"Titan Company Limited Q3 FY 2017 Earnings Conference Call"

February 07, 2017

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Moderator: Ladies and Gentlemen, Good Morning and Welcome to the Titan Company Limited Q3 FY 2017 Earnings Conference Call.

The Company is represented by Mr. Bhaskar Bhat -- Managing Director; Mr. S. Subramaniam -- Chief Financial Officer; Mr. C. K. Venkataraman -- CEO (Jewellery Division); Mr. S. Ravi Kant -- CEO (Watches and Accessories Division); Mr. Ronnie Talati -- CEO (Eye wear Division).

As a reminder, for the duration of this conference 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 telephone. Please note that this conference is being recorded.

I now hand the conference over to the management of Titan Company Limited. Thank you and over to you, all.

Bhaskar Bhat: Good evening, everyone. Thank you for being on the call. We are all here. We just concluded the Board Meeting few hours back. the results, I guess all of you have seen on the website and it has been a good quarter, a quarter full of events. You see the background, we lost a bit of sales on account of demonetization but otherwise, it was an eventful quarter. We have delivered 40% top-line and profit growth of 22% led by good sales growth in jewellery and watches.

The quarter of course, you are all aware that it was both festival season as well as good wedding season but it was hampered by demonetization. But we believe that we benefited from demonetization particularly in jewellery because other jewelers have got affected rather more than us especially, at the backend as well apart from the consumer facing end of the business.

We are of course responding to the demonetization consequences, we are in the process of introducing multiple modes of electronic payment in all the stores, including UPI, E-wallets and so on. And quarter also saw the Company's decision to merger Gold Plus with Tanishq and that process has been started. It may take us five months or six months to complete it and expect about a little more than 20 stores out of the 29 to convert to Tanishq.

The quarter also for some of you who may be aware we also launched in few stores the Favre Leuba brand in India in six Ethos stores. Favre Leuba is a brand we bought several years ago India is the second country after Japan and now we are in UAE, Japan, India and we are all set to launch in Taiwan. So, overall a very good quarter.

Jewellery has been exceptionally good with 20% top-line and 15% same-store growth after a long time we have seen 15% same-store growth and it was aided by a lot of work that we have done in the jewellery business especially on the new consumer launches and consumer schemes.

Almost all our sales for a month and half after demonetization have came electronic modes of payment or the GHS scheme.

We believe we have significantly increased our market share because the other jewelers are reported to be declined quite significantly.

Gold tonnage increased by 4% and we have been able to improve our effective realization on gold jewellery sales.

Studded ratio however was lower. Coins sales have grown by 40%. Well, it is all there in front of you I guess, if you have seen the upload. We added 10 new Tanishq stores in the year and up 33,000 square feet.

We also launched Shubham which is somewhat like Divyam very well received. The launches have done extremely well. And our online brand Caratlane has also had after two not so quarters has had a good despite demonetization because cash on delivery is standard mode free for online players. We have done well in Caratlane as well.

Watches division after a long time has shown good retail growth in WOT, LFS, and Helios it is a trade where the effective demonetization was more sever. We have reported a loss of sale on account of the correction in spare part which now has been completed in a way and we are returning to normalcy. Our overseas markets have faced strong headwinds.

The Titan activation started just December has continued into January 29th, I think was the late date. So, that has helped shore up January sales as well, retail January has been helped by that.

But the big one is the launch of the "Sonata Act watch" again a smart watch for women basically for women's safety. It has done very well. It has been received very well and has brought excitement back into the trade. As I said, we launched Favre Leuba.

Prescription eye wear, I must say have suffered on account of Sunglasses business and the business itself is facing some challenges growth on account of both demonetization in the early days and the category itself is facing some challenges.

However, we are closing the Spexx stores the smaller format stores because it is leaving to erosion of profits. But Eye wear has seen a good month in January post this quarter and we have ended the quarter with a 12% topline growth but we have had a small loss due to the high ad spends. PEDs had an exceptional quarter and the de-merger process has been completed with the court having approved the de-merger, but we are waiting for the notification. This is basically the essence and you can see the growth rates. I think, we will wait for your questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the Question-and-Answer Session. We take the first question from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: My first question is on your business which has not done well this quarter. Sir, Fastrack if I see, any metrics the number seem a bit low versus most other businesses. So, if I see number of stores in two years you have added no store at all on a net basis, in three years also only five stores and only 1% LTL and 3% overall sales growth. So, why Fastrack inspite of innovations like Helmet, etc., which you have introduced, why that part of the business is still struggling?

Bhaskar Bhat: Well, Helmets any way we withdrawn. First, your question was on retail. Retail stores we have been closing down un-profitable stores in Fastrack. But the brand will be back in action in a few months, there has been some lull In fact, it is growing, it was in a state of decline maybe Ravi add what I have just said.

S. Ravi Kant: Yes, so, Abneesh this is Ravi here. Fastrack last year was de-growing as brand including the Fastrack stores. So, we are at least seeing growth now though low single-digit, the reason Fastrack is facing headwinds Abneesh is on account of basically our core audience is youth. And if you look at the youth of today a lot of them, you do not see them buying watches, they are into fitness bands and various brands today are available online, offline all of that. The other phenomena which is taking place is whenever the youth have a little bit of money they want to spend that on upgrading their phone, apart from the fact they also keep track of time on the phone. So, when you around you see so many youngsters today, teenagers, college going students not wearing watches at all. So, that had a direct bearing on Fastrack as a brand over the last two years to three years. Having said that, there are various things, we are doing apart from the fact that we have closed down a few unviable stores. But as far as the product is concerned, we are looking at introducing smart features into the product and you will hear quite a few new such new products coming out in the next two months to three months which will help rejuvenate the brand in a sense.

Abneesh Roy: Sir, my second question is on Mia and Caratlane. So, where is Caratlane business reported in terms of your overall reporting of numbers? And sir, Mia 32 stores when do you see profitability in this coming? And similarly, on Caratlane you said two quarters it was not that good finally this quarter has been good. So, was it because of demonetization there was some benefit even for Caratlane?

S. Subramaniam: On Caratlane numbers, Subu here. We do not consolidate as of now, okay. We will consolidate only at the end of the year. So, the numbers are not being reported independently. If we take a decision to consolidate from next year onwards then we would possibly be showing these numbers separately, okay.

C K Venkataraman: Hi, Abneesh. As far as the Mia is concerned, Mia is actually profitable. The number of stores of Mia, I do not know where this number you are getting from it. It would perhaps include shop-in-shops in department stores and all which are relatively low investment thing. So, Mia as a whole entity makes profits but we would not like to, and many of the standalone stores are also franchise stores. We are not yet to share any details on that but Mia is a profitable venture.

