

# INVESTOR MEET - November 2006

**Bhaskar Bhat**  
**Managing Director**  
**Titan Industries Limited**

**'Delivering value by creating desirable brands'**

## Disclaimer

*Certain statements are included in this release which contain words or phrases such as “will,” “aim,” “will likely result,” “believe,” “expect,” “will continue,” “anticipate,” “estimate,” “intend,” “plan,” “contemplate,” “seek to,” “future,” “objective,” “goal,” “project,” “should,” “will pursue” and similar expressions or variations of these expressions that are “forward-looking statements.” Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with our expectations with respect to, but not limited to, our ability to implement our strategy successfully, the market acceptance of and demand for our products, our growth and expansion, the adequacy of our allowance for credit to franchisees, dealers and distributors, technological changes, volatility in income, cash flow projections and our exposure to market and operational risks. By their nature, certain of the market risk disclosures are only estimates and could be materially different from what may actually occur in the future. As a result, actual future gains, losses or impact on net income could materially differ from those that have been estimated.*

*In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to: general economic and political conditions in India and the other countries which have an impact on our business activities; inflation, unanticipated turbulence in interest rates, foreign exchange rates, the prices of raw material including gold and diamonds, or other rates or prices; changes in Indian and foreign laws and regulations, including tax and accounting regulations; and changes in competition and the pricing environment in India. The Company may, from time to time make additional written and oral forward-looking statements, including statements contained in the Company’s filings with SEBI and the Stock Exchanges and our reports to shareholders. The Company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the Company, to reflect events or circumstances after the date thereof.*

## based in India :

# A continent in disguise ã .

- Population 1075 mn (M:F = 50:50)
- Age group- 20-44 years 400 mn  
**the largest population of young people in  
the world**
- Religions 6 Main
- Languages 23



# Heritage . the TATA Group

- Titan is a part of the TATA group having a turnover of > USD 22 bn, equivalent to over 2.5% of India's GDP and having the biggest market capitalization
- The Tata group is India's largest employer in the private sector . 222,000+ employees across 85 companies
- The TATA group has achieved many Firsts for India:
  - First private sector Steel mill
  - First private sector Power utility
  - First luxury hotel (Taj), First Airline (now Air India)
  - India's largest software company (TCS)
  - India's largest watch & jewelry mfg (Titan)



# About Us

- Titan is the world's sixth largest, integrated manufacturer brand for watches
- Commencing production in 1986-87, the Company is today the leader in the Watch & Jewellery businesses in India
  - First & largest player in the branded jewellery segment (Tanishq)
  - >60% share of the organised watch market
  - Over 75 million watches sold across 30 countries, cumulatively
- Four Manufacturing Facilities
  - Main Watch & Jewellery plants in Hosur near Bangalore (India's Silicon Valley)
  - Watch assembly plants at Dehradun and Himachal Pradesh  
ECB plant in Goa. Fifth assembly plant coming up in Roorkee
- Investment of US\$130 million in a 450,000 sq.ft. state-of-the-art facility
- Owned by Tata:25% and TIDCO:27.88%
- Professionally managed by the TATA group & an independent Board



# TITAN INDUSTRIES LIMITED

**BOARD MANAGED COMPANY**

**LISTED WITH**

- National Stock Exchange
- Bombay Stock Exchange
- Regional Stock Exchange

Structured Governance with Levels of Authority and Business Processes, defined delegation of Powers cascading down from Board to operating management personnel

**BOARD OF DIRECTORS**  
(Professional Board with multi-disciplinary expertise)  
(No. of meetings held during the year is 6 against statutory requirement of 4)

Clause 49 of Listing Agreement with Stock Exchanges  
Corporate Governance  
Equivalent to Governance prescribed in Sarbanes Oxley Act

**AUDIT COMMITTEE**  
(Pre-dominance of independent Directors)  
(No. of meeting held during the year is 6 against statutory requirement of 4)

**REMUNERATION COMMITTEE**  
(Remuneration of the Managing Director recommended by the Committee based on performance criteria)

**ETHICS & COMPLIANCE COMMITTEE**  
(Compliance Committee to oversee adherence to Ethical conduct and prevention of Insider Trading)

**TERMS OF REFERENCE**  
(A comprehensive Charter recommended by BOD)

1. Recommends on the Scope of Audit
2. Independent reporting by the Internal Auditors to the Audit Committee
3. Oversees financial controls and due-diligence on reporting, disclosures, etc., to Stakeholders

Tata Code of Conduct signed by all employees which promotes Ethical conduct and professional integrity

**INTERNAL AUDIT DONE BY ERNST & YOUNG**



# Company and Social Responsibility

Titan has a deeply embedded policy on Social Responsibility integrating it with its business strategy

- Building the Titan Township and the Titan School surrounding our manufacturing operations for our workforce as well as the community.
- Empowering women through the Meadow programme (Management of enterprise and development of women) - an organization developed as a vendor.
- Artisan parks manufacturing Tanishq jewellery
- Abling the physically disabled . beyond the national compliance norms
- Partnering with agencies in helping the less fortunate . Clarke School for the Deaf, Indian Cancer Society, CRY, Orphanages .
- The Titan Freedom Run . with proceeds to the Community.
- Environment and quality standards fully compliant with ISO 9000, ISO 14000 and TS 16949.
- Signatory to the Global Compact and preparing Sustainability Report as per GRI guidelines.

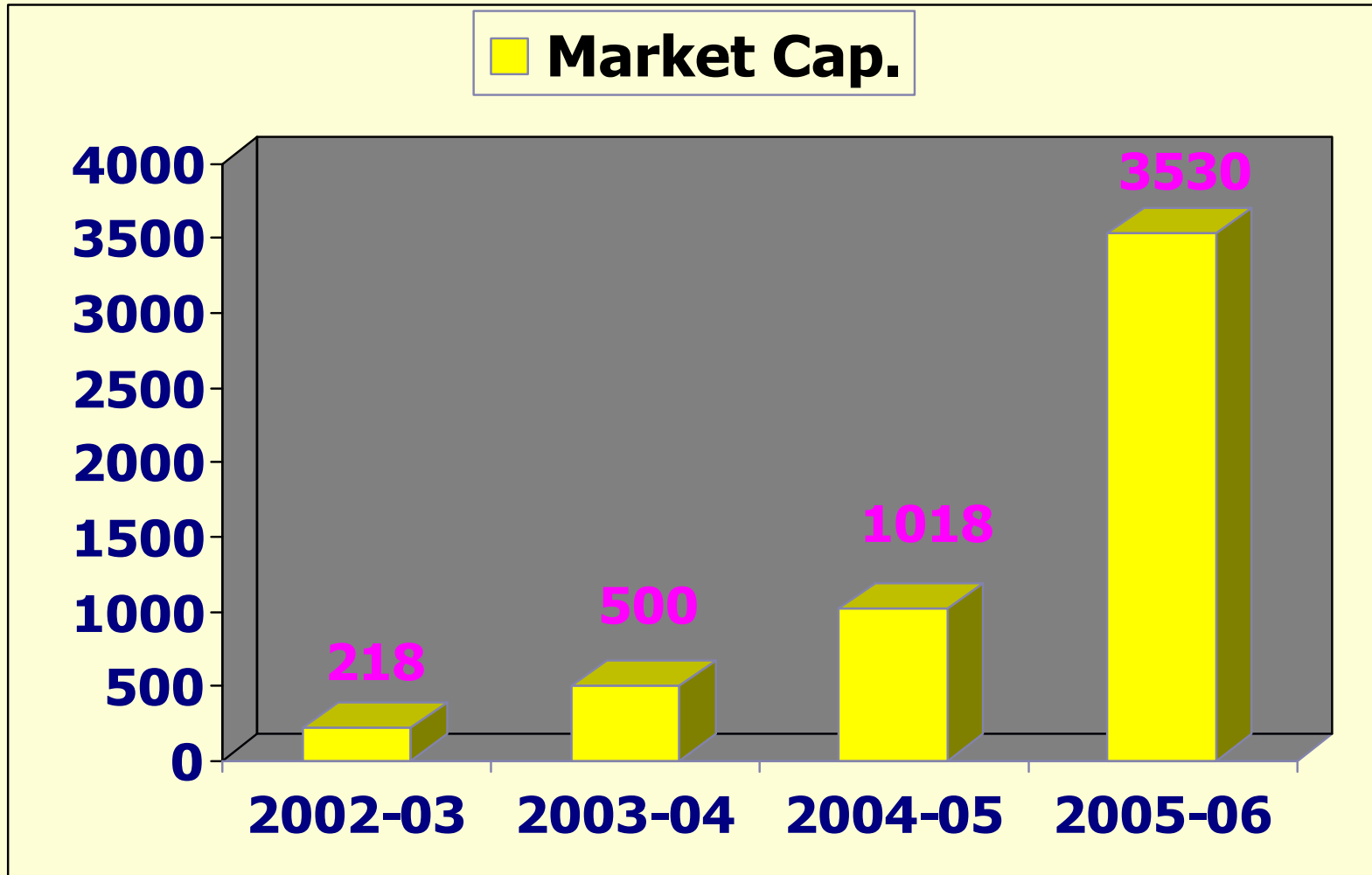


# Recognition and Awards in many categories

- “ The Watch Division won the coveted JRD QV (Malcolm Baldrige) Award in 2006.
- “ India’s most admired consumer durables company having the most trusted brands . TITAN & TANISHQ.
- “ Both Watches and Jewellery adjudged most admired brands for the last 4 years. Also adjudged Retail Company of the year.
- “ Retail Asia and Media Award-Singapore, for Retailing and preferred brands.
- “ Ideator Awards for Titan designers.
- “ Best Corporate Citizen . Mother Teresa, Helen Keller, Rotary and Chamber of Commerce Awards.
- “ President of India Award for best employer of the physically challenged.



