Q3 2012 Earnings Call - Titan Industries Dt-31 Jan'12

Operator

Ladies and gentlemen, good day and welcome to the Titan Industries Limited Q3 FY12 Earnings Conference Call hosted by Tata Securities Limited. As a reminder for the duration of this conference, all participants' lines will be in the listen-only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. [Operator Instructions]. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Sameer Deshmukh. Thank you and over to you, sir.

Sameer Deshmukh

Thank you. On behalf of Tata Securities, I welcome you all to the conference call of Titan Industries post the third quarter FY12 numbers. We have with us the senior management team of Titan Industries. I now request Mr. Bhaskar Bhat to make his opening remarks, post which we could ahead with the Q&A session. Over to you, sir.

Bhaskar Bhat, Managing Director

Thank you. Welcome everybody, a 113 of you, I believe are locked-in. I think most of what we want to say is, has been uploaded by way of a presentation and we've also made a press release. And as you can see, top-line has grown 26%, bottom-line 12%. We are at a 225 crore profit, much as expected by us and targeted by us. We are a little disappointed But overall, it was a quarter in which volume growths were difficult to come by. And it was, we did better than industry certainly. In the Jewellery business, it is reported that sales were in the negative territory, quite in the negative territory in terms of quarter-on-quarter growth. We also didn't grow. We had a negative grammage, but we had a significant positive value turnover growth. Even in the Watch business, finally we grew 16% in terms of retail sales. Our World of Titan stores grew like-to-like 8% and all stores 10%. Fastrack 21% like-to-like, 77% all stores. Helios of course like-to-like only, I will tell you 18%, 366 is the total.

Tanishq 26% like-to-like, 33% all stores and GoldPlus similarly 13% like-to-like and 24% all stores. Eyewear 26% like-to-like and 77% all stores. The Precision Engineering business has done very well, you can see in the, it sits in the others in the segmented reporting. We have had a good quarter, you can see 8 crore, 5 crore PBT, EBIT in that segment. Eyewear had very good December, thanks to activation, a very successful activation. So, going forward of course, we have been talking about a 30% top-line, 30% bottom-line growth overall for the year compared to last year. We stand by that number, perhaps a little better. We are targeting a little better, but as of now we should be achieving an 800 crore PBT certainly for the year.

The rest of it is in front of you, so I would like to spend this time with my colleagues answering questions, if there are any. We would like to spend time answering your questions.

Questions And Answers

Operator

Thank you very much. We will now begin with the question-and-answer session. [Operator Instructions]. Our first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy

Sir, thanks for the opportunity. My first question is on the jewellery business. How do you see the next three months, because I think marriage season is a bit subdued in the next three months. Also currency, if you see is going to help us, rupee is now below 49.5. So, how does it really help us in terms of now prices being lower, so a combination of lower marriage season, but on the pricing front definitely things looking better?

Bhaskar Bhat, Managing Director

Prices are not lower, it's the dollar price which may have come down, but certainly if you take today's price of gold, it is Rs.60 higher, if I am not wrong than the Dhanteras price day. I just did that calculation. And so, it is not low, it is 2% higher than Dhanteras day's price. So, that sentiment of volume growth being difficult continues, that behavior. But I think reason people finally buy forgetting, but maybe my colleague Venkat can add to this.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Hi, Abneesh. The big push that we have for this quarter is actually the diamond sale, that is currently on, it will go on till late February. So, like Bhaskar said, the pressure on the overall walk-ins on account of gold price continues. But we are betting rather more on diamond jewellery for this quarter like in every year last quarter. And we expect to come through on that front.
Sir, my second question is in terms of watch margins, the margins have dipped quarter-on-quarter. There, do we see margins coming back because of rupee getting stronger in Q4 and Q1?

Harish Bhat, Chief Operating Officer, Time Product Division

Abhneesh, this is Harish Bhat here from the watches business. You are right the margins for watches took a dip in quarter three. We were, our input material costs were hurt by the depreciated rupee. We did implement the price increase to completely pass-on that cost increase to consumer. But it's taken us two months to fully implement that price increase and the price increase should be fully effective in quarter four.

Abneesh Roy

And do we intent to pass-on any pricing benefit, supposing rupee comes to 49, then obviously we will have benefit because our price...

Harish Bhat, Chief Operating Officer, Time Product Division

We don't have any such intention, but let me add a small caveat, not caveat, addition to what, there is an investment going on in the watch business, which is for Helios and accessories. Both of these are in the growth phase. So, the margin is affected by the investments we are making in accessories, as well as Helios. Helios is going to touch 25 stores by the end of the year and therefore that is significant amount of loss, shall we say or investment.

Bhaskar Bhat, Managing Director

Abneesh just to add onto that point because many of your colleagues are also hearing in with you. The watches business now is actually incubating three more businesses of the company, which are future horizon businesses. One is Helios at 25 stores, reaching reasonable amounts of turnover this year. Second is the Fastrack accessories business, which is Fastrack bags, belts and wallets, launched one and half years back, currently in its second year. And breaking even, but not delivering really to the bottom-line so to speak. And third is a very new investment in Titan accessories, Titan belts and wallets, just launched in two markets, Bangalore and Chennai. Certainly, we're investing in that and that is bottom-line negative at the moment.

But these are investments in the future. Therefore, you'll find that on an aggregate basis, taking all these into account, the watches business will continue to invest in, these may be short-term margin decretive, but in the long-term they will be margin accretive.

Abneesh Roy

Sir, within Fastrack, which you just mentioned, bags, belts and watches. How much is the investments behind bags and belts versus watches? Is it that largely watches are getting supported, because what's happening you are investing in non-watches business, but reporting that as a part of watches. So, it becomes a bit difficult to compare.

Bhaskar Bhat, Managing Director

No, no. The advertising trend for Fastrack is as a brand, but that gets segregated between watches and non-watches. You may see a common Fastrack advertisement on television for all the categories, but there is a method of

Harish Bhat, Chief Operating Officer, Time Product Division

Yeah. So, let me correct it, sorry. Therefore, the impact that you are seeing is of Helios.

Bhaskar Bhat, Managing Director

Helios.

Abneesh Roy

Yeah. That is right.

