

# Titan Company Limited

*Delivering value by creating brands*

October, 2015



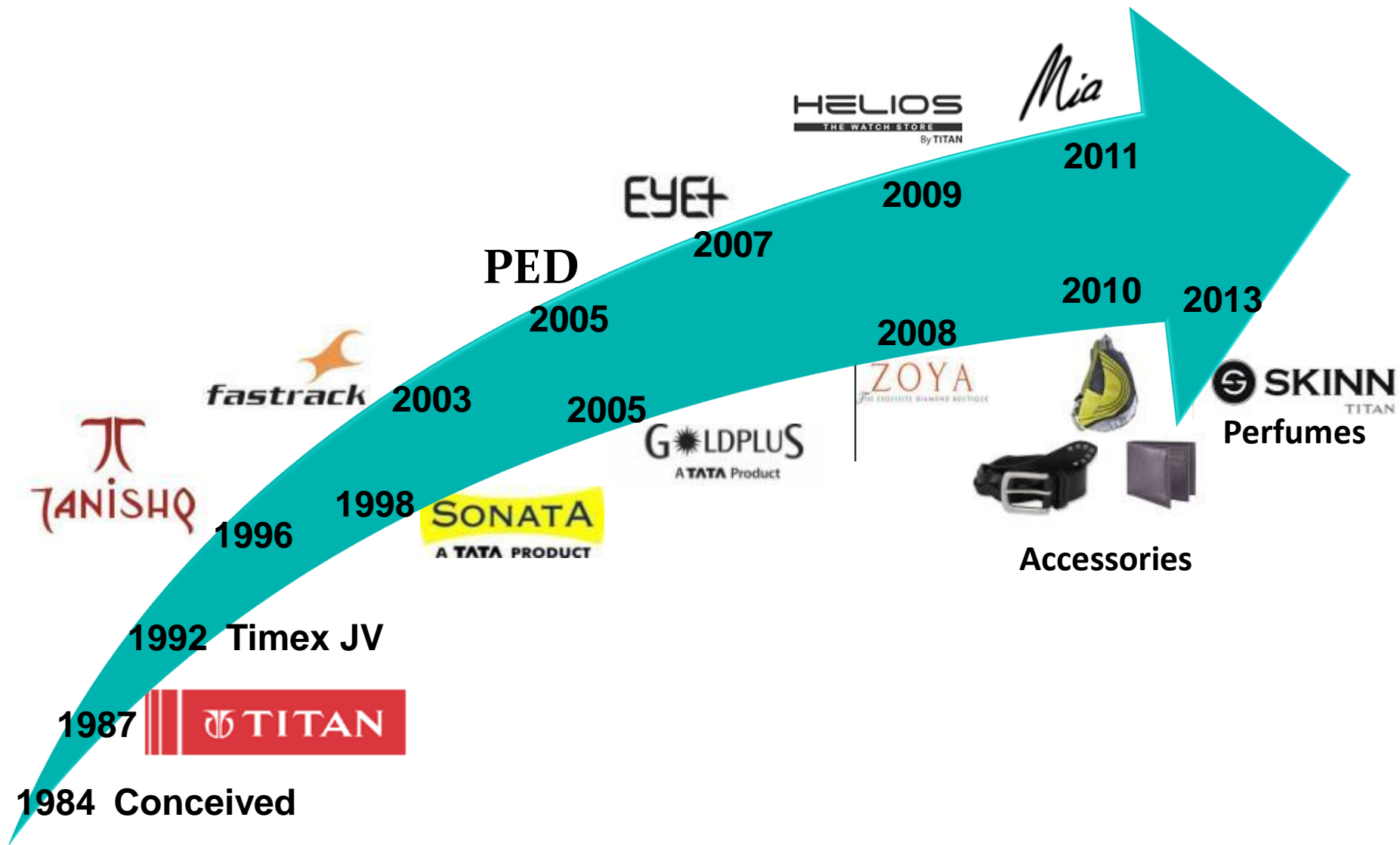
# Disclaimer



*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 .....



# Strengths Across the Value Chain



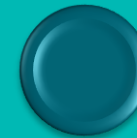
**800+** New time products every year  
**reddot** Award to 2 Edge watches  
Differentiated Jewellery Collections  
Customized lenses with 3D visual mapping

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

## Design & Development



## Brand Building



## 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

## Retail & Customer Service



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



# Our Brands



# India's largest specialty retailer



Luxury

ZOYA 2

Premium

HELIOS THE WATCH STORE By TITAN 41

TANISHQ 181

Mid Market

WORLD of TITAN THE EXCLUSIVE TITAN KNOWLEDGE 434

TITAN EYE+ 398

Watch Care Centres 691

fastrack 157

Regnl Offering

GOLDPLUS A TATA Product 33

1,246 Exclusive stores

238 Towns

Over 1.66 million sft of retail space

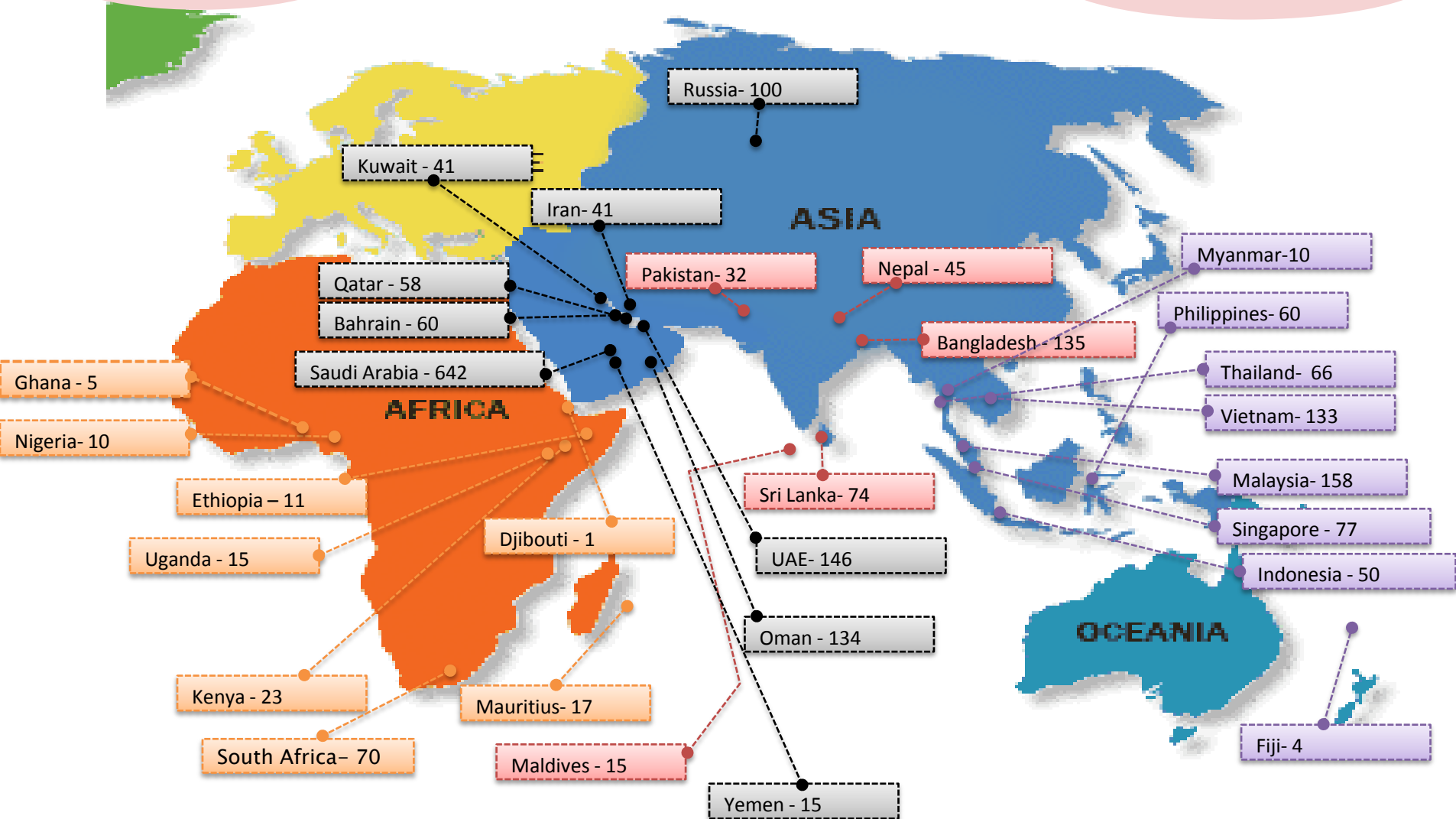




# International presence

32 Countries

2,264 Outlets





# Watch Division



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



**Sonata Super Fibre:** For the young and active



**Fastrack:** For those who wear their attitude on their wrist

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



**Xyllys:** Swiss made watches, Crafted for Connoisseurs



**Nebula:** A collection of watches crafted from solid gold

**Titan Automatic** inseparable from world-class timekeeping



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



**HTSE:** watches so sensitive that a mere flicker from a candle light is enough to trigger them



# Watch Division



## Five major brands

TITAN SONATA *fastrack* xy|ys NEBULA

## Licensed Brands

TOMMY HILFINGER fcuk™ **Timberland** POLICE

## Points of Sales



- Multi-brand dealers and stores
- Large-format stores like Shoppers' Stop, Lifestyle etc
- Ecommerce : [www.titan.co.in](http://www.titan.co.in) and other websites

## Large network of exclusive service centers

## Sophisticated Design & Development Center

- Core strength in Industrial, Retail and Graphic design
- Numerous international award-winning designs

# Watch Division



Watch factory, Hosur



Pantnagar factory



Watch Assembly



# Watch Distribution



- 434 showrooms (Net 4 additions YTD)
- 195 towns – 415k sft



- 157 stores / kiosks (Net 3 additions YTD)
- 85 towns – 93k sft



- 41 stores (net 1 closure YTD)
- 21 towns – 49k sft



- 691 outlets
- 265 towns



- 11,000 dealers
- 2,500 towns



- 2,264 outlets
- 32 countries





TITAN  
COMPANY

## Jewellery

Mia  
by  
TANISHQ



**Mia:** Jewellery for Modern Working Woman

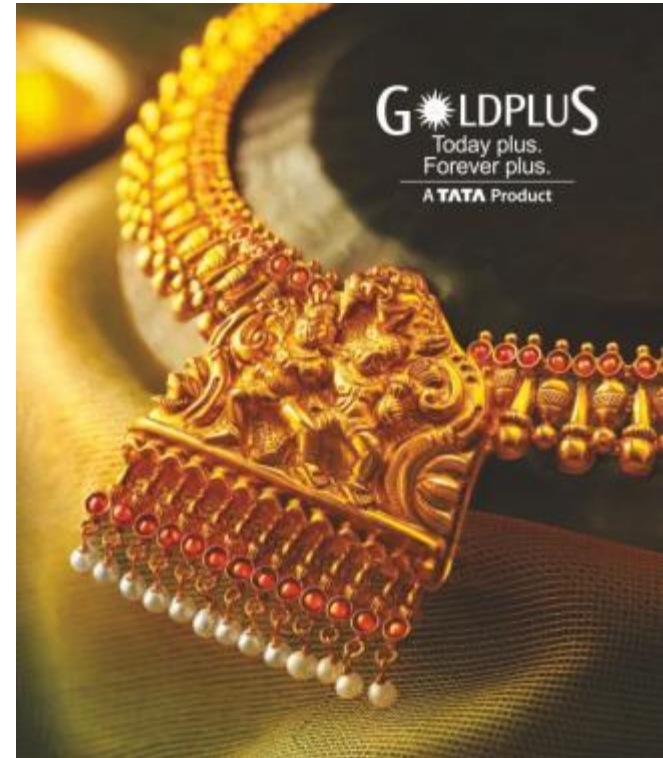


ZOYA  
THE EXQUISITE DIAMOND BOUTIQUE  
PRESENTS  
Lace

**Zoya** draws inspiration from this exquisite fabric to bring out a collection of superbly designed, finely crafted masterpieces.

