



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Titan Company Q1FY23 consolidated revenues came in at ₹ 9,443Cr, up 172% YoY and 21.13% QoQ.
- PBIDT for Q1FY23 stood at 1,240Cr, up 578% YoY and 52% QoQ.
- PBIDTM for Q1FY23 came at 13.13%, 786 bps YoY and 266 bps QoQ.
- PAT for Q1FY23 stood at ₹790Cr, up 4288% YoY and up 49.9% QoQ.

2. MANAGEMENT COMMENTARY:

- Company's market share in jewellery was ~6%.
- Have a pipeline of 30-40 Tanishq stores for FY23, however if good locations are available this could go up to 50.
- The company aims to achieve consistent double-digit revenue growth over the next five years by strengthening core businesses such as watches, jewellery, and eyecare through efficient capital allocation.

3. SEGMENTAL ANALYSIS:

- Q1 FY23 Revenue Breakup: Jewellery (87%), Watches (8%), EyeCare (2%), Others (3%).

4. CONCALL SUMMARY

- Sales during the Akshaya Tritiya quarter rebounded strongly after a 3-year gap.
- Q1FY23 growth was driven by both buyer and ticket sizes, with new buyer contribution of 46%.
- The wedding season worked really well for all brands and channels especially in April and May.
- The company added net 24 jewellery stores (including CaratLane) in Q1 FY23, this includes 3 stores in GCC (Gulf Cooperation Council).
- Prescription eyewear retail by Fastrack, a new initiative by Titan EyeCare, expanded the reach with addition of 2 new brand stores in Bengaluru.
- Division achieved its highest quarterly revenues of ₹183 cr in Q1FY23 led by growth in all its major categories

5. OTHER DEVELOPMENTS:

- Going forward, the contribution of international operations is expected to increase over the next 2-3 years on the back of expansion in both GCC and the US.

6. VALUATION AND OUTLOOK:

The company is aiming to generate revenue CAGR of over 20% during FY2022-FY2027 led by an ambitious growth plan coupled with consistent margin improvement will help in improving cash flows in the coming years. FY2023 will be a strong year for the company due to low base in its core businesses. Sustained market share gains without compromising on the balance sheet strength has led to multiple expansion over the last couple of years.

With a strong growth outlook, we initiate a "BUY" rating on the stock and value the stock at 31.7x FY23 EPS to arrive at the target of 3,104.

RECOMMENDATION - BUY

CMP – 2617
TARGET – 3104 (++)19%

Industry	Jewellery
NSE CODE	TITAN
BSE CODE	500114
Market Cap (₹ Cr)	2,32,427
Shares Outstanding (in Cr)	88.78
52 wk High/Low (₹)	2768/1825
P/E	79
P/BV	105
Face Value (₹)	1.00
Book Value (₹)	105
EPS (FY22) (₹)	24.5
Dividend Yield (%)	0.29
Debt / Equity	0.64
Interest Coverage	14.32

SHAREHOLDING PATTERN

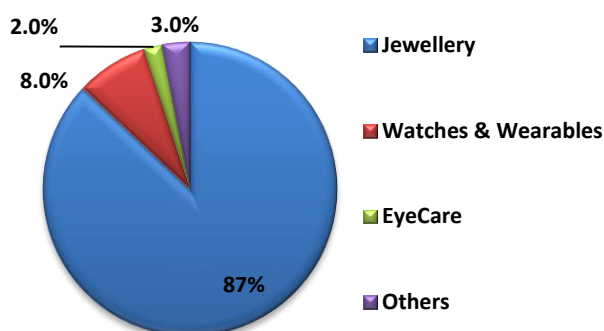
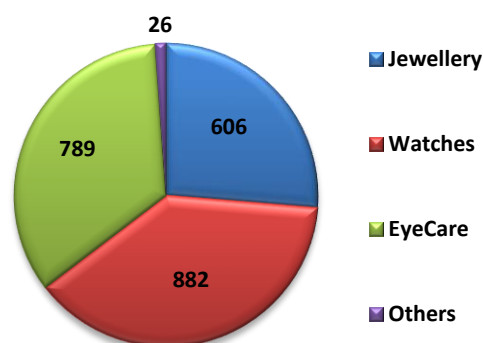
	June 22	Mar 22	Dec 21
Promoters	52.90	52.90	52.90
MF/ DII	5.35	4.56	4.45
FII/FPI	16.77	18.40	18.55
Retail & Others	18.91	18.33	18.09
Promoter Pledging	0.00	0.00	0.00

FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2022	2023E	2024E
Crore			
Sales	28,799	36,637	45,796
Sales Gr. (%)	33.1	27	25
EBITDA	3,337	4,426	5,495
EBITDA %	12.4	12.08	12.00
PAT	2,173	2,819	3,380
EPS (₹)	24.5	31.68	37.99
EPS Gr. (%)	123	29.74	19.92
BV/Sh. (₹)	105	131	162.9
Ratios			
RoE (%)	23.4	25.9	27.8
RoCE (%)	30.0	34.3	36.5
Valuation			
P/E (x)	79	98	80
P/BV (x)	23.2	23.70	18.65
EV/EBITDA	51.3	48.5	39.3

Historical & Industrial Val Ratios

Historical P/E	79.3
Industry P/E	74.26
Historical P/B	23.10
Industry P/B	12.23


REVENUE SPLIT (Q1 FY23)
Segmental Mix (Q1 FY23)

Retail Network (Q1 FY23)

QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY21				FY22		FY23		FY22	FY23E*
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2E*		
Net sales	7,243	7,351	3,004	7,243	9,903	7,267	8,973	10,770	28,799	36,637
YoY change (%)	12.2%	59.2%	119.6%	75.5%	36.7%	-1.1%	198.8%	49%	33.06%	27.00%
Total Expenditures	6,771	6,677	3,336	6,525	8,595	7,002	8,247	9,535	25,462	32,211
EBITDA	848	817	137	968	1,442	794	1,196	1,683	3,337	4,426
Margins (%)	11%	11%	4%	13%	14%	10%	13%	15%	12.41%	12.08%
Depreciation	96	93	95	104	98	102	103	106	399	422
Interest	51	51	49	51	57	61	65	60	218	245
Other income	40	57	46	55	57	76	44	68	238	270
PBT	741	730	39	868	1,344	653	1,072	1,517	2,904	3,759
Rate (%)	28%	22%	54%	26%	25%	19%	26%	26%	24.31%	25.00%
Adjusted PAT	530	568	18	641	1,012	527	790	1,122	2,173	2,819
EPS in Rs	5.96	6.38	0.20	7.2	11.37	5.92	8.87	12.61	24.42	31.68
Segmental Revenue										
Jewellery	6,836	6,678	2,626	6,379	9,059	6,843	7,995			
Watches	551	559	293	689	710	625	786			
EyeCare	124	127	67	160	156	134	183			

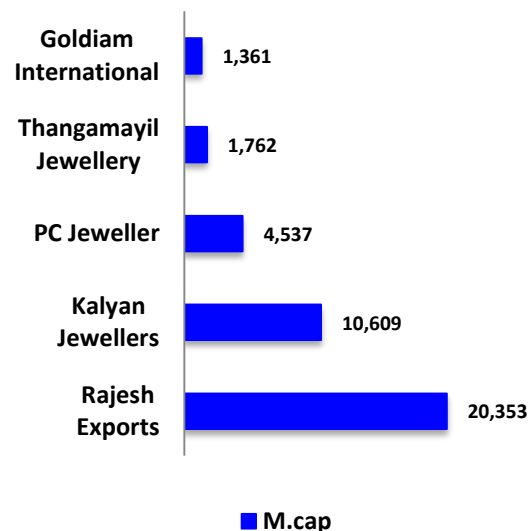
Source: Company, Hem Securities Research.



