Titan Company Limited

Quarterly Update: Q2 FY 15-16

Consumer sentiment did not change significantly in the quarter though a surge in gold jewellery demand was witnessed in the month of July following reduction in gold prices. However, the absence of GHS continued to affect the performance of the Company in Q2 FY 16. The Company had forced closure and redemption of its GHS scheme in Q2 FY 14-15, the last date of this foreclosure being 7th September, 2014. Post this date, we expect to show a healthy growth in our jewellery business.

While the macro-economic head winds continue to affect business growth, the company is bullish on the India Growth Story and continues investment in network expansions and new store additions.

Jewellery Division:

While the retail sales of the division showed a considerable degrowth due to the absence of GHS, the non GHS like to like comparison showed a promising picture. Tanishq stores experienced a healthy growth in walk ins, conversions, numbers of buyers as well as total sales on a non GHS base. The ticket size experienced a minor drop due to a higher proportion of new customers who tend to purchase at a lower price point. New collections like the Farah Khan Collection, Zuhur studded collection and the latest Mia designs have received positive responses. Innovative products like Palette rings and innovative consumer connect ideas like "Gift a Moment" by Tanishq Solitaires, helped to reach out to new consumers.

The new Golden Harvest Scheme (GHS) has gathered momentum with customers. At the current rate of enrollments the Company will hit the net-worth limit by early Q4 FY16. To comply with regulations, the company has now decided to refund the GHS amount on the 390th day along with a discount voucher for the equivalent of the discount entitled in case of non-redemption by customer. The first of the redemptions from the new scheme will begin at the lag end of Q3 FY16 and, as mentioned in last quarter's earnings call, is expected to contribute Rs 450 Crs to top-line in Q4 FY16.

The Company added net 3 Tanishq stores this quarter (about 10k Sq feet), taking the total number of Tanishq stores to 180 (~ 7.5 L sq feet)

Watches Division:

Brand Titan has been progressing well on its premiumization journey with average ticket sizes inching up. Sonata launched Touch screen watches and oceans series IV under the sub-brand SF and New Professional watches and Rahu Kalam watches under the main brand. Helios stores have reported healthy like to like growth. Licensed brands have performed well and Police brand's ladies watches were launched this quarter. Brand Fastrack, which showed tremendous growth numbers in past, has slowed down but interest in the brand is being revived with interesting new variants like the new tees watches, gym duffel bags, back packs etc. The WOT channel also experienced a mild surge in average ticket sizes as well as repeat customers.

The company is looking to create a buzz in this category with new and exciting product introductions. The Company added (net) 8 WOTs and closed one Fastrack Kiosk and one Helios store in Q2 FY 16.

Eye Wear Division:

Eye Wear division continues to grow aggressively. The top line is growing in double digits with a healthy like to like growth as well growth coming in from new store additions (13 new stores were added in Q2 FY 16). The retail metrics like walk-ins and number of buyers continue to remain strong.

The division introduced around 80+ new SKUs across sub brands backed by a TV campaign. The division launched a range of 18kt gold frames called "Aristo" this quarter and also introduced new variants in Carbon Fibre, Titanium and Large Size Frames.

Precisions Engineering Division:

Precision engineering division faced challenges on cost front even as orders continue to flow in. Five new customers were added, during the quarter.

E commerce business, both on the Company's website as well as through other websites on a market place model, continues to grow significantly especially in watches which indicates an interest in the category amongst new age customers.

The Company's effort at increasing the **FII limit** has not yet met with success, despite frequent follow up with the Reserve Bank of India and the relevant ministries in Delhi.