"Titan Company Limited

Q1FY24 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Titan Company Limited Q1 FY24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

C K Venkataraman: Thank you very much. Good evening, everyone. We have just completed our Board meeting for the First Quarter FY24 results, and the results have been uploaded for all of you to see, which you would have seen. Very satisfied with the quarter's performance. We have achieved the growth rates for the Company that we had budgeted. Businesses like Jewellery, International jewellery, Smart wearables have done exceedingly well. Businesses like Watches, Analog watches and EyeCare have delivered a decent growth. Businesses like the Ethnic wear and our Perfumes and Fashion accessories have faced some challenges, but at a quarter level, some of these are part of life. Overall, exceedingly satisfied with the sales growth. Competitive improvement in terms of market share and virtually every category where we operate, and on plan for the profits for the quarter. We have a certain scheduling of the profit and profit growth over the 4 quarters of the year leading to a handsome growth by the end of the year. And this is determined by events of FY23 across quarters as well as the strategic investments that the company needs to make in every business in multiple ways every quarter.

So these two define the manner in which the profitability moves across the quarters. But as far as Q1 is concerned, we're very happy with the sales achievement as well as the profit achievement.

The extent of innovation, customer experience, delivery, operational excellence, all that is continuing to play in the typical Titan way in every business, and we're very happy with the overall standards of customer satisfaction that we continue to maintain. Multiple stakeholder focus that we set to maintain. And the confidence level in every business, all the teams is very, very high. I'm looking forward to the other 9 months, 8 months of the year.

And now I leave you to get in with your questions. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Avi Mehta from Macquarie.

Avi Mehta: I wanted to pick up on the last bit that you said about certain scheduling of profits. Now especially in the jewellery segment, given this quarter's jewellery performance, would you need to revisit the expectations of 12.5-13% jewellery margins FY24 as the competitive intensity necessitates a more aggressive pricing stance? Or was this a part of your scheduling that you highlighted?

C K Venkataraman: It's very much a part of the scheduling that I described, Avi. And maybe Ashok can just elaborate on it to give you more wholesome picture on this.

Ashok Sonthalia: So Avi, Ashok here. Our guidance of 12-13% for jewellery remains. We are pretty much -- and that is for full year, not every quarter. And if you also look at history of our performances across quarters, there has been evidence of Quarter 1 versus full year number being different. So it is not that something out of the place. Even to -- just to deconstruct that we have always talked about that growth on priority with a consistent margin delivery, and that we are pretty confident for FY24 as well.

And I would maybe, again, remind you because that question is likely to come this time that last year, we have been talking about certain onetime gains. In Quarter 1, it was 1% last year. We have been talking about our pricing competitiveness, actions taken by us, which have been playing out in the last year. So Quarter 1 versus Quarter 1, there is a distance and that impact is there. Marketing communications have been there and gold exchange program has been there. So all these things were very thought through investment, which has been made by the Jewellery division and 12-13% is still, in our view, is deliverable, and we maintain that.

Avi Mehta: Perfect. And just to clarify, the reason why I asked is, while that 13.5% that we did last quarter, while we acknowledge that 100 bps one-off, it was the further the steps that resulted in 11% and the step that you indicated, one was higher exchange. The other was pricing rationalization, both of which seem to be more structural rather than one-off, which is why the question, sir.

And hence, any clarification on why you believe this is not something that is structural would be very useful to appreciate, especially the pricing realization bit. Does it indicate that competition is a lot more, and hence, you have to revisit pricing? That is what we wanted to kind of better understand. That was the ethos of the question to be frank.

Ashok Sonthalia: So while Ajoy can outline his future strategy, but on pricing, but I believe having said that, there is no structural change. And that is why I'm referring to you guys to look at even past historical performances. Quarter 1 versus full year of jewellery division. This is pretty normal for quarter 1 to be slightly on the lower side. So we are not reading any structural change in our margin profile, but Ajoy can, of course, add to that.

Ajoy Chawla: So Avi, Ajoy here. We have chosen to invest in growth as a strategy, and we continue to do so very aggressively because we are very clear that the market share gain opportunity is far, far higher than worrying about a particular quarter here and there.

Secondly, we have also gone ahead and invested quite significantly in brand-building efforts across multiple brands. And we are wanting to keep that momentum on, because what you start doing in a quarter will start bearing fruit in the next quarter or the quarter after that many a times. So that's the second piece.

Exchange is a huge opportunity, and we were seeing that in a market -- see, what happened in Quarter 1 also there's a lot of volatility in gold prices and significant high level of gold price, which remained for at least 2 months out of the 3 months.

As a consequence, it was an intentional response to that market situation to solve for the consumers' uncertainty. During a wedding season should I buy, not buy, there was a lot of confusion for customers. And we said it's better to solve for the customer. And therefore, we went keeping the customer in mind, not so much competition in this case.

Gold rate program in which the way we are managing that is on very smoothly. But it's a combination of multiple things that we did to ensure that the customer remains excited and comes in and we have seen that play out very well because of buyer growth that we have seen, because we were able to pull up wedding growth, because first 1, 1.5, 2 months when the gold prices are volatile, people were staying back.

But in June, they came back. So this exchange plus wedding as a combo has delivered very well. I would also add that, yes, certain geographies saw differential performance. Consequence to that, there may be some realizations also that might have varied in terms of product mix and channel mix.

So those variables are, there are many of them and they keep playing out. I don't want to confuse all of us. But we remain confident about growth, and we are, in fact, seeing good growth even now as we speak. So therefore, for us to confidently say 12-13%, which Ashok said, absolutely no confusion of that, for the year.

