

SEC 41 / 2018-19

9th November 2018

The General Manager, DCS – CRD BSE Limited Corporate Relationship Department 1st Floor, New Trading Ring Rotunda Building, P J Towers Dalal Street, Fort, MUMBAI - 400 001 Scrip Code: **500114** The General Manager, DCS – CRD National Stock Exchange of India Ltd Exchange Plaza, Bandra-Kurla Complex, Bandra (East), MUMBAI - 400 051 Symbol: **TITAN**

Dear Sirs,

Sub: Second quarter earnings call for Q2 FY 2018-19 - Investors Presentation

Further to our communication dated on 2nd November 2018, attached is a copy of the investor presentation regarding second quarter earnings as required under Regulation 30 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

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

Delivering value by creating brands

Earnings Presentation – Q2 FY '19 and H1 FY'19 (For quarter and half year, ended 30th September, 2018)

09th November, 2018

Disclaimer



This document, which has been prepared by Titan Company Limited (the "Company"/"we"/"our"), are solely for information purpose and do not constitute any offer, invitation, recommendation, invitation to purchase or subscribe for any of the securities, and shall not form the basis of or be relied on in connection with any contract or binding commitment whatsoever.

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.

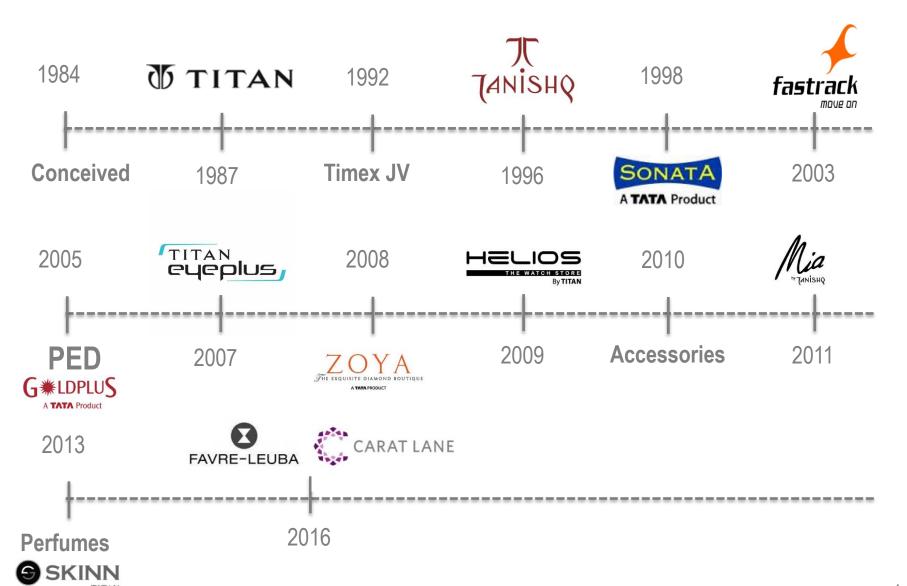


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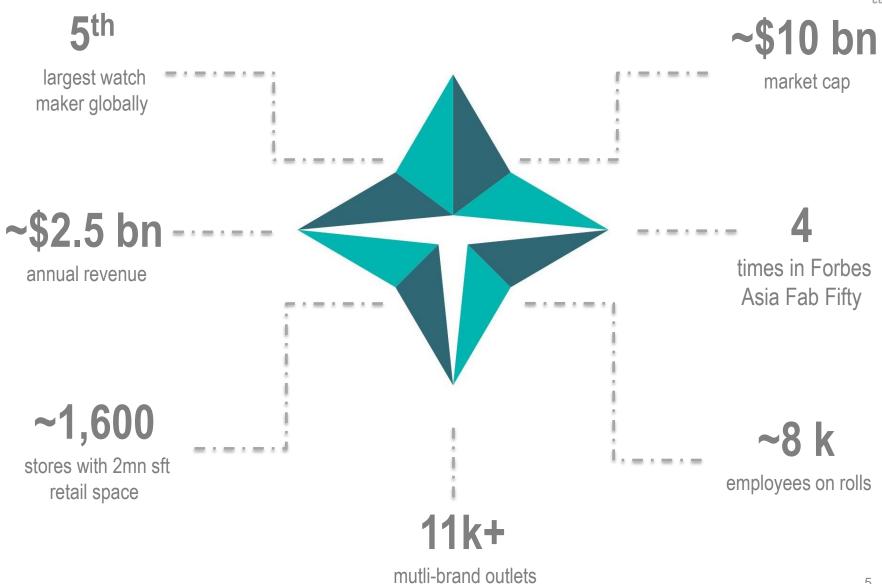
The Journey





Titan Today





that sells our watches

Note: Above figures are on consolidated basis as on 30th Sep'18.

