SEC 071 / 2021-22

2nd November 2021

The General Manager, DCS – CRD
BSE Limited
Corporate Relationship Department
1st Floor, New Trading Ring
Rotunda Building, P J Towers
Dalal Street, Fort,
MUMBAI - 400 001
Scrip Code: **500114**

The General Manager, DCS – CRD
National Stock Exchange of India Ltd
Exchange Plaza,
Bandra-Kurla Complex,
Bandra (East),
MUMBAI - 400 051
Symbol: **TITAN**

Dear Sirs,

Sub: Earnings Call Transcripts

Pursuant to Regulation 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform the exchanges that the transcript of audio call recording of the Company's Analyst Call to discuss the Unaudited Financial Results (standalone and consolidated) for the second quarter and half year ended 30th September 2021 is attached herewith.

The transcript is also available on the website of the Company: www.titancompany.in

Kindly take the same on record and acknowledge receipt.

Yours truly,
For TITAN COMPANY LIMITED

DINESH S SHETTY Digitally signed by DINESH S SHETTY Date: 2021.11.02 10:10:33 +05'30'

Dinesh Shetty
General Counsel & Company Secretary

Encl. As stated

"Titan Company Limited Q2 FY22 Earnings Conference Call"

October 27, 2021

MANAGEMENT: **MR. C. K. VENKATARAMAN – MANAGING DIRECTOR**
MR. AJOY CHAWLA - CHIEF EXECUTIVE OFFICER, JEWELLERY DIVSION
MR. ASHOK SONTHALIA - CHIEF FINANCIAL OFFICER
MS. SUPARNA MITRA - CHIEF EXECUTIVE OFFICER, WATCHES AND WEARABLES DIVISION
MR. SAUMEN BHAUMIK - CHIEF EXECUTIVE OFFICER, EYEWEAR DIVISION

Moderator: Ladies and gentlemen, good day, and welcome to the Titan Company Limited's Q2 FY22 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. C. K. Venkataraman - MD from Titan Company Limited. Thank you and over to you, sir.

C. K. Venkataraman: Thank you very much. Welcome everyone on the call. It has been a wonderful quarter, quarter 2 of FY22 and I must, at the outset, thank all the members of the large Titan Company family including members of CaratLane family and including employees. Vaccination levels continued at the momentum at which we started in Q2 and paved the way for consumer confidence returning and all the innovations and outreach done by various divisions and functions of the company helped deliver the kind of growth that we declared in the first week of October to the stock exchange that you all familiar with. The presentation has anyway been uploaded for you to see and all our CXOs are here in the call as well as some of my colleagues from the finance department. So we can actually go ahead with the questions right away.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: My first question is on jewellery, so in studded, there is Y-o-Y improvement and you have also pointed that versus pre-COVID still it has not normalized, so want to understand when do you see the 38% kind of studded share which was there, say 2 years back or say 35% plus kind of a number, when do you see that coming back and any clarity you can give on the wedding sales, you have said it is higher on both one year and two year, but if you could quantify that?

Ajoy Chawla: Hi Abneesh, Ajoy here. So, you are asking about studded ratio and as we said that in the recent past a few times that we are really looking at independent growths of gold jewellery and studded jewellery separately. So studded jewellery has certainly grown over pre-pandemic quarter 2 as well as very handsomely over the last year as well, so it has fully recovered and in fact showing growth. Now, it so happens to be that gold jewellery continues to show even higher growth and therefore the ratio is looking subdued. Whether the ratio will hit 35 or when it will hit 35 in whichever quarter or 32, whatever number, it is very difficult to predict because it is the function of customer behavior. If people continue to be bullish on gold, they will continue to buy more gold jewellery. Having said that internally we are ensuring that we are continuously targeting a high growth in studded. So that the absolute gross margins and overall profit in rupees crores is significantly higher. Second question was on wedding jewellery, we have seen, let us say, 1% improvement in the contribution in quarter 2 on wedding jewellery. If the growth in retail at an overall level is 69%, we have seen 81% in wedding over the previous year and even over the pre-pandemic if 61% was the overall growth, we have seen 74% growth in wedding.

C. K. Venkataraman: Also Abneesh, just to add to what Ajoy is saying, the studded ratio is not an ultimate KPI. It is an intermediate KPI. The ultimate KPI is the profitability of the business which is determined by the scale of the gross contribution in absolute crores like Ajoy said and the fixed cost which are sitting below that which finally deliver the PBT margin, so it is not an ultimate KPI and we are chasing growth in studded and not the share of studded.

