

# Management Discussion and Analysis

## ENVIRONMENT

### Macroeconomic Overview

The year 2019-20 was a challenging one. Slowdown in the growth of the Indian economy, significant rise in the gold prices and the onset of the COVID-19 pandemic and consequent lockdown in the month of March 2020, impacted the overall growth of the Company. Consumer sentiment was generally lower on account of these. The Jewellery Division was particularly hit towards the end of the first quarter and substantially in the second quarter of the year due to a sharp rise in gold prices, with consumers adopting a wait and watch approach to timing their purchases of gold jewellery. Growth picked up well in the third quarter and the first two months of the fourth quarter. However, with the advent of COVID-19, activity started slowing down sharply in March and the Company had to shut its stores for most of the second half of March. The economic slowdown did not impact the Watches Division as much, and new categories and channels like wearables and e-commerce continued to do well. The Eyewear Division did well in the first half of the year but declined sharply in the second half, affected by the performance in the distribution channels. Fragrances grew well at 24% and the year witnessed the launch of perfumes under the Fastrack brand at affordable price points. Network roll out in the Indian dress wear business grew substantially with 12 stores now operational in 5 major cities.

## WATCHES & WEARABLES DIVISION

### Overview

The year was heading towards the achievement of topline and bottom-line targets for the Division despite consumer demand slowdown until the COVID-19 related stoppage of sales occurred in the last fortnight of the financial year and we finally grew by 7%. The initiatives that had been taken over the past couple of years to improve the health of the business resulted in enhancing the Profit Before Tax (PBT) margin to 14.2% despite the COVID-19 setback in the month of March 2020.

The Watches and Wearables Division had undertaken the journey of transforming itself in the last three years as it faced rapid tectonic shifts enabled by technology. While mature and traditional products, channels and business models continue to be sources of growth and profits, the Division has also started adopting and leveraging new product categories like wearables and adopting new channels like e-commerce. The Division took on the task of rapid growth despite already having a high market share (around 50%). Having a robust portfolio

of brands like Titan, Sonata, Fastrack and international brands like Tommy Hilfiger has served the Division well in the last few years. A diverse channel portfolio allows the Company to serve existing customers through World of Titan (WOT) stores and Multi Brand Outlets (MBO), as well as acquire new customers through channels like marketplace e-commerce, Helios and Large Format Stores (LFS). The manufacturing ecosystem is equally diverse with a system of both own factories and third party vendors in India and abroad, which optimizes capacity, capability and cost.

With the change in business situation due to COVID-19, this same portfolio of brands, channels and manufacturing will allow the Division to create new strategies for recovery and success in the year 2020-21.

### The Year 2019-20

The Watches and Wearables Division grew well in a year of slow consumer demand through a strategy of pushing specific brands and channels. The flagship brand Titan had a great year on the back of desirable and differentiated products. Premium offerings like Nebula, Edge and Raga saw big growths. Fastrack and Sonata both had a reasonable year with e-commerce leading the growth. Licensed brands were a mixed bag with Tommy Hilfiger and Anne Klein showing good growth.

Among the channels, WOT, LFS and Helios channels showed good growth on the back of customer acquisition and retention strategies and higher price realizations. Fastrack stores had a tough year with sales being flat over last year. Multibrand trade which is the single largest channel was most affected by the slowdown. E-commerce fuelled growth for all brands.

The largest ever corporate order of 4.15 lakh watches from Tata Consultancy Services (TCS) boosted the Division's turnover. The acqui-hire of HUG Innovations has been an important landmark which has given the Division the people and platform to develop its own smart products.

### Category

The watches category was already seeing a tough year before the lockdown put a stop to all sales. The wearables category continued to see explosive growth through the year. Globally too, the watches category was witnessing low single digit growths.



### Brand Strengthening

The Division continued investing in and strengthening its brands, bringing out a slew of new products and significantly enhancing its market presence. The smart play of the Company strengthened with several new impactful launches led to Titan retaining the second position in the wearables market in India.

The Division also expanded its access to consumers by launching both omni-channel and the Titan App during the year. The Omni-Channel mode achieved a real-time connectivity of inventory and orders and will benefit consumers immensely.

### Technology and Smart Products

Fastrack launched Reflex Beat, a fitness tracker with heart rate monitor- an addition to the Reflex range of fitness trackers, which has been well accepted in the market, and this range is the No. 2 Smart Band brand in the country.

The Division also launched Sonata Stride, a smart watch with a fitness tracker and notifications at a price point accessible to a wider audience.

### Brands

Brand Titan grew by double digits on the back of outstanding new products, especially innovative collections like "Titan Maritime", a uniquely crafted collection with the use of wood, a bronze and green pallet-all inspired by the nautical world. Raga "Facets" and "Cocktail" collections were very successful collections inspired by different facets of women and their glamorous world. These were supported by campaigns like Raga "Facets" that brought out a new conversation with today's women.

Fastrack launched successful collections like "Game of Thrones" and "Sunburn". The "Game of Thrones" collection was a collaboration with one of the greatest shows of our times. Fastrack watches did a campaign around its "Reflex Beat". Fastrack is the most followed youth brand on Instagram, and deepened its engagement with consumers through unique activities like "Rage with Fastrack".

