

# Discounted Cash Flow Valuation Report: Titan Company Limited

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**Abstract**—This report presents a comprehensive valuation of Titan Company Limited using the Discounted Cash Flow (DCF) method. It includes revenue forecasting, free cash flow projection, terminal value computation, weighted average cost of capital (WACC) calculation, sensitivity analysis, and financial ratio analysis. The study concludes with insights into Titan's intrinsic value and financial performance outlook.

## I. COMPANY OVERVIEW

Titan Company Limited, part of the Tata Group, is one of India's most prominent lifestyle companies. Its diversified portfolio includes:

- Watches: Titan, Fastrack
- Jewellery: Tanishq, Mia, Zoya
- Eyewear: Titan Eye+
- Emerging categories: Smart wearables, perfumes

Titan is known for its strong brand equity, growing retail network, and capital-efficient growth model.

## II. PROJECT OBJECTIVE

To determine the intrinsic value of Titan's equity through the DCF approach by:

- Forecasting Free Cash Flows to the Firm (FCFF)
- Estimating the Terminal Value
- Calculating WACC
- Conducting Sensitivity Analysis
- Analyzing Balance Sheet and Ratios

## III. MODELING ASSUMPTIONS

### A. Revenue

Forecasted using historical CAGR and gradual tapering, reflecting Titan's market maturity.

### B. CapEx and Depreciation

- CapEx (2020–2025) is back-calculated from Net Block movements.
- Forecasted CapEx assumed to be 1.1% of revenue.
- Depreciation scales proportionally with revenue.

### C. Working Capital

Working capital changes are modeled using historical asset/liability trends.

### D. WACC Calculation

- Cost of Equity: CAPM  $\rightarrow R_e = R_f + \beta(R_m - R_f)$
- Cost of Debt = 6.69%
- WACC = 8.55%

## IV. FREE CASH FLOW FORECAST

TABLE I  
PROJECTED FREE CASH FLOWS (INR CRORES)

Year	FCFF
2026	1,950.87
2027	4,737.71
2028	7,360.97
2029	10,695.53
2030	13,040.62

**Observation:** FCFF grows significantly, highlighting Titan's high cash-generating ability and capital efficiency.

## V. VALUATION SUMMARY

TABLE II  
DCF VALUATION SUMMARY

Metric	Value (INR Cr)
PV of FCFF	27,929.20
PV of Terminal Value	255,938.55
<b>Enterprise Value</b>	<b>283,867.75</b>
Less: Debt (2024)	14,248
Equity Value	269,620.25
Intrinsic Share Price	3,038.66

## VI. SENSITIVITY ANALYSIS

TABLE III  
SENSITIVITY OF SHARE PRICE TO GROWTH RATE AND WACC

g \ WACC	7.5%	8.0%	8.5%	9.0%	9.5%
4.0%	2,881	2,440	2,098	1,826	1,604
5.0%	4,139	3,340	2,772	2,347	2,017
6.0%	7,074	5,141	3,984	3,214	2,667

**Observation:** Titan's valuation is highly sensitive to terminal assumptions. Conservative growth still supports current valuation levels.

## VII. FINANCIAL RATIO ANALYSIS

### A. Profitability

- EBIT Margin: Improves from 11.70% to 12.90%
- ROE & ROCE consistently  $\geq$  25%: Excellent capital utilization

### B. Liquidity

- Current Ratio  $\geq$  1: Healthy short-term solvency
- Quick Ratio lower due to inventory-led business

### *C. Leverage*

- Debt-to-Equity reduces significantly
- Interest coverage improves, reducing credit risk

### *D. Efficiency*

- Inventory turnover improves, indicating faster stock movement
- Asset turnover stabilizes at 1.5x, showing capital efficiency

## CONCLUSION

This project undertakes a comprehensive valuation of Titan Company Limited using a Discounted Cash Flow (DCF) approach supported by detailed financial forecasting and ratio analysis. Historical financials from Screener.in were used to project Revenue, EBIT, CapEx, Depreciation, and Working Capital, which allowed for the computation of Free Cash Flows to the Firm (FCFF). The FCFF showed healthy growth, indicating operational efficiency and prudent capital deployment. A WACC of 8.55% was estimated using CAPM for cost of equity and a post-tax cost of debt, factoring in Titan's low beta and moderate leverage. Using a 5% perpetual growth rate, the terminal value was calculated, leading to an Enterprise Value of 283,867 Cr and an intrinsic share price of 3,038.66, slightly above its current market price. Sensitivity analysis confirmed the valuation's robustness across varying WACC and growth assumptions. Financial ratio analysis further affirmed Titan's strong profitability, high returns on capital, low leverage, and operational efficiency. Overall, the valuation highlights Titan's sound fundamentals, resilient business model, and potential for long-term value creation, positioning it as a fundamentally strong investment candidate.

## REFERENCES

- [1] Screener.in – Titan Company Ltd.,  
<https://www.screener.in/company/TITAN/>
- [2] Yahoo Finance – Titan Company Limited (TITAN.NS),  
<https://finance.yahoo.com/quote/TITAN.NS>