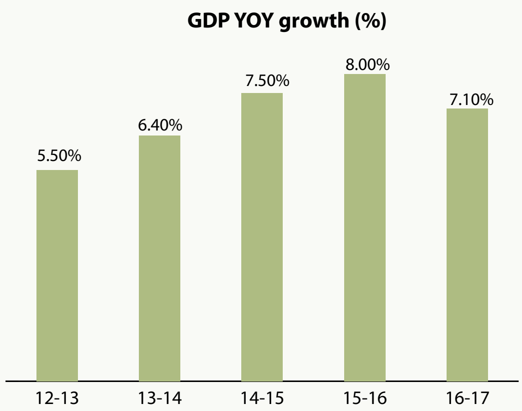
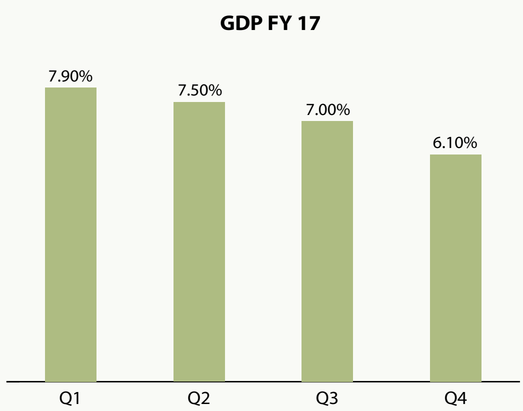
MANAGEMENT DISCUSSION AND ANALYSIS

Economic backdrop

The economic backdrop is a key factor impacting the performance of companies across sectors including organized retail. Against the backdrop of robust macro-economic stability, the year was marked by two major domestic policy developments, the passage of the Constitutional amendment, paving the way for implementation of the transformational Goods and Service Tax (GST), and the action to demonetize the two highest denomination notes.

Indian economy was on a growth trajectory and the gross domestic product (GDP) registered a growth rate of 8 percent in FY 2015-16. The economy was treading along that path and clocked a 7.5 percent in the first half of FY 2016-17. However, possibly impacted by the demonetization measure, the economy registered a lower economic growth rate in relative terms in the second half of FY 2016-17. Notwithstanding the downward trend in GDP growth over the four quarters of FY 2016-17, India continues to remain one of the fastest growing major economies.





(Source: Central Statistics Office)

India's economic performance has been impacted by various factors including:

- RBI's inflation focus and the lower inflation rates
- Decline in interest rates impacting both corporate and retail credit
- Improving fiscal deficit
- Confidence reposed by the foreign investors as reflected by growing FDI into India

Although the demonetization possibly had a temporary dampening effect on consumption, it is likely to strengthen India's institutional framework and should support efficiency gains through greater formalisation of economic and financial activity.

The economy is expected to grow to 7.5 percent in FY 2017-18 and 7.7 percent in FY 2018-19, with accelerated pace of remonitisation, discretionary consumer spending picking up and the growth emphasis of Union budget 2017-18.

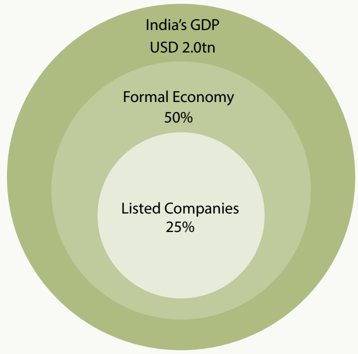
The long-term growth prospects of the Indian economy is positive due to its young population, low dependency ratio, healthy savings & investment rates and increasing integration into the global economy.

Organized retail opportunity

The unorganized sector in India continues to remain high despite India being one of the fastest growing economies. The unorganized sector contributes 50 percent to India's GDP and accounts for 90 percent of the employment. Within the formal economy, the listed companies are estimated to be contributing in the region of 25 percent to the GDP.

Retail industry contributes over 20 percent to India's GDP. The Indian retail market is estimated around USD 600 billion as of FY15 and is one of the top five retail markets in the world by economic value. India is also one of the fastest growing retail and e-commerce markets in the world, and is projected to reach USD 1.3 trillion by FY20 (BCG Report 2020). There has been a consistent shift from the unorganized to organized sector and this shift is expected to accelerate.

Unorganized Sector – Significant portion of the economy



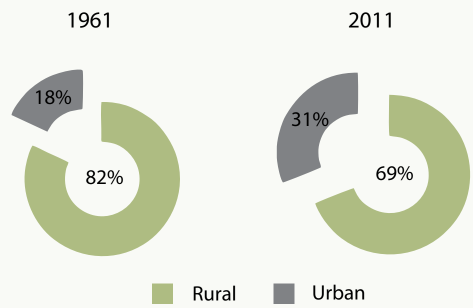
(Source: National Statistical commission, CMIE, various research reports)

Consistent with the coverage in earlier reports, the following constitute the principal arguments in favour of organized retailing.

- **Urbanisation**

  Currently, over 2/3rds of India's population live in rural areas and this population contributes over 50 percent of the total retail consumption. Higher job opportunities in service & manufacturing sectors, increased urban amenities and better lifestyle opportunities are the factors contributing to growing urbanisation.
  Rapid urbanization in tier 2 and tier 3 cities is influencing the traction for organized retail in these cities. Urban population has grown to 31 percent in 2011 from 18 percent in 1961 as depicted in the chart.

Urban Rural Population Mix



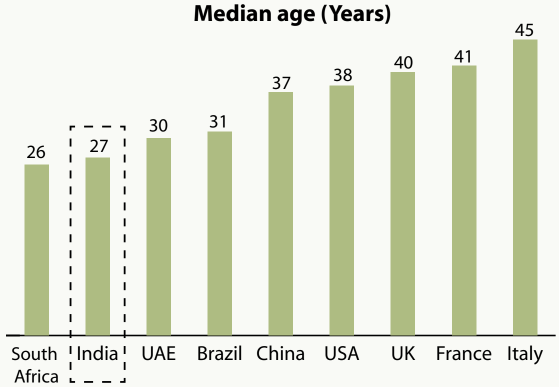
(Source: Internal Analysis/ Research Reports)

- **Demographics**

  India is a young nation with more than 50 percent of its population in the working age group of 15-54 years. India has a relative advantage over other countries in terms of distribution of youth population as depicted in the chart.