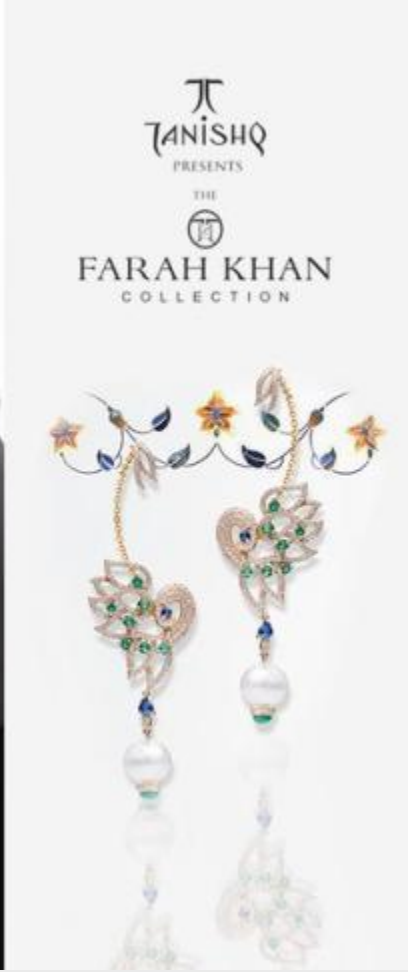
**Tanishq Wedding Collection** pays eloquent tribute to the Indian bride. From the magnificent polki and kundan work favored by brides of the North to the vankis and the unique hair ornaments of a South India bride.

TANISHQ  
A TATA PRODUCT



GOLDPLUS  
Today plus.  
Forever plus.  
A TATA Product

**Goldplus** provides wide range of jewellery at affordable prices. It offers the best value on exchange for gold jewellery, 100% buyback, net weight of gold and stones are weighed separately.



TANISHQ  
ZUI-IUR



ALL THINGS BEAUTIFUL ARE SET IN STONE.

BEAUTIFUL DIAMONDS FOR BEAUTIFUL OCCASIONS

TANISHQ  
ZUI-IUR



DROPS OF HEAVEN.

BEAUTIFUL DIAMONDS FOR BEAUTIFUL OCCASIONS

TANISHQ  
ZUI-IUR



TREASURES FROM THE SECRET GARDEN

BEAUTIFUL DIAMONDS FOR BEAUTIFUL OCCASIONS



# Jewellery

Largest Jewellery Retailer in India

3 Major brands – Tanishq, Gold Plus, Zoya and sub-brand Mia



TANISHQ



GOLDPLUS  
A TATA Product



ZOYA



Mia

Customer First and Lean initiatives in manufacturing and retailing

Studded jewellery mostly manufactured in-house - plain gold outsourced

4 State of the art Karigar Centers in Hosur- Industry Best Practice

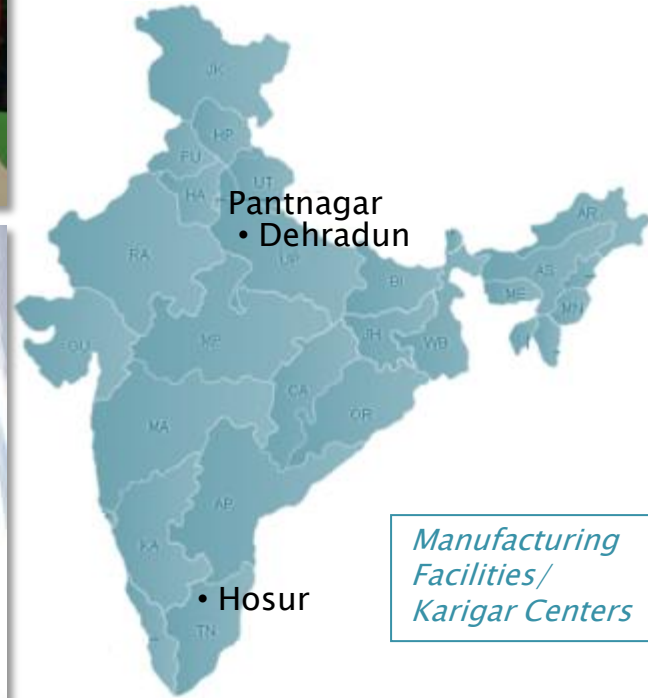
- Re-defining Hand made jewellery manufacturing, by transforming work place and stay to make the karigars live in a “home away from home”
- Retain the best of the artisans in the Jewellery Industry
- Improved Karigar productivity and multiskilling capability, thus ensuring inclusive growth



TITAN  
COMPANY

# Jewellery

Karigar Center, Hosur



# Jewellery Distribution



- 183 stores including 2 Zoya stores (7 added YTD FY 16)
- 773k sft (~50k sft added YTD FY 16)
- 104 towns



- 33 stores
- 81k sft
- 33 towns

# Eye Wear



## Frames

In-house Brands



## Sunglasses

In-house Brands



## Lens Labs







new  
COLLECTION  
FOR WOMEN



new  
COLLECTION  
FOR MEN

# Eyewear



**India's largest optical retail chain**

- 398 retail outlets, 157 towns

**Products include frames, lenses, sunglasses, contact lenses, ready readers and accessories**

**Creating differentiation in the mind of the consumer**

- Zero-error testing
- Differentiated and stylish frames & sunglasses backed by high-tech lenses
- Browse, touch and feel display

**Innovation in creating access**

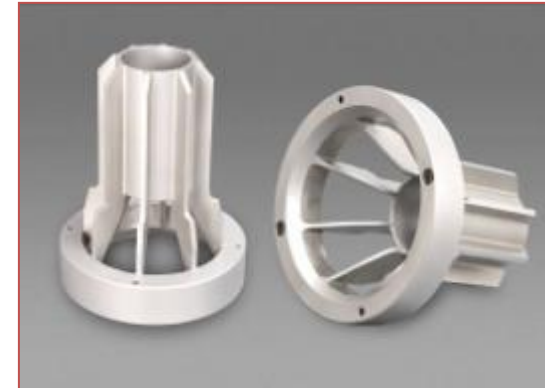
- Vision check online
- Remote eye testing at stores
- New Spexx stores in hospitals

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

**State of the art Lens manufacturing facility at Chikkaballapur**

# Precision Engineering

## Precision Engineering Components and Sub Assemblies (PECSA)



## Machine Building & Automation (MBA)





# Precision Engineering



**B2B business – spun out of Watches manufacturing in 2005**

**Leverages in-house engineering capabilities**

**PECSA (Precision Engineering Components and Sub-assemblies)**

- Provides components and sub-assemblies to Aerospace, Automotive, Oil & Gas, Electrical and Medical Equipments industries

**MBA (Machine Building and Automation)**

- Provides assembly and testing lines catering to Automotive, Electrical & Electronics, Solar and Medical Equipments industries

**Sixty clients across the world**

- Including UTAS, Thales, HAL, Textron, Pratt & Whitney, ABB, Schneider, Bosch, Magna, Inteva, Continental

## *Q2 Performance*

## Q2 Background

- Consumer sentiment did not change much during the quarter and remained sluggish affecting business performance adversely
- The quarter did start well, backed by a mini gold rush in July/August and reasonable performance of watches activations in the first two months.
- September, however, witnessed a significant slowdown for all businesses also due to the fact that the festival season this year kicks off much later
- The Company continued with its investments in network expansion
- The Company's focus on e-commerce and digital enhanced by the setting up of a separate corporate function under a Chief Digital Officer

# Q2 Background

## Jewellery

- The division faced the problem of a huge base – forced premature redemption of the old GHS scheme resulted in a growth of 65% last year. GHS contributed to 54% of the revenues of Q2 last year.
- This was compounded by the lack of revenues generated by GHS this year and the diamond studded promotion that was advanced to June
- Gold prices were on an average 7% below last year's.
- Mini gold rush of July did not sustain and sales in September were poor
- The division still managed to maintain the Gross Margin rate at last year's level - lower margins due to poorer studded ratio was offset largely by heavy GHS discounts last year
- The proportion of Gold purchase on spot Vs gold on lease was approx. 50:50 in the Q2
- Store expansion continued with 7 stores added with approx. 50k sft. YTD
- Tanishq launched the “Zuhur Studded Collection”, “Farah Khan Collection”, New Mia Collection and Palette Ring this quarter

# Q2 Background

## Watches

- Like to like growth in WOT and Fastrack stores were a concern, though WOT experienced a mild surge in ticket size and repeat customers
- Helios stores reported healthy like to like growth
- Sonata launched Touch screen watches and Ocean series IV under sub brand SF and New professional watches and Rahu Kalam watches under main brand. Police brand's ladies watches were launched.

## Eyewear

- Eyewear had a decent quarter with a 15% growth, though like to like growth slowed down sharply
- Store expansion continued with 32 stores added YTD FY 16
- 80+new SKUs were launched backed by a TVC, in addition to launch of 18kt gold frames branded "Aristo" and new variants in Carbon Fibre, Titanium and Large Size Frames

## Precision Engineering

- The division recorded a degrowth in MBA division while PECSA recorded a healthy growth
- The demerger of the business is expected to happen only by the end of the financial year