Harish Bhat, Chief Operating Officer, Time Product Division

Is of Helios, okay. Whereas, the bags and belts business is sitting in the others.

Abneesh Roy

Sir, my next question is on the Sonata, we're going in terms of bottom of pyramid launching prices, which were not being focused earlier. So, my question is basically two here. What are the margins at that kind of aggressive price point? And why we are doing this at this time, is it because we're seeing growth more at the lower end? What's the thought process behind that?

Bhaskar Bhat, Managing Director

Yes, Abneesh good and broad mind question. The first point I want to make is that Sonata caters to the bottom of the pyramid. And we have not only this year, over the last four years, we have continuously tried to bring down the entry price point of Sonata. Five years back, the entry price point was Rs.490, we brought that down to Rs.390. Last year, we brought it down to Rs.275 and this year we've brought it down further to Rs.225. As our sourcing and our manufacturing operations are able to provide lower and lower price watches, it is definitely our intent to launch organized watches at even lower price points.

The reason for launching is that, that is a very large volume market. The volume in those market run into several tens of millions watches. Therefore, it is very, very important for us to be present there with an organized play and offer an aspirational brand to mark-market consumers, who want to buy into organized brands of watches. Your second question, our margins in that segment lower than in Titan or Fastrack, sure they are, they are lower. But they still make fairly good margins for us as a company.

Harish Bhat, Chief Operating Officer, Time Product Division

The principally, there is no more fixed cost going into this, three savings which is not manufactured by us. So, it is outsourced and it goes directly into the stores after our quality check. The second, it doesn't utilize any additional distribution capacity, it rides on the current distribution channels. And the third, it rides on the brand Sonata. So, there is no addition, okay, for the launch of Superfibres Rs. 225, we have spent on some money on advertising. So, the broad contribution almost, the large part of it goes straight to the bottom-line of the watch business. And we see very, very

Abneesh Roy

And sir, my last question, if you will permit, is in the eyewear business 26% like-to-like growth. Is this the sustainable growth, is it because of the discounting, which you are doing currently? Is the margin profile for this industry now at the lower end, because of the competition and the discounting which you are doing currently? Is the margin expectation lower compared to say two quarters back?

S. Ravi Kant, Chief Operating Officer, Eyewear Division

Hi, Abneesh. This is Ravi here. You're absolutely right. The 26% like-to-like growth has been driven primarily by the strong activation we had in the last quarter. To give you an idea, the like-to-like growth this year is somewhere around 10%. So, that is 26% is certainly not sustainable. But our overall business is growing at a pretty fast rate, because we are, YTD at least this year, we are growing at 55%, because we're adding a lot of new store. We're as you know in an expansion mode and in investment phase right now. So, we're adding on lot many stores, entering new towns. So, the overall business growth will be very healthy. Margin, whether they can be sustained is, margins are under pressure on account of, like you said many other players and also the depreciating rupee. But that is something we'll have to manage given the strength of our brands. I think we should be able to manage that.

Bhaskar Bhat, Managing Director

Also, Abneesh, just one more point. It's more strategic, the total sales growth is also important.

Abneesh Roy

Yeah.

Bhaskar Bhat, Managing Director

Because we are covering more and more territory. So, when we enter a city and then we open the first store and then we open a large number of stores within that city, obviously same-store growth begins to get affected. But the total market share in that city goes up quite significantly. What we are seeing in the market is much like we saw in the early days of the jewellery business. The transformation that is happening, which is a large number of players are certainly coming in, whether they are mom and pop or Titan itself expanding from, now we are a 191 watch or 190 watch store. So, evidently the potential is very large for volume growth. Where the margin will sit finally? Yes, that is a question. And we are in the network expansion phase, so we are investing in expansion, but on the gross contribution side, we are pretty comfortable. It is really in the store expansion rentals.

S. Ravi Kant, Chief Operating Officer, Eyewear Division

Equipments and training and all that.

Bhaskar Bhat, Managing Director

That is what is causing the bottle-line, I mean affecting the bottle-line.

Abneesh Roy

Sir, thanks a lot. And all the best sir.

Operator

Thank you very much. Ladies and gentlemen, in order to ensure that the management is able to address questions from all participants in the conference, please limit your questions to two per participant. Our next question is from the line of Pritesh Chheda from Emkay Global. Please go ahead.

Pritesh Chheda

Thank you for taking my question. Just in the presentation, we have given the number of store outlets that we are going to open for the year and it's getting increasingly complex. If you could tell us what would be the square foot in terms of expansion? And what it was for the last two years, if you could tell the same number?

Bhaskar Bhat, Managing Director

Just give me a minute. We have a 1 million plus. We have just crossed a 1 million. Yeah, net addition in '11, '12, this year is about 200,000 square feet. We started with 800,000. We are now at 1 million. So, that's the addition, which is how much more than last, it is certainly more than same period last year. It is larger than last year primarily because three large format stores of Tanishq have been opened this year.

Pritesh Chheda

Okay. And if you...

Bhaskar Bhat, Managing Director

And the rest of the businesses are opening at the same rate as last year or not or a little less than that. The Fastrack is much more than that. Last year, 86,000, this year we have 1,00,000.

Pritesh Chheda

So, which means that we had about 86,000 square foot expansion in FY11, which is about 200,000 this year.

Bhaskar Bhat, Managing Director

That's right. We will exceed that.

Pritesh Chheda

Okay. And the square foot was about 8,00,000 last year and it's about 10,00,000.
End of last year.

Pritesh Chheda

End of last year and it is about 10,00,000. If you could also give for this 10,00,000, what it is for jewellery and watches?

Bhaskar Bhat, Managing Director

Yeah, I will tell you.

Pritesh Chheda

Jewellery, watches and your eyewear?

Bhaskar Bhat, Managing Director

Jewellery is half of it almost 460,000 and watches 400,000, the rest is eyewear 130,000, 140,000.

Pritesh Chheda

Lastly, in the quarterly, we have seen the swing in the third segment EBIT figure. So, it's purely to do with precision equipment business or..

Bhaskar Bhat, Managing Director

Not purely but largely.

Pritesh Chheda

Okay. But eyewears certainly doesn't become profitable this quarter, right, nothing to do with eyewear turning profitable?

