"Titan Co. Ltd. Q1 FY20 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Titan Q1FY'20 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Bhaskar Bhat -- Managing Director. Thank you, and over to you, Mr. Bhat.

Bhaskar Bhat: Good Afternoon, everyone. Thank you for joining the conference.

We have just concluded our AGM and we are at Hosur. I like to introduce my colleagues here. With me are Dinesh Shetty -- Company Secretary; Suparna from the Watch division; CFO -- Subbu; Ravi Kant, Ajoy Chawla, C K Venkataraman, Ronnie Talati, Nandakumar and Vikas.

At the AGM, the Chairman announced the appointment of C.K. Venkataraman as Managing Director of the company effective 1st October. Congrats, Venkat and welcome in advance to the board.

The AGM of course as usual was held in Hosur and questions were mostly about the last year.

Coming to Q1, I think we have sent you the 'Presentation' apart from the top line growing at 14% and the bottom by 7%, primarily bottom line has been affected by two big impacts; one is the biennial business associate conferences that we have every year, almost Rs.40 crores impact of that; and we concluded our three-year wage settlement with our worker level employees that has also had the Q1 effect.

And store openings have continued at a reasonable pace. The market had a significant impact Jewellery sales post 15th of June. What triggered it? We do not know, but certainly coincided with the rise in price of gold and thereafter the further impact of 2.5% customs duty imposed on gold. The other two divisions have grown well, but there are certain challenges we face in the marketplace, and the company is addressing those in the next few months in the second quarter itself, and we hope to continue to focus on growth and on cost is what is going to emerge in the next few months in the company.

I think we will start with the questions and answers.

C.K. Venkataraman: Before the questions I just like to take the opportunity to thank Bhaskar on behalf of all of us for more than 30-years in the company and 17-years at the helm of the company as managing director, guided us, mentored us and created what is uniquely one of a kind institution in the world of business. And this is his last official investor call and I wanted to take this opportunity to thank Bhaskar and maybe say give an opportunity for some of you to say over the call thanks to him as well. So, thank you, Bhaskar.

Bhaskar Bhat: Thank you, Venkat.

Moderator: Thank you very much. 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: First question is if I see the studded share, that has been fairly stagnant over the past few quarters definitely and maybe past few years. In spite of very high gold price, it is not moving up. While the stated goal is to do that and especially in the light of high gold prices, that is easier. So, what is the reason why it has not gone up -- is the sentiments weak, is that the reason?

C.K. Venkataraman: Abneesh, just to clarify, our stated goal is not really to increase the studded share. As said in couple of times in the past calls that even between FY'07 and FY'12, at that time the stated goal was a substantial expansion of the studded share and the EBIT expansion expected to come through that. But the leverage in the business of some 3 or 3.5x actually took us to the EBIT level that we wanted to do without actually altering the studded share. So, even today our emphasis is studded growth and not studded share because we are emphasizing a big drive in the wedding business which will anyway keep the studded share perhaps at the same level. So, in the last many quarters, the reason for that is that and it is likely to continue because we are continuing to push wedding.

Abneesh Roy: CaratLane 60% growth versus Jewelry physical overall sales growth around 13, 14%. So, is there any downtrading which is also driving all this or is it just the fact still you are expanding in Carat Lane through the physical stores also and it is still in initial years, is that the reason why such higher growth in...?

C.K. Venkataraman: First of all, the actual growth of Tanishq retail is 16% whereas what you are seeing is the primary sales growth that the company reports. So, that 16% has to be compared with the Carat Lane's figure firstly. Secondly, the price point of Carat Lane is nearly a fourth of Tanishq. So, there is no question of downtrading happening. It is a very different segment. The segment at that price level is also not so much affected by the price of gold, that women's view on this, the matter itself is very different, very low market share or very low sale base chasing an opportunity which is very large, very large opportunity in online, we have done exceptional work in lower price points and all. So, there is no connection.

Abneesh Roy: In Watch business, this TCS large sales was there. So, could you quantify in terms of the EBITDA margins was it broadly similar to the Watch segment and how large was this in terms of sales? Similarly, in terms of the dealer commission, dealer event which was held, does it also help in sales because this is held in alternate years? So, in a year in which it is held, is there any benefit in terms of sales also because there is more motivation in general?