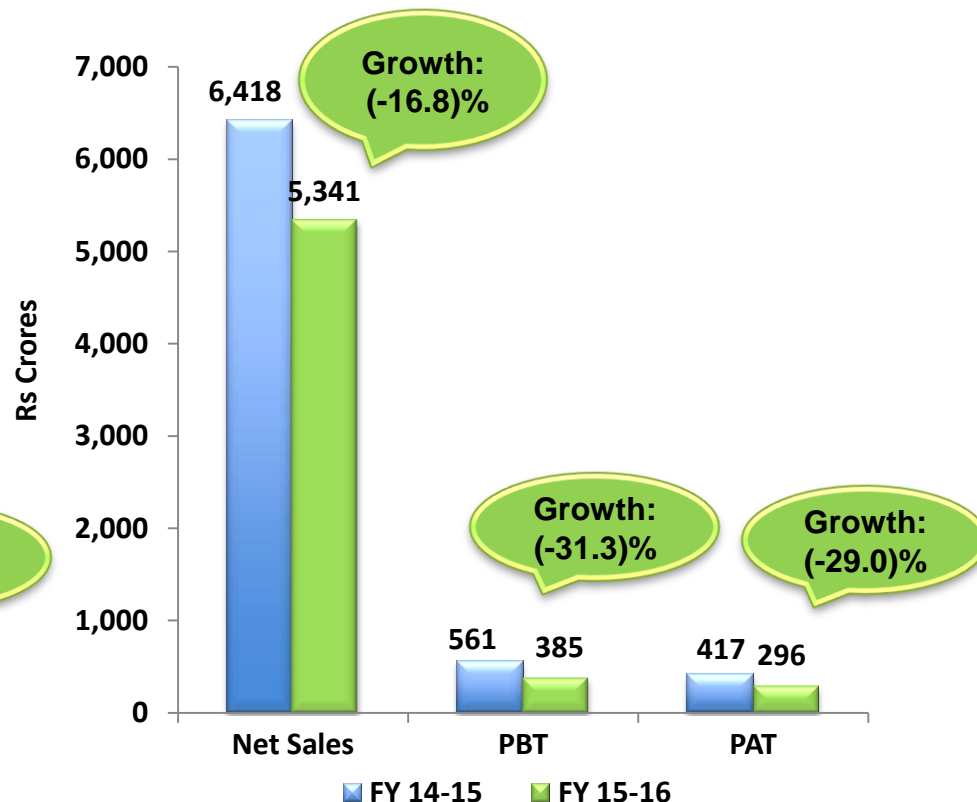
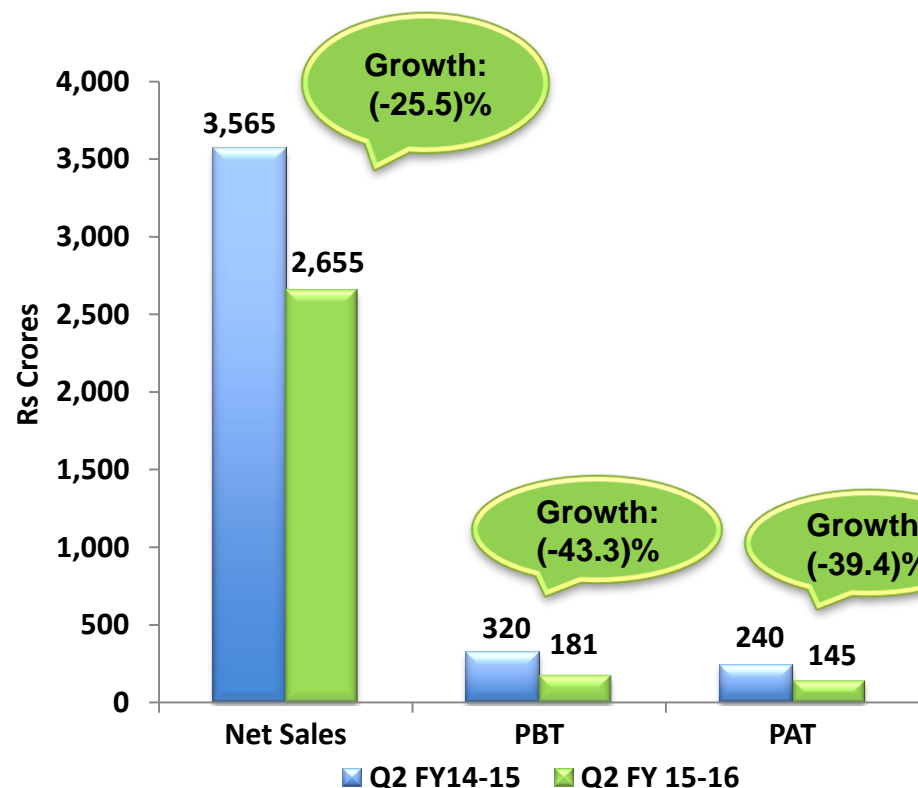
## Q2 - Retail growth

	<u>Sales value growth</u>	<u>Like to like growth</u>
<b>World of Titan</b>	-2%	-4%
<b>Tanishq</b>	-37%	-40%
<b>Goldplus</b>	-28%	-28%
<b>Helios</b>	15%	14%
<b>Fastrack</b>	-1%	-9%
<b>LFS</b>	5%	8%
<b>Titan Eye+</b>	15%	1%

# Company performance

## Q2 FY 15-16

## YTD FY 15-16

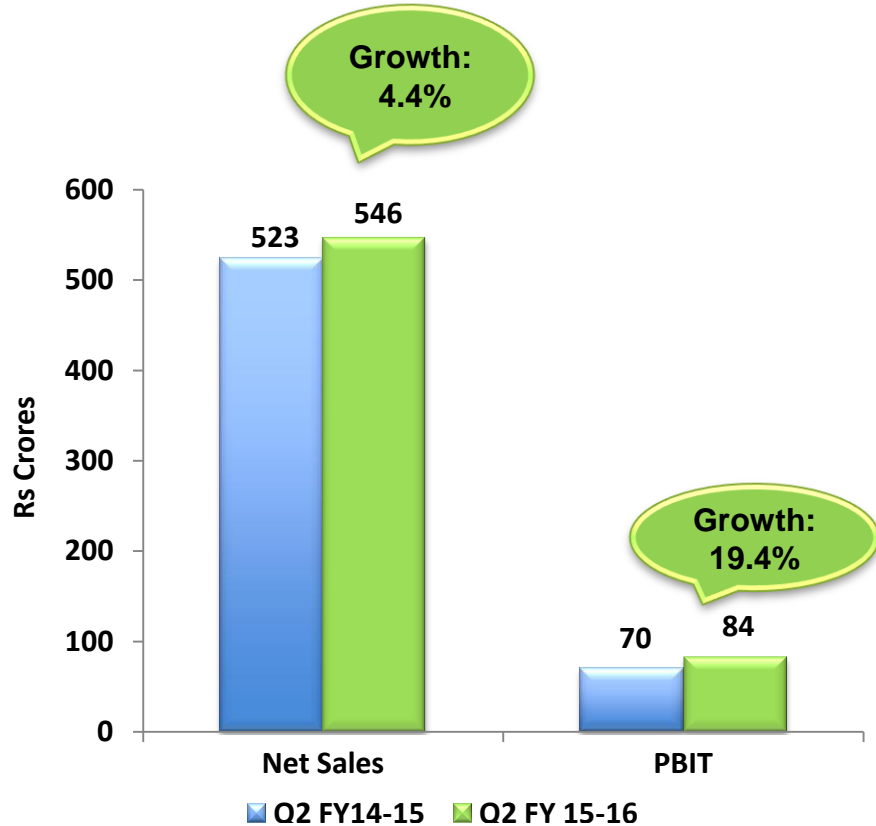


- The high base of Q2 FY15, poor consumer sentiment and absence of Golden Harvest scheme in Jewellery business, resulted in a significant decline in Sales
- Despite a higher Gross margin rate and control on overheads in the quarter, decline in profits were due to decline in Sales
- PBT margin declines to 6.8% due to negative operating leverage

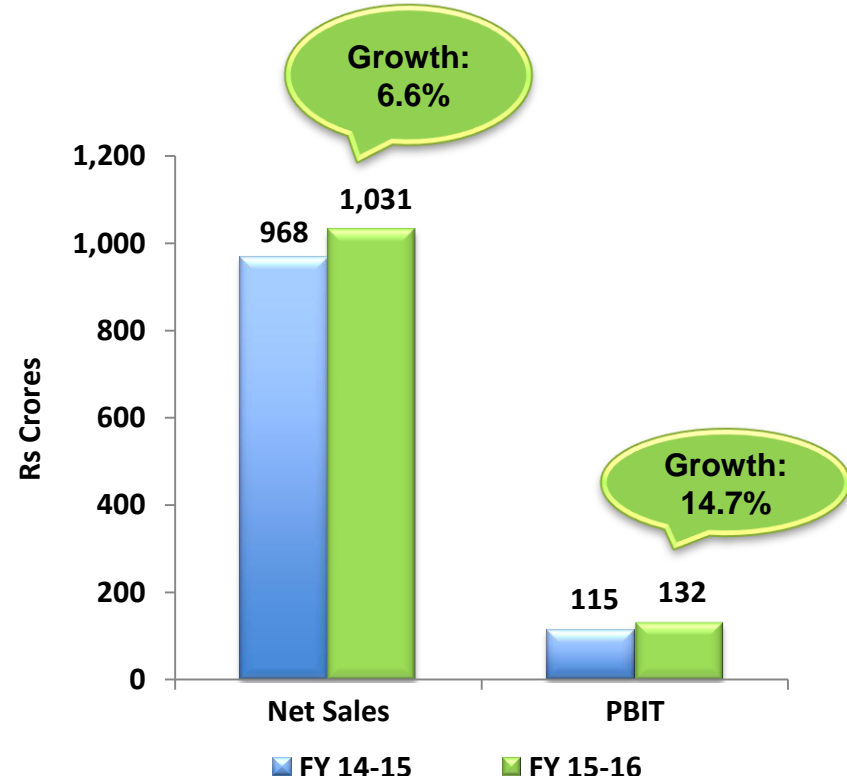


# Watches

## Q2 FY 15-16



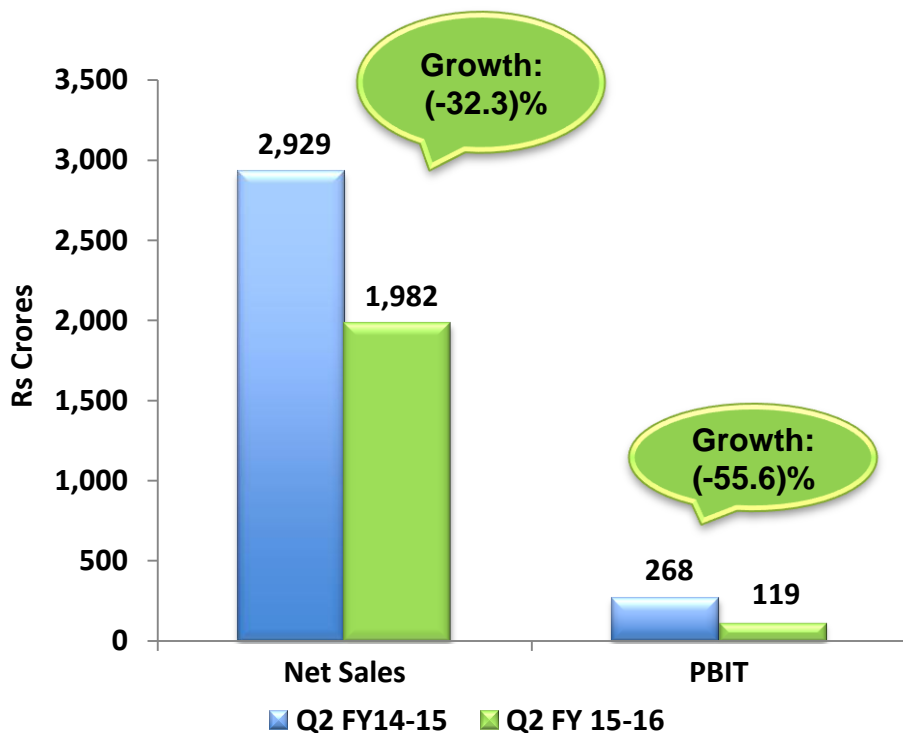
## YTD FY 15-16



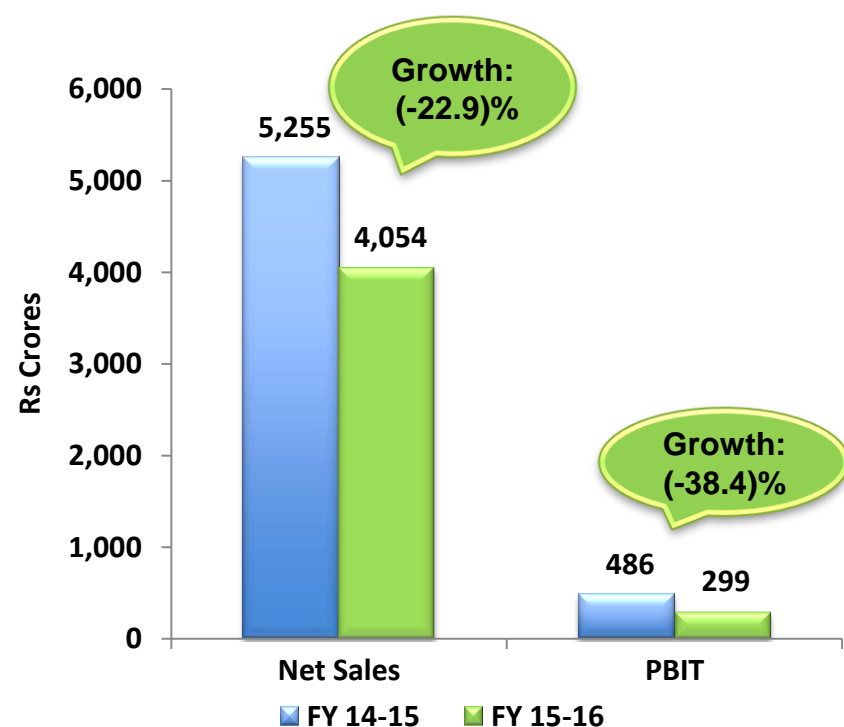
- Top line growth achieved despite flat volumes as ASPs improve
- PBIT margin at close to 15.3% for the quarter achieved due to lower costs, including advertising cost that were postponed due to the delayed festive season

