

# Titan Industries Ltd

## *4QFY12 EARNINGS CONFERENCE CALL*

**MODERATORS:**      **MR. BHASKAR BHAT**  
                              **MR. SUBBU SUBRAMANIAM**  
                              **MR. C. K. VENKATARAMAN**  
                              **MR. H.G. RAGHUNATH**  
                              **MR. SAMEER DESHMUKH**

**Moderator:** Ladies and gentlemen good evening and welcome to the Q4 FY'12 earnings conference call of Titan Industries Limited hosted by Tata Securities Limited. As a reminder, all participant 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. Should you need assistance during the conference please signal an operator by pressing "\*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sameer Deshmukh. Thank you and over to you Sir.

**Sameer Deshmukh:** Thank you. Hi friends on behalf of Tata Securities, I welcome you all to the conference call of Titan Industries post the Q4 FY'12 numbers and I sincerely apologize for the delay in commencement of the call. We have with us the senior management team of Titan Industries. I now request Mr. Bhaskar Bhat to make some opening remarks post which we could commence the Q&A session. Over to you Sir.

**Bhaskar Bhat:** Good evening. Apologies for this delay. We had long board meeting and we had some technology related issues before we could upload it, but thank you for waiting for us. Q4 has been a challenging quarter, but it turned out to be better than what Q4 looked like when we were looking at Q4 from in Q3.

Revenue growth has been at 30% despite the slowdown in the economy. PBT growth is 73% but if you were to account for the one time employee related payment we made in Q4 last year of 38 Crores, the growth is still good 31% after adjusting for the nonrecurring expenditure. As expected the sales were at 2,327 Crores and PBT of 207 Crores. PAT at 144 Crores for the quarter. So that takes the annual performance to Rs. 8971 crores, PBT to Rs. 838 crores and PAT to exactly Rs. 600 crores. Last year PBT is this year's PAT.

Revenue growth for the year therefore was 37% and PBT growth marginally higher than revenue growth, which is 40%, but 32% after adjusting for the nonrecurring expenditure last year. Watches have had a good quarter with volume growth of 14% and revenue growth 27%. I think finally the effects of the price increase has begun to realize and we had a Rs. 430 Crores quarter against still Rs. 339 crores last year and PBT of Rs. 53 Crores.

Annually we have done Rs 1592 crores against 1309 last year. Volume growth of 15%, revenue growth 22%. Revenue growth had been targeted at 25% but we have achieved 22%. Margins were under pressure due to input cost rise as the rupee weakened against all other currency that you were aware of, but for the year it was at Rs. 217 Crores PBIT.

Jewelry of course continues at 1800 Crores and 182 Crores PBIT that is 10% PBIT margin. Volumes however, continue to decline 7% in kilo grammage. Studded share at 32%, revenue growth 31%, but the best news for the quarter is really the customer growth at 4%, this was something we were pursuing, and we wanted to see customer growth. Consequently PBIT growth has been 28%. Annually of course customer growth is even better at 14% and for the year also volume growth because of the first quarter extraordinary performance, continues to be 5%. Studded share for the year being less than for the quarter, obviously the quarter was much better. Studded share is 26% for the year and 32% for the quarter. Revenue growth for the year as you can see 41% and PBIT growth 45%. Nearly Rs. 700 Crores of PBIT on a Rs. 7000 Crores turnover, which is just under 10% EBITmargin.

Others, which includes Precision Engineering, Fastrack, Sun Glasses, and Eyewear and so on and bag, belt and wallets etc., Q4 is at Rs. 94 Crores against Rs. 81 Crores last year. Revenue growth of 17%. The biggest news here is PED continues to grow profitably. For the year revenue of "Others" segment is Rs. 334 crores where the revenue growth is 35% and Eyewear revenue growth which is the prescription Eyewear part of the business is at 26% annually and PED has seen a first year of profits.