Abneesh Roy: One followup on jewellery, so CaratLane again has very good sales growth 95% and profitability also, my question is, we are seeing some of the competitors also raise money, for example, Melorra, etc., so one, if you could speak on the competitive intensity in CaratLane and how you plan to be ahead of some of these new players who are also getting funding?

Ajoy Chawla: So you are right, BlueStone is also expanding at a rapid rate which is probably larger and more closer competitor to CaratLane. Melorra has raised some money, but Melorra is still very small and we would still think it is a long way to go in terms of their scale. The run rate in a particular month might have enabled them to get a higher kind of overall topline, but we see that competitive intensity in the category overall is high. All the other players are also expanding in a big way, ORRA is expanding, Reliance is expanding. Each of the major players are also launching jewellery for younger target audience in their respective stores, whether it is Kalyan, whether it is Malabar, whether it is Reliance, so overall there is a good action on the younger PG.

Abneesh Roy: My last question is on Taneira, so if I see store expansion in the first half, almost across all formats we have added, Taneira is one of the few formats where there is not a single store addition, in fact, square feet has been cut by 3000 square feet and you have also mentioned that Taneira would have grown marginally versus say 2 years back, so what is the issue of cut in the square feet and why no addition in the first half versus strong addition in most of the other formats?

C. K. Venkataraman: The ambition for Taneira in FY23 itself is very large Abneesh and we will share that very specifically in the next call hopefully. The biggest disadvantage that Taneira has compared to all other businesses is because of its newness, it does not have an established customer base which unlike other businesses can dip into even during times like this to grow sales and Taneira does not have because it is a very young business and in a work from home situation, not just work from home, but live in the home and not go out kind of situation in the last 1 to 1-1/2 years, socializing, weddings, all that have come to a very low level of activity, so the demand, the need for sarees has been substantially low, but quarter 2 performance of Taneira was actually among its best in the last many quarters, but contraction and square feet would be more to do with the particular store relocation from a large format to the medium format. That is the explanation for that.

Moderator: Thank you. The next question is from the line of Avi Mehta from Macquarie. Please go ahead.

Avi Mehta: Just wanted to understand jewellery EBIT margins are little better, it seems from the 2Q performance that customers are showing an increased preference for new launches, because we have seen wedding share raising, studded mix lower than 2Q FY20, but EBITDA margin jewellery is still higher than what we saw in 2Q FY20, adjusted for obviously the bullion sales, if that understanding is correct, if you could kind of help explain that and be if that is the case, does that imply that as we move towards normalization, we should see margins probably closing or trending higher than the pre-pandemic levels of 12-12.5%?

Ajoy Chawla: So EBIT margins are actually in that range already for the quarter and as Venkat explained early on, the previous one that the absolute gross margin contribution in rupees crores give scale benefits. So with scale benefits you are getting the higher. It is, yes to some extent wedding, I don't think about newness as much as, people are comfortable paying for designs and making charges, etc., so we have been able to sustain our margins at an overall level, but I don't know whether it is to do with newness as much as to do with the fact that peoples are happy buying jewellery for adornment.

Avi Mehta: No, what I mean by newness is that given that when you pay extra essentially you are paying for the design aspect, that Tanishq brings to the table which is what you are highlighting that it is got to do with people willing to pay and if people are doing that I mean then we exited FY20, we were actually trending at higher margin trajectories and what the full year has implied, so would that be fair to say that full year FY20 is not, hasn't things normalize, we should probably close at a higher level?

Ajoy Chawla: I didn't follow when you said full year FY20 margins were high, can you clarify what do you mean by that?

Avi Mehta: So 2Q FY20 margins were around 11%, sir and studded share was around 38%. We had 30% in 2Q FY22 and margins are at 13% in the jewellery segment, in that context and I am again removing the bullion assuming even there is not large contribution from bullion sales?

Ajoy Chawla: I think the simplest explanation for that is the growth in topline has been substantial over even the previous, it is 75% plus growth and that has given a scale economy and despite a lower studded share has given us a much higher EBIT margin. That is the simplest explanation, nothing more.

C. K. Venkataraman: That is what we will continue to chase.

Avi Mehta: Sir, the second bit I wanted to kind of just get is, if you could give us any sense on, given that watch business obviously on scale benefit just started to move back on the margin trajectory, any guidance on where do we see this trending and for the full year or more importantly for FY23? What would you target?

C. K. Venkataraman: Actually, we are focusing rather more on making the analog watch category much more interesting to customers, exciting to customers, investing in various forms of transformational programs to grow because the company is in a very good position to sort of get all the cylinders firing at the same time, so honestly the portfolio aspect is what I would bring in here and we would invest in the growth for the watch business in the next few quarters and get the results thereafter other than worry about margins now.

