



Quarterly Update: Q1 FY 16-17

Q1 FY 16-17 was an important quarter for the Company in view of important auspicious dates like Akshaya Tritiya (AT), wedding dates as well as activations (discount sales) done by various divisions. The overall demand situation saw improvement in patches, demonstrating the value seeking behavior of consumers in an uncertain economic environment.

Jewellery Division

The strike of the jewellery associations, in opposition of the excise duty imposition in budget, continued till the middle of April, 2016, in a large part of the country which had some impact on the sales of Tanishq brand in that month. The strike was called off in April, 2016 without the government having to roll back the excise duty. This development is a step in direction of expected GST introduction. The month of May 2016 started off well with Akshaya Tritiya weekend bringing in some sales growth for Tanishq. Our channel information suggests that some of the other large players in the industry may have declined by as much as 30% over the AT period suggesting a market share growth for Tanishq. In June 2016, the division introduced a caratage scheme on gold exchange which was received very well by the customers, despite the competitors introducing similar schemes almost simultaneously. The division had advanced its studded jewellery activation to June last year which will inflate the base for the current quarter to some extent but in terms of overall sales the division had a decent quarter despite the loss of sales during the first 15 days.

The impact of the introduction of Rs 200,000/- PAN card threshold was visible in some product and price bands and we believe that this will stabilize over a period of time, once the customers get used to the revised limit. The Company believes that the overall impact of this on sales of the division will be less than 10% of the revenue of the division on a steady state basis. The new Golden Harvest Scheme continues to see very good traction. The Company is successfully incentivizing the customers to redeem faster hence releasing limits for further enrollments.

The Company continues to use a mix of Gold on Lease and Gold on Spot for gold procurement and in this quarter the proportion of Gold on Lease was higher

The division introduced Niloufer studded jewellery collection (Theme of Lotus) which was received very well by the customers and saw good traction. Gold Plus introduced Brindavan and Nityam collection during the same period.

In Q1 FY 16-17, the Company opened 5 Tanishq stores, adding about 17,000 sq feet to its retail space, and closed 2 Gold Plus stores.

Acquisition of Caratlane Trading Private Ltd. (CTPL)

In the last board meeting, the Company received approval for acquisition of a majority stake in CTPL, subjected to accounting and legal due diligence. The due diligence exercise is underway



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and the Company expects to close the transaction in July 2016. Further details about CTPL and the transaction will be shared on the conclusion of the transaction.

Watches Division

The division is currently at a confluence of technological advancements, flux in sales channel importance and changing customer preferences and has taken a two year target for revitalizing and rejuvenating the division and investing in the future. The division also plans to introduce exciting products with technology infusion, over the current fiscal under its various brands. This quarter witnessed the beginning of the Titan activation which is seeing decent sales.

In Q1 FY 17 Titan brand launched Retro Classique and Octane Chronograph collection for men and Ragan Foliage collection of women, in addition to refreshes in mens and ladies Karishma watches at lower price points in order to regain the low priced market. Sonata launched the Imperial collection inspired by Royal Gates and refreshed the Astra collection of sub Rs 1000 watches. The division has also added Kenneth Cole, Anne Klein and Esprit to its licensed brand portfolio and will also begin selling Apple watch, Garmin and Swarovski watches through its Helios stores. In addition to this the division is also planning to introduce a wearables zone in its Helios stores. During the quarter the Division added 6 World of Titan and 2 Fastrack stores to its network, taking the total division store count to 660.

Eye Wear Division

The division had its annual activation during the first quarter which recorded decent same store growth over the activation period in the previous fiscal. The division continues to show decent growth in revenues and aggressive geographical expansion. The division added 12 Titan Eye Plus and closed 7 Spexx stores in this quarter taking the total store count to 409.

In Q1 the division launched Flip - A range of Customizable frames for the first-time concept in India. The customer can choose a frame front, pair it with a temple of his choice and make his own frame. Customer can choose between 8 fronts and 20 temples (Can create 160 different looks). The division also introduced Retro collection and New Dash collection for kids.

Precision Engineering Division

The subsidarization of the division is expected to be completed in July, 2016 with effect from the beginning of the fiscal year.

For Titan Company Limited

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