

Titan Company

BSE SENSEX
72,996

S&P CNX
22,124



Bloomberg	TTAN IN
Equity Shares (m)	888
M.Cap.(INRb)/(USDb)	3337.5 / 40
52-Week Range (INR)	3887 / 2467
1, 6, 12 Rel. Per (%)	3/5/20
12M Avg Val (INR M)	2968
Free float (%)	47.1

Financials & Valuations (INR b)

Y/E March	2024E	2025E	2026E
Sales	511.6	603.3	705.2
Sales Gr. (%)	26.1	17.9	16.9
EBITDA	54.3	68.6	82.1
EBITDA mrg. (%)	10.6	11.4	11.6
Adj. PAT	36.2	47.0	58.0
Adj. EPS (INR)	40.7	52.8	65.2
EPS Gr. (%)	10.7	29.8	23.3
BV/Sh.(INR)	161.4	199.0	243.2

Ratios

RoE (%)	27.6	29.4	29.5
RoCE (%)	23.3	24.3	24.5
Payout (%)	28.0	38.0	39.0

Valuations

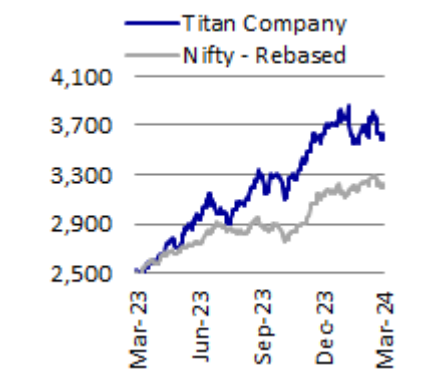
P/E (x)	92.3	71.1	57.7
P/BV (x)	23.3	18.9	15.5
EV/EBITDA (x)	60.9	47.9	39.6
Div. Yield (%)	0.3	0.5	0.7

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	52.9	52.9	52.9
DII	10.5	10.1	11.3
FII	18.9	19.1	17.5
Others	17.8	17.9	18.3

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR3,759 TP: INR4,300 (+14%)

Buy

Glittering track record; long runway for growth

We interacted with the senior management team of Titan Co. (TTAN) to gain insights on jewelry industry demand, rising competition, and the company's growth strategy for its business segments, such as jewelry, lab-grown diamonds (LGDs), and non-jewelry. Following are key takeaways:

- Demand has remained steady in Jan'24/Feb'24; however, gold inflation in Mar'24 has led to delay in demand (a typical trend in gold inflation months). While the company continues to expand its store network, it is also focusing on better execution at the existing stores (added ~340 jewelry stores in the last two years). TTAN has reduced the gold premium compared to peers in a calibrated manner, which has been compensated with other initiatives to protect operating margin. The management believes that jewelry EBIT margin of 12-13% is sustainable despite rising competition. LGDs have seen success in many developed countries, yet TTAN is not sure it would participate in LGDs.
- In the long term, TTAN expects to sustain healthy growth on the back of the following structural drivers: (1) increasing urban population to expand the company's target users and store addition opportunity, (2) TTAN's rising consumer base (45-50% new buyers contribution) and multiple jewelry brands for different income groups, (3) fast-changing consumer preferences (unorganized to organized shift), (4) scope of market share gain (still at 7-8%), and (5) rising women/young workforce.
- We model a CAGR of 17% in revenue, 23% in EBITDA, and 26% in PAT during FY24-26. TTAN's valuation is rich but its superior competitive positioning (sourcing, studded ratio, consumer trust, youth-centric, reinvestment) and business moats are not easily replicable. We maintain our BUY rating with a TP of INR4,300 based on 65x FY26E EPS.

Consumer-centric approach, strong business moats

TTAN is a consumer-centric company with a focus on building trust by enhancing the consumer experience. It does not compromise on the consumer experience even during the peak days of the festive season. TTAN also has strong bonding with its franchise partners and also supports them during challenging times (as seen during the Covid pandemic).

Multiple jewelry brands to cater to large user base

Over the years, TTAN has captured consumer preference and gained their confidence by implementing a multi-brand strategy in store expansion to cater to all kinds of customers across mid-premium to luxury segments.