Performance trends are visible in the next few slides. 31% total sale over the last five years CAGR. Watches at 15% and jewelry at 36%. In PBT 43% and PAT 41% so margin improvement over five years is a continual process and is continuing to improve. On the capital employed we had increase in capital employed due to higher stock in the end of March because of the advancement of the Akshaya Tritiya. Cash balance is up by Rs. 908 Crores compared to the starting of the five year period 2007-08.

Return on capital employed continues to be a healthy 61.1%, 2.9% higher than last year and return on networth at 48.5% against 46.1% last year. Market cap of course you are all familiar with, it has crossed the 20,000 Crores mark and we look forward to a good year ahead as the economy turns, we believe after June, but the rupee weakening is going to impact the watches business to some extent because of the input costs going up because of imports.

Well I think that really is the substantive part of the quarter. We continue to invest in network expansion and brands. April month of course had Akshaya Tritiya and which has gone reasonably well in terms of value growth, of course the jewelry business thanks to the price of gold being up. Retail growth in various channels - the world of Titan has grown 14% like-to-like and total growth of 18%. Tanishq has also got 25% like-to-like and 38% total Goldplus 23% like-to-like 36% total. Helios it is a small base. There are a couple of stores,

which have got effected because of more stores opening in the same city and there is a negative like-to-like but it is really not representative of what the trend is. The total sales growth is 3.9 times and the minus 9 is the like-to-like is because of Bangalore having opened more stores in the current year and as a result some of the same would have got cannibalized.

Fastrack like-to-like is 16% and total 95%. Large format stores in watches, which is the real indicator of consumer behavior again 19% like-to-like and 34% total value. Eyewear has had a negative 1% in value but for several reasons in like-to-like we had a small rejig in the strategy by correcting few price points as well as pursuing volume in the stores. But the total growth of 32% is quite healthy.

We are open for questions. I have with me Subbu, CFO, Venkat, head of jewelry, Mr. H.G. Raghunath, who comes for the first time is the COO of the watch and accessories division and I have Mr. Rajrathnam from Finance and Accounts.

**Moderator:** Thank you very much sir. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

**Abneesh Roy:** Sir congrats and thanks for the opportunity. Sir my first question is on the studded jewelry that has gone up quarter-on-quarter and I think it is one of the highest. So is there any one off item and are we still maintaining the 40% target which we had earlier maintained and margins have also improved in jewelry side and wanted to get a sense on that also, what is the sustainable margin?

**C.K. Venkataraman:** The quarter was the studded activation quarter and it has been a superlative effort from all the staff that has resulted in this. It is our intent to continue with our 40% target even though the share of gold keeps coming in the way and FY'13 also that focus is going to continue and hopefully we will keep increasing it.

**Abneesh Roy:** In the past you have said that diamond margins are much higher than your gold jewelry margins but in the latest advertisement we see that you are picking for the lower ticket item of around 10,000 to 25000 for the diamond jewelry, so what are margins in this particular segment. Is it more like new recruitment of customers, some sense on that?

**C.K. Venkataraman:** It is nowhere close to gold jewelry levels of margins it is much, much higher than gold jewelry levels, but yes it will be short of the average that we get in the studded in general, but it is not a significant drop. So it is a customer acquisition strategy but at the marginal cost of margins.