Abneesh Roy: And why has Caratlane done well in this quarter, was it because of demonetization or there has been some change in terms of strategy?

C K Venkataraman : Why has Caratlane done well?

C K Venkataraman : Many of things which where it was fallen in place in the earlier quarter happened to fall in place in quarter three and now, we have got a much better control over the initiatives.

Bhaskar Bhat: It was more also because their eyes were off the ball in the first two quarter because of various things like acquisition and so on because of our acquiring them, so that is the real reason. Now they are full swing within.

Abneesh Roy: Sir, my last question is on Tanishq, you have added only 33,000 square feet only ten stores net added versus initial target more like 16 stores to 20 stores. So, are you still confident of that target and next year's 25 stores in the light of so many changes in overall industry. Of course, there can be market share gains. So, are you confident of reaching 25 stores target for next year? And his 20 stores Gold Plus converting out of 29 stores, so does it means 9 stores of Gold Plus you will be shutting off?

C K Venkataraman: The confidence in the expansion strategy is total and the 25 stores of next year what we are talking about reflects that confidence. Our ability to finally execute is still uncertain because a lot of complex issues sitting in it. But we have revisited all those underlying root cause within all that, what we believe is a better plan to reach that 25 stores next year but only time will tell. But there is a greater emphasis on same-store growth in the next few years in any case for our growth and that is why we are a little less worried about the challenge represented by the execution of the expansion. As far as Gold Plus is concerned, yes, the stores which do not migrate will be closed.

Moderator: Thank you. Next question is from the line of Avi Mehta from IIFL. Please go ahead.

Avi Mehta: Sir, just a question on jewellery margins. Now despite very high share of coin sales, discounts, and no studded and relatively poor, low performance on studded side, you have seen a very 20 bps moderation like EBIT margins in the jewellery segment if adjust it for the hedging gains. I am just trying to understand, the increase in making charges, does that mean that you structurally change the margin profile of this business?

C K Venkataraman: Not getting into detail. Overall management of the margin in a very-very systemic almost daily basis, our competitive advantage has not diminished. We have not played around it.

C K Venkataraman: Making charges, we have certainly not raised making charges., Making charges generally go up and down every day basis the gold rate so does it for other people. It is the maximizing of higher profitability, categories, high profitability products, having a tight control on discounts that we give to the customers and so.

Avi Mehta: I am just trying to understand, so, this kind of suggest that it does mean that we are confident of sustaining these margins probably expanding further as we go forward.

C K Venkataraman: Control on the subject on the focus on the subject has certainly dramatically increased and it will play out in the future as well.

Avi Mehta: Okay, sir. And my second question is on the momentum, how it has been, especially in the jewellery business. You have that momentum which was seen in the third quarter of almost about 20% sales growth, 15% same-store has that sustained as planned in lite with what has happed with studded jewellery activation. And do you maintain the guidance of 15% revenue growth in jewellery for the full year and 5% for the watches, two sub questions over here. That is all from my side.

Bhaskar Bhat: We do not provide any guidance but Yes, we are targeting 15% for the company as such and jewellery is on track of achieving that 15%. 5% in watches as of now we have achieved 5% in Q3. So, I think overall for the company a 15% in Q3.

Avi Mehta: And momentum, sir?

Bhaskar Bhat: I mentioned January has gone well, we are confident of doing well but the percentage is going to be I would not be able to share.

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

Rakesh Jhunjhunwala: My first question is watch margins are still 10%-11%**?**

Bhaskar Bhat: Yes.

Rakesh Jhunjhunwala: Sir, what are you doing to raise those margins? Are some cost savings measures have been taken I mean, you are a big brand 10% margin and what kind of brand are you**?**

S Ravi Kant: Third quarter it was 5.8%, last year

Bhaskar Bhat: Yes, so, it is a journey which has started over a year back Rakesh and quarter-on-quarter we are improving, you are right, we should be aiming for a much higher margin but work is going on both side which is one big which was cost compression, all of it has not kicked-in yet barring the VRS there is a lot of work that is going on that front. Apart from that the premiumization journey continues. The only thing that is affecting that business is volume growth is not coming easily and but otherwise, margin improvement plus we have managed to bring down inventory quite well during the quarter and for the year. At the same time, the closing of unprofitable stores all this is kicking in by way of margin. You are right, we are not at the 14%, 15% margin which we use to achieve, if that is your question.

Rakesh Jhunjhunwala: Because I mean 10% margin is not a brand's margin really.

Bhaskar Bhat: Right.

Rakesh Jhunjhunwala: Secondly I want to ask how is this restructuring of Fastrack? I mean Fastrack Sunglasses are another what division under the Eye wear division. Fastrack Watches are under the watch division, Fastrack Accessories are under the accessories division, it is

Rakesh Jhunjhunwala: No, that is why you are reporting but actually how is it done? Is it a a central Fastrack which advertises plans for all these products or the individual business you will do it, how is the profit, what is the profit center and the execution center**.**

Bhaskar Bhat: but the brand is managed together but they align with each other as far as is advertising is concerned so, there is congruence as far as brand image is concerned. But accessories that is Backpacks, Wallets, and Watches are in Watches and Accessories division, Sunglasses product is managed by the Eye wear that is the structure.

Rakesh Jhunjhunwala: And you are planning to some new products under Fastrack I mean these products are final, no other new product? .

S Ravi Kant: No, we are looking at new categories but we will pilot them only if there is a sizeable opportunity. As of now, we are in response to an earlier question, Rakesh we withdrew Helmets because it was not making sense and did not appear like vision of opportunity.

Rakesh Jhunjhunwala: Right. And how about how has the January sales been?

Bhaskar Bhat: Very well.

Rakesh Jhunjhunwala: For Company as a whole?

Bhaskar Bhat: Doing well, Rakesh we have had one of the best months for Eye wear without the schemes and Jewellery and Watches have closed their schemes, is going on in Jewellery.

Rakesh Jhunjhunwala: What did you say how has Jewellery and Watches done?

C K Venkataraman: Jewellery has done well Rakesh.

Rakesh Jhunjhunwala: And Watches also doing well?

Bhaskar Bhat: we are seeing the benefits both of demonetization which has affected the other and our bounce back has been much better. So, migration of customers is happening I believe, apart from the fact that initiatives are in place and now wedding season has again recommenced. Wedding dates are pretty close to each other today, is one of them I think.

Rakesh Jhunjhunwala: I hope that the increase in dividend is more than improvement in performance. If we go through your payout ratios for company that you are PE is you have a lowest payout ratio in India, it is 25%, 26%.

Subramaniam S : 30%. It what our payout ratio has been in the last few years.

Rakesh Jhunjhunwala: We said one of the reason we removed Mr. Mistry was he was not even adequate dividend to Tata Sons. So, your promoter also wants additional dividend?

