

# Titan Company Limited

*Delivering value by creating brands*

March, 2016



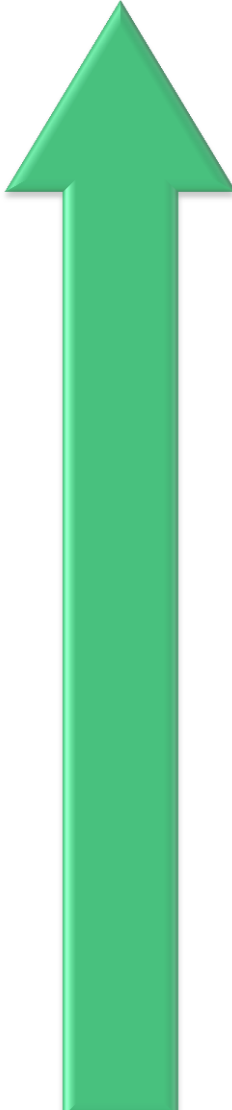
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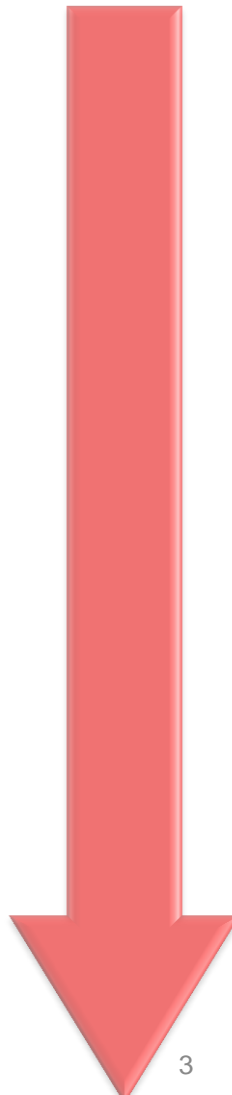


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## Performance Drivers of Business in FY 15-16

- 
- Maintained the gross margin despite market conditions
  - Good growth in premium watch segments
  - Entry to smart paradigm – repositioned Titan Brand
  - Thrust on weddings and high value jewellery
  - Launch of successful jewellery collections
  - GHS enrollment and redemption momentum

- GHS Base impact on H1 FY 16
  - Low single digit same store growth for all business
  - Shift of share of wallet to other categories – expanding the competition set
  - PAN Card threshold revision to Rs 2 Lacs
  - Employee costs
  - Competitive intensity in Eye Wear segment
  - Pricing pressure in Machine Building
- 

## Key Themes for FY 16-17

Economic  
Outlook

Mixed  
Consumer  
Confidence

Changing  
Consumer  
Habits

Key consumer  
themes



## Key Themes for FY 16-17

### Economic Outlook

GDP real growth rate to continue in 7-7.5% region but low nominal growth rate due to negative WPI

Despite the best intentions of the government, key economic reforms impacted by parliamentary stalemate- expected to continue

Volatility in global economy

Indian banking sector NPA stress and high level of corporate debt likely to continue

Stressed capital markets affecting consumer sentiment adversely

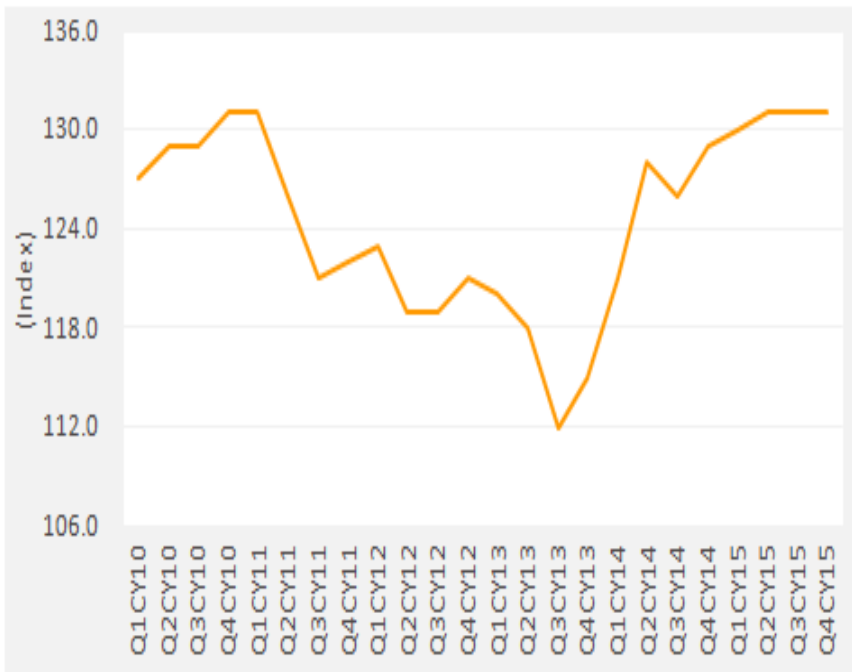
Rural economy expected to recover – after 2 consecutive weak monsoons

7<sup>th</sup> Pay commission to drive liquidity in to hands of the consumer

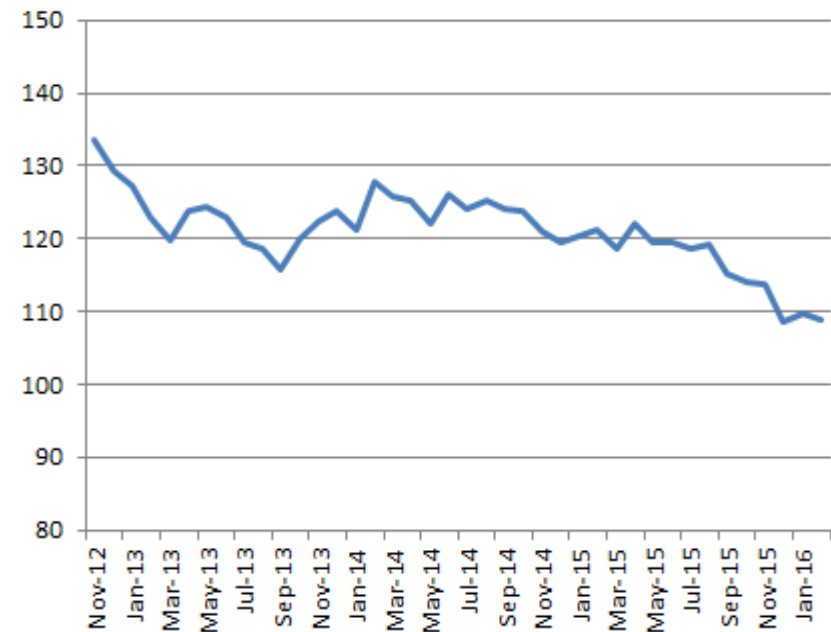
# Key Themes for FY 16-17

## Mixed Consumer Confidence

Neilson Consumer sentiment index



MNI India Consumer Sentiments



***Overall mood is cautiously optimistic.***

## Key Themes for FY 16-17

### Changing Consumer Habits

High consumer sentiment not translating to demand presumably savings & online snacking buying behaviour- likely to reduce as online gets more sensible

Luxury continues to grow in double digits, though impact of Rs 2 Lakh pan card rule is acting as a dampener-unaccounted wealth seems stifled in domestic markets

Premiumisation continues, visible across our categories

Phones, gadgets, connected devices continue to be a big draw..