- Abneesh Roy:** Next question again on jewelry we have seen now prices of gold being fairly stable for the last six months so as we now move into FY'13, in the past we have said that the gold prices are stable the customer does come back after sometime but now six months are happened but still we are seeing a negative volume trajectory, so what is the sense you are getting obviously economic conditions are difficult, so how are you seeing FY'13 in terms of volume growth?
- C.K. Venkataraman:** See for example in the last three-four weeks, we have seen decent growth in grammage, but in jewelry we are also aware that there has been lot of aggressions from the banks plus even post office has been doing exceedingly well on coins and our coin sales in April has seen a decline in the Akshaya Tritiya compared to last year, but our jewelry sales have been better. So we do expect some kind of an equilibrium happening on that front because coins are more for investment and the jewelers and Tanishq in particular or Goldplus are not the best destination from that point of view, but we are the best destination when it comes to jewelry. We certainly hope to benefit from that and like we have said in the past there is a very large emphasis on expansion in FY'13 and we are hoping to use that to back up for organic growth constraints that we may face.
- Abneesh Roy:** Sir my last question is on the watches segment. We have seen good volume growth of 14% so if you could tell us from the lower price segment which you had launched last quarter how much is the contribution from there and rupee is again back to 52-53 levels so I understand your previous price hike was enough till the rupee 50 levels. So are you planning more price hikes after the Q3 price hike?
- Bhaskar Bhat:** Volume growth is across the board and it is not just Sonata, which is why the value growth is higher than the volume growth and of course the margin growth has happened so it is across uniform and healthier in the mid priced points not in the very high price points. Yes the challenge is there on cost of the dollar so will have to look at some ways of absorbing, passing it on etc.
- Abneesh Roy:** Thanks and all the best.
- Moderator:** Thank you. The next question is from the line of Mihir Shah from Daiwa Capital. Please go ahead.
- Percy Panthaki:** This is Percy Panthaki here. Sir first question on watches business, I recall that the price increase that you took in Q3 affected more or less toward at the end of Q3 so the benefit really did not come into Q3 and was expected to come into Q4, but if I look at the margins sequentially from Q3 to Q4 they have not change much although the pricing effect is almost

13% that is 27 in the value terms minus 14 on the volumes so pricing has gone up very sharply but the margins have not responded what could be the reason for that?

**H G Raghunath:** This is basically due to dollar increase in the last quarter. Whatever price increase we took, the dollar actually escalated beyond that.

**Subbu Subramaniam:** I think two issues there we had slightly higher overhead for the last quarter. We had certain investment that we are putting into various initiatives. That is one and second is that while we did hedge our currency risk partially, if you remember we hedged at slightly lower rate. Unfortunately the rupee has weakened even more during that period to that extent we had hit on the margin side.

**Bhaskar Bhat:** It is not a material cost impact Percy; it is a healthy growth in price which should flow into margins but single quarter there were other impacts and therefore we are seeing a percentage margin decline

**Percy Panthaki:** So would you be able to give some idea what would be the stable state margins in the watch business that you would like to target.

**Bhaskar Bhat:** The stable state is still very difficult to say because we are continuing to invest in Helios.

**Percy Panthaki:** Investment if anniversarised, should not pressure the margins any further after three or four quarters of investment?

**Bhaskar Bhat:** Right now we are growing. We are going to grow to 65 stores, Percy. So it is big investment we are making in network expansion and new categories, leather for example, , Zoop we will be investing in but the target of course at a very base level it is 15% if you take only the watch business; then when you add on some of these, it drops down to about 14%.

**Percy Panthaki:** So would I be correct in assuming that FY'13 versus FY'12 there should no further deterioration in the margins for full year average?

**Bhaskar Bhat:** If we respond to the market quickly enough, there should not be.

**Percy Panthaki:** Secondly on jewelry this is the second quarter now where I am noticing where your retail sales growth at 38% this quarter has been higher than the 31% which you have reported as the company. This I would assume is the primary versus secondary sales issue. That same thing was there even in Q2. So I am a bit perplexed as to how your secondary sales can continue to outstrip your primary sales for a longer period of time, because that would mean your inventory would shrink to zero more or less?

**C.K. Venkataraman:** See there are many things Percy, it would be a little difficult to do on a phone line. We have the period difference between primary and retail, the December 31 versus March 31, primary sales performance v/s retail sales performance, there is institutional sales, so when we talk about retail sales we talk about MRP which customer pay, but we pay our discounts to get that sales and the reported income of the company is the net of the discounts so if the discounts are higher than last year then the growth in the company income will be lower than the growth in the MRP sales so there these multiple aspects. You can just take it from us that the figures are right, even though they appear to be wrong.

**Percy Panthaki:** I am not doubting the veracity of the figures; I am just wondering whether there is going to be a turnaround in the next couple of quarter where you will see that the company reported sales are higher than the MRP sales?

