Titan Annual Investor Forum

August 12, 2015

Mr. Subramaniam S: It will be I think better if we can have Q & A at the end please. So with this can I invite Mr. Bhaskar Bhat, our MD, to the stage please.

Mr. Bhaskar Bhat: Good afternoon. Thank you for being here, and let's see, we didn't expect this kind of turnout and I suppose that is an indication of the, I don't know whether that would be the attractiveness of the company, but curiosity for the company. And I hope consumers turn out in such large numbers in the next few months as well. I will start just telling you in two slides a little bit of background about the company, the historic piece, which doesn't really, possibly is not known widely, not about the 28-year old story, but the genesis. We are, as I said, 28 years old commercially in the market now, in 1987 we launched, and the story of Titan in a way is the story of emerging India. The reason why I say this is we were born I think at the, we were born in the License Raj, and it was '87 when, and the rules of the License Raj have given us strength as well as challenges. The License Raj meant that in '83 when we approached government for making watches, there was a restriction on making only mechanical watches and only 2 million watches, and then in '84 something happened, liberalization really started at that time, with the unfortunate incident of the assassination of the Prime Minister of the country and thereafter Rajeev Gandhi came to power and something called broad-banding happened in this country. And we made a choice of getting into quartz watches, just, the point is that's also forced us to make investments in manufacturing, serious investments in manufacturing, serious Make in India efforts which today is because of different reasons, but those days it was for other reasons. Nevertheless, it has given us great strength, and the License Raj era which was from our point of view, from '87 to about '92, during which the watch business really flourished, it became the No.1 brand in the country, Titan, and it also established new technology which was quartz. The India consumption story changed thereafter quite significantly from the old technology of mechanical watches to quartz was a Titan story, but the entire consumption story, I believe, '91-'92, when the double depreciation of the Indian rupee happened within a few months, that was according to us the turning point, and the advent of satellite television in India which began to influence consumers quite significantly, so the Titan journey thereafter of exploration, the slide talked about restless, responsible and respected. Restlessness of the company is evident in the journey that the company has undertaken.

(Can we have the next slide?)

So Titan is (the third circle also please), this is what is happening to India, but Titan is in the centre of this, I am not talking that Titan is restricted to the intersection of the three circles, but we have benefited from the demographic dividend and I'm not talking about demographic dividend from a mere 1.2 billion people consuming, etc., it is the demographic dividend is about several opportunities having emerged in India because of the segments that have emerged, whether it was women, youth, mass market and thereafter several segments, even within its businesses like in jewelry, there is the mainstream Tanishq and then there is Mia within Tanishq, so that story, any small percentage of India at 1.2 billion is a very large number. So that is one part, the demographic dividend. The second, during this period, I mean you can have a large population, but incomes are not rising, well, you can end up with some kind of demand pattern, not necessarily the one which we have ended with, rising incomes and incomes have risen significantly at an individual consumer level, at an Indian level, and of course the third is that is the satellite TV impact. Satellite TV globalization, that was the period in the mid-90s. Titan went overseas but then we were not so successful. There were several other companies which made India, the India story popular overseas and of course the emergence of the software giants during that period. So, the globalization impact on India, rising incomes on Indians and the Internet, everything else that happened thereafter from the 90s has had a very serious and positive impact on the aspiration of Indians. So at the intersection of all three, I think is a huge market opportunity, the one choice we have made is to remain true to this India story. We have a export business, particularly in watches and in the precision engineering business, but our story essentially starts in India and it is about serving the large Indian market and some people still call us mass marketers, I mean, the professors of Harvard think we are mass marketers, because we don't have a luxury position, that's ok, I think the mass makes a big difference to us because when you manufacture scale matters, for everything scale matters and we have benefitted from that.

(Next slide.)

The second, you need to know about Titan is that by choice we have gone into sectors which are uneven, unorganized, under-penetrated, under-served, etc. Now why did we make this choice? I think when we entered the watch business, we didn't think of the jewelry business or the eye-wear business, but certainly the choice we made was pro-consumer, that is, when we said we'll make quartz watches and the entire benefit or the entire credit for this thinking, I really attribute to Xerxes Desai, the founder of this company, which is quartz is the better technology from a consumers' perspective, quartz is a better technology from a cost perspective, quartz is a better technology from a designing perspective, all this will benefit the consumers, so we'll take the risk, we'll invest and we will transform the market. It is not something about transformation as in the religious leader saying there shall be transformation, this was simply about we can in the interest of the consumer. Leaving the watch business aside, thereafter we learnt that several, several categories in India are suffering on account of unorganized play and the suffering is at the level of the consumer. So what happens in unorganized, the definition of unorganized sector is low tax collection, low compliance, poor governance, etc., but from a consumers' perspective, it is poor quality, poor customer experience, very low transparency at the store level and so on and so forth, which even today is evident in some parts in the watch business but predominantly in the jewelry business and even in the eye-wear industry in India and there are several such categories. Now, I believe we have in some manner been able to crack open that unorganized sector, create value and when you create early value, you get a very long lead against other players who think that, you know, "ye Tata company kabhi succeed nahi hoga, kaise jewellery mein ye log paise banayenge," you know those were the things that were told to us in the early days and thankfully, we are thankful for those people because they gave us an early lead and we got a 7,8,9 year lead in setting up the network. Similarly in watches, thanks to the closed economy, Doordarshan gave us 170 million visibility on one Ramayan show on a Sunday morning at 11 o'clock in the '87, '88, '89 era. So we have benefitted. The pros and cons, of course, of getting into unorganized sectors are in front of you, you know that the big thing is that these sectors are open to branded play and which we are famous for. Of course the competition usually is either regional and certainly very small and reasonably inept, unable to attract talents, so there are such things, talent of the kind which you need for running a large scale business, to run it in a more modern way, right way I don't know, but more modern way of, you know, data driven, rational thinking and so on and so forth. And of course, the big reason is, you can transform. You can achieve leadership through transformation. So, in all our businesses, except in watches where we achieved leadership in the first 5 years, other businesses we have achieved thought leadership before we achieved market leadership as in market share came later but we were, because of our differentiated business model, we have been able to create that transformation and influence both the consumer as well as policy and the business model in the rest of the industry. It is today, and I suppose retailing for example, is the Sunrise, it was Sunrise some time back, but it is, many people are getting into retailing and we got into retailing early days, people would write us off, but then now wherever the Tanishq store opens, the competitor is quick to follow or wherever an eye-wear store opens, the competitor is quick to follow. The cons of course is what we have to be worried about, but not anymore Titan, because we have dealt with this for 25 years, it is always a non-level playing field, always. If you take watches, 52 million watches are sold in this country, of which only 16 million are, you can measure, the rest is large grey market, using very poor quality movement, smuggled from China, etc. Now, from a government's perspective if this balance 28 million got taxed, the government would be richer, much richer, and it would create huge employment if it got into organized manufacturing within India, etc., but be that as it may, I think the consumer still suffers, the low-end consumer still suffers with poor quality and so on. And, the usual regulatory challenges when it is a non-level playing field and you are in a category like jewelry where gold is considered by the RBI, for the right reasons, as competing with the monetary policy of the country, and therefore you get hit by regulatory challenges, so it will always be there, in every sector. We try to influence policy, but not just for, in favor of the company, but certainly in favor of the consumer. So those will continue and we will continue to explore unorganized sectors in the marketplace, but fundamentally driven by consumer, the potential, which is the India story that I spoke about.

The restlessness slide, this is the restlessness slide, if you may so call it, it is our journey from '84 when we conceived watch project in company which no longer exists, it was Tata Press Ltd, and thereafter the watch business and then the JV with Timex and so on. So it has been a continuous journey, we have had several failures and today the startup talk about, you must fail to learn and so on and so forth, I think we didn't force failure upon ourselves, but we have failed, we failed in Europe, we failed in the first version of Raga, we failed with jewelry business for maybe 6-7 years, we failed with jewelry in the USA, but we learnt as we moved from several failures, but many more successes than failures, and you can see some of the exciting points in that slide are apart from the launch of jewelry, there's launch of Fasttrack, eye-wear, Helios, a very, very differentiated watch maker in the world, brand owner in the world has multi-brand retail chain, launch of Mia, Fragrances and so on.

(Yeah, next slide.)

I think if there is any secret sauce in the company, I would call it the culture of the company, the rest which is, I wouldn't say you can buy everything, but certainly, given a price you can build a network of 1500 stores, you can buy a brand and get it into the country in watches, you can get technology, lot of things money can buy, but as the Beatles say, money can't buy me love. That is what, I think our people are our biggest strength, our culture, it is an open, informal, nurturing, non-hierarchal, freedom to challenge, entrepreneurial, dare to try and respect for the individual. It is, whether, it has stood us in good stead for 28 years, whether this is the future Indian, the new Indian is much more demanding, I'm talking about the new worker, much more demanding, wants to get on with life quickly, wants to be the company and himself to be performance driven and so on and so forth, we are realizing all that, but the culture continues, the only thing we have added to this is deep listening and so on and so forth. That secret sauce is very difficult to emulate. When I look finally into the company and figure out, what is it, people ask us, is there something that is, not unattainable, is there a moat, yes, all the other moats, 1200 outlets, the brands we have, the asset like model we have, the franchisees we have, that is another thing, relationships that we have with our franchisees are very strong, very old, and very sustainable, but I would vote for this, our culture, as a secret, one of the secret sauces.

(Next slide please.)

I think the rest, which really is what Titan is known for, famous for, our product of course, or brand, we have more than a dozen brands across the three categories, and we believe we have developed business models in each of the businesses aligned to not just, I think at the centre, the consumer has been at the centre of developing the business model. If you take watches, the end-to-end play that we have, we still have a very large, I'm not talking of manufacturing, let's take the front end which is about after-sales service for a watch. Today, we have the largest network for after-sales service in the watch and it continues to thrive, it continues to bring great value to the consumer because Indians don't throw away watches, they keep their watches alive, nobody kills a watch, and apart from being a revenue generator which is very small, it is a big brand, nowhere in the world does somebody have a network as big as this, and to deliver service at that price, today that has become a big advantage for us because foreign brands want a network, want that skill of service and they come to our doorstep because for them to set up a service network, even if it is 10 service outlets, it is, the first halt is Titan. I'm just giving this as an example only from, it's not the, it's the driver of the business but these are strengths that the company has and therefore the end-to-end business model we chose to excel in each, which is whether you take R&D and design, whether it is manufacturing, distribution, retailing, branding, after-sales service, we have chosen to excel in each of those. So that itself has, now theoretically you call it vertically integrated, yeah, you can say vertically integrated, is it right to be vertically integrated at all in the new world, with e-commerce and things like that, you can outsource everything, well, we have made a choice, but I think the company has demonstrated that we are open to change. Jewelry, for example, significantly outsourced, but then the oversight on manufacturing is very, very high with our vendors, so is it in the eye-wear business. So our model of value chain expertise is not merely about getting a great vendor, but certainly adding our own value to that vendor. The rest I think is self-evident, we are a very big, in the Tata group certainly we are one of the more innovative, the most innovative company, the hallmark of our innovation has been of course the edge watch, but beyond that, there has been so much innovation within the company, some of it you may not be aware of, including in the jewelry business where we have the mould setting of diamonds, which is first time in the world, or sorting, diamond sorting machine which sorts diamonds by size, which is developed by our machine building division, which is our precision engineering business, but conceived by the jewelry business. So these are things which are continuous in the company and now there is a process. We have an innovation centre, it is called the Innovation School of Management, which teaches the process of innovation to the people in the company.

(Yeah, next slide.)

I think this you people are all reasonably well aware. We are the fifth largest watch maker in the world, next to Swatch group, Casio, Citizen and Timex I think in terms of volume. We have overtaken Seiko; 1200 stores, 11000 multi-brand outlets primarily in watches, 7500 employees working within the company, but we have a large number not on our roles who work with our franchisees in the retail outlets, and some contract labor in the factory. We have to take care of about 15000 people in the ecosystem of Titan and we do take care because for us the consumer-facing employee has to be treated like a company employee because finally the consumer experiences that employee at the last mile.

(Next slide.)

So I come from 28 years back to today, which is I think while we spoke about the unorganized sectors, having got impacted by unscrupulous players and so on, the more recent, this is self-evident, but we have divided it into 4 parts, which is the last several quarters have got affected by certainly one thing which is consumer sentiment. Now, there is a debate, Nielsen says we are the highest in the world at 131, way ahead, but if you ask around, doesn't seem to be true, maybe it will play out in the next few months, but apart from consumer sentiment, the share of wallet of a consumer, we no longer look at share of markets because we are the market leaders in watches, it doesn't help because if the pie is not growing you can have 65% share but gives you no great joy. The share of wallet is now the challenge, how much you can get because today you don't even have to pull out the wallets, sitting at home you can buy on the net, pretty much many categories of products. The third of course, a big digital enablement that is happening across the country even as we speak, I think it is happening across every income category, from rural India to of course the big cities' consumer, power at her fingertips to do pretty much anything, browse, get information, experience the brand and of course finally buy a product. The last which is somewhat linked to the digital enablement is about technology but product technology which is embedding products for greater functionality with technology. I think the technology players can speak more about it especially now that we have the two big giants with Indian people heading them. It is about, simply put, it is about wearables, but it is not just wearables, it's sensor technology, it is of course the internet, it is communication technology, pretty much everything you can miniaturize and embed into a product today. Therefore, there is huge scope in the technology space, while you remain true to the category of, I think we have succeeded in creating a great deal of pleasure and in consumers wanting to own and adorn themselves with our products, and adornment apart, today you can embed products with greater functionality and that is that piece on technology that I am talking about, it is not process technology, it is product technology. These are top of mind, as far as we are concerned, for example, the company has embarked on a big digitalization program. We now have a separate digital function in the company, much like finance and HR and so on. We have a technology, not just a cell, we have a very big engagement on importing technology on to our products and the Tata group itself now has a Chief Technology Officer, who works closely with our teams in various companies and cooperating across Tata companies is something that has happened, the rest of course is within the company.

