



Titan Company Limited

Delivering value by creating brands

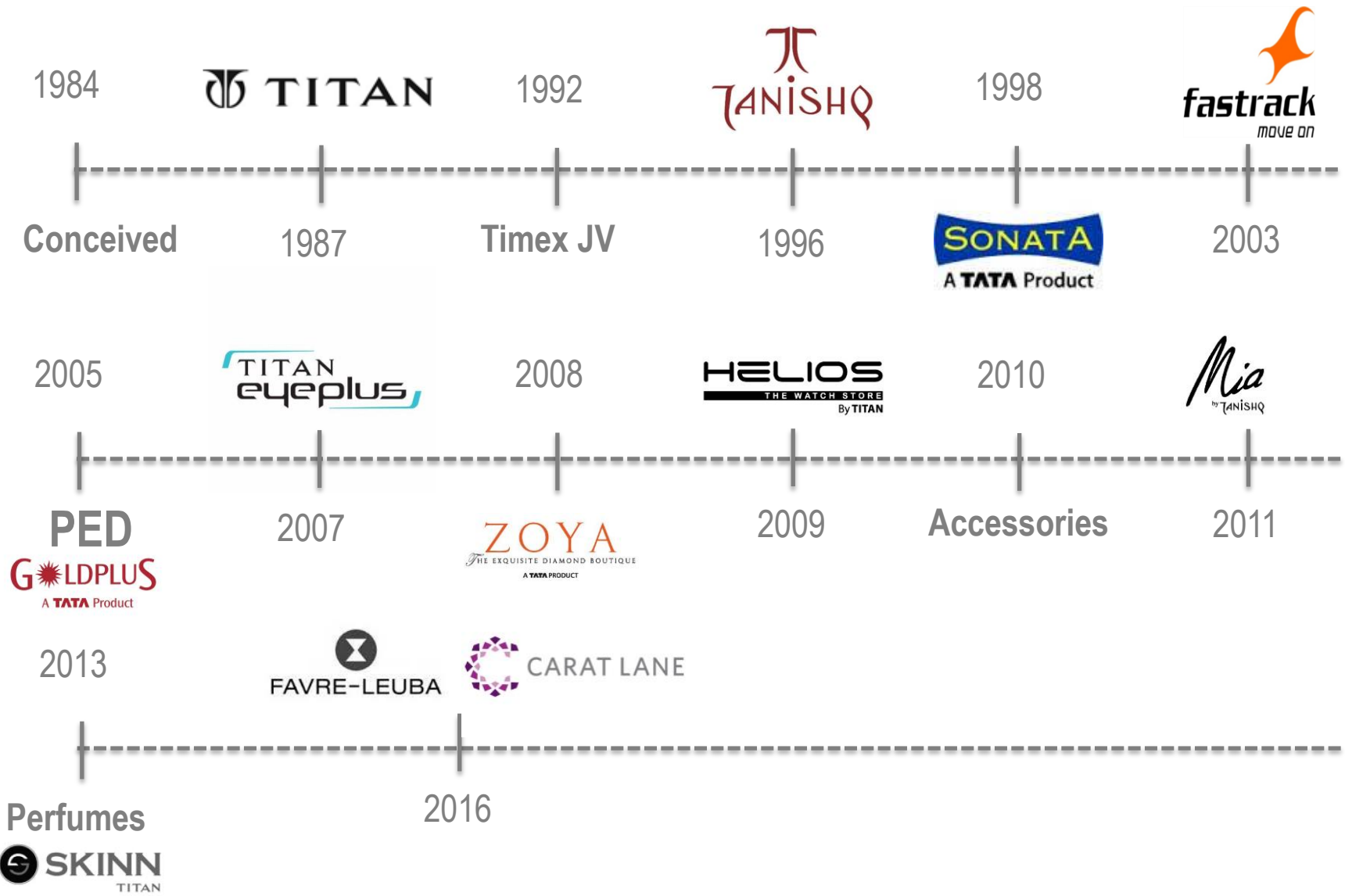
Earnings Presentation – Q4 and Full Year, FY '18
10th May, 2018

Disclaimer

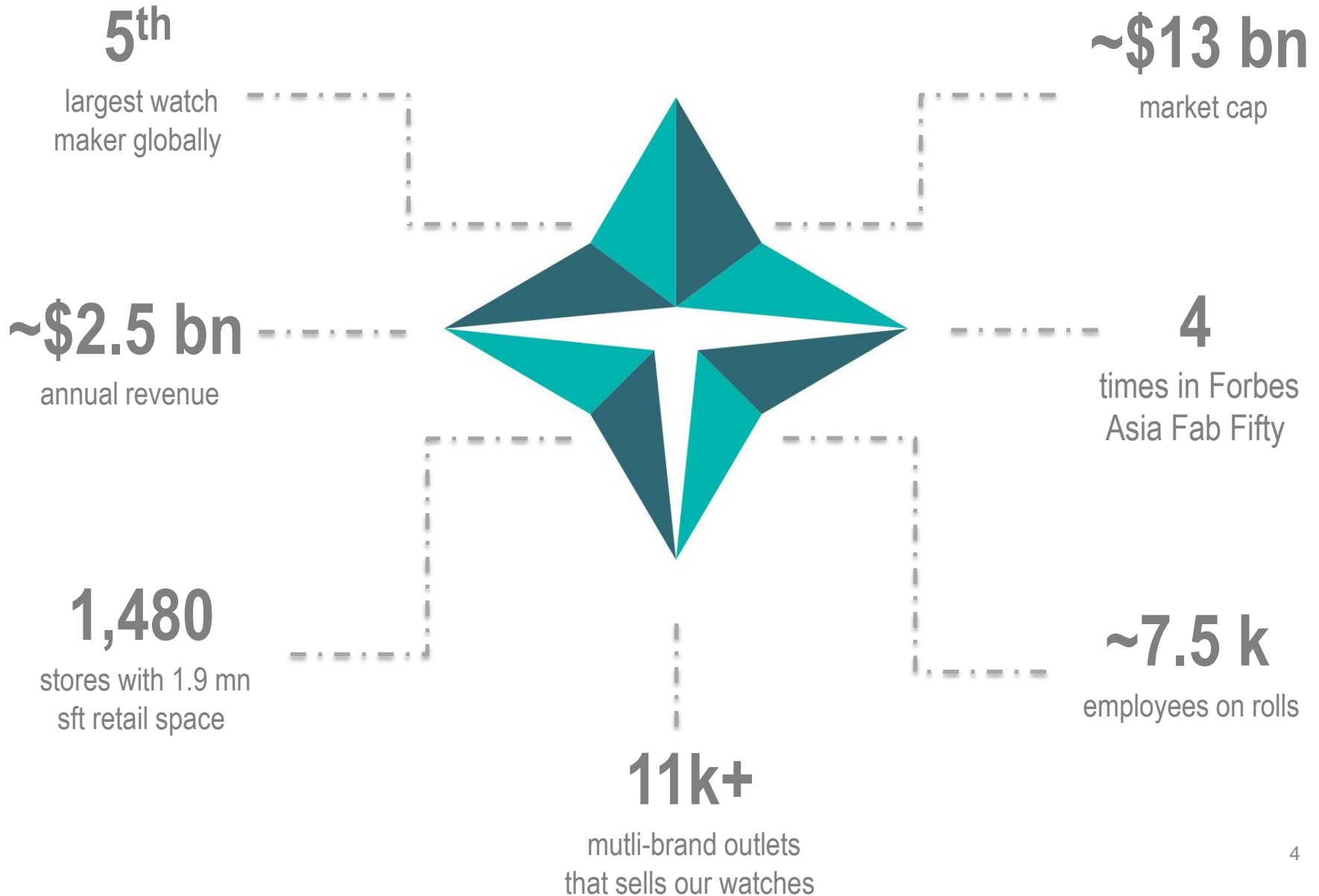
Certain statements are included in this release which contain words or phrases such as “will,” “aim,” “will likely result,” “believe,” “expect,” “will continue,” “anticipate,” “estimate,” “intend,” “plan,” “contemplate,” “seek to,” “future,” “objective,” “goal,” “project,” “should,” “will pursue” and similar expressions or variations of these expressions that are “forward-looking statements.” Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with our expectations with respect to, but not limited to, our ability to implement our strategy successfully, the market acceptance of and demand for our products, our growth and expansion, the adequacy of our allowance for credit to franchisees, dealers and distributors, technological changes, volatility in income, cash flow projections and our exposure to market and operational risks. By their nature, certain of the market risk disclosures are only estimates and could be materially different from what may actually occur in the future. As a result, actual future gains, losses or impact on net income could materially differ from those that have been estimated.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to: general economic and political conditions in India and the other countries which have an impact on our business activities; inflation, unanticipated turbulence in interest rates, foreign exchange rates, the prices of raw material including gold and diamonds, or other rates or prices; changes in Indian and foreign laws and regulations, including tax and accounting regulations; and changes in competition and the pricing environment in India. The Company may, from time to time make additional written and oral forward-looking statements, including statements contained in the Company’s filings with SEBI and the Stock Exchanges and our reports to shareholders. The Company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the Company, to reflect events or circumstances after the date thereof.

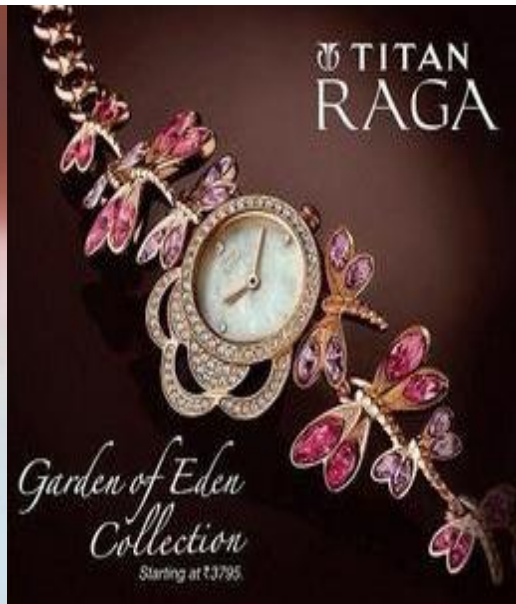
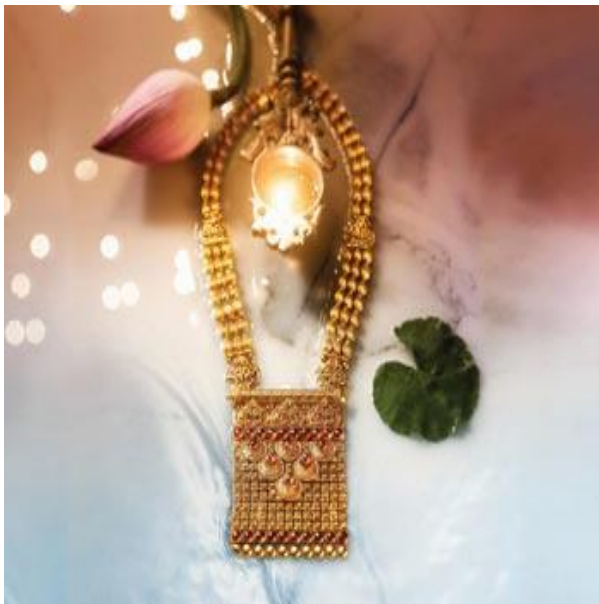
The Journey



Titan Today



Our Strengths



Design and Development

800+ New time products every year

reddot Award to 2 Edge watches

Differentiated Jewellery Collections

Customized lenses with 3D visual mapping

Manufacturing

12 Manufacturing and assembly facilities

State of the art Karigar Centres for Jewellery

Components exported to Swiss watch makers

3600+ employees engaged in factories

Brand Building

Sonata: India's largest selling watch brand

Fastrack: India's largest youth brand

Tanishq: India's leading Jewellery brand

Raga: Exclusive women's watch brand

Retail and Customer Service

Exceptional Customer Experience

Merchandising Effectiveness

Impactful Retail Identities

Engagement of store staff

Extensive After Sales Service network

Our Brands

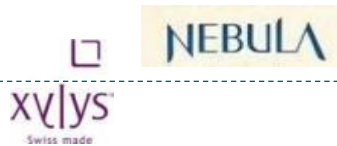


Luxury



ZOYA

Premium



TANISHQ

Mid Market



TITAN eyeplus



Mia



GLARES by TITAN



Mass Market



Our Exclusive Brand Outlets (EBO) Network



ZOYA (3)

Luxury

Premium

HELIOS (70)
THE WATCH STORE
By TITAN

π (253)

WORLD of TITAN (486)
THE EXCLUSIVE TITAN SHOWROOM

TANISHQ

TITAN eyeplus

Mid Market

Watch Care Centres (730)
fastrack (166)

Mia (36)
CARAT LANE (36)

(500)