- **Mia** – It targets young, working women. It is renowned for its stylish and lightweight jewelry designs offered at affordable prices. The company is aggressively pursuing expansion, with 51 stores added in 9MFY24 and taking the total store count to 162.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- **Caratlane** – It focuses more on lightweight designer jewelry. The studded ratio is normally high at ~70%. It is less preferred by budget-conscious customers. In 9MFY24, TTAN added 40 stores, bringing the total store count to 262 spanning 105 cities across India.
- **Zoya** - It is a high-end jewelry brand specializing in diamonds and precious stones ranging from INR0.5m to INR10m. Currently, Zoya has only eight showrooms but will be stepped up gradually. Despite serving a small customer base, mostly consisting of affluent individuals, its revenue surged to INR2.5b in FY23 from INR1.3b in FY22.

Valuation and view

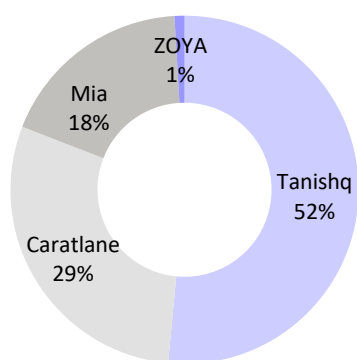
- TTAN has scaled up its emerging jewelry business to ~INR455b in FY24E (88-90% revenue mix) from INR3b in FY03 (40% revenue mix), one of the few consumer companies to have achieved such a feat.
- The company's record performance has been driven by its early-mover advantage in the organized industry and consistent scale-up of business by being more agile in design and consumer engagement.
- TTAN's jewelry and other businesses still have strong long-term growth potential. With a jewelry market share of ~8% in a sizable ~INR5t market, there is significant headroom for growth for TTAN. The gradual recovery in the studded ratio should support margin improvement.
- We are cautious about the near-term consumption trend, but we continue to prefer TTAN for its best-in-class execution track record and its eagerness to expand the user base. Consumer preference for branded jewelers will keep the robust growth rate intact for the category. **We reiterate our BUY rating with a TP of INR4,300 (based on 65x FY26E EPS).**

Exhibit 1: Jewelry store mix over the period

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	9MFY24
Stores (No.)											
Tanishq	163	174	193	208	253	287	327	353	389	423	466
Caratlane	0	0	0	15	36	55	92	117	138	222	262
Mia	0	0	0	32	36	50	38	40	50	111	162
ZOYA	2	2	2	2	3	3	4	4	5	7	8
Total	165	176	195	257	328	395	461	514	582	763	898
Store Mix (%)											
Tanishq	99	99	99	81	77	73	71	69	67	55	52
Caratlane				6	11	14	20	23	24	29	29
Mia				12	11	13	8	8	9	15	18
ZOYA	1	1	1	1	1	1	1	1	1	1	1
Total	100	100	100	100	100	100	100	100	100	100	100

