



7th October, 2020

Quarterly Update: Q2 FY 2020-21

The Company's return to normalcy on the business front has been progressing well with the almost complete lifting of restrictions in phased manner over last few months across the country. There has been greater acceptance of the new normal amongst consumers and they have been getting back to many of their routine activities leading to a positive on the walk-ins to the stores and time spent in stores. The Company is now gearing up to gain well from the upcoming festival season which is expected to further uplift the mood of the consumers.

The business teams across divisions have acted with agility and rolled out several initiatives to realign with the new normal and serve the customers in new ways. During the initial lockdown, gold-standard safety protocols were developed, including the appointment-based customer visits, regular & intensive sanitization of stores & products, staff trainings, weekly rotation of sales staff etc. The Company received very positive feedback on its safety measures.

There has been acceleration in the digital transformation journey of the Company, for which investments have been made by the Company over the last 3+ years. Roll out of omni channel platforms and endless aisle, along with video conferencing options have helped engage with the customers much better during these tough times. In addition, the brand websites offer Live chat options, self-service options and have generated many customer leads that is being served by nearby stores. The investments in CRM tools, the Encircle platform (loyalty programme) and data analytics tools is helping to identify customers with high propensity to buy. Business through the e-commerce channel has grown significantly across all divisions.

Opening of malls have also helped the mall stores but the footfalls are still relatively low in these stores. As the sales are reviving at healthy pace, the network expansion has also resumed.

The company is sponsoring Cricket LIVE in IPL for the third consecutive year as a co-sponsor for this year with the brand participations from Tanishq and Titan watches. It is the most awaited cricketing event with much higher viewership expected this year as there are very few other safe entertainment options available for consumers.

The 'War on waste' program is tracking well on internal milestones. There has also been significant focus on optimizing inventory and generating cash flows this year. The Company has been monitoring the financial wellbeing of its business associates - franchisees and vendor partners – constantly and financial assistance has been offered where required.

The Company launched an industry collective called #LetsGetIndiaTicking, a movement urging individuals to kick-start the wheel of the economy by continuing some of their past behaviors in the 'new normal', within the ambit of safety. The campaign, with the larger purpose to revive livelihoods and the economy, has been received very well.

Jewellery

The division did very well in Q2, with a recovery rate of around 98% (excluding sale of raw gold) in Q2, compared to the revenue of same quarter in last year. The walk-ins have been improving with conversion rates and average ticket size being higher compared to same period of last year.

Titan Company Limited

'INTEGRITY' No.193, Veerasandra, Electronics City P.O Off Hosur Main Road, Bengaluru - 560 100 India, Tel : 91 80 - 67047000, Fax : 91 80 - 67046262
Registered Office No.3, SIPCOT Industrial Complex Hosur 635 126 TN India, Tel 91 4344 664 199, Fax 91 4344 276037, CIN: L74999TZ1984PLC001456
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The recovery rate in metros that have got impacted the most by the pandemic has been improving gradually. Non-metros seem to have recovered substantially and many cities have actually recorded growth compared to last year. Sales in September month has been decent, despite the inauspicious period of 'Shradh'. The festival season will commence about 15 days later in the current year.

The quarter, like last year, had a studded activation which saw a decent response but the studded ratio is yet to recover to previous year levels. Sale of gold coins have also been high reflecting the customer's preference to invest in gold as an asset class. The wedding jewellery segment did particularly well in the quarter.

The Company continued to sell excess gold in its inventory and the quarter had a sale of ~INR 390 cr. of raw gold. This has helped improve the cash flow of the division significantly.

A new collection 'Rooted from Zoya' symbolizing the inner strength and perseverance that the Zoya woman shares with the rainforest was launched during the quarter. The collection draws on motifs from the world's rainforests, which have stood tall for 55 million years, their immense strength preserved in the face of climatic upheavals only to emerge stronger. The collection was virtually launched by celebrated designer Gauri Khan.

'Mia' launched "The Princess Edit" collection in association with Disney.

The division added 14 Tanishq stores on net basis in the current fiscal, with the retail space addition being ~60K sq.ft.

Watches & Wearables

The division had a recovery rate of around 55% in Q2, compared to the revenue of same quarter in last year, with a recovery of ~70% in the September month. E-commerce is leading the recovery with absolute growth but the trade channel continues to pose challenges primarily due to destocking.

The recovery rate for the business has been steadily increasing month on month driven by primarily by increasing walk-ins to the stores. The conversion rate and ticket size (led by high-value customers) has been tracking higher compared to pre-Covid levels.

