"Titan Company Limited
Q4 FY2021 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Titan Company Limited Q4 FY2021 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*"then "0" 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: Good evening everyone. It is wonderful and also a little strange to be talking to all of you in this manner. Before I start highlighting the performance for the quarter, I would like to pay tribute once again to all those thousands of women and men in various stores of Titan Company, very, very diligently and patiently wearing that shield for much of FY2021 and resisting the disease and presenting a very safe environment for the customers of Titan Company.

I would also like to thank the customers of Titan Company and of course all the franchisee, distributors and warehouse partners, all our partners in the back and all our other partners who helped us cope with this extraordinary situation and of course all the employees of Titan Company. I would also like to thank all of you on the call, the investors and analysts who are such well wishers of the company and keep challenging us on the most important things that we should be delivering.

The quarter itself was a fantastic quarter in terms of sales growth. We outdid our own plans and expectations which we had shared with you when the year began way back in the month of May. The sales growth in Q4 was exceptionally high even after discounting for the fact that one fortnight of the base quarter was zero sale and we had only five fortnights in the days quarter but even after accounting for that if you just look at the slide number 35 from a 63% for Tanishq to 10% for Helios to 28% for EYE PLUS to an 8% for the World of Titan. We were crossing the targets that we had set for ourselves for Q4 and we are very, very happy about it.

We believe that we have improved our competitive position in the market serially quarter after quarter and this quarter represents that the year FY2022 also began well in a way continuing the momentum but of course COVID came once again to complicate matters and therefore it would be a little academic for us to speak about it at all on this call and I would like to defer that conversation to more appropriately in the future.

All I would say and assure you at this moment is that you know during FY2021 we also realized what kind of power we have on the one hand as a digital organization with substantial digital knowledge and total physical connect on the ground with our customers and how we used it to recover.

We also know how many different innovations that we put together in terms of customer acquisition, in terms of cost management, in terms of cash management and before that entire arsenal is available for all of us to deploy at a more deliberate pace in a more systematic manner to make sure that whatever targets we have taken we will achieve them in FY2022.

Now coming back to the profit performance standalone of FY2021 the sales growth was very good at 60% but for various reasons the gross margin growth was not commensurate and you know it is a combination of three or four big ticket things; one is of course a much higher share of the jewelry business in the year and in the quarter and the jewellery business is the lowest gross margin business of the company because of the nature of the business and that increasing share obviously dipped the overall gross margin profile of the company for the period and therefore the gross margin growth was depressed on account of the business mix.

The second is that we had two other one time one of which is accounting one time we had a substantial gain in Q4 of FY2020 on account of FIFO and all that we had a loss in FY2021, there was a combined effect of that was material. The third of course was customs duty which we had spoken about which got reduced and we ended up incurring a loss in Q4 FY2021.

The last part is the individual gross margins in the businesses and even the category mixes for example we sold a lot of coins in Q4 of FY2021 including a very large order to the Tamil Nadu government but while the studded growth was very, very satisfactory the gold jewelry growth and overall coin growth sort of overcompensated for that therefore the product mix within jewelry, the product mix within watches between watches and wearables also complicated the matter and on top of all of this was the dilution in the category gross margin within each one of those which we were aware of for many months but for reasons of continuing to get the momentum on the sales growth and increasing our market share for FY2021 and also play our proper role and responsibility to our other stakeholders in the system. So that the vendors get good volumes, the franchisees get good sales value growth, the sales people get to achieve their targets and earn their incentives we did not correct any of those which we knew suddenly H2 of FY2021, very clearly what was going with the plan, but nevertheless the quarter ended on an excellent note in terms of sales growth and even profit growth while the profit growth was not in line with the sales growth and into EBIT expansion that may have been expected did not happen but the EBIT growth itself was a very handsome growth at 35% and PAT growth at 48%. So we were very, very satisfied in the manner in which we ended the year and we began the year and the current complication honestly notwithstanding because we realized way back one year back that this is a crisis of such huge proportions and so much out of anybody's control that there is simply no point in sweating about it and ringing your hands it pays much more to stay calm confident, confident in the capabilities of the company, the assets on the ground and of course the commitment and the sheer will power that the organization has to you know come out of any challenge that comes its way.

So we are sure we use all that to overcome the current challenge as well and emerge on top in FY2022 and what is exceptionally gratifying is that the management of cash and the balance sheet became a well institutionalized process in the company, not restricted only to the top team. In fact I would say you know CEO minus two level it has deeply penetrated, CEO minus two level people talk in terms of cash, in terms of balance sheet and therefore that is behind the exceptional cash balance that we are exiting the year with and we are very sure that with the innovative model that we in know we deployed in FY2021 which is selling of bullion and then increasing the share of gold on lease to free up cash is something that we have got a very good grip on today and we will execute it as and when required to the extent required.