(Next slide. Yeah, you can show the whole thing.)

I think I won't spend too much time on this, this is, most of you are aware of this. My colleagues in the divisions can deal with this. The challenging consumer sentiment has been an issue, but the more recent news on the automobile side seems to be a little better, although rural, from tractors to seeds, there has been some challenge of sales, whether it is rural demand or whether it is rural prosperity, we don't know. Nevertheless, rural has been weak in the last few months. Improvements are expected, as I said, Nielsen index is at an all time high at 131, that I will, I mean Nielsen is a very respected company although most of us are not feeling it, I believe that that is an indication of what is likely to happen, because the sentiment has to improve first before the credit cards come out. So I suppose the sentiment is an indicator of what is likely to happen in the next few months.

(Next. Yeah, go on.)

This, about what the company is going to do, we will do what we know best, which is significant investments in what we always do, which is creating demand, not just competing with our competitors. So, thrust on advertising and marketing like never before. Store renovations and expansions will continue in all our businesses. We will continue to expand the network, middle India is a huge opportunity, we had identified and that too thanks to the Nielsen survey that was done some years ago, of middle India and the 400 towns, and we are in a better position to do that because one of our businesses is there early, either watches or jewelry or eye-wear and then the others follow, and watches is already there in the form of a trade retailer, so we kind of know the potential in these emerging towns. Richer product mix, this is something we are seeing Indians are today open to paying higher prices, the price discovery barring on the net, if you have a good product, well designed or embedded with technology or functionality, the price argument is not such a serious argument. On the jewelry side, you will ask that question, you know, you recalibrated your prices etc I know, but for a particular piece which is attractive and which is differentiated, which is innovative, consumers are willing to pay a price. This is very evident in the watch business, we have been able to get a higher price in the first quarter itself of about 400 rupees or so, so it is an indicator of where consumers see value, price is not.. So whether it is particular brand pricing power or the category power, by and large we are seeing this across, of course there are automobile companies which are giving you offers and deals, but that is not an India consumer story, that is just a competitive situation. If you want to get somebody to come to your brand rather than to the category itself. So premiumization journey continues in watches and enhance store experience of course comes naturally to Titan and customer attention and revival, that is something which we have which is again not a secret sauce but certainly a differentiator as far as company is concerned, which is our encircle program, which is our unified loyalty program, so you earn points in jewelry, you burn them in watches or you burn them in watches and burn them in eye-wear. Ours is the only company which can offer this multi-category play, and consumers therefore come back to us again and again, base is now about 8 million consumers.

(Next please.)

Well I think here again, I told you about the share of wallets, the challenge on consumers' drifting away not just from brands, this is about category drift. A new phenomenon has begun, we can see it, it is called snacking, which is, you satisfy yourself quickly on the net by buying low ticket value items, but several of them you don't actually make the trip to the retail outlet. You don't take that effort to go to the retail outlet unless you are category driven, that is a wedding is coming up and therefore you must buy jewelry or there is a event for which you have to gift a watch, there is a whole lot of transactions that are happening sitting at home and this snacking is, I wouldn't say a threat, but certainly a new way of purchasing and experiencing by a consumer.

(Next please.)

We have created a digital vertical or rather it is a horizontal, it cuts across all the divisions, and we are planning to build a business model where digital influence will be across all our divisions and across all our functions. Manifold growth in e-commerce sales of course is the outcome of this digital but it is not only for e-commerce, it is also for getting more efficient within the company. Focus on consumer analytics and BigData, all this will follow in the company with the introduction of digital which started a few months back, but specifically with the resource heading it as of 1st of July, and then intensify the focus on digital and social media marketing, which is now very prevalent especially in our categories and amongst the emerging, the demographic dividends we spoke about, that is the young, they I think rarely watch your television or at least the ads on television, they are mostly browsing and therefore the experience of the brand in that space comes at a lower cost, but it is, you have to be very, very sharply focused.

(Next please.)

On the technology side, well, I spoke to you about it, there is a big focus on R&D and actively exploring wearables and technology play, infusing smart technology in personal wear products, this is happening across the globe, the one thing I want to leave with you as a thought is, technology companies by and large barring of course Apple, Samsung to some extent, which is in the product space, they need brands and widely distributed company for their technology to get popular and popularized, therefore the big opportunity therefore for a big company like ours, at least big in India, with 11000 outlets and 1200 own outlets, etc, with several brands and several categories is the partnering with such technology companies so that it is a win-win for both, and that is the story that we are pursuing because getting ahead in technology at this point in time just investing yourself is doable, but perhaps not wise, so partnering is the name of the game.

(Next please.)

So we will of course continue to invest. You know our capex is about 150-250 crores every year, never hit 150 crores, but we keep saying our plan is 150-250 crores. We are quite frugal in our investments when it comes to capex but even today the significant capex in the company is really manufacturing, is not in retail because ours is an asset like model. So continuous domestic and international organic growth is the choice we have made barring the acquisition of Favre-Leuba which will see light of day in about a year, growing the newly introduced categories, accessories and fragrances is something which belongs to the future, the near-term future, new business actively exploring opportunities in the lifestyle space, I spoke to you about how we will continue to explore the unorganized, the great unwashed so called bullish on India of course we will continue in retail expansion, thrust on digital, inorganic growth we are not actively searching, but we are open to attractive opportunities. Yes, active search is where there is complimentarity, for example, in the technology space, if there is something which can give us a quick access to technology through partnering and through the inorganic means that would be something we would pursue but not at least as of now the current management philosophy is we will not acquire for scale, we will acquire for skill, I mean, if you were to call skill versus scale, certainly it has to be something, if we acquire a partner it will be for capability rather than for capacity. It's a choice because we are comfortable with that, where I am comfortable with just going for size, maybe antiquated thinking, but as of now, that is what is driving us.

(Next please.)

And of course continuous investment in existing and new businesses, ROI to be given prime importance, IRR should exceed the cost of equity, these are the principles on which we make investments. Asset like model will continue, gold on lease versus spot purchase and hedging I think Subbu will talk about it more. Precision engineering we have subsidiarised, it's a great manufacturing business with great potential, my colleagues will talk about that a little later. The one thing again in this that we have been able to endear ourselves to our customers who are big players global because of the quality and the service that we have delivered, but it is still miniscule business compared to the potential. So subsidiarization is the root and so that it can get the attention and thereafter it can blossom into wherever it can go but the skill and passion still sits in that division of the company and it will soon become a separate company, it's called TEA, Titan Engineering and Automation Ltd, TEAL. Capex as I said 150-200 crores. Last night I saw that as 25%, it has gone to 25-30%. Anyway, our practice has been 30%, from 25-30%, therefore that will be the, I suppose the habit of the company will continue.

So I close my presentation at this level. Thank you for your patience. I would like Ravi Kant to continue with Watches and Accessories. Thank you.

What we prefer is some of your questions will belong to the categories, therefore let's finish the whole presentation.

Mr. Ravi Kant: Thank you Bhaskar. You know we send out a lot of invites from Titan right through the year, and typically all these invites go to all our customers, and as Bhaskar said, we never get a response like this, so hopefully 12^{th} of August will turn the tide and we will see consumers also in large numbers. Having said that I sincerely apologize on behalf of all of us here to having caused inconvenience to some of you because I can see a lot of you standing at the back. But hopefully it will be effort well spent if we are able to clarify all the questions and doubts that you may have, and all the information that we want to share.

You see a moon here on the slide, on the first slide, and I will talk to you about the significance of the moon when I end the presentation on the last slide. Some of you may have read the Brand Equity of today. All the four pages of Brand Equity today which is a supplement to the Economic Times are dedicated to brands that have been built in India after the Independence, because it is a supplement dedicated to the Independence Day coming up. So it talks about all the big brands which have been built in India since Independence, the Ambassador, Amul, Godrej, and it talks about Titan. It talks about how Titan has gone about segmenting the market, it talks about how Titan has created such a powerful brand, which is really in a sense the pride of India. And we are all fortunate to be part of that growth story and I'm sure all of you are happy with the growth that you have achieved.

(So can we move on to the next please.)

Very quickly, I will take you through the trend of our income and PBIT over the last 5 years, because it tells you what we are going through over the last couple of years. The initial years, if you look at the net income chart, we witnessed very good growth, but if you look at the last couple of years, we are growing at about 7-7.3% in income. Our EBIT, the CAGR for the last 5 years is 2%, it was flat for 2 years before the last year and last year we moved on to about 210-211 crores, but the thing to see there is that we, our advertising was much, much lower than the previous two years, it was to the tune of about 40-50 crores, because we also keep experimenting with various things to see, how we can get bigger bang for our buck in advertising, how can we differentiate that, how can we come out with new ways of communicating with consumers and all of that. So we tried that last year. So the thing is that the profit in that sense which is also linked to income, because costs are going up, income is growing at about 7%, so that is the backdrop so to say. The rest of the numbers you are fully aware about, so let's take a look at what are the consumer truths so to say, and what does the market look like.

(Can we move on to the next please.)

If you look at the market outlook, technology is something which is really sweeping the market, especially in this category not just like the other categories. But the good thing about that is that it is creating a lot of excitement in the category, because watches are beginning to be talked about all over again, consumers are looking at what's coming up next, consumers are looking at what is coming up in the watch space. There are lot of watch brands which are talking about launching smart watches, most of the phone brands have launched smart watches as you know, and the other thing is that mechanical watches which used to be the main story many, many years back and then the revolution happened, we moved to quartz and now mechanical watches for the last few years are back in the so called premium space and a lot of premium brands and Swiss brands specifically are launching and talking about mechanical watches, it is really fitting in that space. Let's look at the present scenario, before we move on to the future, and there are a few questions I will address as we go along. What happens in the economic downturn, because we have been talking of the consumer sentiment the last year or so, we are talking about the long term India growth story, but the immediate term, "acche din kab aayenge?" is the question in our minds. So when that economic downturn happens, what happens to the watch as a category. The question is, does it get affected amongst the most, because it is, if you go by at least the metro, people of a certain segment most people have watches, so what do they buy if they don't buy watches. Watches are seen as fashion accessories for the last so many years. Is that totally true, is that partially true, is that going to be true always, that is something we need to talk about. For the last few years, we have also been talking about how will the mobile phone affect the watch category. You know we look at many people of younger age, especially in the youth segment, not wearing a watch. They see time on their mobile phones, but is it really going to affect, to what extent is something I'll address as we move along.

(So can we move to the next please.)

This is something that Bhaskar spoke about, which is we are moving from share of voice to share of wallet. Even we share a voice version has gone, share of voice has gone through in some sense to versions. Earlier when we used to talk about share of voice, we used to talk about share of voice in the watch category, we used to say yaar, share of voice in the watch industry is 40%, 45%, then it moved on to looking at your share of voice across all categories in advertising, but now, it is moving on from share of voice to share of wallet, where people are spending on so many other categories for a brand like Titan, gifting was a huge segment, and if you were to ask ourselves this question over the last couple of years, how many watches have I bought vis-à-vis how many shoes have I bought, and how many shirts have I bought, walking into a mall, buying on impulse without having planned for it, as opposed to buying a watch, that is buying for self. Now if you go back to gifting, a large percentage of our business used to come from gifting, 40%, 45% largely. How many of you have gifted watches in the last 2 years, 3 years. If you walked into a wedding a few years back, the bride and the bridegroom would receive at least 15-20 watches as gifts, but now there are so many other options that we have, from fragrances to handbags to so many other things. So it's moving on, so the watch in that sense is not just competing with other brands of watches, but many other categories and the share of wallet in that sense. And that is the lifestyle space that we are referring to here.

(The next please.)

And a linked part is this whole movement of category definition. We are moving from category to the adjacent category and here I would like to share the highlights of a research we have recently done in top metros looking at the so called modern consumer. We can define it in terms of SEC, AV and all of that, but just look at what the modern consumer is saying in top metros in the age bracket of 25-40 years, which is typically the target customer segment for Titan brands. They are talking about indulgence without any guilt, so to say, indulging in self and therefore buying on impulse many products in different categories, a pair of shoes, gadgets, mobile phones, buy new laptops, everything. The other thing people are spending on and this came up in this research is that people are talking of experiences, spending on experiences and not just holidays, but weekend experiences, so going out to theatres, and you know that seeing a movie today with a family, you are down by about 2000 rupees. That is you could have bought a watch in the same amount. But people want to spend on that experience over the weekend. Snacking is something which Bhaskar spoke about, so as opposed to a big ticket item, people want to spend on smaller items multiple occasions and go through that experience multiple number of times. Impulse is something which is really driving purchase with the malls coming up and people going out over the weekends and otherwise, and access to information purely on the net on different categories, so people are spending time surfing the net, figuring out what they want to buy, and then going out and buying. Therefore, the different categories that people are looking at.