Sonata brought out contemporary designs with "Sleek" – slim workwear watches, "Blush" - fashionable rose gold watches, "Volt+" and "Splash" - trendy, bold watches for youth. The brand also continued its regional connect in its priority markets by making Special Edition watches exclusively for the Chennai Super Kings IPL team, and through a unique regional communication like a musical format digital-only film for Durga Pujo for West Bengal.

**The World of Titan retail chain with a focus on premium watches from the Division's brands and Licensed Brands has achieved double-digit growth in watches over ₹ 10,000. The growth in the channel has been fuelled by new product introductions, Edge Ceramic, Licensed Brands, Nebula, better efficiencies and renovation of stores.**

### Licensed Brands

The licensed brands portfolio was in a consolidation phase during the year with the rejuvenation of Tommy Hilfiger and continuing strong roles played by each of the licensed brands - Police, Anne Klein and Kenneth Cole. A new entrant in the portfolio, Olivia Burton, targeted at millennials, also saw a good response. The continued investment in creating a portfolio of licensed brands which complement own brands will continue to attract evolving and new customer segments.

### Sales Channels

#### Retail Channels

The World of Titan retail chain with a focus on premium watches from the Division's brands and Licensed Brands has achieved double-digit growth in watches over ₹ 10,000. The growth in the channel has been fuelled by new product introductions, Edge Ceramic, Licensed Brands, Nebula, better efficiencies and renovation of stores. The Fastrack store chain has continued to remain exciting by renovating and resizing. The Helios store chain which is the premium multi-brand watch destination has continued its strong growth with significant contribution from Swiss brands. This chain will play a significant role as the Company continues its journey into premiumisation and acquisition of new customers. A comprehensive omni-channel play to leverage the large network of retail stores will be a strong driver of consumers to the Company's brands and stores.

#### Trade

In the largest channel of Multi-Brand Outlets (MBOs), all the brands of the Company have continued to gain or defend their share in the year with sustained brand and product investments. This channel is clearly showing signs of stress due to the shift in urban consumer behaviour towards malls or online purchases. Visual merchandising, enhanced presence, systematic launch

of new products, training, introduction of wearables, deeper penetration of premium products, induction of technology enablers, management of stock have been key drivers of growth in this important channel. Expansion of the footprint into new non-traditional high traffic outlets has helped in acquiring new customers.

### Large Format Stores (LFS)

LFS continued its good run for the watch category though the growths have tapered down. The Company's brands have continued to gain market share. In a highly competitive space, Titan was ranked No.1 across the 3 Large Format Stores, Shoppers Stop, Lifestyle and Central in the country. Towards the latter half of the year, footfalls for this channel have been dropping and with the current challenge, this channel may see a significant slowdown till customers get their confidence to shop in a crowded environment.

### E-Commerce

The E-commerce play has been transformed significantly and the Company has emerged as the largest group for the key players viz. Flipkart, Amazon and Myntra. E-commerce has been the highest growing channel and will have the advantage of significant tailwinds given the current situation.

### Looking Ahead

With the nationwide lockdown due to the COVID-19 situation and continuing economic turbulence, there are both challenges and opportunities. The leadership position of the Company in the market coupled with strategies led by consumer understanding and insight will be of huge advantage. Consumers are likely to show changes in their behaviour including preference for online and omni-channel, possible down-trading and also probable "revenge shopping". Strategies for each brand and channel are being crafted keeping in mind the changes in consumer behaviour. Significant cost initiatives are also being undertaken as part of the overall Company program.

## JEWELLERY DIVISION

### The Year 2019-20

The domestic jewellery industry had a much muted performance in financial year 2019-20 on account of the following factors:

**The Company's brands have continued to gain market share. In a highly competitive space, Titan was ranked No.1 across the 3 Large Format Stores, Shoppers Stop, Lifestyle and Central in the country.**

- On the demand-side, the macro-economic conditions coupled with high volatility and large increases in gold prices, led to a pressure on Jewellery retail sales.
- On the supply-side, tight bank credit norms continued the pressure on industry operations, particularly on medium and small players.
- The overall Jewellery market declined, with unorganized players (declining -5 to -15%) losing share to national chains. Gold imports declined 14% Y-o-Y 2019-20.
- The Jewellery Division was growing in early double digits till mid- March. Thereafter the phased closure of stores resulted in this growth coming down to 4% for the year.

Most of the six engines of growth continued to fire well:

1. The wedding segment continued to grow, aided by deeper reaches into select ethnic communities, exciting new collections, aggressive promotions and a sustained national brand-building effort;
2. In the high-value diamond jewellery segment, while substantial gains were made in the > ₹ 10 lakh price category, aided by a new product collection, this engine has seen a significant slow down in growth in 2019-20 and is likely to remain muted in 2020-21;
3. The "Middle India" store expansion program was sustained with 41 new Tanishq stores added in one year and many of these across tier 3 and tier 4 towns;
4. The Gold Exchange Program got significantly more traction this year as more customers realized Tanishq's policy offering exceptional value and complete transparency in the process. It was further fuelled by high gold prices and higher wedding segment sales;
5. The Golden Harvest Jewellery Purchase Plan continued to enable share of wallet gains and helped the overall business to grow;
6. The "low-market share cities" continue to pay dividends as the Division broadened and deepened its local connect through multiple initiatives in select markets.

