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6th February 2024

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The General Manager, DCS – CRD
National Stock Exchange of India Ltd
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Symbol: **TITAN**

Dear Sirs,

Sub: Earnings Call Transcripts

Pursuant to Regulation 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform the exchanges that the transcript of audio call recording of the Company's Analyst Call to discuss the Unaudited Financial Results (standalone and consolidated) for the quarter and nine months ended 31st December 2023 is attached herewith.

The transcript is also available on the website of the Company: www.titancompany.in

Kindly take the same on record and acknowledge receipt.

Yours truly,
For TITAN COMPANY LIMITED

Dinesh Shetty
General Counsel & Company Secretary

Encl. As stated



**“Titan Company Limited
Q3 FY '24 Earnings Conference Call”
February 01, 2024**



MANAGEMENT: **MR. C. K. VENKATARAMAN – MANAGING DIRECTOR**
MR. ASHOK SONTHALIA – CHIEF FINANCIAL OFFICER
MR. SWADESH BEHERA– CHIEF PEOPLE OFFICER
MR. AJOY CHAWLA – CEO, JEWELLERY DIVISION
MS. SUPARNA MITRA – CEO, WATCHES & WEARABLES DIVISION
MR. SAUMEN BHAUMIK – CEO, EYECARE DIVISION
**MR. MANISH GUPTA – CEO, FRAGRANCES & FASHION ACCESSORIES
DIVISION**
MR. AMBUJ NARAYAN - CEO, INDIAN DRESS WEAR DIVISION
**MR. KURUVILLA MARKOSE (DINY) – CEO, INTERNATIONAL BUSINESS
DIVISION**

Moderator: Ladies and gentlemen, good day, and welcome to the Titan Company Limited Q3 FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. C.K. Venkataraman, Managing Director, Titan Company Limited. Thank you, and over to you, Mr. Venkataraman.

C K Venkataraman: Thank you very much. Hello, and welcome to everyone on the call. Quarter 3 was a very good quarter in terms of sales growth for the company, standalone as well as consolidated, including CaratLane and TEAL subsidiaries. This growth was driven substantially by the Jewellery business and the Watches business, while EyeCare, ethnic wear and the perfume categories were under pressure in terms of sales growth.

But our overall understanding of all the categories and various strategies that are already in place gives us a lot of confidence for Quarter 4 and FY '25. And the overall confidence level in the company is very high and we continue to be bullish on the prospects for all the businesses. And the rest of the information is on the presentation, which you have access to.

Now we can move directly into the questions, please.

Moderator: Thank you very much. The first question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal: Sir, retail UCP growth as well as like-to-like growth has seen a meaningful deceleration compared to previous two quarters. So what are the reasons attributable for this? Do you expect growth to bounce back in the coming quarters? This is for Tanishq.

Ajoy Chawla: This is Ajoy here. I had mentioned in a previous quarterly call that there was a certain timing effect of Shradh between Quarter 2 and Quarter 3. Last year, it was in Quarter 2 in September. This year, it was in Quarter 3 in October. So consequently, that time, we were not able to estimate exactly what is likely to be this interplay. So yes, to that extent, there is an impact.

And the second piece is, so we had a very good festive season growth, in fact, very happy with that. But then thereafter in December, there seems to be have been a blip, perhaps driven by a sudden spurt in gold prices, which happened. Between November to December, gold prices went up by INR 200 a gram. And over previous December, it was INR 800 a gram.

So sometimes when that happens, there is some hesitancy from customers to come into the market. And therefore, what we looked at is we looked at data from September to November and compared. And there, the growth continued to be very healthy because that covers Shradh in both the years. And then December was a particular month. And then again, Jan has been good.

So in many ways, I would consider December as the blip and the Shradh period which is resulting in the sales figures looking lower than the previous quarters. My confidence is that in Quarter 4, we will bounce back. How much more it will bounce back? I can't say. But one is hoping and expecting it to be better than Quarter 3.

Devanshu Bansal:

Got it, sir. Second question is on the margin front. The Jewellery EBIT margin has declined about 80 basis points this quarter. In my opinion, a 2% mix change towards studded should have resulted into only half of this decline plus there should have been some operating leverage as well. So what are the other growth investments that we are doing which is leading to this kind of a margin decline?

Ajoy Chawla:

So I'm not very sure about the math behind what you said. But the reasons for margin decline are as follows. One is, as you pointed out, studded ratio as studded mix being lower, that is certainly one of the reasons. The second thing is that there has been -- and I mean, the competitive intensity goes up whenever gold prices rise significantly. So even in Quarter 3, we have seen gold prices go up 16% year-on-year. And that's the season where everybody is waiting to sell.

So naturally, market competitive intensity goes up. And therefore, we've also responded tactically with offers, with exchange, with the program to protect gold rate for customers, like we've done earlier on as well. Because for us, ensuring that during the most important season, we don't lose share. That's the priority. So some amount of payout sits there. And of course, marketing, we have also invested during this quarter.

Because there is growing competitive intensity, so we felt it's the right time to put in. So we continued our advertising for weddings. We continued besides the festive season. And we also did some work on digital on studded, etcetera. So marketing costs also went up over last year to some extent. So these are all the top 3 investments that I can think of. I don't know if your math adds up in your mind. But this is -- these are the three things.

Devanshu Bansal:

Yes. So I was thinking that 20% -- yes, sure.

Ashok Sonthalia:

Just to add, if you look at quarter-on-quarter, there could be several cases. But 9 months, if you look at, it is reasonably okay on the way we have been talking about. So yes, just to add that.

Moderator:

Thank you very much. The next question is from Latika Chopra from JPMorgan. Please go ahead.

Latika Chopra:

My first question was if you could share your store opening plans for key Jewellery formats: Tanishq, CaratLane and Mia. And I noticed in this fiscal year, YTD, you've opened 43 Tanishq stores and 50 Mia stores but only 40 CaratLane stores. And the like-to-like retail sales growth for CaratLane has also been lagging Tanishq. So is this a price or a mix issue? Or is there some bit of a demand issue that you could elaborate on? Thank you.

