



Titan Company Limited

Delivering value by creating brands

Earnings Presentation – Q1 FY '19

(For quarter ended 30th June, 2018)

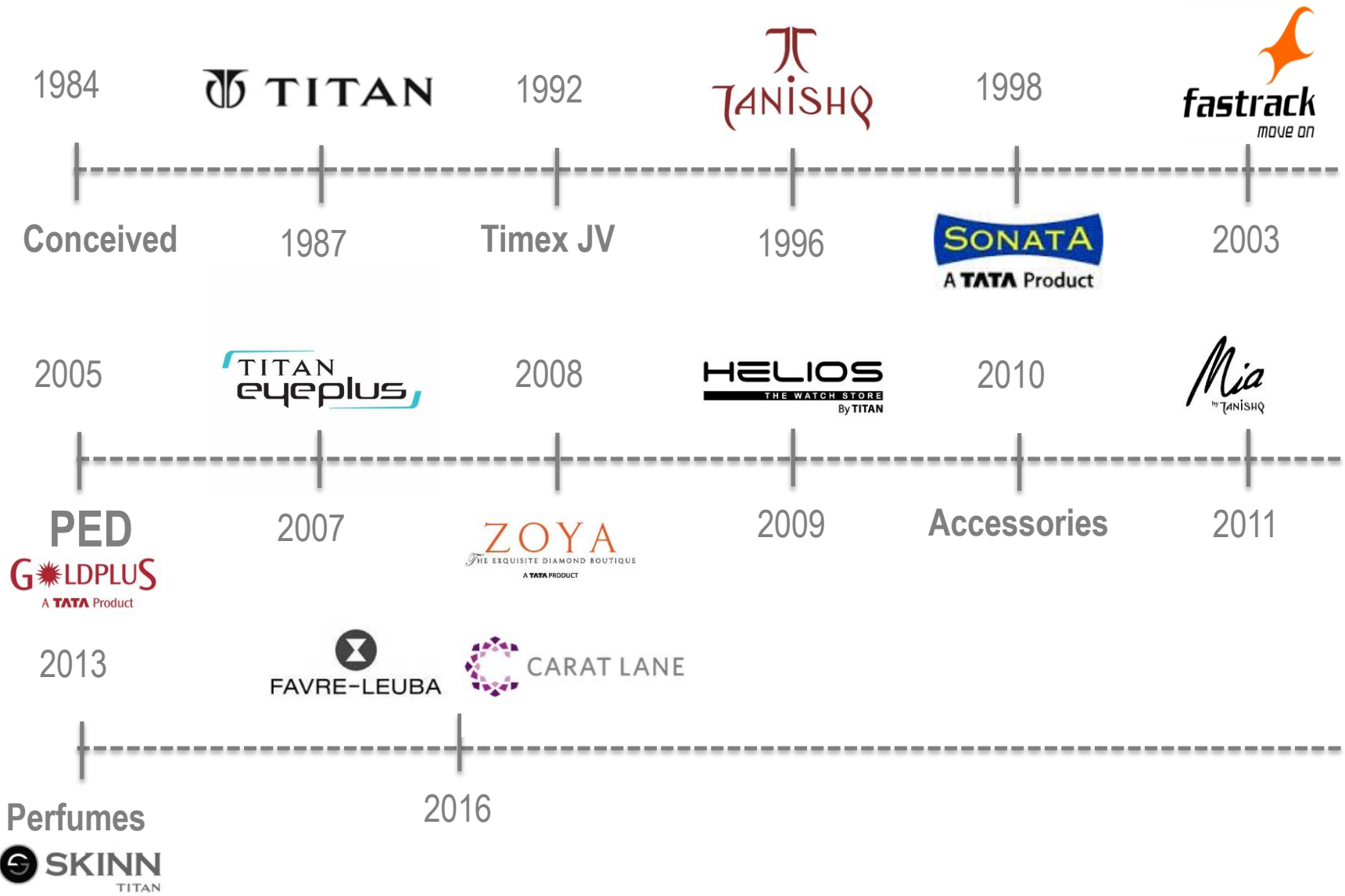
03rd August, 2018

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.

The Journey



Titan Today



5th

largest watch
maker globally

~\$11 bn

market cap

~\$2.5 bn

annual revenue

4

times in Forbes
Asia Fab Fifty

~1,600

stores with 2mn sft
retail space

~8 k

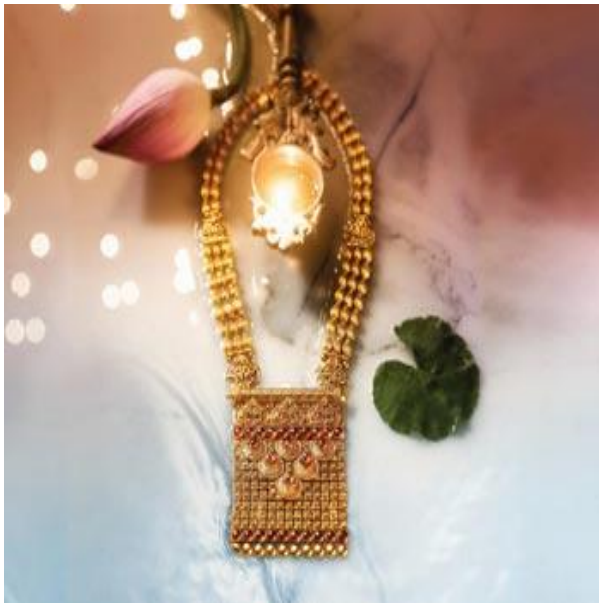
employees on rolls

11k+

multi-brand outlets
that sells our watches

Note: Above figures are on consolidated basis for Q1 '19 ending 30th Jun'18.

Our Strengths



Design and Development

- 800+ New time products every year
- reddot Award to 2 Edge watches
- Differentiated Jewellery Collections
- Customized lenses with 3D visual mapping

Manufacturing

- 12 Manufacturing and assembly facilities
- State of the art Karigar Centres for Jewellery
- Components exported to Swiss watch makers
- 3600+ employees engaged in factories

Brand Building

- Tanishq:** India's leading Jewellery brand
- Titan:** Our flagship watch brand
- Raga:** Exclusive women's watch brand
- Fastrack:** India's largest youth brand
- Sonata:** India's largest selling watch brand

Retail and Customer Service

- Exceptional Customer Experience
- Merchandising Effectiveness
- Impactful Retail Identities
- Engagement of store staff
- Extensive After Sales Service network

Our Brands



Luxury



ZOYA

Premium



Mid Market



Mass Market



Our Retail Network



Luxury

ZOYA
(3)

Premium

HELIOS
THE WATCH STORE
By TITAN
(73)

π (263)
TANISHQ

Mid Market

 **WORLD of TITAN**
THE EXCLUSIVE TITAN SHOWROOM
(497)


fastrack
(173)

Mia
(39)

 **CARAT LANE**
(39)

TITAN
eyeplus
(509)

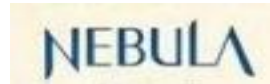
~1,600 Exclusive Stores

278 Towns

~2 mn sq ft of retail space

- Note:** 1. We also have a service network of 730 'Watch Care Centres'
 2. Helios is our own Multi Brand Outlet (MBO) and rest others are our Exclusive Business Outlets (EBO)
 3. Store count comprises of both company owned and franchisee stores.

Watches - Overview



Brands

6 major in-house brands & 6 licensed brands

Manufacturing

5 state of the art, watch and component manufacturing/assembly plants

Points of Sale

EBO: World of Titan, Fastrack Stores

OWN MBO: Helios

MBO: present across 11k+ dealers/ MBOs

LFS: Large format departmental stores

ECOM: www.titan.co.in , www.fastrack.in and market places

EXPORTS: 2,264 POS in 33 countries

Customer Service

Largest network of exclusive service centers

730 watch care centers in 277 towns

Sophisticated Design & Development

Core strength: Industrial, Retail and Graphic design

Numerous international award-winning designs



Watches - Brands



Raga: Inspired by the modern woman who transcends roles with poise and élan



Xylys: Swiss made watches, Crafted for Connoisseurs



Nebula: A collection of watches crafted from solid gold

Titan Edge : the slimmest watch in the universe - a mere 3.5mm



Titan We: Smarter. By far.



