TITAN
COMPANY

SEC 008 / 2022-23

29th April 2022

The General Manager, DCS – CRD
BSE Limited
Corporate Relationship Department
1st Floor, New Trading Ring
Rotunda Building, P J Towers
Dalal Street, Fort,
MUMBAI - 400 001
Scrip Code: **500114**

The General Manager, DCS – CRD
National Stock Exchange of India Ltd
Exchange Plaza,
Bandra-Kurla Complex,
Bandra (East),
MUMBAI - 400 051
Symbol: **TITAN**

Dear Sirs,

Sub: Ratings Update from ICRA

Pursuant to the provisions of Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that ICRA has assigned the below ratings of Titan Company Limited as follows:

Instrument	Previous Rated Amount in Rs. cr.	Current Amount Rated in Rs. cr.	Rating Action
Fixed Deposit Programme	3,000	3,500	MAAA (Stable); assigned/reaffirmed
Fund Based/Non-fund based limits	1,700	1,700	ICRA]AAA(Stable) / [ICRA]A1+; reaffirmed
Commercial Paper Programme	1,500	1,500	[ICRA]A1+; reaffirmed

The details including rating rationale is attached herewith.

Kindly take the same on your record.

Thanking you.

Yours truly,
For TITAN COMPANY LIMITED

Dinesh Shetty
General Counsel & Company Secretary

Encl. As stated

April 29, 2022

Titan Company Limited: Ratings reaffirmed; rated limits enhanced

Summary of rating action

Instrument^	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fixed deposit programme	3,000.0	3,500.0	MAAA(Stable); assigned/reaffirmed
Fund Based/Non-fund based limits	1,700.0	1,700.0	[ICRA]AAA(Stable)/[ICRA]A1+; reaffirmed
Commercial Paper programme	1,500.0	1,500.0	[ICRA]A1+; reaffirmed
Total	**6,200.0**	**6,700.0**	

^Instrument details are provided in Annexure-1

Rationale

The ratings reaffirmation reflects ICRA's expectations that Titan Company Limited's (Titan) performance will remain strong in the coming fiscals on the back of its leadership position in the organised jewellery, watches and eyewear segments, and its robust financial profile. Despite the impact of the pandemic and the resultant business disruptions witnessed in Q1 FY2022, Titan's operating performance in FY2022 remained strong on the back of healthy sales during the festive season and continued strong wedding demand. Further, strong pent-up demand, increasing formalisation of the sector, and healthy relationships with customers also aided in a robust performance. ICRA estimates Titan's revenues to register a healthy growth of more than 30% in FY2022. The revenue growth is expected to remain favourable in FY2023, driven by continued expansion in store network, strong consumption during the occasion of Akshaya Tritiya in Q1 FY2023 and steady wedding and festive purchases. Titan's operating margins had improved to 12.1% in 9M FY2022 (from 8% in FY2021), supported by scale-induced operating leverage, moderate inventory gains and growing contribution from studded jewellery. ICRA expects Titan's operating margins to remain in the range of 12-13% over the medium term, backed by its strong operating efficiencies, prudent hedging practices and expected improvement in volumes of higher-margin studded jewellery over the coming fiscals.

The ratings continue to derive comfort from Titan's strong financial profile driven by healthy cash accruals generated over the years, resulting in comfortable credit metrics and a strong liquidity position. With likely steady earnings and moderate capital expenditure requirements, ICRA expects Titan's leverage indicators and coverage metrics to remain at healthy levels, with the net total outside liabilities-to-tangible net worth expected to remain below 1 times over the medium term. Titan also enjoys strong financial flexibility for being a part of the Tata Group of Companies, which supports its brand equity and customer acceptance of new product launches. The ratings continue to factor in the company's exposure to regulatory risks and competition in the domestic jewellery retail space, especially from regional players. Regulatory actions in the jewellery segment have impacted Titan in the past, both on the demand front (through enhanced disclosure norms from customers, limits on cash transactions etc) and on the supply side (through curbs on imports, restrictions on gold-on-lease financing etc). However, ICRA draws comfort from the large size of the Indian jewellery industry, which combined with Titan's brand strength and the market shift towards organised players, translate into strong long-term growth prospects. Titan also faces margin pressure in the eyewear segment because of intense competition, and in the relatively newer segments such as perfumes and clothing (Taneira).

