SEC 140 / 2023-24

8th November 2023

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 2023 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 SHIVANNA SHETTY
Digitally signed by DINESH SHIVANNA SHETTY
Date: 2023.11.08 12:41:25 +05'30'

Dinesh Shetty
General Counsel & Company Secretary

Encl. As stated

"Titan Company Limited
Q2 FY '24 Earnings Conference Call"
November 03, 2023

MANAGEMENT: MR. C. K. VENKATARAMAN – MANAGING DIRECTOR

MR. ASHOK SONTHALIA – CHIEF FINANCIAL OFFICER

MR. SWADESH BEHERA– CHIEF PEOPLE OFFICER

MR. AJOY CHAWLA – CEO, JEWELLERY DIVISION

MS. SUPARNA MITRA – CEO, WATCHES & WEARABLES DIVISION

MR. SAUMEN BHAUMIK – CEO, EYECARE DIVISION

MR. MANISH GUPTA – CEO, FRAGRANCES & FASHION ACCESSORIES DIVISION

MR. AMBUJ NARAYAN - CEO, INDIAN DRESS WEAR DIVISION

MR. KURUVILLA MARKOSE (DINY) – CEO, INTERNATIONAL BUSINESS DIVISION

Moderator: Ladies and gentlemen, good day, and welcome to Titan Company Limited Q2 FY '24 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

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

C. K. Venkataraman: Thank you very much, and thank you, and welcome to everybody on the call. It was a very satisfying Quarter 2 FY '24 for Titan Company and its subsidiaries. The actual results are up there for you to see, and I would just like to talk about one important development during the quarter and that was the decision of Titan Company to acquire the stake of our joint venture partner Mithun Sacheti in the CaratLane Private Limited Company. And that was decided around the 20th of August and the work subsequent to that is under process.

When we partnered with Mithun in 2016, we had a certain common vision, common dream, and strategy. And I'm very happy to note that partners have ended up achieving that very well, and I would like to thank Mithun for having played his part in it.

As part of the agreement, the purchase of the Mithun stake is happening as per the shareholders' agreement of that time, and we are quite excited to be now in the next wave of growth. CaratLane, and given the profile of Indian consumers, their digitalization, their accessorization, their desiring to buy the right kind of lifestyle products, CaratLane is positioned exceedingly well to capitalize on that opportunity.

And it would be part of a wholesome portfolio that the Titan's Jewellery business will have to play with. And all of us are super excited to partner with Avnish Anand, the CEO of CaratLane now, and his team in this next wave of the exciting journey of CaratLane.

So I would like to now stop here and request for all questions relating to the last quarter performance. Thank you.

Moderator: The first question is from the line of Avi Mehta from Macquarie.

Avi Mehta: Congratulations on the great performance this quarter. I had just 2 questions. The first one was, in the presentation, you've pointed to a material beneficial, material impact of Shradh being delayed from September last year to October in the current year. So 2 sub-questions on that. a), is it material enough to impact the October sales? And if that is, does it make us reevaluate our expectations for 3Q sales growth?

Ajoy Chawla: Hi, Avi, this is Ajoy. Still, but it's very difficult for us to gauge the exact impact because this year being, it has that Malmas and then because of that Shradh got deferred. So eventually we will know, only by mid-November, because Shradh period of first 14 days of October, while it was better than the Shradh of last year, which was in September, but how to account for how much sale has shifted from here to there, frankly, I have not been able to assess them.

But we know it's material because of the fact that pretty much, many jewellery players saw good growth in quarter 2. And we do attribute. So yes, to some extent, the first 14 days of October would be understated compared to last year's.

Moderator: Sir, sorry to interrupt you, but there's a bit of disturbance in the line. So let me reconnect your line. One moment. Ladies and gentlemen, thank you for your patience. We have the line for the management reconnected. Sir, you may continue.

Ajoy Chawla: Yes. So Avi, I was sharing that it's becoming very difficult to estimate how this -- because which period to compare it with is becoming difficult, but, yes, to some extent, you should consider in quarter 3, there will be a catch-up of this higher growth senior may get slightly impacted. We will know the exact impact only by the time we complete mid-November and end of quarter 3.

Avi Mehta: Okay, sir. Okay.

Ajoy Chawla: Avi, I don't have a number for you.

Avi Mehta: Yes, okay. Fair enough. I understand then what you're saying. Any number for October that you would want to share or that is something that's too difficult to give us the guidance or give us an understanding of the underlying growth momentum maybe.

