



## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- Titan Q1FY25 consolidated revenues came in at ₹13,266 Cr, up 11.51% YoY and up 6.18% QoQ.
- Op Profit for Q1FY25 stood at ₹1,247 Cr, up 10.84% YoY and up 4.7% QoQ.
- Op margins for Q1FY25 came at 9.4%, -6 bps YoY and -13 bps QoQ.
- PAT for Q1FY25 stood at ₹715 Cr, down by 5.42% YoY and down 7.26% QoQ.

### 2. MANAGEMENT COMMENTARY:

- The contribution from international stores is currently modest at approximately 3%, yet it is experiencing significant growth. Management expressed an optimistic perspective regarding the potential for international expansion.
- Management continues to express confidence in future growth opportunities, even in the face of current challenges, prioritizing the preservation of market share and the improvement of customer experience.
- There have been no notable consumer inquiries regarding lab-grown diamonds, as customers mainly desire confirmation of natural stones. Management is diligently observing market trends and consumer preferences related to lab-grown diamonds.

### 3. CONCALL SUMMARY

- Emphasizing the expansion of the bespoke and personalized jewellery sector, which is experiencing increased popularity, is essential. The launch of new collections targeting premium studded jewellery is anticipated to stimulate growth.
- The company aims to establish 40 to 50 new Tanishq stores and 70 to 80 Mia stores, with a comparable number anticipated for CaratLane. Management highlighted the significance of prioritizing quality over quantity in the expansion of store openings. Additionally, there is a continuous effort to transform existing stores into larger formats to strengthen competitive positioning.
- A margin enhancement of 20 basis points was recorded, despite a decline in studded growth, which is credited to effective overhead management. Ongoing cost optimization initiatives are anticipated to persist in the upcoming quarters.
- There has been a noticeable change in consumer sentiment following the budget announcement, marked by a significant rise in purchases from previously reluctant customers. Management emphasized that the previously suppressed demand is now starting to emerge, especially in the gold and studded jewelry sectors.

### 4. RECENT DEVELOPMENTS:

- Recent reductions in custom duties are anticipated to enhance profit margins and decrease the incidence of illegal imports. Management has voiced apprehensions regarding possible increases in GST that may influence consumer behavior, especially concerning high-value items. It was recognized that consumers' perception of GST as an additional cost could lead to a regression in the trend toward formalization.

### 5. VALUATION AND OUTLOOK:

- Titan exceptional competitive advantages and ensuring that Tanishq will maintain a robust competitive position within the market, We value Titan at 70 times its FY26 EPS of 58.6 to arrive at a Target price of 4,103 indicating a 15% upside from the CMP of 3,565

## RECOMMENDATION - BUY

CMP – 3,565

TARGET –4,103 (15.1%)

Industry	Jewellery
NSE CODE	TITAN
BSE CODE	500114
Market Cap (₹ Cr)	316509
Shares Outstanding (in Cr)	88.78
52 wk High/Low (₹)	3887/ 3056
P/E	90.85
P/BV	31.19
Face Value (₹)	1.00
Book Value (₹)	113.31
EPS (FY24) (₹)	39.28
Dividend Yield (%)	0.29
Debt / Equity	1.41
Interest Coverage	8.47

## SHAREHOLDING PATTERN

	Jun 24	Mar 24	Dec 23
Promoters	52.90%	52.90%	52.90%
MF/ DII	10.68%	10.29%	10.25%
FII/FPI	18.21%	19.01%	18.89%
Retail & Others	17.94%	17.57%	17.77%
Promoter Pledging	0%	0%	0%

