

**Results were much better than expectations**

- **Revenues:** grew by 64.6% YoY to 74,930 mn (QoQ +116%) (excluding bullion sale of Rs 1,920mn in Q2FY22 and Rs 3,910 mn last year consolidated revenue were up by 75%)
- **EBIDTA:** grew 209% YoY to Rs 9680mn (QoQ+607%)
- **EBIDTA margins** stood at 12.9% v/s 6.87% YoY (QoQ 3.94% )
- **Adjusted Net Profit** grew by 265% YoY to Rs6390mn (QoQ +3095%)

**Segmentals**

- **Jewellery: (87% of Income)**
  - **Revenues** grew by 65% YoY to Rs 65710 mn, **EBIT margins** 12.2% vs 7.18% YoY and 6.5% QoQ (was @ 10.4% in Q2FY20)  
Stores +15 H1FY22 || Total 368
- **Watches (9% of Income)**
  - **Revenues** grew by 72% YoY to Rs6890 mn **EBIT margins** 13.06% v/s -2.99% YoY and -20.8% QoQ (was @ 14.04% in Q2FY20)  
Stores (fasttrack+WOT+Helios) +7 H1FY22 || Total 789
- **EyeWear(2% of Income)**
  - **Revenue** grew by 70.2% YoY to Rs 1600 mn, **EBIT margins** 23.13% (highest ever) v/s 9.57% YoY and -19.4% QoQ (was @ 1.29 % in Q2FY20)  
Store +24 || total 629

**Outlook from Management Call**

- Topline growth would be on management's top most priority, festive demand is good
- **EBIT Margin of 12-13% is sustainable in jewellery business**
- Eyewear margin of Q2 is not sustainable in the longer run

**Financial Summary**

Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Net sales	1,97,785.2	2,10,515.4	2,16,449.9	2,73,976.5	3,22,740.0
EBIDTA	19,914.9	24,665.8	17,249.9	30,165.0	39,108.7
Margins	10.1	11.7	8.0	11.0	12.1
Adjusted net profit	14,041.5	15,013.9	9,739.9	19,449.5	27,598.8
EPS (Rs)	15.8	16.9	10.9	21.9	31
P/E (x)	155.5	145.5	224.8	112.6	79.3
EV/EBITDA (x)	109.1	89.1	125.8	71.6	55.5
RoCE (%)	30.0	24.5	15.1	25.0	28.7
RoE (%)	23.1	22.5	13.0	21.7	26.0

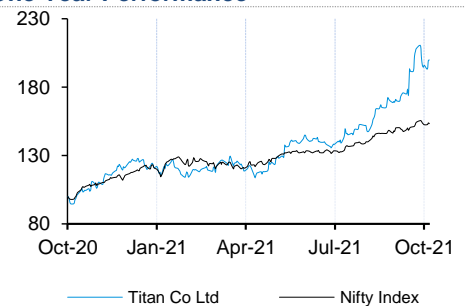
Source: Company

Rating	TP (Rs)	Up/Dn (%)
<b>BUY ON DIPS</b>	<b>2,635</b>	<b>7</b>

**Market data**

<b>Current price</b>	Rs	2,460
Market Cap (Rs.Bn)	(Rs Bn)	2,184
Market Cap (US\$ Mn)	(US\$ Mn)	29,137
Face Value	Rs	1
52 Weeks High/Low	Rs	2,678 / 1,154
Average Daily Volume	('000)	2631
BSE Code		500114
<b>Bloomberg</b>		TTAN.IN

Source: Bloomberg

**One Year Performance**

Source: Bloomberg

% Shareholding	Sep-21	Jun-21
Promoters	52.90	52.90
Public	47.10	47.10
<b>Total</b>	<b>100</b>	<b>100</b>

Source: BSE

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## Conference Call Highlights

