

# TITAN INDUSTRIES LIMITED

6 August 2010

**'Delivering value by creating desirable brands'**

## Disclaimer

*Certain statements are included in this release which contain words or phrases such as “will,” “aim,” “will likely result,” “believe,” “expect,” “will continue,” “anticipate,” “estimate,” “intend,” “plan,” “contemplate,” “seek to,” “future,” “objective,” “goal,” “project,” “should,” “will pursue” and similar expressions or variations of these expressions that are “forward-looking statements.” Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with our expectations with respect to, but not limited to, our ability to implement our strategy successfully, the market acceptance of and demand for our products, our growth and expansion, the adequacy of our allowance for credit to franchisees, dealers and distributors, technological changes, volatility in income, cash flow projections and our exposure to market and operational risks. By their nature, certain of the market risk disclosures are only estimates and could be materially different from what may actually occur in the future. As a result, actual future gains, losses or impact on net income could materially differ from those that have been estimated.*

*In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to: general economic and political conditions in India and the other countries which have an impact on our business activities; inflation, unanticipated turbulence in interest rates, foreign exchange rates, the prices of raw material including gold and diamonds, or other rates or prices; changes in Indian and foreign laws and regulations, including tax and accounting regulations; and changes in competition and the pricing environment in India. The Company may, from time to time make additional written and oral forward-looking statements, including statements contained in the Company’s filings with SEBI and the Stock Exchanges and our reports to shareholders. The Company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the Company, to reflect events or circumstances after the date thereof.*

# Titan Industries

**The surging spirit of India !**

# Titan Industries

- Pioneer
- Breaker of rules
- Leader in two businesses: premium and mass market
- Manufacturer, designer, brand owner, marketer, retailer and after-sales service provider
- Unique culture
- First company to dare to challenge the Swiss
- B2C and B2B player
- In four businesses from 2007-08
- One of the Jewels of the Tata Group

# Our Heritage – the TATA Group

- Titan is a part of the TATA Group having a turnover of about USD 70 bn (2008-09) with 1/3<sup>rd</sup> coming from India, equivalent to over 2.5% of India's GDP and having the biggest market capitalization in India
- The Tata group is India's largest employer in the private sector – 357,000+ employees across 85 companies
- The TATA group has achieved many Firsts for India:
  - First private sector Steel mill
  - First private sector Power utility
  - First luxury hotel (Taj)
  - First Airline (now Air India)
  - The World's least expensive car (Tata Nano)
  - India's largest software company (TCS)
  - India's largest watch & jewellery manufacturer (Titan)

# About Us

- Titan is the world's fifth largest, integrated manufacturer-brand for watches
- Commencing production in 1986-87, the Company is today the leader in the Watch & Jewellery businesses in India
  - First & largest player in the branded jewellery segment in India with "Tanishq"
  - >60% share of the organised watch market in India
  - Over 90 million watches sold across 30 countries, cumulatively
- Manufacturing Facilities
  - Main Watch & Jewellery plants in Hosur near Bangalore
  - Watch assembly plants at Dehradun, Baddi, Pantnagar and Roorkee.  
ECB plant in Goa; small Jewellery-making facility at Dehradun
  - Investment of US\$150 million in 450,000 sq.ft. state-of-the-art manufacturing facilities
- Owned by TATA: 25.17% and TIDCO: 27.88%
- Professionally managed by TATA group & an independent Board

## Recognition and Awards in many categories

- India's most admired consumer durables company having the most trusted brand in India -TITAN.
- Both TITAN and TANISHQ adjudged best retail brands in IFF survey
- JRD QV (Malcolm Baldrige) Award in 2006 to the Watch Division, and score was re-affirmed in 2007 and in 2008.
- ET and "Great place to work survey" selects Titan as best employer in Retail and among the top 25 nationally
- President of India Award for best employer of the physically challenged.

# Our businesses

Watches

Jewellery

Eyewear

Precision Engineering

Currently  
Marketing  
our Products in  
26 countries  
with a larger  
footprint in the  
Middle East and  
Asia-Pacific  
regions



# Our Brands

TITAN

SONATA

FASTRACK

XYLYS

TANISHQ

GOLD PLUS

TITAN EYE+

ZOYA

ZOOP!

HELIOS

# Our businesses

## B2C businesses: Products

Premium

--	--	--

Mid-premium

		<p>Fastrack accessories</p>
--	--	-----------------------------

Mass

--	--	--

Watches

Jewellery

Others

## B2C businesses: Retail

<p>2 stores 4,534 sq ft</p>	<p>2 stores 6,628 sq ft</p>	
---------------------------------	---------------------------------	--

<p>299 stores 301584 sq ft</p>	<p>116 stores 2,68511 sq ft</p>	<p>95 stores 80914sq ft</p>
------------------------------------	-------------------------------------	---------------------------------

<p>27 stores, 13607 sq ft</p>	<p>29 stores 49,284 sq ft</p>	
-------------------------------	-----------------------------------	--

Watches

Jewellery

Others



## B2B businesses: PED and MBA

# Retailing..

## Widespread and differentiated



## 2009-10 – Summarised Results

(Rupees in Crores)	Watches	Jewellery	Others	Corporate	Total
Sales / Income from Operations	1051.89	3497.47	153.76	-	4703.12
Less : Excise Duty	26.55	-	2.15	-	28.70
Net Sales / Income from Operations	1025.34	3497.47	151.61	-	4674.42
Add : Other income	1.44	6.72	0.15	3.55	11.86
Net Sales / Income from Segments	1026.78	3504.19	151.76	3.55	4686.28
Profit before interest and taxes	144.73	254.68	-38.89	-13.78	346.74
Less : Interest					25.42
Profit before taxes					321.32
Less : Taxes					71.00
Net profit after taxes					250.32
Capital Employed	227.09	371.80	78.02	125.02	801.93

Additional Amortisation of trademarks during the year – Rs.24.04 Crores

Watches – Rs. 18.44 Cr

Jewellery – Rs. 5.6 Cr

## **ADDITIONAL AMORTISATION OF TRADEMARKS**

India will be adopting International Financial Reporting Standards (IFRS) from 1 April 2011.

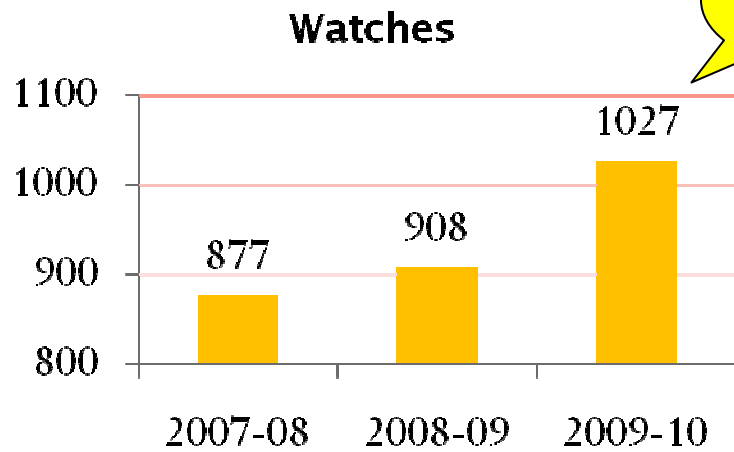
One of the requirements of the Accounting Standards is reflected in AS 26 which mandates a review of the expected economic benefits from the assets held by a company.