Ajoy Chawla: See, it's difficult. Again, October, you know, has 14 days of Shradh and 16 days of season, and then to add them up and try to arrive at growth is very difficult. It's very difficult.

Avi Mehta: It's very difficult. Okay, sir. I understood then it's not the right -- fair enough, sir. Sir, then the second question is, again, on the jewellery business only, on the diamond pricing. There has been -- we understand that there has been a sharp correction in diamond prices. a), could you comment if there is any material impact from this correction on either inventory or margins that you anticipate going forward? That's all from my side for now.

Ajoy Chawla: So you are right. Diamond prices, especially in the higher caratages, in the solitaire side have come down and that's largely to do with international demand-supply situation, at the moment, supply of solitaires in the market. And we have traditionally not looked at price corrections based on this situation, but since there has been a significant impact, we have done small corrections in our pricing.

And to that extent, that may result in some margin dilution over the next maybe 7, 8 months because it's the inventory that we hold that will translate into some degree of margin reduction flowing in. Again, not able to estimate how much that will be in any quarter, but over the next 6, 7 months, we think there will be.

We also don't know whether the prices are likely to continue to remain low or go up. That's something which we are not able to estimate. So this is on solitaires and not so much on rest of the diamond-studded business. And the bulk of what we do is non-solitaire.

Avi Mehta: Okay. And sir, then materiality is not great. Is that the way -- I mean, does it change our expectation of where we were hoping full-year margins to be? Does that kind of get changed or no? It's not so material to talk about, is what I wanted to kind of appreciate better.

Ashok Sonthalia: Avi, it is not so material to talk about. I think our guidance has been 12-13%.

Moderator: Next question is from the line of Arnab Mitra from Goldman Sachs.

Arnab Mitra: Congratulations on a great set of numbers. Just a follow-up on the point on diamond. So while you mentioned that the main fall has been in solitaires, so are you saying there is probably no need to reduce prices in the main, the lower ticket sized diamond that you sell?

And in that context, would you then basically retain some of the commodity benefits because prices there would have also fallen, though to a lesser degree? And secondly, is there any, like, impact on revenue as prices go down? In your past experience, does value tend to compensate for -- the more consumers tend to compensate for the lower value?

Ajoy Chawla: So the large part of our studded business is non-solitaire business. On that, we have not felt the need to take any price correction. It's normal utility, up and down something keeps happening. So we have not taken any price -- we don't even feel the need to look at that as a price correction. It's only in the solitaire side where we've taken a small correction. And therefore, yes, we will hope to get the same margins on the studded business, at least on bulk of it.

And the other question on more -- yes, if prices come down over a period of time, they become more accessible in theory, yes, but we've never had faced that situation. So we can't really speak out of any experience. But yes, if the prices have fallen suddenly, we think people will wait and watch on solitaires as to whether there is more softness or will it come down further or will it stabilize. So uncertainty will result in solitaire customers being a little more cautious, but that's only on the solitaire side.

Arnab Mitra: My second question was on this gap between UCP and primary sales in jewellery, which is around 27% versus 20%. So this, I presume, is mainly for the L3 sell-in timing. So does it mean that we should expect the primary sales to be higher by almost 6%-7% in the 3Q to make up for this gap?

Ajoy Chawla: No. Let me just clarify. 27% is the growth if you look at the customer price, okay? If I look at some amount of discounting etcetera, that 27% growth will actually come down to 26%. And thereafter there is a further 3% drop on account of timing difference of upstocking, downstocking this year versus last year.

Last year, festive season was in October, so the upstocking happened in September. This year, there was no such upstocking. So therefore the primary comes down further. In addition to that, there are some adjustment accounting entries, which resulted in the reporting number of NSV.

Ashok Sonthalia: Domestic is 21%, not 20%.

Ajoy Chawla: Yes. So domestic is 21%. So 27% comes down by those 2 pieces I shared, which has to do with some amount of discount payouts being a little higher, and the second piece being the primary difference. That growth gets shaved off from 27% to 26% -- 27% to 24% -- 23%. Yes. And then the balance 23% to 21% is some accounting entries which happen to come at this point in time.

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

Kunal Vora: Congrats for good numbers. Can you help us understand developments in the lab-made diamond industry? There are reports saying that this is causing the slowdown in diamond industry in China, and also the lab-made diamonds are now available at, like, as high as 90% discount to real. So what are the trends which you are seeing? And if these diamonds become more popular in India, what would be your strategy to counter this trend?