  This indicates significant influence wielded by this segment on consumption. The increasing need to look good & presentable, influenced by growing exposure to media has boosted the demand for more fashionable clothing and lifestyle products. Immense scope is seen for banners offering an innovative product range to meet the aspirations of brand conscious consumers with rapidly evolving preferences.

Median age (Years)



(Source: Institute for social and economic research)

Following demographic trends are also contributing to the growth in overall spending:

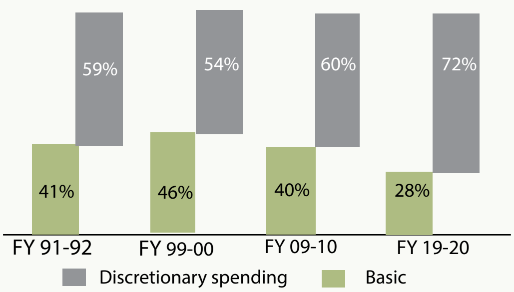
- Increasing purchasing power of women with greater involvement in decision making
- Changing family level organization, role definitions and exposure
- Kids being more informed and demanding
- More nuclear families

➢ **Higher Disposable Income**

The aggregate disposable income is estimated to increase from ₹ 30 trillion in FY 2014-15 to ₹ 44 trillion in FY 2024-25. Middle class is envisaged as the prime driver of consumption of discretionary items.

The share of discretionary spending in India is expected to grow to 72 percent by 2020 with higher disposable income and increasing urbanisation, as depicted in the chart.

Spending Segregation (%)



(Source: Institute for social and economic research)

Targeting the mid-market seems to offer substantial revenue potential on account of:

- More women entering the workforce in the recent years
- Easy availability of credit at economical rates
- Social acceptance of consumption aided by borrowings

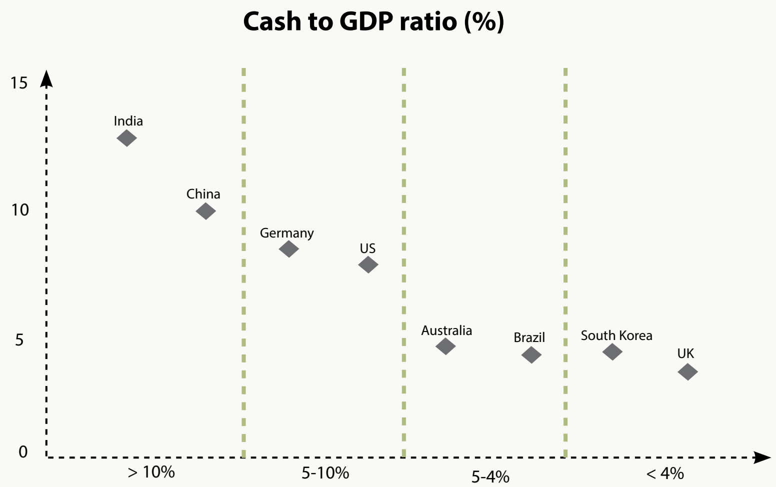
➢ **E-commerce and digital platforms**

Increasing internet penetration through availability of broadband, 4G etc. has not only increased the convenience but has also influenced the level of engagement through diverse and interactive activities like online shopping, social networking, mobile apps, net banking, instant feedback, access to price comparison etc. E–commerce and digital marketing in the last few years have opened a new channel of retailing in the Indian market. This has led to intensified competition across categories and this challenge is even more pronounced for retailers offering primarily third party brands.

➢ **Demonetization and digitization**

India’s cash to GDP ratio is more than 10 percent which is higher than most other major economies mainly due to large portion of informal economy, where cash is the primary mode of transaction and compliance with tax laws is minimal. Low compliance with taxation and other laws enables the unorganized sector to offer products at lower pricing compared to that of the organized sector.

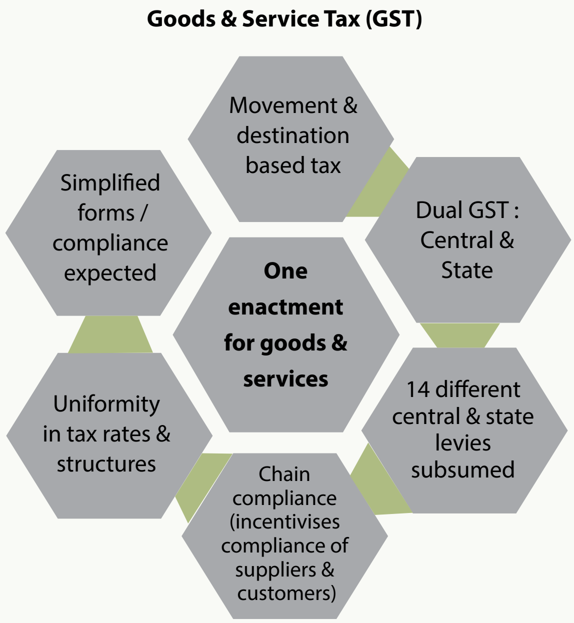
The government decision to demonetize high value currency and promote digital payments was aimed at curbing tax evasion. The demonetization measure followed by active promotion of digital payments is expected accelerate the shift in trade to organized sector.



(Source: Research Reports)

- **Transition to the Goods and Service Tax (GST) regime**

  GST, a destination-based tax, will create a trail of various transactions across the value chain, which is expected to enable robust tracking of movement of goods across states, drive higher compliance and widen the tax base. Over time, GST would also accelerate formalization of the economy, reduce cascading effect of indirect taxes and consequently, further contribute to the growth of organized retail.