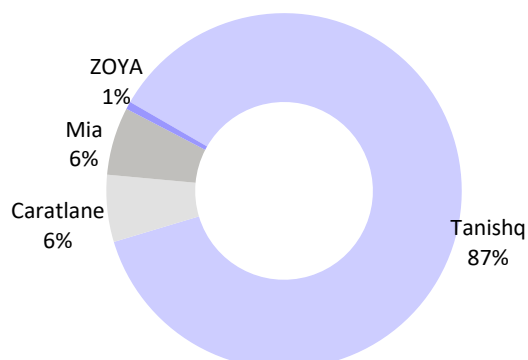
Source: MOFSL, Company

Exhibit 2: Jewelry store mix



Source: MOFSL, Company

Exhibit 3: Jewelry revenue mix

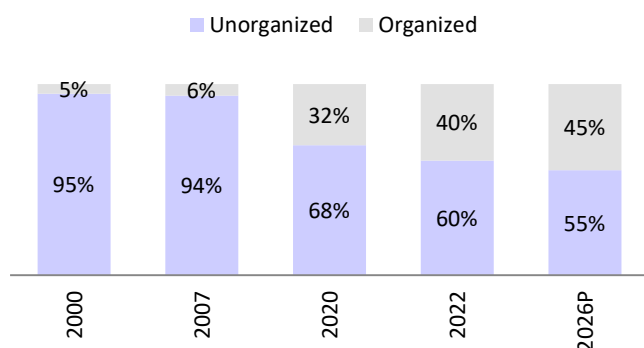


Source: MOFSL, Company

Outperforming organized market

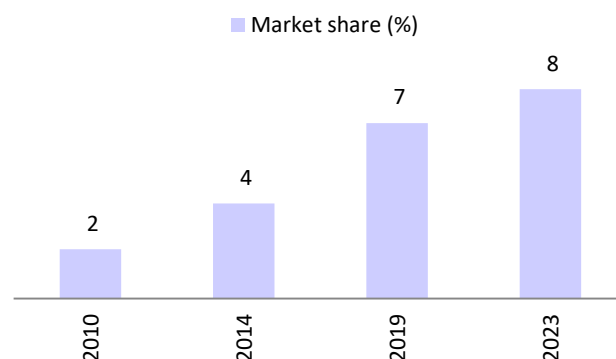
The organized jewelry market in India has consistently gained share from unorganized/regional/local players owing to a shift in consumer preference and rapid store expansion. Organized players accounted for over 30% of the total jewelry market in 2020 vs. 6% in 2007. TTAN, with its superior competitive positioning (sourcing, studded ratio, youth-centric, reinvestment), has outperformed the branded players; however, its market share is still at 7-8%, providing enough headroom to grow.

Exhibit 4: Organized players rapidly gaining market share...



Source: MOFSL, Company

Exhibit 5: ..reflecting also in TTAN's share gain



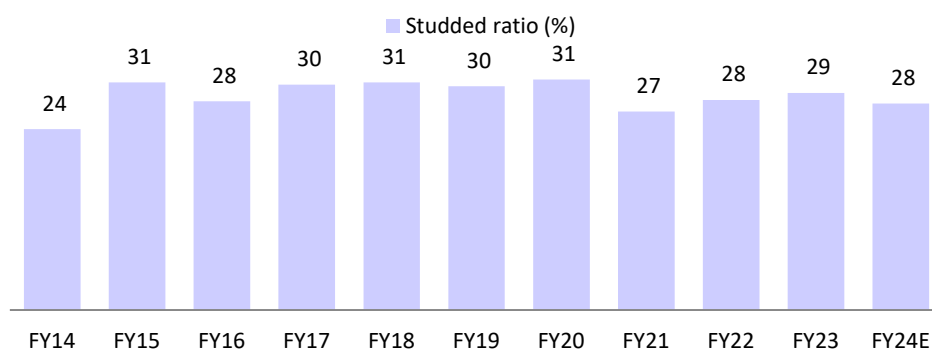
Source: MOFSL, Company

Lab-grown diamonds (LGDs)

The emergence of LGDs presents both opportunities and uncertainties for TTAN. While the market for LGDs is still at a nascent stage, the company remains cautious about participation, considering factors such as fluctuating prices and trust concerns. TTAN acknowledges the potential for a separate consumer segment for LGDs, particularly among brands with lower studded ratios. Nevertheless, LGDs can generate decent margins, but the absolute profit compared to traditional diamonds will likely be lower.

Healthy studded ratio

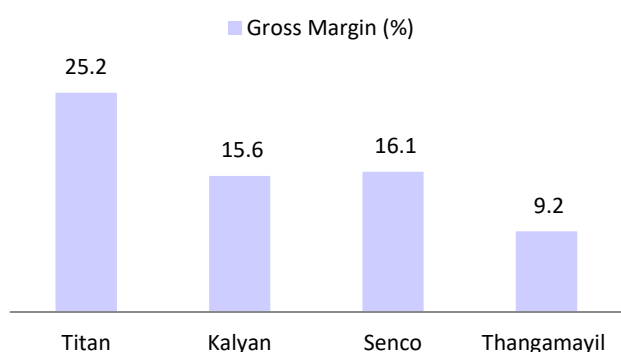
TTAN's studded ratio is healthy at 28-30% compared to its peers for the last many years, which gives TTAN margin advantage over peers. The company will sustain the ratio in the medium term.

Exhibit 6: TTAN has sustained studded ratio over the years

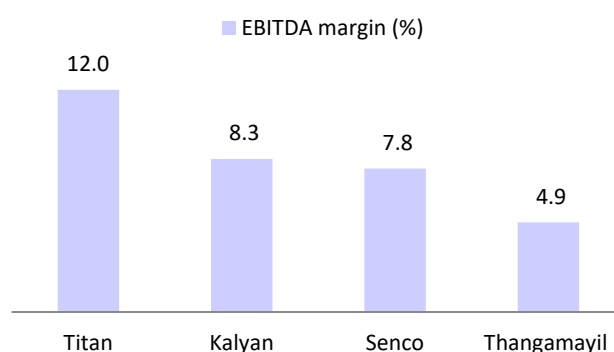
Source: MOFSL, Company

Healthy margin profile

TTAN earns better margins compared to peers, thanks to its competitive advantage in sourcing, higher studded contribution, and higher ticket prices.