Avi Mehta: That's very clear. And just on the last bit -- taking the last comment, you said good growth continuing, which suggests that demand per se is not a concern as we speak. That's the right way to kind of read into that comment?

Ajoy Chawla: Totally.

Moderator: The next question is from the line of Kunal Vora from BNP Paribas.

Kunal Vora: So my first question is also on -- amongst your last comments. So you mentioned you expect handsome profit growth during the year. Any target which you can share? And is it fair to say that earnings growth this year will lag revenue growth considering that there will be margin impact from diamond inventory gains, which you saw last year for 3 quarters?

Ashok Sonthalia: Yes, you are right. I think last year was, in a way, slightly not that normal year from the margin point of view. We have been telling that consistently all the 4 quarters. So revenue growth will be likely to be better than the earning growth in this financial year.

Kunal Vora: So on the comment on handsome profit growth, I wanted to like get your thoughts on like what according to you will be handsome profit growth this year.

Ashok Sonthalia: No, no, I think we will not be able to guide you. You know our long-term plan. Let us note that what FY27 ambitions are. We are tracking that, and those numbers -- CAGR numbers are there on your mind, it would be slightly lower than that. Absolute amount will be certainly much better than what we have delivered last year.

Kunal Vora: Okay. Second is on CaratLane. We've seen a slight moderation in growth from 50% plus levels to 30%, close to that. And you've also seen some decline in margins sequentially. Can you share your thoughts on growth and margins going forward?

C K Venkataraman: Actually, it's after a very long time that this kind of a slightly lower than our, what we used to has happened. And because of that lower growth on the one hand, but continuing investments that we are making in people, assets, and technology that the margin has actually fallen. But it's just one quarter. So the prospects for CaratLane are exceptional, and we are committed to sort of coming back to that growth rate in Q2 itself.

Moderator: The next question is from the line of Shirish Pardeshi from Centrum Stock Broking.

Shirish Pardeshi: My question is pertaining to Jewellery. I think there are a lot of data this time is not there. So maybe quantitatively, if you can help us, out of that 19%, what is the grammage growth? And the related question is that last quarter, we have seen a new buyer contribution at 49%, which has come at 46%. So I'm reading that we have been now trying to get heavy on the wedding segment, which has seen a 26% growth. But in terms of new buyer, have you been able to clock that kind of growth?

Ajoy Chawla: So I can give you the new buyer growth, Shirish 46% of -- you should not compare it again to last quarter because it's not sequential. Last year, it was, I think, 47% new buyer contribution for the quarter, and this year, it's 46%. So yes, repeat buyers have grown at a faster rate than new buyers, but the percentage difference is only 1%. I wouldn't compare it to Quarter 4 because there is a seasonality element in whatever we do.

And grammage growth, etcetera, is good, but actually grammage growth is not an operating KPI that management actually tracks very, very actively. We are aware of it. But for us, volume is driven largely on buyer growth. And within that, we look very closely at new buyer and repeat buyer and the rest of it is average spend per buyer.

Shirish Pardeshi: That is helpful, but I'm just trying to point out, on slide 23, our contribution or studded portion has remained flat 26%. So that's why I was more keen that if there is a volume, which is playing an angle then that will also have an impact on the margin.

Ajoy Chawla: No. So studded, so when we're saying studded share is constant, it means that we've had as much growth in studded as much as in gold jewellery and gold jewellery plus gold coins. So to that extent, that clarifies the volume in terms of buyer growth for both.

Shirish Pardeshi: Okay. Just one follow-up here. We said that we are now trying to pursue the market opportunity in trying to grab the market share. What is the market share target or in the medium to long-term aspiration we are holding at this time?

Ajoy Chawla: Yes. So last year, our best estimate was a 7% market share of INR 450,000 crores overall jewellery market. And we have actually set our sights on a certain long-term market. We are expecting or we would like to gain, not expecting, we are -- ambition is to gain a percentage point in market share year-on-year. We have done that successfully in the last few years, and we have come to 7%. We think we can aim to get to a double-digit market share in the next 3, 4 years. And that's the aspiration we've set ourselves.

Shirish Pardeshi: But this is technically, we are targeting all the energies and investments towards South?

Ajoy Chawla: Not necessarily. This is not entirely driven by South. We are, in fact, doing regionalization and winning in different India's program across many markets, not just South. In South itself, there are differential programs across different states as well as we are looking at parts of East. We are looking at parts of Bharat markets. We're looking at -- and a few other markets as well, which are in the pipeline to come alive in the next couple of years. So we have a whole milestone and a schedule of markets to kind of bring alive between now as we go forward over the next few years. So this is not entirely South.

Shirish Pardeshi: Okay. My second and last question on the watches segment. Can we get some volume numbers because generally, you used to give the volume number, but this time it is missing. So out of 13% growth in the business, what is the volume growth in the analog?

Suparna Mitra: So it's -- finally, there is analog and wearables. And we have seen exceedingly good volume growth in wearables. And it is, in a way, consumer segment wise. So if you take youth segment and say, brand Fastrack, the analog has actually seen a decline in volume, but the wearables have seen a significant increase in volume. So the interplay between volume, value, analog and wearables and also the premium brands and the mass brand, is quite a complicated kind of thing. At this point, I think that's what I would leave you with.

Shirish Pardeshi: And one follow-up here. I mean, the two follow-ups. The margin has settled around 11.5. So in the medium term or maybe next 3 to 4 quarters because I see that directionally, the premium segment has grown much faster for us. So what should we read, is the margin will come and recover with a lag? Or there is a thin margin on the international brands?