(Source: Internal Analysis/ Research Reports)

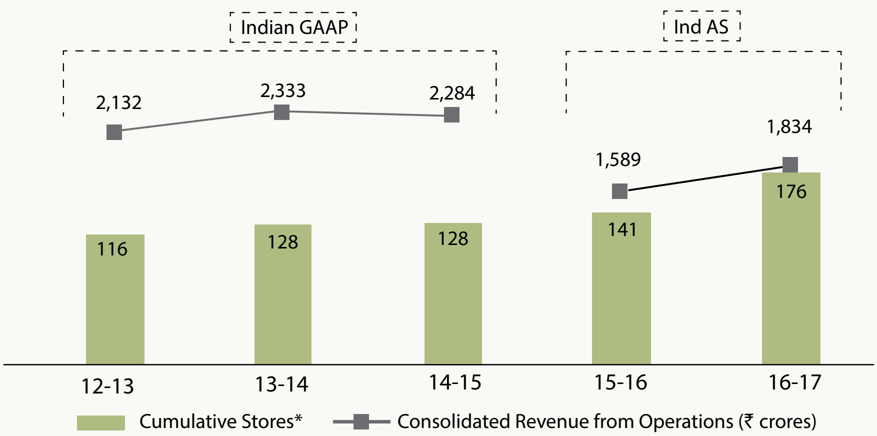
The organized retail offers tremendous opportunity but there are also some significant challenges that need to be tackled such as:

- Real estate: Limited availability of quality real estate coupled with high rentals and non-adherence to committed schedule by builders poses significant challenges to deployment of strategic plans related to expansion. Other challenges include :
  - attractiveness of alternate developments like residential apartments
  - sub-optimal performance of most malls (maintenance, tenant mix, resilience vs proximate newer malls)
  - entry of international players and their clustering in high street malls leading to difficulty in obtaining properties at acceptable economics
  - significant liquidity squeeze faced by the real estate sector given the RBI policy
- Cost pressures: There has been significant inflation in manpower costs and common area maintenance charges in malls in the last few years
- Retail talent: The last few years have seen challenges related to paucity and retention of trained talent
- Local legislations: Multiple local legislations across the country make it challenging for any organization with pan-India presence
- Supply chain management: Multiple issues with respect to supply chain infrastructure pose obstacles in ensuring availability for customers
- Online competition: Aggressive discounting by online players in "land grab" mode

These macro observations have been applied, though with varying emphasis, on the retailing formats managed by the Company.

The Company registered a growth of 15 percent with consolidated revenue from operations at ₹ 1,834 crores. The Group has adopted Indian Accounting Standards ('Ind AS') from 1st April, 2015, hence the following chart represents financials as per 'Ind AS' for FY 2015-16 and FY 2016-17, whereas the financials from FY 2012-13 to FY 2014-15 are as per Indian GAAP.

Consolidated revenue from operations (₹ crores)



* includes stores opened by Inditex Trent Retail India Private Limited, Massimo Dutti Private Limited and Trent Hypermarket Private Limited

Principal formats and focus on sustainable growth

The Company was one of the earliest to enter the organized retail sector in India and has focused on developing a robust business model in each of the retail formats pursued. We have consistently emphasized the importance of establishing the viability of a retail format with a limited portfolio of stores prior to embarking on rapid expansion. This approach has yielded encouraging results and has enabled the Company in coping with market challenges. The Company primarily operates stores across three formats – Westside, Star & Landmark.

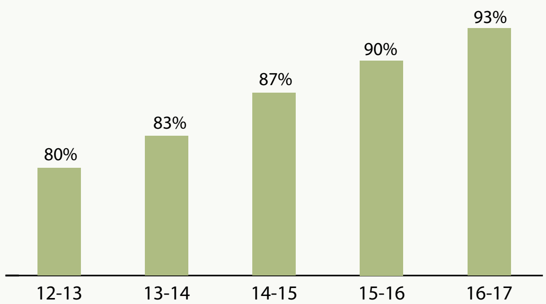
Westside – Trent's flagship format – offers apparel, footwear and accessories for men, women and children, along with furnishings, decor and a range of home accessories. Operating with a predominantly exclusive brands model, Westside continues to demonstrate the ability to compete effectively in the market place, despite having to face global competition for mind space and share of wallet of a discerning audience. Westside products are known for style and class amongst fashion conscious consumers in 61 cities across 108 stores.

Star – hypermarket and convenience store chain – offers a wide choice of products, including staple foods, beverages, health and beauty products, apparel, home furnishings, vegetables, fruits, dairy and non-vegetarian products. The market reception for Star stores has been encouraging and the format is in the process of establishing itself as a place offering a compelling range of quality merchandize at attractive prices. The Star brand currently operates through 42 stores under Star Daily, Star Market & Star Hyper banners.

Landmark – a family entertainment format – offers a curated range of toys, front-list books and sports merchandize. The back-end operations relating to the format are significantly integrated with that of the Westside format to realize synergies and contain overhead costs. In addition to 5 independent stores, Landmark merchandize is also retailed through select Westside locations.

Operations – Westside

Own brands contribution to revenue (%)



Westside offers fashion forward aspirational brands which continue to be the mainstay of the business. This format is operational in 108 stores across 61 cities in India.

Westside model involves active control across the value chain with respect to design, branding, sourcing, logistics, distribution, pricing, display and promotion. Exclusive brands contribute over 93 percent to the overall revenues of Westside and the format in turn accounts for over 97 percent of the Company's revenues. In FY 2016-17, apparels accounted for over 77 percent of Westside's revenues (with womens' wear contributing to over 2/3rds of this share) and the residual was contributed by a range of categories including footwear, home, gourmet west (food) and studio west (bath, body & cosmetics).

We believe this model is more robust than the department store models that predominantly retail third party brands including from a 'return on capital employed' perspective. Empirical evidence also seems to suggest that globally, retailers who control the entire value chain are relatively more successful.

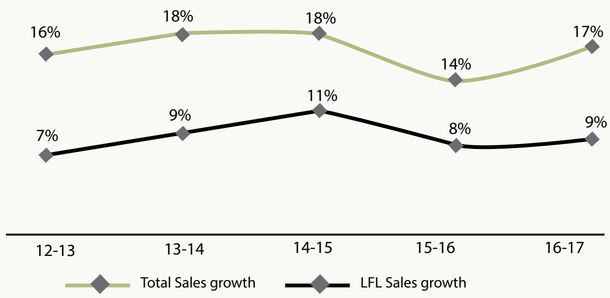
In the year under review, we continued to focus on a number of key initiatives including:

- Improving salience of our exclusive brands with emphasis on aspirational fashionability
- A wider and compelling range of exclusive brands in lingerie and cosmetics

- Improving look and feel across the store portfolio and especially in flagship locations
- Growing online presence together with Tatacliq.com and movement towards being omni-channel

Aided by the strategies pursued and reasonably favorable market conditions, the format registered a healthy 9 percent like-for-like growth in revenues in FY 2016-17.