INDUSTRY OVERVIEW

- Managements of most retail companies stated that the strong growth momentum witnessed in February-March 2022 has sustained in the following months and will help companies to generate strong performance in FY2023.
- Retail industry achieved 96% of pre-COVID-19 sales driven by the rising demand from consumers increasing purchasing power has led to growing demand.
- Further, retail segments such as footwear, apparel and retail are likely to witness higher growth due to stable operations in the quarters ahead.
- Retail sector appears to be on the cusp of delivering strong sustained revenue growth driven by improved consumer sentiment, wardrobe refresh and increased spend on discretionary purchases
- Leading jewellery players in Indian jewellery Industry includes Kalyan Jewellers, Rajesh Exports, PC Jeweller, Thangamayil Jewellery, Goldiam International etc.

KEY PLAYERS in Jewellery Space



PEER PERFORMANCE

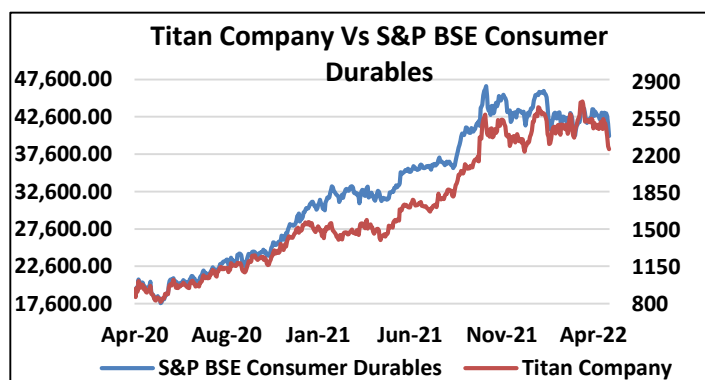
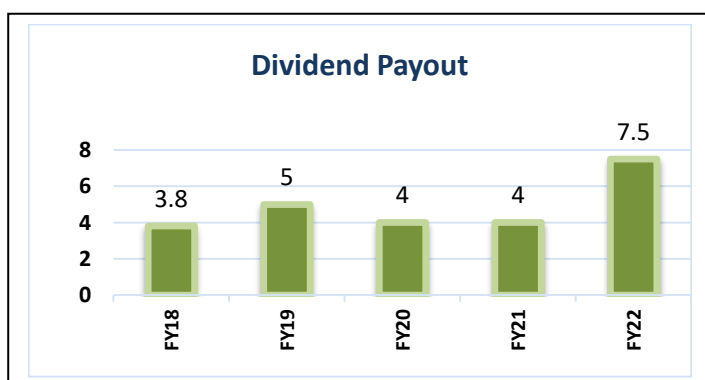
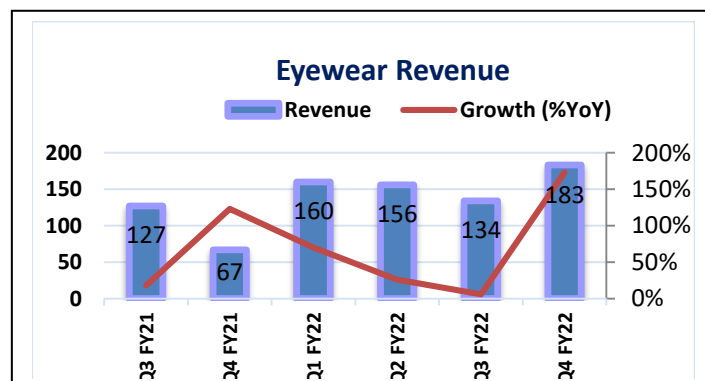
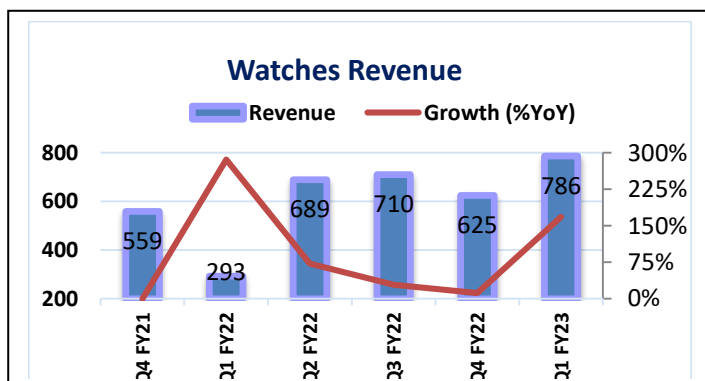
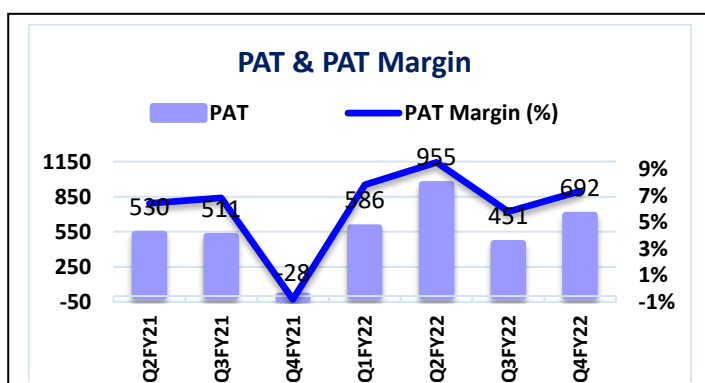
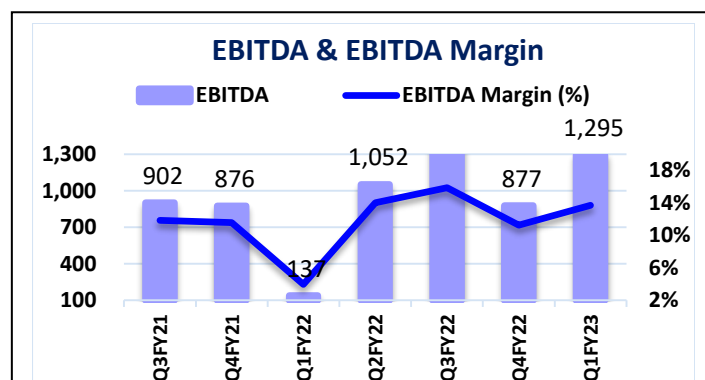
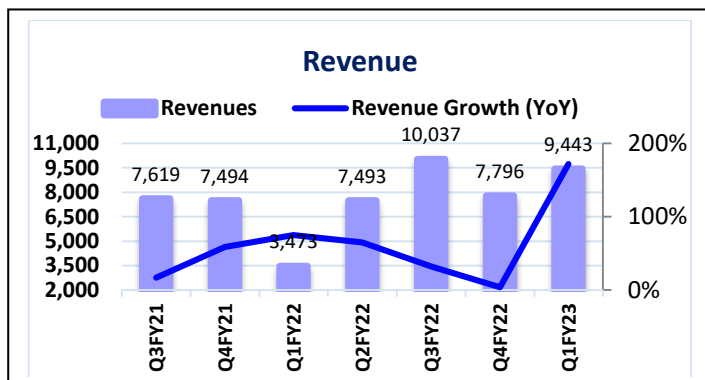
(₹ Cr)