Fastrack Reflex Activity Tracker Band: Geared up for Action



Fastrack: For those who wear their attitude on their wrist



Sonata Super Fibre: For the young and active



Zoop: for the imaginative, talented and energetic child of today



Watches - Manufacturing



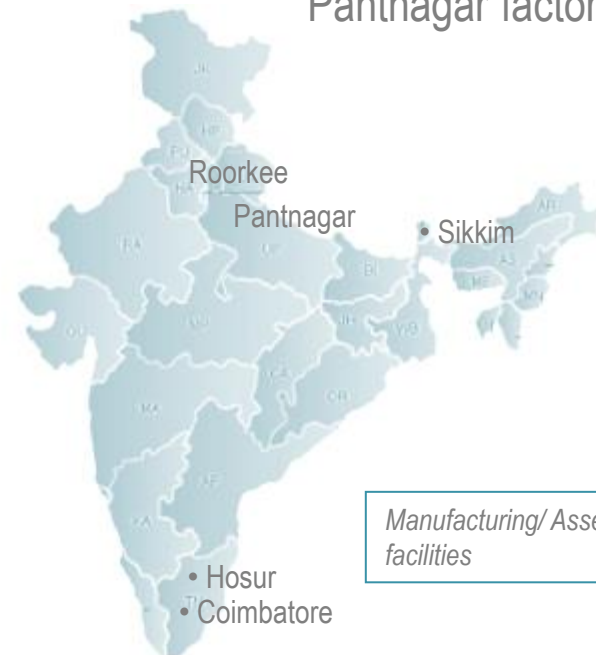
Watch factory, Hosur



Pantnagar factory



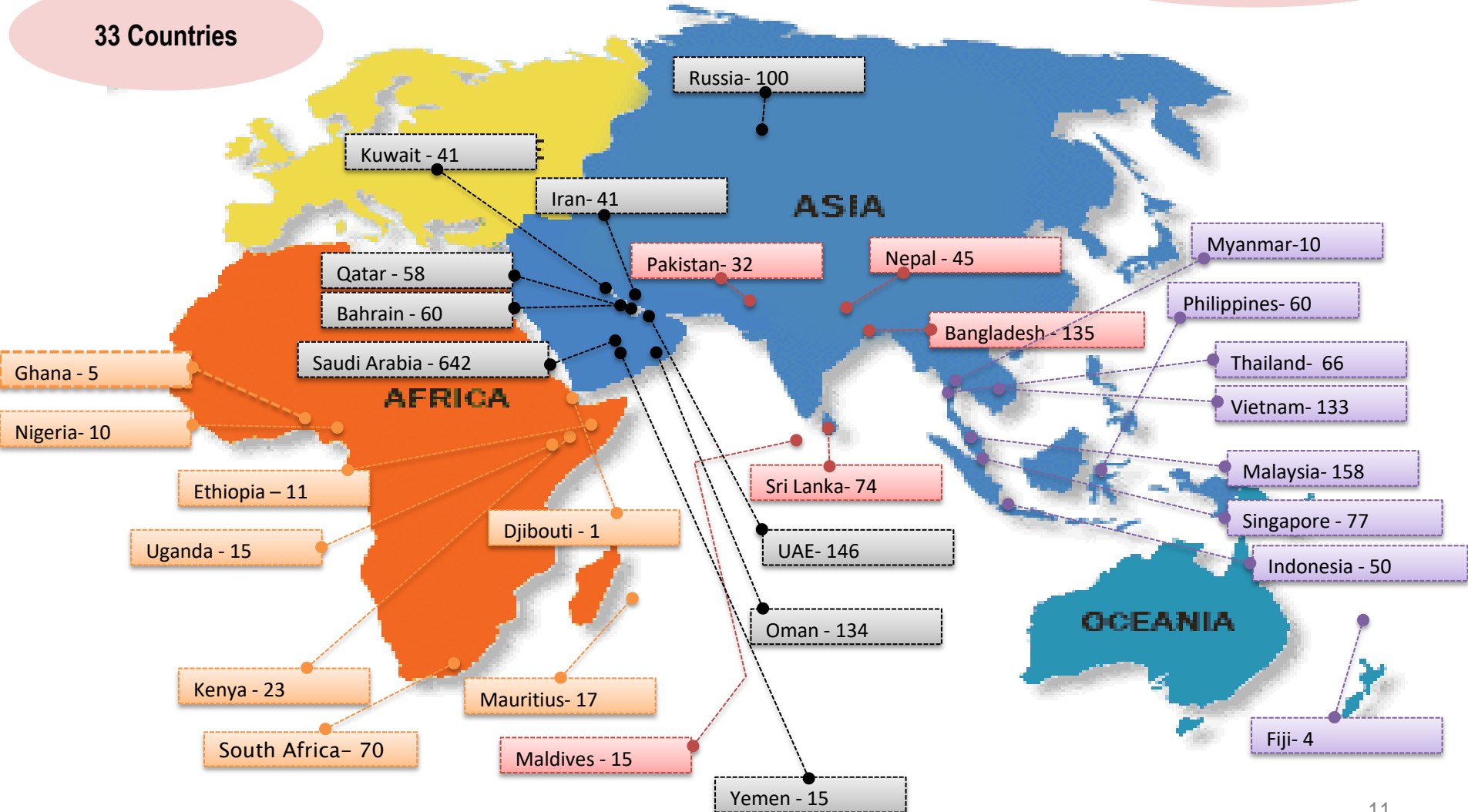
Watch Assembly, Hosur



Watches - International Presence

2,264 Outlets

33 Countries



Titan Watches are sold in USA through ecommerce partners



WORLD OF TITAN

496 showrooms (Net 10 addition in Q1 FY'19)

226 towns – 419k sq ft



FASTRACK STORES

173 showrooms (Net 7 additions in Q1 FY '19)

88 towns – 95k sft



HELIOS STORES

72 showrooms (Net 3 additions in Q1 FY '19)

35 towns – 68k sft



DRIVE AWAY
YOUR MONDAY BLUES
BY INDULGING IN SOME
POWER DRESSING.

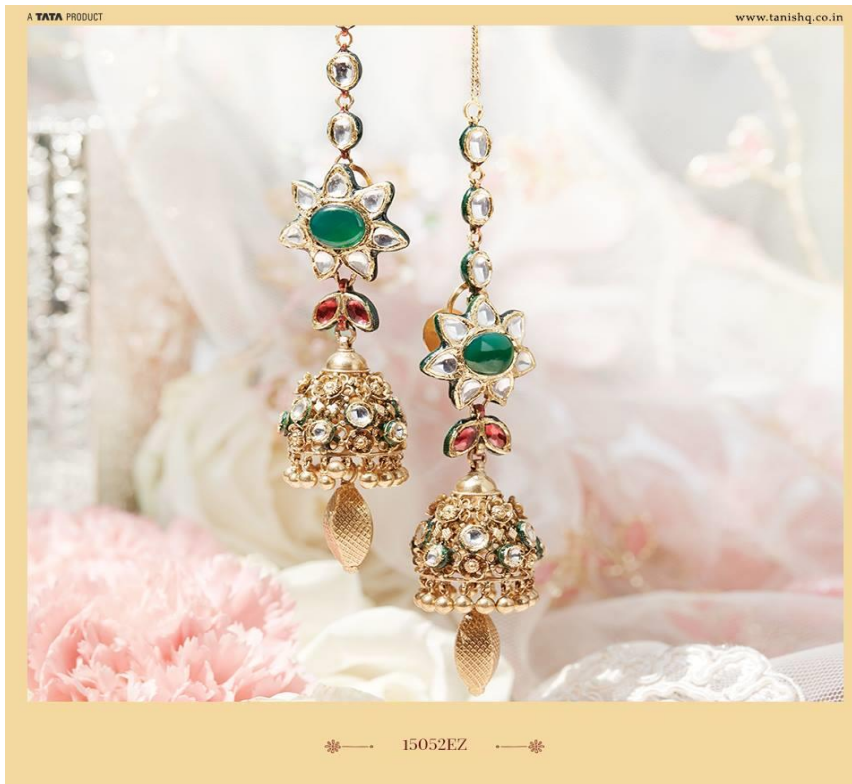
POWER DRESSING LOOKBOOK WITH RAGA VIVA

TANISHQ

Mia

ZOYA

CARAT LANE



Brands

TANISHQ: flagship brand

ZOYA: luxury segment play

MIA: Tanishq sub-brand for fashionable fine jewellery

CARATLANE: a Tanishq partnership

Manufacturing

Studded jewellery manufactured mostly in-house

Plain gold jewellery mostly outsourced

3 manufacturing facilities

4 state of the art karigar centers: Industry best practice

Points of Sale

Largest jewellery retailer in the country

Jewellery sales through EBO and ecommerce

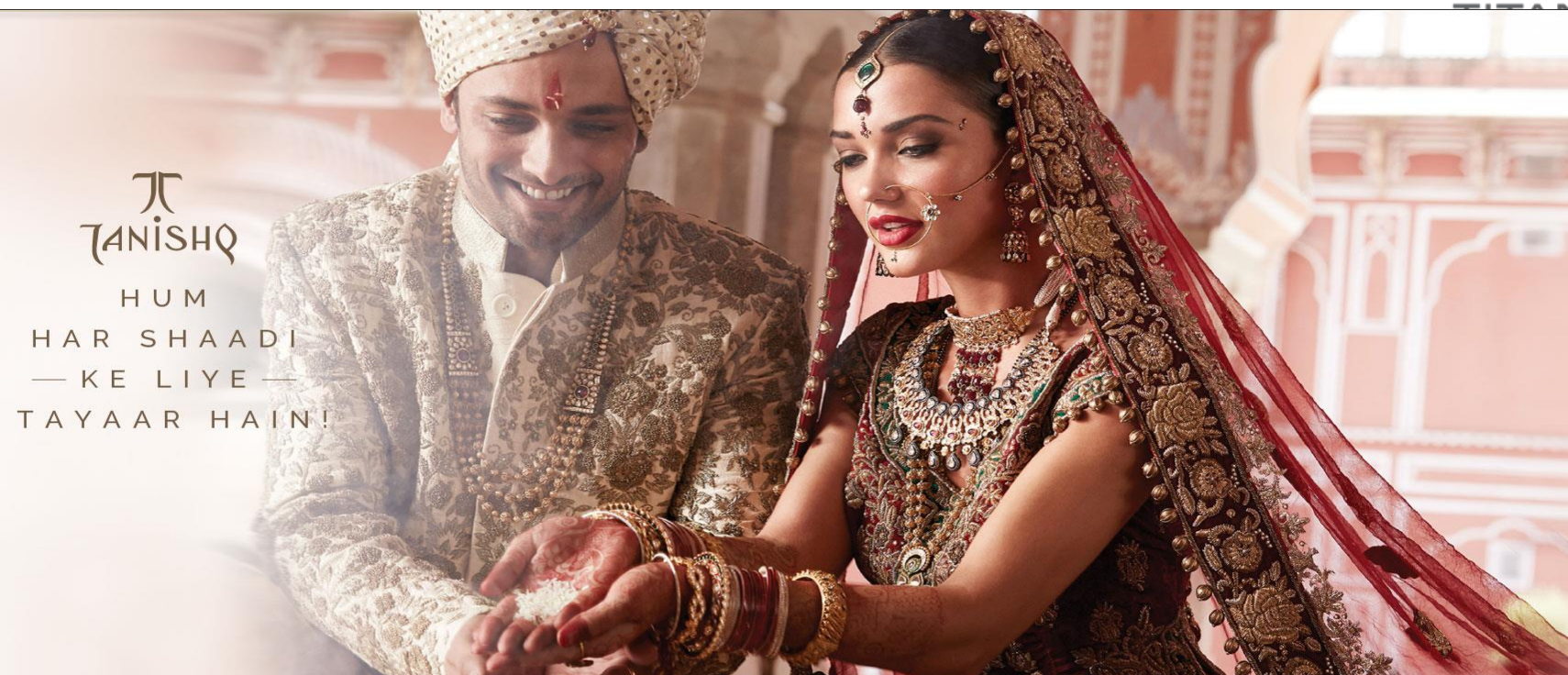
EBO: Tanishq, Zoya, Mia, Caratlane

Ecommerce: www.titan.co.in and www.caratlane.com

Design Excellence

Key product differentiator

Capability for in-house design of many collections



TANISHQ

HUM
HAR SHAADI
— KE LIYE —
TAYAAR HAIN!



Jewellery

Karigar Center, Hosur





Tanishq Stores

262 showrooms of Tanishq. 3 Zoya stores.

Net 10 Tanishq stores added in Q1 FY'19, (24k sq ft added in Q1 FY'19)

173 towns – 1.02 mn sft of Tanishq



Mia Stores


39 stores across 13 cities (~7k sq ft)



Carat Lane Stores

39 showrooms across 13 towns (~29k sq ft)




TANISHQ
PRESENTS
LAVANYAM
COLLECTION
A TATA PRODUCT



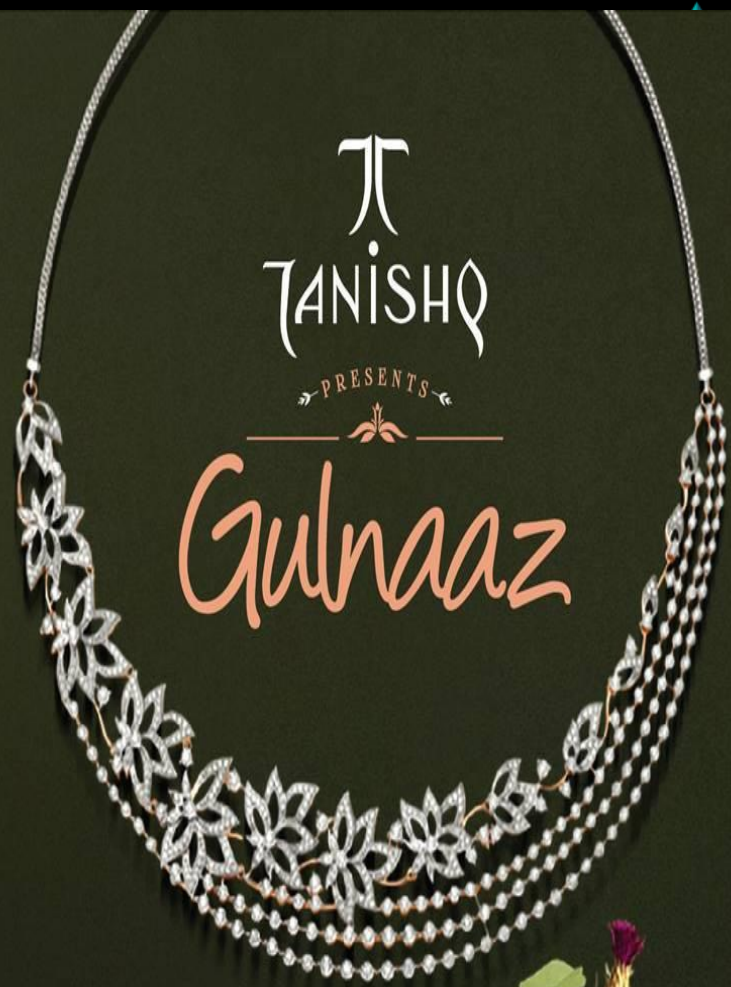
[View Advertisement](#)

A TATA PRODUCT



www.tanishq.co.in

[View Collection](#)



RANGE STARTS AT ₹2.5 LAKHS

TITAN
eyeplus


fastrack

GLARES
by TITAN



Brands

TITAN EYE PLUS: Retail brand

TITAN: main in-house frames and lenses brand

FASTRACK and GLARES: in-house sunglasses brand

LICENSED BRANDS: for frames and lenses

Manufacturing

State of the art lens lab in Chikkaballapur

Satellite lens labs in 4 major cities to improve turn around time (Kolkata, Noida, Mumbai, Bengaluru)