Exhibit 7: GP margin higher vs. peers...

Source: MOFSL, Company

Exhibit 8: ...leading to higher EBITDA margins

Source: MOFSL, Company

Scaling up non-jewelry business

Apart from jewelry, TTAN has extended its footprint in other lifestyle categories such as watches, eyecare, fragrances, fashion accessories, and Indian dress-wear sarees. These categories are scaling up continuously and will drive growth over the long term. Currently, the non-jewelry business makes up 11-12% of TTAN's revenue.

Valuation and view

- TTAN has scaled up its emerging jewelry business to ~INR455b in FY24E (88-90% revenue mix) from INR3b in FY03 (40% revenue mix), one of the few consumer companies to have achieved such a feat.
- The company's record performance has been driven by its early-mover advantage in the organized industry and consistent scale-up of business by being more agile in design and consumer engagement.
- TTAN's jewelry and other businesses still have strong long-term growth potential. With a jewelry market share of ~8% in a sizable ~INR5t market, there is significant headroom for growth for TTAN. The gradual recovery in the studded ratio should support margin improvement.

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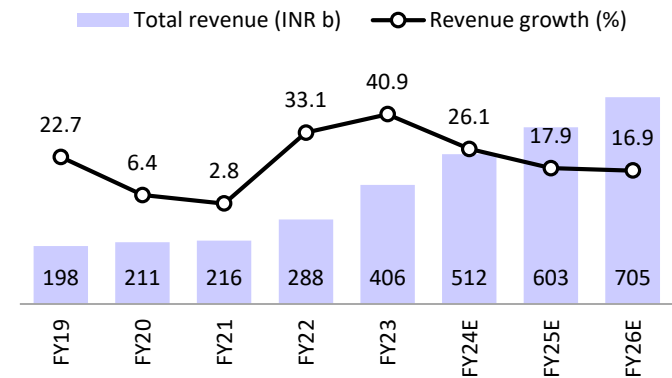
Exhibit 9: Segmental revenue

Segmental Information	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales (INR b)								
Jewelry	163.9	173.2	193.2	255.2	359.1	456.8	539.1	630.7
Watches & Wearables	24.5	26.2	15.9	23.2	33.1	39.7	46.9	54.4
Eyewear	5.1	5.4	3.8	5.2	6.9	7.4	8.6	9.8
Sales Growth (YOY)								
Jewelry	23.6	5.7	11.6	32.1	40.7	27.2	18.0	17.0
Watches & Wearables	14.8	7.1	(39.5)	46.0	42.9	20.0	18.0	16.0
Eyewear	22.6	6.9	(31.1)	37.9	33.3	8.0	15.0	15.0
EBIT (INR b)								
Jewelry	19.1	20.8	17.0	30.8	43.9	49.8	60.9	72.5
Watches & Wearables	2.7	3.2	-1.3	1.2	4.1	4.2	5.2	6.3
Eyewear	0.0	-0.1	0.2	0.6	1.0	1.0	1.2	1.4
EBIT Growth (YOY)								
Jewelry	30.4	8.8	(18.1)	81.3	42.2	13.5	22.3	19.1
Watches & Wearables	27.9	18.5	(141.8)	(190.2)	242.9	3.2	24.7	19.1
Eyewear	(199.2)	502.1	(260.5)	158.7	64.7	(0.5)	22.9	19.1
EBIT Margin (%)								
Jewelry	11.6	12.0	8.8	12.1	12.2	10.9	11.3	11.5
Watches & Wearables	10.9	12.1	(8.3)	5.1	12.3	10.6	11.2	11.5
Eyewear	(0.5)	(2.6)	6.1	11.5	14.2	13.1	14.0	14.5

Source: MOFSL, Company

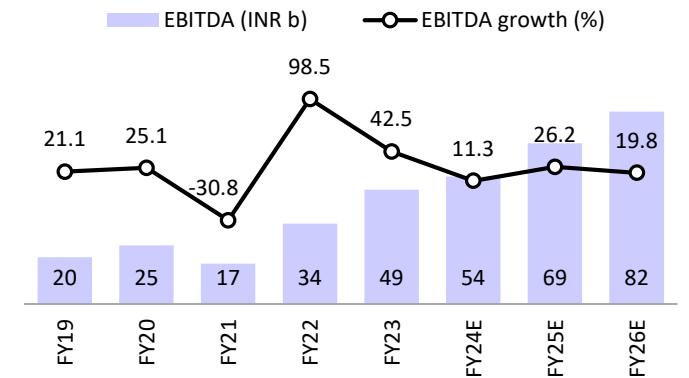
Story in charts

Exhibit 10: Revenue to grow in double digits...



