TITAN & P.N GADGIL JEWELLERS COMPANY ANALYSIS

Market Capital: 2,84,025 Crores
3Y Avg. ROCE: 23%
Promoter Shareholding: 52.9%
Stock P/E: 87.7
52 Week H/L: 3,867 / 3,056

Competitive Edge

Strong Brand Portfolio and Market Leadership
Tanishq is a market leader in the mid to premium gold jewellery market. Mia and CaratLane are also showing impressive growth with significant future potential, especially in the sub-₹1 lakh segment. CaratLane's expansion strategy, though long term, is targeted towards more market penetration. While contributing a minor part of the revenue, Zoya is well positioned for the ultra premium segment with its offerings.

Pricing Power and Competitive Strategy
Titan aims to maintain a premium over its competitors by striving to build good products and a trustworthy brand. The company is prioritizing growth and market share over margins, focusing on maximizing absolute profit and EBIT growth for the long term. Titan aims to manage costs and keep healthy margins and strive towards growing market share.

Product Strategy
The company is focusing on buyer growth and same-store growth (SSG), which are critical for long-term sustainability. The strong performance of the jewellery division, with a 25% growth rate and 22% SSG in Q3 FY25, underscores its market strength.While consumer interest in LGD is growing, Titan is taking a strategic approach.The distinction between natural diamonds and LGD is clear, with LGD primarily appealing to customers in the sub-₹1 lakh price range.

Supply Chain Efficiency and Inventory Management
The company is focusing on operational efficiencies to drive margin improvement in the second half of FY25. The adjusted EBIT margin for the first half of FY25 stands at 11.3%, with revised guidance for the full year projected between 11% and 11.5%. Titan is managing inventory effectively, with no anticipated losses related to solitaires in the upcoming quarter. This indicates strong supply chain management and adaptability to market changes.

Market Position and Future Prospects
Titan holds a 7-8% market share in the organized jewellery segment. The company is expanding its presence in foreign markets and growing its offerings in segments like eyewear, watches and ethnic wear. This diversification strategy reduces market risks and enhances growth opportunities. Titan is one of the frontrunners in helping the organised sector take over the market. Its Karat meter purity assessment helps consumers assess gold quality and has built trust in the market for Tanishq.

Financial Performance and Margin Guidance
The jewellery segment reported a 25% growth rate and 22% SSG in Q3 FY25, driven by robust demand across price bands. Despite a 270 bps drop in jewellery segment margins due to one-time custom duty losses and a lower-than-expected studded mix, Titan expects margin improvement in the second half of FY25. Even though, Titan saw an increase in studded jewellery, gold sales moved faster and with increasing gold prices margins have taken a hit. However, the Management is confident in its ability to drive operational efficiencies and manage costs effectively.

Growth Outlook

Product Innovation
Titan's jewellery designs keep on advancing as they collaborate with established designers. They are also keeping their offerings new and exciting by launching various new collections in recent years which are inspired by recent trends.They're investing in innovative technologies like 3D gold printing and focusing on creating lighter-weight jewelry to address rising gold prices and broaden the appeal of their jewellery especially to the young shoppers

