

**Topline in line with our expectations**

- **Revenues:** Grew by 75.5% YoY to Rs 34,730 mn (QoQ -54%)
- **EBIDTA:** Stood at Rs.1,370 Mn vs Loss of Rs. 2,130 Mn (QoQ -83%)
- **EBIDTA margins** stood at 3.94% v/s -12.78% YoY (QoQ 10.90%)
- **Adjusted Net Profit** grew by 107% YoY to Rs 200 mn (QoQ -96%)

Segmentals

- **Jewellery: (87% of Income)**
 - **Revenues** grew by 67% YoY to Rs 30,500 mn, **EBIT margins** 6.49% v/s -3.73% YoY
(Bullion Sales for Q1FY22 @ Rs 4.24bn v/s 6.01bn YoY)
- **Watches (8% of Income)**
 - **Revenues** grew by 286% YoY to Rs 2,930 mn **EBIT Loss** stood at -610 mn v/s -1,730 mn (QoQ Rs+380 mn)
- **EyeWear (2% of Income)**
 - **Revenue** grew by 123% YoY to Rs 670 mn, **EBIT margins** -19.40% v/s loss in Q1FY21

Outlook from Management Call)

- The management expects growth trajectory to return in case of Jewellery business in the next 9 months and aim is to grow above Pre-Covid levels.
- Wedding jewellery is picking up space and people are advancing purchase in anticipation of 3rd wave.
- Hallmarking too could give some marginal gains as Titan is better prepared v/s competition.
- The company has ample opportunity to expand in middle India and smaller towns and target is to open ~34 Tanishq stores in FY22.

Financial Summary

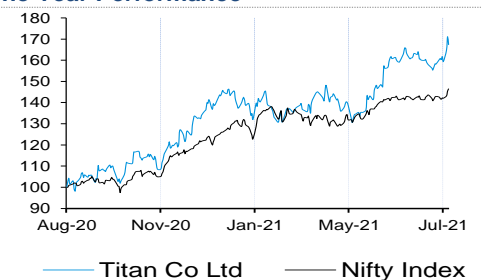
Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Net sales	1,97,785.2	2,10,515.4	2,16,449.9	2,42,171.6	3,00,324.1
EBIDTA	19,914.9	24,665.8	17,249.9	26,782.2	37,269.4
Margins	10.1	11.7	8.0	11.1	12.4
Adjusted net profit	14,041.5	15,013.9	9,739.9	17,128.4	25,308.8
EPS (Rs)	15.8	16.9	10.9	19.2	28
P/E (x)	112.6	105.3	162.7	92.5	62.6
EV/EBITDA (x)	78.8	64.7	90.8	58.5	42.0
RoCE (%)	30.0	24.5	15.1	22.2	28.0
RoE (%)	23.1	22.5	13.0	19.5	24.6

Source: Company

Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	1820	2

Market data

Current price	Rs	1781
Market Cap (Rs.Bn)	(Rs Bn)	1598
Market Cap (US\$ Mn)	(US\$ Mn)	21512
Face Value	Rs	1
52 Weeks High/Low	Rs	1859/1049
Average Daily Volume	('000)	6142
BSE Code		500114
Bloomberg		TTAN:IN
Source: Bloomberg		

One Year Performance

Source: Bloomberg

% Shareholding	Jun-21	Mar-21
Promoters	52.90	52.90
Public	47.10	47.10
Others	0.00	0.00
Total	100	100

Source: BSE

Kunal Bhatia
+91 22 67141442
kunal.bhatia@dalal-broacha.com

Conference Call Highlights

A. Jewellery Division

- New customers and its mix in total buyers had reached the pre-pandemic levels
- **TCL North America Inc.** was incorporated as a wholly owned subsidiary, with the objective of carrying on the business of jewelry retailing in USA || opportunity size envisaged @ \$3 to 4bn
- **Golden Harvest Scheme** ramped up in June and July
- **Studded ratio** in Q1FY22 @ retail level stood at 25% vs 21% YoY and 28% in FY20.
- Gold coins contribution fell to 7% vs 14% YoY
- All stores have hallmarking license and 100% of Tanishq, Mia, Zoya jewellery is hallmarked.
- Tamil Nadu (Key Market) has started doing well.
- Wedding demand was stronger as people advanced their purchase in anticipation of 3rd wave.
- Share of **Gold exchange** at 24% vs 30% in Q1FY20
- Store opening target in **Tanishq ~ 34 stores || 11 Already opened.**

B. Watches & Wearables Division

- Sales were strong in the E-commerce channel especially in the second half of April and May.
- Recovery in smaller towns was better than the **top 8 metros.**
- Want to make Fast track a bigger brand by extending its product reach in bags, perfume & female bags.