# Jewellery

## Q2 FY 15-16



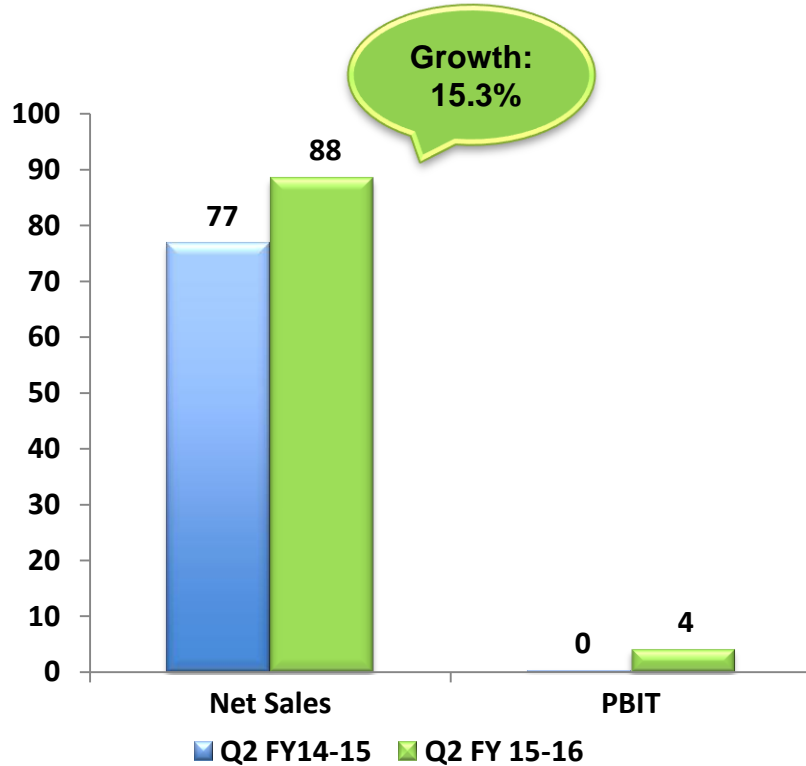
## YTD FY 15-16



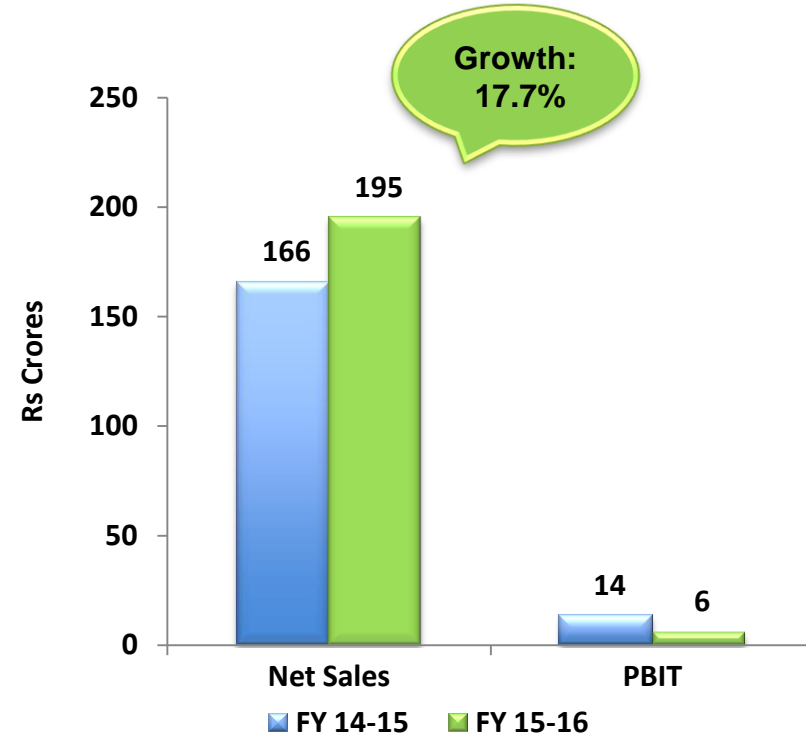
- Heavy Q2 FY 15 base (with GHS contributing 54% to revenues in Q2 last year), poor consumer sentiment and lower gold prices lead to 32% decline in top line
- Studded ratio was significantly lower at 24% (35% last year) as studded activation was advanced to June
- Grammage decline was 10% due to above reasons
- EBIT declined by 56% basically on account of lower sales despite higher gross margin rate achieved and control on overheads

# Eye Wear

## Q2 FY 15-16



## YTD FY 15-16

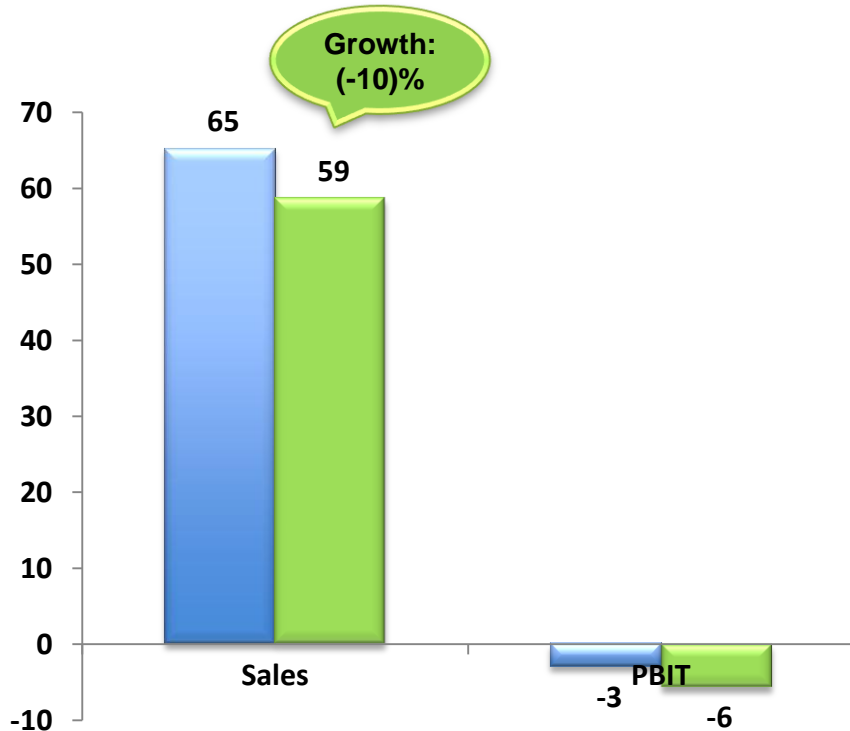


- Eyewear segment includes prescription eyewear and sunglasses businesses
- Eyewear continues on the growth path with a 15% growth
- The decline in profits on YTD basis is due to higher Sales promotion and Advertising costs in the first quarter