Increasing digital influence on consumers, online – offline behaviour

Tier 3/4 cities expected to be big contributors to online (smartphone)

## Key Themes for FY 16-17

### Key consumer themes

#### From Commerce to Digital Commerce

- India's Digital Commerce is expected to quadruple to \$60-70 billion by 2020, driven by smartphone penetration, internet usage, reach in lower tier towns, payment channels (cash on delivery, mobile wallets)
- Top 5 products (search) : Mobiles, Shoes, Sarees, Watches, Power Banks

#### Capitalising on Digital Influence

- 150 million 'Digitally Influenced' Indian consumers, of which 90 million buy online
- 350 million 'Digitally Influenced' consumers by 2020, account for 20-25 % of retail spend
- Today's customers do not distinguish between online & physical channels and expect seamless experience



## Key Themes for FY 16-17

### Key consumer themes

#### Tempered Consumerism

- Rapid urbanization, ecommerce and social media is influencing **aspirations & buying behavior**.
- Indian consumers: increasingly discriminating & tempered with a high **value orientation**
- While International brands continue to do well, well managed ethnic brands are doing well (Fabindia, Manyavar, Chumbak)

#### Introducing the Super Consumers

- Cross-section of Heavy users and Heavily engaged users for a category
- 10% of the Super Consumers drive 60% of Profits
- Early adopters and not easily satisfied - always looking for more and newer things.
- Well informed influencers: active on social media. (high influence)

## Significant Future Themes

Tectonic shifts likely in women's categories

Progressive India will prefer responsible companies

Made in India as a differentiator

Distance will be measure in hours, not in Kms.  
Experience will attract premium

## Starting Line: FY 16-17

Favorable GHS Base effect in H1 FY 16-17

Health of the Tanishq Brand- better than ever before

Infusion of smart technology in beautifully crafted watches

Exit rate of growth in Eyewear business very encouraging

Healthy order booking in the MBA business of Precision Engineering

# Strategic Directions for FY 16-17

## Greater focus on core categories

- Prioritize topline and same store (profitable) growth- all divisions
- PED: Bring MBA back to profitability

## Rejuvenate and recalibrate the watches business

- Thrust on technology, fashion and “smart”, targeting modern consumers
- Disproportionate investment for countering / riding out the disruptive forces at play
- Focus on renewal and not profitability for next 2 years

## Take forward existing new categories

- Scaling up fragrances (SKINN) : brand awareness, product and distribution
- Build forward Favre Leuba & Mont Blanc

## Build for the future

- Continue to explore other sizeable and viable business in lifestyle - organically or even inorganically if required

# Strategic Directions for FY 16-17

## Cost competitiveness

- Counter slow growth with cost competitiveness to maintain and enhance profitability

## Invest disproportionately in Digital and Ecommerce

- Enhance consumer understanding and marketing effectiveness through the use of cutting edge analytics and CRM tools
- Develop omni channel for all consumer facing divisions (online and blended logistics)

**Thank You**



**TITAN**  
COMPANY

# Watches

# Over the years: Leadership

high ownership

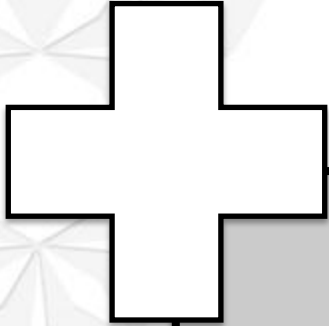


Estimate: market growth 5-6 %, driven by Ecom

Enhanced activity by players



# The year.....



- Consumers willing to pay a premium
  - Watch Exports
  - ATS Growth healthy
  - Entry into “Smart”- Rejuvenate
- Impact of Ecommerce
  - Consumers preferring multi brand stores - lower walk-ins at EBOs
  - Media Spends- Clutter
  - Vacation of Price Points in Titan
  - Change of activation model: EOSS Vs Flat