Underpinning the above engines of growth were the 3 big pillars of the Division:

1. The exceptional collections and new products that continued to be industry-leading, pushing the adornment story of the brand
2. The brand-building efforts that are cutting-edge not just in the jewellery industry, but in the entire advertising industry

3. The superlative customer experience in the stores

Zoya and Mia progressed well as sharply positioned brands, cementing their proposition strongly in the customer segments they serve.

Each of the Division's brands have built strong foundations from where leaps will happen in future years.

Investments in Digital (Websites, E-commerce, Analytics, IT interventions and Customer Relationship Management) during the year were substantial and the Division expects to reap the benefits in FY 2020-21 and beyond, particularly in the prevailing situation where digital customer behaviour would become all pervasive.

### Manufacturing & Supply Chain

On the Integrated Supply Chain side, many initiatives were taken up with substantial long-term benefits:

1. Considerable investments in capability building, automation, plant and machinery and to significantly improve in-house share of total output
2. Focused quality program intended to lift product quality to "best in the world" levels moved ahead visibly within manufacturing and all vendors
3. A robust rollout of a formal 'Responsible Sourcing' program to all vendors, to upgrade their units to the "Standard" level (Cottage, Basic, Standard and World Class, being the 4 increasing levels of evolution) across People, Process, Place and Planet parameters
4. Very good progress achieved on the integrated 3-year program for diamond sourcing, to extract maximum value, ensuring pipeline integrity by eliminating any mixing up of synthetics, and sourcing stones from sight holders, international mines having the right labour practices and conditions in their supply chains
5. All fresh gold procured from banks is London Bullion Market Association (LBMA) certified ensuring highest purity, quality and mined from ethical sources.

### Opportunities, Threats and Risks

Despite the immediate uncertain future which the entire economy is facing, based on consumer survey, it is predicted there will be high consumer interest in gold jewellery due to:

1. Stored asset value in gold and a safe haven when things are uncertain
2. Wedding demand would be deferred not lost, with only short-term hiccups

3. Precious jewellery purchase is linked to many traditions and auspicious rituals
4. High levels of trust in Tanishq, Titan, Tata
5. Aspirations of middle India which continue to be very high will revert once the immediate pandemic led crisis is overcome
6. Strong possibility of revival of the Indian economy after a 1 year pause and result in favour of discretionary spending categories and a strong brand like Tanishq will benefit greatly
7. Multiple environmental factors are pushing the industry into consolidation even more so post the pandemic crisis, benefiting the organized sector and players with strong balance sheet. The Division will again continue to benefit from this
8. The six engines of growth still have considerable space to fire, given the low market share in each of those areas and in addition two more growth engines have been identified namely:
  - a) Digital Thrust: A strong technology led digital, omni play will be driven by the Division to take advantage of shifts in consumer behaviour post lock down relaxation.
  - b) Focus on the core segment, at attractive lower price points, due to high gold prices and as some customer segments having curtailed budgets due to current economic challenges.

### Risks

Given the traditional nature of the category, the risks to the business are essentially regulatory (as opposed to product substitution through technology or a sudden onslaught by international brand/s) and gold price volatility

1. **Import Controls on Account Current Account Deficit**  
While this is possible anytime, the Division has proved that it could manage this risk quite well when it actually materialized last time. The Gold on Lease scheme is also

**Very good progress achieved on the integrated 3-year program for diamond sourcing, to extract maximum value, ensuring pipeline integrity by eliminating any mixing up of synthetics, and sourcing stones from sight holders, international mines having the right labour practices and conditions in their supply chains.**

typically taken away in such a situation, leading to a dropping Return on Capital Employed, but the Return on Assets picture remains more or less the same.

## 2. **The Prevention of Money-Laundering Act, 2002 (PMLA)**

The guideline under the PMLA was introduced in August 2017 and withdrawn in October 2017 after industry representation. The understanding from the then Finance Minister was that they were open to keeping the threshold at international levels (10,000 Euros in Europe, for instance). If that actually happens, the Company would have no impact at all (customers are already used to a ₹ 2 lakh threshold for PAN card).

## 3. **Gold Price Volatility Risk:**

Due to macro-economic forces, during times of great uncertainty, gold prices tend to rise internationally as well as in the domestic market. Coupled with a slide in rupee versus the dollar, this could make the base gold rate very high and would impact customer demand temporarily, till people get used to the new normal. However, if volatility continues in either direction, customers tend to defer their purchases. A sharp rise in gold price in the second quarter of the year led to a sudden drop in demand, but the customers came back and purchased well in the third quarter when gold prices stabilized.

The secondary impact of a sharp rise in gold prices lead to a ballooning of inventory and capital employed, impacting Return on Capital Employed adversely. To mitigate this risk, the Division has put in place a fortnightly review mechanism to enable early and quick action, to cut back inventory in tune with lower demand. Sudden drops in demand on this count will be managed through more optimized promotions and cost controls to protect operating margins.

## **EYEWEAR DIVISION**

### **Operating Environment**

The eyewear industry is estimated at ₹ 11,000 crore (spectacles 73%, sunglasses 21% and contact lenses 6%) and is growing at 5%, of which organised retail (chains) is about 22%. The growth has largely come from new entrants who have come in at the national and regional level and have rapidly set up new stores in the last few years.