S. Ravi Kant: We have a separate structure for corporate sales and we have margin structure based on quantity, different slabs are there. So, it was in line with what we offered to other large institutions; however, it may not be as high as what we would make in our own exclusive brand outlets. On the BAM which is our Business Associates Meet it is like advertising, it has an impact, and in fact over a period of time it is about connecting with all our business associates, sharing our business plans with them. There may be no direct impact in sales in the following month or the following quarter.

Bhaskar Bhat: Also, one of the big assets we have are the relationships, which have been between five and 30-years and it is an investment worth making to keep their spirits high, alive, and across businesses they have stores for us. Therefore, it is a very important event every two years. It brings the company people together as well as the associates with the company. Of course, business is transacted as Ravi pointed out in the form of sharing of plans and their sharing of their concerns, so on. Yes, there is impact like Ravi said like advertising.

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

Avi Mehta: Sir, just wanted to kind of understand first you are investing in innovation to drive up growth rate, but given the slower growth that you have seen in first quarter, would you revisit your guidance on the Jewellery segment for FY'20?

C.K. Venkataraman: Hi, Avi. As far as Q2 is concerned, just staying with our annual growth level which is in the (+20%) range whereas obviously H1 because of the performance in the first few months will end up certainly being lower than what we originally thought. Yes, the conditions are less conducive to growth than when we began. And obviously the company and the people have to innovate rather more too actually make this H2 numbers happen, but we are gunning for it, we are not setting our sights lower.

Avi Mehta: Sorry on this one just a follow up, you said H1 would be impacted. Is July also kind of a cause of concern?

C.K. Venkataraman: To just clarify, the growth in Q1 was 16% in retail which you have seen as 13% in the company sales. July has been actually I would say almost as bad as June… the second half of June at least, but we are starting to see some early green shoots end of July, early August. But we expect August to be also little muted, but September is going to be a big thrust month for us and then thereafter Q3 and Q4.

Avi Mehta: Just on the custom duty bit, is that resulting in price competitiveness of unorganized pricing, is that the challenge that you were referring to or is there anything else that you...?

C.K. Venkataraman: No, it is actually the level of price of gold. If you see the month of June itself the price of gold rose substantially… in fact, it rose by more than the customs duty increase in the month of June and further by the customs duty increase sometime during the month of July. So, it is not a little bit of volatility on the price that is keeping people worried and away, it is nothing to do with smuggling and increasing competitive advantage of the informal sector.

Avi Mehta: On the IndAS adjustment, would you be able to share segmental margins impact for the Jewellery?

S Subramaniam: Avi, the impact on IndAS 116 segmentally has been sort of uniform almost. So, there has not been any major impact on any particular division. Overall, for the company, PBT impact was Rs.2 crores, and of that it was about Rs.1 crore or something for Jewellery division, that is about it. So, it has been uniformly low fortunately.

Avi Mehta: The margin that we see is more or less...?

S Subramaniam: Yes. You can ignore it. 116 are not embedded in that.

Avi Mehta: Lastly, thanks a lot Bhaskar for sharing your thoughts not just on Titan but also on the consumer sector. It was always very great interacting with you and looks forward to doing that even after this.

Bhaskar Bhat: Thank you, Avi.

Moderator: Thank you. The next question is from the line of Vishal Gutka from PhillipCapital Private Limited. Please go ahead.

Vishal Gutka: Just two questions; one thing is on the Golden Harvest Scheme. Sir, we have hit the limit. So, how will we plan to start the fresh enrolment -- do we plan to give more incentive to customer for faster redemption?

S Subramaniam: The limit is an annual limit. It depends on the net worth of the company as reported by us after the final accounts are over. So, now the limit has gone up again. So, we do not see a problem for some time for sure. After that, we have to be far more innovative in terms of getting maybe redemption up or look at something.

Vishal Gutka: So, this limit will be based on FY'19 net worth, right?

S Subramaniam: That is right. Every year it will get reinstated.

Vishal Gutka: This should be 25% of the net worth. That is the limit right?

S Subramaniam: That is right.

Vishal Gutka: Next question on the wedding jewellery side. Can you just throw some light what percentage of jewellery revenues coming from wedding and how have been the growth in this quarter?

