SEC 69 / 2022-23

10th January 2023

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 CARE**

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 CARE has assigned the below ratings of Titan Company Limited on 9th January 2023 as follows:

| Facilities/ Instruments | Amount (₹ crore) | Rating | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 3,555.00 | CARE AAA; Stable (Triple A; Outlook: Stable) | Assigned |
| Short Term Bank Facilities | 6,445.00 | CARE A1+ (A One Plus) | Assigned |
| **Total Bank Facilities** | **10,000.00 (₹ Ten Thousand Crore Only)** | | |
| Commercial Paper | 1,500.00 | CARE A1+ (A One Plus) | Assigned |
| **Total Short Term Instruments** | **1,500.00 (₹ One Thousand Five Hundred Crore Only)** | | |

The detailed rating rationale is attached herewith. Kindly take the same on record.

Thanking you.
Yours truly,
For TITAN COMPANY LIMITED

DINESH SHIVANNA SHETTY

Digitally signed by DINESH SHIVANNA SHETTY
Date: 2023.01.10 11:58:38 +05'30'

Dinesh Shetty
General Counsel & Company Secretary

Encl. As stated

# Titan Company Limited

## Ratings

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 3,555.00 | CARE AAA; Stable (Triple A; Outlook: Stable) | Assigned |
| Short Term Bank Facilities | 6,445.00 | CARE A1+ (A One Plus ) | Assigned |
| **Total Bank Facilities** | **10,000.00 (₹ Ten Thousand Crore Only)** | | |
| Commercial Paper | 1,500.00 | CARE A1+ (A One Plus ) | Assigned |
| **Total Short Term Instruments** | **1,500.00 (₹ One Thousand Five Hundred Crore Only)** | | |

Details of instruments/facilities in Annexure-1.

## Detailed rationale and key rating drivers

The ratings assigned to the bank facilities and commercial paper of Titan Company Limited (Titan) derives strength from its being a part of Tata group, established brand equity with leadership position in organised jewellery and watches segment. The ratings also take into account the strong operating efficiency, favourable product mix, improving all round performance y-o-y, healthy financial risk profile with superior liquidity position and stable industry outlook. Further, ratings are underpinned by company's well-planned expansion of its stores, pan India presence and agility to adopt to customer's needs. The ratings however are constrained by exposure to regulatory risk in jewellery division and high competition from unorganised segment.

**Rating sensitivities**

**Positive factors – Factors that could lead to positive rating action/upgrade:**

- Not Applicable

**Negative factors – Factors that could lead to negative rating action/downgrade:**

- Deterioration in business risk profile on account of changes in regulatory policies or supply related issues.
- Deterioration in financial risk profile on account of aggressive debt funded expansion impacting liquidity and earning capacity of the company.

## Detailed description of the key rating drivers

**Part of the Tata group with strong leadership team**

The Tata group, established by Jamshedji Tata in 1868, is a global enterprise, headquartered in India, comprising 30 companies across 10 verticals. The group operates in more than 100 countries across six continents. As on September 30, 2022, Tata Sons Private Limited, the principal investment-holding company and promoter of the Tata group, together with other Tata group companies (including Ewart Investments Limited and Piem Hotels Limited), holds 25.02% share in Titan, and Tamil Nadu Industrial Development Corporation Limited (TIDCO) holds 27.88% stake in Titan.

The day-to -day operations of the company are taken care by Tata group whose board comprises of 6 independent directors, 3 directors (out of which 2 are representation by TIDCO) and one managing director. Mr. S Krishnan, who is additional chief secretary, Industries department of Tamil Nadu Government is Chairman of the board with Mr Noel Naval Tata, who is the chairman of Trent and Tata Investment Corporation, being a Vice-chairman of Titan.

**Leadership position in jewellery and watches segments with strong brand recall**

Titan is the market leader in the organised jewellery and watches segments. The company's market leadership in these segments is supported by its brand equity, association of trust with Tata group, continuous and prudent store additions, and its pan-India distribution network. Titan has a strong store network in jewellery and watch segments with 645 stores in jewellery segment having presence over 240 towns Pan India, and 905 exclusive brand outlets (8500+ multi brand outlets) stores for watches as on September 30, 2022.

In the jewellery segment company has well-known brands like Tanishq, Mia, Carat Lane and Zoya and in watch segment company's brand portfolio includes names like Titan, Sonata, Fastrak, Raga, Xylys.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

**State of the Art Manufacturing facilities**

Titan's manufacturing competence provides company a significant competitive edge. Company's policy of being agile in adoption the ever-changing market situation has helped the company retain its leadership position. Titan leverages technology in its manufacturing process. For jewellery, company has two manufacturing facilities each in Hosur and Pantnagar with four additional karigar centres. For its watch segments company has manufacturing facilities in Hosur and Coimbatore and three assembly facilities each in Roorkee, Pantnagar and Sikkim. Further, for eyecare segment company has one manufacturing plant at Chikkaballapur (Karnataka) and two lens lab facilities at Noida and Kolkata.

