TITAN ANNUAL INVESTOR FORUM 2018 – PART 1

Speaker 1: Mr. S Subramaniam, Chief Financial Officer & Head Of IT Function

Welcome to the Titan Analyst Day. I really appreciate you for taking the time out to visit us. We would have a series of presentations followed by a Question and Answer Session. The presentations will be with Bhaskar starting first and then we would have Ravi doing the watch part, Ronnie the Eyewear part and finally Venkat with the jewellery section. We would suggest that the questions are kept towards the end so it can be aggregated. Hopefully, we should have at least an hour plus for the Q&A part, we will try and finish the presentation part in about two hours, may be a little more than two hours.

It has been a fantastic year. The numbers reflect some of that, but there are certain other things also which I think we have been very, very fortunate to have in the last one year. A year of milestones, financially yes, market value yes, 10 billion we crossed, it was a big milestone for us in November. The recognition that I think the Group and the Company has got also has been something very, very remarkable and that is highlighted by Bhaskar now joining the Tata Sons Board.

Can we have a round of applause for Bhaskar please.

It is a moment of great pride for all of us, as I said, it recognizes Titan's contribution to the Group and it has been an outstanding year from every perspective and I should thank all of you analysts and investors in the faith that you have had in us. Sometimes it is scary, the market prices, etc., the expectations can be very scary. The question is, are we able to meet those expectations. We are trying our best, I think we did the first year of the five year that we talked about has been good, so we do expect to perform, if possible, in the same **vein**, but you will hear more from them as we go on with the presentation. So without much ado, can I request Bhaskar to take the stage please.

Speaker 2: Mr. Bhaskar Bhat, Managing Director

Thank you Subbu, Good morning all of you and thank you once again for being here.

Yes, it has been a great year. Unlike many years in the past, I want to deal with a theme which I believe, may be very important to you, but according to me should also be important to you. As we navigate, because as Subbu said to you, you know the valuation of this Company at whatever it is, multiple it is, one is, I guess has created a great wealth for many people. Thankfully or otherwise, despite many opinions and much goading by several in the investing community for an ESOP in the company, we have resisted, so that wealth really is with the investors and that wealth is not what is driving our great team here in Hosur and all our locations, it is something else which drives us. But thank you for giving us this valuation, because every time I point out to ourselves saying obviously expectations are very high. So the theme therefore I want to share with you today is about the future and how we think about the future, how we feel about the future and what we are doing to craft a Company for the future.

So getting future ready is somewhat the theme that I would like to share and I just thought that I would share three thoughts with you. One is, it is certainly about enhancing capability, not merely capacity, you know, there is always the pushback to Titan about, you know, enhance your core, we are always doing that, but I think enhancing capability is an important part as we see explosion of technology, explosion of uncertainty and wooka so on and so forth. If you are not future capable, you are not future ready. You can build capacity, you can build plants, you can expand the footprint, all that you can do. So enhancing capability, I will share a few initiatives. The other is very characteristic of Titan, which is continuing exploration with expansion. To some extent expansion and capacity, I guess mean the same, but exploration is what has brought us to where we are and explore we will continue to do and there again one would like to share the recent explorations, the outcomes or the failures and successes, but nevertheless unlike, may be, you know, the financial evaluation of those explorations, it excites us certainly as a company. So exploration will continue. And the last bit, which surely everyone in this room has ascribed value to our company, which is about creating a wholesome institution. So let me without much ado get on with the subject itself, so let us start with enhancing capability with capacity.

A whole lot of initiatives have been launched by the company, some of them are new like Digital, many of them are enhancing our capability, consumer insighting has been a significant capability in this company, but taking it to the next level is what we are talking about, owned by people within the company, consumer insighting, consumer experience, anyway coincidentally two of them who are driving those are sitting here, Suparna and Saumen. Digital investments that we have made, integrating design as a single capability in the company and that will help us further improve both capability and capacity in design. Design as you know is a very significant part of our Company and a significant attribute to which people ascribe value in Titan and from your point of view, I guess, building leadership. These next three slides go back to all my earlier presentations about how we think about the next year and the years, the insights that the initiative called Impulse within the company has gained. Some of these will result in initiatives in the company, but certainly these are, we all know about our economy, I won't spend any time on this slide, increasing affluence, aspirational youth, increasing consumerism, etc., this is, you know, old story getting enhanced even more as our economy not trundles and it just accelerates into the future. The consumer themes, some of it, have come from data within, but a lot of it is visible.

Resurgent Indian pride, the new Indian identity, positions India as a world power, extreme consumerism, manifesting as overspending, debt, short-term joy and in some ways revival of Swadeshi, which is Swadeshi next perhaps and Taneira, continued success of Raga, a new initiative in the watch division paying tribute to Kolkata through a collection of watches based on architecture of Calcutta or the history of Calcutta. All these, we are seeing traction, we are seeing and that I think is sitting at the root of these product initiatives and business initiatives, but Titan itself, the company Titan itself I think being so rooted in India and thanks to the wonderful journey of the watch division, the jewellery division, now Eyewear, Taneira, etc., that India can be world class, yet being rooted in India and serving Indians is an important value that Indians ascribe whether you are in India or Overseas. Morality in the modern world, I think we have spoken about this, it is the jewellery division, the manner in which it has gone through the last few years, the years before demonetization, through demonetization, etc., speaks for the loyalty that consumers have for this idea of morality and the recent events have proven more and more that are sharply defined ethical posture in your strategy brings a certain kind of customer to you, of course it keeps you away from risk as well. Tanishq is seeing increasing new customer acquisition and gaining market share. Boringly put, it is of course the formalization of the economy that of course we can always say. But we see a little more than that, it is at the level of the consumer and I think it happened even before the formalization of the economy, consumers were seeking value in such character. Women and technology, with the growing power of women as consumers, companies are using technology to address her specific needs, brands are creating tech products with female centric empathetic lens. Titan V Smart Watch especially designed for a woman is one such example.

Premiumisation, we have spoken about that in the past and brands as a tangible Ethos. This is real and if you look at Royal Enfield and NEXA examples, we have been on this journey in watches, we have seen this in jewellery, post GST and demonetisation, ticket size is growing in jewellery and people willing to pay even higher making charges for wedding jewellery, which is in the traditional space, plain gold jewellery in the traditional space, just means people are willing to. The combination of brand, design and store experience, which is very much sitting in the Tanishq space, gives you that confidence. A new segment, I think I have spoken about this somewhere else, Gen-A, we call it Generation Attitude, not Gen-Next, basically the older generation in our own data analytics has thrown up that this Generation A is more loyal, does not switch brands, is willing to spend more money per ticket and is buying the more profitable product. Now whether the higher ticket size leads to higher profits, that is obvious in the Titan scheme of things, so this is a very, very important generation for us, important segment for us, unlike the millennials, who so many people have been celebrating. The millennials are more, you know, they are small ticket size, they want much more product introductions in terms of variety and constant changes in the communication. They are not loyal, they are fickle and it is a challenge, we have Fastracked the brand which has done extremely well, but this is another segment and of course, the evolving Omni-Trends which I will talk about a little later.

We are exploring rural India as well. We have not really been significant in rural India, this is another initiative which I think FMCG companies have done well to exploit, but it is something we see certainly as a big opportunity. If we see the success of a Tanishq store in semi-urban India, it hits the ground running from day one, and it may not be entirely rural, but the democratization of aspirations across the country is where we can play with our brands.

So quick look at the digital investments, the view we have taken, brick and mortar businesses across the world are responding and we are one of them. Apart from all the studies that have been undertaken, more and more, we are seeing consumers wanting to toggle between brick and mortar and Online. It is not just one or the other alone; the Tanishq CaratLane example is a case in point. CaratLane now has, I will talk it about a little later, fair number of stores on the ground and we are getting new consumers there as well as a retail brand, but consumers want to see the brand, feel the brand online and buy it offline or see it offline, buy it online, the whole thing is merging and we cannot ignore one or the other and in fact if anything Titan with 1600+stores is in the best position to leverage this Omni-space and we are doing that. Like it is said, dear the sweet, sweet spot is in the middle. So seamless Omni-Channel is the play that we will, any channel, any device is the way, and we are looking at digital.

Apart from that analytics leading to insights and personalization, building capacity to systematically and quickly travel the path of data to patterns to useful insights to action, calculate propensity and context and use it for personalization and best next action marketing, we have invested a great deal and we are continuing to invest a great deal of money and effort in building all this and leveraging our Encircle membership for up-selling and cross-selling. Brands are getting dematerialized, there are some brands which are not at all physically present, you know they are just in the digital space, so converting artifacts into easily transferable electronic formats including endless aisles and so on in retail, cardless encircle, social sentiment, digital inventory, these are the initiatives that we will be undertaking, virtual warranty cards.

Two more themes, well not themes, sub-themes on this capability and capacity, we have integrated the design function in the company. We had a design studio for watches and for jewellery, now under one head and this while the individual businesses will have their own design resources, but they all belong to the design excellence centre, the idea is to raise design to global levels, bring in partnerships, bring in processes, bring in measurement systems to the already existing strength in the company. The second is the building of leadership pipeline in the company, a journey, our HR team has undertaken over the last three years along with culture building and why I say culture building is important is, we are very strongly driven by culture and it is not necessary that the culture that has been built over 30 years should continue for the next 30 years. So those who are going to own the next 30 years need to determine what culture, what elements of culture need to continue and what need to be enhanced and what needs to be dropped. We believe our people are what will get us to the future.

So in the succession planning and leadership pipeline building process, we have had the highest level of supervision and engagement from the Board itself. The Board has nominated a sub-group for succession planning and leadership through a leadership development council and the role of the leadership development council has been to participate in the review discussions about leaders, advisory role in creating the leadership development strategy, playing the role of coach or mentor for specific individuals and so on. It is a very well thought-out, very well executed, continuing to, you know, add value to the company, but totally oriented for building a sustainable Titan.

The other, which is the culture project we undertook, where we found that there are some areas of behaviour of Titan where we need to improve our focus and that is behavioural change. So there are four aspects to it apart from the basic, which are values of Titan and so at the bottom you see people and unconditional positive regard for people is fundamentally Titan, consumer focus, obsession with consumers and serving society, these will never change, but sitting on top of that are foresee, own, dream, and act, which is, foresee is about anticipating and adapting to the future, improvising and overcoming. Owning is taking charge and accepting responsibility. Dreaming, of course, is about exploration, innovate to create the future and acting is agility. Each of these is owned by a senior member of the team and these are, I wanted to share this with you only because these are initiatives which we have spent a great deal of time over getting all of us together in to a room over several days understanding, evaluating, and changing behaviour. The leadership development itself has three, sorry, four components to it, Top management development, Senior management development, YLP or Young Leaders Program and ELP, Raj it must be 240 odd people or more - It is more than 250 people who are involved in this leadership development program across the company and we are all very excited. It starts with me and 250 people more.

I come to the second bit, which is exploration and expansion. As I said this is something that excites Titan all the time and there have been a lot questions about, you know, is your plate full or are you still, you know, why are you still exploring, you know, going into areas which are small and not so exciting. One reason, certainly it excites us all as a company and not just me and people sitting here, younger people within the company, but taking risks in a reasonable way. So I go straight into the process that we went through between November and January. This is typically the process we follow. The aspiration for 2023 was not set for us, there is a conflict of interests, by Tata Sons of which I am now a member, or the Board, the aspiration was developed from within. This is something you need to know, because in many companies targets and direction are set either from the promoter or from the Board or a combination. Here strong ownership by management gives it both risk reduction, a. it is de-risking the company, b. it also ensures sustainability, because it is the management which has to finally execute on the strategy. So the aspiration for 2023 was set by us through a process, we engaged a lot of people, I don’t want to go through the process and you know where we are on that, both are equally important for us. The rate of 50 million consumers being touched every year and to just give you the number, today it is 20 million. We have approximately 15 million in watches, which is watch sales, but then there are 2 or 3 million in service and then there is 2+2 in jewellery and Eyewear and so 20-22 million going to 50-55 million perhaps, because that is as important as 50,000 crores, because in India we are talking population, we are not talking just value and that gives us a much greater sustainability I believe and if in 50 million if Encircle can grow from 12 to 30 million or even 25 million, you have an asset there, which you can leverage forever. So the elements of that are 40,000 crore jewellery business touching 10 million may be less, but it is an aspirational number. Watches, it is already at 15 million or 15 million for the product plus service could easily go to 25, international Eyewear with a focus on customer acquisition going from roughly 1.9 million to 10 million and new businesses.

A quick look at the subsidiaries that we have, I know many in this room keep wondering why we kept this business alive, the engineering business, it was created out of non-performing assets in the watch business, it has done extremely well for itself, but it does not fit the lifestyle aspirations of this company, however, it has done well in the last year as well. It has got order book which can take it beyond next year. It has excelled itself in quality and acquiring customers globally. If there are two parts to this business, one is the automation business and the other is the metal cutting aerospace and defense business. The revenue was 253 crores last year with 147 and 106 as you can see, but the order wins is the one we should look at when I said going beyond one year, it is 270 crore order win and it is a hugely export oriented business, so there is value sitting here even as there is a reasonable amount of profit. It is not loss making. Yeah, yeah, no problem. I can tell you it is not loss making, but its return on capital employed is rather low compared to the company's return on capital employed.

The next I want to talk about is CaratLane. There is a lot of detail in the next two to three slides, but it is a strategic acquisition we made not just to be the leader in online as well as offline, it was the future orientation of the company that made us do this, because we know that online is growing and online is growing not because online is existing, online is growing because people want the convenience of online and it is the young who want the convenience of online; the profile of the CaratLane customer, I can say Venkat, is significantly different from the Tanishq customer. Its ticket size itself is different and therefore it is customer acquisition, it is learning about online and not just that, this company has significant technology capability which is already adding value in the Eyewear division. It is very different, the Bombay Deco line that was launched is one of the examples, but innovation and design is at the core of what CaratLane does, a jewellery brand with a digital soul. I think this is important for you to understand and it is not just another online company created by somebody who is digital native, it has been created by a jeweler and therefore being a category player, it is an important differentiator for us. So our acquisitions or our inorganic play will still sit in capability building rather than capacity enhancement. This is the messaging about CaratLane and all the rest that follow as far as our subsidiaries and our joint ventures are concerned. It is about learning capability rather than capacity and scale and size and expansion and so on; I hope it will remain like that for a long time. It is integrated into the Encircle program, etc., this is there on our website, you can have a look. I do not want to spend too much time and I am sure a little bit of this will be dealt with by Venkat in the Jewellery. Its high focus on innovation in design and a whole lot of marketing, all the marketing is done in-house by the team within and it is mainly to do with technology. I think Mithun is here, I can't see him, I saw him a little while back, there is, backbencher only. If you remember several years ago we spoke about the premiumisation journey for watches and for the company itself so three properties, Zoya, Favre-Leuba, Montblanc are three different initiatives to see where it can take us. It is not too big, I mean Zoya itself is not that big, two stores, it is not as exciting as a Tanishq business, but it is an investment we have made for the future, it will expand this year quite significantly. Favre-Leuba, you know, is the second oldest brand in the world, 1737. We bought this brand at a very low price, primarily with India in focus, but the advise that we received was this needs to establish at least a little overseas before it comes to India in a big way, because credibility of a Swiss brand - Xylys is our own brand - but Favre-Leuba is pedigree Swiss, but not a successful Swiss, but it is one of the oldest and there is a lot sitting in that that we can do, but primarily India and Asia focused. So the strategy is to sell in few select markets, to gain credibility overseas for the Indian overseas as well as the Indian travelling overseas and you will see much activity for Favre-Leuba in India in the next year. It has created some really iconic products. This is a technological marvel, it is a mechanical watch with an aneroid barometer, not a sensor to sense pressure, anyway, that is the tech part of it. It has won the Watchstars Award in a category called New Stars Best New Watch in 2018, significantly different kind of watches. Montblanc is the JV with Montblanc Hamburg, 49% stake we have in this, only for retail, we have 10 stores. Store level profitability has been achieved, but not company level yet and we believe this is another initiative to learn about luxury, because luxury will be big play in India 10 years from now and the faster we build capability, the better off we will be. It does writing instrument, watches, leather, and accessories and is selling through new channels like Tata Cliq. Early signs are encouraging, 80% of the watches are from non-metro in the Tata Cliq site, so there is potential not just in the cities, but elsewhere too.

