



Consolidated financials better than expectations

- **Revenues:** grew by 59% YoY to Rs 74940mn aided by 71% growth in Jewellery business
- **EBIDTA:** grew by 33% YoY to Rs 8170mn
- **EBIDTA margins** stood at 10.9% v/s 13% YoY
(Jewellery business has lower gross margins and someone offs including lower studded share, sale bullion and higher gold coins impacted gross margins) Raw Mat to Revenue stood at 77.9% v/s 69.6% YoY
- **PBT** grew 43% YoY to Rs 7300mn
- **Net Profit** grew by 66% YoY to Rs 5680mn (mainly on a/c of lower YoY tax rate at 22.2% v/s 32.6% YoY)

Segmentals

- **Jewellery: (88% of Income)**
 - **Revenues** grew by 71.3% YoY to Rs 66780mn, **EBIT margins** 10.74% v/s 13.6% YoY
- **Watches (7% of Income)**
 - **Revenues** flat at Rs 5590 mn **EBIT margins** 6.8% v/s 9.72% YoY
- **EyeWear (2% of Income)**
 - **Revenue** grew by 18% YoY to Rs 1270mn, **EBIT margins** 18.1% v/s 1.68% YoY

Outlook (from Management Call)

- Q4 was another successful showcase of trust and loyalty attached to the brand "Titan" which aided growth surpassing management expectations
- Jewellery April month in Q1FY22 would achieve YoY growth
- Guidance for an uncertain year difficult
- 50% stores operational || no manufacturing constraints but rate of production has slowed.

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	2,21,555.4	2,92,983.1
EBIDTA	19,914.9	24,665.8	17,249.9	21,694.0	34,254.5
Margins	10.1	11.7	8.0	9.8	11.7
Adjusted net profit	14,041.5	15,013.9	9,739.9	13,364.7	23,173.6
EPS (Rs)	15.8	16.9	10.9	15.0	26
P/E (x)	94.5	88.4	136.6	99.6	57.4
EV/EBITDA (x)	66.1	54.4	76.0	60.4	38.3
RoCE (%)	30.0	24.5	15.1	17.7	26.4
RoE (%)	23.1	22.5	13.0	15.7	23.4

Source: Company

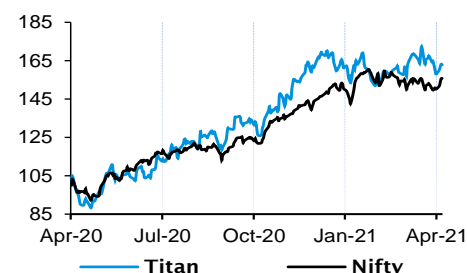
Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	1560	4

Market data

Current price	Rs	1,495
Market Cap (Rs.Bn)	(Rs Bn)	1341
Market Cap (US\$ Mn)	(US\$ Mn)	18095
Face Value	Rs	1
52 Weeks High/Low	Rs	1621/810
Average Daily Volume	('000)	1110
BSE Code		500114
Bloomberg		TITAN:IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-21	Dec-20
Promoters	52.90	52.90
Public	47.10	47.10
Others	0.00	0.00
Total	100	100

Source: BSE

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Conference Call Highlights

A. Jewellery Division

- **Margins:** Lowest v/s other segments, however lowest fixed cost ratio + bigger scale hence substantial leverage will kick in
- **Golden harvest** sales contribution @21% FLAT YoY || April-2021 has come down to 15% since lower enrolments
- **Digital and online** sales grew 4x in FY21
- **Buyer growth** +39% YoY (including base effect) || ex-of base effect ~10-12%
- **Recovery** in Tier-2 and 3 were higher than metros || performance wise top to bottown were East, South, North and West
- HIGH value Studded contribution @ 10% flat YoY (i.e. 2-10 lacs ticket Size) || opportunity in high value solitaire remains high
- Studded was also impacted as Delhi and Mumbai cities were impacted higher than others

Tamil Nadu Market share gain (360 degree approach)

- Local brand ambassador appointed || Team strengthen
- Network expansion was done since a while || gold plus stores converted to Tanishq
- Re-aligned policies to the price sensitive customer
- Regionalization of products
- Trying similar strategy Bengal, Bihar and Maharashtra

Gold Prices going up and its impact

- Q4FY21 witnessed grammage growth
- Wedding purchases advanced in anticipation of price increase|| up to 20th April 2021 trend continues ||April month of Q1FY22 would witness YoY growth

Competition Intensity higher from larger players like Kalyan jewellers || small players suffering to some extent || Shift towards larger players very evident

Caratlane strategy is omni: mix of online and stores as customer with ticket size of 40 to 50K would require physical store presence.