So I would stop here and thank you once again for all your advice for all your challenging over the times and all your support and over to you and your questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Manoj Menon from ICICI Securities. Please go ahead.

Manoj Menon: It was a good performance and more importantly Venkat, must personally compliment you for you know it was an excellent overview which you actually gave because we were listening to a lot of conference calls you know but truly it was very good one actually. I had a couple of questions actually one you know in the first week of actually when you put out quarterly update, there was a fair bit amount of mention about you know let us say that about Tamil Nadu as a market the wedding segment etc., you know to the extent it is feasible for you to continue public conference call subject to obviously your internal competitive confidentiality which you need to maintain just very curious to understand what was this thing which you did let us say three or five things you know which resulted in this you know this trajectory change. I am interested in the trajectory not about you know one quarter here and there the reason I am asking is because wedding market as an opportunity has been there for Titan and most of the choice for a very long period of time and therefore for some reason a few of them which probably as an analyst I may have a view it has not been necessarily fully achieved in the past. So just very really curious to understand what you did in TN the wedding segment etc., which is likely leading to a different trajectory currently. So that is question number one? The second one when I look at the historical or the empirical evidences it just tells me that when gold price inflates significantly over a period of time and then there is a correction, see consumers tends to even prepone some of their consumption. Essentially leading to a volume surge, so just wanted to pick your brain on kind of so what at this point in time, what you are seeing the consumers are telling you based on the word press behavior in the last two or three months? Thank you.

Ajoy Chawla: I will take the call. This is Ajoy. Nice to talk to you although it is peculiar circumstances, so Manoj two questions the first one about the Tamil Nadu market. I think the idea of gaining market share in TN is not a recent piece it has happened over the last couple of years. It is a strategic initiative. We took it as a test case to see if you do a 360 degree approach to the market, can be kind of a) connect to the customer more deeply, we had a local brand ambassador and Nayantara has been there. We had customized campaigns for that market which seeks to connect with the cultural nuances of the Tamil Nadu market and the customer. Two we also had a fair number of network expansion strategy in terms of some of our older gold plus stores of course converted into Tanishq stores and plus we have been adding a lot of stores in TN. So we have a fairly formidable network presence across many, many times and town classes of TN. The third piece is we also recognize that the TN customer is extremely price sensitive when it comes to gold rate and policies on exchange etc., because of the nature of the local competition so we realigned our policies for the TN market also accordingly and the fourth piece is not so much on wedding yes we are doing some work but in TN, I think that that frontier and let us say that opportunity still exists on the wedding segment, but I would say a lot of regionalization in terms of products which are daily wear and regular wear products which we focused a lot on. We are also doing a lot of work on wedding but that is yet to kick in. So a 360 degree approach on a sustained basis over the last two years is what you know and of course a lot of work on the retail and customer experience side as well I mean many initiatives taken, we strengthened our team there etc., so a lot of work that has gone in and that is beginning to yield fantastic results. The second question you asked about gold price going up and then correction leading to customers let us say coming into the market. Yes we have seen that. In the last in fact quarter four we saw after many quarters grammage growth besides buyer growth across all price segments. In the sub 50000 price segments which were sluggish even as late as Q3 so across all segments we saw customers and we saw grammage growth as well. We also saw some amount of advancing of people buying for weddings etc., in anticipation for Q1 as well and that continued all the way up to April you know as late as 20^{th} April so yes we have seen that and that has added to a good phase.

Manoj Menon: Thank you Ajoy. That was extremely comprehensive but just one follow-up if I may and that is the only question I have is that the Tamil Nadu experience on the learning that you have strategies then you had a tactics then you ended up implementing it and then you had results also do you think there are a lot of learning from a playbook point of view to be applied in some of the other large gold heavily indexed markets in Indian states?

Ajoy Chawla: Yes true. We have been applying some parts of the playbook in other markets like West Bengal, Bihar even parts of Maharashtra but not as comprehensively as we have done it in TN and we have a plan to ensure we do that a lot more. In fact we are seeing taking on different approaches in different markets and doing it in a 360 degree manner is what is actually gaining us good results so doing all the engines firing simultaneously. Yes we see that as an opportunity and we hope to take it forward.

Manoj Menon: Thanks. All the best. Take care.

Moderator: Thank you. The next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Congrats on good numbers. My question is when I see ad spend, it has increased only 4%, while revenue growth has been extremely strong so has the competitive intensity gone down in jewelry especially from the larger players and on the smaller regional players because of the way pandemic is extremely challenging situation, are you getting from ground that some of the players are exiting so if you could comment on competitive intensity both from larger players and a smaller even unorganized players?