Until 31 March 2006, the Company was exporting its products (watches and jewellery) to three overseas associate marketing companies in London, Dubai and Singapore. These companies were marketing the products to distributors and other buyers in their respective territories, and consequently, the Overseas Trademark Rights to TITAN, TANISHQ and the other trademarks used by the Company were also held by an overseas associate company.

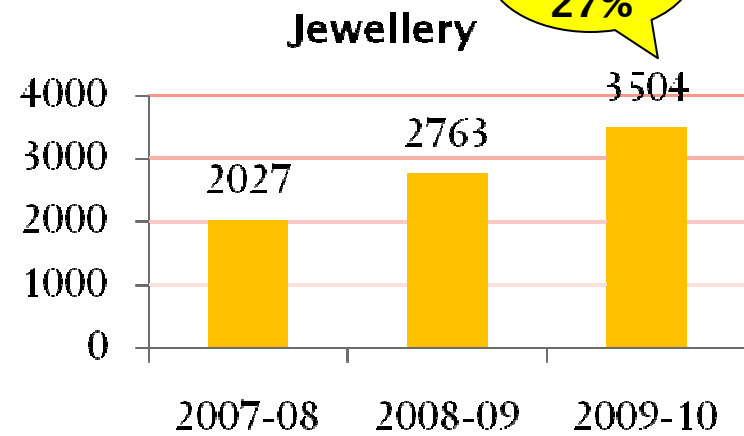
From 1 April 2006, the Company started exporting its products directly to the overseas distributors and other buyers in various countries. In August 2006, the Company also bought over the Overseas Trademark Rights at the book value of about Rs 63 crores and has since been amortising this intangible asset at 10% annually. About one-seventh of this value pertains to jewellery and the balance pertains to watches.

In March 2009, the Company discontinued its jewellery operations in the USA, and the Jewellery Division decided to concentrate on operations in India and to totally discontinue the export of jewellery. Thus, there would be no future economic benefit from the overseas trademarks pertaining to jewellery, and the Company has therefore amortised the balance intangible pertaining to jewellery. A similar exercise was then done for watches and a total additional amortisation of Rs 24 crores has therefore been accounted for 2009-10.