Frame manufacturing facility commenced operations

Points of Sale

TITAN EYE PLUS: India's largest optical retail chain
Sunglasses sales through departmental store kiosks and MBO format also

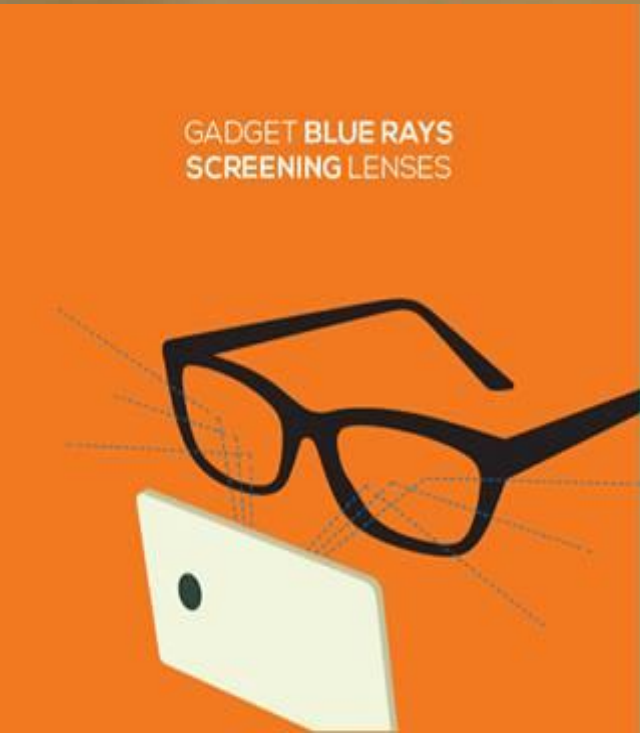
Differentiators

Zero-error testing

Vision check online

Remote eye testing at stores

Tie-up with Sankar Nethralaya for training of store staff and optometrists



In-house brands

Frames



Sunglasses



Manufacturing (Lens labs)





Titan Eye Plus Stores

509 showrooms (Net 9 additions in Q1 FY'19)

228 towns – 337k sft



Latest styles
**ab har budget
ke liye!**

#GreatStylesGreatPrices



Styles so affordable,
you wont stop at one.

#GreatStylesGreatPrices





Brands

SKINN by Titan

Fine French perfumes at very attractive price points
Entry into body mist category in FY 18- Skinn Kissed

Manufacturing

Manufactured in France by celebrated perfumers, and distilled from the finest ingredients
Bottled in France and India

Points of Sale

Sold through World of Titan Channel, key departmental store chains and Ecommerce
One of the highest selling perfumes in all departmental stores
Plans to strengthen the distribution further in the coming year
Packaging innovations for trial and gifting

Differentiators

Exceptional fragrances at a very attractive price point
Similar products from international competition at very high price points
Domestic branded competition almost non-existent



SKINN

AMALFI BLEU

EAU DE TOILETTE

Taneira

Who we are



- This youngest brand of Titan Company Ltd was launched as a pilot in Feb 2017 with 2 stores in Bangalore.
- Anchored in special occasion wear Sarees from across India.
- Evolved as a natural extension of Titan's proposition – self expression and design.
- Large, unorganized, deeply Indian 5,000 year old category (like Jewellery).



Our Stores



Q1 Performance

Q1 FY'19 - Background

- The year has started off well for the Company with market share gains continuing across businesses.
- The Jewellery industry experienced weak consumer sentiment. Fall in gold imports during the quarter along with internal channel checks clearly indicated that the industry has declined in Q1.
- For the Company, Q1 FY'19 also had a very high base for comparison with estimated sales of Rs 250 crores getting advanced from Q2 to Q1 last year.
- The Company's efforts in re-crafting Watches and Eyewear division has started paying off and both the divisions have shown good revenue growth in Q1'19.
- Revenue for Eyewear division grew by 16.4% largely due to growth in sunglasses but profits were muted due to enhanced investments in marketing.
- EBIT Margins for divisions were higher due to effect of operating leverage and no spends on business associate meets this year (Rs 19 cr spent last year)
- The Company added 46 stores with a retail space of 44k square feet in Q1 FY'19, on net basis
- As part of the drive to divest the company of non-core businesses, Titan Time Products Ltd (TTPL), a subsidiary of Titan Company that was in the electronic manufacturing services business based in Goa, has been divested in June'18.

Q1 Background

Jewellery

- The Jewellery division started the quarter on a good note with a good Akshaya Trithiya but weak consumer sentiments in the month of June'18, led to the topline growth being below our internal expectations.
- The division also had a very high base (Q1 FY'18 had exceptionally high growth of 54%) which also included advancement of sales in anticipation of high GST rates amounting to ~Rs 250 cr.
- The retail sales (consumer price) grew at 8%
- Higher gross margins coming in from a better mix and lower overhead spends resulted in the EBIT growth of 16% YoY.
- The revised gold exchange program continues to bring in new customers and along with the Golden Harvest scheme, is a major contributor to customer acquisitions.
- 10 Tanishq stores added in Q1 FY'19 adding 24k square feet to Tanishq retail, on net basis.
- Despite the lower than anticipated sales, inventory management was good resulting in higher cash generation in the quarter.

Q1 Background

Watches

- Watch division had a very good quarter, with growth of 15%, on the back of good growth in modern retail formats as well as higher primary sales to the trade channel in anticipation of the Titan activation.
- Higher sales of Titan Watches also had a positive impact on the division's margins for the quarter.
- Continued focus on introducing new designs and engaging marketing campaigns is bringing back customers to this category and younger customers are also showing good interest
- The division added 11 WOTs, 7 Fastrack and 3 Helios stores in Q1, adding 14,000 sq feet in the quarter, on net basis.

Eye Wear

- The Titan Eye Plus Business had overall and like-to-like retail growth of 19% and 8% respectively.
- Sunglasses category grew by 44%.
- Eye Wear business saw good pick up, with growth of 16.4% on reported basis, contributed primarily by Sunglasses, after the introduction of more assortments at competitive price points along with many product innovations that has improved the style quotient, comfort and the product functionality.
- 7 new stores were added in Q1 FY'19.

Fragrances & Taneira

- Fragrance business continues to be in high growth phase and also continues to be the best seller in its category in departmental chain stores
- Taneira brand continues to progress well on its journey of establishing itself as a credible brand for bringing the authentic ethnic wear to the women and has received encouraging response to the offerings. Brand metrics of repeat business and referral business are trending at very healthy levels.

Q1 Background - Subsidiaries

TEAL (Titan Engineering and Automation Ltd)

- TEAL had a good quarter with the revenues growing by 95% YoY, helped by low base. The aerospace and defence business grew strongly and is expected to do well in the current fiscal.
- Current order book gives almost full visibility of FY'19 targeted revenue. Pipeline of orders is also strong.
- The manufacturing economy in Europe and USA is looking very positive for the automation solution business. Aerospace and defence business is witnessing strong demand across customers.
- Received Best Supplier Award from a Fortune 500 company for a low cost robot palletiser automation.

CaratLane

- Caratlane's revenue recorded a 26% growth despite muted consumer sentiment, primarily due to network expansion.
- Gross margins have improved significantly for the quarter, on the back of better pricing and product mix, helping reduce the losses in the quarter
- Caratlane continues to invest in marketing and brand building.
- Caratlane added 3 stores to its network, in Q1 FY 19, taking the total store count to 39

Favre Leuba

- Delivery of smaller and commercial products (Sea King and Deep Blue 41mm) has started during the quarter
- Opening the Swiss market by selling through a prominent retailer, Christ, with confirmation of 6 new Point of Sales
- Japan, Taiwan and Indian markets have started growing.
- The Company continues to invest adequately in advertising and marketing.

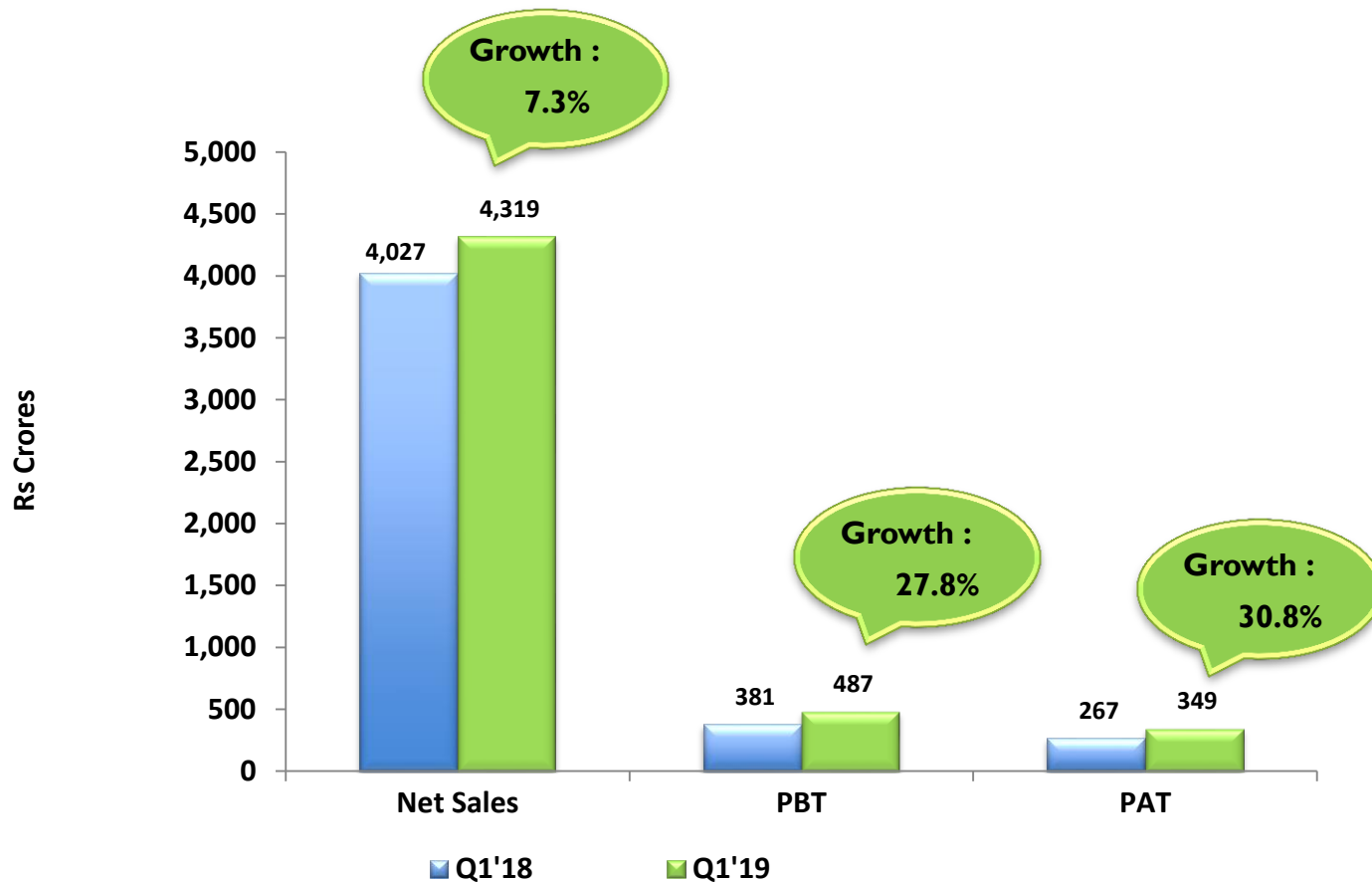
Q1 FY '19 Retail Growth

	<u>Sales value growth</u>	<u>Like to like growth</u>
Tanishq	8%	2%
World of Titan	3%	2%
Fastrack	4%	0%
Helios	25%	(2)%
LFS (for Watches)	17%	12%
Titan Eye+	19%	8%