# Category non-indulgence



Unlike other categories, there is little buzz

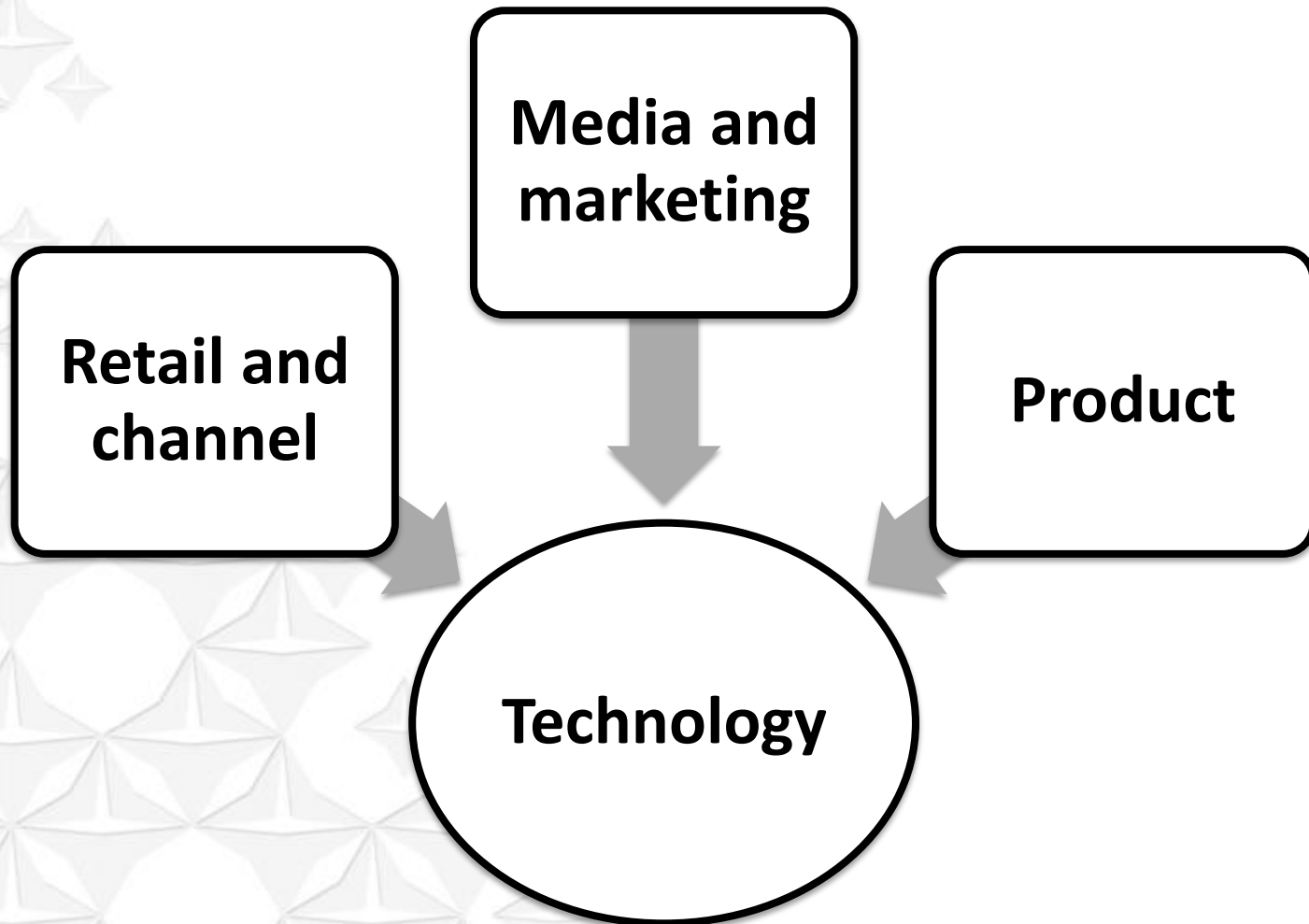
Mobiles now a status symbol

Broader choices available for gifting

Ecom makes these more accessible

Only minor design changes being made

# Tectonic changes in consumer landscape



# Evolution



○ Time keeping

○ Accessory

○ Functionality

- 78 mn wrist wearables shipped in 2015 (IDC est.)
- Expected to go to 173 mn by 2019

**Asia Pacific**

**China will contribute 56%  
of Asia Pacific**

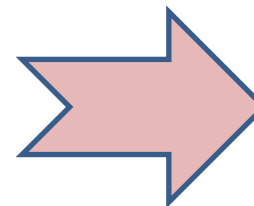
**To revive  
excitement in the  
category**

*WEARABLES*  
*Buzz*

# Our Brands

# Titan

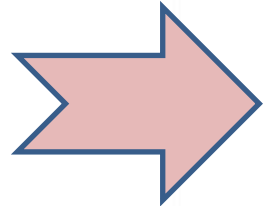
- Significant interventions to impact both business and brand imagery
  - The launch of Smart , a calendar
  - Octane



**TITAN**  
**JUXT**

# Fastrack

- Crafting a new brand proposition
- Create exciting products
  - Technology
  - Signature line

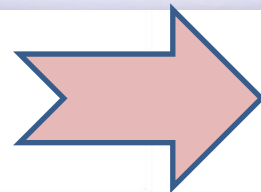






# Sonata

- Large volume play with Sonata Astra
- Grow SF to become a serious contender in the sports space





# Our approach

- Higher use of data/ analytics for decision making: eg. Pricing, New Product, Consumer profiling
- Higher use of consumer research/ insights
- Increase in digital/ on ground spends
- Innovation

# Our Channels

# Retail



Value Focus – higher UCP

Customer Affection program – SMILE

LFS - World class product presentation – brand zones

Makeover of MBOs

# MBO

## Mangalore



## 24 year old dealer





# RS MBO - Jaipur



# Ecom

- Titan.co.in
- Partnering with key players



# Helios

**41 stores, 20+ cities**  
**Helios Retail: 1516 growth**



Swiss/ Prestige

➤ Tag Heuer, Raymond Weil, Movado, Victorinox, Oris

High Fashion

➤ Versace, Gucci, Aigner, Emporio Armani etc.

Fashion

➤ Tommy, Fossil, Guess, Police etc.

Mainstream / other

➤ Titan, Citizen, Seiko

Omni channel play

Introduce more fashion/High fashion brands in < 2 lacs

Set up service facility



# ISCM Key initiatives

## Innovation

- New programme being launched
- Products and Processes

## Indigenisation

- Ramping up of Coimbatore SS case plant

# The next 2-3 years



- **Investments**
  - **Product - technology**
  - **Brand building**
  - **Retail – makeover / renovations, technology**
  - **Design – enhance capability**
- **Cost management**

# Our Products

## 1516

# REGAL CREST



Case : 2PC , Solid Bracelet  
Bracelet : Fake Solid  
Size : 46\* 39mm , 22mm Catch  
DO: 28\*30mm ,

movt: Vx36 E

# REGAL CREST







*Raga*

CASE: 9  
VARIANTS: 25  
PRICE: 4K -15 K

... by the splendid moonlight.

The links of the watch are inspired by the form of molten drops...  
on top of which sit moonstones...



