

India

ADD (no change)

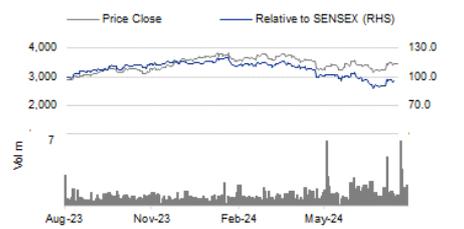
Consensus ratings*: Buy 15 Hold 11 Sell 5

Current price:	Rs3,462
Target price: ▲	Rs3,840
Previous target:	Rs3,655
Up/downside:	10.9%
InCred Research / Consensus:	6.3%
Reuters:	
Bloomberg:	TTAN IN
Market cap:	US\$42,330m Rs3,073,827m
Average daily turnover:	US\$67.1m Rs4874.2m
Current shares o/s:	887.8m
Free float:	47.1%

*Source: Bloomberg

Key changes in this note

- Raise the target price to Rs3,840 from Rs3,655.
- Introduce FY27F estimates.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.0	(2.0)	19.3
Relative (%)	1.8	(10.6)	(3.2)

Major shareholders	% held
Promoter group	52.9
Vanguard Group	1.9
LIC	1.8

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Titan Co Ltd

Growth uptick expected in the rest of FY25F

- Titan Co's standalone jewellery segment posted 8%/3% yoy sales/SSSG growth while Caratlane's sales/SSSG grew 17.9%/8% yoy, respectively, in 1Q.
- Demand environment remains weak led by lower weddings, volatile gold prices and general elections-led restrictions. Margin pressure is likely to sustain.
- We feel Titan Co's long-term structural growth story remains intact. We maintain our ADD rating on it with a new TP of Rs3,840 (60x Sep 2026F EPS).

Multiple headwinds impact growth in 1Q; outlook remains healthy

Titan Company (Titan) posted a sales growth of 11% yoy in 1QFY25. The sales growth deceleration was on account of gold price volatility (+20% yoy), lower weddings (5% yoy growth in the wedding range), a harsh summer and general elections-led restrictions impacting consumer sentiment across markets, leading to an 8% yoy growth in the jewellery segment. The first six weeks of the quarter, which included Akshaya Tritya, saw a 20% yoy retail growth. The overall consumer sentiment for the studied range remained subdued. North India market was impacted due to weak demand and higher competitive intensity while South India grew 16% yoy (ahead of regional competitors, as per Titan's estimates). International stores contributed 3% to sales in 1Q. Watches & wearables divisions grew 12% led by a 17% growth in the analog segment, where Fastrack grew 25% (16% in volume terms) and strong secondary sales from Titan World, with premium/innovative ranges aiding growth.

Margin pressure to sustain; focus remains on driving sales growth

Titan's jewellery division's same-store sales growth (SSSG) of 3% in 1QFY25 was muted led by multiple demand headwinds during the quarter. The jewellery division's EBIT margin at 11.2% was up 15bp yoy led by cost-control initiatives. The studied range grew 6% yoy while its contribution at 26% remained flat yoy. While the customs duty cut announced in the Union budget was positive for the industry, expectations of a GST hike may offset the benefits. Titan is expected to post a one-off loss of Rs5.5bn at the upper end over the next six months led by the fall in gold prices. The focus remains on new customer growth at the store level and enriching the product mix. The watches division's EBIT margin at 11.3% contracted 20bp yoy. The eyewear division posted an EBIT margin of 9.6%. Caratlane's margins contracted 44bp yoy to 5.1%. Management remains confident of navigating the demand environment and will focus on driving sales growth over protecting margins in the near term. It also remains optimistic about a gradual acceleration in growth from here on.