Walk-ins have been impacted by the general decline in traffic in shopping zones which also used to get customers from surrounding catchment areas and customers shopping for other categories. Comparatively neighborhood stores surrounding residential areas have done better. Work-from-home culture in metros has impacted the sales in after-office hours and the lower traffic around office areas. Lower traffic in malls has impacted the LFS channel.

As the need for dressing up has been lower, there has been more focus on social relationships leading to strong demand for gifting to close family members (for birthdays, anniversaries etc.). 'Gift a Titan Campaign' was launched that focuses on gifting to appreciate the little things that our loved ones do for us.

Titan crossed significant milestone in the quarter by launching its first full touch smartwatch, 'Titan Connected X' which is feature packed and stylish. It received very positive response from the customers and witnessed high sell-through rates. Another significant product launch was 'Titan Pay' which resulted from a powerful collaboration between SBI & Titan. The watches have a chip embedded in the strap that enables contactless payments. It has received a very positive response from consumers and industry experts and is being tagged on social media extensively.

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Titan also launched 'Regalia Opulent' collection, 'Bandhan' collection, a premium pair watches for gifting, 'Light Leathers', a collection of contemporary classic work-wear watches for men and 'Neo' collection for both men & women in affordable price range.

Fastrack launched 'Ruffles', 2nd collection with Ananya Panday, inspired by pleats in pastel shades, a popular choice for the chic young girls of today and a rising fashion trend. For guys, 'Mean machines', a Anna Digi watch collection with a sporty, rugged and outdoor casual outlook, 'Fastfit' collection with inspiration from fitness and gyms and 'All nighters 2.0' collection which is very stylish were launched

Sonata launched 'Versatyle', the first ever Men's Multifunction watches from the brand. The brand also launched 'Splash 2.0' for young women, a colourful collection of watches at a compelling price point of under ₹1000, 'Beyond Gold', a modern festive collection for men. The brand has also launched 'CSK collection' for IPL season along with a campaign titled 'Once a fan, always a fan.' Sonata launched 'Sonata- India Ka Favourite', a digital campaign cementing its position as India's most loved watch brand.

The division added 7 WOT stores & 4 Helios store and closed 3 Fastrack stores on a net basis in the current fiscal, adding ~3K sq. ft. of retail space.

Eye Wear

The division had recovery of ~58% in Q2, compared to the revenue of same quarter in last year, with a recovery of ~70% in the September month.

After a gap of 1.5 years, the division has again started selling its products through Amazon and Flipkart, which is seeing a good response. The division is recording highest ever Net Promoter Score (NPS) till date. Teleconsultation was launched in July '20 through tie-up with Sankara Nethralaya.

In lens, "Neo Progressives" collection, powered by 9 advanced innovative technologies, was launched to provide customers with lenses that can help their eyes adapt to the increased exposure to digital devices. The division also introduced a new range of anti-fog lenses for those wearing frame and mask and print campaign was run for the same.

15 stores were added while 42 stores were closed by the division in the year to date, resulting in a net reduction of 27 stores.

Other Businesses

'Taneira' launched its first store in Chennai during the quarter gone by, taking the total store count for the business to thirteen covering six cities. Further, all existing stores of 'Taneira' re-opened post lockdown and were operational at the end of Q2. The brand launched 'Tasvi' festive collection, an exquisite collection of sarees inspired by the cultural and design elements of the three Goddesses - Durga, Laxmi and Saraswati.

The recovery rate for Fragrances and accessories was around 50%, dragged down by slow recovery of the two of the biggest channels, trade and LFS. LFS has been slow on account of the lower walk-ins into malls. Trade has been slow mainly on account of the tight financial position of most dealers. E-commerce channel has done well.

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Subsidiaries

TEAL (100% owned)

TEAL recorded a revenue decline of ~15% in Q2.

Automation business segment continued to do well in Q2 as it has customers across diverse industries that seek automation solutions in their manufacturing facilities. The segment also received repeat bigger size orders for supplying components for ventilators and medical devices capable of detecting TB & Covid-19.

Aerospace & Defense segment is challenged due to slow demand from OEMs, although there have been no order cancellations and a robust RFQ pipeline exists. The segment participated in manufacturing of ventilators for Bharat Electronics Ltd.

CaratLane (72.3% owned)

CaratLane had a strong recovery in the 2nd quarter delivering a growth of ~14%. This growth was driven by a continued high demand in the online channel as well as a sequential improvement in the revenue of stores, many more of which were able to open during the course of the quarter as lockdown restrictions were lifted. The brand added 5 new stores in the quarter taking the total store count to 97. Both the alternative channels – Try at Home and CaratLane Live (video calling) – have seen strong traction from customers.

For Titan Company Limited,

(Subramaniam S)

Chief Financial Officer

Titan Company Limited

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