

Such practice provides reasonable assurance that transactions are recorded as necessary to permit preparation of Financial Statements in accordance with the applicable legislations and that the same are well within the COAs and SOPs, without exception. Your Company also monitors through its Internal Audit Team the requirements of processes in order to prevent or timely detect unauthorized acquisition, use or disposition of the Company's Assets which could have a material effect on the Financial Statements of the Company. The Internal Audit function is responsible to assist the Audit Committee and Risk Management Committee on an independent basis with a complete review of the risk assessments and associated management action plans.

Risk Management is embedded in the Company's operating framework. Your Company believes that risk resilience is key to achieving higher growth. To this effect, there is a robust process in place to identify key risks across the Company and prioritize relevant action plans to mitigate these risks. Risk Management framework is reviewed periodically by the Board, the Audit Committee and the Risk Management Committee, which includes discussing the management submissions on risks, prioritising key risks and approving action plans to mitigate such risks. An assessment of cyber security has also been carried out in compliance with the requirement of the Listing Regulations and a mitigation plan has been made to counter such risks.

The Internal Audit Report and Risk Inventory Report are reviewed periodically by the Audit Committee of the Board of Directors. The Chief Internal Auditor is a permanent invitee to the Audit Committee Meetings. The Audit Committee advises on various risk mitigation exercises on a regular basis. Your Company has been maintaining a separate Internal Audit Team headed by the Chief Internal Auditor appointed by the Audit Committee of your Board.

Your Board has also constituted a Risk Management Committee comprising of the Directors and Senior Executives of the Company under the Chairmanship of the Managing Director of the Company. The terms of reference of the Risk Management Committee and a Risk Management Policy of the Company have also been approved and adopted.

Your Board is of the opinion that the Internal Financial Controls, affecting the Financial Statements of your Company are adequate and are operating effectively.

COMPLIANCE WITH SECRETARIAL STANDARDS ON BOARD AND GENERAL MEETINGS

During the year under review, the Company has duly complied with the applicable provisions of the Secretarial Standards on Meetings of the Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India (ICSI).

NON-APPLICABILITY OF MAINTENANCE OF COST RECORDS

The Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Companies Act, 2013 and Rules framed thereunder with respect to the Company's nature of business.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry structure and developments

India's resource strengths in the form of materials and skilled manpower is a comparative advantage for the country. The increasing use and variety of footwear is leading to an upsurge in demand indicating higher growth prospects for the footwear industry. While Tier I cities have always been brand centric, Tier II and Tier III cities are catching up and therefore sales of branded products are expected to grow significantly in the future.

The Indian footwear market is expected to grow at a double digit and by the year 2022, total market is expected to be around Rs. 72,000 crores with a CAGR of 11%. The Branded footwear is expected to garner substantial market share and this will be supported by the growth in both organized and online retail sale simultaneously. Branded footwear currently accounts for around 45% and unbranded dominates with 55% market share respectively. In case of online retail, Brands are also launching dedicated product range for online channel to differentiate from offline channel and are using data analytics to grow the business. The online sale of footwear is expected to grow in high double digits.

The growing population and the continuous demand has made India the second largest producer of footwear in the world after China and also the world's third-largest footwear consumer after China and the USA. It is estimated that more than 80% of the produced goods are consumed within the domestic market. The market has also witnessed expansion of existing international brands in the country and the entry of premium formal and sportswear brands.

The change in lifestyle, preferences, growing health and fitness awareness amongst urban Indians has also led to a boost in the fitness footwear industry in India. As a result, products like apparel, accessories and variety of fitness equipment

now tops priority in shopping lists of consumers around the country primarily including comfortable branded fitness footwear. The Indian fitness footwear segment is witnessing a steady boom and is expected to grow with rapid pace during 2019 - 21.

The Indian footwear industry has been witnessing a change from a need-based industry to fashion, style and fitness oriented industry and it has also got the potential to increase its global market share in footwear export. With changing lifestyles and increasing affluence, domestic demand for footwear is projected to grow at a faster rate than it has been seen during the last 10 years.

Opportunities and Threats

Changes in the external business environment along with growing competition from domestic and foreign players in the industry has posed challenges for sustained future growth. To maintain such growth, your Company is taking necessary steps such as focusing on stylish, comfortable and durable quality products so as to be ahead of competition.