Ajoy Chawla: So let me give one broad perspective that internationally the diamond prices, especially in the higher caratage side have taken a hit on account of couple of things. There is -- I mean, bulk of it is international market. So what we understand from the diamond cutters and polishers is that there has been some kind of bullwhip effect on -- because of the timing difference of end consumer demand versus what the back end of the supply chain kind of gets to see.

So markets have started coming down sometime back, but these guys were still increasing the supply of polished diamonds and so on. And now there is a certain realization of inventories etcetera. So that's one.

Second, what I understand is most parts of the world, demand situation due to economic factors has continued to be very weak, especially including China, which is likely to remain like this for the next 1 or 2 years. Europe has been down, Japan has been down, U.S. also has been impacted.

The third factor in addition to all that is, in about 40% by volume of the U.S. market is bridal and center stone. In that, a certain proportion of diamonds have got replaced -- natural diamonds have got replaced with lab-grown. So that would be adding a little bit more to this drama.

So all these 3 factors and oversupply of roughs and therefore polished stock in the market has resulted in some price correction. And this could be part of a business cycle. Some part of it may be structural, but very difficult to estimate. In India at least, we are not seeing any demand problem.

We have not heard of anything in any of our stores across all our brands where people come seeking for lab -- people want a certification that can you please ensure that you also add to your guarantee that our products are natural. So that indicates that they are keen to ascertain the authenticity of naturals. And we are, of course, selling only natural diamonds. So in the future, what will happen, how it will happen, we are watching and we'll figure out how things play out.

Kunal Vora: Sure. That's helpful. And also I wanted to understand, if I look at like-to-like growth for CaratLane that's lower at 10% compared to Tanishq at 22%, can you help me understand this? I would have expected the growth for CaratLane to be higher because it's a new format.

Ajoy Chawla: Yes. So a couple of things here. Tanishq is operating in a market the benefits of formalization and the opportunity to gain share from many, hough Tanishq is also gaining its size by virtue of operating at a low market share, high-value space, whether it's high-value studded, whether it's in gold. Therefore, you will see that the ticket size has contributed as much to the growth of Tanishq as any other as the number of buyers. So in fact, on a like-to-like basis, 50% of the growth has come from ticket size. Rest has come from buyers.

In the case of CaratLane, as a conscious strategy to operate within that price segment, -- again that's where you need to give an attractive product. There's no ticket size-led growth. It's largely buyer-led growth. So that's the way it'll equate. Further, if I were to reconstruct the Tanishq growth, the growth in buyers and new buyers is particularly high for us in the higher, greater than INR 2 lakh space, whereas in the sub-INR 50,000, sub-INR1 lakh, we are seeing certain much lower new buyer growth.

It's that in the sub-INR 50,000, there has been significant amount of -- roughly there is enough and more players in the market and partly consumers have been a little bit more under stress. It probably reflects a more modern, younger customer, IT crowd etcetera.

Therefore there is some amount of consumer sentiment and share of wallet play, which is happening in the sub-INR 50,000. So we are seeing in CaratLane, Tanishq, Mia, from the same store, new buyer growth is kind of comparable. So I think that's the way to understand this. Otherwise, there's no reason to worry.

And I would add one more thing. CaratLane has certainly added a lot of stores in the last -- in 20 months, and to some extent, the same-store growth in certain cities could have got impacted by that, but we are closely watching that and we are sure that overall city growth is very good.

Moderator: Next question is from the line of Devanshu Bansal from Emkay Global.

Devanshu Bansal: Yes. So my question is on the capital raise of about INR 2,500 crores through debentures and about INR 1,000 crores through debt. So wanted to check if you can provide some color on the utilization of these proceeds and also what is the blended rate of interest that you foresee for the same.

Ashok Sonthalia: So I think we -- during this issue yesterday and getting all things closed today. So we did 2 tranches, INR 1,250 crores and INR 1,250 crores. Other one is for 24 months. We've got a blended rate of 7.74%, which is very, very good in the current context. And idea is to use this for the acquisition consideration partly and partly from internal accruals. So that is the purpose.

Devanshu Bansal: Acquisition of CaratLane stake, sir?

Ashok Sonthalia: Yes.

Devanshu Bansal: Okay.

Ashok Sonthalia: CaratLane acquisition, just to add that it is going through the CCI approval. We expect that CCI approval should come soon, and we are getting just ready that as soon as the CCI approval comes, have necessary funds to kind of consummate this transaction.

Devanshu Bansal: Right, sir. Sir, another thing that I wanted to understand is from a competitive intensity point of view. The access to capital for other organized players has also improved either through capital markets or through franchisee investments that they are getting. Almost all players are talking about increase in network expansion versus historical trends. So what is your view on the intensity in this market? And do you foresee any potential impact on margins because of this?