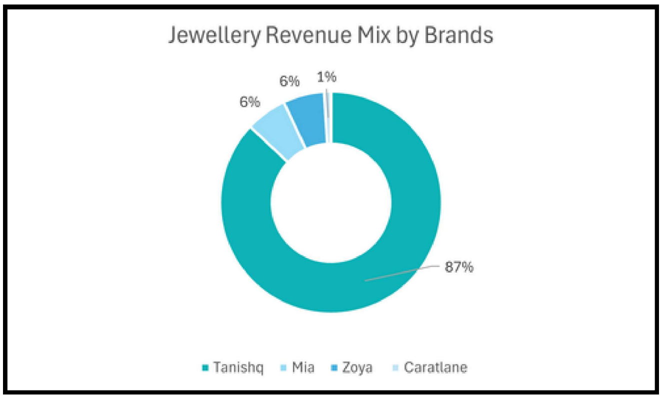
Growing Customer Base
Titan's approach to attracting new customers is all about reaching people where they are. Since most people still prefer buying jewellery in person, they use their huge online presence to arouse interest by using AI to provide targeted suggestions, personalizing shopping experience and then guiding potential shoppers to their stores through calls and chats. They are also trying to bring the shopping experience directly to the consumer. And, importantly, they're not only expanding new stores but are also revamping their existing ones, with dedicated wedding jewellery sections showing they're serious about growth and offering a premium experience. They are also tapping into a valuable market by targeting the Indian population abroad by giving them a "Home away from Home" with dedicated Tanishq stores. Titan's customers in the last financial year comprised 48% new buyers and 52% repeat buyers in Q3.

Employee and Vendor relations
Titan's employees feel content and proud to represent the brand, thanks to a focus on their well-being, skill development, and open communication. They also treat their karigars and vendors like their partners increasing their trust and productivity. Their framework considers people, procedures, workplaces, and even vendors' environmental impact which builds a dependable supply chain.

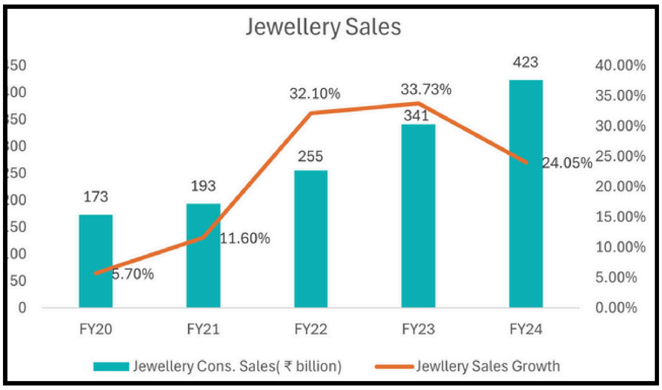
Management

Titan's management team and board of directors are experienced with an average tenure of 5.3 and 4.5 years respectively. Mr. C.K. Venkataraman (Managing Director) brings in more than 30 years of experience from the lifestyle market. He was appointed as Titan's Managing Director in 2019. At the Corporate Excellence Awards, he was named Business Leader of the Year for his outstanding leadership. Mr. Ajoy Chawla (CEO of the Jewellery Division) has spent over 30 years at Titan Company gaining experience in various divisions and was appointed as the CEO of the Jewellery Division in 2019. He can be credited with leading the jewellery unit of Titan to profits in the middle of the pandemic by embarking on a digital transformation and omnichannel strategy which are now a growth engine for the division. With a focus on premium products, global expansion, and an uninterrupted shopping experience, Titan's leadership has a clear vision.They have a clear focus on quality and efficiency which ensures their position as the market leader. Unlike their competitors whose main focus is on regional expansion and price, they prioritize luxury, trust, and innovation, which can be seen in their complete acquisition of Caratlane in 2023 to boost their digital presence and reach customers where they are.
Titan also has a high level of employee satisfaction which can be seen in their 4.3 out of 5 rating on AmbitionBox. Employees appreciate the positive work environment and the company's values. They're committed to inclusivity offering bias training, mentorship, and fair promotion practices.

Revenue Mix



Particulars	Q3FY24	Q3FY25	YoY%
Domestic (Rs Crore)	11,315	14,190	25.40%
International(Primary)	394	507	28.60%
Total Income	11709	14697	25.50%



Key Ratios

	Financial Year 2023-24	Financial Year 2022-23	Industry Comparison
P/E	91.0	85.3	Higher
Return on Capital Employed (EBIT)	38%	44%	Higher
Return on Net Worth	27%	31%	Higher
Interest Coverage Ratio	23	299	-
Current Ratio	1.7	1.8	Lower
Debt Equity Ratio	0.40	0.10	Lower
Operating Profit Margin %	9.7%	11.5%	Higher
Net Profit Margin	7.5%	8.7%	Higher