Sports and Kids categories are one of the fastest growing among all categories therefore attracting traction from all footwear brands. Your Company is set to take leverage of our strong brands "Power" and "Bubblegummers" including testing of exclusive concept stores. Another opportunity is the upgradation of consumers from unorganized and low priced footwear to branded and lifestyle products thereby enhancing their experience. Your Company is uniquely placed to take advantage of this trend with its aspirational brand image, wide range of recognized brands and unparalleled retail footprint.

With the infusion of new lines in men's and women's contemporary collection along with exciting and colorful range for teenage consumers and a range of offerings for the sports & fitness lovers the footfalls at stores are increasing. A range of products in the casual and lifestyle offering especially for working women are expected to create a sustained demand for the future.

The brick and mortar retail industry is also expected to witness intense competition from the innovative digital platforms. Your Company has increased its focus on consumer facing technology and rolled out a full suite of Omni-Channel solutions in 400+ stores as well as upgraded our online experience.

Segment wise or product wise performance

Your Company operates in Footwear & Accessories Segment only and performances of major business categories and key brands of your Company during the financial year ended March 31, 2019 are highlighted below:

Retail Business

Your Company has followed a strategy of driving same store growth while adding new retail stores in Malls and High Street locations to enhance its Retail footprint. These spacious new stores are located in the growing markets of the country and are based on the global design 'Red Angela Store Concept'. These stores are the new face of Bata in India & the first touchpoint for consumers to experience "Surprisingly Bata". It has simple clean lines of design thinking and uses essentially 2 colours, red & white that are uniquely identified with brand Bata.

Your Company shall continue to make investment on renovating existing stores hence creating a delightful shopping experience for the customers by improving store layouts and creating an emphasis on key products within the retail stores. Your Company plans to focus on building the Bata Brand and attract more footfalls in the retail stores through breathtaking windows, in-stores activities and amplify various new launches of products and collections. Your Company is also focused on improving customer service at stores through regular training of store staff. Your Company has initiated a "Store Excellence Program" which aims to improve customer journey inside the stores & improve business parameters while delivering excellent customer service.

During the financial year ended March 31, 2019, your Company opened 71 new Bata retail stores, 51 Franchisee stores & renovated 47 stores across India. Your Company also relocated 14 stores and closed 28 stores.

Your Company is strengthening various brands under the umbrella of Bata like Power & Bubblegummers & have continued testing these formats in couple of more locations. Now your Company operates 3 Power & Bubblegummers stores. A new concept of Bata Woman also has been tested with 2 stores in Bengaluru. These new concept stores would open new consumer segments for us in times to come.

Digital Multi-Channel Business

Your Company's online business has recorded a significant growth during the year under review. Your Company sold more than 1.5 million pairs of footwear through online channels and achieved a turnover of over Rs.1,200 Million. Your Company's

e-commerce presence has penetrated in 1000+ cities and towns across India.

During the fiscal year, your Company's e-commerce division worked on identifying market opportunities for business growth in the existing online business models including B2B and B2C. Your Company has strengthened its e-commerce team for creating an edge in online marketing. From online customer segmentation, purchase behaviour analysis to direct and indirect competition analysis, the business maximized its reach to potential online buyers in footwear and accessories category. Cross-channel promotions and performance-driven e-commerce marketing campaigns got the overall website's www.bata.in business off the ground with an increase in traffic from 4.50 Million to 9 Million. Your Company strengthened its online customer database more than doubling it by reaching out to the leading telecom, airline and banking players in association with affiliate partners. Your Company's website launched Endless Aisle while connecting retail store inventory to online website with technical integration multiplying the business potential. Your Company's B2B business has grown across all partner portals - Amazon, Flipkart, Myntra and Jabong - with a steep increase in secondary sales through competitive product offerings, rigorous marketing campaigns including Cost per Click (CPC) and Cost per Million Impressions (CPM) while diligently participating in brand specific and category specific events. Various market expansion strategies were put in place like expansion of brand presence through marketplace model by listing products on high-traffic generating websites including TataCliq, ShopClues, Limeroad etc. Your Company's e-commerce website www.bata.in implemented CDN services to improve overall load time of the website which reduced from 15 sec to 7 sec per new session.

Hush Puppies

Hush Puppies entered Indian market 20 years ago & initially positioned as "Premium Men's Dress Footwear Brand". Last year also, as a team we have worked on the products, marketing, stores & overall customer experience to re-position it as "International Premium Lifestyle Brand", which is in synchronisation with current global brand positioning. Today, Hush Puppies is the biggest brand in Premium Footwear space with increasing market share on year to year basis.