Our Strengths





Design and Development

800+ New time products every yearreddot Award to 2 Edge watchesDifferentiated Jewellery CollectionsCustomized 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

Tanishq: India's leading Jewellery brand

Titan: Our flagship watch brand

Raga: Exclusive women's watch brand

Fastrack: India's largest youth brand

Sonata: India's largest selling 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



				BRIDA
Luxury	FAVRE-LEUBA	ZOYA		
Premium	XVIVS NEBULA	ス		
Mid Market	TITAN TOSS fastrack	TANISHQ Mia CARATLANE	TITAN E UEPIUS GLARES byTITAN fastrack	SKINN
Mass Market	SONATA A TATA Product			

Our Retail Network



Luxury		ZOYA (3)	
Premium	HELIOS THE WATCH STORE BYTITAN (72)	(267)	
Mid Market	WORLD of TITAN (489) fastrack (173)	74NISHQ Mia CARATLANE (43) (45)	TITAN eyeplus, (513)

279 Towns

Note: 1. We also have a service network of 730 'Watch Care Centres'

~1,600 Exclusive Stores

- 2. Helios is our own Multi Brand Outlet (MBO) and rest others are our Exclusive Business Outlets (EBO)
- 3. Store count comprises of both company owned and franchisee stores.

~2 mn sq. ft. of retail space

Watches - Overview









Brands

6 major in-house brands & 6 licensed brands







<u>Manufacturing</u>

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



EBO: World of Titan, Fastrack Stores

OWN MBO: Helios

MBO: present across 11k+ dealers/ MBOs LFS: Large format departmental stores

ECOM: <u>www.titan.co.in</u> , <u>www.fastrack.in</u> 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



Watches - Brands





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



Xylys: Swiss made watches, Crafted for Connoisseurs



Nebula: A collection of watches crafted from solid gold





Titan We: Smarter. By far.



Fastrack Reflex Activity
Tracker Band: Geared up
for Action



Fastrack: For those who wear their attitude on their wrist



Sonata Super Fibre: For the young and active



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

Watches - Manufacturing





Watch factory, Hosur



Watch Assembly, Hosur

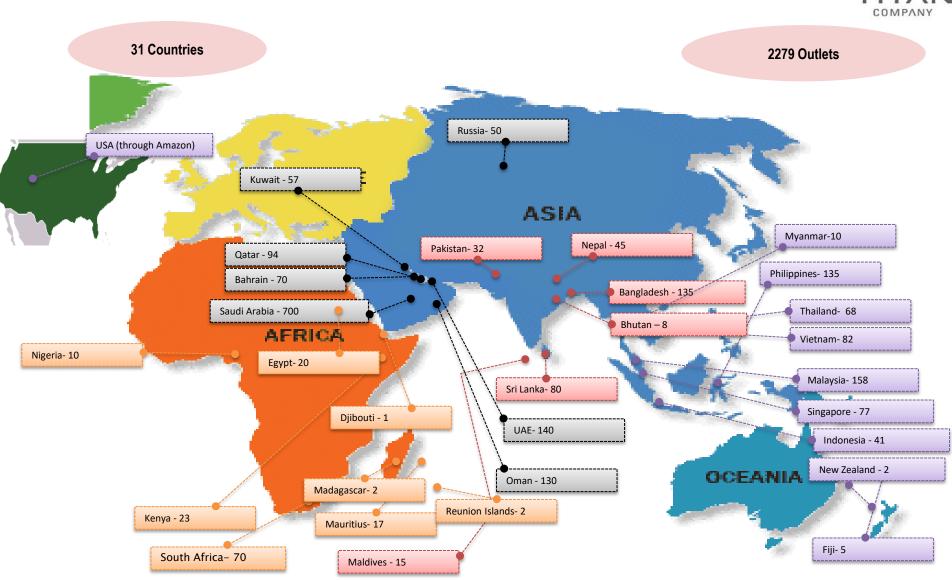


Pantnagar factory



Watches - International Presence







WORLD OF TITAN

489 showrooms (Net 3 addition in H1 FY'19) 225 towns – 410k sq.ft.



FASTRACK STORES

173 showrooms (Net 7 additions in H1 FY '19) 84 towns – 95k sq.ft.



HELIOS STORES

72 showrooms (Net 2 additions in H1'19) 36 towns – 67k sq.ft.







Jewellery







Mia





Brands

TANISHQ: flagship brand ZOYA: luxury segment play

MIA: Tanishq sub-brand for faishonable fine jewellery CARATLANE: a Tanishq partnership, ecommerce brand

Manufacturing

Studded jewellery manufactures mostly in-house Plain gold jewellery mostly outsourced

3 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

Jewellery









Jewellery















Tanishq Stores

267 showrooms of Tanishq (Net 14 added in H1'19). 167 towns – 1.04 mn sq.ft. of Tanishq (Net 35k sq.ft. added in H1'19). 3 Zoya stores (~10K sq.ft.)



Mia Stores

25 Standalone stores and 18 Shop-in-shops 19 cities (~10k sq.ft.)



Carat Lane Stores

45 showrooms across 15 towns (~32k sq.ft.)