(The next one.)

Look at the retail landscape. Now the retail landscape is also changing from exclusive brand outlets of again many categories, many brands. The number of international brands that have opened up exclusive brand outlets over the last few years, and here again I am referring to different categories, multiple categories, not just the watch category, which are fighting for that same share of the wallet. High end watch MBOs coming up, MBO is a multi-brand outlet, which are coming up across the country. Large format stores, they draw walk-ins in large numbers where people walk go out to buy, in most of the cases, they have not even decided what they want to buy, they may have a category in mind, but they don't have a brand in mind, and they decide on the spot, because going through that large format store, like a Shoppers Stop, a Central, a Lifestyle, is an experience in itself, when you go out with family, and entertainment. The e-commerce buzz. The e-commerce buzz is hitting all categories, the e-commerce buzz is affecting advertising, affecting your share of voice, affecting your share of mind, all the full page ads that you see these days are of all e-commerce players today in the market, and that itself is changing the whole landscape and people sitting at home with the convenience and the press of a button or a click buying products as opposed to visiting the store. So all these things if you see in the last 3-4 years have been impacting the core category that we are talking about.

(The next one please.)

And specifically about the category, technology wave, which is the smart watches I was talking about, there is Tag Heuer talking about launching its smart watch, Gucci has come out with Gucci Connect, it hasn't come into India yet. So many other players in the watch, most of the phone brands are here with their smart watches – Motorola, LG, Samsung, _____ is about to launch and all of them. So it certainly offers an opportunity to us to participate in the technology space; and the good thing about the whole technology wave is that it is bringing watches back, top of mind for the consumer, it is creating in some sense an interest in the minds of the consumer which the consumer was in some sense loosing.

(Next please.)

This is something which I think all of you are familiar with, our whole portfolio of brands as well as the different formats that we have, right from our retail chain, World of Titan, Helios, Fastrack, the biggest network of speciality retailer in the country, inclusive of Tanishq about 1200 stores. Bhaskar spoke about our service centers, we have, no other watch brand would have a network of 689 or 685 service centers and all of that, 11000 multi brand outlets and the kind of reach we have, and of course international presence in over 30 countries with 2200 outlets.

(The next one.)

This is something which is our core strength in a sense, it is the portfolio which is very strategic which has been built over a period of time, and this is something in some way what Brand Equity of today was talking about, which is segmenting the market and creating brands for different consumer segments. So if you look at the left column and the bottom row, our sub brands and collections of Titan, we have got Raga for the modern woman of today, which is right on the top in the corner, the Edge which is a collection in itself an it is the slimmest watch in the universe, the Titan Automatic which was launched again at the premium end, and then bottom row the orange one, I mean I am first covering all the sub brands and collections of Titan, Zoop which is a sub brand targeted at the kids; htse a watch which is light powered and doesn't require battery, again a technology breakthrough and then of course we have the other brands, we have Xylys as a premium brand which is made in Switzerland, we have Nebula which is a solid gold watch, Fastrack which has changed the way watches look and changed the way how you feel when you wear a watch, and of course Sonata has super fibre which is a sporty version and we are just about to unveil a new logo and a new look for the super fibre and launch it as a separate sub brand in the coming months.

(The next one please.)

So what are the opportunities in this category for us? The good thing about watches is that unlike devices in the so called technology space, prices of watches go up, they don't come down, and this is something which has been witnessed by us in this premiumization journey because if you look at last year, our sales of over 4000 watches in the Titan brand has grown by about 23%, which is very heartening based on the back of the kind of products that we have introduced, lots of new collections. Participation in the technology space is an opportunity for us, whether we do it through retail or we do it through looking at launching a smart watch. Sports and fashion segments are key emerging segments and consumers therefore want to buy products which look sporty, which feel sporty and fashion is the other one. So we are also looking at launching a new sub brand in the sport segment in the coming years, within the coming year, and of course leveraging retail which is something that I spoke about is our core strength and opportunity for us. Coming to leveraging retail and specifically looking at retail, our biggest strength is customer experience, and we have seen that every time we renovate a store, sales go up by about 5-15%. Within this financial year we are looking at renovating close to about 70 World of Titan stores, creating premium shop in shops in large format stores, introducing technology, there are I think about 300+ World of Titan stores which have started using tablets for interacting with the consumer, network expansion is another area of growth which is planned for this financial year starting with opening of about close to 70 new stores and a much bigger play in e-commerce. So the key task for us as leaders in the industry is to drive excitement in this category, to draw consumers back to this category in terms of interest because I spoke about how people are buying so many other products in the lifestyle space as opposed to buying a watch, and this can be done by making watches look stunning, very different, and probably do much more than just time keeping and to give you an example of what we have done recently and what we are just about to do, I'll just take two examples, I spoke about why the moon was there on the first slide and this was the launch of our new collection called "The Celestial Time" which we launched a couple of months back.

(and if you go to the next slide)

Yes, these are the kind of watches we showcased and launched and introduced in the market which are so differentiated, it uses the Titan moonface caliber that we had created many years back, but in a new avatar in a very different way, it depicts the lunar's different phases of the lunar cycle.

(and if you go to the next one, which is the next slide)

Edge and this is the first time we have come out with a dual time edge which of course is known as dual time edge in the world, it uses a silicon strap which kind of flows, it is a continuous flow with the movement and this is a watch which is going out in the market just this month, priced at about 20000 rupees, and we expect a very good response to this. The reason I wanted to show you a couple of these slides was about how we are looking at working on creating excitement in this category and that is going to be the biggest task for ensuring that we go back to growth which is higher than 7% what I showed you for the last couple of years. Thank you.

Sorry, that is Ronnie Talati. He is the CEO for eye-wear business and I would like to invite him to now take over.

Mr. Ronnie Talati : So I manage the eye-wear business, which is the fledgling business of the company. It's a relatively small business compared to the rest of our businesses. So I'll make a relatively small presentation also.

The industry outlook very quickly – in the recent past we have seen the rise of the online players in eye-wear, which was very unexpected earlier, we never thought that a category like eye-wear would go online because there is eye testing that is required, the fitment that is required, there is a lens that is required, it is a solution provided, but you have people like lenskart who have come on today and who are actually changing the market. But what is also happening is the online players are quickly realizing that this is not the only play that they can make in this category and they have to go offline too, and they are moving offline and players like lenskart have started with brick and mortar store. There are large lens brands across the world who are coming in and launching eye-wear too.

(Please go into the next slide.)

The scenario of competition – competition has on one level you have the national players, the big guys, Lawrence and Mayo, GKB and so on, and then you have the regional players. Expansion is really driven by this small regional players, the large national players in the last few years have been very, very conservative on expansion, they haven't expanded rapidly, they have been looking at this market very tentatively, and staying more or less where they are, even their growth numbers are pretty restricted. Some of the large sunglass players like Oakley and Rayban and all are making big strides not just in sunglasses but are moving slowly into the eye-wear category.

(Next slide please.)

So Titan Eye Plus where are we? It's as I said a small business right now, relatively small, we have a turnover of 361 crores currently, we have a large number of stores. Today we have over 350 stores, 1.3 million walk-ins, 1.1 million customers and so on and so forth. So it is a small business but we don't intend to keep it small going forward.

(Next slide please.)

What is our business objective going forward? Rapid scale up. That's the way for this business to go, we have to scale up rapidly to be even more profitable than we are, as you know the business turned around from last year and it has started making money, so our vision is to double buyers over the next 3 years, maybe even quicker, and in the sunglass, sunglass market is expanding and how do we double this our play with Fastrack sunglasses and Titan glares in the next 3 years. So the main pillars of growth will remain for us, there are 6 pillars of growth, strengthen our leadership by rapid expansion, we will continue to own the style platform, so we will talk about style, Titan has always been about functionality with style and we will continue with this, we have a Make Heart Speed program which is actually about customer experiences, it is all about customer experience and that's how we create differentiation in this category. How do we give the best experience in this business, how do we build trust in this business, how do we be a 360 degree service provider in this business? In our international play, we will certainly be looking at international markets and we are not looking at just distribution the way other people do it, we are looking at actually setting up retail stores in international markets like Sri Lanka, Dubai and so on, and of course backward integration, vertical integration, we are looking at investing in manufacturing. We already have a lens lab, maybe manufacture our own lenses, technologically superior lenses to most players in the market today and we are slowly looking at expanding that capacity and also getting into the manufacturing of frames.

(Next slide please.)

In technology, we are looking at various things, we are looking at online eye testing, mobile eye testing, how we get mirror finish sunglass lenses and so on and so forth is there to see. Technology is the way forward if we are the market leaders, we have to lead technology too in this category and that is how we intend to go forward. As I said earlier, we will invest in capex, mostly around our manufacturing, which will be frame manufacturing, we will invest in R&D for technology, we will have regional lens labs, right now we have only one national lens factory. We will be setting up regional lens labs in Mumbai, in Delhi, in Calcutta.

Bhaskar mentioned that we will not shy away from renovating our stores. Our store chain is now 7 years old and we have a new retail identity which we plan to roll out and renovate too, and while we are looking at expanding, setting up more than 100 stores probably this year, but out of them only 10 stores we are looking at as company stores, so there will be investment in that.

(Next slide please.)

So the initiatives for the year, just a quick outlook. As I said, aggressive growth, we won't slow down on that, we will be looking at this category very, very aggressively. We will invest in strengthening the brand, and when I say the brand here I mean the store brand which is the Titan Eye Plus brand, aggressive expansion of stores, I have spoken about that. That is the way forward. Home eye testing, introduce many things that have currently not happened in the eye-wear market in the recent past. Home eye testing, home delivery, things like that where customer experience is, it's really all about customer experience. The satellite lens labs in the region I have spoken about, building capability, frame manufacturing, so that we are not dependent only on imports and vendors, feeding the international markets, all that will start this year. Introducing new products, very rapidly introducing new products over 300 frames and over 200 sunglass styles. Rolling out the new retail identity very rapidly, that has just been completed and we will roll it out across stores, one or two stores have already come up, and taking our Make Hearts Beat program to the next level. That's all. Thank you from my side.

I'll introduce to you Mr.RV from our Precision Engineering division.

Mr. R Vivekananda:I am Vivekananda, I am heading Precision Engineering division business. We believe in manufacture. This is fundamental to any country growing nations. If we look at any largest economic in the world, either USA, Germany, Japan or China, fundamentally they are very strong in manufacturing. India also is setting its sight to be globally competitive in manufacturing. I think we may be the fourth or fourth largest manufacturing economy in the world. With this fundamental we would like to grow the business more and more. We have two businesses in this Precision Engineering Division. One is precision component and sub assembly manufacturing for aerospace, another one is automation business. The automation of assembly lines, any products when the customer comes to us, we build assembly lines for the product, either very high speed lines to the low speed, any kind of things which requires for the particular product. The business consists of 45% revenue comes from aerospace business, the other one is from automation, 55% from automation. The segments share, the aerospace business comes from two, we started with manufacturing precision parts for the aerospace, oil and gas industries and even sometimes we started with automotive also. We shelved off automotive, right now we are into only three areas. Aerospace commercial aircraft parts manufacturing, another one is defence fighter aircraft parts manufacturing, these two constitutes nearly more than our 60% of the business. The oil and gas slowly we are reducing, today we are 28% share comes from that one. This year it will be around 15% only. Slowly we are reducing the exposure, would like to play only on aerospace industry. Another automation business comes from fundamentals we built many lines, precision machines for watch industry. That's how we started the business. So when we grow we have built more than 300 machines for our own industry, we went through the market with automotive. We looked at the precision industries in India, it was not existing at the time, naturally our choice was automotive _____. We believe very strongly, when India is setting its sights to become globally competitive, there are some imperative vital tools which we need to work on in manufacturing, number one, quality is not enough, consistency is very, very important. You need to deliver the goods very efficiently, 365 days any time the customer wants. It is not only the delivery alone, in fact, looking at the productivity measures, the most important to be globally competitive, and the speed by which the top management expects the information flow to take certain decisions. Every sits on only core of the competitive building in this manufacturing, is automation, we believe, strongly we are going ahead with that. Our 78% of the business comes from automotive, assembly lines for automotive parts manufacturing, then the balance medical and electrical.

(Next.)

The market outlook for precision components industry for aerospace is a very significantly we are getting the enquiries from the tier 1 companies who are manufacturing engines, subsistence. If you look at the aircraft today, A320, the backlog itself is more than 10 years. We are working with many of the parts which goes into A320, 787 aircrafts. We are supplying to not the Boeing, we are supplying to the tier 1 companies, they are supplying the entire system to Boeing or Airbus. In the Defence side, similar way, the Defence side is a significantly we see the enhanced work with HAL right now. We are working with HAL with various parts for the fighter aircraft manufacturing.

(The next one.)

