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9th February 2022

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The General Manager, DCS – CRD
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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 2021 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 Shetty
General Counsel & Company Secretary

Encl. As stated





**“Titan Company Limited Q3 FY22 Earnings
Conference Call”**

February 03, 2022



**MANAGEMENT: MR. C. K. VENKATARAMAN – MANAGING DIRECTOR,
TITAN COMPANY LIMITED**

MR. AJOY CHAWLA - CEO, JEWELLERY DIVISION

**MS. SUPARNA MITRA - CEO, WATCHES AND
WEARABLES DIVISION**

MR. SAUMEN BHAUMIK - CEO, EYEWEAR DIVISION

**MR. ASHOK SONTHALIA - CFO, TITAN COMPANY
LIMITED**



*Titan Company Limited
February 03, 2022*

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY22 Earnings Conference Call of Titan Company Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. C. K. Venkataraman - MD of Titan Company Limited. Thank you and over to you, sir.

C. K. Venkataraman: This has been a fantastic quarter for the company across all businesses. As usual, the Diwali and the post Diwali season turned out to be very good. The enabling conditions were perfect, we had reached a very high level of vaccination status in the country and therefore the customer anxiety was very low. The pent-up feelings for shopping and enjoying were there, the waves of greater formalizing were also in our favor in some of the categories where we operate and of course, on top of that was the combination of innovation, agility, collaboration, team work, huge levels of customer relationships across our EBO network and of course our distributors and retailer friends and all our vendor partners, who rose to the challenge and delivered an exceptional quarter justifiably proud, and all the figures, all the information is there in the presentation, so I will not speak anymore. My colleague, Saumen Bhaumik - CEO of the Eye Care Division is preoccupied on a certain development and he will be 15 minutes late to this meeting, so all those of you who have specific question on Eye Care, please if you can sequence yourself accordingly after 4.15, so that he can speak to you clearly from the conference room where he will join us. Now, over to all of you for the questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Abneesh from Edelweiss. Please go ahead.

Abneesh: My first question is on CaratLane, so extremely strong sales growth and like for like growth also, so 2-3 questions here, one is your first store in airport, is it largely for branding purpose given airport rentals are very high and currently in COVID era, the footfalls are very unpredictable and very volatile? Second is, jewellery on rent pilot project, if you could share some details, how has been the initial response and overall, such strong growth in CaratLane, is there some level of cannibalization which Tanishq is seeing in some segments or it is completely different consumption segments?

Ajoy Chawla: Abneesh, Ajoy here, while Mithun has not joined in this call, I will try and answer some of your questions. On the first one, the airport store is the first for CaratLane and I think we have to yet figure out how the topline, etc., pan out, but by and large every store that CaratLane opens has a path to profitability, so while yes it will play a branding and marketing role as well for CaratLane, but we think there is enough, at that price point, there is enough opportunity for impulse buying to take place and this will in a way enable us to test how strong is the actual revenue opportunity and Bangalore is a good city to have tried it. On the jewellery on rent, I am afraid we don't have enough information right now to share with you, however, we will try and

see if we can get back to you with some amount of learnings. It is early days, it is still at a very early days in terms of a pilot, so don't have anything to share. Growth in CaratLane cannibalizing into Tanishq, we are not seeing that. We have seen handsome growth in literally all the brands, whether it is CaratLane, Tanishque, Mia, Zoya and even put together between all these brands, all our brands put together, we are still around 6% market share in a huge jewellery industry and of course the customer segments are different and even need states are different in many of these cases. So, I don't see any cannibalization at all.

Abneesh:

My second and last question is on Tanishq, your growth in the last 2 years of COVID has been extremely good in jewellery and well ahead of expectations and possibly well ahead of every player also, so here you have mentioned market share gains and you have mentioned regionalization strategy of winning in focus markets, so could you give more specific granular details, which market, what has worked, is it better pricing, more focus on wedding, the design aspect, anything else you want to highlight and now when wave 3 is also now over essentially, do you see that the big fat weddings will be back, so that structural tailwind which was there, that will become difficult, so people will spend more on the big fat wedding rather than on the jewellery because restrictions will not be there if there is no fourth wave?

