

India

ADD (no change)

Consensus ratings*: Buy 19 Hold 10 Sell 5

Current price:	Rs3,491
Target price: ▲	Rs3,850
Previous target:	Rs3,600
Up/downside:	10.3%
InCred Research / Consensus:	4.2%

Reuters:	
Bloomberg:	TTAN IN
Market cap:	US\$42,680m
	Rs3,099,173m
Average daily turnover:	US\$56.5m
	Rs4102.9m
Current shares o/s:	887.8m
Free float:	47.1%

*Source: Bloomberg

Key changes in this note

- Raise the target price to Rs3,850 from Rs3,600.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.1	8.1	(1.7)
Relative (%)	2.4	9.7	(9.9)

Major shareholders	% held
Promoter group	52.9
LIC	2.2
Vanguard Group	1.9

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Titan Co Ltd

Positive outlook despite near-term weakness

- Titan Co's standalone jewellery segment posted 25.5%/22% yoy sales growth/SSSG in 3Q. Caratlane's sales/SSSG grew 27%/15% yoy, respectively.
- Demand remained robust, with healthy growth in both gold and studded segments. EBIT margin guidance of 11-11.5% for FY25F remains unchanged.
- We believe Titan's long-term structural growth story remains intact. Retain our ADD rating on it with a higher target price of Rs3,850 (59x FY27F EPS).

Festive and wedding demand aided growth; outlook remains positive

Titan Company (Titan) posted a consol. sales growth of 25.2% yoy in 3QFY25. The standalone jewellery segment's sales grew by 25.5% yoy, with same-store sales growth or SSSG at 22%, while consol. jewellery sales (incl. bullion & Caratlane) grew by 26.8% yoy in 3QFY25. Caratlane grew by 27% yoy, with SSSG at 15%. The studded mix stood at 23% in 3QFY25 (vs. 24% in 3QFY24). The gold segment (incl. coins) grew by 27% while the wedding segment grew by 29% yoy. Region-wise, South & East India grew faster than the national average for the quarter. North India, which was subdued earlier, recovered in 3Q. West India remained stable. Overall, Tier 2-3 towns posted better growth vs. metro cities, largely led by expansion & focus on these markets over the last few years. There has been healthy growth among young customers in terms of buyer growth in the sub-Rs100k segment. The jewellery segment's EBIT margin stood at 9.5% (11.2% excluding the impact of customs duty cut). Management maintained its EBIT guidance of 11-11.5%.

Watches & eyecare biz register improvement in growth & margins

The watches and wearables segment grew by 14.9% yoy led by a 14% yoy growth in domestic markets & a 73.5% yoy growth in the international market. Domestic growth was driven by a 20% growth in analogue watches, within which the Titan brand led overall performance, growing 18% yoy (with a 12% growth in volume). International brands and the Fastrack range grew by 30%/30% yoy, respectively. The wearables segment declined by 20% yoy led by ASP/volume dip of 7.5%/6.8%, respectively. The EBIT margin improved by 424bp yoy to 9.8% on a weak base. The eyecare segment grew by 16.2% yoy led by a 15.8% yoy growth in the domestic market (supported by healthy double-digit volume growth). International brands posted a 55% yoy growth while in-house brands saw flat yoy growth. Sales of sunglasses outpaced others by growing 35% yoy. Eyecare segment EBIT margin expanded by 244bp yoy to 10.8% in 3QFY25.

Outlook positive despite near-term pressure; retain ADD rating

We believe the structural story of market share gains remains intact, despite intense competition & volatile gold/solitaire prices impacting consumer demand. Margin pressure is expected to persist. We retain our ADD rating on Titan, despite near-term weakness, with a higher target price of Rs3,850 (59x FY27F EPS) as we roll forward our valuation, from Rs3,600 earlier. Downside risks: Slowdown in the jewellery industry's sales growth and a lower-than-expected EBITDA margin.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	405,750	510,840	569,866	650,065	757,320
Operating EBITDA (Rsm)	48,790	52,920	55,856	71,814	85,888
Net Profit (Rsm)	32,500	34,960	35,501	48,034	58,085
Core EPS (Rs)	36.5	39.3	39.9	54.0	65.3
Core EPS Growth	46.9%	7.6%	1.5%	35.3%	20.9%
FD Core P/E (x)	95.60	88.87	87.52	64.68	53.49
DPS (Rs)	11.0	11.8	12.0	17.3	22.8
Dividend Yield	0.31%	0.34%	0.34%	0.49%	0.65%
EV/EBITDA (x)	63.42	59.59	56.45	43.90	36.69
P/FCFE (x)	599.79	48.60	(93.80)	86.11	147.28
Net Gearing	(11.0%)	49.5%	28.2%	25.8%	20.9%
P/BV (x)	26.22	33.08	18.97	17.61	14.50
ROE	30.7%	32.9%	27.6%	28.2%	29.7%
% Change In Core EPS Estimates			(10.40%)	(0.13%)	(0.80%)
InCred Research/Consensus EPS (x)					