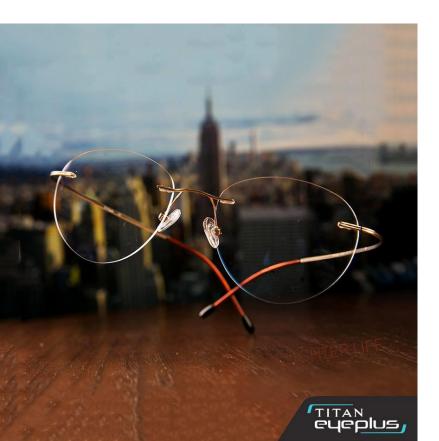
Eye Wear











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



In-house brands









Manufacturing

Integrated Eyewear facility - Chikkaballapura



Lens Labs





Titan Eye Plus Stores

513 showrooms (Net 13 additions in H1 '19) 221 towns – 339k sq.ft.







Fragrance





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

THE NEW COLOUR OF CLASS. AMALFI BLEU.





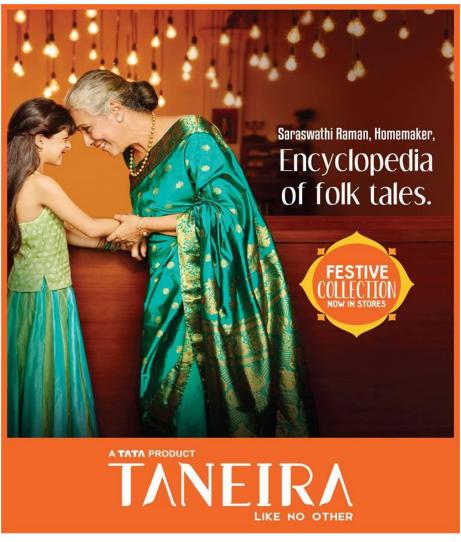
Taneira

Who we are





- This youngest brand of Titan Company Ltd was launched as pilot in Feb 2017 with 2 stores in Bangalore.
- Anchored in special occasion wear Sarees from across India.
- Evolved as a natural extension of Titan's proposition – self expression and design.
- Large, unorganized, deeply Indian 5,000 year old category (like Jewellery).



Our Stores











Titan Company Limited



Q2 Performance



Q2 Performance - Standalone

Company

- The Company continued to grow well across all of its businesses in the second quarter with the market share gains continuing particularly in Jewellery. Revenue grew by 26% and EBIT grew by 4%.
- The Watch business is continuing its excellent run backed by a good top line growth and operating leverage playing out well with the cost optimisation programme it has been working for the past few years
- Growth in the Jewellery division was very strong at over 29% but growth in profits was muted due to higher advertising spends and certain one time franchisee compensation.
- The change in strategy in the Eyewear business to introduce more lower-priced point products has been well received and the division has grown by 19%. While gross margins remain good, the decision to make higher investment in brand building this year led to the loss for the quarter.
- The Company added 40 stores with a retail space of 47k square feet in H1 FY'19, on net basis.
- The company has, as part of its Treasury operations, invested INR 145 crores in the IL&FS group in May and June in inter corporate deposits when our cash surplus peaked at around INR 1,900 crores. Even though they come up for redemption in November/December 2018, consequent to the recent developments, we have made a provision of INR 29 cr. representing 20% of the investment as a measure of abundant caution.
- In September, the Company launched an initiative called ECHO ('Educate to carry her onwards') in collaboration with the Tata Group, and has associated with Rana Uppalapati (Titan's business associate and international skater) for a journey on skates to cover the Indian Golden Quadrilateral (6,000 kms) in 90 days to raise funds for the education of 25,000 underprivileged girl children and also create awareness among six lakh children on aspects of child safety and sexual harassment.



Q2 Performance - Standalone

Jewellery

- The Jewellery division had a strong quarter with revenue growth of 29% despite the muted growth witnessed by the industry with most of the growth coming from volume growth (24%).
- Gross margin was lower than the previous year as plain jewellery segment grew much faster than the studded segment, leading to the studded ratio of only 35%, compared to 37% in the previous year and the inventory valuation loss of INR 18 crores, which will reverse in the subsequent quarter.
- The division has taken over 2 large and profitable franchisee stores in Hyderabad through a win-win approach. The division has recognized INR 15 crores as the franchisee compensation costs in the quarter towards this.
- Advertising spend in the current quarter was also substantially higher (partly due to shift in campaigns from Q1) than the previous year.
- Consequent to the above, the division grew EBIT by only 7% in the quarter. However for H1, the division was on plan for EBIT.
- Golden Harvest scheme and the Gold exchange programmes continue to be major contributors to customer acquisitions.
- Tanishq added 14 stores in H1 FY'19, adding 35k square feet to Tanishq retail, on net basis.