C.K. Venkataraman: The growth was a little less than expected in Q1, Vishal even though the number of events were higher. When we started appeared to be better than last year. And we are expecting at least in the second half where the number of events is vastly higher to play off more. So, to that extent, there was only maybe a marginal shift in the share of wedding in Q1 and nothing substantial.

Vishal Gutka: So, you are telling basically the growth has been slow this time for wedding jewellery for 1Q?

C.K. Venkataraman: In Q1 was not like we expected. In a way it kept the overall growth also below 22% that we were targeting.

Vishal Gutka: Sir, it will contribute around 25-30% of our wedding jewellery sales?

C.K. Venkataraman: Yes, of the total revenues.

Moderator: Thank you. The next question is from the line of Vivek Maheshwari from CLSA. Please go ahead.

Vivek Maheshwari: In the earlier question, the GHS limit of 25% which you mentioned why did, Subbu, you have called it out in your presentation because I thought the presentation clearly says that you have hit the regulatory limit in this quarter, so what does that mean then?

S Subramaniam: Vivek, we hit the limit in the month of April. Then we filed and June is when we got the limit back. So, till then we were actually hitting the ceiling. That is the problem. So, what happens is after the accounts are over, we need to get it audited first, after the certification then there is DPT-3 which we have to file and there is ROC 30-day limit and only after that do we get. Till then, it operates on the previous year's limit.

Vivek Maheshwari: So, as of now, July, August what is the...?

S Subramaniam: Limit is higher. Now, we do not have...

Vivek Maheshwari: I am saying what is the benchmark, which balance sheet is the benchmark or which net worth is the benchmark?

S Subramaniam: The current balance sheet is the benchmark now.

Vivek Maheshwari: From FY'20 perspective, is there a risk of you hitting the limit again and therefore GHS being lower than what it should otherwise contribute?

S Subramaniam: Yes, we will hit the limit. All we are saying is we will try and manage if we can redeem further. But we will hit the limit otherwise, we can have recruitment yes.

Vivek Maheshwari: And a second bit with gold prices further moving up, Venkat, I understand that while perhaps you are being hopeful for the second half, but is there a risk of not hitting (+20%) mark that you were foreseeing because at the time when you gave the guidance, macro was perhaps looking much better than what it is today. Is there a risk of a miss here?

C.K. Venkataraman: For the full year, yes, I would say, reasonable chance to be frank, because we are talking about blended H1 and H2, H1 being significantly lower than the guidance for H1, but H2, two reasons -- one is that the macros are certainly more challenging, but obviously it means that we need to innovate that much more. Whatever we do has to have the potential of working that much harder. So, the teams are currently at work on figuring out big ideas which I cannot share for obvious reasons. Therefore one is hopeful. The other is certain level of confidence that the gold rate also after a while things change, people reaction to the gold rate also changes after a few weeks of sort of perceiving it. So, all that we expect to come and play in our favor. But sure, there is always a chance, but we are quite confident of trying to hit that (+20%) in H2.

Vivek Maheshwari: The only reason of asking this is while you have always been innovative but the issue is if consumer sentiments are weak, those are weak, if consumers are not opening the wallet, despite your effort consumers may not still buy as much as you would want them to?

C.K. Venkataraman: Yes, you may turn out to be right, Vivek, I am not arguing, I am only saying because of the very low market share we have despite that flagging consumer sentiment, the space available for us to grow is there. So, it will finally depend on how effective our innovations are.

Vivek Maheshwari: Subbu, if I can ask you something from the annual report if possible, somewhere in the opening pages you have mentioned total gold processed as 34.7 tons and gold recycled as 18.87 tons. So, gold recycled means what -- it is the exchange?

S. Subramaniam: It is exchange program, yes.

Bhaskar Bhat: Plus we would have brought some gold back from the old stock after one year, there is a certain program. So, it includes GPT.

C.K. Venkataraman: So, what we buy back from the customers, Vivek plus what we actually recall back from our stock which is old stock, melted, reprocessed, convert it back to jewellery.

Vivek Maheshwari: Because when I divide 18.87 by 34.7, then number comes to 55% which is not the exchange. So, it is essentially the old designs which are not moving. That is why that number is looking high?

S Subramaniam: Yes.

