TITAN
COMPANY

Quarterly Update: Q4 FY 15-16

After the buoyancy of the third quarter, Q4 FY 16 has been a quarter of challenges for the Company on many fronts.

Jewellery Division:

The quarter started with enforcement of the Rs. 2,00,000 PAN card threshold as well as stressed Capital Markets leading to an overall reduction in walk-ins despite the activation. We are still in the process of estimating the impact of the PAN card rule on our sales and hope to get a better view by Q1 of 2016-17. The studded jewellery activation of the division was advanced to the last week of December, hence pushing substantial amount of sales to the previous quarter.

In the budget speech, the Honorable Finance Minister announced an excise duty levy of 1% on jewellery manufacturing which was not received well by the industry and the jewellery industry has been on an indefinite strike in opposition of this levy. Tanishq is not participating in this strike but many of our stores have had to be shut down on many occasions across the country due to agitations by striking jewellery associations. The customer walk-ins in the ensuing period have also been poor due to the customer perception that entire industry is on strike due to which the sales performance for the month of March has been affected adversely.

During this quarter the division launched its first e-commerce exclusive collection of birthstone jewellery called Uttara.

The division added 7 Tanishq stores to its network during the quarter and closed one Gold Plus store, hence adding about 28,000 square feet of retail space

While the market conditions for the division are tough, the Tanishq brand is at its strongest in the past few years and the division is optimistic about the next year and is targeting to achieve a 15-20% plus growth in the coming year.

Watches Division:

This was a landmark quarter for the watches division due to the foray into smart watches. The division launched its first hybrid analog/digital watch under sub-brand "JUXT" which received rave reviews and sold well above our estimates. This also opens up a pathway for the launch of more technologically enabled watches from the fold of all major TCL watch brands.

In addition to JUXT, the division also launched a plethora of collections. Titan relaunched its higher priced Karishma watches to arrest the decline in lower price points and launched Marsala Collection for Valentine's day, work wear "Slim Line" collection for men and women and Gents Purple collection of metallic watches. Sonata launched the Elite and Florals collection and SF launched the Sports Girls Collection. Fastrack launched the Tees Beer Collection.

The like to like sales performance of the division as compared to Q4 FY 15 will be subdued due to the timing of the Titan activation, which was spread over December and January in the current financial year as against January and February in the previous financial year, hence pushing a lot of current year activation sales to Q3 FY 16. Except for Helios format, the same store growth remained a challenge for the division.

During the quarter the division added 7 World of Titan stores and closed 2 Fastrack stores, adding about 2,500 square feet of retail space.

While it has been a difficult year for the division in terms of sales and same store growth, the company has taken a decision to focus for the next 2 years in investing in the division to revitalize the category with exciting product launches and invest disproportionately in renewing the business.

Eye Wear Division

The division had a challenging Q3 but signs of recovery were visible towards the end of the quarter which continued into Q4. The division saw good sales momentum, taking it back to the familiar growth territory.

During the quarter, the division added 7 Titan Eye Plus stores and closed 4 Spexx stores, adding to about 6,000 square feet in retail space. The division also did range refresh on some of its existing collections like Switchers, Dash and Premium Material frames.

Superior growth, geographical expansion and investment in manufacturing capabilities are going to be the main themes for the business in the coming financial year

Precision Engineering Division

PECSA business continues to show decent growth but it has been a challenging year for the Machine Building and Automation (MBA) division due to slow offtake by customers. The MBA business is however, now showing signs of revival and will enter the new financial year with a very healthy order book.

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