Bhaskar Bhat, Managing Director

Not the last quarter. We had a month of profit, but not the last quarter.

Pritesh Chheda

Okay. So, you had a month of profit?

Bhaskar Bhat, Managing Director Pritesh Chheda

Okay. And what is the loss, okay, is it that the December month was a profit and which should be extended incrementally or it is one-off which had come up in the quarter?

Bhaskar Bhat, Managing Director

We can't say that certainly a loss for the year and December or November whichever month, I mean the month is not an indicator of the next few months.

Pritesh Chheda

No issues. And if you could give us your outlook on the volume growth in watches per se for the next four to six quarters, not the immediate?

Bhaskar Bhat, Managing Director

Quarter or month?

Pritesh Chheda

Four to six quarters, four quarters. So, next fiscal year considering whatever..

Bhaskar Bhat, Managing Director

I wonder if we can, if somebody can tell us that. No, I think if you can tell me what the rupee will be, maybe I can...

Pritesh Chheda

So, I am looking at the volume growth, which...

Bhaskar Bhat, Managing Director

No, let me, I think the only safe number to tell you is that it will be a single-digit volume growth certainly for the next four to six quarters in watches. That's primarily because of what Titan does, it won't be market, whether it will grow in this manner, I doubt very much, because it's going to be, we have to trigger growth. But if you ask me and I have said this earlier, in terms of growth for the watch business, we will still, for the watches and accessories business, we are still preaching a 20% plus growth overall across all our, primarily watches and also accessories.

Pritesh Chheda

Okay. What is your square foot expansion plan for fiscal '13?
We have not yet finalized that, but it will be somewhere in the same league.

Pritesh Chheda

Of 200,000.

Bhaskar Bhat, Managing Director

Yeah.

Pritesh Chheda

Okay, okay. Many thanks to you. And all the best to you sir.

Bhaskar Bhat, Managing Director

Thank you.

Operator

Thank you very much. Our next question is from the line of Jaibir Sethi from CLSA. Please go ahead.

Jaibir Sethi

Hi. Good afternoon sir. Thanks for taking my question. I just wanted to get a better sense on, what kind of push back or what kind of demand environment are you seeing in jewellery, particularly given that the gold price has been quite volatile and underlying consumer spend has not been too strong either? So, is it mainly occasion based buying or are you still seeing some degree of normal impulse buying happening in jewellery as well?

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Very little of impulse buy as I would say, I mean as you would call it. But we launched a line to facilitate this impulse buy to some extent, the line called Mia.

Jaibir Sethi

Yeah.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

For the working women in quarter three and it's been an exceptional, had an exceptional performance in quarter three and we're betting in a big way on that. But as we speak, the general environment in the industry is not very different from November, December and things are at that level. Volume growth is hard to come by. But like I answered Abneesh in case you heard that, we are focusing on diamond jewellery for January and February, which is what we do

Jaibir Sethi

Right. And in Mia, is the pricing model the same as the rest of your range or have you adopted a fixed price model there?

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

No, it's the same.

Jaibir Sethi

The same. All right. That's all from my side sir. Thanks a lot.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Thank you.

Operator

Thank you very much. Our next question is from the line of Hemang Patel from Enam Securities. Please go ahead.

Analyst

Yeah, hello sir. Question on volumes, I know it's been deliberative quite a bit, but could you share with us what is the kind of degrowth that you have seen in this quarter and the last quarter?

Bhaskar Bhat, Managing Director

In which business?

Analyst

In jewellery sorry.

Bhaskar Bhat, Managing Director

Sorry, could you repeat the question.

Analyst

Can you share with us what is the volume degrowth in the jewellery business for this quarter and the last quarter?

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

By this quarter, you mean Q3.

Analyst

Yeah

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Yeah. So, we have actually had a declining growth rate in customers starting Q1. Q1 was exceptionally good at 27%.

Analyst

27% overall volume growth rates.

Bhaskar Bhat, Managing Director

Customer, customer.

Analyst

Okay.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

I would like to distinguish between grammage and customers.

Analyst

Okay.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Because we are primarily in the business of selling to customers and grammage is a result of the sales. So, 27% customer growth dropped to 10% in quarter two, further dropped to 8% in quarter three.

Analyst

Okay.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

That's been the, in a way it is sort of coincides with the rising price of gold and the general sentiment, if you will, in the industry.
Okay. And if I were to put it in terms of, I mean basically we look at gold consumption in the modeling of Titan on the jewellery front. So, if I were to put it in terms of grammage how would that look like?

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

It will follow the same trend. We had an exceptional growth in the first quarter of 40% plus.

Analyst

Right.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

That dropped to zero in quarter two and minus five in quarter three. This is off-take growth.

Bhaskar Bhat, Managing Director

This is what is relevant.

Analyst

Okay. So, to just get a sense of this, I do understand that we are at a tough point in terms of the demand partly to do with the fact that gold has an also extremely volatile apart from the fact that consumer wallets have been squeezed. What is your sense because gold at this particular moment, if I did look at, at least in the interim term has stabilized to a certain extent. If this persists, do you believe, I am just putting it in a hypothetical situation that if it persists over the next couple of quarters, do you think that the volume growth rates would come back, because savings as an investment of avenue has not changed in India as such?

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

We would certainly bet on that. And one of the reasons for this poor performance in the industry has also been the volatility. And if there's a certain stability that happens, despite high prices, customers will come back. And beyond the point, we're also not too much obsessed with that as much as we despite being the largest player in the industry, our share is in a low single-digits. And how do we actually gain share from the others, even if the market were to stagnate.

Analyst

Sure.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

So, that's the approach we're taking and therefore a greater aggression on the footprint expansion, a greater aggression on offering more competing products and all that to wean customers away from competition is the approach we are taking instead of worrying too much about or predicting too much the gold rate.
Okay. And can you give us a sense of what's the diamond versus gold jewellery mix in this quarter and has that changed over the last two quarters?

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Quarter three was better on diamond jewellery share.

Analyst

Okay.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Compared to quarter two.

Analyst

So, it's at around what 25%, 27% as an overall?

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

26%.