Ajoy Chawla:

I will start up with the first part of your question which is to say, what has worked for us. Actually, in quarter 3, there has been a clear volume buyer led growth and a grammage led growth, ticket size growth has been marginal because gold prices have stayed kind of muted relative to last year which is very good news because of so many more people in the market. We have seen very good, so 32% has been our buyer growth and on new buyers, we have seen 39% growth which is to say we have gained a lot more on new buyers and we are continuing to see the benefits of formalization. In terms of regionalization, which is also helping us in the market share gain, markets like Tamil Nadu, we have talked about continue to power ahead in terms of market share growth and we are continuing to invest in that market. We are also investing in Bharat markets, what we call as Bharat markets are those which are typically, UP, Bihar, Orissa, parts of MP, Chhattisgarh, et cetera where the upside is huge and there on the plain gold as well as on wedding, the opportunity continues to be very very high for us. Actually, on wedding, if I were to say this quarter we have seen very good growth, it's led the growth. Overall retail growth has been around 34%, wedding segment has grown at around 40% for this quarter. The opportunity for the big fat wedding and how it is going to affect us because of other things, very early to say, our total contribution of wedding continues to be around 20-21% mark and most jewelers have about 50 to 60% coming from wedding. So the headroom for wedding related market share gains is huge. What is working for us, yes, regional products which has been the thrust of it, network expansion, and regional and specific campaigns that we have run across different markets and we are continuing to do so. In fact, we are picking up couple of more markets as we go forward. So I think that is what is working. Pricing has not really been too much of area of concern for us. Yes, there is some plus, minus that keeps happening, but we have seen very good growth in the higher making charge products also, so all the pluses and minuses are netted off positively.

Abneesh: Just one small follow-up, so wedding as a percentage of your sales, are you happy with that number given market is much higher and is there conscious strategy to drive that much higher in studded, you used to have number many years back, but then you said that every part of the business can grow and there are too many dynamics at play, so what would be your comment on wedding as a percentage of the share, medium to long term?

Ajoy Chawla: It is difficult to say share again. I would say that wedding can grow faster, just like studded can grow faster, but since we are also focusing on the everyday specials or core category which we talked about 2 years back that has also come back very strongly and in fact it is a great, it helps build the funnel because suddenly people will not come in and buy wedding jewellery or high value studded, they start of by buying every day and then migrate onto becoming regular customers, but yes, we are seeing good traction in wedding and we have a separate dedicated marketing and let us say merchandising plan and retail plan for RIVA AH which is our sub-brand for wedding and you will see much more aggressive play in that when you go forward. I can't comment on the contribution because everything is growing at a certain rate, but we will continue to invest in both RIVA AH as well as studded disproportionately.

Moderator: Thank you. The next question is from the line of Nitin Jain from Fairview Investment Advisory. Please go ahead.

Nitin Jain: I have just one question, so couple of quarters back, you spoke about Tanishq targeting the US market and this quarter too, the commentary is that CaratLane has gone live with its US website, so what kind of potential do we see from the US market and what is the vision here for the next say 3 to 5 years?

C. K. Venkataraman: I wouldn't want to share any specific ambition in terms of numbers here, but it is a very very grand vision in the sense that we want to become the jeweler of choice, jewellery brand of choice for the NRI PIO in the GCC and North America in the next 3 years and we are doing everything that we should be doing to get there in-scale and at a very fast pace and we will share with you what we would like to share some time down the road.

Moderator: Thank you. The next question is from the line of Rakesh Jhunjhunwala from Rare Enterprises. Please go ahead.

Rakesh Jhunjhunwala: I just wanted to know one thing, what is the expansion plan we have over 1 to 2 years horizon both for the jewellery business and the eye wear business and all the requirement we were late in the wearables business, acquire something in order to fill the gaps and get better technology or whatever reasons?

Ajoy Chawla: Rakesh, Ajoy here, I will take the jewellery piece. This year itself we have opened 27 stores and by the time we end the financial year, it may be another 10-12 stores. We are looking at it may be 35-37 stores is the sense we have for this year. Next year, again we have in mind, we have a

pipeline of 50, but we may land up opening 35 to 40. That depends on local conditions, but we are constantly pushing the envelope there and we see the opportunity over the next 2-3 years to really we are at 384 odd Tanishq stores and we are also now begun to add a lot more in Mia besides the CaratLane expansion. So put together as a portfolio, we are already beyond 500 and we think that 500 could hit 600 to 700 over the next couple of years. Opportunity is large for all the brands put together.

Saumen Bhaumik: Good afternoon Rakeshji, this is Saumen from Eye Care Division. On the network front, this year in the last 9 months we have added 125 stores, this happens to be one of the largest expansion that we have ever done in the division and our outlook is in the coming 12 months, by FY23, I think our network count which is about 707 today should be around 1,000.

Rakesh Jhunjunwala: By 31st March?

Saumen Bhaumik: 23, trying to open one store every 1.23 days or something like that.

Rakesh Jhunjunwala: Great.

