SEC 79 / 2022-23

8th February 2023

The General Manager, DCS – CRD
BSE Limited
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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: Earnings Call Transcripts

Pursuant to Regulation 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform the exchanges that the transcript of audio call recording of the Company's Analyst Call to discuss the Unaudited Financial Results (standalone and consolidated) for the third quarter and nine months ended 31st December 2022 is attached herewith.

The transcript is also available on the website of the Company: www.titancompany.in

Kindly take the same on record and acknowledge receipt.

Yours truly,
For TITAN COMPANY LIMITED

DINESH SHIVANNA SHETTY
Digitally signed by DINESH SHIVANNA SHETTY
Date: 2023.02.08 20:46:41 +05'30'

Dinesh Shetty
General Counsel & Company Secretary

Encl. As stated

"Titan Company Limited

Q3 FY '23 Earnings Conference Call."

February 02, 2023

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MANAGEMENT:	**MR. C.K. VENKATARAMAN**	**– MANAGING DIRECTOR – TITAN COMPANY LIMITED**
	MR. ASHOK SONTHALIA	**– CFO, TITAN COMPANY LIMITED**
	MR. AJOY CHAWLA	**– CEO, JEWELLERY DIVISION**
	MS. SUPARNA MITRA	**– CEO, WATCHES & WEARABLES DIVISION**
	MR. SAUMEN BHAUMIK	**– CEO, EYECARE DIVISION**
	MR. MANISH GUPTA	**– CEO, FRAGRANCES AND FASHION ACCESSORIES DIVISION**
	MR. AMBUJ NARAYAN	**– CEO, INDIAN DRESS WEAR DIVISION**
	MR. KURUVILLA MARKOSE	**– CEO, INTERNATIONAL BUSINESS**

Moderator: Ladies and gentlemen, good day, and welcome to Titan Company Limited Q3 FY '23 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. C. K. Venkataraman, Managing Director, Titan Company Limited. Thank you, and over to you Sir.

C K Venkataraman: Thank you very much. Welcome to the quarter 3 earnings call of Titan Company to everyone on the call. As you would have seen from the presentation on the retail sales growth for the quarter has been very satisfying and across all businesses. And the rest of the material is there on the presentation and I presume you have had some chance to look at it and we can straightaway dive into the questions.

Moderator: We have a first question from the line of Avi Mehta from Macquarie.

Avi Mehta: Just wanted to -- first of all, congratulations on the performance. Wanted to understand the demand trends, how have they been shaping up in January? And in particular, if you could give us some understanding of the jewellery business, given the sharp price -- sharp increase in gold prices?

Ajoy Chawla: Hi Avi. Ajoy here. Yes, Jan has been quite interesting as gold prices have been shooting up since December and in Jan as well. But having said that, we are seeing a very good demand in Jan. We are very happy. We know that last year, Jan was impacted by Omicron and therefore, it was a weaker Jan month. But despite that, we are seeing a very, very healthy growth in jewellery, including gold jewellery and studded both despite the gold price rise. So we are quite happy and gung-ho.

Avi Mehta: Would you say this is on a 3-year CAGR basis that you're looking at as in pre-COVID just to -- because obviously, Y-o-Y base growth rates might be, as you rightly alluded there's Omicron in the base. So even on the 3-year trajectory it's broadly in line with what we saw in third quarter.

C K Venkataraman: Yes. No, no, it's good. It's very good. Over a 3 years CAGR, it's even better.

Avi Mehta: Okay. And on the other segments as well, if it's possible to share, especially in the watches and the eyewear?

Suparna Mitra: Yes. So this is Suparna here. Watches also -- watches and wearables, we've seen a good Jan. And like Ajoy mentioned, this is not only on last year's retail as on the Jan 2020 base also. So quite happy with the retail growth.

Saumen Bhaumik: Hi Avi. Saumen from eyecare. We had a good month. I mean last year, this is -- growth is about 40%. And if I look at FY '20 January, it is 37%. So full marks.

Avi Mehta: Okay. Perfect. The second bit also on the margins, especially on the watch side. I mean, last quarter, you had indicated that in the near term, we will -- we see a 13% to 14% margin kind of panning out in the watch business. Just wanted to kind of clarify, was this more the annual expectation or was this -- and whether this quarter or with this quarter kind of changes that expectation in any manner?

Suparna Mitra: No. This quarter, the margin is lower because of some product channel and category mix issues. But if you see the YTD margins, it is in that ballpark of about 13% and our outlook remains in that range.

Avi Mehta: Okay. Perfect. Just one clarification, Ajoy. When you say good, is there any range that you could share with us? Any understanding of what we mean by good it would be useful to appreciate. That's all from my side.

Ajoy Chawla: I wish I could, but I think there are some pretty stringent regulations on what we can share without having put it out on the stock exchange, no. So apologies for that, but we are very happy is the best we can say.

Moderator: We have our next question from the line of Percy Panthaki from IIFL.

Percy Panthaki: Just wanted to ask on margins. So we've done around 13% in jewellery this quarter. For next year, would you stick to that guidance of 12% to 13%? Or do you actually think that it's probably going to be sort of at the higher end of that band or might even exceed it?