Ajoy Chawla: Yes I will take that call. Ajoy here. So competitive intensity actually from the larger national players has only gone up significantly and I am sure after the IPO of Kalyan even one more player would be rich, flushed with funds so competitive intensity has gone up significantly on all fronts. In fact we had to do some amount of aggressive pursuit of market share in Q4 which is also in a way we have given away some margin to gain some share. From local jewelers yes they have been impacted significantly. I do not recall of any significant player having vacated or exited the market, but certainly what we are seeing is the tailwind of people moving away from smaller local jewelers to the larger national ones continues, as a consequence of this situation like in any other disruptive situation in the past. Having said that there are several regional players and standalone local players who are very strong and who continue to do well. So it is a mixed bag I cannot paint it in one go, but yes if I were to classify the larger national players and organized players and the stronger regional players have gained and perhaps some of the unorganized and smaller players might have lost but let me also share this that in Q4 the market itself has also been good it is not that we are the only ones who clocked in growth. Many other players have also clocked in growth we may have clocked in higher growths because of the multiple strategies at play but I think the market itself was good. On marketing spend we did not hold back any marketing spends in Q4. We have optimized. We have done a lot of work between digital and physical, i mean ATL marketing and BTL activities and therefore we did not compromise but the marketing spends across larger players has actually gone up significantly and their share of voice has gone up significantly.

Abneesh Roy: Sure my second and last question is in Q4 and even in Q3 we have done exceedingly well in jewellery so there was some level of pent-up demand and marriage season was very strong so if you put the update on marriage demand in the FY2022 how things are and more importantly in the current scenario which states still your stores are open some business updates if you can give on the current scenario and are you sharing any guidance for either this year or the long-term?

Ajoy Chawla: So on the marriage thing I think the wedding, you are right there was pent up demand for wedding. A lot of weddings took place and a lot of purchasing for weddings took place in Q3 and Q4 and in fact was continuing to take place in the month of April as well even as late as 20th April, so we have been seeing a good growth in that that segment. Our breed is wave two hitting us. We were extremely bullish on a strong wedding season for Q1 both pending as well as fresh, many, many good days and in fact we also launched in mid-march I think we started the Rivaah campaign and we also had a major PR activity around that the first week of April so all guns blazing with the Rivaah campaign and it is almost nearing its logical end right now and maybe we will pick that thread up later. So we are bullish on wedding. Current month it is too early to talk. We were growing very well as I was saying up to the middle of the first fortnight and even after the third week of April obviously with the closures and lockdowns etc., all over the place that is fast coming down so we may still end April at a marginal growth of over April 2019 but nowhere near the kind of growth that we were aiming for or we were clocking in the first fortnight. We do not have guidance for the year or the long run right now.

Abneesh Roy: Thanks a lot.

Moderator: Thank you. The next question is from the line of Prasad Deshmukh from Bank of America. Please go ahead.

Prasad Deshmukh: Good evening and congrats on good set of numbers. So a couple of questions; one in your initial assessment, how many stores are now impacted as a result of lockdown and also in terms of production is it still going of production of jewelry, is still going on or it is like complete halt right now?

Ajoy Chawla: Since the question is directed towards jewellery as I understood I will take the call again. Ajoy here. I think as on yesterday we had about 50% of our stores were shut and 50% are open. It is a dynamic situation. You know we have to go as for what is happening and in some places and many markets, we have also taking proactive calls. If we see tremendous risks on the ground, in terms of constraints we are taking the call to shut those stores in those markets and this is happening dynamically on a day-to-day basis and we will continue to do so till things become safer. The second piece was on the production of production is still on. This time around manufacturing constraints have not been imposed in any of the states. Yes the rate of production has slowed down because we had to ensure safe production across our units as well as vendor units and in fact we have engaged deeply with all the vendor community and their karigars and bench karigars etc to ensure they are following this and they understand the importance of prevention. So certainly the rate of production has slowed down but nothing is shut as of now, but of course if there is a situation in any particular unit we may shut it down for the interim as in when things get okay. As of now nothing to share.

Prasad Deshmukh: Last question then I know you just said we will not be able to give any guidance for FY2022 so safe to assume you would probably come out with some number towards it once the situation normalizes or is it like a completely dynamic situation right now and it is not on the agenda or at this point in time.

C.K. Venkataraman: Actually let me come in here, you know we had originally scheduled an investor conference if I remember right on May 7 or 8, 2021 and we have to reschedule it because of you know the dynamic situation and now I do not know when exactly we will be able to do it and this is what we would have covered in that particular conference and we will anyway still plan to do it I think sometime in June we plan to do it if I am right and by then hopefully the air will be clear and we would be able to take a view on FY2022 whatever the situation is. At that time we will share this.

Prasad Deshmukh: Got it. Thanks a lot Sir. All the best.

Moderator: Thank you. The next question is from the line of Rakesh Jhunjhunwala from Rare Enterprises. Please go ahead.

