

## TITAN LTD

Analyst Recommendation: BUY

BSE Code: 530045

NSE: TITAN

Reuters Code: TITN.NS

Bloomberg Code: TTAN:INNatI

**CMP:** Rs 2454  
**2 Year Target:** Rs 2688

Face Value	1.0
Market Cap (Rs cr)	2,17,858
52 week high/low	2,678/1154.6
Beta	0.9
Shares O/S (Cr)	88.77
Book Value per Share (Rs)	85.07
Sensex	60,029
Nifty	17,889

### Investor's Rationale

#### ➤ Strong all-round performance:

Ex-bullion sales, TTAN revenues grew 78% yoy (2yr CAGR 25%), led by a strong 32% CAGR in the Jewelry segment and a near-full recovery in the watches/eyewear segments. The Jewelry CAGR was driven by market-share gains in a healthy demand environment and a ~10% store addition CAGR (414 jewelry stores vs. 345 in Q2FY20). A full recovery in watches/eyewear was led by strong online traction and higher footfalls. Growth in Caratlane was even faster with a 2-year CAGR of 47%, led by the launch of new merchandise, marketing initiatives and offline retail expansion (32% CAGR). Store additions picked up pace across segments, with 10/8/24 net additions for Tanishq/watches/ eyewear segments. TTAN sees medium-term scope for adding 35-40 Tanishq stores annually. It expects aggressive 250-300 store additions for eyewear in the next 12- 15 months and also plans to upgrade WOT stores.

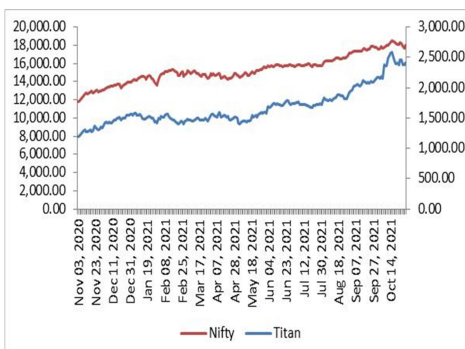
#### ➤ Margins improve despite lower studded mix:

Consol EBIT margins at 12.2% were higher than pre-Covid levels of ~10%, despite a lower studded mix (30% vs. 38% in Q2FY20). This was offset by operating leverage and cost savings, and a turnaround in eyewear/caratlane. Eyewear turnaround was driven by a change in the product/ channel mix and low activations, which is likely to continue and sustain 18-20% margins. Caratlane also saw a turnaround and should see higher margins as strong growth results in scale efficiencies and operating leverage. Management plans to increase investments in watches, which should be easily offset by operating leverage/studded recovery and drive further margin gains, in our view.

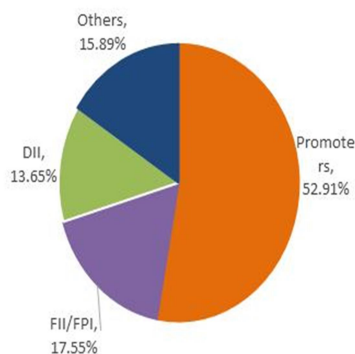
#### ➤ Valuation

Given strong Earnings growth we would like to value the stock at 60x of FY24 earnings and arrive at target price of Rs 2,688.

### 1 yr. Price Chart of Stock and Nifty



### Shareholding pattern as on 31st Dec 2020.



	FY21	FY22E	FY23E	FY24E
Revenue (Rs.Cr)	21,644.0	28,809.2	36,697.4	42,681.3
EBITDA (Rs. cr)	1,724.0	3,617.1	4,871.9	5,953.2
Adj. profit (Rs.Cr)	974.0	2,338.5	3,209.9	3,978.3
Adj. EPS (Rs.)	11.0	26.3	36.2	44.8
P/E (x)	224.2	93.4	68.0	54.9
Dividend Yield	0.20%	0.20%	0.30%	0.30%
EV/EBITDA (x)	124.7	59.6	44.0	35.6
ROE (%)	13.8%	27.7%	30.0%	29.2%
ROCE	21.9%	40.2%	42.9%	41.4%

**Key Concall Takeaways and Segmental Performance****Jewellery:**

Management sees improved consumer confidence as consumers seem comfortable in payment for designs and making charges. Wedding jewellery grew 81% in Q2. The company remains focused on topline growth which should add scale benefits to the division. Management expects EBIT margins to remain sustainable at 12-13% on a full year basis.

**Eyewear**

The company aims to increase the footprint significantly and have targeted between 250-300 stores over the next 12-15 months. The profitability of the division has improved due to better mix of private label, alteration of channel mix (done away with expensive channels) and a tight control on discounts. Management believes 18-20% EBIT margins are sustainable. The share of organized sector is low which provides huge headroom for growth.