## FINANCIAL SNAPSHOT (₹ Cr)

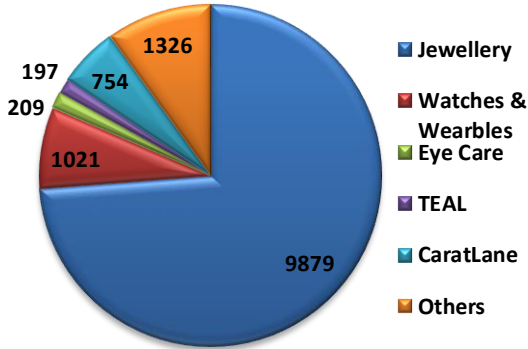
Y/E March	2024A	2025E	2026E
<b>Crore</b>			
Sales	51,084	59,257	69,923
Sales Gr. (%)	26%	16%	18%
EBITDA	5,292	6,281	7,552
EBITDA %	10.35%	10.6%	10.80%
PAT	3,496	4,179	5,205
EPS (₹)	39.38	47.07	58.62
EPS Gr. (%)	7.57%	19.52%	24.54%
<b>Ratios</b>			
RoE (%)	33%	35%	37%
RoCE (%)	25%	26%	27%
<b>Valuation</b>			
P/E (x)	90.5	75.74	60.82

## Historical & Industrial Val Ratios

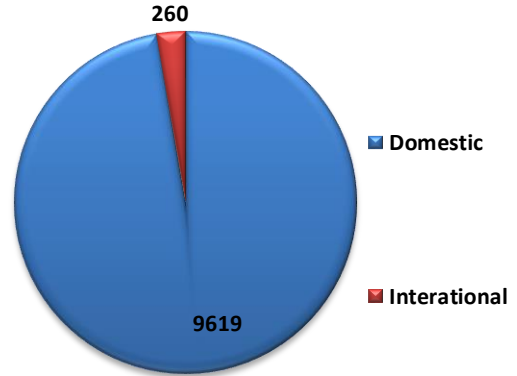
Historical P/E	90.85
Industry P/E	82.02
Historical P/B	31.19
Industry P/B	15.48

## Revenue Split (Q1 FY25)

Segmental Split in Q1FY25 (In Cr)



Domestic & Int. Split in Jewellery (In Cr)



## QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

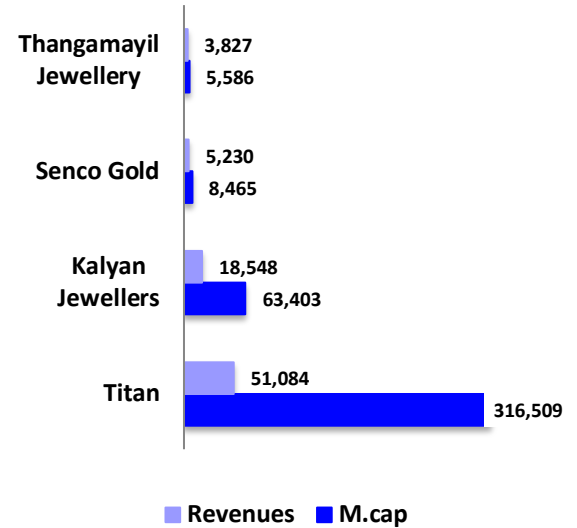
Y/E March	FY23		FY24			FY25		FY24	FY25E*	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1			Q2FY25E*
<b>Net sales</b>	11,609	10,360	11,897	12,529	14,164	12,494	13,266	13,801	51,084	<b>59,257</b>
YoY change (%)	15.66%	32.89%	25.99%	36.73%	22.01%	20.60%	11.51%	16.00%	26%	<b>16%</b>
<b>Total Expenditures</b>	<b>10,262</b>	<b>9,271</b>	<b>10,772</b>	<b>11,118</b>	<b>12,599</b>	<b>11,303</b>	<b>12,019</b>	<b>12,393</b>	<b>45,792</b>	<b>52,976</b>
<b>EBITDA</b>	<b>1,347</b>	<b>1,089</b>	<b>1,125</b>	<b>1,411</b>	<b>1,565</b>	<b>1,191</b>	<b>1,247</b>	<b>1408</b>	<b>5,292</b>	<b>6,281</b>
Margins (%)	11.6%	10.51%	9.46%	11.26%	11.05%	9.53%	9.40%	10.20%	10.36%	<b>11%</b>
Other income	90	114	114	125	136	159	120	140	534	<b>620</b>
Interest	79	96	109	140	169	201	230	232	619	<b>751</b>
Depreciation	113	119	128	144	154	158	164	170	584	<b>651</b>
<b>PBT</b>	<b>1,245</b>	<b>988</b>	<b>1,002</b>	<b>1,252</b>	<b>1,378</b>	<b>991</b>	<b>973</b>	<b>1146</b>	<b>4,623</b>	<b>5,499</b>
Rate (%)	27%	26%	25%	27%	24%	22%	27%	24%	24%	<b>24%</b>
<b>Adjusted PAT</b>	<b>913</b>	<b>736</b>	<b>756</b>	<b>916</b>	<b>1,053</b>	<b>771</b>	<b>715</b>	<b>870.7</b>	<b>3,496</b>	<b>4,179</b>
<b>EPS in Rs</b>	<b>10.18</b>	<b>8.22</b>	<b>8.48</b>	<b>10.31</b>	<b>11.86</b>	<b>8.68</b>	<b>8.05</b>	<b>9.8</b>	<b>39.38</b>	<b>47.07</b>