Rakesh Jhunjhunwala: Good evening Sir. Congrats on a good result. I like to know why you have cut the dividend you have 3000 crores of cash and until April 15, your sales you are saying very good I do not understand the reason why honorable board has decided to prune the dividend? I do not know what you are creating this cash for and what are you going to use it for?

C.K. Venkataraman: Actually we did not actually think we were pruning the dividend, Rakesh.

Rakesh Jhunjhunwala: This year we are at Rs.4. It also displays confidence in your business and you are carrying Rs.3000 Crores of cash. At least you should not have pruned, I thought as a shareholder, I am solely and solely disappointed.

C.K. Venkataraman: I am surprised because we had Rs.5 FY2019 and Rs.4 in FY2020 and Rs.4 in FY2021.

Rakesh Jhunjhunwala: Maybe they have not pruned it but I do not know giving a Rs.4 dividends, sitting on Rs.3000 Crores of cash I do not know what are you going to do with the cash or if there is some emergency or you are requiring something for Rs.2000, Rs.3000 Crores, I know you are a cash generating business and for our shareholders actually we are not housed from dividend income? I think this probably, I do not know, why?

S Subramaniam: If I may just come in here, actually this is by far the highest payout ratio we ever had okay and we took that call also with cash in mind that yes we have the Rs.3000 Crores plus cash in hand and which is exactly why we went way above what we have ever given…

Rakesh Jhunjhunwala: So what is dividend policy you declare it.

S Subramaniam: It is being declared. As I speak it will be on our website very soon. We have a policy. We are talking about a range on payout so that is coming out and this is clearly at the top of that range.

Rakesh Jhunjhunwala: I mean you still have not formulated a policy?

S Subramaniam: No, we have a policy but we are now more. We are talking about it we are giving you a range also as to what we are.

Rakesh Jhunjhunwala: What is the range of payouts you are declaring?

S Subramaniam: Right we are we are talking 25 to 40.

Rakesh Jhunjhunwala: Generally for a cash generating business like yours it is a minorly percentage, Hindustan Unilever has given 50% as dividend.

S Subramaniam: It is the point of view, Rakesh, but let us also not forget one thing the cash that we are generating is also because we are doing a lot of gold on lease, keeps the gold on lease for some reason where to be curbed by the by Reserve Bank or anybody else just because gold imports are going up but we need to be careful, we need to be conscious of the fact that this cash generation…

Rakesh Jhunjhunwala: But for that you cannot be holding cash for a lifetime, Subbu. You are holding cash for lifetime, you can spend for a lifetime that the policy can be reversed. Anyways that is point of view of your board. My point of view as a minority shareholder I think you have been totally unfair to minority shareholders. That is my view, my opinion and my firm view. It should not be like Tata, let me tell you.

S Subramaniam: We will take that as an input Rakesh.

Rakesh Jhunjhunwala: Thank you.

Moderator: Thank you. The next question is from the line of Amit Sachdeva from HSBC. Please go ahead.

Amit Sachdeva: Good evening everyone and thank you so much for taking my question. Congratulations on great set of numbers. My first question is on jewelry because if I look at till Q3 or even Q2 as the whole recovery was happening I would assume that growth was led by more Tier 2 Tier 3 towns and a lot of marginal area were also being added there and Q4 obviously for delivering that kind of number I would assume that metro markets which were sluggish earlier perhaps would have come back to growth and why I am asking this question is because lockdown is not uniform, some cities are more impacted, some are less so in that sense if I were to look at the next quarter and the base effects can you give us some regional color like west was still recovering and west was more impacted last year and the north was good how should we think about this recovery phase in the light of large metros versus tier 2 tier 3 towns, some understanding would be really helpful Ajoy.

Ajoy Chawla: So you are right it has been a differential recovery and growth. Let me say that Tier 2, Tier 3 towns continue to lead the growth so the pattern of Tier 2, Tier 3 being faster recovery or higher recovery and higher growth compared to metro towns, continued as a favor and it continued even in Q4. If i were to give you a flavor the growth if I see Q4 from a buyer perspective because that is a useful you know customer facing data. It has been led by east followed by south then north and then west. West has certainly been most impacted and it continues to be as we know Maharashtra taking the hit. Mumbai and Delhi have been sluggish relative to the rest of the market. In the east if i look at it, states like Bihar and

Jharkhand, Orissa, even northeast and then West Bengal have left and in the south it is really TN which has powered ahead strongly for us at least with Karnataka following after that. Punjab and Chandigarh were also decent in the north as was UP. I must say UP was following a similar trend as Bihar and Jharkhand. West it has been a tough situation. Mumbai has been the worst impacted. Briefly in between Maharashtra started doing well especially up country Maharashtra but in the last several weeks it has taken a hit and Gujarat also has been fluctuating in its performance. MP has been doing well. So this gives you a flavor on and I think this may how it will proceed ahead will depend on how the kind of disease is spreading out and we think what is happening now to Maharashtra will happen to Orissa later and so on and so forth so we play by market and we are anticipating different peaking in different markets.