# Market Capitalisation (Rs. Cr.)



# Recent Initiatives

- Equity Infusion
- Opening 90 new Company Retail outlets over next 2 years
- Expanding watch-assembly capacity in tax-free zones
- Substantial investment in Information Technology-ERP/APO
- Formation of Knowledge & Business Excellence Management Group



# THE CHANGING RETAILING LANDSCAPE...

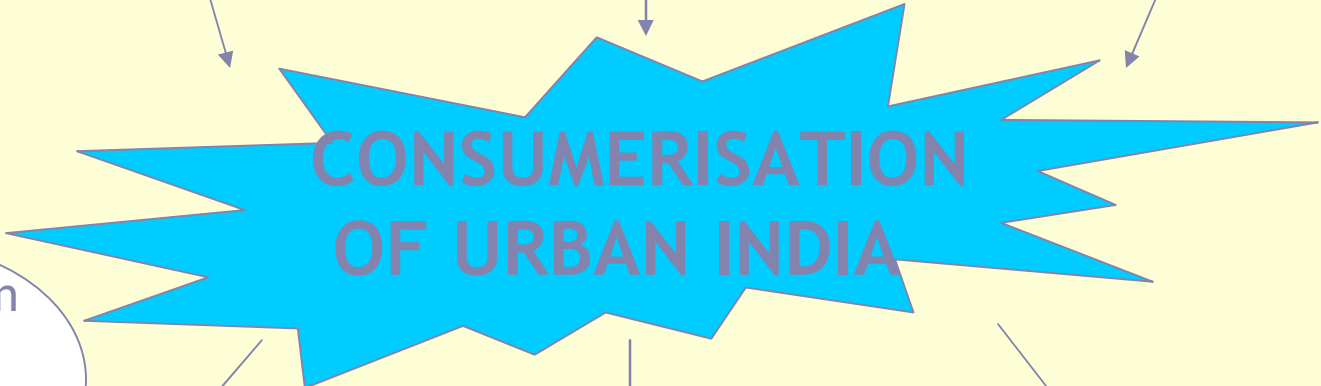
**Needs**

Increasing % of young Population

Increase in Income levels

Changing Spending pattern

**Effect**



Increase in Number working urbans

**Enablers**

Increase in Number Of working women

Increase in Spending power

Rising Aspiration levels

**Outcome**

Consumption of Lifestyle Items

Organised retail market at Rs.97000 Cr by 2010 (CAGR 31%)



Two third of Indians are Below 30 yrs

Median Age Is 24 (35 in US, 41 in Japan)

Urban growth at 3% Vs 1% overall

Effect

**YULICS !**

Enablers

Youth growing Four times Faster

82 million at 20 - 34 age In 2006

Liberalised Population will Be 56% in 2011 (41% in 2001)

Outcome

Significant New Opportunity from Young Urban Liberalised Indian Consumers

# Shift towards LIFESTYLE needs

## TRADITIONAL NEEDS

Basic Necessity



Simple Product /  
Service Orientation



Low incremental  
consumption YoY



Focus on internal Needs



## LIFESTYLE NEEDS

Leisure needs

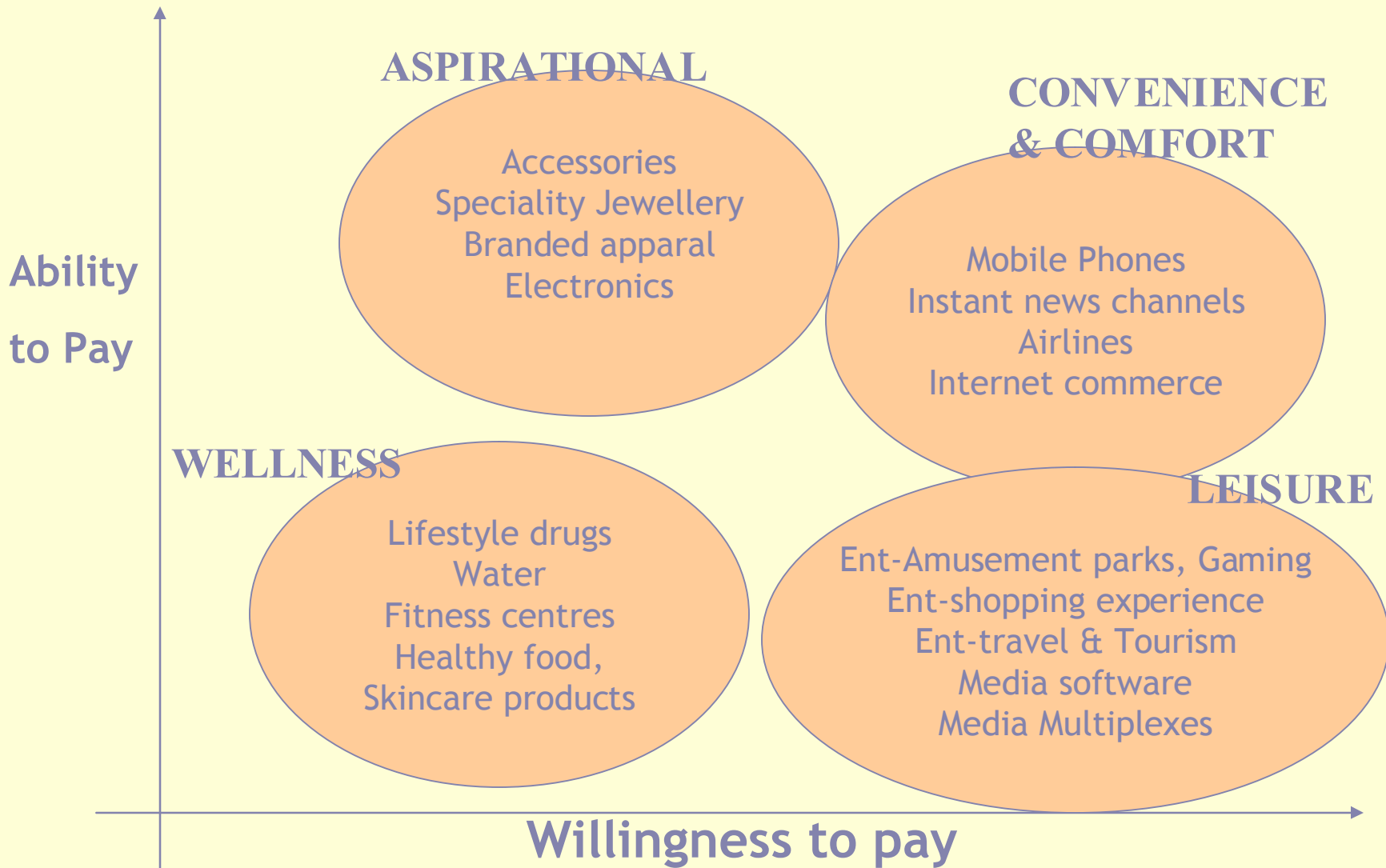
Enhanced product /  
Service Orientation

Higher incremental  
consumption YoY

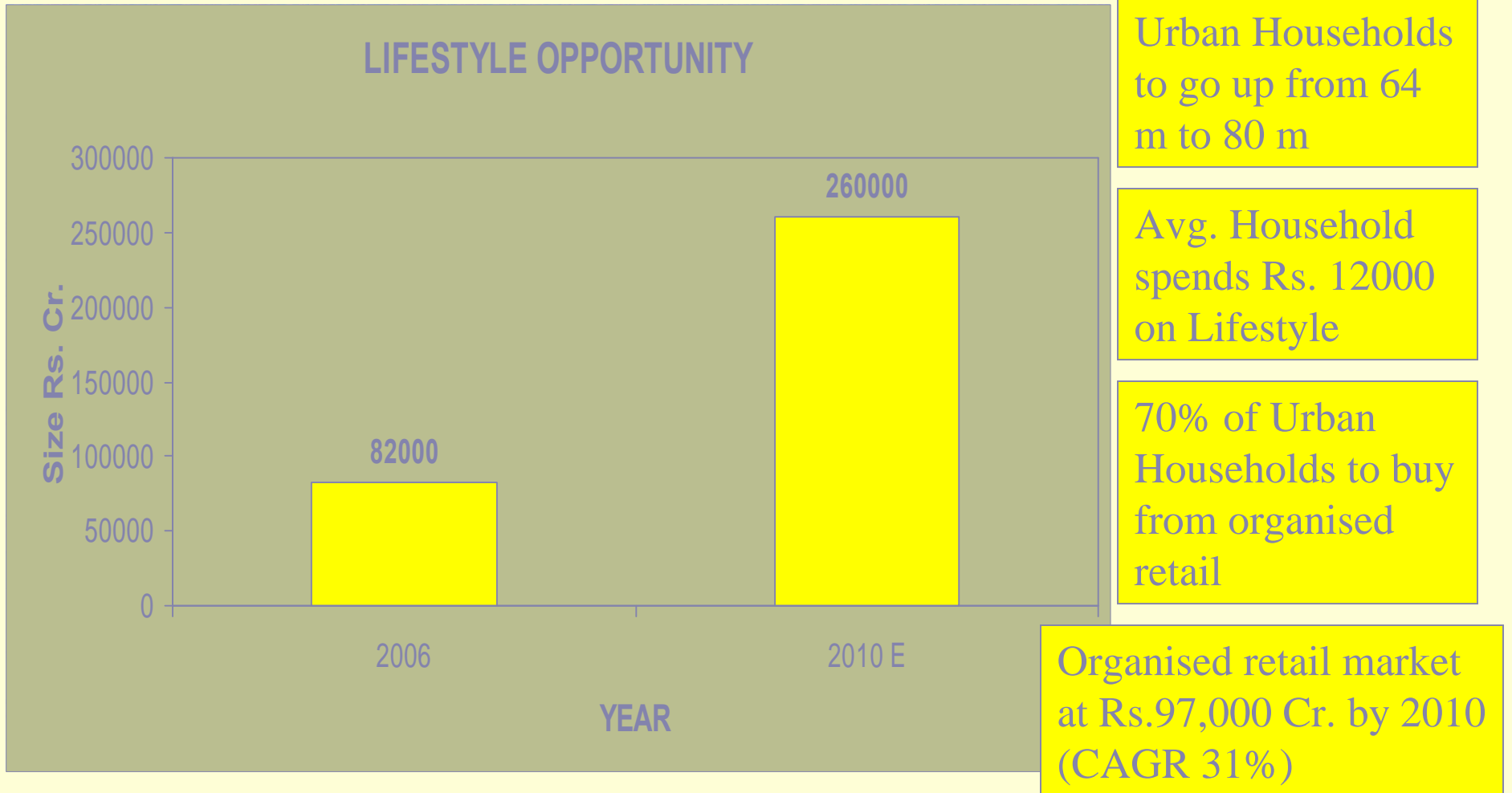
Focus on external Needs



# LIFESTYLE categories



# TY IN LIFESTYLE THE MARKET AHEAD..





# Our businesses

## *SEIZING THE OPPORTUNITY:*

WATCHES

JEWELLERY

ACCESSORIES

PRECISION ENGINEERING

AFTER-SALES SERVICE

Operating in  
30 countries  
with a larger  
footprint in the  
Middle East and  
Asia-Pacific  
regions