Analyst

Okay, okay. And just one final question on GoldPlus, what's been happening over there?

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

GoldPlus has done pretty well. This year we should close at 750 crore retail off-take value sales. And we had deferred the expansion of GoldPlus for about 18 to 24 months and we will got back into it late FY12, I mean somewhere in the middle of FY12, where we have figured out the formats, the size of which the GoldPlus model starts making good sense for everyone concerned and that work is on. Next year, we should see a pretty decent expansion plan on GoldPlus as well.

Analyst

Okay. All right sir. Thanks a lot. And best of luck.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Thank you.
Thank you. Our next question is from the line of Nillai Shah from Morgan Stanley. Please go ahead.

Nillai Shah

Thank you. Sir, could you help me tie-up this 26% revenue growth in the jewellery business. There would have been about 10% space addition, you showing a grammage degrowth of about 5%. And gold prices, if I am not wrong, I have about at least to 35% for the quarter, Y-o-Y. So, I am not able to tying this 26% revenue growth with the value, volume and the space addition?

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

You are talking about Q3 over Q3?

Nillai Shah

Yes, Q3 over Q3.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Yeah. So, we have a revenue growth of 25%.

Nillai Shah

Yeah.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

And I think the gold rate growth was 27.

Nillai Shah

Right, so,

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

So, gold rate was 37%.

Nillai Shah

Right.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division Nillai Shah

Right.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

There is a 51% growth in diamond jewellery sales. There would be, I don't know quarter-on-quarter, but there would be may be a 15% kind of network size growth. But the per square foot of that network is not 15%, because new networks grow at low rates than old networks. So, it will take a while to tie-up on that. But the result is this and that is, but this is under Tanishq, but this line represent with the divisions growth, including GoldPlus. GoldPlus has not grown at the same rate as Tanishq has grown. So, there are some seven or eight dimensions, factors which are resulting in 25, plus this 25% is what we call the company sales growth. The company sales, there is an L3 channel, which is a buy and sell model. And our sales to L3 is captured in the 25%, whereas I am talking about the off-take, which is their sale to customers from a health of business of point of view. So, there are some seven, eight factors, which actually combine the results in the 25.

Bhaskar Bhat, Managing Director

But Nillai, I think to add to what Venkat is saying and what he said earlier, we're betting on one thing or two things. One is, our low market share, I am not a saying, we're a market leader, but we have still market share. We're betting on one thing, every new store at least the large format store is going to deliver a higher profit per square foot and a higher sale per square foot maybe three years from now, as not, maybe three years from now. Therefore, to look at this business quarter-on-quarter, serial quarter would end up, we would end up with taking some short-term decisions, if we looked at the per like-to-like square foot growth, would not be able to indicate. It may indicate what's happening in the marketplace, but it's not a strategic indicator. Therefore, the right measure is a 12 month period.

Nillai Shah

Right.

Bhaskar Bhat, Managing Director

And when you invest 200, out of the jewellery addition of about 100,000 square foot, something like 40,000 would be in large format stores 40,000 to 45,000. Now, those will really mature into their full grown size in terms of sales two and a half to three years from now.

Nillai Shah

Sir, there is lot of, the fact that these new large format stores probably will take longer to get the same level of productivity as the existing stores are. Is that one of the reasons why these numbers are the way they are?

Bhaskar Bhat, Managing Director

No, not..

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Which numbers are you talking about specifically?

Nillai Shah

No, you said the 26% versus a volume degrowth of about 5%, pricing impact of about 35% plus and a space addition of 10%. So, I would have been expecting with the 26% revenue growth, a volume decline of over 10%.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Actually, this is something, no, to be frank Nillai, it's something that we need to reconsult, because the primary sales, this is primary sales, okay.

Nillai Shah

Right.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

So, hypothetically, the purchase by the franchisees, which is what we called the L3 channel....

Nillai Shah

Right.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Is the kind of purchase, Diwali last year with an early November, which means that a fair, a greater amount of purchase would have been in October by the franchisees, whereas this year Diwali was in the month October. So, their purchases would have been in the month of September.

Nillai Shah

September.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Therefore that L3 off-take is captured in the minus 5 and plus 35 and all that we're talking is in the off-take side. But on the primary side, the greater sale last year may have been in quarter three and the lesser sale in the quarter two, I mean this year in quarter three. Therefore, after I reconsult the data, I answer that to you. Sure, there is an answer once we break it down.

Bhaskar Bhat, Managing Director

But to correct one figure of yours, Nillai, all stores growth in retail is 33% not 26.5, 25% is the revenue growth.

Nillai Shah

Yes sir.

Bhaskar Bhat, Managing Director

It is the purchase from Titan Industries.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

But customers are...

Bhaskar Bhat, Managing Director

Customers as well as L3 franchisees.

Nillai Shah

Understood.

Bhaskar Bhat, Managing Director

25 is not the correct number for this purpose, for the question you are asking, 33 which is a number. Yeah.

Nillai Shah

33, absolutely sir. Understood. And sir, coming to January, are the sales picking up in the month of January?

Bhaskar Bhat, Managing Director

It is coming at a cost, Nillai, but yes, sales are picking up, but you have to buy the sell, you have to wait customers to come to the store. So, it is not as difficult as quarter three, but it is not easy.

Nillai Shah

And this is the first year, where you have run three promotion offs on the diamond jewellery front, three times in this year. Is there any shift in strategy that you want to talk about?

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

When are the three occasions that you have seen it?

Nillai Shah C. K. Venkataraman, Chief Operating Officer, Jewellery Division

No, August.

Nillai Shah

August, right August.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

August and January. August, we have started in 2010 itself.

Nillai Shah

You started in 2010 itself.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Yes, yes.

Nillai Shah

All right, all right. And sir, the final question is on the precision engineering business. Are these profit numbers sustainable out there or you think this is just one-off quarter for that?

Bhaskar Bhat, Managing Director

It's certainly not a one-off quarter. And it is, I wouldn't even say sustainable, but certainly that business has established value among customers, bearing this is a very different business. We have a large number of customers now at our doorsteps with both booking orders and wanting to do business with us. May be you can hear from our COO, Mr. Kailasanathan is here.