### A. Jewellery Division

- Demand driven by a) pent-up demand b) share of wallet increase c) wedding
- Plain Gold growth higher than studded YoY; while studded has also grown over Pre-pandemic, but yet to reach pre-pandemic level of contribution. Studded ratio in Q2 FY22 was 30% vs 26% of Q2 FY21
- Wedding sales crossed pre-pandemic sales
- Coin sales contribution normalized to 5% v/s double digits earlier
- Wedding sales were higher compared to corresponding periods in FY20 & FY21.
- Sales from GEP and Golden Harvest plan also did well both YoY and compared to pre-pandemic levels.
- Focus more on studded jewellery going forward
- Gross margin in jewellery business mainly driven by scale benefit
- Exchange program one of big driver of growth
- Gold on lease target is decided as a % of revenue
- **Tanishq** added +15 new stores taking the total count to 370 stores ( 6 months target +20 || Yearly target : 30-35 stores) & Opportunity to open upto 500+ stores
- Exchange Program Contribution  
40% (Pre-pandemic) || 33% (FY21) || 31% (Q2FY22)  
Aim to get back to 40% level, people are not exchanging gold but keeping it as savings
- Sourcing of Gold ( 50% - Gold on Lease || 35% - Exchange || 15% -Spot Purchase )
- Digital gold (pilot offering) seeing more traction from youngsters, can invest as low as Rs.100. Can hedge and convert it into jewellery at later stage.
- Launched 1st category-specific campaign for establishing brand leadership in Earrings

### B. Watches & Wearables Division

- E-commerce sales @ 25% vs 18% pre-pandemic same period
- Retail channel sales recovery was at 90%+ of pre-pandemic levels
- Total walk-ins in malls are at ~65% of pre-pandemic levels and LFS at 70% pre-pandemic.
- Tier-2 cities have been witnessing better recovery in walk-ins compared to metros

- Gross margin improved over Q2 FY21 driven by a healthier product mix but is still to reach levels seen in Q2 FY20.
- Investing in various transformational programs
- Fast-track forays into fast-growing smart hearables category comprising of mid-premium range of Neckbands and plans to expand its to Headphones & Buds segments

### C. Eye Wear Division

- Would add +250 stores in next 15 months
- Profits seen uptick on account of better product mix & channel mix alteration
- No discounts have been given in last 18 months
- Can maintain margins in the range of 18-20%
- Launched 'ClearSight Z' - first-of-its-kind '8 in 1' lens for the hyper connected generation
- Launched Fast-track 'Computer Glasses' & 'Steal frames' at attractive price points

### D. Other business – Indian Dress Wear, Fragrances and Accessories

- **Taneira** ambition for FY23 is large
  - Q2FY22 was one of the best quarter for Taneira
  - Taneira store contraction in size/sq ft was account of relocation
  - All 14 stores operational || Operational for 80% of total store days || Launched 'Tarang' a collection of beautiful tussar sarees
- Strong focus on women bags
- Skinn showed good recovery across retail, department stores & E-Commerce

## Subsidiary

- TEAL: Revenue Rs 530mn -41% YoY || EBIT Loss Rs 10mn v/s 180mn YoY

Performance subdued due to delay in execution and shipments || Automation Solutions Business continued its momentum with the highest ever order acquisition in Q2FY22

- Caratlane :

Revenue Rs 2930mn +95% YoY || EBIT at Rs 140mn v/s Rs 10mn YoY

- Seeing increased competition from Bluestone, Reliance Jewels, Aura etc as they are also trying to expand their footprint
- Piloting the concept of jewellery on rent
- Turned profitable & gross margins are stable whereas EBIT margins is growing with scale
- Growth in website traffic was robust in the quarter. Core gifting initiatives continuing to see good traction
- New gifting campaign launched 'Say bye-bye to bad gifts' with attractive price points

## Others

- Nothing specific to call out on hallmarking scheme, too premature to say anything