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

Amit Sachdeva: Quickly my first question is again when I look at the next quarter, Venkat, obviously, the base is very high, and if I recall Q2 last year, the gold also grew very strongly hence the margins were lower in the mix although it was a studded quarter, if I recall correctly. But then if the gold price has been the cause of lower sales and it has rallied further and on top of it 2.5% in custom duty also would add some part to it, does it not seem like that the asking rate for H2 would be so high if H1 is weak, why not you probably say that this probably might provide 20%, why not 18%, why not 17%, and we sort of try and make it more realistic or otherwise we sort of see that is the number which always I had seen as whether it is doubtful will be doable or not, what's your thought on July? Obviously, promotion has just started, and probably if I recall promotions typically first 15-days are the very ripe one where maximum sales happen, and what is your reading from the initial days of first 15 days of studded promotion, does it give you confidence that H2 will recoup what H1 is losing? Sorry for this long winded question, but you know where I am coming from.

C.K. Venkataraman: I understood you completely. On the first one just to clarify, we are not taking the shortfall of H1 into H2 if that was the understanding that you ended up getting through various answers of mine. The shortfall of H1 will remain and will be forgotten at the end of H1. The target for H2 which is the growth similar to the (+20%) of H1, we are holding, that is what I say. The reason is that we have seen typically that some of these things particularly because gold is a store of value product, the sentiments end up improving sometimes, that is one. The second is the H2 is nearly 60-days away and the teams are working on big ideas to move consumers in an environment where they are not feeling particularly strong about buying. So, therefore just to recheck once again we are not carrying the H1 shortfall into H2. H2 growth is the original H2 growth that we have targeted. On July itself, July is muted like I said little while back. The targets for August and September are stacked much more in September and less in August. So, to that extent, the target for August and the early signs of August are sort of close for us not to worry so much yet about whether September will happen, and obviously as we come closer to the end of August, we will have a better sense of whether we have been optimistic about September.

Amit Sachdeva: If I am getting you correctly probably H1 is sunk and H2 is 20. Whatever H1 will do will do but H2 at least target is (+20%). Is it the correct understanding?

C.K. Venkataraman: Exactly.

Moderator: Thank you. The next question is from the line of Nilesh Shah from Morgan Stanley. Please go ahead.

Nilesh Shah: My first question is on the World Gold Council data which came out for last quarter. The jewellery offtake was very strong for the quarter. And it seems that we have not really gained market share in this quarter versus the rest of the industry. Now I understand it is only one quarter. So, hard to draw conclusions, but what is your take on market share gains more near-term at this point in time?

C.K. Venkataraman: Every month we have a network of contacts across multiple cities in the country where we get to understand competition performance. And if I go by that understanding for Q1, this 12% is not jelling with that to be honest, but I just saw the 12% yesterday, and I am not commenting any further on that. But if I were to just take the Tanishq growth in the last many quarters and take it against the growth rate which the same report mentions, we find the difference between Tanishq and the industry growth as reported by WGC is substantially different; Tanishq is outstripping the industry by a big margin except for Q1 where the 12% is shown as the industry growth, and in our case, it is 10% in terms of grammage. And I am not clear on what is the building blocks that WGC is using on the demand side, because demand is very complex. Normally, they deal with imports which are precise, but demand I do not know, but all our understanding is that we continue to gain market share across the country.

Nilesh Shah: Then coming back to the growth rates in the last quarter, would you say that you ended June with declines of double-digit in the Jewellery business after the impact of the gold price was fully factored at least in the month of June, revenue growth would you say was down double-digit in the Jewellery business?

C.K. Venkataraman: No, we grew 16% in the quarter and we grew 19% two months which is April plus May together, and there was a growth in June, but muted growth of 9%, so the 19% plus 9% translated to 16% for the quarter, and in that 9%, the first half was an exceptional growth and the second half was a decline.

Nilesh Shah: July you basically believe that will mirror the back half of June or has mirrored the back half of June?

C.K. Venkataraman: Yes.

Nilesh Shah: Second question was, Subbu, Rs.37 crores inventory loss that you had last time, has that been reversed this quarter?

S Subramaniam: Yes, partly, around half of it is the net impact okay because we took that back but some other thing happened.

Nilesh Shah: Could you quantify the TCS order on the Watch business revenues? Has that already been completed or is there more to go?

Management: There is more to go. I think we have reported that we have done Rs.56 crores so far. So, most of the order is done and some part of it is left because it is a global order and it has to be shipped to employees all over the world.