Q2 Performance - Standalone

Watches

- Watch division continued its good performance in the quarter, with growth of 17%, with the launch of many exciting products and improvement in merchandise to fill the product gaps.
- While a robust growth was witnessed across all channels, the modern retail formats and e-commerce did exceptionally well.
- Strong top-line growth while keeping operational costs in check led to the good margins for the quarter.
- The division added 3 WOTs, 7 Fastrack and 2 Helios stores in H1, adding 1,800 sq feet, on net basis.

Eye Wear

- The Titan Eye+ retail channel had strong overall and like-to-like retail growth of 18% and 8% respectively, led by the introduction of more assortments at affordable price points and associated aggressive marketing campaigns to build consumer awareness.
- 13 stores were added in H1 FY'19, adding 8,000 sq. ft of retail space, on net basis.
- Commencement of Frames manufacturing and its distribution to trade channel in this year also aided the division's growth.

Fragrances & Taneira

- Fragrance business continues to be in high growth phase and also continues to be the best seller in its category in departmental chain stores. "Amalfi Bleu", the latest variant launched in July-2018 has been very well received
- Taneira business has been able to partner with 300+ vendors for its sourcing needs across 50 weaving clusters. The third store, and the first one outside Bengaluru, was opened in Ambience mall in Delhi.



Q2 Performance – Subsidiaries and JV

Titan Engineering and Automation Ltd (TEAL) - 100% owned Subsidiary

- TEAL had an excellent quarter with the revenues growing by 88% YoY, helped by low base. Both the segments, aerospace and defence (A&D) and Automation solution business grew strongly and are expected to do well in the current fiscal. Current order book gives full visibility of FY'19 targeted revenue. Pipeline of orders is also strong.
- For Automation solution business segment, market conditions continues to be very encouraging. Current enquiry level is all-time high from both existing and new customers. Received Best Supplier Award from another Fortune 500 company.

CaratLane (67% owned Subsidiary)

- Caratlane's revenue recorded a 35% growth, primarily due to network expansion.
- Gross margins have improved significantly for the quarter, on the back of better pricing and product mix.
- Caratlane continues to invest in marketing and brand building.
- Caratlane added 9 stores to its network, in H1 '19, taking the total store count to 45.

Favre Leuba (100% owned Subsidiary)

Launched the brand in the Swiss market by selling through 6 new Point of Sales of prominent retailer, Christ.

Mont Blanc

 Opened a new store to take the total count to 10 stores. Started E-commerce operations in Apr'18 with TataCLiQ.



Retail Growth - Q2'19 and H1'19

	Q2'19		H1	'19
	Sales value growth	Like-to-Like growth	Sales value growth	Like-to-Like growth
Tanishq	38%	32%	18%	14%
World of Titan	8%	9%	6%	4%
Fastrack	10%	6%	7%	1%
Helios	45%	16%	35%	7%
LFS (for Watches)	33%	26%	25%	20%
Titan Eye+	18%	8%	17%	8%

Note: 1. Above retail growth is based on secondary sales (at consumer prices) in company's branded retail stores (including franchisee stores) and LFS only. Reported revenue is based on secondary sales to consumers in L1 & L2 stores and primary sales to L3 stores, distribution partners and institutional clients.

^{2.} Retail network shown above represent sales of approximately 100%, ~50% and ~80% of Jewellery, Watches and Eyewear businesses respectively on consumer price basis. The remaining sales is to the distribution channels and institutional clients.

Total Income - Q2'19 and H1'19



Total Income ⁽¹⁾ (in INR Crores)	Q2'18	Q2'19	Growth %
Watches	576	676	17%
Jewellery	2,788	3,582	29%
Eyewear	101	120	19%
Others / Corporate (2)	44	56	28%
Standalone	3,508	4,434	26%
Caratlane	57	76	35%
TEAL	51	95	88%
Others/ Consol. Adj. (3)	(12)	(11)	
Consolidated	3,603	4,595	28%

H1'18	H1'19	Growth %
1,093	1,269	16%
6,168	7,154	16%
214	252	18%
87	114	30%
7,562	8,788	16%
121	160	33%
78	149	90%
(27)	(15)	
7,735	9,082	17%

Note:

- **1.** Total Income also includes other income.
- **2.** Others include Accessories, Fragrances and Taneira business.
- **3.** Others include TTPL (divested in June-2018) and Favre Leuba.

EBIT - Q2'19 and H1'19



EBIT (in INR Crores) (1)	Q2'18	Q2'19	Growth %
Watches	91	122	33%
Jewellery	368	392	7%
Eyewear	1	(1)	
Others/ Corporate (2)	(21)	(56)	
Standalone	439	456	4%
Caratlane	(17)	(12)	
TEAL	1	20	
Others/ Consol. Adj. (3)	(10)	(10)	
Consolidated	412	454	10%

H1'18	H1'19	Growth %
150	233	55%
707	785	11%
5	1	
(31)	(67)	
830	952	15%
(33)	(20)	
(3)	23	
(19)	(23)	
775	932	20%

EBIT Margin	Q2'18	Q2'19
Watches	15.9%	18.0%
Jewellery	13.2%	10.9%
Eyewear	1.3%	-0.8%
Standalone	12.5%	10.3%

H1'18	H1'19
13.7%	18.4%
11.5%	11.0%
2.1%	0.3%
11.0%	10.8%

Note: 1. EBIT is before exceptional items and share of profit/ (loss) of JV and associates

- 2. Others include Accessories, Fragrances and Taneira business
- 3. Others include TTPL (divested in June'18) and Favre Leuba.