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# I Watch Business



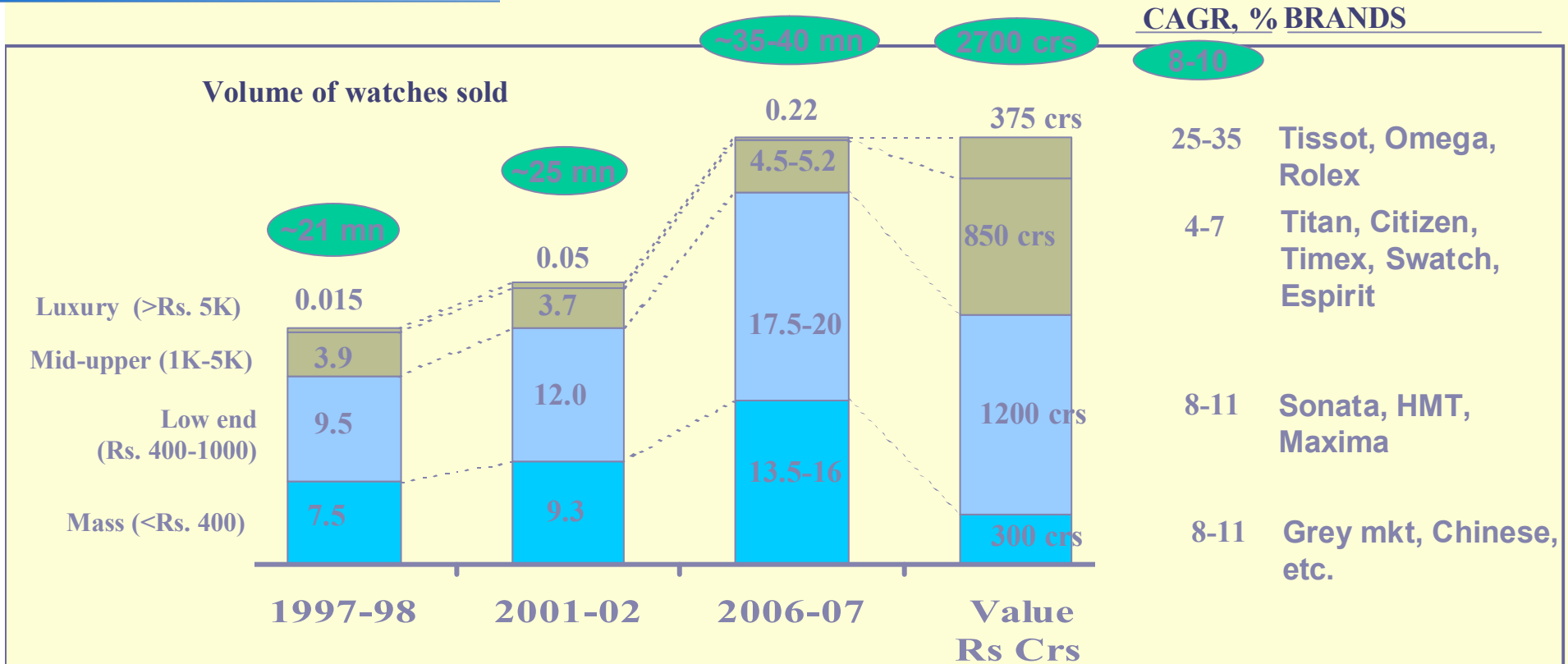
TITAN INDUSTRIES

# The watch market & industry in India

- India is an under-penetrated market for watches . only 27 % of Indians own a watch
- Total estimated market as of 2006 Volume ~ 36 mn units & Value: Rs 2400 Crores (USD 533 Mn)
- Vast proportion of the Indian market is below Rs 500 ~ 68% (85% by volume)
- Market has been split into: Low end, Mass market, Mid market, Premium



# VOLUMES HAVE GROWN SIGNIFICANTLY

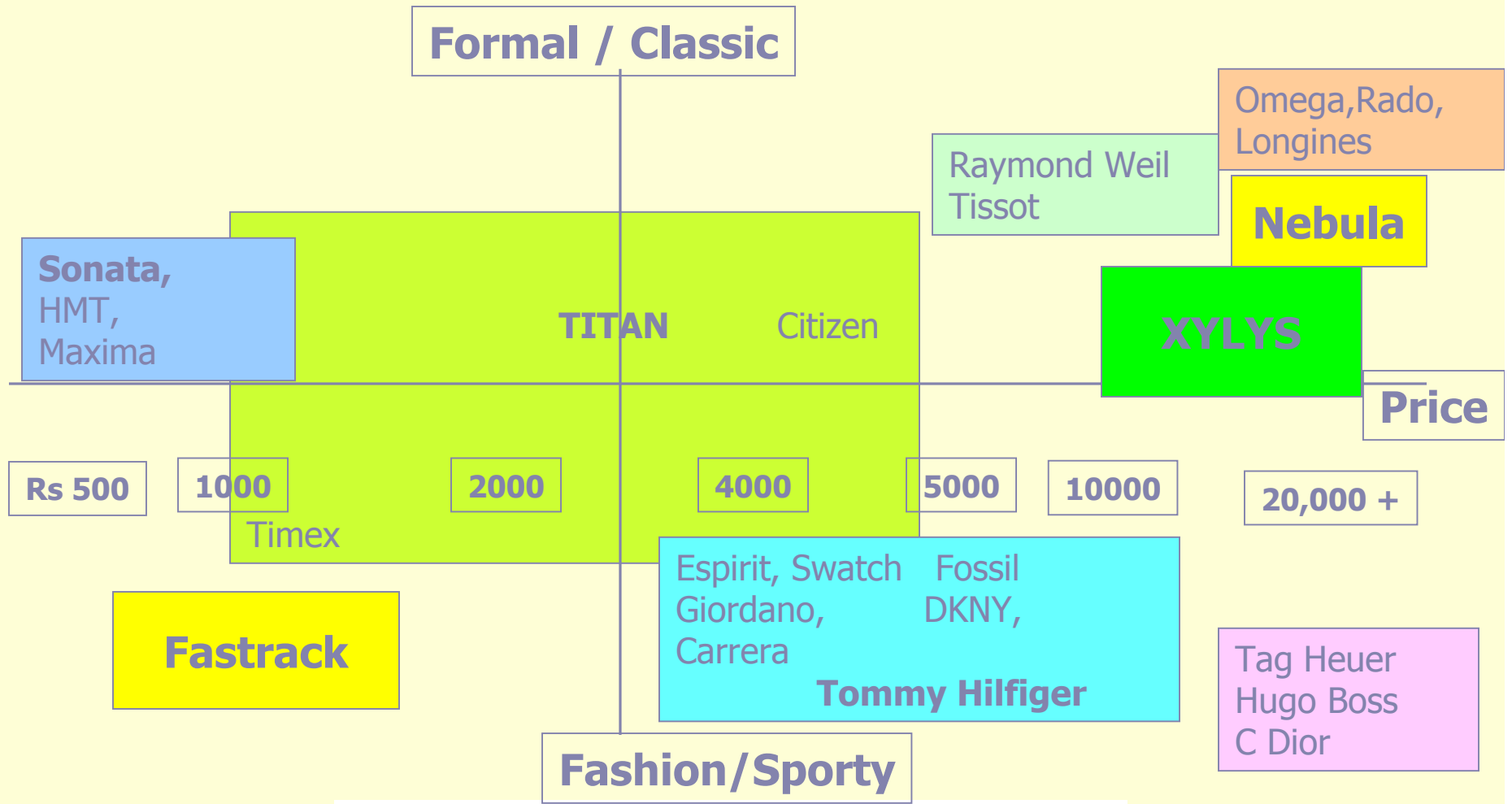


**Market implications from 01-02 to 06-07**  
 Overall volume growth significantly driven by low-end and mass market  
 Mid-upper category growing at 7% largely driven by Titan

Source: IRS 95,99,01, NCAER 95,00; internal data; press clippings; interviews; market visits; annual reports



# Watch Market Map



## WATCH BUSINESS - OVERVIEW

### Revenues

- \* Significant growth over the past three years
- \* Rs. 620 Crores Sales during the latest financial year

### Profits

#### Impressive performance

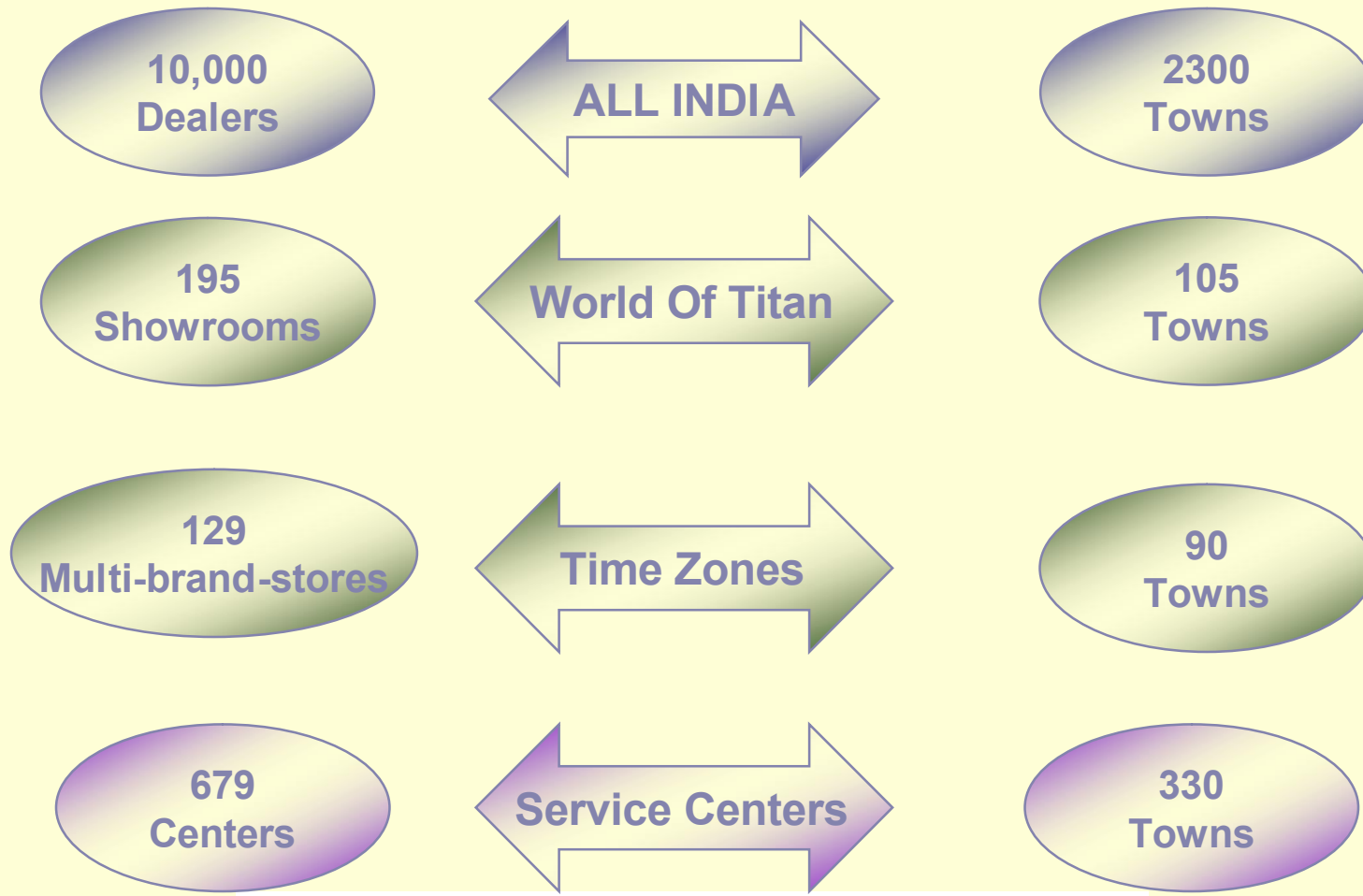
- \* PBT (2003/04) - Rs. 45 Crores
- \* PBT (2004/05) - Rs. 70 Crores
- \* PBT (2005/06) - Rs. 90 Crores

### ROCE

#### Healthy ROCE

- \* ROCE (2003/04) - 17%
- \* ROCE (2004/05) - 39%
- \* ROCE (2005/06) - 50%

# and brand leadership of >50% uses the muscle of a vast distribution network



## II Jewellery Business



# Market & industry highlights

## Market

- “Size of market: Rs 65000 crores (~ US\$ 15 billion)
- “Urban market is about 38% of this base
- “Branded jewellery is less than 2% of the overall market
- “Importance of jewellery to Indian consumers –  
Gold is seen as auspicious, an investment, for adornment....
- “Product mix: largely plain gold 22kt, with gem set jewellery constituting less than 20% of the market

## Players

- “Key players: Fragmented market, mainly retailer driven.
- “Most retailers are unorganised and stand alone, absence of hallmarking
- “Tanishq - the first branded jewellery player (1996)
- “Increased investment by industry bodies (DTC, PGI, WGC) is spurring rapid growth of the branded jewellery market in India

## BRIEF OVERVIEW

### The Business

#### Brand

- É Strongest and most aspirational brand in the jewellery category
- É Awarded most admired brand and Retailer of the year by Images Fashion
- É Enjoys a market share of 70% in branded jewellery