Ashok Sonthalia: So Ashok here. I think we have been answering this question quite consistently, but it will be 12% to 13% which business is targeting. Higher and lower commenting for next year is too premature, but that's the channel where definitely team is trying to keep it while achieving growth centers, which are industry-leading.

Percy Panthaki: Right, sir. Secondly, just wanted to understand, you did mention that despite gold price going up, the demand is good. So what is really driving that? Because in the past, we have seen that when gold prices are sort of volatile, the customer stays back and does not purchase. So why is it different this time around?

Ajoy Chawla: Yes. Actually, it's something which we've been trying to figure out. In the month of November -- mid-November or December onwards, we saw a greater impact of that volatility on customer sentiment for gold jewellery. That time, the studded piece picked up a bit and therefore, we were able to see some good growth. But having said that, in the month of Jan, somehow that has not held back customers. My own hypothesis is that people might have been deferring their purchases in November, December because of this volatility.

But come Jan, the outlook also looks like gold may continue to remain high, and it might even climb higher. So -- and there is weddings, etcetera. So therefore, I think people are now kind of decided to get into the market, having waited a little bit in December. But that's a personal hypothesis, I really don't have a deep database insight on this.

Percy Panthaki: Right. And for the quarter Q3, basically, can you give some colour on basically the split up of SSSG between how much of it is due to higher transactions and how much of it is due to a higher bill value? I mean even if you can't give the exact numbers, any flavour would also help.

Ajoy Chawla: Sure, sure, sure. So happy to share with you same-store growth. I think that 15-odd percent of retail growth, which includes Tanishq Mia Zoya, okay? The Tanishq retail growth is 14% as in the presentation. But if I look at the 3 brands put together, it's around 15.1%. And the same-store growth during quarter 3 is around 9%. In terms of what has driven growth, very interestingly, a majority of the growth has been driven through buyer growth. And some part of it is through ticket size growth.

And ticket size growth is a function of both the gold price as well as the diamond prices have been on the higher end. So -- but yes, very happy to hear that -- from our side that it is a growth which has been driven by buyers. And specifically, we have gained a little bit more on new buyers.

Moderator: We have a next question from the line of Arnab Mitra from Goldman Sachs.

Arnab Mitra: My first question was again on the demand side. I think last quarter, you had mentioned that there was some slowdown in the lower end of your portfolio in jewellery. Has that been a trend which has continued and anything that concerns you on that side?

Ajoy Chawla: It's a mixed bag. There is some pluses and minuses, which we are seeing in quarter 3. Yes, on the lower price and on studded, there was a little bit of slowing down, but on the gold, it was on the positive, it was not slowing down. It seems to show upswing, maybe driven by festive. But in Jan, again, I'm seeing that that is no longer a concern. It's kind of come back strongly. So, it's a bit volatile at this stage.

We are at least pushing more aggressively on trying to increase the number of buyers and therefore, feed the top of the funnel in terms of buyer and new customer acquisition and that's working. So right now not a concern, but yes, it's on the -- we are watching out for it more closely.

Arnab Mitra: Got it. And there were some news reports that there have been times anecdotally where gold prices have gone at a bigger discount in the local market. Are you seeing more pressure on gold prices from local jewellers compared to what you were seeing last few quarters because of possibly the import duty having -- gap having increased 6-8 months back?

Management: So yes, I think gold rate and therefore, price competitive intensity in quarter 3 in general was very high, national jewellers, local jewellers, everybody put together. And to that extent -- and I don't know this phenomena of the market being at the discount vis-a-vis MCX is more in the last few weeks in the month of Jan, more than in the month of December and November. So -- but because of that as the gold rate intensity in terms of competitiveness gone up in Jan, I think it's pretty much the way it was in quarter 3. But yes, if it continues like this, there is always going to be pressure because finally, there is a lot of unaccounted gold coming into the country and there is a 15% plus kind of -- 15% CD. And then if you add GST it's 18%, arbitrage.

Arnab Mitra: Got it. And just one bookkeeping question to Ashok. Is there a increase in gold leasing costs because of global interstates moving up, given that these probably are linked to gold cycles?

Ashok Sonthalia: So, Titan, it is minimum so far. We have not seen impact 15, 20 basis points, but not more than that, so far.

Moderator: We have our next question from the line of Siddhant Dand from Goodwill.

Siddhant Dand: My question was regarding TEAL. After all this time, continues to be 1% of revenue and still is loss-making. So is there some long-term vision over that company? Or is it is going to be elected?

Ashok Sonthalia: So TEAL has 2 distinct businesses. One part of business is continuing to do very, very well. The other part of business, which is automation solution has certain items, certain cost elements and which kind of came under thing. But if you look at, we are pretty much okay that a full year basis, they would still be profitable. And the order inflow situation, if you have read about that, that business which kind of struggled from the profit point of view this quarter actually won the highest amount of order in this quarter. So future outlook is okay and stable. They will kind of pick up from here and hopefully deliver reasonable profitability. I'm not concerned about that.