Amit Sachdeva: That is really very helpful, Ajoy. So can I see that well Maharasthra is most impacted but this is not yet recovered so although the crisis is unfolding if it is not widespread crisis like last year like where there was a lockdown all over and all those things you would probably think that you could still escape any hard landing of growth? Is it a fair assumption or is it still very uncertain?

Ajoy Chawla: Very uncertain Amit. The situation is evolving on a day-to-day basis and you know we think every market at some point in time will get impacted. It is a question of timing and we are not able to predict. As I was saying the timing is going to vary we think every market at some point will get impacted. It looks like you know and the problem that i was saying is that even Maharashtra let us say is likely to come out fast but you know it looks like based on the latest announcements that it is likely to remain shut down till May 15, and then we will hope for whatever best happens is very unpredictable and very difficult to give you a sense.

Amit Sachdeva: This is very, very helpful Ajoy that perspective and if secondly if I may ask you know like the last time I asked that I noticed that you know you announced last time on trunk sales of Taneira because why I am also asking is the business which is still in some sort of pilot phase and a lot of economics are being tested so I would assume that a lot of trunk sales happened of Taneira the last quarter what was the experience and has it gives you confidence? What the business model could shape or is just still too early days but I assume that some of it is well received in some markets, can you give us some color of the aggressive plan you had on trunk sales and taking Taneira deeper down to Tier 2. Tier 3 through existing Tanishq franchisees?

C.K. Venkataraman: The trunk shows of Taneira have been very, very encouraging in the smaller towns, in cities like Patna and all that. We have a pretty ambitious plan for Taneira over the next few years and then FY2022 and specifics we will you know we will share it in the investor conference in May that I spoke off but overall we also have two franchise stores now Amit, over the last six months we have got into franchising with Taneira, these who are excited to get into this business is growing by the day because everyone is so you know convinced about the customer value proposition that we have established and in a way are very clear that we are going to do some kind of a Tanishq in the ethnic wear business with Taneira. So outlook is very, very good. We are very, very positive. More news about it in concrete terms in June.

Amit Sachdeva: That is very good to hear. Venkat thank you so much. That is all from me.

Moderator: Thank you. The next question is from the line of Aditya Soman from Goldman Sachs. Please go ahead.

Aditya Soman: Good evening. So two questions for me firstly any update on how our golden harvest is progressing? I think you had indicated in the previous call that you are also trying some short-term schemes any update on that? The second question can you also give us I may have missed this but can you also give us a sense of the customer growth for each of the verticals, watches, jewelry?

Ajoy Chawla: The sales to Golden Harvest have been pretty robust. In fact we have seen a good contribution for the year 21% versus 21% of last year as well; however, from the month of February and March onwards and going into Q1 the contribution understandably so has come down to 15% because enrollments in Q1 were not there and therefore the impact of that is going to be faced now and we have planned for it to be a lower let us say sales through Golden Harvest quarter going ahead. Having said that the enrollments have been good both in Q3 and Q4 and even in April until the shutdown started happening so that augers well for the future. Your second question was on customer growth. I will tell you jewelry and then maybe the others would be able to share. On jewelry for the quarter the overall buyer growth for Q4 stood at 39% over last year. Of course, we must factor in that last year there was a slight base effect so this 39% is not really reflective maybe you know I would take it down by about 10%, 12% so it will still be a healthy 25% plus of buyer growth in jewelry Q4, but I will leave to the others to respond on watches.

Suparna Mitra: This is Suparna. I wanted to talk about the watches. So in watches as has been published the WOT growth has been around 8% in Q4 and similarly Helios growth has also been good. Most of it is reflecting the quantity. The value is reflecting the quantity. Unlike in the second and the third quarters when there was a large increase in average price point that it is kind of evened out in the Q4 and that we saw across the channel trade channel, LFS channel as well as Ecom there was not a very big spike on the average UCP average UCP has remained more or less and whatever growth we got good on the buyers.

Aditya Soman: Thank you. Very clear. Just one follow-up on the Golden Harvest can you give us a sense of what proportion of recruitment you are doing online or if that is even possible? Thank you.

Ajoy Chawla: So on Jewelry I can say that recruitment of customers online has been phenomenal. We have seen for the year if I were to look at between online and omni and omni is very important jewelry because of the high ticket values, we have seen a 4x of last year in terms of sheer business and therefore it is exploding and it continues to be a very big driver. We expect to drive it even further, more than double it again and we would like to chase that kind of ambition. On watches perhaps Suparna might be able to share.