#### Network

- É India's only national jewellery retailer
- É 86 stores in 63 towns – prime high street locations
- É Most of these stores are run by franchisees

#### Customer Base

- É 1.5 million customers shopped at Tanishq last year



## BRIEF OVERVIEW

### The Business

#### Revenues

É Rapid growth of 40% p.a. over the past four years  
É Rs. 1100 crores+ during the current financial year  
É 55% of the Company's revenues

#### Profits

##### Impressive turnaround

É PBT (2002/03)	- Rs. 6 crores
É PBT (2003/04)	- Rs. 14 crores
É PBT (2004/05)	- Rs. 20 crores
É PBT (2005/06)	- Rs. 33 crores

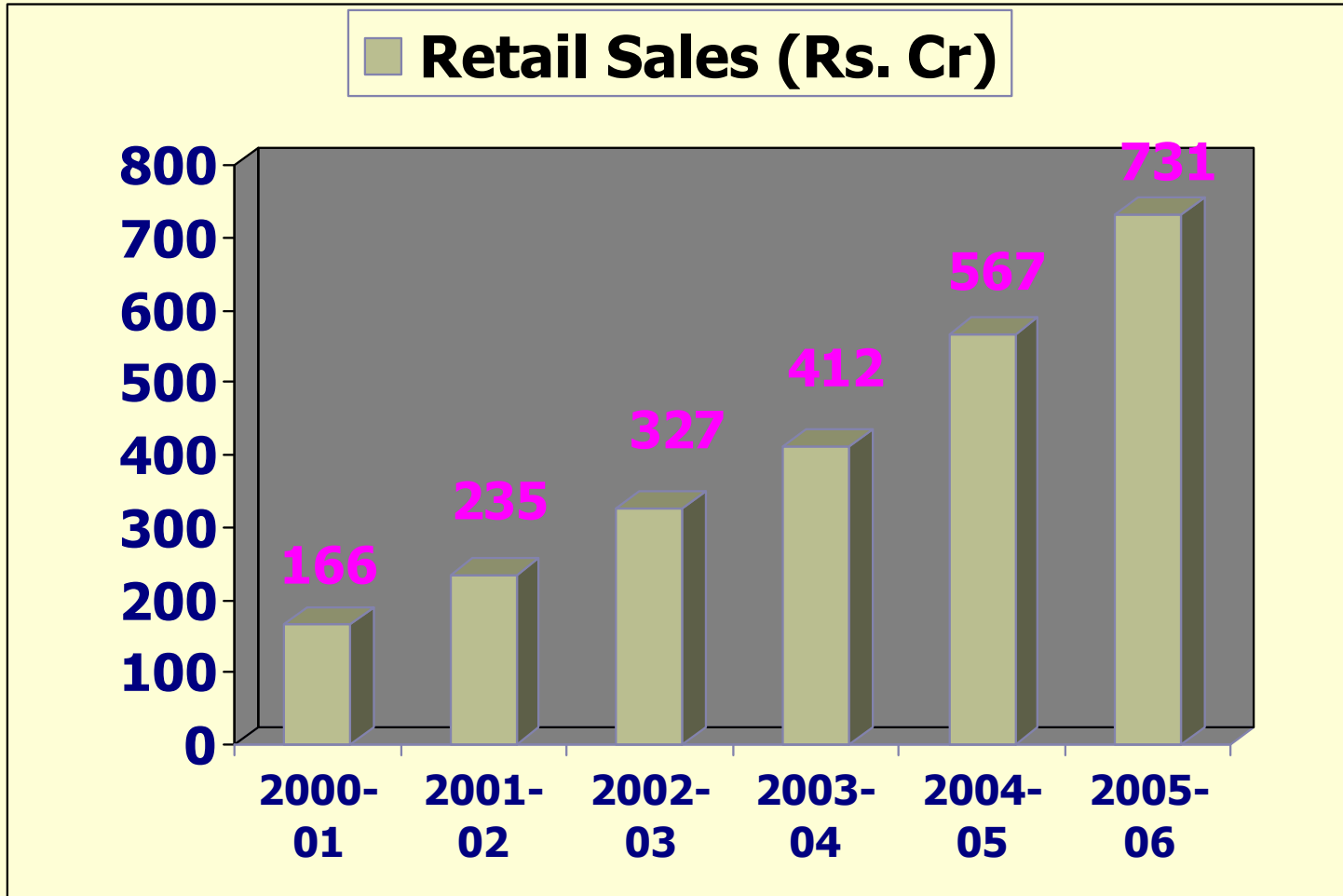
#### ROCE

##### ROCE exceeds Cost of Funds

É ROCE (2002/03)	- 13%
É ROCE (2003/04)	- 22%
É ROCE (2004/05)	- 30%
É ROCE (2005/06)	- 34%



# Titan Jewellery - a rapidly growing brand



Strong brand equity has fuelled rapid growth - growth rate (CAGR) of 43% p.a., despite a flat jewellery market



# III INTERNATIONAL OPERATIONS

# INTERNATIONAL BUSINESS

- One of India's first companies to market a consumer brand overseas.
- Now present in 30 countries
- Among the top 3 brands in some Asian countries
- Selling 750k watches annually with increasing presence in jewellery.
- Income from branded business for overseas companies grew by 37% in 2005-06
- Total export sales of Rs 87 crores in 2005-06 with a target of Rs 108 crores for 2006-07



# New Businesses

# IV Precision Engineering Business





# Precision Engineering Business

## Rationale

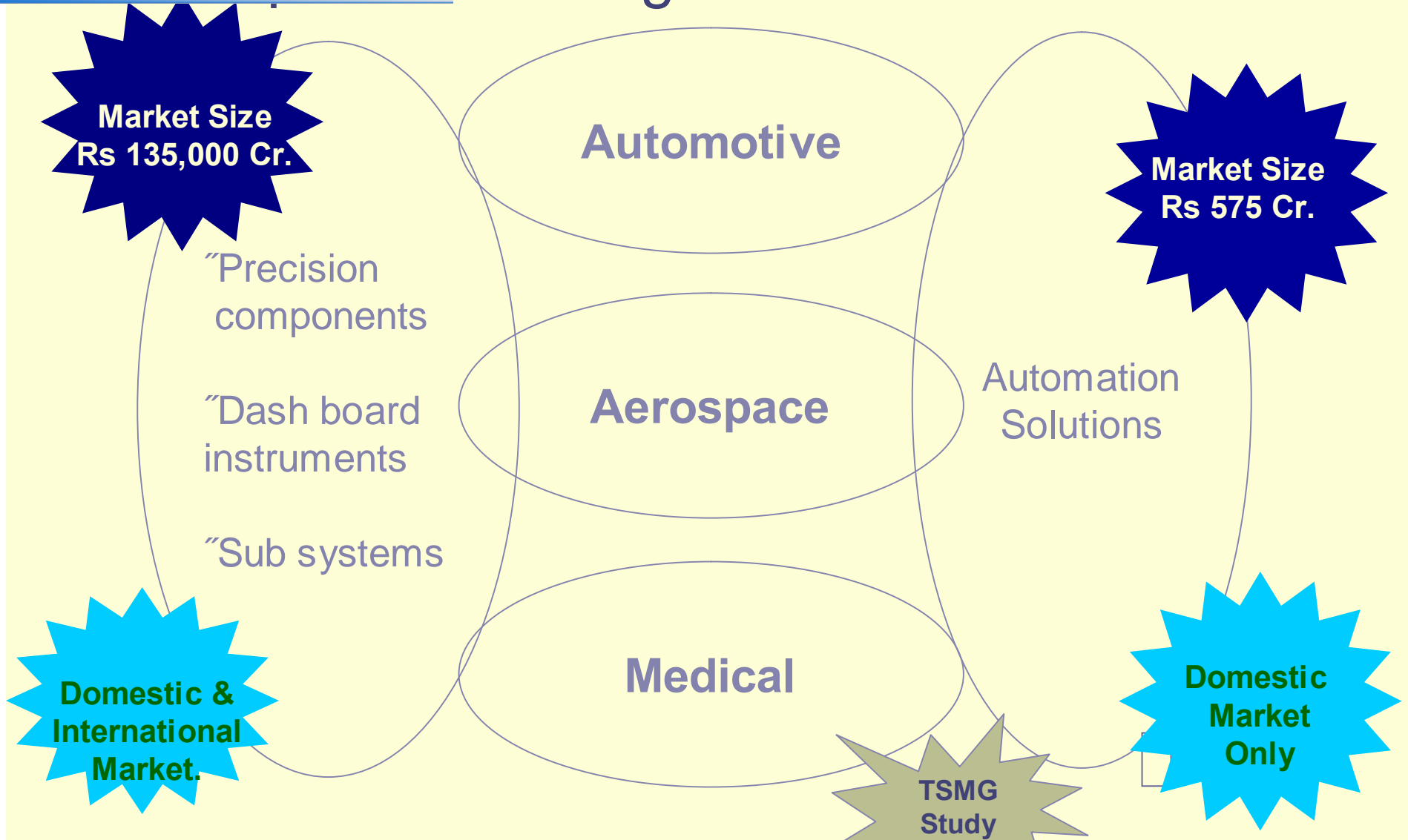
- Leveraging Engineering capabilities
- B2B business . balances risk of B2C businesses

## The Opportunity

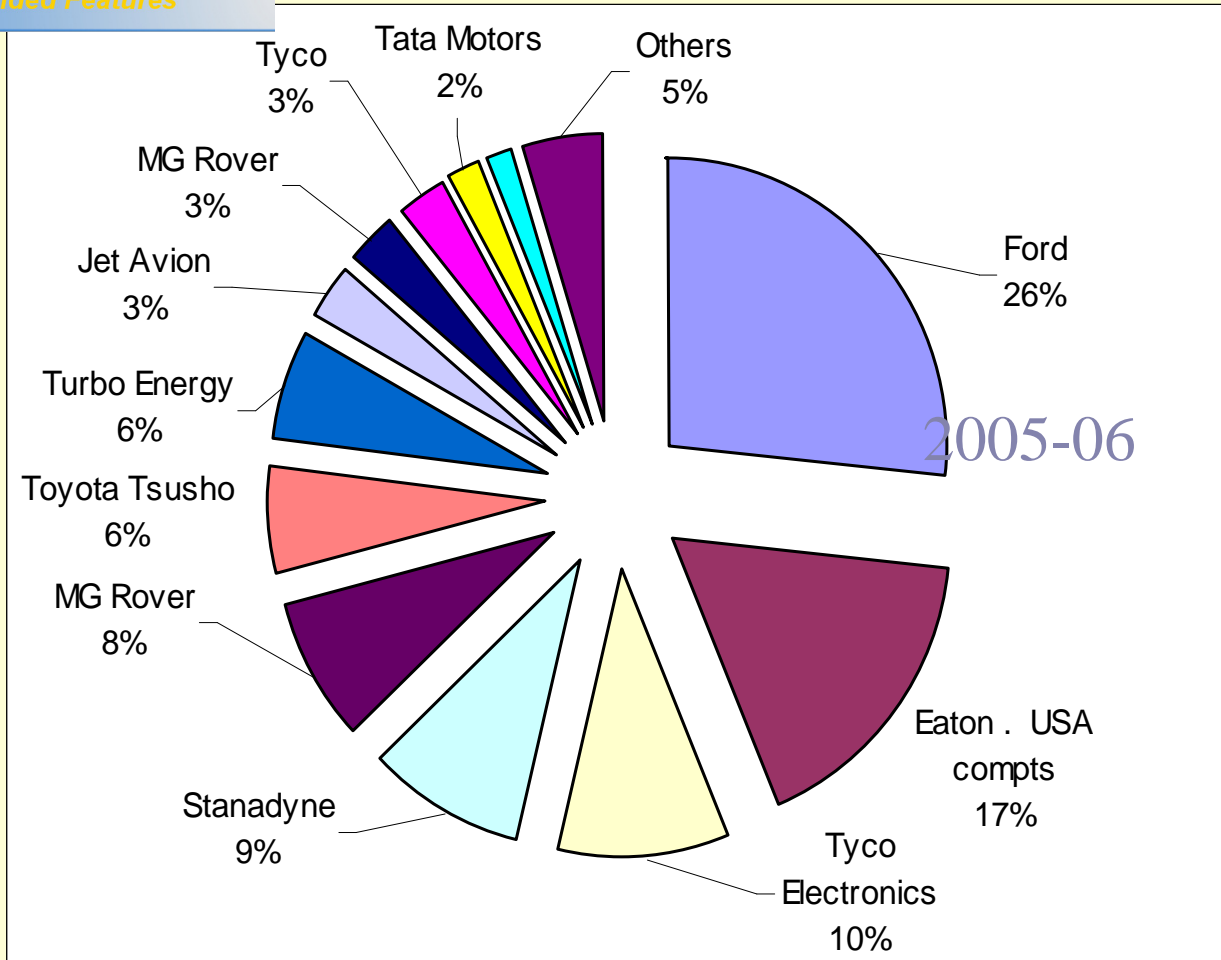
- India growing as a manufacturing base for precision products across industries
- “ Cost pressures and offset requirements guarantee a long term opportunity
- “ High cost of switching for customers
- “ Large & growing market: The global market for precision engineering products addressable by Titan is Rs.135,000 cr.