# THE THREE YEAR JOURNEY... INCOME



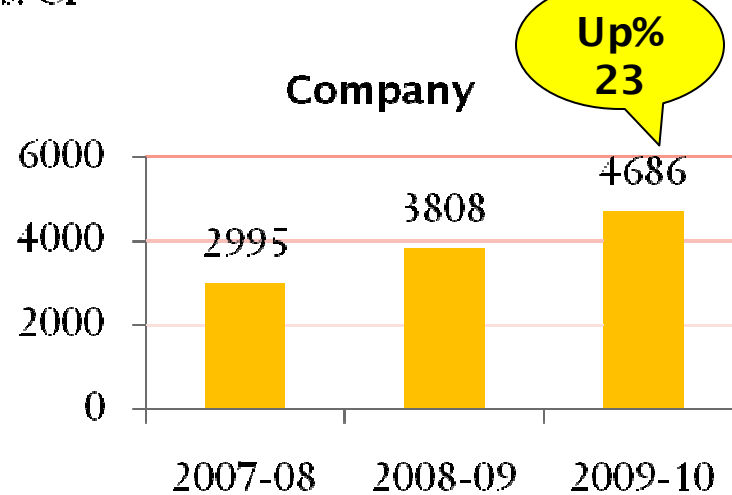
Up  
13%



Up  
27%

■ Income Rs. Cr

■ Income Rs. Cr

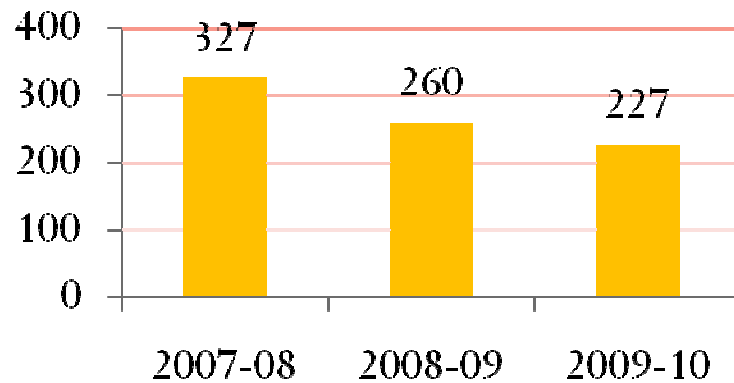


Up%  
23

■ Income Rs. Cr

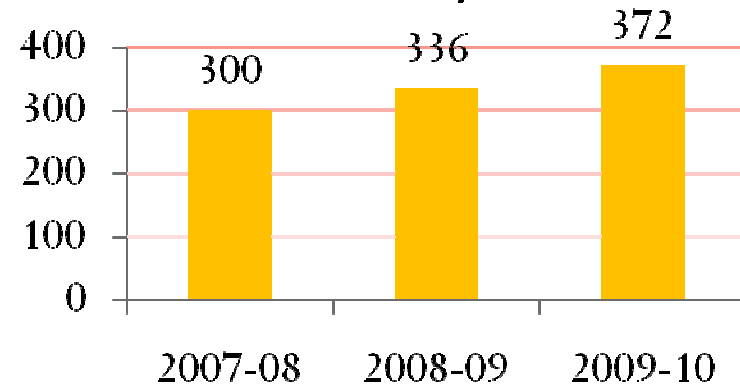
# THE THREE YEAR JOURNEY... CAPITAL EMPLOYED

### Watches



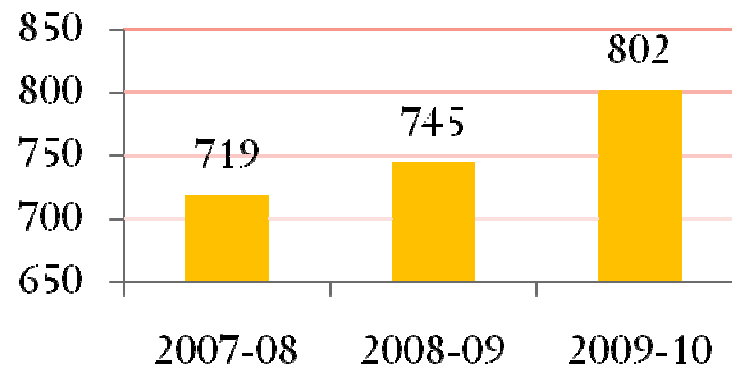
■ Cap. Emp Rs. Cr

### Jewellery



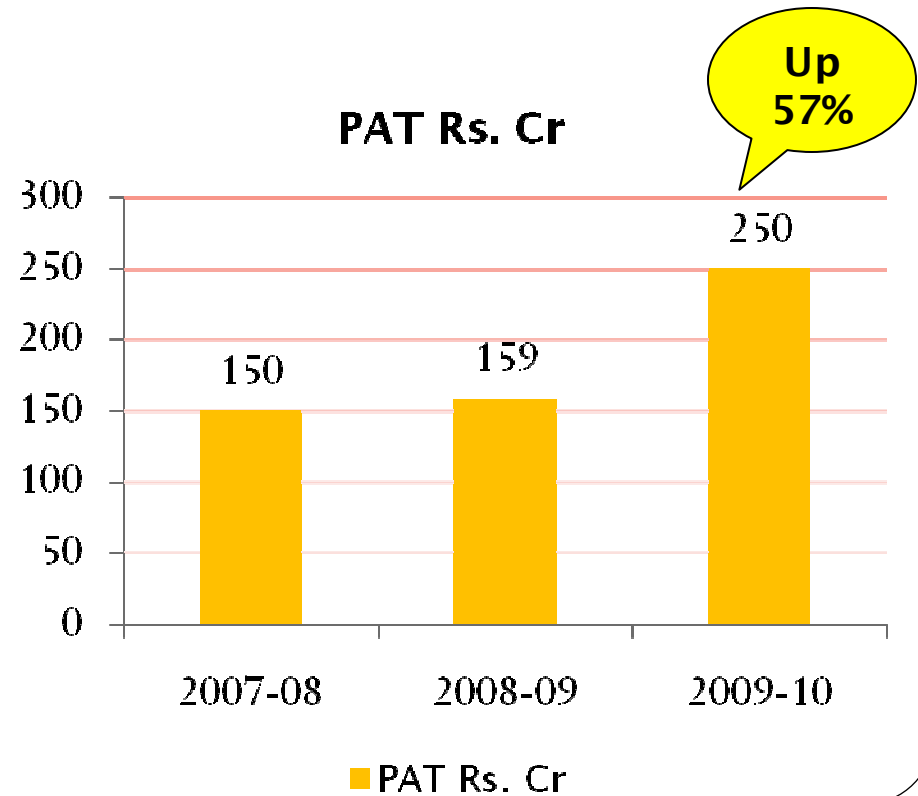
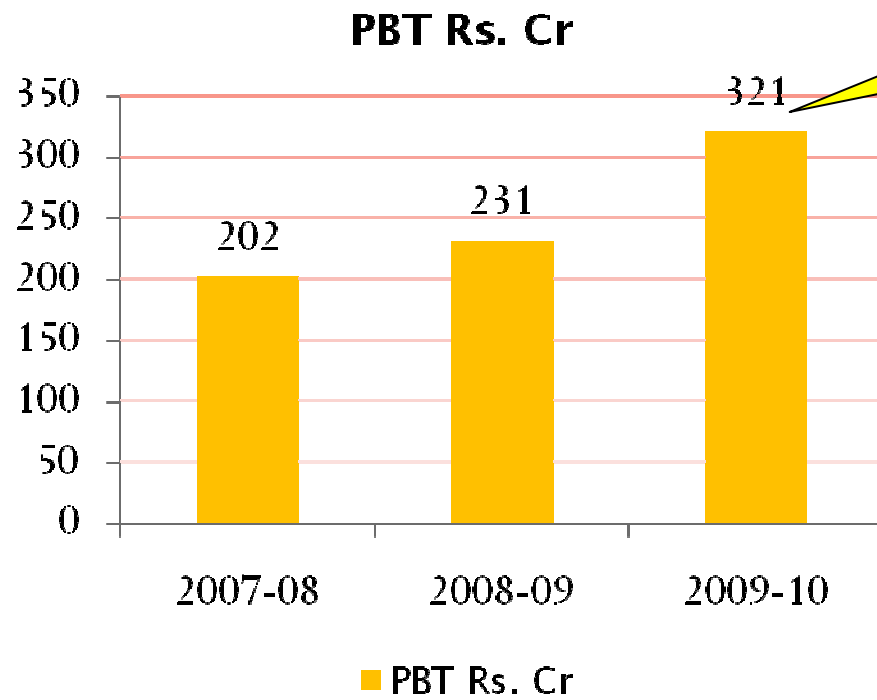
■ Cap. Emp Rs. Cr