**C.K. Venkataraman:** No because for example this year it is possible, because we are going to be expanding a lot, we are getting a lot of new buy and sell stores. So when we have taken a lot of new buy and sell stores into the system, the company's first sell in that happen to those stores and that will increase the company sales even though the retail sales will not be to that extent.

**Percy Panthaki:** Exactly so that should actually give an effect which is opposite of what you are showing in your numbers as of this quarter?

**C.K. Venkataraman:** Yes. So as and when that happens we will see that.

**Percy Panthaki:** Sir and my last question is on this permission you have got to import gold directly in that the main advantage of doing it through the channelizing agencies right now is that you get the gold on lease arrangement which is at a 3.5% or 4% interest cost, so when you import it directly would you be getting similar benefits and corollary to this is what percentage of your requirements would be looking to import directly in the future?

**Bhaskar Bhat:** We would like to give a complete picture on this once we are totally clear on that. The thing is as of now government has said apply for license. With what aim it will come with we really do know, because it is just a simple letter telling us to apply. So we are applying what other conditions will come up we are really not aware. Yes the banks will permit us; that is not an issue so there will be some saving of the intermediary cost, but the rest we really have to do a few trials and see what it ends up as, so as of now we do not have a view on that. We just are going to avail so that we can at least cut out the intermediary.

**Percy Panthaki:** The intermediary commission could be saved but the lease scheme could function as it is?

**Bhaskar Bhat:** Yes.

- Percy Panthaki:** That is all from my side. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Hemant Patel from Enam. Please go ahead.
- Hemant Patel:** Two questions, one post the introduction of strengthen measures on PAN card and even the TCS, are you seeing any impact at the store levels in terms of off take?
- Bhaskar Bhat:** TCS has not been introduced yet it is from July 1.
- C.K. Venkataraman:** You are talking about the last year one?
- Hemant Patel:** I am saying basically pan card, but since TCS is going to be of distance future, can we talk about what has happened in terms of the pan card and how much of our sales really gets impacted?
- C.K. Venkataraman:** We did, in specific markets where cash transactions are rather large and obviously for reason which are pretty obvious and some northern markets like capitals and all that certainly there has been an impact and we have lost some sales in place like Delhi, Lucknow, Chandigarh, but overall we have dealt with it without really affecting our performance as you can see and as far as the TCS is concerned, its still not clear exactly we have made an assessment of what it could mean for us and we are going to be making efforts to make sure that whatever is the impact, we are compensating through other means of going for customer base in segments who are favoring us in any case.
- Hemant Patel:** How much of sales currently in the jewelry business is at the cut of level of two lakhs and above?
- C.K. Venkataraman:** Actually there is now knowledge on that. We only know about us and that is something we would like to keep confidential.
- Hemant Patel:** In terms of rollout for world of Titan and Tanishq have there been any change post the current events of a slow down in terms of rollouts? What are the plans for the next year?
- C.K. Venkataraman:** In jewelry we are looking at close to 2,50,000 square feet between the two brands, about 50 stores in 250000 square feet which compares with about 20 stores and 130000 square feet approximately in FY'12. So it is pretty close to doubling our effort of FY'12 in FY'13 in jewelry.
- Hemant Patel:** How Much of this will be large format is it?