Westside Stores - Total Sales Growth and Like-for-Like Sales Growth (%)



➢ **Exclusive Brands**

We continued to launch / refresh/ expand a number of brands, available exclusively at Westside stores. These brands have been evolved to target key customer segments based on their needs, purchasing power and appetite for fashion. Customer response to the refreshed offerings has been encouraging and the intent is to continue investing on growing the exclusive brand portfolio.

Some of the key brands include:

New Initiatives during the year:

STUDIOFIT is the newest offerings for the fitness enthusiast. This sports inspired apparel is perfect for the energetic and always active consumer who performs yoga, or hits the gym, heads out for a run, enjoys some outdoor sport, and wears active wear as casual wear. With black and grey and pops of color, Studiofit exudes energy and is best suited for the active lifestyle of the metropolitan consumer.

Westside ethnic kurta offerings were branded as Utsa. It enables one to make a unique statement that defines one's accomplishments and purpose, with the offerings in signature prints and solids in modern Indian silhouettes.

Westside's elegant range of salwar kameez dupatta sets – classics of modern woman were branded as Vark. Vark is a celebration of everything feminine and magical.

Westside's womens' footwear was branded as Luna Blu. It offers a wide range of smart, stylish and fashionable footwear.

Westside's men's footwear was branded as Soleplay.

Gourmet West – is an offering of premium food & beverages in select Westside stores. Gourmet West currently operates in ten Westside stores through a shop-in-shop format in Mumbai, Ahmedabad, Bangalore, Baroda, Hyderabad, Chandigarh, Pune and Surat.

Lakeland – is a fashionable kitchenware offer, brought to India through an exclusive tie up with Lakeland – a British company famous for its creative kitchenware across the world. Lakeland currently operates primarily through a shop-in-shop format within Westside with two stores in Bangalore and one in Pune.

➢ **Partners in Progress**

Product sourcing capabilities and a global vendor base are key ingredients to delivering a desired merchandize at the right price and right time. Feedbacks from our Supplier Satisfaction Surveys and Annual Supplier Meets suggest that improvements in our product development and supplier relationship management processes continued to play a key role in delivering the same. The interactive –iListen portal continues to assist the vendors in aligning priorities and addressing their queries/concerns.

➢ **Efficient Supply Chain**

The organization continues to invest in expansion and upgradation of the supply chain network which, we believe, is vital to the success of a retail organization. Our warehouse operations continue to run at over 99 percent efficiency. Higher levels of efficiency were witnessed despite growing volumes in terms of both intakes from vendors and dispatches to stores.

We are investing in the expansion of our existing warehousing capacity and partnered with THPL in the development of a new state of art warehousing facility at Vapi, Gujarat.

The Vapi facility is semi-automated and is envisaged to facilitate smooth and faster movement of merchandise to and from the warehouse. It will also service increased volumes as well as mitigate risk related to a concentrated warehouse ecosystem. The said development is expected to go live in the first quarter of FY 2017-18.

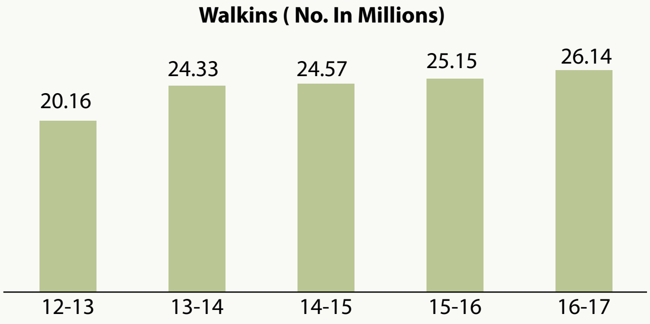
➢ **Great Shopping Experience**

In retail industry, a great shopping experience is of paramount importance. Store location, displays, store ambience, customer service and convenience are some of the key parameters that enhance customer experience and customer loyalty. As part of the journey to deliver a 'fashion theatre' experience, we continue to significantly upgrade to an international look & feel and optimize space allocation for the categories. Both of these initiatives are delivering encouraging results.

Store improvements undertaken during the year under review:

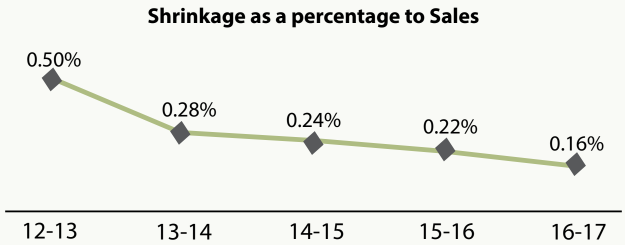
- **Accelerated store modernization –** In the year under review, seven existing stores have been refurbished – DB Mall Bhopal, Ampa Mall Chennai, Chandigarh Elante, Inorbit Mall Vashi, Alankar Delhi, East End Mall Lucknow, Hughes Road Mumbai. In general, refurbished stores register sharply improved growth in walk-ins and revenues. Over fifteen stores are slated for refurbishment in the current fiscal.

- **Customer service –** Several initiatives have been undertaken to deliver improved customer service in the stores. Various modes of digital payments have been introduced and staff training has been enhanced to provide assisted selling in select categories like footwear, lingerie and cosmetics. We also continue to focus on improving the availability of merchandise across the stores.



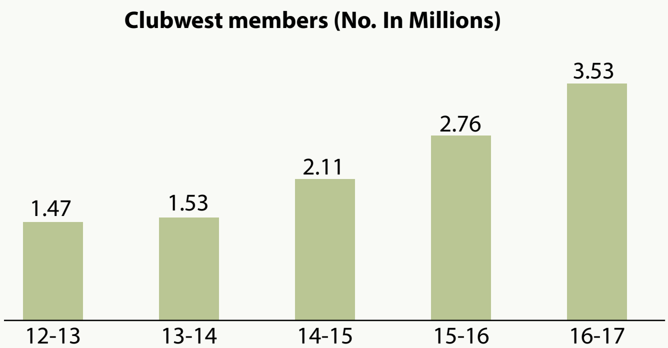
➢ Operating Standards

Westside seeks to actively refresh its offerings on an ongoing basis to synchronise with the latest fashion trends. This is made possible through an emphasis on leveraging our supply chain model coupled with rigorous reviews. As we emphasise speed across the value chain, shrinkage cost is one of the bellwether measures with respect to operating efficiency at stores and distribution centres. We have witnessed an improving trend (as depicted in the chart) in the recent years.