Risks and Challenges

Market Risks

1. **Lab Grown Diamonds:** More people in the big cities are buying Lab Grown Diamond (LGD) which could hurt Titan's natural diamond portfolio sales and growth.
2. **Competition:** The jewellery market is very competitive with constant price changes and new entrants requiring Titan to constantly adjust its strategies, pricing and marketing efforts.
3. **Gold and Diamond Price Volatility:** Volatility in gold and diamond prices makes it tough for Titan to price products and manage profitability, especially since studded jewellery—over 70% of its sales.
4. **Strategic Store Placement:** New jewellery stores are opening up near Titan's which could impact its store performance and competitive edge.

Operational Risks

5. **Currency fluctuations:** The changes in currency values are impacting import costs and export revenues.

Strategic Challenges

1. **Growth vs. Profitability:** Titan wants to grow quickly, but it also needs to make a profit. This is a tricky especially since it only has a share of (~8%) of the jewellery market.
2. **Consumer Preferences:** Titan needs to keep up with the changing consumer preferences, especially for diamond jewellery.
3. **Regional Market Diversification:** People in different parts of the country buy jewellery for different reasons, exhibiting different consumer behaviours, so Titan needs to adapt its strategy for each area.

Financial Challenges

4. **Studded Jewellery Margins:** The changing mix of products it sells and the rising price of gold are affecting its studded jewelry margins.
5. **Interest Rate Volatility:** The volatility of interest rates on gold metal loans makes it hard to budget.
6. **EBIT Margin**: Maintaining the target EBIT margin of 11-11.5% while investing in growth initiatives.

Market Sentiment and Investor Perception

Titan has evolved from a watch producer into a lifestyle leader driven by jewellery (Tanishq, Zoya, Carat Lane). Its solid distribution network and brand equity support long-term growth. The larger analyst community presents a "Buy" consensus; ICICI Direct sets a ₹2,960 target (19% upside), while Yahoo Finance indicates an ~18% potential gain.

Titan posted a record quarterly PAT of ₹1,012 crore. Jewellery sales grew over 32% YoY. ROE stands at ~37.21%, well above its 5-year average of ~25.48. Despite a high P/E (~87) and P/B (~30), analysts believe that the premium is justified. Promoters hold ~52.9%, while FIIs (~18.1%) and DIIs (~11.3%) reflect solid institutional confidence. With almost no pledged shares, its financial management looks stable and prudent.

ICICI Direct anticipates a 25% revenue CAGR and a 58% profitability CAGR (FY21-24E) due to store expansions, increased Tanishq penetration, and a rising wedding market. Yahoo Finance expects Titan to see double-digit sales and EPS growth through FY2026. Gold price swings and high valuations remain risks. Execution in new markets could be a challenge. But its strong brand, solid execution, and high ROE support its premium valuation.

Industry Comparison

We believe Titan and PN Gadgil Jewellers are the best two listed companies in India's jewellery industry. Kalyan Jewellers focuses on inorganic growth through the FOCO model, which hasn't worked for it well before, leading to low SSSG and is expected to impact EBITDA margins. In comparison to the industry, Kalyan Jewellers has a relatively low ROE and ROCE of 15 and 14, respectively and a very high unjustifiable PE of 74. PC Jewellers' business model relies heavily on exports. Its annual revenue has plunged 80% in the last four years and the promoters have offloaded 11% of their stake in Q3FY25. With no investor calls and stagnant earnings growth, it's an obvious avoid.

Senco Gold struggles with corporate governance issues. Thangamayil Jewellery has little public information, no conference calls and looks overvalued. DP Abhushan has strong numbers but again focusses on inorganic growth throgh FOCO and FOFO model which will soon impacts its margins. It plans on operating only in tier 2/3 cities where it faces severe competition from the unorganised players affecting its Topline.