Ajoy Chawla: You're right. Most of the organized players and some of the independents also are -- maybe in their close-by cities or near -- or the same city, and therefore we are seeing that. We are also actually expanding quite rapidly. We've added in the first half 19 stores in Tanishq, and as we speak, we've added another 8 in the month of October and we have visibility for another 15. So yes, expansion is on both in existing market and new market.

We are also expanded significantly many of our stores. We have undertaken significant store relocations and expansions to be able to do full justice to all the products and options and ranges that we are selling.

C. K. Venkataraman: Also, at least what I am able to see on the ground is an acceleration in the formalization of the category because of an increased activity level by other companies like what you're mentioning. There are many places where we are -- like 3, 4 of us in one stretch next to each other.

And the whole city or the whole locality, depending on how big that city is, is actually transformed from a jewellery industry point of view. And I think based on the small size, jewellers are certainly getting much more affected. And therefore the acceleration of the formalization, which means that the sale of these does not have to come from Tanishq.

Equally, we are also seeing that when we are just next to other big national brands, they're coming out as better, contrary to what somebody may think because of premium and all that, but premium is only one aspect of it.

Finally, the quality of the designs, quality of the finish, the superlative experience inside the store, all that, customers are able to perceive directly in a short time. In half an hour, you'll know the difference, right? Unlike you maybe go days later to some other store, your memories are like dim. People go and come back and buy.

So actually we are benefiting when competition is putting stores next to us as opposed to worrying. In fact, now more and more people I meet on the ground are saying that let those brands come and put stores next to us, that actually will help us because the overall traffic for jewellery in that city, to that stretch, is going to dramatically increase and we'll get a greater share of that than otherwise.

Devanshu Bansal: Very clear, sir.

Ajoy Chawla: And hence, we are seeing market share gains even in those cities. So frankly, all the forces are working well. Competitive intensity has always been high, will continue to be. So I don't think that's something we are worried about.

Moderator: Next question is from the line of Shirish Pardeshi from Centrum Broking.

Shirish Pardeshi: Venkat, Ajoy, congratulations. I have a few questions, starting with the main question, which is fundamental question for Ajoy. Last many quarters, we have seen a new buyer growth ahead of 45%. So I was more curious to understand the profile of these customers, what kind of ticket size these people contribute. And what is the frequency at which they buy?

Ajoy Chawla: So I'll just correct you, Shirish. It's not the growth. It's the contribution of what you are talking, 45%. And even in this quarter, it's a 48% contribution. 48%:52%, new to repeat. So typically there is a difference between a new and a repeat customer. The new customer comes in at a lower ticket size, sub-INR 75,000 because they are sampling the brand. Very rarely do they come and buy a very high-value item. Repeat customers typically have much higher ticket sizes, and therefore their lifetime value to us is much more.

However, the new customer segment is critical because they are the funnel. Over a 3 to 4 year period, they migrate from being a sub-INR 75,000 to a INR 2 lakh plus higher, assuming they stay with us and they don't become dormant. So that's the story as it goes. Profile, well, largely they are typically people who are otherwise buying gold jewellery from somewhere else. And therefore they come in, they want gold and they want gold of their kind.

And they're typically the everyday product buyers, whether it's bangles, earrings, fingerings, chains. Over a period of time, then they get attracted towards the studded side of the business as well. So they are more traditional, by and large; not all of them, but by and large, especially in most of the markest. And two, they are lower ticket size.

The metros and the bigger cities, yes, you're also -- we also get a lot of studded buyers, especially those who come in and buy Mia or a Tanishq, sub-INR 50,000 or even a CaratLane in a CaratLane store. That's a different kind of audience. The audience is, they are not the same as the earlier one I described. So 2 types of customers, but beyond that, I don't know what else I can share.

Shirish Pardeshi: No, that's helpful, Ajoy. The reason why I'm asking now today, the Tanishq store count is at 445 and Mia is 145, almost 1/3. So I was more curious that number of stores over last 5 to 6 quarters, we have added very aggressively in Mia. Obviously, that format is working well and obviously, you would have put energies behind that.

The reason why I'm asking is that, uptrend which is happening, say, for example, a new buyer comes with a plain gold and uptrades to a solitaire or studded is the trend which is going to stay for a longer time? Or there is some trend which is now Mia is the different segment which is catering and plain gold Tanishq is catering to a different segment?