**Watches**

Customers are back in the marketplace and have preferred Titan brands vs competitors which has resulted in market share gains in the MBO store format. The company continues to invest in transformational programmes and in the growth of business in next 2 quarters. The company aims to make the analog watch category more relevant to customers. These analog watches have done well in the online marketplace platforms as well the company's own e-commerce platforms. 'World Of Titan' & 'Helios' stores are being renovated in H2 to give a modern and premium shopping experience to customers. There was inventory filling for some of the websites due to the upcoming Diwali festival which should get evented out in Q3. The company is optimistic of Q3 as stores are fully functional and all channels have performed well.

**Taneira**

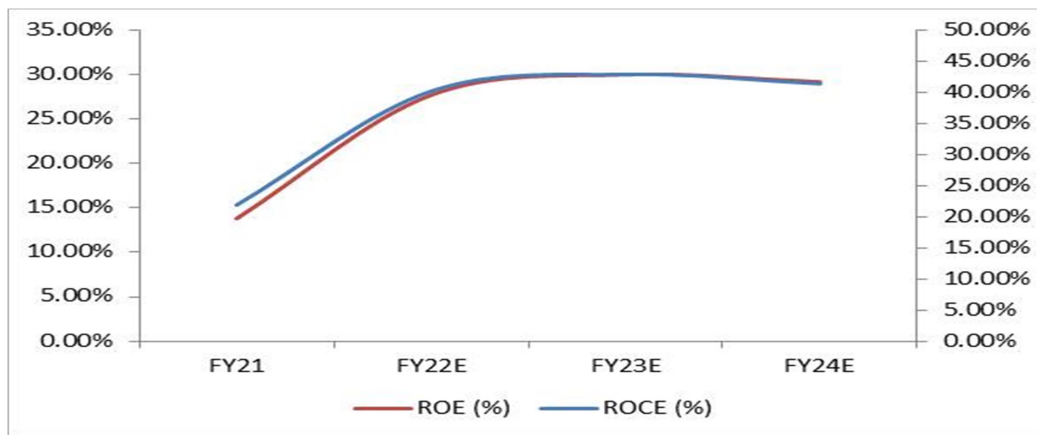
The business remains very young at this time with a low need for sarees due to WFH, lack of mobility and reduced social events & marriages. The Q2 performance has been amongst the best in recent quarters. Management has big plans for 'Taneira' in FY23 and would share more details in the next earnings call.

**Caratlane**

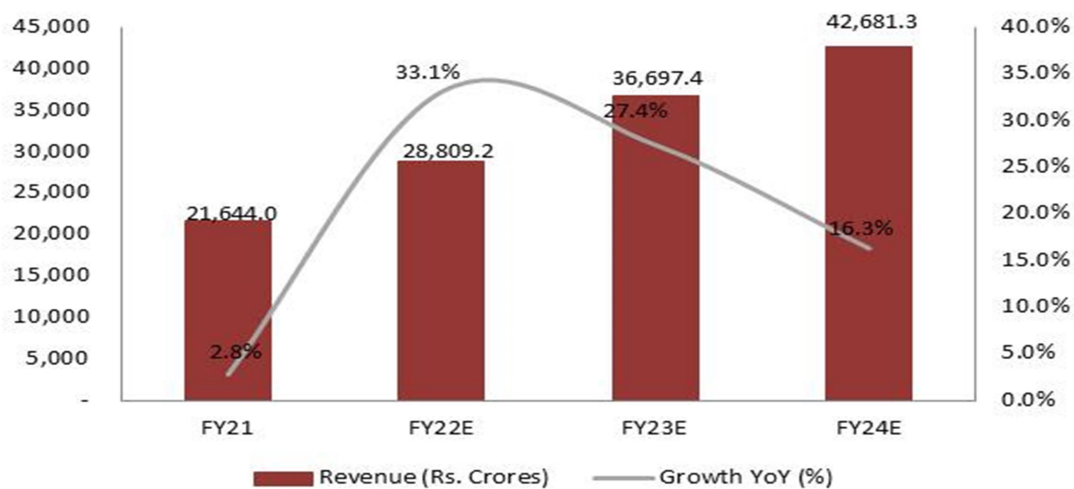
The competitive intensity in the category is high as each of the major players launch their jewellery to target a younger audience in their stores. Both online and offline channels have done well and the mix between remains healthy between the two. Offline has recovered and done better between the two. Online channel continues to remain powerful. Management sees the business favourably and is optimistic of growth (as the business broke even last year). GM's remain stable with improvement in EBIT margins.