The Stable outlook on the medium-term and long-term ratings reflects ICRA's opinion that Titan will continue to benefit from its leading market position across product segments, diversified business profile (both in terms of geography and products), healthy operating efficiency and a strong financial profile.

Key rating drivers and their description

Credit strengths

Leadership position in branded jewellery and organised watches segments – Titan is India's largest jewellery retailer, with 582 exclusive stores (including Tanishq, Zoya, Mia and Caratlane brands) spread all over the country. It also has three jewellery manufacturing sites and four *karigar* centres, which help the company capture value across the supply chain. The same is reflected in Titan's strong operating margins and healthy revenue increase in the jewellery segment with a CAGR of 14% between FY2017 and FY2021, aided by an improvement in the market share as well as addition to the store network. Titan is a dominant player in the domestic watch market, with over 60% market share in the organised segment. Wide distribution and service network, diversified product coverage in terms of price points and styles, and continued expansion of store network and product portfolio with launch of new designs are expected to support Titan's market leadership position in the jewellery and watch segments. Titan also has leadership position in the eyewear business. These strengths have supported the company in achieving healthy revenue growth and operating efficiencies, as reflected in its strong operating margins.

Strong financial profile – Titan's financial risk profile remains healthy on the back of continued strong earnings from operations. As a result, its leverage levels and other debt protection metrics remain robust despite the growing working capital requirements. Key credit metrics including net Total Outside Liabilities/Tangible Net Worth ratio stood at 0.7 times as on March 31, 2021 and is likely to remain at the similar level in FY2022 and FY2023. Titan's borrowings towards inventory funding requirements are largely met through the gold-on-lease scheme. The company's capital expenditure requirements are expected to be moderate in relation to the cash accruals, given the franchisee-based expansion model. Also, the gold inventory hedging practices followed by Titan protect its earnings against volatility in gold prices.

Growth prospects in jewellery segment underpinned by large industry size and fragmented market share – Increasing regulatory restrictions in the jewellery segment, aimed towards greater transparency and higher compliance costs have been resulting in a sizeable churn in the unorganised segment, thus benefiting organised players such as Titan. The company's jewellery business has been consistently gaining market share on the back of its strategies of increasing its revenue share from wedding and high value studded segments. Moreover, its expanding presence in geographies with low market share and enhancing customer value proposition through Golden Harvest Scheme and gold exchange programme have increased its revenue base. The industry outlook over the medium-to-long term also remains favourable, supported by cultural underpinnings, evolving lifestyle, growing disposable income and favourable demographic divide.

Credit challenges

Increase in competition – Jewellery retail business is very competitive, with presence of large organised and unorganised players. Competition has increased over the last decade, with continuous store expansion by regional and national jewellery retail chains. Nevertheless, Titan's strong brand equity and market position and growing demand for branded jewellery, aided by measures like mandatory hallmarking, are expected to support its operating performance in the existing and new markets. While performance in the watch and eyewear segments improved in the recent past, revenue growth and margins in these segments also remain exposed to competition from local as well as online retailers.

Exposure to regulatory risks and seasonality in demand– Certain adverse regulatory developments have impacted the domestic gold jewellery industry in the past. Restrictions on bullion imports and metal loan funding, mandatory PAN disclosure on transactions, and imposition of excise duty are some of the adverse regulatory developments that have taken place over the last four years. Titan will remain exposed to the risks of any such future regulatory actions that may impact its business profile. ICRA also notes the seasonality of demand for Titan's products, vulnerability of the jewellery segment to gold price fluctuations and the working capital-intensive operations.

Liquidity position: Superior

Titan's liquidity is expected to remain robust, backed by healthy cash accruals from operations, moderate capital expenditure requirements and negligible long-term debt repayment obligations. In addition, Titan enjoys healthy liquidity buffer, with unencumbered cash, bank balances and liquid investments of ~Rs. 2,000 crore as on September 30, 2021 apart from the large unutilised lines of credit. Titan's working capital funding requirements have largely been met through a mix of earnings, customer advances (through deposit schemes) and gold-on-lease financing, resulting in limited utilisation of its fund-based limits. Given the strong capitalisation levels and financial flexibility, Titan's access to such working capital finance is expected to be comfortable.

