



Quarterly Update: Q2 FY 16-17

Q2 FY 16-17 had started off with an expectation of improvement in consumer sentiment on account of a bountiful monsoon season but the sentiment, much like monsoon itself, remained patchy and unpredictable. While the customers walked into the stores for good deals or new products and collections, the base demand remained weak. This may be indicative of “Consumption Fatigue” setting in as, thanks to abundant yearlong discounts/deals available online and offline. The customer, today, seems to be enthused only by fresh and differentiated offerings across the consumer discretionary sector. This change in consumer behavior may be structural and here to stay..

H2 FY 16-17 has the festival season as well as some wedding dates which, along with low inflation and 7th Pay Commission related liquidity may augur well for demand revival. The Company is all set with a plethora of fresh products and collections to capture the expected resurgence in demand.

Jewellery

Low consumer confidence in conjunction with volatility in gold prices continues to dampen the demand for gold as an investment class. Our understanding is that the industry would have declined by an average of 15-20% over the calendar year and the gold imports into the country are at the lowest since Q4, 2013.

In line with the Company’s strategy to negate the impact of PAN card by launching compelling products above Rs 200,000/-, Tanishq launched the “Queen of Hearts” collection of beautifully designed high value diamond studded jewellery, priced above Rs 250,000/-. The Company also conducted its diamond studded jewellery activation in the second quarter. The collection and activation aided each other enabling the activation to be very successful. This is bound to improve the studded ratio and hence the gross margins for the quarter.

While studded jewellery sales surpassed our expectations, the sales of gold jewellery remained subdued, affecting overall revenue growth. Though the gold jewellery volumes were under pressure, the gross margin growth for the quarter remained healthy, aided by an increase in absolute making charge realization.

In addition to “Queen of Hearts”, the division launched the Mia Multitaskers and Amaara collection of plain gold jewellery under the Tanishq umbrella and Sitaara and Swaram under the Gold Plus umbrella.

The division added 1 Tanishq stores with 5500 sq. feet retail space in Q2 FY 16-17.

Acquisition of Caratlane Trading Private Ltd. (CTPL)

In August, 2016, the Company completed the acquisition of about 62% in Caratlane Trading Private Ltd .



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Watches

While the domestic watch sales continue to do well, the export business and service business are under pressure due to the economic situation in Middle East Asia (which is one of our biggest export markets) and reorganization of our customer service and spares business, respectively. The division had its Fastrack EOSS this quarter which garnered decent sales.

In January, 2016, the Company had launched its first smart watch “Juxt” which performed well above expectations and has sold over 10,000 pieces since then. In August 2016, the Company launched another version of its smart watch, called “Juxt Pro”, with touch screen dial and enhanced fitness features and connectivity. The division is now gearing up to introduce more technologically enhanced products at attractive prices to reignite interest in the category.

Over the second quarter the division had launched a multitude of collections across brands. In addition to Juxt Pro, Titan brand launched Raga Aurora, versions of Ladies and Gents Purple watches and many exciting new products under the Xyllys and Nebula brands as well. Elite II, Pink and Purple, NXT and Glamor II collections were launched under Sonata Brand and Carbon and Extreme Gear series of watches were launched under the SF brand. Adrenaline Junkie and Motosport watches and Rio inspired Tees were launched under the Fastrack brand.

The division added 8WOTs, 4 Helios and 3 Fastrack stores adding upto a retail space expansion of about 6000 sq feet.

Eye Wear

The growth in the Eyewear industries in India, based on market speak, appears to have slowed down even as a few operators gain market share.

In addition to the headwind of low industry growth, the division is also undertaking closure of its Spexx format stores which is eroding the revenue growth to some extent. The division is committed to increasing its market share further through aggressive geographical expansion and a calculated foray into the e-commerce space.

The quarter was an exciting one for the business as it launched its brand campaign with a fresh, fashion and occasion based positioning. This should yield good results for the division for the coming quarters.

The division added 11 Titan Eye Plus stores in the second quarter, adding up to about 8000 sq feet of retail space. The division closed down 9 Spexx stores in H1FY16-17.

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Precision Engineering Division

Both precision engineering components and machine building business had good sales this quarter and should record a decent growth. The court process for subsidarization of this division is underway and should be concluded before the end of this fiscal year.

Other Divisions

Both Fragrance and ecommerce business are tracking well and have posted over 100% growth for the first half of the year

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