Aditya Soman: Sorry my question was also on Golden Harvest recruitment online if that can be done online or it has to be done in stores?

Ajoy Chawla: Sorry I missed that Golden Harvest yes can now be completely done online through the app and we earlier had some challenges on eKYC that has been sorted out and therefore we can now do completely online as well and we had a good response. We think this can really grow dramatically. We have to push this engine a lot more to make people aware of it etc., so yes very, very happy with that and it is happening fast but the base was low so it is starting from zero virtually.

Aditya Soman: Thanks a lot.

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

Tejash Shah: Thanks for the opportunity. First if you can quantify impact of import duty cut in the quarter on jewelry segment margins.

S Subramaniam: There was a there was an impact on that. It will be there in the first quarter as well but in the overall context of things it is not as material as something that I would want to quantify yes there was an impact.

Tejash Shah: Second question pertains to Caratlane in a year where now online was picking up across consumption categories we have made a very decent expansion on footprint there so how should we think about Caratlane going forward? Will it be omni strategy or offline stores will be a very sizable proportion of growth going forward for that brand?

C.K. Venkataraman: Actually over the last four or five years we have become very clear that Caratlane growth lies in a combined strategy and it is an omni strategy actually because there is a lot of discovery that happens on the side and the handshake and the final product purchase happens in the store and that is because the ticket size opportunities even in the young women's segment to see picketed opportunities are large and you know Rs.40000 and Rs.50000 the customer would prefer to look at the products and buy rather than just look at an image and buy so to that extent not having a retail footprint expansion would not capitalize on that very large opportunity. So we are pushing both the buttons simultaneously to the hilt that would be the strategy for Caratlane.

Tejash Shah: Sure, but the journey of omni here is slightly reversed that an online brand is going offline so will it still be online heavy revenue model with offline being experienced center of fulfillment center or it can even on revenue form it can equalize going forward?

C.K. Venkataraman: Because fulfillment is not the only role that the store would play. The store would certainly suddenly play the role of showcasing and persuading and convincing the customers from early stage to the later stage in the purchase journey. So it is an integral part because if it is a fulfillment center then we do not need retailing we can be in the third floor of a commercial property as opposed to in the main area of a mall so that retailing costs will kick in and that is it is retailing and not warehouse.

Tejash Shah: Last just one follow-up gold on lease emphasis has been talked about in the release today so is it a tactical move for the year or is it going forward strategic from as a key part of our procurement strategy?

C.K. Venkataraman: You are talking about the Bullion sale aspect of it?

Tejash Shah: No, gold on lease has been called out as renewed emphasis spread?

C.K. Venkataraman: Gold on lease has been central to the growth of the jewelry division ever since 2000 or 2001 when we you know got it into our system and a good pot purchase which is essentially the purchases we make from customers through the exchange program or the outright that share versus the gold only share in a way it determines the capital employed in the business and keeps its asset light and returns a certain very attractive level of capital I mean return on capital employed, so to that extent the continuous management of that is critical to the Titan Company's balance sheet and performance and that is the angle to that nothing more.

Tejash Shah: Thanks. That is all from my side.

Moderator: Thank you very much. The next question is from the line of Ashit Desai from Emkay global. Please go ahead.

Ashit Desai: Thanks for the opportunity. My question is on studded jewelry you highlighted the growth trends for jewellery across markets could you also share the slower growth and studded is it a feature across markets or is it more due to the sluggishness in some of your key markets like Maharashtra, Delhi etc.?

Ajoy Chawla: I will just share with you. Yes certainly the mix, there are two factors that play. There is a mix of markets and then there is the growth across markets. Now if i look at mix of markets you are like a Mumbai, Delhi which typically has a much higher studded mix for us those markets being a little bit on the back foot last year and last quarter has played a role. Having said that if I were to look at a quarter 4 numbers for studded buyers per se it has been a fair mix across, all the other markets; I cannot say that there is a regional dispersion which is kind of evident. I would certainly believe that in because smaller towns have led the growth for us this year and typically studded ratio in those markets is lower and then than the larger metro markets that has played a big role otherwise I do not see any trend which says that studded sales at the low in fact the buyer growth on studded has been leading that of plain gold, buyer gold, customer gold, it is the ticket value in plain because of gold price that has taken the value growth in plain higher. So there is no discernible trend of differential growths from the total sales growth whatever I shared for all the different states holds good even for studded.

Ashit Desai: Got it and my second question is on jewelry margins does the business has a fair bit of operating leverage or it is largely I mean the fixed cost structure is pretty high in this business I mean not so much from this quarter perspective but when we look at next year I mean when you have very high growths with the cost savings that you have done this year would it be fair to assume a reasonable amount of gross of EBIT margin expansion over here or it will broadly remain in that 12-13% range.