Bhaskar Bhat: No, we take your point, Rakesh, I mean you have been saying this, I am not being trivial about it. We will take it to the board. To be fair, we have done this in the past as well but general agreement is that it should be about 30%.

Rakesh Jhunjhunwala: General agreement, who the agreement?

Bhaskar Bhat: There are 12 people in our board.

Rakesh Jhunjhunwala: No, but you should ask your promoter also. He is demanding, he publicly said the dividend income was given was not adequate. You must consider his opinion also.

Bhaskar Bhat: Yes, point taken Rakesh.

Moderator: Thank you. We take the next question from the line of Mihir Shah from Deutsche Bank. Please go ahead.

Manoj Menon: Hi, team this is Manoj Menon here and congratulations on an excellent performance here. This first question is on Jewellery business particularly on the Tanishq. If you could talk about the consumer behavior trends, if any changes, I am asking this in the context of qualitatively trying to understand what has led to the up surge in coin revenues, is it only an impact of November 8th or is there any more than what it meets the Eye? And how different markets have behaved and if we could just talk about the quarter particularly and with focus on the consumer behavior. Also keeping in light the recent volatility in gold prices.

C K Venkataraman: Quarter three was good all round, we are at total sales value growth in retail of 20% in Tanishq and we will have to do a lot of reconciling for it to match with the published MSV growth because Gold Plus is part of it and to the extend there is a difference between retail sales and the purchases by the L3 channel that is also an angle there. But if I look at the health of the Tanishq brand, 20% value growth is pretty good considering that nearly two months out of that in the demon situation, is first point. And in terms of the distribution of that growth, we had north doing very well West doing very well; East and South were a little behind relatively below average compared to North and West. We are not too sure about the reasons for the surge in Coin sales frankly, it is bonus more like an icing on the cake, we do not really get into diagnosis on that, we focus on Jewellery. The big trend that we are noticing across the country is acquisition an acceleration in the acquisition of new customers particularly after the demonetization, we have not done any proper research on it to understand the root causes but having met all our franchises over the last two weeks for sharing our business planning for next year, the sense is that some of the weak aspects of Tanishq are going away with the demonetization and more and more people are seeming to be preferring to buy from Tanishq because of the other advantages of almost being able to walk with your head tall that kind of thing. And not having any fear in doing a transaction with Tanishq and the original advantages of Tanishq in terms of the design and the collections, the quality and finish of all them of course the brand kicking in and the disadvantage is going. So, whatever we intuitively felt as a change in the level playing aspect well, these are concrete examples of those actually playing out pretty fast. Everyone is quite pleasantly surprised by the… there was a little fear post demon about will happen but it is not being like what we hear it would be, in fact it has been pretty good. And gives us much more confidence about the aggression with which we can go about the future.

Manoj Menon: Anything on the recent volatility on the gold prices and consumer behavior?

C K Venkataraman: No, that is anywhere it happens, it keep going up and down and all that. But January has been pretty decent despite all that.

Manoj Menon: Got it. And there is a quick follow-up on this, the on November 8th, if I understand correctly on the ground, the stores have actually taken advances. So, correct me if I am wrong, which has got delivered. Is it a material item to be calling out today in the call that for example, the advances we should have collected on November 8th night the consumer actually would got the products delivered of the course of the next….

Subramaniam S: So, I think what happened on that day, because stocks were available any of them had actually given cash. Over October itself we had a lot of advances for the wedding season, okay. And a lot of the billing in November and December also was in accounts that we did in October. On November 8th we did get quite a few advances but largely because of the same reason that the wedding season is on and so on, so forth. So, it is not unusual, all we have said because it happened on that one day we talked about nothing.

Manoj Menon: Okay, understood. So, what I was just trying to get it was is there any one-off element?

Subramaniam S: No, there is no one-off. Actually, if it is a one-off then there was also a period of lull 10 days after that

C K Venkataraman: And what happened on that day was not that material.

Subramaniam S: Yes, it was not material.

C K Venkataraman: Material for a day but not in the context of the quarter.

Manoj Menon: Understood, very comforting. And sir, secondly, quickly onto the Gold Plus outlets, many of them getting converted into Tanishq, just trying to get at the big picture what you are trying to achieve here because this has been largely a Tamil Nadu focus brand. Tamil Nadu and Kerala in my understanding has probably has got one of the highest per capita consumption of gold in India. Basically, what I am trying to get is that out of let us say two reasons for doing it; one, Gold Plus persist standalone is less viable or is it that you are finding that these markets can now actually take a Tanishq brand which was probably not feasible five years or ten years back. What I am just trying to get is that, is it that now you have a completely new market opportunity open because may be these two-market account for maybe one-fourth of India's gold consumption?

C K Venkataraman: Actually the evolution of the customers in typically all those Gold Plus towns has happened in the last ten years and the customers desire for design, differentiated design, trendy stuff has actually galloped I would say in the last decade. Even as Tanishq has become a much stronger brand in moving the more traditional customers. So, have happened and since we had anyway capped the ambitions of Gold Plus to South India some four years back when we wrestled with this problem, it became actually made sense too much because in the rest of the India in any case small town strategies led by Tanishq so, Haldwani, or Ganganagar, Durgapur, is actually Tanishq or Gandhidham is a Tanishq, and Sangli. So, it was only in Tamil Nadu and Andhra and to some extent in Karnataka that Gold Plus was playing not even in Kerala even we have gone reasonably aggressive in Kerala with Tanishq over the last one and a half years. Therefore, it makes sense for us to merge and therefore migrate both from customer and other brand the main brand actually now being able to do what Gold Plus has been struggling to do.

Manoj Menon: Understood. The reason Venkat, I asked this because if I take a typical new Tanishq store in a completely new market, I would have a certain ramp-up let us say for hypothetical situation let us say it is 30, 60, and 100 over the next three years, the first three years rather. But when you convert a Gold Plus into Tanishq this ramp up could be much higher in the first one year or two years because you already have been present, you know the market well etc., so, in that context these conversions are actually not new stores, it could actually be significantly incremental over the next one year or two years, is that the right way to look at it?

C K Venkataraman: Possible, at the same time the profile of Gold Plus is very gold intensive whereas the brand appeal of Tanishq is more diamond. So, we may lose a little bit of the mass market, we do not know. The growth opportunities sitting in the mass market may be a little low then Tanishq but the diamond share can be better. So, whichever way we have concluded that it makes sense and overall from an asset utilization point of view even cost and effort and so many aspects point of view it makes rather more sense and everyone is quite excited now with singular focus that the division can bring to its go to market strategy.

Manoj Menon: Understood, all the best. And quickly Subu if you could talk about the thought process of regarding gold on lease for fiscal 2018, would you do more gold on lease or the other way of hedging? What is your thought process currently, I know it is dynamics but what do you think currently?