Rating sensitivities

Positive factors – Not applicable.

Negative factors – Pressure on Titan's ratings could arise if there is a significant impact on its operating performance because of regulatory changes or a sustained pressure on demand. Other triggers could include weakening of the financial risk profile such that the Net Total Outside Liabilities to Tangible Net Worth is higher than 1 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in Gold Jewellery - Retail Industry
Parent/Group Support	Not Applicable
Consolidation/Standalone	The ratings are based on the consolidated financial profile of the company.

About the company

Titan Company Limited (Titan), formerly Titan Industries Limited, was incorporated in 1984 as a joint venture (JV) between the Tata Group and Tamil Nadu Industrial Development Corporation Limited (TIDCO). At present, the Tata Group and TIDCO hold 25.04% and 27.88% shares, respectively, in Titan. The rest is held by institutional investors and the public. Titan is a market leader in the domestic branded jewellery market (with Tanishq, Caratlane, Zoya and Mia brands) and in the domestic wristwatch segment (with brands such as Titan, Sonata, Fastrack and Xylys). In FY2021, the jewellery division and the watches division contributed around 90% and 7% to the consolidated revenues, respectively while the remaining came from sale of eyewear and other segments.

Key financial indicators

Consolidated financials	FY2020	FY2021
Operating Income (Rs. crore)	21,052	21,644
PAT (Rs. crore)	1,497	979
OPBDIT/OI (%)	11.7%	8.0%
PAT/OI (%)	7.1%	4.5%
Total Outside Liabilities/Tangible Net Worth (times)	1.0	1.2
Total Debt/OPBDIT (times)	1.4	3.2
Interest Coverage (times)	14.8	8.5

Source: Company; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; Source: Titan

Status of non-cooperation with previous CRA – Not Applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)					Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore) As on Mar 31, 2021	Date & Rating in		Date & Rating in FY2022	Date & Rating in FY2021		Date & Rating in FY2020
					Apr 29, 2022	Apr 4, 2022	Jun 28, 2021	Mar 15, 2021	Jul 16, 2020 Jul 6, 2020 May 13, 2020	Sep 5, 2019
1	Fixed deposit	MT	3,500.0	-	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)
2	Fund based / Non-fund based	LT/ ST	1,700.0	-	[ICRA]AAA (Stable) / [ICRA]A1+	[ICRA]AAA (Stable) / [ICRA]A1+	[ICRA]AAA (Stable) / [ICRA]A1+	[ICRA]AAA (Stable) / [ICRA]A1+	[ICRA]AA+ (Positive) / [ICRA]A1+	[ICRA]AA+ (Positive) / [ICRA]A1+
3	Commercial Paper	ST	1,500.0	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

MT-Medium term; LT-Long Term; ST-Short Term

Complexity level of the rated instrument

Instrument	Complexity Indicator
Fixed deposit	Very Simple
Fund based / Non-fund based	Simple
Commercial Paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: Click Here

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Fixed deposit programme	-	-	-	3,500.0	MAAA (Stable)
NA	Fund-based/Non-fund based facilities	-	-	-	1,700.0	[ICRA]AAA(Stable)/ [ICRA]A1+
Not Placed	Commercial paper	-	-	30-180 days	1,500.0	[ICRA]A1+

Source: *Company*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Favre Leuba AG Switzerland	100.00%	Full Consolidation
Titan Engineering & Automation Limited	100.00%	Full Consolidation
Titan Watch Company Hong Kong Limited	100.00%	Full Consolidation
Carat Lane Trading Private Limited	72.31%	Full Consolidation
StudioC Inc	100.00%	Full Consolidation
Green Infra Wind Power Theni Limited	26.79%	Equity Method
Titan Holdings International FZCO, Dubai	100.00%	Full Consolidation
Titan Global LLC, Dubai	100.00%	Full Consolidation
Titan Commodity Trading Limited	100.00%	Full Consolidation

Source: *Titan annual report FY2021*

Note: *ICRA has taken a consolidated view of the parent (Titan), its subsidiaries and associates while assigning the ratings.*

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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