The Brand has traversed from being Men Dress brand to becoming a Lifestyle Casual footwear brand in last couple of years. The product mix varies from Dress to casual, from closed to open footwear in both Men & Ladies with a strong presence in Hand Bags / Socks / Accessories. It has now shoes for literally all occasions in a life of an urban consumer. Hush Puppies believe in vision of "treating the world to their favorite shoe". With increasing per capita footwear consumption & a wide variety of national & international brands operating, Indian market has become really exciting turf to play on. Hush Puppies would like to maintain its leadership position in market as well as in the heart of Indian consumers.

Currently, the main focus is on urban Indians residing in Metro & Tier I and Tier II cities through Hush Puppies concept stores & through a wide Bata Network that goes up-to Tier III cities as well. Fast growing online (e-commerce) is helping us virtually reaching every corner of India & helping aspiring consumers to own a pair of Hush Puppies. This Brand is already having 90+ Company owned & managed Exclusive Brand Outlets which would cross 100 mark by the end of 2019.

Hush Puppies is an aspirational brand for urban India & we will continue to attract consumers through exceptional products, beautiful stores which are in-line with Global store concepts & best in-class customer service.

Children's Footwear

In order to cater to the children's ever changing footwear demand, your Company has been introducing many new designs and innovative footwear. Through 'Bubblegummers' brand of footwear, your Company has always been striving to make quality shoes with uncompromising comfort and features that safeguard their little feet. Bubblegummers is retailed through all Bata stores across the Country and has been the first point of contact to start our consumers' journey to establish long term association with Bata. With 18% of the Country's population below the age of 10 years, the potential to grow in the children category of footwear is huge, which makes this category as one of the key focus areas for your Company.

Your Company has further established an association with The Walt Disney Company India Pvt. Ltd. and working with a set of designers from Disney, to create a complete collection covering all types of footwear ranging from casual shoes, canvas shoes and Ballerinas to everyday-wear sandals and chappals. Your Company has created exclusive 'Disney Corners' in some of its key retail stores across major cities in India to highlight the collection and add value to the children category of footwear range.

Non-Retail Business

Your Company's non-retail business division comprises of urban wholesale, industrial and institutional business divisions and exports. Across all the divisions, actions are taken to improve customer service, enhancing quality of Product / Packaging and Upgrading the capability of Employees.

- **Innovation:** There are lots of legendary products with Bata which has huge consumer base built over many decades. Efforts are being made to ensure that they are available in their nearest footwear store. We have also launched some brands like Way Finder to make the brand more casual, young and aspirational.
- **Introduction of New Practices / Products:** We have launched / upgraded about 400 articles this year which are best in class in terms of Comfort and target youth and ladies. We have also initiated changes in the way we manage our Supply chain. The Demand planning and forecasting process has been re-hauled which is helping in better customer service to our wholesalers as well as Industrial/Institutional Customer.
- **Expansion:** The Expansion in MBO's (Multibrand Outlets) as well as in Industrial and Institutional Customer base concept has been activated which have yielded good results in last few months. During the year, Bata Product availability has got enhanced in 100 new towns across the country.
- **Technology Upgradation:** We have initiated technological upgradation in our billing and MIS system. This has helped us taking faster decision based on right information at almost on real time basis.

Customer Care Initiatives

Customer Service and Experience has been a big focus area of the Company. There is a dedicated customer service team to ensure that customers don't face any inconvenience and their concerns are addressed in a timely and amicable way. A toll free customer support number is in place so that customers can reach out directly to the Company as well as via other channels like e-mail, facebook, twitter, etc. The Company ensures that all customer concerns are resolved within minimum timelines.

The Company has also been collecting customers feedback on their shopping experience and measuring it as per the global standard tool NPS since January 2018. The Company has started an initiative to close loop Detractors (customers who give negative feedback) by calling them and addressing / resolving their queries.

Bata Club

The Company's loyalty programme "Bata Club" has increased over the years and currently it has over 25 Million members. The programme engages with its members continuously and rewards them with special benefits to drive repeat purchase, conversion and footfalls. The Company has also started doing various innovative technology-driven promotions to leverage big festivals and events and further increase engagement from its member base.

Outlook

Your Company has an established leadership position in the industry and the most trusted name in branded footwear and accessories. With the change in customer preferences, shoes have become a style statement especially among the teenagers, youth and the affluent working class. The domestic demand for footwear is projected to grow at a fast pace. The inclination towards purchase of products manufactured by established brands is increasing. The digital platform, presence in social media, blogs and advertisements are fast catching up with the brick and mortar sales model. Your Company is proactively engaged in taking appropriate steps to tap these opportunities in order to improve its market share and retain its leadership position in the organized footwear and accessories sector of the industry.