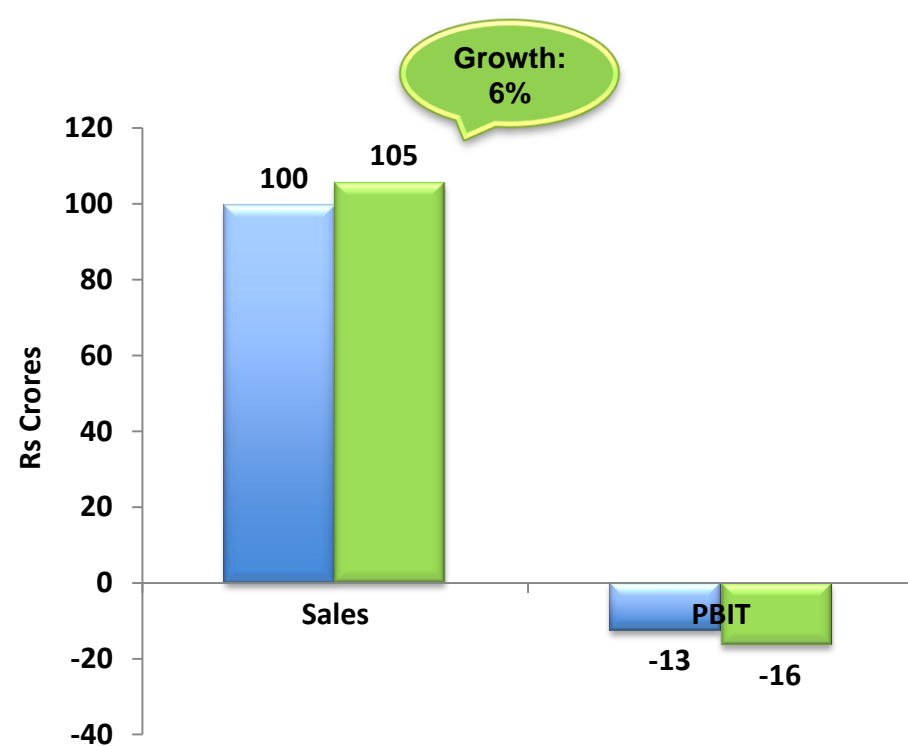
# Others Segment

## Q2 FY 15-16



■ Q2 FY14-15 ■ Q2 FY 15-16

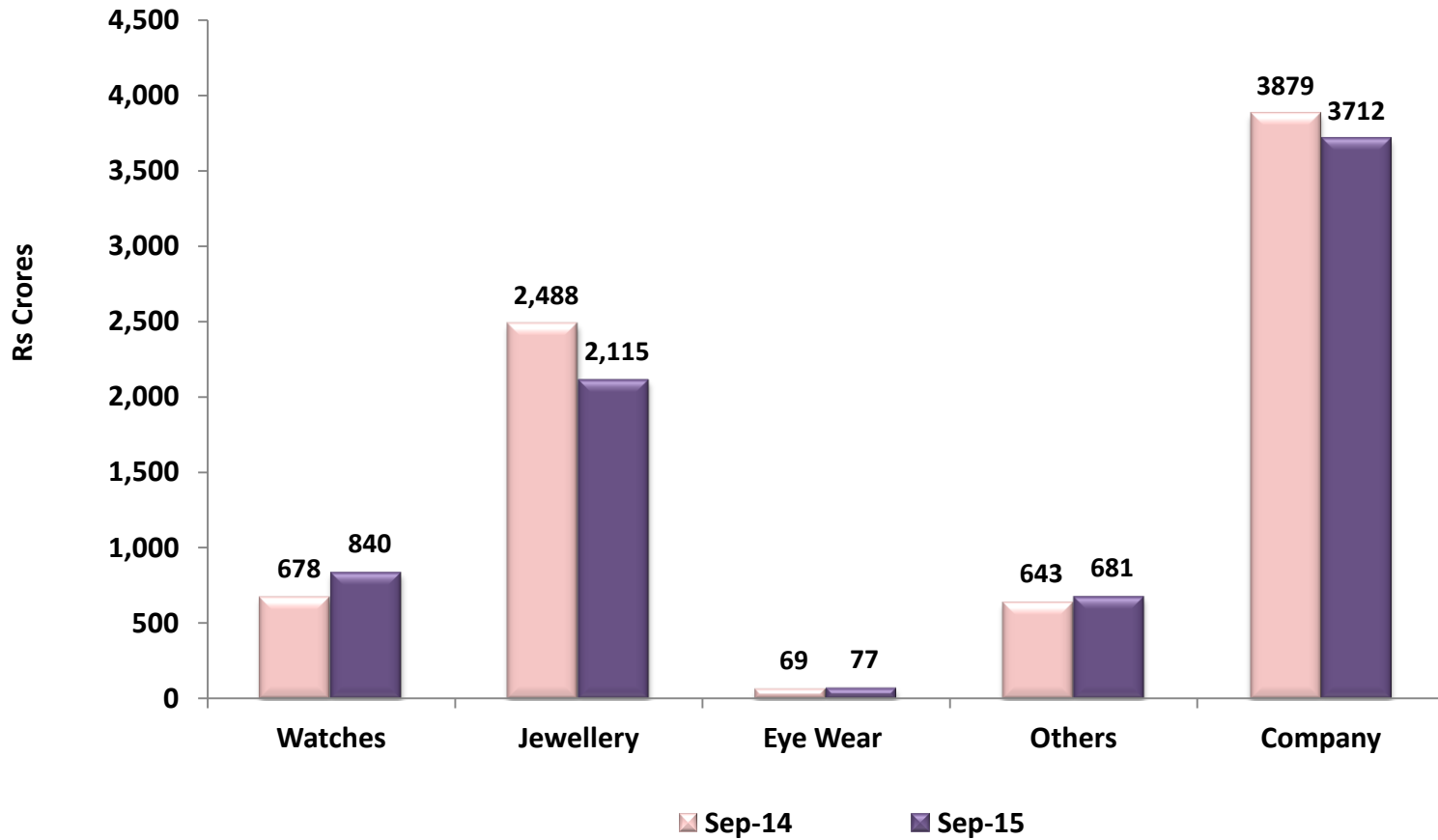
## YTD FY 15-16



■ Q1 FY14-15 ■ Q1 FY 15-16

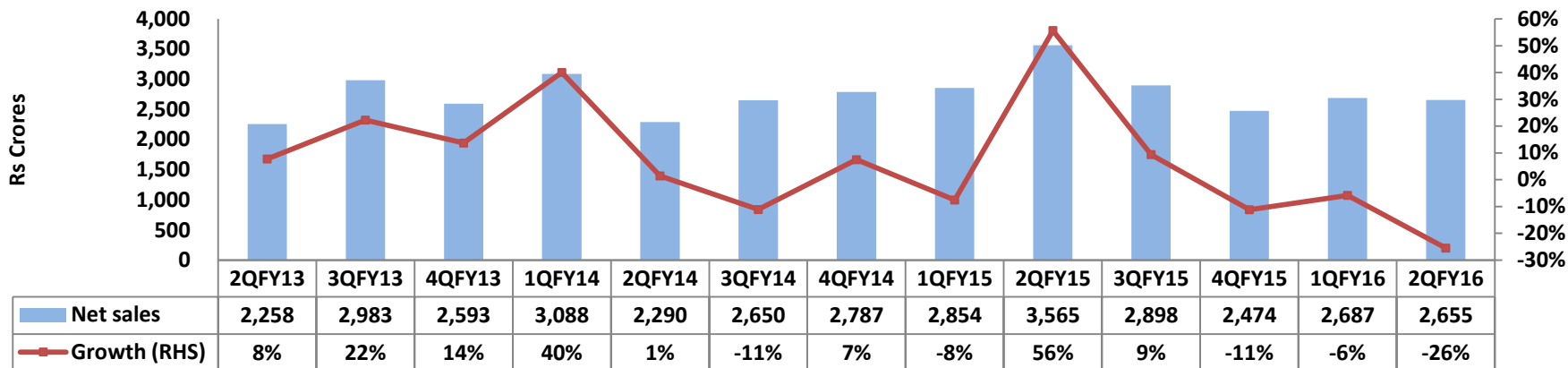
- Others segment comprises of PED, accessories and unallocated corporate expenses
- Decline of 10% in Sales is due to lower revenues in the Machine Building division of PED (last year some very large orders were billed in this quarter)