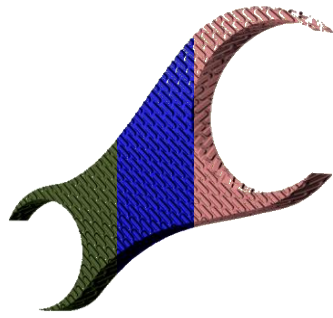
*starry night...*





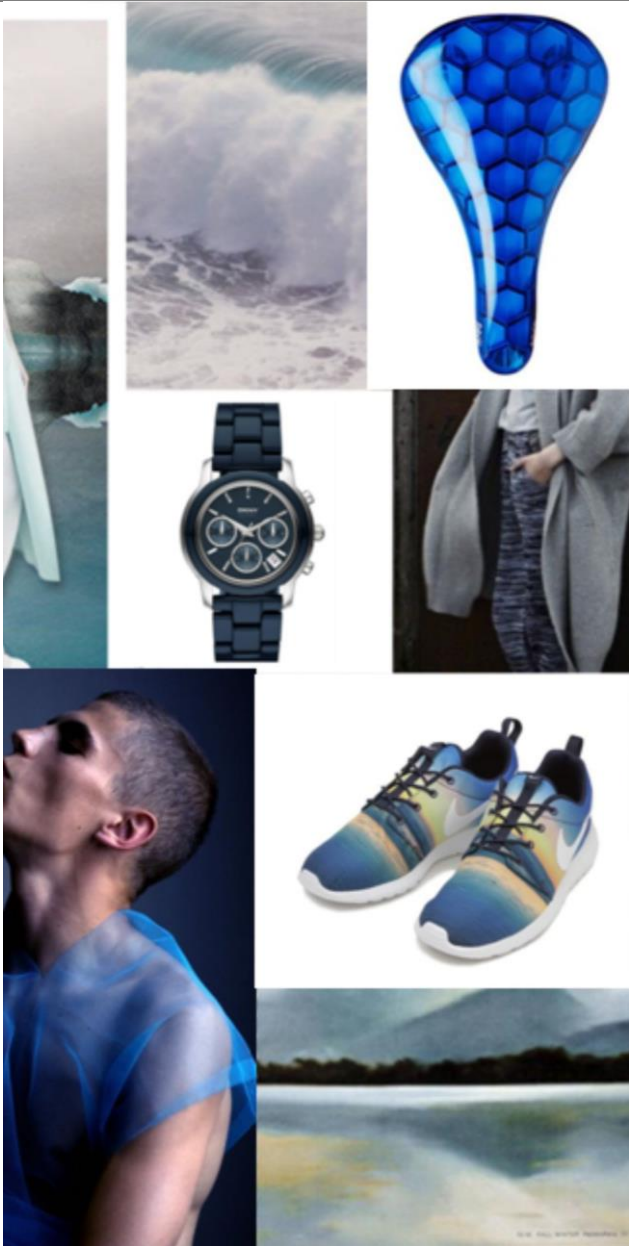


*night flowers*



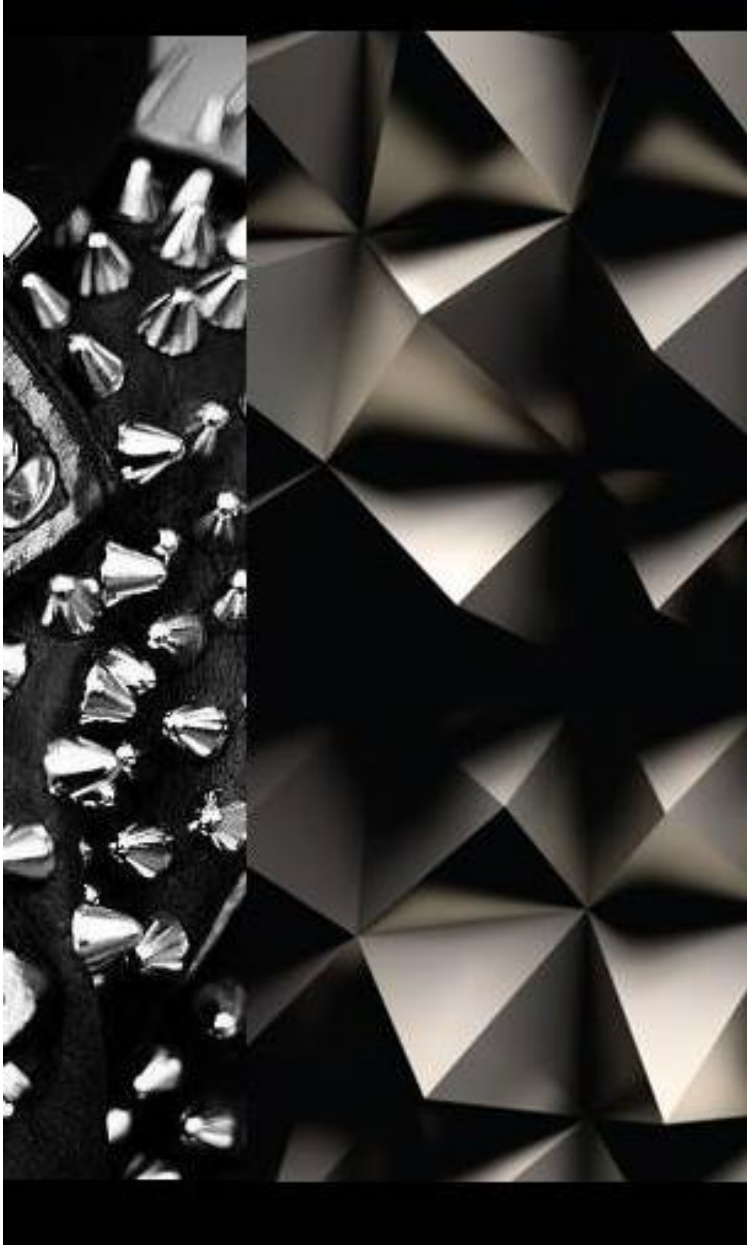
# STORM

CASUAL  
GUYS











**SONATA**

Key Designs 2015





LOOPS

SUSPENDED



DANGLED

BEADS

INDIAN FASHION

ENAMEL





*Concept 4*



*Sagun watches*

UCP 2000



**SF 2015** UCP 699 - 2299



Thanks

# EYE WEAR DIVISION



# HIGHLIGHTS 2015-16





**Opened 150 stores in the last 2 years.  
Will cross 400 stores.**



## RETAIL GROWTH

OVERALL RETAIL GROWTH 18%

LIKE TO LIKE STORE GROWTH 6%



**New identity rolled out.  
No. of stores by year end – 45**



# 1,000,000

 TITAN  
eyeplus, USERS 



1 million customers this year

# SUCCESSFUL MHB PROGRAM



TRRAIN Retail Awards | Mumbai, Feb 2016  
Awards for Excellence in Customer Service  
*National Winner (Being Human), Category  
Winner (Specialty)  
(3<sup>rd</sup> consecutive year)*

Store level empowerments

Customer delight as a culture

Increase in mystery audits scores  
in every parameter



# MAKING SPECTACLES MORE FASHIONABLE



**Raised the bar on product styling.  
300 new products launched.**

## MARKET, CONSUMER & COMPETITION



# MARKET LANDSCAPE



- Size of market estimated at around Rs.5,000 crores, of which Rs. 1,500 crores is estimated to be sunglasses (Source: Essilor)
- Market estimated to be growing at 12-15% CAGR by value largely led by new entrants (Source: Essilor)
- Large national players like L&M and GKB are estimated to have grown at around 5-7% over the last 5 years and have not expanded significantly (L&M 106 stores; GKB 75 stores)
- New Entrants in the last 5 years:
  - Vision Express – 208 stores
  - Vasan Eyecare – 108 stores
  - Lenskart – 145 stores
- Regional Players:
  - Dayal (North) – 13 stores
  - Gangar (West) – 55 stores
  - Specs-makers (South) – 37 stores
- Neighbourhood Stores: Many new entrants



# CATEGORY MEDIA SPENDS



- Overall category spends has doubled in the last two years: 150 cr
- Lenskart – Largest spender with 50cr+
  - Digital spends of 10cr+
- GKB on National TV
- Lens – Essilor and Kodak on National TV
- TV continues to be the lead media
- Increased spends by regional players like Specs-makers, R Kumar and Gangar