Suparna Mitra: No. International brands actually have quite a healthy margin. There was a onetime, some provisions made for some developmental costs as well as some other smartwatch related things, which has brought the margin to 11.8. In general, through the year, we will see margins between 12-13%.

Shirish Pardeshi: Yes. That's what your confident. But just one more follow-up. In the capital employed, we have seen against a INR 2,437 crores, our capital employed has gone up by almost INR 700 crores. So is it primarily because of the international portion or there is some element sitting in?

Suparna Mitra: There is some element of inventory buildup as well as some element of debtors. Again, this is quite complex because we have differential sales in different channels. And our sales and channels, especially marketplace e-com and large format stores has been higher than budget, and that has led to higher receivables -- sorry, and inventory also has gone up. This is in over and above what we had budgeted and is likely to remain like this till Quarter 2 and because a lot of it is also built up for the activation and as well as Dussehra, Diwali, the festive season, which will be in October, November.

Shirish Pardeshi: So I'll just point out what you just repeated, the inventory will remain at that level of INR 3,000 crores. It will not improve or it will not go up, rather it will come down directly?

Suparna Mitra: What I'm trying to say is until Q2 end it will remain high because a lot of inventory buildup is done for the festive season, in anticipation.

Moderator: The next question is from the line of Nihal Mahesh Jham from Nuvama.

Nihal Mahesh Jham: So my first question was on the demand in jewellery for this quarter. If you could just bifurcate the demand across the 3 months. And I was also interested in knowing if say the correction in gold prices in June had any impact in improving the demand for that specific month?

Ajoy Chawla: So June month, as I said, we saw a stability of gold prices and also at a slightly lower level compared to April and May. And that certainly played a role in giving people confidence. But as I said, we also did a fair amount of work on exchange to solve for consumers. And therefore, we kicked that in by May -- let's say, third week of May. So that carried forward into June. And therefore, that combination of all that helped. So people were able to buy also, there were wedding purchases, etcetera, that happened.

In the current quarter, I could only tell you that we continue to see very good and healthy demand growth in the same way, as I said earlier, I can't say much about how the next 2 months will be. We expect it to be good, but we're yet to see that. July has been good is what I can say. It will be difficult to give you a breakup of how month-to-month will Quarter 2 shape up. Unless I didn't understand your question, right?

Nihal Mahesh Jham: No, it was related to the first quarter only, not about how July has been, more about April, May, June because I was trying to look at different drivers in each month, is what I understand, because you mentioned about Akshaya Tritiya in the last call for April. What your June was partially driven by the gold prices? And then obviously, we had gold exchange program and all the other initiatives with that.

Ajoy Chawla: Okay. No, no. So I'll clarify now that I understood a little better. April -- 1st half of April was quite slow. Then things just took off during the Akshaya Tritiya period, the next fortnight. Then May, again, it kind of went very quiet. And again, from about 20th May onwards, it picked up very well and June then also continued to grow fantastic. So that is the kind of volatility we saw across the 3 months.

Nihal Mahesh Jham: This is helpful. A related question to that was that when you speak of wedding segment and how that has also grown, I think, at 26%. Overall, the wedding rates have been lower this quarter and most companies have mentioned about wedding demand being a bit of a challenge, while you did allude to, would it be right to say that the specific activation is more related to the gold exchange program, in what drove a lot of the customers on the margin to say prepone their wedding-related buying, and that is in a way been a driver for this growth coming in?

Ajoy Chawla: Difficult to answer that really. But our -- we know that Quarter 1 is a good lagan market wedding dates and the markets, which typically do well in lagan are eastern markets, Bihar, Eastern UP, parts of MP, Chhattisgarh, Jharkhand - those markets. And we did see good traction in the East and those parts of the North as well as other parts of North as well. We didn't see as much traction in some of the other markets where we thought it might happen. But frankly, the lagan markets have done reasonably well, and that is what has helped us. Perhaps the exchange helped. But I don't know whether they preponed or bought for that quarter, I can't really answer that.

Nihal Mahesh Jham: Sure. Just one final question was that in our history as I understand gold exchanges been used tactically a lot of times to sometimes activate demand and obviously get customers in. Correct me if I'm wrong on that. Going forward, would it be right to say that this is now going to become the main avenue for acquiring customers or would have a much larger share?

Ajoy Chawla: See, the gold exchange program is a very robust growth engine for us and has been so for the last several years now, so it continues to be. Typically, the non-Tanishq that is other outside gold typically contributes 30-31% of sales. This quarter, it happens to contribute with 35% of sales. So, but whether that will remain likewise in the rest of the quarter, it's difficult to say.

It may range. It may vary between these 2. It's not something, which you should worry about structurally, does it change things? And does it actually make -- it's not a problem. As long as the payouts are under control, we are fine with it. So actually, it's a reasonably healthy and profitable growth engine. So offers may come from time to time, but it's not something which is structural.

Moderator: The next question is from the line of Vivek M from Jefferies.

Vivek M: A couple of questions. First is on the margins, but again on jewellery. So let's say this quarter, you did about 11%. For the guidance of, let's say, what you gave in the last quarter of 12.5-13%, if I assume 12.5%, at least 13% margins for the rest of the year. Is that what is looking reasonable right now to you?

Ashok Sonthalia: Several time we have reiterated our guidance is 12-13%, but somehow or the other 12.5-13% has got stuck in this community's mind. The 12-13%, and that is what we would continue to aim for.

Vivek M: Sorry, because last quarter, you have had explicitly guided for 12.5-13% instead of 12-13%. I think that's the reason.