Market Capital: 7,568 Crores
3Y Avg. ROCE: 24.6%
Promoter Shareholding: 83.11%
Stock P/E: 35.8
52 Week H/L: 848/496

Business Overview & Management

PN Gadgil Jewellers, established in 1832, is a Jewellery business that has evolved from a family-run business into a corporatized entity that is the 2nd largest player in Maharasthra under the Saurabh V. Gadgil, who is the company's sixth-generation chairman and managing director. The company's expansions and modernisation is marked by their successful Initial Public Offering, which raised Rs.1,100 crore in a debt reduction effort.

The management team of PN Gadgil consist of family and executives. The positions of Executive Directors are held by Radhika Gadgil and Parag Gadgil, while seasoned professionals like CFO Kiran Prakash Firodiya manage the financial aspect of the company. Together, they have made significant strategic moves, such as appointing Bollywood celebrities like Salman Khan and Madhuri Dixit as brand ambassadors, and guiding expansion into international markets, including a successful United States expansion and the failed United Arab Emirates expansion, showcasing a growth oriented approach.

Pricing Power, Edge & Moats

The company's pricing strength comes from a focus on higher margin products like studded jewellery, where its share increased by 80 bps to 7.4% (3QFY25). The management aims to improve it to 12-13% over the next three years. It has all its stores spread across best opportunity areas in Maharashtra since several decades with high conversion rate. Hence, it has set a barrier to entry for new brands and will grow exponentially. The LiteStyle by PNG sub-store targets a younger audience, requiring lower capex (₹50-70M vs. ₹200M for the main brand) and improving gross margins to 15-16%. Such a model breaks-even faster (9-12 months vs. 15-18 months) hereby enhancing pricing power. LiteStyle focuses primarily on modern designs, a space where competitors have yet to establish a strong presence. This early mover advantage allows them to charge a premium. PN Gadgil's focus on Maharashtrian and Gujarati designs creates deep cultural connect and customer loyalty, making it hard for competitors to replicate. Strong cash flows lets it open new stores without relying on debt (D/E <0.16), keeping finances stable and avoiding stakeholder conflicts.

Expansion and Margin

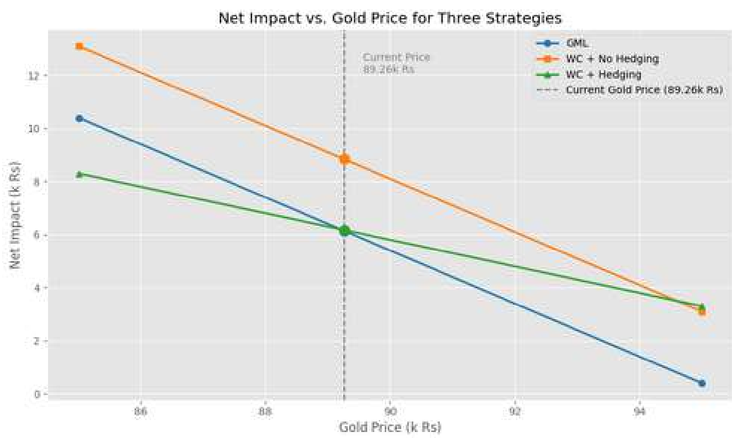
Maharashtra is PN Gadgil's most established and profitable market, accounting for the bulk of its revenue and store presence. With 53 stores and deep brand recognition, the company benefits from economies of scale, optimized supply chains, and strong customer loyalty. This results in higher operating margins, driven by brand trust built over nearly two centuries, a mature store network with optimised inventory and overheads, and the benefits of economies of scale from being the second biggest Jewellery player in Maharasthra.

PN Gadgil is expanding in Madhya Pradesh, Chhattisgarh, Jharkhand, Bihar, and Uttar Pradesh—states with high growth potential but where PNG has limited brand presence.