S. Subramaniam: No, we are looking at more gold on lease now. We will be doing more gold on lease. But having said that, I think our gold sourcing from exchange now that is Tanishq Exchange Program in general TEP as we call it has actually increased significantly we are promoting more of exchanges as well. So, to that extent the purchases of gold would largely be gold on lease as of now. But the percentage of gold coming into the system from exchange now has increased substantially from the last six months.

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

Rakesh Jhunjhunwala: I am sorry. One thing I want to say, are not you finding that you are now opening Tanishq stores in the same kind of area where you open Gold Plus stores.

Bhaskar Bhat: We have actually done that, we have discovered that earlier in North for example, it was in the similar sized town Tanishq was much more acceptable and competitive and which was a big lesion. In the South the Gold Plus was not working because of various market conditions, I mean the competitive position and the evolving consumer. So, therefore, Tanishq makes sense and therefore, the merging.

Rakesh Jhunjhunwala: And sir, one more thing more I wanted, so you said November there is a 40% growth during the festival season.

C K Venkataraman: Yes.

Rakesh Jhunjhunwala: So, do not you think that demonetization may have in the longer-term which will help us against the other jewelers. But do not you think in the short-term it has hit us net-net because the total quantum of… see, you had a 40% growth in November after Diwali, during the Diwali season and then the growth sort of petered down. So, my personal feeling is that if demonetization not come our sales growth would have been higher in the last quarter?

C K Venkataraman: Yes, certainly. I mean almost every category Rakesh.

Rakesh Jhunjhunwala: So, that means, see, what I feel a lot of the consumption item the growth will not go away the services that were lost are lost. But consumption items will come back. So, do not you think sometimes it can give us surprise in this quarter? And is January indicating some kind of

C K Venkataraman: In a way if I were to look at the first two weeks after 8th of November and the next three weeks or four weeks after 8th of November, I mean the next three, four. There was a continuing improvement in the rate of sale in any of case and January is even more so continuing only. So, what you are saying is, right. Obviously, it was such a cataclysmic event that everybody held back whether they have money or not, the held back spending it is also psychology.

Rakesh Jhunjhunwala: No, it is also point out to the fact that our October sales were one of the best.

C K Venkataraman: Yes.

Rakesh Jhunjhunwala: in Diwali month.

C K Venkataraman: So, we may not have been able to hold that rate but you are right we could have done much better in Q3 had demon not having.

Rakesh Jhunjhunwala: And do not think that today when we are having the customer come to us again, do not you think we should be far more aggressive in our networks spread?

C K Venkataraman: Sorry, in what?

Rakesh Jhunjhunwala: In spreading of the network of opening new shops.

C K Venkataraman: You mean more than 25 stores a year kind of thing?

Rakesh Jhunjhunwala: Yes, we should. I mean, I think we should target at least 12% to 15% growth in a number of stores on a square footage, if you look at all the other brands they are all far behind us. I know Kalyan's account although your sales is driven of profitable**.**

C K Venkataraman: We also want to make each store work as fast as it can so that, we have a bunch of delighted franchises running with us all the time as oppose we just open stores, we make money they do not make money and all. So, therefore, that is a well though through thing it may appear to be a little ambitious from the outside but from the inside because we want to make it work financially for them as well.

Rakesh Jhunjhunwala: It makes us more solid rather than just spread the network.

Bhaskar Bhat: Also Rakesh, my estimate is that because of the effect on the rest of the industry let us say take Bombay and Delhi for example, I think, our presence is reasonably good in distribution spread and same applies to some other cities. I think the migration from other jewelers is going to benefit the same-store growth in the existing cities. We do not have to expand to newer locations in the same city.

Rakesh Jhunjhunwala: We have got a good network in the cities.

Bhaskar Bhat: Correct. So, it is selective new towns you are right about expansion and calibrate.

Rakesh Jhunjhunwala: But there are spaces like Hyderabad and all there are so many areas there. Any way I think you have made more study understanding.

Bhaskar Bhat: Yes.

Moderator: Thank you. We take the next question from the line of Aditya Soman from Goldman Sachs. Please go ahead.

Aditya Soman: First quarter is you mentioned that your market share improved significantly because of some of the other jewelers not paying in business. Now has this changed over the last month or so and do you think it is still tough going for some of the other jewelers? Or do you think this momentum in terms of market share could see a near-term dip until say GST is implemented?

C K Venkataraman: Honestly, that kind of real time connect on the subject is not thereto to connect. We typically get into this at a quarter level and I would be able to answer this properly in the April and not today. Our sense is that the jewelers are under tremendous pressure both on the sales side as well as on the supply side because of wealth erosion because dependence on cash business was exceptionally high and that has certainly been hit hard. And the availability of cash on the one hand, the erosion of wealth on the other, the fear of being aligned with because many jewelers got a bad name in press, the fear of being aligned with those kind of jewelers all those are working to our advantage and we believe that in the near-term certainly I am talking a year and onwards we will get a lot of benefit out of that.

Bhaskar Bhat: Also it is very difficult, see, it is not merely cash in the transaction at the back and front for a jeweler who is used to a certain way of doing business to change system. See, GST in fact, is going to be another impact on such people. You have to first open books, then you have to have electronic payments systems, you have to link your stocks, I mean there is a whole lot, it is not just that because of cash now certainly you have to change, there is a whole mindset in that system which is not going to be easy and some of the more progressive guys will change fast but it is going to take time for the whole industry, in fact, some people may just give up wanting to get out of business.

Aditya Soman: Understood. I completely agree that GST probably will be a game changer for you. the second question is just in terms of your franchises, are you seeing any stress at the franchisee level in terms of off takes from that and could that explain, I think you partially explained the difference between the retail sales and your sales.

C K Venkataraman: No, what did happen was the sale in the Diwali season was much more plan. So, to that extent the franchisee we will work they place orders with us and then we supply and so they have not anticipated that kind of growth and therefore have not placed an order with us to that extent. So, that was one reason. The second was the demon certainly was spooky, especially in small town the roll of cash and the kind of segments we cater to and all that so, they were on the back foot and therefore they were a little warry, they would rather play with a little stock with them than they had earlier. So, in a sense the retail sales that we made through them in nine months versus their purchases ideally matching that in the first nine month that there is a gap in that. But over the last two weeks, three weeks we have met all of them in the regions and they are now obviously, the actual performance post demon has been much better than what all of us worried about and the confidence is back and therefore we would get it back. So, there is no stress at all in terms of the retail sales the same store growth and particularly in diamond Jewellery has been quite handsome therefore the commission growth which indicates in a way the profit everyone's graphs are on back on track they may not be at the exceptional levels of 2012 but certainly the turnaround was very visible to everyone. And the competitive advantage change between Tanishq and every other jeweler is also very visible to everyone. And the locking of new customers across the country is reinforcing that conceptual understanding. Therefore, I expect we will be back on track on the subject of their purchases matching us, their sales shortly.