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Positive outlook despite near-term weakness

Figure 1: Quarterly results summary - consolidated

Y/E Mar (Rs. m)	3QFY24	2QFY25	3QFY25	YoY (%)	QoQ (%)	9MFY24	9MFY25	Gr. (%)
Revenue	1,41,640	1,45,340	1,77,400	25.2	22.1	3,85,900	4,55,400	18.0
Expenditure	1,25,990	1,32,980	1,60,660	27.5	20.8	3,44,890	4,13,830	20.0
Consumption of RM	1,08,700	1,15,220	1,40,830	29.6	22.2	2,97,240	3,59,410	20.9
as % of sales	76.7	79.3	79.4			77.0	78.9	
Employee costs	4,800	5,190	5,550	15.6	6.9	13,910	15,970	14.8
as % of sales	3.4	3.6	3.1			3.6	3.5	
Other expenditure	12,490	12,570	14,280	14.3	13.6	33,740	38,450	14.0
as % of sales	8.8	8.6	8.0			8.7	8.4	
EBITDA	15,650	12,360	16,740	7.0	35.4	41,010	41,570	1.4
Depreciation	1,540	1,710	1,750	13.6	2.3	4,260	5,100	19.7
EBIT	14,110	10,650	14,990	6.2	40.8	36,750	36,470	-0.8
Other income	1,360	1,220	1,280	-5.9	4.9	3,740	3,700	-1.1
Interest	1,690	2,400	2,310	36.7	-3.8	4,180	7,010	67.7
PBT	13,780	9,470	13,960	1.3	47.4	36,310	33,160	-8.7
Total tax	3,250	2,440	3,490	7.4	43.0	9,070	8,510	-6.2
PAT (before minority interest)	10,530	7,030	10,470	-0.6	48.9	27,240	24,650	-9.5
Minority interest	0	-10	0	NA	NA	-10	-10	NA
Adjusted PAT	10,530	7,040	10,470	-0.6	48.7	27,250	24,660	-9.5
Extraordinary items	0	0	0	NA	NA	0	0	NA
Reported PAT	10,530	7,040	10,470	-0.6	48.7	27,250	24,660	-9.5

Margins (%)	3QFY24	2QFY25	3QFY25	YoY (bp)	QoQ (bp)	9MFY24	9MFY25	(bps)
Gross margin	23.3	20.7	20.6	-260	-10	23.0	21.1	-190
EBITDA	11.0	8.5	9.4	-160	90	10.6	9.1	-150
EBIT	10.0	7.3	8.4	-150	110	9.5	8.0	-150
EBT	9.7	6.5	7.9	-190	140	9.4	7.3	-210
PAT	7.4	4.8	5.9	-150	110	7.1	5.4	-160
Effective tax rate	23.6	25.8	25.0	140	-80	25.0	25.7	70

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Segmental performance - consolidated