Despite initial challenges of higher setup costs and lower brand awareness, PNG expects margins in these newer markets to align with Maharashtra over time due to increasing online presence and marketing spend. PN Gadgil's growing commerce network grew 100% YoY to 70 crores, leading to an increased brand recognition nationwide. The company has also increased its Marketing spend by 30 crores QoQ in order to increase presence, as seen through their presence in advertisements in Times of India, Disney Hotstar, and ZEE 5. PN Gadgil uses Extensive research and leveraging data analytics for location scouting and targeted inbound/outbound marketing for online e-commerce growth.

Inventory & Hedging

As of December, PN Gadgil held a 1800 crore inventory with a 58 KG GML. As of January, the company was also completely hedged against Gold with Gold Metal Loan increasing from 18% to 45%. The company also includes Mark-to-Market hedging in their results. Hedging is a continuous process that is guided by sales forecasts and market expectations. PN Gadgil's legacy stores require a inventory of Rs. 35 Crores. A shift away from Working Capital towards Gold Metal Loans might reduce interest payments on WC loans, which we estimate to be upwards of 10%. Despite a recent increase in GML loans to 6-7%, from 2-3% in December 2024, we still believe that increase in GML allocation is beneficial to the company.



The financing options yield different cost impacts depending on gold price movements.

A Gold Loan (GML) at 6%, if gold appreciates from 90k to 95k, we repay 90k plus 5.4k interest (totaling 95.4k), so the effective cost is only 0.4k (95.4k−95k); however, if gold falls from 90k to 85k, we still owe 95.4k while suffering a 5k inventory loss, totaling a 10.4k impact.

A Working Capital (WC) loan at 9% incurs an 8.1k interest expense (90k×9%): when gold rises, the total cash outlay becomes 98.1k, leading to a net cost of 3.1k (98.1k−95k); and when gold falls, the same interest plus the 5k loss results in a 13.1k cost.

Hedging to the WC loan (at an assumed 0.2k cost [uncertain]) slightly increases the rising scenario cost to 3.3k and, more importantly, neutralizes the inventory loss in a falling market, reducing the total cost to 8.3k.

Assuming a reversion to mean in GML prices, it will continue to remain the most efficient hedge for PN Gadgil. The company currently "sources its gold procurement as follows: 32-35% from GML, 30% from old gold exchanges, and the remaining from spot purchases through bullion vendors and IEBX."

Revenue Streams

PN Gadgil has expanded to 50 stores (39 COCO, 11 FOCO) across 25 cities, including one in the US, with plans to add 25 more by FY26. Its FOCO model enables rapid scaling while maintaining control. Gold remains the primary revenue driver (92% of sales in FY24), with silver and diamonds contributing 3% and 4%, respectively. The company has hedged 83.6% of its total requirements and plans full gold hedging for stability.

Revenue per store stands at ₹127 crores, with a net profit of ₹3.25 crores. The retail segment (77% of business) grew 42% YoY, with an EBITDA margin of 6.42%. E-commerce revenue doubled to ₹70 crores, while franchisee revenue rose 87% to ₹226 crores. Same Store Sales Growth hit 26%, transaction volume rose 21%, and footfalls increased 36%, with a strong 93% conversion ratio. Total stores are expected to reach 53 by Q4 FY25.

Revenue Mix

PRODUCT WISE						
Particulars	FY22		FY23		FY24	
	Rs. Cr.	%	Rs. Cr.	%	Rs. Cr.	%
Gold	2303	90	4093	91	5632	92
Silver	122	4	163	4	210	3
Diamond	104	5	196	4	225	4
Others	24	1	53	1	41	1
Total	**2554**	**100**	**4505**	**100**	**6108**	**100**

Channel Wise						
Particulars	FY22		FY23		FY24	
	Rs. Cr.	%	Rs. Cr.	%	Rs. Cr.	%
Physical	2543	99	4499	99	5997	98
Online	11	1	6	1	112	2
Total	**2554**	**100**	**4505**	**100**	**6109**	**100**

Business Model wise						
Particulars	FY22		FY23		FY24	
	Rs. Cr.	%	Rs. Cr.	%	Rs. Cr.	%
COCO	2335	91	4113	91	5654	92.5
FOCO	219	9	393	9	455	7.5
Total	**2554**	**100**	**4506**	**100**	**6109**	**100**

Key Ratios

The company has strong Financials and has shown consistent growth. It has the best Return on Capital Employed, Return on Equity and 5yr Sales CAGR in the Jewellery industry. Key ratios have been compared with the industry below.