Ajoy Chawla: Let us put it basically that amongst all the businesses the jewelry business has the lowest amount of fixed costs as compared to all the others, low margin, low fixed costs so the operating leverage is that way much lower compared to let us say watches or eyewear. Having said that because the scale is substantial there are certain costs which can kick in from operating leverage for example marketing costs or let us say employee costs etc., so those are costs which we have actually looked at very, very sharply in the current year and also other fixed costs to that extent therefore we have got some benefits and we hope to reap those benefits in the future years, but in terms of what the EBIT margin will look like the challenges here are difficult. We would not be able to give you a guidance but I just want to give you a flavor that there are constant pressures on gross margins because of competitive intensity which is happening across various markets and our main goal is to ensure that we continue to grow market share and go towards our ambition that we had set out maybe yes a year has gone by which has kind of held us back but our ambition continues to be that high and we see tremendous headroom for market share gains so to that extent we would rather invest that money back into the market, back into the network and back into inventory etc., to ensure that we are able to continue to grow aggressively and maybe maintain profitability over a period of time.

Ashit Desai: If I may squeeze just one small one last I mean just wanted to know your aspirations for Caratlane margins. That is it from me. Thanks and all the best.

C.K. Venkataraman: Nothing to share at the moment on the Caratlane margin. We will talk about it in our June conference.

Moderator: Thank you. The next question is from the line of Kunal Vora from BNP Paribas. Please go ahead.

Kunal Vora: Thanks for the opportunity. Just wanted to check what has been the learning from FY2021 on the impact of store closure? Is demand only postponed it comes back as store opens and life normalizes or do you see did you see any demand destruction and would you say that the consumer behavior is different in case of watches and like there is actual demand destruction that you have not seen any pent up demand in that category? That was one and second one was what was the contribution of wedding and high value studded jewelries in FY2021 versus FY2020 and where are you versus your market share aspirations in these in these two segments?

C.K. Venkataraman: Let me give you a larger view on this subject and then Ajoy can speak thereafter in the specific question that you asked. See, while the products that we sell are reasonably high ticket categories and what you may generally consider as considered purchases some of them and even in jewelry they are also linked to events even impulse to some extent. For example all our watch stores in the malls whether it is a Helios or the World of Titan or Fast Track or even in a linking road 100 feet road in Bengaluru there is a fair amount of young people who walk around in that area and in a way they are not in particular search of a particular product but because the store is exciting, it is inviting they go in and buy or there is a birthday that is happening in the month of April and birthdays and even but it even passes and the store is shut when the birthday is happening and I doubt if that purchase will be postponed to let us say late when the store actually opens but the birthday and event on that the magic of the day has passed. So to some extent that sale is not going to come back.

In jewelery I would think maybe the majority certainly of the sale is in a way considered purchase because of the nature of the category as well as the ticket size and it is especially if weddings do not happen, they get postponed, but if wedding happen and the stores are closed that sale may not come back so it is not an easy full kind of answer but I think by and large we are okay as a company as opposed to like an apparel company for example which would be far more impacted because of the nature of the category as well as the ticket size of the category. If the time passes, it becomes lost forever.

Ajoy Chawla: To add to Venkat's point we saw last year in especially let us say the months of June, July we saw many missed milestone celebrations coming back to us maybe because we had planned as Venkat said for the jewelry during their birthday or anniversary and so we saw a spike in June July, and thereafter it settled down to what it was and weddings for sure. Your second question was on the contribution or growth of wedding can you just repeat that?

Kunal Vora: Wedding in high value jewelry because the contribution to sales in FY2021 versus FY2020. And where are you official market share aspiration? Do you still see a lot of headroom for market share expansion in these two segments which have been which you like aspire to grow in?

Ajoy Chawla: So in terms of contribution if I look at weddings it may seem like for FY2021 we were same as last year 23% last year and this year; however, if I were to knock off the impact of coins and then look at the contribution on the jewelry part of it there is clearly a 1% improvement there with a 2% improvement which we saw in Q4. Q4 was 24% this year versus 22% last year contribution and FY2021 has been 25% versus 24% so there is a 1% but we are still way off. Most jewelers actually see 50% to 60% contribution from weddings. So we still have a lot of headroom notwithstanding the fact that we sell a lot of everyday adornment jewelry as well. On high value studded the growth has been decent in the second half I must say. Earlier we have seen a very depressed scenario in terms of what is the contribution. It has certainly come back to what it was last year and in fact for the year it is the same contribution of around 10% over last year as well as this year. Thanks to a good action on the second half. Opportunity is high especially if you ask me on Solitaire where we are growing rapidly and the opportunity is really huge and milestones are very important and we are very well placed to kind of go after that. On the very high value studded you know I would say between the 2 lakhs to 10 lakhs space the opportunity is richer for us, above 10 lakhs there are many other constraints like pan card and other things which start getting into place and those are things which are still a little unless those things improve but between the 2 lakhs to 10 lakhs we certainly see a lot of opportunity for high value studded as well.