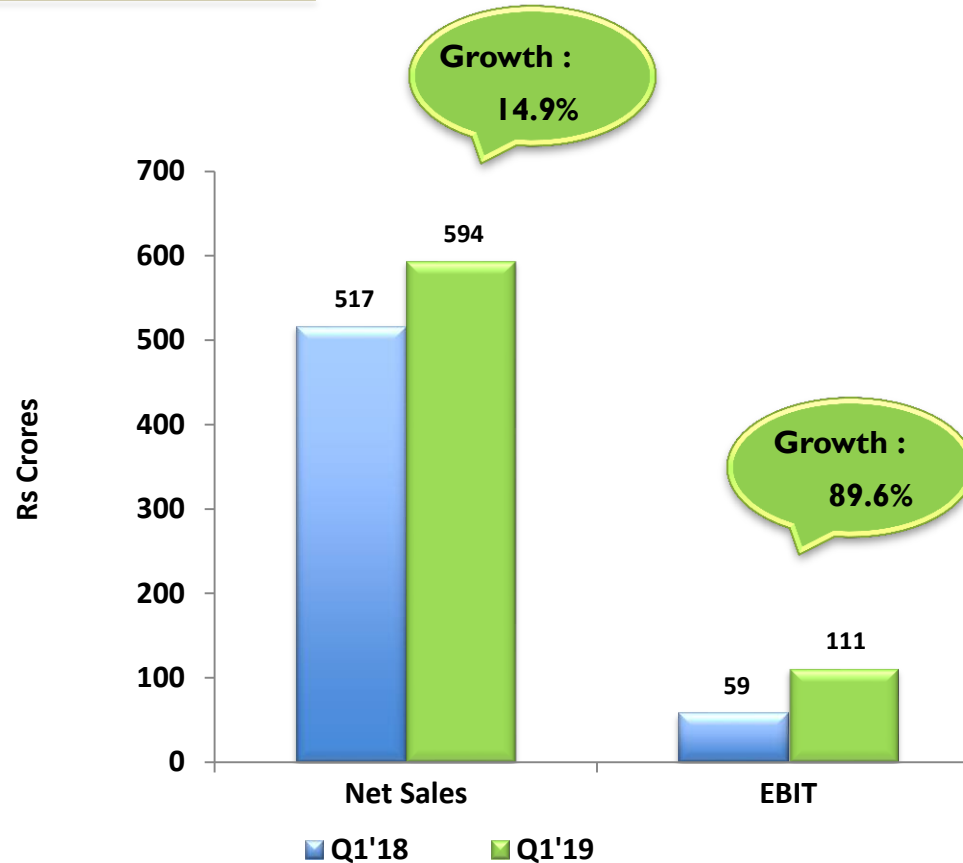
Note: 1. Above retail growth is based on secondary sales to consumers in the retail channel only (L1, L2 & L3 stores and LFS) and is at price to consumer whereas revenue recorded in financials is based on secondary sale to consumers in L1 and L2 stores and primary billing to L3 stores, distribution partners and institutional clients.

2. Retail network shown above represent sales of almost 100%, ~50% and ~80% of Jewellery, Watches and Eyewear businesses respectively on consumer price basis. The remaining sales is to the distribution channels and institutional clients.

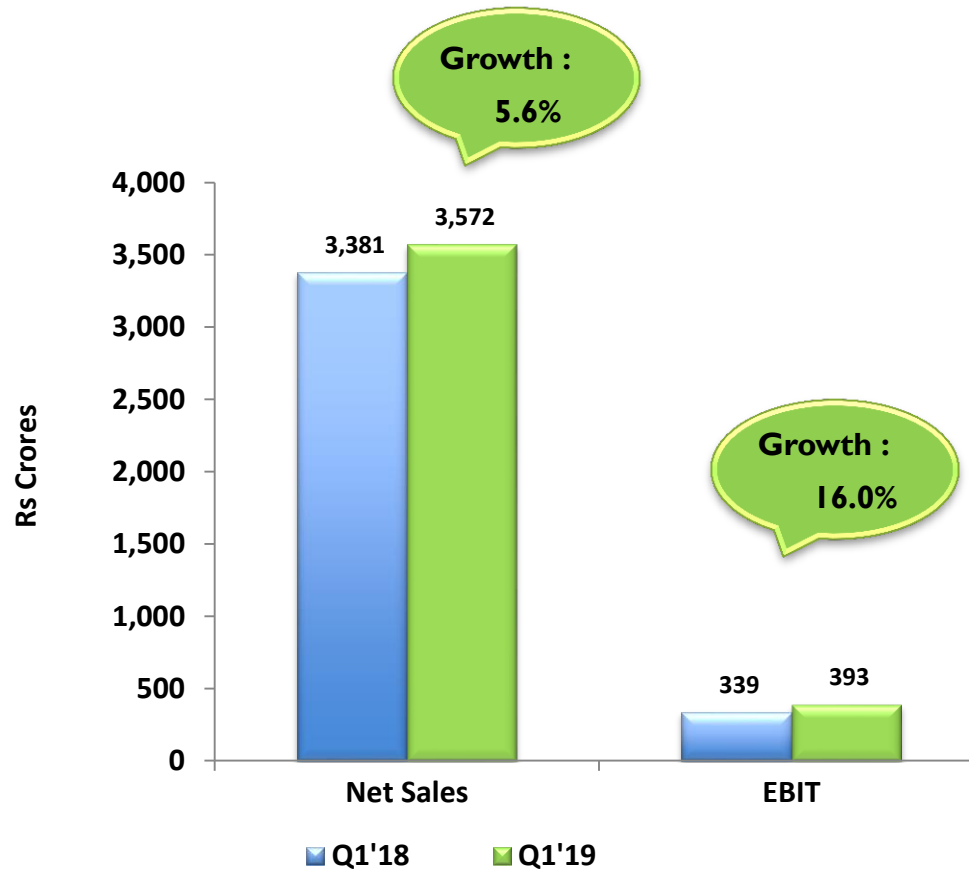
Company Performance Q1 '19- Standalone



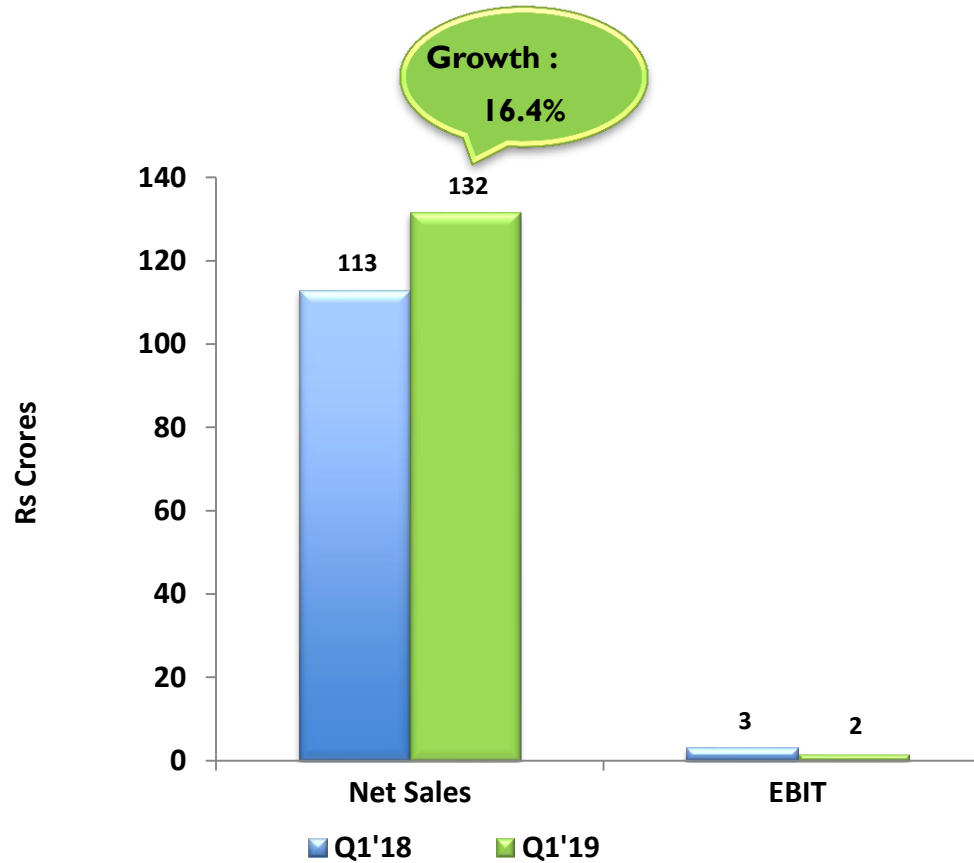
- Strong growth in Watches and Eyewear aided the topline growth. Strong base along with higher sales in the previous year in anticipation of higher GST rates, resulted in muted growth for jewellery division.
- Gross margin expansion and control on overheads contributed to PBT margin expansion. PBT margin was 11.3% as against 9.5% in the previous year.
- PBT above is before considering exceptional items of Rs.10 cr for Q1'18 due to VRS.



- The division grew by 20% over the previous year on a comparative basis (adjusted for Excise Duty)
- Revenue and EBIT margin was higher due to higher primary sales to trade channels in the end of June in anticipation of Titan activation
- EBIT margin of 18.8% led by higher sales, significantly better mix (Titan brand sales) and ongoing cost control measures.
- Overheads for previous year included business associate meet costing about Rs 11 cr. that was not incurred in the current year
- EBIT above is before the impact of VRS of Rs.10 cr for Q1 FY'18

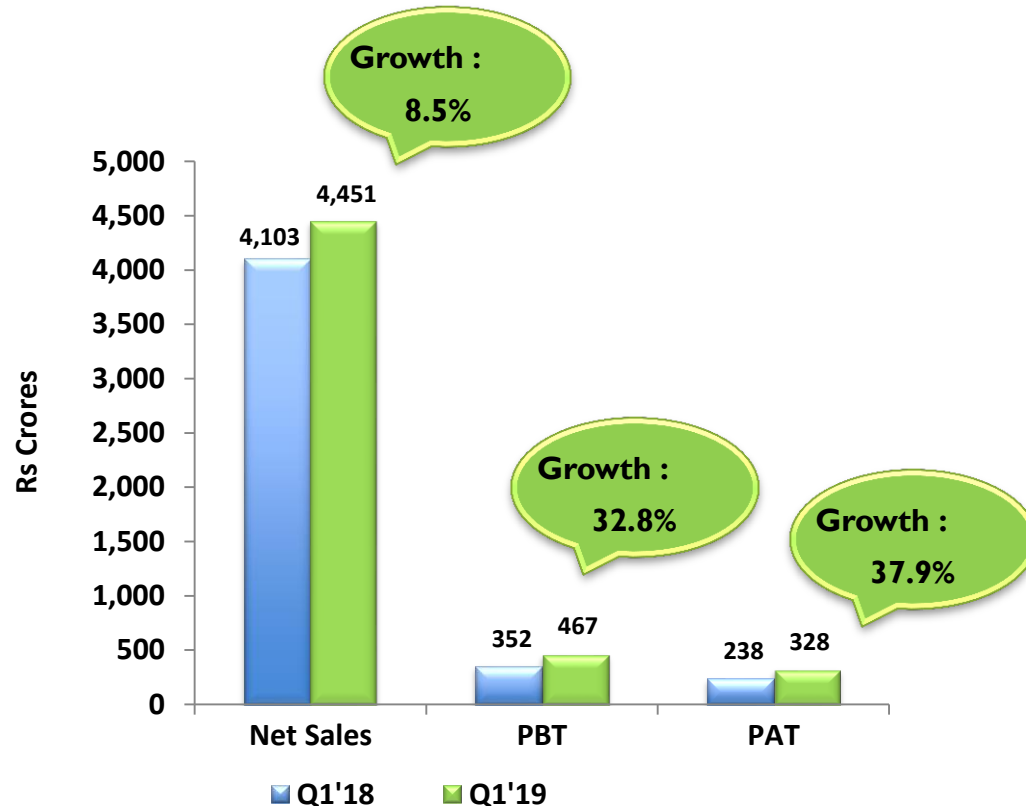


- Growth largely muted due to very strong base but also to some extent due to weak consumer sentiment. Channel checks confirm market share gains continuing.
- Grammage declined by 2.6% for Q1 FY'19 ,while gold price grew by 6%.
- Studded ratio was 25% for Q1'19 as against 24% for Q1'18.
- EBIT margin improved significantly to 11.0% from 10.0% in the previous year.