Siddhant Dand: Yes, but like we're concerned something smaller piece of the pie and then it's a distraction overall. That's the only concern.

C K Venkataraman: Siddhant, actually, it's not a distraction because the manner in which Titan Company operates, both within the stand-alone and with subsidiaries is a full leadership team dedicated to running each vertical. So there is no real distraction at all and there is a Board which governs the TEAL Company as well. And if you look at FY '18, FY '19, FY '20 performances, they were really good. And we must recognize that this is a global company dependent on the airline industry and therefore, in the last 2 years, a substantial churn happening, some travel and all that. So intrinsically, everything is good for this company and for both divisions as well. The last 9 months were not good for automation solutions like Ashok shared, but we are quite convinced about it and committed.

Siddhant Dand: Okay. That's perfect. Could you share some numbers or something about the UAE business because it has been there for a while now? Is this profitable or what is the top line like over there?

Kuruvilla Markose: This is Diny here from the international business. UAE, the -- we're up to 6 stores across UAE, 5 in Dubai and now the sixth store in Abu Dhabi. That business, all of the stores that we have launched are doing quite well and growing quite strongly. We are pretty much on track for whatever stores that we have launched. We have had some difficulties in terms of rolling out or expanding the stores. They're a little slower than what we had planned because what we realized is operating in some of these new markets requires a bit of time. And that is what we are attempting to stabilize.

Siddhant Dand: Is it profitable or no?

Kuruvilla Markose: Not as yet.

Siddhant Dand: Not. Okay. My last question would be, any thoughts on the lab-based diamonds of the incentives that were announced yesterday or is it too soon to think on that part?

C K Venkataraman: Just repeat the question?

Siddhant Dand: On lab-based diamonds, yesterday in the finance minister -- or even the Prime Minister announced some incentives around lab-based diamonds. Any thoughts on entering that business?

C K Venkataraman: Actually, you will remember that we invested about 7, 8 months back in an American company called Great Heights which has a brand called Clean Origin and that is for us to understand the most exciting market for LGDs in the world, which is the US. So we have already developed some kind of an understanding. We are not in a position at the moment to share any other plans to anyone.

Siddhant Dand: Okay. Last question would be what's the outsourcing mix in jewellery because the competitor ideally they outsource most of their jewellery. So margin that we can gain by manufacturing ourselves or something like that?

Ajoy Chawla: So, it varies between gold jewellery and studded. At an overall level -- so because a lot of the gold jewellery is outsourced and a lot of the studded we make in-house, I think it's about 70% will be outsourced, rough and ready.

C K Venkataraman: Also, nobody really makes gold jewellery themselves, not even other jewellers in the country doesn't makes sense. And there is so much of innovation that the vendor partners bring to the table. And therefore, between margin on the one hand and innovation and therefore, sales growth there's a balanced approach that we have taken for a very long time.

Moderator: We have our next question from the line of Shirish Pardeshi from Centrum Broking.

Shirish Pardeshi: And hearty congratulations to Venkat from the New Jersey store is operational. I'm sure you would have...

Moderator: I'm sorry, can you use your handset, please?

Shirish Pardeshi: Yes, I'm on the handset...

Moderator: Can you speak louder?

Shirish Pardeshi: Yes, I said hearty congratulations to Venkat for finally the New Jersey store is operational. I'm sure you would have gone through the pain. But just one commentary, over the next 12 months or 15 months, what kind of store expansion which we'll see in the U.S. geography?

Kuruvilla Markose: So Diny here, Shirish, again. After having opened the first store, we are looking at adding more stores. So over the next 6 to 12 months, we should see ourselves in the US expanding across another 4 or so locations. We are going after the cities which have significant Indian populations, which is what makes sense for us. And similarly across the GCC, we have fairly aggressive plans. Having established ourselves quite well in the UAE, we are looking at the other GCC countries that are Oman, Saudi is possible.

Shirish Pardeshi: So you mean to say that over the next 12 to 13 months, we should move from 7, 8 stores to maybe doubling or tripling that count?

Management: Hopefully, more than that, we intend is to get as high as 20.

Shirish Pardeshi: Okay. Yes. My second question is on jewellery business to Ajoy. Can you share some numbers what is the grammage growth out of that 11.2% what you have reported? And maybe new buyer growth number I missed.

Ajoy Chawla: Grammage growth actually will not be relevant because we don't use that in any of our modelling growth, whether in top line build up. But in terms of buyer growth, as I said, we had a higher buyer growth than ticket size growth. That was the bigger chunk. And within that, what I can tell you is that our new buyer contribution is 49%. It was 48% in the last quarter, is 49% in quarter 3.

C K Venkataraman: Also Shirish, just one perspective. We are an accessory company, we are not a commodity company and therefore, while of course, we know how many tonnes we bought and sold, that's not a KPI for us.

Shirish Pardeshi: I do understand, Venkat. The only question…

C K Venkataraman: Volume -- I understand. No, I'm just giving you a perspective. There is a number of customers, number of bills that is what...