P&L – Q2'19 and H1'19 – Standalone Company



in INR Crores	Q2'18	Q2'19	YoY
Revenue from operations	3,488	4,407	26%
Other Income	20	27	
Total Income	3,508	4,434	26%
COGS	2,491	3,180	
Gross Profit	1,017	1,253	23%
Employee benefits expense	181	206	14%
Advertising	98	136	39%
Other expenses	274	418	53%
Depreciation & Amortization	25	37	
EBIT (before Exceptional Items)	439	456	4%
Less: Finance expense	14	11	
Less: Exceptional Items	1	-	
Less: Tax	119	132	
PAT	306	314	3%

H1'18	H1'19	YoY
7,514	8,726	16%
48	62	
7,562	8,788	16%
5,504	6,339	
2,059	2,449	19%
361	412	14%
204	272	34%
613	740	21%
50	73	
831	952	15%
25	19	
11	-	
223	269	
573	664	16%

Balance Sheet - Standalone



in INR Crores	31-Mar-18	30-Sep-18
Fixed Assets	985	1,001
Intangible Assets	30	41
Investments	734	744
Other non-current assets	370	337
Inventories	5,749	6,657
Trade Receivables	193	403
Cash and Cash Equivalents	466	240
Other Bank Balances	146	220
Other Current Assets	723	1,361
Total Assets	9,396	11,005

Shareholders' Fund	5,194	5,518
Non-current liabilities	104	110
Short-term borrowings	-	50
Gold on Loan	1,604	2,440
Trade Payables	786	916
Other Current Liabilities (1)	1,708	1,971
Total Equity & Liabilities	9,396	11,005

Capital Employed - Standalone



in INR Crores	Segment Assets	
	31-Mar-18	30-Sep-18
Watches	1,354	1,620
Jewellery	5,611	6,748
Eyewear	287	322
Others	52	65
Corporate	2,092	2,249
Total	9,396	11,005

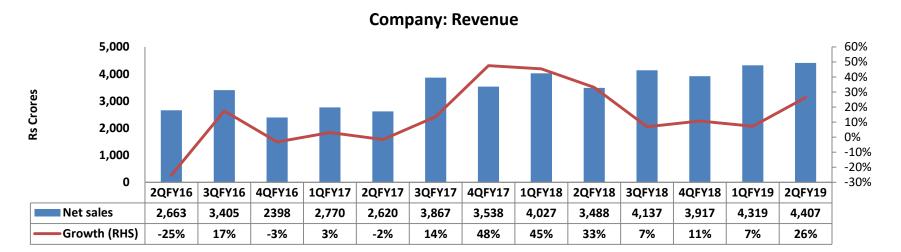
Segment Liabilities	
31-Mar-18	30-Sep-18
448	475
3,536	4,740
81	94
19	31
119	147
4,202	5,487

Capital Employed		
31-Mar-18	30-Sep-18	
906	1,145	
2,076	2,008	
206	228	
33	34	
1,974	2,102	
5,194	5,518	

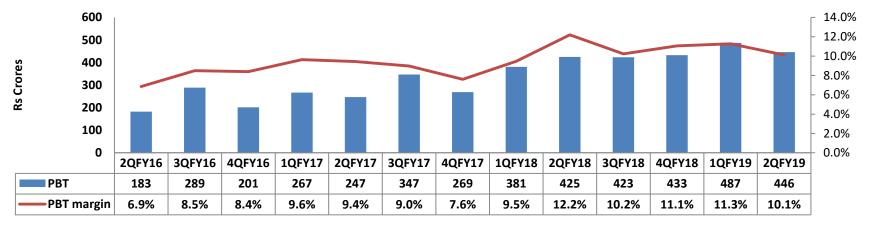
Note: 1. Others include Accessories, Fragrances and Taneira.

• In Jewellery, current assets increased due to seasonality, with the commensurate increase in payables, primarily increase in Gold-on-Lease.





