Titan Company | BUY

Stellar performance despite strong base quarter

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- **Jewelry:** Segment **domestic revenue grew ~19% YoY; however Tanishq Mia and Zoya registered 18% growth** (ex- bullion). This is **substantially higher vs our initial estimates of ~12% jewellery growth**. Ticket size increased substantially led by surging gold prices offsetting marginal YoY declines in buyer counts. The impact of Q2FY25's high base (due to custom duty reduction) was offset by early onset of festive season in September this year. These growths were also fueled by **significant investments in consumer promotions** including a powerful exchange offer and marketing initiatives, to stimulate demand amidst elevated gold prices. **Studded jewellery in Tanishq, Mia, Zoya portfolio collectively grew in mid-teens** outpacing gold (plain) jewellery growth, while gold coins continued their strong run for the quarter reflecting investment sentiment in this sub-category. The **LFL growths for Tanishq and CaratLane were in double digits**. **Caratlane's revenue grew ~30% YoY.**
  - **Rivaah store -** Tanishq inaugurated its first wedding destination store 'Rivaah', in Delhi, showcasing exquisite jewellery for the brides-to-be and marking a major milestone in the brand's journey.
  - **Store addition -** Of the 34 new store additions (net) in India, 6 were in Tanishq, 18 in Mia and 10 in CaratLane respectively.
- **Watches and wearables:** Segment revenue **grew ~12% YoY (lower vs. initial estimate of ~18%)** led by **analog segment clocking ~17% YoY growth**. Growth was anchored by Titan brand posting strong double-digit growth and healthy volume offtake for the festive season. **Smart wearables category declined ~23% YoY** continuing to mirror the broader stress in the segment. Division added 5/7/3 stores of Titan World/ Helios/ Fastrack.
- **Eyecare:** The segment **grew 9% YoY (lower vs initial estimate of ~12%)** led by healthy performance from international brands, sunglasses and growth in E-commerce channel. Division added 5 Runway stores in Q2.
- **Emerging businesses and others:** Fragrances grew ~48% YoY led by strong volume growths in Fastrack and Skinn. Women's Bags grew ~90% YoY led by network expansion and Taneira grew ~13% YoY. Irth added 2 stores in the quarter in the cities of Delhi and Kolkata and Taneira closed 2 stores during Q2. **Growth in emerging business was significantly higher vs our estimate.**
- **International business** grew **~86% YoY led by Tanishq**, more than doubling its business in the USA market and clocking **strong double-digit growth in the GCC market.** Tanishq added a new store in Virginia, USA in Q2.
- **Overall standalone performance:** Overall standalone revenue is expected to grow ~18% YoY led by 19% YoY growth in jewelry business (ex-bullion). We expect jewelry EBIT margin of **11.1% (ex-bullion sales; ~30 bps down YoY)**. **Overall, we estimate standalone EBITDA/ PAT growth of 48/ 53% YoY.**

Exhibit 1. Standalone quarterly performance (INR mn)

	Quarterly			Chg (%)		Reported		Chg (%)
	Q2FY25	Q1FY26	Q2FY26	YoY	QoQ	H1FY25	H1FY26E	YoY
Net operating revenues	**132,150**	**145,640**	**145,918**	**10**	**0**	**252,680**	**291,558**	**15**
Material cost	(106,500)	(114,550)	(113,923)	7	(1)	(201,780)	(228,473)	13
Gross profit	**25,650**	**31,090**	**31,995**	**25**	**3**	**50,900**	**63,085**	**24**
Employee cost	(4,100)	(4,670)	(4,300)	5	(8)	(8,260)	(8,970)	9
Advertising and promotion	(2,500)	(2,630)	(2,700)	8	3	(4,520)	(5,330)	18
Other expenditure	(7,720)	(7,470)	(8,200)	6	10	(14,680)	(15,670)	7
Total expenditure	**(120,820)**	**(129,320)**	**(129,123)**	**7**	**(0)**	**(229,240)**	**(258,443)**	**13**
EBITDA	**11,330**	**16,320**	**16,795**	**48**	**3**	**23,440**	**33,115**	**41**
Other income	1,270	1,070	1,150	(9)	7	2,450	2,220	(9)
Interest	(1,950)	(2,160)	(2,050)	5	(5)	(3,770)	(4,210)	12
Depreciation	(1,320)	(1,430)	(1,470)	11	3	(2,580)	(2,900)	12
PBT	**9,330**	**13,800**	**14,425**	**55**	5	**19,540**	**28,225**	**44**
Tax	(2,280)	(3,500)	(3,635)	59	4	(4,790)	(7,135)	49
PAT	**7,050**	**10,300**	**10,790**	**53**	**5**	**14,750**	**21,090**	**43**
Extraordinary items	-	-	-			-	-	
Net profit (reported)	**7,050**	**10,300**	**10,790**	**53**	**5**	**14,750**	**21,090**	**43**
EPS (Rs)	**7.9**	**11.6**	**12.2**	**53**	**5**	**16.6**	**23.8**	43
Ratios (% of net Sales)								
Gross margin (%)	19.4	21.3	21.9	251 bps	57 bps	20.1	21.6	149 bps
EBITDA margin (%)	8.6	11.2	11.5	293 bps	30 bps	9.3	11.4	208 bps
Employee cost	3.1	3.2	2.9	-16 bps	-26 bps	3.3	3.1	-20 bps
Advertising and promotion	1.9	1.8	1.9	-5 bps	4 bps	1.8	1.8	3 bps
Other expenditure	5.8	5.1	5.6	-23 bps	49 bps	5.8	5.4	-44 bps
Income tax rate (% of PBT)	24.4	25.4	25.2	76 bps	-17 bps	24.5	25.3	76 bps
Segment results								
Revenues								
Jewelry*	116,470	130,000	128,000	10	(2)	224,340	258,000	15
Watches	13,010	12,640	14,545	12	15	23,220	27,185	17
Eyewear	2,010	2,360	2,191	9	(7)	4,100	4,551	11
Others	1,060	1,080	1,452	37	34	1,860	2,532	36
Unallocated	870	630	880	1	40	1,610	1,510	(6)
Total segment revenue	**133,420**	**146,710**	**147,068**	**10**	**0**	**255,130**	**293,778**	**15**
Segment PBIT								
Jewelry	9,320	13,230	14,208	52	7	20,350	27,438	35
Watches	1,940	2,860	2,255	16	(21)	3,090	5,115	66
Eyewear	240	210	263	10	25	440	473	7
Others	(290)	(140)	(100)	(66)	(29)	440	(240)	(155)
Unallocated	70	(200)	(150)	(314)	(25)	440	(350)	(180)
Total segment EBIT	**11,280**	**15,960**	**16,475**	**46**	**3**	**24,760**	**32,435**	**31**
Segment PBIT margin (%)								
Jewelry	8.0	10.2	11.1	309 bps	92 bps	9.1	10.6	156 bps
Watches	14.9	22.6	15.5	58 bps	-713 bps	13.3	18.8	550 bps
Eyewear	11.9	8.9	12.0	5 bps	310 bps	10.7	10.4	-35 bps
Others	(27.4)	(13.0)	(6.9)	2047 bps	607 bps	23.7	(9.5)	-3314 bps
Total segment margin	**8.5**	**10.9**	**11.2**	274 bps	32 bps	**9.7**	**11.0**	133 bps

Source: Company, JM Financial; *Note: This includes bullion sales in the base quarter but not in Q2FY26.

APPENDIX I

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BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
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