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

Rakesh Jhunjhunwala: Actually, in my 20 years of ownership of Titan shares, have never seen a quarter like this, what a quarter, my deep heartfelt congratulations Mr. Venkataraman and his team and all Titanians, congratulations, I have nothing to say, but I have a few questions, Watch division has done, in my opinion, highest ever quarterly sales, ever done in the history if I am not wrong and if this has happened in a non-festive quarter, also in generally your higher sales comes in the third quarter for watches, so do you think it is a trend or it is a one-off and have we worked on the performance of the eyewear division with 23% margin and 170 crores is not a very high sales figure, so how did you see that in future? My third question is in the jewellery division, we are expanding from 353 stores you have gone to 368 in 6 months, you have added 15 stores, so what is the amount of stores you hope to add in the next 6 months and then next 18 months?

Suparna Mitra: Hi, Rakesh, this is Suparna. Quarter 3 also is something that we are looking forward to, so now with all cylinders firing, all stores opened, all channels doing well, whether it is multi-brand or our EBO format, we hope to continue this streak, we are finding consumers back in the market, we have put up very good campaigns, very good collections which are bringing out customers and customers are choosing our brand, especially Titan in preference to many others. We have gained a little bit of market share in some of the multibrand format, so things are looking good and we hope to continue this winning history.

Rakesh Jhunjhunwala: Another question I wanted to ask you, don't you think you see a natural improvement in margin because of scale, if sales goes from 400 to 700 because you only have fixed cost in the watch division, so you get a very big advantage of fixed cost when sales will go up, some way that should lead to a natural improvement in your margin?

Suparna Mitra: It will, we are focusing on growth, we are chasing growth, we are chasing increase in market share, increase in customers, increase in revenue and what you said is right, the moment our fixed costs are covered, everything else is only going to go straight to the bottomline.

Rakesh Jhunjhunwala: First one, you may increase advertising or you may lower the watches, you may lower the price, or you will increase the content of a watch, the essential contribution of sales less material, these are not going to go down and with volume increase you are going to get lot of advantage, but the fixed costs will remain the same and you have high fixed cost, I think we have to have deeper study of why even after investing, despite investing for further growth, you should get better margins if you get volumes, anyway we will discuss it offline.

Suparna Mitra: Sure.

Rakesh Jhunjhunwala: And I have a question for the CEO of the eyewear division, how do you look this, allocate the sales growth, do you think it continue at 20%, 25%, 30% or is it better and there is a lot of scope to open new shops?

Saumen Bhaumik: Hi Rakesh, this is Saumen, so we are going to expand the footprint significantly. In another 15 months, we see a huge number of store addition, now that we have good business model as well as.

Rakesh Jhunjhunwala: How many stores?

Saumen Bhaumik: We are hoping to add another 250-300 stores in other 15 months or less.

Rakesh Jhunjhunwala: 250 stores in 3 months?

C. K. Venkataraman: In 15 months, 12 to 15 months.

Rakesh Jhunjhunwala: And is it probably because the Titan brand is selling more which is most profitable and because we are able to sell more lenses?

Saumen Bhaumik: Yes, so actually the profitability has improved, partly because it is actually a product mix, more focused on house brand, therefore Titan brand, Fastrack brand and so on. Second is the channel mix that we have somewhat altered, some of the more expensive channels, either we have done away with or we have controlled the way sale happens today, combination of these two have brought us to 20 plus.

CK Venkataraman: And a very tight control on discounts?

Saumen Bhaumik: Actually, last 18 months, we had no activation, no discount sales and so and so.forth and we believe in a category which is basically need based category, we don’t have to go back to that. At least 90% of that would definitely stay, so overall, I am not really forecasting, but 18% to 20%, I think would be a sustainable kind of a profit margin.

Rakesh Jhunjhunwala: And also today, we organized anywhere market in India, it is a very virgin market, because there is only about 10, 15, 20% is organized, so there is a long way to go?

C. K. Venkataraman: So Rakesh, the last 18 months, Saumen and team have spent on actually transforming the operations of the business and extracting value from the business and in the next 18 months they are looking at substantial growth which we will specifically share later, but he gave an indication from the network expansion side and therefore investments will be required for that growth, like you said the share of organized is lower, the headroom for growth is huge, this category is only going to get bigger and better and therefore the next 18 months is lot of focus on growth as well. So even as Saumen is hinting as the kind of margin, but the growth will now start coming in for a greater focus and it will dilute the margin to some extent.