Company: PBT & Margin

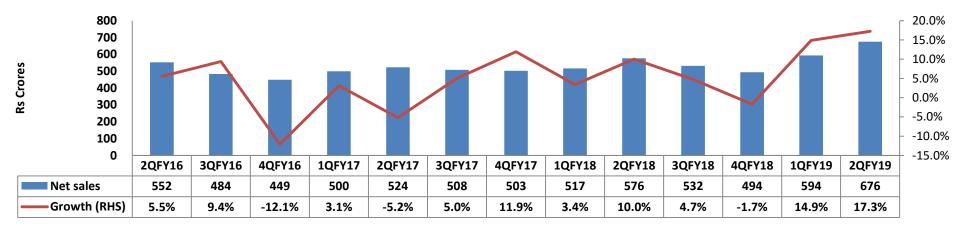


Note: 1. Financials of the Company do not include PED from Q1, FY '18 onwards due to its demerger into TEAL.

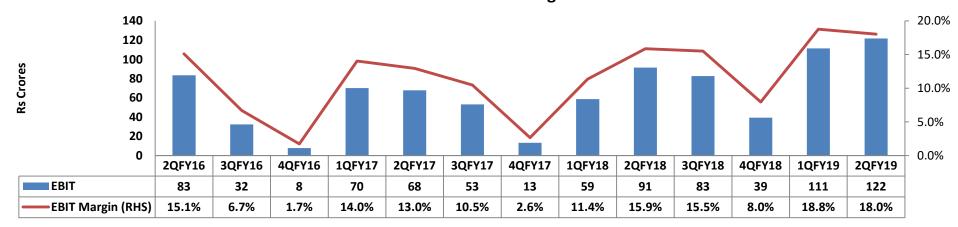
2. PBT is before exceptional items.