- C.K. Venkataraman:** No it is a combination. The large format will be in the minority obviously in terms of numbers and even in terms of total share to expansion, it will in the minority.
- Hemant Patel:** In terms of watches for world of Titan, I heard Helios, but just world of Titan?
- Bhaskar Bhat:** We will set up 55 world of Titan and 165 Fastrack and 40 Helios stores and we have a new concept called for Titan One of which there are 50 now and we are to add another 100. So it is a very, very aggressive expansion apart from that, 50 new doors for large format stores, so we continue to be very bullish on the retailing expansion. Eyewear we have taken a call, it will be only 20 odd stores, which we are adding this year as we consolidate our strategy.
- Hemant Patel:** One final question pure on the volume growth front, which you have indicated that we have degrown in absolute terms and overall basis in jewelry like 7%. This would imply that the same store volume growth rates have been lot more dismal, I wanted to get a sense of what you believe will trigger some amount of improvement given the current situation of either the pan or TDS that we are expected going ahead. When can we see a certain amount of turnover and what can trigger this?
- C.K. Venkataraman:** Actually, I just like to reemphasize one point we have been talking about in the last two conference calls, one is that to us what is more important is the customer growth and not the grammage growth. The grammage is becoming less and less important for customers. Customers are spending money on jewelry whether it is for wedding, they want to give five lakhs or 10 lakhs or one lakh whatever, how many grams comes in that one lakh or five lakh is now starting to become less relevant. As long as more customer come in to our stores and buy jewelry that is enough for us even if the grammage each person is buying and therefore the total grammage is dropping because that is not an important indicator of the health of even the industry. From that reckoning Q4 was better than what the grammage decline today is, because we grew in customers.
- Hemant Patel:** I just wanted to understand that the 4% customer growth that you implied was I guess for the firm wide for jewelry, it is not a like-to-like basis. So what I was trying to get at is foot fall on a same store basis probably when you look at on LTL basis is negative. So I was trying to drive that point to when are we likely to see an improvement on a LTL basis for same store.
- C.K. Venkataraman:** Actually the customer growth rate I wanted to just establish but the customer growth is the right measure to discuss and not some of the grammage. Customer growth has been under pressure for sometime particularly because of the price of gold and all our initiatives including what we have just began on the affordable diamond size is actually to catalyze the

customer growth and similarly by setting up lot of new stores in new localities is also to get a higher share of the industry customers, even though it will not increase the customer growth for same stores but it will certainly increase the customer growth for the division.

**Bhaskar Bhat:** The reason why we are saying what we are saying just let me give you an example; price of gold is a pass through, right? So turnover is what matters. Our margin is linked to the price of gold. So if customers are spending more money buying gold jewelry that is what matters to us. How much gold we sold to those customers so long as customer growth is there, should not really matter. An extreme probably trivial example is that the apparel industry not worried about how much cotton it sells, they are really worried about how many shirts or how many trousers they sell. Therefore I think it is a question of how many customers came and how many individual pieces they bought, did they spend more money. All these are adding to both turnover as well as margin. So it is the reason of course the grammage growth is there it will be even more even better but 31% and 40% CAGR is healthy situation to be in. So if we were to look at it as a consumer industry I think that is.

**C.K. Venkataraman :** We should talk about number of jewelry pieces that we have sold rather than the weight of jewelry.

**Moderator:** Thank you. The next question is from the line of Hiren Dasani from Goldman Sachs. Please go ahead.

**Hiren Dasani:** Two questions, one is on the advertising spend. I see some decline in the quarter. So any change in the advertising strategy or otherwise and the other question is on the financing cost which has gone up. So if can you throw some color on that?

**Subbu Subramaniam:** There is no strategic change in advertising and as far as the finance cost is concerned it is purely gold on lease charges, most of it gold, which is well in line with what we had indicated earlier which is 3%. It just goes with volume, nothing more.

**Hiren Dasani:** Have you changed the classification of that, you are now showing it as an interest income or finance interest.

**Subbu Subramaniam:** The gold on lease charges are shown as finance cost. In the past it was usually shown as part of material cost. So that change happened now with the new schedule VI and so on and so forth, but the previous year figures will be comparable.