Rakesh Jhunjhunwala: And Venkat, I will tell you one thing, I used Titan lenses earlier and if you use expensive Rs. 60,000-70,000 lenses good, your eye lenses are really good, congrats Titanians, Saumen, you have done a very good job, I really feel happy. And a question on jewellery division, see your inventories in jewellery is about 7,000-8,000 crores and gold on loan is 4700, that means we are financed 3300 crores of Gold stock through our own money, why don't we increase the lease on gold, gold on lease and then we increase the cash?

Ajoy Chawla: We are following a principle of around a targeted percentage of gold on lease as a percentage of the total inventory. If it becomes too high, there is lot of lumpiness in the cash flow management on the one hand and on the other hand there is always a little bit of risk of dependence on GOL, but we are following a targeted proportion to optimize the cash flow.

C. K. Venkataraman: Also, Rakesh, one of the biggest drivers of growth for us is the exchange program and in the exchange program, we buy gold from the customers, jewellery from the customers and that is on cash and therefore that will certainly determine, the balance only is in the gold on lease. We can get only so much smart on converting that cash, gold is bought with cash into GOL. Beyond a point, we will not do that.

Rakesh Jhunjhunwala: And what is the plan for opening your shops for Tanishq?

Ajoy Chawla: We have opened 15 net shops.

Rakesh Jhunjhunwala: Yes, I saw that, what do you think in the 6 months and next 18 months?

Ajoy Chawla: Next 6 months, we are looking at 20 odd stores and 18 months, I don't have a view, but we will be developing, typically we have been adding 30-35 stores every year and we do the business plan, we will have a better idea.

C. K. Venkataraman: That kind of momentum should continue.

Rakesh Jhunjhunwala: But if you map out India, how many stores can we open all over India, you map out, may be take 4 years, may be 5 years, but if you map out India there is a place where Tanishq store is openable.

Ajoy Chawla: We are currently at 370 odd stores as we speak. By the time we end the financial year, it will be around 390 in Tanishq. Now, I think from a 3-4 year horizon perspective, certainly the number of towns that are available in Middle India are huge, so 500 plus easily maybe more also, we have to do the strategy.

Rakesh Jhunjhunwala: And because with time, lot of towns are developing, non-developing, non-catering stores also coming to the criteria, so growth is coming so fast.

Ajoy Chawla: Yes. You are right, Rakesh.

Rakesh Jhunjhunwala: Anyway Ajoy, congrats on a fantastic performance and I am really overwhelmed by the result and your performance, congrats for that. I am hoping it will continue and hope it does. Congrats all on the team.

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

Aditya Soman: Just one question, in terms of you talked about the exchange program, any sense on what proportion of you sales made through the exchange program and going forward, how do you see that panning out, so was it exceptional in this quarter or do you think with the exchange program, what could be the percentage of sales for the quarter or something that you expect to see on next few quarters?

Ajoy Chawla: Aditya, the gold exchange program contribution actually is still to catch up as a percentage. Pre-pandemic quarter 2, it was 40%, last year it was 33, this year is still at 31. I think it is linked to multiple things, it is linked to people's outlook on gold. It also is linked to wedding purchases, so we think it should get back to 40 over a period of time, but frankly right now, in the last two years, we are seeing people are hanging onto the gold they have and maybe it will take a little longer to catch up.

Ashok Sonthalia: And may be just to add, they have savings in hand of last 18 months, they really did not exchange gold, we can actually take out money and maybe something of that is also happening.

Ajoy Chawla: That lever could play out little differently as we go forward. Can’t predict actually.

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

Percy Panthaki: Sir, I just wanted your view on the consumer behavior here, so this is the category where demand can easily be postponed at least to significant extent, so if I look at the pandemic period, I mean the five quarters or so, even March quarter of FY20 was also affected, so taking all those 5-6 quarters into consideration, if there was no pandemic and the growth had continued as normal versus the growth that you actually saw, the differential between this is quite material, there would be anywhere between 4000-5000 crores of sort of lost demand, so just wanted to get a view as to how you think about this? What percentage of this can come back? What demand can be postponed? What is lost forever? Because Indians also use gold, jewellery as a store of value and subconsciously, my view is that over a 3, 4, 5 year rolling period, they want to park some amount of money into gold jewellery and therefore this lost demand can actually come back to a large extent, so your take on that please, sir?

C. K. Venkataraman: Very complex question. Honestly, the answer is not at all easy. We have no such view on it honestly, we are taking the quarters as they come and maximizing the opportunity as it exists around us in the quarter rather than really examine what the question that you are raising.

Ajoy Chawla: I will give you one top level further response. There is obviously some pent-up demand. There is some share of wallet gain and then there is some wedding demand which does get deferred here and there, but beyond that is very difficult to conclude on what you said.