Suparna Mitra: Hi Rakesh, Suparna here from watches. You didn't ask me the question on network and expansion, but I do want to mention. In quarter 3 itself, we opened 35 new stores across the three chains and there is also in addition 29 stores renovation, so there is a very big plan to expand and modernize the World of Titan what is now we call Titan World Store chain. In addition, Helios is expanding very rapidly and the combination of Helios and World of Titan Stores in many locations is working really well as an expansion route. With regard to your question on wearables, in quarter 3 we had the launch of Titan Smart in the end of December which had seen a lot of success and in January we have launched Fastrack Reflex watch called Fastrack Reflex Vox which is also an Alexa enabled and we have another launch tomorrow and another couple of launches in the next 2 to 3 weeks, so we have a very healthy pipeline of smart watches from both Titan and Fastrack and whatever we launched is doing really well, so we hope to gather a lot of momentum in this quarter itself which will then move onto next financial year. As you know, we had done an acqi-hire of a Hyderabad based startup called Hug Innovations and that whole team is really our tech team right now. In addition, we are working with various partners and alliances and we are very confident about taking on this expanding, exploding sector with a lot of good products up ahead.

Rakesh Jhunjunwala: I had one question for Ajoy. Ajoy, Venkat just now said that he is looking at aggressive interest expansion and do you want to meet the customers, the NRI and the PIO, which are the areas Singapore, Australia, Middle East and whether for England, these are the places where the Indians are wanting to buy in quantity?

C. K. Venkataraman: Rakesh, we have opened our first international store after a long time in Dubai, a little more than a year back and it has done exceedingly well. After that we have opened two more stores and in

the next 2-3 months, we are opening a few more and our first North America store is slated to open in May-June of 22, 3-4 months down the road in New Jersey and our focus is going to be the Gulf Cooperation Council Countries including Qatar and Bahrain and countries like that and the US and Canada, so it is a 3-year focus and we are obviously looking at concentrations of NRI PIOs in the East Coast, may be in the center like in Texas, on the West Coast, in the Bay area and may be Toronto, Vancouver. So the Australia, England and all are a little down the road thereafter.

- Rakesh Jhunjunwala:** Singapore and Hongkong also have big Indian populations.
- C. K. Venkataraman:** Yes, sure, I mean they are all there in our, it is just scheduling and there is a certain scale advantage like we are in the US to put up 5 stores, there is a certain scale advantage that comes as opposed to dissipated international kind of approach, but sure as we gain traction, every year we will ramp up our ambition as well and we will certainly take your point.
- Rakesh Jhunjunwala:** Without any commitment that it will happen, do you think it is reasonable to figure out that we will open 25 stores in the next 3 years?
- C. K. Venkataraman:** No, my silence is not because I am worried about the commitment; I am just trying to recollect the plan. We are looking at, yes, in the 20 stores ballpark, yes.
- Rakesh Jhunjunwala:** But where the sales, first of all the gold price has duty in India so for NRI to buy there is more cheaper than buying in India and do you think the technical store in Dubai or in America in average will sale double of an Indian store?
- C. K. Venkataraman:** Yes, could actually, like I also met many customers in the US two months back and both from their economic situation there in the 100,000 US\$ per capita on the one hand and their status we were sharing with them products and prices and all that and the sense I got was what you are saying which is a much bigger ticket size and through that much bigger ticket size, much higher first 12 months sale in every store that we open which has actually been the case even in Dubai.
- Rakesh Jhunjunwala:** So therefore, if you open 25 stores in 3 years 50 stores or more compared to India?
- C. K. Venkataraman:** Yes, from sales point of view, yes.
- Moderator:** Thank you. The next question is from the line of Jay Doshi from Kotak Securities. Please go ahead.
- Jay Doshi:** Very quick book keeping question, diamond prices have gone up quite a bit in the past couple of months or so and you have called out that as one of the reasons for higher profitability, is that number worth calling out in terms of what could have been the impact on profitability because of inventory gains on some of the diamond studded jewellery that you must have realized?

Ashok Sonthalia: I think that is of course one of the reasons which we called out and it is well known that gold and diamond prices are going up. To some extent, we also took price increase and had advantage of stocks which was a tool, but there were certain other elements also which helped this quarter. Overall, I would put about 100 basis points all those elements which came together which may not be, I would not call it one time, but they are not normal items, so that 100 basis points you can think on account of 2-3 elements, not just only diamond.

Jay Doshi: Is it possible to share what are the other one or two elements other than this?

Ashok Sonthalia: One element at least I will call out that we have our provisioning policy based on ageing of the stock and with the growth, some of those stocks got sold out, so some of those provisions got reversed, so that credit is also sitting in this quarter.

Jay Doshi: And in case of diamond, you will continue to see that benefit for at least one more quarter or beyond that reasonable to assume?

Ajoy Chawla: Yes, it is reasonable to assume because some of it, it is a constantly moving thing. We took another price increase in January, but there is still opening stock, but now again prices are going up, yes, in this quarter I think you can continue to see some benefit and I would add to Ashok's point, there was one more element where I think we have gained this year and this quarter, some payout being lower on account of lower contribution of sales from GHS, which will catch up by the next couple of quarters, but these are all the other elements which are also playing now.

Jay Doshi: Finally, with diamond prices moving up after a very long period, are you seeing any kind of increased interest levels in the studded jewellery?