### Company



■ Cap. Emp Rs. Cr

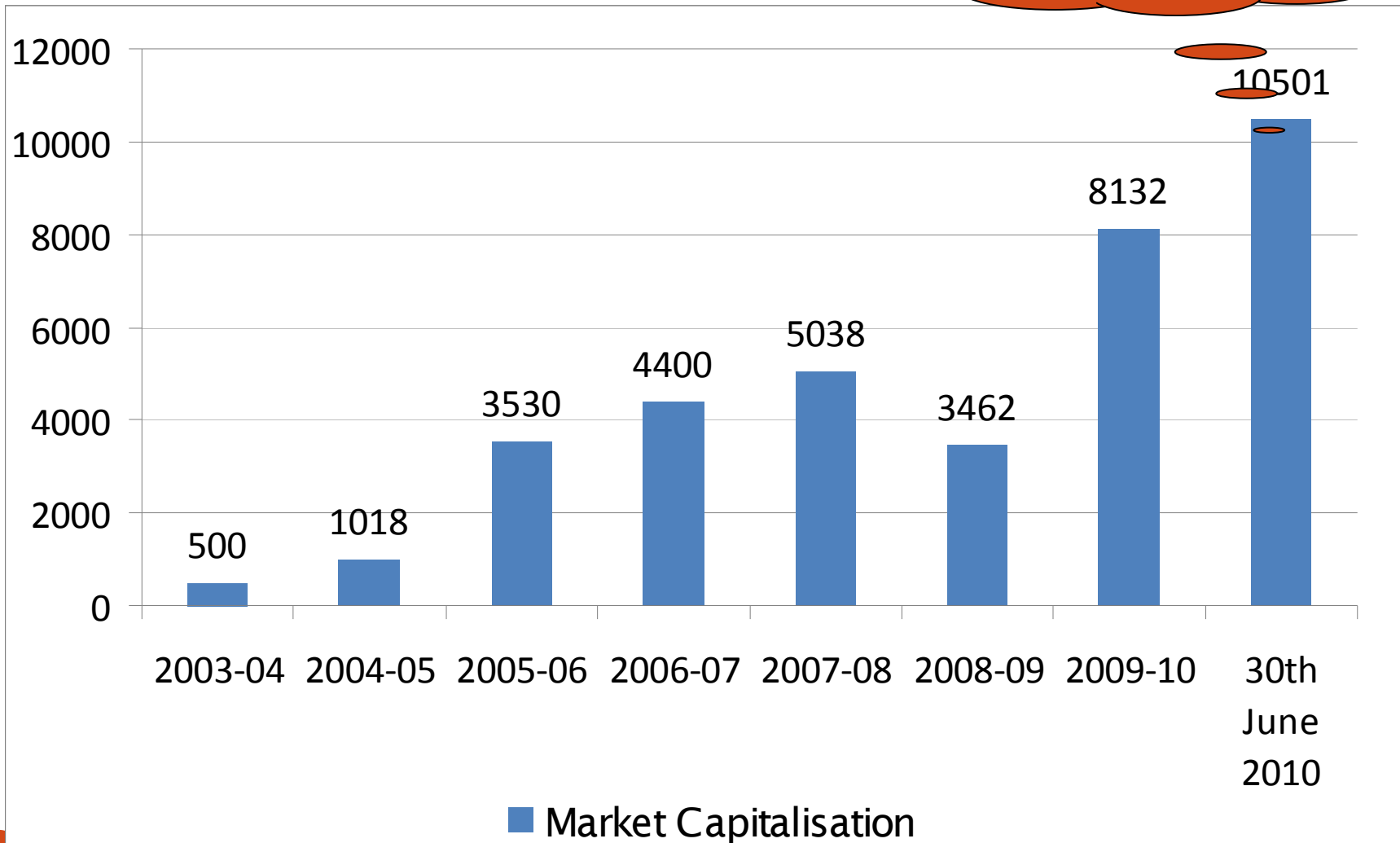
# THE THREE YEAR JOURNEY... PROFITABILITY





# MARKET CAPITALISATION

Crossed US\$ 2 Billion



## April – June 2010 – Summarised Results

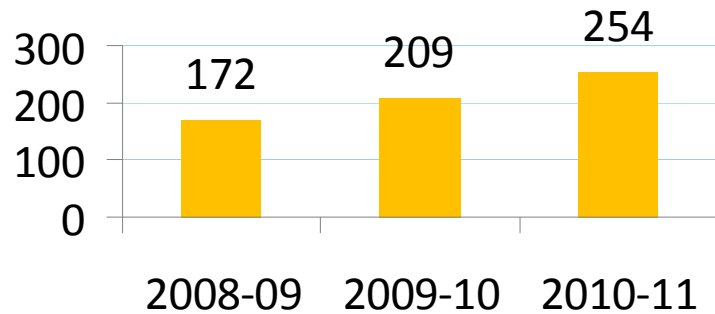
(Rupees in Crores)	Watches	Jewellery	Others	Corporate	Total
Sales / Income from Operations	260.84	945.17	54.30	0.00	1260.31
Less : Excise Duty	6.94	0.00	0.54	0.00	7.48
Net Sales / Income from Operations	253.90	945.17	53.76	0.00	1252.83
Add : Other income	0.12	5.37	0.04	2.49	8.02
Net Sales / Income from Segments	254.02	950.54	53.80	2.49	1260.85
Profit before interest and taxes	41.64	68.26	1.67	-0.41	111.16
Less : Interest					2.53
Profit before taxes					108.63
Less : Taxes					27.35
Net profit after taxes					81.28
Capital Employed	268.76	276.30	95.68	241.37	882.11

# 2010-11 – Q1 Highlights

- Company Income crossed Rs 1250 Crores (over US\$ 265 million)
- PBT crossed Rs 100 Crores (over US\$ 20 million)
- PAT crossed Rs 80 Crores (over US\$ 17 million)
- All businesses benefited from improved Consumer sentiment and from a longer Wedding “season” during the quarter
- Watches saw good growth in the premium TITAN brand, resulting in a better product-mix and improved margins
- Jewellery saw sales growth of 49%, inclusive of a 20% rise in gold prices
- The Eyewear segment grew by about 30% and made a small profit, but the retail business is yet to break even
- Precision Engineering also grew its topline, but made a small loss
- The total number of retail outlets across all three businesses crossed 560 and the total area of retail space crossed 700,000 sq ft

# PERFORMANCE – 2010-11 – FIRST QUARTER INCOME

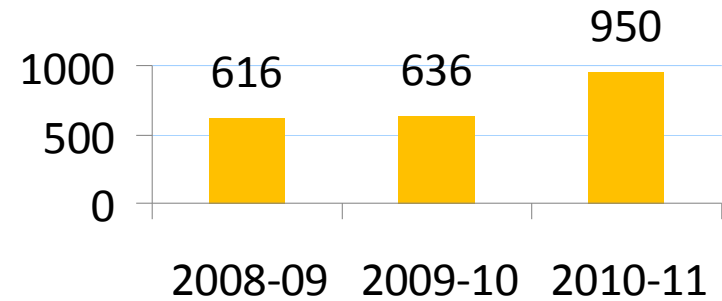
## Watches



Up  
22%

Income Rs. Cr

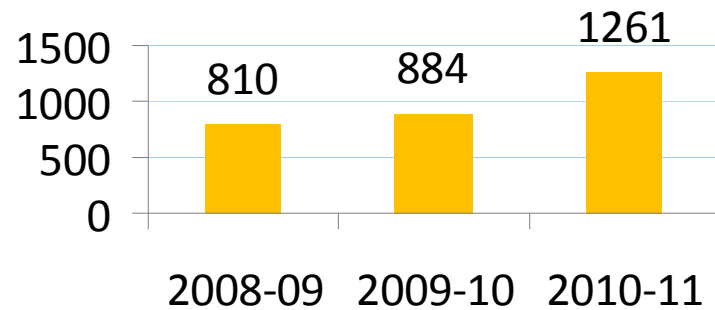
## Jewellery



Up  
49%

Income Rs. Cr

## Company

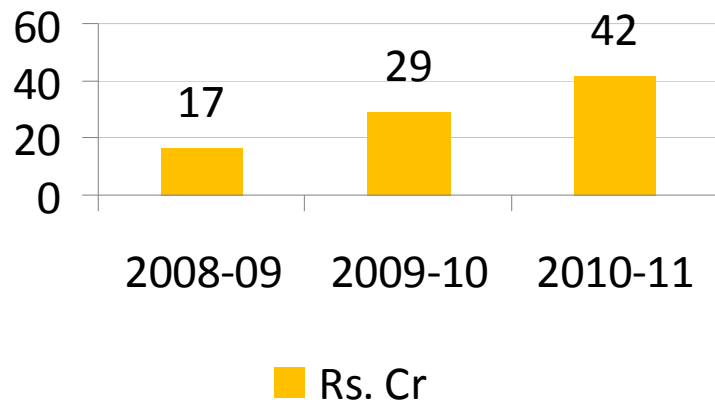


Up%  
42

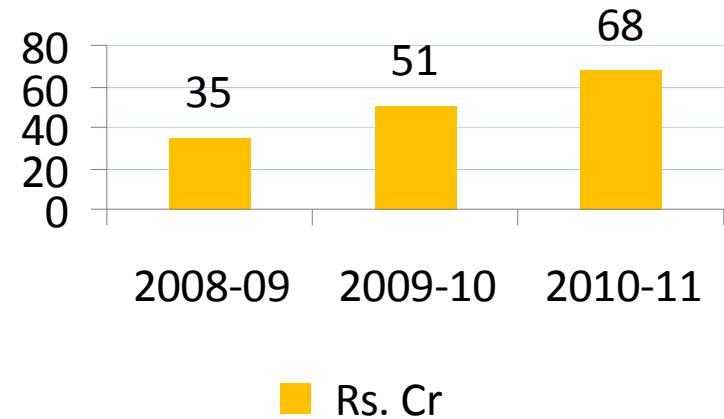
Income Rs. Cr

# PERFORMANCE – 2010-11 – FIRST QUARTER

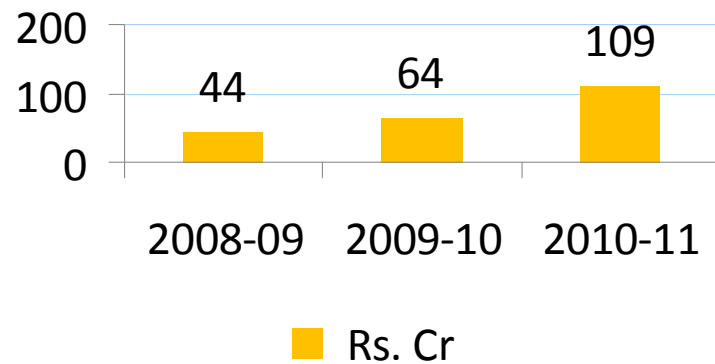
### Watches (EBIT)