Moderator: Thank you. We take the next question from the line of Neerav Shah from Morgan Stanley. Please go ahead.

Nilay Shah: Hello, sir, this is Nilay. First question is on the margins in the Jewellery business. So, if I were to ex out goals, could you indicate

C K Venkataraman: What?

Nilay Shah: If you were to ex out the Gold Coin sales for the quarter would you kind of indicatively suggest what the margins could have been in this quarter.

Subramaniam s : I do not want to share that one Nilay, I think we do not that, we do not give you a break-up of the margin in any case, right we do not do that. But hypothetically, if I were to take off, if just the Gold Coin share have been lower obviously, our margin percentage would have been higher.

C K Venkataraman: But our profit would have been lesser.

Subramaniam S : Exactly, Yes. So, I think that…

C K Venkataraman: We can tell us what is the question leading to may be…

Nilay Shah: I want to understand how the underlying the margins are performing, that is it, nothing else. **.**

Bhaskar Bhat: Also if your question is whether the Coin sales which is typical Dhanteras and demonetization impact is all additional, we just look at it as addition. So,

C K Venkataraman: So, may be just to give you sort of full picture last year the activation which brings us a good part of our profits every year, it began in the last week of December whereas this year it began in the first week of January. So therefore, the studded share in Q3 FY 2017 was lower than the studded share in Q3 FY 2016 for this reason and therefore the gross margin in Q3 FY 2017 would be lower than because of that. But that was known as brand.

Nilay Shah: Correct. Second question Subu is that you have indicated Rs. 15 crores of hedging gains. What is the corresponding impact on the top-line as per the effective hedge policy?

S. Subramaniam: It is not much, this time I do not think it was much, okay. And as I told you this is about effective innovating hedging. This is the gains that you get from selling gold forward, okay this actually does not hit the top-line as much, this is the hedging gain as we call it.

Nilay Shah: So, it is actual pure hedging gains.

S. Subramaniam: Hedging gains, yes.

S. Subramaniam: Understood. And Venkat in terms of the store expansion of the Jewellery business and network expansion, could you suggest, you started with a number of 100,000 square feet, it came down to about 80,000 square feet to 90,000 and is now tracking much lower than that. So, over the longest term what is your view on the sustainable per year store expansion in terms of square feet per say?

C K Venkataraman: Actually we are also realizing that as we push more and more into higher value segments like wedding and high value our sales per square foot can actually jump significantly and go up from it use to be around 200,000 three years, four years in the banner years, it is not in the 140, 130 falling and it is not a good thing. And we can actually push it back to 200 even higher if we really work on it. And therefore, we are focusing less on square feet addition on more on the number of stores. So, even if we have 2,000 square feet store but if we can deliver a Rs. 50 crores sales and there are many franchise stores which do that in some parts of the country, it is very efficient from multiple points. So, therefore, I would focus a little more on the number of stores per year rather than the area and in the 20-25 number is what I would say ball park per year of number of stores.

Moderator: Thank you. Next question is from the line of Anand Krishnan from Kotak Infina. Please go ahead.

Anand Krishnan: Sir, you actually mentioned that you have been actually gaining market share after demonetization, so what would have been the gain as such and what would be the number of customer acquisition that you would have actually had during this period?

C K Venkataraman: We are not getting any percentage this here. What we are saying is that the share of new customers post demonetization, the flow of new customers into our stores across the country has been visibly higher. And a lot of conversations with customers in the stores are telling us that they are now more comfortable shopping with us. So, obviously, more and more new customers are coming to us it means that we are gaining share but we are not computing because what also seems to happened is that many jewelers have sold a hell of lot in 8th to 15th by keeping their doors closed and all that. So, if I go by that may be our market share has dropped in that week, okay. So, without getting into that the long-term or even the immediate-term share of customer is certainly seeing and improvement and we are very glad about that. So, we are not quantitatively assessing that and concluding anything.

Anand Krishnan: Okay. Do you actually keep a track of the new customer acquisitions?

C K Venkataraman: We keep a track of our new customer share every month, every day.

Anand Krishnan: Okay. So, what will that number be in this quarter?

C K Venkataraman: Market share we recon typically once a quarter and this quarter we decided not to do it because of while demon effect, we do not know even know how much the other jewelers sold in that ten days and all.

Anand Krishnan: So, the number with respect to your customer acquisitions has that jumped substantially is what I am trying to figure out.

C K Venkataraman: No, the problem is that our actual sale, of course demon was also bad. So, therefore, we were below target in a sense what Rakesh was talking about if demon has not happened we would have been much better. Because in the seven weeks starting 8th of November till 31st of December we did not well in relation to our budget in sales I am saying.

Anand Krishnan: Okay. Sir, with respect to your other segment, what is the break-up in that basically that other segment have started to grow quite well, even though not in EBITDA margin level?

Bhaskar Bhat: Precision Engineering Division and Fragrances and Accessories.

Anand Krishnan: So, is Fragrances starting to show up or put in good numbers?

Bhaskar Bhat: Yes, growth of course in Fragrances is exceptional so is it in Precision Engineering both these are doing exceptionally well by way of growth. But still Fragrances are very small as a category and I think it has grown over 60% to 70**%** Precision Engineering that large base has also grown over 30 odd percent.

Anand Krishnan: Okay. So, no new categories have actually been added these others?

Bhaskar Bhat: No.

Moderator: Thank you. Next question is from the line of Latika Chopra from JP Morgan. Please go ahead.

Latika Chopra: Two questions, firstly, is it possible for you to share what is your contributing coming from exchange Jewellery now? And does it affect the margin profile in any manner?

Subramaniam S: The exchange gold is in the ballpark of around 40% to 45% of the total gold that we buy today and it has grown significantly over the last six months because we are proactively now promoting this and we have seen benefits of that post in June, July when we did that earlier and as well as in this last quarter. So, it is something that we are promoting. Now, in terms of margin I do not think it is making a very…

C K Venkataraman: Overall, if I were to Latika take into account the sales growth that we are getting and the inroads we are making to high ticket segments very marginal because we keep an eye on the price at which we buy from customers versus the price at which we buy from Banks and sort of try and keep it as low difference as possible.

Latika Chopra: All right, I understand a lot of comments already made on how things are looking in January but you just made a comment few minutes ago the sales post demonetization were tracking below your budgets. Now the tonnage growth in the quarter was 4% and the Gold Coin sales also jumped up about 40% and out of that the gold price increases 14%. Now, looking at January, are you still on the budgeted levels or do you think that has also been modified post the demonetization?