Risks and Concerns and Contingent Liabilities

Your Company acknowledges the fact that competition from both domestic and international players is increasing by every passing day. In addition to increasing competition, the changing customer's behaviour and impact of online marketing initiatives have an effect on your Company's performance since your Company has a huge network of retail stores Pan India. With the opportunity for employment, gradually increasing people / talent retention is considered as a challenge. Your Company also realizes that modernization of I.T. systems along with having suitable protection from risk of loss / theft of data is one of the major areas of concern globally. Your Company monitors its major risks and concerns at regular intervals. Appropriate steps are taken in consultation with all concerned including the Risk Management Committee and the Audit Committee of the Board to identify and mitigate such risks.

During the normal course of its business operations, your Company has been subjected to litigations in connection with or incidental thereto. These litigations include civil cases, excise and customs related cases, etc. filed by and against the Company. These cases are being pursued with due importance and in consultation with legal experts in respective areas. Your Board believes that the outcome of these cases are unlikely to cause a materially adverse effect on the Company's profitability or business performance. Your Company has a Contingent Liability of Rs. 435.89 Million as on March 31, 2019 as compared to Rs. 460.54 Million as on March 31, 2018. Attention is drawn to the explanations mentioned in Note No. 31 of the Notes to Financial Statements for the financial year ended March 31, 2019. In view of the present status and based on legal advice obtained from time to time, your Board is of the opinion that no provision is required to be made against these Contingent Liabilities.

Internal control systems and their adequacy

A separate paragraph on internal control systems and their adequacy has been provided elsewhere in the Board's Report.

Discussion on financial performance

Your Company has been able to achieve profitable growth and believes that this is sustainable, barring unforeseen circumstances.

The Earnings per Share (EPS-Basic and Diluted) of your Company for the financial year ended March 31, 2019 was at Rs. 25.65 as compared to the (EPS-Basic and Diluted) for the previous financial year ended March 31, 2018 was at Rs. 17.40. Your Company recorded EBITDA margin of 16.30% during the financial year under review as compared to 13.40% during the financial year 2017-18.

Your Company does not have any Bank Borrowings and the entire capital expenditure has been funded through internal sources.

The Capital Expenditure incurred during the year under review amounted to Rs. 911.96 Million as compared to Rs. 930.77 Million in the previous year.

Details of significant changes in key financial ratios alongwith explanation

In compliance with the requirement of the Listing Regulations, the key financial ratios of the Company alongwith explanation for significant changes (i.e., for change of 25% or more as compared to the immediately previous financial year will be termed as 'significant changes'), has been provided hereunder:

Sl. No.	Particulars [#]	2018-19	2017-18
(i)	Debtors to Sales (in days)	8	12
(ii)	Inventory to Turnover Ratio (in months)	3.44	3.47
(iii)	Interest Coverage Ratio	116.53	69.89
(iv)	Current ratio	2.92	2.76
(v)	Debt Equity Ratio*	-	-
(vi)	Operating Profit Margin (%)	14.11	11.13
(vii)	Net Profit Margin (%)	11.26	8.48
(viii)	Return on Net worth (%)	18.88	15.12

[#] The Government of India has implemented Goods and Services Tax (GST) from July 2017 subsuming excise duty, service tax and various other indirect taxes. Accordingly, the Revenue for the financial year ended March 31, 2019 as reported in the Statement of Profit and Loss are not comparable with the previous financial year. Therefore, the Ratio relating to Turnover are not comparable with the previous financial year.

^{*} There is no borrowing in the Company. However, Finance cost includes interest expenses accounted for various deposits in accordance with Ind AS 109, Financial Instruments.

- The significant changes in Debtor Turnover Ratio has been recorded on account of increase in turnover and reduction in receivables which resulted into reduction of outstanding receivable days.
- The significant changes in Interest Coverage Ratio has been recorded due to significant increase in Earnings Before Interest and Taxes (EBIT) with reduction in finance cost of the Company.
- The significant changes in Operating Profit Margin (%), Net Profit Margin (%) and the Net worth Ratio (%) is due to cost efficiencies/productivity improvement and premiumisation of our product range leading to increased profits.

