



6th April, 2018

Quarterly Update: Q4 FY 17-18

FY 17-18 was a very satisfactory year in terms of overall business performance. The Company achieved excellent retail growth in all businesses. Watches and Jewellery business scaled new heights in terms of revenue growth and profitability which is a result of market share gains in both businesses as well as the success of the cost control initiatives of the Company. The Company successfully and seamlessly underwent GST transition in all its businesses without a single day's loss of revenue in any retail format.

Regulatory developments like GST implementation, continuous drive against unaccounted wealth and the more recent developments related to the credit situation of the jewelers, will pose serious challenges for the jewellery industry in India. The same situations will prove to be tail winds for organized corporate jewelers like Titan Company with strong balance sheets.

Through its various community development initiatives centered around girl child education, skill development, supporting and protecting Indian arts and heritage among others, the Company has directly impacted the lives of about 360,000 people in the last financial year.

Jewellery

The Jewellery division had good sales growth in Q4 FY 17-18 on the back of a very successful diamond jewellery activation and a more customer friendly revised gold exchange policy. The retail sales growth for the quarter was in mid-teens for the division.

The division had laid out a strategy for growing to 2.5x of the FY 16-17 revenues, over 5 years on the back of strong play in wedding jewellery segments, high value diamond studded jewellery, market share gain in key markets with low market share, expansion of Golden Harvest Scheme and network expansion. FY 17-18 was the first year in the 2.5x journey and all the levers for growth have yielded excellent results. The division has also benefitted immensely from the expansion of its Gold Exchange Program which has, along with weddings, contributed significantly to new customer addition and average ticket size expansion. The division has set itself a great trajectory of retail and same store growth for the year for achieving its 5 year revenue target.

The division did not have any significant collections launches this quarter on account of the ongoing studded jewellery activation and announcement of the revised Gold Exchange policy.

Titan Company Limited

'INTEGRITY' No.193, Veerasandra, Electronics City P.O Off Hosur Main Road, Bengaluru - 560 100 India, Tel : 91 80 - 67047000, Fax : 91 80 - 67046262
Registered Office No. 3, Sipcot Industrial Complex Hosur 635 126 TN India, Tel 91 4344 664 199, Fax 91 4344 276037, CIN: L74999TZ1984PLC001456
www.titan.co.in

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The division has added 46 new Tanishq stores in FY 17-18 which includes 22 Gold Plus stores which have been converted so far. The net space addition for the division was around 67k square feet. Out of the 29 erstwhile Gold Plus stores, 2 have been permanently closed and the rest are in various stages of conversion. The entire process of conversion will be concluded by the end of next quarter. Gold Plus format of stores ceases to exist now.

Titan's subsidiary Caratlane, which is a born digital omni channel jewellery retailer, also recorded excellent sales and gross margin growth in the last financial year. Caratlane added 24 stores to its network in the last financial year, taking the total to 36.

Watches

The watches division had a great quarter on the back of good retail growth especially in the multi-brand retail formats as well as e-commerce. In the last financial year, e-commerce channel has grown disproportionately and is contributing to about 10% of the division's sales. For FY 17-18, the division is targeting decent sales growth and good improvement in the overall profitability of the business as a result of rationalization of discounts as well as other cost control initiatives. The division has embarked on an exciting tech enhanced product journey and a plethora of products are likely to be launched in this space in the coming financial year.

The division launched a number of collections in Q4 FY 17-18. Raga Twirl and Ladies Purple Valentine's collections were launched under the Titan umbrella while Varsities, Trendies and Valentine tees collections were launched under the Fastrack brand. Sonata also did a number of variant additions under its existing collections.

Watches division added 53 new stores and 18k square feet of retail space this year, comprising of 18 WOT, 13 Fastrack stores and 22 Helios stores.

Eye Wear

The prescription eye wear business had decent retail growth in Q4 as well as YTD FY 17-18 but the sunglasses business continues to face challenges that started with the GST regime. The underperformance of the sunglasses business is likely to pressurize the profitability of the eye wear business to a great extent. The prescription eye wear business health continues to improve.

With the help of Caratlane, the division has embarked on an omni channel journey for the prescription eye wear as well as sunglasses business. Exciting features like endless aisles in stores, channel agnostic orders & pick up/delivery are now operational on <https://eyeplus.titan.co.in/>

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The division launched an array of exciting products in both the Titan Eye Plus as well as sunglass category. The division added 50 new stores in FY 17-18 adding up to about 35k square feet.

New Businesses

Fragrance business launched a range of body mists under the brand "Skinn Kissed" in Q4 FY 17-18. This will increase the addressable perfuming market size for the Company. The Skinn perfumes continue to do well in all existing channels and are the largest selling perfumes by volume and value in all the departmental stores that it is present in. The division is working towards adding further channels to its existing base.

The pilot stores with the Taneira brand continue to do well. The brand garnered decent sales from its existing stores as well as the trunk shows held in 9 cities so far. 2 new Taniera stores are under fit-out right now and will be opened for business in the next quarter.

AR Rajaram
(Vice President – Legal & Company Secretary)
Titan Company Limited

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