# Capital Employed

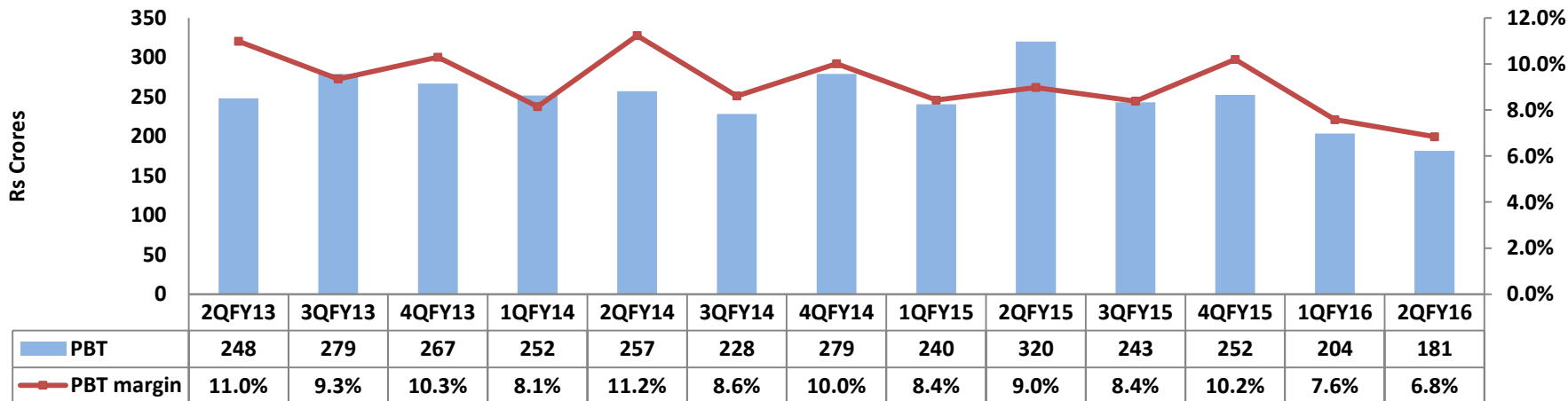


# Performance Trends - Quarterlyly

## Company : Net sales



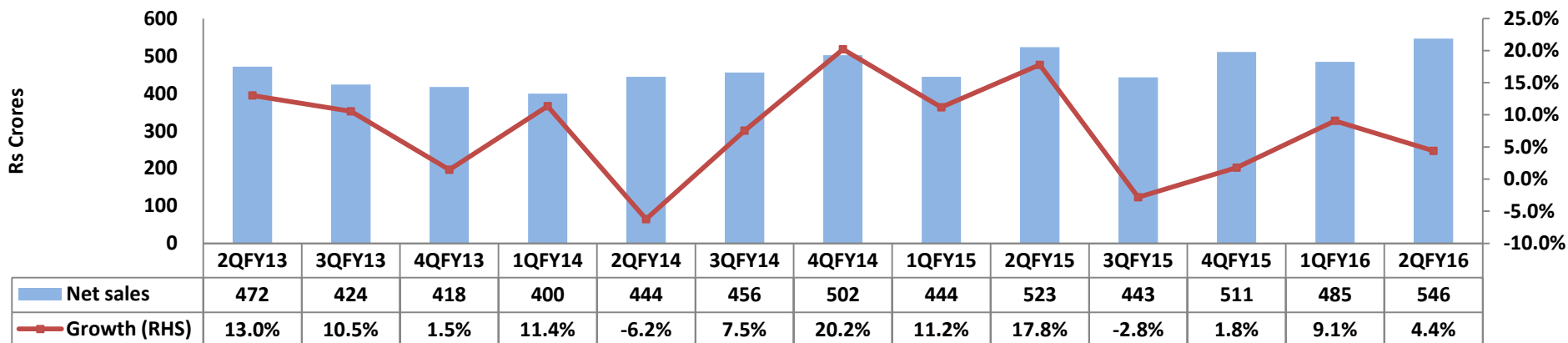
## Company : PBT and Margin



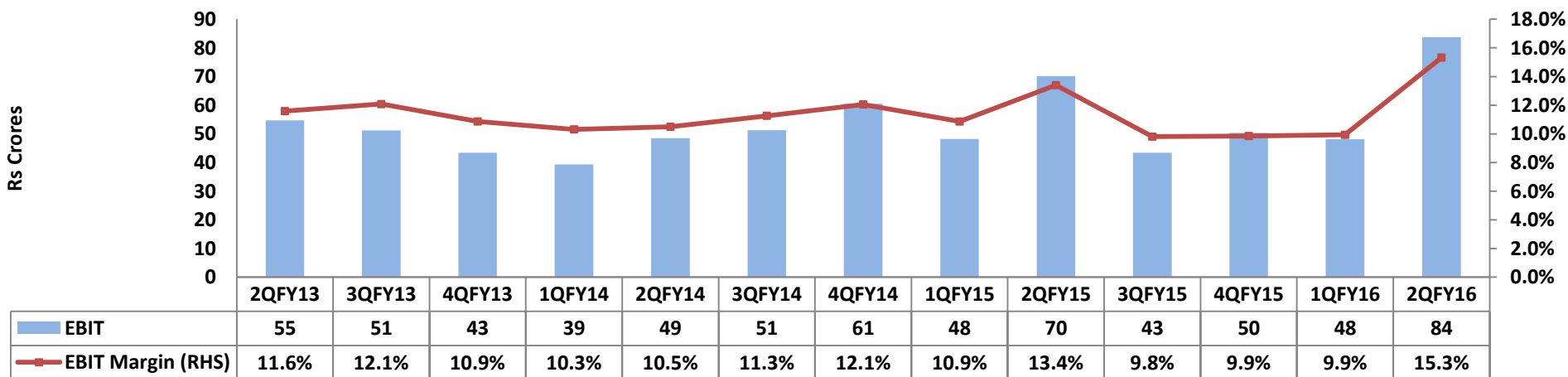
# Performance Trends - Quarterly



## Watches: Net Income



## Watches: EBIT and Margin

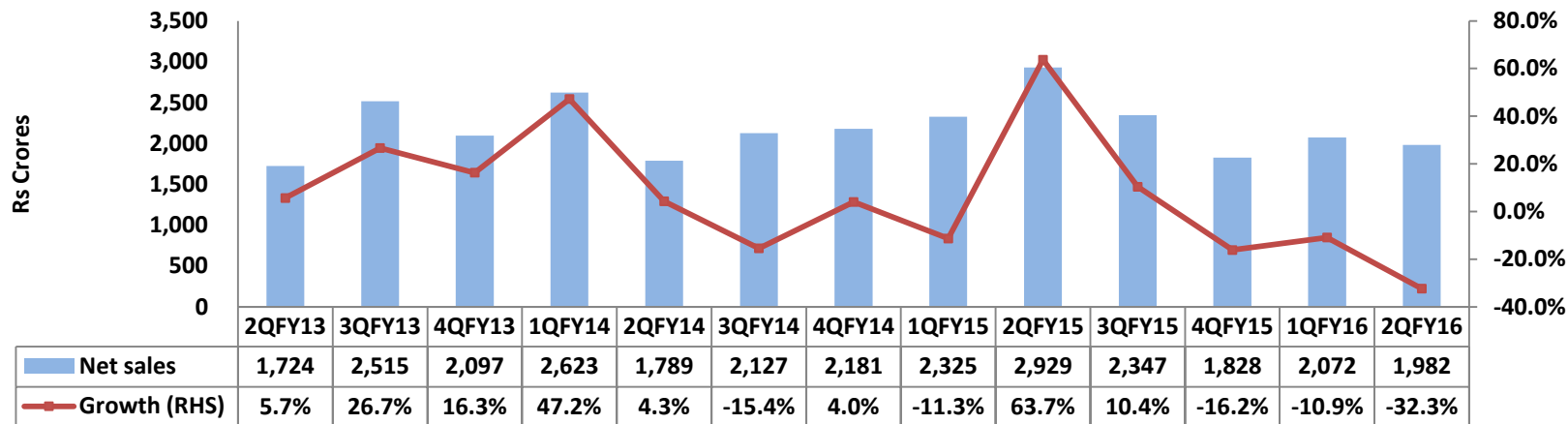


Note: EBIT as per management review numbers

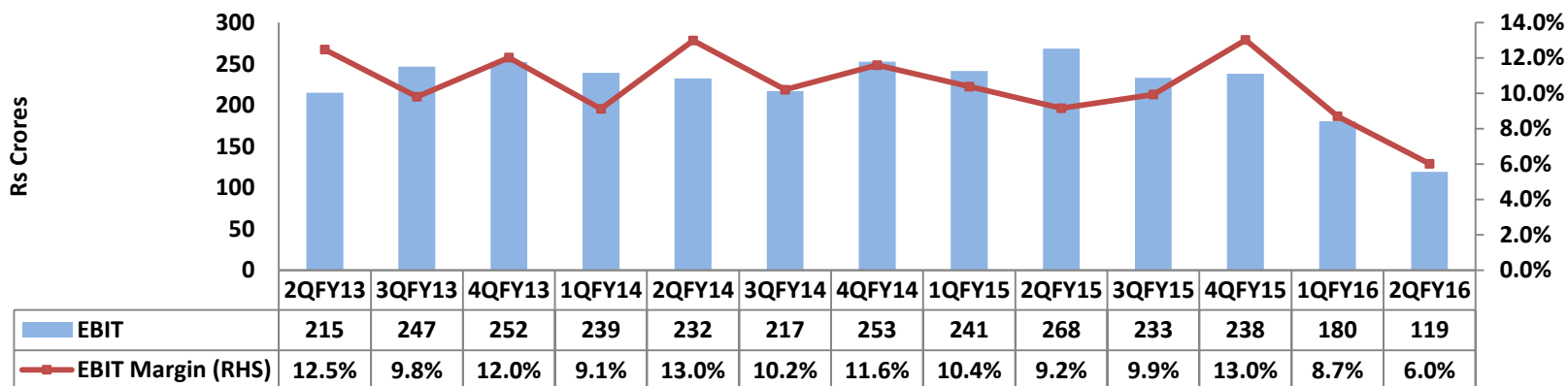


# Performance Trends - Quarterly

## Jewellery: Net Income



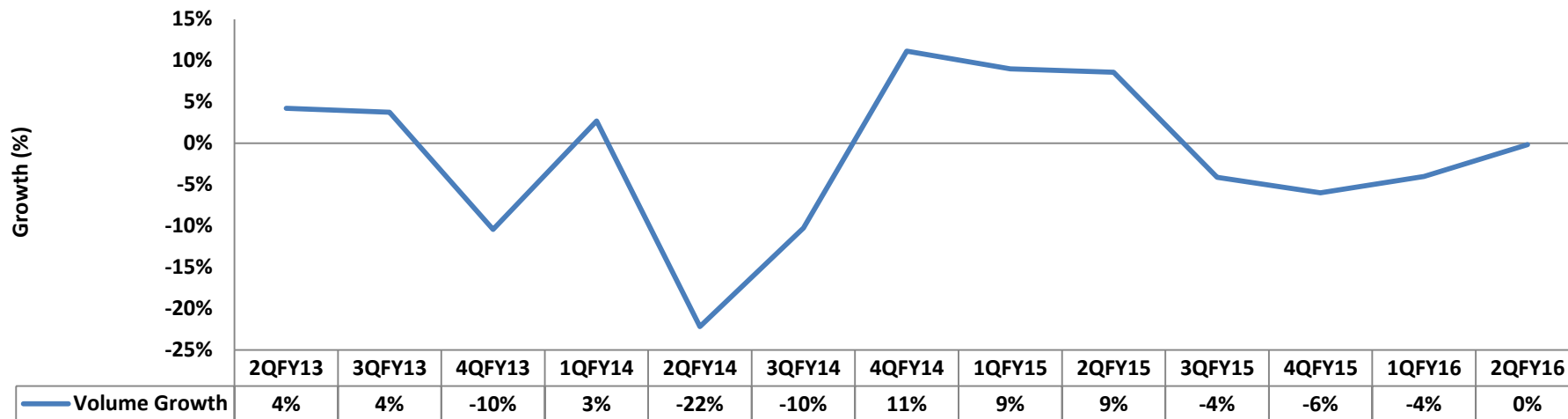
## Jewellery: EBIT and Margin



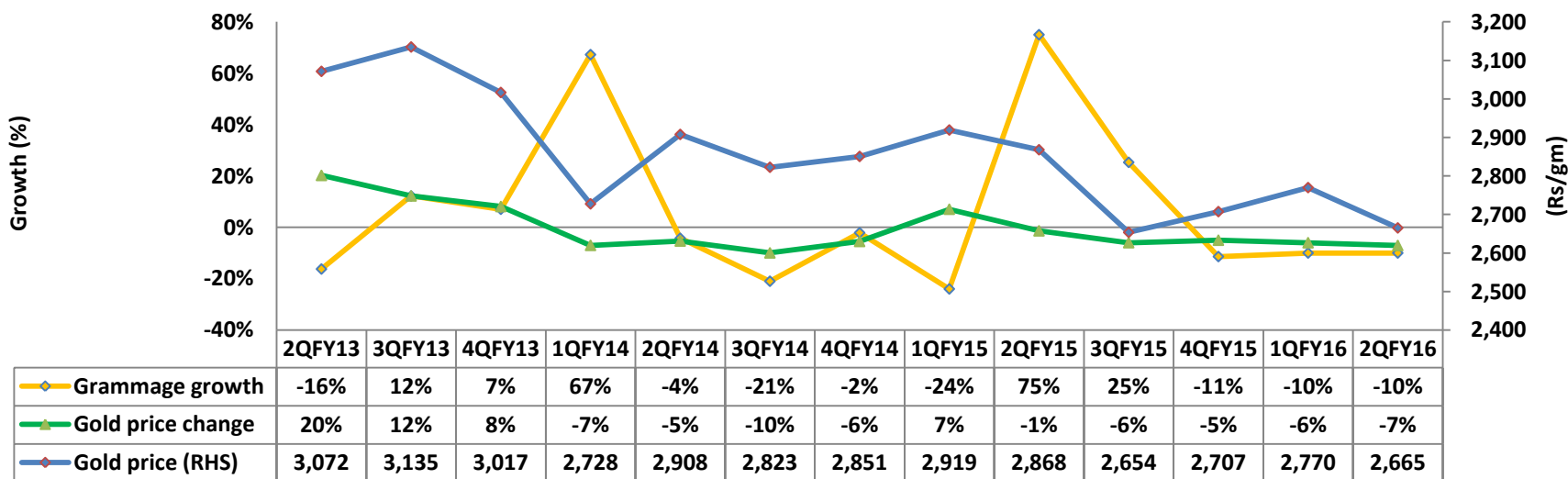
Note: EBIT as per management review numbers

# Performance Trends - Quarterly

## Watches: Volume growth

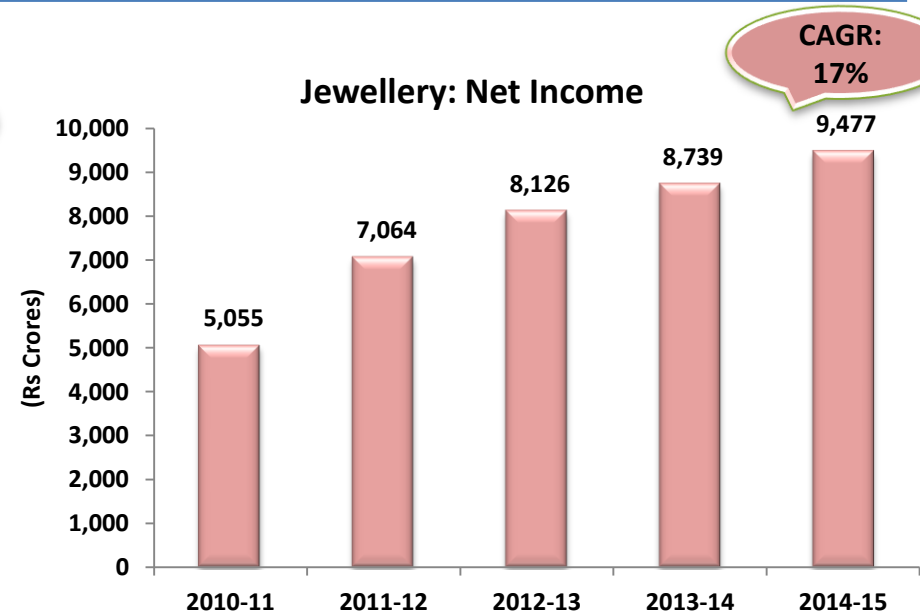
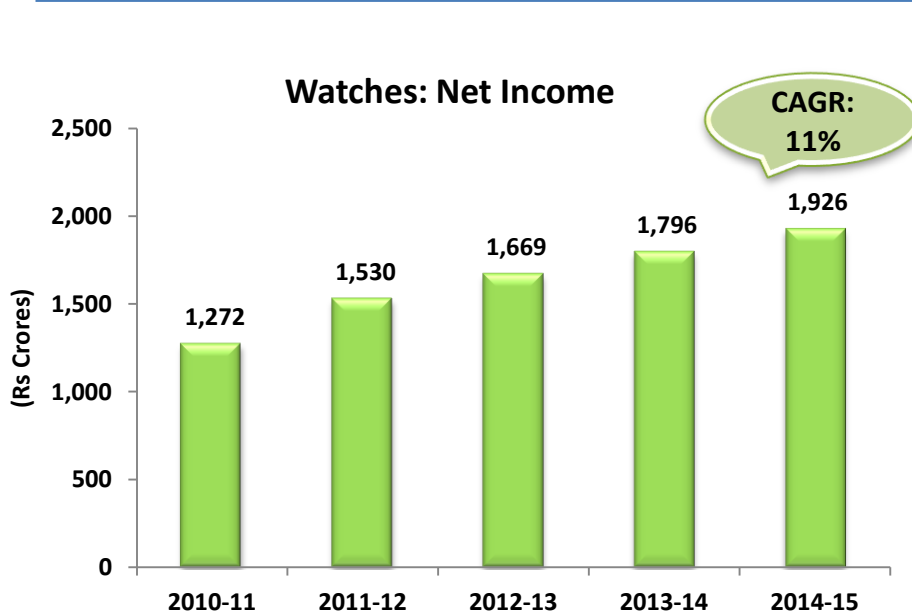
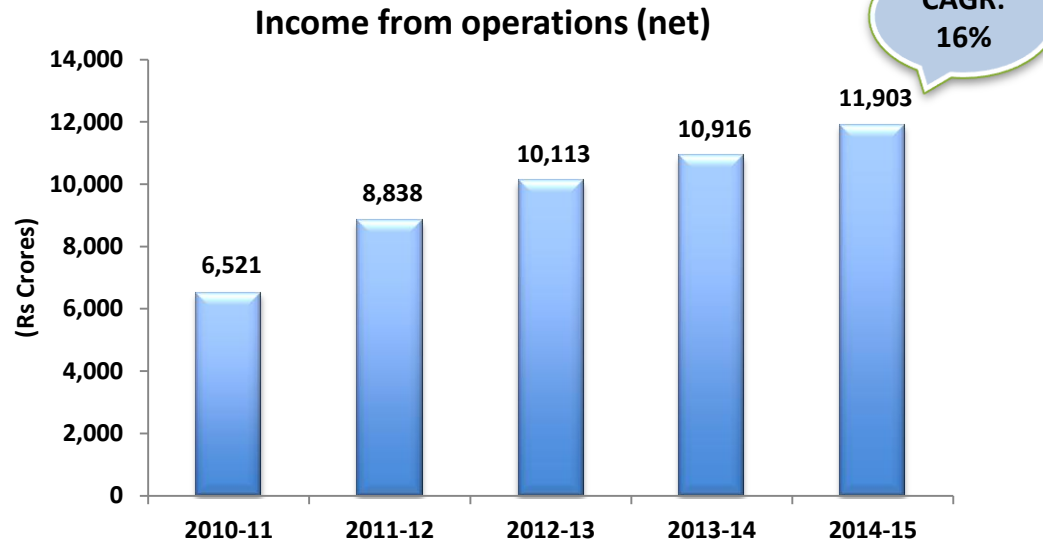