Kunal Vora: That is it from my side. Thank you Sir.

Moderator: Thank you. The next question is from the line of Jay Gandhi from HDFC Securities. Please go ahead.

Jay Gandhi: Thank you for the opportunity. Just a couple of questions if you look at the gold on lease it has nearly doubled that of a typical year and probably three times that FY2019 or FY2018 just wanted to understand what are the underpinnings or the decisions that you go through which kind of dictates the maneuvering of a sourcing in a certain direction?

S Subramaniam: See actually what we would want to do as much as possible and I going back in time seven eight years back before the curbs came on gold on lease at all. We used to source more than 70 percent of our gold on gold on lease. Two reasons one is of course the cost was lower, second it was a natural hedge therefore any impact on financials in a quarter-on-quarter basis but that is actually minimum. Third of course was the fact that in those days it was also not very easy hedging in India then if you remember we had a curve which came in 2013 and 2014 and then we had no option but to explore doing more and more of the hedging here because we were not allowed to buy gold on lease right so we had to do that and that in a way it started developing its own process etc., and we were also brought came into a level where we were we were not worse off from a cost perspective also. Having said that we still believe gold on lease is possibly the best way of buying gold. As I said the volatility in margins clearly the people valuations all of that it is still the lowest and therefore we would prefer to do it. It does generate a lot of cash also as you can see now the 3000 plus Crores of cash that we talked about is a result of that. So we would therefore focus as much as possible to get back to that same level of gold on lease as we used to do in the past.

Jay Gandhi: Well that that I understand. I am just looking let us say FY2018 to till date like the wallet the all these issues that we had were historical after FY2018 to FY2021.

S Subramaniam: What has happened during this period was that the exchanged gold, you know our exchange programs have become extremely popular from 2017 onwards and that contributed a lot to the gold I came to buying it on spot. This year we went ahead and actually disposed of some Bullion and resorted to buying gold on lease and that is the difference that we are talking about so the gold exchange program has actually is continuing in this popularity. It is still contributing a substantial amount of the goal that we procure but what we are doing is also swapping it to get as much gold on lease exposures.

Jay Gandhi: Thanks a lot for that. Just one thing so if I consider gold on lease as this low cost debt and hence part of the capital employed because anyway this 3000 Crores cash cannot necessarily be used for dividends or whatever at least largely is it an obnoxious assumption that we as an analyst communicating.

S Subramaniam: Each analyst looks at it differently. The reason we keep taking gold on lease as a payable in a way is because that is how it has traditionally been, okay. It is more of a supplier credit as and that is how we have been treating it but yes each analyst possibly takes it differently.

Jay Gandhi: Thank you.

Moderator: Thank you very much. The next question is from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: Just trying to understand your underlying performance for this quarter in the jewellery division. There were couple of one-offs; one was the customs duty and one which is across all divisions of course is the reversal of the employee compensation cuts with retrospective effect from May so your reported margins of 10.9% in the jewelry business if I just want to look at the underlying performance and remove the one-offs for the quarter these two one-offs which I spoke about what would the margins be in that case, I just wanted to know that

S Subramaniam: Percy we would not be giving you those numbers here. I think as explained to you what basic reasons or rather why the margin was lower than what it traditionally would have been and that too particularly based on the topline that we have achieved but we mentioned basically two major reasons; one is the mix, the studded ratio is still much, much lower than what it used to be in the past. The coin ratio was substantially higher than what it was in the past. So fundamentally, mix is an issue, on top of that we also said that we have been looking at gaining shares rather than focusing so much on margin so to that extent our focus has been to gain share in a year where we thought this is the best thing to do so that should explain your question. We cannot give you anything more than that.

Percy Panthaki: Some question to this in an earlier question I think someone mentioned that there would be some amount of custom duty hit in Q1 as well so did not understand why that would be the case because I thought this is a one-time correction of custom duty in the February budget and you would have accounted for it completely whatever inventory you held as the first of February, would have got marked down in this quarter?

S Subramaniam: Percy we cannot mark it down because our NRV is still higher than the cost and therefore it can only go as in when it gets consumed.

Percy Panthaki: I see.

S Subramaniam: We cannot do that. Honestly accounting standard will take care and therefore it does play out till the caps out that provision.

Percy Panthaki: That is all from me thanks and all the best thank you.

Moderator: Thank you very much. Ladies and gentlemen due to time constraint that was the last question for today. I will now hand the conference over to Mr. C.K Venkataraman for closing comments.

C.K. Venkataraman: Thank you very much everyone once again for the exceptional support and the probing questions every time and till we meet again goodbye.

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