### Jewellery (EBIT)



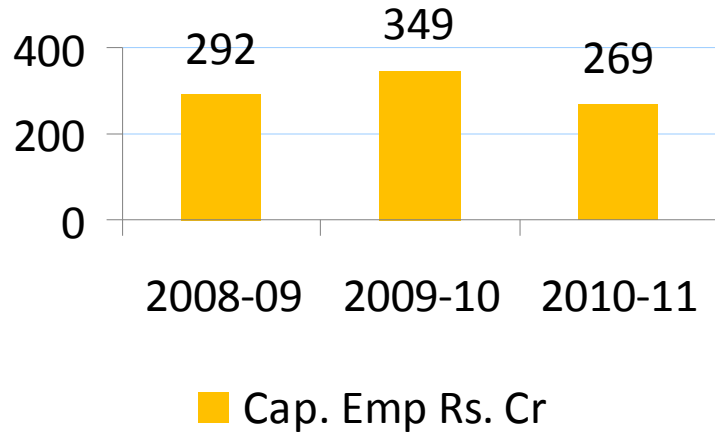
### Company (PBT)



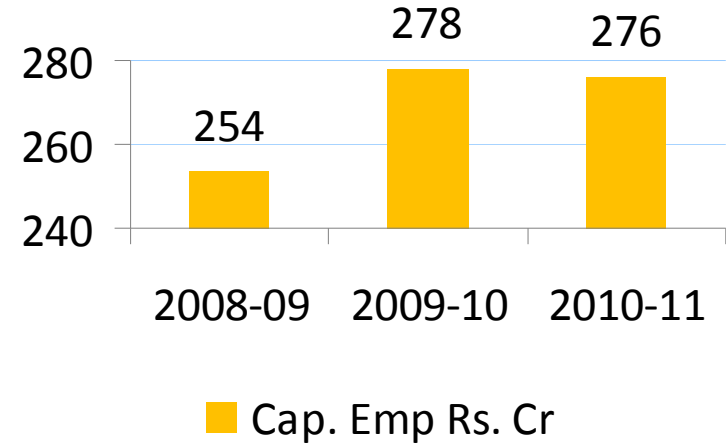
# PERFORMANCE – 2010-11 – FIRST QUARTER

## CAPITAL EMPLOYED

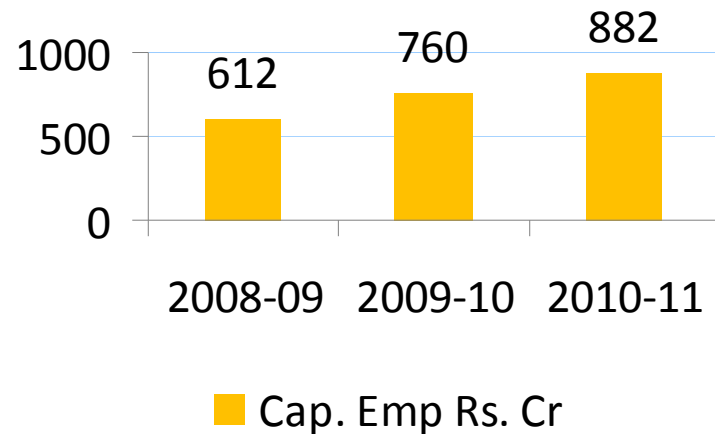
### Watches



### Jewellery



### Company



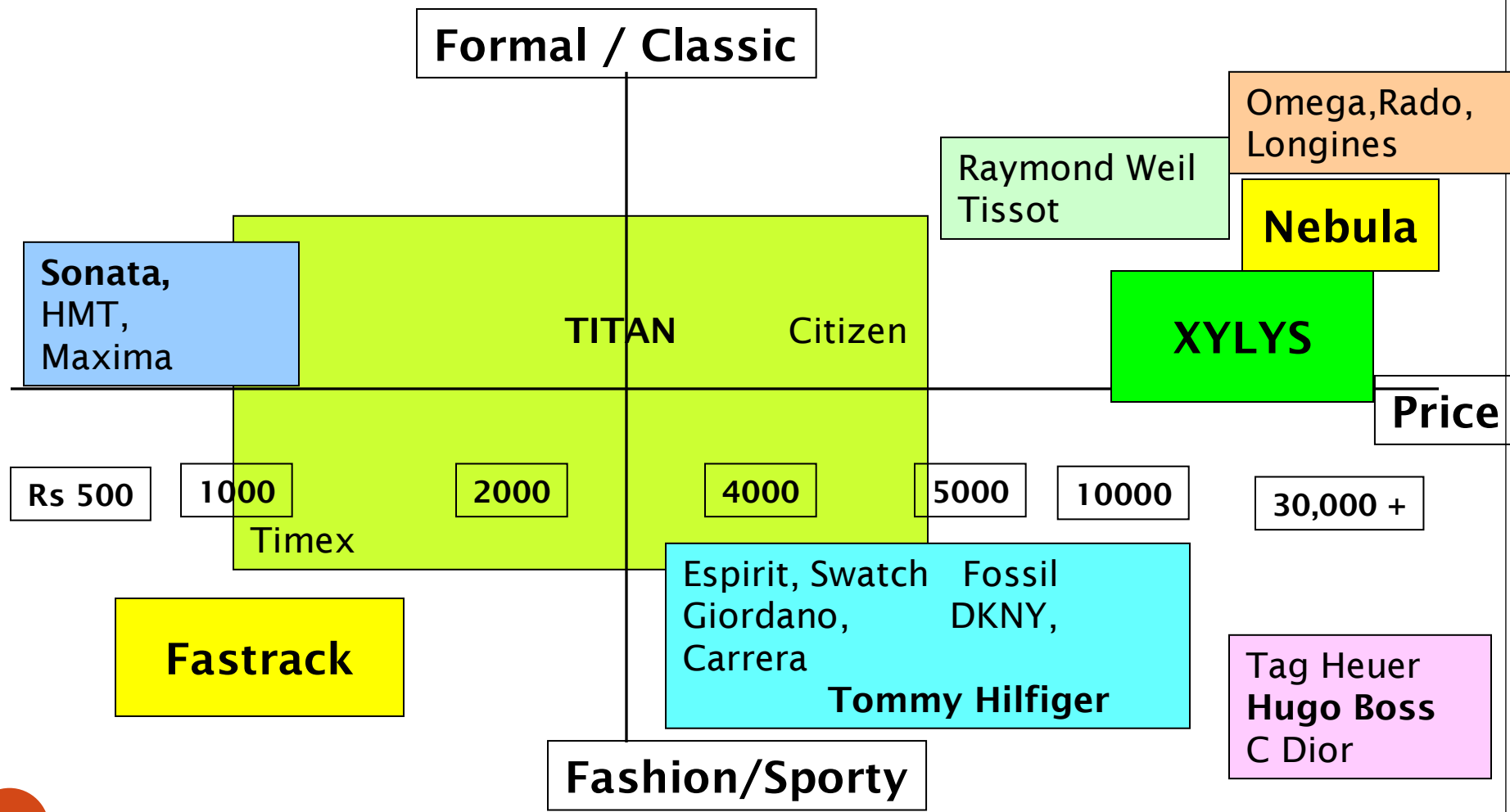
# I. Watch Business

# The Watch Market & Industry in India

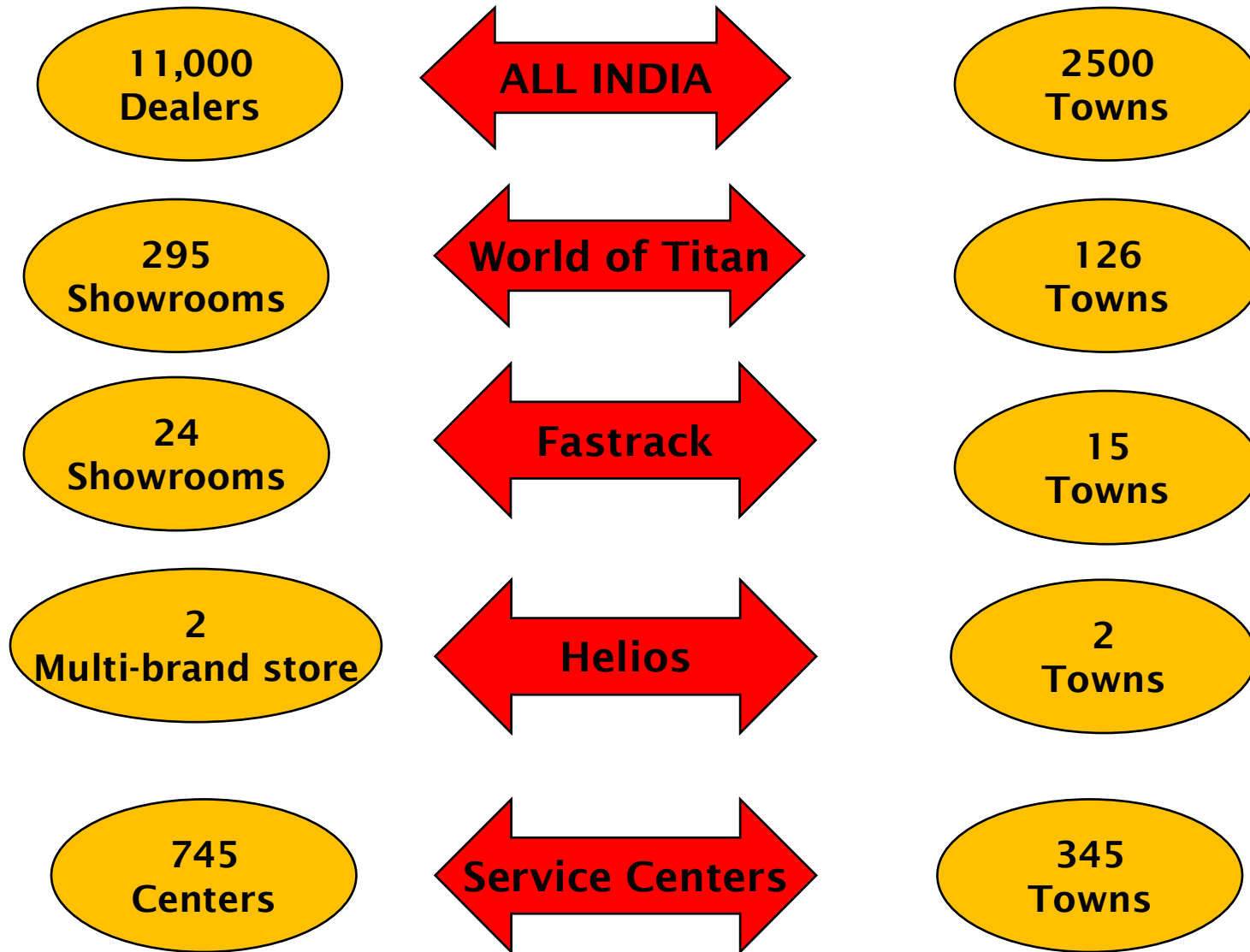
- India is an under-penetrated market for watches – only 27 % of Indians own a watch
- Total estimated market in 2009-10  
Volume ~ 44 mn units  
Value: Rs 3100 Crores (USD 600 Mn) at retail  
(We have a 22% volume share and a 40% value share)
- Vast proportion of the Indian market is below Rs 500  
~ 65% by volume (24% by value)
- Market has been split into: Low end, Mass market, Premium, and Luxury



# Watch Market Map



# Our market and brand leadership of >50% uses the muscle of a vast distribution network



# OUR WATCH BUSINESS – OVERVIEW

## Revenues

- Steady growth over the past three years
- Rs. 900 Crores Sales excluding exports and after-sales
- service (over Rs 1300 crores at retail prices) give us a 40% share of the total Indian Watch market.

## Profits

- Consistent growth
- PBT (2005/06) - Rs. 90 Crores
- PBT (2006/07) - Rs. 96 Crores
- PBT (2007/08) - Rs. 133 Crores
- PBT (2008/09) - Rs. 128 Crores
- PBT (2009/10) - Rs. 140 Crores

## ROCE

- ROCE (2005/06) - 50%
- ROCE (2006/07) - 50%
- ROCE (2007/08) - 62%
- ROCE (2008/09) - 52%
- ROCE (2009/10) - 77%

# INTERNATIONAL BUSINESS

- One of India's first companies to market a consumer brand overseas.
- Titan watches are present in 26 countries outside India
- "Titan" is among the top 3 watch brands in several Asian countries
- Titan launched in South Africa in July 2010.
- Sold over 625k watches valued at Rs 70 crores.
- Total export sales of over Rs 101 crores in 2009-10 including jewellery, watch components and precision engineering items.

## II. Jewellery Business

# Jewellery – Market & Industry highlights

## Market

- Size of market: Rs 90,000 crores (~ US\$ 17 billion)
- Urban market is about 38% of this base
- Branded jewellery is less than 10% of the overall market
- Importance of jewellery to Indian consumers –
- Gold is seen as auspicious, an investment, for adornment....
- Product mix: largely plain gold 22kt, with gem set jewellery constituting less than 10% of the market