Nilesh Shah: Final question is that on the margin front. You have maintained in the past that you will strive to keep margins flat. If it expands, that is great over the long term, but for F'20 flat. Would that same margin view hold even now given what happened in the first half of the year for the jewellery business.

C.K. Venkataraman: It is too early to comment on that honestly. If I were to just elaborate on the same point, Subbu and I have spoken about it many times on this which is our first and most important objective will be growth and thereafter maintaining margin, and if we achieve the growth, reasonable chance is that the margin expansion will happen. So, now growth is under pressure and therefore we will invest in growth, but at the same time, try and make sure that the margin does not dilute.

Bhaskar Bhat: I think that holds for the other businesses as well. We have seen this headwind and consumer sentiment, etc., but we are in that unique position in our brands and our footprint, we are way ahead of competition and if there is a consumer sentiment impact on the categories that we run we should gain more or lose less. So, growth has to be a primary target as far as we are concerned, therefore we would not stop investing whether in brand promotion, new product or store expansion.

Nilesh Shah: Thank you, Bhaskar. And thanks a lot for all your interactions over the last many years. All the best, Venkat.

Bhaskar Bhat: Thank you.

C.K. Venkataraman: Thank you.

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

Rakesh Jhunjhunwala: First of all, very emotional bye-bye. We would not be having Bhaskar on the calls again. I really miss him. And congrats on a good performance in difficult times.

Bhaskar Bhat: Thank you, Rakesh. I will miss you as well. But we will meet socially.

Moderator: Thank you. The next question is from the line of Harit Kapoor from Investec. Please go ahead.

Harit Kapoor: Just two questions; firstly, just wanted to understand on the expansion side. For this year, for Tanishq, could we expect the expansions to be a little bit more back ended towards the year? First quarter has been slightly slower. Just wanted to get a sense on that.

C.K. Venkataraman: We have a target of 70-plus stores, really-really ambitious target this year, and we could do only 12, significantly less than we planned for Q1. We expect to do a little better in Q2. Currently, we are setting up 15-stores in Q2, 27 in H1 which from a pro rata basis substantially more than last year, and that 70 are still in our sight; we have not changed the view on that. I think I would be in a better position to speak on the full year in November. But we are pretty confident of getting close to 30 by end of September.

Harit Kapoor: Second question is similar to what I had asked in your earlier call as well. From a franchisee perspective, are you witnessing any kind of complaints from them in terms of liquidity or anything that you can talk about since you are such a large franchise network and we are hearing about liquidity constraints in the channel, not for jewellery per se but in general, so anything that you are seeing, not only for yourself, but also in the industry?

Bhaskar Bhat: Not really. Some of the distributors are having liquidity issues and we are seeing if we can support them to some extent, but not franchisees of our EBOs.

Harit Kapoor: This would be a similar experience for jewellery as well, no real challenges there?

C.K. Venkataraman: Yes, actually our performance has been better in the medium and smaller towns in Q1 and that is where most of our franchisees are sitting. So, as long as sales are good, there is no issue plus overall prosperity of the franchise is pretty high, and therefore a few months here and there, even a couple of quarters here and there is not going to unsettle that. We have healthy, wealthy people.

Harit Kapoor: Wish Mr. Bhaskar Bhat great future and all the best to you, Venkat as well.

Bhaskar Bhat: Thank you.

C.K. Venkataraman: Thank you.

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

Tejas Shah: Venkat, in past, when gold prices have had such sudden spikes, I remember you calling out that increasing prices of gold scenario has always hit overall revenue more than the falling prices scenario. So, keeping that in context and current scenario, would you be benefiting from this trend in second half or latter part of the year?

C.K. Venkataraman: Typically, what happens is that people get spooked when it rises too much in a very short time and also is little volatile, and they pause for a few weeks, wait for it to settle and then come in. That is what has been the trend in the past and we are hoping that will come back soon particularly late September onwards.

Tejas Shah: But, do you suspect this to be one of the key reasons for the slowdown that we witnessed?

C.K. Venkataraman: Certainly, it becomes a little difficult to quantify, but it is so coincidently aligned with the performance drop in H2 of June and continuing poor performance in July, so coincidentally linked that it cannot be a coincidence.

Tejas Shah: Thanks, Mr. Bhaskar Bhat. It has been pleasure talking, listening and learning from you. I wish you all the best for your next thing and all the best, Venkat.