N. Kailasanathan, Chief Operating Officer Precision Engineering Division

So, we're in the aerospace business now. And we have now the single customer, we have got more, quite a bit customer working with us. This is a long-term kind of business, where we send the long-term agreement to customer. So, what we're seeing is, customers are wanting to get into India in a bigger way and source from low cost countries. So, I think there is a good opportunity for precision engineering in the coming years. But it is, business high position, high quality and also has a price based model. So, we're efficiently determining the performance. So, we have been able to do that so far, I think we should continue.

Nillai Shah Operator

Thank you. Our next question is from the line of Subramaniam BS from Sundaram Mutual Fund.

Analyst

Hi, sir. My question was on the capital incurred in the jewellery business, we've seen that increasing steadily. So, is it that the share of the Golden Harvest Schemes is coming off in the business, it's not as good as what it was last year?

Bhaskar Bhat, Managing Director

See, this year, if you were to see the increase in the capital employed, it's slightly also because we changed our method of rising the capital employed. In the past, we used to have all the deposits under a corporate segment. We changed that from last quarter.

Analyst

Right sir.

Bhaskar Bhat, Managing Director

So, the increase that you are actually seeing in capital employed today is the surplus cash, which is being generate by that business. So, it captures, therefore the cash which has been generated is not necessarily in inventory and debtor.

Analyst

Sure. Can I have the number of the advances received from customers for the Golden Harvest Schemes?

Bhaskar Bhat, Managing Director

Well, it's close to 800 crores, close to 800.

Analyst

800 crores.

Bhaskar Bhat, Managing Director

Close to.

Analyst

That's it. Sure, sir. Thanks.
Thank you very much. Our next question is from the line of Deepa Puthur from Quantum Asset Management Company. Please go ahead.

Analyst

Yeah, sir. This is Jenish here. I just have a broad question. One is that, all these years, Titan has, on the jewellery business, has been competing with the unbranded players. But we have seen that in last few years, many branded players have also emerged in the different either on our different geography or a regional brands. How do you see Titan playing out a strategy in this new environment?

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

If you're saying that these branded players have come in the last two-three years.

Analyst

I am saying they have expanded actually.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

I understand that. So, they're been around now for a few years and not just last six months, correct?

Analyst

Yeah, that's right. That's right.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

So, there is a certain equilibrium that is anyway getting established because we stand for certain set of things, which not everybody is able to offer in the same manner. And therefore, our continued growth in the industry is proof of the fact that we are able to hold on our own. What is happening is that if you actually see the profile of some of these branded jewellers, who are corporates like a Reliance or large jeweller like an Alukas is they are also chasing set of customers, who don't overlap with us significantly at all. I mean Reliance is certainly seeking a customer, who is, I mean targeting a customer, who is seeking value, whereas Tanishq is targeting a customer who is seeking design and aspiration and things like that.

Anyway Alukas is some more in that space and therefore what is happening is the consolidation of the industry, many small guys are certainly folding up customers moving to larger and larger stores and brands of various types. Tanishq being certainly the most prominent brand there, but also prominent, becoming prominent of brands like Alukas. But we've all each creating our own space for each other.

Analyst

And the second one is on the diamond jewellery share. In a long run, like what could be the stabilized number you would be looking at in your overall product mix from the diamond studded jewellery segment?
We're targeting a very high percentage. In the long run, if you take five year, it should be 40%. So, that is the kind of ambition we've and we're slowly moving towards that. We were, I think 20% a couple of years back.

Analyst

Yeah.

Bhaskar Bhat, Managing Director

Maybe three years back. We have moved to 27 as you can see, 26.9. So, it's going up, but the sudden increase in diamond prices did stopped that, I mean slowed that down, that pace down. But the introduction of more friendly diamond, lower price diamond, promotion getting younger people into the buying of jewellery et cetera is going to help in that. But the ambition is very good.

Analyst

Okay, okay. Thank you sir. Thanks.

Operator

Thank you very much. Our next question is from the line of Dinesh Da Costa from Tata Asset Management Company. Please go ahead.

Dinesh Da Costa

Thank you for the opportunity sir. Just question from my side. You said there was customer growth of 8% in the jewellery segment. My question was, how has the, if you could give us the sense, how has the average ticket size moved, so that we can also work it out by quarter?

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

The ticket size has moved in quarter three over quarter three.

Dinesh Da Costa

Yeah. That year-on-year.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Quarter three, it's about 23% 24%.

Dinesh Da Costa

23% 24%, if you could give a rupee figure that would be very helpful sir?

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

I don't have it of hand. I will have to mail you or something.

Dinesh Da Costa

Fair enough sir. Thanks very much.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Yeah.

Operator

Thank you very much. Our next question is from the line of Nirmal Shah from Sandstone Capital. Please go ahead.

Analyst

Yeah. Sorry to ask sir repetitive question, but I just wanted one clarification. In first nine months, for your jewellery business, your volume growth is 9% and that's on the aggregate level. But if I have to look on a same-store volume basis, what would be that figure?

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Could be about 6.

Analyst

6%?

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

6% to 7%, yeah.

Analyst

Okay. Thank you sir.

Operator

Thank you. Our next question is from the line of Vicky Punjabi from JM Financials. Please go ahead.

Richard Liu

Hi. This is Richard here. Thanks for taking my question. My question is on jewellery margin. If I were to look at third quarter versus the second quarter, the incremental revenue that you've had between these two quarters were something like 354 crores quarter-on-quarter, against which the incremental EBIT is just about 28 crores. So, if I look at the incremental profit on incremental revenue, which seems to be just about 8% versus your quarter total of about 9%. And I am reading this in the context of the comment that Mr. Venkataraman just made a while back regarding the cost of acquiring growth being high. If you could share some light on this please?

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Cost of?

Bhaskar Bhat, Managing Director

Acquiring that.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Acquiring. No, no, quarter four that Bharkar was talking about. But let me give a larger picture here. We expect to end the year in the jewellery division on about maybe 35% to 40% growth in sales. With at least maintaining the EBIT margin of FY11 or improving it some 20, 30 basis points.