C. Eye Wear Division

- Division accelerated its path on e-commerce and launched Titan Eyeplus' App.
- Structural changes have been made in the business in the last year to improve gross margins and cost structure.
- Currently **622 stores (Aim to reach 1,000 stores in next 3 years & 1,800 in 5 years)**
- Lower price point constraint taken care of.

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

- **Taneira** Brand started the quarter with campaigns around regional festivals (Management aims to make Taneira as aspirational as Tanishq in ethnic wear.)
- Fragrances & Accessories business in Q1FY22 had a slow recovery. E-commerce channels recovered almost fully and grew 2.5 times over the last year.

- Brand Skinn launched Tales, a new collection celebrating “Happiness”

Subsidiary

- TEAL: Revenue Rs 660mn -14% YoY || Loss Rs 10mn v/s PBT (pft) Rs 70mn YoY
- Caratlane: Revenue Rs 1570mn +274% YoY || loss Rs 90mn v/s loss of Rs 190mn YoY
- Present in 144 towns (Higher penetration in 16 towns, long way to go)

Others

- Cash on books : 2,000 crs +
- Titan Commodity Trading Limited has started the operations during the quarter for the hedging of Gold.
- With effect from 1 July 2021, the Company has decided to adopt a Fair Value hedge accounting methodology to hedge its gold inventory instead of cashflow arising out of sale of gold in future.

Quarterly Financials

Particulars (Rs Mns)	Q1FY22	Q1FY21	Growth%	Q4FY21	Growth%
Sale of products/services	30040.0	13680	119.6	73510.0	(59.1)
Other operating revenues	4690.0	6110	(23.2)	1430.0	228.0
Total Operating Revenues	34730.00	19790	75.5	74940.00	(53.7)
Other income	460.0	410	12.2	570.0	(19.3)
Total Income	35190.00	20200	74.2	75510.00	(53.4)
			-		
Cost of Materials Consumed	31710	7120	345.4	46750	(32.2)
Purchase of stock-in-trade	5410	670	707.5	9060	(40.3)
Changes in stock	-10170	7660	(232.8)	2560	(497.3)
Total RM Cost	26950	15450	74.4	58370	(53.8)
RM to Op Revenue	77.60%	78.07%		77.89%	
Employee benefits expense	3130	2600	20.4	2900	7.9
Employee to Op Revenue	9.01%	13.14%		3.87%	
Advertising	490	210	133.3	1010	(51.5)
Ad Spends to OP Revenue	1.41%	1.06%		1.35%	
Other expenses	2790	4060	(31.3)	4490	(37.9)
O. Exps to Op Revenue	8.03%	20.52%		5.99%	
EBITDA (exc. OI)	1370.00	-2530	(154.2)	8170.00	(83.2)
EBITDA Margin	3.94%	-12.78%		10.90%	
EBITDA	1830.00	-2120	(186.3)	8740.00	(79.1)
Depreciation	950	930	2.2	930	2.2
PBIT	880	-3050	(128.9)	7810	(88.7)
Interest	490	520	(5.8)	510	(3.9)
PBT	390.00	-3570	(110.9)	7300.00	(94.7)
Total Tax	210	-640	(132.8)	1620	(87.0)
Tax Rate	53.8%	17.9%		22.2%	
PAT	180.0	-2930	(106.1)	5680.0	(96.8)
Exceptional item					
Share of profit from JV/ Associate	0	40	(100.0)	0	
Minority Interest	-20	-60	(66.7)	40	(150.0)
Adjusted PAT	200.0	-2910.0	(106.9)	5640.0	(96.5)
NPM	0.57%	-14.41%		7.47%	
Equity	890	887.8		890	
FV	1			1	
EPS	0.2	-3.3		6.3	(96.5)
Segmental Revenues					
Watches	2930	760	285.5	5590	(47.6)
% to Operating Income	8.3%	3.8%		7.4%	
Jewellery	30500	18240	67.2	66780	(54.3)
% to Operating Income	86.7%	90.3%		88.4%	
Eyeware	670	300	123.3	1270	(47.2)
% to Operating Income	1.9%	1.5%		1.7%	
Others	830	810	2.5	1400	(40.7)
% to Operating Income	2.4%	4.0%		1.9%	
Corporate (unallocated)	260	90	188.9	470	(44.7)
% to Operating Income	0.7%	0.4%		0.6%	
Total	35190.0	20200	74.2	75510.0	(53.4)
PBIT					
Watches	-610	-1730	(64.7)	380	(260.5)
% to segmental Income	-20.82%	-227.63%		6.80%	
Jewellery	1980	-680	(391.2)	7170	(72.4)
% to segmental Income	6.49%	-3.73%		10.74%	
Eyeware	-130	-310	(58.1)	230	(156.5)
% to segmental Income	-19.40%	-103.33%		18.11%	
Others	-170	-120	41.7	-10	
% to segmental Income	-20.48%	-14.81%		-0.71%	

Valuation & Outlook

The management expects growth trajectory to return in case of Jewellery business in the next 9 months and aim is to grow above Pre-Covid levels.