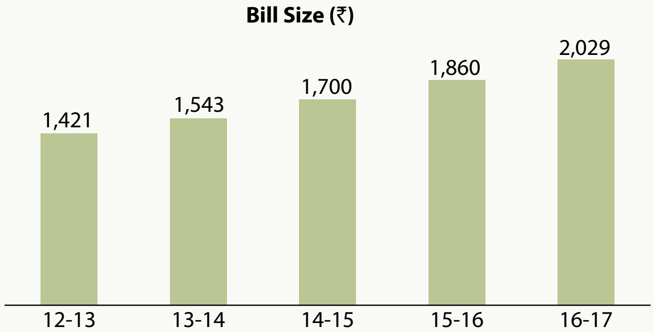
➢ Customer Listening & Engagement

We have increased our focus on using social media as an important customer listening and learning mechanism. Digital campaigns on social media channels have become integral to connecting with our target audience. We leverage social media by using targeted tools such as Westside and StudioWest page on Facebook. Separately, digital video campaigns promoting our exclusive brands is an initiative which has been actively pursued and has received very encouraging traction.



The innovative usage of targeted communication methods enables us in connecting with our customers and enhancing customer satisfaction. The above chart depicts the increase in the loyalty customer base over the years. Power targeting is used to run customised campaigns for ClubWest members. This has helped us in improving contribution of the existing members and also winning back relatively dormant members.

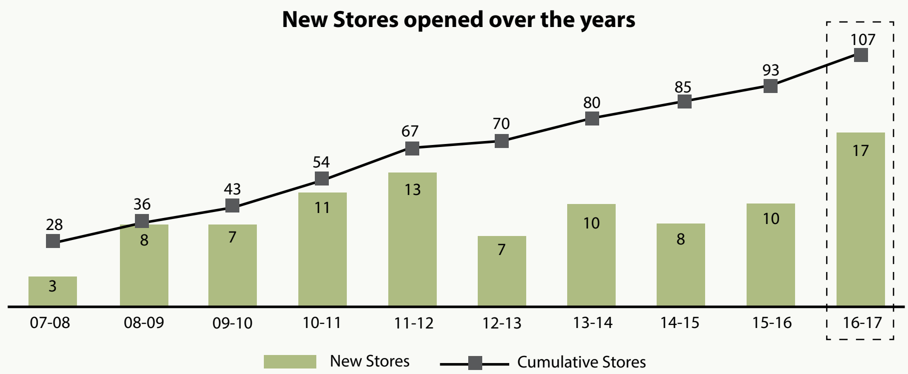
The average bill size registered an encouraging growth of 9 percent in FY 2016-17. Bill size represents the average amount spent by each customer on the purchase. The following chart depicts the trend of this measure for Westside in recent years.



➢ **Increasing reach – expanding into newer cities**

Numerous micro-markets with significant growth potential are emerging across India. Westside continues to monitor opportunities in these micro-markets and establish presence as appropriate. Simultaneously, strategic properties in Tier 1 cities which fit into our overall growth plan are also being pursued.

In the year under review the following seventeen stores were opened – Warangal (Assunta Bhavan), Ghaziabad (Indirapuram Mall), Vadodara (Eva Mall), Mumbai (D N Road Andheri), Bangalore (Orion East), Jaipur -2 (Fort Anandam), Indore – 2 (Princes Business Skyline), Dimapur, Hyderabad (Himayat Nagar), Seawoods (Grand Central Mall), Lucknow-2 (Singapore Mall), Bhubaneshwar (Adijyoti), Kollam (Chandanayazhikom Arcade), Jaipur-3 (Pink Square Mall), Meerut (PVS Mall), Gangtok (Mount Simvo Commercial Complex) and Erode. Also, three stores which were seen to be located in declining/ unviable locations and lacking a sustainable growth outlook were closed. In the first quarter of the current financial year, one store has been opened in Gandhidam, Gujrat. Currently, Westside operates through 66 malls/ shopping centres and 42 standalone stores across India.

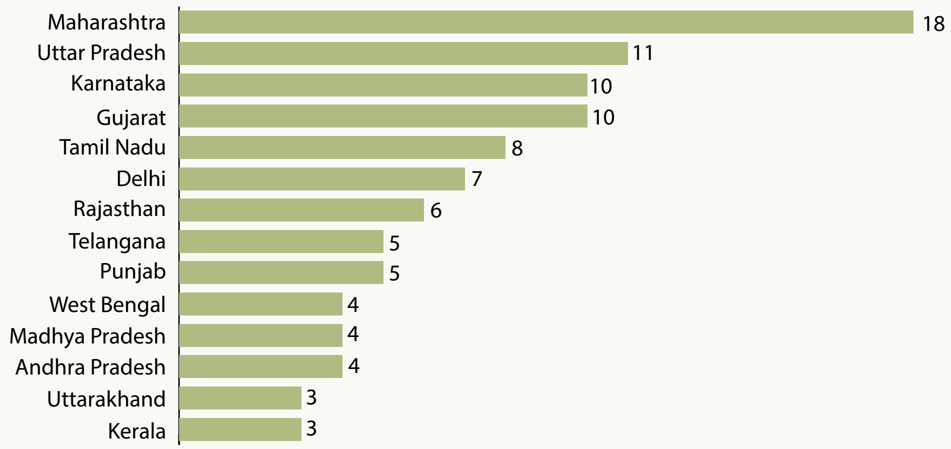


A team of in-house property experts helps us in identifying strategic locations for new stores. They are supported by a well-defined set of processes for analysing the potential market and catchment. We feel this ecosystem of people and processes, helps us in identifying the right store and making it profitable in a relatively short span of time.

Westside is planning to accelerate expansion in the coming years by focusing broadly on two formats - flagship stores, the prominent full offer stores and the curated smaller stores in non-metros/ emerging micro-markets.

For instance, in recent quarters we have opened several prominent standalone flagship stores in distinctive locations that showcase the Westside range (cases in point include the Himayat Nagar store in Hyderabad and Grand Central Seawoods in Mumbai) and in new untapped region – Dimapur in Nagaland. The average size of Westside stores is around 17,500 sq.ft. with the investment in fit outs of around ₹ 2,000 per sq.ft. for newer stores.