# n: 3 segments 3 streams



## Customer Base



Automotive	51%	Aerospace	18%
Hydraulics	17%	Medical	6%
Others	8%		

# V MASS MARKET JEWELLERY

# The size of the opportunity

- Semi-urban and rural market estimated to be as much as 50% of the total : Over Rs 30,000 crs.
- Highly value conscious consumer, buying traditional jewellery
- Very fragmented industry with underkaratage still prevalent in many parts
- Need for a new business model and new brand to exploit this opportunity



# through Scale and Cost Compression

- Low Franchisee Cost through scale
- No Excise duty
- Majority 22k output through Karigar Parks
- Low cost of A&P through complete localisation and a totally no-frills+approach
- Very tight approach to overheads
- Good inventory turn through scale
- Targetted traditional buyer with investment mindset
- Achieved a sales turnover of over Rs 30 crores in the 12 months ended 30<sup>th</sup> September
- Scaling up to 10 Gold Plus outlets this year



# VI EYE WEAR



# TITAN EYE WEAR BUSINESS

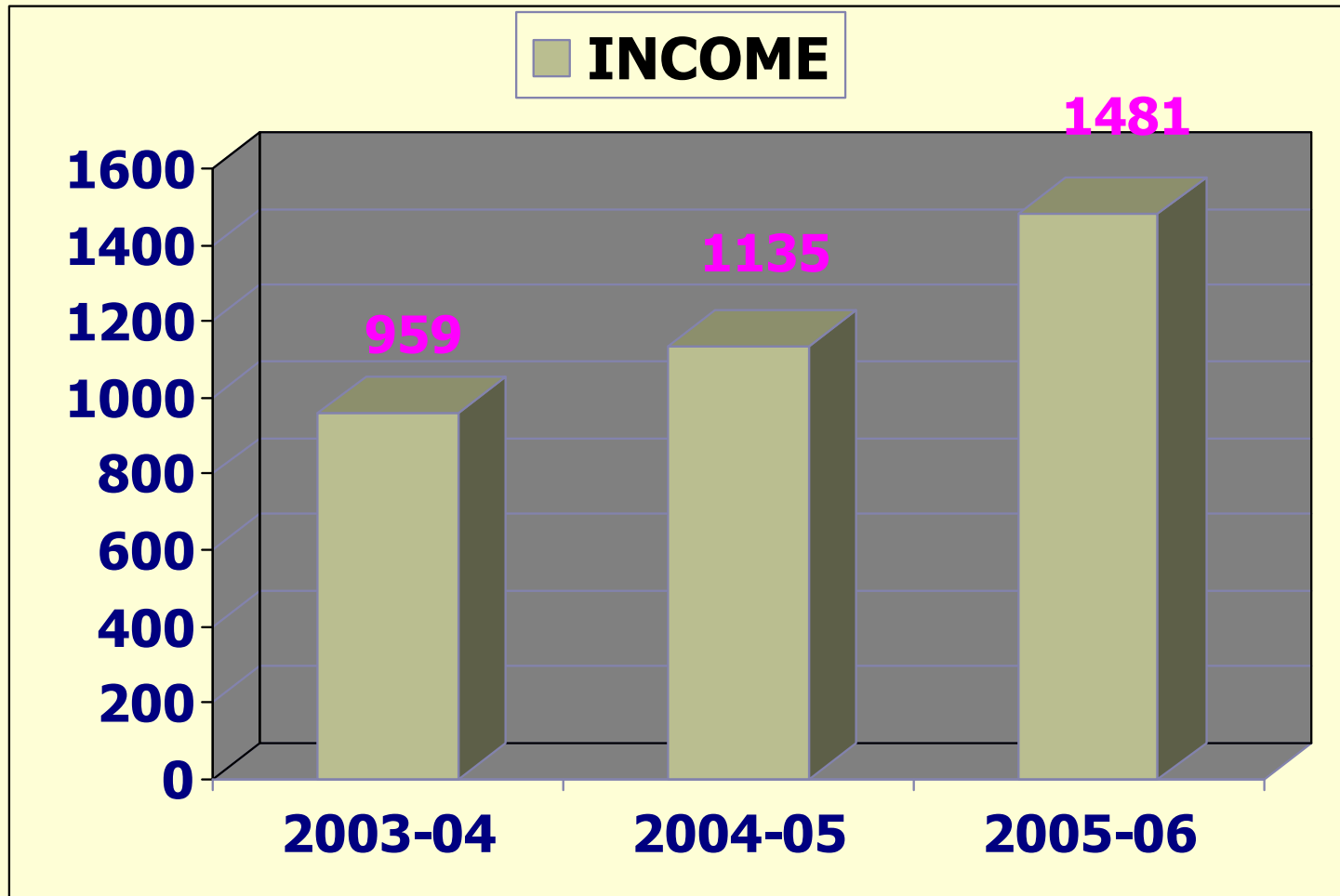
- Started in 2004-05 by marketing Sunglasses under the Fastrack brand
- Targeted the youth segment
- Achieved a sales turnover of over Rs 12 crores in 2005-06
- Pilot project for Prescription Eyewear planned during this year with outlets to open in Q4