Ajoy Chawla: The quarter 3 has been very good for studded jewellery. The growths have been marginally ahead of the overall sales. Even in the month of Jan and we don't know how Feb, I think studded continues to see interest, despite the inflation in diamond prices, but I think the cumulative effect of all these inflations will start hitting consumers in a bigger way only by Feb-March, I feel or even April when all the market takes all the price increases, we will have to see then, but right now, yes, the market for diamonds and inflation in diamonds is red hot.

C. K. Venkataraman: Also, one of the things that I have certainly seen over many years, this is a store of value product, it is not finally a Rs. 50,000 becomes a Rs. 60,000 product, it is about Rs. 60,000, so therefore it is not like other categories where it will become expensive. Sure, you have to pay more money but the money is sitting in the product, so to that extent it doesn't work exactly like the price elasticity on volume kind of point that you are raising necessarily does not work like that and as long as any brand has got an assortment which is sort of wide and deep enough to cater to all price points which typically companies, all our teams keep working, when prices go up, then assortment teams kick in and then create more products, so that there are no gaps and there is a physical volume to price equation which is maintained around.

- Jay Doshi:** No, my question was the other way round, are you seeing any pickup in the interest given that normally, if I understand correctly, diamond prices were stagnant for quite a few years whereas gold was appreciating, so from an investment or of value perspective, this movement in diamond prices, does it actually attract more customers to go for studded versus gold?
- C. K. Venkataraman:** No, because gold is an investment product, diamond is not, even though it has paid back a lot to a lot of people, but people don't think of it as an investment.
- Moderator:** Thank you. The next question is from the line of Shirish Pardeshi from Centrum Capital. Please go ahead.
- Shirish Pardeshi:** Very strong set of performance, I have two questions, first is obviously on Tanishq, you have reported a very strong growth, if you will be able to give me some breakup in terms of volumes and value?
- Ajoy Chawla:** Yes, in fact the entire growth in retail is driven by volume actually, 34% is the Tanishq retail growth. In value, 34% is driven by buyer growth and 2% on ticket size.
- Shirish Pardeshi:** And any quick sense because what we have been seeing this pent-up demand and deferred wedding, if that trend is continued in the month of January?
- Ajoy Chawla:** I don't really have the January data about wedding demand, etc., but the pent-up demand is there. If you ask me there are lot of weddings and lot of people continue, the enquiries are there. We are anticipating this quarter, there is opportunity for wedding and also if you ask me in quarter 1 going forward. So, over the next 5 months, we are bullish on wedding and we will push the envelope stronger on that.
- Shirish Pardeshi:** That is very helpful, why I am asking is that you have beaten even the gross margin and jewellery being a larger component of your business, what kind of gross margin, I am not saying the number, but is that trend is visible and is it sufficient that we can look at more than 20% plus margin in that business?
- C. K. Venkataraman:** I think our focus is substantially on sales growth and starting to become more and more dominating in every city where we are including the programs that Ajoy has spoken about which is multistate thrust, so all that is pushing for scale and therefore the overall expansion and the profitability of the business coming much more through scale than actually through gross margin expansion. If it comes through that in a particular quarter because of some circumstances like that it comes through, but gross margin in any case not an end in itself, it is not a business KPI, it is sort of within a range we need to keep it, otherwise the health of the business gets affected, but otherwise it is not an ultimate KPI. The ultimate KPI is profit margin and the ROCE and therefore the scale is what we see substantial part of the expansion and delivered by scale in Q3 and some part of it by the gross margin expansion. So to that extent, this is dynamic, if we grow

much more in gold jewellery in Q4 than in diamond jewellery, then the gross margin will fall, but does it mean anything, nothing because our profits may actually increase.

Shirish Pardeshi: My second and last question on the watches segment, again watches have seen after very long time a good strong growth momentum, so any color how the unit growth has happened or it is how the mix has changed in terms of premium and popular?

Suparna Mitra: So in watches, the volume is, there is a gap of almost 10% between volume and value which means just an average price growth of almost 10%. It is on the back of the higher priced brands which is both flagship brand Titan as well as international brands which are more expensive, though it has led the growth in Q3. Otherwise, it has also done well. Sonata, which is our economy price brand is addressing the lead growth possibly because of the overall conditions, favoring premiumization as opposed to be economy price point. Having said that we are seeing good growth across all channels, whether it is multi-brand outlet, our own EBOs as well as the large format stores and market place e-com and for us different channels actually cater to different audiences in different price points, so the multi-brand retail and e-commerce are more oriented towards the economy price points and those brands do better. Our EBOs as well as the large format stores are the place where Titan and the international brands do better, so as of now there is still, a large part of the growth is still coming from the average price point. There is volume growth, but not as much as.

Shirish Pardeshi: I got that Suparna, my question was little different, in these circumstances, as we know, wedding season and gifting season is really strong because of the festive season, but once the economy opens and things normalize, do you think that the premium end is growing faster or be growth rate will fall down to the economy brands?