Richard Liu

Sure.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

And to us the perspective is from a one year, I mean whole concept of going concern is it's going. And therefore, one year at a time as opposed to bring, breaking that down into a quarter and looking at the quarter. So, we have certain investments that we make in one quarter for something. We don't make that investment in another quarter for another reason, are the reasons why these differences actually come aboard. For example, a big new initiative that we've launched in quarter three is a new line of jewellery for working women, on which we are betting up around hell of a lot, which in a five year to ten year timeframe could be a huge business by itself. So, lot of marketing investments happened in quarter three on that. Therefore, despite an increase of the 300 crore in top-line that you spoke about.

Richard Liu

Right.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

The incremental EBIT was lower than the EBIT of the earlier quarter, sure. But the finally, how's the corporation's performance, I mean supposing we were to report by SEBI, new SEBI guidelines every month, then every month this question can come up and then we would have no answer. So, from a -- point of view, I think we would be certainly...

Bhaskar Bhat, Managing Director Richard Liu

Right.

Bhaskar Bhat, Managing Director

So, a serial analysis really quarter-on-quarter I agree, same quarter last year same quarter that's a, I mean right way. In fact the right way really is to say, look at 12 months rolling or rather four quarters rolling. And there you will see the health of the business is continuously improving.

Richard Liu

Sure. Would you be able to share with us details of how much of this 350 crores incremental turnover is because of Mia?

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

No, it's a very small part, which we just launched in the second half of the quarter.

Richard Liu

Sure.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Yeah.

Richard Liu

And just one housekeeping question, if I may. You spoke about a 30% bottom-line target. Now, is this including the ones off cost on the employee excreta that you had in the third quarter last year?

Bhaskar Bhat, Managing Director

Yeah.

Richard Liu

Okay, got it. Thanks and all the best.

Operator Puneet Jain

Hello. Thanks for taking my question. My question is with respect to dividend policy that you need, that you intent to take going forward in the future? Because that..

Bhaskar Bhat, Managing Director

We don't see any change, in any case we don't determine it to be fair. But we don't expect any significant change.

Puneet Jain

But given the fact that your returns have expanded and your cash balances have grown a lot in the last two years. So, how do you see it moving forward?

Bhaskar Bhat, Managing Director

Well, we would like to use the cash for expansion and be equitable about sharing all that well. But no without a significant change in dividend policy, we don't see a change in the dividend payout ratio as of now. But cash could be useful for expansion, especially in network expansion. And we are also seeing some possibilities of investing in manufacturing both in watches, jewellery, precision engineering. We will be using the cash. We will put the cash to good use, better than the 9.4% that we are earning on it.

Puneet Jain

And so, what is your CapEx plans for the next two years?

Bhaskar Bhat, Managing Director

We should be in order of magnitude of 200 crores.

Puneet Jain

Okay, okay. Thanks a lot.

Operator

Thank you very much. Our next question is from the line of Amnish Aggarwal from Motilal Oswal Securities Limited. Please go ahead.

Amnish Aggarwal

Yeah. Thanks for the opportunity sir. I have a couple of questions.
Yes, Amnish.

Amnish Aggarwal

Yeah. Sir, my first question is regarding the bags and accessories business, which we are developing under the Fastrack brand and also the, now under the Titan brand. So, can you give us some sense that over a period of time, first of all, what is the total potential, which you see in this business and what could be the scale you are looking to achieve in the next couple of years? And secondly, what could be the margin profile of this business over the next two to three years?

Harish Bhat, Chief Operating Officer, Time Product Division

The accessories market, this is Harish Bhat here from the watches and accessories business.

Amnish Aggarwal

Yes sir.

Harish Bhat, Chief Operating Officer, Time Product Division

The accessories market in India, which combines bags, men's bag, women's bag, college bags, belts, wallets and such related articles is valued at about 20,000 crores, of which the bags market alone is 4,000 crores to 5,000 crores. So, that gives you an idea of the size of the market. Our play in this market, where we wish to play with Fastrack is in accessories for college going youth. We have typically launched backpacks, not in leather at all. These are made of various material which college youth like to carry. We have launched belts made in non-leather and leather. We have launched wallets made in non-leather and leather. And all these are designed to suit the needs of college youth.

We believe that this business of Fastrack accessories will reach volumes of 1 million very soon and will go on to become a much larger brand in due course. As far as Titan accessories are concerned, in line with the keeping of brand Titan, which is positioned far higher end than Fastrack, these will be in pure leather. So, we are looking at leather bags and leather wallets and leather belt alone. These will be far more elegant and stylish. They will not be as funky and street fashion as Fastrack is and they will therefore cater to a completely different segment, not to college youth, but to executives like you and me or officers in various companies. There are people of that kind of profile is where the Titan accessories will cater.

Here again, it's a large market and Titan is one of the first few organized brands, which have entered this market. There are competitor brands like Fossil for instance or High Design for instance, but Titan is one of the large national brands, which has entered in this market. So, I hope, our margin profile, the margin profile of these products is equivalent to margin profile in our watches business. Overall, all these equivalent to outsourced products in our watches business.

Amnish Aggarwal

Okay. Sir, that was actually my next question that if we look at say Helios store, where, which is more like a multi-brand watch store, which has Titan has also lot of your other brands. And at the same time, we've got the World of Titan stores, where the products are manufactured by us. So, if you have to look purely on a retailing basis, so how will be margin profile of Helios store, may be say once we have start, once they breakeven and you achieve certain size over there?
Our stated objectives, which most Helios stores are delivering to is to reach cash breakeven at the end of year one and a full PBT breakeven at the end, between year one and year two, that is before the end of year two for Helios stores. I am sorry, I am not at liberty to share with you the margins that we make in Helios, because that concerns our agreements with other brands, we sale in Helios. But what I can tell you is that in three years of the start of every store, it will be a good profitable business for the company.

Bhaskar Bhat, Managing Director

Amnish, those business so far in retail at least the target is a 30% ROI, ROCE that is the number we are chasing. And Helios will take may be two years to three years, as we said, at the cash breakeven and so on. So, 30% ROI is not the objective, but certainly is what we're achieving in our World of Titan stores, company on World of Titan, because franchise stores don't really matter. And that we should able to achieve.