### **The Year 2019-20**

The year was a mixed bag for the Division. Due to the disruption in March 2020, business was affected adversely. Overall, there

were many developments and learnings during the year, which will make the Division stronger especially in this challenging time ahead. A summary of FY 2019-20 is below:

### **Customer & Brand**

1. Consumer NPS (Net Promoter Score, which measures advocacy) was at an all-time high of 72
2. Google review – more than 300,000 customer rated the Division's stores with an average score of 4.9/5
3. 360 degree marketing campaign with Ayushmann Khurrana was liked by viewers, recognized by ET Brand Equity, highest ever score in most brand metrics

### **Product & Innovation**

- Three noteworthy developments on the Product and Innovation front:
  - a. The Division developed in-house Titan lens "Clear Sight" – which has best in class scratch resistance, near 100% transmittance. Owing to a very successful pilot in January, it was then rolled out nationally in February. This has been very well received across markets and the Average Selling Price is nearly double of standard Titan lens and margins are higher by 7%
  - b. Debut in Smart Sunglasses – Fastrack Audio glasses were a big hit in the pilot during Valentine week, Video glass also generated lot of interest
  - c. Titan "Signature" Frames at less than ₹ 5,000, was the Division's first attempt at this price band and all of which was designed in-house. These were accepted by the customers very well.

These are likely to be big growth drivers as well as source of differentiation going forward.

### **Sales & Network**

- Overall sales growth for the Division for the year is 6%, which was affected due to lockdown in March
- Titan EyePlus Retail growth of 14%, Same store growth 7%
- 64 new stores added and the network strength currently stands at 584 stores
- Sunglass as a category did not do very well, market itself was stagnant
- Frame distribution grew handsomely at 61% and about 1,500 new dealers were added

### Others

- Franchisee Net Promoter Score improved significantly, indicating greater confidence in the business
- Introduced 13 international brands for the Company's super-premium stores
- Produced 1,58,000 frames in-house

### Opportunities, Threats and Risks

With the new reality of social distancing, heightened sense of health and safety, many things have to be re-imagined. Given the unprecedented economic disruption that's unfolding it is quite likely that there will be consolidation of market and players, channels like E-commerce and Omni-Channel will start playing greater roles, supply chain will get revamped with "Make in India" driving China alternate. Likewise, there could also be a resurgence of positive consumer sentiment for home grown brands and products. The Company's brands are uniquely placed to gain from this likely new wave.

Therefore, time and energy is being spent in the following areas to deal with this new reality/opportunity

- Leverage 10 million Encircle customer base as well as Tata employee strength
- A comprehensive omni-channel play seamlessly integrating physical stores with digital platform
- Optimisation of channels
- Accelerate Fastrack brand play for youth in the prescription eyewear segment
- Revive sunglasses: SMART glasses as well as extension to protective eye gear
- Scale up in-house production and indigenization
- Offer greater Value for Money through new range of products
- Lastly, continue to deliver best in class customer experience – bring alive our mantra of "Expertise with Empathy" in every transaction – be it physical, digital or Omni-Channel.

## FRAGRANCES AND ACCESSORIES DIVISION

### Fragrances

The fine fragrance portfolio continued to grow stronger with the addition of Fastrack Perfumes, attracting new customers and enabling expansion to newer geographies. The Customer Value Proposition of "Perfumes crafted in France by world renowned Perfumers offering exceptional value to the customer" remains strong and relevant helping in gaining market share. The Company believes that the products of the brand are better compared to all local options and offer better value than any international brand.

**Fragrances grew well at 24% and the year witnessed the launch of perfumes under the Fastrack brand at affordable price points. Network roll out in the Indian dress wear business grew substantially with 12 stores now operational in 5 major cities.**

### Fragrance Industry Trends

The fine fragrances industry had a muted performance in financial year 2019-20. On the demand side, the macro-economic conditions led to softness in discretionary spends impacting the fragrance category as well with 9% category growth for fine fragrances in the department stores. The situation worsened from mid- February onwards, adversely impacting the 30 days retail period of March. The Fragrance industry size is estimated to be ~ ₹ 4,300 crore with Deodorants around ₹ 3,000-3,100 crore i.e., 70% of industry and fine fragrances to be around ₹ 1,200 crore.

This is an exciting category and has attracted new players, especially well known apparel brands, both in fine fragrance in sub ₹ 1,500 price band and also in Deodorants category at sweet price point of ₹ 199. These apparel brands have a strong reach in exclusive and multiple brand outlets ensuring strong visibility and presence in deep interiors.

### Year 2019-20

The Fragrance business performed well in the prevailing circumstances, clocking a growth of 24% and serving 1.3 million customers through various channels.

### SKINN: Build aspirational, credible Brand

The brand task for the Division is to continue to grow the awareness of the brand to drive the topline and at the same time increase the desirability of the brand by improving scores across imagery parameters. Efforts continued to build the brand awareness through television as a medium in Q1 of FY2019-20. Digital marketing was focussed upon in Q3 and Q4 to improve efficiency on marketing spends keeping a tight control on the bottom line. Consistent efforts were focussed on building credibility and advocacy for the brand through consistent and meaningful associations with influencers/celebrities and master perfumers. The brand leveraged all the key occasions of gifting through innovative digital campaigns. The gifting segment with the revamped gift packs saw a robust growth with two key campaigns during festive season and Valentine period. SKINN Premium Deodorants were launched successfully

in August 2019 at ₹ 399 to leverage layering concept. Customer Net Promoter Score for SKINN Brand has improved and is 60%+.