1,480 Exclusive Stores

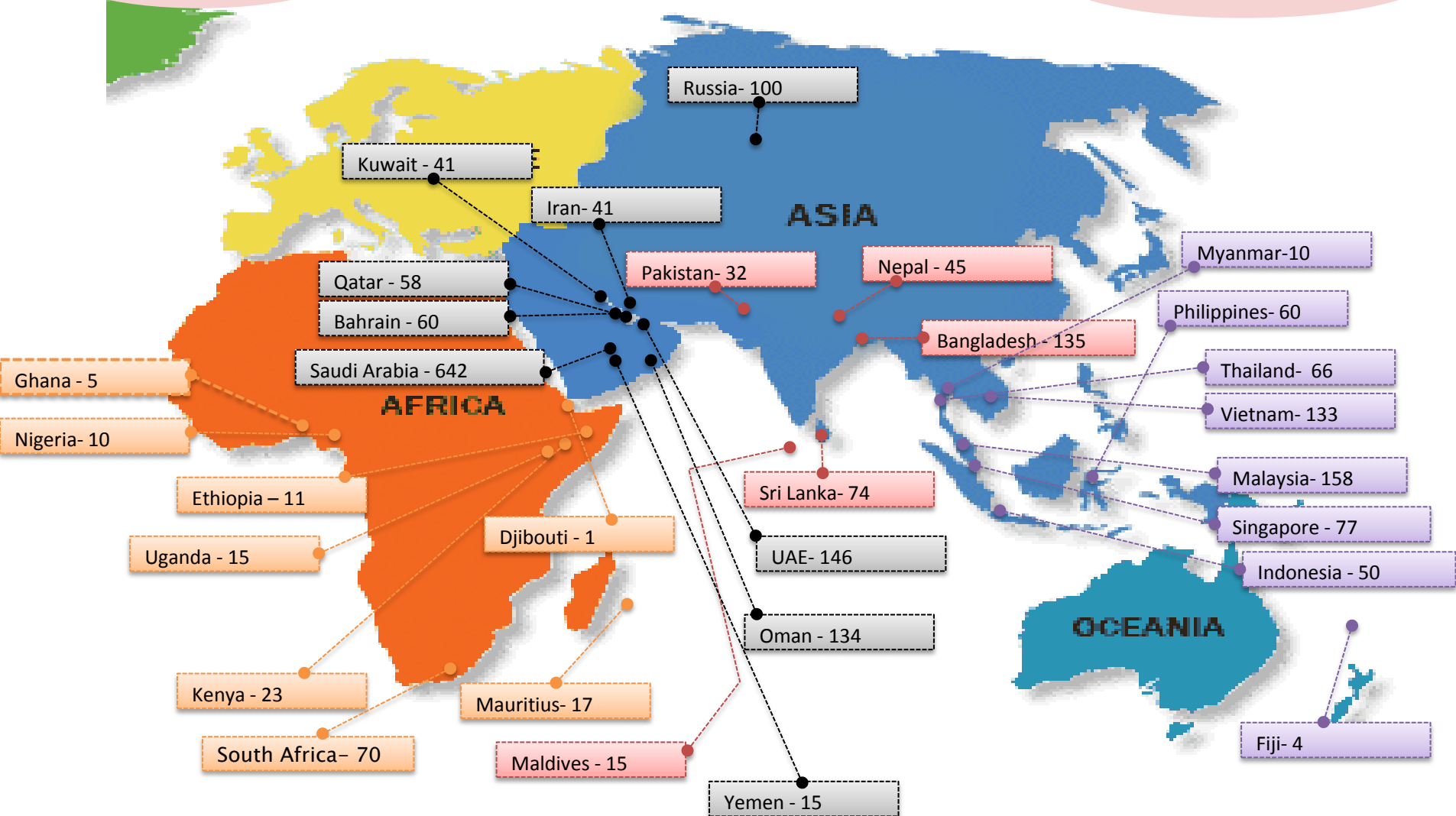
276 Towns

Over 1.9 mn sq ft of retail space

International Presence

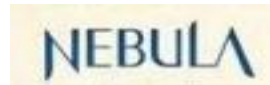
33 Countries

2,264 Outlets



*Titan Watches are now available in USA through ecommerce partners

Watches



Brands

6 major in-house brands & 6 licensed brands

Manufacturing

6, state of the art, watch and component manufacturing/assembly plants

Points of Sale

EBO: World of Titan, Fastrack Stores

OWN MBO: Helios

MBO: present across 11k+ dealers/ MBOs

LFS: Large format departmental stores

ECOM: www.titan.co.in and market places

EXPORTS: 2,264 pos in 33 countries

Customer Service

Largest network of exclusive service centers

730 watch care centers in 277 towns

Sophisticated Design & Development

Core strength: Industrial, Retail and Graphic design

Numerous international award-winning designs



Multipiece Case Construction

Watches



Raga: Inspired by the modern woman who transcends roles with poise and elan



Sonata Super Fibre: For the young and active



Fastrack: For those who wear their attitude on their wrist

Edge : the slimmest watch in the universe - a mere 3.5mm



Fastrack Reflex Activity Tracker Band: Geared up for Action



Nebula: A collection of watches crafted from solid gold

Titan We: Smarter. By far.



Zoop: for the imaginative, talented and energetic child of today



Xyllys: Swiss made watches, Crafted for Connoisseurs

Watches Manufacturing



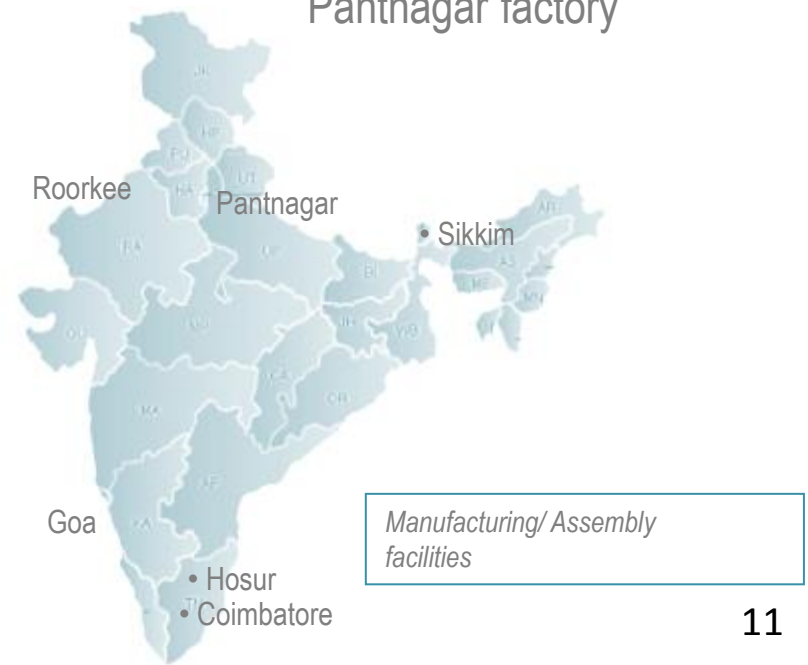
Watch factory, Hosur



Pantnagar factory



Watch Assembly





WORLD OF TITAN

486 showrooms (Net 12 additions in FY'18)

224 towns – 411k sft



FASTRACK STORES

166 showrooms (Net 11 additions in FY '18)

83 towns – 92k sft



HELIOS STORES

70 showrooms (Net 21 additions in FY '18)

33 towns – 67k sft



The advertisement features a central text area with a white background. To the left, a pink watch with a multi-strand pink leather strap is shown above its reflection. To the right, a blue watch with a multi-strand blue leather strap is shown. Below the watch images are two watch boxes: one pink and one light blue with a red geometric pattern. The text 'TITAN RAGA' is centered in a serif font, with 'Valentine's Collection 2018' below it in a smaller serif font, and 'Twirling Love Tales' at the bottom in a red script font.

TITAN
RAGA

Valentine's Collection 2018

Twirling Love Tales



SONATA

—  —

**WEDDING
COLLECTION**

—  —



Mia



CARAT LANE

ZOYA



Brands

TANISHQ: flagship brand

ZOYA: luxury segment play

MIA: Tanishq sub-brand for work wear jewellery

CARATLANE: a Tanishq partnership, ecommerce brand

Manufacturing

Studded jewellery manufactures mostly in-house

Plain gold jewellery mostly outsourced

4 manufacturing facilities

4 state of the art karigar centers: Industry best practice

Points of Sale

Largest jewellery retailer in the country

Jewellery sales through EBO and ecommerce


EBO: Tanishq, Mia, Caratlane

Ecommerce: www.titan.co.in and www.caratlane.com

Design Excellence

Key product differentiator

Capability for in-house design of many collections


TANISHQ
 HUM
 HAR SHAADI
 — KE LIYE —
 TAYAAR HAIN!



Mia
by TANISHQ

As beautiful
as your work.



CARATLANE.COM
India's Trusted Online Jeweller

Diamond and Gemstone
Jewellery

View Collection

Dream Diamond Weddings
ZOYA
THE EXQUISITE DIAMOND BOUTIQUE
FROM THE HOUSE OF
TANISHQ



*Inspired by life. Crafted with passion. Affixed with joy. And designed for eternal love.
In this exquisite new wedding collection, Zoya gives the Indian bride all the radiance she needs to
celebrate the beginning of a wonderful journey, with spectacular diamonds in both
classic and contemporary designs.*



106, NIPUNESHA ROAD AND WARDEN ROAD JUNCTION, OFF AT STEPHENS CHURCH,
MUMBAI - 40 00 02 (WEST) AND 400 00 02 (EAST) FOR FURTHER DETAILS.
www.zoyajewellery.com

Jewellery

Karigar Center, Hosur





Tanishq Stores

256 showrooms (Including 3 Zoya stores)

Net 45 Tanishq stores and 1 Zoya store added in FY'18, including 22 erstwhile Gold Plus stores (138k sft added in FY'18)

159 towns – 101k sft



Mia Stores

36 stores across 15 cities (~9k sq ft)



Carat Lane Stores

36 showrooms across 13 towns (~24k sq ft)



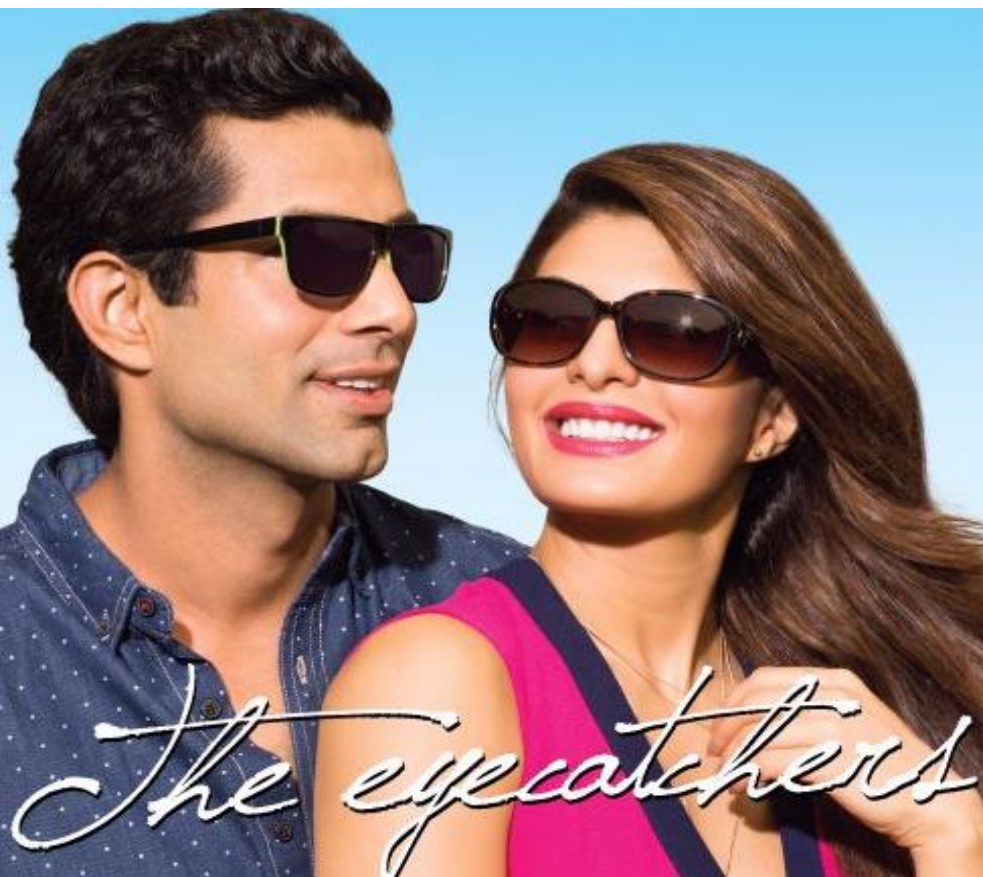
TANISHQ
A TATA PRODUCT

EXCHANGE
AND GET
100%
VALUE FOR
YOUR OLD
GOLD.

