

HSIE Results Daily

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Results Reviews

- Titan:** Jewellery (ex-bullion) sales grew 21.8% YoY to INR98.24bn (HSIE: 105.62bn). Domestic standalone jewellery sales (ex-bullion) grew 20%. Profitability took a back seat as elevated gold prices, softened demand and high competitive intensity arm-twisted Titan to increase promotional expenses to defend market share. Management highlighted that the competitive landscape is likely to remain intense for the foreseeable future. Consolidated EBITDAM contracted 98 bps YoY to 9.5% (HSIE: 11.2%). Jewellery EBITM (ex-bullion) contracted by 134bps to 11.1% (HSIE: 11.6%), courtesy (1) higher marketing spends to defend market share and (2) high base effect from one-time inventory gains and custom duty benefits in the base quarter. Non-jewellery growth remained healthy (~21%) but disappointed on profitability. We tone down our FY25/26 EPS estimates by 4/3% to account for lower jewellery margins and maintain our SELL rating with a DCF-based TP is INR2,750/sh (implying 50x FY26 P/E).
- Avenue Supermarts:** Two key incremental levers for DMART's stock price performance from here are (1) store expansion pace (growth repercussions) and (2) GM & apparel (GM&A) performance (margin repercussions). On the former, while resources available (CWIP + Cash & Eq + FY25/26 CFO) are good enough to make ~50-60 store additions annually for FY25/26; to step up this pace (a) real-estate availability needs to be solved for and perhaps (2) some fundraising may be needed (QIP money fully utilised). We don't see DMART stretching itself for aggressive expansion (not their DNA). However, the latter (GM&A lever) is the easier one to pull. Based on H2 performance, GM&A pain seems behind (outpaced overall portfolio growth). This could help DMART improve on margins (built-in). We largely maintain our estimates (-2% each for FY25/26) and maintain our REDUCE rating on DMART, with a DCF-based TP of INR 3,600/sh, implying 61x FY26 P/E.

HSIE Research Team

hdfcsec-research@hdfcsec.com

Titan

Growth preferred over margins; misses expectations

Jewellery (ex-bullion) sales grew 21.8% YoY to INR98.24bn (HSIE: 105.62bn). Domestic standalone jewellery sales (ex-bullion) grew 20%. Profitability took a back seat as elevated gold prices, softened demand and high competitive intensity arm-twisted Titan to increase promotional expenses to defend market share. Management highlighted that the competitive landscape is likely to remain intense for the foreseeable future. Consolidated EBITDAM contracted 98 bps YoY to 9.5% (HSIE: 11.2%). Jewellery EBITM (ex-bullion) contracted by 134bps to 11.1% (HSIE: 11.6%), courtesy (1) higher marketing spends to defend market share and (2) high base effect from one-time inventory gains and custom duty benefits in the base quarter. Non-jewellery growth remained healthy (~21%) but disappointed on profitability. We tone down our FY25/26 EPS estimates by 4/3% to account for lower jewellery margins and maintain our SELL rating with a DCF-based TP is INR2,750/sh (implying 50x FY26 P/E).

