9.4%

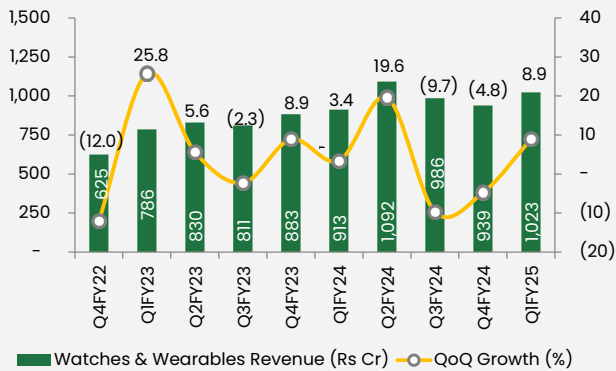


PAT declined by 5.4% QoQ/7.3% YoY

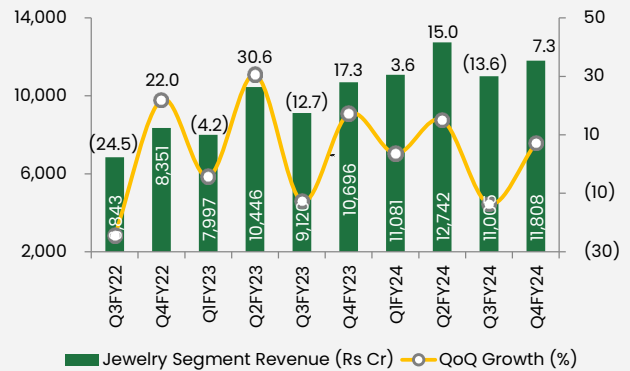


Source : RBL Research

Watches and Wearables segment reported a growth of 8.9% YoY

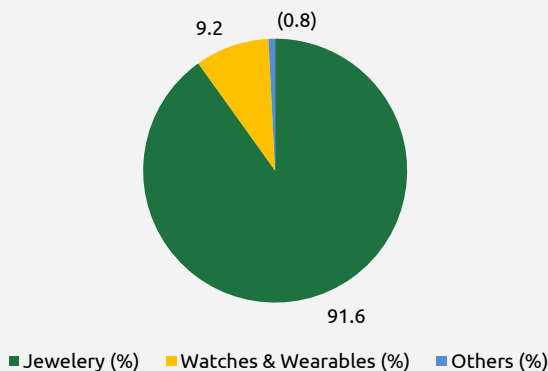


Jewellery segment reported a growth of 7.3% YoY

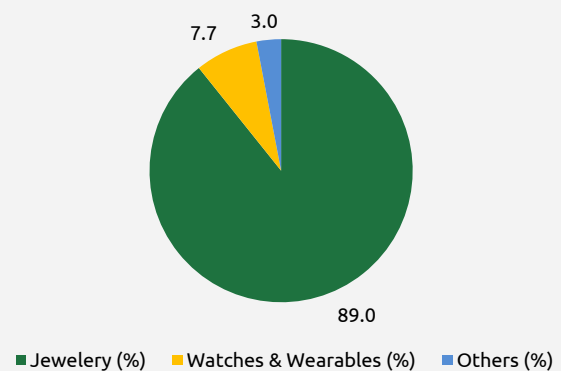


Source : RBL Research

Jewellery segment having highest share in revenue mix



Segment wise EBIT contribution



Source : RBL Research

P&L Account – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net sales	40,575	51,084	61,812	75,410
Expenditure				
Total Raw material cost	30,355	39,432	47,116	57,312
Employee cost	1,647	1,864	2,318	2,907
Other expenses	3,694	4,496	5,439	6,517
Total expenditure	35,696	45,792	54,873	66,736
EBITDA	4,879	5,292	6,938	8,674
EBITDAM (%)	12.0	10.4	11.2	11.5
Other income	308	533	597	704
Depreciation	441	584	642	707
PBIT	4,746	5,241	6,893	8,672
Interest expenses	300	619	774	929
PBT	4,446	4,622	6,119	7,743
Tax	1,173	1,127	1,530	1,936
Reported profit	3,273	3,495	4,589	5,808
PATM (%)	8.1	6.8	7.4	7.7