Ajoy Chawla: No. I think that's a very simplistic view. Firstly, Mia is present in almost all Tanishq stores also, okay? And in some of -- and in not some, many of the Mia stores, we also have kept a Tanishq complementary range of studded products. So you must recognize that these are 2 channels who are attracting a certain profile of buyers. Secondly, in the Tanishq channel also, you get a fair amount of people who come in and buy studded in the sub-IN R50,000, INR 60,000, both in the Tanishq brand as well as in Mia. Mia is mostly 14-carat. Tanishq is only 18-carat in that studded space. So it would be too simplistic to classify.

What I told you was the large number of people who are sitting and buying -- and when I say new, this is new to Mia or Tanishq, okay? So the large number of people who are out there in the unorganized market who are buying typical gold products, that was the first profile I spoke to you about. That is a big chunk. That's a very big chunk because of the sheer formalization benefits and the market share gains that we spoke about.

The second customer that you are referring to is the new-age customer where there is more of a market expansion activity and not so much of a share gain, as in new customers who are looking at this category as a new acquisition to have for adornment.

Shirish Pardeshi: Okay. That's helpful. My last follow-up on the jewellery. Now, we have almost 10 stores outside. Would you be able to share some qualitative, quantitative data how these stores are faring, what is the square feet or per square feet sales we are getting, or any color how we should build?

Kuruvilla Markose: This is Diny here. So far -- I mean, as on date, we actually have about 13 Tanishq stores. We've just opened, soft launched Singapore. The formal launch is tomorrow and we'll be opening Houston as well tomorrow, and Dallas has opened recently. There's 2 stores that we opened a little while ago in Qatar. They're all doing quite well in terms of numbers.

All of them, once we open them, are pretty much better than whatever we anticipated, including relatively high studded ratios reflective of the type of customers that -- or the type of incomes and the type of lifestyles that Indians internationally are enjoying.

So from a performance standpoint, they're all doing extremely well. We're getting a good percentage of repeat customers. We've also recently, about a month ago, opened the first Mia store in Dubai, the first international Mia store, the first one outside the country, in Dubai. And that is also helping us pull in a set of non-Indian customers as well. That's the broad approach and the track that we are taking for Tanishq.

Shirish Pardeshi: Yes, I'm sure that's helpful, but I'm looking more from a...

Moderator: Sir, sorry to interrupt you. Shirish, I'll request you to come back in the question queue.

Shirish Pardeshi: Yes.

Moderator: Next question is from the line of Aditya Soman from CLSA.

Aditya Soman: Sir first question, I mean, you talked about faster customer growth at the top end in terms of higher ticket sizes, but I see that Zoya at present, I mean, while you're expanding it, is about 10 stores. Would you think the time is now right for you to accelerate the expansion of Zoya and any sort of outlook you want to give us in terms of where Zoya can be, let's say, in the next 2 to 3 years?

Ajoy Chawla: Yes, Aditya. Zoya is currently at 8 stores, if I'm not mistaken, not 10.

Aditya Soman: Yes, 8.

Ajoy Chawla: And we have actually, as we speak, in the pipeline, but the pipeline takes a little longer to materialize in the case of Zoya because some are built to suit etcetera. We have at least another 6 or 7 stores visible for us. And therefore, I've made this comment even earlier in some other media interaction that before next Diwali, you could expect about 15 Zoya standalone stores. Besides that, Zoya is also present in 6 galleries, or is it 7 galleries, I think, and there are a few more galleries that will come up, which is inside a Tanishq company store. So there may be a couple more that may come there.

So you're right, we believe it is the right time to expand Zoya. And from, let's say, 3 stores 4 years back, now 8 and by next year, it will be closer to 15 and the top 7, 8 cities, or top 8 towns will get covered. And yes, we think Zoya can grow well; very difficult to give an accurate number on this because it's an evolving thing.

Last year, Zoya did, in consumer price terms, at about INR 240 crores. We are targeting a hefty growth, a good 50% growth in the current year. I think we can sustain good growth. We haven't done an exact projection, but clearly, we see that it is building up into a nice sweet business as well, besides being a great brand.

Aditya Soman: No, that's really helpful. And in terms of profitability, anything to call out on Zoya? I mean, would that be more, less, any sort of rough direction?

Ajoy Chawla: Gross margins are better than Tanishq because of it being 95% studded business, and -- so the rest of it is really operating leverage, which -- we don't do a separate P&L for Zoya. Generally, margin and profitability wise, it's much higher.

Aditya Soman: Very clear. And these are all L-1, I'm assuming, or are they, again, L-2, L-3 as well?

