SEC 31 / 2024-25

10th May 2024

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National Stock Exchange of India Ltd
Exchange Plaza,
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Bandra (East),
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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 Audited Financial Results (Standalone and Consolidated) for the fourth quarter and year ended 31st March 2024 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 SHIVANNA SHETTY
Digitally signed by DINESH SHIVANNA SHETTY
Date: 2024.05.10 10:46:22 +05'30'

Dinesh Shetty
General Counsel & Company Secretary

Encl. As stated

“Titan Company Limited

Q4 FY24 Earnings Conference Call”

May 03, 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. KURUVILLA MARKOSE (DINY)	**– CEO, INTERNATIONAL BUSINESS DIVISION**
	MR. AMBUJ NARAYAN	**– CEO, INDIAN DRESSWEAR DIVISION**
	MR. MANISH GUPTA	**– CEO, FRAGRANCES & FASHION ACCESSORIES DIVISION**

Moderator: Ladies and gentlemen, good day, and welcome to the Titan Company Limited FY24 and Q4FY24 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 conference 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, sir.

C.K. Venkataraman: Thank you, Rayo. Good evening, everyone. Welcome to the call. Always a pleasure to talk to all of you. It was a very satisfying quarter for us. Standalone growth was slightly above 17%, dispersed across the business portfolio a little differently. The CaratLane business also grew very well, a little over 28%. So the consumer businesses of the company at 18% plus growth is a very encouraging sign in these times.

And what gives us a lot more joy is for the full year, businesses like Watches, Taneira, have done exceedingly well in terms of growth. Of course, Jewellery continues to shine, all the brands, including CaratLane for the year. And the foundations that we have laid in the EyeCare business in H2 as well as the work that we have already begun, in implementation or in WIP in the Perfumes businesses for FY25, all give us a lot of confidence about the current year, and we're really looking forward to that as well. And now I hand you over back for all clarifications and questions, please.

Moderator: The first question is from the line of Abneesh Kumar Roy from Nuvama.

Abneesh Roy: My first question is on the Jewellery margins. So this year, there is a drop of around 140 bps in terms of EBIT margins for the full year and 110 bps drop in Q4. In Q3, you had pointed out that the competitive intensity has gone up because the gold price spike is there and local players have that advantage because they have the inventory, they don't do gold on lease. I wanted to understand how are things now? And next year, do you see expansion because there's a drop YoY for the full year, would you expect an expansion next year?

Ajoy Chawla: Abneesh, Ajoy here. Thanks. So the -- you are aware that last year, anyway, we had some onetime gains on account of inventory gains on diamonds and there was custom duty benefits. So there is that piece. And this year, yes, in the current quarter, there has been, let's say, a gross margin, which is lower than what we would usually deliver in a studded quarter, studded intensive quarter.

And as mentioned in the presentation, there were 2 reasons for it. One was the payouts or the customer offers. And competitive intensity continues to be high because the environment -- consumer -- let's say, sentiment and environment for business continued to be a little soft. And therefore, all players were pretty much pushing for growth. We also wanted to ensure that we continue to deliver the 20% growth that we have kind of now got used to delivering and want to continue to deliver. And consequently, we also responded with appropriate offers and promotions.

In the current period also, there is a fair amount of competitive intensity because the environment -- because of elevated gold prices remained soft. It's not that, that has changed. In fact, in April, the gold prices went up even further. It has cooled a little after that, but still higher than what it was in, let's say, quarter 4.

So I think there will be -- this is an ongoing thing. Competitive intensity will continue, and we will continue to invest in growth and respond accordingly in the marketplace to ensure that we continue to gain market share. There was one more reason. I mean I must -- here upfront mentioned that one is the consumer offers, but there is also a factor that when gold prices rise very suddenly and significantly because of the weighted average impact on the material cost of studded jewellery, it's a combination of diamond cost as well as gold cost.

When gold rises up significantly and quickly compared to, let's say, diamond content, there is a certain differential impact on the GC and therefore, the gross margin temporarily gets affected. It takes us a few months thereafter to make some fundamental corrections in either the product engineering or the design or do some changes in the way we are sourcing, etcetera.

And then we get the gross margin back up. So in the same vein, it has happened a couple of years ago as well. And this year also, this has happened, especially in quarter 4, and it has extended into April. So we have taken cognizance of that, and we started working on how to reengineer the margins upwards. But it will take a few months for us to make that correction. I suppose have answered your questions and a little bit more.

Abneesh Roy: Yes. So to understand correctly, in the near term, do you see margin pressures being there because in Q2, your margins are extremely high, 14.1%. But in Q1, it is soft. So would it be fair to say that the expansion, if at all, will happen mostly in second half in terms of EBIT margin?