## IN SUMMARY



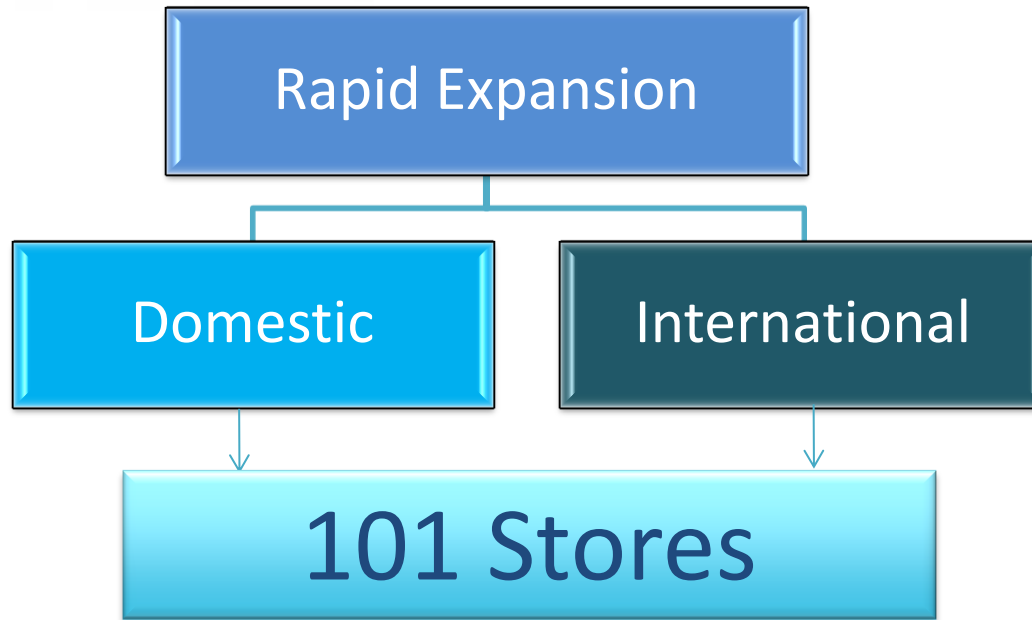
- Eyewear market is fragmented
- Limited expansion by large national players
- New entrants like Lenskart have rapidly set up stores
- Lenskart is creating a buzz with its disruptive pricing and youthful positioning
- Increasing advertising spends in the category
- Retail stores across the category looking contemporary
- Category at variance with consumer needs



## KEY INITIATIVES 2016-17

## KEY INITIATIVES

1. Rapid Expansion
2. Strengthen Retail Operations
3. New Marketing Strategy
4. Manufacturing – Lens & Frames
5. Addressing Costs – Manpower & rentals



# Rapid Expansion

## Domestic

## International

### Regular Format

### Low Cost Format

### Spexx

### SAARC

### GCC

65 New Stores

Tier 1/2 Towns

25 New Towns

Focus on Franchisee Route

30 New Stores

Tier 1,2,3,4 Towns

20 New Towns

Pilot in some catchments

Will cease to exist as a format

Reduction to 19 from 47 stores

Conversion to Eyeplus stores

To Target big hospitals with full set up

Bangladesh and Sri Lanka

6 Stores by FY 2016

Saudi Arabia and Oman

Exploratory Studies being done

Pilot aggregator model

# EXPANSION - OMNI-CHANNEL



- E-commerce – Titan / Tata
- Online vision check
- Home Eye Testing / delivery
- Booking appointment for store eye test





# OPERATIONS – RENOVATIONS



25 stores renovated  
this year in the new  
identity

27 stores to be  
renovated next year

Double digit growth  
seen after renovations



# MARKETING



# MARKETING - A NEW WAY FORWARD



## BRAND

- Retail brand – Complete solution Provider
  - Frames, lenses, eye testing
- Build aspiration for the brand
  - Build emotional connect
  - Make the brand more interesting and exciting
- Target brand metrics
  - Increase in TOM and MPB scores
  - Stabilize Spontaneous awareness & consideration scores
  - Arrest negative price perception

## PRODUCT

- Product Differentiation
  - In House Design led differentiation
  - Innovations in frames & lenses
  - Bringing in trends in sync with Global launches

## RETAIL

- New retail identity
  - Occasion based display
  - Technology
  - Ambience: Music, lighting and mirrors

# MANUFACTURING/ISCM

# FRAME MANUFACTURING

- All high value added activities in-house
  - CNC, Tooling, Press work, Laser etc
- All labour intensive work out-sourced
  - General polishing, printing, assembly, packing
- Unique features of the plant
  - Minimal hard tooling : Laser / CNC Machining
    - Lower fixed cost, fast TAT, Small batch production (Possibly individual customisation)
  - Green : No solder/nickel/carcinogenic material
    - 100% laser welding



# ADDRESSING COSTS

# COSTS



- Closure of 8 unprofitable Company Stores
- Closure of 13 Spexx Stores and 8 Sunglass Studios
- 16 Company stores to be converted to a Franchisee model
- Re-location of certain stores at lower rentals
- Re-negotiating rentals of existing stores

**Thank You**



# **PRECISION ENGG DIVISION**

**FY 17 – Looking forward to better times**

# 2015-16 Highlights



PECSA grown by 17% and profitable

- Profits not enough.
- Plenty of Opportunities for growth.
- Capital intensive.

Automation Business growth was flat

- Challenging year for growth and profits.
- Already in recovery path.
- Becoming No.1 in India.

Excellent customer base - satisfied on quality of product and services.

# MACHINE BUILDING & AUTOMATION



# 2015-16 Highlights

Order Acquisition – 21% Growth over LY – significant growth in Q2

Added 11 New Customers.