Those are some of the new interesting products and that is one of our stores that we have opened in Delhi in Chanakyapuri. Taneira, the exciting new brand from Titan, it plays to the India pride, Indian pride story squarely and it is not that we just, you know, pulled this out of our hat, it was a process within the company called Ignitor, which the young people of the company got together and said there is an opportunity here and research clearly showed us that Indian women feel for special occasion where that the Sari is the best that enhances both their personality and their own image about themselves. It is a two store business right now, but we will expand and invest, the results are good, the first year results, we have done a fair number of trunk shows in various parts of the country. Consumers are rooted, yet progressive Indian women, 25 years plus and confident, self-expressive and with a pride in India, buying for weddings, bridal festival, work-wear and gifting and this is what we have seen. It is just growing the interest in this category. Right now, it is hand-made silk under one roof as the strategy. There are two stores in Bangalore. The villa format is what we prefer and women are loving the fact that the saris do not have to be pulled off the shelf, they can touch and feel and we have made sure that the store staff is confident about products and you learn from consumers itself about the category. We are now going to explore potential in new cities. I think Delhi is coming up; two stores in Delhi are coming up soon, we are exploring Chennai, Hyderabad, Mumbai.

Skinn, you are all aware, it is a world class product crafted by the best perfumers in the world, especially for Indian consumers. It is growing very rapidly. Our belief is that for Indians with lifestyle aspirations, one of their products will be this, again highly unorganized, huge smuggling going on and price points which are much higher than us is what this category was all about and it is still under 100 crores I must admit, but the potential for this is high. I do not think we will have 20,000 crore businesses, but we have, may be 250 crore businesses and what is wrong with that. Most brands in the lifestyle space in apparel are under 1000 crores, the brand which are 30 years old are at 1100 crores today in lifestyle. So to find 1000 crore categories is possible, but to build

1000 crores brands may be difficult. It is growing at over 100% year-on-year. We are exploring adjacencies in this category, so 500 crores in five years is what it will be, continuing to invest in brand awareness, incidentally all these numbers are UCP numbers so and when I say 250-400, it is something else when it comes to NSV. Focusing on key channels, I think the big story in this it is the number one brand in the large format stores, despite the competition from foreign fragrances, isn't that right Ajoy. It is the number one brand in Shoppers Stop and so on and all the department stores.

The last bit I want to share with you, Subbu said 45 minutes and I said 20 minutes and I am still speaking, I cannot stop talking you know. Building a wholesome and responsible, I think this is the most important bit that I would like to share and the next few slides is one aspect of it, which is the sustainability and the CSR investments we have made, but just to give you, a 2-minute background, ever since inception, the very fact that we set up our plant in Hosur, of course the choice was made by the Tamil Nadu Government and the Tatas, it was a backward district, but from day one, we have ensured that the communities around benefit because of the entry of Titan. So we recruited from schools in and around Hosur, we did not go for domain expertise as many businesses that want to hit the ground running want to do these days. We built capability of watch making, thereafter jewellery making. We built a township; we have one of the best schools in that part perhaps in Tamil Nadu, CBSE school for the employees and they give back to their communities they come from. This has continued in the plants we set up in Uttarakhand and that is just recruitment. But the exceptional work that jewellery has done with Karigar Parks, lifting the lives of craftsman, that does not even sit in the next slides that I am going to show, because it is part of the business, it does not qualify as CSR, but all I am trying to say is we did all this even before the mandating of CSR came into this. The rest which is about ethics and integrity, I think you know better than us as we have run our jewellery business in a manner in which we believe it has to be run or in Eyewear and in watches where smuggling is still rampant and you see the temptation is not that 8000 people in the company will be tempted to do something wrong. Our ecosystem is much, much bigger than that. We have dealers, we have franchisees and the temptation can be high, but I believe the ethical organization that we have built, the last person in the queue should not break the ethical code. On demonetization day at 11:59 or at 12:01 if that girl in Vijayawada had accepted an order and say I will manage, it would have been a reputational disaster for Titan. So sustainability, the first bit I have already covered, which is transforming businesses in the unorganized sector, local employment opportunities I spoke to you about, creating sustainable livelihoods, we even have a initiative, which is the 30 year initiative, called Meadows in Hosur, where self-employed women, you know, they get together from the villages around and do simple jobs for us in watches and jewellery; transforming lives is about the Karigar Parks story. So the sustainability policy of the company is very defined, very strategic; we have four verticals, which is girl child education, skill development, supporting arts and crafts apart from supporting national causes, but the most exciting perhaps from your point of view is what is, we call as design impact awards, which is we have launched a country wide initiative calling for inventors across the country for products that can make a difference in the society. This first phase has been completed, 993 applications received. There are 14 I think in the last phase which are going to get funded by Titan to see the light of day.

They are prototype, we have a jury which is exceptional jury and so this can become a very big platform because design is a core element of Titan and therefore, contributing to Indian society through design, but by funding and resourcing and training people, who are inventors and innovators in India. Counting, 3.55 lakhs beneficiaries directly benefitted from our FY 17-18 - spend of about 22 crores or more - 22 odd crore on CSR.

So that really brings me an end to the story of Titan. The sustainability story continues. We have a new home and we have appropriately named it Integrity. I would invite you to visit our Integrity campus, a few pictures of the campus, it is a green campus. Those of you wanting air-conditioning may have a problem , there is no air-conditioning in this except the board room - that is the look. There is a helipad behind our office. **There is a temple and** school.

Thank you. Thank you for your patience.

Speaker 3: Mr. S Ravi Kant, Chief Executive Officer - Watches & Accessories & EVP Corporate Communications

A very good morning to you all.

Many years back, you know, people used to ask Coke what is your secret formula and in that same breath, people asked successful companies what is the secret sauce? You know if you look at the institution Titan, the same question gets asked, what is the secret sauce of Titan for its success? There are many reasons for that, one of the key reasons is, you know, three words if you take, which are commitment, loyalty, and engagement with the company of all its stakeholders is certainly one of the reasons. You take consumers of Titan, they are so engaged with Titan, and they are so loyal to Titan and have very high expectations from Titan. If you look at employees, very committed, very loyal, very engaged. Look at our partners, associates and look at investors and so thank you for being so engaged with Titan. I think the expectations that you have also inspire us to meet your expectations and that is like I said the secret sauce.

So moving on, to watches and accessories, three years back, we had done a consumer study, market research across the country, big towns, and small towns to find out what our consumers are thinking about watches, because generally watches were, you know, especially us and the industry were not growing, our volumes were declining, whatever value growth was coming was coming on the back of price increases and consumers were asking questions like why do I need a watch and I have enough watches, what will a watch do and finally even the new watches are just, you know, yet another watch and what else can a watch do for me plus I used to buy watches for gifting earlier and now I have so many other options. Sitting at home, I can click a button and on E-commerce, order a perfume, order a wallet, a bag, a mobile phone and whatever else. Over the last two years, I think a lot has happened in the watch industry, not just in India, but worldwide and that is great news for us. If you look at the global industry, with the last two years even the Swiss watch exports had been declining, there is this whole emergence of a new breed of players in the watch industry worldwide, which is, you know the mobile phone players. The emergence of Smart has really added so much of excitement in the category and that is where, you know, has brought a fresh breath of life to the category and consumers now have one more reason to buy.

The other is if you look at Channel dynamics, specially in the context of India, the emergence of E-commerce has brought back so much of excitement, not just in the watch category, but in so many other categories, because sitting at home, click of a button, the convenience, you don't want to visit a store especially like I said in the context of gifting has brought a new breath of life for E-commerce, the whole channel dynamics that I am talking about, we are fortunate enough as a company to have a portfolio of brands as well as a portfolio of channels. We can participate in all the channels, we can participate with our brands across all price points and that has been the reason of success in the last couple of years and the watch business has really in a sense turned around.

We launched a strategy called re-craft. Two years back like I said, we were not growing in volumes and value growth were low single digit and so was the industry and the three pillars of this re-craft strategy of the watch business were growth, profits and seeding the future, all three in parallel had to be done. Let me just give you a brief scorecard of what happened in the last one year. Our volumes were declining, had stagnated and we launched a mission called Mission Million and we have added one million watches last year in terms of volume and so we have seen volume growth after many, many years. People were asking about Fastrack saying what is happening to Fastrack. Let me share the good news with you, Fastrack is the fastest or the highest growth brand, last year it grew by 14% much higher the other two brands, the other two core brands. Premiumisation journey is the other journey we are pursuing in addition to volume growth. So with the launch of and success of collections like Raga, Masaba, the growth in Xylys, the growth in Edge Ceramic, which has got a huge response, you know it is such a unique product at that price point and so all of them have full premiumisation and our growth in watches in a **bowl** if you were to say 4000 or 5000 rupee price brand is much much higher than the overall growth of Titan brand and that is again a good sign.

Moving on to profit, you have seen the results, we have hit the highest ever profit in the history of watches, 273 crores, of course before the exceptional item. Margin growth has been very, very encouraging, we have closed at 13% margin this year. There are many verticals and channels like I said within watches and there were four verticals and channels which had not broken even, the large format store channel and the After Sales Service channel both have broken even this year for the first time and there are two which are near breakeven which is, Helios and the accessories vertical and they will break even in the coming year. We have a very large manufacturing team, a large manufacturing complex and like we said we manufacture 15 million watches and therefore capacity utilization was not complete. For the case plant, we have touched 100% capacity utilization with the increase in volume that I spoke about.

Coming to seeding the future, Titan has done a lot in terms of participating in the whole Smart Watch growth which is still in its nascent stage so to say in India, worldwide you are seeing that becoming a fairly large category. We were during Quarter 2 of last year, the number one selling wearable, when I say wearable, I am including bands and that was on the back of success of our band, Reflex band, one of the Fastrack brand that we have launched, number one in the country and this is published by IDC, which tracks the sales of various brands. We were for the year number three ranked in the country and that includes all bands, which are sold in the country with the Chinese brands, at you know, sub 1000 rupees, 1500 rupees including all of that and that is I think a big achievement. We have also been working in-house in terms of development on the Smart front and I cannot share the names of our customers, but you will be pleased to know that we have developed our own in-house components which go into Smart watches and we have supplied to some European brands, Swiss brands, all of them.

The third in terms of technology was, you know, enhancing our presence in the digital medium spending much more in advertizing because that is where the consumer is and all our brands especially Fastrack has been investing a lot in the digital medium and connecting to consumers in that space. Moving on to consumers and reaching out to new consumers, you know it is very important to add new consumers and not just rely on our existing customers. E-commerce as a channel, which I spoke about which has emerged as a big channel in the last couple of years, we got 90% growth this year and that is turning out to be very important and this includes all the market players like Amazon, Flipkart including our in-house Titan.co.in and Tata Cliq and all of that, Myntra, Jabong.

The large format store is the other place where modern consumers are going and it is very important to be present there and participate. We gained market share last year and we crossed the 300 crore mark and that is another very important channel for us. In addition to large format stores, we also participate or reach out to new consumers, who are seeking International brands by licensing International brands, which is a separate vertical, which also distributes these brands for the entire country and we have the rights to sell those brands and that channel or brand vertical grew by 35% last year. That is about seeding the future, reaching out to new customers, launching new products and participating in this whole Smart space.

A quick overview of last year, we had to participate in the E-commerce space, we had to regulate and be very strict with trade because we have to stop the over discounting that was taking place and that was done. We re-organized the whole service structure, you know, and merged sales and service functions, especially in the frontline to cut out the waste and improve profitability of the service function and that is what I spoke about that the service function has also broken even. We closed the whole lot of large format stores, which were not profitable and the whole large format stores consolidation has also taken place, we are now present in about 250 stores in the country. Many cost cutting drives were undertaken from the voluntary retirement scheme, a large saving in procurement especially through the indigenization program that we have taken on to cut down on imports and manufacture either ourselves or through local partners in India, components at our expected quality at much lower cost and that gave us a huge amount of savings and of course re-negotiating all our contracts with media agencies, we have also got huge savings there. Now the turn-around that I was talking about, after many, many years, we have touched a double digit growth. The net UCP growth, although the numbers that you see published, which shows about 4% growth, but that is because of the re-definition, introduction of GST and re-definition of the sales value, but the net UCP, which is what the consumer pays grew by 10% last year. The volume grew by 8%, which was after many, many years and the good news is that the PBT grew by 34%. Coming to our brands, take Titan brand and I will just talk about three significant launches last year, one was the Edge Ceramic, which has done extremely well. This was to ensure that our brand image goes up, the brand preference scores go up and the scores have really shot up on the back of this launch. Titan V that Bhaskar referred to is the first exclusive watch designed for women, the Smart Watch, that has done exceedingly well. It is a good looking watch and not just a smaller version of gent's Smart watches, which is what you see coming from most other international brands. It has also increased our scores and our share of purchase against, I am preferenced against modern consumers. The third big launch was the association with Masaba for Raga Brand. We were seeing that Raga watches are being brought only for special occasions, we wanted younger consumers to buy Raga watches and that is where this launch of the collection played a key role. It has done exceedingly well and we reached out to a large number of young consumers through social media. It was the brand where it was launched digital first for the first time, the first time we tried that, it has done exceedingly well.

Let me just show a small video from that collection.

So that was on the making of the Masaba collection. Coming to Fastrack brand which I said was the highest growth brand this year and let me get the brand to talk to you in their own language.