Ajoy Chawla: I can't predict right now, Abneesh, to be honest. But I know that in this quarter, which is anyway a softer-margin quarter, I'm not anticipating it to go up so quickly because we will take our time to make some response to the elevated gold rate that is there. I'm hoping that from quarter 2 onwards, we'll start seeing some improvement because some of these efforts require -- take time. And how much will come in, in quarter 2, then how much will come in quarter 3, quarter 4, it's slightly difficult to estimate at this point in time. Maybe a fair estimate, as you said, is probably a little more hopeful in the second half rather than in the first half.

Abneesh Roy: My follow-on question on Jewellery business is you have done well in studded ratio being constant in spite of sharp inflation in gold prices. Because in Q3, there was a 200 bps drop. This time, it is stable at 33%. But my question here is -- and this would have been asked earlier also. In terms of lab-grown diamond, what is the current scenario? Are you worried on that from a 2 to 3 years' perspective that this could be a disruptor in your business over a 3-year time frame? I understand near term, it may not be. But what are the trends you're picking up in your market?

Ajoy Chawla: So it's a complex question to answer what is the impact of lab grown, if any, in a 3-year perspective. We are taking significant cognizance of how lab-grown diamonds have kind of grown rapidly in the U.S. largely, of course, in the center stone engagement ring segment, which is very peculiar to the U.S.

We have noted that it has not impacted -- or there has not been much development in Europe or China, even Middle East, some early stages, but not much. In India, there have been a few brands which have emerged, supported largely by the supply side, you know diamond growers, lab-grown diamond growers. And the entire lab-grown diamond, the way it has progressed in the U.S. has resulted in some significant stress on the profitability of jewelers there.

And of course, it is very, very difficult for the supplier side because they have got jammed. Now how is it going to affect us on the consumer front is a difficult one to answer. We are keeping our eyes and ears open. We are, in fact, doing active tracks. We are in touch with consumers. And we are trying to see, if any, where are the early adopters emerging from.

And so far, we have not seen any significant traction, though there is some traction at the margin, but it is very small. In the 3 years period, how it will emerge is very difficult to conclude. Maybe we should come back to you when we have a little bit more to share. At this point in time, I can't answer it, honestly.

Abneesh Roy: Okay. Understood. The last question on the Watches business. So essentially, this quarter, the Wearables has grown much lower at 3% versus analog at 9%. You expect this trend to continue in FY25? And in Wearables, is the pricing now at the bottom given your volumes are doubled, but your revenues have grown only 3%. So which means negative pricing very strong. So if you could talk about, is it mix adverse which is impacting or it is rack rate, there is a sharp deflation in terms of pricing?

Suparna Mitra: Abneesh, this is Suparna here. So on Wearables, some of the major players and in fact, a lot of unbranded players, have actually -- are facing a lot of extra stock, which had been kind of built into their inventory plans. And so there is a lot of pricing pressure. And they are in a much -- they are operating at much lower prices. They want to clear out the stock.

We, therefore, are in a situation where we are -- of course, we still have a huge price premium over a lot of them. Having said that, that's where the market is. And we are expecting this whole thing to settle in about maybe 3 to 4 months. By the time the Diwali buildup happens, which is in August-September, we hope that this excess stock, which is leading to heavy discounting will settle down. And we are also expecting a lot of new launches, which will come in for us from May onwards. So all of those will be either tech or fashion differentiated products and should command the price that we deserve.

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

Manoj Menon: Ajoy and team, I think it was fairly clear from your early commentary that if there is a choice to be made between sales or margins, you're going to gun for revenue, at least that was my interpretation. So it's a question about margins, it's not really about the short term. I don't honestly see that as a miss, it's actually as an investment.

So how do we think about the next 12 to 24 months assuming that, let's say, gold stays volatile. Also assuming the relative competitive intensity remains the same. If you could just help us understand, in your mind, what are the up elevators and the down elevators as per as margins are concerned? That's the first question.

Ajoy Chawla: Thanks, Manoj. You are right. We have made clear choices of pushing for growth and aggressive growth. And if margins do take a hit, we are willing to do that. And we've done that consistently in the last several quarters as needed. We still ended the year with a fairly healthy 12.3% EBIT margin. And we've been saying consistently. I think both Ashok and I and all of us have been saying that 12% to 13% is a reasonable expectation to have for the EBIT margin.

And annually, I would still say we are staying with that point of view. And we despite pushing for growth, despite volatility, some pluses and minuses will keep happening all through. So over the next 12 to 24 months, we would certainly stay consistent with that view unless there are some newer events that emerge. What was the second part of your question?

Manoj Menon: No, no, that's the same actually. You responded to this. I was just trying to understand the, let's say, when I think about 12, 24 months, what are the up elevators and the down elevators the way you look at your EBIT margin? I'm sure that obviously, there will be operating leverage benefits also in your up elevator. Just trying to understand, which are those, let's say, top 3 plus and top 3 minus and net you get to this number.