C K Venkataraman: We are doing well on January, we are tracked well on our budget and also just to remove some of those delays that 4% actually the Tanishq brand, retail sales of Tanishq did much better than that. It is because of Gold Plus it is because of that primary secondary difference that I spoke about that 4 is 4.

Subramaniam S: Post the grammage grew.

C K Venkataraman: Grammage was better than 4 and January has been much better. So, we have seen a continuous improvement first two weeks post-demon were bad, second five weeks were better, next four weeks which is January were much better and we are on target for January.

Latika Chopra: And the January, March quarter will also benefit on the restocking to the franchises, right the difference that we talking about earlier?

C K Venkataraman: That is independent I am just talking about retail sales because if that happens revenue happens even though primary secondary the currency it is more an irritant frankly than anything else. If retail sales happens, everything happens, retail sales of January we are on target.

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

Vivek Maheshwari: I know, you have spoken enough about January demand trends and quarter. But on demonetization do you think there is no unknown and whatever was to happened has happened is that a sense that you get as we head into fourth quarter of the fiscal 2017?

C K Venkataraman: On demonetization itself, yes, Vivek. But demonetization still was not known till it happened on 8th.

Subramaniam S: In fact for example, if you look at the cash percentage of the purchases now we are starting to inch up nowhere near the old numbers but it is definitely going up from immediately post demonetization.

Bhaskar Bhat: If your question is in the large context if you ask me let me articulate in this way, whether now demonetization has not guaranteed that black money is going to be stopped in terms of... cash how whether it will reduce etc., is just not guarantee the actual behavior of people has not changed at least at certain level. Therefore, from the use of black money let us say, use of black money now there is curb on Rs. 3 lakh plus as well cash, right whether that will affect Jewellery per se if it goes back to cash transaction in the other jewelers etc., we cannot say anything at all as of now. But our ability to manage and normalcy returning is what we are seeing at the present moment. The larger impact whether it is going to impact the Jewellery industry, we cannot say.

Vivek Maheshwari: Okay. And a related question on demonetization, you are the only company which has commented that North has been better than South for you, if I look at auto's or staples or even cement companies in general the perception or the feedback is that South has been much-much better than North. Any specific reason you can think of why there is big difference?

C K Venkataraman: We are traditionally very strong in North compared to South. If I take the Jewellery industry the South is where the big guns are sitting and therefore, traditionally Tanishq has been weaker in south and that has got aspect sitting there as well.

Vivek Maheshwari: Okay. And second thing on the GST any update we have or it is pretty much the status quo?

Subramaniam S: No, GST we have no information Vivek.

Vivek Maheshwari: Okay. And lastly on the tax F 2018 what should we take for F 2018, next year?

Subramaniam S: I will assume the same rate as we are going to be this year around 27%, 28% that sort of number?

Moderator: Thank you. We take the next question from the line of Vicky Punjabi from JM Financial. Please go ahead.

Richard: Hi, this is Richard here. Thanks for taking my question. Sir, can you help me understand the movement in segment capital employed, what I am referring is that if I look at Jewellery net capital employed that has come down from Rs. 2,600 crores odd in September to about Rs. 1,600 crores now and at the same time the unallocable bid has gone up from Rs. 130 crores in September to Rs. 1,400 crores in December. Does this represent cash and has it to do with Gold on lease versus international hedging, etc.? A similar sort of movement was seen last year December versus…

Subramaniam S: I think one thing the cost rate because we have the investment, right we have the Caratlane investment, etc., which are sitting in corporate. So, that is the big shift which I can straight away thing of as far as corporate is concerned an increase. Jewellery I think reduction may be because of Gold on lease.

Richard: So, the Rs. 1,300 crores Q-on-Q increase will that be because of Caratlane investment?

Subramaniam S: No, Rs. 1,300 crores.

Richard: 140 in September has become about Rs. 1,400 crores in December.

Subramaniam S: No, it is 1040**.**

Richard: No, I am just talking about asset minus segment liability, but I will probably take this offline. And mathematically it seems that if I go by the 40% festive season growth rate that one was talking about pre-8th November, and then of course the weakness in first two weeks after 8th November. Mathematically, it seems that the growth rate in December was something in the line of mid-single-digit for Jewellery is that somewhat a correct assessment?

C K Venkataraman t: It is probably a decline.

Richard: In December?

C K Venkataraman: Yes.

Richard: Okay. And that is back to growth in January?

C K Venkataraman t: Yes.

Richard: Okay. And one house keeping question, if I may, what is the net cash stoke debt level at December end?

Subramaniam S: We are cash positive and fairly high cash positive since we do not give the balance sheet number but fairly large cash balance. And cash I am talking about including what we have invested in mutual fund and ICDs etc. In fact, that is one of the reasons why the cost rate also high because our investments in both mutual funds, ICDs, etc., have been significantly high.

Moderator: Thank you. Next question is from the line of Kunal Vohra from BNP Paribas. Please go ahead.

Kunal Vohra: On the Rs. 3 lakh the government has barred transaction above Rs. 3 lakh was there any meaningful contribution for you for cash transaction above Rs. 3 lakh?

C K Venkataraman: Not very significant in the last two months, before that a little more but in the mid-single-digits.

Kunal Vohra: Okay. So, no meaningful impact from this new regulation, right?

C K Venkataraman: We will deal with it, we cannot worry about it too much it is law. We will deal with it. See, in our case the role of cash, so many people have had this thing going to an ATM withdrawing cash, Rs. 2 lakhs, Rs. 3 lakhs, Rs. 5 lakhs and buying Jewellery because they wanted immediate delivery of product which cheque means 4 days, 5 days of waiting and all that which is not really unaccounted money, so all this is in any case sitting and we suspect that we are in an advantageous position vis-à-vis the industry on this as well just like post-demon situation. So, we will just take it on the chin and go forward from here.

Kunal Vohra: Sure, okay. And second one is what is the feedback you received on the compliance the excise duty especially from the unorganized players with demonetization with excise duty, is the compliance level already increasing or do you think the unorganized is still waiting for GST your thoughts on that.

C K Venkataraman: See, some of the vendors who have been forced to get into excise and all because of us in a way I am sure, are affecting the other jewelers as well. But we do not have a very good sense of this. But with GST we expect the controls to tighten much more and their ability to operate outside law reduce.

Moderator: Thank you. We take the next question from the line of Abhishek Ranganathan from Ambit Capital. Please go ahead.

Abhishek Ranganathan: A couple of questions from my side. One is you mentioned about the size of the store going smaller or likely to go smaller rather than getting more focus on more productivity. In that case, are we speaking about having lesser range compared to what we conventionally have offered but not necessarily lesser range throughout the year, I want to pick your brains on that? And the second is that I just want to get a sense if I heard you correctly is that you said December was a decline. So, would it be fair to say that October, November, both were somewhat October obviously positive as you mentioned and November was also possibly bordering positive and therefore, the major decline came in December.