Bhaskar Bhat: Thank you.

C.K. Venkataraman: Thank you.

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

Kunal Vora: You mentioned that gold is a store of value product. With an increase in gold price, are you seeing any increase in demand for gold as an investment and how big is the contribution from gold coin?

C.K. Venkataraman: Not really seeing that because we have defocused on it for many years now and it is in the 3% or something like that.

Kunal Vora: But with increase in gold price also, you are not seeing any incremental traction?

C.K. Venkataraman: No.

Kunal Vora: And with gold price like a steep increase, in these times, would you look to maintain your gross margins or would you be okay to operate at slightly lower margins to drive volumes?

C.K. Venkataraman: It will be a very dynamic market-to-market kind of approach, because if the industry operates in a particular way, then we will have to look at that and accordingly do rather than change our pricing approach unless we communicate in a very visible and intense manner, people would not know and otherwise you are just giving money away.

Bhaskar Bhat: I think what we are saying is we would not deliberately want to drop gross margin but growth is a primary objective. And what can get us growth without giving away in a way, I mean, there is a fine line between the two. But the objective is not to give away all of the gross margins just because we are in some challenged growth situation.

Kunal Vora: For making charges, would it increase in these times or like…?

C.K. Venkataraman : Yes.

C.K. Venkataraman: Challenge, but I cannot help it also.

Kunal Vora: Sure. I wish Mr. Bhaskar Bhat all the best and all the best Venkat.

Bhaskar Bhat: Thank you.

Moderator: Thank you. The next question is from the line of (Nikita Maheshwari) from JM Financial Limited.

Richard: This is Richard here. Based on a very long period of experiences that you all have with seeing growth accelerate and decelerate and so on and so forth that you would have observed in the last several years. To put into context the growth recovery in recent years when it had come it came all of a sudden from 0% to 4% growth that you had, it suddenly accelerated to 15% in Q4 FY'17 and then now also suddenly from a very high growth rate it has come off quite sharply. My question is do you look at a lead or lag indicators around you to help you better gauge demand condition going forward and plan accordingly? Similarly, when you talk about the hope for (+20%) growth in H2, to gauge whether that hope will materialize, what would be the indicators be it economy, be it other consumption items, etc., that you will look at to gain confidence that will actually happen?

C.K. Venkataraman: Hi, Richard. We do frequent and deep consumer research to gauge the sentiment around buying in general and buying jewellery in particular and we have done that in February, March of this year to get a sense of the first few months. And if you see like I said till 15th of June we grew 22% and then in the next six weeks sale crashed and now we have again done and there are some indicators that people are waiting and watching, in the next two, three months, they are likely to come back into the market. Obviously, at these gold prices, lighter jewellery is an opportunity and therefore if you were to market that or exchange is an opportunity because people are maybe starved of money, and therefore getting them to use their old gold is an opportunity given the stock of gold. So, we certainly keep doing consumer research to both understand and build our near term customer acquisition strategy.

Bhaskar Bhat: Last research did not indicate any such sudden. So, what Venkat said earlier, it is too coincidental to ignore. It is the effect of price. Quite a significant and volatility, it happened so suddenly and also it happened at the end of the wedding season. So, there is no real reason to go out and buy… no occasions to buy. So, postponement is the obvious choice people would make…wait and watch would be the approach. So, I think our bet on the future in terms of gold still being a desirable item, aspirational, low market share, and migration from the unorganized to us, all those change.

C.K. Venkataraman: Richard, just to emphasize the point that Bhaskar is making, we are in a quarter call. FY'18, we grew 20%; FY'19, we grew 20 plus; FY'20, 75-days, we grew 20 plus. We need to also see it from a slightly going concern concept rather than a quarter because opportunities are still there, the market size and all that Bhaskar mentioned, I would not repeat it, so the fundamental opportunity is there.

Richard: There is no doubt about that. I just try to get a hang of this quarter or half yearly call. Now that we have the benefit of hindsight. When your growth accelerated from that 0% to 4% sometime towards the middle of FY'17, suddenly to 50% in Q4 FY'17, would you have done postmortem of how these kinds of things suddenly came about? I know demon and unorganized to organized was one, but growth from 0% to 4% to suddenly 53%, 54% in two quarters time is a big swing. Any specific reason for that?