The other financial ratios of the Company relating to previous 10 years has been provided in other part of Annual Report 2018 -19.

Material developments in human resource / industrial relations front, including number of people employed

Your Company has been continuously working to improve human resources skills, competencies and capabilities in the Company, which is critical to achieve desired results in line with our strategic business ambitions. Some key initiatives that have been taken during the financial year 2018-19 in this direction are summarized below:

- Execution of Long Term Agreement (LTA) for settlement of dues with the Worker's Union at the manufacturing unit of the Company at Bataganj, Patna.
- Industrial relations at all the manufacturing units of your Company have been harmonious and peaceful with active involvement of the employees in the collective bargaining process. Your Company has also encouraged wholehearted participation of the employees and union in improving productivity as well as quality of its products.
- The goal setting process was cascaded from the Top aligned with Country's strategies and goals for the year. With a co-ownership of goals at the Department Head level, a complete alignment in the organization was possible. A quarterly review of scorecard helped to further strengthen the process.
- Multiple set of training programmes have been designed and rolled out in phases focusing on functional and behavioral needs of an individual. Some of these include Leadership & Coaching for Leaders who manage Managers, Personal Effectiveness for all individual contributor roles, first time Leaders, Negotiation skills and B2B sales process and capability. Cross functional training is another key area of focus.
- Keeping up with the philosophy of "Learning is individual driven and organization facilitated", we are now building a catalogue of online training modules which an individual can access on their own anytime.
- For our store staffs, an online learning platform was launched in 2018, this now is available to over 4000 employees across 800 stores. On this 24/7 learning platform, the employees complete their Product training & certification as well as gain useful knowledge on new launches and campaigns.
- 'Stepping Stones' is our new career programme being launched which would enable an employee to make a choice of role across functions, understand the differentiating competencies and work out a learning plan. It's a tool to empower the employees take the right decision for themselves.
- As on March 31, 2019, there were 4,890 permanent employees on the rolls of your Company.

CAUTIONARY STATEMENT

There are certain Statements which have been made in the Management Discussion and Analysis Report describing the estimates, expectations or predictions, may be read as 'forward-looking statements' within the meaning of applicable laws and regulations. The actual results may differ materially from those expressed or implied. The important factors that would make a difference to the Company's operations include demand-supply conditions, raw material prices, changes in Government Policies, Governing Laws, Tax regimes, global economic developments and other factors such as litigation and labour negotiations.

BUSINESS RESPONSIBILITY REPORT (BRR)

In compliance with the provisions of Regulation 34(2)(f) of the Listing Regulations read with the SEBI Circular No. CIR/CFD/CMD/10/2015 dated November 4, 2015, your Company has prepared a BRR in the prescribed format for the financial year ended March 31, 2019 describing initiatives undertaken by it from an environmental, social and governance perspective, which is annexed to the Board's Report and marked as Annexure VII. The BRR has been uploaded on the website of the Company at www.bata.in and is available at the link https://bata.in/bataindia/a-29_s-181_c-42/investor-relations.html.

CORPORATE GOVERNANCE

In compliance with the provisions of Regulation 34 of the Listing Regulations read with Schedule V to the said Regulations, the Corporate Governance Report of your Company for the financial year ended March 31, 2019 and a Certificate received from M/s. B S R & Co., LLP, Chartered Accountants, the Auditors, on compliance with the provisions of Corporate Governance requirements as prescribed under the Listing Regulations, are annexed and forms part of this Annual Report.

ACKNOWLEDGEMENTS

Your Board is grateful for the continuous patronage of our valued customers and remains committed to serving their needs by delivering more style and comfort at every step. Our Board acknowledges and appreciates the relentless efforts by employees, workmen and staff including the Management headed by the Executive Directors who have all worked together as a team in achieving a commendable business performance year on year.

Your Board is also indebted to the unstinted support and trust reposed by you, our shareholders and are also thankful to the Bata Shoe Organization (BSO) for their ongoing support and guidance.

Your Board greatly acknowledges the support and cooperation it receives from all its suppliers, vendors and dealers as well as the regulatory authorities of the Central and State Governments in India.

Your Board wishes to place on record its deep appreciation of the Independent Directors and the Non-Executive Directors of the Company for their great contribution by way of strategic guidance, sharing of knowledge, experience and wisdom, which helps your Company to take the right decisions in achieving its business goals.

For and on behalf of the Board of Directors

Place : Gurugram
Date : May 24, 2019

UDAY KHANNA
Chairman
DIN: 00079129