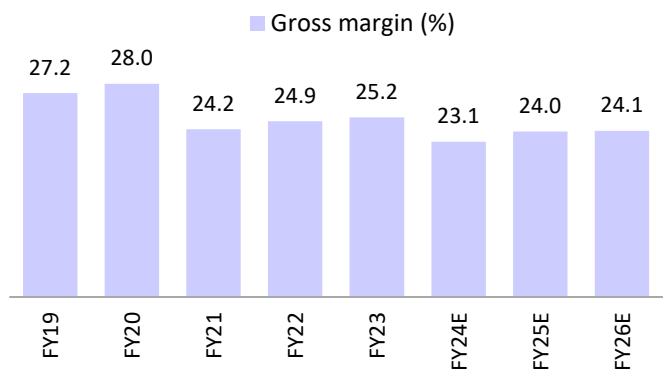
Source: MOFSL, Company

Exhibit 11: ...will lead to healthy EBITDA growth



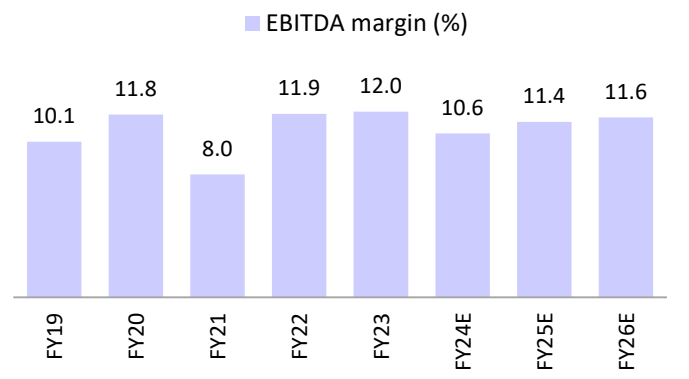
Source: MOFSL, Company

Exhibit 12: GP margin has declined in FY24; likely to recover over the period...