Source : RBL Research

Balance Sheet – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Share Capital	89	89	89	89
Reserves & Surplus	11,762	9,304	11,059	11,635
Total Shareholder's Fund	11,851	9,393	11,148	11,724
Minority Interest	53	-	-	-
Non-Current Liabilities				
Total Borrowings	2,195	4,536	8,731	8,691
Other long term liabilities	5	17	6	8
Deferred tax liabilities	3	3	9	16
Long term provision	240	274	376	468
Current Liabilities				
Trade payables	1,214	1,410	2,138	2,834
Short term provisions	132	100	139	179
Other current liabilities	11,330	15,816	15,938	20,865
Total Liabilities	27,023	31,549	38,486	44,786
Fixed Assets	2,628	3,280	4,987	5,835
Current work in process	144	97	104	114
Intangible assets	369	428	405	415
Non current investment	352	680	291	380
Other non-current assets	316	410	296	386
Long term loans and advances	649	860	1,025	1,030
Deferred Tax Assets	158	187	105	146
Current Assets				
Current investments	2,164	1,666	2,880	3,486
Inventories	16,584	19,051	22,322	26,488
Trade receivables	674	1,018	1,314	1,678
Cash & Cash equivalents	1,343	1,525	1,266	943
Other current assets	1,642	2,347	3,493	3,885
Total Assets	27,023	31,549	38,486	44,786

Source : RBL Research

Cashflow – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Reported PBT	4,446	4,622	6,119	7,743
Depreciation	441	584	642	707
Tax paid	(1,173)	(1,127)	(1,530)	(1,936)
Working capital Change	(3,641)	1,632	(5,037)	134
Operating Cash Flow (a)	73	5,711	195	6,649
Capex	(954)	(1,248)	(2,333)	(1,575)
Free Cash Flow	(881)	4,463	(2,138)	5,073
Investments	(392)	(633)	338	(184)
Investing Cash Flow (b)	(1,346)	(1,881)	(1,995)	(1,759)
Debt Issuance/ (Repaid)	1,677	2,341	4,195	(40)
Dividend Paid	(890)	(1,246)	(1,424)	(1,602)
Others	256	(4,743)	(1,230)	(3,571)
Financing Cash Flow (c)	1,043	(3,648)	1,541	(5,212)
Net Cash Flow (a + b + c)	(230)	182	(259)	(323)
Closing Cash	1,343	1,525	1,266	943

Source : RBL Research

Key ratios – consolidated

Particulars	FY23	FY24	FY25E	FY26E
Per Share Ratios (Rs)				
Dividend per share	10.0	14.0	16.0	18.0
EPS	36.8	39.3	51.6	65.3
CEPS	41.7	45.8	58.8	73.2
Book value per share	133.2	105.5	125.3	131.7
Profitability Ratios (%)				
EBITDA Margin	12.0	10.4	11.2	11.5
PBT Margin	11.0	9.0	9.9	10.3
Net Profit Margin	8.1	6.8	7.4	7.7
RoCE	39.8	37.5	40.8	43.0
RoE	30.9	32.9	44.7	50.8
Dividend Payout	27.2	35.7	31.0	27.6
Efficiency				
Fixed Asset Turnover (x)	16.1	16.6	14.6	13.7
Debtors Velocity (Days)	6	7	8	8
Inventory (Days)		136	132	128
Interest Cover Ratio (x)	15.8	8.5	8.9	9.3
Debt-Equity Ratio (x)	0.2	0.5	0.8	0.7
Current ratio (x)	1.7	1.4	1.6	1.5
Valuation Ratios (x)				
P/E	92.4	86.5	65.9	52.1
P/B	25.5	32.2	27.1	25.8
EV/EBITDA	62.2	57.7	44.7	35.8

Source : RBL Research

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Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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