**Healthy revenue growth with improving operating margins**

Company has witnessed healthy growth in its revenue and operating margins (except FY21 due to Covid) over FY17-FY22. Its revenue has improved at CAGR of 17% from Rs 13,244 crore in FY17 to Rs 28,799 in FY22. Further for H1FY23 company has registered revenue of Rs 18,606 crore vis-à-vis Rs 10,966 crore registered in H1FY22 viz. growth of ~72%. Its operating margins have improved from 8.78% in FY17 to 11.67% in FY22 and further to ~13% in H1FY23. On account of its superior craftmanship in jewellery, in-house design in watches segment, strong and efficient control over its operations and benefits accruing from operating leverage have helped company garner healthy margins consistently over a period of time. CARE Ratings Limited (CARE Ratings) expects Titan to continue report operating margins in the range of 12-14% going forward.

**Jewellery and Watches segment contributing highest share in revenue and profit**

Titan has four business verticals from where it derives its revenue. The four segments are jewellery, watches, eyecare and fashion accessories. In FY22 company has derived 91% of its revenue from Jewellery segment followed by ~5% revenue from watches and the balance from other two segments. It is the jewellery business which has been the major revenue contributor and growth driver for the company historically. The revenue from the jewellery segment has grown from Rs 13,257 crore in FY18 to Rs 25,523 crore in FY22 viz. growth of CAGR 17.79%. While the jewellery segment has witnessed healthy growth the watches segment remained stagnant and grew marginally by about CAGR 2% over the same period. The revenue from watches segment improved from Rs 2132 crore in FY18 to Rs 2317 crore in FY22. The eye care segment has shown moderate growth of about 6% over FY18-FY22. Its revenue grew from Rs 415 crore in FY18 to Rs 517 crore in FY22. The other peripheral segment which includes fashion accessories also shown healthy growth of CAGR 11%, from Rs 441 crore in FY18 to Rs 676 crore. Though it registered healthy growth however its contribution in the overall revenue remains very low.

In terms of profitability also the jewellery business has been generating highest profit with consistent EBIT margin of about 11-12% and constitutes 90%+ of total EBIT. The profitability (EBIT) of watch segment has been on declining trend as it has declined from 9.78% in FY18 to 3.19% in FY22, while in FY21 it also registered losses.

**Comfortable financial risk profile**

Capital structure of Titan remains comfortable as on March 31, 2022. The overall gearing as on March 31, 2022 stood at 0.81x as against 0.79x as on March 31, 2021. The debt risk metrics such as term debt/GCA stood at 0.54x in FY22 (against 0.95x in FY21) and total debt/GCA and Interest coverage stood at 2.89x and 15.42x in FY22 (against 4.20x and 8.67x in FY21) respectively. The company has robust liquidity position with cash and liquid investments (including margin money) to the tune of about Rs 1400 crore as on September 30, 2022. Company has been generating healthy cash accruals over time and in FY22 the same was at Rs 2516 crore. As on, September 30, 2022, company does not have any term debt and the long-term loan represents liability on account finance lease.

**Prudent expansion of stores with PAN India presence**

As on September 2022, Titan has presence in 244 town with 645 retail store network with brands Tanishq, Mia and Zoya. In watches segment it has 905 exclusive brand outlets with 8500 multi brand outlets and with presence across 274 towns with brands like Titan,Fastrack, Sonata and Xylys. The EyeCare division has a total of 827 stores spread across 335 towns with brands Titan EyePlus and Fastrack. The Indian Dress Wear division has a total of 31 stores spread across 14 towns with brand Taneira.

Company has expanded its stores prudently with mix of company owned company operated, company owned franchise operated and franchise owned and franchise operated model. On account of franchise model the retail space addition does not require large capex.

**Well planned effective hedging policy in place**

Bullion being the main material for making jewellery is subject to market fluctuation. In order to protect itself from any adverse movements in the prices of gold, Titan follows a well-defined hedging policy. It remains fully hedged all the time. Titan procures gold from 2 primary sources viz. through gold metal loan from banks and from spot buying. For gold metal loan inventory, which is sourced from banks, company fixes the quantity, however, liability is fixed on the date of utilisation which is normally sale of gold to customers. This acts a as a natural hedge for the company. And for the gold procured through spot buying company enters into futures contract in the commodity exchange based on expected sale. The hedging policy protects the company against price fluctuations.

**Growth plans**

Company has been planning to foray into international business. For its jewellery business company is positioning itself in Dubai and USA. For reviving its watches segment company has created separate vertical with special focus on smart watches. In dress wear segment company is attempting to develop its brand Taneira. In fashion company has recently launched its brand "Irth" for women handbag.