So what we would like to do is, it is a very high capital intensive business, right now we have more than 80 CNC machines, we are into metal cutting, various metal cutting experience, today we can call ourselves a very unique experience, more than 300 varieties of metal cutting experience in engineering, and it is not enough, we need to get into the other capabilities like how do we join the parts together, various technologies like either the key treatment or maybe the vacuum align or vacuum brazing process or the electron beam welding and various things we would like to add the capability to grow the business so that we can get into the sub system supply to the tier 1 companies. Our strategy is to become the largest supplier to the tier 1 companies. We ourselves will not compete with them and we have enough, our customers they have billions of dollars they are outsourcing, we would like to become the largest for top 3 customers to us, this is our future strategy. Then the further, long term play, we would like to become subsystem manufacturing also, maybe a part of the engine part or maybe the engine's accessory complete supply or a dry system to the aircraft, various things we would like to think in long term plan. And similarly, the defence, in fact HAL is working with us for the whole system, at least sub systems manufacturing we would like to invest more and more in that area. Automotive, in automation business we are largely focused on the automotive market. The market is already growing at least this year we expect 10-12%. The most important thing is not the car manufacturing, we are not looking into the car manufacturing whether the cars are selling in India or not. It is irrelevant actually, we have seen in fact that even though during the dull period if the cars were not sold in India, but we have grown 30% because the tier 1 companies are exporting to the world. We are looking at this auto component manufacturing export is growing in the last 5 years the CAGR year of 29%, we are harnessed on this particular opportunity and we are trying to build machines for these companies. The projects level enquiry at this juncture, if we see that one compared to last year it is around 50% more than the same period in the last year. The other industries, electrical industries are, they are growing by 10% but still the projects we are looking for the projects, infrastructure projects, go up so that the customers are going to produce more and more parts from our machines.

So our strategy is like, we have more than 80 customers in India and globally. These customers are world renowned customers already. They have manufacturing plants in China and Europe more than 600 manufacturing plants. We are hardly serving only in India and a few manufacturing plants in Europe and China. Our export right now is around 20-30% varies year on year. But we would like to penetrate these customers, we would like to serve them in many of the manufacturing areas. We would like to set up the service centers or maybe get into partnership or maybe directly, we are looking at various options with China and Europe to grow the business. Investment, we are right now making investment in R&D, mostly substitute for the import item automation products which is they are importing from Germany or from America at very high cost to be competitive globally, we would like to invest and produce our own subsistence to deploy in our automation system. So investment, very, very important, another thing is investment in training for the engineers, to build the competency. This business totally depends upon the building the competency in India. Thank you very much. This is a very nutshell of the business. Thank you.

I would like to invite Mr. C K Venkataraman, CEO of Jewelry Division.

Mr. C K Venkataraman: Good evening friends. I would like to spend some time in giving you some perspectives about the Jewelry Division from a 2-3 year timeframe, purely from a growing concern basis and address some of the issues that must be running in the minds of the investing community. So from a 2020 point of view, I have titled it from, going from leader in 2015 to icon in 2020. We certainly believe we are the leader in the industry today not just in terms of sales profitability and all that, but certainly in terms of our influence on the industry. Even some of the colleagues in the industry, many other companies who may from time to time declare sizes, sales values which say are higher than us are certainly, they acknowledge our role in shaping the industry, they continue to consult with us on many fronts, so we are without doubt the leaders in the industry in every way, but we believe we can become much more than that, we can actually become an icon. It’s a very, very special category, the relationship that women have with this particular category is very, very emotional and very, very special and therefore the opportunity to create a really iconic brand with explosive growth potential in the long term, there are opportunities very high. I would like to spend some time in giving you a sense of the industry because it is a very, very complex and very large industry. If I take the jewelry size, if I remove the bullions and coins, of about 250000 crores, without getting into very precise, it is very large, very, very large many multiples of our sales for us not to worry about the real accuracy of that figure, but it is around 250000 crores, and in this 250000 crores the rough estimate is about 210000 crores of gold and 40000 crores of diamonds, and as a diamond leader, our share in the diamond segment is much higher, it is about 7% and the share in gold is less than our average share of the industry which is about 3%.

(Next slide please.)

And if you look at the occasions that drive jewelry purchase, three broad occasions, one is the daily wear, second is special occasion wear and the third is wedding and wedding is far and away the largest contributor to the industry, it is about 60% of the jewelry buying at 150000 crores, 30000 crores is what we call special occasion and 70000 crores is daily wear.

(Can we move on.)

Our own share, given various studies that we have conducted, we have a much higher share of the daily wear, mid share of the occasion and the lowest share of wedding. Intuitively all of us would understand this. Tanishq was created with the intention of making women wear the jewelry all the time and not keeping it in the cupboard, and in a way the daily wear and a little bit of the occasion wear are true to that reason and wedding is a little more about keeping it in the cupboard. So the division share is for distributed differently across diamond and gold, distributed differently across types of occasions and the overall upside setting in this is very, very large that 4% can go really up, even if we do a 6-7% in the near term it can actually give us the kind of growth that the gold rate gave us 5-6 years back.

(Next slide please.)

Spending some time on the types of customers that exist, what drives their purchase, what kind of matrix are there, where do we play better, where do we not play so well, so that when a competitor comes up, expands nationally, is that competitor a real competitor or he happens to be an equally large player in the industry, but catering to some other segment in the industry. So it is a very, very wide kind of segmented industry. So again with a lot of customer understanding, we have built three broad customer types, segments, some basis on which we look at the market. One is the adornment market, the other is the status market and the third is the savings market to sort of give a sense of the woman we are talking about. Those pictures give you a sense. And if you look at the adornment market, we have called that woman the Progresser and in a way the adornment market is, the progress archetype is the woman for whom Tanishq was visualized. We are back in the mid-90s and she continues to be the loadstar carrying the brand into the future. It's the new modern progressive woman of this nation. So upper middle class segments, lot of service sector people, educated, brand conscious, quality seeking, jewelry is about wearing, it's not about looking at it as an investment, and therefore the typical values, average bill values are low. The second one is status and the name we have given to this archetype is Projector, lot of business class spending their money on jewelry, upper, middle upper have rich bill values predictably higher at about double, this is more to give you a sense of the differences because precise numbers given the disaggregative nature of the industry, and this is a new concept that we are developing for our own strategy purpose, but it is more to give you a sense that one is 75k and the other is 150k, and the third is the savings and the very traditional kind of customer, middle, lower middle, service class, traders, average bill values about 100k, it is higher than adornment because there is lot of gold purchases in 30, 40, 50, 100, 200 grams. So what happens is that depending on the geography the pronounced nature of each of these segments actually manifests. So take a Chennai and parts of the country like upcountry Maharashtra, Kerala, Bengal, parts of Orissa, upcountry Karnataka, they are characterized by the savings mindset and it is a generic trait of those communities of people and they derive a lot of joy by keeping the money in the bank, or in a fungible asset as opposed to spending, whereas if you go to NCR, you go to parts of the Gujarat, Mumbai, certainly the Punjab, parts of the Hindi belt, there is a lot of emphasis on enjoying for the ____, and therefore the share of diamond jewelry is naturally higher because diamond jewelry is more about enjoyment, gold is more about keeping it safe for the future, and therefore the nature of competition is also aligned along those lines, so typically we are weak in Chennai, because it is a savings market and Tanishq is not about savings. We are very strong in Delhi, because Delhi is about a show market, it is about brands, it is about enjoying life and Tanishq is very, very strong in NCR. So, the nature of players who compete with us also differs and therefore when a strong regional brand becomes a national brand, rivaling us in size or even exceeding us in size, potentially in the future, maybe, they need not necessarily be playing where we are playing and therefore the overlap between a Tanishq and that brand would be minimal, and therefore it would not be a threat, it would be another large player in the category.

(Next slide please.)

And therefore if I were to take these three segments, we believe that the adornment segment given the nature of this demographic of this country, given the nature of the tastes of the women who represent the demographic, we see that the adornment segment is going to pull away in terms of growth rate and we already are THE brand to reckon with in that segment so we want to continue dominating the adornment segment. Our presence in the status segment is very limited. We began exceedingly well in 2007, when we invested a lot in high value diamond jewelry. We grew close to 100% year on year for 3-4 years till 2011 when the PAN card rule came in, scuttled us play for a while, but it has been 4 years now and many things have changed. The brand itself has become very strong, our formats are now designed to deliver our value diamond jewelry in a more impressive fashion. Customers, the public themselves have evolved and the initial hesitation to take out the PAN card is sort of reduced and therefore we see an opportunity for Tanishq to play much, much bigger in the status segment. We would participate in the savings segment because by its very nature, even though we have rationalized our making charges, all of you are aware of that, 3 months back to bring it closer to our other competitors, we are still the most expensive on the face of it brand and not really associated with savings because we cannot be all about design and adornment and simultaneously stand for savings in any case. And therefore our play in the savings space will be limited but we are okay with that because we need to decide who we are, where we need to play and stuff like that.

(Next slide please.)

If I look at the favorable trends, some of these are generic and hopefully in the next 1 year will start playing out their true potential. There has been a certain slowing down on that, large young population earning and spending more and more adornment will increase and brands will be in demand more and more. Diamond jewelry increasing its share in weddings, we see more and more, when we look at the actual photographs of various communities across the country, the wedding photographs, you see more and more diamond jewelry in the south mixing with gold in many other parts of the country, some key parts of the wedding like the Sangeet and the reception certainly giving way to diamond jewelry and there is a huge 80-20 skew sitting in this, the most recent study of DeBeers suggests that 1% of the buyers of diamond jewelry contributed 40% of the consumption, and therefore from our number of customers into average bill value point of view potential it is very, very large. Career working women on the rise, we realized it some years back and the Mia program is into its growing phase. Romance and interstate marriages are exploding, we are a nation which is in a way coming out in the open. You see more and more boys and girls holding hands and walking on the road which never used to be and Indian trait, and as the inter-state marriages start happening, as romance starts happening, the role of an engagement ring, the role of a proposal ring, why can't we get every good thinking young man to go down on his knees and propose only with a Tanishq diamond ring. Its very possible. DeBeers have done it very successfully in parts of the country. Our general tradition may not let us imagine something like that but today the impulsive nature of the young population, the young men and the young women is very, very different. It is very possible for us to build a program, to ride on that whole trend of proposals, engagements and the main wedding itself. We have begun a very, very attractive compelling solitaire program which is called You gift the solitaire, we gift the moment, it is a very, very successful, very powerful memorable program whereby we set up the entire, it's like a dinner date for a couple at the Taj across the country and the bride songs are we get to know what is it Mohamed Rafi in Chirag, Sunil Dutt singing to Waheeda Rehman or whoever she was in the movie and is that the song your wife likes, so we custom make the songs, the cuisine, the zodiac signs in terms of the napkins and stuff like that and we have created experiences which are really, really powerful, and more and more people are clamoring to want to be part of that to actually rekindle their romance, commitment to their relationship or whatever and the power of the solitaire is really booming, and we can go all the way down in terms of the younger age groups and we already have and we can create 50, 20 cent diamond ring products for 40-50000 rupees, it is not a very big sum. In any case the store value aspect is also aiding it, small town aspirations are rising and the overall diamond jewelry penetration in the country is still very, very low and therefore while the current consumption or purchase of diamond jewelry is little weak because of the overall sentiment. Its not as if the rest of the stuff is booming in any case and therefore once the generic sentiment issues improve through various economic measures the government has to bring in that small town opportunity which of course we are exploiting through our expansion in any case. And the other thing that I am hearing from a lot of our partners in the business is the pressure from the younger generation on the parents to turn white. The whole noise that the government has been making on the black money as a subject is giving a lot of worries to the younger generation. As if it is they were on the mend so to speak, but there is a strong pressure now on them, let's become white and there is a lot of premium chasing conversion of black money into white and all that, we would rather buy properly anything that we buy and therefore that trend, it may not be a 1 or 2 year trend but it certainly be a 4 or 5 year trend which will come in. That customer will clearly come our way because our we'll be the brand of choice in a way.