KEY RATIOS		
Particulars	Ratio	Industry Comparison
PE	36.5	Lower Than Mean
ROE	32.40%	Highest
ROCE	30.80%	Highest
OPM	4.42%	Lower Than Mean
Inventory Turnover Ratio	7.33	Very High
Debt to Equity	0.16	Very Low
ROIC	20.14%	Highest
5yr Sales CAGR	21%	Highest
5yr Profit CAGR	44%	2nd Highest

Risks and Challenges

1) High Management Pay: The Managing Director's salary is 14.5% of PAT in FY24 which is well above the industry standards. Hence, the management has promised to adjust it to improve profitability.

Remuneration paid to KMP (Rs Million)				
Name	Designation	FY22	FY23	FY24
Saurabh Gadgil	MD	159.4	200	223.7
Others	KMP	38.8	737	1319.3
Total Remuneration	-	198.2	937	1543
Total Remuneration % PAT	-	28.5	26	18.5
MD Remuneration % PAT	-	22.9	21.3	14.5

2) Maharashtra-Dependent Business: 95% of the revenue comes from Maharashtra and 68% from Pune alone. Any policy change or an economic slowdown in the state will severely impact the company. However, it competitors have a national presence. This lack of diversification makes it highly vulnerable.

3) Intense Competition: The jewellery market is packed with large players like Tanishq, Kalyan and Titan. 80% of the Jewellery business is still with the unorganised players. Staying ahead requires constant investment in branding, marketing and product innovation.

4) Struggle for "Skilled Karigars": The company depends on highly skilled independent artisans, but they frequently switch to competitors for better pay. Design leaks are also a risk, affecting exclusivity and brand image.

5) Gold Price Fluctuations: With over 90% of revenue coming from gold, any price swing directly impacts margins and customer demand, making earnings unpredictable.

Market Sentiment and Investor Perception

The company recently listed on the Stock Exchange with its IPO in September 2024. The IPO demanded 1100cr Rs and was oversubscribed by almost 60 times. It was offered at a price of 480Rs a share and listed at 830Rs with an upside of 73% on listing date. However, the stock price has been really volatile since then and has dragged down to 560Rs a piece (as of 25th February) which is 33% downside from All Time High.

Motilal Oswal came out with a report on PN Gadgil on 14th February 2025 with a buy rating and a Target Price of 950Rs in a year (73% upside from CMP). Additionally, SBI Securities, KR Choksey and Dolat Capital came out with reports in September suggesting a "Strong Apply" to PN Gadgil IPO. FIIs hold about 1.93% stake in the company alongside DIIs holding 5.34% stake.

Despite a weak market, investors remain bullish as the stock holds above its IPO price. Valuations are now more attractive for long-term growth. Promoters, holding 83.11%, have a strong track record and remain confident about the company's future. With solid financials and industry-leading metrics, the stock continues to attract both institutional and retail investors.