Y/E Mar (Rs. m)	3QFY24	2QFY25	3QFY25	YoY (%)	QoQ (%)	9MFY24	9MFY25	Gr. (%)
Segment Revenue								
Watches	9,860	13,040	11,370	15.3	-12.8	29,910	34,640	15.8
Jewellery	1,27,090	1,27,710	1,61,340	26.9	26.3	3,44,860	4,07,130	18.1
Eyewear	1,680	2,020	1,960	16.7	-3.0	5,590	6,080	8.8
Others	3,130	3,010	3,120	-0.3	3.7	6,550	8,900	35.9
Corporate (Unallocated)	910	780	890	-2.2	14.1	2,130	2,350	10.3
Total	1,42,670	1,46,560	1,78,680	25.2	21.9	3,89,040	4,59,100	18.0
Segment Results								
Watches	560	1,960	1,080	92.9	-44.9	3,170	4,150	30.9
Jewellery	14,820	9,740	14,900	0.5	53.0	37,210	35,660	-4.2
Eyewear	130	220	200	53.8	-9.1	730	610	NA
Others	50	-40	10	-80.0	-125.0	-340	-180	-47.1
Total	15,560	11,880	16,190	4.0	36.3	40,770	40,240	-1.3
Add- Unall income / (expenses)	-90	0	80	NA	NA	90	220	NA
Less- Interest expenses	1,690	2,400	2,310	36.7	-3.8	4,180	7,010	67.7
PBT	13,960	9,480	13,800	-1.1	45.6	36,500	33,010	-9.6
Segment Margin (%)				YoY (bp)	QoQ (bp)			(bp)
Watches	5.7	15.0	9.5	380	-550	10.6	12.0	140
Jewellery	11.7	7.6	9.2	-240	160	10.8	8.8	-200
Eyewear	7.7	10.9	10.2	250	-70	13.1	10.0	-300
Others	1.6	(1.3)	0.3	-130	160	(5.2)	(2.0)	320

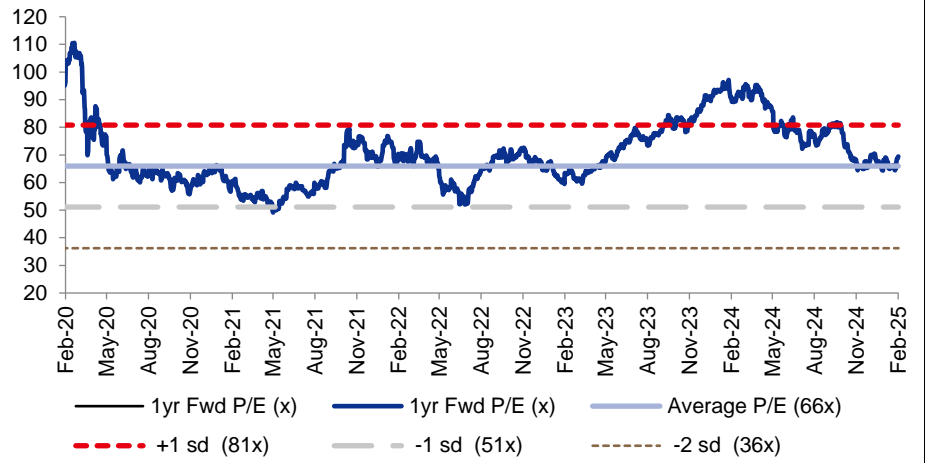
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Our revised earnings estimates

Y/E Mar (Rs. m)	FY25F			FY26F			FY27F		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenue	5,63,742	5,69,866	1.1	6,42,805	6,50,065	1.1	7,38,203	7,57,320	2.6
EBITDA	60,095	55,856	(7.1)	71,398	71,814	0.6	85,716	85,888	0.2
EBITDA Margin (%)	10.7	9.8	-90bp	11.1	11.0	-10bp	11.6	11.3	-30bp
APAT	39,622	35,501	(10.4)	48,096	48,034	(0.1)	58,552	58,085	(0.8)
EPS	44.5	39.9	(10.4)	54.0	54.0	(0.1)	65.8	65.3	(0.8)