Amnish Aggarwal

Okay, okay. Sir, would you like to throw some light on the recent brand acquisitions, which you had done in Europe?

Bhaskar Bhat, Managing Director

Favre Leuba, that's the brand, we completed its acquisition a week back. It's the oldest, according to us the oldest Swiss brand alive 1737 vintage. It's been, for us its, in its glory days, it was really an Indian, I mean it was being sold in India in large numbers. But it went dormant after being acquired by LVMH and thereafter being bought by a spaniel. They were not able to do much to the brand because in Europe it didn't have too much currency. So, therefore, as I said it was dormant not dead.

Our idea is really by acquiring this brand is we are acquiring a piece of history, lot of heritage and some technology. No manufacturing assets and so on, all we have bought is the brand. It will take up about a year to 15 months before we launch, relaunch this in the Indian market. But it will be in a new avatar relevant to the Indian market. So, we have bought it, primarily with India in mind, but it could be, apparently research has shown us also that Pakistan and Bangladesh and Nepal and UAE, there has been, there is some recall of the brand. But it's primarily going to be for the Indian market or it could go global maybe ten years from now.

Amnish Aggarwal

Okay. And sir, how, can you throw some light, how the brand would be positioned and what's the price, which we've paid for the acquisition of this?

Harish Bhat, Chief Operating Officer, Time Product Division

I would request you to wait a few more months before we throw a light on it. But clearly, it would be an entry into the premium accessible luxury space. All I can say with definitiveness now is that it will be positioned above guidance.

Bhaskar Bhat, Managing Director

And Amnish the price is EUR 1.5 million.
Okay, sir. Okay, okay.

Bhaskar Bhat, Managing Director

So, we have the liberty to position it anywhere.

Amnish Aggarwal

Yeah, yeah. Okay. Sir, finally just one question, you have indicated just now on the call that for the full year you're looking at jewellery margins of say equivalent to last year or maybe 20 bps, 30 bps higher only. So, my question is that currently we're having a big advantage of higher gold prices, because of making charges are linked to that, which actually allow to cover a part of our increased overheads and new store openings et cetera. But given that, if the gold prices stay where they are maybe say two, three quarters down the line, in that situation is there a probability of our jewellery margins coming off a little bit from the levels we have seen in the past two, three quarters?

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

If we take the first six months of this year and the gold price in the first six months of this year as opposed to the gold price prevailing today, the gold price prevailing today is substantially higher than the first six months gold price. And therefore, assuming for a minute that the gold price of today prevails in the first six months of FY13, then we would certainly get a growth on price till September in FY13. And therefore, the pressure on volume growth will be to that extent lower and from October 1 of 2012, when, assuming I am doing the same assumption about price.

And the price starts sort of getting equal, then we have to drive volumes much more to grow the overall value sales. So, that's many months down the road and we have a good understanding of this dynamic and therefore we are building our plan brick-by-brick on that basis in any case to deliver an overall sales value growth performance that we are used to and you are used to.

Amnish Aggarwal

Okay, sir. Thanks a lot.

Operator

Thank you very much. Our next question is from the line of Abhijeet Kundu from Motilal Oswal. Please go ahead.

Abhijeet Kundu

Hi, sir. It's Abhijeet Kundu from Antique. Thanks for taking my question. My question was essentially on the watches performance. Volume growth which has been rewarded during the quarter is about 11%, whereas the revenue growth is about 17%. So, if we have to look at the realization growth it's close to 6%. So, how much of it has been driven by the price hikes, because price hikes, say, it took about two months to implement.

Bhaskar Bhat, Managing Director Abhijeet Kundu

Right.

Bhaskar Bhat, Managing Director

The difference between volume and revenue growth of 6% is primarily on account of a price increase that we had taken in the month of April.

Abhijeet Kundu

Okay.

Bhaskar Bhat, Managing Director

So, that was a 4% to 5% price increase, which had kicked in fully by the time we came into quarter three. It has nothing to do with the price increase taken during the quarter, which may have contributed a little bit. Since it was still largely in implementation during October and November, in December to the extent of about 50% it has contributed.

Abhijeet Kundu

Product mix also.

Bhaskar Bhat, Managing Director

Yeah. In addition, I think there has been a rapid growth of Fastrack in the high end of the Titan. But that may have contributed prior 0.5 to 1 percentage point of this increase. The large increase has come because of the April price change.

Abhijeet Kundu

Okay. And sir, in the last con-call, a question on, the input cost inflation happening due to rupee depreciation that concern was addressed. But in which it was said that, you are fairly covered against the rupee depreciation.

Bhaskar Bhat, Managing Director

That's right. In the last con-call, I recall this question coming up. And what we have said when we spoke to you at the end of October on that con-call was that we are going to cover the rupee depreciation through a price increase and indeed we had implemented the price increase on the 15th of October. However, for reasons related to the roll-out of pricing, it takes about two months for the pricing to be fully effective in the market, because as you are aware our stocks go to CFAs, from CFAs to distributors, from distributors to the marketplace and so forth. Therefore, the price increase taken on the 15th of October, became largely effective only in the month of December. And even in December, it was not fully effective. And it will now become fully effective in quarter four of this year. That is the reason that we have said that the margins in quarter three were impacted by the price increase not being fully effective.
So, essentially in Q4, you should see a improvement in watch margins on a sequential basis as well, because year-on-year anyways you would see a substantial increase?

Bhaskar Bhat, Managing Director

I think you should see on a sequential quarter three to quarter four basis, all other things being equaled, you should be able to see an increase here.

Abhijeet Kundu

Okay, sir. Thanks a lot.

Operator

Thank you very much. Our next question is from the line of Amar Kalkundrikar from HDFC Mutual Fund. Please go ahead.

Amar Kalkundrikar

Thanks for taking my question. I have an accounting question sir. You have now started to show cash under respective segments. Just wanted to know corresponding treasury income, which has been booked in the jewellery segment?

Bhaskar Bhat, Managing Director

Yeah, they would be in the respective segment, that's right.

Amar Kalkundrikar

Can you share that amount for the jewellery?