Particulars	Titan Company Ltd.	Kalyan Jewellers Ltd.	PC Jeweller Ltd.	Goldiam International Ltd.	Thangamayil Jewellery Ltd.
Market Cap	2,32,427	10,609	4,537	1,361	1,762
EBITDA MARGIN %	12.4	8.2	-2.4	22.5	4.0
PAT MARGIN %	7.6	2.1	-24.3	15.4	1.8
ROCE %	23.0	10.4	-1.0	29.6	12.2
ROE %	26.2	7.5	-9.7	21.5	12.4
P/E TTM	79	27.7	-	13.2	27.1
P/B TTM	25.3	3.45	1.15	2.64	5.41
EV/EBITDA	51.3	13.0	92.0	8.4	17.0
Current Ratio	1.7	1.3	2.0	4.4	1.7
Dividend Yield %	0.3	-	-	0.9	0.8
Int Coverage	18.1	2.6	0.1	208	4.1
EPS TTM(₹)	33.1	3.72	-5.39	9.40	47.4
3 Y Sales CAGR%	13	3	-43	17	15

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

- Jewellery division revenue increased by 18% year on year to Rs.6980 cr in Q2FY23 on a high base of Q2FY22, which included pent-up demand and spillover purchases from a COVID-disrupted Q1FY22.
- Walk-ins increased in the low double digits year on year, with consistent buyer conversions. New store commissions included eight domestic Tanishq stores, 16 Mia by Tanishq stores, and one Zoya store, bringing the total number of jewelry stores to 488.
- The watches and wearables division grew 20% year on year, resulting in the division's highest quarterly revenue.
- The other segment of Fragrances and Fashion Accessories (F&FA), Indian Dress Wear) remained strong.
- Taneira (Sarees) increased by 114% year on year in the latest quarter, with significant contributions from new stores opened in the last year. The brand expanded its reach to 31 stores across 14 cities by entering the cities of Madurai, Hubli, and Dhanbad, as well as deepening its existing city presence by opening 5 new stores during the quarter.
- Expansion of retail footprints in Tier III and IV towns and the likely stabilization of gold prices at lower levels, are expected to drive volume growth for this sector, which will help maintain the long-term structural story of the company.
- Buoyed by strong festive/wedding season and a normalized quarter after a gap of two years, the jewellery division will register strong revenues.
- The company is one of the top brands in the watches segment; while in the jewellery space, it is gaining good acceptance because of the shift from non-branded to the branded space and expansion in middle income towns. The company endeavours to grow by 2.5x by FY2023 in its jewellery business.

RISK / NEGATIVE FACTORS:

- Rise in gold prices: Any increase in gold prices would affect profitability of the jewellery segment and earnings growth of the company.
- Slowdown in discretionary consumption: Any slowdown in discretionary consumption would act as a key risk to demand of the jewellery and watches division.

COMPANY RECAP

- Titan is a joint venture between Tata Group and Tamil Nadu Industrial Development Corporation (TIDCO). The company is a leading organised jeweller in India with its trusted brand, Tanishq. The company started as a watch company under the brand, Titan, and is the fifth largest integrated own brand watch manufacturer in the world. The company's key watch brands are Titan, Fastrack, and Sonata. The company is present in the eye care segment with its brand, Titan Eye Plus, diversified into Wearables, Indian Dress Wear and Fragrances & Fashion Accessories. The company recently entered the saree market with its brand, Taneira.
- Titan has a retail chain of over 2,200 stores across 337 towns with retail area crossing 2.8 million sq. ft. nationally for all its brands.
- The company is the largest jewellery retailer in the country with manufacturing facilities located in Hosur, Pantnagar & Sikkim. It sells jewelry through its brands Tanishq, Zoya, Mia & Caratlane.