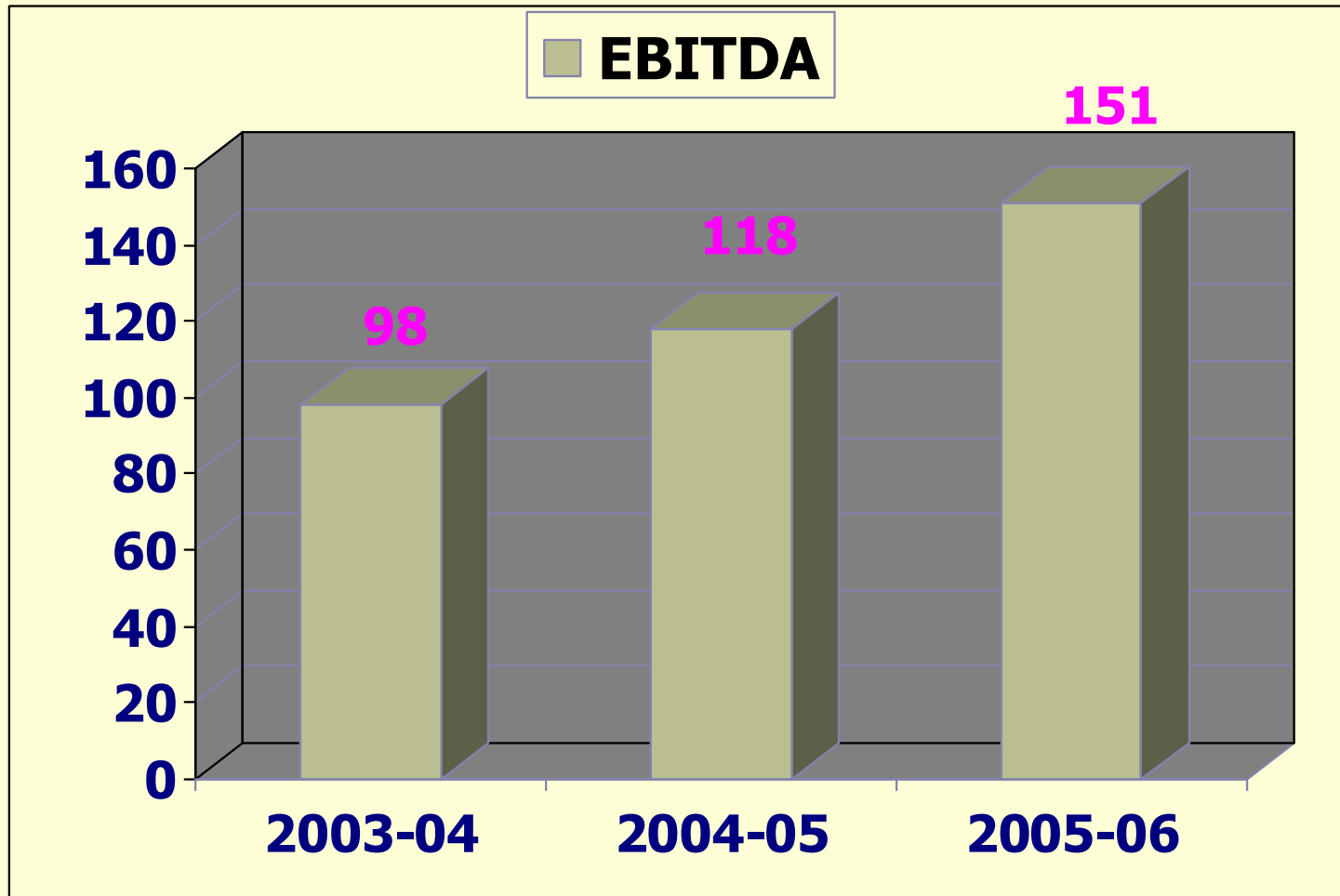


# PERFORMANCE

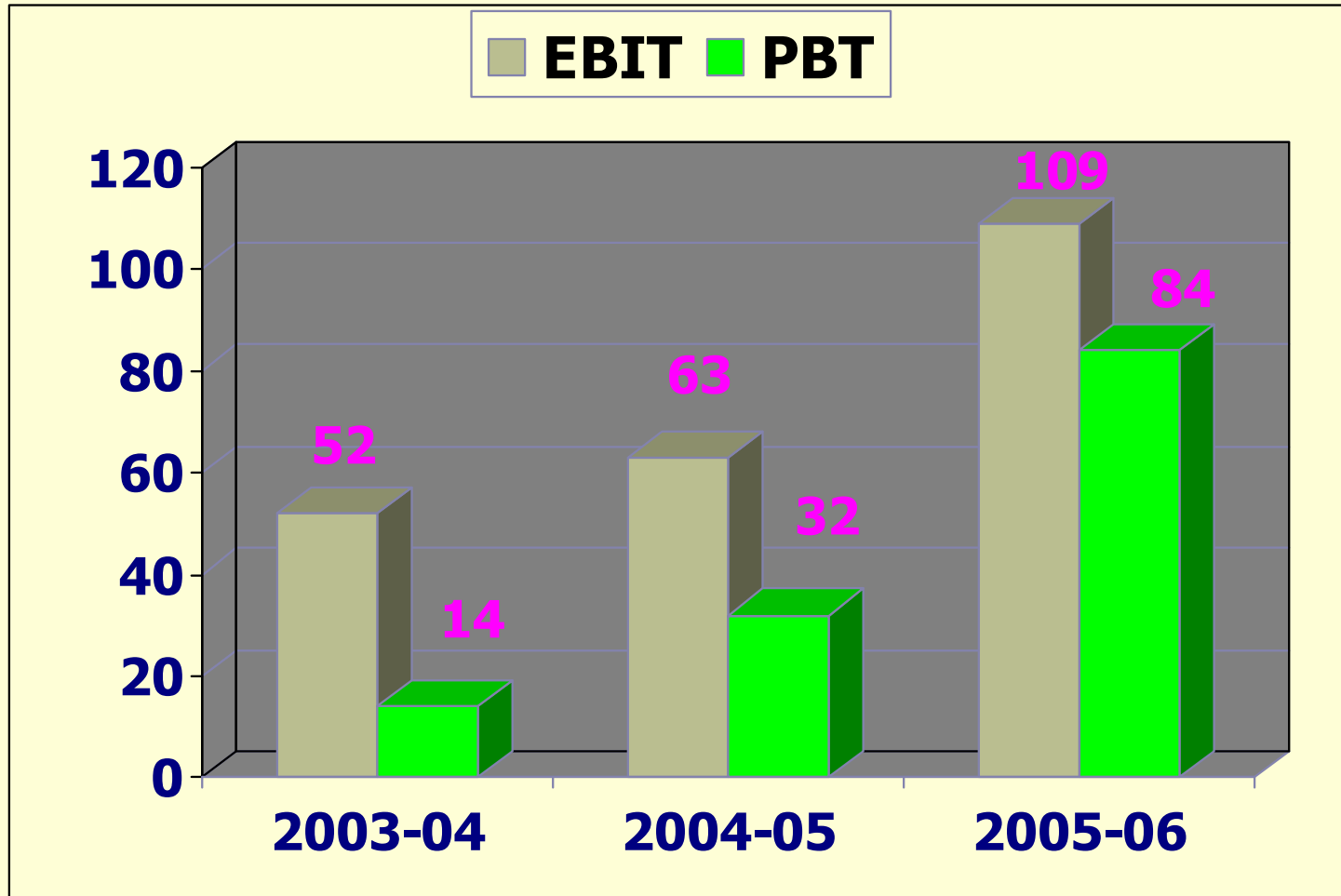
# REE YEAR JOURNEY...



# REE YEAR JOURNEY...

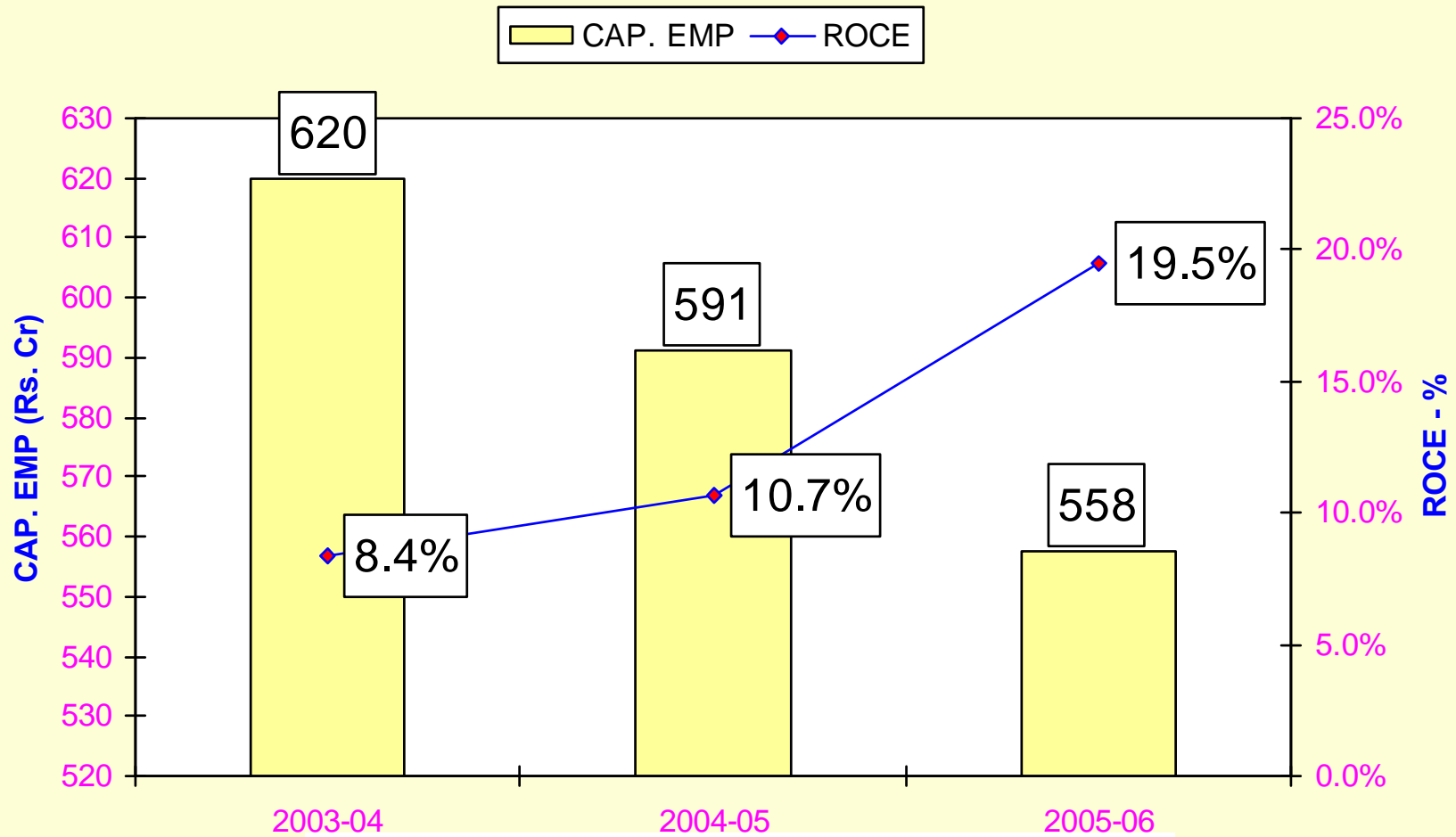


# TITAN THREE YEAR JOURNEY...



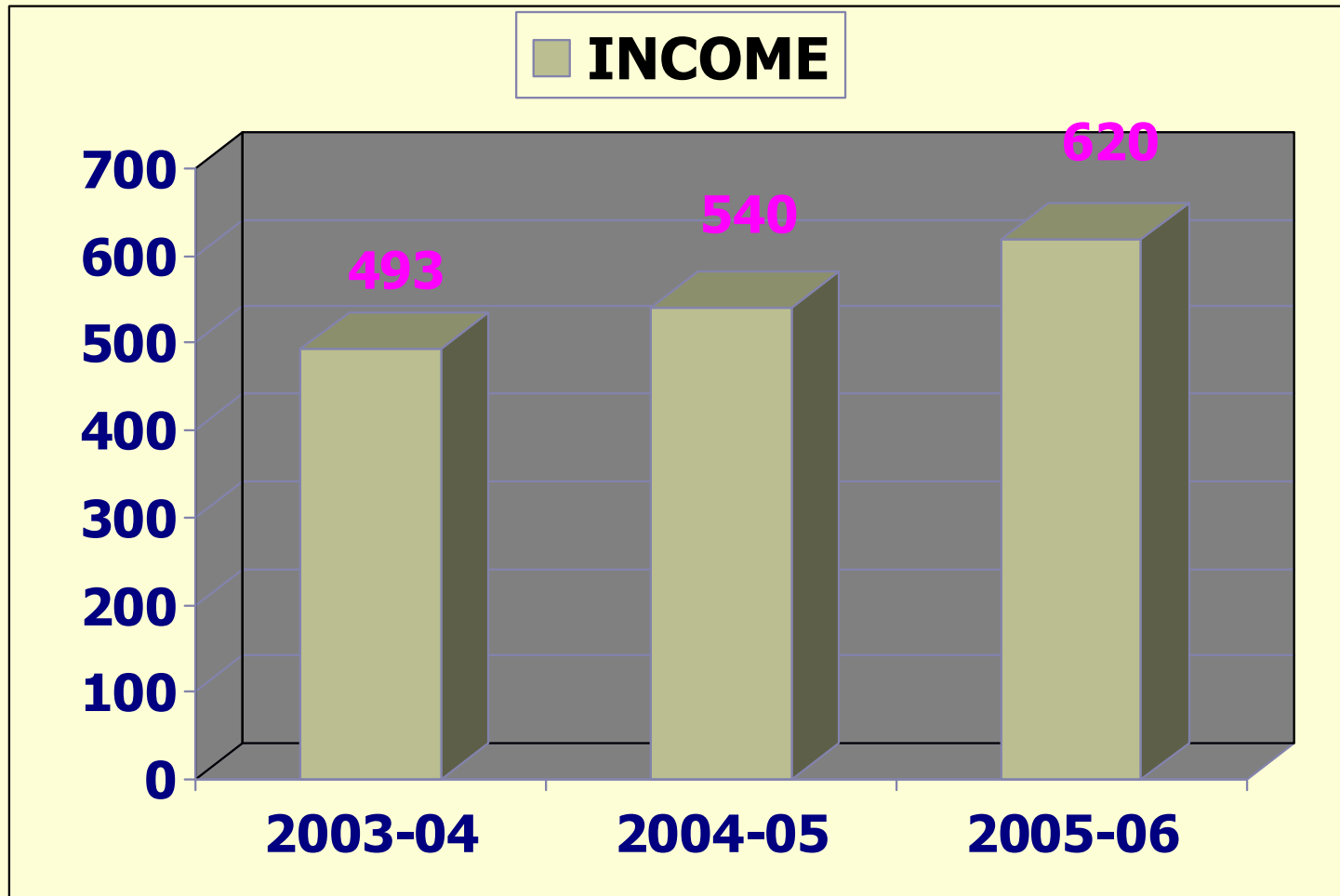
# THE THREE YEAR JOURNEY...