TITAN ANNUAL INVESTOR FORUM 2018 – PART 2

Continuation……. Speaker 3: (Mr. S Ravi Kant, Chief Executive Officer - Watches & Accessories & EVP Corporate Communications)

This has been a year of awards for Sonata, the number of awards we have won; it is very difficult, I mean, I cannot remember any other brand winning so many awards in a single year and there is one more award that Sonata has won which I will come to very shortly. The association with Sushant Singh Rajput has really worked well for us. The new campaign has brought in a fresh look. The new products have done exceedingly well and if you look at all the brand matrix, they are the highest ever, whether it is top of mind awareness, whether it is consideration, whether it is most preferred brand course that the brand has got from its consumers in terms of response and so this brand too has done exceedingly well.

Looking ahead, you know the two challenges as one would say or the two tasks are sustaining interest in the category and sustaining business growth. If we were look at them as challenges is one way or if you were look at them as opportunities that is the other thing and so if you were to go to the first challenge, which is about sustaining interest in the category, we plan to do it with differentiated products because we see that as an opportunity, embedding technology in our products to sustain interest is the other opportunity and we plan to work on that. Sustaining business growth is both because we have a portfolio of brands, we can go after volume as well as we premiumize and the strategy is to ensuring that we continue on the journey of design leadership through leveraging the in-house design studio we have and also partnering with some lead design houses as well as key designers that I spoke about and we are working with couple of them right now as we speak. The road map for technology products is very, very exciting. We have a huge number of new products lined up in the coming year and the years to come in the Smart Space. For volume drive, it will be Sonata and Fastrack. We are embarking on a new journey for Sonata last year after many, many years; the brand Sonata touched the 5 million mark.

We did 5 million watches and we have fairly aggressive plans as far as Sonata for the next 3-4 years for volume growth reaching out to small towns, rural markets. Fastrack Youth Connect. In the video you saw some of the new properties, which we are developing which is the Titan, Fastrack Music Run and the VH Supersonic Association, all of them are very, very important and helping us to reach out and connect with the youth of today plus reaching out to a lot of colleges, we reached out to many, many colleges last year and there are specific plans to target the number of colleges that we are going to get this year. Premiumisation of costs, Edge, we have many new stories lined up, I will share one of them with you, Raga, Xylys license brands will take us there. Just to briefly touch upon the roadmap for a Smart, I spoke about Fastrack Reflex band being the number one brand in Q2 in India as per IDC; we have many more products lined up. Our future growth in Smart is going to be lead in the analog space. If you look at the future or the forecast for Smart Watches worldwide, 3 or 5 years from now, it is the analogue watches which will be, we will have a much bigger share than the digital watches, which is what the mobile players have and offered and so our in-house technology that we have developed will help us progress on this and that is where the two watches you see are on a sample of the kind of Smart Watches that will come out in the coming year, of course, looking at new platforms, new opportunities, whether it is payments, whether it is NFC or whether it is, all these are micromotor-based.

I forgot to mention we are also coming out Smart Wallets and Belts that you see on the right hand side top of your screen, so we have an exciting brand journey ahead, talking of brand Titan, we are unveiling a new brand identity, this is a glimpse of that and that is the first big initiative for the coming year across whether it is retail, whether it is communication, we are unveiling a new brand identity for brand Titan. We are going to be far more energetic to reach out to like I said, newer customers, and younger consumers. There it is going to be segment focus especially after men, we have done exceedingly well in the last couple of years as far as women segment goes with Raga and many other collections that we have launched.

There is a greater enhanced focus as far as we go for the men's segment and many new watches lined-up, Smart Category I spoke about, and we will maintain the momentum of Raga. This is the Edge next collection that I was talking about. The Raga Imperfect Collection it is called because women are about imperfection so it is called Raga IM, nothing is symmetric and it is all very imperfect, but that is all women like to wear on special occasions. This is the Nazakat collection from Nebula and this story I will talk about a little later what Nazakat has done to us. Going forward for Xylys brand, we are going to have two lines, one is the Swiss made-line, till now Xylys has only been Swiss made, but we are going to be having a little one more line which will use only the Swiss movements, so it will be a little more affordable than the Swiss made line so two lines from henceforth, which will help us grow faster as far as this brand goes.

As far as Fastrack goes, it is completely new and refreshed look that we are going to unveil whether it is products, whether it is packaging, whether it is retail identity and all of them are going to be unveiled in the coming year, we have large number of stores lined up for renovation in the coming year and they will all carry this new identity, a lot of work being done. You have seen only a glimpse or tip of the iceberg as far as Smart watches brands are concerned, for all our brands in the coming year, we have a huge number of products lined-up including the economy segment which Fastrack will reach out through the E-commerce channel as well as in small towns. The Youth Connect I spoke about which is what we will pursue, a glimpse of some of our new products in the coming year, the Fastrack ex-collection and this is again a unique collection, we are going to launch where the watch can be customized at the store level and this is an innovation that our manufacturing team has come up with. This is a unique product, I will talk about it when the time comes, but this is the set of two brands coming out of the Fastrack brand, which is so unique that at least one of them, there is no other brand in the world that offers the feature and we will talk about it when we launch. Coming to brand Sonata, we will focus on men as Titan **Wheels**. The journey of Smart has been subdued so to say because you know the moment you induce Smart technology, the watches get expensive, but for the coming year, even Sonata brand will see a lot of Smart Products being launched and greater enhanced presence in the E-commerce channel. These are some of the products that are going to be coming out in Sonata. We are going to be having a brand under the Super-Fibre sub-brand of Sonata that you see on your left side slide, which is again a Smart watch and it does not look like any other Smart watch, very different.

We have launched the sleek connections, so Sonata watches did not have slim watches; we have launched the sleek collections. Last year we launched ACT Fit. We launched Act, Sonata ACT, which is the first safety watch under Sonata and we are going to launch Version 2, which is ACT Fit and so it is going to be safety plus fitness built-in and a much better looking watch than the first version of Sonata ACT. We have a portfolio of channels as you see the World of Titan Stores then the next Titan Logo you see represents, the multi-brand channel, the MBO channel, we have 8000 dealers across the country, the Helios brand, which is the retail brand sells and markets all Swiss brands and fashion brands, International brands and the top-end of Titan brand and Fastrack stores and of course, the large format stores channel that you see at the bottom of the E-commerce now each of these channels have a role to play and each of them as we go along year after year depending on where the consumer is, we are able to balance and maximize our share in each and the mix is changing as we go along in each of those channels so as I spoke about in the first slide, there are very few brands which have the opportunity to participate as actively across all channels because they may not have that portfolio of brands and so being present across price points and very strong own network, we are able to participate across and so each channel has a role to play and are mixed exchanging as we go along.

The key initiatives as far as retail channel goes which is retail expansion, we plan to open 20 World of Titan Stores, 10 Fastrack stores and so that is 30 plus again another 10 Helios Stores, a large number of renovations I spoke about new retail identity being unveiled both for Titan as well as for Fastrack and so we have a huge number of renovations lined up in the coming year, we are also going to be adding service centres stores. Today the Fastrack stores do not have service centre and the consumers have to go to the World of Titan where the service centres are there and that is what we are going to do and also with some Helios stores. There is a lot of investment, we are going to make in upgrading the standard of our people in terms of product knowledge specially as you sell more expensive products, you have to educate the customer and be on top in terms of product knowledge and stories that you can weave around new products and so lot being done there and taking intervention as far as sales force automation is concerned especially in the trade channel, I spoke about 8000 dealers that we have, we are investing in that too in the coming year. License brands is the other growth driver that we will see in the coming year, which has done very well this year and it will continue to do well. These are the three new brands we launched that we have licensed, Coach, Anne Klein and Lee Cooper and all of them are doing very well. We have opened across many of these brands, more than 100 doors in the country and these brands, I have not seen this kind of growth in any other market, each of them have, you know, our position differently. If you take Coach, it is at a higher price point, Anne Klein is again a lady's brand, but a little more affordable ad Lee Cooper is a fairly young brand for the Youth.

International markets have seen, you know, we have had different experiences in different parts of the world, the middle-east economy that you keep reading about and hearing about is facing a lot of challenge, but we are seeing growth in places like Thailand, Malaysia, Indonesia, in Philippines, we have done very well last year with specific campaigns, new products being launched.

In Malaysia, we tied up with a celebrity the lady you see here is Neelofa. She has a huge following amongst the youth in Malaysia as well as you know some of the neighboring countries. We have even launched a collection called Neelofa Collection which she unveiled and that has done very well. On the left hand top side you see a watch that we created for the King of Thailand and that watch got sold out because you know there were a lot of followers that the king who passed out last year has a campaign for Ramadan in the Middle-East. The other big story is our tie-up with Amazon for the US market and Titan has done exceedingly well. We are growing month-on-month, during the Christmas season last year, we did extremely well, much above their expectations and so they are now talking to us about going out to Canada as well as UK through Amazon and that is lined up.

A lots happening on the manufacturing side, the Make in India program, which we actually we make in India for the last 30 years but the whole indigenization program is really picking up space and so helping us to bring down imports and manufacturing at a much lower cost in India with ourselves or you know the eco-system that we have developed and so that program is picking up. With the excise duty benefit going up in some of our plants like Dehradun and some of our future plants, which will come up and we have to take care of that, we set up a new assembly unit in Sikkim and that is going to be scaled-up in the coming year, we started this last year, capability building and innovation technology are really the pillars of manufacturing. We are also looking at, reaching out to the US market in a very different way and the picture that you see in the middle is an American assembling our movements and in the future, you will hear about Titan movements being assembled in the US and in this case, we are transferring our knowledge and technology to them to make movements in the US for American Brands.

Scaling development, we opened up a polishing center, which you can see Bhaskar unveiling on the right hand bottom corner and so a lot is being done in terms of capability building and manufacturing because that is really our strength. Accessories have done fairly well. During the coming year, you will see a lot more attraction as far as accessories go, our growth is coming a lot in belts and wallets and so we have many new products lined-up. We have ladies bags that you see in the middle, which have done exceedingly well.

We have opened many large format stores with these bags as well as backpacks. Most of our brands have won awards. The one that you see on the rack right hand top is the Brand Equity Award for the Brand Launch Of The Year, you know, which is just for Sonata ACT, you know, I was talking about one award of Sonata that I will talk at the end, and so this is what I wanted to talk about. It is **Eminent Jewellery** that came up with this award and the award has been given for conceiving the idea to taking the product to the market and reaching out to, you know, meeting a specific need, which women have in India. The one that you see at the bottom on the right side is the Tata Innovista Award for Nazakat, which is on Nebula watches, it is a design honour award and that is what I said I will talk about later and on the left you see Fastrack being judged the busiest brand as far as this year goes and so most of our brands have won awards this year and a host of them. Coming to the next 3 years or even the next 5 years for that matter, there are 5 pillars of growth that we have and these are technology, we will see a lot of smart products coming out, reaching out to large number of consumers and so we have specific numbers that we have in mind that we want to reach out to in terms of volume and new customers that we will add, new brands that we will introduce in the coming years specifically in the next three years and 2 years to follow, profitability focus, enhancement of margins, and finally growth because that is what all of us want and these 5 pillars represent the watch pentagon which represent also the vision 2021.

Thank you.

Ronnie may I invite you.

Speaker 4: (Mr. Ronnie Talati – Chief Executive Officer, Eyewear)

Good morning!

So Bhaskar started out by talking about the aspirations for Titan when the management of Titan met between November and January of last year to set the aspiration and in-depth dive was done into the Eyewear business to see what it could be done with the Eyewear business, while the Eyewear business has done reasonably over the last 10 years, but growths have been muted, same store growth has been single digit, overall growth has been low double digit figures and so we got together and we said what can we do to really make this business take off. What aspirations do we set? What we do to make this business see exponential growth from here on now?

So the first thing, we did is that we set the vision for this team and we said that we will target first the number of customers. It is all about customer acquisition. Today between our sunglass business and our Eyewear business, we have about 2.4 million customers, 1.4 million in the Eyewear business and about 1 million in the sunglass business. So we said that we have 2.4 million customers. How we do take this to 10 million customers? This is, I am talking about a year, 2.4 million customers a year, how do we take it to 10 million customers a year by 2023?

Market leadership and what market leadership means really is in the minds of the consumers, when people think about Eyewear, when they think about spectacles. They should think about Titan Eyeplus, that is market leadership in the customer's minds and of course being the best solution provider for vision care in the country and this is the vision, we set for ourselves when we met in December of last year. Our journey so far quickly, we started our first store in Bangalore, ten years ago at Safina Plaza and that is incidentally is at the same place where we started our watch business 30 years ago. We have today 500 stores as on 31st of March, 4500 sunglasses outlets, sunglasses is a distribution business and so we have about 4500 optical outlets for sunglasses, a total retail area of 3.2 lakhs square feet.

I told you about the number of customers per year, our run rate is 1.4 million customers for the retail Eyewear business and 1 million customers for the sunglass business, which makes it a total of 2.4 million customers. We have one lens manufacturing facility, our main lens manufacturing facility just outside Bangalore and 4 satellite lens labs that we have set-up across the length and breadth of the country and so this has been our journey so far over the last 10 years. The category construct, a quick look at it and where the opportunity really lies for us, out of a total population of over 1.2 billion people and people who need vision correction is estimated at 530 million people which is roughly 44% of that 1.2 billion people and actual spectacle users out of the people who need vision correction are just 170 million people that is just 32% of the people who actually need vision correction, actually wear spectacles and the annual buyers of spectacles are just 60 million which is just 35% of the spectacle users. So that is the kind of opportunity and it is underpenetrated market and that is the kind of opportunity that sits there, but there are certain category barriers, which restrict people from buying spectacles and the main one is that this is the category that you enter out of force, not out of choice, because it is a loss of control on the way one looks typically, it is the loss of youth, it is perceived as a loss of youth, in certain smaller towns, there is a social stigma attached to wearing spectacles and women particularly have a higher barrier to wearing spectacles again because of the same reasons about loss of youth, it affects the way one works and so on, so number of barrier sitting here to actually entering into this category.

A quick look at the market, it is a fragmented market, underpenetrated and largely unorganized. We have 30,000 outlets, which are what we call the mom-and-pop stores who play in the unorganized market, we have a few national players, we have some regional players, but a very large part of this market is an unorganized market of these mom-and-pop stores. The disruptive offers in this category have become a norm mainly led by some of the online players who we do this in all categories. Increasing advertising expense, suddenly in this category large amounts have been spent on advertising whereas earlier, you know, you didn’t see any ads in this category at all. It is a quasi-medical category, but it also has a very high-fashion quotient. The conversations in this category all around frames, you know, even when people come to a store, they typically talk about frames, they spent 80% of the time shopping for frames and when it comes to the lenses, it is just 20% of the time, they take whatever the optometrist really tells them what is good for them and they accept it.

Consumers tend to experiment on the back of deals. If they get one spectacle and offered another pair free, they say okay, even if it is coming cheap and is of poor quality, it will last for six months, I paid so little for it, it is okay, even if something happens, I am fine with it. So they are experimenting, they tend to experiment much before because the prices become so low on the back of deals. The customers need help for choosing the right frames and lenses. It is assisted category. It is not an impulsive category where people go, pick up what they like and walk out of the store. They have to be assisted in choosing the frame, what will suit their face, what kind of lens they need, so on and so forth. So this is a quick look at consumer behaviour and what the market looks like?