Ajoy Chawla: These are currently all L-1. We will evaluate if we need to do an L-2.

Moderator: Next question is from the line of Nihal Jham from Nuvama.

Nihal Jham: Ajoy, my first question was on the jewellery business. I know at the start of the call, we tried bifurcating the benefit of maybe what the shifting of Shradh had. Just to understand if, say, looking at the growth in July-August would be in any way a bifurcation or a see-through into how the quarter would have performed, had the shift of dates not happened. Would that in a way give a sense just to understand from your perspective?

Ajoy Chawla: No, not really, because July was the Malmas, and we saw from July to August to September, the trajectory was going up. So very difficult to judge. We tried all this, but can't help you.

Nihal Jham: Sure. I'll take it. The second question was on the jewellery margins. Last year, I think we had a 2% benefit where we saw some benefits also coming in from the increase in diamond prices at that point in time. And while I don't think we bifurcated the difference, assuming, say, 1% was related to that, is it that this time around, the pricing environment is, as you said, more towards solitaires and the higher caratage whereas last year it was more on the caratage that we were using and that is why it is not really clear in terms of how the margin impact would play out in the future ahead.

Ajoy Chawla: No, I don't think that's the way to look at it this way. Inventory gains came in last year because we took the price increases ahead of the actual costs hitting us because of the pipeline inventory we had. And that was across the board, whether it was small, whether it was slightly bigger stones or solitaires. Right now, as we speak for quarter 2, there is no impact of any price related.

Therefore the difference between last year quarter 2 and this year quarter 2 is the extraordinary inventory gains that were in a way one-time to last year. This year, what you are seeing is a normalized margins in quarter 2.

Going forward, because we've taken some small correction in pricing, there may be some gross margin dilution on account of that segment alone, but that will play out over the next 6 to 8 months. And we are not able to estimate exactly how much, because it depends on the sale of those finished goods etcetera. So right now in quarter 2, the only difference you see is the normalization of margins.

Moderator: Next question is from the line of Siddhant Dand from Goodwill Warehousing.

Siddhant Dand: I think my question on Zoya was perfectly answered before. My other question was Trent has launched a premium Indian dress wear Samoh, which is arguably clashing with Taneira at some point. Is there an understanding on which segments in apparel will be managed by them versus Titan or are we open to compete?

C. K. Venkataraman: Nothing to share at the moment, Siddhant on that. Maybe we will share something once we are also completely clear.

Siddhant Dand: Okay. That's fine. And there was some media article on our 10 lakh plus invite-only format. Is it a Zoya store or is it something else?

Ajoy Chawla: No, I think it was a little bit of journalistic imagination.

Siddhant Dand: Okay.

Ajoy Chawla: And in Zoya, we already have a South ex-store in Zoya. We are looking at the city for Tanishq in -- because our current store is -- size is not adequate for the demand that we cater to.

Siddhant Dand: Understood. I was expecting that. Okay.

Moderator: Next question is from the line of Milind from Dalal & Broacha.

Milind: I have 2 questions. First of all, congratulations on good numbers. I have 2 questions. One was that now hallmark becoming quite common. What is the USP, especially in gold jewellery that Tanishq would have against other jewellers like maybe a Kalyan or Malabar or similar kind of jewellers?

Ajoy Chawla: So I think purity is one aspect on which customers have distinguished. Secondly is our gold exchange policy, the transparency of pricing, transparency of the way our -- there's a net weight, cross weight difference that we bring about. There is also an excellent exchange program, the TEP, in which we give value for stones, we give value transparency in which the way exchange program works.

There is great product finish time, which we are very proud of, finish in terms of quality as well as design. And also I would say the customer experience that people get in our stores. So there are many different legs on which the brand is differentiated besides the overall appeal of the brand to the Indian women, to the progressive Indian. So I think all these factors play a big role in differentiation.

Milind: Okay, got it. Second question was on lab-grown diamonds. Now, frankly, even now I find lot of resistance even in the customers to go for lab-grown diamonds, but all said and done, it's like an IVF baby or a normal baby. Baby remains same. There is no change.

So there is no difference when it comes to lab-grown diamonds versus natural. So do you think that this will be a major challenge going forward for Titan in the next 3 to 5 years? I'm not talking of immediate, but over next 3 to 5 years, do you think that there could be an impact in the sense on value?

I do understand that there may be some kind of increase in volumes, but would the value be impacted because of lab-grown diamonds becoming more and more popular? Because we have seen that in U.S., 50% of loose diamonds now have already -- are already lab-grown diamonds. And I enquired that the cost of a 1 carat lab-grown diamond is roughly less than $200. So that is why this question.