**Fastrack Perfumes:** A new segment of consumers was tapped with the launch of Fastrack Perfumes at ₹ 845. This strengthens the Company's play in the mass segment (₹ 500-3,000). Ananya Panday as the Brand Ambassador is expected to give it a strong desire in the youth segment. The launch event garnered lot of PR for the brand and gave it the right fashion quotient. Subsequent to the launch, Asia's biggest youth music festival Sunburn was leveraged as a medium for product experience and awareness with the right kind of trendsetting audience.

**Sampling:** SKINN brand being the leading perfume brand in India, sampling is the best way of acquiring a customer through a trial. Innovative ways were deployed to encourage sampling through 1,000 plus trained promoters narrating the brand story at the purchase point. Further, sampling in the airlines has also given exceptional results.

#### Sales & Distribution

**LFS:** The Company has participated in fragrance festivals and in-store visibility campaigns across key Large Format Stores like Shoppers Stop, Central and Health & Glow. These have helped in gaining market share and maintaining the brand's No. 1 rank in department stores and has improved market share position by +0.6%.

Trade Channel has further expanded reach and overall number of doors have increased by 25%. New distributors were added in new geographies like Andhra Pradesh, Haryana and Jammu & Kashmir.

**Retail:** There is an excellent opportunity to leverage the Company's vast World of Titan network. Focus has been increased to double perfumes category revenue mix to the overall store revenue. The Company has deployed sales management, leadership messaging and incentives as tools to drive the mix.

**The Company has participated in fragrance festivals and in-store visibility campaigns across key Large Format Stores like Shoppers Stop, Central and Health & Glow. These have helped in gaining market share and maintaining the brand's No. 1 rank in department stores and has improved market share position by +0.6%.**

**Kiosk:** Use of kiosks has been leveraged to generate trials and exhibit brand story through the trained staff in key mall locations. Efforts are on to optimize cost of operations by converting certain locations to Company operated kiosk.

**E-commerce:** An exclusive website of SKINN ([www.skinn.in](http://www.skinn.in)) went live by April 2019 and has started delivering good sales numbers and has also stabilized its presence in key marketplaces. This channel is the fastest growing channel and focus has been increased on gaining share in future.

**Strengthen Supply Chain:** Hiring has been initiated in some critical capabilities like in packaging, quality control, and production/demand planning. Systematic auditing of the bottlers for enhancing process capability and infrastructure is key to scale up and new product development in future. The Division has successfully transitioned to 100% bottling in India, with 3 bottlers leading to substantial reduction in the material cost.

#### Opportunities & Challenge

As the category penetration is only ~ 9% and is expected to explode in the near future on account of growing aspirations of the youth, the outlook for the category remains bullish. There are many Olfactive spaces and price point segments where there is scope to enter and grow the portfolio.

Deodorants being 70% of the category continues to be an opportunity to upgrade customers from Deodorant to perfumes.

Competition is from 3 strong well entrenched national operators for last 20 years who have licensed around 100 international brands. Stronger and much larger FMCG brands are competing at the bottom of the pyramid with a strong distribution muscle. Entry into modern trade, pharmacy and expansion in cosmetics channel continues to remain challenging from unit economics point of view.

Break-even in Fragrance business remains the single most important goal for this year.

#### Accessories

With the addition of Accessories business to the Division, there are many exciting opportunities in bags, backpacks and small leather goods categories which will be explored in the future. Integrated sales force from both businesses shall help to improve sales coverage and scale. Efforts are on to continue on the journey of market development, focusing on brand awareness, brand reach and sampling.

The Division strives to achieve its growth plan by serving 4 million customers by FY24 with further expansion in product portfolio while addressing all the gaps.

## INDIAN DRESS WEAR DIVISION

### Operating Environment

Sarees comprised 40% of the women's ethnic wear market, growing at a CAGR of 5%-6% of which an estimated 15%-20% is organized play. The other products in the women's ethnic wear category are salwar kameez dupatta (SKD), lehengas, blouses, ethnic gowns, accessories etc. The industry is highly fragmented and unorganized with an informal supply chain. Authenticity of material and transparency in prices are very weak, despite being a highly penetrated category. The market comprises of family run businesses with a few corporate players. Online play and social media are very active for this category. Weddings account for ~40% of the business and sarees and lehengas continue to be a key part of the trousseau along with more contemporary apparel.

### The Year 2019-20

The year gone by saw strong explorations across multiple fronts for brand Taneira, viz. retail expansion, enhancing brand awareness, delivering a strong customer experience, seeding e-Commerce, design and product focus, collection launches and strengthening the supply chain.

### Retail Expansion

During the last year, the Division scaled up its operations with 8 new stores, taking the total footprint to 12 stores with about 40,000 sq. feet of retail space across 5 cities viz: Bengaluru, Delhi, Mumbai, Hyderabad and Pune. Multiple formats were explored, viz. Flagship, High Street and Malls. A strong retail identity for brand Taneira is being established.

