TITAN
COMPANY

SEC 7 / 2016-17

1st June 2016

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: Key discussions at Investor Conferences

This is to inform that key discussion points in investor conferences are furnished in the attached document.

Thank you.

Yours truly,
For TITAN COMPANY LIMITED

A R Rajaram
Head – Legal & Company Secretary

Key issues discussed in Investor Conference/ Roadshows in Singapore and Hong Kong

Jewellery Division

- Q4 FY 15-16 was adversely affected on account of multiple factors like poor walk-ins in the month of January and February, 2016 due to customer expectation of correction in gold price (expectation of reduction in customs duty on gold imports in budget 2016) and due to the jewellery industry strike, in March 2016, in opposition of the Excise duty levy of 1% announced in the budget. As per World Gold Council, gold imports to India were 39% below the previous levels. Providing for inventory adjustments etc. we believe that the industry has declined by around 20-25%, which indicates that we may have gained market share during the last quarter of FY 16
- The excise duty levy is a step towards GST implementation and we welcome GST. Financially, this levy may be mildly beneficial to us as Tanishq will get credit for service tax paid on advertising, rent and others, which was not available hitherto
- Q1 FY 17 has seen moderate demand so far. Tanishq recorded decent sales for Akshaya Tritiya (AT) but the industry as a whole seems to not have done well despite heavy gold price discounting by a lot of players. Our channel check suggests that some of the players may have declined as much as 30% during the AT period. We have observed a decline in the relevance of auspicious occasions like AT over the years and this may be an indication that the next generation is gradually moving from investment/tradition to adornment as the primary reason for jewellery purchase
- The secular impact of PAN card threshold revision to Rs 200,000 is yet to become visible but the cash sales of the company between Rs 200,000 and Rs 500,000 is less than 10% of the revenue of the division and we believe less than half of it may get impacted as rest of the cash purchases may be done by people who do not have adequate credit card limits and withdraw cash from the bank for the purchases, which means they should not have a problem in furnishing the PAN card. Hence the overall impact should not be very material.
- The new Golden Harvest Scheme is getting good enrolments and the company has been able to influence the customers to redeem faster, thereby churning the customers faster and releasing limits for new enrolments. We believe that with the revision of the net worth (after the end of financial year FY 16) and momentum of customer redemptions, there is a healthy scope to scale the company's GHS scheme further. The test marketing of the tripartite arrangements with banks for extending the GHS was not well received by the customers and a modified and simplified version of the tripartite arrangement may be used only when the company exhausts the limit on its balance sheet
- Over the last few financial years the company has observed that customers have become cautious in spending on discretionary items but are willing to spend on new products and

collections with great value for money. Keeping up with this change in consumer behavior the company has decided to launch aesthetically superior and relevant collections periodically to boost customer walk-ins and new customer acquisition.

- The company maintains its previous guidance in terms of targeted growth for the current fiscal year of 15% revenue growth and network additions (20-25 stores adding up to approximately 100,000 sq feet of retail space)

Acquisition of Caratlane Trading Private Ltd (CTPL)

- The Company has received approval from its board to acquire the majority stake in CTPL
- The transaction is expected to be completed by end of June, 2016. Titan is looking at buying out the financial investor in CTPL. The promoter will continue to have a meaningful stake in the Company and will operate independently under the strategic guidance of the Board
- This is an acquisition of an appealing brand, a new customer base and also significant capabilities in the e commerce space
- CTPL and Titan have complementary skill sets which would lead to significant synergies. While Titan can help CTPL with retail operations and branding and marketing, CTPL can help Titan scale up their ecommerce presence across business divisions
- The average ticket size for CTPL is Rs 20,000 which is significantly less than Tanishq as the customer base is very different

Watches Division

- The watches category is under pressure due to various market phenomena and the company has decided to take a two year period to redefine and rejuvenate this business. The division has been affected as the relevance of the watches category amongst the young generation has been diminishing to some extent. Also, significant share of wallet has shifted, out of the category, due to heavy discounting on other categories and customers are moving towards "snacking" on e commerce platforms
- The company is planning to launch a portfolio of tech enabled products under its different brands, most of which should hit the market in the current financial year.

Eye Wear Division

- The Eye Wear Division has plans for aggressive brick and mortar as well as omni channel expansion in the coming financial year and would target a double digit growth. The gross margins in the business are very good and it will take two years for the business to ramp up to steady state EBIT margins

Precision Engineering Division

- The division is being subsidarized and the court process should get over by July 2016.