Ajoy Chawla: Yes. So maybe it's difficult to answer that over a call. And I'm aware that we are meeting by the end of this month on the Investor Day. I'll try to give you a better flavor of that in person because there are many forces at play. Certainly, one of the forces which you might have picked up from my earlier answer is the jump in gold prices, which does create some disturbance in gross margin delivery. I'll probably share a little bit more flavor of it when we meet at the end of the month.

Manoj Menon: Super Understood. Secondly, how do we think about -- okay, now obviously we don't discuss much about the total addressable market for you specifically because it's assumed that it's a long run for growth. But the question here is when I think about present -- the towns presence rather, it's around 280 currently. There are about 700-odd districts. So the question here is realistically as it stands today, where you could be? Because the question -- also the context there is that the, let's say, the relative competitive landscape seems to have been redrawn.

And also if I go by media reports, etcetera, I think growth capital is available for a lot of, let's say, regional players is a likely outcome in the next 12, 24 months also. So how do you think about the addressable market for you, given that you operate in the -- actually in the premium to luxury space? That's one. Second, one clarification is that the overall encircle members of 35 million, what proportion would be, let's say, Tanishq consumers?

Ajoy Chawla: So I'll take the first one. So our -- we have expanded -- we have added in the current year several stores, in fact, 46 or 47 new stores in Tanishq. And of course, Mia, we've added 67 and CaratLane also has continued to add quite a few 50-odd stores. Now we still see a lot of opportunity for adding more stores in many more towns.

Tanishq in India, if I exclude the international markets, it is in about 268 or some such towns, okay, 268 to 269 towns. I personally believe that there is opportunity to go beyond 300 towns. I've mentioned this in the past, the opportunity to expand into - one is towns, also newer catchments in many existing towns is pretty high.

And our ability to, let's say, exploit that opportunity is a function of execution and getting the right property and then some places build-to-suit, and it is a fair amount of effort. Simultaneously, Manoj, we have -- this same bandwidth and capacity to execute is also focused on expanding and transforming the existing retail store stores. So in the year gone by, we have done 50 projects on renovations, relocations and significant expansion of existing Tanishq stores.

And over the last 2 years, it's been a program which also, in a way, has helped add a lot of square footage and transform the retail experience and capacity to handle larger business by stores. So these projects -- so in a way, last year, close to 100 projects in Tanishq have happened between new as well as old renovation besides the action on Mia and CaratLane, etcetera, and Zoya has also continued.

So the opportunity is much larger and the constraint is our ability to execute and execute it well with the right quality, with the right kind of neighborhood and also the staff and everything else. The second part of your question -- and therefore, we are not really worried if others have the growth capital, yes, most welcome, but Tanishq itself sees a huge opportunity in market expansion. The second part of your question was on Encircle. Typically, we serve about 3 million customers.

C.K. Venkataraman: 10 million is the Encircle in Tanishq. About 10 million is the Encircle Tanishq database, Manoj, out of the 35 million. Also just adding to the -- Ajoy's point, the growth capital is one part. But when we go to Jajpur or Jharsuguda, people are waiting for Tanishq, such is not the case for others with growth.

Manoj Menon: Absolutely, sir. In fact, we did an exercise recently of just simply plotting the Tanishq stores in the map versus what used to look like 10 years back. And yes, I think that helps the story. And lastly, if I may, just one small thing, which is linked to that margin question. Historically, we had observed this consumer behavior that whenever gold is, let's say, very expensive / from a perception point of view or inflationary, we have actually seen a tailwind for studded, right? Because it's easier to upsell better margins, etcetera.

So how do I see the margin performance in the -- is that behavior still holds good? Or is it waiting to happen? Or how do I reconcile with the historical understanding? And that's the last question, sir.

Ajoy Chawla: So Manoj, so I think when gold prices go up dramatically, sentiment gets affected and we actually see even studded buyers kind of wait, but -- so I'm not able to draw the same correlation, maybe we'll connect separately to understand how the pattern you have seen. But we are seeing buyer growth has been good on studded if I look at quarter 4 and also extending into April overall.

Buyer versus ticket size, I think buyer growth in studded versus buyer growth in gold. Actually, studded buyer growth has done marginally better. But the value-wise, I think gold has done better. So I'm not very sure about your hypothesis, but we can connect to understand this better.

I don't have a clear answer for that. But my sense is as soon as gold prices go up, there is generally a lull in consumer walk-in and that affects both, studded as well as gold.

Moderator: The next question is from the line of Avi Mehta from Macquarie.

Avi Mehta: Sir, I just wanted to check with you whether the current elevated discounts in Jewellery, should it be or could it be seen as a possible indication of demand weakness? And secondly, is 4Q capturing or is a fair representation of the current discounting pressures in Jewellery segment? Or is there -- is it for some part of the quarter, and hence, if there's possible downside risk?