Coming to Titan Eyeplus, which is a retail business. Last year was a reasonably good year for the Eyeplus business, our retail business. Our overall and same store growth was, as we targeted it, we had a 13% overall growth and 6% same store growth. Our strategy of doing calibrated expansion versus doing very quick expansion has been very successful, our success rate of stores has gone up significantly from 44% to 76% because of the calibrated expansion. When I say calibrated expansion, I don't mean opening just a few stores, I mean opening large stores and stores that gives us significant business, so we opened about 50 such stores in the previous year. We shifted our brand platform after many years, we had taken on the brand platform of lifestyle and we shifted that to one of expertise and that we are the experts in this field. We had a simplified incentive structure which drove our staff to sell much more. We set-up our satellite labs, which are significantly benefitted us. These are small labs in North, South, East, and West that enhanced the delivery times to customers. We were able to offer things like 30 minute delivery to customers of spectacles. It reduced our turn-around times, very significantly. Bhaskar spoke about it briefly that we wanted to leapfrog into the Omni-space, we did not want to wait for Titan to set up its whole digital network and so we used CaratLane to help us. CaratLane became in a way our franchisee.

They set up the platform for us. They are experts in the Online business, they have leapfrogged us in this and so we started our Omni-business before everyone else in Titan and that has benefitted us greatly because a lot, we use this Omni-channel really not so much as Online channel, but we use it, to really drive people to our Brick and Mortar Stores. Our NPS scores which are real-time NPS and this is not something that the stores themselves fill-up and this is what the customers tell us went-up from 27 to 43, which is, you know, players like Apple and so on, who are world class players, they have NPS scores of 50 and 60 and our ambition is to get their very soon and we are at 43 right now. We have something what is called a Crown Team which is really an interface between the front and the back-end. In our earlier service, it came out that there was a big gap between the front-end and the back-end and delivery to our customers was getting affected and we corrected that. ONA which really stands for Optometrist Not Available in the stores and when an optometrist is not available in the store, the store literally is closed, because you can't test people eyes and yes, you can't tell them what lens is suitable for them and this is a huge problem, because we have high attrition rates in our optometrists and after brain storming a lot about, we came out with a very simple solution.

Why not introduce two optometrists in the store instead of having just one optometrist and that brought the problem down significantly. We have one what TRRAIN Award is a retail award and **Qimpro** Awards. They are retail awards basically and we won it for 3 successive years, our sunglass business last year suffered mainly because of GST. The whole optical trade who we distribute our sunglasses too was in turmoil because of GST. They did not know whether to register under GST or not and that severely impacted our sunglass distribution business, which is a very profitable business for us and therefore overall impacted the Eyewear business last year.

The challenges that we face, Walk-Ins has been the biggest problem, how do we get more walk-ins into our store and we will address that because that is the biggest need of the hour? Deals and discounts, we already spoke about and that's become part of the category mainly brought in by the Online players. We are perceived as very high priced, Eyeplus is perceived as a premium brand today and we are high priced. People see us a high priced brand and we have to address that problem and that is connected in a way with the first one that we spoke about which is get Walk-Ins, because of profitability in this business, we have been making low investments in marketing and that is something that needs to be corrected. Not enough people know about Titan Eyeplus, not enough people know about what Titan Eyeplus does and how do we really correct that.

Investments in manufacturing and why I have put this as a challenge is because these investments that we make, for example, we are in the process of setting up frame manufacturing and while all the overheads and so on have commenced, frame manufacturing, commercial production of frame manufacturing, where we start getting the benefits from frame manufacturing has just started and so these are things that affect profitability in a way, but we are really building for the future over here. Investments in renovation, our retail channel now is 10 years old and we have to renovate this channel and every time, we closed down a store, why it is a challenge for us is every time we closed down our store to renovate the store and it takes 15 days to 30 days to renovate a store, we don't just lose business, we lose customers and when we lose customers it is very difficult to win back those customers and that becomes a huge challenge for us. Franchisee profitability another challenge, the business was not large enough and therefore the franchisee were not making enough money and therefore we were not getting enough franchisees to run this business for us.

Last but not the least creating differentiation. Where do you create differentiation because everyone goes to the same vendors in China to buy their products, to buy their frames, to get their lenses and therefore where do we create differentiation in this business and so these were the challenges that we have faced over the years. Coming to the focus areas for 18-19, on our journey to these 10 million customers, the first priority, we figured was to break this negative price perception. I told you that we have been and this is not something that we have come up with and there is a negative price perception. This has come out of many months of research that we have done, people see us as an expensive brand.

People see while they see Titan the brand, as a mid-market brand for the middle-class people, Titan Eyeplus has seen as a premium brand somewhere and we need to break this premium and this is not just as a perception, but even when they come to the stores, they see our products, they see expensive products and we have to deal with that, how do we bring down our prices, how do we change this negative price perception in consumers' minds? Bringing alive that Titan Eyeplus proposition which is expertise, we said we had switched to a platform of expertise but we always had the platform of style and so expertise and style, but the thing that we are adding in is of great value. How do we give them this at very good value? Make adequate investments in marketing. I told you that one of our big challenges was that we could not because of profitability issues, we could not make significant investments in marketing and that is something that we are changing significantly. We have to get people into our stores, we have to get people to talk about Titan Eye Plus, we have to have market leadership in the minds of the consumers and therefore we have to significantly invest in marketing to get this done while the experience at our stores is excellent, our products are very good, quality is very good, how do we get people into our stores? How do we get them to know about all these things?

Additional lens labs, we have already opened 3 lens labs across the country. We will open more such lens labs and these have proven to be very, very useful for us in terms of delivery to our customers. Today, we have one of the very few Eyewear brands in the country that can give same day delivery and these are the lens labs have enabled us to do that. No one in the country gives 30-minute delivery of spectacles. You can get a progressive lens today in 30 minutes and a full pair of spectacles in 30 minutes and no one does this today and we are able to do it mainly because of the lens labs that we have opened across the country. Creating differentiation, we have started production of frames ourselves. We have set-up our design studio, this will give us differentiation, we can design our own frames today, we can manufacture this in our own plants, and it will give us huge cost benefits as we go down. This frame manufacturing facility has the capacity to make 1 million lenses a year and this year, we will be starting with ramping our production slowly. We will be starting with 1,60,000 frames a year starting from this year.

Last but not the least, we will commence frame distribution and this is a big thing we debated it for a very long time whether we should commence, we should keep this business as only a retail business or the watch business, make it a mix of retail as well as distribution business and we said that if we have to expand our reach and to get so many customers into the network and get people to know more about Titan and Titan Eyeplus in the Eyewear business, we have to reach out to many more people and the only way to do this would be through distribution. The distribution would be in the places even if we set up tomorrow 1000 stores, we will not be able to cover the entire length and breadth of India and we won't be able to cover every segment of customer enough and therefore we felt that distribution was the way forward. We had to go in for distribution to get in a whole new kind of customers. So these are the main focus areas for 18-19 which we will be pursuing.

So it is about extending reach, driving same store growth, making significant investments in marketing and expanding the value chain. I will quickly take you through this, extending the reach is about expansion of a retail chain. We will continue with calibrated expansion much as we did last year. We are looking at opening 40 new stores next year, distribution to trade, I just spoke about, and we will be starting this for the first time to cover, to expand our reach significantly. Our Omni-channel is also up and running now and I would urge all of you to go on our website and try out our Omni-channel play, a lot of people discover us Online and go to stores and make their selection or select Online and then go to the stores and try out spectacles or complete the entire transaction Online and so we have a significant Online Omni-Play with the help of CaratLane who have set up this channel for us and I would like all of you to try it out. It is something quite significant and we are only going to strengthen this Omni-Play but the main purpose of our Omni-channel will be to drive people to our Brick and Mortar stores. We will also be piloting and aggregate a model and what this simply means is many of the smaller optical stores now. If we can convert them into Titan Eyeplus stores much like the Uber and Ola taxi systems do, how do we get these people together and convert them in to Titan Eyeplus stores? Driving same store growth, the main thing over is the first one which is changing the price value equation. I spoke about the fact that we were perceived as a high priced and premium retail chain and we have to change this and the main thing in changing this is products and this does not mean that we are planning to bring our prices down because that would significantly impact our margins. What it simply means is that we are planning to introduce a whole lot of new products at lower price points? We were weak in price points below 2000 rupees, we were weak in price points below 1000 rupees and we plan to significantly enhance these price points and see significant growth coming in from these price points and getting in a whole new kind of customers as we do this.

Our whole CRM program to enhance that significantly, it has benefitted us lot in the last 1 or 2 years and how do we ramp up that significantly. We have set up a whole customer experience team and therefore we have seen a NPS score significantly increasing over the last few years, a number of field initiatives that we have put in place, a separate top 100 store program that will drive growth same store growth for our stores. Just a quick look at customer experience, what we are planning to do for the first time in retail, we are planning to introduce Six Sigma Lean Retailing, but I think the most important thing that we have found is when our NPS score, there is a correlation between our NPS scores and same store growth and when we see our NPS scores going up, we see same store growth growing up significantly and therefore we are very, very particular about these NPS scores, real-time NPS, we do this NPS with customers when they walk out of the stores, we do it with them, 2 days after they have experienced the product and we again do it with them 15 days after they have experienced the product and this is real-time NPS from customers that we get and this has been very, very beneficial for us as we see our scores going up.

Driving expertise at our stores has been one priority because our brand platform is one of expertise and how do we demonstrate world class optometry at our store? We have the best 20 step, 0 error eye test in our stores, but how do we communicate this to our customers that we give this to them. Getting in frames, Indian faces are different, they are different sizes, typically you walk in to an optical store, and you will get all frames of one size, so how do we customize frames to fit all faces. Innovation in products that is a continuous process and getting in scratch-free lenses, fog-free lenses, a whole lot of products like that, introducing through our design now we have set up design in our own in-house design and how we do get signature products, which will be manufactured in-house and of course training staff and communicating this expertise across all our stores.

In marketing again, it will be about the breaking the negative price perception, building brands alliance, expertise and style, connecting with consumers at an emotional level, somewhere we lost that in this whole journey of premiumising this brand and target different consumer segments via multiple products, but these are all things we will do. The major thing that we will do in marketing is really portray disproportionate amounts of money into marketing to really tell people about what we are all about and that a brand like Titan Eyeplus exists. Expanding the value chain significantly when we do all this, a merchandising has to be rock solid because they will be stores that are premium stores, there will be stores that are mid-market stores and they will be low-end stores and we have to get our merchandising right as per the catchment, frame manufacturing, I already spoke about. We will commence this year with 1, 60,000 frames being manufactured in-house. We will set up more satellite lens labs across the country to enhance customer experience and independent design studio is already up and running and of course to do all this to bring all this to the customer, our logistics and warehousing has to be significantly enhanced and so all this is being put in to place right now so that the customer experience finally is the best.

A quick look at the sunglass business, which is largely distribution business. This business is estimated to be around 1500 crores. The major competitors are estimated to be de-growing in this category. New players are just driving the growth. It has low category penetration. There is 80% single ownership within users. It is a highly cluttered market, a high dealer portion is required due to the high margins and credit that is required for this business and there are a lot of unbranded and fake products at the entry level point. So this is a very brief look at this category. The key initiatives while they are key markets, key dealer focus, driving desirability for Fastrack, we have 3 brands in sunglasses. We have Titan, we have Fastrack and we have Dash, which is for children and so it will be driving desirability for Fastrack and building Titan at the Point Of Sale and like the watch business, we are seeing a significant acceleration in the E-commerce business and so again driving that, but again here, it is putting disproportionate money is around marketing our brands for sunglasses.

Thank you!

Can I suggest 10-minute break you guys wanted to have coffee, please come in and 10 minutes maximum?

Speaker 5: (Mr. C.K. Venkataraman – Chief Executive Officer - Jewellery)

More or less same time last year, we had declared ambition of 2.5x for the jewellery business of Titan by FY-22 and it gives a very good feeling to meet here, a year later having done well on that trajectory for the first year and it has given us confidence to ratchet it up by one year and in the context of the 50,000 crores for the company and 40,000 crores for the jewellery division that Bhaskar spoke about a while back, the 40,000 crore bills up in a particular way and the 2.5x of FY-18 sales as a target for FY-23 is the conversion of that 40,000 crores excluding CaratLane and the international business for the jewellery division and so 2.5x for FY-23 of FY-18 is the revised ambition and ballpark translates to 10% of the market, by then basis a certain a low single digit growth for the entire industry that we see and of course 20% **career** for the division. So my presentation is going to be, by and large about this. I am not going to cover what happened in FY-18 and I am also not going to speak specifically about FY-19 which I am sure will be stuff that we will deal with in the Q&A.

So the first part in some sense, the outlook is more related, you know, to FY-19 because it is a little difficult to predict five years on the surrounding, the first thing on the demand and I think, it is perhaps divine coincidence that our friends in CBDT have also unveiled some kind of ambition for themselves over the five year time-frame and if I were to look at the annual income class of 10 lakhs to 15 lakhs category, CBDT seemed to have done a 2.5x, you know, in terms of their own targeting of this particular income class well aligned to Titan company, jewellery divisions targeting this segment for high value diamond jewellery and the wedding space, and so a 23% **______** is what they have revealed, and the size of this, you know, segment is expected to be slightly under 8 million FY-21 and it is pretty large number for segment of that size and so therefore the segment, which is above average, significantly above average income is expected to grow at a very brisk clip in the next few years in a way aiding our own strategic look in that direction. All the conversations that we are hearing in customer research is that we keep doing all the time is about adornment, adornment, adornment!

People are speaking less and less about investment and even less and less about savings and therefore the jewellery becoming a piece of adornment and that everything that comes with it in terms of what they are willing to pay for branding, for quality, for design and all that is in a way to our advantage. The other good thing we did not expect this, but there is irrational fear of another demonetisation in pockets of consumers and therefore they are latching on to the role of jewellery as a safe haven. So if I have excess cash of 1 lakh, 2 lakhs, 3 lakhs or even my monthly savings from my budgets, I would rather put in jewellery so that suddenly if the government were to decide another demonetisation.

I am not caught with cash on my hand and overall, therefore we feel that the segments that the Tanishq and its sister brands are targeting, the growth rate of those segments are going to outstrip or the consumption rate of those segments are going to outstrip the GDP growth and therefore in a way aid our own differential growth over the next five years. On the competition side, the brand matrix of Tanishq are the strongest as I speak and over the last few years, the brand matrix have risen and risen and very recently have climbed back to their highest levels ever on the brand awareness, what we call spontaneous awareness, brand consideration and share of total preference, most preferred brand on, you know, those key parameters in which we measure the pull for the brand is the strongest and you know, we are in a good position.