## CAPITAL EMPLOYED & ROCE

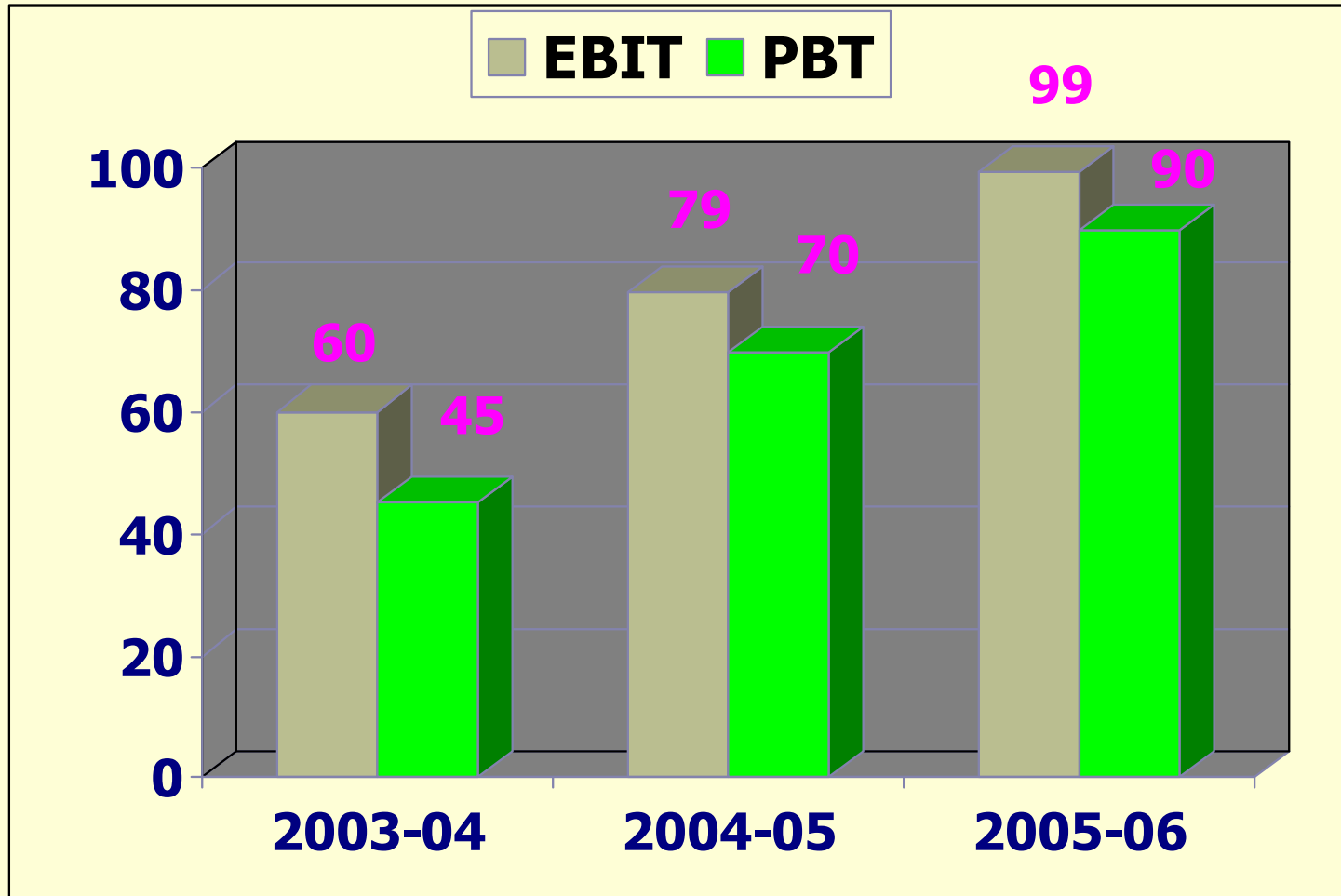


# DOMESTIC WATCHES PERFORMANCE

# OVER 3 YEARS - WATCHES



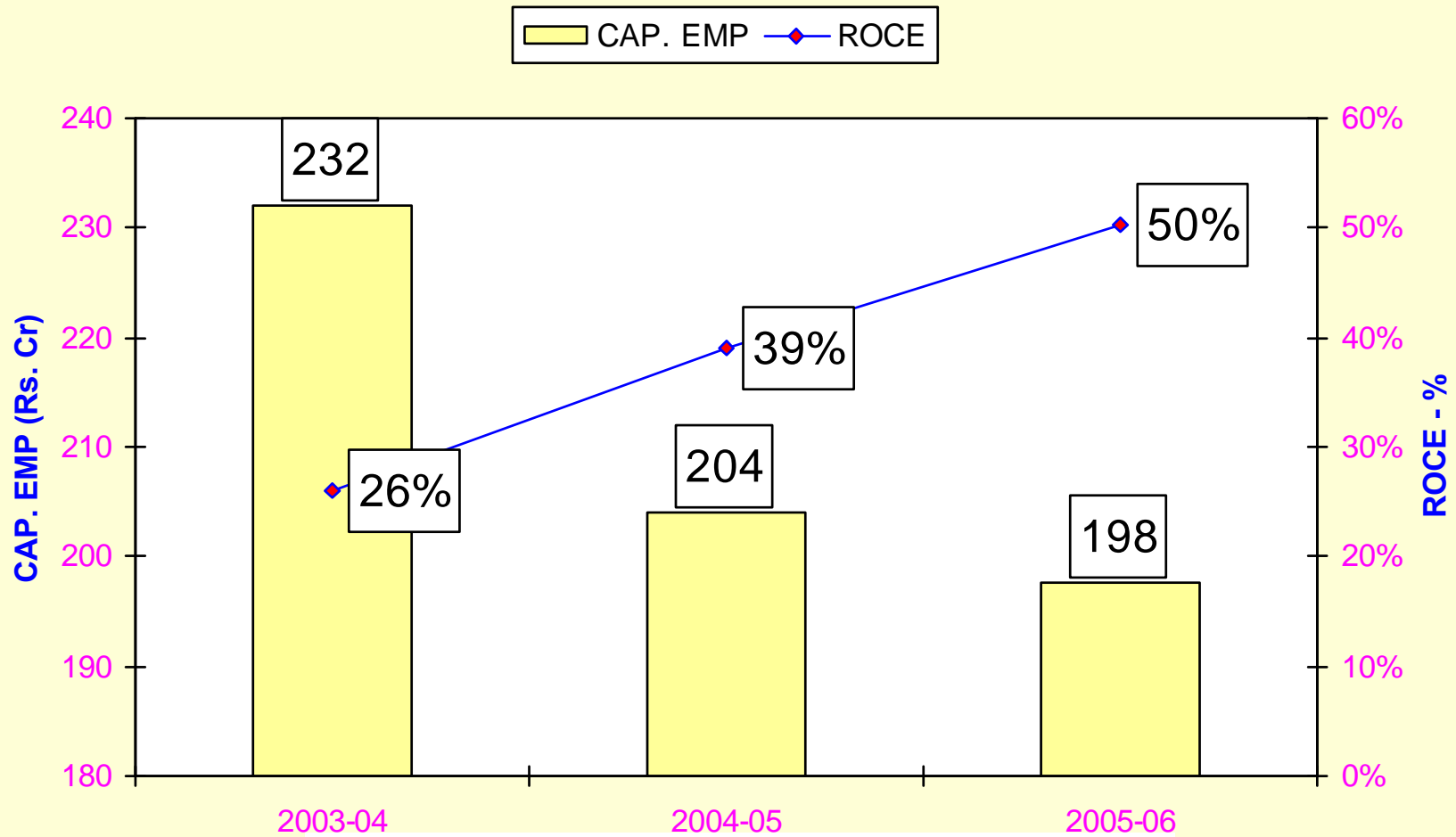
# TRENDS OVER 3 YEARS - WATCHES





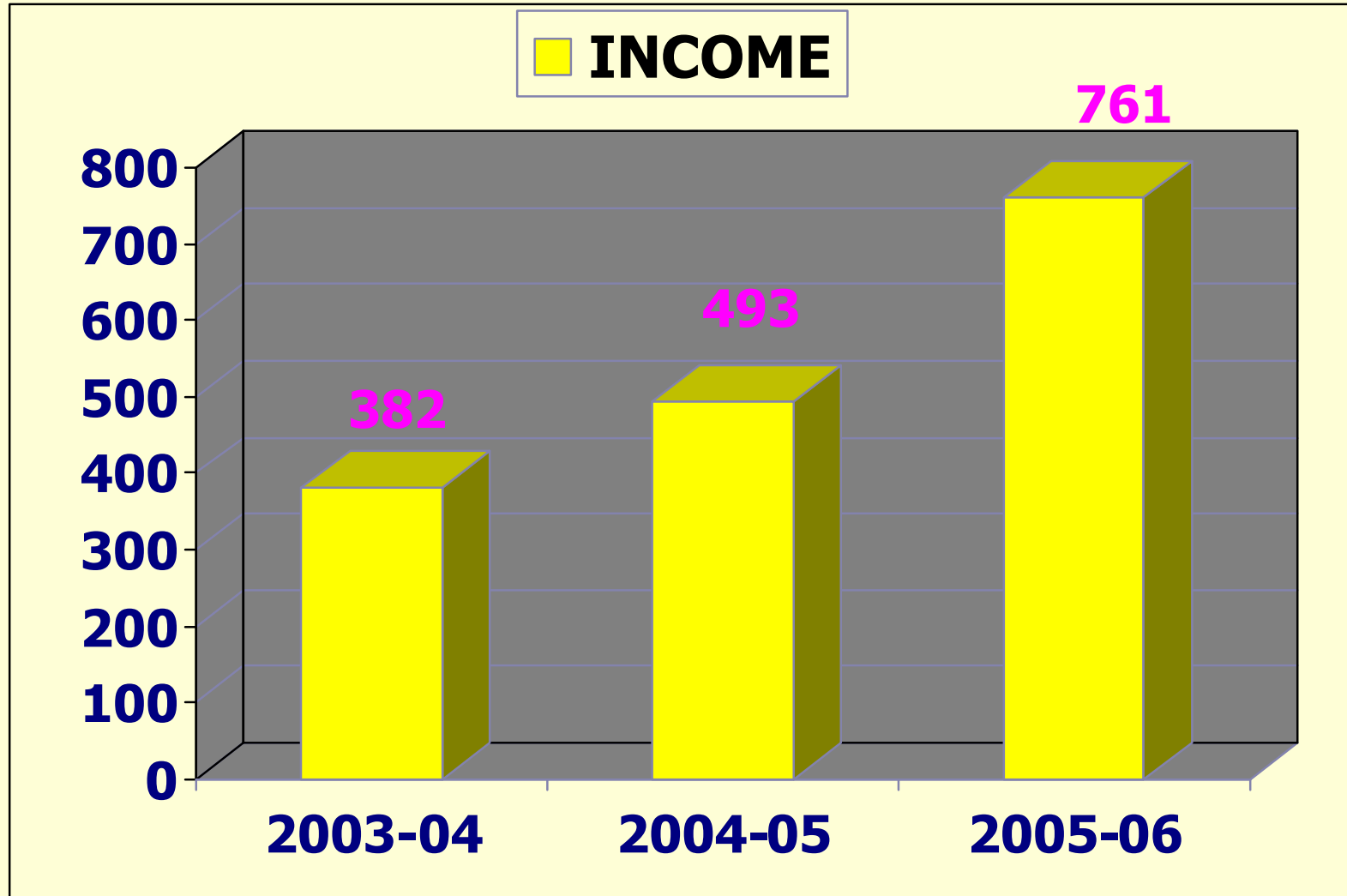
# PERFORMANCE OF WATCHES

## CAPITAL EMPLOYED & ROCE

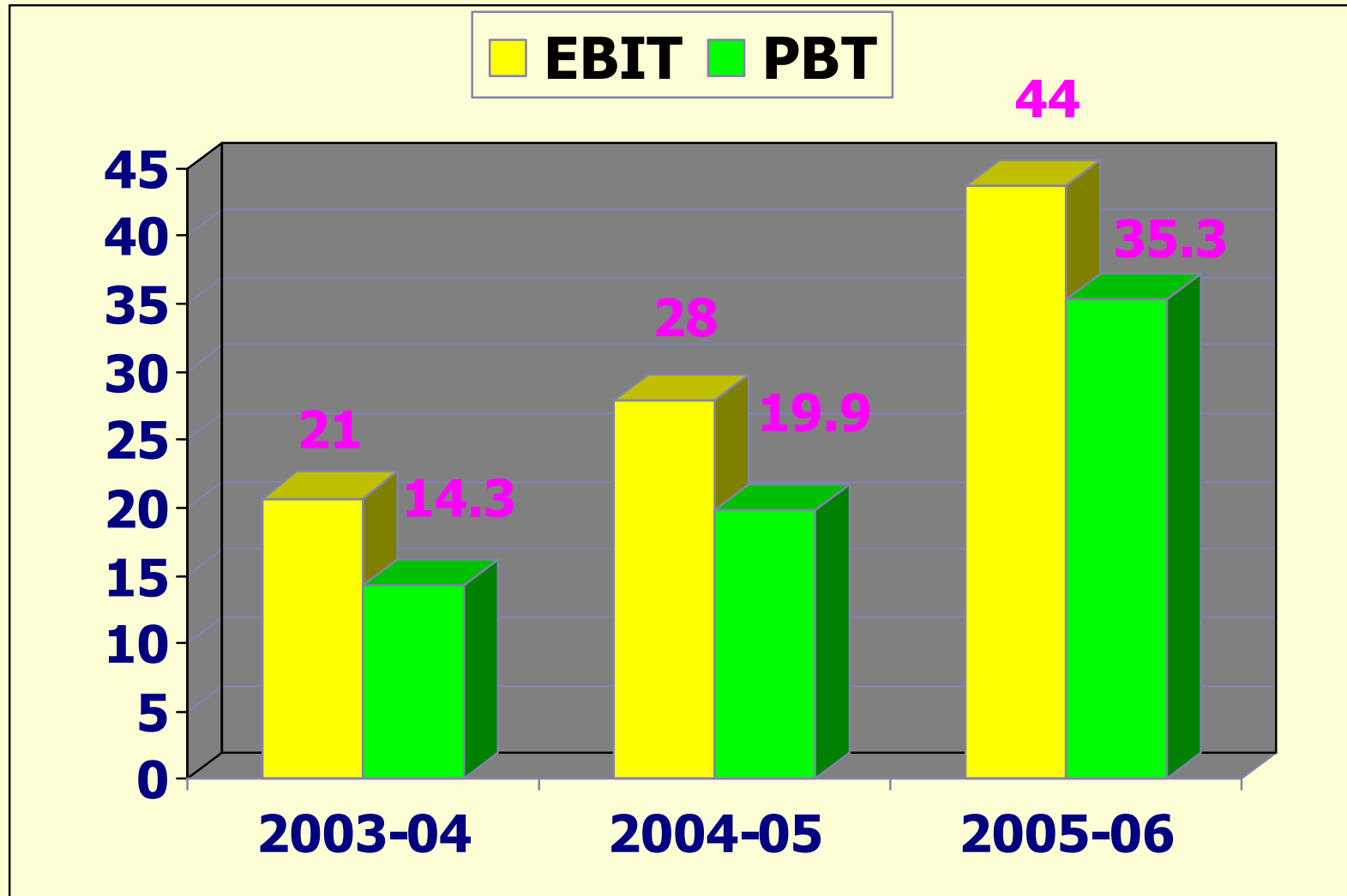


# DOMESTIC JEWELLERY PERFORMANCE

## OVER 3 YEARS - JEWELLERY

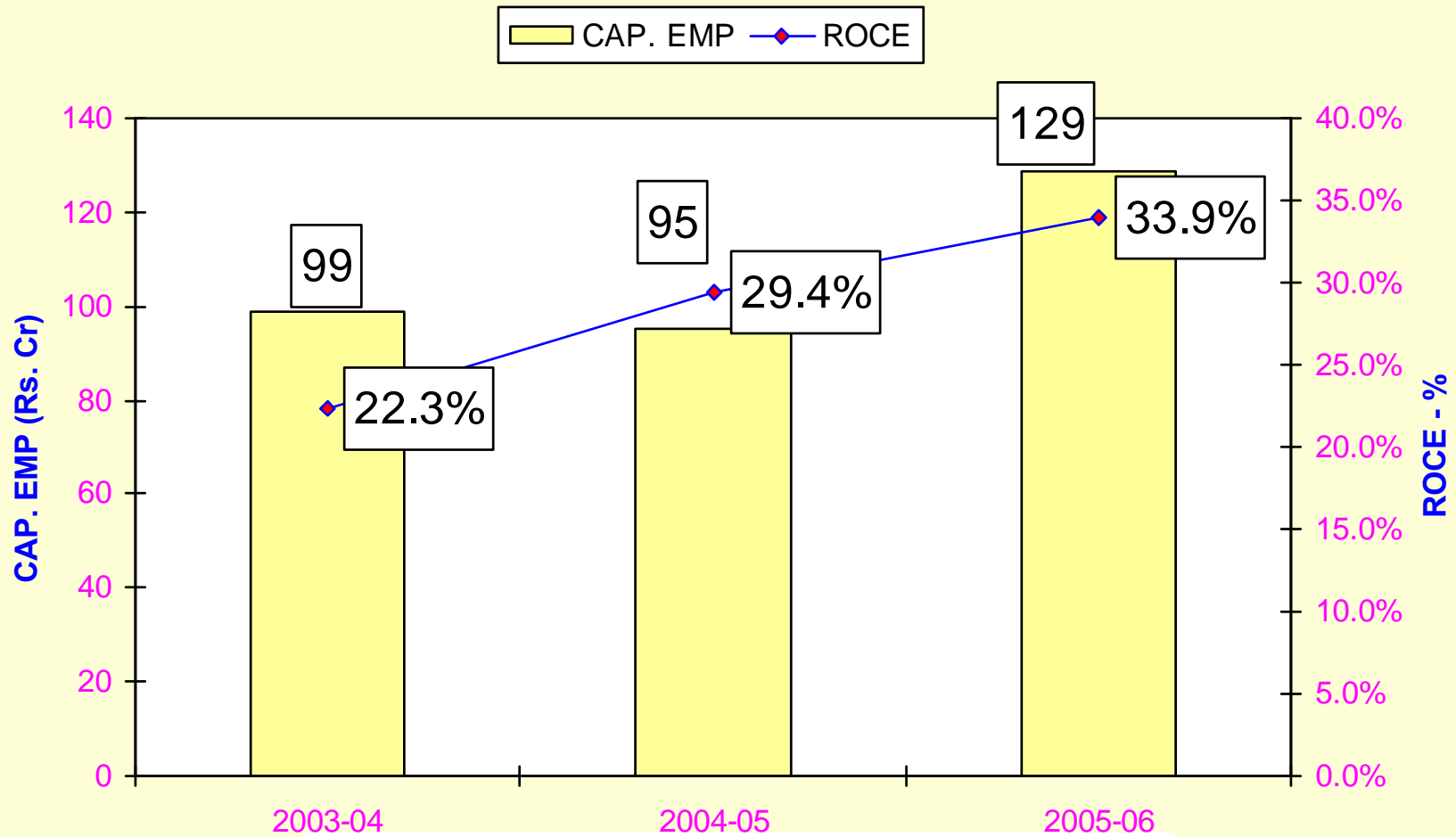


## OVER 3 YEARS - JEWELLERY



# OVER 3 YEARS - JEWELLERY

## CAPITAL EMPLOYED & ROCE



# STEADY PROGRESS IN THE LAST THREE YEARS

# A TURNAROUND YEAR IN 2003-04

- an increase in Sales Income by over 20%
- consolidated income crossed Rs 1000 crores
- growth of 18% in the Watch Division
- growth of 23% in the Jewellery Division
- growth of 57% in Exports
- repayment of loans of Rs 60 crores from internal accruals thus bringing down borrowings from Rs 467 crores to Rs 407 crores
- interest costs reduced below Rs 40 crores for the first time since 1996
- three-year wage settlement signed with the employees' Union
- 100% increase in profits before taxes and exceptional items
- 80% increase in net profit after tax



## THE FORTHCOMING CONTINUED IN 2004-05

- an increase in Sales Income by about 18%
- growth of 13% in the Watch Division
- growth of 26% in the Jewellery Division
- repayment of loans of Rs 89 crores from internal accruals thus bringing down borrowings from Rs 407 crores to Rs 318 crores
- interest costs reduced by Rs 7 crores
- 2.25 times increase in profits before taxes to Rs 32.36 crores from Rs 14.02 crores
- Increase in net profit after tax to Rs 24.95 crores from Rs 11.18 crores
- Three times increase in EPS from Rs 1.76 to Rs 5.15





## AND WE POWERED AHEAD IN 2005 -06

- an increase in Sales Income by over 30%
- growth of almost 15% in the Watch Division
- growth of 48% in the Jewellery Division
- growth of 18% in Accessories and Precision Engineering