TITAN
eyeplus


fastrack

GLARES
by TITAN



Brands

TITAN EYE PLUS: Retail brand

TITAN: main in-house frames and lenses brand

FASTRACK and GLARES: in-house sunglasses brand

LICENSED BRANDS: for frames and lenses

Manufacturing

State of the art lens lab in Chikkaballapur

Satellite lens labs in major cities to improve turn around time

Frame manufacturing facility to commence operations soon

Points of Sale

TITAN EYE PLUS: India's largest optical retail chain
Sunglasses sales through departmental store kiosks and MBO format also

Differentiators

Zero-error testing

Vision check online

Remote eye testing at stores

Tie-up with Sankar Nethralaya for training of store staff and optometrists

Eye Wear



Frames

In-house Brands



Sunglasses

In-house Brands



Lens Labs



fasttrack

SUNGLASSES



SUNBLOCKS COLLECTION



move on



Titan Eye Plus Stores

500 showrooms (Net 52 additions in FY'18)

218 towns – 331k sft

Fragrance

SKINN™
by TITAN

#BornFrench



Brands

SKINN by Titan

Fine French perfumes at very attractive price points
Entry into body mist category in FY 18- Skinn Kissed

Manufacturing

Manufactured in France by celebrated perfumers, and distilled from the finest ingredients
Bottled in France and India

Points of Sale

Sold through World of Titan Channel, key departmental store chains and Ecommerce
One of the highest selling perfumes in all departmental stores
Plans to strengthen the distribution further in the coming year
Packaging innovations for trial and gifting

Differentiators

Exceptional fragrances at a very attractive price point
Similar products from international competition at very high price points
Domestic branded competition almost non-existent

Q4 Performance

Financial statements

Exceptional/one off items

- Provision for impairment for investments in Favre Leuba made for Rs 75 crores – triggered by slower than expected take off

Change in disclosure

- Gold on loan now separately disclosed on the face of the Balance Sheet. Previously they were included in Trade Payables.
- Commission to management agencies (L2) was previously netted off from Sales but is now being shown separately under Selling and Distribution expenses. Revenues are higher by Rs 302 cr for the year and previous year numbers (Rs 244 cr) have also been reclassified

Q4 Background

- The Company had one more good quarter with a good top line and an even better bottom line thanks to excellent performance by the jewellery and watch divisions.
- While top line growth is only close to 11%, it is muted to some extent in the Watches and Eyewear business as the erstwhile excise duty equivalent also gets subsumed in the revenue component
- PBT for FY 18 has grown 47% despite an ex-gratia provision for bonus to employees amounting to Rs 30 cr.
- Watches did very well despite the lack of an activation this quarter and Jewellery division's studded activation was a success, helping the company achieve higher gross margins
- The company's focus on cost control continues and has also contributed to higher EBIT margins.
- PBT margin at the company level is at a high of 11.1% for the quarter
- Tax rates are generally in line with the effective tax rate of the previous year.
- GST transition has been smooth and, other than for a temporary impact on the sunglasses business, has had a positive impact on business. However it increased the working capital by more than Rs 250 cr including GST refund claim of Rs 60 cr in northern units.
- The company also announced an ambition of Rs 50,000 cr top line (customer price) by 2022-23. The work on how to achieve this is being undertaken now.
- The Company added 114 stores with a retail space of 122k square feet in FY'18, on net basis
- The Board of Directors, in its meeting held on 10th May 2018, has proposed a dividend of Rs 3.75 per equity share

Q4 Background

Jewellery

- Jewellery had good sales growth in Q4 FY'18 on the back of a very successful diamond jewellery activation as well as resounding reception to the revised gold exchange policy launched in March 2018 which is now even more attractive to customers
- The retail growth for the quarter of 19% for overall Jewellery division was therefore all the more satisfying and was in line with our expectations.
- Good gross margins and operating leverage resulted in the strong EBIT growth of 60% YoY.
- The division had laid out a strategy for growing to 2.5x of the FY'17 revenues, over 5 years on the back of strong play in wedding Jewellery segments, high value diamond studded Jewellery, market share gain in key markets with low market share, expansion of Golden Harvest Scheme and network expansion. FY'18 was the first year in the 2.5x journey and all the levers for growth have yielded excellent results.
- Jewellery division has extended its plan by one more year, along with an increase in targeted revenue and has set itself an aspiration of achieving 2.5x revenue growth, in next 5 years, over FY'18 revenues.
- 45 Tanishq (net) and 1 Zoya stores added in FY'18, including conversion of 20 Gold Plus stores to date, adding 137k square feet to Tanishq retail.

Q4 Background

Watches

- FY'18 saw the resurgence in Watch sales on the back of recrafting of the strategy. Q4'18 growth was muted as this quarter did not have the benefit of Fastrack activation, compared to last year. We also undertook a consolidation of Redistribution stockists (one of the cost optimization measures identified) during the month of March, and that affected sales in the month too.
- The division launched a number of collections in Q4'18. Raga Twirl and Ladies Purple Valentine's collections were launched under the Titan umbrella while Varsity, Trendies and Valentines tees collections were launched under the Fastrack brand.
- FY'18 witnessed significant growth in E-commerce channel. Our brands were the fastest selling brands in the department stores (Large Format Stores). Sales growth of licensed brands was also very strong.
- The division added 12 WOTs, 11 Fastrack and 21 Helios stores adding upto 14,000 sq feet in FY'18.
- The division has embarked on an exciting tech enhanced product journey and a plethora of products are likely to be launched in this space in the coming financial year.

Eye Wear

- The Titan Eye Plus Business had overall and like-to-like retail growth of 10% and 1% respectively.
- The reported revenue was flat on account of excise component absorbed in reported revenue on account of GST implementation. The Sunglasses business declined by 16% in Q4 as it has a very high component of distribution and the distributors/dealers continue to remain vary about stocking this category despite the reduction in the GST rate to 18% from 28%
- GLASS LENS have been Introduced for the First time under brand Fastrack.
- Omni Channel : Caratlane has helped the division set up an endless Aisle and Ship from Store orders
- 52 stores measuring 37k sft were added in FY'18.

Q4 Background - Subsidiaries

TEAL

- The quarter was an outstanding one for the division with revenues of Rs 117 cr being booked
- TEAL posted its highest ever revenues in FY 17-18 and also expanded its gross margin quite significantly, resulting in better profitability for the division
- The automation business grew by 22% but the Aerospace and Defence business declined as compared to previous year on account of significant delay in offtake by one of its largest customers facing technical difficulties in their latest product

Caratlane

- Caratlane's revenue growth has been robust - over 60% for the year
- The losses for the year were also higher on account of investments in brand building and retail network expansion
- Caratlane added 22 stores to its network, in FY 17-18, taking the total store count to 36

Favre Leuba

- The reviews for the products launched have been very good.
- The Raider Bivouac 9000 won the Watchstars New Star award for the best new watch in 2018
- The major markets where the brand has been launched are Switzerland, Japan, Middle East, India and Hong Kong/Taiwan
- The Company has invested adequately in marketing and advertising and will continue to do so to sustain its standing in the intensifying competition among Swiss brands
- However due to a difficult business environment and the time it takes to re-establish a brand, the revenues of Favre Leuba have been well below expectations which triggered the impairment in the financials of Titan Company Ltd

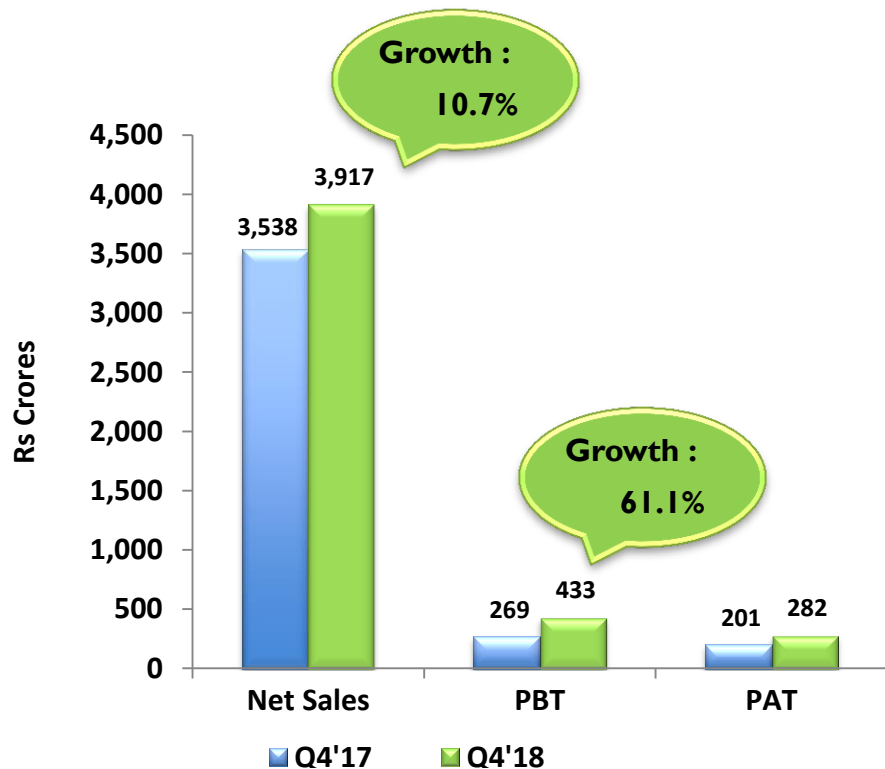
Q4 FY '18 Retail Growth

	<u>Sales value growth</u>	<u>Like to like growth</u>
World of Titan	(3)%	(4)%
Tanishq	19%	17%
Helios	32%	5%
Fastrack	1%	(6)%
LFS	14%	11%
Titan Eye+	10%	1%

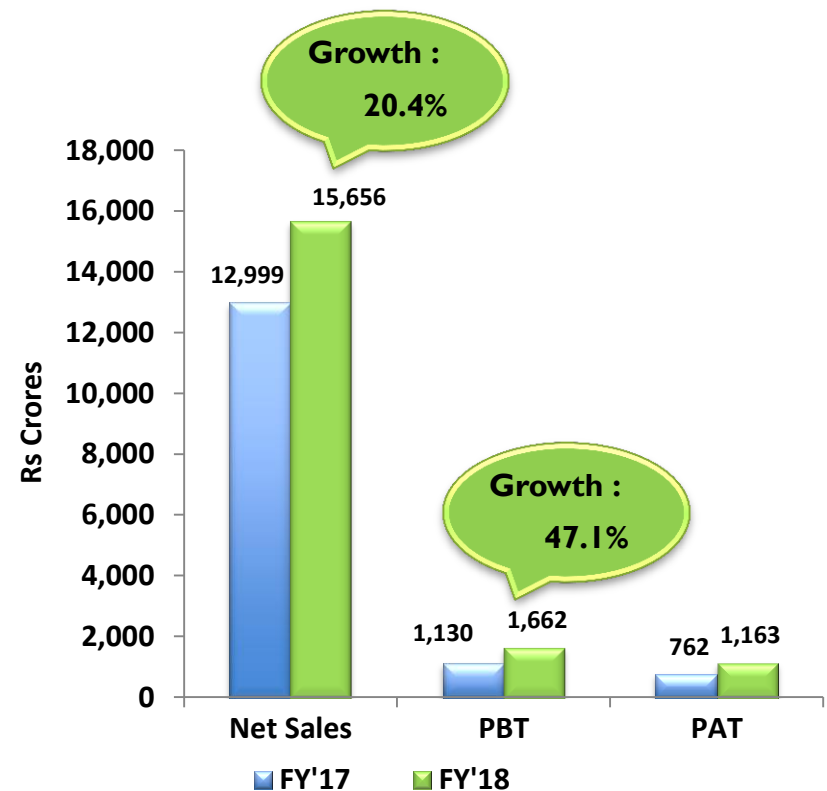
Note – Retail growth is based on sales to consumers in the retail channel only and is at price to consumer whereas revenue recorded in financials is based on primary billing to L3 and trade channels and after netting payouts to channel partners