The demonetisation, the recent effects which have shaken up the jewellery industry are certainly in our favour. There is a lot of conversation that we are starting to hear about the fear of buying from, you know, an unknown jeweller or not so well known jeweller and therefore am I buying something that is authentic or am I may going to be stuck with diamonds, which are not really what they are sold to me to be and therefore slowly those waves are starting to come in our favour and the GST impact which has actually made business a little more difficult for jewellers in general and particularly middle-sized and smaller-sized jewellers is also playing in our favour because in most of the country, many, many of the towns across the country, our competitors are not national, they are not even regional, they are typically local and therefore their business operations becoming tougher is making things better for us from a competitive advantage point of view.

On the government intervention side, which is in fact been the biggest in a way cutler of our plans in the last, when it did start slowing down, we believe that the worst is behind us including the current account deficit situation, PMLA did come and created a hiccup for us last year, but with the right kind of representation from the industry body, you know, they totally withdrew it and our understanding from the government department is even as and when PMLA comes back in, the threshold will be, you know high enough for us to take it on our chin and move forward. The deposits regulation, which came in recently is in fact in a way advantageous to us and it is going, is putting pressure on other operators in the industry or not companies who are early governed by the companies act. Hallmarking as and when it comes will again, you know, certainly expose a lot of jewellers, who are not giving pure jewellery to their customers and so this is the overall assessment on the customers' side, competition side, and the government regulatory side and we believe that the overall platform is by and large in the favour of the organized section and particularly in favour of the most prestigious and most attractive organized sector brand.

The opportunities for growth continued to be the same. We have been very focused in the last 2 years on the five platforms of growth for us and we do not let anything distract us from that purpose and that certainly paid significant benefit from multiple angles including the scale leverage, which comes with that kind of platform focus and so wedding high value diamonds, golden harvest, low markets, share markets and Middle India.

We added a sixth recently which is the opportunity for gold and jewellery exchange, all of us know that the Indian stock pile is in excess of may be 40 or 50 years of consumption at some or at least 25-30 years of consumption at 25,000 tonnes and therefore, there is a large opportunity to unlock it year after year by giving the customer a very good emotional and you know concrete rational reason to convert that and we have modified our policy for buying back jewellery from customers in the middle of 16 and we went all the way in early 18 to really ratchet it up the attractiveness of this and we believe that it is going to be, you know, the next Golden Harvest if I can call it in terms of increasing the shares of Wallet and therefore Gold Exchange is the sixth driver of our growth that we are looking at and underlying all this is the overall brand purpose, you know, the vision of Mr. Desai when Tanishq was conceived was the purpose of jewellery is about, you know, making a women feel and look like a princess and not sit in a locker gathering dust and Tanishq has been, you know, for that purpose right from the beginning and it has become more and more manifest-like that in the last many years and that is going to be pushed more and more and the best simple indication of that is the share of new products, the sales has been rising and rising in the last few years and we have now frankly enveloped the entire market from all the way down to may be 3 or 4 gm of gold jewellery to may be 250 gm on the exquisite Divyam product and everything in between and similarly 10,000 rupees diamond stud and affordable thing which can make a lower middle class women upgrade to what she always wanted to 3½ crores exquisite solitaire necklace which has been put together through a CNC machine process in the world's best jewellery factory that is in Hosur and in whichever way the enveloping of the jewellery market and of course, we are not leaders in every segment yet, but well on our way and the new product journey is a big part of it and I will just run you quickly through the slides of the products, I won't dwell on it, but to give you a sense of the breadth and depth of this effort.

So these are collections which are being launched in FY-19 in particular. So the breadth is not just in terms of price points and income class therefore but it is also in terms of the appeal, I mean some people are very minimal in their taste, some people like elaborate stuff, some people like very modern jewellery, some people like fusion, some people like very, very ethnic jewellery and therefore the choice that Tanishq is offering and the original choice and not just the choice, but original choice, which is steeped in designs, steeped in the craft of this country and very, very cleverly fused with techniques and also bringing in a certain contemporariness to all kinds of jewellery and so that is the big difference that Tanishq brings, even though very high value, very exquisite jewellery in very high value and almost fashion kind of jewellery in something Mia, very impulsive jewellery made of silver, you can buy on the net and of course something really exquisites, really global and something which can actually belong in Fifth Avenue, Bond Street, Shanzelize, Ginza wherever and more and more customers are starting to realize the power of Zoya and so that is on the platform of adornment and let me just briefly dwell on the six platforms of growth that all of you familiar with and now it is like second nature and now the conversations particularly with the investors is on these five plus the exchange that I am talking about, so 35% roughly in FY-18 to 50% in FY-23.

That is the share of wedding jewellery to total gold jewellery and the parts, the drivers within are fairly copy book and nothing fancy about it and just shear, you know, common sense, systematic approach to the range width, range depth and then expanding that from store to store and presentation zone inside the store, more hub stores, more training of the key people involved in selling and the cultures of the communities and more branding, more marketing and so on and so it is just a whole enveloping way of getting better, smarter, deeper into the segment of wedding. Similarly on high value diamond jewellery and if I were just too sort of reflect back to what I started about the 2.5x of the Central Board Of Direct Taxes which is the 10 lakhs to 15 lakhs annual income segment growing 2.5 x, by and large the same period provides a very good opportunity because diamond jewellery is one of the most aspirational categories across lifestyle categories and one of the first things growing affluent class buys into is either diamond jewellery or solitaire piece, solitaire necklace or some or less solitaire product and therefore this opportunity from the economy side and the direction the Titan Company has put together sort of well aligned and again lot of stock width and depth for example the gardens of paradise, the Mayura collection and Bespoke collection that I sort of breezed through with and all the three of them, The Gardens of Paradise is in the 3 lakhs to 8 lakh, 10 lakh range, Bespoke is in the 10-20 and the Mayura Collection is more like a cocktail line which is low ticket but from a product point of view pretty expensive, winning 3 lakh and 4 lakh pair of ear rings is actually an expensive pair of ear rings whereas a 3 lakhs necklace is bought more by the upper middle class.

A 3 lakhs, 4 lakhs pair of ear rings or a stud is bought by the more affluent class and so combination of, you know, lines like this to push this exhibitions in Five Star Hotels where we can put together may be 70-80 crores of stock and may be 1000 pieces of various kinds of, you know, jewellery as exciting stuff to make a huge impression because we need a certain leapfrogging in terms of impressions that we make on these segments because traditionally Tanishq has not been really associated with, you know, high value and therefore.

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Continuation……Speaker 5: (Mr. C. K. Venkataraman – Chief Executive Officer - Jewellery)

To leapfrog, we need to do things like this, a lot of marketing, you know, investment of course. The Solitaire business has done very well for us and we, you know, plan to make that the whole emotional side of the Solitaire business as opposed to the investment side of the Solitaire business. Middle India and we were just talking about the number of constituencies in India, 500+, and truly even you know it was good that we spoke like that, even in my mind, you know, why can't we have at least one store per you know Member of Parliament, I mean not in that sense, but connected with the constituency because it is a 20 lakh kind of population and 20 lakh is a very large population and certainly from a 10-year point of view, I am 100% sure that will happen, but from a 5-year point of view, the constituency angle, because there are many constituencies which are poor, in Orissa, Bihar, you know, may be parts of MP and all that and therefore it will take a little while for us to reach there, but certainly we are looking at 400 stores by FY-23 in 250 towns and even last year, the experience has been, you know, very, very good and as we start hearing unknown names in our distribution plan, that is when it strikes it that we are really, you know, going places, we are opening stores and you know, we already opened stores in Rudrapur, we are going to Jaunpur, Faizabad, Azamgarh, Kishangarh, Angul, Krishnagiri, the names are, you know, alien to most of us including to people, you know, in Sales and Marketing who have been there, done that if you will, but these names are strange names and you go there, I mean, I have been to many of these places myself and the opportunity is very large. The Tanishq name has got a big pull, the Tata name of course really rocks there.

The nature of competition is in a way muted because there is no national well known other brand in such a town and therefore we hit the ground running, the opportunity for diamond jewellery sale is also pretty good, you know, we could end up doing a 25-30% diamond jewellery in a place like, you know, Rudrapur which is not at all bad which is the average for the brand almost. The potential franchisee interest is very large now, even more so, multiple reasons, one is the brand itself. The performance of Tanishq in the last two years has been very good and everybody is realizing that, you know, the trajectory has changed compared to the earlier three years, that is very important. Therefore, I can make good money in this business is one point. The second is all the bad news about the typical opportunistic jeweller is making Tanishq shine even more and therefore people are starting to see a consolidation happening in the favor of Tanishq and therefore there is a tailwind effect which is coming in that. So both these put together, you know, potential, you know and the prestige that comes with the franchise of a Tanishq is frankly unmatched, unmatchable by any other franchise because of the size, the nature of the category, the ticket size is very operate and the kinds of customers you deal with. You actually become a big person in society of that town and therefore all these reasons, you know and it is actually a exquisitely beautiful category to be associated with.

So from multiple ways the interest in franchise, the Tanishq franchise, is like exploded, so that is on the one hand and on the other we have started working much better together within the Company in terms of the execution part of, you know, property identification to opening the store and so both these are you know increasing our performance on this and we are going to be looking at doubling, pretty close to doubling, our number of stores and the area for FY-19 compared to FY-18 and the kind of momentum will certainly take us to the 400 mark by FY-23 and 250 towns.

The Gold Exchange, you know, we used to, we started with our own jewellery exchanging which is of course is there, and over the last few years, the exchange of the other jewellery has also been rising and in fact in the last two years risen faster and approximately 40% was what it contributed to 40% of our total sales in FY-18 and we are looking at this going up to the ballpark of 50% in FY-23 and may be by a couple of percentage points in FY-19 as well and we modified our exchange policy in middle of 2016 like I said and significantly improved it starting couple of months back. The response has been very, very positive and we have given a very powerful weapon to our more than 6000-7000 sales staff, we have not really marketed it, because their early wins are sitting in the large stock pile of old gold that our current customers have and we have been able to push up ticket sizes and make women, couples, families buy much more than they earlier originally intended to because obviously the old jewellery that was sitting in their lockers gathering a little bit of dust could well be converted to very, very contemporary, exciting in a Tanishq jewellery at a very good value and exceptionally transparent process in which they could trust. So the systematic push in the stores has, you know, actually given us this thing.

The market share program, we have identified between 15 and 20 cities across the country where the share of Tanishq is relatively lower compared to the better performing cities and we are targeting a doubling of share there as well except from a lower base of 4 to 8 and through a combination of low ticket entry products, what are called key value indicators which are low in terms of grammage and therefore for the price points as well as in making charges when the early wins in terms of new customer acquisition when they walk in, they get a sense of comfort that, yes we can buy into Tanishq and Tanishq is there also for us, both in terms of price point and pricing and one of the reasons why we are weak in these markets is because of, you know, the brand pull being low and therefore we need to connect much more with the Bengali, with the Maharashtrian in Pune and parts of upcountry Maharashtra, with the Tamilian in Coimbatore, with the Maharashtrian in Thane and so on. There are parts of Bombay where we are weak, there are parts of Bangalore where we are weak and so on and so this program takes into the account the nuances at that level of localization and is building a program to significantly improve our performance in these markets. A lot of marketing money behind the local connect disproportionate to the sales share of those markets is another driver of that.

Other growth drivers, the Mia brand which is targeting the young women, 750 crore is our view for FY-23. Aveer is a line of jewellery we have sort of formally launched for men, contemporary jewellery for men, actually our sales to the men's segment is pretty large as it is, it is in the 1200 to 1300 ballpark, it is nearly 7% to 8% of the total sales of Tanishq, but that is more traditional jewellery for men who were already enamored with jewellery, but Aveer is a contemporary line and 500 crores of that we are targeting and we have a very ambitious plan for Zoya and how successful we are in FY-19 will sort of reconfirm to us about the 500 crores.

Coming to Carat Lane, Carat Lane is doing a brisk, you know, business. We are looking in the ballpark of just under 2000 crores of consumer price with a very, very wide and deep store network and a combination of, of course Omni in every which way and in the ballpark of 5% a EBIT and 20% ROCE and we are, you know, gunning for an EBITDA breakeven in FY-19 and our ability to actually deliver that will determine the trajectory for the next five years.

Broadly the factors in our favour and why we feel, you know, confidant, very strong brands starting with Tanishq of course, Mia is becoming stronger , the customers of Zoya really swear by Zoya, but our challenge has been actually building a luxury business which is of a certain size, but the makings of that, the proposition is very, very strong and you know whoever buys Zoya, you know, actually feels that Zoya is there, you know, The Fifth Avenue, Shanzelize kind of reference that I was giving is not just from the company's point of view, many customers speak in the same terms and therefore the challenge is actually to get more and more people to come into the store. The environment like I said from the customer's side, I am saying the economy side, from the competitive advantage side and from the regulation side, you know, we feel as we speak certainly in the next one year, 18 months is favorable; because of the overall prosperity in the last couple of years, we have delighted set of franchisees, when the partners who have seen business really explode and our philosophy of multiple stakeholders relations, you know, is paying dividends all the time. The Titan company ecosystem is frankly the largest family run, not run, family business run professionally in a way because everyone in the Titan Ecosystem feels that they are actually part of a very large family and the relationships are very, very deeply personnel and very professional and that combination is a very powerful combination.

Over the last, I would say, 10-12 quarters, the teams within the divisions have risen and risen in terms of collaboration. People have, you know, thrown tough feelings totally outside and you know learned to work for the single common purpose of the division and in every meeting there is a buzz which is all about the common purpose and that is a big thing that going forward and very critically, you know the best in class talent that we have and particularly with reference to the jewellery industry, this is the toughest thing for any competitor to actually beat. It will take a long while for the owners of any of the other national jewellery chains to step back in the roles as owners and actually give total freedom to management and I am sure it is not impossible for something like that to happen sometime, but it is going to take a good while because you need a pretty good width and depth of that management, of the kind of quality of people that we have for them to come in another company and to give us a fight. The last thing is, you know, what Bhaskar spoke about the whole culture change that we have gone through and one of the things that, you know, became really, really aligned with was an obsession with results.

We realized and we felt that some of the interventions that happened four years back, we let those interventions sort of swamp us and we did not rise above those challenges to actually overcome them, we could have we felt and therefore that introspection, that reflection made us totally committed to results come what may and of course in the right way of the Titan Company and therefore that obsession has led to a series of behaviors of you going into a huddle every month, looking at the results, looking at changing our tactics even while being aligned with the strategic direction and delivering results month after month. So all these give us confidence on our FY-23 2.5x and we hope to come back here same time or similar time next year to talk about what happened in FY-19.

Thank you very much.

Q&A (Question and Answer) Session

Bhaskar Bhat:
Into the Q&A, I would like to introduce some of my colleagues here, there is Mithun, may be, you can stand up, Mithun, the Founder of Carat Lane and the entrepreneur, there is Suparna, Chief Marketing Officer of Watches and Accessories, there is Saumen Bhaumik, who heads of Sales and Retail in the Watches Division and Sanjay Ranawade, heads Manufacturing ISCM for Jewellery, then there is Krati of course and Pulkit is there.