Bhaskar Bhat, Managing Director

Yeah, we are not giving the amount separately. It's part of the operating margins as of now. See, you have to understand that the rationale behind that also was when we collect money from, on the Golden Harvest Scheme, we give them a discount as well at the end of the period. So, the interest income from that therefore offset the discount that we give.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Amar.

Bhaskar Bhat, Managing Director

So, this is more as an operating income.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Amar hi, Venkat here.

Amar Kalkundrikar

Yes, sir.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Amar the logic was that, the logic for giving such an attractive discount, part of the logic was the cash flows through the EMIs, on which the company and the division earns interest. Otherwise the 11 plus 1 would just not make sense.

Amar Kalkundrikar

Right.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

And in the earlier situation that interest income was siting in corporate, whereas the cost of acquiring that same was sitting in the division and therefore the P&L was in a way mismatched. And that's the logic by which the cash was transferred to the division and the interest income accounted as part of operating income as opposed to interest income. It is not interest income of excess cash for example it is in a way offsetting this the bonus that we pay to customers.

Amar Kalkundrikar

Fair enough sir. Point fully appreciated. Can you just share the amount of cash lying in jewellery division as of December 2011?

Bhaskar Bhat, Managing Director

70% roughly of the total cash that we have is in the jewellery division.

Amar Kalkundrikar

Okay, sir. Thank you.

Operator

Thank you very much. Our next question is from the line of Sanjay Singh from STCI. Please go ahead.

Analyst C. K. Venkataraman, Chief Operating Officer, Jewellery Division

We dealt with it once a little while back. The 25% growth that is reported by us is the company's sales income.

Analyst

Okay.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Okay. The 8% customer growth and the 23% or 24% ticket size growth, I am talking about the off-take data, which means the customer sales, okay. Now, there in between, while we are a retailing business in general, about a third of our sales comes through the channel called a franchisee, who buys and sells. Now, the 8% and 25% growth in customers and 25% in ticket size is on the sales side of the franchisee. Whereas the 25% growth that you are referring to is on the company sale to the franchisee. So, what is likely to have happened and we will reconcile it reconcile offline. What would have happened is last year in, because Diwali was in the month of November, the franchisees would have bought from the company in the month of October and therefore the Q3 sales of the company would have been relatively higher in comparison with the off-take of the company in Q3.

Analyst

Okay.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Whereas this year, because Diwali was in October, the billing to the franchisees would have happened in September and therefore the Q3 primary sales of the company in relation to the off-take would be less. And therefore, the primary of this year over the primary of last year shows 25%, but the secondary is much higher at 36%.

Analyst

Okay. And...

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

That is the reason for that difference.

Analyst

And in the like-to-like growth, when you are saying it's 26% for Tanishq.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Yeah.

Analyst

It is for your own stores or it is all across put together?

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

All stores, which were present for that period last year also.

Analyst

So, basically any store which was present till October of last year has grown by on an average 26%, is that right?

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Any store which was there for the 91 days of quarter three of last year and therefore was also there in the 91 days of this year.

Analyst

Okay, okay. So, that would mean that your, so if you take, I mean I know what you are saying about that, about the franchisee. So, essentially your new stores will take some time to come to at the same level of the existing stores.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Yes, in terms of square foot sales, yes.

Analyst

In terms of square foot sales. And this is you are saying 26% is like-to-like is square foot or is it?

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

No, no.

Analyst

Store basis.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

No no, it's sales, sales of all the...
Sales of?

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

From sales of like-to-like network.

Analyst

Okay, okay. Okay, fine. Thank you very much. That's it.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division

Thank you.

Bhaskar Bhat, Managing Director

I think we coming to the end. It's 5PM. So...

Operator

Sure sir. Would you like to give any of your closing comments?

Bhaskar Bhat, Managing Director

No. We can take one more question, that's all I am saying.

Operator

All right sir. Our next question is from the line of Jaibir Sethi from CLSA. Please go ahead.

Jaibir Sethi

Sir, a couple of questions from my side. One, you mentioned that in the accessory space you don't really see much of organized competition. However, over the last two years or so, we've seen a number of apparel brands particularly within the more formal segments, which Titan accessories is targeting, extend their offerings in things like wallets, belts and even shoes and bags. So, would you see those offerings as competition or do you think the distribution reach that they have is perhaps not comparable?

Bhaskar Bhat, Managing Director

See, let me separate the two brands of accessories that we have once again.

Jaibir Sethi Bhaskar Bhat, Managing Director

So, far as Fastrack accessories are concerned, which is accessories targeted primarily at college students, these are affordable accessories priced between Rs.600, Rs. 1500, Rs.1600, that space is largely unorganized. There are no other brands playing there. Fastrack is perhaps the first organized brand to get in to that space in a big way, because as you are aware, other backpacks made by other brands, global brands are priced much more expensive.

Jaibir Sethi

Yeah.

Bhaskar Bhat, Managing Director

As far as the Titan accessories brand is concerned, you are right, there are other brands have entered the fray, Fossil is one of them, Allen Solly have launched their accessories, belts, wallets, et cetera, Bata has launched their belts and wallets in their Bata stores. So, there are number of other brands, which have come into the Titan space of belts and wallets. Some of them have good distribution reach. A brand like Bata for instance is excellent distribution reach across the country. So, but the fact is that Titan is the first brand in this mid-premium space, who have launched the belts and wallets with the certain stated quality, to have begun advertising them in a certain manner and thereby I think stimulating good consumer demand for these.

Jaibir Sethi

Sir, the second question was a housekeeping one. What is the total cash balance at the end of 3Q?

Bhaskar Bhat, Managing Director

Just around 1,000 crores.

Jaibir Sethi

1,000 crores. That's all from my side sir. Thanks a lot.

Operator

Thank you very much. I would now like to hand the conference over to Mr. Sameer Deshmukh for closing comments.

Sameer Deshmukh

Hello, yeah. On behalf of Tata Securities, I thank the senior management team of Titan Industries, as well as all the participants for this call. Thank you very much sir for your time.

C. K. Venkataraman, Chief Operating Officer, Jewellery Division Bhaskar Bhat, Managing Director

Thank you.

Operator

Thank you so much sir. On behalf of Tata Securities Limited, that concludes this conference call. Thank you for joining us. And you may now disconnect your lines.