Company Performance Q4 '18- Standalone

Q4 '18

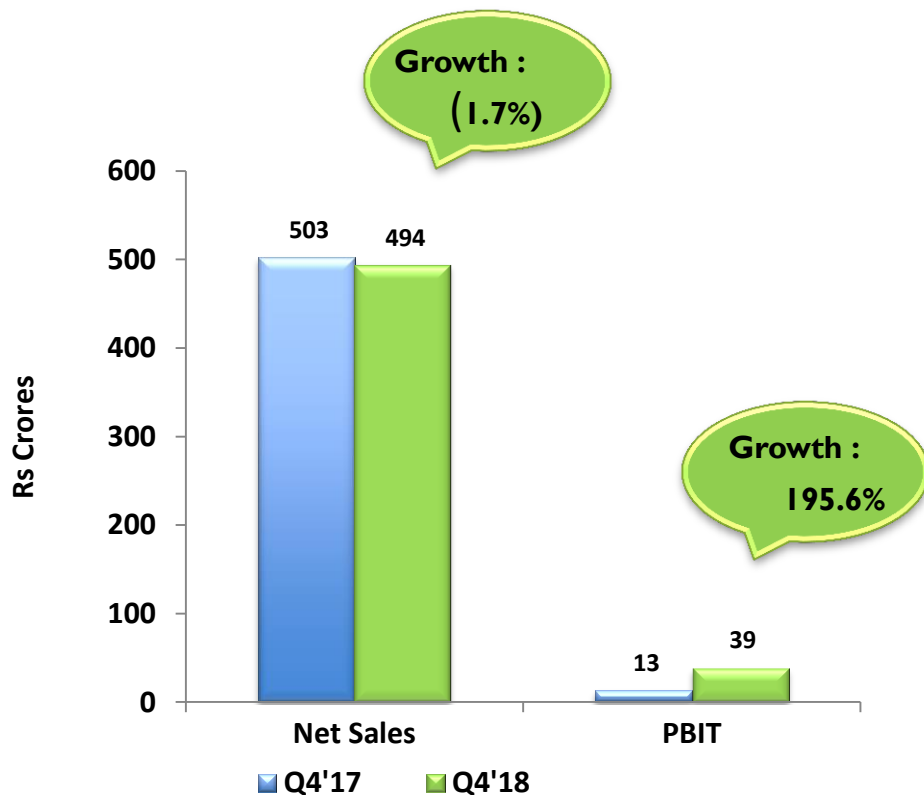


FY '18

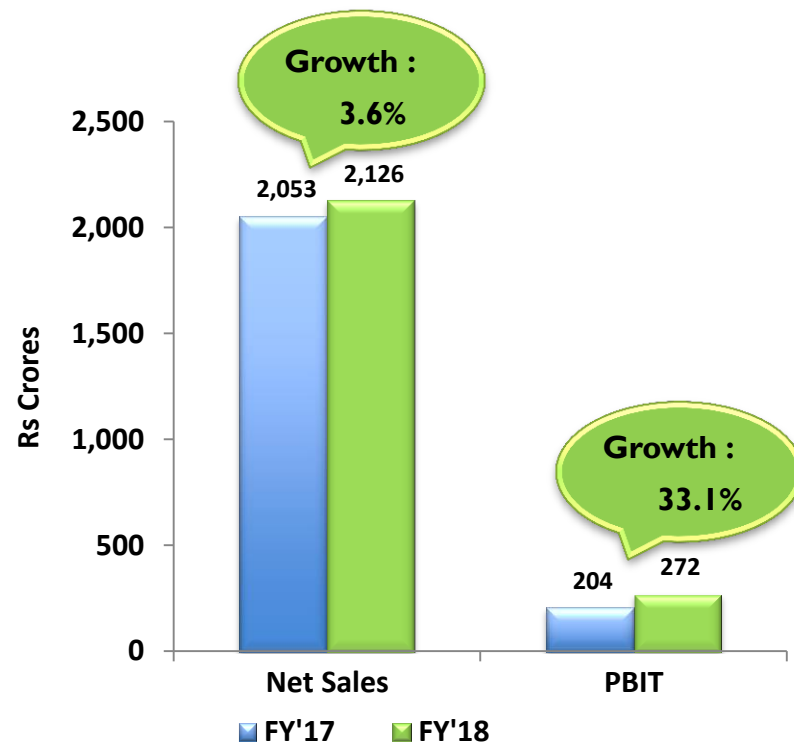


- While revenue grew by 10.7% in Q4'18, the profits grew by 61% on account of gross margin improvement (better product mix as well as a very successful diamond activation in Q4'18) combined with operating leverage.
- PBT above is before considering exceptional items of Rs.81 cr for Q4'18 (VRS – Rs.6 cr, Impairment of investments in Favre Leuba A G - Rs.75 Cr) and Rs.2 cr for Q4'17. For FY'18 exceptional items were Rs.92 cr as against Rs.96 cr for FY'17.
- PBT Margin for Q4'18 showed a healthy improvement to 11.1% from 7.6% in Q4'17.

Q4 '18

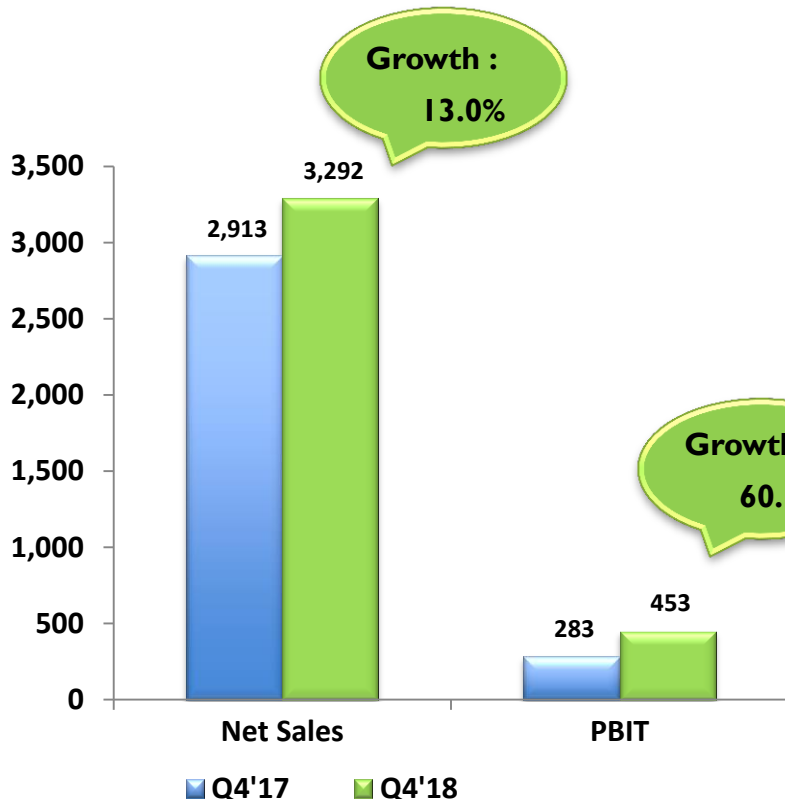


FY '18

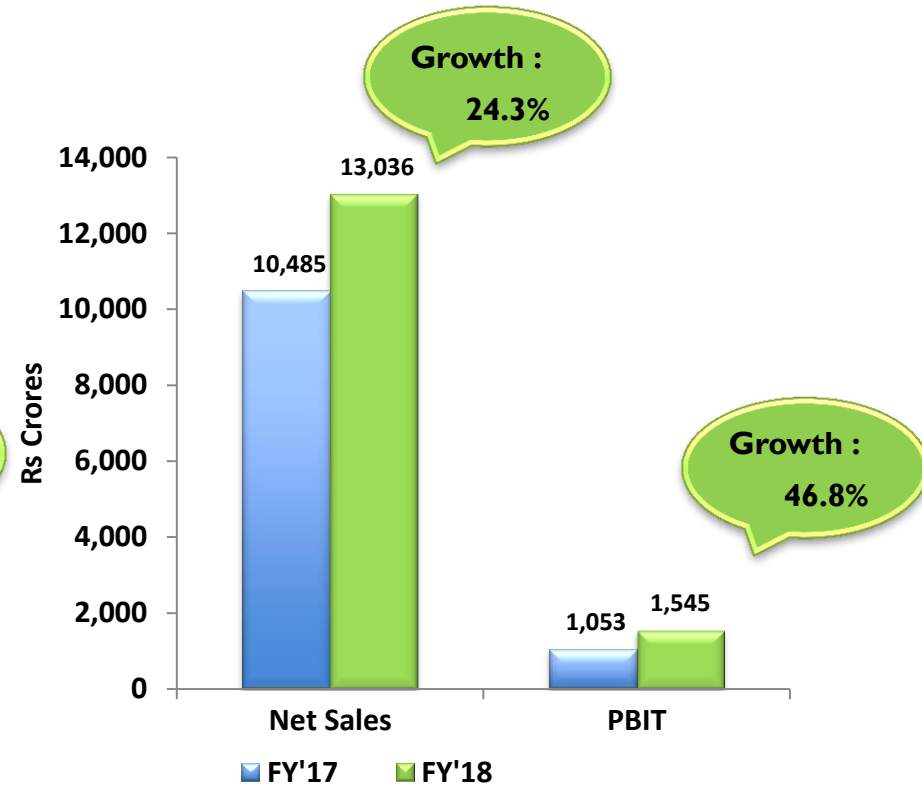


- Muted revenue growth in Q4'18 due to absence of Fastrack activation and one time impact of RS channel consolidation.
- Post adjustment of Excise Duty benefits in Previous Year, the growth would be 1% for Q4'18 and 7% for FY'18.
- PBIT above is before the impact of VRS of Rs.4 cr for Q4 FY'18 as against Rs.1 cr in Q4 FY'17 and Rs.14 cr for FY'18 as against Rs.66 cr for FY'17.
- PBIT margin of 12.8% for FY'18 is on the back of strong revenue growth, gross margin improvement and control on costs

Q4 '18

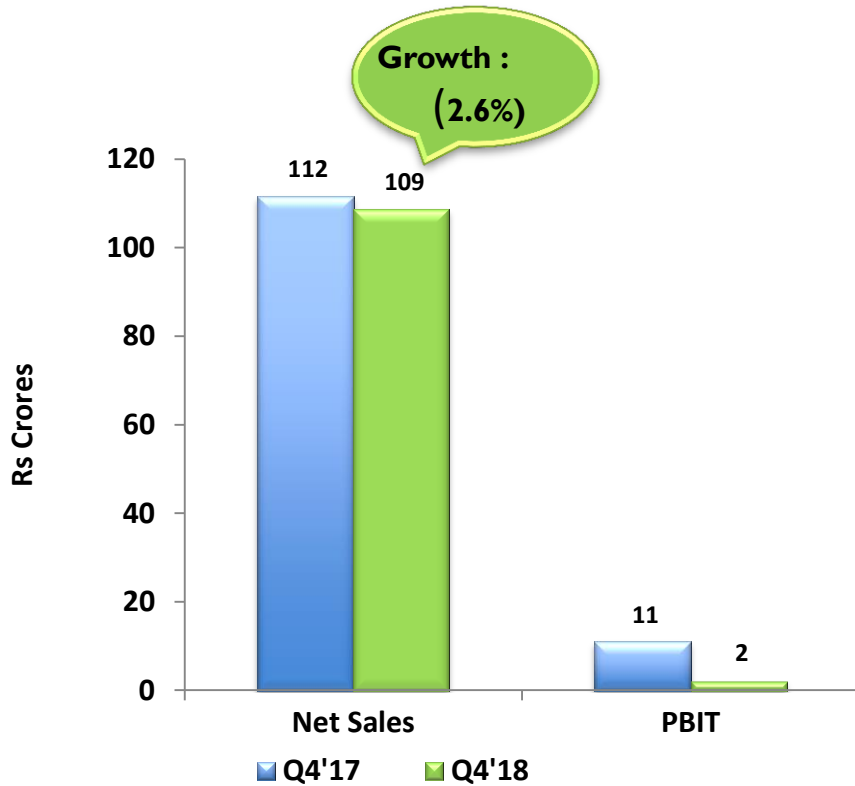


FY '18

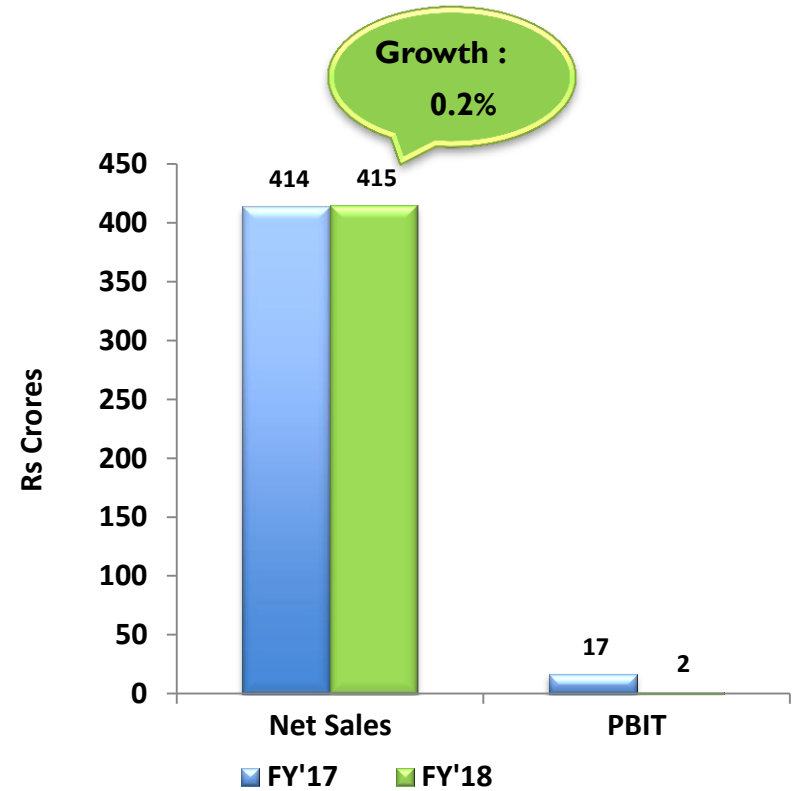


- Grammage growth is 6% for Q4 and 23% for FY'18.
- Improvement in plain gold jewellery product mix, high studded ratio (36% in Q4 FY' 18 as compared to 34% in Q4 FY' 17) and hedging gain of Rs 18 cr resulted in gross margin and profitability expansion
- PBIT above is before the impact of VRS of Rs.2 cr for Q4 FY'18 as against Rs.1 cr in Q4'17 and Rs.3 cr for FY'18 as against Rs.14 cr for FY'17