Ajoy Chawla:

So I'll just clarify, Latika, we have, in domestic, opened 36 Tanishq stores. The remaining, I think, will be to do with international. And in Mia, we have 50; CaratLane, 40. Those figures are right. In Tanishq, we saw the opportunity to up the play. And even though we had not planned

so many, we went ahead and expanded because we found the right opportunity, right property, and we were able to get those going before Dhanteras.

And we have now, in a way, expanded the list of towns and markets and said whenever the opportunity presents itself, we will go ahead and open because execution can follow thereafter. In the case of CaratLane, while 40 have been opened, there were, I think, 90 opened last year. So many of those 90 had to stabilize as well. And there are many more which will come into play as we go forward. So this is not indicative of any long-term strategy. This has something to do within this year, that's all.

C K Venkataraman:

Plus one thing to keep in mind, Latika, is this is not the equivalent of an expensive car versus a more affordable car, which can go to smaller towns faster than an expensive car. Tanishq is a more traditional jewellery brand, which is available in a Rivaah, in Sagar, in places like that, where generally people buy jewellery. Whereas at CaratLane, it will take longer time to reach a Rivaah or a Sagar. So that's advantage that Tanishq has. So that also has a bearing in this plus what Ajoy said about 90 plus 40 here.

Ajoy Chawla:

So if I may carry on, Mia and CaratLane actually will continue to see more opportunities also. It's just a timing piece. I mean, last year, 90 and, therefore, this year, whether 40 will become 50, 70, 80, 90, that depends on the opportunities. And therefore, you must see it over a 2-year time frame rather than a single year.

Latika Chopra:

Sure. That helps. The second bit I wanted to ask was your other two segments. On Watches, how -- you talked about higher marketing expense impacting margins. But on a full year basis or over medium term, how should we think about the margin profile, given the salience of Wearables will keep rising?

And on eyewear separately, numbers on like-to-like growth rates have been muted. And it seems store addition has slowdown this fiscal year. So are there any aspects you intend to revisit here to drive better growth momentum in this segment? Thank you.

Suparna Mitra:

So for Watches, yes, in the festive season, we spent a lot of money marketing our brands and all our festive collection. So that is kind of way higher than what we had spent last year. And it did help us in getting a very good sales top line growth. The overall margin, which we had earlier indicated maybe 13 right now, 11 to 12, at least for the next couple of quarters.

Because of the overall mix, as you mentioned, Wearables, where the AGC (adjusted gross contribution) is slightly lower, becoming a big propeller of growth. And so therefore, it is -- at this point, this is -- it will kind of see this kind of margin for the next two / couple of quarters.

Saumen Bhaumik:

Latika, this is Saumen from EyeCare. Beginning of the year, I think we have said that our expansion will be calibrated. So it is not a rapid expansion. That said, in the year, I think we're almost over 60-plus stores. But we also had to rationalize a few stores, which are not sort of delivering the expected kind of numbers. So net count has not significantly changed. But expansion and rationalization both happened simultaneously.

As far as the growth is concerned, from mid-September to November across the industry, there has been, one would say, a very strong headwind that everybody experienced. We have not been an exception. There is no exception really in the whole thing. And so it was very difficult to sort of get the numbers going. And December was better. And that's what we expect the coming months to be. So what we saw here is kind of a reflection of industry-level phenomena rather than just a specific to our Division.

Moderator: The next question is from Avi Mehta from Macquarie.

Avi Mehta: Sir, I just wanted to check if you could update on how the demand in the Jewellery for the sub-INR 50,000 segment is behaving because you had pointed towards that being under-stressed. Has that changed? Or is it still deteriorating further? Any updates on that, please?

Ajoy Chawla: Yes. So the sub -- I would broaden it to sub-INR 100,000 because it's difficult because the gold price is going up and overall, some shifts take place between slabs. So sub-INR 100,000 at an overall level, if I look at it from a portfolio play of Tanishq, CaratLane, Mia, I think there is a stability in buyer growth that I'm seeing. And I'm now looking at the period that I mentioned in the earlier part of this call, September to November, then I look at December, then I look at Jan also. And I'm seeing a very stable set of buyer growth. So across the portfolio, it's there. But having said that, if I think of same-store growth for even CaratLane, Tanishq or some of the Mia stores, I mean, Tanishq in the sub- INR 100,000, there seems to be some amount of sluggishness in the new customer segment out there. And that is -- there's a softness, let's put it that way. Now is it because -- partly, it's because we think that consumer is facing some economic challenges.

Because of they could be modern consumers, they are IT, digital and that -- there have been some economic challenges for that consumer segment. And the second piece is there could be some share of wallet, let's say, shifts are not structural, I would say, fluctuations that are taking place. Because we see certain categories of it grew well, some others were still depressed. Now some categories have started picking up, whether it is travel, hospitality, experiences, vacations, SUVs, but garments is down. So there is something going on in the share of wallet in the context of some economic truths for this segment. And therefore, the sub-INR 100,000 and also included in that, the sub-INR 50,000, does have some degree of softness relative to what we think it should be.

Having said that, when I look at it as a portfolio play across all the brands that we have in our portfolio, I'm seeing a fairly good stability on buyer growth at a total level. Same-store growth, yes, but then we've also added lots of stores in CaratLane, Mia across the board, so not able to get a sense on that. But yes, there is some -- we wish it could be better. And it has remained stable and similar. It hasn't really deteriorated nor has it significantly improved or changed.

Avi Mehta: Got it, sir. And sir, the second bit is on this competitive intensity that you alluded or highlighted. Given the increase in gold price, does this in any way make us revisit our margin expectation for the year? Or are we -- is this in a fairly comfortable level?

Because you've been citing this, however, the margin delivery has not taken a hit. But I just wanted to get a sense if that has changed, especially because some of the other peers are going a lot aggressive on store additions, so would love to hear your comments on that part.