Maintain ADD rating with a higher target price of Rs3,840

We believe the structural story of market share gains remains intact, despite heightened competitive intensity and volatile gold prices impacting consumer demand. We retain our ADD rating on Titan with a higher target price of Rs3,840 (60x Sep 2026F EPS) as we roll forward our valuation, from Rs3,655 earlier. Downside risks: Slowdown in the jewellery industry's sales growth, and lower-than-expected store addition as well as EBITDA margin.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	405,750	510,840	578,548	659,254	744,885
Operating EBITDA (Rsm)	48,790	52,920	65,648	77,906	88,976
Net Profit (Rsm)	32,500	34,960	43,753	52,931	60,974
Core EPS (Rs)	36.5	39.3	49.2	59.5	68.5
Core EPS Growth	46.9%	7.6%	25.2%	21.0%	15.2%
FD Core P/E (x)	94.82	88.14	70.43	58.22	50.54
DPS (Rs)	11.0	11.8	14.7	19.0	24.0
Dividend Yield	0.32%	0.34%	0.43%	0.55%	0.69%
EV/EBITDA (x)	62.90	59.11	47.57	40.04	34.95
P/FCFE (x)	594.88	48.20	(120.62)	77.22	100.01
Net Gearing	(11.0%)	49.5%	24.3%	20.6%	12.7%
P/BV (x)	26.00	32.81	18.17	16.61	13.68
ROE	30.7%	32.9%	33.2%	29.8%	29.7%
% Change In Core EPS Estimates			(3.73%)	(0.75%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Growth uptick likely in the rest of FY25F

Highlights from 1QFY25 earnings conference call

Jewellery segment

- **Headwinds in 1Q:** Low wedding demand, extreme summer season, high gold prices and general elections in India impacted demand.
- SSG stood at 3% while the overall sales growth was 9%. Overseas contribution is 3%. In South India, the growth was 16% led by a few weddings (vs. none in North India), which is better as per its internal tracking vs. other organized players. North India may have also been impacted by the expansion of other players (small base) in these markets. The western region was stable.
- Exchange contribution stood lower by a few percentage points vs. previous quarter due to lesser weddings.
- **Competitive intensity** is higher now vs. earlier, and it will continue to increase (Birlas have also announced their entry). Gold price rally (20% yoy in 1Q) is large enough to impact customer purchases. Post budget, there were some customers flocking to purchase gold, but has cooled off since then.
 - In some markets, Titan lost a little share to local players and organized players who expanded rapidly. In other markets, the market share gains continued.
 - From a total market perspective, there is still room to grow market share as Tanishq is also entering smaller markets which do not have other organized players.
 - Tanishq is not likely to raise its making charges, as they are already at a premium vs. industry.

Figure 1: Quarterly results summary - consolidated

Y/E Mar (Rs. m)	1QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)
Revenue	1,18,970	1,24,940	1,32,660	11.5	6.2
Expenditure	1,07,720	1,13,040	1,20,190	11.6	6.3
Consumption of Raw Materials	92,550	97,080	1,03,360	11.7	6.5
as % of sales	77.8	77.7	77.9		
Employee Costs	4,480	4,730	5,230	16.7	10.6
as % of sales	3.8	3.8	3.9		
Other Expenditure	10,690	11,230	11,600	8.5	3.3
as % of sales	9.0	9.0	8.7		
EBITDA	11,250	11,900	12,470	10.8	4.8
Depreciation	1,280	1,580	1,640	28.1	3.8
EBIT	9,970	10,320	10,830	8.6	4.9
Other Income	1,140	1,590	1,200	5.3	-24.5
Interest	1,090	2,010	2,300	111.0	14.4
PBT	10,020	9,900	9,730	-2.9	-1.7
Total Tax	2,460	2,200	2,580	4.9	17.3
PAT (before minority)	7,560	7,700	7,150	-5.4	-7.1
Minority Interest	30	0	0	-100.0	NA
Adjusted PAT	7,530	7,700	7,150	-5.0	-7.1
Extraordinary Items	0	0	0	NA	NA
Reported PAT	7,530	7,700	7,150	-5.0	-7.1
Margins (%)	1QFY24	4QFY24	1QFY25	YoY (bp)	QoQ (bp)
Gross margin	22.2	22.3	22.1	-10	-20
EBITDA	9.5	9.5	9.4	-10	-10
EBIT	8.4	8.3	8.2	-20	-10
EBT	8.4	7.9	7.3	-110	-60
PAT	6.3	6.2	5.4	-90	-80
Effective tax rate	24.6	22.2	26.5	200	430

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Segmental performance - consolidated

Y/E Mar (Rs. m)	1QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)
Segment Revenue					
Watches	9,130	9,390	10,230	12.0	8.9
Jewellery	1,06,960	1,10,050	1,18,080	10.4	7.3
Eyewear	2,030	1,660	2,100	3.4	26.5
Others	1,370	4,700	2,770	102.2	-41.1
Corporate (Unallocated)	620	730	680	9.7	-6.8
Total	1,20,110	1,26,530	1,33,860	11.4	5.8
Segment Results					
Watches	1,010	760	1,110	9.9	46.1
Jewellery	10,220	10,910	11,020	7.8	1.0
Eyewear	350	70	190	-45.7	171.4
Others	-370	390	-150	-59.5	-138.5
Total	11,210	12,130	12,170	8.6	0.3
Add- Unall. Income / (Exp)	100	210	140	40.0	-33.3
Less- Interest Exp	1,090	2,010	2,300	111.0	14.4
PBT	10,020	9,910	9,730	-2.9	-1.8
Segment Margins (%)					
				YoY (bp)	QoQ (bp)
Watches	11.1	8.1	10.9	-20	280
Jewellery	9.6	9.9	9.3	-20	-60
Eyewear	17.2	4.2	9.0	-820	480
Others	(27.0)	8.3	(5.4)	2,160	-1370