Q4'18



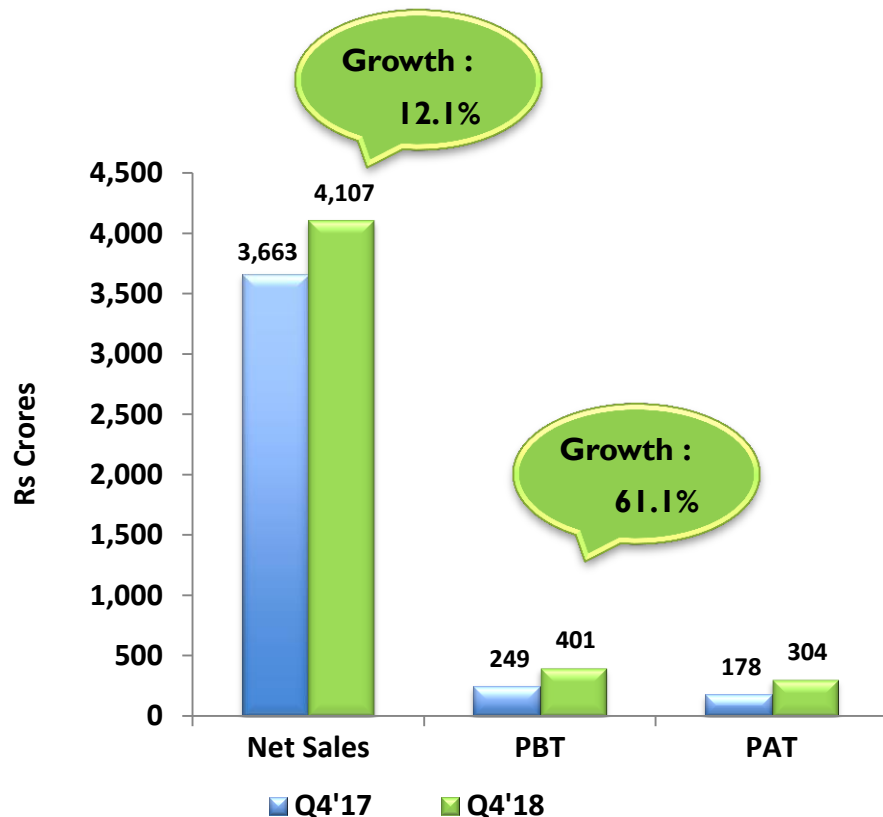
FY'18



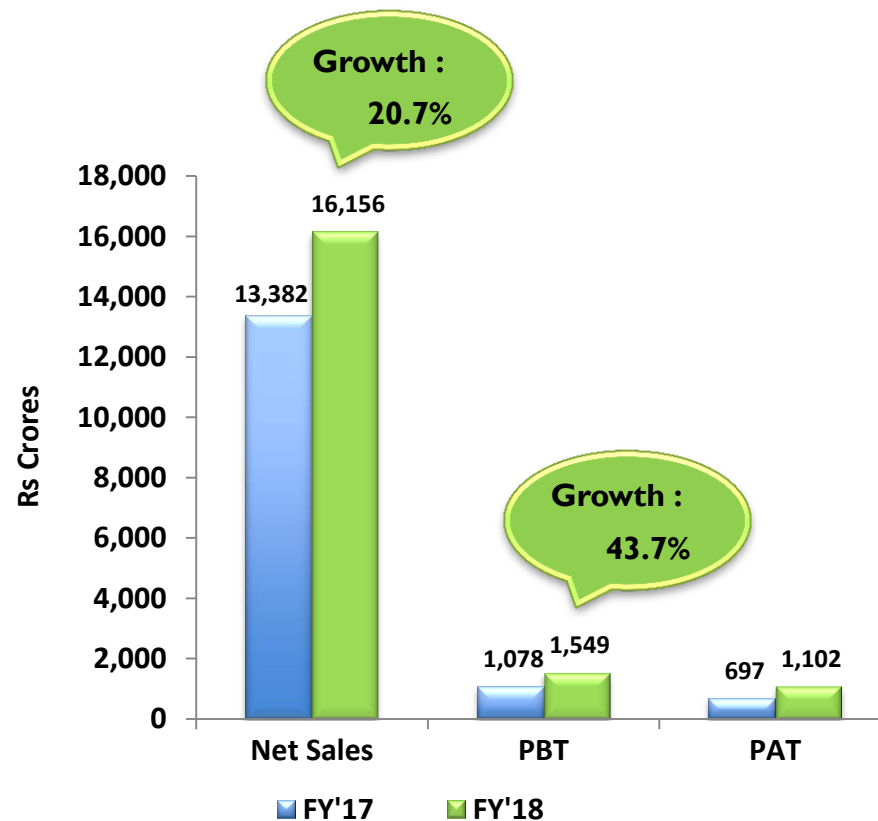
- Flat top line only because of Sunglasses business that declined by 16% for the quarter – effect of GST continuing
- PBIT above is before VRS for the division of Rs.4 cr for FY'17

Company Performance - Consolidated

Q4 '18

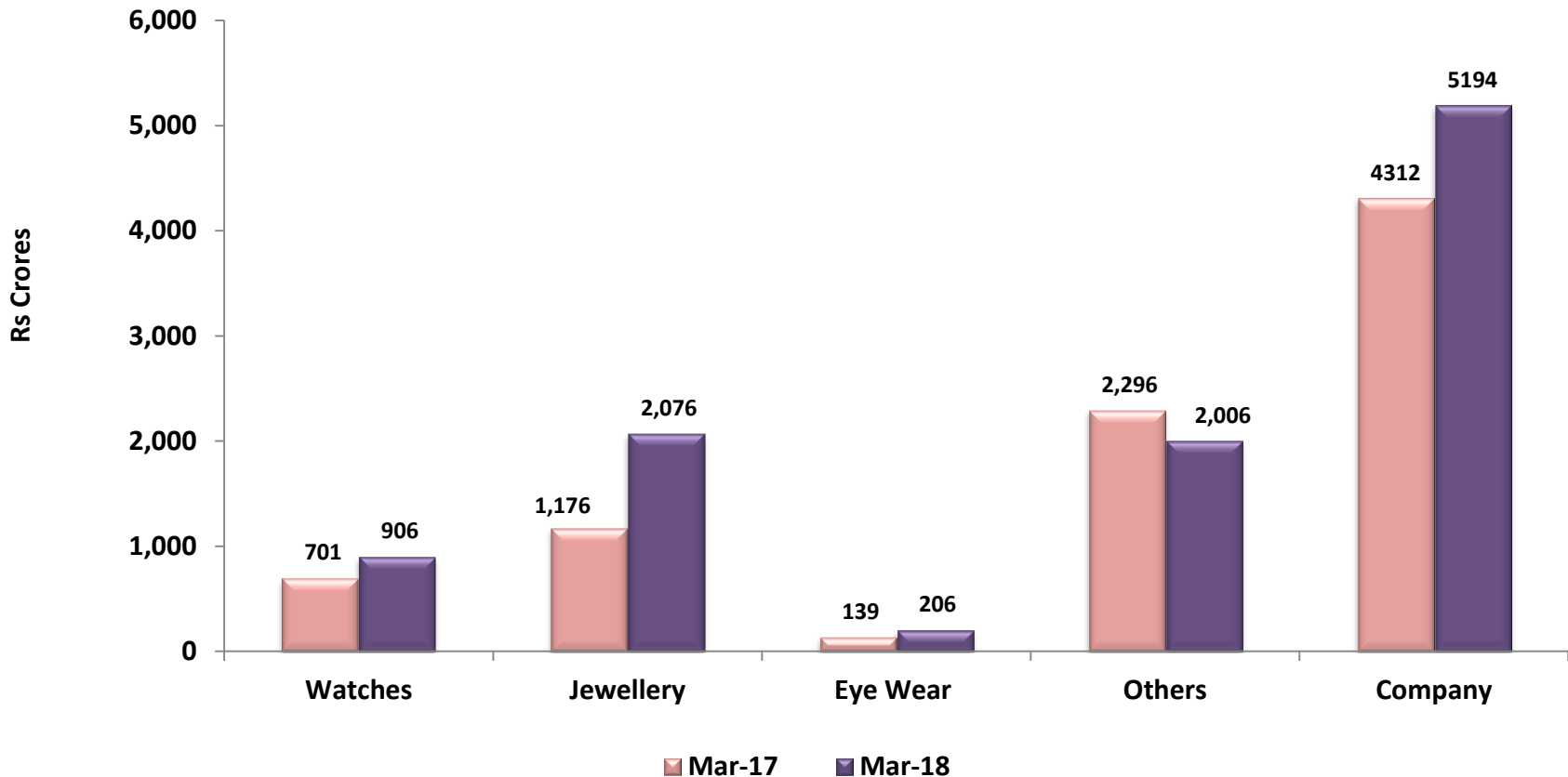


FY '18



- Growth in revenues in Caratlane continues to be good and TEAL also showed very strong growth in FY'18.
- PBT figures are before VRS cost of Rs.16.6 cr for FY'18 and Rs.102.7 cr for FY'17.

Capital Employed

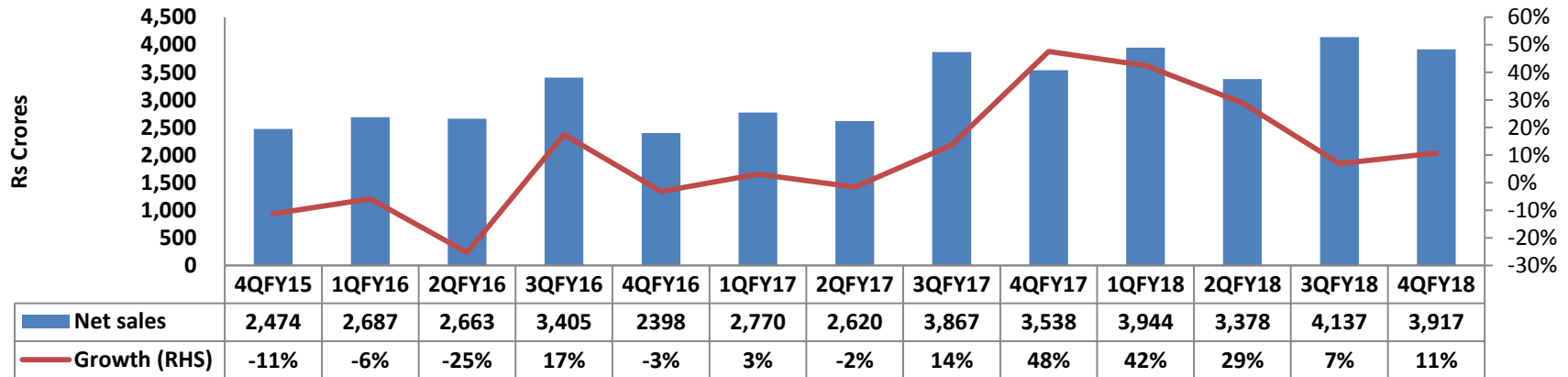


- Jewellery (and hence Company) capital employed increased due to the increase in inventory without a corresponding increase in Gold on loan with the significant increase in the gold purchased through exchange programs. Gold on loan contributes about 40% of gold purchased. We expect gold purchased under exchange programme to stabilise at this level and therefore cash generation to improve significantly in the coming years.
- Inventory turns maintained at previous year levels despite higher inventory levels

Quarterly Performance Trends

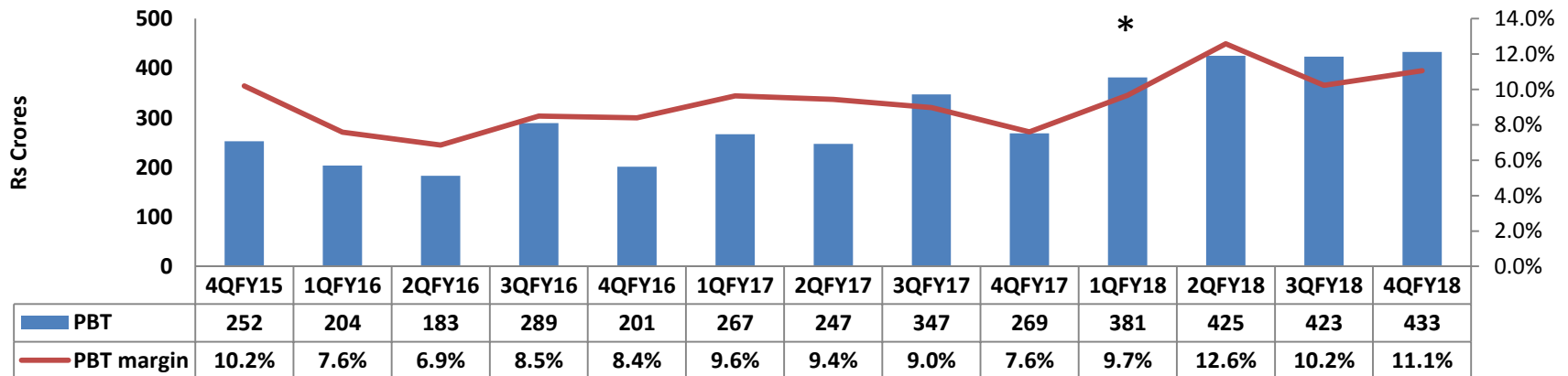
Company: Net Income

*



Company: PBT & Margin

*

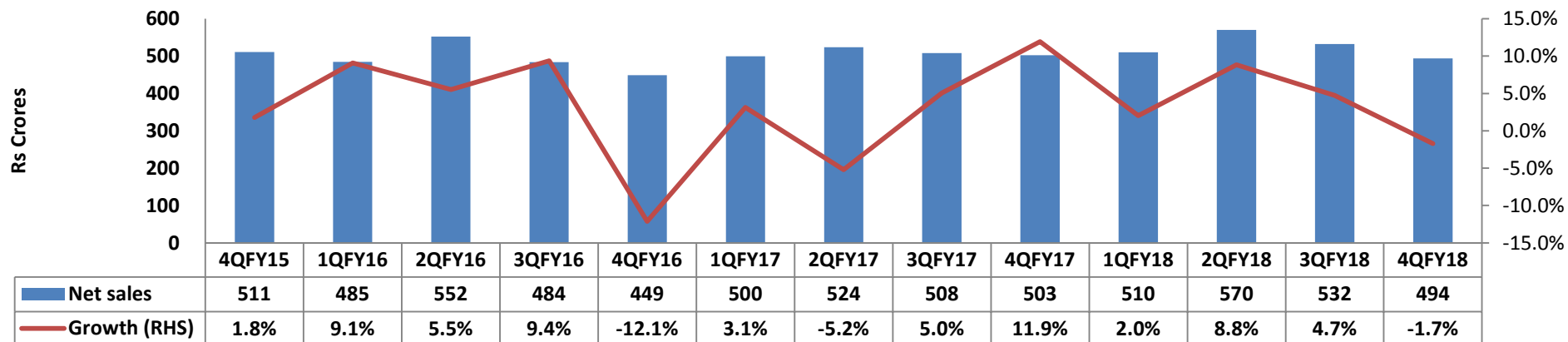


- Financials of the Company do not include PED from Q1, FY '18 onwards due to its demerger into TEAL
- Income of Q4 FY 18 and Q4FY 17 has been restated due to change in accounting of management agent commission