Ajoy Chawla:

So our EBIT margins continue to be in the range that was indicated between 12% to 13%, despite this weak studded quarter and weaker than what, let's say, we had last year. So at 12.2%, it is fairly good, I would say. It's not such a -- and as Ashok pointed out, when he alluded to it, when you look at it at a YTD level, because of the shifts between things here and there, it is also pretty good. It is exactly bang on in that range of 12.4%.

So to me and to Ashok and all of us, we've been saying 12% to 13% is a very good range to expect our margins to be, competitive pressures notwithstanding. They will come and go. There will be seasons when everybody wants to do something. But we will respond. And there are ways to manage the margin, both gross margin as well as net margin. So we are still confident of the 12% to 13% range.

Avi Mehta:

And sir, on the competitive intensity, has that changed? Because some peer has been accelerating on store additions. I say this competitive intensity does not necessarily mean pricing. It also is in terms of being able to add franchisees or otherwise?

Ajoy Chawla:

No, that is not such a big worry for us. Because actually, we track 45 to 50 competitors. We don't track one or two national chains. And for us in every market, the local players are as much an important competitor as much as the national chains. And sometimes local chains are there as well as independent stand-alone jewelers will also be there.

So we track it at city level. And frankly, one or two players adding 10, 15, 20 more stores or 30 more stores doesn't move the needle. Because already, there are existing players there. And in many of these cities, we are the challenger. So we actually think it's good if more players get into organized play because that strengthens -- in fact, that brings out the strength of our brand even sharper in those markets.

Avi Mehta:

So market is not a concern, right, sir? That's all I wanted to know, that your salience of market share continues to grow up. That's what I wanted to make out.

Ajoy Chawla:

I think we have gained in many markets, and we have remained stable in most others.

Moderator:

The next question is from Videesha Sheth from Ambit Capital.

Videesha Sheth:

I just had one question on the studded mix. What is the reason for softness seen in the studded jewellery at a stand-alone level? While you mentioned that there was a blip in December for the overall jewelry space with a sharp increase in gold prices, but the reason to ask this is that the trend is in contrast to the growth that CaratLane has seen. So is it that the accessible or entry-level part of the portfolio is relatively unaffected?

Ajoy Chawla:

No, I think I'll respond in two ways. In the month of December, there was a definite drop in the studded sales demand. And as I said, that is 1 month out of if I look at a 4-5-month period, including whatever we have seen in Jan. So we see it as a temporary blip. And also, when we

spoke to a lot of vendors who supply studded jewellery, they also confirmed that December was a very soft month for most players in the category. So that is the second source that I wanted to share.

Third is if you're asking what has been specifically different, the softness in the sub-INR 100,000 was one commentary we made anyway. But in this particular quarter, high-value studded, which is INR 5 lakhs and above, etcetera, also saw a certain softness. Now whether it is because of share of wallet, because of people deferring their expenses here and there, very difficult to make out. But this kind of came through in the month of December particularly strongly and therefore influenced the Quarter 3. As I said, if I look at a 5-month period, it seems to be temporary and not structural.

Moderator: The next question is from Siddhant Dand from Goodwill.

Siddhant Dand: My first question was on eyewear. Like over the last 5, 6 years, we've been told stories about how we can turn around, make changes in the eyewear division. But clearly, we are lagging. And can we have a better 3, 5-year picture? And are we not fooling ourselves, we've not being able to make INR100 crores EBIT over there?

Saumen Bhaumik: I don't fully understand what you're actually asking from where we were 3 or 4 years back, where we are, we ended last year versus where we are. I think it is significantly different than the picture that you're referring to. And we had a good Quarter 1, good Quarter 2. We are pretty much close to the budget that we have had in the beginning of the year, we had 12% and 16% sales growth.

As I just explained, between September and November, we saw a kind of resistance in the eyewear segment across the industry. There are no player that I've heard nor I spoke to that they had a good run. December was a bit of a relief. So, it is a -- there is a cumulative effect of a period in which the category did not see too much of a traction. That's what we see. That's what we conclude. And we have our plans for future.

Siddhant Dand: But over a three-, five-year period now in eyewear, how do you see the industry growing?

Saumen Bhaumik: I'm not going to make a projection for the three to five years. Right now, we are looking at the next quarter. And as we plan for our FY25, we'll probably share with you our plans.

Siddhant Dand: Okay, okay. And my next question then would be around TEAL. We are doing some good business around semiconductors and all over there. But there's not much out for shareholders to know. So what's the business that we are doing? What's the market scope over there and our customer profile or something like that?

C K Venkataraman: Siddhant, you're talking about TEAL?

Siddhant Dand: Yes, TEAL. So there are some media articles about our new facility around Hosur and all, but...

C K Venkataraman: Yes, our two main businesses in that subsidiary are Manufacturing Services, where we make very high-precision components for the aircraft and defence industry. Our customers are people

like Collins, Pratt & Whitney engines and all that. And the other division is Automation Solutions, where we put together bespoke automation solutions, which use robots, vision cameras and welding and stuff like that to automate assembly lines across industries, automotive being a big segment which we focus.

So these businesses are roughly 50-50 in terms of share of turnover. Both are international in their scope. And the overall opportunity for this company is very, very strong. But because of what happened during COVID, particularly in the international auto -- I mean, aircraft manufacturing sector, we had a significant challenge in FY21. But all that is generally behind us now. And as we speak, we are on the recovery path and FY25 should be very good.