**Hiren Dasani:** Does it mean that now the gold on lease will be treated as debt.

**Subbu Subramaniam:** Not as debt. The amounts due on account of gold on lease is shown under current liability.

- Moderator:** Thank you. The next question is from the line of Jaibir Sethi from CLSA. Please go ahead.
- Jaibir Sethi:** Good evening Sir, thanks for taking my question. Just wanted to understand on the jewelry side there has been a fair bit of unrest in the industry in the second half of March in particular with most of the unorganized sector being shut. Did you see any benefit in terms of volumes and market share from that new disruption?
- C.K. Venkataraman:** Not really. Actually it was the other way around because there was a lot of pressure on us to remain shut and the customer generally thought that the whole industry was shut, so not many people ventured out to buy jewelry in that period also. It did not benefit us.
- Jaibir Sethi:** Secondly earlier in the call you mentioned something about pick up in the demand for coins particularly in non-jewelry sources. Does this to you somewhere suggest that the customer is getting used to the current gold price and perhaps volumes might revive in the next few months or do you think it is mainly just speculative demand which is just fueling that?
- C.K. Venkataraman:** As far as demand for coins are concerned it is perhaps that because last few days particularly was bullish on the price of gold and we were not clear on whether it was a trend or anything like that and we were also not aware of the overall industry performance in the Akshaya Tritiya period to conclude anything. We are only going about saying that there is a very large market out there, our share is still pretty low; it is a step on the expansion front and get a greater share of the market irrespective of the overall constraints that may be around us.
- Jaibir Sethi:** Any particular focus areas, which you have apart from the large format stores in terms of market share gain?
- C.K. Venkataraman:** One is the affordable diamonds campaign that we have released three weeks back. There is a general perception that Tanishq is expensive. It is a decent myth to break and we also had an issue because of the rise in the diamond prices in the past 1 year, the customer growth in diamond jewelry has been under pressure, so to break both and get lot more first time buyers of diamond in to our stores this affordable diamond campaign has been begun so that is one other big driver that we are working. The second is that we launched Mia for working women. We have a lot of faith in the opportunities of Mia, so we are going to be pushing Mia in a big way. Third is the Solitaire market for us is under represented. The Solitaire opportunity is very large given the profile of the upper middle income service sector today there is a lot of opportunity to position solitaires particularly Tanishq Solitaire as a symbol of romance and love and that is another initiative that we are starting about June-

July and many collection launches apart from the affordable starting from June again. So there are these four additional initiatives to push up the pace on top of the expansion.

**Jaibir Sethi:** Just particularly on the Solitaire initiative now would not this be sort of in the way of the new tax rules on transactions about Rs.200, 000. You are not worried about that?

**C.K. Venkataraman:** Not really. We do know what kind of dependence we have today on that kind of customers because the sales history is known to us but Solitaires when we are targeting for example a senior middle level corporate executive working in like representing working in companies like yours for example, who are tax paying and law abiding kind of person who is celebrating a tenth wedding anniversary and would like to surprise his wife with a pair of Solitaires which may not be very expensive, under 2 lakhs for example, that kind of a customer is not a TCS or cash problem customer. So we are focusing on the customer segment who is Tanishq customer by general definition, so we do not have worries about. If you are talking about very high-end solitaire customer who is buying 20 lakhs to 30 lakhs, the cash would be a constraint there but we are not talking about them.

**Moderator:** The next question is from the line of Chetan Shah from Antique Ltd. Please go ahead.

**Chetan Shah:** Good evening Sir, just one small question. In your opening remark Sir you mentioned that you are expecting some kind of retail turnaround or I would say some kind of improvement going forward from June onwards. If you can just elaborate a little bit in getting some sense on that?

**Bhaskar Bhat:** Barring this last week's announcement of India rating etc., we were seeing consumers willing to come out and buy particularly in watches, the growth in our World of Titan stores etc., has been reasonably good in volume as well as value terms. Again we are seeing an improving trend post Diwali and we expect that to continue and improve right now the wedding season is short in watches, I think, in May there are no weddings at all, only in mid June onwards it starts, so it is on that basis and seeing and of course we are going to have a lot of new product introductions and so on, but overall market sentiment also we feel right now rupee weakened that is probably because of the Standard & Poor, but the very fact if you take jewelry also, people are spending 31% more on jewelry this year compared to last year, but they are still spending and during Akshaya Tritiya people just came out in hordes. Despite the fact that volume growth was not so big, very marginal for us, we still had a huge value growth, so we do think customer is coming out and spending money.