- Q4FY24 highlights:** Revenue grew 20.6% YoY to INR 124.94bn (HSIE: INR 120.60bn). Jewellery (ex-bullion) sales grew 21.8% YoY to INR98.24bn (HSIE: INR105.62bn). Domestic standalone jewellery sales growth (ex-bullion) grew 20% in Q4FY24. The company witnessed healthy double-digit buyer growth along with single-digit value growth. LTL sales growth stood at 14% for Q4FY24. The studded ratio remained steady at 33% in Q4. Jewellery EBITM (ex-bullion) contracted by 134bps to 11.1% (HSIE: 11.6%), courtesy (1) higher marketing spends to defend market share and (2) one-time inventory gains and custom duty benefits in the base quarter. Revival in the margins, if any, is expected only in H2FY25 (as peers remain aggressive). Watches/eyewear/others grew 6.3/0.6/87.3% YoY respectively (HSIE: 6/-1/24%). The non-jewellery segment reported an EBITM of 7.7% (HSIE: 6.4%; Q4FY23: 7.2%). Finance cost increased to INR2.01bn courtesy Caratlane acquisition. The company added 13/16/10/14/10/15/11 Tanishq/Mia/Caratlane/Helios/Titan/ Fastrack/Taneria stores (net) in Q4. Consolidated APAT grew 4.8% YoY to INR 7.71bn (HSIE: INR 9.65bn).
- Outlook:** Titan benefited over FY19-24 from a consistent gold price rise and the channelling of elevated household savings. However, most of the heavy lifting from here has to be volume-led (ergo, expansion-led), which in an environment of sharp gold price rise and heightened competitive intensity could mean lower profitability. We tone down our FY25/26 EPS estimates by 4/3% to account for lower jewellery margins and maintain our SELL rating with a DCF-based TP is INR2,750/sh (implying 50x FY26 P/E).

Quarterly financial summary

(INR mn)	Q4	Q4	YoY (%)	Q3	QoQ	FY22	FY23	FY24	FY25E	FY26E
	FY24	FY23		FY24	(%)					
Net Revenue	1,24,940	1,03,600	20.6	1,41,640	(11.8)	2,87,990	4,05,750	5,10,840	5,80,789	6,48,654
EBITDA	11,910	10,890	9.4	15,650	(23.9)	30,530	44,910	48,035	58,678	67,481
APAT	7,710	7,360	4.8	10,530	(26.8)	22,520	32,740	34,960	41,418	48,965
EPS (Rs)	8.7	8.3	4.5	11.8	(26.8)	25.4	36.9	39.3	46.5	55.0
P/E (x)						139.4	95.9	90.0	76.0	64.3
EV/EBITDA (x)						105.2	71.7	68.7	56.0	48.7
Core RoCE(%)						15.4	17.5	16.0	16.9	17.5

Source: Company, HSIE Research, Consolidated Financials

Change in estimates

(INR mn)	FY24			FY25E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	5,10,840	5,05,122	1.1	5,80,789	5,71,829	1.6	6,48,654	6,37,122	1.8
Gross Profit	1,15,815	1,16,935	(1.0)	1,34,868	1,35,523	(0.5)	1,52,573	1,52,909	(0.2)
Gross Profit Margin (%)	22.7	23.1	(48 bps)	23.2	23.7	(48 bps)	23.5	24.0	(48 bps)
EBITDA	48,035	48,304	(0.6)	58,678	58,686	(0.0)	67,481	67,299	0.3
EBITDA margin (%)	9.4	9.6	(16 bps)	10.1	10.3	(16 bps)	10.4	10.6	(16 bps)
APAT	34,960	35,522	(1.6)	41,418	43,329	(4.4)	48,965	50,375	(2.8)
APAT margin (%)	6.8	7.0	(19 bps)	7.1	7.6	(45 bps)	7.5	7.9	(36 bps)
EPS	39.3	40.0	(1.8)	46.5	48.8	(4.6)	55.0	56.7	(3.0)

Source: Company, HSIE Research

SELL

CMP (as on 3 May 2024) INR 3,534

Target Price INR 2,750

NIFTY 22,476

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 2,750	INR 2,750
EPS %	FY25E	FY26E
	-4.6	-3.0

KEY STOCK DATA

Bloomberg code	TTAN IN
No. of Shares (mn)	888
MCap (INR bn) / (\$ mn)	3,137/37,605
6m avg traded value (INR mn)	3,410
52 Week high / low	INR 3,887/2,643

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(2.2)	7.9	33.2
Relative (%)	(4.7)	(6.9)	12.4

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	52.90	52.90
FIs & Local MFs	10.44	10.45
FPIs	18.89	19.01
Public & Others	17.77	17.64