If I look at the strengths of the brand and the organization and therefore the overall competitive advantage that we bring in this very large industry with a very small share that we have, the brand has always been very, very desirable. There are many things that we have done from standing up to something which endear us to the customer and make us the most desired, most preferred brand in the country and we will continue to do that. With the most recent, very large initiative that we undertook on the price rationalization, we have certainly dramatically altered the share of our consideration among customers. We keep monitoring these matrix every quarter, so price as a reason to walk out has virtually collapsed. In our stores we have a whole army of more than 5000 store staff and all of the franchisees and everybody batting on the front foot totally confident about the brand saying this, now nothing that is stopping us from maximizing the share of wallet of our own customers and therefore one big disadvantage that the brand had has been totally knocked out. Fortunately for us in one way the absence of the golden harvest this year also gave us some advantage in terms of the savings of cost which came alongside the absence of golden harvest and therefore we were able to tweak our overall model to deliver a substantial reduction in our making charges without the substantial impact on our gross margins on it and therefore in the interim and sales they are a little dull, we have improved our competitive advantage substantially and therefore when the sentiment improves we will realize the hockey stick effect of such a fundamental strategy. Our customer understanding is really, really best in class without doubt. There is no company in this industry certainly which spends as much time directly with customers, as much time directly with vendors, some of the things which may not be apparent here, is that the jewelry industry because of the unorganized nature of the industry, the manufacturing sectors and the retail sectors remain separated from each other and there is a wholesaler who is in the middle who is like a bridge and therefore the understanding of the customers which retail has, the flow of that understanding to go all the way back to manufacturing for product development and innovation is very weak because they are not integrated players but we are an integrated player and therefore the entire knowledge from the front goes all the way back and of course the company invests substantial time resources right from the top to actually be in touch with customers, so that customer understanding is best in class. Our designing manufacturing, outsourcing, and retailing operations is best in class, because the talent that this company has continues to attract, continues to retain, it would be impossible for any other operator to catch up, it will take a decade or so for any other company in the jewelry industry to come anywhere close and by then we will be further ahead and this nature of, the difference between an organized company and an independent family however big they may be, and therefore the winds which are in favor of the overall jewelry consumption are very very positive, the competitive advantage that the brand has vis-à-vis others is very, very strong and it actually becomes stronger and from a 2-3 year perspective, we are very, very bullish on what we can do in terms of sales growth, margin maintenance, EBIT protection, the ROSI was always in the gold on lease days the ROSI was exceptionally high. Even after the gold on lease went away the return on capital profile at 45% was damn good to say the least. Its in the last couple of years that the sales growth has been an issue and of course complicated substantially in the last 1 year by the absence of the golden harvest, but come October, all that will be history and we see a very exciting, very large opportunity for growth on multiple parameters. So weddings is one very, very big thing. We have begun that journey about a year back in all seriousness by setting up product lines for each community and we have seen early traction in which is very, very positive, high value diamond jewelry like I said is another very big opportunity, there are bill sizes of 1 crore, 80 lakhs and we keep selling. The numbers are obviously not large, but in every one of those transactions the PAN card is not an issue, it is just that, in fact many customers tell us, look, we would love to buy everything that we buy from you, why don't you enable it for us to do so and one of the things that we realized is that the operational efficiency of this division which is the entire asset management is exceptional. Every jeweler talks to me, MD of the company, talks to me and says can you teach me how you've turned so well. But the disadvantage of that turning so well is our low relatively lower choice to the customers, those guys put all the money back into inventory and they actually have so much more to show the customers, particularly in the higher value, so we are going to be investing significantly in the choice, design, development and the range and marketing to follow in the high value diamond jewelry and we see a lot of sales and profit sitting there. Working women's jewelry is all of you know network expansion. In these times because of gold rate because of the governments view on gold, obviously there has been a little bit of discomfort in prospective franchisees on the business and therefore getting franchisees has become a little slower, but the intrinsic profitability of Tanishq franchise, the charm and all various other benefits of working with a company like Titan are fundamental things which are not going to go away and once the economy picks up certainly the boom times on expansion. We have remodeled in terms of some tweaking of sizes of the stores, but the large small town opportunity continues to be there and we are going to be continuing to push it.

Coming to the risks, the gold rate is frankly anybody's guess and it's fall and its impact on margins and volume are there but if you carefully study the cost profile of this division because of the asset like nature, when the boom happens we end up sharing some of that prosperity with our franchisee partners and vendors. When it slows down they pick up the costs of such a slowdown and that is a very good balance model that we have created. We will continue to hold like that. Also because of the, if I were to look at the cost profile of the division, what is really fixed, what is really variable and what is what we would call flexible in some sense, that profile also gives us a very good understanding that if the gold rate is going to fall substantially and the pick up in volumes are not matching that drop, the ability of the organization, there is a decent part of the overall costs which are variable which will fall and if the sales falls, and the decent part is also discretionarily which one can control and therefore the management of sales gross contribution and cost is not that challenging. The government's view on gold imports influencing supplies as well as domestic price variations meaning this 80-20 coming going, we don't know, somebody else may have another view on CAD, again something may happen, but we have lived through a very bad situation about a year back on 80-20 and actually managed because we are a reputed company, we are the TATA company, everyone was sort of queuing up to give us the gold first because payment was certain and this was the company to deal with and we discovered new sources which we didn't even know existed, where gold was a byproduct from a copper company and so on and so forth. So we don't see while that risk may materialize again, we don't see it as an issue to worry about. GST on jewelry, industry is having talks with the government on, what is the final view on GST because it could be a, if government takes a very aggressive view on GST the store of value aspect of jewelry can get affected and with its consequence on consumption _____ is possible.

On international ambitions, limited, we did go to the US and shut shop and came because of those conditions in those days, we began baby steps again about a year back in Dubai through our partnership with Damas and we are present in some stores. It is our ambition to actually open Tanishq stores in GCC, but the NRI focus, we are not looking at any other approach because it's a very, very tough international market now to go and set up our brand in an international market targeting the ethnic groups of those countries, it is certainly not something that we are looking at. Buying a jewelry company outside, yeah, it is possible, so that route is open right now like Bhaskar said we are not so much _____ because the domestic challenges are driving a lot of the time of the management to focus here. So that is my concluding point and thank you very much.

Mr. Subramaniam S: Thank you. It is also my please to introduce some of my colleagues who are also here. Mr. Rajanarayan he is our chief HR, human relations officer; Sandeep Kulhalli is our, he heads sales and marketing for Tanishq and Ajoy Chawla is our chief strategy officer and also looks after new business divisions and Krati, she is hidden there, Krati will be working with me on investor relations, and just a thought on what we are going to do on this. I thought I will explain that, what we are planning to do. One is, we will have sessions like these every year. We would normally try and have it between April and May so that it is at the beginning of the year where we are setting forward what our view for the year is. We will obviously have our investor calls, earning calls, which will be an hour and half at least in duration. We also propose to put up as much information as possible if there are development as and when anything happens, we will put them on our website so that we are keeping everybody informed at the same time and you know the regulations basically are about that. Having said that we are therefore going to be restricting one on one significantly but it does not mean that we will not answer queries or answer anything which can be sent by mail to all of us. So we have an investor relations ID, I think it is on our website, you can talk to them or you can write to me or to Krati, so we will address your queries as soon as we can, so we will therefore keep the relationships on. We will attend at least 10 to 12 conferences in a year, so we will be there at least 8 – 10 meetings, I think I am sure we meet at least 40 – 50 people every time we have those conferences. Most of them would be in India but we will also do some of them outside India. So we will do all that but I am sure you understand the reason why we are trying to avoid one-on-ones now as much as we can.

With that I invite Bhaskar and all the speakers on the stage please.

Gouthami Desai: Good evening. I am Gouthami Desai from Chanakya Capital Services Private Limited. My question is to the jewelry head. Sir while we are trying to get in line with our competition by reducing the making charges and I am also aware that we are like in terms of diamonds we give the customer what we promise, but it is also true that we sell like say SI2 or SI1 in the same price as a VVS1 or VVS or VS which our competitors are selling. So on that front also would we try and come down on the prices?

Mr. C K Venkataraman: No, there are no plans to do that. The answer is there are no plans to do that.

Gouthami Desai: But sir then won't the customers find us more expensive which we don't want?

Mr. C K Venkataraman: Finally, if I take Walmart at one end and Graph at the other end, the price of diamond sold by Graph, not that Walmart sells those kind of diamonds, but hypothetically, it is much much higher because finally it is not a commodity that you are buying, you are buying an overall package and therefore the quality of the diamonds that are there in a piece, the stated quality and the real quality, the stated weight, the real weight, all those are dimensions which have to be considered for us to conclude the actual price premium that anybody is paying because of the nature of the category the product is so opaque, it is very difficult to assess it in the form in which it is set, but when you break open a jewelry piece and actually assess, it is supposed to have 25 cents, is it having 25 cents. It is supposed to be VSGH, is it VSGH or borderline SI. So when you do all that you discover even in some of the well known jewelry houses you discover a little chipping away on the weight, a little chipping away on the cut, a little chipping away on the clarity, a little chipping away on the color, and certainly the comparison dramatically alters. So what looked like a 50% premium when you correct for those differences suddenly becomes a 15-20% premium, and obviously those customers, I mean, we are far and away the largest jewelry, diamond jewelry seller in this country, and if the customers intuitively trust us to do all this mathematics in a sense and therefore buy us with that blind faith. And even on concrete comparison there may be a premium but finally there is a premium to the branding. So the answer is, no, we are not going to drop the prices and the reason is this.

Mr. Bhaskar Bhat: I think what Venkat explained, the strategy, see if you were to divide other than the consumer segments that he spoke about, which is, if you were to divide the market into investment orientation and adornment orientation, I think diamond represents the adornment orientation strategy of the company and on that we want to stick to that bit about the brand being able, not to attract the premium but to be able to deliver value at that. What they have been able to achieve is price points which are very very friendly through innovative designs. I think ARIA is a case in point. Therefore I think achieving price points and therefore making diamonds more friendly is another aspect of the strategy, not specifically VVS1, you know, whether we will charge, I think the whole market has to change. I think, may be it won't happen in the next 5 years but if we do not stick to this, it will never change.

Participant: On GST issue sir there is no excise today and VAT is at 1-2% in most states, so what exactly are you foreseeing on GST?

Mr. CK Venkataraman: Currently, the VAT is 1%. So there have been some murmurs that the GST may be higher, and if that becomes higher than the exchange value of the product will reduce. So I pay 100 plus let us say 5%, so what I bought for 105 will devalue when I sell. So would it have a bearing on the customers view on the category was a fear that was sort of rising and therefore the industry is wanting to engage with the government on it and keep it at 1.

Participant: Also is the level playing field for _____.

Mr. Bhaskar Bhat: Yeah, it will make it more non level, but that is something we have to live with, but I think Venkat explained the entire surge in the country is not merely because of government action, I think even the younger target audience is beginning to realize that it is better to be on this side than on that side. So I believe it is a challenge we will have to face and deal with.

Participant: And on the PAN card issue, are we out of it or it is still ongoing talks or what is..

Mr. C K Venkataraman: We are out of the talks but I do not know if..

Participant: I think the government is now grappling with many other critical issues, at least for a year I think it is.

Participant: And lastly, I was quite surprised not to see a digital slide on your ppt, and given that, the fact that you are in adornment and given that e-commerce addresses two basic issues of convenience and inventory which makes e-commerce successful apart from the current level of discounts, and given that in jewelry, you know, the high cost of inventory and low cost of logistics probably makes it a very attractive e-commerce model, what is the way to challenge that because if you are talking about adornment, if you are talking about MIA, that is where e-commerce lies.

Mr. C K Venkataraman: I did not want to sort of duplicate the, Bhaskar had spoken considerably on the investments that we are making in the online and digital, so jewelry is very much a part of that and we are also looking at, you know the way we feel that the jewelry category can evolve is because it is still a considered purchase, part of it, the whole discovery shortlisting all that can happen online and then you actually make an appointment, I am talking about 2-3 year kind of timeframe context, and that shortlisted range is visible to the store. So when I go there I am shown those 7 or 8 pieces which are shortlisted on the net. So that is one way the online offline brick and mortar integration will happen. But as far as the online opportunity is concerned, we are certainly looking at it very very aggressively, our growth in the last few months is also pointing to that. Investment in terms of even merchandise which is, like I spoke about going down on the knees and why cant every able indian boy go down on his knees and propose with a Tanishq right. So the whole thing of chasing that segment, so creating a product line and going after those young men who are actually going down, I am sure, I mean, as we speak somebody is proposing to somebody or the other in this country, right. So that market is very large and that person who is actually doing that is a net kind of person in any case and the girl is also like that. So we see a very large opportunity, just that I did not want to duplicate what Bhaskar had already covered, but we are very much on it.

Mr. Bhaskar Bhat: But just to elaborate on that the actual experience in the first quarter, the walk-ins to the internet space which is our e-commerce business has been rather large significantly higher than the walk-ins to our physical stores. Obviously, either a new customer has come, I am talking about watches, jewelry and eye-wear, I am not just talking about jewelry. Or, a customer who never thought of that category has found this interesting, whichever it is there is a certain new nest, so it is going to help the category, but the big competitive advantage which Titan has because of the 1200 outlets on the ground and this play, because consumers are walking into that space for experiencing the brand as well as transacting with the brand. So it is going to be an so called 360 degree play as far as we are concerned. So we will be neutral as to where the consumer is experiencing the brand and where she is going to buy the brand. Therefore, what is known as omni-channel is what we are going to get into which most other players will not be able to offer. Just think about it, rakhi is coming up just now you could actually have the product bought on the net but delivered by the store to your sister in Patna or Gwahati or wherever which only Titan has. That is the leverage we are going to use for all our businesses.

Mr. C K Venkataraman: And she can return it in the next one hour if she does not like it in that store exchange it. You know, it is not so easy to do that in a pure play online situation.

Mr. Subramaniam S: Can I request you to give your name and your organization please before you ask the question, thanks.

Mayur: Hi, this is Mayur from Om Portfolio. Just wanted to check on the watch segment what is you policy or parities for the smart watch, you know, the biggies have already launched it, you will soon see a smart indian entrepreneur coming up with a affordable smart watch, where does Titan stand?

Mr. Ravi Kant: I briefly mentioned in my presentation that that is really creating a buzz in this category all over again, so it is an opportunity for us. We are exploring different options, one is, entering the smart watch category in a sense on our own, with our own brands, the other is we have in our World of Titan stores as well as in Helios, in one we have licence brands and in the other we retail brands, other international brands. So in both these formats we have the opportunity of retailing smart watches also. So it could be other brands. We are looking at both these opportunities and you will hear from us more very soon in the next few months.

Mr. Bhaskar Bhat: I just want to add to what he said, if you look at the reality in the watch business and I am not saying this with any arrogance or over confidence, the most profitable watch companies are not in the smart watch business, okay. The Swiss are 75% of the value of the watch business and they are only 15% by volume. The watch has played a very different role, I mean, I can understand that is in the luxury space and so on. The acquisition of a watch is very personal, it is not like a smart watch which is more functional on your wrist. So there is a reality of the watch on your wrist which is more about adornment status whatever, you know, it signals your having arrived in life etc. so the design is an extremely important contributor to the reality of the category. How good it looks which is what Patek and all are playing. So Titan’s play is going to be as a watch maker embedding it with technology rather than a mobile phone on your wrist. This is I think the fundamental difference with which we are coming, right or wrong, the point is that is the way forward for us and you will see something pretty quickly from the House of Titan.