Number of stores by States/Union territory



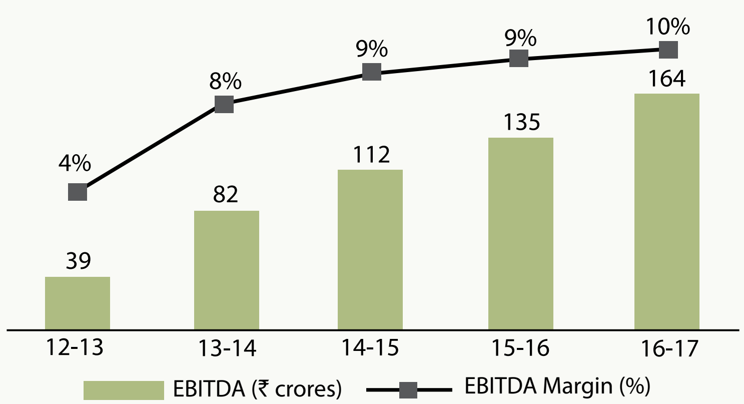
Goa & Chhattisgarh have two stores each
Assam, Haryana, Jammu & Kashmir, Nagaland, Odissa & Sikkim have one store each

- **E-commerce**

Online fashion retailing is expected to gain more traction in India in the coming years. With an aim to address this fast emerging market, and especially to enable the convenience of our customers seeking to shop with us online, we have strengthened the exclusive online offer on Tatacliq.com - a Tata Group marketplace initiative. The response to our online business has been encouraging. We believe this approach would enhance the brand visibility and allow us to adopt an omni-channel approach to servicing our target audience.

Westside continues to be a profitable format and has registered encouraging results in the recent years.

EBITDA (₹ In crores) & EBITDA Margin (%)



Overall, Westside is adopting a multi-pronged approach aimed at leveraging the opportunity afforded by the Indian Fashion retailing space with the following guideposts:

Exclusive fashion brands	Efficient & scalable supply chain
Contemporary look & feel and customer experience	Growing reach with stores & online
Profitable & sustainable business model	

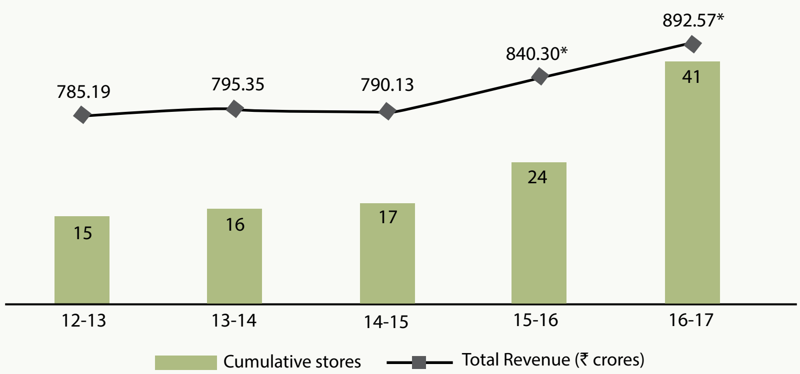
Operations – Star Bazaar

Trent Hypermarket Private Limited (THPL) operates a multi format retail business under the Star banner and primarily competes in the multi brand food and grocery segment. THPL is positioned to provide a convenient modern shopping environment for customers to shop multiple product categories, with a focus on service and quality.

Food & grocery accounts for well over 50 percent of the retail market in India and is characterized by low organized retail penetration. However, viable retailing in the space has been a challenge for most players given relatively high occupancy costs, energy charges, minimum wages and other operating expenses. Nevertheless, over time the opportunity is seen to be substantial. In the foregoing context, THPL has adopted a calibrated approach to expansion in the recent years and has continued to emphasize the evolution of a sustainable business model.

During the year under review, the like-for-like sales growth of Star Bazaar stores was 2.1 percent as against 8.6 percent witnessed in the preceding year. In FY 2016-17, THPL registered total revenues of ₹ 892.57 crores (₹ 840.3 crores in FY 2015-16), EBITDA was negative ₹ 16.71 crores (negative ₹ 21.54 crores in FY 2015-16) and a PAT of negative ₹ 52.49 crores (negative ₹ 54.38 crores in FY 2015-16).

Total revenue (₹ crores)



* For FY 2015-16 and FY 2016-17 the financials are as per 'Ind AS'. The financials from FY 2012-13 to FY 2014-15 are as per Indian GAAP.

The Star brand is represented primarily by three facia namely: Star Daily, Star Market & Star Hyper. The brand leverages the collective strength of Tata and Tesco platforms to provide customers with a modern retail solution with focus on freshness, convenience and service. Currently THPL operates 19 Star Dailies, 13 Star Markets and 10 Star Hypers in the cities of Mumbai, Pune, Bangalore, Aurangabad and Kolhapur.

Star Market

Star Market is a supermarket format store that operates in 5,000 to 10,000 sq. ft. and is positioned as a one-stop shop for fulfilling customers' monthly & top-up needs for groceries, fresh produce, FMCG products, personal grooming and general merchandise. The performance of the Star Market stores is broadly in line with expectations. We increasingly believe that the Star Market format affords the most sustainable platform for expansion and the rollout could be further accelerated if we continue to see encouraging results.

Fresh food & own branded offerings

As for the product range on offer, the focus would be primarily on food and grocery with a clear emphasis on fresh food as the lead footfall driver.

Star focuses on providing its customers quality & reasonably priced fresh produce, meat & fish and positioning itself as a distinct retailer famous for 'Fresh Food'. We now directly engage with over 200 farmers and around 70 percent of vegetables are now directly sourced and serviced through a network of collection and distribution centers.

Also, we believe own branded private label offerings are key to evolving a sustainable business model. In this context, we have continued to focus on expanding our range of private label products. In 2016-17, private label launches included a range of roasted snacks, basmati rice, body & hand wash and powder detergents. The own branded range now includes over 200 private label SKUs across staples, beverages, cleaning aids, ready foods and health & beauty. The plan is to continue expanding own branded offerings by emphasizing the proposition of great quality at reasonable prices.

Some of our own branded offerings include :

Geographical presence

In terms of geographies, we have continued to pursue a clustered approach with stores in the states of Maharashtra, Karnataka and Telangana with an aim of creating local scale and being closer to customers.