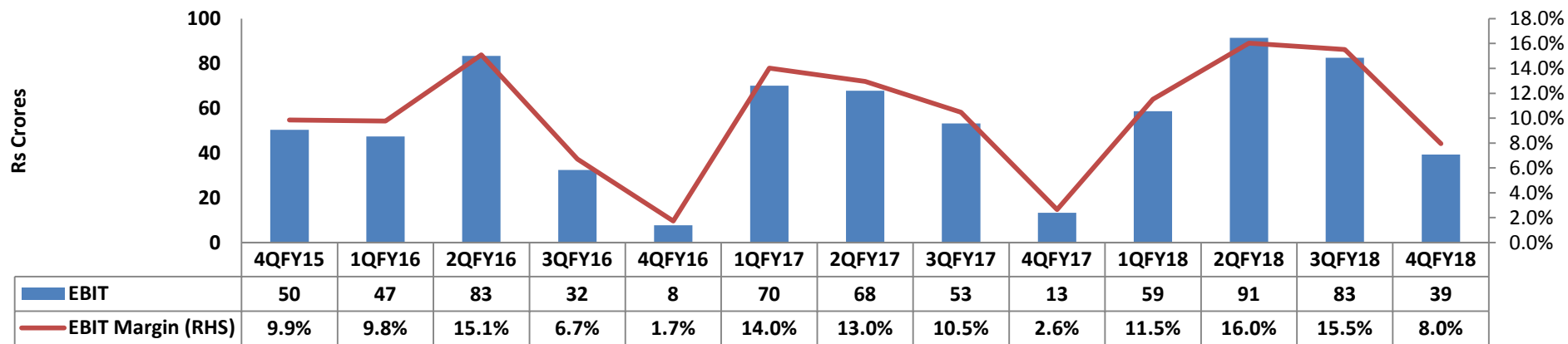
Quarterly Performance Trends



Watches: Net Income



Watches: EBIT & Margin

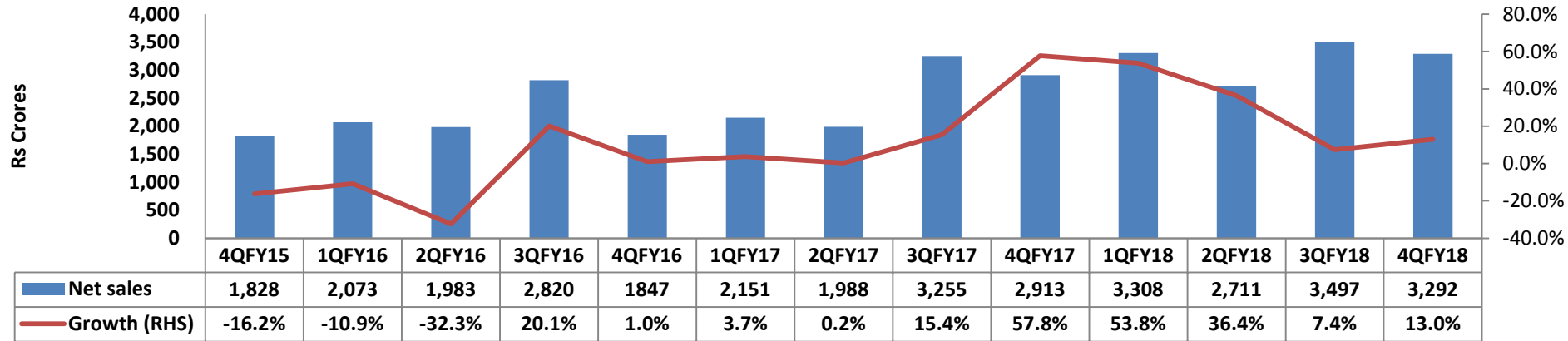


- Income of Q4 FY 18 and Q4FY 17 has been restated due to change in accounting of management agent commission

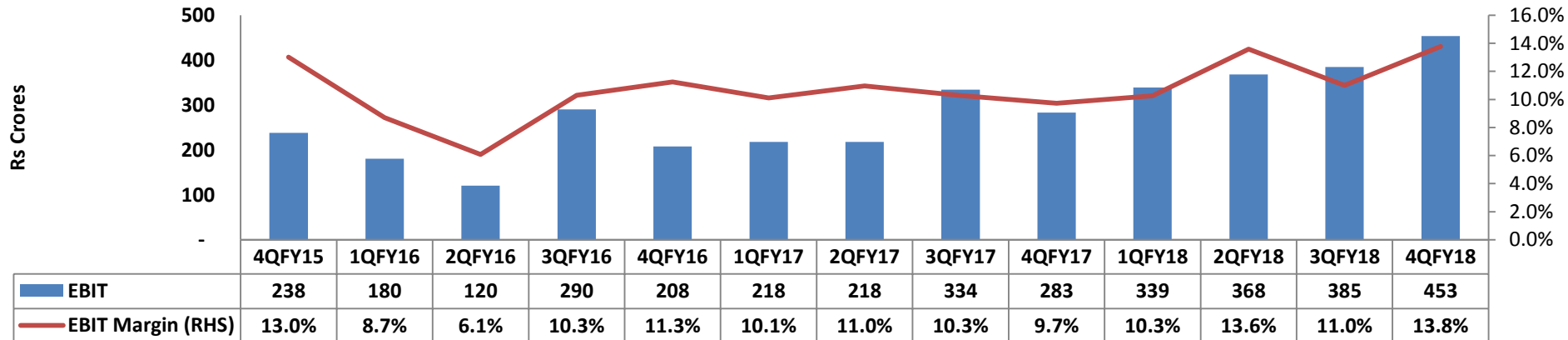
Quarterly Performance Trends



Jewellery: Net Income



Jewellery: EBIT & Margin

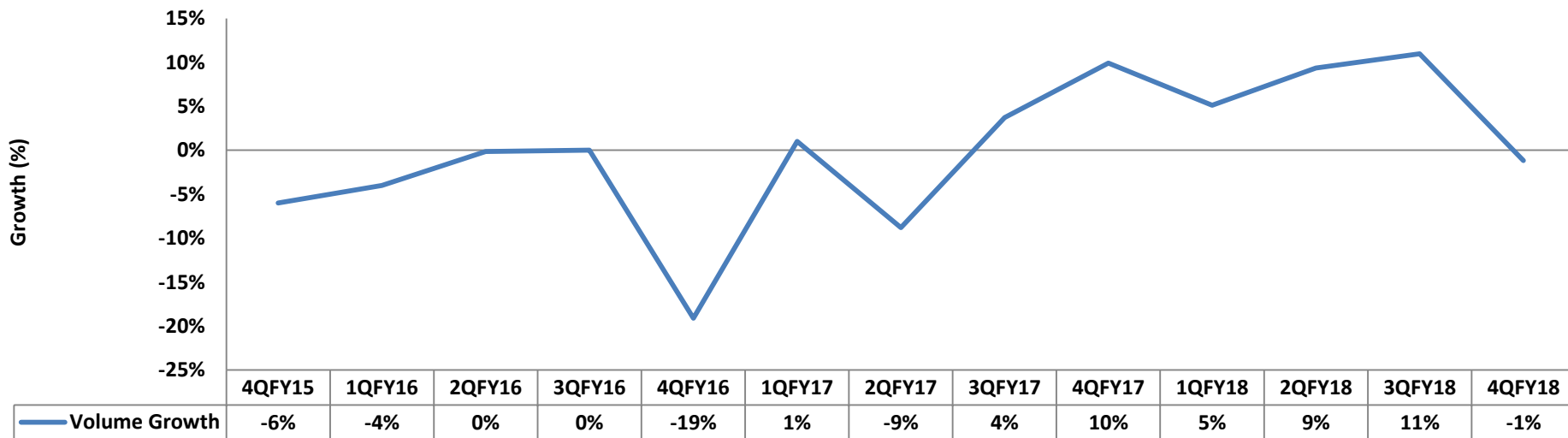


- Income of Q4 FY 18 and Q4FY 17 has been restated due to change in accounting of management agent commission