Tejus: Hi this is Tejus from Spark capital. Mr.. Bhat started his presentation by rightly saying that first mover advantage which the Titan in watches business and the key strengths in that business brand distribution and designing are subset of that first mover advantage, now with the emergence of online and both smart watches and technology in certain way are threatening two or your key advantages which is distribution and to some extent designing also. So perhaps distribution gap is easy to fill because omni channel or e-commerce is an answer to that, but technology gap perhaps will be slightly difficult because as of now most of the power houses in this segment are coming from western world. So would there be any tie-ups or more of an inorganic possibilities also there to bridge that gap.

Mr. Bhaskar Bhat: I think I mentioned it in my, it is not there as a content in my presentation, but when I dealt with technology I mentioned one thing to you, which is the technology companies are looking for distribution and brands, in every country that they.. The watch as a brand, the watch, not as a device on your wrist, but as something more memorable than a device on your wrist is what the brands have achieved and they have achieved design. So the technology companies want to embed that technology and the watch companies are wanting to make the watch more functionally useful, which is what Ravi Kant mentioned, which is the watch is coming back on the wrist because of the technology company. So we are working on that premise and working to achieve technology in the watches through a certain means which I referred to, through partnering not through inorganic.. So that is the, you will therefore see something out of the house of Titans shortly. On the e-commerce play I think it is, India is a country of nothing goes out, everything stays in this country, it is not just a live and let live, everybody grows together, so we believe that e-commerce in the best, in the most mature of markets has occupied 25% of the total in a category or for a brand etc. and I think it is co-existence and how to make the consumer seamlessly go across from the net to the store from category to category but stay within the universe of Titan is what we will certainly want to achieve.

Tejus: Would this also entail that Titan can enter into spaces like Fitbit, perhaps Timex is now trying to enter.

Mr. Ravi Kant: You will hear from us very soon.

Tejus: Second question pertains to your eye-wear division, you mentioned that lot of changes have happened with innovations coming from players like lenskart and all, but more you, the things that you are trying to do to bounce back on that front, it seems that cost of acquisition of customer and cost of delivery of services both are going up, so does it mean that incremental customer acquisition will come with pressure on margin?

Mr. Ronnie Talati: No, I don't think that is the case. As I mentioned in my presentation, for us rapid expansion is what we will look at develop scale, we won't compromise on some of the costs that we are looking at which are expansion, but expansion will be mostly by the franchise model, so the cost will be limited. Yes, we are investing in manufacturing, backward integration, to be more self reliant than to be dependent on imports and so on, but apart from that I do not see costs going up dramatically.

Mr. Ravi Kant: It is a long way off, it is a long long way off, it is underserved under penetrated, under unorganized. It is long way off before you know this country has to see a single brand having 1000 outlets before we can talk about margin dilution. Yes, there will be temporary gale me kich kich type, so vicks ki goli lo, that is all we have to do.

Tejus: And lastly on jewelry piece, you used interesting word that you would like to participate in savings market because Tanishq brand does not actually gel with that kind of value proposition but I believe, that is why we coined gold plus as a brand to participate in that market which is very huge, so any plan on focussing or gaining market share through Gold Plus in that market?

Mr. C K Venkataraman: Currently we are participating in that market with gold plus, but finally to make the level of acceptable EBIT and return, they are still not there, we are not there which, and therefore even the expansion of gold plus has been, you know, we have kept it at the same level and in south India, and also I mentioned about the predominance of that segment in different parts of the country, and therefore actually it doesn't make sense to have a gold plus in let us say Delhi because Delhi is all about adornment or status. So even in its final form as and when we roll out it will not be truly national but even for us to do that semi national we need to be convinced on the sustainable margin and ROCI delivery which is still not in our hands because it is a very intensely competitive market, particularly in the last one year the competition in south in terms of the pricing they have just gone berserk, they are all in very difficult times but they have gone berserk in terms of dropping their prices. So right now it will continue to be a limited play for us, that whole savings market.

Tejus: Thanks.

Ramesh: Sir, Ramesh Bhojwani from Limited. The question is for the precision engineering division, Mr. Vivekananda did not mention the top line of the division and target say over the next three years or two years to double because you are catering to aerospace, defence, and automation.

Mr. Subramaniam S: I will answer that on behalf of RV. It is in the other segment as you realize now but as and when we make it a subsidiary which hopefully is about six months away you will see the numbers.

Ramesh: Okay that is nice, and..

Mr. Subramaniam S: No this year, it should happen this year. Well maybe towards end of this year.

Ramesh: Sir one more question with your permission for the jewelry division. There is talk of synthetic diamonds coming into this market, are we looking at it or we have just discarded the synthetic diamonds?

Mr. C K Venkataraman: No, we are very much, in fact, this morning only I had long chat with one of the authorities on this and the work that is being done by them for the gem and jewelry export promotion council. Right now the threat of synthetics is low but it can certainly become very large suddenly, and we are also hearing that there is a fair amount of production of synthetics in India. India in fact is the largest producer of polysynthetics and I have got a sense of what we should be doing in making sure that we are reassured on the pipeline end to end, and how we are going to reassure the customers about it. So in the next couple of months we should have all of that in place including the equipment that we need to detect and all that. It is an important focus for us.

Ramesh: Will it by chance improve our EBIT and PAT?

Mr. C K Venkataraman: To use synthetics?

Ramesh: Yes.

Mr. C K Venkataraman: But we do not plan to use synthetics. We plan to prevent synthetics from coming.

Ramesh: Okay, perfect. Thank you and all the best.

Latika: Hi, this is Latika from JP Morgan. My question is on jewelry side, you mentioned it is getting a bit difficult to get franchisees in current gold rate environment, so does that in any way influence your store expansion plans, you are looking to add 80 to 100 thousand sq. ft.

Mr. C K Venkataraman: It slows the thing down a little bit that is all. The plans do not change, it takes a little longer to get a franchisee and therefore your hit rate in a year it is, earlier we may have hit about 80-90% of our plan number and sq. ft., these days we are at maybe 70% or 65%. So that is the only thing. Our ambition for that opportunity is no less. It is just that.. and we do not want to compromise our format mix because we can put up a for example an L2 store somewhere or an L1 store somewhere but that goes against the strategic principles of channel mix, so we sort of grin and bear it like gale me kich kich like Bhaskar said.

Latika: The second question is on investments in new businesses, if you could share your thoughts on how some of the recent ventures into accessories and fragrances have gone and what could be the new life style categories you can enter into?

Mr. Bhaskar Bhat: The accessories and fragrances have remained low key in a way in the last few years, thanks to the core categories having had faced some headwinds, but work is underway to grow them, our belief in them has not changed, but if you look at new categories, the definition we have is personal lifestyle is one, second is the category must be amenable to branding, third the category must be amenable to design, these are the two competencies we have, branding and design. So, now three people get together and rack their brains and apply this in a mathematical way, you can pretty much easily conclude what categories are still open. It has to be unorganized, it should be amenable to branding, it should be amenable to design and obviously it has to be national play, beyond this I can't really share what categories we are exploring.

Latika: Thank you.

Amit: Good evening. Sir, this is Amit from HSBC. Sir, I have two questions on the jewelry side. First one, Venkat mentioned that they want to make investments in the Choice part of it, which if you could elaborate a little bit more in terms of, you said about diamonds, that investment is likely to be in diamond, does that mean that inventory density in the store will increase for diamonds, and the second thing, what will happen to the gold part of it, and how do you involve franchisee into this strategy?

Mr. C K Venkataraman: About two-thirds, little more than two-thirds of our sales come from our L1 and L2, where our inventory is actually there, little less than one-third comes from franchisees. The reason for investing in Choice is in the HNI segment and the high value diamond jewelry, so it will typically be much more distributed in the L1 and the L2 territories. I'm talking in terms of geographies, not so much in an Aligarh but more in a Varanasi and Lucknow in UP, for example, right, and the effort is to, if you go to any typical, if you go to Turner Road in Bandra and you look at Popley or any jeweller like that, in the windows you will see very large necklace sets, invariably big, big pieces in every window or every show, whereas if you go to a Tanishq, you will not see so many of those, okay. Traditionally, we have been more about wearable jewelry and more importantly in the last 4 years because of the 2011 PAN card we have sort of exited that category substantially. Okay, so if you want to go back, therefore we would be investing in that category which is typically more than 5 lakh price range diamond jewelry and it will not come at the cost of gold.

Amit: In gold there is no such plan?

Mr. C K Venkataraman: In some pockets of gold yes, but much more in diamond than in gold.

Amit: So what is the average if I look at a 10000 sq ft L1 store, what would be the typical diamond inventory size in that store?

Mr. C K Venkataraman: I wouldn't like to share that.

Amit: Overall inventory, if I may just

Mr. C K Venkataraman: You have a understanding of the turn of the business, typically as the size of the store increases, the turn typically increases, even though in the last few years because of the large formats that we have set up, we have emphasized the customer comfort and services for staff and all that, therefore the sales per square foot has typically been a little lower than our traditional sales per square foot. So, but even in the largest of our stores the choice that we offer vis-à-vis the choice that our neighbors offer has been the issue. The good thing about it has been the stock turn that we have been able to deliver, but from a customer point of view and customer is not looking at our stock turn, the choice has been an issue and therefore we want to correct it and through that grow.

Amit: Sir, this is a great initiative for sure, just second bit on jewelry again, when you make an assertion that your designs are best in class, so how do you really benchmark that design is best in class, basically the consumer should judge it, so have you done consumer with your surveys or consumers who don't buy the jewelry?

Mr. C K Venkataraman: It's like this that the jewelry industry manufacturing is separate from the retailers other than Titan which is also into manufacturing. The same vendors who make for us make for other jewelry companies as well, but the kind of intervention that we do, both from a design point of view as well as from a manufacturing quality point of view is of a very high order. And therefore the result of what a vendor in Andheri MIDC makes for us, let's say a diamond necklace and a similar diamond necklace which is made by the same vendor for another competitor, there's a difference. Now that, the acknowledgement of that comes often from the customer's competition as well. They remark that the design because the investment that the company makes even from a design team in terms of understanding evolving tastes, like how much of the company's time goes into directly being in touch with customers, their evolving tastes and therefore jewelry at one level is also part of your overall make, how it belongs with the rest of your clothes, so the more we understand that aesthetic aspect as a designer group, the more we are able to keep current what we are doing and therefore the customer plays back, so it is on the basis of our understanding from customers and not just our view.

Amit: So this is fine, what I am asking is, is there a process by which you actually select certain designs and how do you execute it on the ground, basically some, you may have an inventory and consumer doesn't like it, how do you deal with that?

Mr. C K Venkataraman: No, we have a very detailed process for creation, checking with customers in categories which are experimental in nature and therefore without any past reference so we involve customers in sort of tweaking refining the designs, then we have a very intense process of ordering, so it is not a central head office deciding that these products will now go to all the stores, no we involve all our store staff, they come look at every collection they place orders, basis their, because they are very close to the customer in any case. So they know whether it will sell at this price at this making charge or whatever it is, so we have a certain iterate gate so anything which is not ordered by a minimum of 75% of the internal customers who are coming in, doesn't get manufactured in bulk. To make sure that the rate of sale potential is maximum. But despite all this finally it is an assortment business, it's not like selling 7 models of a phone or something like that. So in an assortment, there is an interplay between products which is finally very difficult to eliminate. And therefore there is sludge, we do need to melt the products, fortunately the recovery in our case on waste is very high because the margin is also very small, whereas in many other categories if it is junk then your cost of junk is very high. But we have a very robust process for making sure what we make sells.

Amit: Thanks.

Jubin: Hi Sir, this is Jubin from Philip Capital. Sir, my first question is about capital allocation for the, we'll be doing a capex of around 150-200 crores, so what will be the allocation to eye wear, watches and…

Mr. Subramaniam S: We don't give it by division, but what we normally spend, most of it is on retail and that includes renovation of stores, existing stores. In the last 2 years, we have been investing a lot of manufacturing. So this year, for example I think Ronnie mentioned that we are going to have the same manufacturing facility satellite lens labs so in the eye wear business we have some. In the watches, not too much this year. Last year of course we had a big spend on the stainless steel case plant which we put up in Coimbatore, which is now running. So manufacturing will come down now going forward. One of the things in the 150-200 this year and the next will be the new corporate office as well. We started spending last year, so it will get over by end of next calendar year. So there will be obviously some money in that. but most of it will be for retail.

Jubin: So directionally would the capex be more in the non-jewelry business as compared to jewelry?

Mr. Subramaniam S: Not necessary, not necessary.

Jubin: And since the last few years, we have opened a huge number of retail outlets, so what proportion of the retail outlets opened say after 2011 and would have broken even and can you share the average break even period for a retail outlet in jewelry?

Mr. C K Venkataraman: The manner in which we look at store profitability is on the basis of the cost of retailing and we use the franchisee commission that we pay as the basis of computing the cost of retailing, and since the company stores are typically in the larger cities where the rent is very high and the franchisees typically come with own properties, we take a 3 year break even for large format company stores in big cities and we used to hit that earlier, but in the last couple of years that 3 has become maybe 4 or 4.5 years, but that's on retailing basis, I mean retailing margin basis, but on total margin basis, I mean the break even is in the first year itself.