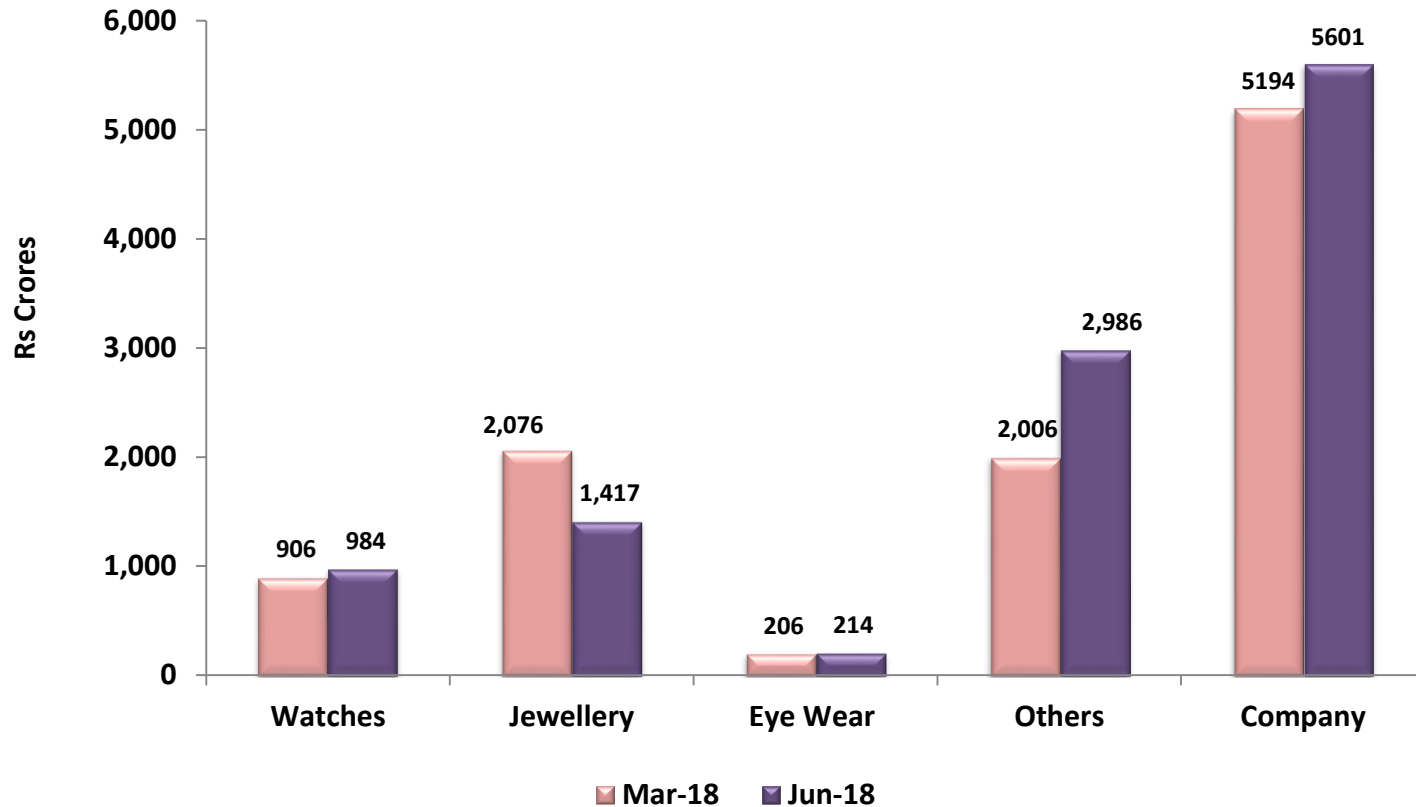
- Sunglasses category grew by 44%
- Higher investments in marketing and brand building impacted the bottom line.

Company Performance - Consolidated



- Strong growth in both CaratLane and TEAL revenues
- PBT above is before considering exceptional items of Rs.10 cr for Q1'18 due to VRS

Capital Employed - Standalone

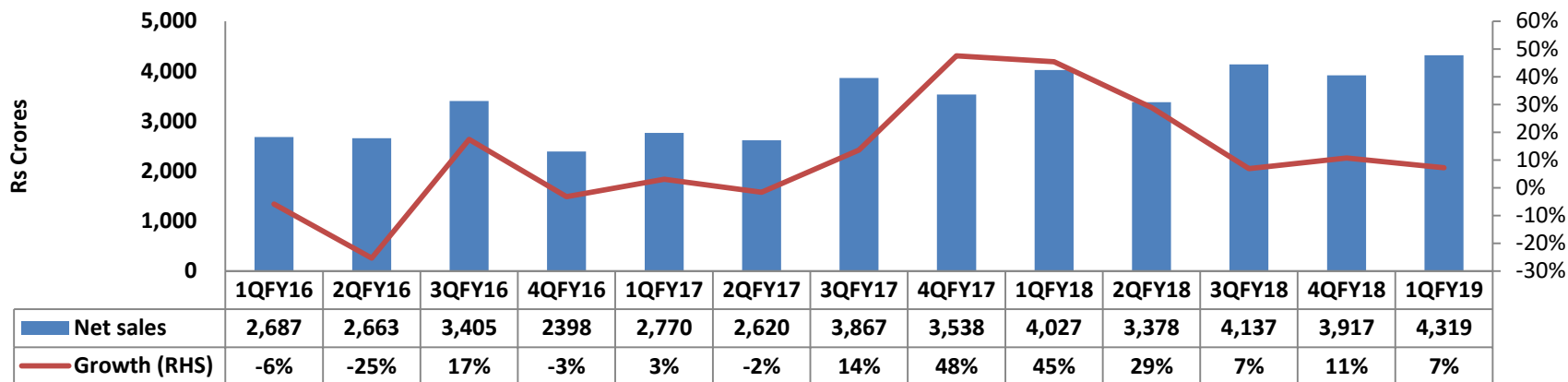


- Jewellery capital employed decreased due to reduction in inventory.
- Capital employed for 'Others' is higher due to increase in cash position.

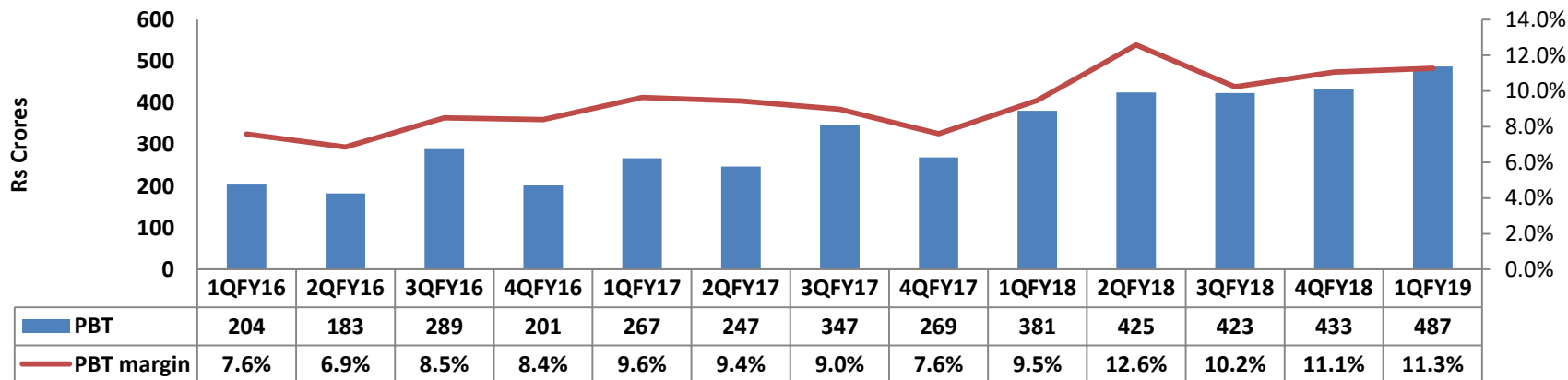
Quarterly Performance Trends



Company: Net Income



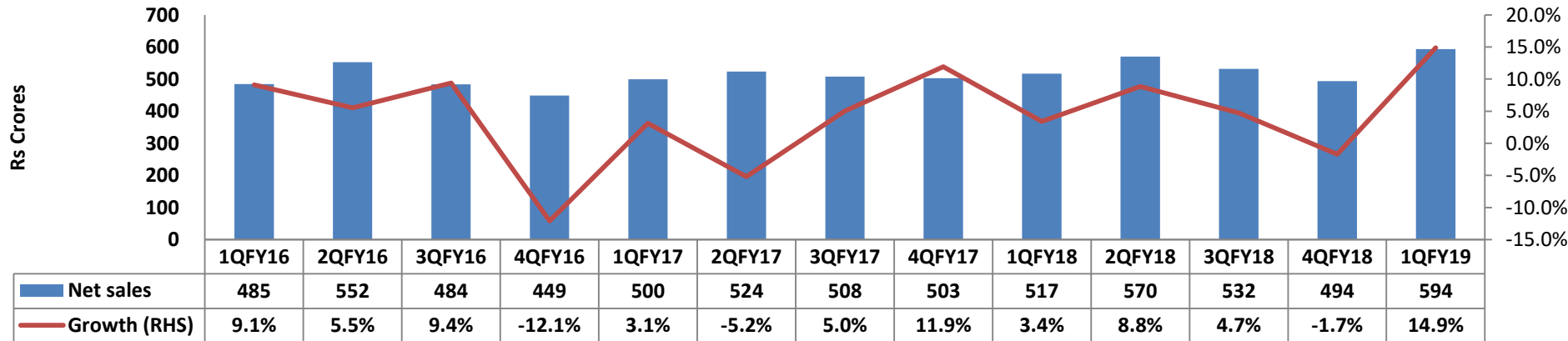
Company: PBT & Margin



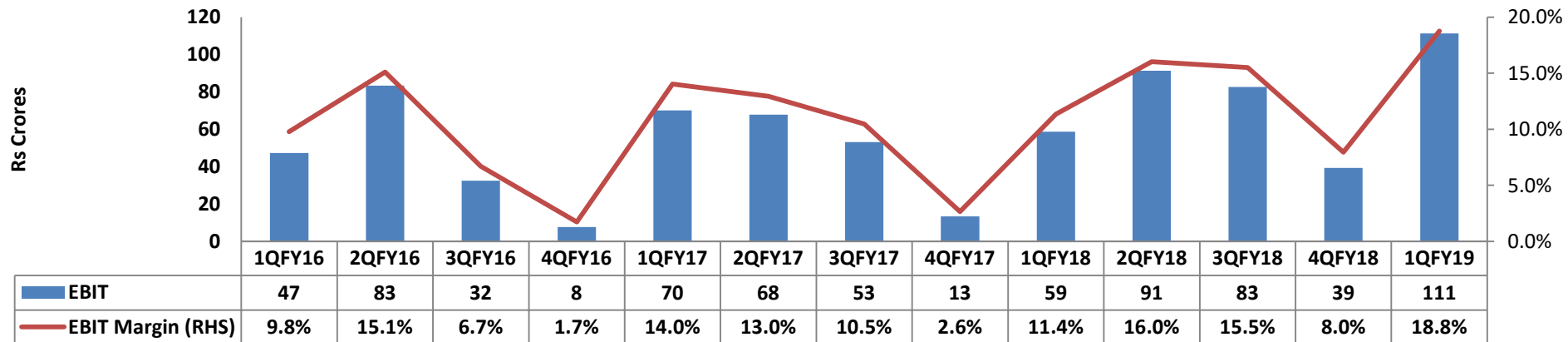
- Financials of the Company do not include PED from Q1, FY '18 onwards due to its demerger into TEAL