**Environmental, Social and Governance (ESG) Risk**

The credit risk profile of Titan is supported by its ESG profile. Company strives to minimise the negative impact of its operations including from the manufacturing units, karigar centres and office spaces. Company has initiated various steps to reduce energy and water consumption across its all-manufacturing locations. The company has adopted a focused strategy towards waste management through waste minimisation and conservation of resources. It has created many self-help groups for empowering women. Company also engages with different sections of the society through its various corporate social responsibility (CSR) program. In term of governance, Titan has well qualified and independent board with well governed internal financial control.

**Exposed to Regulatory risk**

The jewellery segment which contributes the majority of the revenue for Titan is exposed to changes in regulatory policies. In the past the industry was negatively impacted by regulatory actions such as 80:20 rule, restrictions on bullion imports, mandatory PAN disclosure requirement on purchase and imposition of excise duty. Further, by introducing sovereign gold bond government has been attempting to shift the focus of consumers from physical gold. Titan will continue to remain exposed for any future regulatory action which may impact its business profile.

**Competition from unorganised segment**

The jewellery division of Titan is also exposed to high competitiveness from organised and unorganised players. Unorganised players dominate the market with many regional players. CARE Ratings however expects that on account of Titan's strong brand recall it will continue to enjoy a dominant position in the segment.

## Liquidity: Strong

Liquidity is marked by strong accruals of Rs. 2516 crore during FY22 against repayment obligations of ~Rs. 220 crore for lease liabilities during FY23. Company does not have any term loan outstanding as on September 30, 2022. The company had cash and liquid investment of about Rs 1400 crore (including margin money) as on September 30, 2022. Average utilization of fund/non fund-based limits during last 12 months stood at ~55%. With overall gearing at 0.81x as on March 31, 2022, the company has sufficient gearing headroom to raise additional debt for its capex. The current ratio of the company stood comfortable at 1.58x during as on March 31, 2022.

**Analytical approach**: Consolidated. The subsidiaries of Titan which have been consolidated are mentioned in Annexure-6

## Applicable criteria

Policy on default recognition
Consolidation
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Retail
Policy on Withdrawal of Ratings

## About the company

Titan was incorporated in 1984 as a joint venture between the Tata group and Tamil Nadu Industrial Development Corporation Ltd (TIDCO). It is headquartered in Bengaluru, Karnataka. It was incorporated as Titan Watches Limited in 1984, the company changed its name to Titan Industries Limited in September 1993 and later in 2013, the name was changed to Titan Company Limited. The company has four primary business verticals, namely- jewellery, watches & wearables, eyecare and fashion accessories. The company is market leader in jewellery and wristwatch segment. It has well-known brand in jewellery space like Tanshiq, Carat Lane, Mia and Zoya. Similarly, in wristwatch segment its product portfolio includes brands such as Titan, Fastrack, Sonata, Xylys, Helios etc. Titan is the fifth largest integrated own brand watch manufacturer in the world.

**Financial Performance:** Rs Crore

| For the period ended / as at March 31, | 2020 (12m, A) | 2021 (12m, A) | 2022 (12m, A) |
|---|---|---|---|
| **Working Results** | | | |
| Net Sales | 21040.00 | 20088.00 | 27417.00 |
| Total Operating income | 21052.00 | 21644.00 | 28799.00 |
| PBILDT | 2467.00 | 1761.00 | 3361.00 |
| Interest | 166.00 | 203.00 | 218.00 |
| Depreciation | 348.00 | 375.00 | 399.00 |
| PBT | 2102.00 | 1327.00 | 2903.00 |
| PAT (after deferred tax) | 1493.00 | 974.00 | 2197.00 |
| Gross Cash Accruals | 1880.00 | 1342.00 | 2516.00 |
| **Financial Position** | | | |
| Equity Capital | | | |
| Networth | 89.00 | 89.00 | 89.00 |
| Total capital employed | 6284.00 | 7136.00 | 8981.00 |
| **Key Ratios** | 10082.00 | 13044.00 | 16428.00 |
| Growth | | | |
| Growth in Total income (%) | 6.52 | 2.81 | 33.06 |
| Growth in PAT (after deferred tax) (%) | 7.51 | -34.76 | 125.56 |
| Profitability | | | |
| PBILDT/Total Op. income (%) | 11.72 | 8.14 | 11.67 |
| PAT (after deferred tax)/ Total income (%) | 7.09 | 4.50 | 7.63 |
| ROCE (%) | 22.01 | 15.04 | 21.10 |
| Solvency | | | |
| Debt Equity ratio (times) | 0.20 | 0.18 | 0.15 |
| Overall gearing ratio(times) | 0.57 | 0.79 | 0.81 |
| Interest coverage(times) | 14.86 | 8.67 | 15.42 |
| Term debt/Gross cash accruals (years) | 0.68 | 0.95 | 0.54 |
| Total debt/Gross cash accruals (years) | 1.89 | 4.20 | 2.89 |
| Liquidity | | | |
| Current ratio (times) | 1.80 | 1.68 | 1.58 |
| Quick ratio (times) | 0.36 | 0.57 | 0.27 |
| Turnover | | | |
| Average collection period (days) | 6 | 6 | 6 |
| Average inventory (days) | 157 | 157 | 165 |
| Average creditors (days) | 15 | 13 | 15 |
| Operating cycle (days) | 149 | 150 | 157 |