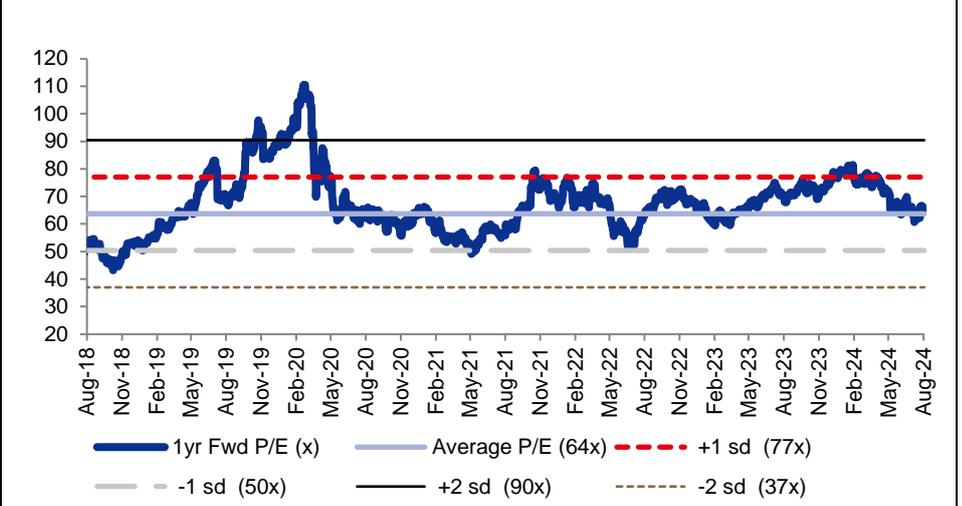
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Our revised earnings estimates

Y/E Mar (Rs. m)	FY25F			% Change	FY26F			FY27F
	Earlier	Revised	% Change		Earlier	Revised	% Change	
Revenue	5,78,548	5,78,548	-	6,59,254	6,59,254	-	7,44,885	
EBITDA	65,733	65,648	(0.1)	78,045	77,906	(0.2)	88,976	
EBITDA Margin (%)	11.4	11.3	0 bps	11.8	11.8	0 bps	11.9	
APAT	45,450	43,753	(3.7)	53,332	52,931	(0.8)	60,974	
EPS	51.1	49.2	(3.7)	59.9	59.5	(0.8)	68.5	

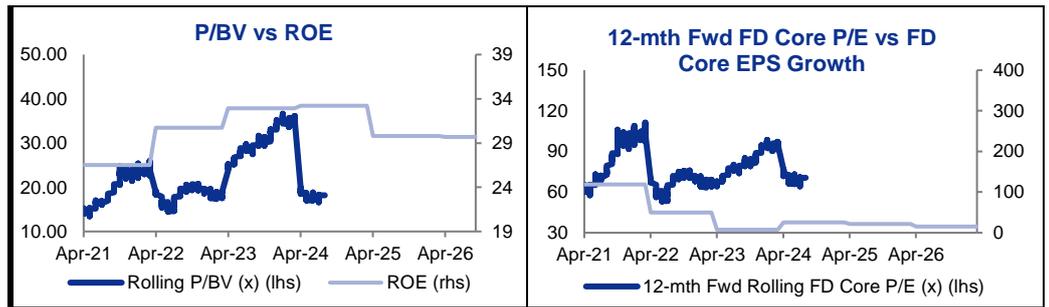
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Titan's one-year forward P/E trades at its five-year average