Suparna Mitra: Yes, absolutely right, as the situation becomes more normalized, the lower price products and the more economy brands will also kick back into life, so yes, may be a year from now, there will not be such a big increase in the value side. The premiumization will continue because that is where the overall consumer trend is, but middle and lower price points will also, that demand will come back. You are right with a lot of gifting, with a lot of wedding, a lot of other occasions, they only get gifted, which are not being celebrated, all these moments of birthdays, anniversaries, so many, graduations, so many important occasions that watches are the gift of choice, those will come back and we will be able to see that those coming back.

Moderator: Thank you. The next question is from the line of Tejas Shah from Spark Capital. Please go ahead.

Tejas Shah: My first question pertains to jewellery segment, so couple of quarters back, you had specifically called out that we are gaining market share in Southern India market, with a lot of effort and planning being put on that part of the business for a while now, so any update on that front?

Ajoy Chawla:

Yes, Ajoy here, market share gains continue to be good actually across the region. I can say specifically for quarter 3, the gain in market share perhaps is sharper in South and West. In the East, also there is, but not as sharply as I am seeing in the South and the West. In the North, again local jewelers have been subdued, so we have continued to see market share, so across the country the larger chains and organized players have gained from local barring may be few select states here and there like West Bengal or Maharashtra where there are local chains which are strong. In the South, Tamil Nadu, Bangalore, Hyderabad, everywhere we are witnessing good market share growth.

Tejas Shah:

And if you can double click on South India further, so we had made some attempt 4-5 years back in terms of Gold Plus and now we are after a long, we are again seeing some traction there in Southern India market, so any strategic insights if you can share, what are we doing differently and how are we going about tracking that market again, Tamil Nadu in particular?

Ajoy Chawla:

In Tamil Nadu, our network expansion as well as conversion of Gold Plus to Tanishq, I think was one very important piece, so we are at 42 plus stores right now and the second piece that we have done is, we have done a lot of regional product introduction including in the daily wear category where we need to establish ourselves as a jeweler which is taken seriously. So naturally our studded ratios are a little lower compared to the rest of the country, but we think it is relevant because it is adding to the top of the funnel. Thirdly, we have done a very intense local culturally relevant marketing activity by going deeper into consumer insighting and understanding progressive women of Tamil Nadu specifically and with Nayanthara as the brand ambassador, we've put together a very strong program. On the retail operation's front, there is a lot of focus on grammage growth and exchange and many other operating levers, so all these three things put together including merchandise infusion, absolute investment in inventory going up, so all these put together are working powerfully together and seeing us gain very handsomely in Tamil Nadu. We are very happy and we are continuing it as a strategic program.

Tejas Shah:

Second question pertains to eye wear profitability which has been fabulous turnaround story in last 2 years now, so just wanted to know when we focus so much on profitability, the other side, perhaps the down side not shown in this case could be net promoter score, so how will you be signing on that front in terms of customer experience when we are focusing so much on profitability?

Saumen Bhaumik:

This is Saumen here. As far as the last 2 year goes, we have seen some unprecedented disruption, so we could not visualize anything more than a quarter, so we addressed quarter by quarter and that is how we got many of the internal matrix right, as a result in most difficult time we kind of missed our cost etc., in a way that we saw the profitability and related turnaround. As far as customer focus is concerned, this has been one of the unwavering focus of the division, whether you made money earlier or not, this only got better. During the first lockdown and our people reached out, more than 3,000 people reached to half a million just to connect with them to find out their wellbeing, the kind of positive response that you got and its true that you also discovered



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how many people are waiting to come to our showroom for getting their problem solved and so and so forth and subsequently, if you look at our NPS score, it steadily improved, whether in 2 days or 15 days or 90 days and the last parameter is the information that is available in the public domain which is a Google score, 420,000-430,000 people are customers, they have rated us 4.9 out of 5, so these are all enough indicators to us that the foundation that we have built over the last 12 years on the customer front has only become stronger in the most difficult and the most disruptive phase of our consistency.

Moderator: Thank you. The next question is from the line of Chirag Shah from CLSA. Please go ahead.

Chirag Shah: In fact my question was continuing on the eye wear business margin, of course as the previous participant also highlighted we have seen very strong margin growth in the last couple of years in the eye wear business, can you just talk a little bit about the unit economics of the eye wear business, what is the revenue run rate that mature stores do versus the network average, sustainability of the margins here and whether large part of the margin increase is because of the operating leverage as bulk of the investments are now behind?