## Jewellery: Gold price and Grammage growth





# Performance Trends - Annual

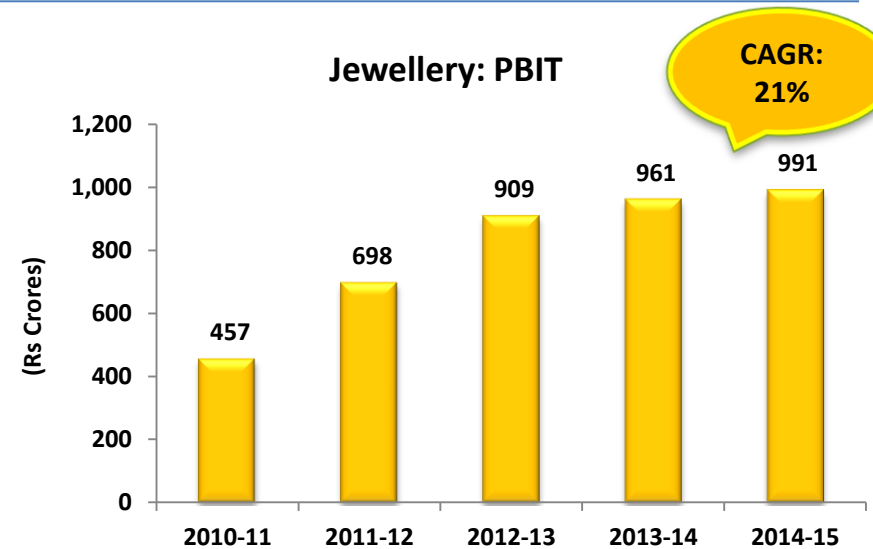
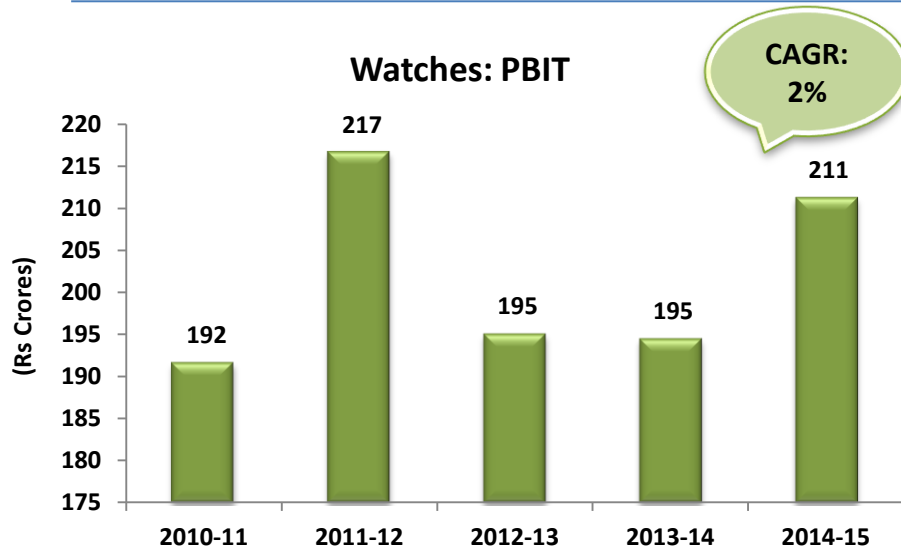
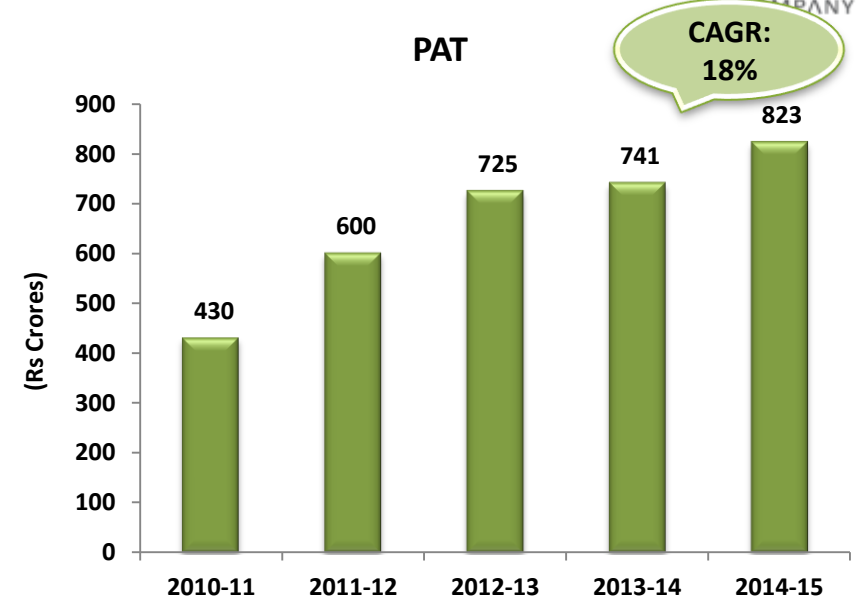
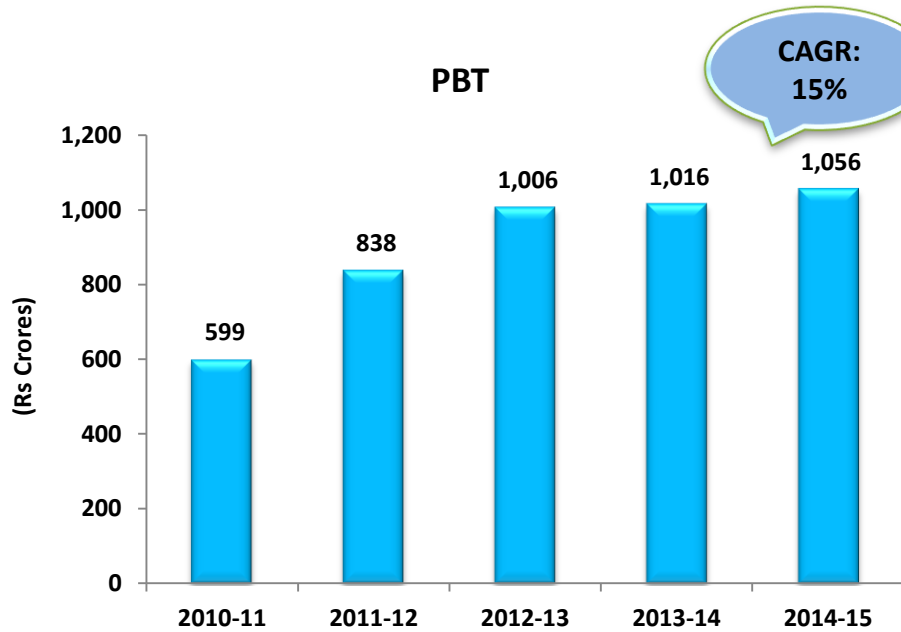