Ashok Sonthalia: No 12-13%. So suppose for some reason, then that was not the right, 12-13%, we have been maintaining consistently.

Vivek M: Got it. Got it. So that means there will be a big step up in the next 3 quarters. So that looks like, so whatever you have mentioned about the mark-up rationalization, that was essentially a very short-term thing for this quarter and from next quarter onwards, it is -- you are going to see a similar margin than what you have highlighted.

Ajoy Chawla: So Vivek, Ajoy here. I'll comment. Typically, Quarter 2 and Quarter 4 are the high Studded ratio contribution quarters you would recollect. And therefore, Quarter 1 being more gold-oriented quarter is typically low. And as Ashok pointed out, if you go back, leave aside last year, the previous 3, 4 years, you will see that typically, it's been around this 11% range, and we've ended the year between 12-13%, okay.

In the same way, we expect this to happen, and it is well planned and exactly planned by us in that manner. And Quarter 3 onwards, there is also urban wedding season, which kicks in. So that also increases the contribution of a richer product mix even in the gold. So Quarter 3, Quarter 4 tends to be even that. So combination of those is what will help us get to the 12-13%.

Vivek M: Okay. Got it. And the second question is on the jewellery capital employed, at about net employed of INR 6,500 crores. So stable quarter-on-quarter, significantly higher than what it used to be in the past. So can you just give more color to where this number will settle at and what has driven this increase particularly for first quarter this number looks quite high.

Ajoy Chawla: Yes. I'll take that question again, Ajoy here. So our inventory is pretty much as per plan and well -- and the stock turns are also good, actually, they're better. The capital employed is higher because our GOL contribution has come down to a much lower figure, it's around 27% by quantity, I think, if I'm not mistaken. Typically, it should be in the 50% range.

Now that happened because of some timing of gold on spot that we had to buy, thanks to CEPA and other such opportunities which are there. That will get corrected as we go along because the timing issue as well as the fact that at that point in time, can we manage to sell more bullion in the market, etcetera, without giving away too much margin or without giving too much discount. Those were tactical considerations. But over the next quarters, you will see it stabilizing much higher in terms of the GOL contribution. Therefore, the capital employed will start correcting. It's entirely on the GOL contribution.

Moderator: The next question is from the line of Siddhant from Goodwill.

Siddhant: I would like to get an idea on the international business. So are we on part of achieving the 24 stores that we had told about in the annual report? And could you just speak something about on the breakeven when can we achieve that in the Gulf region and the North America region? And how much more capital will we be infusing in both these divisions?

Kuruvilla Markose: Siddhant, this is Diny here. We are on plan for that. We're looking at an expansion, we are up to 7 Tanishq stores so far, one in the U.S. and six in the GCC region. The plan for the rest of the year is to add about 5 more in the U.S. and about 13 more in the GCC region which will take us to that number of 24 - 25 stores that we are looking at.

From a profitability standpoint, they are all doing pretty much better than what we had planned, while obviously, the costs are higher in operating these stores in international markets, the GC profile that we are getting from the stores are also substantially higher with the U.S. being even better than the GCC market.

So from that perspective, we are pretty much on track. There are some struggles in newer markets that we're going to get them open because new territories were a little bit unfamiliar with things and till we get the first store open -- first -- opening the first store takes a bit of time. But after that, usually, we figure out things and then we are able to proceed quicker.

So that's the story overall. In terms of the capital investment linked to the stores, each of the stores requires the right level of inventory, and that is what we would put in. We may start with a little bit of a higher inventory than usual and then work our way over, let's say, the next 12 to 24 month period to get to ideal stock turn of 2, which is what the norm we follow across Tanishq.

Siddhant: Yes, it was more like could you quantify like INR 100 crores, INR 200 crores, INR 300 crores, whatever number, how much are you investing in these international businesses?

Kuruvilla Markose: So typically, each of these stores would consume something like $6 to $8 million in terms of inventory.

Siddhant: Okay. The next question would be on Titan Eye+. How much is e-commerce as a percentage of sales? And what are we doing out there?

Saumen Bhaumik: This is Saumen. Our e-commerce contribution is in the ballpark of 6%, 7%, both combined our in-house brand channel as well as through Flipkart, Amazon. Flipkart, Amazon, we mostly sell sunglasses that too lower end, Fastrack products. And so focus is more on the in-house e-comm channel. The last quarter compared to the previous quarter e-com in-house channel has almost doubled in terms of its sales. But the base figure is small.

So I was saying that while the in-house e-comm channel is doing better and focus is also on that, and we are seeing a visible lift in that channel sale. But in the foreseeable future, we still don't think the contribution of this channel will be more than 10%. It will be sub 10%.

Siddhant: Okay. My last question would be, how about our TEAL and you know CaratLane businesses because most of them are breaking even or slight profitability. And there's a big order book in TEAL, and CaratLane is very strong growth plan. Will we be infusing capital in these businesses? Or any plans for that, raising equity?

Ashok Sonthalia: Ashok here, TEAL, as you would have observed from our commentary, we have a very, very strong order book. And for that, whatever necessary investments are needed, they are being done, but they can manage through a bit borrowing and their own internal generation. So there is no further equity coming in either from Titan or they need to raise.

As far as CaratLane is concerned, again, the same story. The growth is well supported by working capital finances, gold on lease, etcetera, etcetera. So we don't see an immediate need for any infusion of equity in these two entities.

Siddhant: Okay. Just 1 last question, if I could squeeze in. The gold mark-up rationalization program, how much of a hit in our gold prices will be taking? And how much will be spread between the franchisee partner and Titan over there, the hit?