Annuity Business through BOX BUILDING

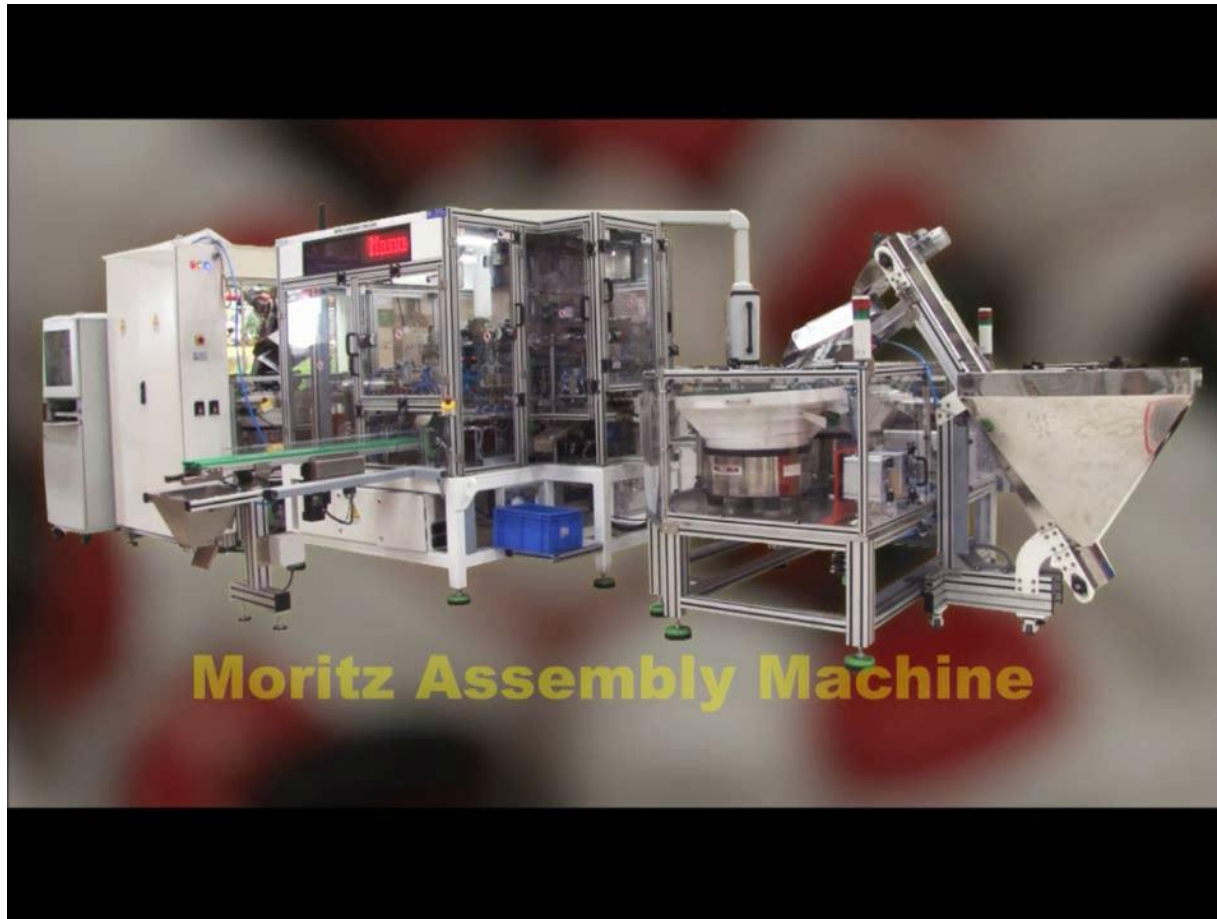
- Blood Sputum Analyser - True prep

Best Industrialization support Award from M/s Valeo

Business from Current customers – 74 %



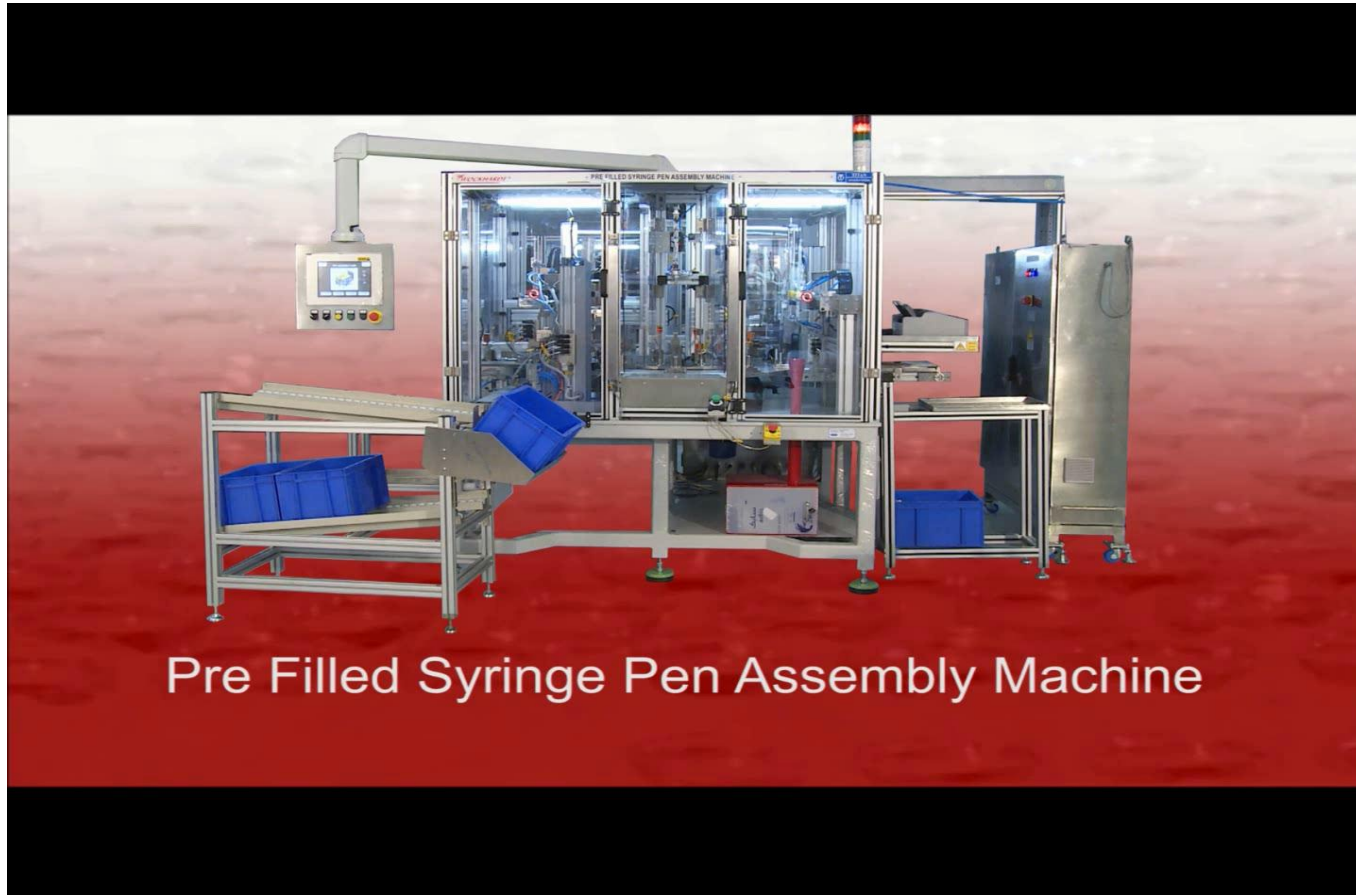
# Aptar



- First Machine in FMCG
- 60 Parts per minute
- Server Integration
- Critical Vision Checking
- Critical Orientation.
- High Speed Leak test



# Wockhardt



- Insulin Pen Injection Assembly
- Every 14 seconds, an assembly is delivered
- Critical Process includes, Injection Assembly, Tightning





# Current year challenges



**Talent retention**

**Competition from MNC companies catching up**

**Short fall in Revenue**

- Delay in Order finalization
- Delay from Customers for not finalising the product design.