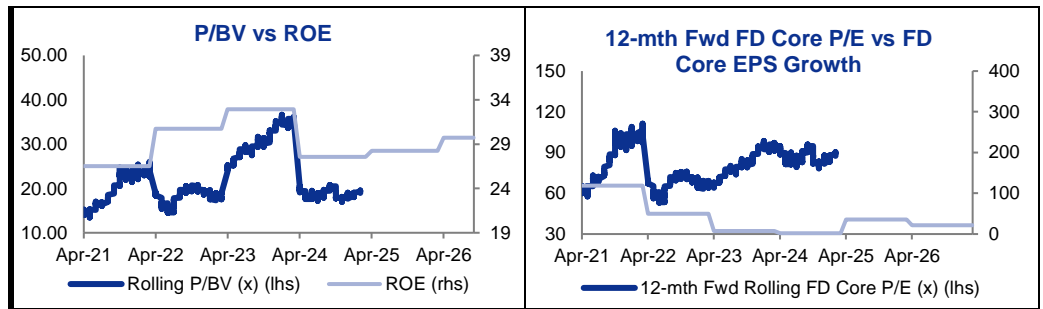
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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	569,866	650,065	757,320
Gross Profit	102,200	116,520	137,962	159,328	187,887
Operating EBITDA	48,790	52,920	55,856	71,814	85,888
Depreciation And Amortisation	(4,410)	(5,840)	(6,253)	(6,563)	(6,873)
Operating EBIT	44,380	47,080	49,602	65,251	79,016
Financial Income/(Expense)	80	(860)	(1,904)	(624)	(865)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	44,460	46,220	47,699	64,627	78,151
Exceptional Items					
Pre-tax Profit	44,460	46,220	47,699	64,627	78,151
Taxation	(11,730)	(11,270)	(12,211)	(16,609)	(20,085)
Exceptional Income - post-tax					
Profit After Tax	32,730	34,950	35,488	48,018	58,066
Minority Interests	(230)	10	13	16	20
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	32,500	34,960	35,501	48,034	58,085
Recurring Net Profit	32,500	34,960	35,501	48,034	58,085
Fully Diluted Recurring Net Profit	32,500	34,960	35,501	48,034	58,085

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	48,790	52,920	55,856	71,814	85,888
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(17,790)	(24,260)	(71,863)	(15,499)	(40,844)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(3,000)	(6,190)	(7,500)	(6,500)	(6,800)
Tax Paid	(11,730)	(11,270)	(12,211)	(16,609)	(20,085)
Cashflow From Operations	16,270	11,200	(35,718)	33,206	18,160
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)	(10,650)	(15,371)	(20,330)
Preferred Dividends					
Other Financing Cashflow	2,990	(49,862)	45,000	(20,000)	
Cash Flow From Financing	10,010	(3,920)	35,350	(35,371)	(20,330)
Total Cash Generated	(1,580)	3,580	1,228	711	765
Free Cashflow To Equity	5,180	63,930	(33,121)	36,082	21,095
Free Cashflow To Firm	(8,590)	13,690	(26,621)	42,582	27,895

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	33,148	33,860	34,625
Total Debtors	6,740	10,180	14,832	16,919	19,711
Inventories	165,840	190,510	214,054	228,132	268,573
Total Other Current Assets	22,910	32,070	39,032	46,306	53,946
Total Current Assets	230,560	264,680	301,066	325,217	376,855
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	10,427	13,416	17,401
Total Non-current Assets	39,640	50,790	53,024	52,450	52,562
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	65,130	67,510	49,289	55,449	62,544
Other Current Liabilities	41,630	48,420	35,206	39,606	45,988
Total Current Liabilities	106,760	115,930	84,495	95,055	108,533
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	2,957	3,327	3,863
Total Liabilities	151,160	221,540	190,322	201,252	215,266
Shareholders Equity	118,510	93,930	163,780	176,443	214,199
Minority Interests	530		(13)	(28)	(48)
Total Equity	119,040	93,930	163,768	176,415	214,151

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	40.9%	25.9%	11.6%	14.1%	16.5%
Operating EBITDA Growth	46.1%	8.5%	5.5%	28.6%	19.6%
Operating EBITDA Margin	12.0%	10.4%	9.8%	11.0%	11.3%
Net Cash Per Share (Rs)	14.74	(52.20)	(51.95)	(51.15)	(50.29)
BVPS (Rs)	133.16	105.54	184.02	198.25	240.67
Gross Interest Cover	14.79	7.61	6.61	10.04	11.62
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	8.01	8.91	8.83
Inventory Days	181.53	164.93	170.95	164.44	159.19
Accounts Payables Days	79.39	61.39	49.35	38.95	37.82
ROIC (%)	35.5%	29.3%	21.6%	27.0%	28.3%
ROCE (%)	39.6%	33.5%	26.6%	28.5%	30.9%
Return On Average Assets	13.5%	12.2%	11.2%	13.3%	14.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework**Stock Ratings**

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.