Jubin: Thank you.

Abnish: Hi Sir, Abnish from Edelweiss. My first question is in the jewelry business, you discussed the three types of the consumers, adornment, status and savings, and you want to dominate the adornment but want to just play the status segment in spite of status being the highest in terms of average billing, so could you discuss the competitive landscape in the status segment, why not dominate this segment also, what is preventing you from dominating this?

Mr. C K Venkataraman: No, nothing is really preventing, but from a time frame, it is a time frame point of view, this presentation is in the near term, 2-3 years, even my first slide said 2020, so to dominate you need to first of all become known to be a big player in that, we are not. So it will take some time for us to even become known as a very serious player, like our inventory is really thin when you go to more than 10 lakhs for example, so that would take some time. Second is that still while there are winds of improvement happening still this is dominated by practices, if the customer seeks black money dealings and therefore the status is significantly dominated by that kind of customer, and therefore, and we would certainly not play that way.

Abnish: Which would be the key players here, any top names you can

Mr. C K Venkataraman: It would be your TBZ or PC or Hazuri, Kirtilal, Ganjam, ____ in Kolkata, those are the, and you have the Alankar, the Jugal Kishore in Lucknow and Alankar in Patna and Talwar in Chandigarh and so on and so forth.

Mr. C K Venkataraman:
Rakesh mentioned also the high value diamond buyer is a seasoned diamond buyer and very picky about the value and so on and so forth, maybe a little less enamored of the branding and stuff like that, but even in that we are discovering more and more ____

We are still keeping it in its limited form, we have not really expanded and sort of increased, because we do believe in it, we do believe it is possible, obviously it is taking us much much longer than we thought it would and as and when we realized that it is not worth doing, we will do something about it, right now we still think it is worth it, that's the only thing.

Mr Rakesh Jhunjhunwala:I have a question for Mr. Bhat, that it is in his and his board wisdom to decide the quantum of dividend, but I think as a shareholder it would be fair _____ corporate governance, what is the wisdom by which 25-30% has been decided, because every decision has to be reasoned, right, and under the Company's Act you may not share the reasoning, but since you are all so good in corporate governance, why is it that tomorrow the company's profits may double, treble or they may halve, who knows the future, so why this fixation with 25-30%?

Mr. Bhaskar Bhat: I think let's leave the number out, 30%, but certainly in the last few years, let's say we have had an extraordinary hockey stick kind of growth in the profits, but we've been hit by the headwind in the jewelry business, take for example, we went into one period when we had to borrow as well as lose business because of the PAN card, so getting our balance sheet back, particularly for the Golden Harvest scheme for example, there was a certain desire to keep as much within the company in the last couple of years, but 30% is a number, which many, many companies have followed at least in this kind of

Mr. Rakesh Jhunjhunwala: You are all leaders, you don't follow yaar, Titan doesn't follow, you set standards, so Titan should set standard not only marketing, but also in dividend distribution…

Mr. Bhaskar Bhat: It is a fair input, we will take that as a desire.

Abnish: Sir, two follow ups, one is your opening comment was from leader in 2015 to icon in 2020, so how will you measure this that you have become the icon in 2020? You have given the market share in every sub segment, so if we sit in 2020 how will I know that you have become the icon?

Mr. C K Venkataraman: Because we tell you so. We measure the power of the brands through surveys that we conduct every quarter, we have a deep qualitative engagement with customers of ours and customers of competition which give us a sense of that whole thing. So it will be a very concrete measure that we would have of this and we would therefore of course share that with you when we meet in 2020.

Abnish: My specific question was market share if you see in any consumption segment, the leader has very high market share, but in jewelry if you see, if I see any of the matrix, the market share of even your service which you are the leader is pretty small, so will you measure market share also very important, will it be a very important parameter.

Mr. C K Venkataraman: It will be a important parameter but today we are at 4%, we believe that the market share can certainly increase through the various, particularly the wedding and the high value diamond jewelry play that and even the competitive price changes that we have initiated and the potential for that 4 to become 6 for example. But I am not very sure because of this, the nature of the industry as different from many other industries for us to be in the 20% kind of market share in the foreseeable future, but it is the influence of the brand in multiple ways, I mean we have not had the time to speak about how we are investing in the transformation of manufacturing in the gold jewelry sector, so when the German jewelry export commercial council chairman and his team come to Bangalore, Hosur to see our karigar centres and their jaws drop in terms of what we are actually doing, those are matters of influence, I mean that is iconic, it’s not just sales, its not just the customers side but all run, so the karigar union leader of the karigars from Kolkata flies down to Hosur and looks at that Karigar centre and says, my god, I wish every company does things like this and actually elevates the lot of the karigar. So multiple way we will have, but the market share will probably not be in double digits also when we meet in 2020.

Abnish: Sir, one question was on your flagship stores, sir, earlier you were opening large formats, so for example the Andheri store area was more than the 9 stores present at that point of time in Bombay, so how have those stores done? Those stores were supposed to capture the marriage part of the demand, so how have those done, because you are not talking too much on those and then you say that small town India or mid town India there is a very large opportunity, so is there a possibility of opening such stores in relatively smaller towns also?

Mr. Bhaskar Bhat: Such large stores, no, not at all.

Mr. C K Venkataraman: We have just opened, we are opening I think tomorrow. We are opening our third, relocating our third store in Lucknow. It is a pretty large store from a façade point of view, but in term of size it is still some 4500 sq. ft. and it is nearly double the earlier version of that store and 4000 sq. ft. store in that catchment of Lucknow is good enough. But in Lucknow we also have a 12000 sq. ft. store which we opened 2 years back and it is doing very very well. The 20000 Bombay was also a statement for the city. It was always conceived like that. The sales per sq. ft of that store is relatively low compared to the rest of the network, but you know the investment in the high valve diamond jewelry that I spoke about can significantly alter the performance of such a store. But having said that the overall financial performance of that store is still very good. It is not meeting that retailing cost metric that is all. We sell 100s of crores from that store with a lot of diamond jewelry and make a lot of incremental sales and margin in any case.

Mr. Bhaskar Bhat: Avnish, the smart way forward is not the size of the store alone. With technology and logistics improving. See, the killer app for Tanishq is that the awareness and desire for Tanishq across the country exceeds its reach. You will accept this, I don't think we need research to say this. Therefore, reaching the brand to that location, which you know this third store in Lucknow, or the next store in the new town, the 400 towns that we spoke about, middle India. You have a customer sitting there. The size of the store need not be large with technology today being available to make, through technology you can actually make the customer see a much larger range than keeping the physical stock in that store. So there is an idea of a hub and spoke model which we are thinking of, where you can actually reduce the size of the store, have a servicing of that store quickly in a certain way, experiencing of brand in the store physically as well as through; we are experimenting with that in Bombay. So there are things like that which can actually reduce the rent and give you a leverage. So that is the smart way forward.

Abnish: Sir, one small followup on online. You have discussed that a lot, but when I see the competition what they are doing, for example, PC Jewellers has been there on the top three sites for a very long time. Shopper's Stop recently has become anchor on Snapdeal, in which Ratan Tata himself has invested. So my question is because we are waiting for the Tata Group as such to come out with a uniform and single e-commerce site, are we missing out, are we slow on this response, could you share your thoughts on that?

Mr. C K Venkatraman: The creation of a central organization in the company with a senior person supporting that _____ Bhaskar was the first step in actually pitchforking ourselves into the big league. I agree that the view of a brick and mortar company on online typically probably follows the pure play online people. So we have tended to look at online more as a channel, but now we are looking at online as a business opportunity and therefore investing in multiple ways. We are not waiting for the Tata Group, I mean, that is an independent collaboration which anyway will happen, but we are accelerating, starting to accelerate ourselves on all our businesses in online.

Abnish: My specific question was why not put, my question is the three sites which are established, snapdeal, amazon, and flipkart, why not become anchor on any of these sites because that will be giving you a very early mover advantage rather than building your own website.

Mr. C K Venkataraman: No, the view we have is that Jewelry is not a multi-brand category by itself, where as watches is a multi-brand. So we are present on all those platforms with our watch brands but for jewelry just like brick and mortar where we have a unistore, exclusive store concept, that view we are taking. And we believe that the people who want Tanishq or MIA will come to where Tanishq or MIA is. It is that the development of that opportunity, we have been slow on it, we admit, so there is no quarrel there. But we will build and develop that opportunity as an exclusive thing rather then sitting on some other platform.

Abnish: Thank you.

Mr. Bhaskar Bhat: Added to that Abnish, I mentioned in my presentation. We are open to inorganic growth only where capability we have to acquire. So there is a serious search even in that space whether, this is the capability we are not experts, while we build our own horizontal in digital, this is something, if there are quick wins, we will be certainly interested and we are doing something in that space.

Amit Mantri: Hi, this is Amit Mantri from Hornbill Capital. I had a question on the demand trends when gold prices keep falling, does demand permanently go to a lower level or is this just a wait and watch approach as you had mentioned and then eventually demand comes back, the volumes come back to the same earlier level?

Mr. C K Venkataraman: It is not a question which is easy to answer frankly. As soon as the gold rates fell, for example some three weeks back, you know, we had a huge spike in the demand; then it went up again, fell again, and people got confused and they wait. We have typically found that the spike in the demand when the rates fall is lower than the rate, the growth rate in demand is lower than the fall in the price; and the fall in the demand when the price rise is also lower than the growth in the price. I mean, that is the only thing, slightly longer term trend that we have established, but in the short term there is a lot of confusion that happens because people don't know what to do and they just hang around and wait and watch.

Amit Mantri: So for company like Titan, fall in the gold prices is then a positive, we should see it that way right?

Mr. C K Venkataraman: After it stabilizes at a certain level, yes.

Amit Mantri: Thank you.

Ushma: This is Ushma from Rare Enterprises. My question is on the jewelry segment again. Given your focus on middle India and retail expansion, can you give us the sense on what is the criteria that you use when you decide where you want to open stores and how many such locations you may have identified for the near term?

Mr. C K Venkataraman: We look at the size of jewelry market. So if it is 200-300 crores in a town or a catchment because then, you know, we would like to hit a 25 crore for a store ideally in the first year, try. And therefore with a 300 crore, 25 is like possible. The second we look at is the making charges which are prevailing by, charged by the other jewellers because if it is a very very low making charge market then it takes time, obviously the _____ traditional type and therefore may not, we will _____ Tanishq. The third is the overall retailing development. So is there a Levis there, is there a Croma there, is there a Raymond there. So therefore in a way the point two and point three are related because the more there is retailing the more likely that the customers are of that type and therefore willing to pay making charges which are relatively high, and so that would be the basis on which the town is identified and thereafter we prospect for a location franchisee in which ever order it comes through.

Mr. Bhaskar Bhat: Also there is internal information, the watch business is already there. So there premiumness, you know, the average price for watch is a very good indicator of the profile of that town. So there is a lot, in fact, we have a very strong field force in jewelry watches and eye-wear, and we have a very senior person heading now the regions, so the geographical expansion is really led by those people in the field who can, not just analyze markets where potential is but they can also smell the potential.

Rakesh Jhunjhunwala: How many locations would be there which are identified but _____ longer term plan because India is going to be a big Urban Stroll, the pace of urbanization _____ report say.

Mr. C K Venkataraman: When we did it about 7-8 months back perhaps 75 town location combinations where we immediately could put up a store.

Rakesh Jhunjhunwala: So you intend to cover those towns…

Mr. C K Venkataraman: But around 35 was the plan, out of the 75 we chose 35 in the first wave this year, and the balance are sitting..

Rakesh Jhunjhunwala: That means we should expect between 3-4 years you should cover 75…

Mr. C K Venkataraman: Certainly.

Mr. Bhaskar Bhat: Also Rakesh, the overall, let us say if you take 5-10 year horizon, and when we travel across the country you realize that, there is certainly a 300 to 400 town number sitting there, which is, I mean, watches we are now barely at 200. So it is a very big potential. People are spending locally now. Yes, for the big weddings for jewelry they go to, I mean, from wherever Vellore they come to Chennai, but otherwise a lot of it is happening locally.

Avi Mehta: Hi, this is Avi here from IIFL. Just taking two comments that you make, one is the L3 store additions this year, I mean, you are finding L3 store addition kind of becoming difficult because of the way gold prices are. And taking a comment that you made last year wherein you had cut franchise fees in the jewelry segment, do you, I mean, I am just trying to understand would you relook at that decision given where gold prices are for healthy expansion, or how do you see that situation, or ROIs for L3 kind of behaving which kind of hursts..

Mr. C K Venkataraman: Actually we had done it for L2s not L3s. So this has no bearing on the problem, the challenge. The challenge is actually multiple, one is the fall in gold price and therefore, not all L3s are hedged on the, you know, so the price risk is open. We have been working with them to see how we can cover everybody, we are not completely successful yet. So one is the gold inventory risk, the second is the PAN card threat which has been looming over the last few months. So they have been worried. Like we enter this business and suddenly the government comes out with a 1 lakh PAN card rule and you are sitting in let us say Azamgarh, and in Azamgarh most of the people would be wary of showing the PAN card, right. And therefore that was another.. and the general economic conditions, and the growth rates in many discretionary categories including jewels. So these multiple factors, even though the opportunity is large, the profitability is pretty good in any case, and the word of mouth from all our franchisees would be very very positive, but because of these three simultaneous factors, I mean, it is taking us more time to convince, more time to get, and there other businesses are also under pressure. It is not only jewelry right? Various businesses are under pressures. So the cash flows are tough for businessmen and therefore to invest 10 -12 crores is not small money, so all that. But the terms of trade revision was not _____ in any case.