Saumen Bhaumik: Pre-COVID, our average store turnover used to be roughly about a crore, obviously this we have never seen in 12 months thereafter together, that is not a comparable figure. So that figure wouldn't have changed much if we normalize for 12 months, but last 12 months, especially in the last 7-8 months, we also expanded, we have also gone far deeper and wider and the per store yield would be lower than let us say in bigger cities and bigger towns and bigger catchments. That is one side. As far as the margin is concerned, at a gross contribution level, we do not foresee too much of a variation going forward as you see it now and as a percentage, it has certainly dropped because assuming that we are kind of out of the periodic disruption that we have been experiencing and we will probably see on full 12 months, our focus would be towards investment winning growth. So growth would come as a first priority and that would have a consequent impact in the profit margin.

Chirag Shah: Just continuing a bit further on the eye wear business, you spoke about network rollout that you plan on the eye wear side, but given that the opportunity is so large, what stops us to go for slightly more or rather a faster network rollout than what we are envisaging?

Saumen Bhaumik: I think you know that we have been in the business for the last 12-13 years, we have reached the level of network size of 600 a year before and now we are saying by end of FY23 will be 1,000, so that by no standard, I think it is less ambitious, where we stand today plus we have another channel which is the multibrand channel. We have spent good amount of time and we have taken lot of hit in order to correct this channel that is our distribution channel through which we reach out to 7,000-8,000 multibrand outlet. Currently, we distribute, earlier used to distribute only sun glasses, now you also distribute frames. This channel post this revamp that we have done is showing lot of promise and we believe that while our 1,000 stores serve enough and more customers, I think there are some 10,000, 20,000, 30,000 existing mom and pop stores who have

been serving their customers very well. There is some sitting competence which is already there. We don't have to go there this collaboration they see the value, we see the value, I think that is the other route that we will take in order to really go deep and wide across the country apart from our own exclusive.

C. K. Venkataraman: Just to make sure that the ambition and network expansion point that Saumen made just now is totally appreciated. It has taken us 15 years to reach 700 stores, the 16th year will take us to 1,000 stores.

Chirag Shah: If I may just ask one last question on the jewellery side, we spoke about that the international expansion, just wanted to understand that as we venture into the international market, what kind of store formats are we looking at? Are these L1 formats or L2, L3?

C. K. Venkataraman: It will mostly be L2, L3.

Moderator: Thank you. The next question is from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: I was just doing some back of the envelope calculations based on the statements that you have made and some news articles, so basically you said that the growth is driven mainly by the growth in the number of customers, the gold price Y-o-Y has remained flat, so therefore the volume per customer also would be roughly flat only, just putting 2 and 2 together. On the other hand, we have also seen news articles where you have said that you are working on reducing the grammage per piece, so if the volume per customer is more or less flat, but the grammage per piece is down, is it that the customer on an average is buying more number of pieces than earlier?

Ajoy Chawla: Let me start with your first assumption about volume and grammage being flat. Volume actually in quarter 3 the grammage has grown faster than the rate of growth of customer, so 32% is the buyer growth and about 45-46% is the grammage growth overall. So actually grammage per buyer has gone up in this quarter, I am not making a statement for the rest of the year. That data I don't have it readily available. In a YTD basis, the buyer growth YTD December is 55%, of course quarter 1 of the previous year was understated, so therefore the number looks high and the ticket size was -2, grammage would be higher, but I don't have the exact figure. Now, coming to the point that of the news article, basically gold prices having gone up by over 20%, 25% over the last 2 years, our customers came back and were feeling the pinch of not being able to buy and everybody's budgets were not going up to that extent, therefore we took it as a strategic program saying yes, gold prices in this volatile situation can continue to work and why not offer the lightest weight products to our customers and therefore we did a massive product reengineering and special alloy, etc. there are many levers there and we think this is terrific because it has given us fantastic growth in new customer acquisition because the conversion levels and net promoter score levels of the new customers who have come in typically will come in the sub-50,000, sub-1,00,000 price band has been very good. So, we are seeing it as a fantastic lever to continue to grow the core category and not just core, even in let us say bangles and other

higher end wedding, we are also seeing opportunities sitting there. So we think it is a competitive advantage. We are not concerned about the grammage coming down, people are also buying, we are seeing anecdotally, people are also buying additional pieces and they see that they are able to fit this in their budget.

Percy Panthaki:

So that was also I was coming to sir that if the grammage per customer has gone up, but the grammage per piece has gone down, it means people are buying more number of pieces now, so just wanted to understand what is the customer psychology behind this, buying more number of pieces and earlier, is it just got to do with wedding jewellery proportion being higher and in wedding jewellery the number of pieces you buy are higher or is it something else which is a little more sort of deeply embedded that people are now saying let me buy lighter jewellery, but more number of pieces, is that psychological shift or something?