Percy Panthaki: Second question is, in terms of your volumes, how do you see those recovering because ultimately over the last 2 to 2-1/2 years the gold price has inflated like 50% plus. Now, I know that the consumer has a particular budget in mind, etc., and therefore he takes a hit on the volumes, but is it exactly 1:1 correspondence or there would be at least some benefit of the gold price going up on your overall revenues?

Ajoy Chawla: Yes, true, this quarter the kind of growth that we have declared, there is obviously a certain ticket value increase due to gold price of around 25% plus. The rest of it is volume, whether you look at buyer or you look at grammage. So we are seeing very healthy revival on buyer growth and we spoke about it earlier, higher growth is more closer representation for volumes for us rather than grammage, but having said that this quarter grammage has also grown significantly.

C. K. Venkataraman: So part of it would be pentup, part of it is also market share gain that we are continuing to make in multiple, many Indias where we are competing which is leading to the volume growth.

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

Tejash Shah: Couple of questions, first pertains to ad spend. Ad spend still is indexing lower than pre-COVID level despite very good momentum in the business, so any reset there or any insight if you can share on that?

C. K. Venkataraman: I think one of the larger points here is huge growing discovery of the role of digital, role of customer relationships which we can capitalize on for growing sales rather than the typical mass marketing approach of earlier years. I think the COVID situation has helped us appreciate every Rs 1 crore, every Rs. 10 lakh of rupees, how it can be spent very effectively and therefore the assessment of the advertising as a weapon is constantly undergoing substantial changes. Even, for example, the expenditure that we are making in to create a film, more and more films are being seen on small screens which are just 3 inches wide and therefore the budgets for these films are 120th, 150th and all that kind of things. Multiple things are happening to reduce advertising, but still deliver exceptional effectiveness.

Tejash Shah: Venkat, should we see this as a permanent reset or is it still under deliberation?

C. K. Venkataraman: Nothing like that because we are also pushing growth, just giving an overall sense of the share of digital and more targeted communications on the one hand, the cost of digital, performance marketing and all that, the role of encircle relationships and the analytics in unlocking sales opportunities. It is not that now we have permanently brought down the advertising percentage to sales to a lower level, nothing like that, I am just giving you a perspective here. These are all dynamically evolving subjects and the divisions will take their view depending on the situation.

Tejash Shah: And second question on staying with digital, e-com saliency in watches segment has actually increased to a very healthy level of 25%, so just wanted to check, if it is driven by change in mix in favor of more variables, A, and how should we see the contraction and footprint in world of Titan in relation to this change which you are seeing in favor of digital watches?

Suparna Mitra: Firstly, it doesn't have anything to do with wearables, I think our analog watches are doing very well online, both in the marketplace platforms as well as own brand e-commerce sites. Quarter 2 was a little unusual because there was a lot of pipeline filling in some of the big e-commerce sites in anticipation of the big Diwali wave so it will kind of get evened out in quarter 3. Having said that we have now a very strong presence in e-commerce and doing very well there in analog watches. Store expansion is something that is continuing, in fact, for us in the World of Titan chain, we are more focused on renovations and making the stores much more modern and much more premium, so yes, store expansions are there, planned for the second half, but equally important very major transformation journey of the look and feel of our World of Titan as well as Helios Stores which will allow for much better consumer experience and sale of more premium products. So that is where it is. So, E-com will continue to be strong, maybe Q2 is a little overstated, it will probably get evened out in Q3 and we continue to be very strong and investing a lot in our on ground presence.

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

Nillai Shah: Just one question from me, in terms of the business going into the festive season, now that a large part of it is behind us, can you share some numbers as to how the jewellery business has performed into the festive season this year?

C. K. Venkataraman: Very happy with the results on the buildup to the Diwali season and not really going to share numbers on this call, Nillai. The performance has been very good and very satisfying, but we are not sharing any numbers on the call.

Nillai Shah: And either we haven't heard from you for the full year guidance because of the postponement of our meet this year, anything you want to share going forward as to what the aspirations are for the business?

C. K. Venkataraman: No, nothing really Nillai and I think just like last year also we had a certain view about how we will build, from a recovery we will come into a growth phase and all that quarter by quarter. I think this year it is looking better than the rate of recovery for last year as Q2 has shown even in the most discretionary of our businesses. We are pretty gung-ho about Q3 as well as Q4, but not really giving a guidance for FY22.

Nillai Shah: And just one small question, in terms of the gold on lease part, I understand that a fairly large percentage of our gold is basically from exchange from customers, now as you think out, the next 3 to 5 years, this value will keep moving up quite dramatically, why is it not possible for us to get that gold on lease and do a sale back into the market and then shift that onto the gold on lease because the gap between holding that versus essentially gold on lease will be a good 5-6% points, so just wondering why that is the case beyond just the overdependence of gold on lease and does Digital Gold in the long term solve that problem?