Ajoy Chawla: Okay. So first, let me clarify that 50% of the center stone bridal engagement ring product, so that itself is about 40% of the overall. So that 50% will translate to 20%. Okay, just to clarify that. Second piece, you're right, when the -- if suddenly a retailer decides to sell a lot of lab-grown diamonds, and because the price of lab-grown diamonds is continuously crashing, in fact, it's crashed very, very badly.

And as a consequence, many retailers in the U.S. who were selling both have seen that the lab-grown has cannibalized, and now they are having a rethink on their entire strategy, including the Signet Group and quite a few other big players. How things will pan out over the next 3 to 5 years in India is difficult to gauge.

In the U.S., there is -- the concept of stored value in a diamond is not such a big concept for them. And as you can see, it is largely in this engagement, bridal center stone where this phenomenon is occurring, but not in the rest of the fashion jewellery or other jewellery at least, to the best of our knowledge right now.

So in India, the stored value of the diamond, and particularly in the solitaires, where we are seeing this demand kind of impact in the U.S. In India, the solitaire is being bought not for young brides, but it is being bought for milestones. And a large part of solitaire is also investment-led. How this will pan out therefore the next 3 to 5 years, we don't know. We are keeping a close watch, and we will -- what options we want to explore as we go forward. We see that there's a big impact, but right now we are not seeing and we'll keep a close watch.

Moderator: Next question is from the line of Sheela Rathi from Morgan Stanley.

Sheela Rathi: Yes. So my first question was with respect to the comment on the new and repeat buyer ratio. What I understand is last 2 quarters, the repeat buyer ratio is on the higher side versus new buyer ratio. So Ajoy, the question is what do you prefer, I mean, in terms of how do you want this ratio to look like from a medium-term perspective?

Because I would understand that new buyer means you have a higher customer growth, whereas repeat would result in higher bill value growth. But ideally, what is the balance you would like to maintain or how should we look at these numbers when you share these numbers?

Ajoy Chawla: So we are happy with the kind of ratios we are seeing, 50-50, 52-48, 53-47, and this ratio varies by quarter because of in-festive buyers come in because a lot of people in the market at that time. So it'll fluctuate, but we are comfortable with this 52-48, 53-47 as a healthy balance because you must realize that we also have a large number of existing stores. Ratios will be skewed more towards repeat and the newer stores will have a greater skew towards new. So this is a good balance, I would say. We are happy with this balance.

Sheela Rathi: Understood. And Ajoy, you mentioned about how the repeat customer in a Tanishq store over 3 to 4 years spends INR 150,000 to INR 200,000 versus the first-time purchase, which is less than INR 75,000. How does the repeat behavior in CaratLane or Mia pan out in terms of the spends?

Ajoy Chawla: There is a slight increase in the ticket values, but in Mia and CaratLane, since the objective continue to serve strongly to the sub-INR 50,000, sub-INR 60,000, they may buy more pieces more often, but the average selling product is pretty much where it is.

And even in fact, when the price of gold etcetera goes up, the endeavour of both these brands is to ensure we -- existing products in the price points so that the catalog is not vacated. So repeat is slightly better, but not like the way I described Tanishq. They may come in more often. They may come in and buy more gifting or self or whatever, but the piece price remains more or less same.

Sheela Rathi: And what would be the differential in price points for CaratLane and Mia now?

Ajoy Chawla: CaratLane is around the INR 25,000 – INR 24,000, INR 25,000 range and Mia is around INR 31,000, INR 32,000.

Moderator: Sir, sorry to interrupt, but I need to reconnect the line. There's a bit of disturbance in the line, sir. Participants, please stay connected. Ladies and gentlemen, please stay connected. Participants, thank you for your patience. We have the line for the management reconnected. Sir, you may go ahead.

Sheela Rathi: Finally, Ajoy, you were saying something on Tanishq in the end. I think I missed...

Ajoy Chawla: No. Just the ticket value is INR 140,000.

Sheela Rathi: For the repeat buyer.

Ajoy Chawla: No, for average for Tanishq. I'm telling everything average.

Sheela Rathi: Understood. And one final question from me. What was the share of gold exchange this quarter?

Ajoy Chawla: Gold exchange was around 30 -- sales by virtue of gold exchange, that is the non-Tanishq gold exchange, was 34% -- 33% in the current -- in quarter 2.

Moderator: Next question is from the line of Jay Doshi from Kotak Securities.