## Players

- Key players: Fragmented market, mainly retailer driven.
- Most retailers are unorganised and stand alone
- Absence of hallmarking
- Tanishq - the first branded jewellery player (1996)
- Increased investment by industry bodies (DTC, PGI, WGC) is spurring rapid growth of the branded jewellery market in India

# TANISHQ TODAY – A BRIEF OVERVIEW

## Brand

- Tanishq the strongest and most aspirational brand in the jewellery category
- Awarded most admired brand and Retailer of the year by Images Fashion
- Enjoys a market share of about 40% in the branded jewellery segment

## Network

- India's only national jewellery retailer
- 116 stores in 75 towns – prime high-street locations
- Many of these stores are run by management agents and franchisees

## Customer Base

- Over 1.5 million customers shopped at Tanishq last year

# Gold Plus :Size of the opportunity

- Semi-urban and rural market estimated to be as much as 40% of the total : Over Rs 30,000 crs.
- Value conscious consumers, buying traditional jewellery
- Very fragmented industry with under-karatage still prevalent in many parts of the country
- A new business model and a new brand to exploit this opportunity
- Sales of Rs 390 crs in 2008-09, and over Rs 440 crs in 2009-10
- 29 outlets as at 31 March 2010.



# OUR JEWELLERY BUSINESS – OVERVIEW

## Revenues

- Rapid growth of 35% p.a. over the past three years
- Rs. 3500 crores during the latest financial year
- Almost 75% of the Company's revenues

## Profits

- Impressive turnaround in domestic market
- PBT (2005/06) - Rs. 35 crores
- PBT (2006/07) - Rs. 77 crores
- PBT (2007/08) - Rs. 101 crores
- PBT (2008/09) - Rs. 194 crores
- PBT (2009/10) - Rs. 245 crores

## ROCE

- ROCE (2005/06) - 34%
- ROCE (2006/07) - 61%
- ROCE (2007/08) - 60%
- ROCE (2008/09) - 84%
- ROCE (2009/10) - 96%

# III. Precision Engineering Business

# Precision Engineering Business

## Rationale

- Leveraging Engineering capabilities
- B2B business – balances risk of B2C businesses

## The Opportunity

- India growing as a manufacturing base for precision products across industries
- Cost pressures and offset requirements guarantee a long term opportunity
- High cost of switching for customers
- Large & growing market: The global market for precision engineering products addressable by Titan is Rs.135,000 cr.