Abnish:
Sir, this is Abnish here from Edelweiss. My first question is on the Eyewear business, you spoke on the negative price perception. When I see your watch business, you have Sonata which is the second brand. Similarly in jewellery, you tried Gold Plus, so in this business also do you need to have a second brand in this at the lower end, because it will lead to cannibalisation if you don’t do that. In terms of quality, how will the 1000 rupees and 2000 rupees be and secondly why do it so late. Shouldn’t you have done this much earlier? You are known as a player who also focuses on the lower end and Carat Lane has reinvented your E-commerce in the Eyewear business, how does your business compare with Lenskart based on whatever data is available?

Ronnie Talati:
There were many questions over there and so I will try and answer them one by one. Why hadn’t we thought of this earlier, the price value equation, actually we had thought of it earlier, there was a point few years back where we actually lowered prices and we saw exponential growth and then these prices have tended to float up again and we found that probably it had gone too far in this effort to up-sell and so on and to get actually value for the business and increased margins and so on, because of that probably lost a lot

of customers and we thought it is time to recalibrate again; so that is about the price value equation. As regards another brand, we are pretty sure that we will have only one brand as a retail chain which will be Titan Eyeplus, but within the Titan Eyeplus stores, have multiple brands and products that will cater to different segments and one of those segments will be the low priced segment. As far as Lenskart is concerned, I think they are playing their own game and we will continue to play our game, which is one of expertise and giving the best customer service. With our Omni-channel we are not trying to be an online player, as I said in my presentation, our Omni-channel is there for driving people to our Brick and Mortar stores and we are not trying to take them on at their game. They have their root and we have our root, basically that is it.

Abnish:
Two follow-ups here, so in FY-19, how do you see margins in Eyewear because you said ad spend will be disproportionately high and second obviously in 1000 and 2000, the margins will be lower, and will most of this 1000 and 2000 be towards frame distribution to trade, will it much more index towards trade?

Ronnie Talati:
No, so the way I explained it in my presentation was that we are not planning to bring down prices and therefore impact our margins. We are planning to actually bring in products at lower prices and these lower prices don't necessarily mean lower margins, they will be very competitive margins and so we don't see significant drop in margins, however in the overall PBT margin there may be a drop, because we are planning to invest significantly in advertising, which is what I again mentioned in my presentation.

Bhaskar Bhat:
I think at this point, I just want to clarify one more thing, comparing with watches and jewellery, there is a slight difference and here is what I want to tell you. This business is not about the product brand, the fundamental is the service, that is, it is the service for eye correction, therefore when people walk-in, what they appreciate is the quality of your, you know, the eye testing and the loyalty of that family to come back to that store is what you are counting on. Now, when you discover that the pricing is 5000 or 7000, whatever for the solution that you have, is when you are reluctant to come back. So what Ronnie is saying is, by populating that store with lower priced options, you are not dropping the price, you are getting the same family and may be more families to come back and so unlike the point you stocked, I think watches with Titan and Sonata and may be Tanishq and Gold Plus, there is a small difference and so that this Titan Eyeplus being the destination to go to is sitting in that great expertise, optical expertise and a width of products, but within my price, you know, budget is what he is trying to re-establish.

Abnish:
My second and last question is on the E-commerce, overall ecosystem….

S. Subramaniam:
Abnish, just for the records, since we are recording this as well and we will give transcript. You just give the name of the person who is asking the question.

Abnish:
Sir, my second question is on the overall ecosystem of E-commerce, last year has been very good for watch business. If you could speak on the profitability in that business also and pose this Walmart taking over Flipkart, do you expect discounting medium long-term to come down and that is good for your different businesses?

Ravi Kant:
In terms of profitability, I will not share the exact number, but I can tell you that it is one of the most profitable channels, primarily because the margins and the payouts are much lower than in other channels. As far as what will happen when Walmart takes over, I don't think discounting will go up because it will come down and over the last couple of years if you see, discounting is really controlled. So each of the players, the market place players are now beginning to focus on their profitability and trying to reach numbers which makes sense, because they have burnt enough in the past. So all of them are trying to, you know, kind of curate their merchandize, their offering where they can make some money and reduce the discounting. So they have also been cutting out a whole lot of players and people and suppliers who are not making sense anymore and wanting to deal with more brands; because we work very closely with all of them and all of them want to work with brands and want to sell more brands which you know where is a consumer pull.

Abnish:
But sir, currently we do see a lot of discounting whenever there is sale season. Today also Flipkart and Amazon both have started, we do see a lot of discounting on your products and is there is a parity of pricing on physical and E-commerce currently largely?

Ravi Kant:
There is to a large extent, like I said over the last couple of years, we have been able to control the discounting on the E-commerce channel and so whenever, right now if you see between 13th and 16th May they are doing equivalent of second round of Big Billion Day, there is a discount there and there is a discount that the consumer will get for these two days or three days even in our trade as well as retail channels. So we try and ensure that consumers will get similar prices across all channels and there is no rampant discounting. So every discount offer that comes up even on the E-commerce channel is planned and discussed with this. They don't do rampant discounting as they used to do it earlier.

Bhaskar Bhat:
Just to give you confidence on this subject, three years or four years back, we had a significant problem. Now, the point about control that Ravi spoke about between Saumen and Ravi and his own team, they have been able to get a hang of this and **usme lagam laga diya hai, lekin** the nature of the beast is like that, okay, so that is how they are able to attract, but today what we are able to achieve is a partnership approach rather than a dominance, you know kind of, for them, watch category is an important category

because this is highly profitable for them as well and they need brands. So, I think it is a good partnership, but we have to be careful that is a good way to deal with them.

Agnish:
Thank you sir.

Atul Mehra:
This is Atul Mehra from Motilal Oswal Asset Management Ltd. I have a question for Mr. Venkat to do with the jewellery business. Sir, what we find is, when we do on-ground checks for our products versus competition, even today what we find is**,** I looked up engagement ring, Solitaire ring, so when we look up the price for that particular ring with say a De Beers dealer or a Rapaport pricing or some unorganized players and even if you get a GIA certified certificate for that diamond, the mark-up for our product is to the extent of 3x. So that is one major thing that came to my notice. In that context, when we are aspiring to go towards the higher value segment of the Indian consumer, be it wedding or be it higher studded jewellery and India being a more value consciousness market by very nature, so how do we see for us success in the higher value segments given that the price conscious nature of the Indian consumer will be even more deterrent at the higher value price points?

C. K. Venkataraman:
If I were to distinguish diamonds from Solitaires, what you are saying is an aspect in Solitaires and particularly of certain larger sizes, but what is also not known is the actual specifications of that GIA Solitaire for instance versus the specifications of a Tanishq Solitaire. Tanishq Solitaire has got so much more superiority from an overall performance, light performance point of view and we find that when we actually demonstrate that and we are getting better and better with the demonstration also through, you know, more vivid techniques using technology and all that, but when we speak about it and we demonstrate the actual superiority, the resistance will start falling down and the final evidence is actually the actual growth that we are getting in Solitaires as well. So if that was a real issue, then the Solitaire's performance won't be like what it is. So the key thing is that the emotional reason for buying a Solitaire and that is where we are playing as opposed to the typical rational reason for buying a Solitaire is like buying a gold biscuit. You buy a 5-lakh or 10-lakh Solitaire in a way to park your money, so wherever the motivation is like that, obviously the price becomes the strongest reason for the customer and our competitive advantage reduces, but wherever the reason is celebration of a relationship and therefore emotional in its grounding, then we find that reason is less and we have also all the time keep comparing ourselves with the relevant competitors in terms of the actual price premium and keep correcting us wherever required.

Atul Mehra:
Secondly in terms of whenever we look at the jewellery industry globally, the very nature of the industry is that of fragmentation, even leaders overseas that we find, the likes of Tiffany and all would have a 5%, 7% market share. When you aspire yourself to be about 10% market share in five years time, beyond that do you think there is any room, say, for the next decade or two to grow market share even further because the nature of

the beast is that, the nature of the industry being fragmentation and we have seen that globally not being beyond 5-7% for any major player and so..

C. K. Venkataraman:
My answer to that would be that if I were to compare with, let us say the American jewellery market, while you know, there are 4 or 5, let us say, big companies including Tiffany, each may be having a large single digit or medium single digit kind of share, the overall let us say the competitive advantage, the difference between the five may not be significant, because many of them, almost all of them are corporates and they are listed companies, having the same kind of talent and other aspects of competitive advantage which are different, but not that dissimilar, whereas the Indian market is not yet evolved to that and if we keep up our pace, both the role of jewellery in Indians' lives, because finally the store of value aspect of jewellery in India is not going to go away even when the adornment thing is going up, because it is a store of value and therefore the Tata name and what it means, it is far ahead of any other name in this country and so it is not impossible for us to dream of a different situation here and therefore in FY-23, for us to look at 15% market share let us say about FY-28 or whatever, it may not be out of place, but right now it is academic and but this is how I would theorize about it.

Mr. Bhaskar Bhat:
Adding to what Venkat said, you know, he spoke about adornment and that is the journey. So fragmentation is also segmentation, you know, so the way to go is, he spoke about several brands, now today Tanishq is the one big brand in out stable. Ten years from now, it may not be, certainly won't be only Tanishq, so the growing of these segments is what gives you market share. We have seen that in watches, but watches started that journey many, many years ago. If you take luxury, Swatch group, LVMH, Richemont, they have all grown their share by acquiring brands. So they have acquired customer segments through the brands, so you know the dominance does not have to be through a single brand, I guess, several segments that you can appeal to and so Mia will grow, Carat Lane will grow and that is the way to achieve the 10% plus.

Milind Karmarkar:
Hi, this is Milind Karmarkar from Dalal & Broacha's Research Department. I had two questions, one was that I just wanted to know, post demonetization, has the proportion of gold exchange gone up, that was my first question. Second was that, in the Sarees business, are we are going to restrict, I know, it is very early, but are we going to restrict ourselves only to Sarees or we plan to move to other attire like Lehengas as well.

Sandeep Kulhalli:
The first question on exchange, I guess, it was clear that post demonetization there was a cash shortage in the market in that sense and number two, some change on exchange itself by nature of the animal, earlier the exchange was done largely in the South where gold was a commodity consideration, whereas in North and West there was status, the ego was associated with jewellery. So both changes have happened post demonetisation to a larger extent, when more consumers are more open, practical to exchanging

jewellery purely because there have been shortage of cash in the system and therefore the share of exchange last year onwards have shown a disproportionate jump.

Ajoy Chawla:
Hi, this is Ajoy Chawla, for many of you who I have not met. Regarding the sarees business, the question you have asked, Taneira, the brand and the business has been conceived keeping in mind Indian women and their dress wear needs. So the anchoring of this category is in sarees, it is a 5000 year old category and so I guess it is a very strong and deep tradition, but really speaking if you were to paint the opportunity, it is special occasion wear and in the special occasion wear, sarees account for about 60-70% of this category and hence we have started there. Having said that, even at this stage, in our pilot stores and in a few of the other formats that we will be launching, we have a presence of Lehengas, we have a presence, of course, blouses, dress material in yardage, which is complementing the current offering. So, hopefully in future, we should be able to do a lot more. Within these stores, we are also offering customized fitting and therefore we have the capability of being able to offer a whole package of solutions.

Milind Karmarkar:
Thank you.

Aviya:
Hai, this is **Aviya** from IIFL. Sir, in the jewellery business, you have performed really well in this year and you highlighted towards a large number of tailwinds which should help your growth, you know, going forward, but what is missing which we saw in the last analysts' meet is a guidance on the likely growth in FY-19, if I may say. Are there any uncertainties that you believe are making it difficult for you give this guidance or what exactly is the reason?

C. K. Venkataraman:
No. We reserved it for the Question and Answer Session. We look at 25% growth for FY-19.

Aviya:
OK. The second question was that you know in the conference call that you had, you indicated clearly that in jewellery margins, you were quite clear about how you are looking at it, but in the analyst presentation today in the eyewear as well as in the watches segment, in the eyewear whether it is in the marketing spends and even in the watches, a brand revamp that you are talking about; so are there going to be margin pressures in these two segments as how we should look at this?

S. Subramaniam:
No. I don't see any margin pressure in the watch business. It is a continuation of what we have done in the last two years, the re-crafting strategy. As far as the Eyewear business is concerned, yes, that is the theme we are looking at investing disproportionately this year. We did that, if you remember we did that with the watch division two years back, that is exactly what we are planning to do with the Eyewear

Division this year. So we will be investing disproportionately, to that extent there will be a margin depletion this year.

Aviya:
Okay sir. Thank you.

Vivek:
Hi, this is Vivek from CLSA here.

First question on, I have few basic questions on gold exchange. So one as the proportion of gold exchange increases, would there be an impact on capital, because, you know, as you move from let us say gold on lease to more exchange by let us say 50% by 20-23, would there be, you know, from asset turn perspective, will there be a negative impact?

S. Subramaniam:
There is no impact on asset turn because of this. The way we monitor is looking at the gross inventory that we have. We look at our turns. Okay. For the current year, even though we are at 40% exchange now, right, the contribution of sales and for that matter purchases, it was around 20% may be two years back, so it has gone up substantially, but the asset turn in terms of inventory turn has been the same, so we have maintained that. What has changed is the complexion of our capital employed, our balance sheet and so, earlier if you had seen an increase of say 1000 crores in inventory that would have been matched possibly almost entirely with an increase in gold on loan. That is not happening now, okay because this is like buying gold on spot. As far as the economics is concerned, I think I have mentioned this earlier, buying gold on spot is marginally even better for the profit (PBT) than buying gold on loan, okay, marginally it is not a very big difference, but it still is. So long as we were able to hedge ourselves outside, the way we have done it, we are selling dollar forward, we don't have an issue with that. So from the Profit and Loss Account perspective, we don't see an issue, balance sheet is changing, but I think it is a better use of cash that we have. We still are cash positive at the end of the last fiscal, after a significant shift in this thing. I think that is going to continue. The incremental increase from this 40% is going to be marginal a year on year, it cannot suddenly go up. So I think we have seen a significant correction this year and that is 17-18 and I don't see that happening very sharply in the years to come, so cash generation will now start improving as well.

C. K. Venkataraman:
Just reaffirming that point, if you take FY-18, you know the share of exchange increased compared to FY-17, but we managed to deliver an EBIT growth which was rather in excess of the growth in the capital employed. He spoke on the asset turn side, while the asset turn was one aspect, the capital employed grew because of what you are saying, but the EBIT growth sort of eclipsed the capital employed growth so much that our ROCE actually jumped substantially. Therefore, as long as we keep that in focus and we need to manage the rest of it.

Bhaskar Bhat:
Also from a regulatory perspective, I think this journey, in fact, we have conceived this long back, can we increase the gold exchange. Should there be a regulatory intervention, you know, on curbing of gold imports, this at 50% de-risks us considerably compared to the 15 or 17 or 20% we were in about and so, you know, it is good for the country and it is good for us.