**Chetan Shah:** Is there a data point which you track in terms of actual conversion of customer who walks in to the one who actually buys it, in terms of the customer churn because there are only

serious customers who walk in and the turnout can be far better than what you are seeing in the past. Is there some kind of data point, getting a sense of consumer psyche, nothing else?

**Bhaskar Bhat:** Conversions are very high in our stores. If you are saying has it improved, the improvement in the metric which we pursue in any case independently as new customer as Venkat said there is 4% improvement in the number of customers is an indication of new customers coming in and for that, the initiatives are Mia and fq etc. We track a metric but I do not see how it can indicate a churn.

**Chetan Shah:** One specific question about Fastrack as a brand, in terms of the new accessory stores and all which we have started and we have done very aggressive marketing of that, the quite aggressive visible marketing of that. What is your vision of this specific brand say three years from now or five years from now, the way you articulated Titan Eyewear what you want to do three or five years from the day when you started launching. Just to get a sense from your point of view on this specific initiative.

**Bhaskar Bhat:** As you know Fastrack by itself is not just a watch brand. It is a youth segment business and it is a youth brand. So whatever it takes to get youth to buy our product and services is what this is all about, so an aggressive network role out is in that connection. 155 stores that we are adding over and above the 100 stores that we already have merely to catch youth everywhere and get them to come in to our store and buy whatever product we are offering. We were exploring newer and newer categories. The vision for this brand is really it will be very big as it is looking up turnover touching Rs. 1000 Crores. Three to five years from now tripling and even more than that is a real possibility.

**Moderator:** The next question is from the line of Richard Liu from JM Financial. Please go ahead.

**Richard Liu:** Thanks for taking my question. Good evening everyone. With respect to the earlier question regarding this finance cost I presume all of it would relate to gold lease charges right?

**Subbu Subramaniam:** Most of it is gold lease.

**Richard Liu:** If I were to look at the growth in this line item Q4 this year versus Q4 last year that seems to be in the range of about 60% versus a jewelry growth of a lower order. So if you can help us understand the dynamics there as to what are the other factors that play in terms of the difference in the growth in the two items.

**Subbu Subramaniam:** There are two reasons why that happens; one is overall, the amount of gold that you are importing. The gold that we use is not just imported. It is also a mix of how much we buy

from customers. So it is a combination. Obviously for that there is no interest cost, so one cannot look at it in isolation to start with; obviously the total amount of gold that we are importing is much more than last year, so while I cannot give you an exact answer for that largely it is because we are importing more.

**Richard Liu:** If you can just help us in perspective the losses in the others segments this time.

**Subbu Subramaniam:** The other segment as we know are three other things. One is the precision engineering, the Eyewear division and we have also the accessories for the watches division. Now what we are sharing with everybody is the PED, the precision engineering division has now turned profitable. We have also mentioned that Eyewear will take some time to attain profitability and accessories largely sunglasses etc., from Fastrack and the bags, belts, wallets categories are growing. They will be reasonably profitable but Eyewear will take us some time.

**Richard Liu:** This number for the quarter I am not able to see the number very properly in the one that got uploaded that seems like a large number. I am talking about the Eyewear losses for the quarter?

**Subbu Subramaniam:** It is not Eyewear it is others. The other is minus five for the quarter PBIT is -5 which is a 5 Crore loss.

**Richard Liu:** This compares with the five Crores profit in the proceeding quarter.

**Subbu Subramaniam:** No that as I just mentioned you cannot look at it in isolation. The mix of within these new categories would change between quarter-and-quarter and it is a fact that Eyewear loss is very high in this quarter because of various initiatives etc. that one has taken. We are re-tariffing and so on pricing. So to that extent there would be a shift.

**Richard Liu:** Bhaskar would you have a revenue number in mind for the next year in terms of the guidance that you gave at this time of the year?

**Bhaskar Bhat:** We normally do not but I will tell you the same story 30% topline, 30% bottomline.

**Moderator:** The last question is from the line of Nilai Shah from Morgan Stanley. Please go ahead.

**Nilai Shah:** In the margins for the jewelry business excluding this re-classification on a like-to-like what could have been the margins for jewelry this quarter. There was a reclassification of the lease cost?