Ajoy Chawla: No, you are right. I think if consumer sentiment was higher, there would be less discounting in the market by every player. And to be honest, competitive intensity has been growing, and I expect it to only continue to grow. Also several new players will keep coming in. So I'm not seeing if this is going to relent so easily. Of course, this year, first quarter also election quarter and wedding dates are also very few. So I think it will continue in the near term. Let's see how it emerges post elections.

Avi Mehta: But what I was trying to get to is, would you link it more to the current sharp increase in gold price? Or would you link it more to its generally a demand issue, and hence, we don't know. That's the point I was trying to understand. How would you look at this. The near term, I understand, but that's where I was trying to get to.

Ajoy Chawla: No, I would say greater emphasis on the gold price increase because we didn't see it all the time, not the entire quarter. It is -- it became particular only when gold prices were jumping up significantly -- the volatility was happening. Otherwise, it is not so bad. It's more to do with gold price.

Avi Mehta: Perfect. Perfect. That helps. And second for Suparna, for FY24, I'm not looking at only fourth quarter. But in FY24, we have seen a decline in EBIT margins on a YoY basis. Now while I understand your point about discounting pressures because of inventory, could you help us understand from a full year basis, where do you see margins? What is the band that you are more comfortable with? Some guidance or some indication of a range would be helpful. That's all from my side.

Suparna Mitra: Yes. Thanks for the question. So this year, and this was discussed a little while back, we did prioritize growth, and we have got 19% growth in sales and for doing that, I think we've invested a lot more in advertising, which is more than 40% growth. Some of our sales and marketing, other cost overheads have also gone up.

And also, there is an impact of the AGC, which is the mixture -- which gets altered because of the mix between analog watches and wearables - smart watches, which is the AGC percentage a little lower. And also, overall, the brand mix between our various brands has also led to this result. So there is very good, healthy increase in overall sales, that's 19%, which has also led to, I would say, a decent increase in AGC, but various cost increases have actually led to not translating to an adequate margin increase.

I think -- and when we meet later this month, we will -- we can go into more details. But the overall idea is that for this financial year, we continue to push the pedal on Revenue growth, but also put a lot of focus and attention on managing costs much better, so that the overall benefit and the operating leverage actually flows through to the profit line.

Avi Mehta: So it's fair to say margins while you're not giving a number, it is maybe from here on, you expect it to improve as the leverage flows through. Is that a fair understanding?

Suparna Mitra: Yes.

Moderator: The next question is from the line of Latika Chopra from JP Morgan.

Latika Chopra: My first question was on CaratLane. For FY24, I think broadly across quarters, we've seen that the like-to-like growth has been lagging that of Tanishq, could you share some color on what's driving this? Is it entirely linked to some discretionary consumption pullback at those ticket sizes? Or there is something more here? And you opened 50 stores in FY24 for CaratLane. Will you continue with this pace of store addition? Or would there be any kind of a rethink here? That's the first one.

Ajoy Chawla: Latika, so the year before, I think FY23, we opened close to 90 CaratLane stores and in many catchments. And we also expanded some of the stores, and they were bigger stores also. So there has been a retail expansion as well. And that resulted in -- we saw the analysis across various towns that some towns saw good incremental overall growth but had an impact on the same-store growth of the older stores.

Some towns where they were not saturated saw both positive. And there were 1 or 2 -- a few towns in the top 20, 25 towns where we saw some mixed results kind of thing. So overall conclusion was that how are different catchment areas kind of contributing to incremental sale and how much of it is impacting same-store growth.

That realization with the team led to scaling down the rate of growth. And earlier plan was to grow at the same rate of number of new stores. But there was a more calibrated approach taken and therefore, only 50 stores were added and going forward, in the current year, the focus on prioritizing same-store growth, while continuing to expand in a calibrated way, so that same-store growth doesn't get compromised, both these factors are operating.

C.K. Venkataraman: Also, if I go back to Ajoy's point earlier about the town opportunity for Tanishq, Tanishq is a much broader appeal, mainstream jewellery brand. So we can open stores in Satna and Rewa and Sagar, small towns like those in MP and therefore, the total growth of Tanishq versus the like-to-like growth of Tanishq will be of the profile that you see on the charts.

As CaratLane is a little bit of modern brand, you won't go that fast into the kind of towns I'm mentioning. And -- but the distribution expansion with a little more consolidated approach in the towns where we are already present. And therefore, the inter-store impact within Bombay, Delhi or even Nagpur and Bhopal for CaratLane will be greater.

So even though the total sale is respectable, the like-to-like will come under pressure. And that's the thing that we are learning and trying to see how to maximize so that even from an asset utilization, opex optimization point of view, where do we get the maximum bang for the buck. But intrinsically, that difference will play out in this manner.

Ajoy Chawla: Yes. Just one more flavor, as we said, because the Tanishq -- I didn't answer the Tanishq equivalent, in studded because the product mix of CaratLane is studded and largely in the sub-100,000. And then when I look at that comparison of same-store growth of Tanishq, Mia and CaratLane in the sub-100,000 studded space, the dispersion is not as much as you see. So the gold benefit which Tanishq, other stores have is not seen in these brands.