Source: Company, Hem Securities Research.

## INDUSTRY OVERVIEW

- In the fiscal year 2024, India's exports of gems and jewellery amounted to US\$ 32.02 billion, with the total for April 2024 recorded at US\$ 2.07 billion.
- The total foreign direct investment (FDI) inflows in the diamond and gold ornament sectors in India amounted to US\$ 1,276.52 million from April 2000 to March 2024.
- The market size and growth of Indian jewellery market was valued at approximately USD 85.52 billion in 2023 and is expected to grow at a CAGR of 5.7% from 2024 to 2030. The demand for jewellery is driven by cultural significance, fashion trends, and investment purposes.
- Bridal jewellery constitutes a crucial segment of the market, representing approximately 50-55% of the overall gold jewellery sector. The persistent high spending on weddings continues to fuel this demand.
- Technological innovations in businesses are progressively integrating cutting-edge technologies such as virtual reality (VR) to improve the shopping experience and draw in customers. Global Expansion: Numerous international luxury brands have their way into the Indian market, thereby bolstering the fashion jewellery sector.
- India ranks among the largest consumers of gold and is the leading exporter of diamonds worldwide. The trade in gold and diamonds plays a vital role in the economy, with gold holding particular significance in Indian culture, especially during weddings and festivals.

## KEY PLAYERS in Jewellery



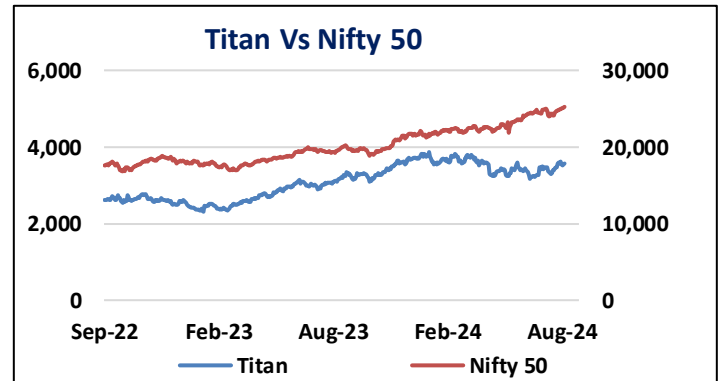
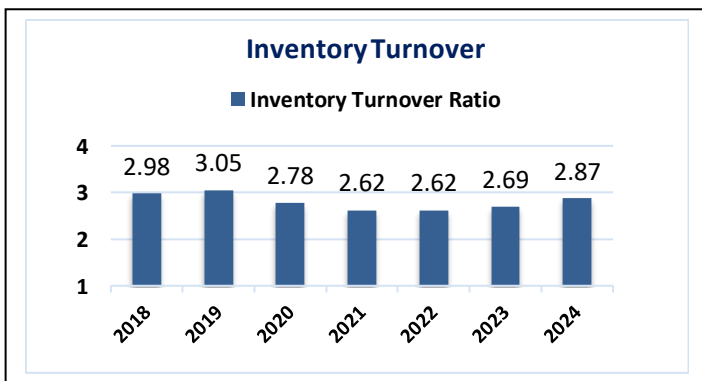
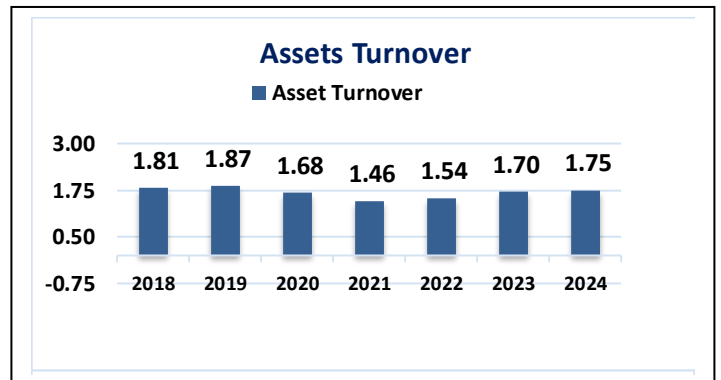
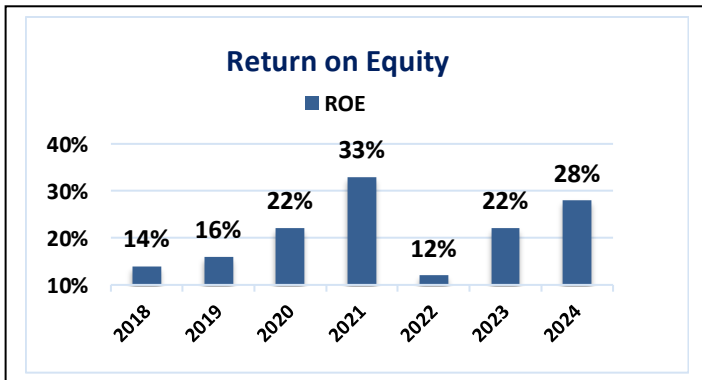
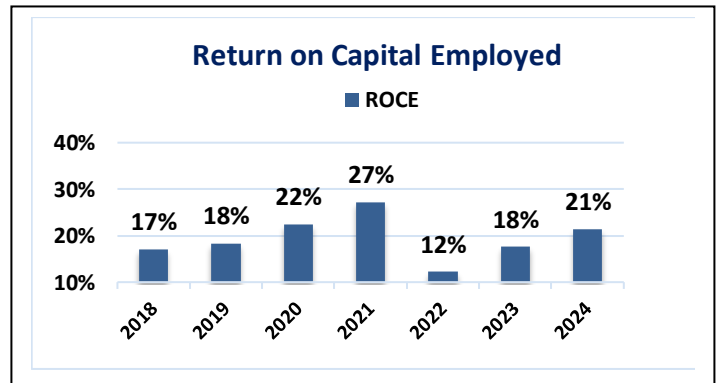
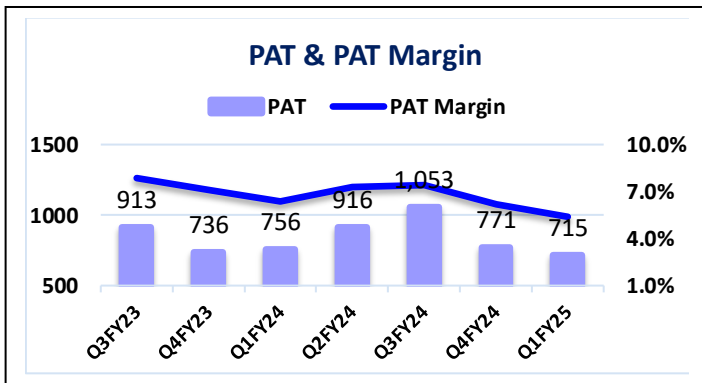
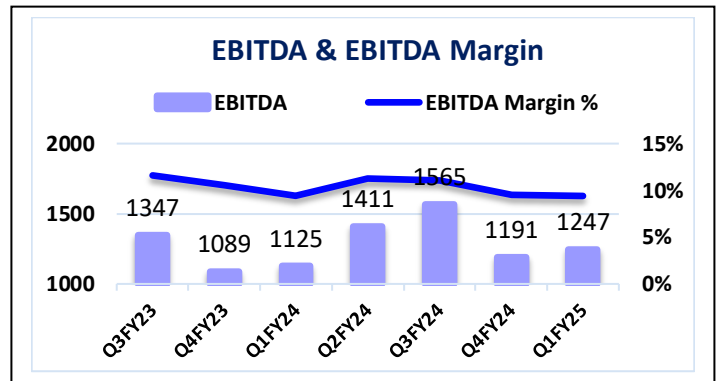
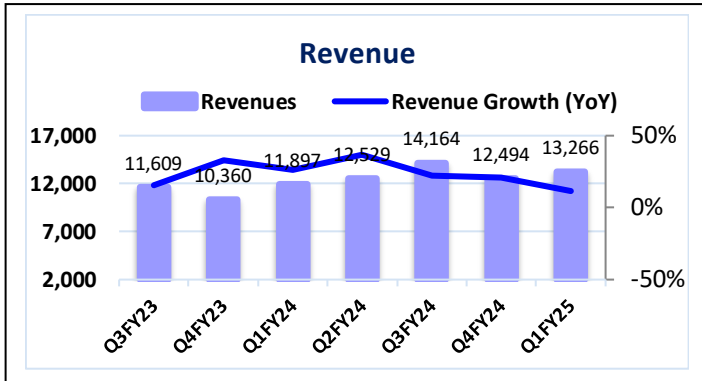
## PEER PERFORMANCE