Quarterly Performance Trends

Watches: Net Income



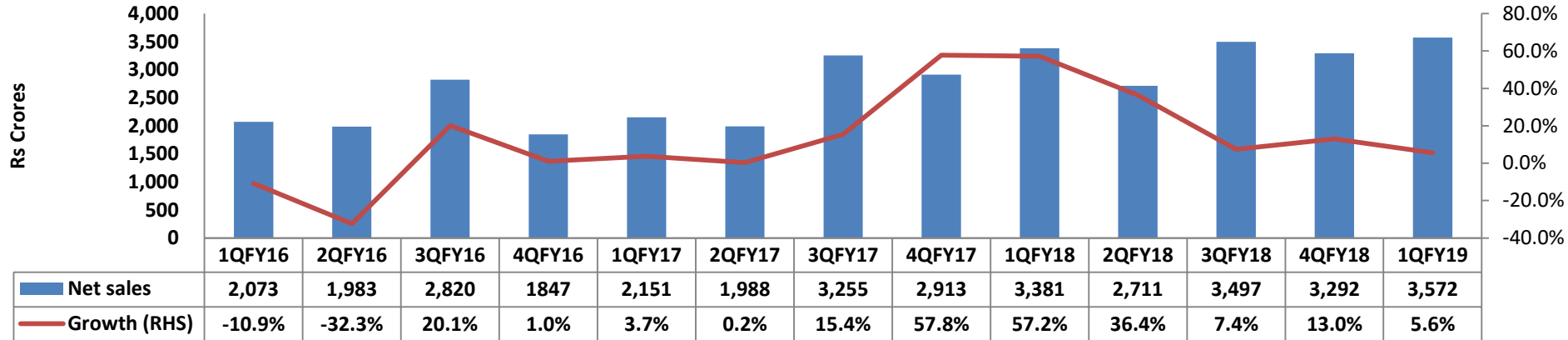
Watches: EBIT & Margin



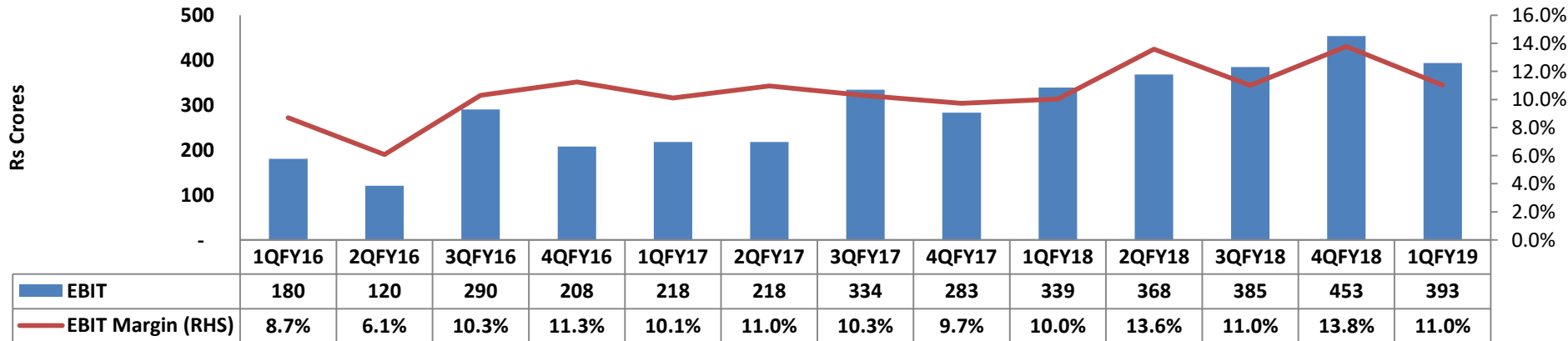
Quarterly Performance Trends



Jewellery: Net Income

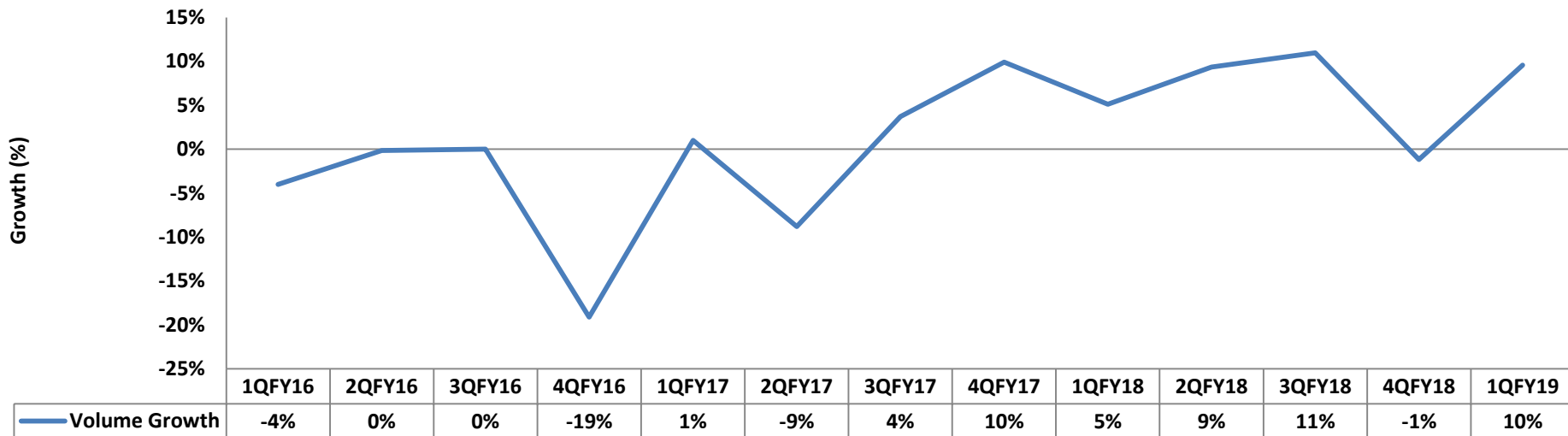


Jewellery: EBIT & Margin

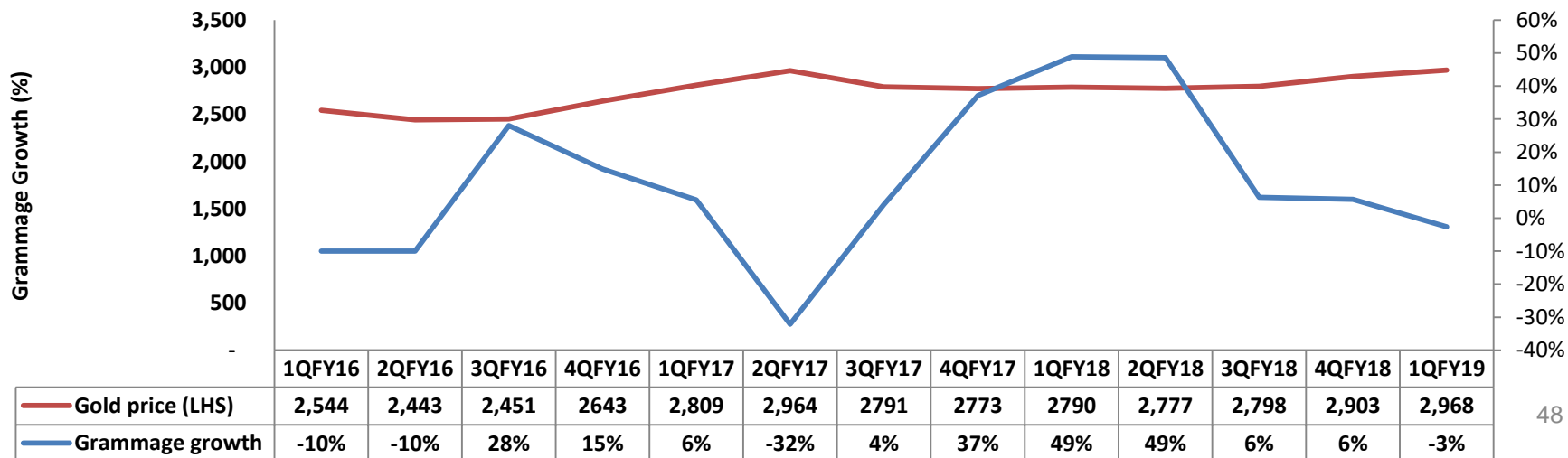


Quarterly Performance Trends

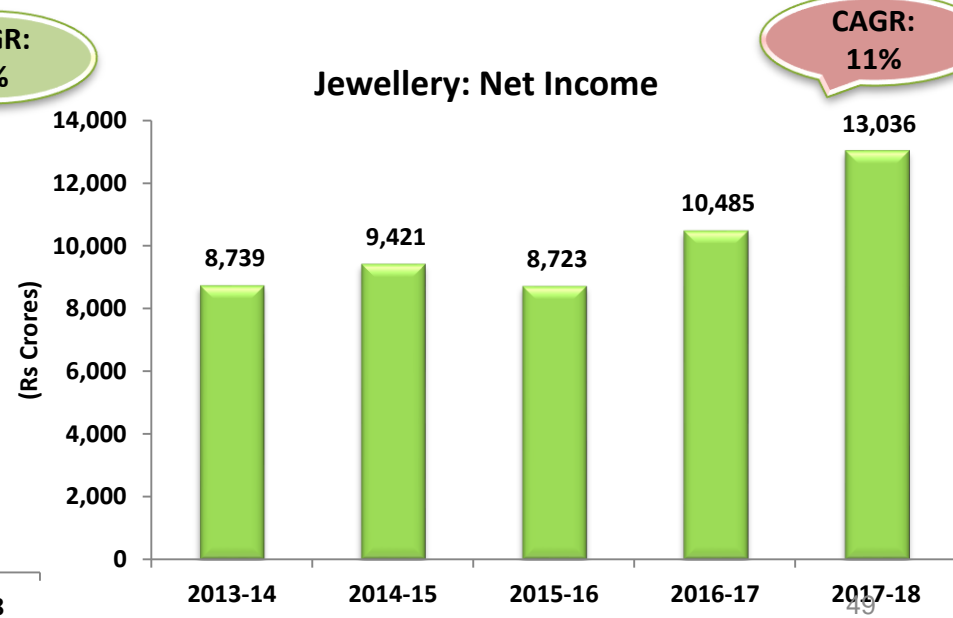
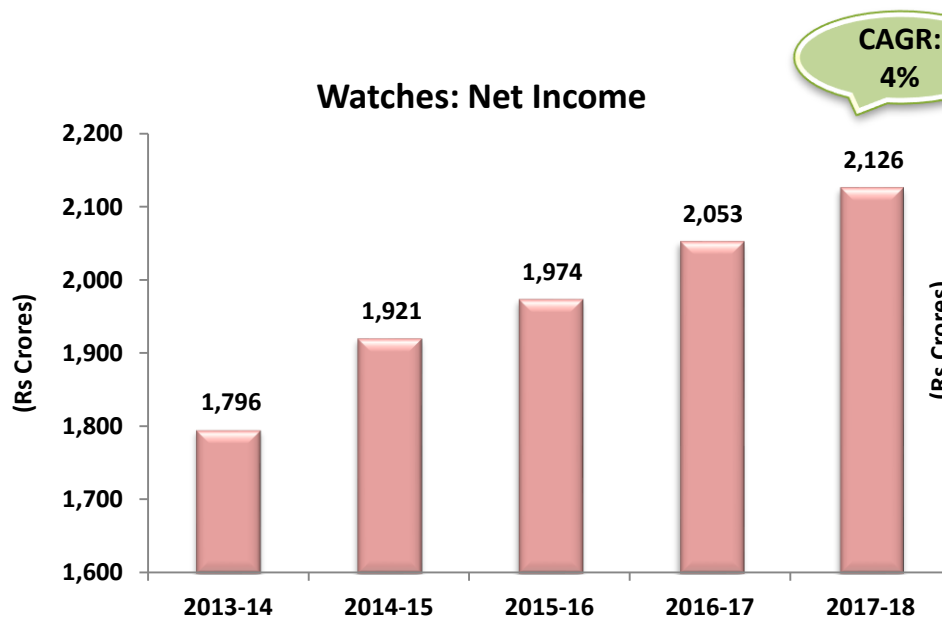
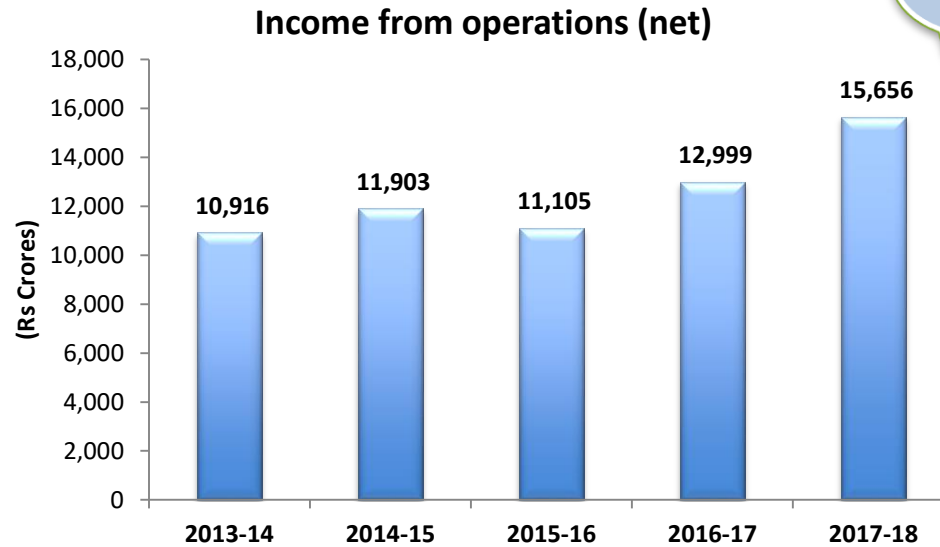
Watches: Volume growth