Ajoy Chawla: So the entire gold pricing, the partners don't take any hit actually. It is entirely borne by us. And we have already done what we had to do and this is playing out the way it is. We are not seeing more rationalization. In fact, many times, we see that there's opportunity for us to keep correcting it upward / downwards.

So we keep making further refinements to it. But by and large, this is something, which we are -- something, which the company absorbs but nothing to do to the partners. Partners don't absorb.

Moderator: We will now take the next question, which will be from the line of Amit Rustagi from UBS.

Amit Rustagi: Sir, could you help me understand that you have mentioned about gaining market share. But if we combine together all the organized players, I think the number of stores they're planning to open are significantly higher this year versus last year. So will our strategy be moving towards more stores in India as well, like the number of stores you plan versus would you like to increase them as well?

Ajoy Chawla: Yes, we are actually -- this is regarding Jewellery or any other business?

Amit Rustagi: Sir, jewellery.

Ajoy Chawla: Yes. So we are -- we've identified a potential list of stores across many towns and catchments which is like a more longer-term 2-year plan because we don't know which catchment comes alive in terms of getting the right property. Yes, we are also looking at accelerating our expansion plans because we see the opportunity is large.

And while historically, we opened 30 to 40 new stores in a year, we will look at accelerating that even further. We are keeping a much healthier and longer pipeline in place. And something which I mentioned in the previous call as well, we are also expanding some of -- many of our existing stores and adding significant square footage. So both programs are on significant.

Moderator: The next question is from the line of Latika Chopra from JP Morgan.

Latika Chopra: My first question was on -- you're just trying to understand the salience of exchange gold in this quarter. You mentioned 35% for non-Tanishq gold. What would the salience of Tanishq exchange whole year and combined number if you could share? And how does that compare with your regular normalized share? And also if you could comment on a like-to-like basis. How much dilutive is exchange gold purchases versus the regular purchase threshold?

Ajoy Chawla: Okay. I'll answer the first question. Second one, I didn't follow. I couldn't understand the last portion but let me first answer the first one. So typically, we see a 30%-31% GEP or non-Tanishq gold, and we see about 9-10% of Tanishq gold. This quarter, we have seen about 35% non-Tanishq gold contribution and very interestingly, close to 15% Tanishq exchange also. That probably indicates customers who are also looking for this kind of opportunities to kind of deal with different kinds of gold price fluctuations and their requirements. So overall, therefore, between the two, we have seen close to 50% exchange gold in this quarter.

Second question, I couldn't hear you properly. Can you repeat the portion?

Latika Chopra: Sure. So what I was checking was on a like-to-like basis, what could be the margin differential between exchange jewellery versus a fresh gold purchase. And I mean, it's always tough to say whether you have 50% number added gold back to normalize.

I'm just wondering in a scenario where you -- because of the way the gold prices are moving, is there any other way you could manage this margin dilution or mitigate this margin dilution in future. If you think we could probably see structurally higher exchange rate simply because gold prices themselves have become quite high on absolute basis.

Ajoy Chawla: I just wanted to share, see, when we don't run any offers. Actually exchange gold, yes, we are buying -- the way it works is we are buying on spot from the customer as opposed to buying

GOL from, let's say, the banks. So there is a difference because our buying versus -- and the rate at which we buy from the customer is the rate at which that we sell, okay.

So by and large that gets covered because of upselling that happens, people coming with x grams and they'll end up buying y grams and that is much higher than what they came in. And that sets it off including whatever processing charges we take for melting and refining and everything else.

So typically, it's not margin dilutive and it is helping us to acquire customers. In Tanishq exchange, also, we see a similar situation. And many times, people also land up picking up a richer mix, thinking to buy a studded product, etcetera. It's only when we run a little more aggressive offer to be able to solve for customer challenge, that's when there is some margin dilution, and therefore, we capture that as increased payouts. So by itself, exchange is not margin dilutive, I wanted to leave that thought behind.

And we don't run offers all the time. We plan to do it as and when we required practically, which we look at it in -- just like we run a making charge offer that sometimes can be an exchange offer sometime there may be some other best deal offer. Those are tactical and market specific.

Latika Chopra: Okay. That's good to know. And my second question was your overseas jewellery business. Have you once -- your stores normalize or become mature, on a -- how do you think the margin profile will look like versus the India business? You mentioned gross contribution is higher, but so are the expenses. But do you anticipate that overseas business over medium term would be in the zone of 12-13% or could even be better because of richer mix?

Kuruvilla Markose: From a PBT standpoint, Latika we'll have to wait watch and see that, but what is apparent at this point of time is that the mix in terms of the more profitable categories is better. If we are between the GCC and North America, GCC still sees a large share of gold, but North America, the new jewellery store that we've opened has the highest studded ratio. So other than that there is a 5% of profitable growth. So therefore, the final GCs are better than what we enjoy in India. That compensates for the higher cost.

C K Venkataraman: Latika. We are comparing a 27-year-old business with a 3-year-old business. And therefore, what Diny is saying is right. But at the same time, the intrinsic opportunity offered by the North America market, particularly, I would certainly say that the stable profitability of North America should be at least as good as India.

Moderator: The next question is from the line of Jay Doshi from Kotak.

Jay Doshi: Yes. Based on your experience so far, are you able to kind of get a sense or quantify what is the extent of additional growth that you can achieve if you make the gold exchange program, zero default gold exchange program more or less the default policy around the year?