Watches: EBIT & Margin

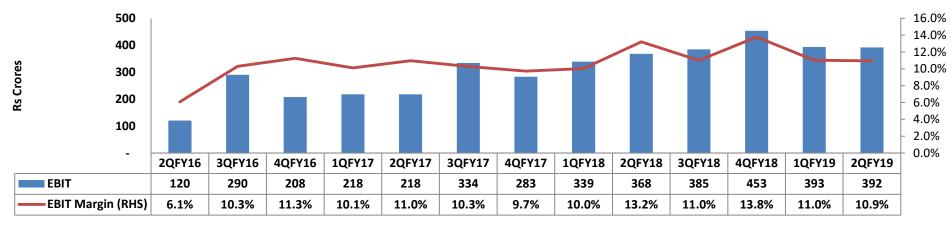






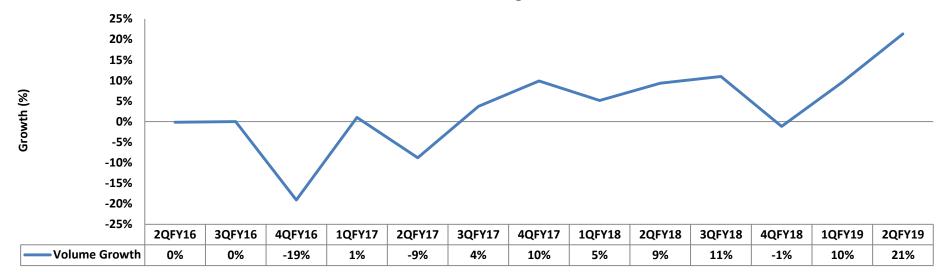


Jewellery: EBIT & Margin

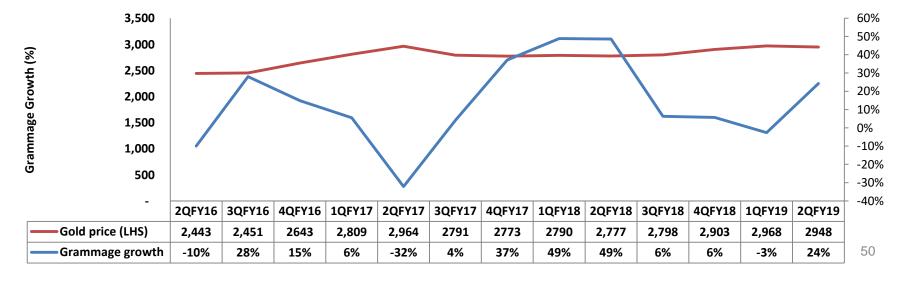




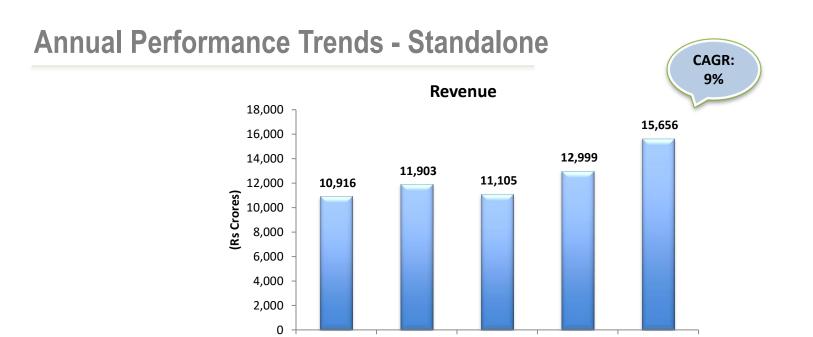


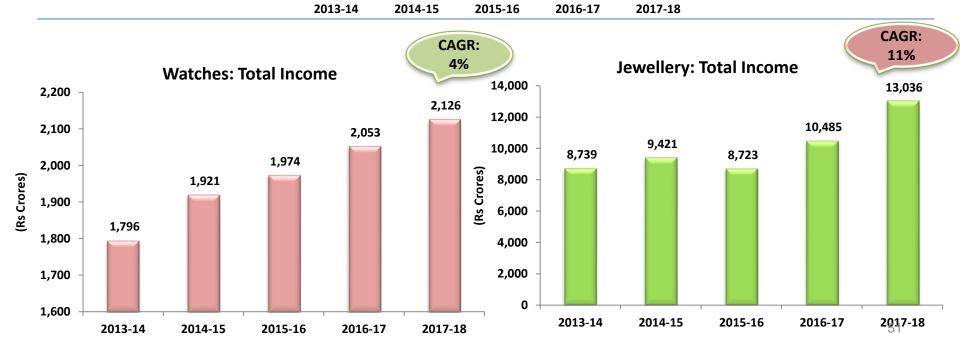


Jewellery: Gold price (22kt) and Grammage growth









Annual Performance Trends - Standalone



2013-14

2014-15

Note: 1. EBIT and PBT is before exceptional items.