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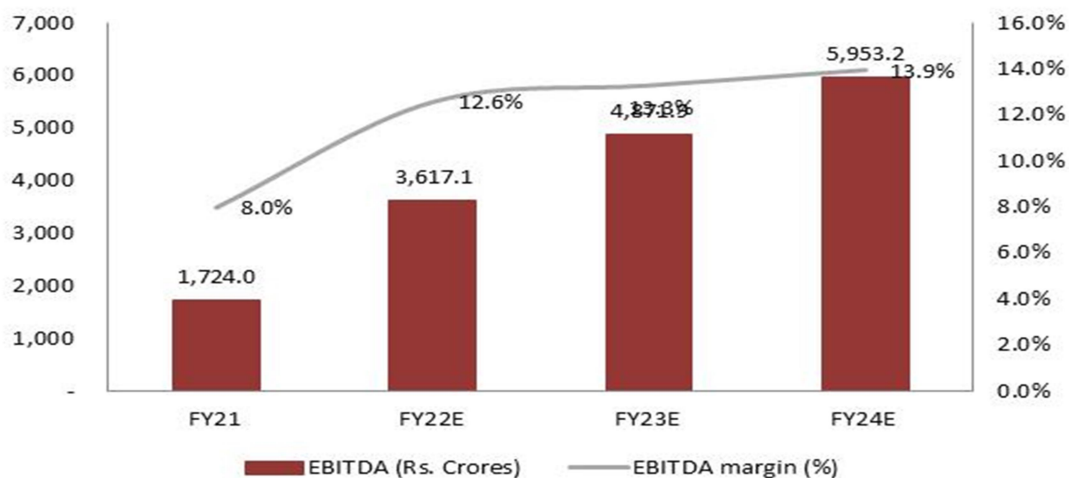
## Return ratios to show strong growth in future



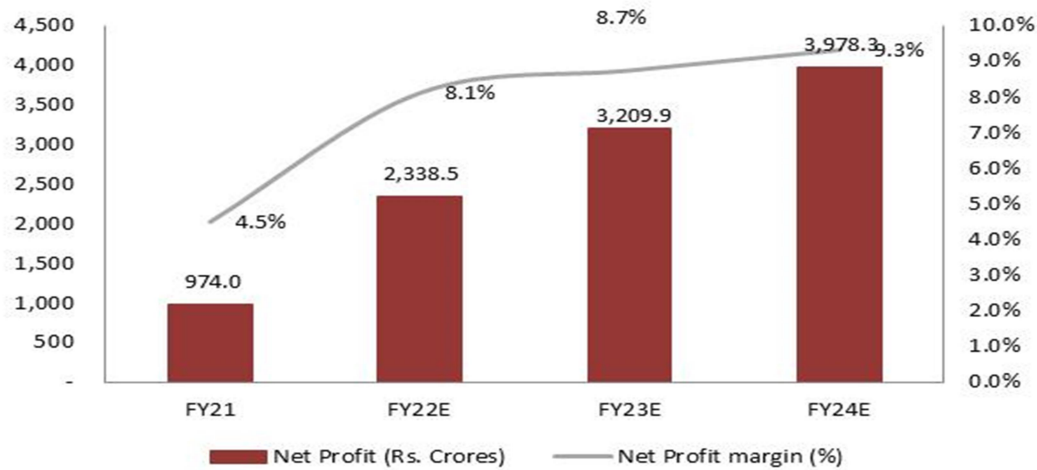
## Revenue will experience Steady growth



## EBITDA will experience strong growth



## Net profit will experience a growth trajectory



## Outlook and Valuation

Given strong Earnings growth we would like to value the stock at 60x of FY24 earnings and arrive at target price of Rs 2,688

## Titan Ltd - Company Overview

Titan Company Limited (earlier known as Titan Industries Limited) is an Indian luxury products company that mainly manufactures fashion accessories such as jewellery, watches and eyewear. Part of the Tata Group and started as a joint venture with Tamil Nadu Industrial Development Corporation, the company is headquartered in Hosur, Tamil Nadu. Titan commenced operations in 1984 under the name Titan Watches Limited. In 1994, Titan diversified into jewellery with Tanishq and subsequently into eyewear with Titan Eyeplus. In 2005, it launched its youth fashion accessories brand Fastrack. The company is the largest branded jewellery maker in India, with more than 80 percent of its total revenues coming from the jewellery segment. As of 2019, it is also the fifth-largest watch manufacturer in the world