Ashok Sonthalia: Yes, as you know that almost 50% gold sourcing is through gold on lease and 30-35% is exchange program, but the rest of 10-15% is still on this part due to depending on everyday economics. There is a team which evaluates those economics which method is fine, but one thing which we believe that we are in the business of buying gold and adding value and converting that into jewellery and reaching and satisfying our consumer needs and for inventory management, we do resort to bullion sale which you see in every quarter, like this quarter it was 192 crores which we sold and of course that got replenished through GOL, but it is more for the inventory management sometimes. We don't want to at this point of time kind of make it a very active buying selling in India. So that is the current scenario.

C. K. Venkataraman: Also, in reality what will happen, if for example, if the entire gold that we exchange, suppose if we want to convert into GOL and that sale will come at zero margin and therefore the enterprises are certainly starting with the EBIT margin of the division which is plummet with every 50% share of sales with zero margin kind of things, so what is the significance of that, so it is one way you lose kind of thing.

Ashok Sonthalia: And then there are other issues also, sometime we can discuss, like GOL is typically through import route for the first two months so that is why on the gold imports in India and…

C. K. Venkataraman: The corporate responsibility is to actually reduce that aspect as well.

Moderator: Thank you. The next question is from the line of Richard Liu from JM Financial. Please go ahead.

Richard Liu: I want to just go back on this watches versus eyewear margin question, I think that was discussed a bit earlier and we have been looking at it that you made about 23% margin on eyewear, what we were given to understand at one point in time is that both watches and eyewear had broadly similar level of gross margin, I mean if that be the case, how are you able to extract 23% margin from a business which is 20% or 25% the size of the watches business and the watches division is not able to come anywhere near that number, despite much bigger scale? I understand there is an aspect of manufacturing etc., but is there a lesson for you to draw upon from the eyewear margin experience and as opposed to watches business here onwards?

C. K. Venkataraman: It is not an easy question to answer on this call because obviously the fixed cost aspect, not just the manufacturing, but multiple fixed cost aspects of the watches division are sitting between the gross margin comparison that you are making in the final profit margin including things like advertising and all that, so it is honestly a difficult question to answer and I also said that the exceptional profit margin of the eye care division in Q2, let us not take that and take it into the future saying this is the new level because we also want to invest substantially in growing the scale of this business given the opportunity in the market is small and we want to invest and you will not see that kind of margin coming back for the next few quarters at least.

Ashok Sonthalia: If I may just add Venkat, but the fact is that over last 6 quarters there has been a structural change in kind of eyewear business profile from the gross margin perspective and Saumen talked about more in-house brands, lenses, channels which were kind of expensive, streamlining on that, so there has been a structural change which is going to be permanent, but for the growth, whatever investment is needed in future may not lend itself to 22-23% for next few quarters. Watches is a steady business, I would say at this point of time, they are maintaining real gross margin and once they really grow, growth would be the biggest lever for your margin expansion.

Richard Liu: Two comments here, if I may, forget about 23, even if I talk about 18 to 20, I don't remember the watches business, ever making that kind of a margin in the past and second if you can just help me a little bit out here, is my understanding correct that both these businesses have broadly similar gross margin or has things changed significantly after the recent restructuring that you have done?

Ashok Sonthalia: We don't give gross margin numbers for business, but at this point of time, over last 6 quarters, eyewear has gone up much better than watches.

C. K. Venkataraman: Also, because of the situation in which eye care division was in FY20, it was a loss-making division. Substantial transformational initiatives were undertaken to extract value and you see the results. The watches is a profitable division and sure it was not at 18%, yes, but it was at 13 and 14 and 15 and the pressing nature of the situation in the eye care division is very much not there and we are not feeling it like you may be feeling it because we look at it as a portfolio. If we want to invest, we continue to invest in the watches division.

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

Ashit Desai: Just wanted some thoughts on any kind of gains that you have seen from hallmarking and also any trends in terms of market share gains that you can quantify?

Ajoy Chawla: Ajoy here. So at this point, I think it will be very premature to assume any gains on account of hallmarking largely because the deadlines have been pushed back to post Diwali etc., and given that there were some noise around HUID and tracking etc., in the software issue, but I think because it has got pushed to post November or post Diwali, right now, I don't think it would be right to assume any market share gains. In the future, how things pan out, we will see. In terms of overall market share gains, while there is no formal industry numbers, but we track based on city by city, region by region and we compare with regional players as well as national players, overall our sense is we have gained market share virtually every region and every city to varying proportions, some place is much higher, some place is little lower, but overall it is difficult to guage because every player in the industry seems to have grown very well in the quarter that has gone by, whether it is a small independent or a local chain or a national chain, so everybody has grown. The relative growth might vary and therefore the market share gains may, we have kind of grown a little faster than the others. Percentage wise, it would be very difficult.