- Siddhant Dand:** No, so the semiconductor division itself, so it will be within automation?
- Ashok Sonthalia:** Manufacturing Services.
- C K Venkataraman:** Manufacturing Services.
- Siddhant Dand:** Manufacturing, okay. And also, within that division, what is the potential...
- Ashok Sonthalia:** Yes. Actually, it's not really a separate division. But manufacturing...
- C K Venkataraman:** This is for the semiconductor machinery industry?
- Siddhant Dand:** Correct, sir.
- C K Venkataraman:** We make sub-assemblies for the semiconductor machinery industry, Manufacturing Services arm division, that's, that.
- Siddhant Dand:** Okay. So within that, it's a small division.
- C K Venkataraman:** It's a segment within the Manufacturing Services.
- Siddhant Dand:** Within the Manufacturing, okay.
- Moderator:** The next question is from the line of Nihal Mahesh Jham from Nuvama.
- Nihal Jham:** Sir, my first question was just a clarification that on the Jewellery margin bit, was there any impact on diamond prices, which we were discussing earlier, just to be sure about that?
- Ajoy Chawla:** In the current quarter?
- Nihal Jham:** Yes, in the current quarter.
- Ajoy Chawla:** In the current year, no, there is no significant impact on the diamond margin. There might have been something last year, but it was not material enough last year, so I don't know. But in this quarter, there is nothing that is extraordinary.
- Nihal Jham:** Yes, more referring from a negative impact rather than a positive one.

Ashok Sonthalia: Small corrections, I think we spoke about on that side.

Ajoy Chawla: But it's not very material. No, nothing material, I would say. We took some minor price correction on solitaires, but it's a very small quantum, which we felt was appropriate, we took but no, nothing material because at an overall level, that has not really impacted too much anything, nothing to call out really.

Nihal Jham: Sure, just to clarify. The second question was again comparing CaratLane and Titan. It's the first time maybe for a span of a few months or quarters you've seen the SSG profile being slightly different between a Tanishq and a CaratLane. So just to understand, is it more, in your opinion, a perspective of the different customer segments and how they have been impacted or a lack of activations? Or are there any other aspect that you may want to read into looking at, say, the last nine months?

Ajoy Chawla: No, I think two things. As I said, in Tanishq, we cannot take the entire Tanishq performance, whether it's in-store or gross and compare it to CaratLane because the price points and segments are very different. Then there is a very large gold component also sitting in Tanishq. So, actually, the studded -- and within Tanishq, the studded, less than INR 1 lakh and less than INR 50,000. And CaratLane is mostly below INR 50,000, the bulk of that. So I think they are not directly comparable from the figures you have.

And I -- the second piece is CaratLane has added -- they've added lots of stores last year, so -- and many of them in the same towns as well. So there is likely to be some pluses and minuses happening there. In the case of Tanishq, the same-store growth upside has been -- or better performance has been also driven by the gold part of the business in this quarter. So I'm not reading too much into this. I don't think -- and of course, the segments are different.

And picking up about which Venkat had shared in the last earnings call that when it comes to gold business, every -- it's a question of gaining share because the market is already penetrated. Customers are already buying gold jewellery. But when it comes to studded and that too in the sub INR 50,000, it is the case of market expansion. That segment is getting created as we go along.

And therefore, there is not much share to gain as much as getting more customers into this pipe. And that process doesn't happen overnight. So therefore, the behaviour of that segment versus the behaviour of the overall Jewellery segment will be different. So in that sense, yes, the customer segments are different and the opportunity spaces are different.

Nihal Jham: Got that. Could I just take one final question? Is that fine? I'll just go ahead that for the Watches & Wearables business, I think when we had the analyst meet two years back, we were looking at a target of 18% margin. Just wanted to check, are we on track and looking forward to that?

Suparna Mitra: Well, that looks like a very big dream ambition that we talked about INR 10,000 crores. And later, we had revised it down 16% (margin). INR10,000 crores would still be doubling the sales turnover in GUCP terms from INR 5,000 crores to INR 10,000 crores in a matter of three years.

So obviously, all of this requires a lot of investments. And then we later kind of made it more realistic. So we are still pushing for maybe 15%-16% in the next -- after two years, yes.

Moderator: The next question is from Percy Panthaki from IIFL.

Percy Panthaki: I'll just start with one clarification. You have mentioned in your PPT that the India Jewellery growth is 21%. Would I be right in assuming that, that's a primary growth number?

Ajoy Chawla: Yes, yes. Our growth for the division, excluding CaratLane, just Tanishq, Mia, Zoya is at 17% in secondary retail, Tanishq is 16%. And the primary growth would be around the 21%-22% mark. That's what we are seeing. And that's to do with the timing shift. In fact, we had a better secondary growth in the previous quarter, if you recollect. And the primary growth was lower at 20%, so some shifts due to the season shifting.

Percy Panthaki: Okay, okay. So basically, the secondary sales growth is 17%.

Ajoy Chawla: 17% for the division, 16% for Tanishq and CaratLane is separate. And that's for Y-T-D. To give you a better feel, look at Y-T-D.

Percy Panthaki: Sure. When you say 21%, does that include the CaratLane in it?

Ajoy Chawla: No, no, no, that is separately.

Percy Panthaki: Okay. Secondly, I just wanted to ask, and it's not a question pertaining to the quarter but more of trends that you've seen in last few quarters, do you think that, at an industry level, there is an accelerated shift from unorganized to organized, which is happening? Anyway, see, there was, anyway, a shift happening since many years. But has this shift really materially accelerated? And if so, what are the drivers of that acceleration?

Because we are seeing not only you, but many of the other players, at least in the listed space, two or three other stocks, are also reporting fairly high growth numbers. So just from that point of view, I'm wondering if there is anything to read. So even the World Gold Council data, which I see for demand -- of course, they don't include exchange jewellery and all that.

But for whatever it is worth, in Q2, that is a September quarter, they have actually, I think, shown a slight decline on a Y-o-Y basis in the jewellery demand, whereas I think all the organized players have done very well. So that is the context of the question. So is there any such accelerated shift, first of all? And if so, what are the drivers? Is hallmarking a really big driver? And if so, I mean, just your thoughts on that?

Ajoy Chawla: No, I also think -- I don't have the hard data right now. But overall, if I see the growth and market share that we keep tracking for local players and then chains and our own brand, we have been seeing that as more and more chains are opening across different parts of the country, the growth rates are different. And therefore, yes, there is some kind of acceleration.

And I think with people getting listed and having access to capital, there is greater expansion that is going on. And some of the other players are wanting to expand, put up stores and then probably go for IPO also. So there are both sets of players. The other piece that I'm --

therefore, yes to what you are sensing, I also tend to resonate with that, notwithstanding the World Gold Council data because their figures are around kgs and grammage and all that stuff and it's too macro to conclude.