C K Venkataraman: On the first point the substantial part of our network expansion is sitting in small towns and if we look at the average size of our stores in small towns it is anyway much lower than our average size. So, in a way if the average size of our small-town network strategy earlier was let us say 3,000 my 2,000 point has to be seen with reference to that 3,000 as oppose our average of 4,500. So, if we could do well let us say Durgapur earlier with 3,000 square feet we are saying that in a Durgapur kind of town we can do equally well with 2,000 square feet and with a smart way of storing merchandize we do not necessarily have to comprise on the choice of it to the customer even through the space is 2,000 square feet. So, that is the whole picture on the space and the range question that you asked. And on the second point, till November 8th, we were growing exceptionally but after November 8th we declined till the almost the end of the quarter.

Abhishek Ranganathan: Okay. So, basically November would have been possibly, for the whole month could have been flat?

C K Venkataraman: We have not even looked at it frankly because till 8th it was exceptionally good, after 8th it was exceptionally bad. We have not really looked together it whether it was bad or good, we look at it as quarter than the month.

Abhishek Ranganathan: Yes. And one more related to the productivity is that you mentioned it could go up to 200,000 per square foot I just wanted to get a sense of that 100,000 per square foot, 200,000 per square foot coming down to sales per se for the Jewellery business coming from 200,000 per square foot to 130,000 per square foot. So, that journey if you could just help us understand, one is that what has led to the fall in productivity a lot of us would be aware but in any specific point to identify it and then obviously consequently that after identifying that there would be steps which we would be able to take to address it to take it to say about 170,000, 20,000 you said had been wedding Jewellery.

C K Venkataraman: See, the biggest reason is one is the overall dip in the same-store growth, the decline of the balance sheet. So, if I look at, if you go back last three years it has been intermittently marginal growth or a marginal decline at the total level despite adding stores which means same-store have actually fallen and automatically the sales per square foot same-store would fall. Simultaneously, we have also invested in the same-stores in terms of the expansion of the existing net worth, there was a certain optimism about the boom time and all that before Golden Harvest was pulled out. And therefore, there is a double effect on sales per square foot coming down from close to 200,000 to 130,000. So, from a company profitability as well as from a franchisee profitability point of view we need to push it back in the direction of the 200,000 when we will reach the 200,000 I am not sure, but actually more than the sales per square foot it is the gross margin per square foot that actually has a greater bearing and therefore by pushing a much better profitable mix share which is the Kundan, the Polki, and all within Gold and of course the diamond. So, even that 130 does not go all the way up to 200,000 but the gross margin profile of that let us say 130 becomes 150 but the gross margin profile simultaneously improves you will get a double benefit on the return per square foot.

Abhishek Ranganathan: So, then are we saying that we need to close some more stores would that be there because you mentioned that…

Bhaskar Bhat: Not in Jewellery.

C K Venkataraman: We are not saying anything like that.

Abhishek Ranganathan: What I meant is you mentioned that there was some exuberance in opening stores before the Golden Harvest.

C K Venkataraman: Expanding our store.

Bhaskar Bhat: No, I think….

C K Venkataraman: Expanding our store.

Bhaskar Bhat: Let us explain this, we had a big strategy of large format stores, it was not exuberance, we found that it was a sensible thing to do after South Extension large store experience so Andheri and all happened after that. But the expansion of existing stores, I mean Surat was the earlier example so, the expansion of network and the expansion of stores and the decline in the total market as led to a certain decline in sales per square foot but there has never been an exuberance. We have rarely closed stores in Tanishq.

C K Venkataraman: No just to illustrate with one example, we had a 2,000-odd square feet store in one town doing exceptionally well it is Rs. 80,000 crores Rs. 90,000 crores of sales so, Rs. 450,000 per square foot, okay. Now that 2,000 square feet was too small for that sale from a customer experience point of view. It was towards the end of the boom period it was a franchise store. Now there was a substantial expansion of 2,000 square feet store but actually the boom become drift in terms of sales stagnation, right. So, the store went from 2,000 square feet to 6,000 square feet. Now from an opportunity perception point of view that 6,000 square feet was good from the catchment and all that but the sale actually drift that Rs. 80 crores your sale store is now three times a size but there is no growth coming that is why your sales per square foot is one-third, it is an illustration, right. Now, we have situation today to at the same time now we are three years of drift but we are now back into growth the store is still 6,000 square feet, we want to fix it, we want to invest in market development around that area and take it back to Rs. 150 crores, Rs. 160 crores soon. So, the 450,000 per square foot would not happen which is very exceptional but may be 300,000 will happen so that is the point I meant.

Abhishek Ranganathan: Sure. So, do we envisage any pace correction in the large side stores which we have today?

C K Venkataraman: No. Actually our stores is very profitable, it is just that the sales per square foot has gone….

Abhishek Ranganathan: Square footage remaining the same you will improve the productivity of the existing stores.

C K Venkataraman: Correct.

Abhishek Ranganathan: Sure. If I may just have one last question with Subu is that just to get a sense of the hedging is that the hedging gains or loss which we book in a quarter at what point of time we booked, is it on the point of time we have already sold….

S. Subramaniam: When we sell.

Abhishek Ranganathan: When we sell?

S. Subramaniam: Yes.

Abhishek Ranganathan: Okay, sure. I just wanted to get a sense and when you sell and the contract might be…

Subramaniam S: When we sell that quantity.

Abhishek Ranganathan: When you sell that quantity.

Moderator: Thank you. We take the next question from the line of Lakshmi Narayana from Catamaran. Please go ahead.

Lakshmi Narayana: A couple of questions. First is in terms of you mention your exchange programs is almost 40% to 45% of your revenues and how much would be the Golden Harvest or the subscription based one excluding the exchanges?

Subramaniam S: Lakshmi I think you got confused here. What we meant this 40%, 45% was the Gold we are purchasing from customers of the total that we are buying 40%, 45% is that. Now what you are talking about Golden Harvest the percentage of sale so, that is about 15% at this point in time.

Lakshmi Narayana: Okay. And the second question is if you actually look at your sales above Rs. 2 lakhs worth how much is actually done by cash above Rs. 2 lakhs you mentioned around 10% last…

Subramaniam S: It was less than 10% we have said sometime back, I think over Rs. 3 lakh is mid-single digit.

Lakshmi Narayana: Got it. And in terms of your designs if you look at any store what percentage of your designs are kind of pan India in nature and how much are actually extremely regional in nature and how that ratio has actually changed over the last five years?