Wedding jewellery is picking up space and people are advancing purchase in anticipation of 3rd wave.

Hallmarking too could give some marginal gains as Titan is better prepared v/s competition.

The company has ample opportunity to expand in middle India and smaller towns and target is to open ~34 Tanishq stores in FY22.

Valuations @ Rs 1,781: Titan trades at 92.5x FY22E EPS of Rs 19.2 and 62.6x FY23E EPS of Rs.28, we maintain **“Buy on Dips”** with target price of Rs 1,820.

Financials

P&L (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E	Cash Flow St. (Rs. mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	1,97,785.2	2,10,515.4	2,16,449.9	2,42,171.6	3,00,324.1	Net Profit	14,041.5	15,013.9	9,739.9	17,128.4	25,308.8
Freight Expenses	(1,43,942.5)	(1,51,550.7)	(1,64,140.0)	(1,77,552.6)	(2,19,236.6)	Add: Dep. & Amort.	1,628.4	3,479.6	3,750.0	4,207.1	4,664.2
Employee Cost	(10,192.7)	(11,994.2)	(10,650.0)	(13,732.2)	(15,380.0)	Cash profits	15,669.9	18,493.5	13,489.9	21,335.5	29,973.0
Other Expenses	(23,735.1)	(22,304.7)	(24,410.0)	(24,104.6)	(28,438.1)	(Inc)/Dec in					
Operating Profit	19,914.9	24,665.8	17,249.9	26,782.2	37,269.4	-Sundry debtors	(1,247.6)	1,089.0	(544.5)	342.6	(796.6)
Depreciation	(1,628.4)	(3,479.6)	(3,750.0)	(4,207.1)	(4,664.2)	-Inventories	(11,139.8)	(10,641.6)	(3,050.2)	(5,490.3)	(21,508.4)
PBIT	18,286.5	21,186.2	13,499.9	22,575.1	32,605.2	-Loans/advances	(10.7)	1,661.3	(574.0)	(267.0)	(293.7)
Other income	1,829.4	1,532.3	1,860.0	2,080.4	2,169.6	- Other Current Assets	(2,913.7)	(5,211.7)	1,862.3	(1,246.0)	(1,370.6)
						'-Current Liab and					
Interest	(525.4)	(1,661.7)	(2,030.0)	(1,689.5)	(879.8)	Provisions	4,707.5	3,883.7	(2,013.5)	3,505.7	1,744.6
PBT	19,590.5	21,056.8	13,329.9	22,965.9	33,895.1	Sundry Creditors	282.4	(3,092.7)	1,922.9	(593.3)	1,713.0
Profit before tax (post exceptional)	19,590.5	21,056.8	13,329.9	22,965.9	33,895.1	Change in working capital	(10,321.9)	(12,312.0)	(2,397.0)	(3,748.4)	(20,511.7)
						CF from Oper. activities	5,348.0	6,181.5	11,092.9	17,587.2	9,461.3
Provision for tax	(5,682.4)	(6,089.9)	(3,530.0)	(5,780.5)	(8,531.4)	CF from Inv. activities	(3,164.9)	(14,507.4)	(29,444.0)	(4,000.6)	(4,000.6)
Reported PAT	13,908.1	14,966.9	9,799.9	17,185.4	25,363.7	CF from Fin. activities	2,302.7	1,472.4	20,139.8	(15,065.5)	(4,096.9)
MI	155.0	87.3	(10.0)	(7.0)	(4.9)	Cash generated/(utilised)	4,485.8	(6,853.5)	1,788.7	(1,478.9)	1,363.8
Net Profit	14,063.1	15,054.2	9,789.9	17,178.4	25,358.8	Cash at start of the year	6,179.0	10,664.8	3,811.3	5,600.0	4,121.1
Adjusted Profit (excl Exceptionals)	14,041.5	15,013.9	9,739.9	17,128.4	25,308.8	Cash at end of the year	10,664.8	3,811.3	5,600.0	4,121.1	5,484.9
Balance Sheet	FY19	FY20	FY21E	FY22E	FY23E	Ratios	FY19	FY20	FY21E	FY22E	FY23E
Equity capital	887.8	887.8	890.0	890.0	890.0	OPM	10.1	11.7	8.0	11.1	12.4