The second piece is there's another phenomenon that exists that many local players are also becoming organized in the way they operate. They may be a one-off store or two or three stores, but they are changing the way they operate in response to the reality that they are facing. And therefore, they are becoming sharper in terms of their customer service, their store ambience, the marketing that they're doing locally or even the kind of services they are offering and transparency with which they are also doing exchange and other things.

So I think they've also understood that the name of the game is to become more organized and more transparent and therefore gain trust. So I think that's the other phenomenon that Tanishq sees. And therefore, I think this is secular and will continue to accelerate.

Percy Panthaki: Understood. Also just wanted to get some idea on a three-year horizon or a five-year horizon, what is the total number of Tanishq stores that you would be looking at, let's say, for FY28 or something like that?

Ajoy Chawla: To be honest, I don't have a number in mind. We are approaching this from a one-, two-year horizon because opportunities are emerging all the time. And to just give you a broad feel, we are present in 264 or 265 towns approximately. We think in existing towns, as new catchments are emerging as well as newer towns, there is no reason why we -- in the next couple of years, why we can't reach out to 300 towns.

But beyond that, can I have an answer? No. How many stores? No idea. So allow us some time, maybe whenever we have the Investor Day or when we are able to share with you a slightly longer horizon, we will do that. Right now, I don't have a number.

Moderator: The next question is from Aditya Soman from CLSA.

Aditya Soman: Sir, one question on the International Business. Can you give us a sense of -- I mean, you've given a number of 100% retail growth there. But can you just give us a more qualitative information on the average ticket size, especially in the US?

Kuruvilla Markose: Sorry, what is the first part of your question? I missed the first bit. Second bit is what I got.

Aditya Soman: Yes, yes. No, just in terms of qualitative information on ticket size and the customers that you are probably -- typical number of customers that you are looking for at the store level? And any sense on that would be super useful since we don't have context on those stores?

Kuruvilla Markose: Sure. This is Diny here from the IBD team. Ticket sizes across the board in almost all of our international locations are significantly higher than in India. We are ballpark in the two lakh (INR) customer kind of a space. And depending on the locations, particularly in the US, they are even higher than they are in GCC.

And even generally, the studded ratios are overall higher compared to what we find in India, which is -- which works for us because obviously the cost of operating in these markets are significantly higher, both, let's say, rental as well as people costs are significantly higher. And this allows or gives the business the ability to manage those costs much better. Sorry, yes, go on.

Aditya Soman: No, sorry, go on.

Kuruvilla Markose: So we see that holding out, in fact, as we go into -- over a period of time, we've seen that there is a certain stability that is happening there. And in certain cases, as we have a set of returning customers, we are even seeing some increases on that.

Aditya Soman: Understand. And can you just explain the economics? I mean, all these -- are these -- how many of these would be owned stores or franchise stores? And in terms of economics, are they similar from a margin perspective to what we are seeing in India or likely to be similar to India in nature?

Kuruvilla Markose: Typically, wherever we're going first, we set up our own stores, company-owned, company-operated L1 stores because it helps us understand the lay of the land and what we need to do in those markets and -- but we also, as we go along, bring in partners, either partners from India, existing partners. And many of them are eager.

We have quite a few of our Indian partners reaching out to us saying that either they have a relative or they have some capability in an international city and they would like to set up a store.

So for example, in Dubai, the first four L2 partners are from the four regions of the country, from the North, from the East, South and the West. We have one interestingly from each of these regions in Dubai. So I mean, that overall, we still continue to hold that. We follow the same asset-light model that we are doing in India, where we will, over a period of time, look at having more L2 and L3 stores.

But to get a sense of the business and to start operating, it always helps us when we do it as an L1 first. We're now starting to have L3 stores as well. For example, in Singapore, the store that we opened is with an L3 partner.

Aditya Soman: That's very clear. And one last question on the Indian ethnic wear business. There, you mentioned that growth has been a little slower. Any reason and any sort of information on why growth has been slower? And is this like across all the 3 months in the quarter or it was again specific to December?

Ambuj Narayan: Yes, this is Ambuj here. When Venkat referred to the ethnic wear division, the growth thing though, he was referring more to the like-to-like, but where if you see our overall growth has been 61% in the last quarter. And quarter-on-quarter, we've been growing around that number. The YTD growth is about 70%. So he was referring more towards the like-to-like. And that's an industry-wide phenomena that we are seeing.

For the last 4 to 5 quarters, apparel industry has really seen very muted growth. A lot of brands, even they have shared that their like-to-likes have been negative. So we are doing well in the

sense that we are building -- we are going for expansion. We have 62 stores now. And we look at ending this financial year with 75 stores.

Moderator: The next question from Rishi Modi from Marcellus Investment Managers.

Rishi Modi: Sir, my first question is to Saumen. Saumen, you, last year, mentioned that this year is going to be a more consolidation phase for the eyewear segment. And we've seen not added a lot of stores this year. So if you could just give us some qualitative understanding of what are you doing behind the scenes to get this to be on a sustainable business?

What are the low-hanging fruits, where you can cut costs? Where are you seeing the growth? How are you going to go for these initiatives? If you could just give some qualitative feedback on this?

Saumen Bhaumik: Yes. Like you said, this year, we begin with the view that we need to sort of make those 300-odd stores that we opened in the previous 24 months because we were in a rapid expansion spree. I also did say 2 years back that we'll reach a number of 1,000 stores in the network. But we realized that as much as it is important to expand footprint, but we also have to make sure that every such investment yields the required return, both for us, wherever we are investing, or for our partners. So that's been the focus mostly was to make sure that the network starts delivering.

And so that said, we are not -- we did not mean that we will not expand at all. We actually added about 65 stores but pretty much 40, 50 stores, also you have to sort of deal with because of the wrong location or various other things. So overall, network count has not significantly changed.