Note: Numbers as per management review



TITAN  
JEWELLERY

# Performance Trends - Annual

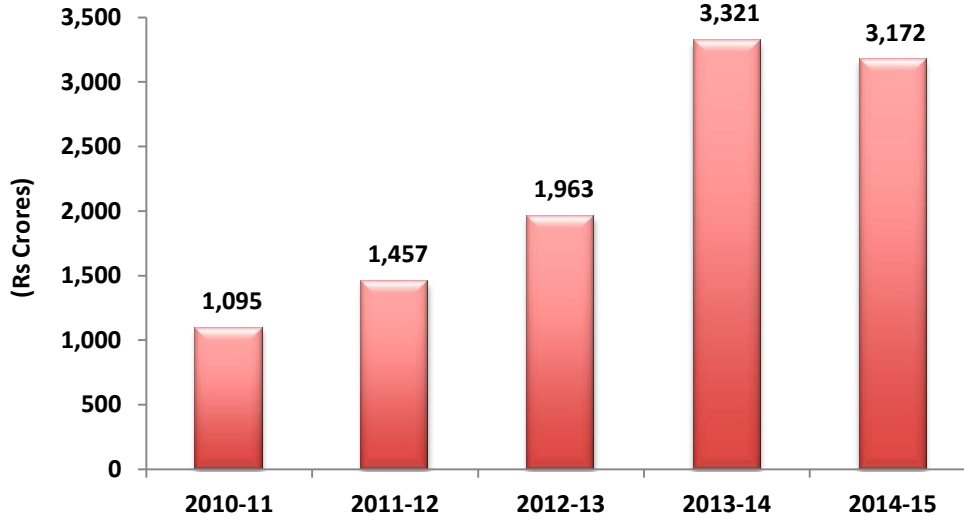


Note: Numbers as per management review



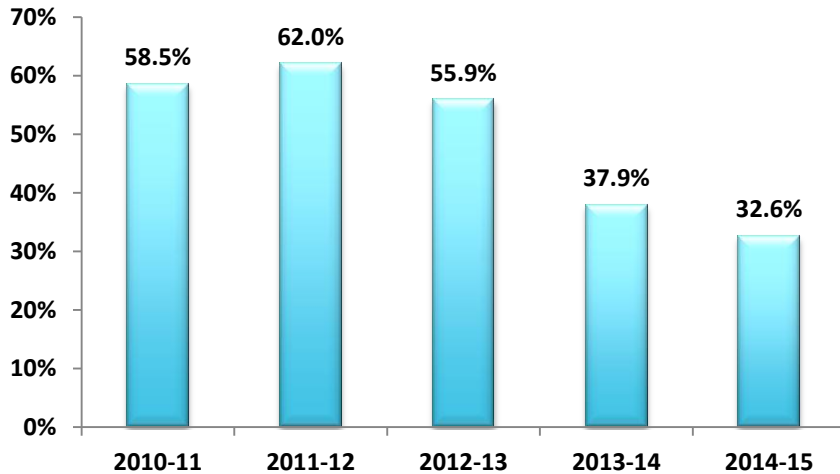
# Performance Trends - Annual

## Capital Employed

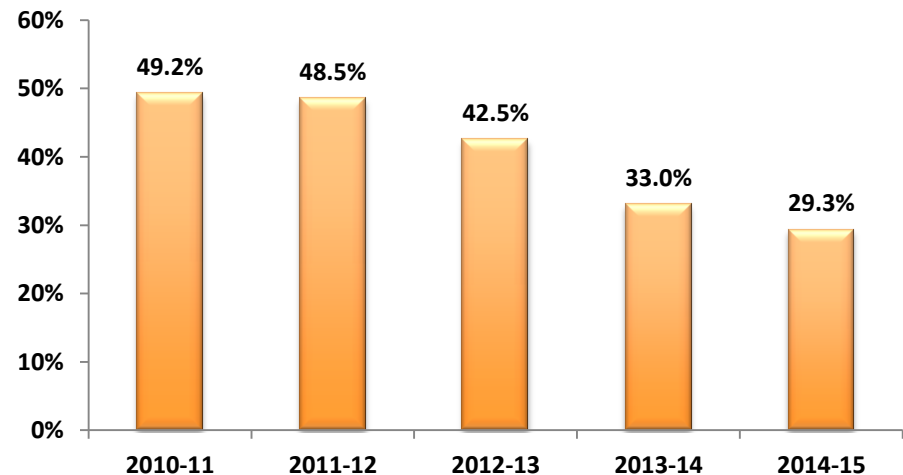


• Disruption in Gold on lease scheme increases Capital Employed sharply

## ROCE



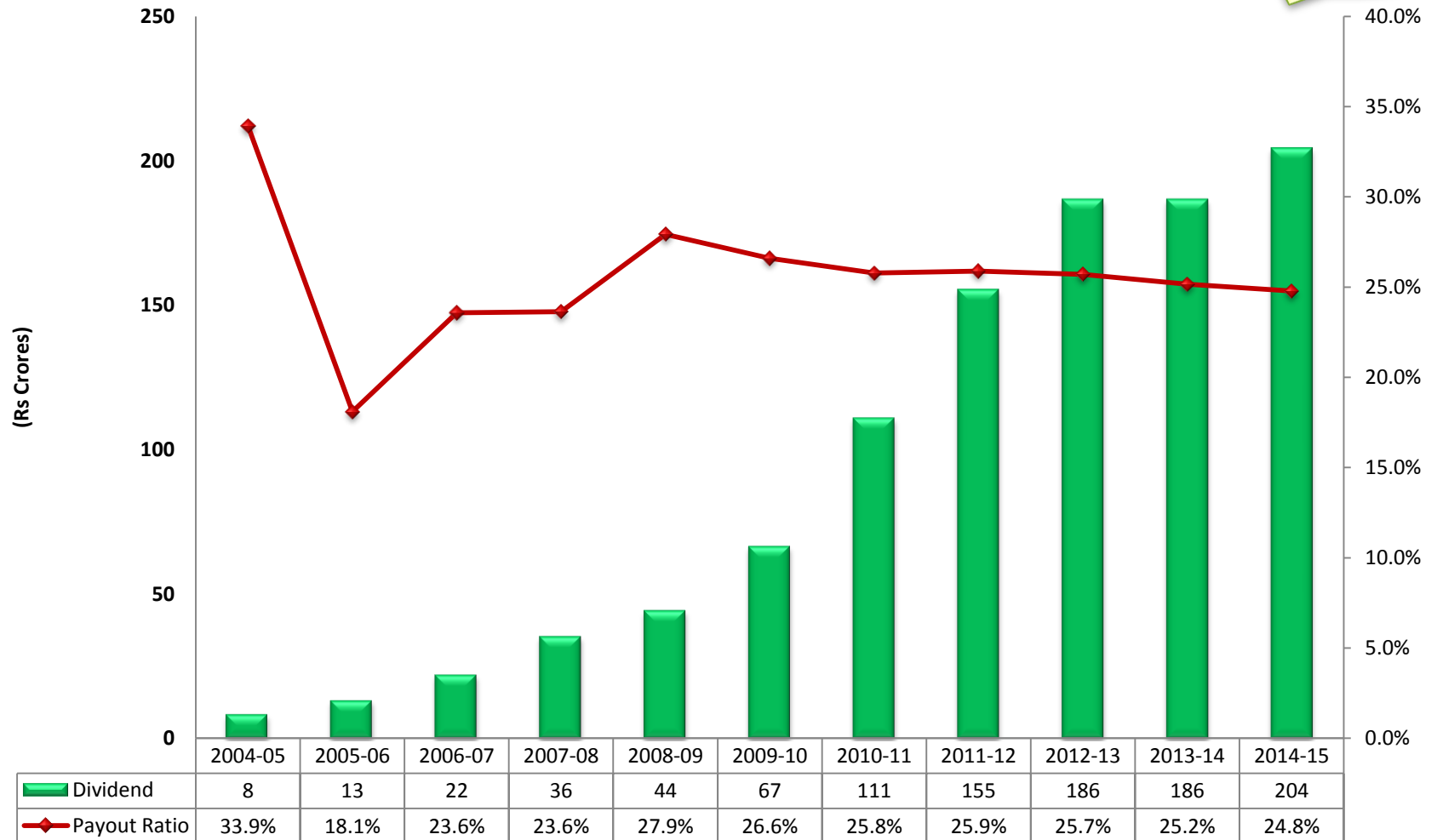
## ROE





# Dividend

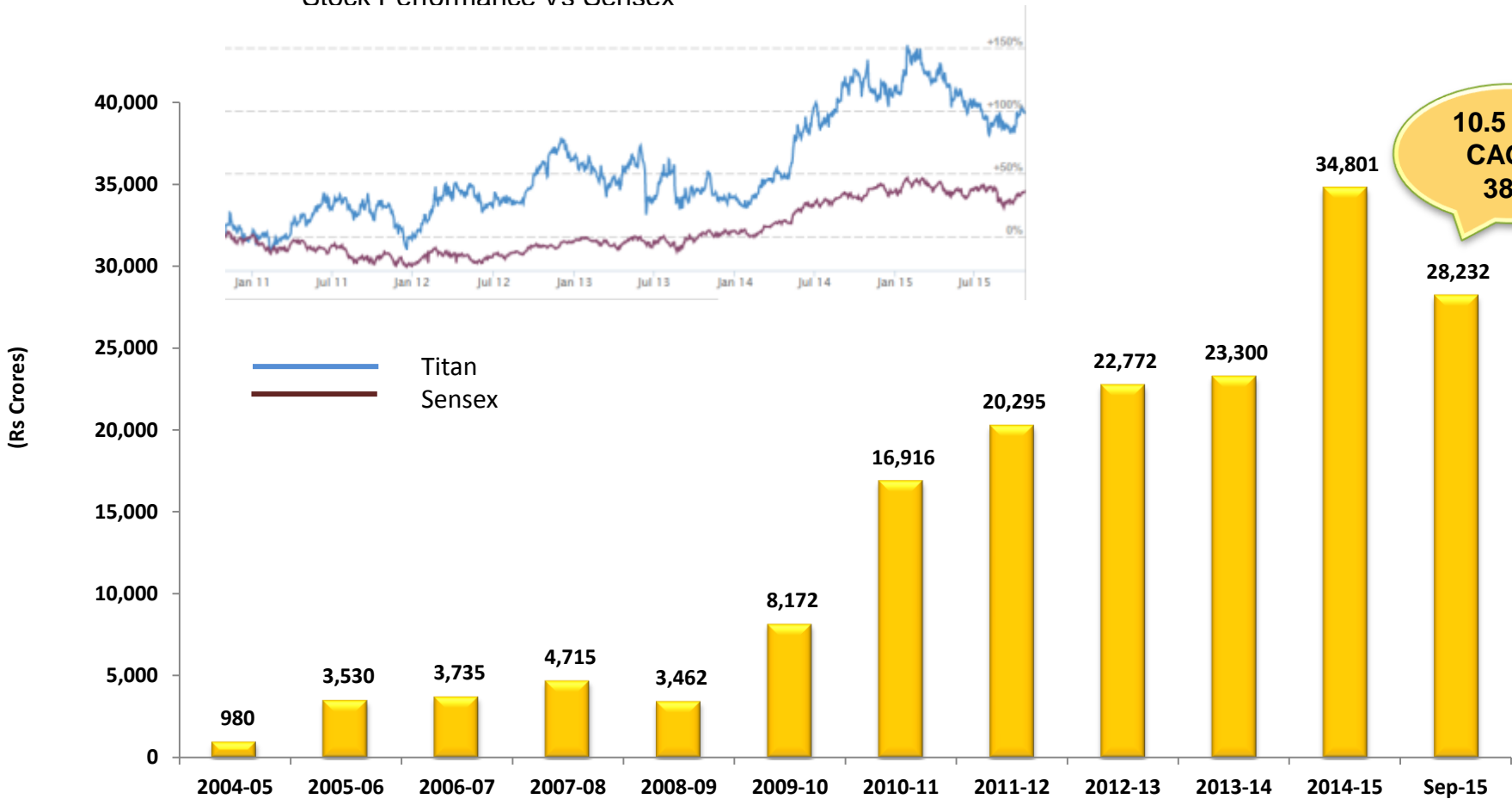
**10 year  
CAGR: 37%**



# Market Capitalisation



Stock Performance Vs Sensex



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

## **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 and support for Indian Arts, Crafts and Heritage**

### **Key initiatives driven:**

#### **•Girl Child / education:**

- Educating the underprivileged girl child – Covering close to 10,000 girls across Krishnagiri, Uttarakhand and other regions*
- Supporting Education for the tribal children and building capacity through faculty training near Mysore*
- Scholarships for the needy and meritorious – Close to 200 scholarships given this year*

#### **•Skill development**

- Creating Pilot Skill centre at Bangalore , targeting employability led skilling of 1000 underprivileged youth in areas of Retail, animation, etc*
- Adoption of ITI , having close to 900 students and 100 faculty , building skills and capacity*

#### **•Supporting Arts Crafts . Heritage / Celebrating Indian Heritage**

- Working with Porgai Artisans association, supporting revival of craft by Lambadi Women , skilling them*
- Restoration of Finial of Humayun Tomb*
- Engaging in supporting Art and culture through India Foundation for Arts , Ranga Shankara*

#### **•Support towards local and National Causes -Responsible citizenship**

- Construction of Toilets for girl children - 60 toilets*
- Uttarakhand Rehabilitation program*
- Happy Eyes – Eye screening and supporting cataract operations for underprivileged children and adults*

**Thank You**



**TITAN**  
COMPANY