Self-browse retail format continues to be the core of the retail formats enhancing customer experience.

Over 37 Trunk "3 day Pop-Ups" were held across India and e-commerce play was seeded.

### Consumer Value Proposition

The key value propositions of Handwoven Authenticity i.e. Purity of Fabric & Zari, Provenance of Craft, offering the best of craftsmanship of India under one roof with 65 cluster representations with a strong design differentiation of contemporary elegance and refined curation across bridal and wedding wear, festive wear and formal wear etc. in natural materials, silk, cotton and linen backed by a strong retail experience and trust associated with the the Company and the Tata Group.

Real-time Net Promoter Scores were used effectively to track customer experience and training for all store staff by the experienced product teams ensured a consistent high level of expertise and delivery.

The Brand attracted over 1,55,000 walk-ins into the stores with strong sales and marketing initiatives, clocking an additional 2,50,000 fans online through social media presence.

Significant marketing properties viz Pinkathon, Taneira Saree Run, Textile Expert talks, Curated product events, Bridal Influencer Connect and several other initiatives enhanced the customer connect along with "Encircle" loyalty program.

### Product

The Division's efforts continued to strengthen the Saree product portfolio which contributed to over 90% of topline led by clusters of Kanchivaram, Benaras and Tussar and supported by Bengal, Maheshwari and Chanderi clusters. The bridal and wedding contribution of 30% to topline were aided by dedicated Bridal Zones and Stylists in key flagship and high street formats.

To appeal to a newer younger audience, the brand piloted new categories in unstitched and semi stitched Salwar Kameez, Lehengas, etc.

Strong focus on design differentiated products maintained freshness as well as exclusivity with an average sell-through of 60% in volume in 6 weeks from 6 Saree Product Collections. Some of the Collections were "Ajnaa" inspired by the circular Bindi, "Chokola", "Navya" Bridal collections, "Summer Memories" of value priced cottons, Tussars, "Workwear EDIT" for the working woman and more.

Celebrating 150 years of the TATA Group, a unique "Parichay" collection of 150 exclusive Khadi sarees was launched; a blend of craftsmanship and weaves from across India ranging from Khadi Kanchivarams to Khadi Patolas. The Parichay Collection also won IMAGES Most Admired Fashion Design Concept of the Year: Ethnic Innovation for its originality and craftsmanship.

### Strengthening the Supply Chain

Establishing the supply chain and capabilities was a key imperative during the year. To establish a closer connect with the weaving community, 2 new sourcing centres at Benaras and Indore were established, apart from strengthening the sourcing hubs at Kanchipuram and Kolkata. 10 new Saree clusters were added during the course of the year with a pilot of 300 captive looms across India working on the Division's products.



Overall, it was a year of establishing the Brand and building awareness, expanding the retail footprint, strengthening the customer acquisition and customer value proposition and sharpening the supply chain capabilities.

### Opportunities, Threats and Risks

The Division, with its brand “Taneira”, has begun its journey in an unorganized sector with a strong headroom for growth, as customers increasingly desire to turn to organised players who celebrate natural and pure handwoven products, the rich textile diversity of India accompanied by convenience shopping, accessible retail, a strong customer experience and an endeavour to work with grassroots artisans and weavers.

The Division will continue to focus in the year ahead on consolidating and establishing the business model and building same store growth, sharpening its customer value proposition, expanding reach through its e-commerce channel, offering newer product clusters for customers, building design centricity and continuing the support to the artisans and weavers in times of uncertainty.

The risks to the category would emerge from the falling discretionary spends in times of the uncertainty, balancing retail store growths, industry moving to cheaper low cost mill made fabrics, blended or imported fabrics, sarees as a traditional apparel not being preferred by the youth and the traditional weaving communities moving to other professions.

### DESIGN EXCELLENCE CENTRE

DEC (Design Excellence Centre) is the design arm of the Company, which caters to the design needs of the entire organisation across categories – Watches, Jewellery, Eyewear, Fragrance & Accessories.

At DEC, the focus is on continuously building Design as a unique and compelling differentiator in the sustainable growth of the various businesses. User-centred design is one of the key strength of DEC which is supported by deriving insights through continuous design research and understanding fashion trends across categories.

The team is focused on creating differentiated products paying close attention to details and has set a benchmark in the world of jewellery and watches and has been widely influential in defining fashion and introducing new concepts with milestone collections and signature styles. By the amalgamation of creative ideas with in-depth emotional detailing of the product, the Company has been able to produce a unique experience for the consumers.

DEC has forayed into building world class processes in the field of UI/UX design during this year to cater to the increasing demand of smart watches and bands for the Watches and Wearables Division. A Design lab has also been set up at the corporate office of the Company to nurture breakthrough ideas into tangible products.

Winning the Global Red Dot Best of the Best award for Tanishq Jewellery has been one of the key highlights of the year. This prestigious award is reserved for the best product in the category.

Some of the very successful collections launched this year which pushed the boundary of design were Raga Facets, Maritime, The Tamil Nadu collection, Nebula Deccan in Watches.

‘Ahalya’ and ‘Virasaat’ redefined the Tanishq jewellery space once again with differentiated look and techniques. Rhapsodie and Rouge continued to build desire for the Zoya consumer and Facets and Electrify Me brought in a lot of innovation and fun quotient in Mia.