C. K. Venkataraman:

I think there is a sudden sweeping conclusion that maybe you are thinking in your mind. When Ajoy is talking about the drive to reduce the weight, it is not as if every SKU in the company would have reduced the weight. There is a collection which has got a low weight and that collection is helping acquire customers and all that, therefore it is not across the board, all pieces have gone down in weight, therefore for the same per bill gram, the number of pieces is now 1.15 versus 1.108 last – there is nothing like that. So let us worry less about it, it is just that the bigger point to take away is that the growth in customers is exceptionally good and it is pointing to a very good market share gain especially because the new customer growth is substantially outstripping the current customer growth and therefore it is clearly therefore pointing to market share gain. Just stay on that.

Percy Panthaki:

My second question was on margins, there is a 100 basis points sort of not one-off, but may be not something else across every quarter, if we move that the margins are 13.7%, so do you think around this number is what a sustainable margin is going ahead or we should not look at it like that?

Ashok Sonthalia:

Last time, we have talked about 12 to 13% margin band and I think we are operating at the higher end or slightly above the higher end. I think with the growth coming by we expect to operate around higher end of that. I would say 13% plus, minus quarter-on-quarter things can be different, but on a 3-4 quarter basis, that is the number which we are kind of keeping in mind. Please also understand that lot of competition is also kind of becoming aggressive in terms of your expansion, their brand promotions, etc., we need to keep in mind that also and keep pace with that.

C. K. Venkataraman:

Also, the scale level at which this quarter is and that scale leverage will not play out in the same manner in other quarters where the scale level drops out.

Moderator:

Thank you. The next question is from the line of Nitin Jain from Fairview Investment Advisory. Please go ahead.

Nitin Jain: I would just like to delve a little into on the criteria that goes into choosing the store locations, so just to give an example, in Pune there are at least 2-3 jewellery clusters where your peers, Malabar and Senco are present, but Tanishq is not in those clusters, but the high streets where Tanishq is located, most of your peers are not present, so what is the criteria that goes into choosing the high street locations?

Ajoy Chawla: I am not able to figure out which are those clusters, mostly we go into market place stores, high street stores and then within high street there will be those which are like main high streets which may or may not be a jewellery cluster, but it is an important high street and then there are neighborhood stores, so let us put it this way that in Hadapsar, there will be a store that would be a neighborhood or in **Aundh** but then there will be a main high street, let us say, like Jangli Maharaj Road, etc., where we will be having and a market place store could be something like Laxmi Road in Pune, I am taking the Pune example to bring it alive and then of course there are malls. Malls are also there, some selected malls. So, our criteria is where there is a market for jewellery, we will certainly be there and we are there pretty much in most markets, in fact I would think across the country. In a given town, if you are present, we are there certainly in the market place plus we are there in all major high streets which has shopping for all kind of retail outlets, all pranks are there and now in the last several years, neighborhood stores have also cropped up quite a bit because each neighborhood, for example, in Bangalore and Electronic city or a HSR layout are more recent neighborhood stores and they are also showing us very good traction. So wherever there is a catchment opportunity and we are able to see an outlook for at least Rs. 40-50 crores store in the near future, we go ahead and put up the store and of course we are going into newer towns and newer markets as well.

C. K. Venkataraman: And actually, we are the most penetrated jewellery brand in the country. So, the specific examples may be real, but they don't necessarily signify anything.

Nitin Jain: And just a follow-up on that, so recently like the observation is that next to a Tanishq store, there will be a CaratLane store as well, so are we trying to people who do not prefer to buy from Tanishq, they might choose to go to CaratLane, are we trying to utilize that catchment area fully or what is the thinking here?

Ajoy Chawla: Each brand will pursue its growth strategy in a way independently and in this case CaratLane is also, in fact, you will find a Mia Store sometime or a Zoya Store in the near vicinity, so every brand assesses the opportunity basis its customer segment and anyway every other competitor brand to our portfolio also looks at Tanishq and see this Tanishq is there, then clearly they try to come there, so willy-nilly when Tanishq establishes itself strongly in a neighborhood that becomes a jewellery cluster in the next few years. So, I think there is a little bit of a self-fulfilling prophecy here and we don't see any impact on Tanishq store just because of CaratLane store comes, next store, in fact there is an opportunity.