# Current position: 3 segments 3 streams

Market size Rs.  
1,35,000 Cr.

**Automotive**

- Precision components
- Dash board instruments
- Sub systems

Market size  
Rs.575 Cr

Automation  
Solutions

**Aerospace**

**Medical**

Domestic &  
International

Domestic  
Market  
Only

TSMG  
Study

# Precision Engineering Business

## The Customers

- Eaton, USA
- Hamilton Sunstrand, USA
- Microtechnica, Italy
- Timken, India
- Ford, UK
- Visteon, USA / India
- Bosch, India
- Lucas, India
- Tata Motors, India
- Turbo Energy, India
- Stanadyne, India
- Tyco Electronics, India

## The Plan

- Targeting a break-even in 2010-11

# IV. Eyewear Business

# THE EYE WEAR BUSINESS

- Started in 2004-05 by marketing Sunglasses under the Fastrack brand
- Targeted the youth segment
- Pilot project for Prescription Eyewear started in March 2007
- 90 Titan Eye+ outlets as on 30 June 2010

# THE EYEWEAR MARKET – AN UNTAPPED OPPORTUNITY

## Incidence:

30% of population typically needs correction in vision ~ 300 mn  
Users: 84mn users – which is about 25% of those who need the correction  
Consumers change their glasses / frames once in 3 to 4 years on an average

## Market size:

- 25-35 million units per annum
- Rs 1500-1800 crores per annum
- Repeat purchase is a regular feature from adolescence to old age.  
Customer lifetime value is very high
- Almost everyone over 40 yrs needs correction.

- **Growth:** Market has been growing in double digits ~ 15-20% per annum and likely to sustain
- **Demand drivers:** Urbanization, literacy, Penetration of TV & computers, Poor eye health due to lifestyles/ improper diet, etc.

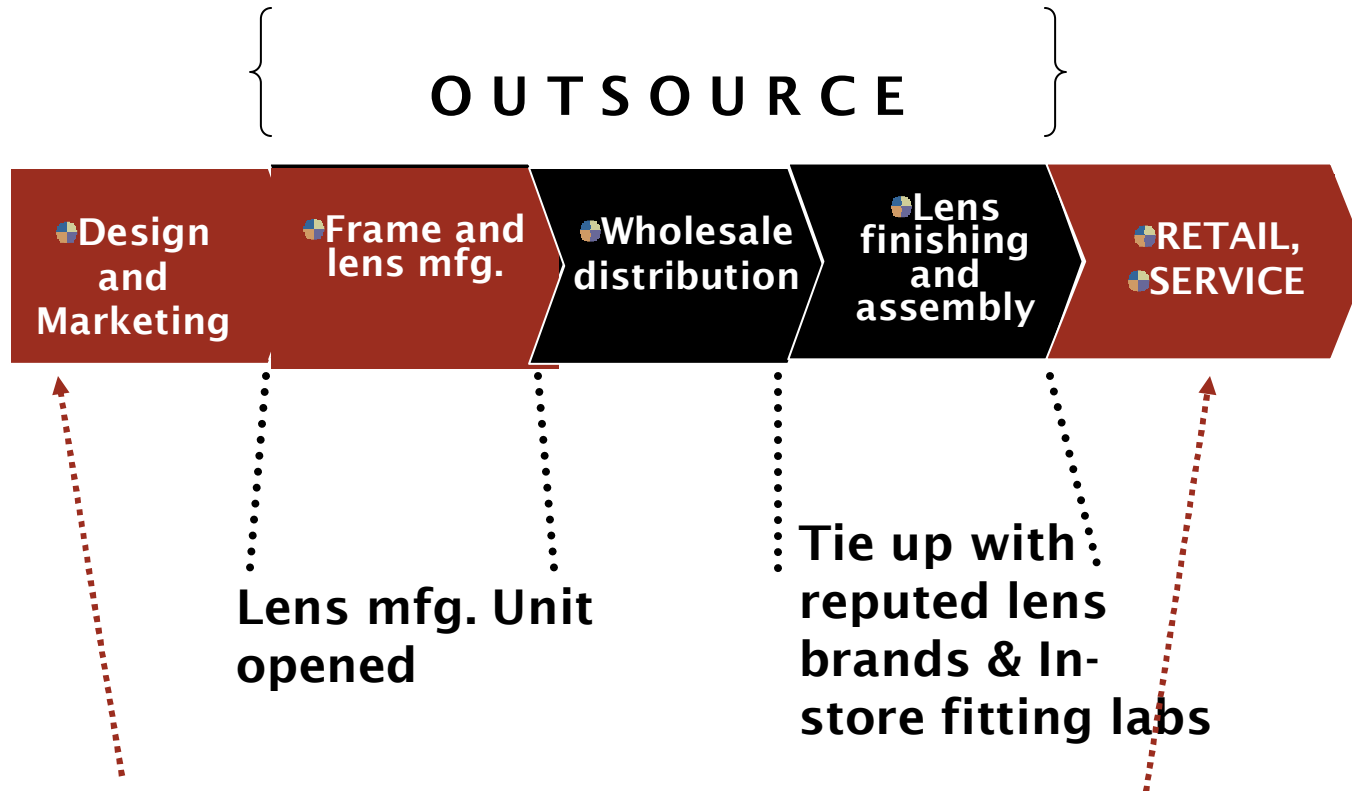


# OUR BUSINESS PROPOSITION

To enter as a retail brand – Chain of Stand Alone Stores

- Product / Service Offering:
  - Eye checking, Optometry
  - Range of frames - Titan & licensed brands
  - Range of **Branded** Lenses
  - Sunglasses – Titan, Fastrack & licensed brands
  - Contact Lenses, Accessories