(₹ Cr)

Particulars	Titan	Kalyan	Senco	Thangamayil
Market Cap	316509	63403	8465	5586
Net Sales	51084	18548	5230	3827
EBITDA	5292	1358	388	212
PAT	3496	597	181	123
EPS(₹)	39.3	5.8	23.3	44.9
EBITDA MARGIN %	11.4	7.8	8.0	5.7
PAT MARGIN %	6.8	3.2	3.3	3.2
ROCE %	25	15.9	14.9	21.4
ROE %	33	15.3	15.8	27.9
P/E TTM	90.9	99.8	41.6	46.1
P/B TTM	31.2	14.5	6	10.2
EV/EBITDA	55.5	46.2	20.6	27.8
Dividend Yield %	0.3	0.2	0.2	0.5
MCap/ Sales TTM	6.5	3.2	1.6	1.4

Source: Company, Hem Securities Research.

**STORY IN CHARTS**





## INVESTMENT RATIONALE:

- Tanishq and De Beers Establish Strategic Partnership to Enhance India's Natural Diamond Jewellery Market with India emerging as the second largest market globally for natural diamond jewellery, industry frontrunners De Beers and Tanishq have joined forces to further engage consumers with the lasting significance of these precious gems. This collaboration can further lead to strengthen the Titan leadership in natural diamond market.
- The Indian government has recently declared substantial cuts in customs duties applicable to gold and gold doré. The customs duty on gold has been reduced from 15% to 6%. This marks the most significant reduction on record and represents the lowest rates since June 2013. These adjustments are anticipated to enhance the jewellery sector by rendering gold more accessible and possibly stimulating demand.
- Titan distinguishes itself from its competitors by holding a dominant 8% market share in the Indian jewellery sector, coupled with the highest EBITDA margins in the entire industry. The company is poised to consistently attract customers, while Tanishq is actively expanding its international presence through a steady increase in the number of outlets.