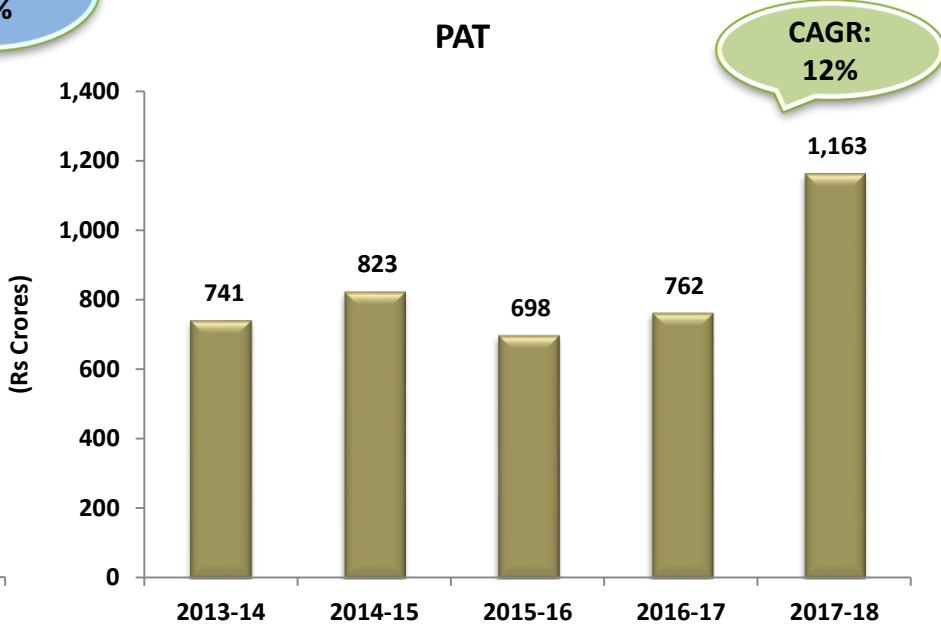
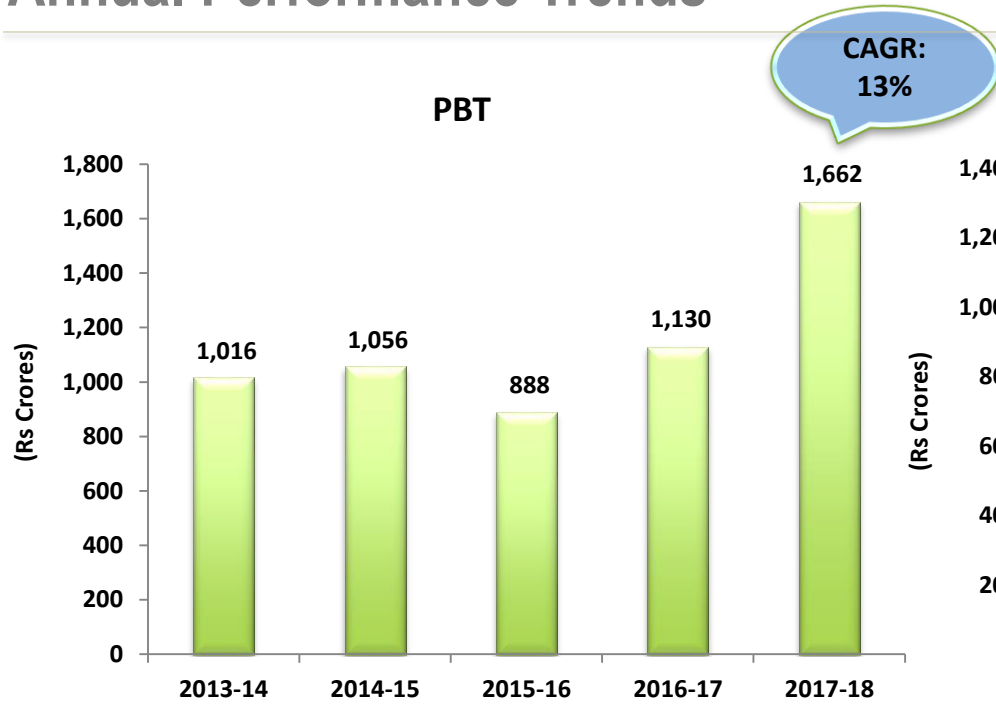
Jewellery: Gold price (22kt) and Grammage growth



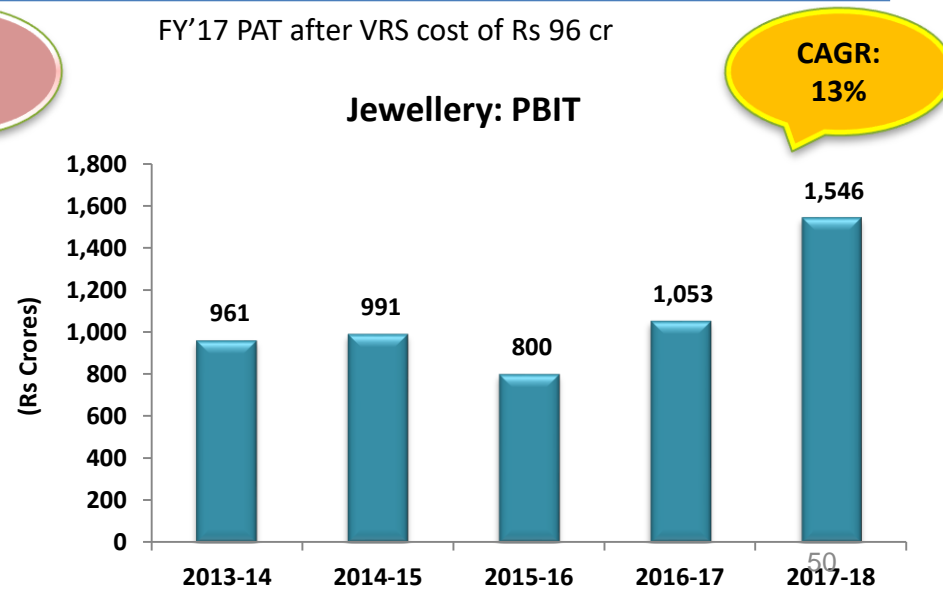
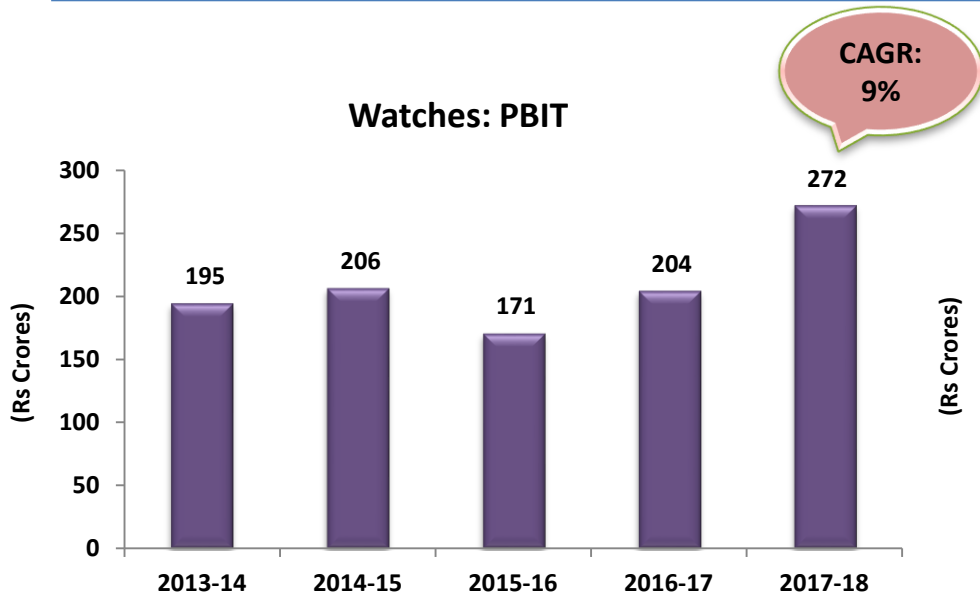
Annual Performance Trends