C.K. Venkataraman: I understand. If you go back and sort of recollect the engines of growth that we keep talking about every year in the conference, from wedding to high value diamond jewellery to Golden Harvest to middle India to GP to increasing market share in low market share cities. So, there are six engines firing. So, as each engine starts sort of firing more and more aligned with the early engine or all cylinders, that is the right phrase, then much of effect of that which takes to 15% and 20% beyond that. Now when the conditions for the firing are poor as today just like the engines firing, the results do not come.

Richard: Bhaskar, wish you all the best and I hope I get a chance to catch up with you once before you formally step down.

Bhaskar Bhat: Thank you, Richard. Happy to.

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

Rakesh Jhunjhunwala: Earlier also gold price gone from Rs.2,000 for 10 grams to Rs.37,000 for 10 grams. Is it not that once prices rise, there is some period customer takes to adjust, but ultimately leads to higher sales. The full bull rise of gold from 2007 to 2013, our sales went through the roof. And I for one see this kind of long-term bull movement gold.

C.K. Venkataraman: Possible, Rakesh. Even in those days, we used to see some kind of a slowing down in the interim period of a few weeks till people somehow got settled with the idea of the new price. So, we are hoping that the same thing will play out even though sometimes these things surprise us by not playing out. But you are right.

Rakesh Jhunjhunwala: Past experience has been that once gold price goes up, people adjust.

C.K. Venkataraman: Correct.

Bhaskar Bhat: It has to settle down rather than keep going up. I think volatility and continuous rise in a short period is what we are talking about.

Rakesh Jhunjhunwala: Typical customer sentiment is if it goes from 100 to 150, they do not buy. It comes to 120 and comes to 130, then they buy, that is what customers do. During 2007 and 2013 when we had the gold Bull Run, our past sales went through the roof.

C.K. Venkataraman : Yes, fair enough.

Moderator: Thank you. The next question is from the line of Niket Shah from Motilal Oswal Securities. Please go ahead.

Niket Shah: Just want to know that in this quarter where jewellery growth has been slightly on the lower side, is it largely to do with southern part of India or is it across India you have seen this kind of phenomena?

C.K. Venkataraman: Actually, most of south did well. West was an issue.

Niket Shah: So, largely driven by west as such?

C.K. Venkataraman: West and east.

Niket Shah: Second question I had is if you can give some sense on how has been the product mix within the studded share in terms of color or clarity, how has that kind of moved up, have you seen any down trading happening, for example, if one customer would be buying say VVS152, is now downtrading VVS1 or something like that?

C.K. Venkataraman: Nothing in the quarter at all on that. Over the last so many years it has actually come down to high share of SI. But that does not change much in the last maybe 18-24-months. We are at a reasonable equilibrium now on color clarity mixes within that.

Niket Shah: On the clarity part, it will be largely SI, on the color; it will be between K, L or N category or will...?

C.K. Venkataraman: No, on the G, H.

Moderator: Thank you. The next question is from the line of Harit Kapoor from Investec. Please go ahead.

Harit Kapoor: Couple of quick follow ups; one was the 2.5% increase in import duty, the benefit that we get on inventory valuation, would that have come in entirely in this quarter?

C.K. Venkataraman: The customs duty increase happened in July. It will come in Q3, Q4. It will depend on when actually we sell that stock.

Harit Kapoor: Second thing was this difference between the primary sales and secondary sales. We would expect this to reverse pretty much immediately in Q2?

C.K. Venkataraman: It should except that it will also depend on the retail sale in Q2.

Harit Kapoor: Assuming September is a decent month, we should...

C.K. Venkataraman: September, yes, but we are talking about the whole of the quarter. Depending on how much is the growth in retail in the whole of Q2; it may have a bearing because the primary sales of last year Q2 would be different from the retail sales of last year Q2 and all that. Right now I do not have the number to comment, but it will have bear.

Moderator: Thank you. The next question is from the line of Manoj Bajpayee from Barclays. Please go ahead.

Manoj Bajpayee: This is regarding some basic consumer trends especially in the jewellery line in the younger segments of the population. So, do you see any challenging trends emerging that the propensity for the younger generation to buy gold is lesser compared to people who are in the age of 35-45 years of age. If so, then what is the mitigation plan for this kind of risk arising for the younger generation not very-very true to gold and jewellery buying?