Overall, THPL is adopting a multi-pronged approach with the following principal guideposts:

Strong food & grocery offer anchored by fresh	Emphasis on own branded offer across key categories
Tighter footprint stores primarily in standalone locations	Clustered presence in select states/cities
Evolving a sustainable business model	

Fiora Hypermarket Limited (FHL) operations

As discussed in earlier reports, FHL (a wholly owned subsidiary of the Company), acquired from THPL few of the Star Bazaar stores in the context of the applicable regulations with respect to FDI in Multi Brand Retail Trading. FHL currently operates two of the stores and envisages expansion of Star banner stores only in the State of Gujarat. FHL is also pursuing on a trial basis online retailing of food & grocery in limited catchments in the proximity of select Star banner stores. The intent would be to grow the operations of FHL in a calibrated manner that leverages the existing presence and operations.

Operations – Landmark

Landmark has evolved into an entertainment format offering a range of curated products including toys, front-list books and sports merchandize. In the recent years, the back-end operations relating to the format have been significantly integrated with that of the Westside format to drive synergies and contain overhead costs. The business has been consolidated into 5 independent stores in the year under review. Currently, in addition to the independent stores, Landmark merchandize is also retailed through select Westside locations. During the year under review, the like-for-like sales growth of Landmark stores was 19 percent as against 7 percent witnessed in the preceding year.

The intent is to build on the positive momentum seen in recent periods, leverage the partnership with SportZone (a market leader in sports retailing in Portugal) and evolve a compelling business case for accelerating expansion.

Consequent to the various strategies pursued and measures taken, the format has registered store level profitability. The principal measures pursued in the period under review include:

- **Focus on newer growth categories –** In order to cater to emerging lifestyles trends and be relevant to our customers; the product portfolio is calibrated to trending product opportunities. As such the product portfolio has a sharp focus on toys, front-list books, latest gadgets and sports. Freshness and exclusivity will be the driving force for all product categories across Landmark going forward.
- **Customer engagement –** Landmark's positioning of "For the Child in All of us" has been backed by its endeavor to create exclusive customer engagement experiences. In the said pursuit, various events and activities in the stores were conducted during the year under review. Events such as Rubik's challenge and Lego challenge were conducted in the stores for kids (being the key Landmark audience). Author visits in the stores were also organized to connect with the customers.
- **Store portfolio –** The intent is to focus efforts on select stores with potential for growth. Further, Landmark stores have been rolled out in select Westside stores and they are operating as a store-in-store. Currently, we have 5 independent Landmark stores and 11 SIS inside Westside.

Led by select categories like toys & sports merchandize, we believe that Landmark format could prove to be a sustainable growth platform for the Company over the medium term. The substantial integration of the non-customer facing parts of the business with the Westside infrastructure coupled with few strong stores can be expected to further improve operational performance and mitigate risks in FY 2017-18.

Other Joint Ventures, Key Operating Subsidiaries and Treasury

- **Zara and Massimo Dutti:** The Company has two separate joint ventures with the Inditex group of Spain with a shareholding of 51 percent (Inditex):49 percent (Trent) – one for Zara and the other for Massimo Dutti stores in India. The JV for Zara Stores currently operates twenty stores – three in Delhi, six in Mumbai, two in Bangalore and one each in Pune, Surat, Jaipur, Chandigarh, Chennai, Mohali, Hyderabad, Gurgaon & Noida. This JV entity (Inditex Trent Retail India Private Limited) recorded revenues of ₹1,023.10 crores and PAT of ₹47.62 crores in FY 2016-17. Plans are to open a few more Zara stores in India over the next three to four years in the major cities – the primary challenge to faster expansion is the availability of high quality retail spaces which can be expected to generate reasonable sales throughput. The Company views its commitment to this JV primarily as a financial investment and consequently, it may be appropriate not to consider this as a long term strategic investment integral to other retail operations. This view is including in the context of the majority partner entirely controlling the core customer proposition with respect to the fashion offer. The JV for Massimo Dutti stores operates two stores in Delhi and Noida. This JV entity (Massimo Dutti Private Limited) recorded revenues of ₹ 30.24 crores and PAT of negative ₹ 1.03 crores in FY 2016-17.

- **Fiora Services Limited (Fiora):** a subsidiary of the Company continues to render various services in terms of sourcing activities, warehousing, distribution, clearing and forwarding. We believe this structure of a separate service providing entity has yielded encouraging results with respect to attracting relevant functional talent and at the same time keeping related costs under control. Fiora charges the service receiving entities primarily on a cost plus reasonable markup basis.

- **Fiora Business Support Services Limited (FBSSL)** (formerly known as "Westland Limited")**:** is now a wholly subsidiary of the Company. During the period under review, 100% of the share capital held by Westland, in its subsidiary, Westland Publications Limited (WPL) was transferred to Amazon Eurasia Holdings S.a r.l. WPL thus ceased to be a subsidiary of Westland w.e.f. 23rd November 2016. Thereafter, Westland concluded a slump sale of the publishing business of Westland into WPL vide a Business Transfer Agreement, for a consideration of ₹ 39.80 crores. Consequently, in the consolidated results the Company registered profit of ₹ 32.15 crores before applicable taxes.

- **Treasury:** The Company's treasury income (other than from subsidiaries) represented a reasonable yield on the funds deployed on account of favorable market conditions coupled with a prudent treasury policy. In the context of the Ind AS Accounting Standards adopted from 1st April, 2015, mark-to-market gains and losses relating to treasury investments are required to be accounted for in the respective periods through the profit & loss account – this also predominately explains the variability of related income registered in each of the quarters.

Overall financial results

The Group has adopted Indian Accounting Standards ('Ind AS') from 1st April, 2015 and accordingly the financial results along with comparatives have been prepared in accordance with the recognition and measurement principles stated therein, prescribed under section 133 of the Companies Act, 2013 read with the relevant rules issued thereunder and other accounting principles generally accepted in India.

Overall, for FY 2016-17, on a standalone basis the company has reported total revenues of ₹ 1,797.05 crores (₹ 1,580.66 crores in FY 2015-16), Profit After Tax of ₹ 106.87 crores (₹ 86.55 crores in FY 2015-16) and Total Comprehensive Income of ₹ 107.60 crores (₹ 86.05 crores in FY 2015-16). The exceptional items for the year include sale of certain investments held by the Company to a subsidiary.