And probably some time in the early part of the next year, we begin the expansion. But typically again, we'll be looking at a catchment and need to be more concentrated around the top 25 cities rather than going wide and deep. That is as far as the network or the footprint is concerned.

As far as overall business is concerned, I think that we had a relatively higher growth target for the year. I think 22%-23% is what we began the year with. And first 2 quarters, we had 12% and 16%, respectively in terms of growth. And Quarter 3, as I explained that we faced unanticipated headwind, and as I explained, it also seems like an industry-level phenomenon.

And so we did not see growth in this quarter and which reflected definitely on the bottom line. Because the rest of the things, we are okay. But top line directly cascaded down to the bottom line. So we would believe that it is not a long-term phenomenon. It is probably a 3-4 months window and it would change. And yes, so therefore, our overall ambitions for the category remains strong and positive.

Rishi Modi: So Saumen, just to clarify, right, if I understand our front end has some issues or some stores are in the wrong locations? Apart from that, there are no issues in our inventory, supply chain, manufacturing, those are all sorted out according to you?

Saumen Bhaumik: Absolutely.

Rishi Modi: Okay, fine. All right. My next question is to Suparna. Suparna, if you could just give us an understanding of, firstly, how are you seeing the Wearables to grow now that it's crossed INR100 crores top line? How much potential is there? And what's the propositioning that we are offering versus the more integrated players and as well on the analog watches growth?

Suparna Mitra: Yes. So Wearables, we closed last year with more than INR 500 crores turnover at consumer price level. And this year, we have seen phenomenal growth of Fastrack smartwatches. And this has been both on our own on-ground channels as well as in marketplace e-commerce. And we have actually from Quarter 1 to now gained market share. We used to be about 5%-6%. Now we are at 8%, 9%. So we have gained ground. This is on the back of very well-timed good product quality. In fact, our market returns are among the lowest, very well styled products in the INR1,500 to INR3,500 to INR4,000 range.

And we also had a very big campaign with -- in Quarter 2, which kind of gave us a lot of visibility on Fastrack smartwatches. Going ahead, the game will be played both from Fastrack smartwatches, which will be in that ballpark close to INR 2,000-3,000 price range, as well as the Titan smartwatches, which will be roughly in the INR 8,000 to INR 15,000 price range. And there will be more differentiated products with a lot of technology built-in, which will be under the branding Titan. And this will actually get sold more either in mobile stores or in our Titan World stores. This is for a smaller, more niche group of customers that some people who are really looking for more features and a better app experience, etcetera. So overall, we see that base business will almost double in the next -- like continue to grow 80% -- around 70% to 80% every year. And this strategic plan leverages our strength of brands, of channels, of technology.

We have our own Titan Smart Labs in Hyderabad with more than 80 engineers who are working on a lot of differentiated products as well as apps. And so that's really the plan for Wearables. For analog watches, the growth has been -- continues to be quite good. And this is across channels. We have our own EBOs last year doing quite well in large-format stores as well as marketplace e-com.

Premiumization is the big game there. And we are doing very well in brand Titan as well as international brands, which are in the higher price points. Quarter 3 was an important quarter, where we broke new ground with the launch of two brands, Vyb from Fastrack, which is of young women fast fashion kind of watch sub-brand, and Poze from Sonata, which is the more mass brand, which is for both men and women.

And these are offering very good styling and reasonably good quality at very attractive prices. So this has opened up a lot of -- has helped us acquire a lot of new customers at a more affordable reach. So it is, in a way -- again, it's the twin strategy, acquiring new customers, both fashion-oriented at the lower end and continue to get -- to ride the premiumization wave with high margins and highly desired brands like Titan at the top.

Rishi Modi: Okay, so premiumization is working well for us. So we've got to feel good there. Wearables, are we profitable if we look at it as a stand-alone business?

- Suparna Mitra:** Yes.
- Rishi Mody:** What are the margin profiles Analog v/s Wearables?
- Suparna Mitra:** So we have not really fussed about profitability. We can make a profit. We are breakeven. But we do want to invest. So these are very considered calls to continuing to invest, there is no hurry for us to break even or to make a huge profit. But the fundamental profile of the business is -- gives us enough room for profitability.
- Rishi Modi:** Okay. So the unit economics, please
- C K Venkataraman:** Could you repeat that? Your voice is cracking.
- Rishi Modi:** The unit economics for profit is there for Wearables. You're already upfronting the investment maybe through marketing or investments. That's not giving the profitability -- okay, fine. All right. That's it from my end.
- Moderator:** Next question is from the line of Dhairya from ABG.
- Dhairya:** Actually, my question was more related to primary sales made to L3 franchisees. So this was a follow-up question maybe on the UCP. So I just wanted to understand if you can shed some light on how new stores perform in terms of sales made to them, the total primary sales and how are the turnover and inventory for the first year.
- Ajoy Chawla:** So when we say primary, actually, it's not so much new stores. There will be a few new stores, but a bulk of that is to existing L3 partners to stock up or stock down based on the season. So in this quarter, because it was a festive quarter and the festive season was late, the primary effect that usually happens in Q2 didn't happen and happened in this quarter. And whatever they have upstocked, it's as per their norms. It's not something that they have stocked up and they're going to return back.
- For new stores, new stores are stocked as per the norms based on the absolute turnover we expect to see in year one. And the minimum threshold is put there. So most of the primary versus secondary difference in growth that we are seeing has nothing much to do with new stores as much as to do with existing L3 partners either having stocked now increases because of their business has grown itself.
- Dhairya:** Okay, understood. Just one clarification. You said that for the new stores, it is basically the sales which you are expecting plus some additional stock they are keeping?
- Ajoy Chawla:** Threshold. No, see, you need to have certain mix of products in any store, whether it is daily wear, whether it is occasion, light occasion, chain, fingerings earrings, blah blah, all of that. So there is a certain assortment mix which is needed for a store, below which it doesn't make sense to put up a store at all.