C. K. Venkataraman: It is synergistic.



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- Ajoy Chawla:** Synergistic, exactly.
- C. K. Venkataraman:** And also, many partners are common now, franchisee partners are common to Tanishq and CaratLane in this particular example and it is synergistic even more so in that area.
- Moderator:** Thank you. The next question is from the line of Avi Mehta from Macquarie. Please go ahead.
- Avi Mehta:** Just two questions, first, if I heard you correctly the normalized range you would argue that it should be more at the upper end of 12 to 13% band right, I just want to clarify that part?
- C. K. Venkataraman:** Yes, that is what we said.
- Avi Mehta:** And this is not from a near term, but from an FY23, at least from that perspective, from a sustainable perspective, that is the correct way to it, the second bit I wanted to know about while you talked about continued strength in wedding sales, would it be fair to have extend this to the entire jewellery watch segment, so despite this third wave that has kind of played out in the country or if you could help us understand the impact from the same?
- Ajoy Chawla:** Jewellery segment or jewellery watch segment?
- Avi Mehta:** Jewellery segment.
- Ajoy Chawla:** Actually, we are seeing strength across all price bands across various categories between studded, in wedding, between everyday specials, or core categories, every category we are seeing, but that could also be because we are significantly gaining share in new customer, so what we are seeing is what I am telling you and I think if I look at quarter 3 per se, every jeweler was very happy with the growth that they saw and I think that couldn't have come only due to wedding, it is also festive and during festival everyday wear is also bought significantly. So right now what we have seen and what we hope to continue to see is the strengthening across. Wedding is like an icing on the cake, sure it will grow a little faster or maybe we will push the envelope stronger on that, but as I said that is still only about 20-21% of our overall contribution. In the rest of the segments also, we are seeing good growth.
- Avi Mehta:** And my comment was essentially with respect to the Jan, Feb, March, so I just wanted to clarify that, so you are essentially saying that strength is across price points at least till now and demand is not?
- Ajoy Chawla:** Yes, it is not primarily wedding led, if that is what you are trying?
- Avi Mehta:** Yes.
- Ajoy Chawla:** we are bullish on wedding, but it is not like overweight.

- Avi Mehta:** And sir, is it possible to give a similar comment for watches as well, is that strength similar demand strength because I understand jewellery you are seeing buyer led price point with product led strength continues, even in watches realization growth rate continues, is that a fair comment is how I should see?
- Suparna Mitra:** Yes, in watches also we are seeing good growth in the premium part, so there is an overall average price point increase, so that is leading to that and weddings actually are also very big driver of sales for watches and this particular, the winter wedding season, particularly into premium watches, so we are poised for some good uptake in the months and the quarters ahead.
- Moderator:** Thank you. The next question is from the line of Jay Gandhi from Jay Gandhi from HDFC Securities. Please go ahead.
- Jay Gandhi:** Sir, just a couple of book keeping questions, if you could just help with the list of gold sourcing this quarter and the wedding contribution to sale?
- Ajoy Chawla:** Gold sourcing for the quarter, I will have to pull out and tell you, I don't have the figure readily available here, let me pull it out and check.
- Ashok Sonthalia:** There is no change the way what we have been sourcing through GOL and through GEP, DEP and spot buying, I don't think there has been any major shift in those things.
- Jay Gandhi:** On the wedding contribution, I am not sure, if I missed this, but?
- Ajoy Chawla:** The wedding contribution is around 20% is what I have been sharing.
- Jay Gandhi:** And sir, I have one question of what would be our share from South if you compare this quarter and perhaps the same quarter two years back, it is honestly likely to have gone up meaningfully and we still manage to maintain broadly the same gross margins, now just wanted to understand how did this play out because if you look at most of the other players who are wedding heavy, your counterparts, both of them end up having a gross margin of around, may be ranging from 10 to 15%, how you have to gain market share in that area, how do you manage to maintain the same gross margin?
- Ajoy Chawla:** You are right, South region is relatively lower margin compared to the other regions for us, but yes, through our mix of product engineering, we have an internal separate program on enhancing and optimizing gross contribution. Also, we have seen a little bit of benefit of higher making charges based on product mix that we have been able to sell both in South and other regions, so combination of product mix, product engineering and also this light weight, I think that light weight has also helped in two fronts, one is price point, also in terms of giving us a slightly better gross margin. We have been able to kind of in a way compensate the increased contribution of South and therefore some amount of margin dilution. We are also constantly reviewing,

rationalizing and reviewing our gold rate markups and AMC, making charges across different parts of the country, so yes, there is some amount of.

C. K. Venkataraman: The share of diamond jewellery in the South is not lower than the share of diamond jewellery in some other parts of the country. So while the gold jewellery business is of one profile, but for example, Chennai is a very big diamond jewellery market and our share in diamond jewellery in Chennai is likely to be more than our share in diamond jewellery in West Bengal or Odisha or Bihar and therefore if Chennai increases in share compared to West Bengal for instance, on the gold side, we may lose, but on the diamond side we will win. All those are also considerations.

Jay Gandhi: The drivers that you mentioned are likely to be very similar across, again the degrees may vary, you may have done probably a better job. The only thing, the reason I asked you this question is, is it that you are able to find lesser retailed catchments even in South or is it the same market that we are gaining share?

Ajoy Chawla: I think between what we said, what I shared and what Venkat shared, I think that is the summary of what, how we have been able to manage margins, yes, there is a studied focus also we bring in, all markets and even in the South, therefore we are better off on studied than many other players and we are seeing some benefits of all these margin management exercises.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to Mr. C. K. Venkataraman for closing comments.

C. K. Venkataraman: Thank you very much for all the support and for all the challenging questions as always. See you soon.

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.