Ajoy Chawla: Good question. We'll have to work on it. We're not so sure because many of these things are iterative. When we've tried to innovate, settle down to a gold exchange program policy, which is consistent across markets, but they are very difficult to estimate whether because of the program being that way or is it better to do it tactically as offers from time to time because it creates a certain call to action when you do that. So difficult to answer your question, but we'll work on it.

Jay Doshi: Understood. Maybe take it offline some other time. Second question is on international market. Now your original guidance at the time of last year that investor meet was 30 stores by FY27, INR 3,000 crores top line -- or INR 2,500 crores top line. It will be at INR2,500 crores by end of this year. So should we expect that you will achieve that top line milestone or target much earlier than originally guided?

And if there is something additional you can share in terms of how you're thinking about assortments and some other aspects of manufacturing as well as to market strategy to cater to the consumers in those markets?

Kuruvilla Markose: So from a growth perspective, we have things look like that we can do better than what we planned. And we will obviously accelerate as much as we can wherever we are able to. The approach is to build templates that can be replicated first, sort of refine the template till we are reasonably confident that those can be scaled without creating problems. And I think we've kind of achieved that in the GCC region and in North America too. North America is still early. We just have 1 store open. But by the end of this year, with 5 more stores, we should be in a much better position to do that.

We are looking at other markets like Singapore, Australia and looking at how much we can replicate and scale that up. So from that perspective, yes, at this point, we certainly look like that we can do better than what we thought we could. But some of these things, one has to wait to observe and see how exactly they play out.

And on the manufacturing aspect, we are looking at sourcing locally in Dubai, we're looking at right now about 10% of what we sell in the GCC is sourced from Dubai. Over a period of time, we will continue to explore that and look at certain products that are required in local markets, the ability to get them from wherever it is most efficient to source and obtain them.

Jay Doshi: One quick one if I may on the same thing. Are you targeting Indian diaspora or do you think there is a big market amongst international sort of consumers as well?

Kuruvilla Markose: Yes. So at this point, we are clearly going after the Indian diaspora because that's relatively say, easier audience, they're familiar with the brand. We know what they are looking for. And in many markets like the US, they tend to be underserved. But once we sort of stabilize that and as also it depends on where we open the stores.

Initially, we were opening them in what are largely Indian catchments. But in some of the locations, we've started moving away to a catchment that has other local customers as well. And say, for example, in Abu Dhabi, we are finding a reasonable number of non-Indians turning up.

And over certainly, we will look at them, but that will be a second phase kind of an approach. The strategy is to build a large and profitable beachhead focused on the diaspora and once that gives us a little bit of leeway in terms of stable business, then certainly exploring beyond Indian diaspora is very much on the cards.

Jay Doshi: Thank you so much and best wishes for the coming quarters.

Kuruvilla Markose: Thank you.

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

Alok Shah: Yes. Good evening team. Thank for taking my question. My first one was -- just harping more on the margin bit. So when you mention that, you decide how much margin you want to take each quarter from the business and that's how it's played out historically. But this time around, the competition seems to be quite different than what it was historically. So just wanted to get a sense that if competitive dynamics were to remain high, then what levers do you think you would have to protect the margins for this year?

Ajoy Chawla: So Ajoy here. Margin protection will come from 2 or 3 levers, one is geography and channel mix. We believe that, there are opportunities in certain geographies, which give us a richer product mix and richer realization.

The second one that we see is on product mix itself in terms of as we do a lot more work on both studded as well as wedding and richer product mix occasion wear. We are seeing better realizations there as well.

The third piece that, we are actively exploring also is, as we keep doing a lot more of lightweight jewellery and modern jewellery, and especially in gold, there is opportunity to take up a little bit more of the gross margin as well. So these are 2-3 levers, which are in our ambit, but right now -- actually, it's not so much competitive pressures, which have played a role, it is about trying to enhance consumer sentiment in a fluctuating and volatile environment, which has been the larger concern. And that is what has actually motivated our actions.

So yes, there is competitive intensity, but the brand is also that much stronger. The brand is also that much deeper across so many geographies. So to that extent, yes, it's there, we'll take it on.

Alok Shah: Got it. And just the second bit was that lower making charges, the duration of that seems to be at least from our length extending for you and, of course, the competition also. So do you -- from a strategic perspective, do you worry that a customer behaviour may change because of this multiple times that offer keeps on flowing versus, what it used to be historically?

Ajoy Chawla: Customers are always seeking good deals. So -- but we are also seeing, if you see post-COVID, customers' preference for brands which are trusted, brands which are there in the long run to be around, that has also gone up significantly. And we have seen that resurgence. In fact, Tanishq has grown handsomely over the last few years during COVID and post-COVID.

So there is the reverse thing also. And there is also formalization. So yes, this price offs and making charge-offs that will keep going on. As long as we are able to excite the customer with appropriate product and appropriate brand messaging and play up on the trust, including very -- in fact, what we believe, we have is the best exchange offer going on.

Those are all things, which are really playing very well, even Golden Harvest as a program is really kicked off very well, and we are seeing exceptionally good response. So all the indicators, future forward indicators that we see is a very, very healthy response to many of the growth engines that we have outlined many a times in this forum as well as on the Investor Day when we have.

All those are firing well, and we are not concerned about any of the growth engines as we see speak right now, including digital, which was a newer growth engine that was introduced during COVID time.

Alok Shah: Got it. Perfect. And just a last bit of a clarification. So you mentioned that July has turned out to be better. So just wanted to check because usually in an Adhik Maas historically, we're seeing for companies lower LTL and revenue growth. So I just wanted to check, so then in that case, despite it being an Adhik Maas not seeing lower footfall, LTLs etcetera?