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

Amit Sachdeva: I have a question for Ajoy, more conceptual than any quantifiable thing that I want, but I would as I understand jewellery as a category my hypothesis is that category is with large network effect, even the brand is not visible and consumer wears it such aspirational brands such as Tanishq, so there is a large tendency for a consumer to talk about it, talk about to other when they buy it, so my question is that do you measure network effect as you become larger and larger and are we at a tipping point where network effect is actually helping you grow much faster and if yes, are you using that as a part of consumer recruiting strategy or is it something that is more visible that was not visible in the past, so if you can talk about some of that experience that will be very helpful?

Ajoy Chawla: We haven't thought about this in the form of network effect and word of mouth. Surely, word of mouth has been going up. Our overall visibility and presence across many cities in the country has certainly gone up. We are now there in 220 plus towns and we will continue to drive growth, not just towns also catchments within certain towns. So that is certainly helping us and therefore the scale benefits that we are seeing on account of, let us say, the disproportionate growth in topline, small growth in marketing investments. Other than that I am not able to currently articulate specific network benefit effects. See, the other benefit that I can share is our organic growth on websites has been quite good, while yes, we do digital marketing. We have seen a 20% jump in the unique visitors on our website over last year if I have to think of it and of course and that also indicates a certain degree of interest in the brand, but other than that I can't see. Golden harvest is the other one which is where you can say there is a network benefit, but I don't know whether it is a network effect the way you have articulated.

C. K. Venkataraman: Amit, certainly we have spoken about this not on the call, but within the company for many years, which is the role of retail as the face of the brand and as the number of stores we are setting up across the country and Tanishq certainly has got some of the best, every city and every location, the store has the brand as well and the customers as the goodwill ambassadors of the brand. If we look at the share of advertising to sales trend and we have certainly kept this as an angle to keep reducing the share of advertising spend overtime and implicitly recognizing that the network plays a role.

Moderator: Thank you. The next question is from the line of Vishal Gutka from Phillip Capital. Please go ahead.

Vishal Gutka: I have two questions, our ground checks suggest that Tanishq has started a pilot project of renting jewellery, if you can just help us at the outcome and the opportunities and challenges in projects scaling that up and secondly, if you can elaborate on Digital Gold, if you can give more details, how that is similar to gold harvest schemes and any particular incentive or benefit they are giving customers to pick up this plan?

Ajoy Chawla: Vishal, CaratLane is actually piloting rental project through a brand called Audorn for jewellery on rent. Very early days, still learnings have to start flowing in, we will understand how customers are behaving, who is buying or who is renting and what kind of stuff and then decide whether it is how to scale it and whether even to consider it for Tanishq etc., so it is very early days. On Digital Gold, it is not at all golden harvest like, but let us say, people can choose to buy certain quantity of gold or certain value as low as even Rs. 100 they can put in, so it is really up to them. There is no return implicit in it unlike a golden harvest which is the more structured program. Digital Gold, we have seen good traction. Currently, of course we have a tie-up with SafeGold and kind of people can access SafeGold, Digital Gold through our website and they are the ones who are in a way invoicing etc., but there is a tie-up with them. We are seeing good traction, we are seeing fairly large number of customers showing interest and younger profile of customers and people who typically at a time maybe buying couple of grams of gold at best, of course it varies, there is a dispersion in that as well, so early days, but we think it is an opportunity to recruit customers, of a certain profile. In terms of offers and benefits, now the rate of the Digital Gold is different from the gold rate in our stores, so at the time of redemption we made it a seamless experience. In order to enable this customer to buy a Tanishq jewellery, we do give a certain offer, so that they don't feel that there is a huge difference between the rate of gold at which they have been able to redeem the Digi gold versus the gold rate in that particular store. So to that extent, they feel they can convert most of the grams they have in Digital Gold onto jewellery. So that is what we are doing right now and we are starting to see good redemptions as well. So again, it is a nature of pilot learning and interesting insights emerging at early days.

Moderator: Thank you. The next question is from the line of Jaykumar Doshi from Kotak Securities. Please go ahead.