Ajoy Chawla: So, buyer growths are very healthy and grammage growth, we don't really use as a KPI. And new buyer growth was marginally higher than the overall buyer growth. Therefore, we are now at 49% new buyer contribution to the total for quarter 3.

Shirish Pardeshi: Okay. That's exactly which I wanted to understand from you, Ajoy. You mentioned that January despite the gold prices are up, you are seeing that. So the question here is that the similar growth is seen in January because I thought that because the winter was delayed, I think there is some spill over which would have definitely happened. And the festive season is also some spill over, which has happened, at least the trade is saying.

So maybe the competition is one angle, but the buyer growth which is coming back to the trusted players is one of the things which is at least the trade is saying. So just wanted to understand your take on January with the same buyer growth, what you've said, 49% contribution is continued or it's come down?

Ajoy Chawla: I don't have the contribution figure for Jan on new versus repeat and how it was even last year. But overall buyer growth in Jan has continued to be very healthy is what I can say. And even after you discount for a weaker Jan last year. New to repeat, I don't have a Jan data readily available and we'll analyse it for the quarter, not -- it doesn't make sense to see it only Jan because there's activation and therefore, in activation, there are some skews that happen, et cetera.

Shirish Pardeshi: Okay. Wonderful. My second question is on watches to Suparna. If you can break that 811, what is the core watches and the new introduction, which has happened over last 2 to 3 quarters? So basically, if you can say that the core business, watches and wearables and the new product contribution, which has happened.

Suparna Mitra: So is the question how much is wearables as a percentage? Or is the question how much percentage of total turnover is from new product introduction?

Shirish Pardeshi: So, when we met last time about 2 to 3 quarters before, then you showcased a lot of new products. So, I'm more interested on a 9 month if I look at this number, what is the contribution of the new products which has happened?

Suparna Mitra: Contribution of new product is about 20% to 22%. So -- which is quite healthy. And now we are seeing that new product contribution is across all channels. Typically, new product contribution is high in retail channels -- but now we are seeing that even in multi-brand outlets, new product contribution is actually around more than 20%. So that's really where the pipeline -- the power of the pipeline of new products have kicked in and given us growth.

Shirish Pardeshi: Okay. Understood. And my last question on the emerging business. I think finally, we have women's segment accessories, which is bag. I can see that and you have introduced very good models and lady products. So any colour, any number? What are we doing? Where we have reached and what is the distribution we have done and maybe if number, if you can quantify?

Manish Gupta: This is Manish. So you're talking about the IRTH, venture we have 2 brands, IRTH and Fastrack. So IRTH is what we've launched in October. So currently, it's available on Shoppers Stop, Nykaa, Tata CLIQ and Myntra. And we have about 25% coverage of Shoppers Stop, so like 27, 28 stores. And the response has been really very, very good in the last 60 days. So we're trying to expand in the future across various go-to markets and we are getting great response right now.

Shirish Pardeshi: So is it, Manish, the strategy is that we will try and look at the large format stores firstly and then maybe try the e-commerce space and then maybe get into retail? Maybe I'm looking for the strategy over the next 12 to 15 months.

Manish Gupta: So basically we want to be present in departments chain LFS as we said. Online, we're already there on the vertical fashion portals like Myntra, Nykaa, Tata CLiQ, Ajio, these kind of portals. And we also want to be in the retail network as well. So we'll also have try at the store in the quarter 1.

Shirish Pardeshi: So I got that. I think what I'm referring that in the discussion when we came and met Venkat and team, there is a strong vision over the next 5 years. But for -- from the modelling purpose, maybe another 15, 20 months, 1 year or 2 years, what kind of revenue this business will drive? That's what I'm looking for your help.

Ashok Sonthalia: Like the FY '27 target, you are aware, I think in that –

Shirish Pardeshi: I know for sure.

Ashok Sonthalia: This we want to take to INR 1,000 crore. And I think business is pretty confident and can grow. And preparing themselves, this is very, very initial phase and preparing themselves to reach to that. Next year, while there are internal targets, but I don't think we are willing to share at this point.

Management: But keeping an eye on FY '27, the internal preparation and targets have been worked

Moderator: We have our next question from the line of Nihal Mahesh Jham from Nuvama

Nihal Mahesh Jham: Congratulations on a strong performance. My first question was on the jewellery business. If I look at your growth in the festive period, which you highlighted was 17%, 19%, is it fair to say that November, December saw muted performance and then we've seen an uptick again in January? Has that been the trajectory over the last few months?

Ajoy Chawla: In a simplified form, perhaps you can come to that conclusion. But the answer is a little more complex because the like-to-like period of 35 days this year, last year, this year included last week of September and so on and so forth. So actually, the growth can't be derived in an additive form, the weighted average or whatever. But somehow when you look at the entire quarter, that is the reality of this year versus last year. So it is true that our festive period growth was around that 17%, 18%. But it's also true that the quarter 3 figure turns out to be around 15.1%.

C K Venkataraman: December itself was pretty close to the quarter average?

Ajoy Chawla: Yes. And December was close to the quarter average and Jan is continuing at -- as somebody asked, the CAGR of Jan -- 3-year CAGR of Jan is, in fact, better than the 3-year CAGR of quarter 3.