# Focus in 2016-17 - Growth



## Global Reach

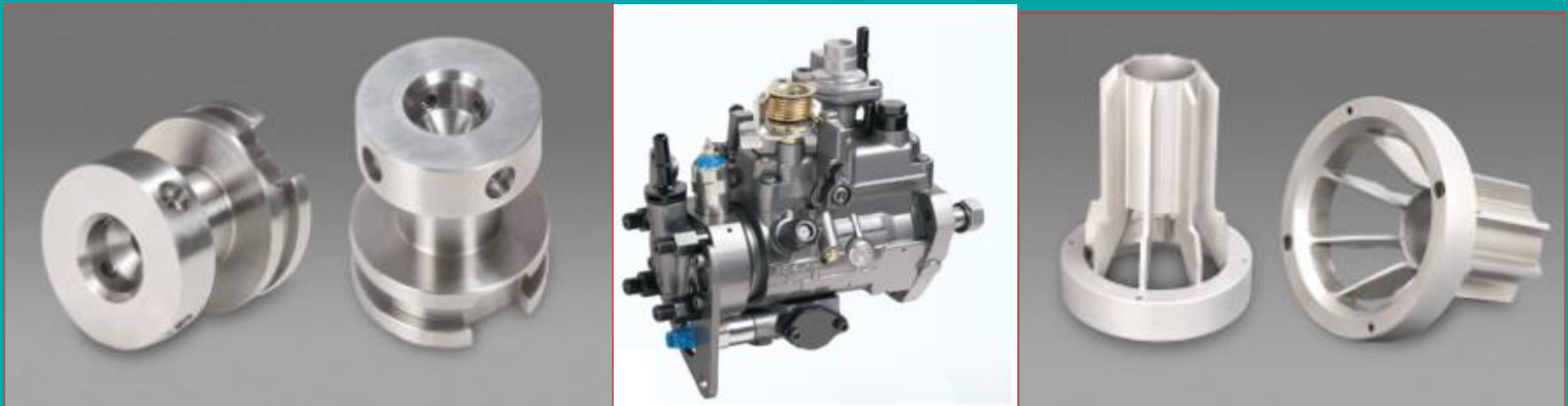


Deeper Engagement with key customers for global projects

## New allied Business

- Apple Sorting Machines at cold storage facilities.
- Identify two more annuity business similar to True Prep
- Explore Mobile Robot Applications.
- Emerging Factory Automation Technology – Industry 4.0

# PRECISION ENGG COMPONENTS AND SUB-ASSEMBLIES



# 2015-16 Highlights



Revenue growth of 23% Y-O-Y

Operationally profitable every qtr

>95% On Time Delivery for nearly all customers

Customer returns at <250 PPM

Rationalisation of customers, products and pricing

Improving internal quality metric – applying lean principles

No addition of manpower

# Challenges / Learnings of 2015-16



Dramatic decline in the oil & gas market

Off-setting the drop in oil & gas with a greater growth in Aerospace.

Delay in all Defence projects due to approvals or end-customer order receipts

Competition in India is catching up. Some global players making big investments

Cost Competitiveness - Global competitors undercutting and use of high technology

One customer in the aerospace business becoming a dominant customer

# Market Summary and Key extracts



Engine and Engine controls a large space - continue to focus on building capability in this area. Group level engagement being explored for strategic partnerships.

Deepening our presence with new customers across key product portfolio

Strategic opportunities possible with major customers in aerospace business.

Approaching some firms for the Environment controls and Actuation areas



# **Business Plan 16-17**

# Strategic actions and initiatives



Deepen engagements with strategic customers with large system integration opportunities

Pursue opportunities with other market leaders in the chosen space

Attain supplier Gold standard with key customers

Supply chain consolidation, LTAs, Local storage and sourcing

Maintain high morale of employees through active engagement

**Thank You**

# **JEWELLERY DIVISION**

**FY 17: CONSOLIDATING THE GAINS**



**TANISHQ**  
A TATA PRODUCT

## Challenging Year...

F  
A  
V  
O  
U  
R  
A  
B  
L  
E

Quarterly surveys point to a steadily improving customer sentiment over time

Price correction and brand building initiatives increased the share of preference for Tanishq

A slew of collection launches in the year, each one outdoing the previous one

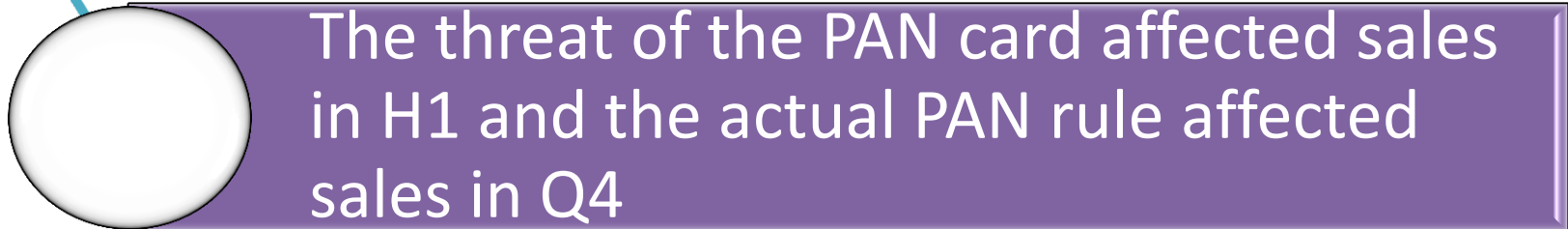
Opened the highest number of new stores in one year: 20

Golden Harvest came back



## Challenging Year...

U  
N  
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E



The threat of the PAN card affected sales in H1 and the actual PAN rule affected sales in Q4



Excise duty got levied in the budget and the industry strike hit us significantly

## Exit Trend Very Encouraging



In Our Favour

Customer confidence rising  
Brand metrics very strong  
Many collections in pipeline  
Network expansion visibility quite high  
Golden Harvest in full flow  
Franchisees and Retail Staff on the front foot