Jaykumar Doshi: I just have one question, we have seen 13% EBIT margin for jewellery business after several quarters and over the past couple of years, you had the program for cost savings called WAR on Waste, the question I have is, is 13% EBIT margin in jewellery business is kind of a base margin if you clock close to 6000 crores revenues a quarter and should we expect that to move higher as mix improves and if so when you get back to normalized mix or pre-COVID mix of studded in gold, can this EBIT margin be 14%, 14.5% and I am also assuming that the quarterly revenue run rate will also absolute revenues will move up from 5500-6000 crores to maybe 6500-7000 crores and the idea of asking this question is, if I look at your December quarter performance, last December was again a quarter with 6000 crores plus revenues in jewellery business and yet margins in that quarter was 12%, so just trying to sort of understand what is the sustainable margin that we should build going forward?

Ajoy Chawla: So, I think firstly comparing it to quarter 3 of last year, the studded ratio differs. In quarter 2 and quarter 4, typically it is the higher studded ratio relative to quarter 1 and quarter 3 because of the activation we do on studded, so kind of alternates between quarters, so it may be inappropriate to look at 13 as sustainable, it will depend. If you go back and see quarter 4 of FY20, we saw 14%, if you see quarter 3 of FY20, 13%, so there are various margins that we are seeing, but I think on an annualized basis, somewhere between the 12 to 13 range seem sustainable. If our numbers jump significantly in topline on a quarter-to-quarter basis, then of course we will start seeing more benefits on scale, but at this level I would say 12% to 13% is the reasonable margin to expect. We don't want it to be very high also because invariably I think the headroom for growth is huge and therefore continuously investing in the business for growth is important and therefore the absolute the rupees crores that we are able to kind of clock in is more important. So, we would rather say that the topline growth focus will continue to be the top priority as long as we are able to deliver this between this 12 to 13 somewhere, that is fine.

Moderator: Thank you. The next question is from the line of Shirish Pardeshi from Centrum Capital. Please go ahead.

Shirish Pardeshi: My question is on Digital Gold pilot what we had done, what I wanted to understand to get some sense that which is, of course in the press release you have said that it is younger generation which is getting hooked on, but initial benefit saying that what is the opportunity which you are looking for next 2 to 3 year or it is again one more platform which we are trying to engage with the customer?

Ajoy Chawla: It is one more platform for recruiting customers and certain profile of customers, let us say digital savvy many of them young, but not all necessarily young, but certainly digital savvy customers and those who would be able to invest in small amounts, Rs. 100 is the lowest they can go and invest in. So it is that profile of customers and we think it can be a good opportunity. We are also trying to see how big this is, but seeing the interest, we are quite happy about it and it is continuing. The pilot is continuing and will continue for the next few months before we conclude on how much to scale it.

Shirish Pardeshi: Ajoy, I got that, what I was trying to ask is that is there a limit to which the customer can add the gold quantity on a monthly, daily or yearly or it will continue?

Ajoy Chawla: There is no limit, it is the customer's choice. They are just holding the gold in a dematerialized format. The gold is being held for them in trust through a vaulting arrangement which currently entire thing is managed through SafeGold and there is a separate trustee, so they can hold as much as they want.

Shirish Pardeshi: So we will not have any impact on our balance sheet?

Ajoy Chawla: No, it has nothing to do with our balance sheet because we are not even invoicing the gold right now.

Ashok Sonthalia: Right now, we are mostly facilitating and providing an interface, all the custodian, trustees etc., is someone else's balance sheet.

Shirish Pardeshi: And this is in Bangalore?

Ajoy Chawla: It is across, so it is not only one vault, but they have different vaults..

Shirish Pardeshi: Just a quick word on CaratLane, if you can talk about online, offline I mean we have done a fantastic job there, but how do you see near term once the things are changing if the consumer traffic is also moving to online back?

Ajoy Chawla: I think both online and offline have done very well. Of course, offline has recovered and therefore the growths in offline have been better in quarter 2, but online continues to be very strong and powerful, so we are seeing a fairly good balance there. That ratio there is continuing pretty well and good outlook. We are very bullish on CaratLane growth. Hopefully, it should continue and we are confident we will.

Shirish Pardeshi: Will you spend a minute on profitability part? How is it shaping up now?

Ajoy Chawla: Profitability is good, gross margins are stable and good. As the scale is going up, the EBIT margin is also. Where it is profitable, it has been a profitable quarter for CaratLane and we had broken even last year, so this year should be growth going forward.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference back to the management for closing comments.

C. K. Venkataraman: Thank you very much everyone as always for the probing questions and continuous support and encouragement, so till we meet again, bye-bye.

Moderator: Thank you. On behalf of Titan Company Limited, we conclude today's conference call. Thank you all for joining, you may now disconnect your lines.