C.K. Venkataraman: Actually, the fundamental reason why a young woman would start switching off fine jewellery is because of the reducing relevance of the offering to her in terms of price, in terms of style, in terms of wear ability and all that. And our brand, Mia was created seven, eight years back to address that likelihood, our acquisition of Carat Lane was further done to boost our thrust in that area, and we are very-very well placed to address that need, and therefore whatever is the reducing relevance, these two brands are well placed to deal with that and the results of the two brands are reconfirming that our strategies are correct. So, we are not worried about that. Also, the consumption in the jewellery industry is I would say almost like 99 point some per cent by women who are not young, who are 25-plus other than the bridal jewellery where the families come into play as customers. Even there our reinvention of wedding lines with more contemporary hypno fusion kind of product lines, with Shubham and Divyam all that, including Rivaah, which is full. I make sure that we have got all jewellery rightly focused on what women want.

Moderator: Thank you. The next question is from the line of Ushma Sule. Please go ahead.

Ushma Sule: My question is about Tanishq. You had same-store sales growth of about 10%. What I wanted to ask is that your new store performance, the trajectory of that performance, is it in line with what you expect or what the past trends have been, are there any positive challenges that you see there?

C.K. Venkataraman: Hi, Ushma. If I were to give a sense of about 14%, 15%, I think was the like-to-like same-store growth that we were targeting and we had a pretty decent store expansion last year. So, the annualizing of that was expected to deliver maybe 2%, 3% and another further 2%, 3% was supposed to come from new stores of FY'20. On the first and the last, we have had challenges. On the second, which is the annualizing obviously annualizing happened, but not only the rate of sale of those stores which were set up in FY'19 was satisfactory in FY'20 Q1. We were behind on our expansion plan like I mentioned significantly in Q1 in terms of number of stores as well as number of store months and like-to-like was also only 10% as opposed to 14%, 15% that we were targeting.

Ushma Sule: Thank you so much Bhaskar. We have all learnt a lot from you. Thanks for everything.

Bhaskar Bhat: Thank you, Ushma.

Moderator: Thank you. The next question is from the line of Chinmay Gandre from Bharti AXA. Please go ahead.

Chinmay Gandre: Sir, in Jewellery segment, our reported margins is 10.9% and you mentioned about some reversal of loss in the current quarter from the previous quarter. So, presuming the adjusted margins would be around 10.5% or so for the jewellery segment versus 11% year back and your studded ratio is pretty much similar to last year, anything to read in terms of the margins of jewellery segment like because the gold prices fell did we kind of had lower making charges or?

C.K. Venkataraman: Actually, on this subject, I would not worry so much about what got transferred from Q4 of FY'19 to Q1 of FY'20 because if we go back to Q4 of FY'18 and Q1 of FY'19, you will have a similar thing. Both the accounting aspects of gold, the hedging aspects of gold, results are quite in a way difficult to predict QoQ. So, we just take it as it comes. We got some of it back in Q1 like Subbu said and it is part of the margin of the business, like we got some other gain last year, some other loss year before last and so on.

Bhaskar Bhat: Four quarters rolling once in a while… ourselves.

C.K. Venkataraman: That is what I would suggest.

Chinmay Gandre: Another bookkeeping question. We have around Rs.13 crores corporate unallocated income which is normally a loss every quarter. I know there is IL&FS which used to report over here, but anything in this Rs.13.5 crores corporate unallocated segmental income?

S Subramaniam: No, corporate unallocated will be corporate department. We do not allocate 100% of the cost of corporate to all the divisions. So, there is a loss sitting there which is the cost that we incur. That is offset by the interest income that we also get there and any other income and therefore this is the net amount.

Chinmay Gandre: There is an income of interest?

S. Subramaniam: That is right, net of the interest income.

Moderator: Ladies and gentlemen, due to time constraint that was the last question for today. I will now hand the conference to the management for closing comments.

Bhaskar Bhat: Thank you, everyone for participating and for your very useful inputs. We expect to come back in the next quarter in a big way and in H2. Thank you. Thanks all of you for this wonderful engagement over the last several years. It has been a great amount of learning. From Anpadh I became quite savvy at answering your questions. I do not know whether I have been honest. But certainly, I have been sincere. Thank you.

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