Pledged Shares - -

Source : BSE

Pledged shares as % of total shares

Jay Gandhi

jay.gandhi@hdfcsec.com
+91-22-6171-7320

Tanuj Pandia

tanuj.pandia@hdfcsec.com
+91-22-6171-7348

Avenue Supermarts

GM & apparel pain seems behind

Two key incremental levers for DMART's stock price performance from here are (1) store expansion pace (growth repercussions) and (2) GM & apparel (GM&A) performance (margin repercussions). On the former, while resources available (CWIP + Cash & Eq + FY25/26 CFO) are good enough to make ~50-60 store additions annually for FY25/26; to step up this pace (a) real-estate availability needs to be solved for and perhaps (2) some fundraising may be needed (QIP money fully utilised). We don't see DMART stretching itself for aggressive expansion (not their DNA). However, the latter (GM&A lever) is the easier one to pull. Based on H2 performance, GM&A pain seems behind (outpaced overall portfolio growth). This could help DMART improve on margins (built-in). We largely maintain our estimates (-2% each for FY25/26) and maintain our REDUCE rating on DMART, with a DCF-based TP of INR 3,600/sh, implying 61x FY26 P/E.

- Q4FY24 highlights:** Revenue grew 19.9% to INR123.94bn. Revenue/EBITDA per sq ft came in at INR32.72k/2.48k per sq ft in Q4 (up ~6% YoY). FY24 SSSG stood at 9.9%. GM&A growth (19.3% YoY) marginally outpaced the rest of the portfolio (18.3% YoY). Hence, gross margins improved 29bps YoY to 13.7% (HSIE: 13.9%). Food/non-food FMCG/GM&A contributed 57/21/22% respectively in FY24. EBITDAM stood at 7.6% (flat YoY; HSIE: 8%), wiping off the GM gains, courtesy higher cost of retailing. EBITDA growth came in at 20.2% (INR 9.4 bn vs HSIE: INR 9.89bn). Bill cuts/store are gradually improving (0.88mn/store; up 4.2% YoY in FY24). DMART added 24 stores (net) in Q4 (store count: 365, Area: 15.15mn). 'D-Mart Ready' was launched in Gurugram and is now available in 23 cities. APAT stood at INR 6.04bn (HSIE: INR 6.40 bn). QIP money (INR 40.78bn) stands fully utilised (INR10.35bn used in FY24). CWIP + Cash & Eq (~INR15.97bn) + FY25/26 CFO seem enough to make ~50-60 store additions annually for FY25/26; to step up this pace (a) real-estate availability needs to be solved for and (2) fundraising may be needed.
- Outlook:** The worst of margin pressures seems behind DMART with its GM&A portfolio stabilising. The low base effect should keep PAT growth healthy from here on. We largely maintain our estimates (-2% each for FY25/26) and maintain our REDUCE rating on DMART, with a DCF-based TP of INR 3,600/sh, implying 61x FY26 P/E.

Quarterly financial summary

(INR mn)	4Q FY24	4Q FY23	YoY (%)	3Q FY24	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E
Net Revenue	1,23,935	1,03,371	19.9	1,32,473	(6.4)	3,03,525	4,18,333	4,95,330	5,85,175	6,84,224
EBITDA	9,402	7,822	20.2	11,209	(16.1)	25,015	36,594	40,994	51,485	62,065
APAT	6,042	5,052	19.6	7,368	(18.0)	16,162	25,564	26,949	33,691	40,846
EPS (Rs)	9.3	7.8	19.1	11.32	(18.0)	24.9	39.4	41.4	51.8	62.8
P/E (x)						185.1	117.1	111.5	89.2	73.6
EV/EBITDA (x)						124.9	84.8	76.3	60.3	49.8
Core RoCE(%)						14.8	19.1	16.1	17.2	18.1