Nihal Mahesh Jham: Understood. This is helpful. The second question was on the jewellery margin. I know it is in the range, but just to be reconstruct it versus last year on a higher revenue days and similar studded, there has been a Y-o-Y contraction. Just to understand, we look at because of the store addition or the contribution from the international business or any other aspect you could just help highlight?

Ajoy Chawla: So, a couple of things. One is we knew that the market is volatile and choppy and therefore, when the going is good and customers in the market, we said we will go aggressively after growth. And if that meant that we needed to invest in growth by way of competitive offers, by way of higher marketing investments and overall, in general, a higher growth-oriented approach to the market, we have gone ahead and done that.

Further, for the quarter, we've also actually ramped up some investments in digital and talent, et cetera, that has also contributed to some extent. So some of these things have possibly shown a slightly downward sense on the EBIT as you are gauging. But having said that, we had always maintained that it is better to look at 12% to 13% range, and it's pretty much in that range.

Compared to last year, it looks a little lower, but then last year also had some significant one-offs, which we had mentioned in the earnings call as well.

Nihal Mahesh Jham: Absolutely. Just one final question, if I may, that this quarter, actually it's significantly different between the UCP and our reported sales in January. Any specific reason you appear to be stocking in the L3 channel in the Q3 quarter?

Ajoy Chawla: Yes. So actually if I just look at UCP to UCP, it's a 15% growth for all our brands for the quarter. But when you look at primary, it may look like a 10%, 11% growth -- 10% growth in the domestic business. So the difference is entirely due to the timing of stocking, downstocking of L3 channel between quarter 2 and quarter 3.

Moderator: We have our next question from the line of Sheela Rathi from Morgan Stanley.

Sheela Rathi: And congrats on a great set of numbers, especially when I look at the World Gold Council data for the quarter, it suggests that jewellery demand was down 18%. So in that context, the growth has been very strong. I just wanted to understand and just picking up from the presentation itself that the company is pursuing market share growth through high visibility marketing, inventory infusion and competitive offers. So I just wanted to understand what exactly are we doing that has resulted in such stellar performance versus the industry?

Ajoy Chawla: Quite a few things actually. There has been expansion of existing retail stores as a program, which has been on for some time which is as big as the new store additions itself for the year. So that has helped inventory infusion and specifically in markets where we are low on market share and the opportunity is high, some south markets, some east markets, etcetera. And even in some of the mega stores, we have a bunch of large stores, which we are pursuing more aggressive growth since we've infused inventory there as well.

We have also done a lot more work on the high-value side, both on studded, solitaires as well as on Polkis and that has also given us very good traction. And a lot of theme design collection launches during the quarter, whether it is Alekhya for the rest of the country or Chozha for Tamil Nadu and several other introductions, Colour Me Joy, which was in December. All of that design collections have also played a very big role. So a combination of many things, very difficult.

And we've also seen very good traction on gold exchange program and Golden Harvest enrolments. So we are now back to pre-COVID levels kind of contributions for these 2 growth engines as well. So pretty much most of the growth engines are firing very well.

Sheela Rathi: So just a follow-up here, and sorry if I'm wrong in terms of my understanding if I'm wrong, you said that south and east have done well. So probably that would have helped you with respect to the growth. But with respect to the market share gains, is it any particular market where we are gaining market share? Is it the large city Tier 1 cities or something of that sort?

Ajoy Chawla: So across regions, I would say -- so I didn't say south and east have done well. I said we have launched specific collections in those areas. East has been a little muted as it has been for the rest of the market as well, perhaps driven by some amount of rural demand still kind of catching up. But this year, metros have done particularly well. And I would say we have gained share certainly in the south, certainly across metros, most definitely across certain markets of the west. In east, I think, might be we have sustained our market share, but the east overall has been a little more muted this year.

Sheela Rathi: Understood. Just one more final question I have is what was the share of wedding demand this quarter? And also in the presentation, you mentioned that high value share has gone up in the overall pie. So if you could just give us some quantitative number there? And is it to do with wedding demand or anything else?

Ajoy Chawla: High-value studded has gained a percentage point from what it was and it is now, as I said, pretty much as it was pre-COVID level. So high-value studded has done well. Solitaires have done well. Wedding specifically has been a little more muted in the quarter. I am personally expecting it to become better in quarter 4 and perhaps some of that is showing up in Jan. But wedding has been a percentage point lower in terms of contribution. So we are at around 19% as opposed to the 20% that we were last year.

Moderator: We have our next question from the line of Nillai Shah from Moon Capital.

Nillai Shah: Okay. So the question essentially is on the demand again. Ajoy, you were not giving the actual numbers for January. But can you benchmark that to the 20% medium-term growth targets that you have, are they in line with those numbers? And essentially, over the past few quarters, you have been getting some of these numbers. So even last quarter, you spoke about 17% to 19% growth festive to festive.

So given that we are in this uncertain environment, can you be little more precise in terms of what the Jan growth was? Or if you don't want to give numbers, just the benchmarking versus the 20% that we've spoken about in the past?