- repayment of loans of Rs 39 crores from internal accruals thus bringing down borrowings from Rs 407 crores to Rs 368 crores
- interest costs reduced below Rs 25 crores for the first time since 1994-95
- three-year wage settlement signed with the employees' Union (after the year-end)
- 66% increase in profits before taxes and exceptional items
- Increase in net profit after tax by almost three times from Rs 24.95 crores to Rs 73.62 crores



## AND THE PROGRESS CONTINUES IN 2006 -07

- an increase in Sales Income by 47%
- growth of 21% in the Watch Division
- growth of 72% in the Jewellery Division
- growth of over 100% in Accessories and Precision Engineering businesses
- redemption of Preference Shares of Rs 40 crores from the proceeds of the Rights Issue (Equity infusion)
- interest costs reduced below 7.75% for the first time ever
- three-year wage settlement signed with the employees' Union
- 47% increase in profits before taxes
- Increase in net profit after tax by 41.5%

# OUR ASPIRATIONS FOR THE FUTURE: UNLOCKING OUR POTENTIAL

**We believe Titan can become:**

**Much larger in size**

**With wider International presence**

**And**

**Much more profitable**

**In the next five years**

# FORWARD

## Two-Pronged Strategy

- CONTINUED THRUST ON OUR CORE BUSINESSES .  
Leveraging our leadership position in our core businesses:
  - Watches
  - Jewellery
  - International markets
- DEVELOPING NEW BUSINESSES & SEGMENTS THAT  
LEVERAGE OUR STRENGTHS:
  - Precision Engineering
  - Mass Market Jewellery
  - Eyewear



# FORWARD

## WITH AMBITION AND ASPIRATIONS, WE CAN AIM to ACHIEVE:

- A turnover of almost US Dollar One Billion ( up from Rs 1 481 crores in 2005-06)
  - Watches contributing almost 29%
  - Jewellery contributing 47% to turnover
  - New initiatives will contribute 24% crores to turnover
- With a projected profit after tax of over Rs 300 crores, the Company can deliver an RONW upwards of 35% in 2009-10.





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# Thank You



TITAN INDUSTRIES