2015-16

2014-15

2013-14

2. PAT is after exceptional item of INR 96 cr and INR 92 cr for FY'17 and FY'18 respectively.

2017-18

2016-17

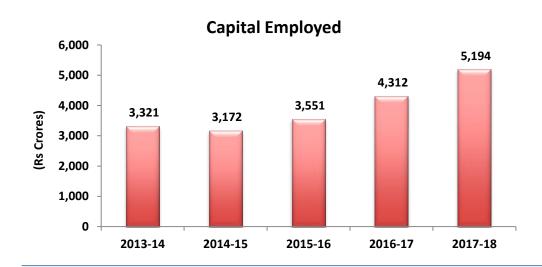
2017-18

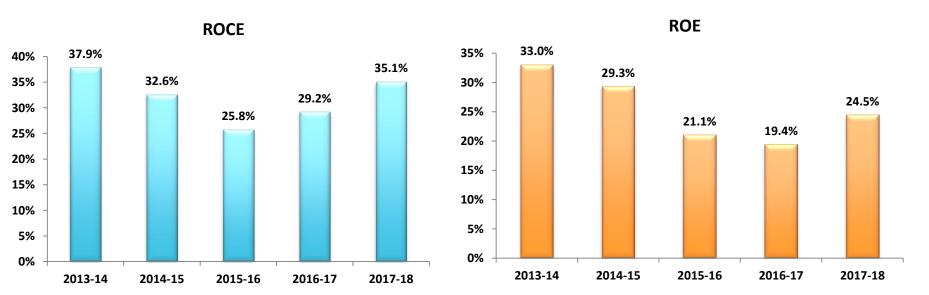
2016-17

2015-16



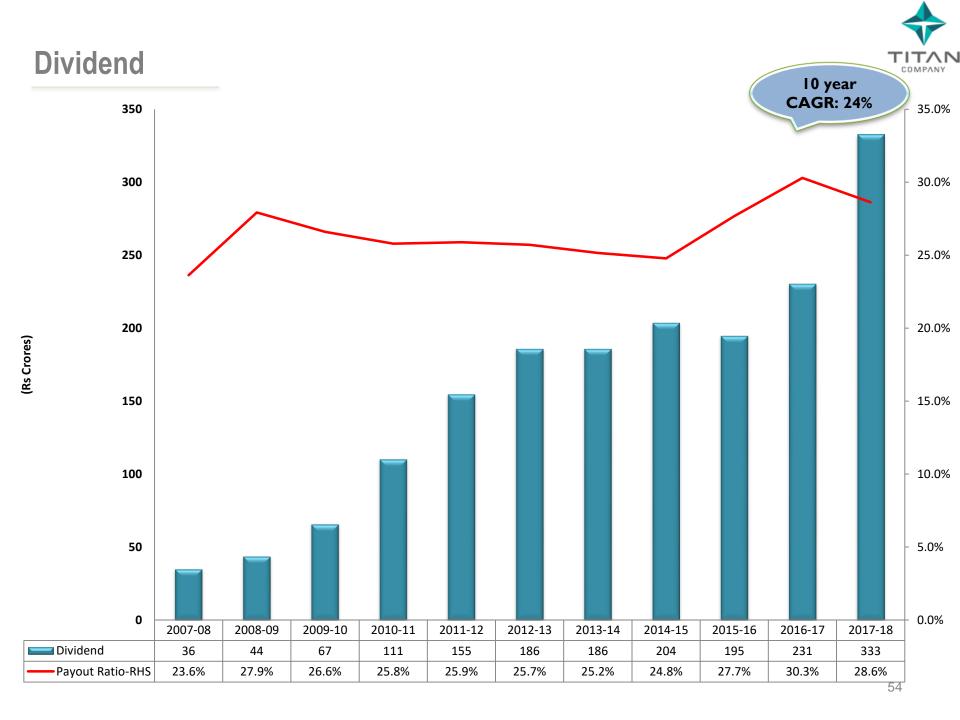






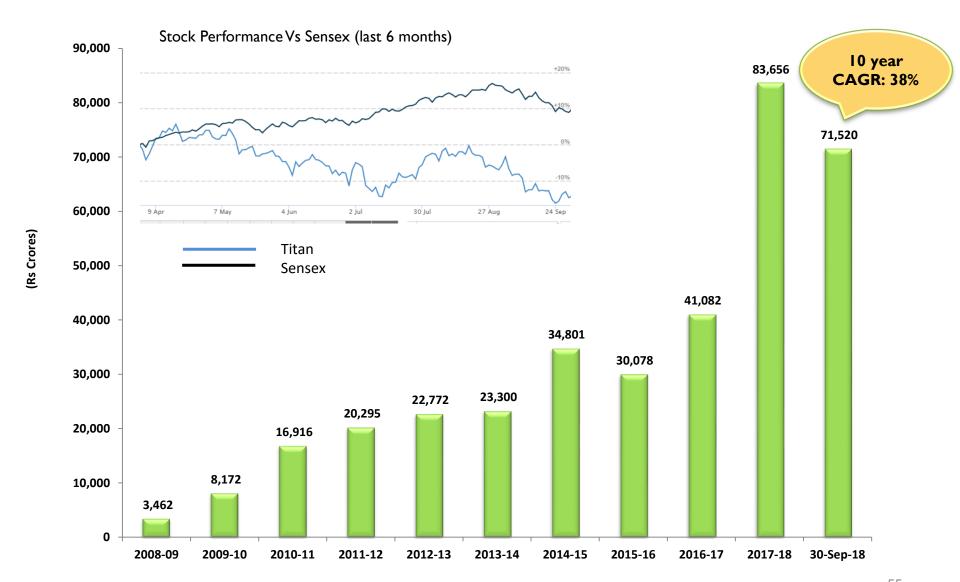
Note: 1. In above ROCE calculation, EBIT is before exceptional items.

2. In above ROE calculation, PAT is after exceptional item of INR 96 cr and INR 92 cr for FY'17 and FY'18 respectively.



Market Capitalisation





Awards and Recognitions won in 2018



- Titan wins in Pitch Top 50 Brands in the 'Evergreens Category'.
- Fastrack wins at the Afaqs Foxglove awards 2018.
- Fastrack wins bronze in the prestigious WOW Asia awards for The Fastrack Music Run.
- Sonata wins the Best Brand Launch of the Year at the Brand Equity Marketing Awards.
- Tanishq won the "Most Admired Retailer of the year in the Jewellery category at the Images Retail Award 2018.
- Tanishq wins at the Retail Jewellers Guild Awards.
- Titan Eyeplus felicitated by NASSCOM in the Special Category -Best use of technology by an enterprise for Excellent Customer Service.
- Titan Eyeplus wins Bronze in the prestigious ACEF Asian Leadership Awards.
- Titan Eyeplus is the only Indian Company to be nominated for the International Customer Experience Award held in Netherlands.

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.

Area	Key Initiatives
Girl Child / Education	Remedial Education and holistic engagement with Girl child in two most backward locations of TN and Karnataka. (13168 children for remedial support and 1 Lakh children over five years on holistic engagement). Launch of Titan ECHO - a program to create awareness and raise funds for girl child education
	Support for higher education through Titan scholarship program
	Enabling school education for the tribal child and D.Ed program (about 265 children)
Skill development for underpreviliged	Launch of Titan skill centre (Titan LeAP, at Chennai , hub and spoke model) , Employability skills for Govt ITI and Govt Engg colleges. Covered approx 4600 youth so far. Skilling differently abled , covered 60 so far, target to complete 240 youth during the year
Support to Indian Arts Crafts and hertitage	Working with two craft communities one in Benares, & one with the youth of Kashmir for revival & enable market linkages
	Engaging in supporting Art Research and theatre through India Foundation for Arts and Ranga Shankara
Danima lara ant Arranda for	
Design Impact Awards for Social Change	Shortlisted 8 entries for grant support over a period of 2 years. Detailed engaement plan being worked out.
Responsible citizenship	Watershed program with NABARD at Cuddalore in progress, Rehabilitation initiatives at Uttarakhand nearing completion.
	Happy eyes - eye care : program going on, reaching out to underpreviliged
Others	Carbon footprint report released
	Rejuvenation of veerasandra lake commenced.
	Support to Kerala and Karnataka Flood affected areas
	Overall reached out to 1.2 Lakh individuals so far in CSR





Thank You