Ajoy Chawla: They are certainly better than what have been there if I look at the CAGR over 3 years because it is difficult to conclude on Jan purely on a year-to-year basis because of last year being -- so when I look at the CAGR, as I said, it is certainly better than the 3-year CAGR of Q3. And therefore, is it in line with what we are hoping to grow going forward? Certainly, yes. I would hope it's even better as we go forward into the quarter. So actually, it's pretty positive. We are absolutely happy with Jan.

Nillai Shah: Perfect. That is very clear. The next question is on the margins in the jewellery business. Now I know that we kind of talked about 13% margins. But if I think out the next 2, 3 years, given the way we are growing, because the 20% growth rate that is sustained, how do we think about the operating leverage flowing down into the margin line for the jewellery business?

Ajoy Chawla: It's a good question. We are also trying to put our heads together on this for an upcoming Board meeting in which we are going to discuss the next 4 years. And it's ultimately a conversation around growth, profitability and ROCE and how do we prioritize these 3 different metrics. Sorry to confuse you in some ways on that front, but it is a function of what choices we make. And so I'll leave Ashok to kind of…

Ashok Sonthalia: To add on this, like while we may plan the market is always very dynamic where you need to respond almost on week and on month and on a quarterly basis. So whatever you may have planned and it looks like that this kind of operating leverage should be coming in, actual may be slightly different than that. Your question and logic is right, as we are growing at the pace we are doing, there should be some amount of operating leverage coming in. And we should have a positive bias towards improving margin. But as I told you, market is very, very sometimes dynamic and competitive -- so that's where I will leave it rather --- we will play it as we go --we are mindful that we need to kind of deliver that.

Nillai Shah: Ashok -- I'm not talking about the next one or two quarters but slightly longer term. Your predecessor used to say that if we are able to get this 20% growth, we'd be very disappointed if the margins don't expand. So over the medium term, would you still hold the same view that if you are able to grow at this rate and the market remains relatively buoyant, you'd be disappointed if you don't get the operating leverage coming down to the EBITDA level.

Ashok Sonthalia: Yes. So the point is that, that is what I'm trying to explain you -- Ajoy tried to explain you that we need to make certain choices. You are right that market competitive intensity and our kind of investments would decide that actually. But we have been maintaining that in the next 12 to 18 months, we want to deliver growth at 12% to 13% EBIT margin band at that stage and that is the 12 to 18 months view.

C K Venkataraman: Nillai, since I was party to the predecessor comment, let me just give a perspective here. Finally, the sales growth coming at the sale gross margin levels in a business helps you deliver expanded EBIT margins and the competitive situation in 2017 and 2018 was of a certain level, the competitive situation in the jewellery industry in 2022, 2023 is at a much higher, more intense level.

And therefore, the same sales growth may well come at a gross margindilution. So that is the dynamic situation that Ashok is referring to. And therefore, if that happens, and the same leverage, which was possible which Subbu could state it in that manner is not only possible today and for us to state it with that much of clarity and certainty.

Moderator: We have our next question from the line of Manish Poddar from Motilal Oswal AMC.

Manish Poddar: So just 2 questions. One is, if I look at the presentation, I think there has been a 1% market share improvement from the previous quarter. So I believe this you mainly do when you do some market study. So would you like to highlight any other data point or any other analysis which came out from the datacentre?

Ajoy Chawla: Yes. Actually, it's an internal estimate. We are -- because when we were looking at the deck, it looked like we had not reviewed that number. Last year's number looked like a 6% share based on an estimate of about INR 400,000 crores. There are multiple views between 380 to 430. Our internal estimate is about INR 400,000 crores last year's jewellery market size overall and we were around 6%.

It looks like if I look at the trailing 12 months, we are 6.8% based on our internal estimates, again. We keep doing this constantly and a competitive assessment month-on-month, quarter-on-quarter. So it's not a 1 quarter phenomena that you should read into. I think it's more like taking the last previous 12 months and likely to be this fiscal kind of number, we may creep up towards 7% from 6.8% or whatever. A lot depends on the next few months as well.

Manish Poddar: So would you have also done any, let's say, slice and dice, let's say, for wedding market share or studded market share? And any sort of analysis on that front?

Ajoy Chawla: No, not really. It's not easy because the industry quotes a lot of figures when it comes to wedding, they keep claiming 60%. And frankly, I've not been able to figure out how do they get 60%, which is tough and how they calculate it. And on studded certainly our share is higher. On high-value studded, it is certainly lower. Yes, we have some estimates, but I think we would not share a segmented kind of market share because it's all heavy internal estimates and we would rather share with you more qualitative, yes.

Manish Poddar: But just a second question then, would you be able to help me understand what is the pricing inflation which you're seeing in diamond prices?

Ajoy Chawla: What is the pricing?

Manish Poddar: Inflation in diamond prices. Because if I look at Rapaport prices, they are roughly up about 35% to 40%. So I'm just trying to understand what is the sort of estimate you have at this?

