



**28<sup>th</sup> September, 2017**

### **Quarterly Update: Q2 FY 17-18**

The July-September quarter is normally a comparably weaker quarter every year due to the lack of festivals and certain inauspicious periods. This year we had the disruption due to the introduction of the GST regime as well. Having said that, the market share gain in the jewellery business continued unabated despite some slowdown in the month of July as a consequence of the advancement of sales that we saw in the second half of June (in anticipation of GST). Overall growth at the company level has been close to our expectations with good performances by the Watches and Eyewear divisions as well.

The Company has been working on the smooth transition to the GST era and is glad to announce that disruptions, if any, at the customer end have been extremely rare. However work on the back end is ongoing and it is expected that we will be compliant with all statutory obligations on time. It would also be fair to say that stock levels at franchisees and the trade are almost back to the pre GST levels.

The jewellery division was subject to yet another regulatory impact in the quarter. This time the Government notified on 23<sup>rd</sup> August, 2017, the applicability of the Prevention of Money Laundering Act to the jewellery industry in India. This would mean that the stores would need to collect KYC for all sales in excess of Rs 50,000 and would be subject to filing certain returns as applicable. While the Company has started complying with the new KYC norms, we believe the current rules are meant to apply for the banking and financial services sectors and would need to be amended specifically for the jewellery sector. Further industry representations are being made to relax the limit of Rs 50,000 on the grounds that the threshold is very low considering the price of gold and laundering, if any, would not be resorted to at such low price points. The Government already has measures for PAN card requirements for purchases in excess of Rs 2 lakhs and all cash purchases over Rs 2 lakhs have anyway been banned.

#### **Jewellery**

The division had the diamond studded "activation" in the quarter that commenced in the end of July and went on to early September. As stated earlier, July sales for atleast the first half were clearly impacted by the advanced sales in the previous quarter (estimated at around Rs 250-300 crores) due to the onset of GST. The response to the "activation" itself was a little below our

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expectations but growth for the quarter is expected to be fairly good after considering the advance sale in June and the applicability of the PMLA to the jewellery business. We believe our market share gains are continuing. We are witnessing higher growth in smaller towns as well.

Tanishq has been associated with the Bollywood movie “Padmavati” and has designed all the jewellery for the main protagonist. The collection has just been launched and is expected to garner a good response. The other collection launched in the quarter was the “Jewels of Royalty”, a collection of exquisite high value diamond studded jewellery. These collections are in line with our stated strategy of focusing on the wedding and high value diamond studded jewellery segment.

The division added a net of 4 Tanishq stores, with an increase of approximately 18,000 sq. feet retail space in FY 17-18. The net additions are low as Goldplus stores are being closed (18 stores have been closed till date) and there may be some time lag in opening of the Tanishq stores in their place. We expect the store opening to be far more aggressive in the second half as work on many stores are in a WIP state.

## **Watches**

The Watch business has witnessed a good growth in the quarter, significantly aided by exceptional sales through the online channel. All retail formats of the division recorded decent revenue growth and the division itself is expected to declare a good growth despite the continuing slowdown in the export markets. The impact of the Titan “activation” itself was decent but below our expectations to some extent. Restocking of dealer stocks have also happened largely and that is also expected to contribute to some primary revenue growth.

Titan launched the Titan “Regalia Sovereign” and Raga “España” collections during the quarter. Fastrack launched its “Lightweight” collection also during the quarter. Fastrack wearables have been a great hit with the target customer base. The NXT2 collection came from the Sonata stable. Sonata has also appointed Sushant Singh Rajput as its brand ambassador.

The division added 11 WOTs, 10 Fastrack and 12 Helios stores adding upto 15,000 sq feet in FY 17-18.

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## Eye Wear

Titan Eye Plus retail format continues to show healthy growth in Q2 FY 17-18. The stock levels, particularly in sunglasses are up to normal levels and the Fastrack sunglasses "activation" did very well. While the growth at consumer price level is expected to be very good this quarter, the net reported Sales may be muted to a large extent because the division decided to compensate the business associates for the increase in GST rates without taking a price hike in the quarter. .

The division introduced Fastrack frames for the first time addressing the youth and expects the collection to do very well with the target audience.

The division added 21 Titan Eye Plus stores in FY 17-18, adding up to about 13,000 sq feet of retail space.

## Corporate Office

The company is moving into its new corporate office at Electronic City, Bengaluru, by the end of September, 2017. The building, LEED Platinum certified, is built on a 6 acre plot and has a unique design with water bodies blending beautifully with the surroundings.

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