B. Watches Division

- World of Titan +7% growth || Helios +6% growth
- Growth mainly volume driven v/s higher value in normalized year || Buyer growth too was higher YoY

Quarterly Financials

Particulars (Rs Mns)	Q4FY21	Q4FY20	Growth%	Q3FY21	Growth%
Sale of products/services	73510.0	46173.1	59.2	72430.0	1.5
Other operating revenues	1430.0	941.9	51.8	3760.0	(62.0)
Total Operating Revenues	74940.00	47115	59.1	76190.00	(1.6)
Other income	570.0	417.1	36.7	400.0	42.5
Total Income	75510.00	47532.1	58.9	76590.00	(1.4)
Cost of Materials Consumed	46750	30133.4	55.1	49710	(6.0)
Purchase of stock-in-trade	9060	5970.5	51.7	11710	(22.6)
Changes in stock	2560	-3324.7	(177.0)	-2420	(205.8)
Total RM Cost	58370	32779.2	78.1	59000	(1.1)
RM to Op Revenue	77.89%	69.57%		77.44%	
Employee benefits expense	2900	2847.3	1.9	2670	8.6
Employee to Op Revenue	3.87%	6.04%		3.50%	
Advertising	1010	971.3	4.0	1050	(3.8)
Ad Spends to OP Revenue	1.35%	2.06%		1.38%	
Other expenses	4490	4392.7	2.2	4990	(10.0)
O. Exps to Op Revenue	5.99%	9.32%		6.55%	
EBITDA (exc. OI)	8170.00	6124.5	33.4	8480.00	(3.7)
EBITDA Margin	10.90%	13.00%		11.13%	
EBITDA	8740.00	6541.6	33.6	8880.00	(1.6)
Depreciation	930	1020.8	(8.9)	960	(3.1)
PBIT	7810	5520.8	41.5	7920	(1.4)
Interest	510	427.4	19.3	510	-
PBT	7300.00	5093.4	43.3	7410.00	(1.5)
Total Tax	1620	1661.8	(2.5)	2110	(23.2)
Tax Rate	22.2%	32.6%		28.5%	
PAT	5680.0	3431.6	65.5	5300.0	7.2
Exceptional item					
Share of profit from JV/ Associate	0	0.9	(100.0)	0	
Minority Interest	40	-31.8	(225.8)	50	(20.0)
Adjusted PAT	5640.0	3462.5	62.9	5250.0	7.4
NPM	7.47%	7.28%		6.85%	
Equity	890	887.8		887.8	
FV	1	1		1	
EPS	6.3	3.9		5.9	7.2
Segmental Revenues					
Watches	5590	5582.6	0.1	5510	1.5
% to Operating Income	7.4%	11.7%		7.2%	
Jewellery	66780	38993	71.3	68360	(2.3)
% to Operating Income	88.4%	82.0%		89.3%	
Eyeware	1270	1077.1	17.9	1240	2.4
% to Operating Income	1.7%	2.3%		1.6%	
Others	1400	1812.3	(22.8)	1230	13.8
% to Operating Income	1.9%	3.8%		1.6%	
Corporate (unallocated)	470	67.1	600.4	250	88.0
% to Operating Income	0.6%	0.1%		0.3%	
Total	75510.0	47532.1	58.9	76590.0	(1.4)
PBIT					
Watches	380	542.7	(30.0)	150	153.3
% to segmental Income	6.80%	9.72%		2.72%	
Jewellery	7170	5300.6	35.3	7660	(6.4)
% to segmental Income	10.74%	13.59%		11.21%	
Eyeware	230	18.1	1,170.7	220	4.5
% to segmental Income	18.11%	1.68%		17.74%	
Others	-10	-3.2	212.5	0	
% to segmental Income	-0.71%	-0.18%		0.00%	

Gross Margins: low as Jewellery business had lower studded ratio plus one-offs such as bullion sale, higher gold coin sales.

Lower tax rate aids Pat growth, higher than PBT

Source: Dalal & Broacha Research, Company

Valuation & Outlook

Looking at the uncertain scenario i.e. fresh covid restrictions on account of rising cases leading to store closures we have re-worked our estimates. At CMP of Rs 1495, Titan trades at 100x FY22e EPS of Rs 15 and 57x FY23e EPS of Rs 26.

We believe till normalcy returns the volatility in business could be huge, thus *upside in terms of stock price at current valuations seems to be capped.*

Power of the trustworthy brand has given enough evidence of good bounce back with market share gains which gives us confidence on long-term perspective of the business, hence would recommend to use corrections in the stock price an opportunity to add. Thus we recommend Buy on Dips strategy for the stock.

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