Source: Company, HSIE Research, Standalone Financials

Change in estimates

(INR mn)	FY24			FY25E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	4,95,330	4,95,330	(0.0)	5,85,175	5,89,616	(0.8)	6,84,224	6,92,858	(1.2)
Gross Profit	69,863	70,045	(0.3)	85,472	86,001	(0.6)	1,01,679	1,02,474	(0.8)
Gross Profit Margin (%)	14.1	14.1	-4 bps	14.6	14.6	2 bps	14.9	14.8	7 bps
EBITDA	39,301	39,770	(1.2)	49,538	50,043	(1.0)	59,800	60,245	(0.7)
EBITDA margin (%)	7.9	8.0	-9 bps	8.47	8.49	-2 bps	8.74	8.70	4 bps
APAT	26,949	27,311	(1.3)	33,691	34,412	(2.1)	40,846	41,500	(1.6)
APAT margin (%)	5.4	5.5	-7 bps	5.8	5.8	-8 bps	6.0	6.0	-2 bps
EPS (Rs)	41.4	42.1	(1.7)	51.8	53.1	(2.5)	62.8	64.0	(1.9)

Source: Company, HSIE Research

REDUCE

CMP(as on 3 May 2024) INR 4,612

Target Price INR 3,600

NIFTY 22,476

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 3,600	INR 3,600
	FY25E	FY26E
EPS %	-2.5	-1.9

KEY STOCK DATA

Bloomberg code	DMART IN
No. of Shares (mn)	651
MCap (INR bn) / (\$ mn)	3,001/35,976
6m avg traded value (INR mn)	1,711
52 Week high / low	INR 4,890/3,352

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	21.9	26.4	29.8
Relative (%)	19.4	11.6	9.0

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	74.65	74.65
FIs & Local MFs	8.52	8.59
FPIs	7.96	8.26
Public & Others	8.87	8.50
Pledged Shares	0	0

Source : BSE

-Pledged shares as % of total shares
 -Shareholding pattern for Dec-24 is not available

Jay Gandhi

jay.gandhi@hdfcsec.com
 +91-22-6171-7320

Tanuj Pandia

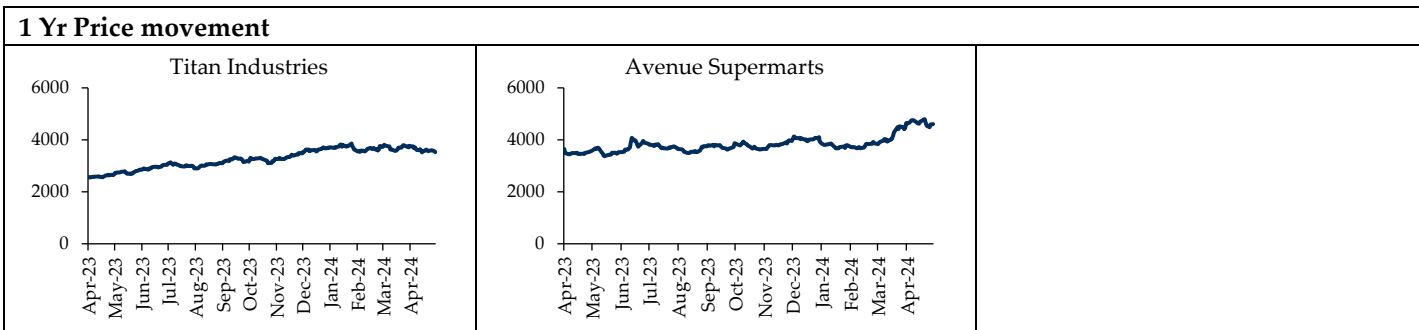
tanuj.pandia@hdfcsec.com
 +91-22-6171-7348

Rating Criteria

BUY: >+15% return potential
 ADD: +5% to +15% return potential
 REDUCE: -10% to +5% return potential
 SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Jay Gandhi	Titan, Avenue Supermarts	MBA	NO
Tanuj Pandia	Titan, Avenue Supermarts	CA	NO



Disclosure:

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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HDFC Securities**Institutional Equities**

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com