Vivek:
Sure, two more things, one Venkat when you say by 20-23, you expect a mid single digit kind of a growth in the industry, is there a possibility that industry actually does not see a growth like what is happening right now and from a regulatory perspective, if you know, Government continues to tighten and jewellers are let's say more compliant, etc., is there a possibility that mid-single digit growth for the industry may not happen. I am not talking about your number and just the industry numbers.

C. K. Venkataraman:
Very difficult to actually to comment on that, you know Vivek, because while on the one hand the government's intervention is typically coming on the very high networth kind of segments, but with the explosion of the middle class, the intrinsic attractiveness of the category will also increase the consumption, so it may have an offsetting factor, but I would not be able to comment beyond that.

Sandeep anything you would like to say from a five year point of view.

Sandeep Kulhalli:
It is more of a conversation we have with vendor partners who supply to various jewellers and there seem there will be minor shift, lot of small business are closing down and so that's what we have been hearing about. Quite a few jewellers in South India, one big guy has closed chain, Nathella Jewellery chain has closed down and so there are more such conversations that the market may have contacted a bit, it is largely from the smaller jewellers and the investment environment, money available for investing post demonetisation, there is some murmur around that space. But the fact is that industry has not grown in the last year and this year also so is, that is the feeling one gets on the market.

Bhaskar Bhat:
I think one more angle to what they both said, I think we have always maintained that the Indian women's thirst or hunger for gold and adornment is still at a very high level and that is not going to go away easily and we play to that instinct very clearly through the branding of Tanishq and so on and not just us, I think, you know, the imports are still very high, we are still at the 700 tonne space, some migration will happen, I mean we have enough and more stores, enough and more jewellers, some will close, but the migration of customers from the small to the big will happen, so it may be marginal. The most important of the industry is the consumer, I mean in watches that was the significant

concern, you know with the advent of the Smart Watch, will the regular watch, you know, whereas here that is not an issue I feel.

Vivek:
Sure. The reason of asking this was that when you say 2-1/2 times revenue, in a declining industry if that were to happen, is it like 10% market share the key focus or is it 2-1/2 times revenue that is the key focus?

C. K. Venkataraman:
What do you think, that would be a calculation Vivek, frankly.

Vivek:
I am looking forward to 2-1/2 times.

Bhaskar Bhat:
We don't want to be **Andho Mein Kana Raja**.

C. K. Venkataraman:
Actually the larger issue is, a 2.5x in a declining industry would be a challenge. That is how I would see it rather than it resulting in 14% market share instead of 10%. It will be challenge.

Vivek:
Sure. My last question on watches, we have seen a big migration let us say in jewellery industry where you have gained share and watches also there is a big unorganized sector which in the last Analyst's meet and before that also you have talked about, but this time, you have not spoken much about, you know, move from unorganized to organized, so any thoughts on that will be useful, particularly after you know in the context of GST roll out etc. Thank You.

Ravi Kant:
Yes. We are tracking that pretty closely, see in the first few months after introduction of GST, we saw some reduction in the presence of these brands, but slowly they seem to be finding their way back and they are in terms of share of presence in stores in small towns, they seem to be back. So let's see how it goes, but I think for Sonata brand, it will certainly play out well, I was talking about in my presentation, fairly aggressive and ambitious plans that we have for Sonata, so it will certainly help. But as of now, they seem to be finding their way back and I don't know how they are doing it.

Bhaskar Bhat:
But not at the high end; the answer to your question, in luxury, it is a steep decline. At one time, we were cheaper than Dubai even after demonetization, and today the luxury retailers are badly hit. So yes, at the top there is, but consumers are buying overseas.

Rakesh Jhunjunwala:

I have a question. In this 2.5 times growth in jewellery, what is the kind of network expansion you have envisaged?

C. K. Venkataraman:
2.5 x ka network?

Rakesh Jhunjunwala:
You have 255 shops on 31st March.

C. K. Venkataraman:
400 stores.

Rakesh Jhunjunwala:
Don’t you think there is a little potentiality for stores should be much more?

C. K. Venkataraman:
It is more a direction Rakesh.

Rakesh Jhunjunwala:
It could be more also?

C. K. Venkataraman:
This year we are actually targeting 45, isn’t it Sandeep.

Rakesh Jhunjunwala:
Four years you will open 25 stores only every year.

C. K. Venkataraman:
No.

Rakesh Jhunjunwala:
That’s seems very small.

Rakesh Jhunjunwala:
If you open 45 you will be 300 at the end of FY-19.

C. K. Venkataraman:
Right.

Rakesh Jhunjunwala:
Four years, I don’t know, unless that is 25 stores a year.

C. K. Venkataraman:
So you are right, I mean if we end up doing 40 and it looks like we will end up doing 40 and that ambition will be lifted, but it is more you know a scale, these are all individual levers which finally lead to the 2.5.

Rakesh Jhunjunwala:
I think your seventh figure in your opportunity has to be network expansion, because you see, this is the industry in which everybody can't invest, it requests a huge investment, so if you have the ability to invest and increase the network, your ability to grow is much more and your cost of capital is the lowest because you use your own capital.

C. K. Venkataraman:
I understand, I am only saying that the more relevant, you know, aspect of that is the current manifestation of that ambition and that is very ambitious which is 40+stores and so obviously if that sort of translates, we will be at 450 or something may be minimum.

Rakesh Jhunjunwala:
That could take up your turnover also.

C. K. Venkataraman:
Correct.

Bhaskar Bhat:
Also Rakesh, I think the important point he made is, 250 stores in 150 towns, 150+stores in another 100 towns and I think the 100 is as important as the 150 addition. So these are unrepresented geography and he talked about Pantnagar, I mean, Rudrapur, hitting the ground running at 25-40 crores is what we are seeing as traction, because the brand is known in more places than where it is present. It could well be 200 stores.

Rakesh Jhunjunwala:
If I could go there, I think there is potentiality for 500 stores.

Another question is, this according to me, the exchange in purchase scheme has given a big push to the customer to come to us, but earlier we were having some margins when we were purchasing and now we are having a name margin in the purchase, but we do get some margin.

C. K. Venkataraman:
No. In fact there is a small cost we incur now.

Rakesh Jhunjunwala:
In buying.

C. K. Venkataraman:
In buying.

Rakesh Jhunjunwala:
Won't you feel that the selling gives you much more margin.

C. K. Venkataraman:

Yes. The ticket size increases that we get and the new customer acquisition that we get, both these certainly compensate and finally we are looking at total cost of a customer acquisition and this is going to role in that.

Rakesh Jhunjunwala:
While you were talking, you said you are going to sell this Teal business, Automation business. What happened to that?

Bhaskar Bhat:
As I said, that whole business does not belong in Titan, that is true and that effort is going on, it will take a little while, I think the group anyway is making a big foray into aerospace and defense, the Tata Group and yes, it is work in process, but we want to make sure to all the investors, we want to make sure when I said, you know, showed those few slides, it is very attractive business for an acquirer, so we must realize value, number 2, it must be parked in a place where our employees are fairly treated and that is the second bit.

Rakesh Jhunjunwala:
Tata Group is the best place then.

C. K. Venkataraman:
Yes.

Rakesh Jhunjunwala:
Best place. I have a question for the watch division also.

S. Subramaniam:
I just wanted to say one thing on Teal okay. Contrary to what you may be thinking, it is actually very profitable, okay, this last year, we did 21 crores of profit on a 240 crores of revenue, so it is profitable, so there is no problem with that.

Rakesh Jhunjunwala:
No, but you only decided to sell, I have not decided.

S. Subramanian:
Yes, that is because it is not fitting and that is the reason.

Rakesh Jhunjunwala:
I am not saying you should sell, you all decided to sell and I think Tata Group…

Bhaskar Bhat:
We were influenced significantly by many people.

Rakesh Jhunjunwala:
Right. I have another question for the watch division. Sir, your margin last year was 273 crores, before the losses were incurred in Favre Leuba. Now you made a provision of 75

crores, see the need to grow business is undoubted, but in a 273 crores of business to lose 30% of your profits in trying to grow luxury business, I mean, I think there should be rethought there, at what kind of margins, what kind of losses I can incur in order to grow our future business and when you are incurring 30% of your margins, right, I think that is too high a loss and there has to be a re-think, of course you are the final authority and you and your Board will decide, but whatever opinion we investors have and whatever value they are, I feel we must express.

S. Subaramaniam:
Let me just give you a flavor of that. I think first week, we gave consolidated financials today, right. The moment I give consolidated financials, any loss which has been incurred in Favre Leuba is automatically recognized in our P&L and we don't have that issues and so we all did is take the impairment in the standalone financials because of the rate growth not being what it was expected to be and that was the difference, right, but consolidated financials now are our primary financials that we are giving to all shareholders, right, along with standalone financials. So, if you were to monitor there and then automatically the investment that we are making in Favre Leuba is captured in the P&L there.

Rakesh Jhunjunwala:
That is okay as a technicality. The only thing I am saying is that in relation to the income that the watch division has, just because you have income in jewellery, does not mean that you can go on investing money. It is my opinion and I have the right to be wrong and that I am saying the investment for the loss that you are making in Favre Leuba, first of all in relation to the profitability of watch division and the future prospects, I think it is disproportionate.

Bhaskar Bhat:
Rakesh the only answer I have is two opposites, one is we may differ on the nature of the opportunity and the scale of the opportunity. Your opinion versus our opinion, but we are aligned on the valuation bit, which means obviously we won't be spend thrift on this business, we will take it step-by-step and that much confidence you should have. Therefore the India focus which I spoke about in my presentation is what can deliver, but doing away with the view, going out of this room with a view on luxury saying luxury will never work out for us is perhaps wrong for this management, therefore I think we should wait out 12-18 months. I take your point totally that we can't be impairing 30% in the watch business every year and that's I think well understood. We are not being defensive about it, we certainly want to explore, but we won't be insensitive.

Rakesh Jhunjunwala:
That is all I want.

Ravi Kant:
The other thing that I would like to add Rakesh is that, you know last year was only the first complete year for Favre Leuba and just for your comfort, you know the amount of effort which has been put in by the Favre Leuba team there in terms of creating product

which is very, very different and we spoke about the award that it has won, the Best Award, a New Brand Star Award last year, the response is very, very encouraging. In a difficult market like Japan, it is really one of the fastest growing markets for us and so it takes time, you know, it is just one year and we were talking about Swiss exports coming down, the Swiss economies have been quite difficult, Swiss brands are not, it is a very difficult to re-launch a new brand, so this is an investment being made and as Bhaskar was saying what we are also going to be doing is, we should treat the first year as, you know, what we typically call a pilot year. So we have seeded many new markets, we have introduced a whole lot of products and now that we have the response in each of the markets, it is easier for us to figure out which markets to focus on and so going forth forward, yes, things will improve. We did just one complete year of operation and luxury business requires investment and I think we need to ..

Ravi Kant:
Yes. So you are right and I mean it is a decision we have taken that is the one end of the market where Titan is not present today and we would like to make our presence and it will take a while to make our presence felt, but at least make an entry and so this is our entry in that space. We cannot be absent in that place.

Bhaskar Bhat:
Also the view we have taken very clearly is that the ambition is not to build a global brand, it is our global presence in Switzerland, Japan and one or two other markets is only to bring credibility to the Indian market place, as of now. Whether we will build the brand five years from now for global presence, that is a different matter. It will be India and the surroundings fundamentally and the global presence in Switzerland is only to give it credibility.

Suraj:
Good afternoon to all. I am Suraj representing from Monga Investments, so first of all, congratulations to the management for such a great year and all the best of success for the financial year 19. So my first question is regarding the 50,000 crore revenue target, so this 50,000 crores revenue target is UCP as we all know, by the end of 2023 we have to achieve this target, so what are we expecting in terms of net profit margin by the end of 2023?

S. Subramaniam:
We don’t have a target as of now, this is an ambition as we call it, okay, so we will work out these details over a period of time and if appropriate we will share this, right.

Ravi Kant:
May be we should add, I don’t know whether you know, the 50,000 crores is an aspiration which has been built and has been aired by the employees and I do not think we have shared a complete plan block by block saying this is the whole ..

Bhaskar Bhat:

So it is just to give you a flavor of this, while I did say the promoter does not influence our strategy and it is the promoter's ambition, the Chairman's ambition that first articulate your aspiration and then build a structure and processes and strategy to achieve that. So the articulation has come, that unique part about Titan, it has come from within the Company and not just eight of us here and so on, so now, the how is also in place, but the work is still in process as to what the financials will look like etc. Obviously, we cannot be margin diluting and we cannot be ROCE diluting, it may happen in the middle years, but certainly it is business as usual plus and that is the only answer we can give you right now.

Suraj:
So my question was regarding like with the growing market share, there has to be some expansion in the margins as well and so just trying to ask the rough figure around that?

Bhaskar Bhat:
We haven't done the work now. The only new business is Taneira and may be Favre Leuba needs some investment and so all our businesses as they scale up margin has to go up.

Suraj:
Okay, second question is, in your presentation you mentioned that gold purchased under exchange programs has stabilized at the current level and as a result of which cash generation will improve significantly in the coming years. Can you please quantify this statement?

Bhaskar Bhat:
Not stabilized, it is growing know?

C, K. Venkataraman:
40-50% is what I said in my presentation and that in a five-year time frame, the share of exchange will go from 40 to 50, so a couple of percentage points a year.

S. Subramaniam:
What I was trying to explain was that the big jump from 20 to 40 has happened, okay, now it will be one or two percentage points every year and therefore the cash generation will be higher.

Suraj:
Okay, third question is regarding the integrated store in Hyderabad which recently opened. So just wanted to know how is the store performing?

Bhaskar Bhat:
Well, I must tell you, the idea was not integrated store, the idea was brand store, they are all brand stores, the space happened to be large and it is still brand store. There is no different name and it is not Planet Fashion or Arvind Store and so on, it is still Tanishq, World of Titan and Eyeplus.

Ravi Kant:
Like all of us, this time the stores are standing shoulder-to-shoulder.

Suraj:
So all the products will be available under one roof.

Bhaskar Bhat:
It is not on roof at all.

C. K. Venkataraman:
They happen to be next to each other. It is not a strategy of new format

Suraj:
Where is it located?

C. K. Venkataraman:
Banjara, It already existed and we actually consolidated it. So it is not a new strategy. No.

Suraj:
Just a quick suggestion like if we add a section of Taneira sarees with Tanishq stores, it might help in augmenting the sales of Wedding apparels along with Wedding Jewellery or vice versa.

C. K. Venkataraman:
Yes. Thank you for the suggestion.

Suraj:
Last question is regarding, sir since the management is doing well and we have a considerable amount of cash in hand, are we planning to return some portion of it to the shareholders in the form of higher dividend payout ratio or some buyback of shares?

S. Subramaniam:
We already announced a much higher dividend, it is there.

Suraj:
Sir, the management is executing these strategies well and the integrity standards and this is the last jinx in the puzzle. So if we have to come at par with the best global companies of the world, I think we have to return some more portion.