**A: Audited**

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Details of rated facilities:** Please refer Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-5

**Annexure-1: Details of Instruments/Facilities**

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|---|---|---|---|---|---|---|
| Commercial Paper-Commercial Paper (Standalone) | - | - | - | - | 1500.00 | CARE A1+ |
| Fund-based - LT-Term Loan | - | - | - | - | 500.00 | CARE AAA; Stable |
| Fund-based/Non-fund-based-Long Term | - | - | - | - | 3055.00 | CARE AAA; Stable |
| Gold Metal Loan | - | - | - | - | 6445.00 | CARE A1+ |

**Commercial Paper and Term Loan is proposed*

## Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 1 | Fund-based/Non-fund-based-Long Term | LT | 3055.00 | CARE AAA; Stable | | | | |
| 2 | Commercial Paper-Commercial Paper (Standalone) | ST | 1500.00 | CARE A1+ | | | | |
| 3 | Gold Metal Loan | ST | 6445.00 | CARE A1+ | | | | |
| 4 | Fund-based - LT-Term Loan | LT | 500.00 | CARE AAA; Stable | | | | |

*Long term/Short term.

## Annexure-3: Details of Rated Facilities

**1. Long Term Facilities**

**1.A. Term Loans**

| Sr. No. | Name of Bank / Lender | Rated Amount (Rs. crore) |
|---|---|---|
| 1. | Proposed | 500.00 |
| | **Total** | **500.00** |

**1.B. Fund Based /Non Fund Based Limits**

| Sr. No. | Name of Bank / Lender | Rated Amount (Rs. crore) | Remarks |
|---|---|---|---|

| Sr. No. | Name of Bank / Lender | Rated Amount (Rs. crore) | Remarks |
|---|---|---|---|
| 1. | HDFC Bank Ltd. | 950.00 | Working Capital |
| 2. | Axis Bank Ltd. | 500.00 | Working Capital |
| 3. | Kotak Mahindra Bank Ltd. | 1.00 | Working Capital |
| 4. | Proposed | 1,604.00 | Working Capital |
| | **Total** | **3,055.00** | |

**Total Long Term Facilities : Rs.3,555.00 crore**

**2. Short Term Facilities**
**2.A. Gold Metal Loan**

| Sr. No. | Name of Bank / Lender | Rated Amount (Rs. crore) |
|---|---|---|
| 1. | Axis Bank Ltd. | 2,000.00 |
| 2. | HDFC Bank Ltd. | 1,900.00 |
| 3. | ICICI Bank Ltd. | 2,490.00 |
| 4. | Kotak Mahindra Bank Ltd. | 55.00 |
| | **Total** | **6,445.00** |

**Total Short Term Facilities: Rs. 6,445.00 crore**

**Total Facilities (1.A+1.B+2.A) : Rs.10,000.00 crore**

## Annexure 4: Complexity level of various instruments rated for this company

| Sr. No. | Name of Instrument | Complexity Level |
|---|---|---|
| 1 | Commercial paper-Commercial paper (Standalone) | Simple |
| 2 | Fund-based - LT-Term Loan | Simple |
| 3 | Fund-based/Non-fund-based-Long Term | Simple |
| 4 | Gold Metal Loan | Simple |

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

**Annexure-5: Detailed explanation of covenants of the rated instrument / facilities:** Not applicable

## Annexure-6: List of subsidiaries

| Name of companies | % of holding |
|---|---|
| Favre Leuba Ag | 100 |
| Titan Watch Company Ltd | 100 |
| Titan Holdings International FZCO | 100 |
| Titan Global Retail LLC | 100 |
| TCL North America Inc | 100 |
| Titan Engineering & Automation Ltd | 100 |
| TEAL USA Inc | 100 |
| Caratlane Trading Pvt Ltd | 72.31 |
| StudioC Inc | 72.31 |

| Name of companies | % of holding |
|---|---|
| Titan Commodity Trading Ltd | 100 |

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**(This follows our brief rationale for the entity published on XX)**

**About CARE Ratings Limited:**
Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.
With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.



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