Ajoy Chawla: So our estimate is around 14%, 15%, but this is a mix between solitaire and small. Small have gone up and have not come down and they remain higher, so smalls could be 20% higher.

Solitaire went up and then they have corrected back down. And -- but they're still a little bit higher. So the average between the 2, I would say, is around 15%. A lot depends on your buying efficiency as well as when you bought it. We did take some calls on diamonds pretty early when we bought them early. So therefore, that's the number we are seeing.

Manish Poddar: But it's for this quarter, this is the 9 months? Could you give the 9-month number at?

Ajoy Chawla: This is as it stands for the quarter, but it is a effect of the input cost will be based on what we bought over 9 months, actually. This is cost of goods sold, if at all you want to look at it from that angle in this period, I would think it's about 15% rough and ready.

Moderator: We have our next question from the line of Aditya Gudibande from Piper Serica Advisors.

Aditya Gudibande: I have two questions regarding the watches and wearables segment. What kind of contribution does the smart watches bring to the revenue of the watch and wearables segment?

Suparna Mitra: Sir, right now for this quarter, it was 10% of the total sales was from wearables.

Aditya Gudibande: I see. And what kind of growth do you expect in this segment? And what is the strategy for the company to compete with other pure tech competitors in this space?

Suparna Mitra: So we are looking at triple-digit growth numbers in this segment because the opportunity is huge. The smart watch market in India has exploded in the last 18 months and fuelled by a lot of new product introductions and a lot of tech features from all the competitors. Our strategy at a broad level is to play with our two brands, Fastrack and Titan at -- with the best features and enhanced with better design and our own, our own tech team that actually puts together the apps and the experience. Going forward, the strategy will involve customer proposition that go beyond the mere device play that is currently going on in full swing.

Aditya Gudibande: Thank you very much.

Moderator: I'm sorry, you were not audible, sir. Can you repeat?

Aditya Gudibande: I said thank you very much. That was insightful.

Moderator: We have our next question from the line of Vishal Gutka from PhillipCapital.

Vishal Gutka: I have just two questions. First is what is contribution of gold exchange during this quarter? And has it gone up because the gold rates have been going up, generally, what we have seen in the past that contribution of gold exchange keeps on moving up in the month of Jan, have you seen that? And then gold exchange earn similar margins or margins are a bit different versus a normal business?

Ajoy Chawla: The gold exchange contribution is up this quarter over last year same quarter. It's around 30%. It has gone up in the quarter also partly because we have driven some aggressive gold exchange-related offers in the market, which is part of the investment I spoke about, especially given the fact that we saw gold prices going up. And we are continuing that this, at least the next couple of months, Jan has been part of that. So yes, that has contributed to the growth.

And you are right, the cost economics -- unit economics are different for gold exchange. If we get a certain quantum of upsell, people come in with X grams and they buy X + Y grams. When the upsell is at a certain level, it breaks even. And so far, so good. We are seeing that. It has some impact on capital because you're buying on spot and sort of GOL but otherwise, yes, we are happy. And you are right, when gold prices go up, there is a tendency and we have also pushed for that.

Vishal Gutka: Got it. Sir, my second question on gold-coated silver jewellery, our ground check suggests that a lot of jewellers have started gold-coated silver jewellery. I just wanted to hear your thoughts on this segment. Are you into the segment and if not in the segment what is your thought with respect to entering the segment?

Ajoy Chawla: No, we are not really into this segment, and I don't think we will be in that segment. In Tanishq, the brand, I think it's better that we stick to what is authentic and direct. If it's gold, it's gold and it's not gold-plated silver. Yes, there is an opportunity. A lot of dealers do that. Price points are low, but we are not operating in that segment. I don't have a sense on the size of that market.

Vishal Gutka: Got it. And then my last question on franchisee expansion, even the gold prices are going up. So the working capital requirement for L3 kind of franchisees goes up in a very significant manner. So are we expected to see a bit lower through addition with regards to franchisee expansion happening in the upcoming 12 to 18 months? L1, L2 can continue, but L3 format, it could slow down a bit.

Ajoy Chawla: Actually, not really because ultimately, even the sales is a function of the gold price. So no, not -- it's not a big deal. I mean there are enough and more franchisees very, very keen to open up with Tanishq. In fact, L3 sometimes more than L2 because the margins are sweeter. So no, no issues on that. And we see a lot of opportunity out there for franchisees who are wanting to come in L2 or L3.

Moderator: We have our next question from the line of Sabyasachi Mukerji from Centrum PMS.

Sabyasachi Mukerji: I have 2 questions. First, can you comment on the reason behind the gross margin decline?

Ashok Sonthalia: Gross margin at company level, you're talking about any particular business? I think -- I think we spoke at great length in the beginning of the call about jewellery segment margin performance in this quarter. And that being the dominant business, it reflects at the company level. And in this quarter, we talked about the -- our pricing, growth, offers, et cetera. And we also talked about that in last quarter 3, there was a one-off 1% sitting. So you need to make comparison accordingly. And some of the benefits which we are sitting in earlier quarters also like diamond pricing gains, the kind of significant things which was there in quarter 2 like custom duty this has also tapering off quite substantially in this quarter.