Avi Mehta: The second thing, there is a focus on the wedding segment I understand in the jewelry division, just wanted to understand how are we planning to target that and differentiate in this very crowded segment if I may say, the wedding segment.

Mr. C K Venkataraman: Sure. For example, you will see a launch of one of our collections in about a month or so. It is, subject name is Heritage and it is inspired from the architecture of various parts of India, and it is a very exquisite collection, gold, and would go very well in a wedding kind of situation, and therefore the entire design and manufacturing quality sensibility of the brand comes very much alive. So you are going back to, somebody was asking the question, how do you know that you are best in class in design was the question that, so the vendors, one of the reputed vendors who makes such products for the industry is making these products for us and his own view, I have never something, it is really beautiful, and therefore there will be some standard products which, like the classic diamond jewelry is what I would call standard, but in the finer detail of the making, the beauty of the product finally comes up and therefore the symmetry and the balance, the back side finish, and stuff like that. The manner which the diamonds are actually set on the same plane so that the brilliance is better. So those would be subtle differences than the classics, but in the unique products like the Heritage it would be very very different. I have not seen something like this before kind of. So through these two, combined with the entire 21 different products which typically Punjabi wedding requires or the 17 typical that the Maharashtrian requires, all those are already in place.

Avi Mehta: Thanks

Abhishek: Hi. I am Abhishek from Ambit Capital. Few questions from my side. One is on the, just a follow up on the wedding is it, given the constraint of PAN Card and 5 lakh rupee limit there as it stands today, how do we crack the ticket size, are we looking at SQs which are going to be below this price, what is the kind of strategy we have adopted here?

Mr. C K Venkataraman: Firstly, if I were to take the proud to be carrying the PAN card population of this country in the HNI segment, I am sure our market share in that is not very large. It is not as if the proudly carrying PAN card people don't buy from other jewellers, they do, which means that if we have the right products in terms of design as well as choice our ability to get more and more such people to buy from us would increase. So the PAN card need not at all be a constraint, it is actually our entire presence in that segment that is the larger constraint than the PAN card itself. Like I said we have seen, when I attend the customer meet in AMr.itsar, and Punjab is that kind of a market let us say, so the majority of the.., and I am talking about high net worth customers, majority of them say please give us more choice, let us buy everything from you, PAN card is not an issue. The minority says my husband is unwilling to giving you the PAN Card, why don't you remove that rule. So I tell them, look it is not our rule, it is the government rule. So that small fraction of people who are not willing, among our customers, who are not willing to give the PAN card is lost to us till they change there mind, but a large part of our customers who are PAN card carrying will buy a 25 lakh necklace or a 10 lakh.

Mr. Bhaskar Bhat: He has to sell.

Mr. Bhaskar Bhat: No, we don't permit him to sell without the PAN card.

Mr. C K Venkataraman: We actually physically check the invoice, staple of the PAN card, name on the PAN card versus the name on the invoice, we don't let it, you know..

Mr. Bhaskar Bhat: Also, as against impulse purchase or one visit, the wedding jewelry purchase is not a single visit purchase and there is a long time over which people buy, I am not saying we deliberately bill over several days, but there is a, once you made Tanishq as a choice then it starts, the wedding is 3 months away, 4 months away, you buy bits and pieces and then the big pieces that is when sometimes the PAN card issue comes up.

Mr. C K Venkataraman: Also Abhishek there is no SKU route to solve the problem because individual products are, necklace is 7 lakhs and the women wants a necklace, now we cannot break it into three pieces, there is no way to do it.

Abhishek: Also in the diamonds, since we are actually growing faster in that segment than the gold over the last 4 to 5 years, how do we see, I mean, what would be the specific strategy apart from solitaire which we would be look at from a 5 year to 6 year perspective on the diamond jewelry?

Mr. C K Venkataraman: Actually the high value diamond jewelry is a very large existing market. It may be slowing down a little, it may be stagnant, it may even be declining, but it is a very large market in which our participation is much lower than our average share of the diamond jewelry category and therefore just by investing in design and choice and marketing we can, you know, grow. Whereas in the ready to wear, wearable diamond jewelry our share is already very high and the whole young women growth all that I spoke about will naturally carry growth further. It is in the high value that and solitaires that we are going to be pushing a lot.

Abhishek: One last question I had is on watches, you mentioned that we are almost about 2000 crores in size here, the point is that, are we at a stage where we can have different segments where the name Titan _____ sell on the watch, we could have sub brands selling like the swatch group has, how far are we from _____.

Ravi Kant: We are partly already there. If you know Fasttrack is a separate brand, and Xyles is a separate brand which _____. So what we have, you know, we have Titan the mother brand, then we have other brands like Fastrack like I said, and then there are sub brands which are Rage and Edge, it is a mini collection in itself. So I also referred to the sport segment which is an upcoming segment in this business and category and we are looking at launching a sub brand in the sports category. So we are partly there and we will keep launching as we identify large segments which are profitable enough and can justify a separate brand.

Abhishek: So we will continue Titan umbrella as such.

Ravi Kant: Yeah, Titan is the mother brand. So there will be sub brands which are kind of supported by the mother brand and there are collections which are supported by the mother brand.

Abhishek: Thank you.

Ankit: This is Ankit _____ from _____ Ventures. Sir, my first question is, just wanted to know your target for share of stud jewelry as a percentage of your total jewelry sales for say next two to three years, which currently is under 30%, so what are your targets for it?

Mr. C K Venkataraman: Actually we have learnt over time not to really target that share, that share is result of performance of gold as well. We are going to be targeting, so just to elaborate on this, in the 2007-2012 timeframe we had set a 40% target for diamond jewelry and we expected the gross margin expansion through that and the EBIT expansion to happen through that. The EBIT expansion did happen but not because that 40 happened but because we grew 30-40% every year in total sales and the leverage kicked in and we got it. I mean we realized therefore that there was no point in targeting a share as much as the sales grows. So we would like to grow every year diamond jewelry substantially and if gold booms for whatever reason the share may not happen but the EBIT will still happen.

Mr. Subramaniam S: Can we have the last two questions.

Rakesh Jhunjhunwala: How is our share of diamond jewellery growing? is the share going up as compared to gold or?

Mr. C K Venkataraman: Yeah, it is going up.

Rakesh Jhunjhunwala: But we have some figures how much it is going up..

Mr. C K Venkataraman: It is more a sense Rakesh, because, like the DeBeers presentation last week said that between 2004 and 2014 there is a 400% growth in the diamond jewelry, that was what they said.

Mr. Bhaskar Bhat: But when we did the survey, it was not really proper survey, but the estimate was 50% over the last _____.

Participant: Sir, just one question, PAN card is compulsory for transactions above 5 lakhs, if suppose one doesn't follow this what are the consequences, what are the penalties involved?

Mr. Bhaskar Bhat: To the buyer or to the seller?

Participant: To the seller.

Mr. Subramaniam S: Reputation loss. We will not do it, simple.._____ penalty, I don't think we will do it, that is it.

Participant: Is there any statutory penalty that..

Mr. Bhaskar Bhat: There is, but more than that I think it is reputation more than..

Mr. C K Venkataraman: It is the law of the land and we follow it. We are the Tata's.

Participant: Thank you.

Mr. Subramaniam S: Another 5 minutes.

Gouthami: Sir this is Gouthami here again. I don't want the exact numbers but just was trying to get a sense, specially because the valuation of a jewelry company is highly sensitive to the number of inventory days, so our ambition of providing choice and more high valve items going into the wedding segment, so do we expect inventory levels to get impacted, in terms of number of days.

Mr. C K Venkataraman:
Yeah it would, but high value diamond jewelry also comes with a high gross margin and therefore while the turn will dilute but the EBIT expansion can easily make up for it. From a return on capital point of view it would be a win-win.

Gouthami:
And sir just one more question that, going forward like say if this continues, franchisees they keep shying away and we don't get as many franchisees as we really want and we find some locations really attractive, will we just go ahead and open our own store or how would be the strategy going forward?

Mr. C K Venkataraman: No, no, actually they are not shying away, it is taking longer for us to commit them to the cause, so to speak, so our the mix model of L1, L2, L3 is not going to be compromised because of short term issues like this, we may do an L2, L3 in exceptional cases it could be a company inventory, if inventory is an issue, but we won't take company's store into an Azamgarh, I mean just to take the same turn again, just because we are finding it difficult to, because it goes against the overall asset like model of the, especially the people and all the complications that come with very large number of staff.

Mr. Bhaskar Bhat: We don't see this as a serious threat, we have done franchising for the last 28 years, much smaller businesses which is watches in terms of single store size, many of them have opened jewelry stores and the reputation of the company brings the franchisee in. The current issue is more to do, actually we are not shying away, I think we are not doing a good enough sales job, if you ask me. I think we have to just get a little more aggressive, because in the long run, every franchisee has benefitted, both by way of financial returns as well as a huge reputation gain, because being a Titan franchisee brings other benefits to a franchisee, so it is a, this is a very temporary thing like Venkat said "gale mein kich kich" kind of thing.

Mr. C K Venkataraman: Also, the PAN card thing which was very large in top of mind is gone now, nobody is talking, so since there were multiple factors worrying them, there was a certain slowing down but one factor is gone and I am sure the Diwali season will be very good and the sales growth side will also come back and so

Gouthami: Going forward, basically we can expect the L1, L2, L3 to ratios to remain the same?

Mr. C K Venkataraman: By and large, yes.

Gouthami: Ok, thank you.

Mr. Bhaskar Bhat: And other answer to your question, we will not compromise, not opening a store when there is potential, so we will find a franchisee, either L2, L3 model, but we won't shy away from a location which is very potential, so there are a lot of tricks up your sleeve when you have to open a store.

Participant: This time your presentation highlights a risk on the gold price. I know this question has been asked, but on the volume versus the pricing, you are sounding less confident compared to what your historical view and guidance has been about volumes coming back when prices go down, is there some change in that thought process, and if so, why? Because the presentation also highlights this as a number one risk on the volume because of lower gold prices.

Mr. C K Venkataraman: No, it's just that as time passes you understand the dynamics and the connection between price and volume better, that's all, so whenever we spoke to you last, our understanding was one year earlier and so on and so forth, that's all. It's more a comprehensive aspect to the presentation than a risk which is worrying us, you know it's not like we lose sleep over that risk or anything like this. We wanted to highlight that these are three intrinsic risks which are sitting in this business, and if this happened to be the first point on the top, but it is not such a, we have understood that the extent to which the volumes go up is less than the extent to which the prices go down and vice versa, so to that extent it is a risk but the overall balance nature of the costs of the division help us manage that risk and come out on top.

Participant: Okay. Second, you have taken corrections in making charges, do you think you are late in taking this decision, could you have taken it when the gold price inflation was around as against in the deflationary environment where any which way you have pressure on margins because of lower gold prices which translates into lower making charges, etc, do you think this strategy has been delayed by at least 2 years?

Mr. C K Venkataraman: On hindsight perhaps, but hindsight is an academic aspect.

Participant: Okay, thank you.

Mr. Bhaskar Bhat:

I think to do anything in favor of a consumer, nothing is late. I think we have not done this, of course we have done this for the purpose of business, but we have done it as a response to consumers constantly telling us that you are unreasonably high in certain categories, there is not sufficient differentiation, so there is no late or early in that. when we did, we did it we thought that the timing was right, from a business perspective, yes, maybe if we had done it earlier we would have got more, but I don't think we can pass, we can be very sure about how much we could have gained.

Participant: Thanks.

Mr. Subramaniam S: Last question please.

Participant: Sir on _____

Mr. Subramaniam S: We don't hedge diamonds. We can't hedge diamonds.

Participant: Okay. So suppose if diamond prices falls, we take a hit?

Mr. Subramaniam S: It doesn't normally happen, yeah.

Participant: But now we have seen gold also is falling.

Mr. C K Venkataraman: No, but why do we take a hit, I didn't understand.

Participant: But your margins also compress.

Mr. C K Venkataraman: No, we don't change the prices.

Participant: And on gold, what is the scenario?

Mr. Subramaniam S: On gold we hedge, right, you know what we do, we have gold on lease _____ we do that, we are also doing, when we buy gold on spot we hedge internationally, and at this point in time, I think we are using both because what's happening is the premium on gold on international hedging is coming off from its peak of 7.5-8%. Today it is the 6% range. And simultaneously gold on lease also is now getting a little more attractive, so we are constantly talking about which is more better, so today I think we would do a 50:50 ratio in terms of gold on lease and, but we have no issues in shifting it to an 80:20 if required if for example, spot is better to do, so

Participant:
_____.

Mr. Subramaniam S:
That's very short, 30-60 days.

Participant: That means there is ______

Mr. Subramaniam S: Diamonds yes, _____ yes, for that matter even bought out jewelry, what you buy.

Mr. Subramaniam S: That's it. Thank you so much. My apologies again for some of you who had to stand because of the lack of availability of seats, so please join us for cocktails and dinner. Thank you so much.