ANNUAL PERFORMANCE

Financials & Valuations

Income Statement							(₹ Cr)
Y/E March	2018	2019	2020	2021	2022	2023E	2024E
Revenue from operations	16,119.77	19,778.52	21,052.00	21,644.00	28,799.00	36,637	45,796
Growth YoY (%)	21.56	22.70	6.44	2.81	33.06	27.00	25.00
Total Expenditure	14,475.09	17,789.19	18,585.00	19,921.00	25,462.00	32,211	40,300
(%) of sales	89.80	89.94	88.28	92.04	88.41	87.92	88.00
EBITDA	1,644.68	1,989.33	2,467.00	1,723.00	3,337.00	4,426	5,495
EBITDA Growth (%)	41.40	25.43	20.49	-27.10	87.17	33.00	24.00
EBITDA Margin (%)	10.73	10.99	12.45	8.82	12.41	12.08	12.00
Depreciation	131.43	162.84	348.00	375.00	399.00	422	457
EBIT	1,585.47	2,011.59	2,272.00	1,535.00	3,122.00	4,004	5,038
EBIT Growth (%)	56.55	26.88	12.95	-32.44	103.39	28.00	26.00
Net Interest Expenses	52.92	52.54	166.00	203.00	218.00	245	270
Other Income	88.87	185.10	153.00	187.00	238.00	270	320
Earnings before Taxes	1,532.55	1,959.05	2,106.00	1,332.00	2,904.00	3,759	4,448
EBT Margin (%)	9.49	9.90	10.00	6.15	10.08	10.00	10.00
Tax-Total	427.87	568.24	609.00	353.00	706.00	939.75	1,067
Rate of tax (%)	27.92	29.01	28.92	26.50	24.31	25.00	25.00
Net Profit	1,104.68	1,390.81	1,497.00	979.00	2,198.00	2,819	3,380
PAT Growth (%)	58.03	25.90	7.64	-34.60	124.51	28.00	20.00
PAT Margin (%)	6.84	7.03	7.11	4.52	7.63	7.7	7.4
Minority Interest	28.18	15.50	8.00	-1.00	-25.00	0	0
Adjusted PAT	1,130.09	1,404.15	1,501.00	973.00	2,173.00	2,819	3,380
EPS	12.73	15.82	16.87	10.93	24.42	31.68	37.99
EPS Growth (%)	58.84	24.25	6.63	-35.18	123.33	29.74	19.92

Balance Sheet

Y/E March	2018	2019	2020	2021	2022
Share Capital	89	89	89	89	89
Reserves	5,001	5,981	6,580	7,408	9,214
Net Worth	5,090	6,070	6,669	7,497	9,303
Borrowings	1,691	2,393	3,562	5,638	7,275
Other Liabilities	2,740	3,247	3,313	3,309	4,610
Total Liabilities & Equity	9,521	11,710	13,544	16,444	21,188
Fixed Assets	1,474	1,567	2,633	2,523	2,544
CWIP	43	32	18	32	85
Investments	36	108	158	2,824	294
Other Assets	7,968	10,003	10,735	11,065	18,265
Total Assets	9,521	11,710	13,544	6,444	21,188

Source: Company, Hem Securities Research.



Ratios					
Y/E March (Basic (INR))	2018	2019	2020	2021	2022
Profitability and return ratios					
Net profit margin (%)	6.84	7.03	7.11	4.52	7.63
EBITDA margin (%)	10.73	10.99	12.45	8.82	12.41
EBIT margin (%)	9.81	10.17	10.79	7.09	10.84
ROE (%)	23.70	24.94	23.52	13.83	26.18
ROCE (%)	24.59	26.41	26.05	14.71	23.04
Working Capital & liquidity ratios					
Payables (Days)	26.05	22.62	18.09	15.40	17.57
Inventory (Days)	122.57	119.62	131.26	139.22	139.52
Receivables (Days)	5.69	6.61	6.35	5.72	5.90
Current Ratio (x)	1.76	1.76	1.80	1.71	1.66
Valuations Ratios					
EV/sales (x)	5.25	5.17	4.04	6.58	7.99
EV/EBITDA (x)	48.82	47.05	32.45	74.57	64.35
P/E (x)	73.94	71.92	55.35	142.45	103.87
P/BV (x)	16.43	16.65	12.47	18.50	24.28
Dividend Yield (%)	0.40	0.44	0.43	0.26	0.30
Return on Assets (%)	12.35	13.16	11.96	6.58	11.77
Leverage Ratio					
Debt/Equity (x)	0.33	0.39	0.35	0.58	0.64

Cash Flow Statement					
Y/E March	2018	2019	2020	2021	2022
CF from Operating activities (A)	-51	1,243	-348	4,139	-724
CF from Investing Activities (B)	96	-798	235	-2,801	1,164
CF from Financing Activities (C)	-252	-489	-242	-1,234	-403
Net Cash Flow	-207	-44	-355	104	37
Add: Opening Bal.	678	472	430	75	181
Closing Balance	472	430	75	181	219

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	$\geq 15\%$
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	$< -5\%$

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
14/10/22	BUY	3104

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Name of the Research Analyst: AARUSHI LUNIA

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3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
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