And thereafter, if the top line is likely to be much higher, we might actually increase it beyond the threshold. That's what I meant. It's not sales plus something additional. It is an absolute assortment, which can be flexed upwards, depending on the projections of that particular store. It depends on the catchment.

Moderator: The next question is from the line of Sheela Rathi from Morgan Stanley.

Sheela Rathi: Just extending to the previous participant's question, as we're opening more L2, L3 stores right now, is it fair to believe that the payback period, including the working capital, would have improved in a positive manner in the recent years and if you could remind us what that would be?

Ajoy Chawla: Payback period for an L2 or L3 franchise, yes, it's pretty good. And typically, within 2 years -- not payback. Let's say, they would start making EBIT positive within 2 years. And within 3 years, they would, I would think, have a payback. L3, maybe slightly different because they don't look at payback from an inventory point of view.

They look at it more from the investment that goes into interiors and property and so on and so forth. But it's pretty attractive. And it continues to remain attractive because overall, the size of the business per store has gone up.

Sheela Rathi: Understood. And Ajoy, again, a second question on the Jewellery business only. Just to get a better perspective on the demand conditions right now, especially you said that January seems to be better than where we were in December. Now when we look at the gold prices, they have not really come down. They are at the same levels broadly versus where they were -- where they ended in December.

So is it fair to say that -- I mean, is it one of these three that either the customer has accepted this high gold price and is coming back to the stores or the customers are very excited about the upcoming wedding season and they're coming back to the store?

Or is it that we are making necessary investments like we did in the previous quarters in terms of getting the customer back to the stores and it is much higher than where we were earlier?

Ajoy Chawla: So to be honest, I also can't give you a firm answer. But I think the first point that you raised is the more likely, where customers start accepting that this is a new price of gold. And in general, I think December, a lot of travel, a lot of share of wallet expenses going here and there is also a hard reality.

So for whatever it's worth, Jan is certainly not at all like December and thankfully so. I wouldn't give too much weight to because it's difficult to gauge. I don't see anything significantly driven by wedding or whatever. That will happen as it keeps happening.

Moderator: Next question is from the line of Tejash Shah from Avendus Spark.

Tejash Shah: My first question is for Ajoy. Ajoy, you mentioned that you step up investments tactically sometimes to respond to competitive pressure. So what is the nature of this response? Is it more discounts or ad spends or something else?

Ajoy Chawla: So usually, it will be a combination of both. Offers could be there, exchange can be another one, a gold price protection plan if there's a lot of volatility. And we hear also some customers staying away. We try, some of them may work, may not. Marketing, yes, that's also another piece which we do.

But marketing typically would be around this particular offers or promotions that we run, whether exchange or gold price. And marketing is also somewhat strategic. Let's say we see that wedding needs to continuously be on as in always on, so we are continuing to invest. And we - even if the season is up or down, we may say no, let's sustain it. Because suddenly, you might find that a rush of people coming in. But it's a mix of all these three.

Tejash Shah: Second question the results that we have seen from companies that have been reported for the quarter in lifestyle retail so far. We have witnessed a very sharp demand deceleration from many categories. And some companies have called out or attributed this to very high base just created last year because of COVID bump-up. So are we seeing any signs based on our numbers? And how are we reading consumer sentiment for the near to medium term?

C K Venkataraman: Firstly, the income classes where different industries and different companies particularly operate would have a great bearing on the question that you're asking. So we're seeing a lot of slowdown or sluggishness in staples, in motorcycles, whereas cars, particularly the SUVs and above, were doing exceedingly well. Titan Company's broad customer base is in the top part of the income pyramid. And that has generally played out well for us over the last many years.

And the substantial share of jewelry business in our portfolio and jewelry is not an indulgence product, it is a store of value also and in a category where the market share is low and the acceleration of formalization is also happening. So in a way, the performance of Titan Company over the last many quarters has been better than some of the examples that you're citing. And in a way, it is continuing. If I look at some of the results which has come up in the last couple of weeks, it continues to reinforce that.

And our own performance in Jewellery in Q3, while it was slightly lower than Q2, it was actually overall strong if you look at the portfolio of Jewellery. Our performance -- sales growth performance in Watches was also very strong. It's in EyeCare. It's in same-store growth of Taneira. It's in the perfumes business. International has been very strong. It's in EyeCare and the other two that we've had some challenges. And these need to be seen -- finally, a quarter is just 3 months.

So from a lifestyle of a brand, and I'm not here talking about a long life-time -- from a 2-3-year time frame, a quarter is still only a quarter. And our overall confidence is very high. And it's a combination of three factors. One is the prediction on the growth in these top income class segments over the next few years, when we move from INR 2,200 to IN R5,000 per capita GDP,

it's actually a very high growth rate of these top two income segments, in fact, even the third income segment. And therefore, you're going to get a tailwind from that.

The second is in most of the categories in which we operate, our market share is still single digits. And combined with the acceleration in formalizing, that's another tailwind that we are seeing. And the third is that our natural behavior and strength in terms of going deep into Bharat with all our brands is accelerating, some of the town names I mentioned.

So considering all these three things, our overall outlook for medium term, which is FY '25, FY '26, continues to be very strong. We need to become better in managing our operations and extract more value from the scale that we are actually generating. That is going to be the focus certainly for the company and all divisions for FY '25.

Moderator: The next question is from the line of Manoj Menon from ICICI Securities.

Manoj Menon: A few couple of ones. One, on the gold price premium, the commodity premium, where is it currently? And do you still think there is significant corrections you need to make over the next 12, 24 months in the context of accelerated formalization and existing brands also expanding, etcetera? The reason I'm asking because even in a very competitive market like in Chennai, as I understand, I think we've seen there is a 1% premium which you still managed to hold on to.

Ajoy Chawla: Yes, so we still do that. We have a premium across markets and it varies in different markets. We think we can continue to hold on to that premium because that small percentages, whatever they are, Chennai notwithstanding, I think the customer is willing to give that premium for Tanishq and the reliability as well as our exchange program and so many other transparent, trustworthy practices that we follow.