# WHERE WILL WE PLAY IN THE VALUE CHAIN



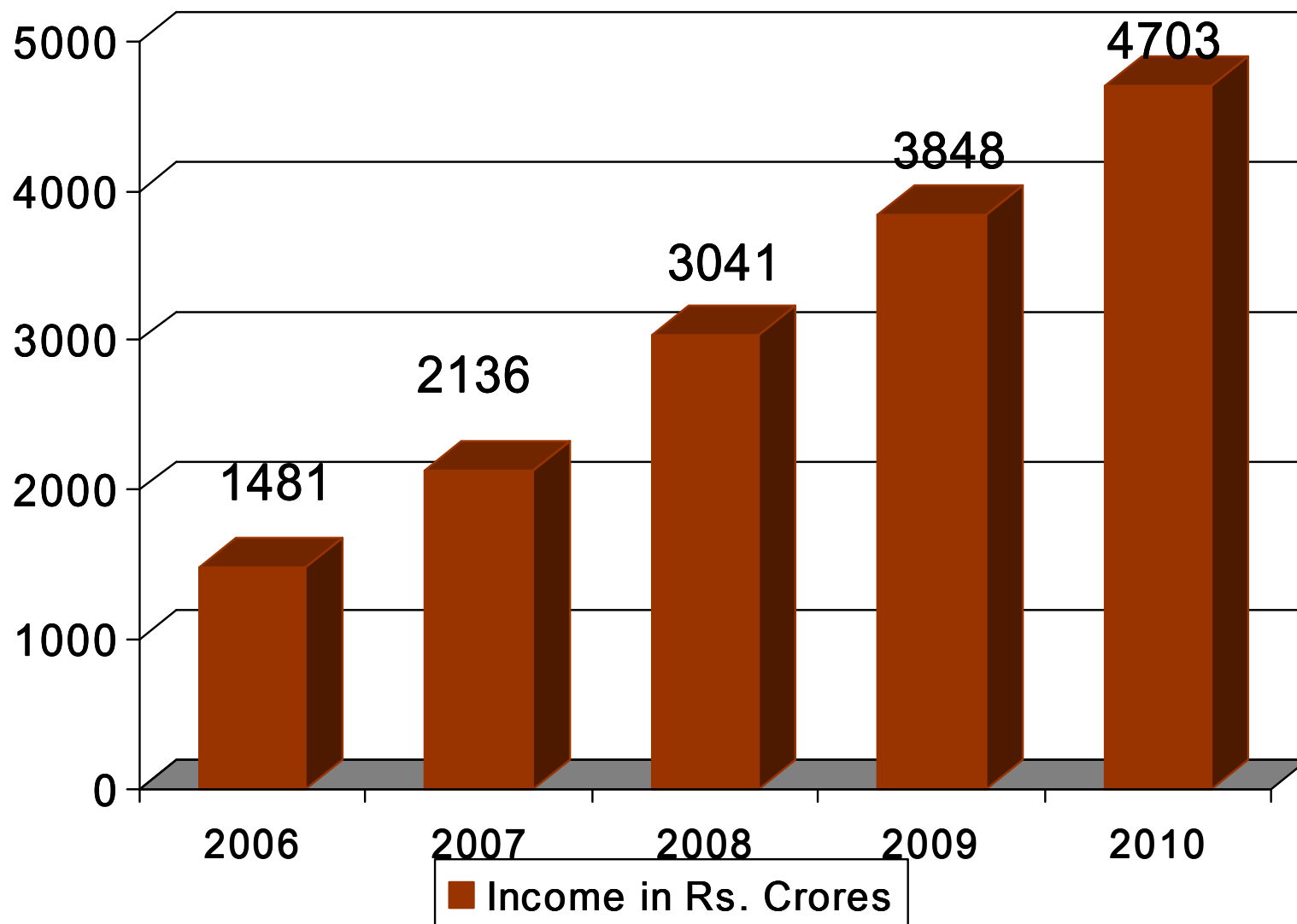
**Focus on strengths and high margin areas:  
DESIGN, RETAIL, SERVICE & MARKETING**

# Way Forward

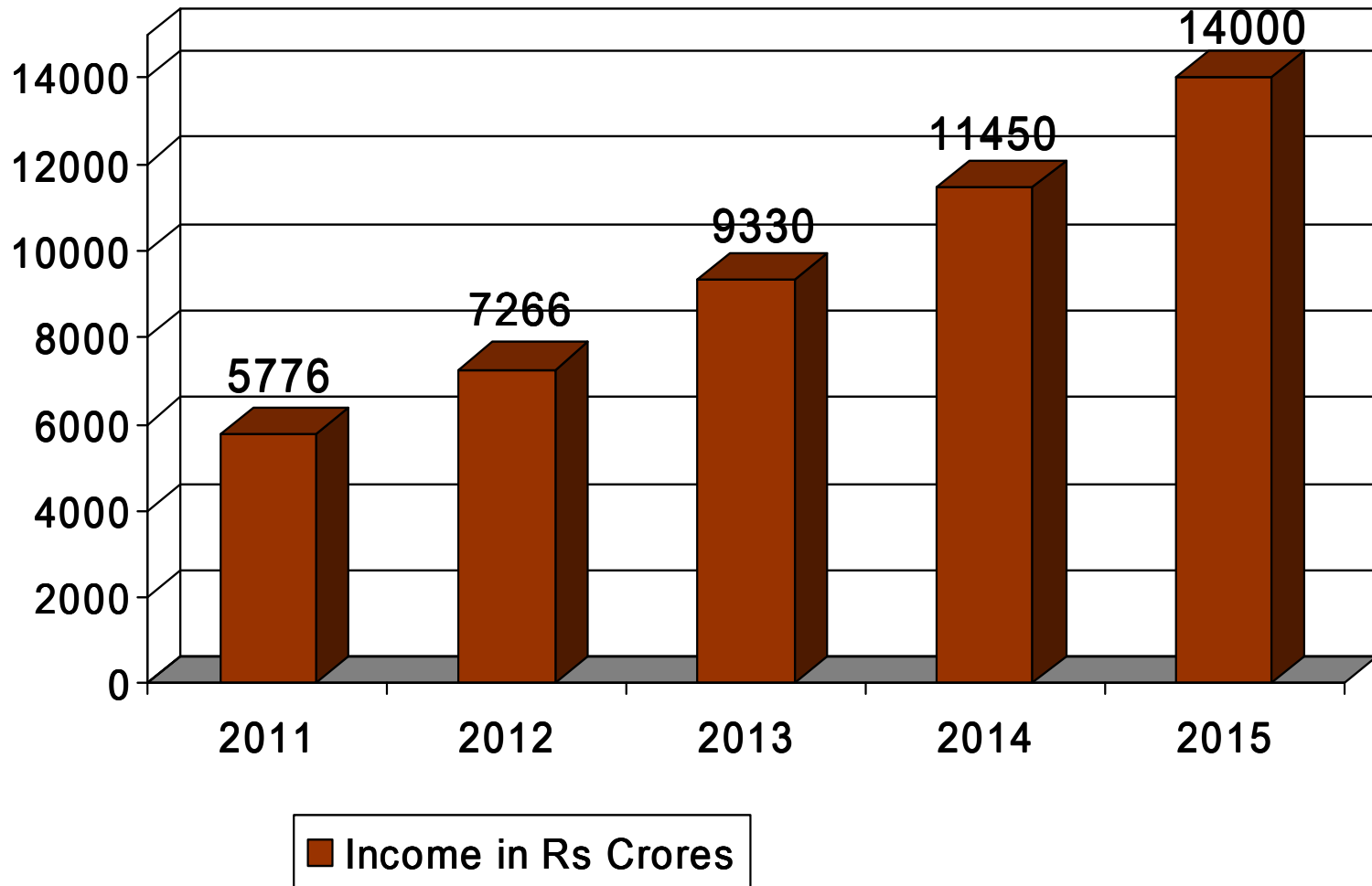
# 2010-11

- Turnover to grow by about 20% over previous year to target Rs 5,700 crores (US\$ 1.25 billion)
- Operating Profit to grow in similar fashion
- Continued retail network expansion to
  - 330 World of Titan outlets
  - 130 Tanishq outlets
  - 30 GoldPlus outlets
  - 40 Fastrack outlets
  - 125 Titan Eye+ outlets
  - 15 Helios outlets
  - 2 Zoya outlets

The last five years saw a three-fold growth....



...and in the next five years we will become a US\$ 3 billion company ! !!



**Further information is available on  
[www.titan.co.in](http://www.titan.co.in)**

**THANK YOU**