Latika Chopra: Understood. Yes. That's useful. The second bit I wanted to check on was your international foray on jewellery. You have now 16 stores. So is this something that you are very excited about to grow incrementally much more at a much more faster pace? Any color on your different geographies in terms of feedback. And more importantly, we discussed a lot about margins when you're in the call today. But if you look at medium term, do you think that investments in the overseas operations could be a drag on the segment results or these could be accretive? And that was the last question I had.

Kuruvilla Markose: Thanks for asking. I mean from an excitement perspective, I think very, very clear, we are excited, and it really looks like we have large opportunities. The sort of fundamental question that we keep hearing back from customers is why didn't you come in earlier. And therefore, from the 16 stores, we are looking to get to something like around 30 stores across both North America as well as the GCC region. We've opened in Singapore as well. And we will continue to explore new locations where we can add more stores because the response has been really very positive, very supportive and working quite well.

On the margin side, despite the higher costs that we encounter in each of these markets -- in all of these markets, particularly on the employee cost side, the GCs are still very healthy. You get a very positive studded mix and particularly in markets like the U.S. that is helping us get to a very healthy kind of P&L. So we are building this out. Obviously, there is a lot of investment that is going in, in terms of costs and capabilities that are being created for the scale that we are looking at. So that's the overall story, very, very positive.

Moderator: The next question is from the line of Devanshu Bansal from Emkay Global.

Devanshu Bansal: Yes. Sir, gold prices are elevated, which should also lead to higher inventory at stores. According to you, can this also lead to lower inventory turns or the Company is sort of trying to reduce the stock or lightweight the inventory at the stores?

Ajoy Chawla: Yes, Devanshu. You're right, gold prices do impact the inventory value. We keep optimizing on the weight and the quantum of inventory. We are also pursuing internally any merchandising effectiveness initiatives, including TOC, version 2.0 and so on and so forth. And we are doing lightweighting as well. It's an institutionalized process which we are pursuing very strongly.

Despite that, there is only that much optimization that can be done. And we believe that any further optimization is going to affect sales. And therefore, we have no option but to absorb that value increase. What we do is ensure capital employed remains reasonably well under control by making suitable choices between gold on lease (GOL) and spot buying.

So -- and we also do exchange gold that we receive, we sell in the bullion and thereby optimize the kind of sourcing mix between GOL and spot buying. And that's the way we manage the capital employed. So while inventory turns may dilute or remain stable, the capital turns we try to manage in that manner.

Devanshu Bansal: Got it. Ajoy, do you also sort of see lower interest from franchisees under such elevated gold prices? Just a follow-up to this.

Ajoy Chawla: Not at all. We have -- there's always a pressure on giving new stores to -- many, many people are waiting and wanting to open. So we have to take -- make difficult choices and say no to many people and then ask them to wait a little longer. Not at all.

Devanshu Bansal: Second is my bookkeeping question. I'm referring to Page 63 of the investor PPT. There is a INR63 crores EBIT loss, which is attributed to others and consolidation. Wanted a better understanding on reason for this loss and whether this loss is expected to continue going ahead as well.

Ashok Sonthalia: We will get back to you. It is not coming top of our mind. It is nothing significant, but we will be back to you in this call itself.

Moderator: The next question is from the line of Percy from IIFL.

Percy: Sorry to belabor the point, but my question is also about the competition and the impact on the margins. So while the competitive activity promotions, et cetera, have increased, if we look at the other regional jewelers, they are not seeing any impact on their margins. So what are they doing, which is offsetting this higher promotional impact on their margins? And can we sort of emulate or do something similar to protect our margins?

Ajoy Chawla: So I don't know which players you are referring to because only 1 or 2 players are listed who are regional. Okay. So would you want to share which players or...

Percy: No, whatever is available in the public domain is what I'm talking about.

Ajoy Chawla: Okay. I don't know. See, we don't know how they are managing, but we also are aware that most players in the market don't necessarily follow a 100% hedging policy. Some of them do take positions on gold. And that might be helping them because in a rising gold rate regime, that could help. That's my best hypothesis I can give.

And also some of them with very low studded ratios, by, let's say, some improvement in the let’s say they operate in 10%, 15%, 18% studded mix. So if it goes up by 2, 3 percentage points, then you can manage the overall gross margin delivery. These are my best estimates. I don't know other than that, we'll have to be specific and we can then discuss.

Percy: Right. So obviously, the first point is not something that we would ever do. And the second point, since we are already at a good studded ratio, and it has been constant for the last 10 years or so, difficult to sort of build a case for any significant increase in that either. Am I right?

Ajoy Chawla: Yes. In a way, while our attempt is to keep growing studded ratio, we see that there is enough opportunity in gold. And therefore, we are not holding back on gold. And therefore, we see them as 2 independent opportunities. The net outcome of it is the studded ratio. It is the best answer I can give.