Jaykumar Doshi: Congratulations on a very solid execution. Just one question. Is it possible for you to give us some color in terms of what percentage of your studded inventory right now is the inventory where your procurement cost was higher and -- versus the current spot price of diamond procurement? Or -- either absolute number or percentage basis or some color that helps us appreciate this aspect better.

Ashok Sonthalia: So Jay, Ashok here. As we spoke in the beginning of the call, the impact on studded margin going forward for next 6 months is not material enough, so you should not worry about that. And we would not like to put a number behind this.

Moderator: Next question is from the line of Gaurav Jogani from Axis Capital.

Gaurav Jogani: Yes. Sir, my question is with regards to the sharp margin expansion in Q2. These margins were in the -- ex of the bullion were around 14-odd percent. So what really explains this sharp expansion Q-o-Q? And what would be the guidance in the light of the margin that we have seen in the Q2 for the full year?

Ashok Sonthalia: So Q-o-Q is not the right way to look at it. You know there are seasonality, there are diamond festival or diamond activation. Quarter 2 is for that. And typically, quarter 2 margin is always higher than quarter 1. Quarter 1 is more Akshaya Tritiya where gold jewelleries are far higher. So don't look at quarter-on-quarter. Look at year-on-year, and year-on-year last year, we had called out that we were sitting on one-time gain. So compared to that, we are down by 1.3%, 1.4%. This year, again, studded share is even higher than the last quarter 2.

So some help has come from there. Some of the gold portfolio realizations etcetera are better, and some of -- in jewellery business, there are thousands of moving parts. Some plus-minus happens. In this quarter, all the factors, levers are generally in positive direction. So we are there. Nothing to specifically call out that -- except the diamond share and gold portfolio better realization, there is nothing specifically to call out for.

Gaurav Jogani: Sure, sir. So sir, in that light, what could be the possibly margin guidance or the guidance for the full year? What band would you now say would be achievable for the full year basis?

Ashok Sonthalia: So full year, I think we are being, for last couple of years, consistent. 12% to 13% is a good margin band for jewellery division to aspire for and deliver for.

Moderator: Next question is from the line of Nitin Jain from Fairview Investments.

Nitin Jain: So my question is on CaratLane. So if we look at the margins for -- at the beginning of FY '23, we were somewhere around 7%, the EBIT margin. And since then, there has been a gradual decline in the EBIT margin. So how do we look at this picture? Is it as a result of the competitive intensity or the product mix has changed considerably? If you can throw some light here.

Ashok Sonthalia: So CaratLane also last year at least was beneficiary of price increase in diamond business, 75%, 80%. They also had some amount of inventory gain. So quarter 1, quarter 2, particularly of last year had that benefit sitting in that. It was a very small part of the thing. So none of you asked at that point of time and none of us called it out for CaratLane.

CaratLane right now, I think as far as the -- they are planning for growth, and accordingly, organizing themselves for that, but at the gross margin level, they are kind of comparable to where they were. The remaining -- the fixed cost part of it, which is kind of preparing for the growth, putting more office space, putting more marketing, branding etcetera is kind of creating a little bit temporary stress in the P&L, if you are looking at it. But we are very hopeful that over next 2, 3 quarters, this should get sorted out as they regain their growth back to what they are planning for.

Nitin Jain: Okay. And just to confirm, there is no like significant change in the product mix worth calling out.

Ashok Sonthalia: No, nothing.

Moderator: Next question is from the line of Neeraj Khaitan from VT Capital Markets.

Neeraj Khaitan: Sir, since September 30, the gold prices have risen by around 10%. Do you think that will have any effect on the demand?

Ajoy Chawla: Yes, it has. Obviously, more customers get spooked with this kind of sudden jump, especially post 10th of October, I think post the geopolitical tension, we have seen a certain sluggishness. But having said that, I think in the last few days, there has been stability and most customers tend to wait till as late as possible before they jump into the festive buying. So yes, overall there has been some dampening.

But having said that, we are still seeing looking -- we are still seeing reasonably decent value growth, and I personally feel the next 10 days, we will see a huge surge of customers providing no further jumps take place in the gold price.

Otherwise that can create a little chaos, but if the gold price remains where it is or if it comes down marginally, my feeling is that many customers who've been holding back will jump in, and including wedding purchasers who are waiting for gold prices to stabilize. But anybody's guess.

C. K. Venkataraman: I think all questions are done.

Moderator: Yes, sir. We don't have anyone in the question queue. You would like to give any closing comments?

C. K. Venkataraman: Yes. Thank you very much everybody, for all the encouragement and challenges, as always. See you 90 days from now.

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