PAN Card: Unfair disadvantage  
ED: Impact on price could make the gap wider

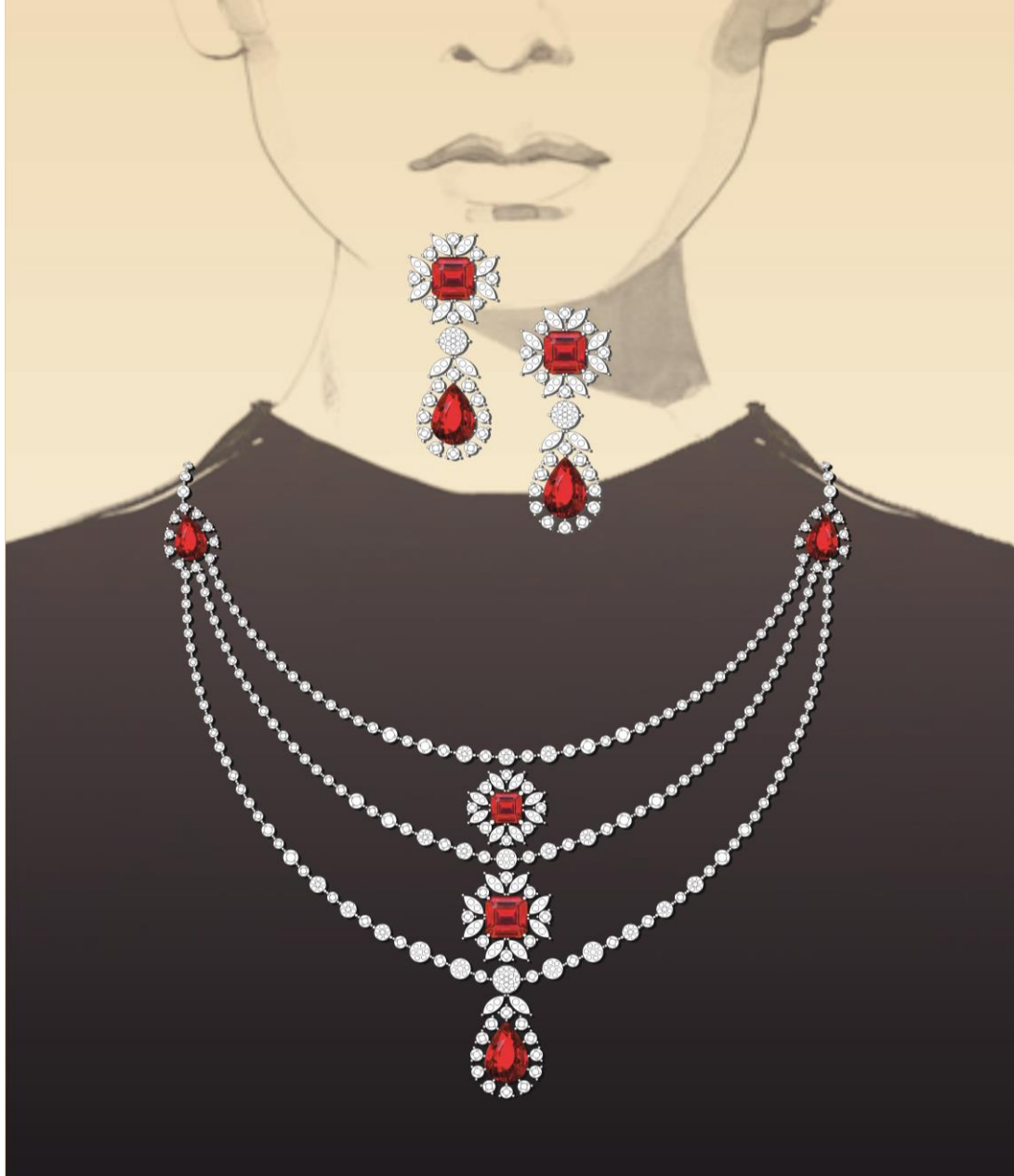


Against Us

# OUTLOOK FOR FY 17: OPTIMISTIC

# OPPORTUNITIES FOR GROWTH

# 1. High Value Diamond Jewellery



Rs 30,000 cr market

Very low share

Poor range

Very good  
product creation  
capability

Exceptional  
exchange value

Low hanging  
fruit



## 2. Wedding Jewellery



TITAN  
ANY



Rs 150,000+ cr market

Very low share,  
growing

Not a wide  
range

Very good  
product creation  
capability

The power of  
the Tanishq box  
at the venue

Low hanging  
fruit

### 3. Opportunity for Network Expansion

**400  
Middle  
India  
towns**

**500+ Lok  
Sabha  
constituen  
-cies**

**Cities  
constantly  
expanding**

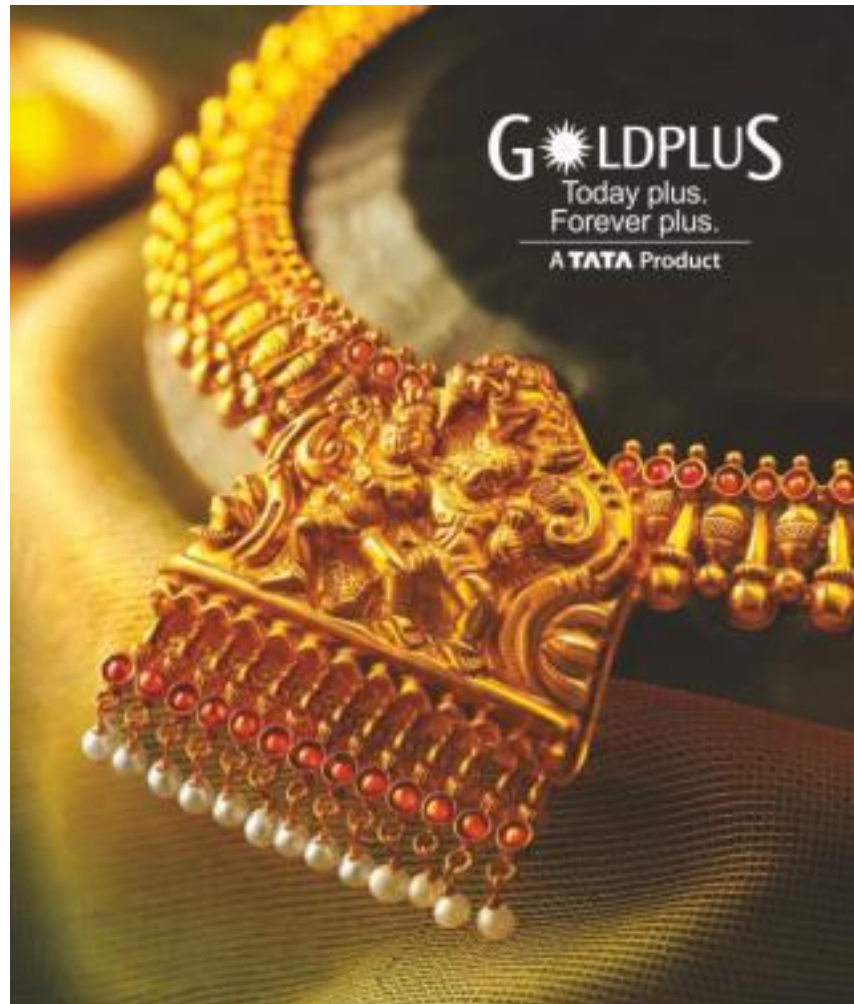
**Good  
scope for  
the next  
10 years**

## 4. Full Blown GHS

- Rs 1400 cr of likely sales



# GOLD PLUS



## Gold Plus

### Current Year

- Pulled down by customer sentiment in small town South India as well as competitive intensity

### Focus for Next 2 Years

- Invest in collections, renovations and brand building



## Objectives for the Division

Grow sales by 15/20%

At least maintain EBIT margin and ROCE of FY16

**Thank You**