Ajoy Chawla: So July has been -- I said it's been as good as Quarter 1. And in last year, there was an Adhik Maas. So it's all seasonal year-to-year. And for us, it's also the studded activation, which kicks off, and that has kicked off very well. And that's also our biggest growth engine in this quarter. Besides the festivals that come up in August. From Raksha Bandhan to Varamahalakshmi and many others. But studded is a big engine product this quarter, and that's a pillar.

C K Venkataraman: Basically to restart, the division particularly launches the big collection in June in a way create a lot of excitement towards the diamond jewellery category and then launches the activation in July to capitalize on that increased desire.

Ajoy Chawla: And we've done 2 collections, which are Impressions of Nature and Tales of Mystique, both of which have received terrific response. And of course, we continue to see good response in solitaires.

C K Venkataraman: So in a way, therefore, the actions of the division or building a growth, which Adhik Maas have not happen because of the strategic intervention.

Alok Shah: Got it. Very clear. Thank you very much and good luck for the future. Thank you.

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

Tejash Shah: Hi, good evening and thanks for the opportunity. Just a couple of questions. Sir, you spoke about on jewellery, the regional construct there. So just wanted to understand, the regional construct of margins. So let's say, in market where we are trending higher than our national market share. Over there, the margin profile will be way higher versus, let's say, where we are playing the role of challengers. And is the cost of growth way higher in some of this markets? for example, Tamil Nadu, which you highlighted in our annual report as well, that is one of the strategic markets that we are trying to penetrate.

Ajoy Chawla: Actually, it's not -- what you're saying is theoretically true, but there's also another factor that certain markets and geographies are used to lower making charges or lower gold rates. And our market share may be low, not just in those markets, but also in other markets. If I look at AP, Telangana that is not the case. But yes, in West Bengal also people are that much more price sensitive. But in Tamil Nadu, yes, this is true. But in certain other states, it's not true, there are a few other states, where it's not true. So I don't know if we can draw a direct correlation from that angle.

C K Venkataraman: Also, see, if I take a city like Chennai, while the making charges are lower compared to let's say a city like Ahmedabad, but the share of Company stores to total stores is substantially higher, and with the kind of these scale that we reach, we have reached with every company store, cost of retailing becomes much smaller than an L2 or/and L3 share dominant city like Ahmedabad and therefore, that positively kicks in. So on the product side, it is a little lower. But on the channel side, it's a little better. And the share of profitable categories within that, not just the price of the category, but the share of the sales within gold, the share of diamond jewellery, all these are the direct bearing, and we are honestly not -- I would say, we are just maximizing. We look at every market maximizing rather than say, okay, this market is more profitable, let's push this. This market is less profitable, let's not push this, because we're looking at multibillion-dollar sale Company. We also want to serve customers.

Tejash Shah: Very clear. And second question, see usually, there is a trade-off between growth and margins revenue strategy. And then you clearly called out during the call that competitive pressure was not the reason why you had to make an -- make extra investment in this quarter. So let's say, if we -- if you trend towards the lower end of margin guidance for this year, does it mean that, the growth will be upper end of our guidance for this year, where we ended the growth for FY24?

Ajoy Chawla: I don't know, whether we've given you any growth guidance, but look, we have..

C K Venkataraman : We have presented a pretty ambitious and detailed plan virtually for all businesses in the May'22 Investor Meet, which is 2.5x for Jewellery, which means there is a certain CAGR, which is sitting in that. It is INR 10,000 crores for Watches by FY26, which has got a certain CAGR sitting in that. So that, in a way, is the revenue guidance from a longer-term point of view.

We've also said that, that revenue growth is our primary focus and not margin expansion. Obviously, with that kind of revenue growth, profit growth will come, but whether profit growth will come every year exceeding the revenue growth is finally management of overall value creation, competitive advantage and all that. As long as we are delivering industry-leading, sector-leading growth in sales and profitability and returning very good value to the shareholders, we would be very satisfied.

So this is a-- I understand that this may sound like an unspecific answer, but it's the answer.

Tejash Shah: And last one, if I may, on Wearables. So wearable growth has been kind of very, very good for a while. So just wanted to understand, how is our competitive position there, and whether the growth is very margin accretive to that segment's margin? And where do we see the size of opportunity there? Because theoretically, it looks like a very big market there.

Suparna Mitra: Yes. This is Suparna here. You're right, the wearables market is estimated to be about INR 9,000 to INR 10,000 crores and continuing to grow very rapidly. We are also growing at a very, very big number percentage. And the opportunity remains, in the way the segment before categories playing out is that there are the very high-end brands like Apple and Samsung, and Garmin, but they are quite expensive.

And then there are a bunch of brands, which are, frankly, all below INR 2,500 or INR 3,000. We have introduced a lot of new smartwatches in Fastrack, from around INR 1,500 to about INR 4,500. And also, we have a very strong strategy in the e-commerce platform. As you may know that, wearables as a category, 30% only on ground and 70% is sold online. So we have made very good inroads in that in the e-commerce.

We also started recently in selling in mobile stores -- stores that sell mobile phones. So between the on-ground and the online and the kind of launches that we have for Fastrack as well as the brand Titan, it is a power packed upcoming two or three quarters, and we hope to continue to grow very well. Currently, we are ranked in the top five. And beyond a point, we are looking at very high growth rates for ourselves as opposed necessarily trying to climb to a certain position. We are just very focused on our own growth.

Tejash Shah: And any color on margins?