## RISK / NEGATIVE FACTORS:

- Increased volatility in gold prices may impact Titan's business operations.
- Lab grown diamonds could become a threat to Titan but there have been no notable consumer inquiries regarding lab-grown diamonds, as customers predominantly express a preference for confirmation of natural stones. Management is diligently observing market trends and consumer inclinations related to lab-grown diamonds.

## COMPANY RECAP

- Titan Company Ltd stands as one of the most esteemed lifestyle enterprises in India. Established in 1984, it originated as a joint venture between the TATA Group and the TamilNadu Industrial Development Corporation (TIDCO).
- Titan Company is recognized as a prominent entity in the lifestyle sector, dedicated to delivering quality and outstanding service to its clientele. Throughout its history, Titan has effectively developed esteemed brands across multiple categories, such as Jewellery, Watches & Wearables, EyeCare, Fragrances & Fashion Accessories, and Indian Dress Wear. With a deep insight into customer preferences, Titan skillfully addresses the changing demands of its customers.

## ANNUAL PERFORMANCE

### Financials & Valuations

Income Statement							(₹ Cr)	
Y/E March	2020	2021	2022	2023	2024	2025E	2026E	
<b>Revenue from operations</b>	<b>21,052</b>	<b>21,644</b>	<b>28,799</b>	<b>40,575</b>	<b>51,084</b>	<b>59,257.00</b>	<b>69,923.00</b>	
Growth YoY (%)	6.44	3	33	41	26	16.00	18.00	
<b>Total Expenditure</b>	<b>18,585</b>	<b>19,921</b>	<b>25,462</b>	<b>35,731</b>	<b>45,792</b>	<b>52,976.00</b>	<b>62,371.00</b>	
(%) of sales	88.28	92	88	88	90	89.40	89.20	
<b>EBITDA</b>	<b>2,467</b>	<b>1,723</b>	<b>3,337</b>	<b>4,844</b>	<b>5,292</b>	<b>6,281.00</b>	<b>7,552.00</b>	
EBITDA Growth (%)	20.49	-27	87	45	12	18.69	20.24	
EBITDA Margin (%)	12.45	9	12	13	11	10.60	10.80	
Depreciation	348	375	399	441	584	651.00	697.00	
<b>EBIT</b>	<b>2,268</b>	<b>1,530</b>	<b>3,122</b>	<b>4,747</b>	<b>5,242</b>	<b>5,630.00</b>	<b>6,855.00</b>	
EBIT Growth (%)	12.47	-33	104	52	10	7.40	21.76	
Net Interest Expenses	166	203	218	300	619	751.00	730.00	
Other Income	153	187	238	343	533	620.00	724.00	
<b>Earnings before Taxes</b>	<b>2,102</b>	<b>1,327</b>	<b>2,904</b>	<b>4,447</b>	<b>4,623</b>	<b>5,499.00</b>	<b>6,849.00</b>	
EBT Margin (%)	9.98	6	10	11	9	9.28	9.80	
Tax-Total	609	353	706	1,173	1,127	1,319.76	1,643.76	
Rate of tax (%)	28.97	27	24	26	24	24.00	24.00	
<b>Net Profit</b>	<b>1,493</b>	<b>974</b>	<b>2,198</b>	<b>3,274</b>	<b>3,496</b>	<b>4,179.24</b>	<b>5,205.24</b>	
PAT Growth (%)	7.51	-35	126	49	7	19.54	24.55	
PAT Margin (%)	7.09	5	8	8	7	7.05	7.44	
Minority Interest	8	-1	-25	-24	0	0.00	0.00	
<b>Adjusted PAT</b>	<b>1,501</b>	<b>973</b>	<b>2,173</b>	<b>3,250</b>	<b>3,496</b>	<b>4,179.24</b>	<b>5,205.24</b>	
<b>EPS</b>	<b>16.87</b>	<b>11</b>	<b>24</b>	<b>37</b>	<b>39</b>	<b>47.06</b>	<b>58.62</b>	
EPS Growth (%)	6.63	-35	123	50	8	19.81	24.55	

