TITAN — Consumer Discretionary · Jewellery & Watches PARTIAL

Titan Company Limited
Q3 FY2025-26

REPORT TYPE
Strategic Advisory

SITUATION	COMPLICATION	RESOLUTION
Titan is delivering record revenue growth (40%) but faces a 100bps margin contraction in its jewellery core due to a gold-price-driven shift toward investment bullion.	This growth is 'low-quality'; as gold prices stabilize or fall, the revenue gains will vanish, leaving the company with a higher cost base and diminished design-led differentiation.	The company must redefine its jewellery business as a 'Value-Added Luxury' player rather than a 'Gold Retailer' while aggressively scaling the non-gold Watch vertical.

01 Quota-Shift for Studded Jewellery

Addresses: Margin Leak · Owner: Chief Sales Officer

90 DAYS	12 MONTHS
Implement margin-weighted commission structures across all 500+ stores.	Increase studded jewellery share of revenue from ~30% to 35%.

02 Swiss-Market Blitz

Addresses: Horizon 2 Growth · Owner: Head of Watches

90 DAYS	12 MONTHS
Finalize distribution agreements with three Swiss mid-tier luxury brands.	Launch 15 dedicated 'Titan Swiss Luxury' format stores.

03 Bullion Separation Strategy

Addresses: Brand Dilution · Owner: Brand Manager

90 DAYS	12 MONTHS
Move gold coin sales to a distinct 'Investment Desk' to prevent showroom clutter.	Reduce coin-driven footfall in main showrooms to focus on high-touch jewellery buyers.

THE BOARD QUESTION

"Are we comfortable being a ₹200,000 Cr company that loses 1% margin for every 10% rise in gold prices, or are we ready to sacrifice volume to become a true House of Brands?"

PROBLEM DEFINITION

CENTRAL PROBLEM

Titan is experiencing 'success-driven margin dilution' where record-high gold prices drive top-line growth through low-margin bullion sales while pricing out the high-margin 'studded' and wedding jewellery core.

Product Mix Optimization

- Is the shift from jewellery to gold coins reversible through design-led premiumization?
- Can the studded jewellery segment (diamonds/precious stones) be decoupled from gold price volatility?
- Does the current incentive structure for store managers penalize volume-heavy, low-margin coin sales?

Segment Diversification

- Can the Watches and Eyewear segments reach $2bn in scale fast enough to provide a structural margin floor?
- Does the Swiss-India trade pact allow for a cost-competitive entry into the 'Masstige' luxury segment?
- Is capital allocation to non-jewellery segments sufficient to offset the 90% revenue concentration risk?

> The strategic trap is a reliance on gold as a commodity rather than a design medium, making Titan a beta-play on gold prices rather than an alpha-play on consumer lifestyle.

INDUSTRY STRUCTURE — FIVE FORCES

COMPETITIVE RIVALRY — UNFAVORABLE

Competitive intensity is peaking as Kalyan Jewellers aggressively captures non-South market share with 42% revenue growth and 27% same-store-sales growth. Regional players are professionalizing rapidly, eroding Titan's first-mover advantage in the organized sector.

BUYER POWER — UNFAVORABLE

Buyers are highly price-sensitive to record gold levels (₹180k+/10g), leading to a 24-26% decline in jewellery volume. Customers are exerting power by substituting high-margin ornaments with low-margin investment-grade coins and bars.

SUPPLIER POWER — NEUTRAL

While gold supply is standardized, regulatory volatility regarding import duties (fluctuating between 6% and 15%) creates a 'speculative' inventory environment. This forces retailers to manage complex hedging rather than focus on consumer value.

THREAT OF ENTRANTS — FAVORABLE

Capital requirements for inventory and the 'Trust Premium' required to compete with Tanishq remain high barriers. New entrants struggle with the working capital cycles necessary to sustain a national footprint during price spikes.

THREAT OF SUBSTITUTES — UNFAVORABLE

Gold ETFs and digital gold are becoming credible substitutes for physical jewellery as an investment vehicle. Within the store, coins (40% of demand) are substituting for finished jewellery, structurally capping EBITDA potential.

OVERALL

MIXED

> Substitution from 'Adornment' to 'Investment' is the primary force constraining value, as it converts a high-margin retail business into a low-margin financial brokerage.

COMPETITIVE POSITION

STRATEGY	DURABILITY	SHARE TRAJECTORY	PRIMARY THREAT
DIFFERENTIATION	The advantage is built on brand equity and an extensive retail network (56 new stores in Q3), but durability is narrowing. Competitors are replicating the 'Organized Trust' model, making design-specific IP the only sustainable differentiator.	Stable in total value, but losing share in the 'Wedding' sub-segment to aggressive regional players. Share movement is driven by pricing transparency and local consumer preferences ('Hyperlocal' nature).	Kalyan Jewellers, due to its superior profit growth (90% YoY) and aggressive expansion into non-South Indian 'hyperlocal' markets.