Bhaskar Bhat:
Your point is valid, there is only one joker in this pack, the contribution of jewellery to the total sales and profits in the cash generation is very large. I think Venkat referred to the regulatory possibilities that we need to retain, you know, we need to have a balance

sheet of this kind, for few years more we cannot afford to, we did face significant problems - when was it, in 2013 - therefore there is a need and we have made a choice.

Suraj:
Thank you.

Abhishek:
Hi. Abhishek here from Ambit Capital. So two questions from my side, one is on the new cities, the slide carried 15+ cities where the market share is lower and we have a market share program to increase the market share. Last year, this had 20+, is there any difference. Why has the number come down 20 to 15 and question allied to that is that excluding these 15 or 20, whatever the number is today, what is our market share?

C. K. Venkataraman:
You have a very sharp memory Abhishek. Actually it was not 20+ and it was I think 20 and that 20 has become 17. So 15 is more to sort of round off in the presentation and 15+ is actually 17 and this was after a careful consideration of the size of each of those markets and our competitor situation and all that. So the share in these is about 4% today, these 17, and the rest would be may be 5-1/2 to 6%.

Abhishek:
5-1/2 to 6%.

C. K. Venkataraman:
Other than these, right?

Abhishek:
And those three cities we have achieved our target, is that why they are come off?

C. K. Venkataraman:
Sorry, which three cities.

Abhishek:
From 20 to 17.

C. K. Venkataraman:
No – No, They just got reviewed down to 17. 20 became 17.

Abhishek:
Got reviewed to 17, okay. We don't see any scope to widen this or these are the only 17 or 20 locations.

C. K. Venkataraman:
Not forever, I think I guess after FY 19 completion, I am sure we will further review.

Sandeep Kulhalli:

This has come from the opportunity, size of those towns in those geography in the states where the state was doing well, but these key towns based on the size of the opportunity compared, we have size to 2000 crore market and market share being so much and we have some guidelines on which these 20 towns were selected. It happened a year before last and at that time, we had not grown to the extent that we have grown in the last two years that you saw in our performance, we have revived in the last two years time and therefore the direction, but last year and this year, there has been some progress and some towns have come back for various reasons may be the local market economy, whatever may be reasons and therefore these towns are being re-looked in that direction and these are little more long term, they are not short term, market share jumping kind of program because those consumers have to be impacted differently than it happened so many years and they are part of the same state where others are doing well, only these towns are not doing well. Therefore it is a more focused town opportunity expansion that we are looking at and it is going to be a slow process and there we believe we are on that journey and last year was the first full year of operation where we saw a 1% movement of the market share in these towns and therefore we are in the right way and it will take some more time to actually make a big impact in terms of the output.

TITAN ANNUAL INVESTOR FORUM 2018 - PART 4

Q&A (Question and Answer) session

Continuation…….

Abhishek:
My second question is on the FY-23 ambition, you mentioned that you want about 10 million users or customers in jewellery, 10 million, and you are about say about 2 million right now and it is about 5x, our ambition from revenues is about 3x from where we are today?

C. K. Venkataraman:
Sorry.

Abhishek:
Our ambition for revenues about 3x from where we are today, around 3x and I am just saying about closer to 3x and it is just about 2.5 to 3.0 x and the point I am referring to here is that this implies a significant drop in ticket size and whereas what we are seeing in terms of what we have seen in the last two years is the share of Wedding and high-value, the ticket size go up and again in FY-19 and so on, possibly that should be the case. There seems to be a slight dichotomy there.

C. K. Venkataraman:
Sure, actually, if you remember that Bhaskar himself clarified when he spoke about that 40,000 crores and 10 million for jewellery and that 10 million is more like an indicator thing because of the **15** million for the company and so actually, you can de-focus on the 10 million and focus on the 40,000 crores because finally whether we achieve 10 million or 9 million, we will never know, whether we achieved 40,000 crores, we will always know and so that's what finally we are here in a way about. So if a huge, you know, jump happens may be we get into fashion jewellery who knows, two years from now and that 10 million may still happen and 40,000 crores may still happen and so let us worry less about the 10 million and we are focused clearly on the 40,000 crores.

Abhishek:
The core driver will be same store growth again. How much of this are we still looking at the same store growth in this?

C. K. Venkataraman:
Substantially in the ______ of that, you know, now the new 20% for the next five years, I would think 12-13 because now we are starting to ramp up more, 12-13 would, so two-thirds will still be same store.

Abhishek:
12-13 same store, so even let us say it is 8 million, 7 million, what was the number from 2 million, the number of stores which you are targeted to add will imply that we need to

have significantly more number of customers walking into our existing stores in terms of catering to new customers within the same location.

C. K. Venkataraman:
Actually I am not, the ticket size growth given our current strategy is the dichotomy that you are referring to any case, right, and so the minute you correct for the ticket size the numbers will dramatically follow. May be 6 million and not 10 million, very less, because we are taking that part, year after year only and not 5-year at one time.

Bhaskar Bhat:
Abhishek, there is also CaratLane and Mia in this calculation, the online numbers could well grow significantly and don't worry so much.

Abhishek:
10 million includes those two also.

C. K. Venkataraman:
Even then I understand but don't worry about the 10 million, 40,000 crores is what we are looking at.

Thank you.

Amit:
Hai! This is Amit from **Macquarie**, my first question was just a clarification on your presentation on the jewellery segment, basically, the contribution from the Wedding jewellery and the high value diamond jewellery which you showed was 35% and 31% respectively and so.

C. K. Venkataraman:
A little closer.

Amit:
Okay, the contribution from the Wedding jewellery part, which you showed in the presentation was 35% and similarly high value diamond jewellery was 31%, this is what contribution you are talking about, I mean, to the overall because what we understand is both these segments together they contribute around one-third of the total jewellery.

C. K. Venkataraman:
Yeah! The Wedding Jewellery contribution is to the gold jewellery sales and the high-value diamond jewellery contribution is to the diamond jewellery sales, and the ramp-up that I had showed was within those categories where they are about to 35 going to 50, so in a way, when you add them also it is to the total about third and so you are right that together they add to one-third of the total jeweler sales which is gold and diamond together and separately they contribute to by and large the same ratio of their respective categories.

Amit:
Clear, second question was on jewellery gross margin and you have indicated that for FY-19, you are expecting a flatter kind of trajectory, now when I see, most of the trend is definitely there on the premiumisation side and the high margin products are definitely contributing higher and higher, so is it the new Gold Exchange Program is the one which is kind of making you guide for a flatter gross margin trajectory.

C. K. Venkataraman:
Actually when we had our plan for FY-18, we expected the EBIT expansion to come essentially from the leverage in the business, but what did happen was that there were some opportunities for some price corrections, there were some, you know, low hanging fruit in terms of product mix enrichment, both of which happened and gave us a gross margin expansion as well because of which the EBIT really expanded. So, on the call what I clarified was that the second part, which is the GM expansion, you know, we are depending far less in FY-19 and essentially depending on the sales leverage for the final EBIT expansion and therefore ______ that happened in FY-18 and let's not depend on that for FY-19 and so that I am still holding that view because the opportunities for the product mix, we believe we have capitalized, but of course even if it happens even better.

Amit:
But there is some pressure coming from the new exchange policy right?

C. K. Venkataraman:
It is not so much because of the exchange, even though it will have some impact, but it is more from because finally there are price of Gold and the benefits that we enjoy, because of that, the hedging gains that come, the product mix, you know, something like a Padmavati which came and really lifted the higher making charge categories in FY-18, may not have the same impact in FY-19 and so on.

Bhaskar Bhat:
Excuse me. I will leave now, if you don't mind, I am sorry, I have to catch a flight, so thank you very much.

Is there any questions to me?

Amit:
I have one last question, if I may ask.

Bhaskar Bhat:
To me.

Amit:
So it is about the ownership strategy versus franchisee strategy under the new circumstances, see what has happened is that Exchange Gold has been very successful, Wedding has been on the very upward trajectory trend and when I look at, you know, the expansion which is happening over time has been largely through franchisees, even 400

stores, I would assume, middle India focus would be all franchisees, but when we look at the strategy to capture value, is, is exploiting the existing large market which would tend to sell more to the consumer. Now in this given context, won't it be beneficial to actually capture more value through own stores than actually having to share spoils with franchisee a large deal and won't there be still opportunity in existing markets to actually, you know, with this proposition, capture value more through on stores than actually go about squandering it?

C. K. Venkataraman:
So let me just deal with it in 2-3 steps.

Bhaskar Bhat:
I think you can answer that. I will carry on. They will continue, okay.

Okay, I will start answering that question, see one fundamental advantage that a franchisee brings to the table, Venkat talked about adding 100 towns, in the 100th town, running your own store just does not make sense, because you have no control. You have no local knowledge and so the franchisee brings not just money, he brings local reputation and local knowledge, which is the beauty of Titan Model. They are aligned to the business and they are committed to the brand and so that apart from all the financials that Venkat may talk about is where you know it is all sitting, the franchise model.

Thank you.

Thanks Bhaskar.

C. K. Venkataraman:
So if I were to take Bombay first, Indore next, and let us say Ujjain third, for example, in terms of towns class, the more cosmopolitan a particular city is, it makes sense for us to go the company store route because there is no need to depend on the relationships that a businessman has built in his circle of high net-worth individuals to build the business because the nature of the cosmopolitan, you know, clientele, in a way the brand itself pulls, the minute you go to Indore, the relevance of the franchisee, particularly in the HNI network increases and as I go to Ujjain it is even more, so that was the point that Bhaskar was making. From the operations and financial point of view, we are moving more and more to a stage where the final return on capital dispersion between the three channels is lower and lower, as we are moving towards. For example, we measure our company stores from a franchisee L2 commission basis, is it delivering the returns, you know, am I meeting the entire network cost within the cost of the commission that I would have paid to the L2 and that's how we measure and we are by and large there and the stock returns for the same, you know, sales level of stores, we try and keep it narrow dispersion, which means on the return on capital of an L3, L2, L1 are in the same ballpark, which means from a financial point of view, you are indifferent in some sense, but what is critical is when things go badly like it did in 2014, 2015, 2016 when the demand for whatever reason did not happen, the entire franchisee system picks up that problem on your behalf so the Opex and Capex light aspect of this division is how we are able to deliver the

return on capital of such a high order, so we may be leaving some money on the table in good times, we would be leaving, but in bad times, we are not that badly off because they pick up that pressure, they pick up that disproportionate part of the problem.

Amit:
It is fair, but Venkat what percentage of Gold Exchange happen through own stores versus franchisee? What percentage of Gold Exchange?

C. K. Venkataraman:
Now it is no longer very, uniform. It is a sort of well distributed because the opportunity for exchange is everywhere and so there is no distinction like that, I would say it is more to do with how well the network is now pushing that opportunity and so in the early stages may be there is some difference, but as it matures like Golden Harvest and if I were to see today, all stores are like after two years of real hardworking by, you know, Sandeep and team the dispersion is narrower, I am sure in Gold also exchange also it will be like that.

Amit:
If you take up the cost of buying Gold Exchange, does the cost gets split between you and franchisee or you take the burden and he gets to make the sale?

C. K. Venkataraman:
Burden in what sense?

Amit:
Exchange has a cost to you, you sell it, right and when you buy gold, I assume that he makes the sale and you offer a higher gold price to buy from.

C. K. Venkataraman:
But the ticket size improvement that he makes flows to you. The gross margin from the ticket size improvement flows to you.

Amit:
So, you don't lower his margin even it is.

C. K. Venkataraman:
No, because that sale is your sale even though he is just a channel.

Amit:
Fair enough, just one last thing is, two years ago you had mentioned the sizes of the industry of 250,000 crore, 210,000 crore, wedding was 1500 billion, so do you have any update for FY-18.

C. K. Venkataraman:
Honestly no Amit, it is very, very difficult to figure out that out, and so large, it does not matter what our share is and therefore let us move forward is the way I would look at it.

Amit:
Okay, cool. Thanks.

Girish:
Hai! This is Girish; the question is regarding non-jewellery business, specifically for the watches as you have done you created a brand, you have launched some products, then those products itself becomes a brand, you launched sub-category so are you not cannibalizing:

a. The market.
b. Are you not confusing the customer and does it get more shelf space in the retail which is not your own?

Ravi Kant:
Actually the segmentation approach has done just done exactly the opposite. There is no question of cannibalization from the point of view that we have sharply defined the consumer segment each brand is targeting and so there is Sonata, there is Fastrack, there is Titan Brand, within that there are collections and the collections are in the fashion space, you know, like Purple that we have or Regalia which targets a certain set of customers, so it helps us to reach out to different consumer segments at different price points, so actually that is the best thing, this strategy has played out so well based on which we have over 50% market share and it has been difficult and so if look at it.

Girish:
You need more shelf space in retail like Shoppers Stop requires more shelf space?

Ravi Kant:
Yes, we do. Because each brand then, you know, demands for its own share of space, but each brand has an active role to play depending on the channel, and so in some channels, there is out of the three brands, one brand is more active, the most active whereas in other channel it is the other way round so it helps us, in fact it is just the other way around.

We have in that sense, you know multiple, if you look at each of the brands that we compete with, we have answer to each brand, and so there is an international brand which is only in the fashion space, lands up competing only with one collection of ours, so like that.

S. Subramaniam:
May be the last two questions, and of course, lunch is being served, you can also talk over lunch.

C. K. Venkataraman:
So, if there is no other question, I would just like to make one clarification regarding the 25% guidance for this year, which is that, you know, we had a very, very high growth in Q1 of FY-18 and therefore the building blocks for the four quarters are different, so the

quarter 1 of FY-19 is not to be taken in the same way so that we converse in the right context in July, August.

Abhishek:
Venkat just on that, Abhishek here again, you mentioned about building blocks, and considering that Wedding is the very important piece of our business now and will be in the future, how do we look at the building blocks, because you report quarterly and not necessarily reflects the linear growth pattern, how should we look at it in the context of Wedding, in terms of seasonality? How much volatility can we expect in this case because the base keeps moving up and down because of wedding dates, wedding season and possibly then our share of wedding jewellery share in our business.

C. K. Venkataraman:
What I would feel Abhishek is that while we have, you know, two quarters which are strong Wedding quarters typically, the other two quarters coincidentally in our case also happened to be the activation quarters which is Q2 and Q4, in a way, they end-up playing a compensatory role in terms of driving consumer interest to the stores and we are also having in Quarter 2 typically a very high powered collection launch preceding and all that, so to that extent, in a normal year, this dispersion is likely to be lower, but in this particular year because we grew 53% I think in Quarter 1 of last year. So therefore the scheduling of our 25% in FY-19 takes into account that extraordinary growth, because it also had a GST advancement if you remember 250 crores of Q2 sale came in the last week of June, you may remember from the call, so because of which 52% happened for that quarter and therefore we are targeting a lower growth in Q1 of this year, but hopefully it is unique to FY-19, otherwise that kind of dispersion I suspect won't be there.

Thanks.

S. Subramaniam:
Well! Thank you so much.