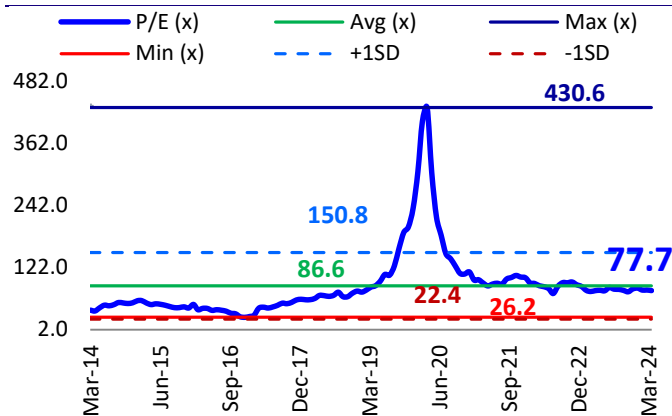
Source: MOFSL, Company

Exhibit 13: ...along with EBITDA margin



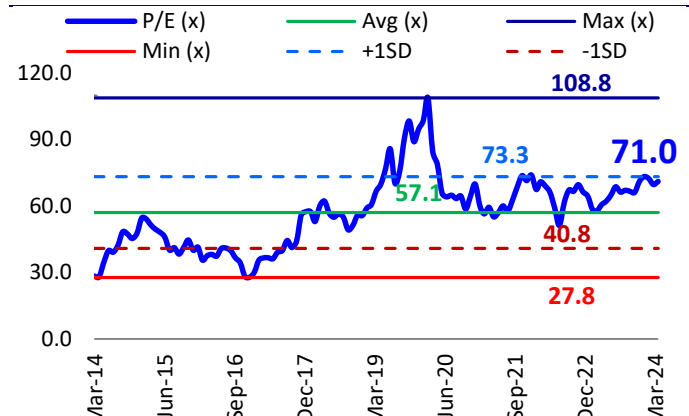
Source: MOFSL, Company

Exhibit 14: Retail - P/E



Source: MOFSL, Company

Exhibit 15: TTAN - P/E



Source: MOFSL, Company

Financials and valuations

Income Statement								(INR b)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	197.8	210.5	216.4	288.0	405.8	511.6	603.3	705.2
Change (%)	22.7	6.4	2.8	33.1	40.9	26.1	17.9	16.9
Gross Profit	53.8	59.0	52.3	71.6	102.2	118.2	144.7	169.6
Margin (%)	27.2	28.0	24.2	24.9	25.2	23.1	24.0	24.1
Other expenditure	33.9	34.0	35.1	37.4	53.4	63.9	76.1	87.5
EBITDA	19.9	24.9	17.2	34.2	48.8	54.3	68.6	82.1
Change (%)	21.1	25.1	-30.8	98.5	42.5	11.3	26.2	19.8
Margin (%)	10.1	11.8	8.0	11.9	12.0	10.6	11.4	11.6
Depreciation	1.6	3.5	3.8	4.0	4.4	5.7	6.1	6.4
Int. and Fin. Charges	0.5	1.7	2.0	2.2	3.0	5.8	5.6	4.8
Other Income - Recurring	1.8	1.5	1.9	2.3	3.1	5.2	6.0	6.6
Profit before Taxes	19.6	21.3	13.3	30.4	44.5	48.1	62.9	77.5
Change (%)	26.5	8.8	-37.5	128.2	46.3	8.1	30.8	23.3
Margin (%)	9.9	10.1	6.2	10.6	11.0	9.4	10.4	11.0
Tax	6.1	5.8	3.6	7.9	11.5	11.8	15.8	19.5
Deferred Tax	0.5	-0.4	0.1	0.8	-0.2	0.0	0.0	0.0
Tax Rate (%)	29.0	28.9	26.5	23.2	26.4	24.6	25.2	25.2
Profit after Taxes	13.9	15.2	9.8	23.3	32.7	36.2	47.0	58.0
Change (%)	24.0	8.9	-35.4	138.4	40.2	10.7	29.8	23.3
Margin (%)	7.0	7.2	4.5	8.1	8.1	7.1	7.8	8.2
Extraordinary income	0	-185	0	-1,360	0	0	0	0
Reported PAT	13.9	14.9	9.7	22.0	32.7	36.2	47.0	58.0

Balance Sheet								(INR b)	(INR b)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	
Share Capital	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	
Preference Share Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Reserves	60.0	65.8	74.1	92.4	118.2	142.4	175.7	215.0	
Net Worth	60.8	66.7	75.0	93.3	119.0	143.3	176.6	215.9	
Loans	0.3	7.2	1.5	5.2	22.0	28.5	30.0	30.9	
Lease liabilities	0.0	12.4	12.6	13.6	18.7	20.7	24.4	28.1	
Deferred Tax	-0.7	-1.5	-1.0	-1.8	-1.6	-1.6	-1.6	-1.6	
Capital Employed	60.5	84.9	88.1	110.3	158.2	191.0	229.5	273.4	
Gross Block	15.4	17.7	18.2	19.3	21.9	26.5	29.3	31.8	
Less: Accum. Depn.	3.3	4.6	5.8	7.1	8.4	14.1	16.0	18.4	
Net Fixed Assets	12.1	13.1	12.4	12.2	13.4	12.4	13.3	13.4	
Intangibles	3.6	4.0	3.8	3.7	3.8	3.8	3.8	3.8	
Capital WIP	0.3	0.1	0.2	0.7	1.3	1.3	1.3	1.3	
Right of use asset	0.0	9.3	9.2	9.7	12.9	14.1	14.8	15.6	
Investments	1.1	1.6	28.2	2.9	25.2	27.0	28.5	29.8	
Curr. Assets, L&A	99.3	105.8	109.7	180.8	212.1	255.7	309.0	363.8	
Inventory	70.4	81.0	84.1	136.1	165.8	182.5	203.7	217.4	
Account Receivables	4.2	3.1	3.7	5.7	6.7	10.5	12.4	14.3	
Cash and Bank Balance	10.7	3.8	5.6	15.7	13.4	28.8	54.0	87.3	
Others	14.1	17.9	16.3	23.4	26.1	33.9	39.0	44.8	
Curr. Liab. and Prov.	55.9	49.0	75.2	99.8	110.5	123.4	141.4	154.2	
Current Liabilities	53.9	46.1	73.4	97.4	106.8	120.5	138.2	150.7	
Provisions	2.1	2.9	1.9	2.4	3.7	2.9	3.2	3.5	
Net Current Assets	43.4	56.8	34.5	81.1	101.6	132.4	167.7	209.6	
Misc. Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Application of Funds	60.5	84.9	88.3	110.3	158.2	191.0	229.5	273.4	