Percy: And we still hold our 12% to 13% guidance for next year also, right?

Ajoy Chawla: Yes.

Percy: Okay. Secondly, I just wanted to understand on the store expansion opportunities since we are present in 280-odd cities. And of course, there is gap to open in existing as well as new cities. But if I take a slightly longer-term view, let's say, over the next 5 years or so, what is the total number of stores that you think we can open over a 5-year period?

Ajoy Chawla: I don't have an answer for you because we've not done that exercise. We'll try to see if anything updated view we have during Investor Day, but right now, I don't have that answer.

Ashok Sonthalia: Okay. Before further question, the last question of Devanshu Bansal, just looked at that number, there is nothing unusual about it. Whatever corporate level expenses which are not attributable to businesses directly, whatever things we do at corporate level, it's that adjustment. So I don't see there is anything to read in that. It can always go up, down slightly here and there, but these are corporate unallocated expenses. Okay? Thank you. Rayo now you can bring the other questions.

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

Aditya Soman: Two questions. Firstly, on Zoya, can you talk a little bit more about the ambitions here, both near term and more medium term? And also some color on what the sales there are or any sort of color on margins would be very useful. And secondly, on the overseas business, any markers on how that business or how the stores that you've opened have been doing, especially the ones that have been opened for more than a year?

Ajoy Chawla: So Zoya has been doing well. Zoya, we have ended the year with an MRP turnover, not NSV, MRP turnover of just under INR 300 crores. 4 years ago, it was around INR 60-65 crores. So it has grown well and continues to grow. Maybe we'll throw a little bit more flavor on going forward on Zoya during the Investor Day when we meet.

Kuruvilla Markose: Diny here, your question on how the stores are doing, that is not related to Zoya, right? You're talking about the international...

Aditya Soman: Yes. Yes. On Tanishq or Mia.

Kuruvilla Markose: So the recent one say in the U.S., Chicago and Dallas that we opened around the festive period, they have been doing really, really well, say, a store like Houston, which was in a way we were experimenting with a slightly central location, not necessarily squarely in the Indian catchment, is taking a little bit more time to build, something like Singapore that we opened in little India in Serangoon Road has been, again, doing way above expectations.

So most locations, except some of the newer ones that -- or maybe some of the ones that we've tried in slightly, let's say, mall locations, etcetera, of the high street, some of those are taking a little time to build. But apart from that, pretty much, I'd say that 80% of the locations that we have opened are performing better than planned.

Moderator: The next question is from Jay Doshi from Kotak.

Jay Doshi: I've got 2 questions. First one is what is contribution of gold exchange program to overall gold procurement now? How does it compare versus last year? And I believe that 0 deduction is now a default part of gold exchange program, which was not the case earlier. So perhaps if you can give us some color in terms of what was 0 deduction gold exchange earlier as a part of overall gold exchange? And -- I mean, I'm assuming right now, it's 100%.

Ajoy Chawla: Okay. I don't have an exact fix on the contribution of 0 deduction and others because we do have deductions and some policies in place depending on the caratage and also from time to time, we also run as a complete 0 deduction offer in certain markets. We also have differential approaches in certain markets. So difficult to give you an answer on that upfront.

But overall, I can give you a flavor that gold exchange has done well for the year. It varies quarter-to-quarter, even though gold prices went up in Q4, the contribution of gold exchange didn't really go up, in fact, came down compared to last year. But overall for the year, we have done pretty much similar to what we did last year. Last year, gold exchange, excluding the -- this is the non-Tanishq gold, was 30% contributor to sales. This year, it was -- in FY24, it was 31%. So there was a 1% improvement. And Tanishq exchange also does pretty well. So at an overall level, exchange gold accounts were about 40% - 41% of our total sales.

Jay Doshi: Understood. Second question is competitive intensity, do you generally see it rise when gold prices increase sharply because a lot of your competitors as well as their franchisees are sitting on inventory gains. In that case, when gold prices stabilize, do you see some moderation in intensity? Or you think the intensity that you're sort of witnessing at this point of time is here to stay for long?

Ajoy Chawla: So you're right, when gold prices go up, consumer sentiment becomes a little soft, and therefore, everybody tries to gain share by being competitive. But increasingly, I see that it's difficult to predict how gold price is going to go. And every organized player is also expanding rapidly. So local players are wanting to defend the -- there is expansion of local independent players also. I think we are entering a regime where everybody is going to intensely defend their turf. And therefore, in our mind, we assume that competitive intensity is going to continue to be the way it is. If it is anything lesser, it's a bonus.

Moderator: The next question is from Kunal Vora from BNP Paribas.

Kunal Vora: First question is on how is the high value studded jewellery doing? And is it fair to say that early impact of lab-made would be in high value studded considering that lab-made diamonds are available at maybe 90% discount compared to naturals? And do you still think it's a medium-term growth driver for you?