## Balance sheet (Consolidated)

(Rs crore)	FY21	FY22E	FY23E	FY24E
<b>Liabilities</b>				
Paid up capital	89	89	89	89
Reserves and Surplus	7409	9304	11892	15160
<b>Net worth</b>	<b>7498</b>	<b>9392</b>	<b>11981</b>	<b>15249</b>
Total Loans	1,421	1,341	1,412	1,463
Deffered Tax Liability	-59	-36	-11	18
Minority Interest	4	4	4	4
<b>Total Liabilities</b>	<b>8,864</b>	<b>10,702</b>	<b>13,386</b>	<b>16,734</b>
<b>Assets</b>				
Net Block	2,373	2,419	2,427	2,369
Investments	3,303	2,804	2,804	2,804
Current Asstes	10,392.00	13,243.30	17,538.30	22,462.00
Current Liabilities	7,359	7,920	9,538	11,056
Net Current Assets	3033	5324	8000	11407
Other	155	155	155	155
<b>Total Assets</b>	<b>8864</b>	<b>10702</b>	<b>13386</b>	<b>16734</b>

## Profit & Loss Account (Consolidated)

(Rs crore)	FY21	FY22E	FY23E	FY24E
<b>Total operating Income</b>	<b>21,644</b>	<b>28,809</b>	<b>36,697</b>	<b>42,681</b>
Operating Expenses	19,920	25,192	31,826	36,728
<b>EBITDA</b>	<b>1,724</b>	<b>3,617</b>	<b>4,872</b>	<b>5,953</b>
Depreciation	375	424	512	579
<b>EBIT</b>	<b>1,349</b>	<b>3,193</b>	<b>4,360</b>	<b>5,375</b>
Interest cost	203	245	281	312
Other Income & Extraordinary Items	186	186	222	266
<b>Profit before tax</b>	<b>1,332</b>	<b>3,134</b>	<b>4,301</b>	<b>5,329</b>
Tax	353	788	1,081	1,340
<b>Profit after tax</b>	<b>979</b>	<b>2,347</b>	<b>3,220</b>	<b>3,988</b>
Minority Interests	-5.00	-8.00	-10.00	-10.00
P/L from Associates				
Other				
<b>Adjusted PAT</b>	<b>974</b>	<b>2,339</b>	<b>3,210</b>	<b>3,978</b>



# Equity Research

## Cash Flow (Consolidated)

Y.E March (Rs crore)	FY21	FY22E	FY23E	FY24E
<b>PBT (Ex Other Income) (NI+Dep)</b>	<b>1327</b>	<b>3127</b>	<b>4291</b>	<b>5319</b>
Change in Working Capital	2409	-2196	-1545	-960
<b>Cash flow from operating activities</b>	<b>4039</b>	<b>811</b>	<b>2458</b>	<b>3909</b>
Investments	-2691	500	0	0
Capex	-120	-250	-300	-300
Other Investment (Net of Exp)	1	-1	0	0
<b>Cash flow from investing activities</b>	<b>-2810</b>	<b>249</b>	<b>-300</b>	<b>-300</b>
Change in Borrowing	-559	-156	0	0
Dividend	-355	-444	-622	-710
Other	-136	-389	-430	-481
<b>Cash flow from financing activities</b>	<b>-1050</b>	<b>-989</b>	<b>-1051</b>	<b>-1191</b>
Net chg in cash	179	71	1,106	2,418
Opening Cash	381	560	631	1737
Closing Cash	560	631	1737	4155

## Key Ratios & Valuations (Consolidated)

Y.E March (Rs crore)	FY21	FY22E	FY23E	FY24E
<b>Per share data (Rs.)</b>				
Book Value	84.50	105.80	134.90	171.80
CEPS	15.20	31.10	41.90	51.30
DPS	4.00	5.00	7.00	8.00
<b>Margin (%)</b>				
EBITDA	8.0%	12.6%	13.3%	13.9%
NPM	4.5%	8.1%	8.8%	9.3%
<b>Return Ratios (%)</b>				
RoE	13.8%	27.7%	30.0%	29.2%
ROCE	21.9%	40.2%	42.9%	41.4%
<b>Valuation(x)</b>				
P/E	224.2	93.4	68.0	54.9
EV/EBITDA	124.7	59.6	44.0	35.6
Dividend Yield	0.20%	0.20%	0.30%	0.30%
<b>Per share data (Rs.)</b>				
EPS	11.0	26.3	36.2	44.8



# Equity Research

Large Cap.	Return	Mid/Small Cap.	Return
<b>Buy</b>	More than equal to 10%	<b>Buy</b>	More than equal to 15%
<b>Hold</b>	Between 10% & -5%	<b>Accumulate*</b>	Upside between 10% & 15%
<b>Reduce</b>	Less than -5%	<b>Hold</b>	Between 0% & 10%
		<b>Reduce/sell</b>	Less than 0%

\* To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.



**Member: BSE, NSE, MCX, MCX-SX, CDSL**

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