**Subbu Subramaniam:** It is still hitting the division. There is no change in that. It is in the division's PBT.

**C.K. Venkataraman** : The gross contribution earlier after the financing cost, today through the EBIT margin in both instance after the financing cost. Now it is in finance cost, earlier it was in the materials.

**Nilai Shah**: EBIT margin of 10.1%.

**C.K. Venkataraman**: It is PBT number which is comparable.

**Nilai Shah**: Would you have an EBIT number which is comparable?

**Subbu Subramaniam**: The EBIT is comparable. If you see it is 9.5% previous year now it is 10.1%. The PBT margin is what we normally talk about is 10% etc., is the goal which we have not achieved that.

**Nilai Shah**: The second question that I have is on this PAN card requirement. Is it currently being followed in the Tanishq outlets?

**C.K. Venkataraman**: More than five lakhs any transaction cash, credit card, cheque whatever, it is followed strictly in the jewelry division outlets.

**Nilai Shah**: Now going forward in jewelers there is no rollback for these classification will it be only for cash or will be also be like you said earlier for five lakh and above for cash, credit card, cheque everything.

**C.K. Venkataraman**: The five lakh rule is currently existing. The two lakhs to five lakhs is the new anvil that has been brought in and for all two lakh and above, transactions in cash, there will be a TCS tax 1% that is one part. The second is for all two lakh to five lakh transactions in cash the PAN card will also required because above five lakh anyway we were collecting PAN card. That is the reason two lakh to five lakh PAN card is required.

**Nilai Shah**: But you are collecting the PAN card for five lakhs plus for even credit card transactions.

**Subbu Subramaniam**: . Five lakh we need a PAN card whether it is check credit card or cash. PAN card for Two lakhs is applicable only for hard cash.

**Nilai Shah**: Are you envisaging any change in your strategy to do this and second thing when you look at your customer growth and you see the number of pieces sold customers now will be encouraged to buy individual pieces of jewelry instead of buying sets of jewelry. So would you continue to look at growth in this fashion?

**C.K. Venkataraman:** The change that it will bring to us is that we will be chasing more and more customers over the medium term, it will not be so easy to do it in one month but over the medium term more and more of those customers who are law abiding tax paying, paying either through cash or few other instruments to buy anything, that is one thing that this will force us to do. The second thing is that the breaking what we are describing that the customers may distribute their purchases over multiple bills is something that the customer will decide for themselves if they want Tanishq badly enough and Tanishq is insisting on a PAN card or a TCS which other jewelers may or may not be, the customers may find it in their interest to buy over two different transactions spread over a month or whatever it is that we do not know. We have no clue about how exactly that will happen but it could happen but as far as we are concerned we will implement the law strictly.

**Nilai Shah:** Final question is on Zoya. Is this the reason why Zoya has not really taken off or is it just to do with the transaction size in Zoya.

**C.K. Venkataraman:** The PAN card rule is anyway only 10 months old, it is from July 1 2011 the PAN card rule came. That is not such a determinant of the success of any brand. Zoya has been around for two and a half years before that in any case. It is just that we have found that building a franchise for luxury customers is taking much longer than for mass segments.

**Nilai Shah:** One last question when you speak about the fact that it will increase your number of store outlet and aggressively expand retail foot print would that entail a fall in margin for the next fiscal given the store roll out cost etc.

**C.K. Venkataraman:** Not really. What we are focusing on is the total retailing cost as a percentage of sale. So we have store operating cost, the total company store operating cost, then the commissions that we pay to the franchise. These two together as a percentage of sales it what we deem as the retailing cost and we are not seeing any significant change in FY'13. We are not worried so much about that.

**Moderator:** Thank you. Ladies and Gentlemen that was the last question. I would now like to hand the floor over to Mr. Sameer Deshmukh for closing comments.

**Sameer Deshmukh:** On behalf of Tata Securities I thank the senior management team of Titan Industries and the participants.

**Moderator:** On behalf of Tata Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.