Ajoy Chawla: So actually, high value studded the way we've defined it has done well for us. The price bands that we look at consistently over the last several years, we have continued to gain. And even in the quarter, it was a 14% contribution compared to 13% last year in the same quarter. So actually, we did reasonably well. At the very high end, we saw a certain softness, but we are unsure whether to conclude, (as you have said) that it is to do with lab grown. I don't think it's so much to do with that.

On the solitaires at the higher end for higher carats, we have seen a certain tentativeness. But my belief is that it is linked to the softness in prices of solitaires, which is largely determined by international market prices of solitaire. And there, it's a lot to do with how U.S. is doing, how China is doing or Europe is doing and Japan, etcetera. And De Beers has, in a way, controlled the supply and therefore, kept prices stable.

But the evolved solitaire buyer who is more than 1 carat, let's say, 1.5, 2-carat plus, that customer is perhaps waiting and watching to see if solitaire prices are likely to remain stable or come down further. So if at all, that is the only area where I see a little hesitation from customers. How much of it is due to lab grown, certainly not in India and certainly to some extent in the U.S. maybe, but not any other market.

So early to conclude what you have concluded, we continue to see high value studded as an opportunity for Tanishq because, not just Tanishq, Zoya as well because we see good response to all the initiatives we've taken. We launched Ethereal Wonders, Rarest of Rare Stones. We are launching new collections, and we are all gung-ho for this growth driver because our market share in this space is very, very low. So we continue to see opportunity, and we have targeted for aggressive growth faster than usual studded or faster than overall growth for the brand in the coming year.

Kunal Vora: That's very clear. Just continuing on this point, is there a plan to experiment with lab made if not in Tanishq in case of CaratLane and you did invest in lab-made company – Clean Origin, how is that business doing?

Ajoy Chawla: So that business is linked to what is happening in the U.S., and in U.S. there has been significant stress in the market, both for natural and for lab grown, largely on account of intense competitive pressures at their end and falling average order values because of the drop in prices of lab grown linked to the supply glut of lab grown.

Is it -- does it merit for us to start thinking about -- see we are observing this very closely. We are keeping a close track on what's happened in U.S., how retailers reacted, how consumers reacted. And we are also observing what are potentially early adopters in India doing. We haven't yet come to something which is firm that can be shared, but we are taking cognizance of it. We are mindful of it. And when we have something to share, we will come back to you. But we take your input onboard.

Kunal Vora: Understood. And just last question. How do you see the high gold prices impacting jewellery sales in FY25? Do you think factors such as exchange and higher prices can offset some grammage impact due to higher competition and demand weakness? And does the 20% growth which you've been delivering that can continue in FY25 as well?

Ajoy Chawla: Our hope is always in driving aggressive growth and our plans are in that direction. There may be ups and downs on grammage. Volatility in gold has been there for the last 1 - 1.5 years now, I would say. But we will always respond in the market the way we think is appropriate. So we are continuing to target aggressive growth. Inshallah, we should reach there. Let's see how it goes. We look at buyers and overall value not so much as grammage.

Kunal Vora: Understood. And aggressive will be 20% or 20% plus?

Ajoy Chawla: Sorry?

Kunal Vora: Aggressive growth will be 20% or 20% plus?

Ajoy Chawla: I don't think we should comment on that.

Ashok Sonthalia: So Kunal, to your previous question, I just wanted to add a little that how in the U.S. market, the Clean Origin piece which you spoke about. And Ajoy responded that actually in U.S., retailers are facing peculiar situation, and this was also a very, very small player. And so they are under pressure quite a bit.

And our latest review suggests that peer pressure is likely to continue. So if you see our results, you will find that about -- we have taken 30% impairment to our investment in that entity, while the investment is a small investment, but it's still a 30% impairment we have taken in this quarter.

Moderator: The next question is from the line of Siddhant Dand from Goodwill.

Siddhant Dand: I had a question on our debt level. What level would we be comfortable with? And by when can we reduce it to those comfortable levels or to zero?

Ashok Sonthalia: It is not uncomfortable at where we are. We have a long-term debt of about INR 3,000 crores, which is squarely linked to our acquisition of CaratLane balance stake. And if you would have noticed that the term for that NCD, which we took is 18 months and 24 months. There are two tranches, and we will pay off that in 18 months and 24 months.

As far as working capital loan and almost equivalent or slightly more amount is held as cash also, it's in balance sheet, you see, INR 2,600 crores is odd working capital and INR 3,000 crores is the cash sitting. So this is part of our bullion management, treasury management. So I think we are comfortable with this kind of balance, and it can even slightly grow more.

We keep optimizing between GOL and the spot purchase and bullion sales. So it's pretty dynamic. So if you look at the equity, which is in excess of INR 13,000-14,000 crores, I think this level of loan is we are very comfortable with. But we are not going -- and as I told you, long term will be paid back in 18 and 24 months.