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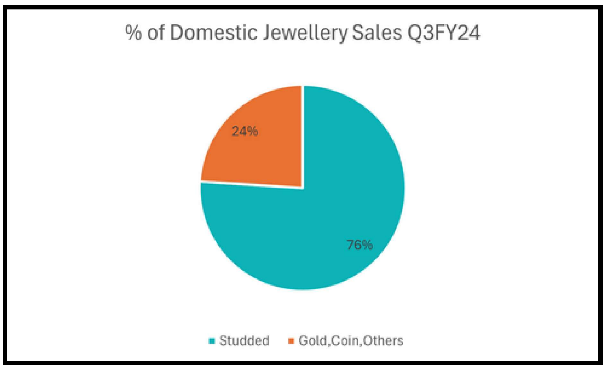
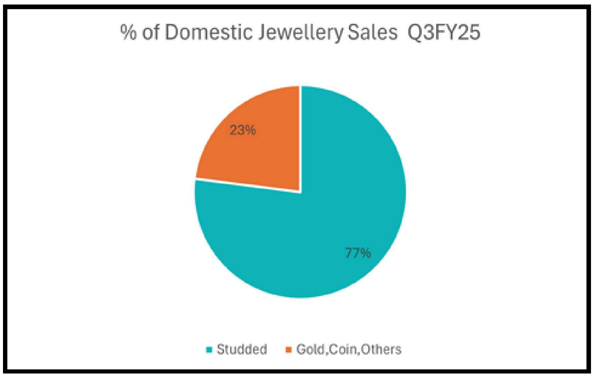
11. Q3 FY25 Earnings Conference Call, Titan Company Limited, 2025.

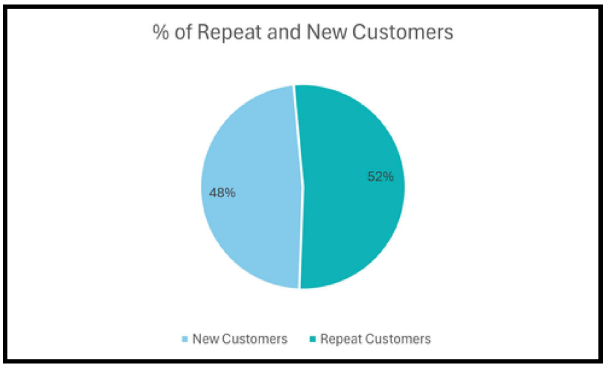
12. Q2 FY25 Earnings Conference Call, Titan Company Limited, 2024.

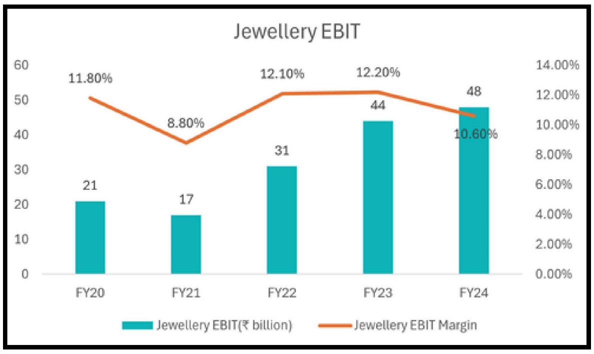
APPENDIX

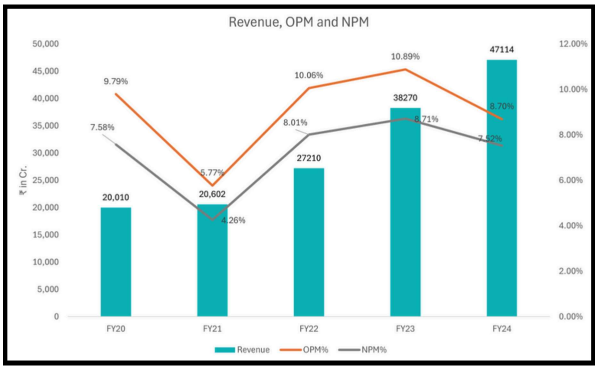
Other Key Numbers and Financials for Titan











	Financial Year 2023-24	Financial Year 2022-23
Sales to Net fixed assets (No. of times)	32	32
Sales to Debtors (No. of times)	50	42
Sales to Inventory (No. of times)	2.8	2.6
Retained Earnings- Rupees in crore	11,427	8,771