‘Signature’ in Titan eyewear defined the look for urban male with the combination of Titanium and wood.

DEC is a testimonial to the creative and innovative spirit of the Company and is a cross-disciplinary amalgam of some of the most respected and skilled designers from across the country and abroad.

### INFORMATION TECHNOLOGY & DIGITAL

The Company has launched transformation initiatives in multiple domains that combine digital and physical assets seamlessly for enhancing customer experience and achieving operational efficiencies, while ensuring the resilience and security of the Company’s technology infrastructure and customer data privacy.

#### Omni-Channel

The Company has launched omni-channel services on its e-commerce platforms that enable its customers to combine online and in-store shopping as per their preference including product and store discovery, buying/reserving, payment and scheduling pickup and return. The customers have adopted to this capability and steps have been taken to enhance and expand the Company’s capability in this direction.

#### Customer Engagement

The Company has launched its Customer Relationship Management (CRM) solution for the Retail Sales teams,

integrated with the Data Warehouse and Analytics, Loyalty and Point of Sale systems. This is helping in personalizing the Company's engagement with its customers and thus progressively strengthening customer understanding to further improve the engagement in a virtuous cycle. The Company's 'Voice of Customer' Net Promoter Scores and Social Media initiatives are enabling to act on customer responses in real time. Multi-channel service and engagement capabilities including mobile apps, chatbots, WhatsApp and live chat have been established besides e-mail and tele-calling to enhance the customers' experience across discovery, purchase, service and loyalty.

### Data & Analytics

The Company is working towards rapidly enhancing its Data Warehousing and Analytics and Insights capabilities to deliver significant measurable business value which helps in continuously generating customer insights from data across all touchpoints, and deploying cutting edge AI/ML algorithms to identify Next Best Actions and Recommendations that are communicated to the customers through outbound campaigns, CRM cues to the retail sales teams and E-commerce platforms. The businesses are also being supported with machine learning models for forecasting, price and offer optimization and new store location evaluation, with high and improving accuracy which has helped in delivering revenue funnel through analytics-assisted campaigns and other initiatives.

An AI-based Persuasive Technology has been successfully implemented that has helped enhance sales officers' performance on targets and dealer engagement through timely, behaviour-based nudges.

### Neural Networks, Mixed Reality

Programs have been launched to pilot watch and jewellery design generators that will help augment the Company's creative teams' capabilities, leveraging neural network technologies. Augmented Reality solutions are being constructed that will enable customers to virtually try-on products on the web and in store, seamlessly linked with the inventory, CRM and Point of Sale Systems.

### Process Automation & Efficiencies

Several Robotic Process Automation initiatives have been deployed that have delivered significant productivity improvements and efforts are on to continually identify and exploit high leverage opportunities in this area. Portals and mobile apps have been launched for value chain partners to help enhance their experience and efficiency.

### Digital Quotient

Digital Transformation is a key theme in the Company's Leadership Development agenda. The Company has launched

**The Company had 7,550 employees on rolls of which 1,986 were women as on 31<sup>st</sup> March 2020. Of the total head-count, 3,096 employees were engaged in manufacturing, 3,543 in retail and 821 in corporate and support functions.**

self-paced programs and content portals for its employees to learn about digital technologies through curated courses and content. 'Exploring Titan', short programs on E-commerce and Analytics have proven to be popular and are well attended.

### HUMAN RESOURCES

The Company had 7,550 employees on rolls of which 1,986 were women as on 31<sup>st</sup> March 2020. Of the total head-count, 3,096 employees were engaged in manufacturing, 3,543 in retail and 821 in corporate and support functions. The net addition to employee base was of 389 employees. Of the total base, 145 employees are differently-abled.

**Employee Development:** Work on the 4 tiered leadership program continued as per plan. Young Leaders Program 3.0 was launched with a new program design. New elements like social immersions and shadowing were introduced for Emerging Leaders Program. Senior and Top Management Development programs continued with special focus on immersions. The 2<sup>nd</sup> Edition of Leadership Conclave was conducted in Q4 of the year.

For employees outside of leadership programs, learning inputs and programs were designed, curated and rolled out based on not only the Individual Development Plans but also the Titan Competency Framework.

Functional journeys specific to sales and manufacturing have been launched this year.

### Employee Connect & Employee Wellness

A big area of impact for HR in the year has been the positive shift created in employee experience.

- Employee Lifecycle & HR processes: Automated solutions for workforce planning and employee processes have been automated.
- Holistic approach to Wellness: Will It, Well It, a wellness program, has been introduced this year as an organisation-wide initiative aimed at improving employee wellness – physical, mental/emotional and financial. The initiative provides a plethora of options to employees to choose from and pick offers aimed at health and well-being.

**Business Partnering**

HR has partnered with business divisions closely to build both capacity and capability across both existing and new businesses. Some key highlights of the year were the set-up of Gulf Co-operation Council operations, acqui-hire of HUG Innovations, organisational structuring and capability building for the Indian Dress Wear Division, amongst others.

**Employee Relations**

The employee relations climate has been a peaceful and positive one. Long term agreements for Hosur and Roorkee factories were signed off in a win-win manner.