Siddhant Dand: Okay. That's perfect. My second question would be around are rental expenses affecting our non-Tanishq non-jewellery businesses in any way or not really?

C.K. Venkataraman: Siddhant, not to speak of rent in particular, but certainly, the scale of some of our stores in EyeCare would be affected by the -- I mean, the scale comes underway of the profitability. And the rent is one aspect of that scale. But it's not a general commentary on the level of rents as much as the scale that we need to reach.

And like I said, when I started, some of the things that we have done in the last 3 - 4 months in the EyeCare business, particularly give us a lot of confidence about how FY25 is likely to turn out for the medium and the smaller stores. But overall, rent by itself is not something that we worry about.

Siddhant Dand: Okay. And is the gold import duty can -- is there a way to quantify whether the gold import duty is hurting the organized sector as a whole? Or it's very tough?

C.K. Venkataraman: Very tough.

Siddhant Dand: Very tough, okay. And could you share the international revenue of the international jewellery stores?

Ashok Sonthalia: Overall, international business this year has done about $120 million.

Siddhant Dand: $120 million overall international, right? And Jewellery would be a very, very large chunk of this.

C.K. Venkataraman: 90% plus.

Siddhant Dand: 90% plus. Perfect.

Moderator: Next question is from Gopal Nawandhar from SBI Life.

Gopal Nawandhar: What could be the reason for this decline in...

Ashok Sonthalia: Can you speak a bit louder, Gopal?

Gopal Nawandhar: Am I audible?

Ashok Sonthalia: Yes.

Gopal Nawandhar: Yes. Sir, I'm just referring to Slide 71, where we see that there is a reduction in the net worth for the company from INR 11,900 crores to INR 9,400, some INR 2,500 crores odd decline in the net worth. So can you just explain reason for this?

Ashok Sonthalia: This is -- I think this is consolidated basis, yes. So this is the investment in CaratLane, which has got canceled to my mind, and that is why this is. But if you look at the standalone, go back to standalone, where we hold the Titan balance sheet. So there, we will not see that issue.

This is our investment in CaratLane, which gets canceled out. Yes. So here, if you look at the standalone balance sheet, our net worth is INR 11,994 crores, which has gone up to INR 14,457 crores. And if you take out that close to INR 5,000 crores from there, which is our investment in CaratLane and some other investments, it falls down to some INR 9,000 crores.

Gopal Nawandhar: So CaratLane was any way our subsidiary, right?

Ashok Sonthalia: So it was only 73% and which was purchased at a price which was far lower. INR 505 crores. And now we have taken the balance stake at INR 4,600 crores. So that makes it INR 5,000 crores.

Gopal Nawandhar: Is it that we have actually written off this in net worth? Is that the reason why there is a decline in the net worth? I don't understand.

Ashok Sonthalia: I will send you the math of that. But don't worry. There is -- if there is anything, we will kind of get back to you.

Moderator: The next question is from Robert Marshall Lee from Cusana Capital.

Robert Marshall-Lee: I've got a slightly longer-term question. So in terms of the growing upper end market, your ability to address that by Zoya and Tanishq and how you're thinking about that market over the next 5 or 10 years?

C.K. Venkataraman: Sorry, which market?

Robert Marshall-Lee: The high-end market, so the luxury or the super luxury market, however you'd like to define it. It certainly seems it's going to be faster growing potential over the coming years. So to what extent you're targeting that market, which might be the focus of luxury brands from Europe, etcetera? And how you go about that, either with your existing brands or with new brands?

Ajoy Chawla: So we see that's an opportunity because our presence in that market is very, very small. In India, at the very high end, it is independent jewelers who sell very high ticket value, diamond studded and precious stones studded jewellery. Our presence in that space has been through Zoya and in the recent past, we have done some more work on high jewellery and rare jewellery with rare gemstones, etcetera, under the product line called Ethereal Wonders. And we are seeing very good response to that.

Of course, as a contribution or the proportion of our total business it is very, very small. But whatever we've done, we've seen very good response, and we will continue to expand there. In fact, we have good aggressive plans to grow in that space. So yes, we see it as a good opportunity. But I must say that the Bulgari's and Cartier's and Tiffany's are at a higher level or Van Cleef or Graff and all these other brands.

They are showing a lot of interest in India and several of them have opened stores. And we are also expanding Zoya in a big way as well as creating special zones in many of our bigger Tanishq stores in some of the big cities. And we are also doing specific exhibitions and pop-up in different cities and seeing very good response. So yes, we have a good plan for that.

Moderator: We'll have to take that as the last question. I would now like to hand the conference back to Mr. Venkataraman for closing comments.

C.K. Venkataraman: Thank you very much, everyone. As always pleasure listening to you, and looking at the perspectives that you bring into the business and making us reflect on some of those things. Thank you, and see you soon.

Moderator: Thank you very much. On behalf of Titan Company Limited, that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.