EXECUTION

Titan executes its differentiation through the 'Tanishq' trust and design-led marketing, yet it is currently struggling to maintain this gap. The brand is increasingly forced into price-parity battles with Kalyan and PC Jeweller during festive windows.

> Titan's differentiation is being commoditized by a 'Gold-Price-First' consumer mindset, requiring a pivot to 'Design-First' branding to maintain its premium.

VALUE CHAIN

ADVANTAGE **Marketing & Sales**

Titan's ability to drive 40% growth in a volatile market demonstrates superior brand pull and store-level execution.

WEAKNESS **Operations/Inventory**

High gold prices lead to 'Gold Metal Loan' (GML) cost inflation, limiting net margin expansion despite strong operating performance.

COMMODITY **Inbound Logistics**

Sourcing is largely standardized across the industry, providing no meaningful cost advantage over organized peers.

MARGIN LEAK

Margin is leaking through the 'Investment Mix'—the shift to coins and light-carat jewellery which carry significantly lower making charges.

HIGHEST LEVERAGE

Product Design & Studded Jewellery Development (converting bullion buyers into diamond/gemstone customers).

> The greatest strategic leverage lies in de-linking the revenue model from the weight of gold and re-linking it to the complexity of the design.

FULL POTENTIAL GAP

TYPE: EXECUTIONAL

PORTFOLIO — HIGH

90% of revenue is tied to the jewellery cycle; under-scaling of Watches and Eyewear prevents a balanced margin profile.

PRICING — MEDIUM

Making charges are often discounted to compete with regional players, leaving 50-100bps of margin on the table.

COST — LOW

The cost base is efficient, but higher financing costs for inventory are a structural drag in a high-price environment.

> The gap to full potential is an executional failure to diversify the revenue mix away from 22k gold dependency.

GROWTH ARCHITECTURE

H1 — CORE

Status: GROWING

Investment: ADEQUATE

Gold price volatility and the 'Bullion Shift' diluting core jewellery EBITDA.

H2 — EMERGING

- $2bn Watch Sales Target by FY30
- Swiss Brand Premiumization
- Wearables scaling

Transitioning Watches from a 'gift' category to a 'fashion staple' to match jewellery's scale.

Funding: ADEQUATE

H3 — FRONTIER

Visibility: YES

International expansion into the US and Middle East provides a hedge against Indian domestic gold price shocks.

Portfolio Balance: H1-HEAVY

> The portfolio is excessively dependent on H1 jewellery; Horizon 2 (Watches/Swiss) is the necessary lifeboat for margin stability.

STRATEGIC OPTIONS

The Studded Pivot

REQUIRES

Aggressive marketing of diamonds and colored gemstones; retraining sales staff to sell 'Value-Per-Carat' over 'Gold Weight'.

SACRIFICES

Short-term volume growth in plain gold jewellery; potentially alienating price-conscious rural buyers.

WINS WHEN

Gold prices remain high/volatile, making 'lightweight-but-expensive' studded jewellery more attractive than pure gold.

RISK IF WRONG

Loss of market share to regional players who continue to play the 'lowest-gold-rate' game.

The Swiss Luxury Vertical

REQUIRES

Acquisition or licensing of Tier-1 Swiss watch brands; dedicated luxury boutique network.

SACRIFICES

Capital currently allocated to jewellery store expansion.

WINS WHEN

The affluent Indian demographic shifts from gold investment to 'Veblen Good' consumption (status watches).

RISK IF WRONG

High-cost retail format fails to reach critical mass against established luxury grey markets.

ORGANIZATIONAL READINESS

STRATEGY CLARITY	STRUCTURE	SYSTEMS
MEDIUM	PARTIAL	MISALIGNED

CRITICAL MISALIGNMENT

Incentive systems are likely tied to 'Total Revenue' (GMV) rather than 'Gross Margin Contribution,' encouraging staff to sell low-effort coins over high-effort studded pieces.

> Titan's internal reporting must shift from 'Revenue by Gram' to 'Contribution by Category' to drive the necessary behavioral change.

Analysis is affected by a data collision between 'Titan Company' (Jewellery) and 'Titan Biotech' (Biologicals). All metrics regarding stock splits and biological earnings are excluded to maintain focus on the client's retail core. Revenue and margin commentary for the jewellery segment remains robust and reliable.