Suparna Mitra: Margins are actually quite good. Obviously, there is a difference between watches. Watches is an established category, where we are clear market leaders and have been for three decades. But the Wearables margins are quite good. And the way we are looking at is that the entire revenue is actually in a way incremental in the sense that the two categories, while both reside on the wrists are not really substitutes.

There the people, customers who buy wearables are buying it completely different reasons and customers, who buy watches are buying it for completely different reason. So any of the profits that, you're making on wearables is actually adding to the division profit.

Tejash Shah: Got it. Thanks a lot.

Suparna Mitra: Thank you.

Moderator: Thank you. The next question is from the line of Sheela Rathi from Morgan Stanley. Please go ahead.

Sheela Rathi: Thanks for taking my question. My first question was with respect to the -- in the presentation, you mentioned that we have done a -- we have taken brand-building initiatives during the quarter. So I just wanted to get a sense in terms of what we are doing with respect to enhancing our brand in the existing markets as well as the new markets, which we get -- enter into?

And part two which is also in the annual report, what's mentioned is that the contribution of new products for plain jewellery stood at about 20% and studded jewellery at about 26%. Is this the highest level, we have ever seen? Or how is it in context to the past -- recent past or last few years? That was my first question.

Ajoy Chawla: Okay. So I'll take the first one on brand building. There are two or three different dimensions that we've been working on. One is about ensuring that, we are relevant to regional markets. So we've done a lot of work of specific regional campaigns, coupled with regional collections. We've done something for Tamil Nadu earlier as well as in this quarter. We also did something for AP, Telangana and we have done for West Bengal and Odisha.

So these four markets, we have actually done a fair amount of brand building efforts, many of them in the local language, with collections, which are very relevant. For example, in Odisha, we launched the entire collection inspired by the temples of Odisha, and that was extremely well received and so on and so forth. So that's one direction.

The second direction has been towards high value studded as well as the collections Venkat spoke about that we launched in June and July. So we have launched in studded two collections, and that really builds desire. And that goes to cement that -- in fact, we continue to do studded collection launches right through the year. We typically have at least three or four campaigns for studded collections across the year. So that establishes or cements our position as a leader in designs for studded products.

The third piece, we've been doing quite systematically and almost on a continuous basis irrespective of the season is on Rivaah. Wedding segment is a strategic driver, and we believe that it needs a 360 approach again and therefore, marketing campaigns around Rivaah, around reinterpreting tradition, which is appropriate to the Tanishq bride, coupled with on the ground real Brides of Tanishq, which we do as a very large-scale 16 cities, BTL activity engaging a lot of customers.

And the third piece on that surround activity is also building a strong retail zoning for Rivaah and wedding. And that's why we have also been expanding many of our stores where we see a lot of opportunity. So that's the third dimension.

The fourth one, which we did in this quarter, and we will continue to do is while we ran the offer on exchange, our entire marketing campaign was about building a certain excitement around exchange. We didn't in our campaign talk about the offer at all. We spoke about how so many people have participated in exchange, so many tonnes of gold has got exchange. So many brides have bought wedding jewellery on exchange including extensive PR. And that was celebrated in store in a big way. So that's the fourth dimension that we've done.

So I've only picked out besides what we do for Akshaya Tritiya or what we will do for Festival of Diamonds during the activation period. Those are, let's say, more business as usual, but these four things which we did, and we are doing strongly, will continue to do so.

The second question that you asked me was, can you repeat that, new product share has been broadly in the 20% range, and it may vary from year-to-year, but 20% to 25% is a reasonable number because customers don't come that often, it's okay. Only some customers in certain categories may be coming once in six months or once in three months.

Sheela Rathi: Understood. And my second question, Ajoy, was while there is a lot of discussion around margins, which has happened. But with respect to the revenue growth, while you said that July has been a good month for us. But when we think about the revenue growth, will it be fair to believe that the bulk of the growth will be back ended.

The reason I say this is that most of the weddings this year would be somewhere around December and then from Jan to March because the Diwali is a little later. So just wanted to get a sense from you that, whether the wedding spending will happen in the month of October, November? Or you expect the demand to be more around December and then Jan to March?

Ajoy Chawla: See overall, it's a seasonal category. So like every year, even last year, the base of second half, etcetera, will be high. So percentage growth on that base -- I don't know. I can't comment whether it will be better. I think it's already a high base in Quarter 3. So to expect that the growth percentage will be even higher than what we have seen is, of course if it happens, we'll be very happy but that's not the point.

I think because it's seasonal, the percentage growth year-on-year, what we are seeing right now and what we have seen in Quarter 1 will certainly be something, which we'll be very happy with.

C K Venkataraman: And just as a concluding remark, we are now such a well distributed brand with deep inroads into Bharat markets and Bharat markets kick in a lot of weddings, kick-in in Quarter 1. So Bihar, Eastern UP, some parts or Rajasthan, MP, Chhattisgarh they kick in. So therefore, that compensates for in a way for what we are saying about during the wedding season.

Ajoy Chawla: And wedding finally is still 20% of our total contribution to sales. So it's not -- how much should we attribute to that? And how much that is going to swing is difficult to kind of gauge. So back ended or front ended, I don't know, whatever we've seen is if you can get for the year, it's fantastic, and we'll be very happy.

Sheela Rathi: Thank you, sir. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, we will take that as a last question. I would now like to hand the conference over to Mr. Venkataraman for closing comments. Over to you, sir.

C K Venkataraman: Thank you very much, everyone, for the continuing support, encouragement, perspectives that make us go back from a call like this with some additional points to think about and we'll circle back in November.

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