



2nd January, 2018

Quarterly Update: Q3 FY 17-18

Traditionally, the September-December quarter yields the largest revenues for the Company as the Dussera- Diwali festive season falls almost entirely in this quarter every year. The festival season this year did not disappoint for both jewellery and watches divisions

The quarter started on a good note this year, with suspension of the applicability of the Prevention of Money Laundering Act to the jewellery industry in India. The Act required the stores to collect KYC for all sales in excess of Rs 50,000 and file certain returns as applicable. The suspension led to resurgence in sales in Tanishq stores, in time for the festival season. The government mandated requirement for PAN card for any transaction above Rs 200,000 and cash ban on all purchases above Rs 200,000 continue to be in force.

Another favorable regulatory change was in the GST rate for Watches and Eye Wear. The GST on watches and sunglasses has been revised to 18% from 28%. The GST rate on frames has been revised from 18% to 12% which is in line with the GST levy on a complete spectacle. Both the divisions undertook a price correction, commensurate to the reduction in the GST rate.

Jewellery

The division had a good festival season with a double digit retail growth over the festival dates in the previous year. The festival season, in the last financial year was one of the best in the history of the Company with Dussera and Diwali in the same quarter. While there was the one-off event of demonetization last year, the effect of the same on Tanishq was minimal and the division had reported a growth of 15% in Q3 FY 16-17. The retail growth for the quarter has been healthy and in line with internal management expectations, despite Dussera being celebrated in the previous quarter. The primary growth for the quarter however was lower due to the higher franchisee billing of about Rs 250 cr which happened towards the end of the previous quarter. The market share gains of Tanishq continue unabated along with the strengthening of the brand health metrics.

The "Padmavati" collection which was launched in association with the feature film of the same name, has garnered excellent sales for the division over the festival period. During the same period the division also launched "Glitterati", a collection of high value diamond studded jewellery for special occasions. Tanishq has also launched a sub-brand for men's jewellery called "Aveer" in the last quarter.

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The division added a total of 34 Tanishq stores adding up to about 101,000 sq feet including 20 Gold Plus stores which have been converted year to date. The division has closed 25 Gold Plus stores till the end of the quarter which would be amount to 65,000 sq feet in retail space.

Watches

The watches division also had a good festival season and quarter. The Titan end of season sale started towards the end of the quarter and is likely to further boost sales. All the retail formats of the watches division experienced a healthy same store growth during the quarter and the online channel continued to outperform the traditional channels of sales in terms of growth.

Titan launched two landmark products in the women's watch category. The first of those was Titan We, a slim and elegant smart watch with fitness, safety, find a phone, connectivity, social networking and many other features, especially designed for women. The second introduction was a collection of watches designed by celebrated designer Masaba Gupta, exclusively for Titan. Titan also launched Purple Whimsy collection last Quarter. Fastrack launched the Loopholes collection of watches for men and women. Sonata added Sleek and Essential category of watches to its existing men's collection and Steel Daisies and Start Dust collections to its women's assortment

The division added 21 WOTs, 16 Fastrack and 19 Helios stores adding upto 27,500 sq feet in FY 17-18.

Eye Wear

The prescription eye wear business continues to show a healthy retail growth in Q3 FY 17-18 but the Sunglasses business continues to underperform. The sunglasses business has a very high component of distribution and the distributors/dealers continue to remain vary about stocking this category on account of changes in the GST rate. The GST rate on Sunglasses was revised from 28% to 18% and the division expects the business to pick up in the last quarter. Continuous efforts are being made to add more dealers to the distribution network to increase the points of sale for this category.

The division introduced ultra thin acetate frames under the Titan Eye Plus brand and introduced a new category of ready for sale products called Computer Glasses to promote eye protection while using electronic devices. The division also launched its Autumn Winter Collection and Easy Rider (for bikers) collection of Fastrack Sunglasses and a new range of Dash Sunglasses for young adults and children.

The division added 34 Titan Eye Plus stores in FY 17-18, adding up to about 24,000 sq feet of retail space.

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New Businesses

The fragrances business is growing at a very exciting pace and our brand "Skinn" is already the largest selling perfume by volume and value in all of the departmental store chains that it is available in. Fragrances business has many interesting product introductions lined up for the near future which will give a further boost to the volume and value of the business.

Titan has taken calibrated steps for entry into the "Special Occasion Ethnic Wear" business. The business is in a pilot phase at this time and has two stores in Bangalore with the brand name "Taneira". Both the stores are doing very well and the Company may open a few more stores in other metro cities to assess the market potential there.

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