So we think we can continue to hold. Of course, if the rest of the market goes down further, then we will have to respond. But I'm not seeing so much of that happening unless and until there is some increased amount of smuggling and other such things that come into the market, which I can't really say. So as of now, we think we can continue to hold on to the small premiums that we are continuing right now.

Manoj Menon: Okay, very clear. Is this hypothesis, will it hold good even in a scenario of, let's say, full-fledged actual implementation of hallmarking on the ground, including inspection efforts?

Ajoy Chawla: Yes, I don't think that hallmark -- actually, hallmarking has not driven this. I don't believe hallmarking is the one which has created this. It is just price warrior approach by different players. Hallmarking is not the driver.

Manoj Menon: Secondly, when we look at the medium term now with 100% ownership for CaratLane, how do you look at both the brands, CaratLane and Mia? Do you really think you need both of them targeting different consumer, let's say, requirements? Or sometime in the medium term, is it -- you haven't thought about it saying that, "Look, it is better to focus on actually one"?

Ajoy Chawla: Actually, I have maintained this earlier also. These are two horses in a multiple horse play. There are many, many players in this. And this segment is growing. And both these brands are not only

growing but are also very profitable. So actually, it helps us. In fact, even Tanishq plays pretty much in the everyday space significantly in diamonds. So if you ask me, there is Tanishq, there is Mia, there is CaratLane. And as more players come in, given catchment in a given market, if we are the dominant player there in a segment which is evolving it is great.

Thirdly, the typographic profile for each of these customer segments is very different. Even product language is different between Mia and, let's say, CaratLane. Mia also has a lot more of 14 carats. CaratLane has a different kind of profile. So I think if you -- and if you visit each of each of our formats and look at each of the product mix, you will find that there are some overlaps. But there are also some certain areas which each brand is very, very strong. So I think as long as the brands are profitable and continue to grow, which we are seeing very good growth and good brand profitability, we don't see any reason to consolidate or try to -- and anyway, there are separate teams running each of these.

Manoj Menon: Got it, clear. Just quickly between Mia and CaratLane, what would be broadly the, let's say, the proportion of consumers who would have shopped at both or the lower list is what I'm trying to get at? Is it a significantly higher number? Or is it largely driven by both brands are growing by, let's say, outside of -- or let's say getting newer consumers into your group?

Ajoy Chawla: So I would instinctively feel that we are getting new consumers and overlaps are not so much. But I don't have data to kind of -- between Mia and Tanishq, there will be overlap because Mia is a sub-brand of Tanishq and it's also available in the Tanishq store, so a lot of gifting, older customer buying for a younger person, etcetera. But I think CaratLane and Mia probably will not have too much overlap. But I'm just giving you a very top of the mind answer.

Manoj Menon: And one quick one, if I may. When I think about the next 12, 24 months, is it fair to assume that nearly 100% of your incremental expansion in Jewellery will happen through L3? And given the state of balance sheet currently, which is still very strong but with debt, etcetera, is it fair to assume that you will actually dial up the L3 route, let's say, in the last couple of years?

Ajoy Chawla: Not really. We are actually pursuing more L2s. L3s are for certain markets. It's all remote and so on. In fact, L2 makes more profitable sense for the company is what our understanding is. Capital efficiency could vary. But I don't think -- I mean, Ashok, maybe if you want to add anything.

Ashok Sonthalia: Nothing significant shift we expect at this point of time. I think the same ratio is likely to continue.

Moderator: We take the last question from the line of Kunal Vora from BNP Paribas.

Kunal Vora: Sir, earlier question, you indicated confidence about growth in FY '25 and '26. So is it fair to say that you're confident of delivering the 20% CAGR in Jewellery, which you aspire to deliver?

Ajoy Chawla: Yes. I mean, that was something which we shared in the Investor Day, which we have given kind of -- yes, of course, we -- yes, we continue to see positive signs there. And we will continue.

C K Venkataraman: See, growth rate is -- YTD growth is in that range anyway.

- Ajoy Chawla:** Even though last year, we exceeded the CAGR goal that we gave you in the 5-year or 4-year horizon, we had actually exceeded it. And despite that, we are continuing to grow at this CAGR equivalent rate.
- Kunal Vora:** Yes, but you don't see any headwinds. I mean, we are seeing headwinds in some other categories. Maybe the category has slowed down. But like for Jewellery and for yourself, you think the growth rate should continue?
- Ashok Sonthalia:** Our FY '27 guidance, which we presented in our Investor Day remains the same. There is -- and we are not at all worried about that. Actually, the first 2 years of that 5-year horizon has turned out very well. We are -- we believe we are comfortably placed to kind of eventually achieve -- while it is a bit stretched, but we will achieve that.
- C K Venkataraman:** And you need to really deeply consider the sector dynamics, the competitive position of each of our brands, and in this case, the jewellery brands in the sector, the customer profiles that we are targeting versus some other sectors, the very low market share that we have compared to other companies in other sectors, total value aspect of this category as opposed to something which is seen as expenditure, so many things.
- And the status aspect of diamond jewellery as India becomes more affluent. There's so many factors which are in our favor, and that's why our confidence as against maybe some other sectors and some other companies.
- Kunal Vora:** Sure, that's very clear. Second and last one is now that you own almost 100% of CaratLane, does anything change in the way you're managing it? And also, will it remain a subsidiary? Or would we look to merge it with the parent company?
- C K Venkataraman:** Actually, nothing has changed. Everything remains the same. It's a separate brand. It's a separate organization. It's a separate leadership team, which is governed by a Board, which continues to be the same Board for a while now. And there is no plan to merge it into Titan.
- Ajoy Chawla:** And just to add, there is enough cross-learning and sharing of whatever help is needed from either side. And that continues as is, in fact, it can only improve.
- Moderator:** We'll take that as the last question. I would now like to hand the conference back to Mr. C.K. Venkataraman for closing comments.
- C K Venkataraman:** Thank you very much, everyone. It was a wonderful conversation and see you soon.
- Moderator:** Thank you very much. On behalf of the Titan Company Limited, that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.