C K Venkataraman: Pan India would be at least 50% if not more, may be two-thirds pan India and one-thirds local.

Lakshmi Narayana: And how has it moved it in the last three years, four years?

C K Venkataraman: It was much more pan India earlier may be in 80-20 or 90-10 but we have become much more local in the last few years.

Lakshmi Narayana: Got it. One last question, in terms of….

Bhaskar Bhat: There is a correlation I think the higher than studded ratio the greater is the **pan-ness** of that store that is in studded I assume the regional nature is less. So, you can assume for example Bombay and Delhi will have a larger percentage of cosmopolitan. So, it is like that but it is a good question will work for us to kind of explore.

Lakshmi Narayana: Got it. And just you mentioned there are people moving away from your competition to come and shop with you because of the transparency and so on. Any views on how the key competitors whom you respect the top five competitors have actually reacted in the last few weeks and do you see that intensity being there actually getting weaker or they are getting stronger?

C K Venkataraman: Our sense of certainly, their investment in marketing visibility seems to be low that is the only outward assessment that we have at the moment. I personally have not had any conversation even though one of the biggest competitors has been calling today coincidently I will speak to him later in the night and figure out. But the visibility has been poor and the sense we have on ground some our franchisees were typically part of the Jewellery Association in each of those cities is that they are all on the back foot.

Moderator: Thank you. We take the next question from the line of Sanjay Singh from Axis Capital. Please go ahead.

Sanjay Singh: I did not understand this sales value versus the retail sales were and the actual sales growth earlier we use to know that it is a difference of timing of selling to the franchisee but now for five quarters running the retail sales was significantly higher than the actual sales growth. If I look at from Q3 last year it was 35 and actual sales was 20 then Q4 similar then again, in Q1 with 9 and 3, again Q2 was 9.2. It is a significant difference, it is not a minor difference.

Subramaniam S: I know that, we discuss this last time I think this is largely coming out of two reasons one is of course the difference between the primary and secondary, okay.

C K Venkataraman: Sorry, Sanjay before that. See, now it is practically pointless talking about the Gold Plus performance, right you are aware that we are migrating. So, in quarter three Gold Plus did not do that. Now Tanishq has grown 20% in retail sales in quarter three but Gold Plus has actually declined. So, if I look at the Jewellery division retail sales growth, it would not be 20, it may be 30, or 40 on top of that the primary secondary difference.

Subramaniam S: No, actually you are right, because overall if I look at the Jewellery it is about 15%, 16% only retail after taking the Gold Plus, right. So, what we have been talking is this is about Tanishq that we mentioned. So, actually there is no much of difference this quarter, okay but the difference that comes in between the quarters two-three reasons, primary secondary is one reason the second one is we mentioned this about the recognition, the NSV difference one is it is the discounted high one asset, the second aspect is on gold price paying higher or lower because of my hedging what I receive from a customer is what we show as retail sales, okay what we actually net after hedging is what we account for NSV so, there will be a difference and we talked about it last quarter, okay. Maybe I can take this offline.

Sanjay Singh: Okay. So, basically retail sales growth also includes ex-discounts?

Subramaniam S: Yes, which is actually what we get from a customer. So, for example, I am getting Rs. 2,600 a gram from a customer but it is hedged at let us say Rs. 2,400 because I bought at Rs. 2,400; Rs. 2,400 is what is accounted in the books or at NSV and that is what we reported the financials where Rs. 2,600 is used for the retail growth, okay that is the difference.

Sanjay Singh: Okay. The other part is you mentioned some reasons studded for the share being lower this quarter, can you just repeat that?

C K Venkataraman: Yes, because the Rs. 2 lakh to Rs. 5 lakh pan card was introduced from 1st of January 2016. The need of pan card in Rs. 2 lakh to Rs. 5 lakh we advanced the activation of 2016 January to 2015 December. So, the last week of December had a big spike in 2015.

Sanjay Singh: Last year you are saying?

C K Venkataraman: In 2015 December which is Q3 of FY 2016, okay. This year we had no such things, this whole activation is happening in the quarter four of this year. So, to that extent quarter three was subdued in FY 2017.

Sanjay Singh: Okay. But last year studded share was only 25% which is normal Q3…

C K Venkataraman: Yes, normal. I am only comparing quarter without getting into the detail of that quarter from a comparison point of view Q3 of FY 2016 had one week of activation Q3 of FY 2017 had no weaker activation.

Sanjay Singh: Okay. And this time the activation started in January only?

C K Venkataraman: Yes, therefore, it will have a positive difference between Q4 of FY 2017 with respect to Q4 of FY 2016.

Sanjay Singh: Okay. And lastly, this World Gold Council publishes the Jewellery volume data and all how representative is that of the industry?

C K Venkataraman: It typically speaks about imports frankly and not about consumption, it is very difficult to figure out in any case. Import saw a huge decline.

Subramaniam S: See, as trend you could possibly take but you cannot take it….

C K Venkataraman: the role of exchange and all is sitting in the consumption. And every jeweler actually is reporting an improvement in…

Sanjay Singh: So, that 500 tonnes, 600 tonnes is ex exchange.

Subramaniam S: Yes, that is right.

Sanjay Singh: Bur otherwise that number would be largely correct. That is the total imports for Jewellery.

Subramaniam S: Import should be right that is official data. The only estimate they make is on the smuggle gold, I do not know where they get that number from that.

Sanjay Singh: Yes, that is what I am saying is the smuggle gold number included in that number or it is not included?

Subramaniam S: No, they do not include that but they separately show that as what they expect estimate that smuggle gold.

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

Rakesh Jhunjhunwala: Sir, two quick questions, how good is the Golden Harvest scheme doing?

C K Venkataraman: It is on track Rakesh. We had an estimate of about 14% to 15% to sales this year and we are running on that.

Rakesh Jhunjhunwala: Even after demonetization we are getting new subscribers?

C K Venkataraman: No, after demonetization there was some slowing down because people were not even enrolling, they did not have money and all but if take a slightly longer-term view on it just like the sales is catching up Golden Harvest is also catching up.

Rakesh Jhunjhunwala: Second thing is we have Shubham and all these collections how important role they play in sales growth and do you think we have many more collection like this coming up for next year and for the current quarter?

C K Venkataraman: Yes, they play an exceptional role in keeping consumer interest in Tanishq and getting them into the stores Rakesh. The role of new products, it would not divulge shares but there has been a significant increase in the share of new products in FY 2017 as opposed to FY 2016 and we expect it to go up even more FY 2018.

Moderator: Thank you. Well that was the last question, I now hand the floor over to the management for their closing comments.

Bhaskar Bhat: So, we are through I think. Thank you all of you for patiently listening in.

Moderator: Thank you. Ladies and gentlemen, on behalf of Titan Company Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.