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS	15.7	17.1	11.0	26.2	36.8	40.7	52.8	65.2
Cash EPS	17.3	18.9	12.9	28.3	38.9	47.2	59.9	72.5
BV/Share	68.5	75.2	84.5	105.1	134.1	161.4	199.0	243.2
DPS	6.0	4.1	4.0	7.5	10.0	11.4	20.1	25.4
Payout %	38.5	23.8	36.5	28.6	27.2	28.0	38.0	39.0
Valuation (x)								
P/E	239.9	220.2	340.8	143.3	102.2	92.3	71.1	57.7
Cash P/E	216.8	199.2	291.4	132.9	96.6	79.6	62.8	51.8
EV/Sales	16.8	15.9	15.3	11.5	8.2	6.5	5.4	4.6
EV/EBITDA	167.0	134.0	191.6	97.1	68.0	60.9	47.9	39.6
P/BV	54.8	50.0	44.5	35.7	28.0	23.3	18.9	15.5
Dividend Yield (%)	0.2	0.1	0.1	0.2	0.3	0.3	0.5	0.7
Return Ratios (%)								
RoE	24.9	23.8	13.8	27.7	30.8	27.6	29.4	29.5
RoCE	25.5	22.5	13.0	25.2	26.0	23.3	24.3	24.5
RoIC	28.0	23.9	14.9	32.0	31.2	29.1	33.4	37.7
Working Capital Ratios								
Debtor (Days)	8	5	6	7	6	8	8	7
Asset Turnover (x)	3.3	2.5	2.5	2.6	2.6	2.7	2.6	2.6
Leverage Ratio								
Debt/Equity (x)	0.0	0.1	0.0	0.1	0.2	0.2	0.2	0.1

Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	(INR b) FY24E	(INR b) FY25E	(INR b) FY26E
OP/(loss) before Tax	19.6	21.0	13.3	29.0	44.5	48.1	62.9	77.5
Int./Div. Received	1.1	-0.4	-0.6	-1.3	-1.1	-5.2	-6.0	-6.6
Deferred Revenue Exp.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation & Amort.	1.6	3.5	3.8	4.0	4.4	5.7	6.1	6.4
Interest Paid	-0.5	0.7	1.4	1.2	1.6	5.8	5.6	4.8
Direct Taxes Paid	6.4	5.6	2.7	8.0	11.5	11.8	15.8	19.5
Incr in WC	3.0	22.7	-26.2	32.2	24.1	17.3	10.2	8.6
CF from Operations	12.4	-3.5	41.4	-7.2	13.7	25.2	42.6	54.0
Incr in FA	2.6	3.5	1.4	2.2	4.2	5.9	3.6	3.2
Free Cash Flow	9.8	-6.9	40.0	-9.4	9.5	19.4	39.0	50.8
Investments	0.2	-3.2	27.3	-16.4	18.6	1.8	1.5	1.3
Others	0.2	0.7	-1.4	-7.1	-2.2	-5.2	-6.0	-6.6
CF from Invest.	-3.1	-1.0	-27.3	21.4	-20.6	-2.5	0.9	2.1
Issue of Shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Incr in Debt	0.0	6.9	-5.6	3.4	16.8	6.6	1.4	0.9
Dividend Paid	4.0	5.4	3.6	3.6	6.7	10.1	17.9	22.6
Others	0.9	4.0	3.2	3.9	5.5	3.8	1.8	1.1
CF from Fin. Activity	-4.9	-2.4	-12.3	-4.0	4.6	-7.3	-18.3	-22.8
Incr/Decr of Cash	4.5	-6.9	1.8	10.1	-2.3	15.4	25.2	33.3
Add: Opening Balance	6.2	10.7	3.8	5.6	15.7	13.4	28.8	54.0
Closing Balance	10.7	3.8	5.6	15.7	13.4	28.8	54.0	87.3

E: MOFSL Estimates

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Explanation of Investment Rating	
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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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