Reserves	59,813.7	65,799.7	74,080.0	86,926.3	1,02,111.6	NPM	7.03	7.08	4.46	7.01	8.37
Net worth	60,701.5	66,687.5	74,970.0	87,816.3	1,03,001.6	Tax rate	(29.0)	(28.9)	(26.5)	(25.2)	(25.2)
MI	140.8	44.0	50.0	57.0	61.9	Growth Ratios (%)					
Non Current Liabilities	1,690.9	12,500.9	12,350.0	12,182.5	11,807.2	Net Sales	22.7	6.4	2.8	11.9	24.0
Current Liabilities	54,619.3	56,265.5	77,150.0	69,439.5	79,294.1	Operating Profit	21.1	23.9	(30.1)	55.3	39.2
TOTAL LIABILITIES	1,17,152.5	1,35,497.9	1,64,520.0	1,69,495.3	1,94,164.8	PBIT	20.8	15.9	(36.3)	67.2	44.4
Non Current Assets	21,279.5	34,294.9	32,550.0	32,798.5	32,635.3	PAT	22.9	6.9	(35.1)	75.9	47.8
Fixed Assets	14,753.9	25,286.6	24,320.0	24,113.5	23,449.8	Per Share (Rs.)					
Goodwill	1,230.1	1,230.1	1,230.0	1,230.0	1,230.0	Net Earnings (EPS)	15.8	16.9	10.9	19.2	28
Non Current Investments	392.0	443.6	190.0	190.0	190.0	Cash Earnings (CPS)	17.7	20.8	15.2	24.0	33.7
Deferred Tax Asset	741.8	1,590.0	1,050.0	1,050.0	1,050.0	Dividend	5.0	4.0	3.8	4.8	11.4
Long Term Loans and						Book Value	68.4	75.1	84.2	98.7	115.7
Advances	1,291.3	1,535.0	1,580.0	1,738.0	1,911.8	Free Cash Flow	3.6	16.3	11.4	18.7	8.7
Other Non Current Assets	2,870.4	4,209.6	4,180.0	4,477.0	4,803.7	Valuation Ratios					
Current Assets	95,873.0	1,01,203.0	1,31,970.0	1,36,696.8	1,61,529.5	P/E(x)	112.6	105.3	162.7	92.5	62.6
Current investments	692.2	1,135.7	28,050.0	28,050.0	28,050.0	P/B(x)	26.0	23.7	21.1	18.1	15.4
Inventories	70,388.2	81,029.8	84,080.0	89,570.3	1,11,078.8	EV/EBIDTA(x)	78.8	64.7	90.8	58.5	42.0
Trade Receivables	4,204.5	3,115.5	3,660.0	3,317.4	4,114.0	Div. Yield(%)	0.3	0.2	0.2	0.3	0.6
Cash and Bank Balances	10,664.8	3,811.3	5,600.0	4,121.1	5,484.9	FCF Yield(%)	0.2	0.9	0.6	1.1	0.5
Short Term Loans and						Return Ratios (%)					
Advances	2,466.0	561.0	1,090.0	1,199.0	1,318.9	ROE	23%	23%	13%	20%	25%
Other Current Assets	7,457.3	11,549.7	9,490.0	10,439.0	11,482.9	ROCE	30%	25%	15%	22%	28%
TOTAL ASSETS	1,17,152.5	1,35,497.9	1,64,520.0	1,69,495.3	1,94,164.8						

Source: Dalal & Broacha Research, Company

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Name	Designation	Email	Phone	Sector
Mr. Kunal Bhatia	Head of Research	kunal.bhatia@dalal-broacha.com	022 67141442	Auto Auto Ancillary FMCG
Mrs.Charulata Gaidhani	Sr. Analyst	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma Healthcare
Mr. Mayank Babla	Sr. Analyst	mayank.babla@dalal-broacha.com	022 67141412	IT Telecom Media
Mr. Avinash Tanawade	Sr. Analyst	avinash.tanawade@dalal-broacha.com	022 67141449	BFSI
Mr. Akshay Ashok	Analyst	akshay.ashok@dalal-broacha.com	022 67141486	BFSI
Mr. Miraj Shah	Associate	miraj.shah@dalal-broacha.com	022 67141489	FMCG Retail
Ms. Timshar Dhamodiwala	Associate	timshar.dhamodiwala@dalal-broacha.com	022 67141441	IT Telecom Media

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992, 2287 6173, Fax: 91-22-2287 0092

E-mail: equity.research@dalal-broacha.com