## Quarterly Financials

Particulars (Rs Mns)	Q2FY22	Q2FY21	Growth%	Q1FY21	Growth%
Sale of products/services	72430.0	41270	75.5	30040.0	141.1
Other operating revenues	2500.0	4260	(41.3)	4690.0	(46.7)
<b>Total Operating Revenues</b>	<b>74930.00</b>	<b>45530</b>	<b>64.6</b>	<b>34730.00</b>	<b>115.8</b>
Other income	550.0	480	14.6	460.0	19.6
<b>Total Income</b>	<b>75480.00</b>	<b>46010</b>	<b>64.1</b>	<b>35190.00</b>	<b>114.5</b>
			-		
Cost of Materials Consumed	49550	33550	47.7	31710	56.3
Purchase of stock-in-trade	10090	4350	132.0	5410	86.5
Changes in stock	-3460	-6580	(47.4)	-10170	(66.0)
<b>Total RM Cost</b>	<b>56180</b>	<b>31320</b>	<b>79.4</b>	<b>26950</b>	<b>108.5</b>
<b>RM to Op Revenue</b>	<b>74.98%</b>	<b>68.79%</b>		<b>77.60%</b>	
Employee benefits expense	3170	2480	27.8	3130	1.3
Employee to Op Revenue	4.23%	5.45%		9.01%	
Advertising	1350	610	121.3	490	175.5
Ad Spends to OP Revenue	1.80%	1.34%		1.41%	
Other expenses	4550	7990	(43.1)	2790	63.1
O. Exps to Op Revenue	6.07%	17.55%		8.03%	
<b>EBITDA (exc. OI)</b>	<b>9680.00</b>	<b>3130</b>	<b>209.3</b>	<b>1370.00</b>	<b>606.6</b>
<b>EBITDA Margin</b>	<b>12.92%</b>	<b>6.87%</b>		<b>3.94%</b>	
EBITDA	10230.00	3610	183.4	1830.00	459.0
Depreciation	1040	940	10.6	950	9.5
<b>PBIT</b>	<b>9190</b>	<b>2670</b>	<b>244.2</b>	<b>880</b>	<b>944.3</b>
Interest	510	490	4.1	490	4.1
<b>PBT</b>	<b>8680.00</b>	<b>2180</b>	<b>298.2</b>	<b>390.00</b>	<b>2,125.6</b>
Total Tax	2270	440	415.9	210	981.0
<b>Tax Rate</b>	<b>26.2%</b>	<b>20.2%</b>		<b>53.8%</b>	
<b>PAT</b>	<b>6410.0</b>	<b>1740</b>	<b>268.4</b>	<b>180.0</b>	<b>3,461.1</b>
Exceptional item					
Share of profit from JV/ Associate	0	10	(100.0)	0	
Minority Interest	20	-20	(200.0)	-20	(200.0)
<b>Adjusted PAT</b>	<b>6390.0</b>	<b>1750.0</b>	<b>265.1</b>	<b>200.0</b>	<b>3,095.0</b>
<b>NPM</b>	<b>8.47%</b>	<b>3.80%</b>		<b>0.57%</b>	
Equity	890	887.8		890	
FV	1			1	
EPS	7.2	2.0		0.2	3,095.0
<b>Segmental Revenues</b>					
Watches	6890	4010	71.8	2930	135.2
% to Operating Income	9.1%	8.7%		8.3%	
Jewellery	65710	39830	65.0	30500	115.4
% to Operating Income	87.1%	86.6%		86.7%	
Eyeware	1600	940	70.2	670	138.8
% to Operating Income	2.1%	2.0%		1.9%	
Others	990	1130	(12.4)	830	19.3
% to Operating Income	1.3%	2.5%		2.4%	
Corporate (unallocated)	290	100	190.0	260	11.5
% to Operating Income	0.4%	0.2%		0.7%	
<b>Total</b>	<b>75480</b>	<b>46010</b>	<b>64.1</b>	<b>35190</b>	<b>114.5</b>
<b>PBIT</b>					
Watches	900	-120	(850.0)	-610	(247.5)
% to segmental Income	13.06%	-2.99%		-20.82%	
Jewellery	8030	2860	180.8	1980	305.6
% to segmental Income	12.22%	7.18%		6.49%	
Eyeware	370	90	311.1	-130	(384.6)
% to segmental Income	23.13%	9.57%		-19.40%	
Others	-30	70	(142.9)	-170	
% to segmental Income	-3.03%	6.19%		-0.71%	

## Valuation & Outlook

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Titan has showcased the power of a trustworthy brand with very strong results in these difficult times. The business not only recovered but grew over the pre-pandemic period for H1FY22.

In Jewellery business the company has been able to win-in many geographies and has been continuously gaining market share despite high competition of local players. The management is confident to take Tanishq's store count from 368 to 500 in the next few years.

In case of Eyewear too 250 more stores are targeted on a base of 629.

Focus on growth is the common factor across segments i.e. Jewellery, Watches, Eyewear, TEAL and new business including Taneria

Titan is a well-managed company with a sustainable business model capable of growing @ 20% CAGR in coming years with a ROE and ROCE of 20%+. A business with all the right ingredients and high growth potential will always deserve a premium valuation.

**Valuations @ Rs 2,460:** Titan trades at 112x FY22E EPS of Rs 21.9 and 79x FY23E EPS of Rs.31,we maintain **"Buy on Dips" with target price of Rs 2,635**



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