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company during the year has reviewed its Internal Financial Control (IFC) systems and has continually contributed to establishment of a more robust and effective IFC framework, prescribed under the ambit of Section 134(5) of Companies Act, 2013. The preparation and presentation of the financial statements is pursuant to the control criteria defined considering the essential components of Internal Control – as

stated in the “Guidance Note on Audit of Internal Financial Controls over Financial Reporting” issued by the Institute of Chartered Accountants of India (ICAI).

The control criteria ensures the orderly and efficient conduct of the Company’s business, including adherence to its policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information.

Based on the assessment carried out by the Management and the evaluation of the results of the assessment, the Board of Directors are of the opinion that the Company has an adequate Internal Financial Controls system that is operating effectively as at 31<sup>st</sup> March 2020.

The Company has a robust internal audit function consisting of professionally qualified chartered accountants who cover the business operations as well as support functions and provide quarterly reports to the Audit Committee.

**SEGMENT WISE PERFORMANCE**

Segment Revenue	₹ in crore	
	Year Ended 31 <sup>st</sup> March 2020 (Audited)	Year Ended 31 <sup>st</sup> March 2019 (Audited)
Net Sales/Income from Operations		
Watches	2,615.49	2,440.93
Jewellery	16,738.22	16,029.58
Eyewear	544.01	511.41
Others	171.11	133.43
Corporate (Unallocated)	87.22	133.12
<b>Total</b>	<b>20,156.05</b>	<b>19,248.47</b>

Segment Results	₹ in crore	
	Year Ended 31 <sup>st</sup> March 2020 (Audited)	Year Ended 31 <sup>st</sup> March 2019 (Audited)
Profit/(Loss) from segments before finance costs and taxes and after share of profit/(losses) of associate		
Watches	365.31	316.38
Jewellery	2,061.32	1,948.00
Eyewear	(14.33)	(2.38)
Others	(58.41)	(58.11)
<b>Total</b>	<b>2,353.89</b>	<b>2,203.89</b>
Less: Finance costs	149.48	44.45
Corporate (unallocated)	(99.44)	(232.07)
<b>Profit before taxes</b>	<b>2,104.97</b>	<b>1,927.37</b>

₹ in crore

Capital Employed	Year Ended 31 <sup>st</sup> March 2020 (Audited)	Year Ended 31 <sup>st</sup> March 2019 (Audited)
Watches	1,368.45	1,048.56
Jewellery	3,774.82	2,171.77
Eyewear	261.46	267.42
Others	126.65	81.42
Corporate (unallocated)	1,293.48	2,612.55
<b>Total</b>	<b>6,824.86</b>	<b>6,181.72</b>

### HOW THE COMPANY FARED

Some of the key financial indicators are as below:

	FY 2019-20	FY 2018-19	FY 2017-18
Sales to Net fixed assets (No. of times)	18.10	18.48	16.28
Sales to Debtors (No. of times)	93.31	53.23	81.12
Sales to Inventory (No. of times)	2.59	2.84	2.72
Retained Earnings - Rupees in crore	3,758	2,876	885.07
Return on Capital Employed (EBIT)	34.67%	35.90%	35.98%
Return on Net worth	23.34%	24.16%	24.47%
Interest Coverage Ratio	143.04	1,198.12	406.87
Current Ratio	1.82	1.76	1.78
Debt equity ratio	0.09	NA	NA
Operating Profit Margin %	10.54%	9.77%	10.37%
Net Profit Margin	7.58%	7.21%	7.43%

### SIGNIFICANT CHANGES IN KEY FINANCIAL RATIOS

During the year, following are the key financial ratios of the Company where there was a change of 25% or more as compared to the immediate previous financial year

	FY 2019-20	FY 2018-19	% change
Debtors Turnover Ratio	93.31	53.23	75.3
Interest Coverage Ratio	143.04	1,198.12	-88.1

### CHANGE IN RETURN ON NET WORTH

The details of change in Return on Net Worth of the Company as compared to the previous year is given below:

Ratios	FY 2019-20	FY 2018-19	% change
Return on Net worth	23.34%	24.16%	-3.39

The return on net worth is in line with the previous year as the percentage change is less than 5%.

### DISCLOSURE OF ACCOUNTING TREATMENT

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (Ind-AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016 read with Section 133 of the Companies Act, 2013.

### OUTLOOK FOR 2020-21

The lockdown necessitated by the COVID-19 pandemic is expected to hit the Company's businesses very substantially in the financial year 2020-21. The Company expects the economy to shrink, and tight regulations on operations of stores to continue for some time. Customers can also be expected to be wary of stepping out of their homes for some time. With job losses expected to increase substantially and salaries expected to fall or stay flat at best, spends on discretionary products could get affected more. However, the Company also expects customers to spend relatively more on jewellery compared to other discretionary spends as gold jewellery continues to be a valuable store of value. The focus therefore for financial

year 2020-21 will be on cash flows and optimize spends. The Company has therefore already begun a War on Waste program to identify all costs that can be cut under the circumstances and ensuring adequate liquidity is available to run the businesses efficiently and also leveraging the Company's strong balance sheet to seize opportunities that may present itself during the year will be key focus areas.

### CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be forward-looking statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which it operates, changes in the Government regulations, tax laws and other statutes and incidental factors.