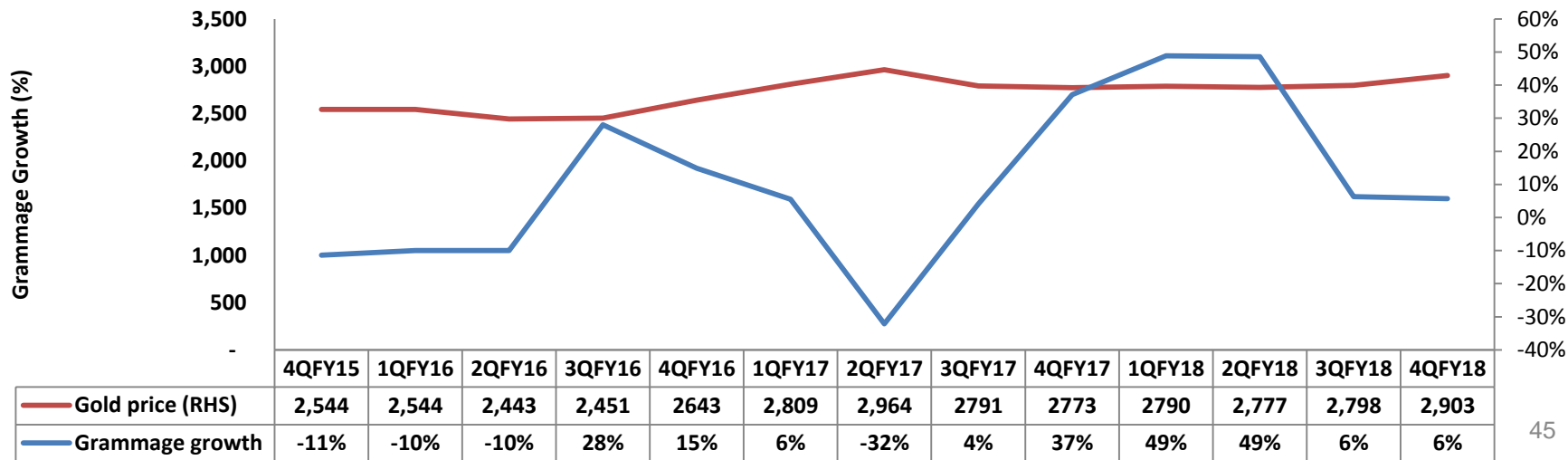
Quarterly Performance Trends



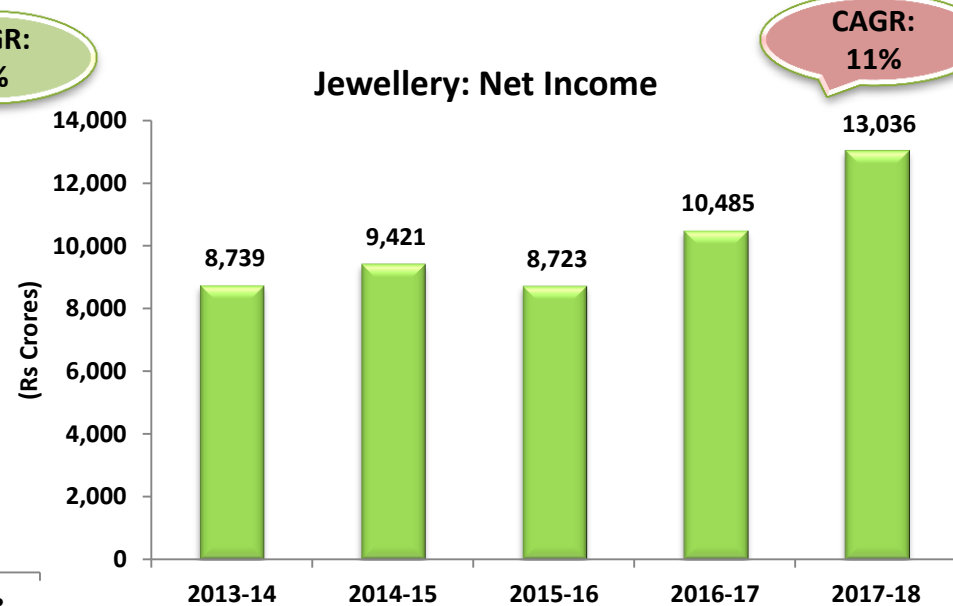
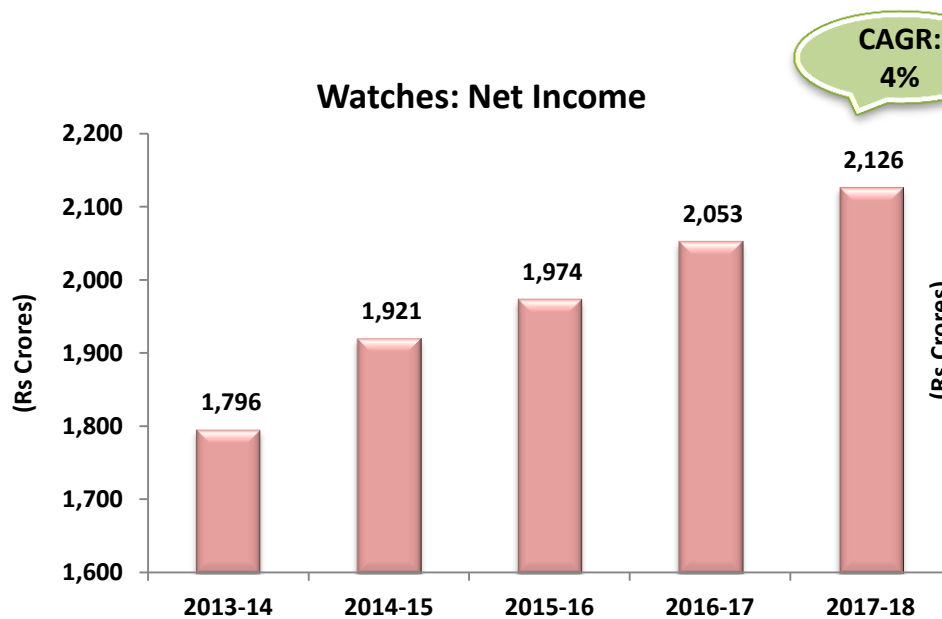
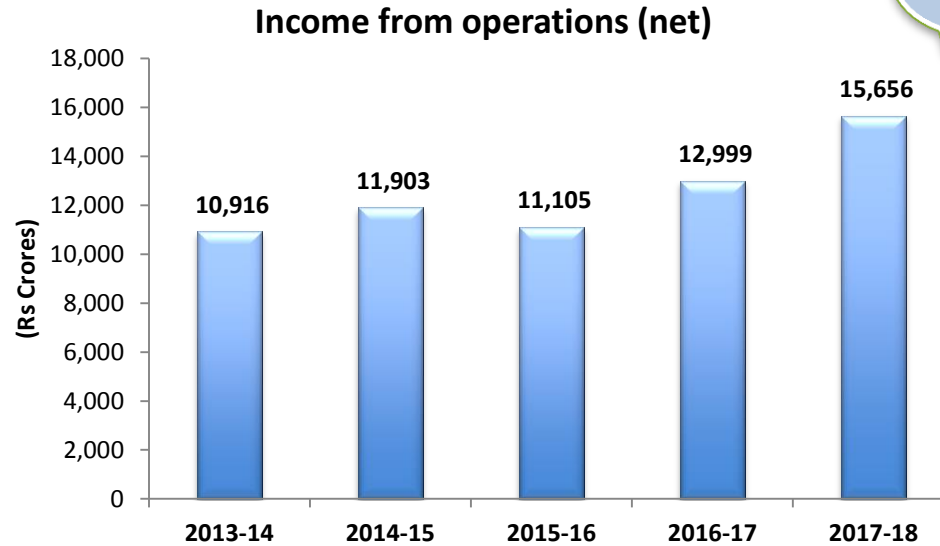
Watches: Volume growth



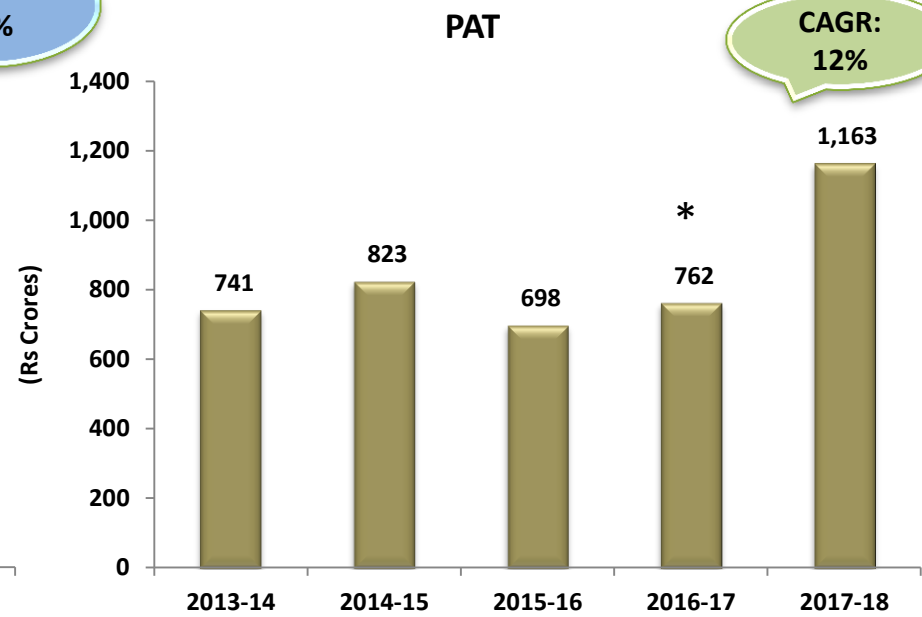
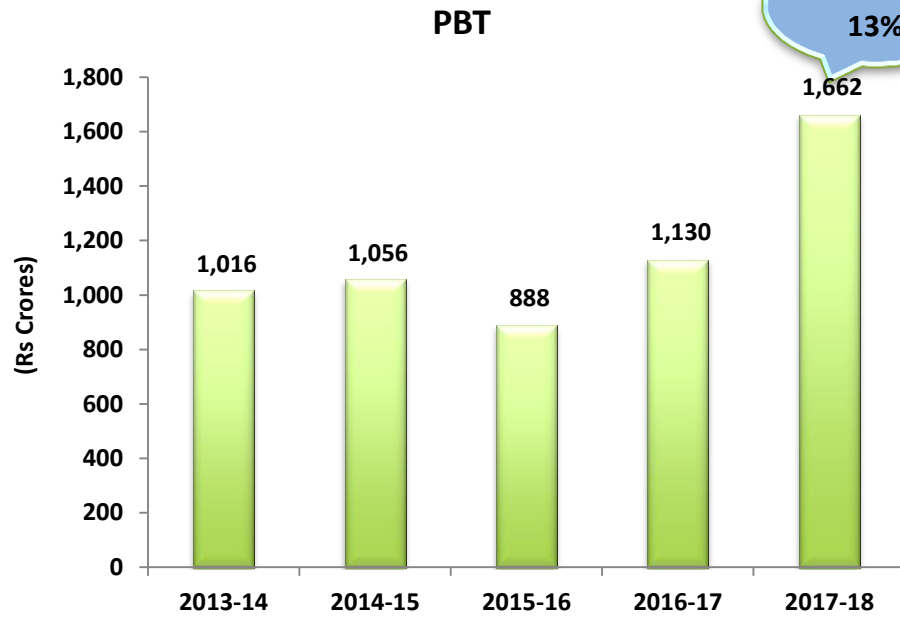
Jewellery: Gold price (22kt) and Grammage growth



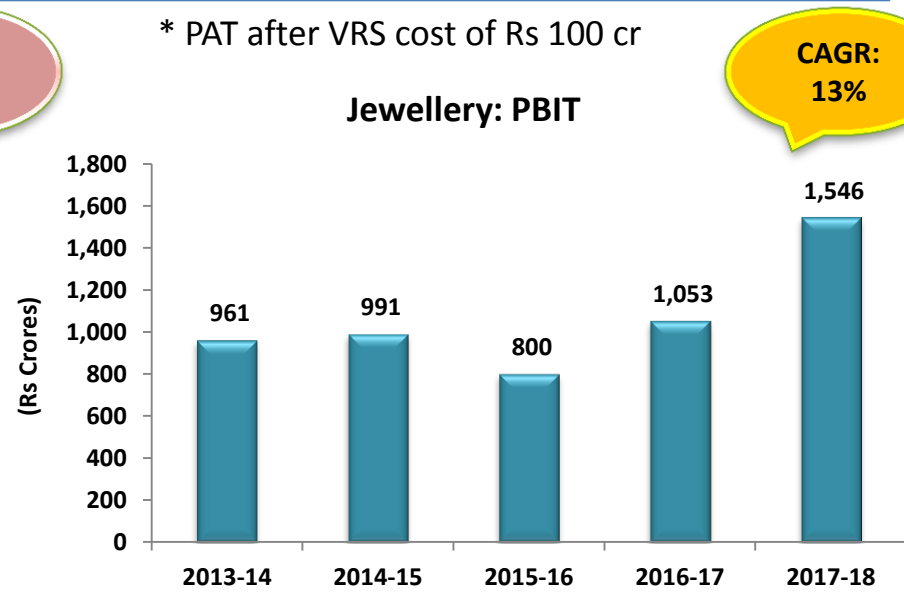
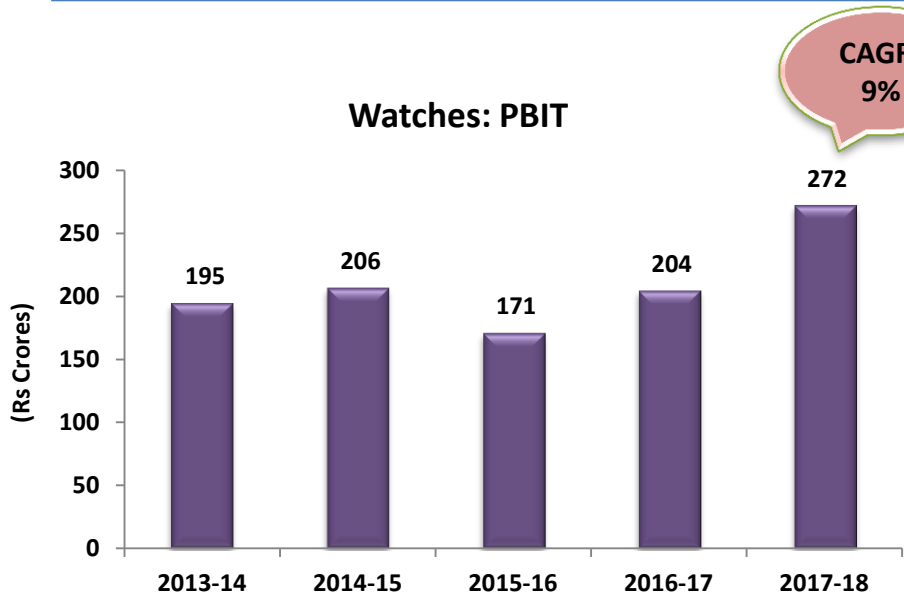
Annual Performance Trends