### Balance Sheet

Y/E March	2020	2021	2022	2023	2024
Equity Capital	89	89	89	89	89
Reserves	6,580	7,408	9,214	11,762	9,304
Preference Capital	0	0	0	0	0
Borrowings	3,562	5,638	7,275	9,367	15,528
Other Liabilities	3,313	3,309	4,610	5,802	6,626
<b>Total Liabilities &amp; Equity</b>	<b>13,544</b>	<b>16,444</b>	<b>21,188</b>	<b>27,020</b>	<b>31,547</b>
Fixed Assets	2,633	2,523	2,544	2,998	3,709
CWIP	18	32	85	144	97
Investments	158	2,824	294	2,515	2,345
Other Assets	10,735	11,065	18,265	21,363	25,396
<b>Total Assets</b>	<b>13,544</b>	<b>16,444</b>	<b>21,188</b>	<b>27,020</b>	<b>31,547</b>

Source: Company, Hem Securities Research.

<b>Ratios</b>					
<b>Y/E March</b> (Basic (INR))	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Profitability and return ratios</b>					
Net profit margin (%)	7.09	4.50	7.63	8.07	6.84
EBITDA margin (%)	12.45	8.82	12.41	12.78	11.40
EBIT margin (%)	10.77	7.07	10.84	11.70	10.26
ROE (%)	23.45	13.76	26.18	30.97	33.00
ROCE (%)	25.99	14.66	23.04	27.47	25.01
<b>Working Capital &amp; liquidity ratios</b>					
Inventory (Days)	131.26	139.22	139.52	135.80	127.31
Receivables (Days)	6.35	5.72	5.90	5.57	6.04
Current Ratio (x)	1.8	1.71	1.66	1.69	1.55
<b>Valuations Ratios</b>					
EV/sales (x)	4.04	6.58	7.99	5.67	6.86
EV/EBITDA (x)	32.45	74.57	64.35	44.34	60.13
P/E (x)	55.35	142.45	103.87	68.87	96.86
P/BV (x)	12.47	18.50	24.28	18.90	36.24
Dividend Yield (%)	0.43	0.26	0.30	0.40	0.29
<b>LeverageRatio</b>					
Debt/Equity (x)	0.35	0.58	0.64	0.63	1.41

<b>CashFlowStatement</b>					
<b>Y/E March</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>CF from Operating activities (A)</b>	<b>-348</b>	<b>4,139</b>	<b>-724</b>	<b>1,370</b>	<b>1,695</b>
<b>CF from Investing Activities (B)</b>	<b>235</b>	<b>-2,799</b>	<b>1,165</b>	<b>-1,814</b>	<b>-189</b>
<b>CF from Financing Activities (C)</b>	<b>-242</b>	<b>-1,234</b>	<b>-403</b>	<b>457</b>	<b>-1,329</b>
Net Cash Flow	-355	106	38	13	177
Add: Opening Bal.	430	75	181	219	232
<b>Closing Balance</b>	<b>75</b>	<b>181</b>	<b>220</b>	<b>232</b>	<b>409</b>

Source: Company, Hem Securities Research.



## RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

## RECOMMENDATION SUMMARY

DATE	RATING	TARGET
30 August 2024	Buy	4,103

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Name of the Research Analyst: **Deepanshu Jain**

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SN	Particulars	Yes/No
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2.	Research Analyst or his/her relative or HSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
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7.	HSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

Since HSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months. Associates of HSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

There were no instances of non-compliance by HSL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.