Annual Performance Trends

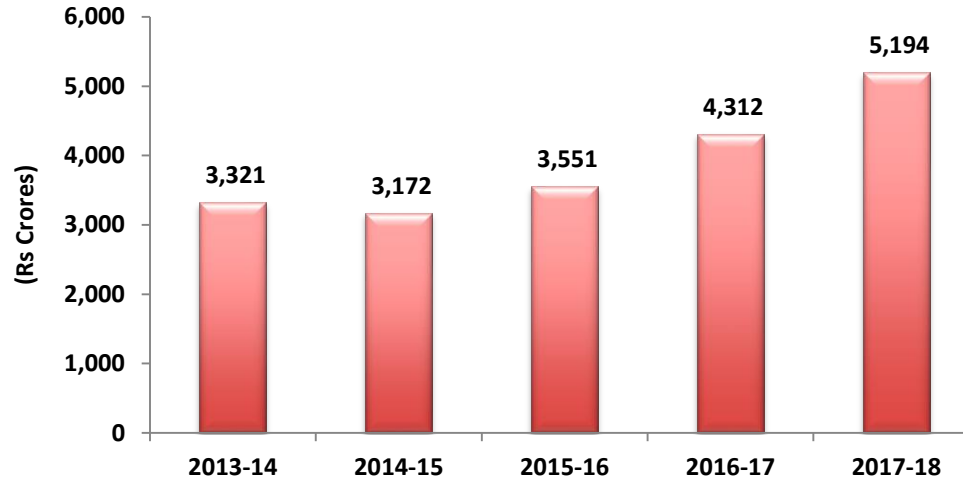


FY'17 PAT after VRS cost of Rs 96 cr

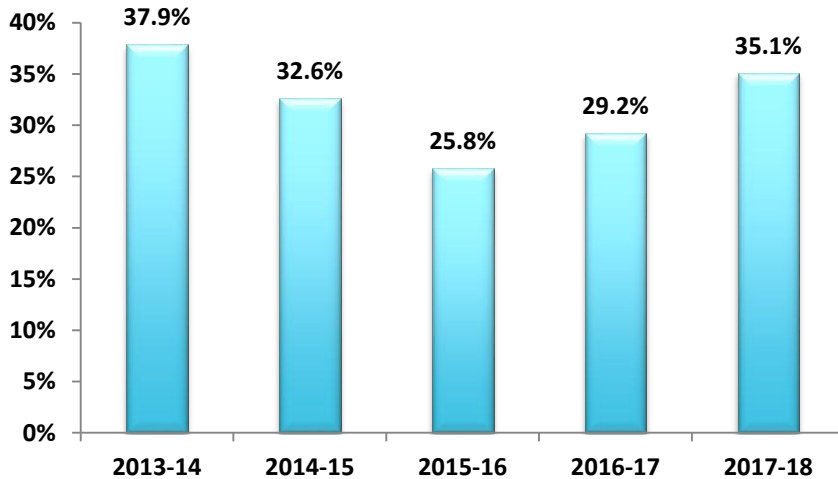


Annual Performance Trends

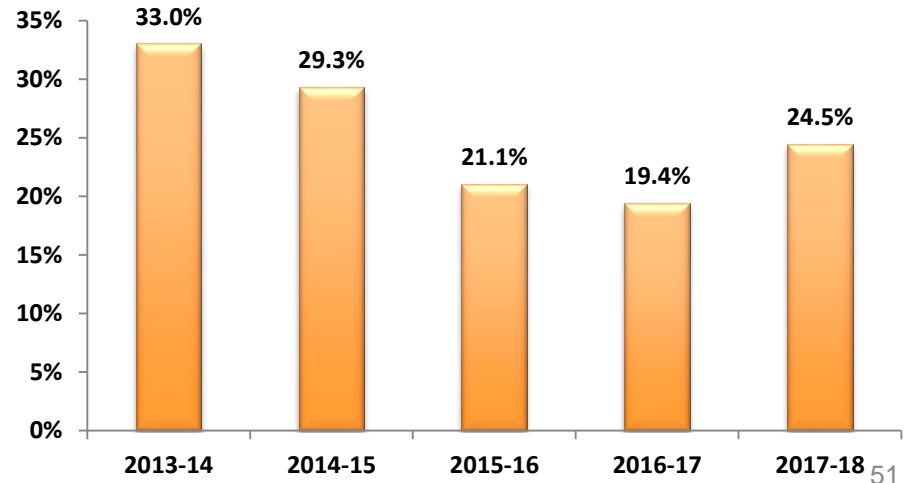
Capital Employed



ROCE

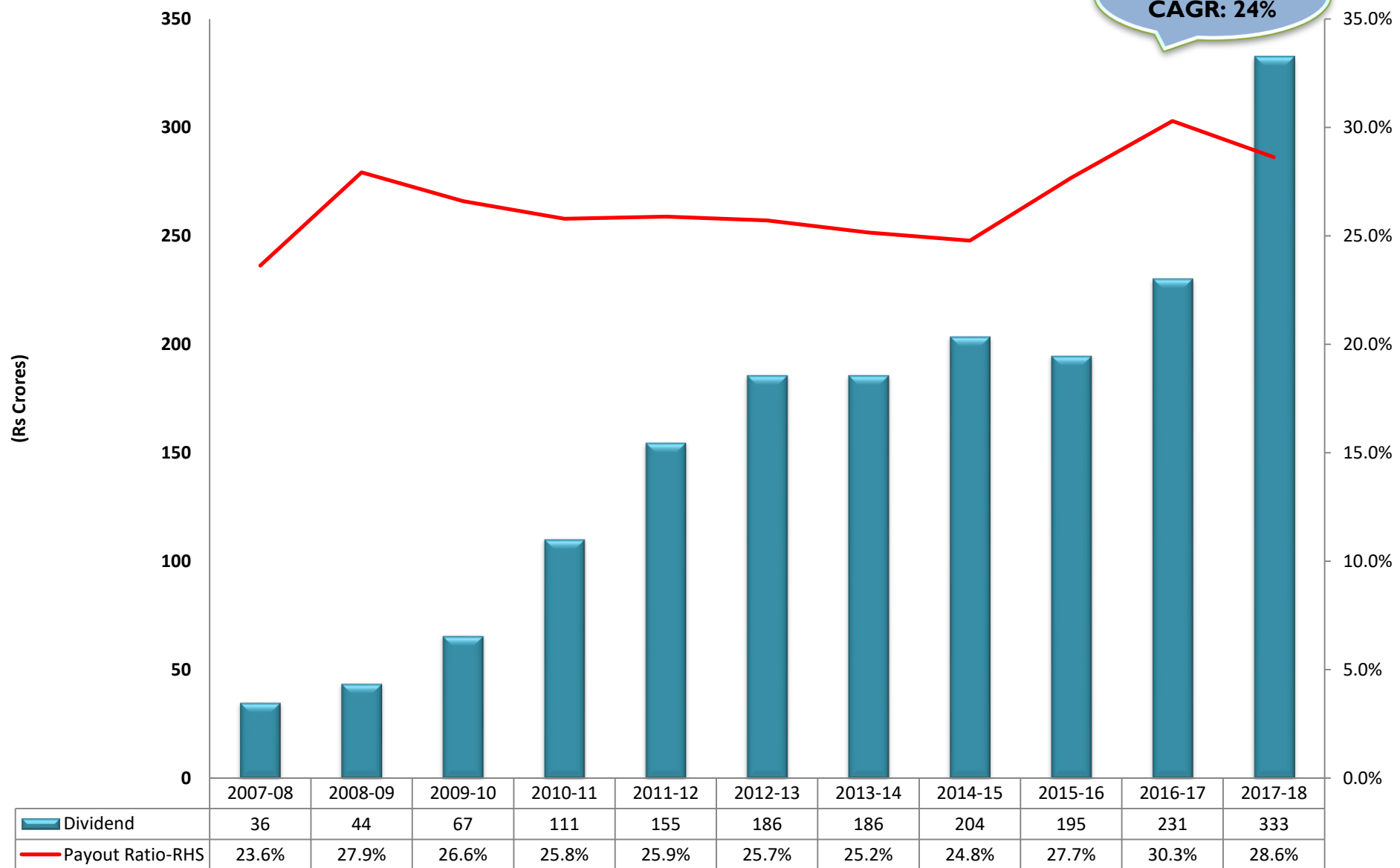


ROE



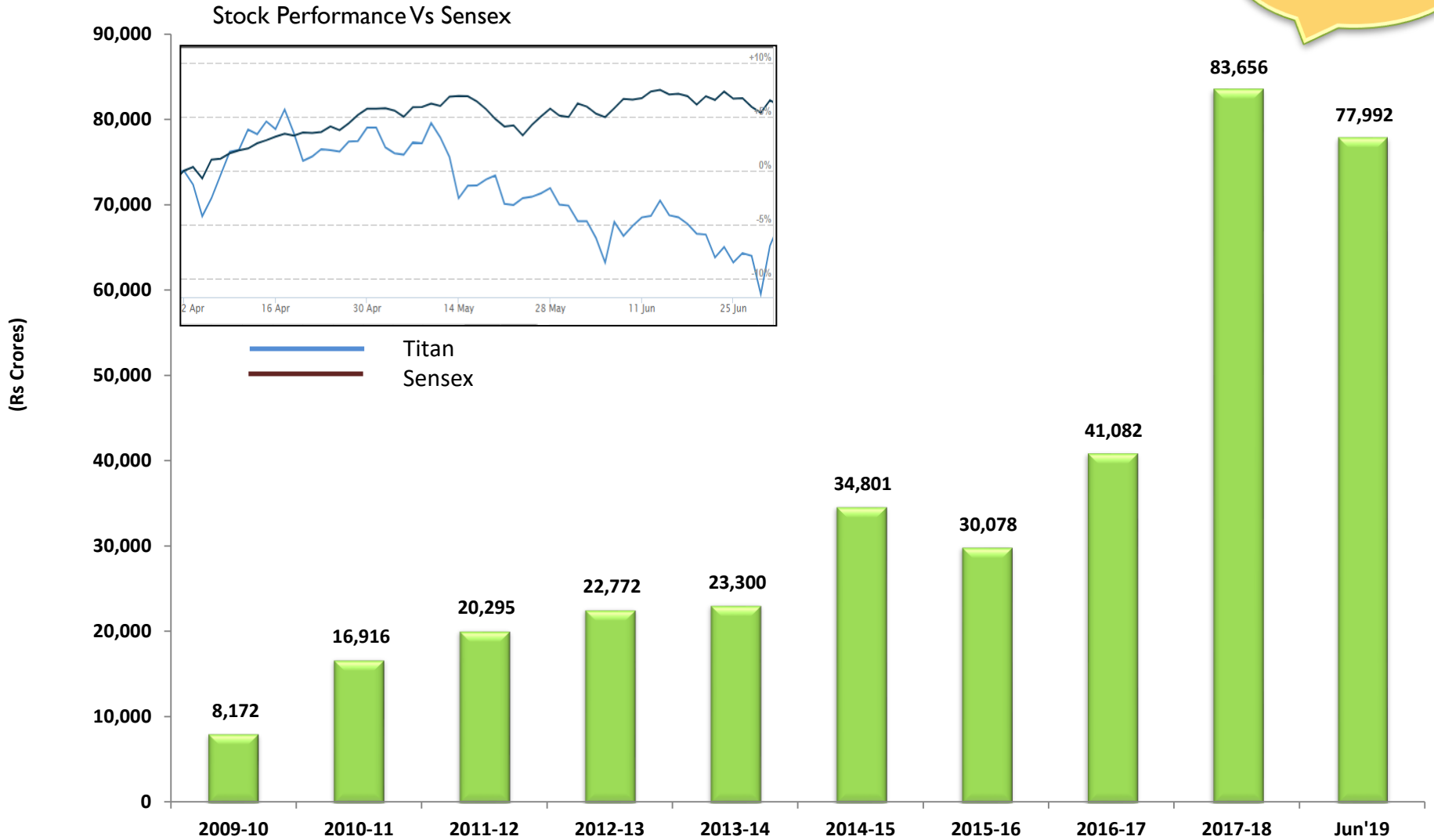
FY'17 ROE is after excluding VRS cost of Rs 96 cr

Dividend



Market Capitalisation

**10 year
CAGR: 28%**



Note: Based on NSE closing prices at the end of the period

Sustainability @ Titan

Formally defined CSR Policy in line with the company's vision

The CSR focus at Titan will be driven by broad themes such as upliftment of the underprivileged girl child, Skill development for the under privileged and support for Indian Arts, Crafts and Heritage

Key initiatives driven:

Girl Child / education:	Remedial Education and holistic engagement with Girl child in two most backward locations of TN and Karnataka Education support through Titan Scholarship Program
Skill development	Titan Skill centre – Titan LeAP (Learn , Apply and Progress) launched in Chennai. Planning to skill 10,000 underprivileged during the year, completed 3,000 in quarter
Supporting Arts Crafts . Heritage / Celebrating Indian Heritage	Working with two craft communities one in Benares, & one with the youth of Kashmir for revival & enable market linkages Created sustainable model for one craft community in Tamilnadu - Porgai
Support towards local and National Causes	Happy Eyes – Eye screening and supporting cataract operations for underprivileged children and adults, covered more than 5,000 beneficiaries during 1st Quarter
Design Impact award for social change	Completion of phase 1 of Design Impact awards for social change – Declared 8 beneficiaries Launch of Design Impact award for social Change Adoption of 4 lakes for desilting and rejuvenation
	Reached out to 42.5k beneficiaries during Q1 2018-19 through our CSR programs

Thank You



TITAN
COMPANY