Annual Performance Trends

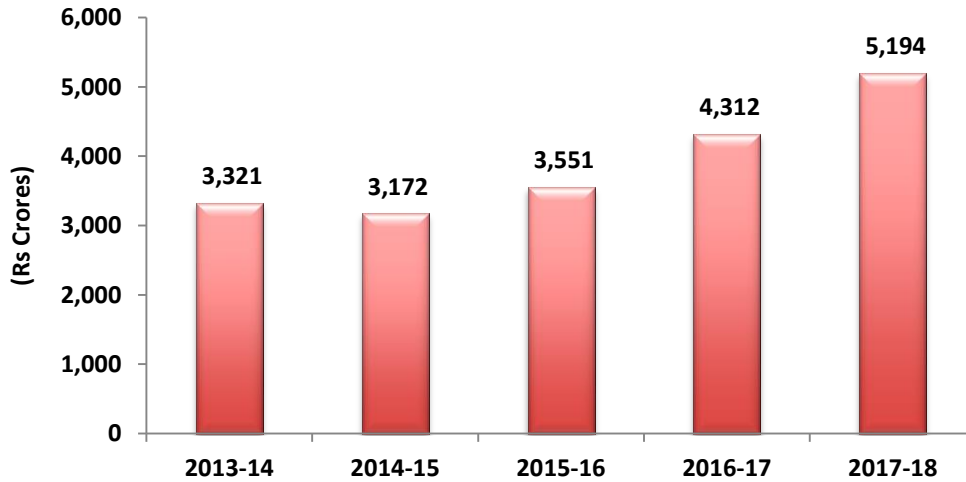


* PAT after VRS cost of Rs 100 cr

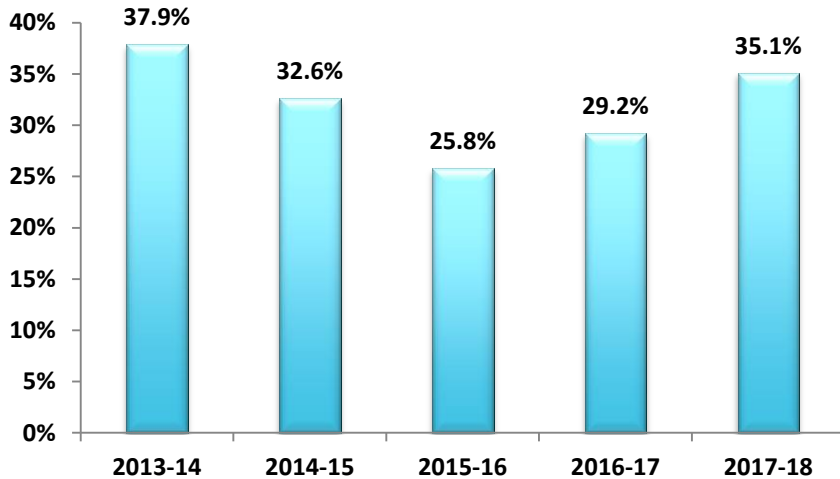


Annual Performance Trends

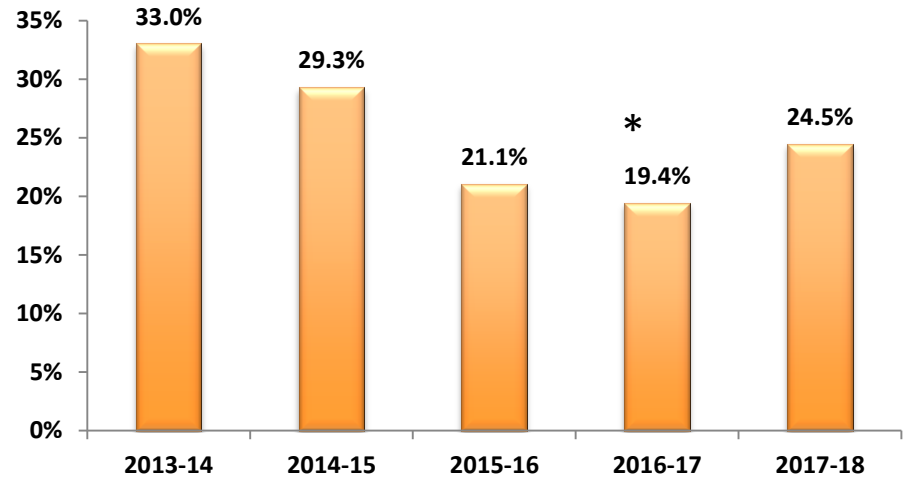
Capital Employed



ROCE

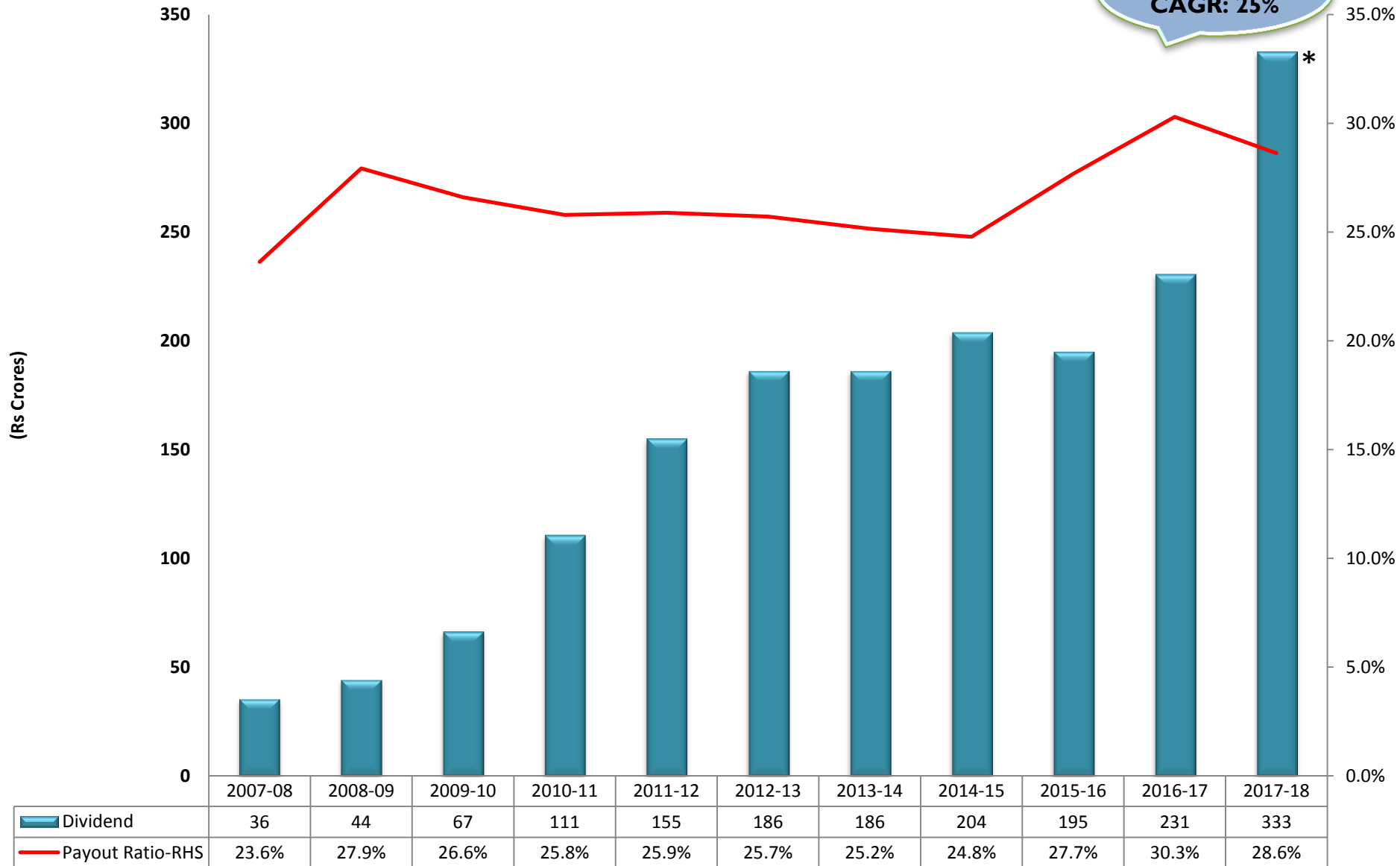


ROE



* ROE after VRS cost of Rs 100 cr

Dividend

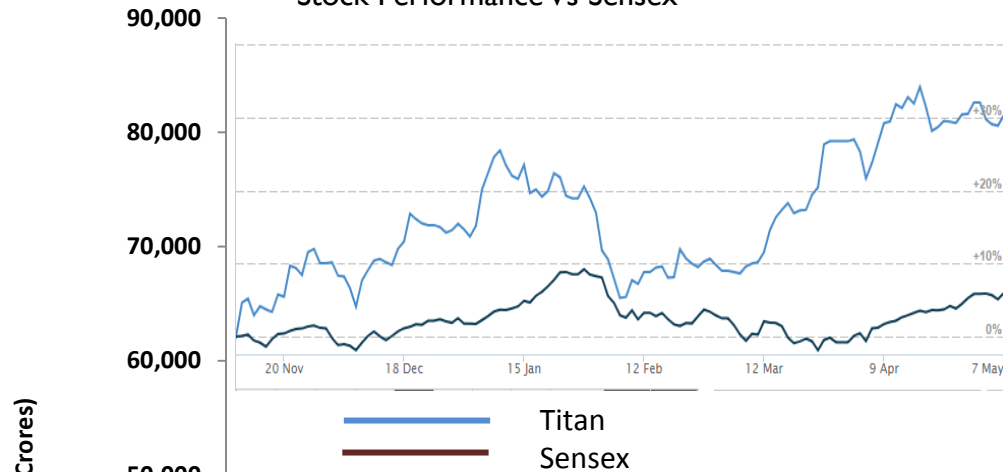


* Proposed dividend for FY 17-18, subjected to share holder approval

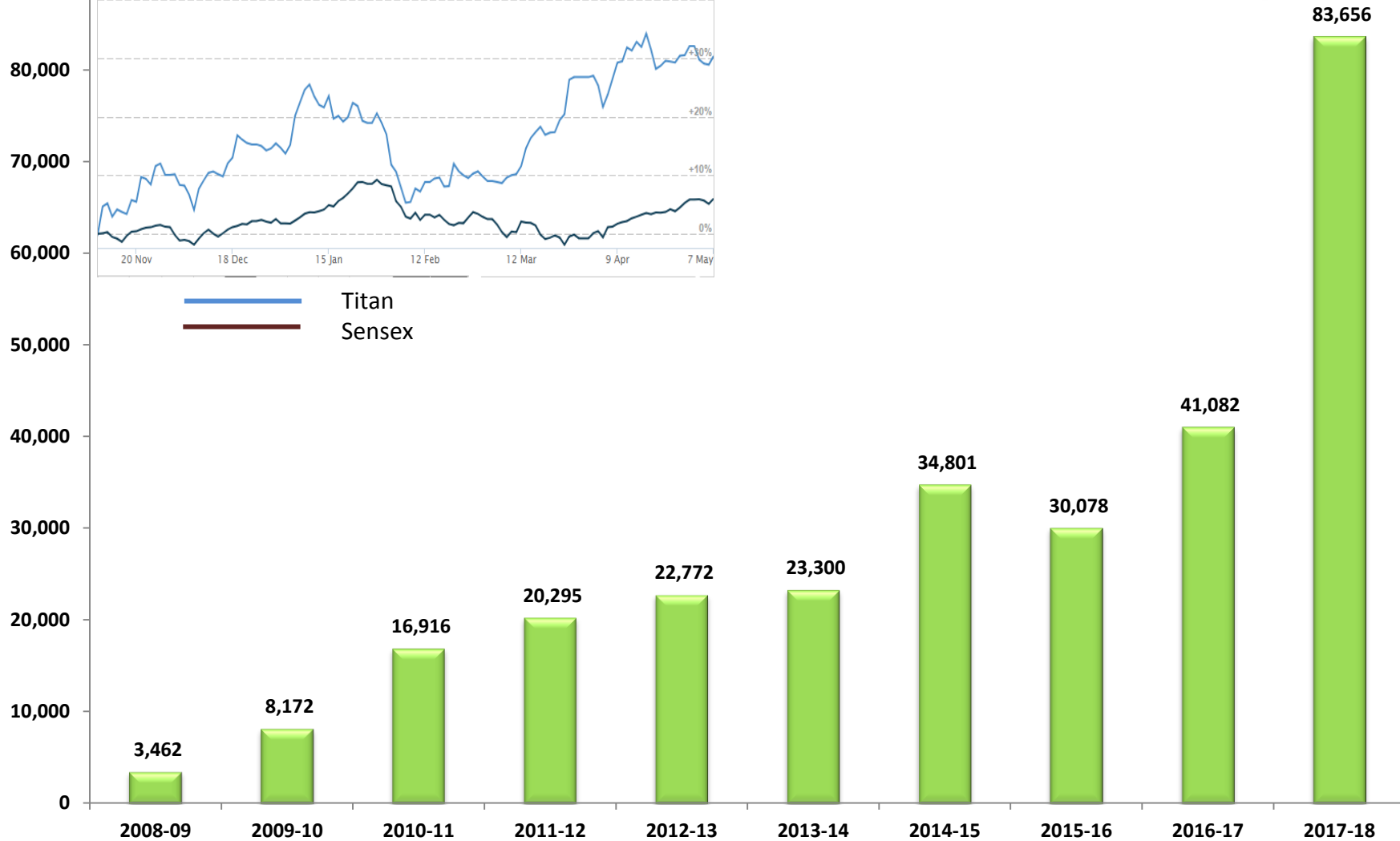
Market Capitalisation

**10 year
CAGR:
42.5%**

Stock Performance Vs Sensex



(Rs Crores)



Note: Based on NSE closing prices at the end of the period

Sustainability @ Titan

Formally defined CSR Policy in line with the company's vision

The CSR focus at Titan will be driven by broad themes such as upliftment of the underprivileged girl child, Skill development for the under privileged and support for Indian Arts, Crafts and Heritage

Key initiatives driven:

Girl Child / education:	Reached out to 13500 girls through remedial education across Krishnagiri, Uttarakhand and other regions
	Holistic engagement towards girl child empowerment – Long term initiative at two locations Cuddalore in TN and Yadgir in Karnataka...will reach out to 100000 girls over a five to six year period through multiple interventions.
Skill development	Skilled over 11500 underprivileged children through a combination of finishing schools in government ITI's., market led skills, and enhancing employability skills for engineering college going students in tier 3 and 4 engg colleges, and skilling / placement of differently abled
Supporting Arts Crafts . Heritage / Celebrating Indian Heritage	Working with two craft communities one in Benares, & one with the youth of Kashmir for revival & enable market linkages
	Engaging in supporting Art and culture through India Foundation for Arts, Ranga Shankara
Support towards local and National Causes	Completed and handed over 11 Water and sanitation projects as part of rehabilitation efforts in Uttarakhand
	Happy Eyes – Eye screening and supporting cataract operations for underprivileged children and adults
Others	Launch of Design Impact award for social Change
	Adoption of lakes for rejuvenation
	Reached out to 3.5 Lakhs beneficiaries during 2017-18 through our CSR programs

Thank You



TITAN
COMPANY