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	405,750	510,840	578,548	659,254	744,885
Gross Profit	102,200	116,520	140,064	161,580	184,802
Operating EBITDA	48,790	52,920	65,648	77,906	88,976
Depreciation And Amortisation	(4,410)	(5,840)	(6,253)	(6,563)	(6,873)
Operating EBIT	44,380	47,080	59,395	71,343	82,103
Financial Income/(Expense)	80	(860)	(604)	(124)	(65)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	44,460	46,220	58,791	71,219	82,039
Exceptional Items					
Pre-tax Profit	44,460	46,220	58,791	71,219	82,039
Taxation	(11,730)	(11,270)	(15,051)	(18,303)	(21,084)
Exceptional Income - post-tax					
Profit After Tax	32,730	34,950	43,741	52,916	60,955
Minority Interests	(230)	10	13	16	20
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	32,500	34,960	43,753	52,931	60,974
Recurring Net Profit	32,500	34,960	43,753	52,931	60,974
Fully Diluted Recurring Net Profit	32,500	34,960	43,753	52,931	60,974

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	48,790	52,920	65,648	77,906	88,976
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(17,790)	(24,260)	(72,541)	(16,574)	(34,015)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(3,000)	(6,190)	(6,200)	(6,000)	(6,000)
Tax Paid	(11,730)	(11,270)	(15,051)	(18,303)	(21,084)
Cashflow From Operations	16,270	11,200	(28,143)	37,028	27,877
Capex	(8,730)	(10,730)	(4,000)	(3,000)	(3,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(19,130)	7,030	5,597	5,876	5,935
Cash Flow From Investing	(27,860)	(3,700)	1,597	2,876	2,935
Debt Raised/(repaid)	16,770	56,430	1,000		
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(9,750)	(10,488)	(13,126)	(16,938)	(21,341)
Preferred Dividends					
Other Financing Cashflow	2,990	(49,862)	45,000	(20,000)	
Cash Flow From Financing	10,010	(3,920)	32,874	(36,938)	(21,341)
Total Cash Generated	(1,580)	3,580	6,327	2,967	9,471
Free Cashflow To Equity	5,180	63,930	(25,547)	39,905	30,812
Free Cashflow To Firm	(8,590)	13,690	(20,347)	45,905	36,812

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	35,070	31,920	38,247	41,214	50,685
Total Debtors	6,740	10,180	15,058	17,159	19,387
Inventories	165,840	190,510	213,591	229,354	262,363
Total Other Current Assets	22,910	32,070	39,627	46,961	53,060
Total Current Assets	230,560	264,680	306,523	334,687	385,497
Fixed Assets	30,180	36,820	34,567	31,004	27,131
Total Investments	3,520	6,800	6,800	6,800	6,800
Intangible Assets	1,230	1,230	1,230	1,230	1,230
Total Other Non-Current Assets	4,710	5,940	10,558	13,580	17,146
Total Non-current Assets	39,640	50,790	53,155	52,614	52,307
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	65,130	67,510	49,182	55,746	61,098
Other Current Liabilities	41,630	48,420	35,130	39,818	44,925
Total Current Liabilities	106,760	115,930	84,312	95,564	106,024
Total Long-term Debt	21,950	78,380	79,380	79,380	79,380
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	18,730	23,490	23,490	23,490	23,490
Total Non-current Liabilities	40,680	101,870	102,870	102,870	102,870
Total Provisions	3,720	3,740	2,951	3,345	3,774
Total Liabilities	151,160	221,540	190,133	201,779	212,667
Shareholders Equity	118,510	93,930	169,557	185,550	225,184
Minority Interests	530		(13)	(28)	(48)
Total Equity	119,040	93,930	169,545	185,522	225,136

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	40.9%	25.9%	13.3%	13.9%	13.0%
Operating EBITDA Growth	46.1%	8.5%	24.1%	18.7%	14.2%
Operating EBITDA Margin	12.0%	10.4%	11.3%	11.8%	11.9%
Net Cash Per Share (Rs)	14.74	(52.20)	(46.22)	(42.88)	(32.24)
BVPS (Rs)	133.16	105.54	190.51	208.48	253.02
Gross Interest Cover	14.79	7.61	9.58	11.89	13.68
Effective Tax Rate	26.4%	24.4%	25.6%	25.7%	25.7%
Net Dividend Payout Ratio	30.0%	30.0%	30.0%	32.0%	35.0%
Accounts Receivables Days	5.57	6.04	7.96	8.92	8.95
Inventory Days	181.53	164.93	168.19	162.43	160.22
Accounts Payables Days	79.39	61.39	48.57	38.48	38.07
ROIC (%)	35.5%	29.3%	25.8%	29.3%	29.9%
ROCE (%)	39.6%	33.5%	30.9%	30.1%	30.9%
Return On Average Assets	13.5%	12.2%	13.1%	14.2%	14.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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