Sabyasachi Mukerji: Okay. Understood. Second question, I wanted to understand a bit more on the like-for-like, like-to-like growth of 9%. So if I were to break it down between, let's say, the sales is basically a product of the average unit price of a jewellery and the number of items or articles sold. Now if I look at the gold price movement, it is approximately 9% up year-on-year. In your presentation that is mentioned. Then comes to your comment on that that the buyer growth has mostly delivered this 9% growth. So is it fair to conclude that the buyer growth was there, but then the average item bought by a particular buyer had fallen this quarter? Is it a correct assessment?

Ajoy Chawla: No, let me clarify. At the overall 15% growth, the larger contributor is buyer growth. But when you come to same-store growth of 9%, I don't have an exact fix, but I think both ticket size and buyer growth are there. Now normally, when the gold prices go up, let's say, in this case, 9% or 10%, the ticket size does not go up in the same proportion. People do adjust the quantity -- because they have a certain budget. So they do adjust grams that they purchase, may not be units, may be units, may be grammage, depending on whatever works. They operate with a certain budget. And therefore, in that sense, there is buyer growth and there is ticket size growth, but the ticket size growth may not be exactly equal to the gold rate increase.

Sabyasachi Mukerji: And between these 2, the buyer growth and the ticket size growth, out of the total 9%, is it evenly poised, evenly split between 2 or there is a skewness in one of these 2?

Management: It's good. Both are good. I wouldn't be able to go further on that. Let's say, it's a mix of both. It's not one or the other.

Sabyasachi Mukerji: And any guidance on this same-store growth for the medium- to long-term that you want to call out?

Ajoy Chawla: In what? In Titan -- is on like – yes certainly, every store has a business plan and there's a same-store growth plan. So we hope to do better than that in the future. But yes, there is -- and depending on the age of the store, of course, but overall like-to-like growth has to continue to grow because stores have to be -- continue to remain as profitable, if not more.

Sabyasachi Mukerji: Safe to assume 8% to 9% kind of a growth you would be able to achieve in the medium- to long-term?

Ajoy Chawla: Should be better. Why only 8% to 9%?

Moderator: We have a next question from the line of Devanshu Bansal from Emkay Global Financial Services.

Devanshu Bansal: Sir, we are making inventory investments through additional infusion at stores. While this is reflecting in a stronger growth profile, but do you expect working capital to increase from current levels?

Ajoy Chawla: Working capital has gone up. But in our case, because of GOL, the capital employed is still under control and pretty much where it was. But yes, of course, we expect inventory to go up. But it may not go up to the same extent because on capital employed, we might be able to do a more efficient play out there.

Ashok Sonthalia: There are 2, 3 levels, like one is of course gold rate and diamond rate also contributes to rupee value of inventory. So while that's the number which kind of you see in the reported numbers, not this quarter, but last quarter and you will see that number. Then there is -- so one is that rupee value and then that turn part of it. We keep our eyes on the turn, but it is right by some of these places and we are taking conscious call of some inventory intensity going up. But overall basis, we are keeping a close eye on our inventory efficiency. And that trade-off decision also of like growth margin or carrying costs is done meticulously.

Devanshu Bansal: Got it. So the incremental growth, etcetera, should not necessarily result in to increase in ROCE profile for us? Is that a good understanding?

Ashok Sonthalia: So right now idea is not to kind of significantly include one again in inventory terms, but over the medium- to long-term period, some improvement can be expected.

Moderator: We'll take our last question from the line of Latika Chopra from JPMorgan.

Latika Chopra: I have just one question. I'm sorry, it's again around the whole demand scenario. I wanted to know what's your read on the consumer sentiment at a broader level? For jewellery, I can understand there are various nuances. Probably there are more wedding dates. There's anticipation of gold prices going further up. And of course, your own initiatives to drive market share gain. But when you look at other categories and we do now operate across host of discretionary categories, how are you sensing demand consumer sentiment? Because most of the other companies are kind of calling out some caution on urban discretionary demand.

C K Venkataraman: Latika, this is Venkat here. I think the biggest advantage that Titan and other companies like Titan have is the consumer segments from which the bulk of the business emanates. And those consumer segments are sitting in the top half of the income class pyramid in the country. And they are much at the time substantially removed from effects of inflation.

And therefore, from a near-term and FY '24 point of view and even further, that is an advantage that Titan has, one. The second is that the exceptional database that we have got 20 million plus Encircle membership with a deep understanding of their preferences, of their purchase history. And on top of that, many millions of them personally known to our staff and therefore, a sale is a telephone call away in a sense because of that relationship.

So the intrinsic ability of these segments to buy things and the relationships and the understanding that we have with many millions, is the difference that Titan Company has in this overall situation that describing. And therefore, we are quite positive about calendar '23 and FY'24.

Moderator: I now hand the conference over to Mr. Venkataraman for closing comments. Over to you, sir.

C K Venkataraman: Thank you very much for all the probing questions and all the best wishes as always. See you in the next quarter.

Moderator: Thank you. On behalf of Titan Company Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.