On a consolidated basis, the company has reported total revenues of ₹ 1,894.44 crores (₹ 1,646.63 crores in FY 2015-16), Profit After Tax ₹ 84.95 crores (₹ 55.02 crores in FY 2015-16) and Total Comprehensive Income of ₹ 82.42 crores (Total Comprehensive Income of ₹ 54.04 crores in FY 2015-16) and the exceptional items for the year relates to impairment of certain assets. Discontinued operations relate to the publishing business of Westland Limited (a subsidiary of the Company), the sale of which has been concluded during the year. The consolidated results under the new accounting standards are significantly different vis-a-vis under the previously applicable Indian GAAP Standards. One of the principal contributing factors for the difference is the accounting treatment with respect to the results of the key joint ventures of the Company (with Inditex Trent Retail India Private Limited for Zara stores and Tesco Plc.). The comparative results under the two accounting standards are summarized in the table below (the Indian GAAP results for FY 2016-17 is proforma and is unaudited):

(₹in crores)

Details	Standalone		Standalone		Consolidated		Consolidated	
	Indian GAAP		Ind AS		Indian GAAP		Ind AS	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Revenue from operations	1,746.93	1,500.55	1,738.06	1,491.91	2,905.37	2,397.32	1,833.92	1,589.33
PBT	119.92	96.92	135.04	109.26	122.53	103.44	134.98	89.88
PAT	86.35	77.85	106.87	86.55	80.51	62.94	84.95	55.02

A review of the performance of the principal retails formats has been covered in prior sections.

Internal Controls and Adequacy

The Company has a defined system of internal controls for financial reporting of transactions and compliance with relevant laws and regulations commensurate with its size and nature of business. The Company also has a well-defined process for ongoing management reporting, and periodic review of businesses using the Balanced Score Card process to ensure alignment with strategic objectives.

There is an active internal audit function carried out partly by the internal resources and the balance activity outsourced to CA firms. As part of the efforts to evaluate the effectiveness of the internal control systems, the internal audit department reviews the control measures on a periodic basis and recommends improvements, wherever appropriate. The internal audit department is manned by qualified and experienced personnel and reports directly to the Audit Committee of the Board. The Audit Committee regularly reviews the audit findings as well as the adequacy and effectiveness of the internal control measures. Based on their recommendations, the Company has implemented a number of control measures both in operational, internal control and accounting related areas, apart from security related measures.

Sustainability

The Company adopts a triple bottom-line philosophy (People-Planet-Profit) to create a sustainable organization.

People

Being part of the Tata Group, we have always been guided by the philosophy of improving the quality of lives of the communities we serve. Our practice of returning to society what we earn evokes trust among consumers, employees, shareholders and the community.

- Community initaitives:

  In order to make community initiatives sustainable in the long run, Trent's approach to societal responsibilities and support of key communities is linked to its business and core competencies. The organization approaches all such initiatives with the philosophy of it being beneficial to the business as well and focuses on:

  o Creating more jobs for the society by following a growth agenda, and recruiting freshers from local community

  o Increasing employability of the employees at the entry level through cross training so that they can also pursue enriching careers within and outside the enterprise

  Today, close to 20 percent of Company's workforce come from underprivileged classes of the society. The Company has won multiple awards at the Tata Group level for its efforts in making youngsters from the underprivileged classes employable and employing them.

- Learning & Development (L & D):

  The Company believes that people are one of its greatest assets and training is an investment for organizational excellence.

  In order to strengthen our alignment with customer promise and enhance customer centricity, our organization has transitioned to a matrix structure. In the newly evolved structure, colleagues work together as category teams consisting of buying, merchandising, sourcing, garment technology and sales management, each contributing towards respective category goals and meeting customer needs as one work team.

  While making this transition, based on diagnostic results from a culture study that signaled the need to enrich people capability for continuously driving change and managing risk, the Company has adopted a concept from "David McClelland's" motivation theory approach. The Organization aligned business focus, business processes and workforce behavior as an integrated approach to drive change. An organization wide intervention, covering 27 work teams and 306 colleagues, called "Good to Great" was launched, to enable them to reach their fullest working together in a matrix structure.

- Talent Availability:

  As discussed earlier, availability of the right kind of talent in the organized retail space continues to be an issue considering the nascent nature of the industry. Although attrition continues to remain high with the front end store level staff, it is marginal amongst corporate staff. However, given the expansion plans of retailers, the emergence of new entrants coupled with pronounced hiring appetite we are witnessing compensation pressures at all levels.

  As of 31st March'17 the staff strength (including corporate staff) was 4,367 at Westside, 264 at Fiora, 2,214 at Star Bazaar and 200 at Landmark with an overall total of 7,045 employees across key formats/ entities within the Trent Group.

Planet

The Company follows the Tata group climate change policy which emphasises the need to play a leading role in making the planet a better place to live in. We focus on four areas for championing the cause of a green operation:

- Energy conservation
- Logistics efficiency
- e-Waste management
- Product manufacturing & packaging

Targets are set for energy consumption at stores and offices and adherence monitored on a monthly basis. Logistics efficiency with a focus towards reducing carbon footprint helps the organization reap business benefits as well. e-Waste is managed through certified suppliers. Reduction in usage of plastic in product packaging also helps the Company in making its operations green.

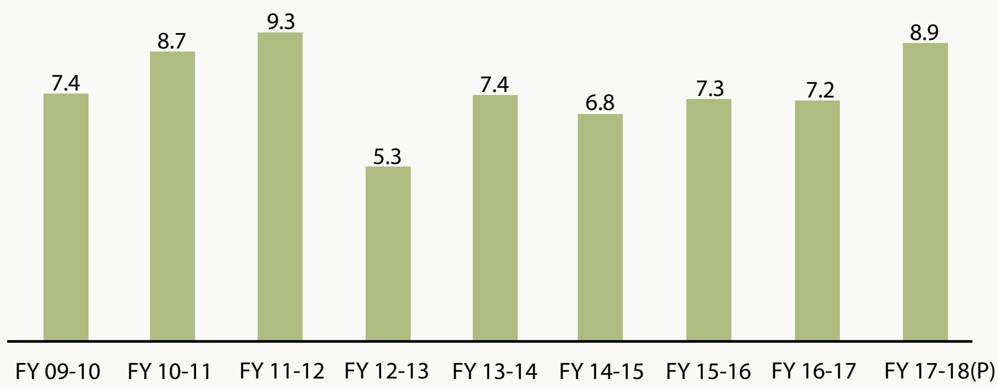
Profit

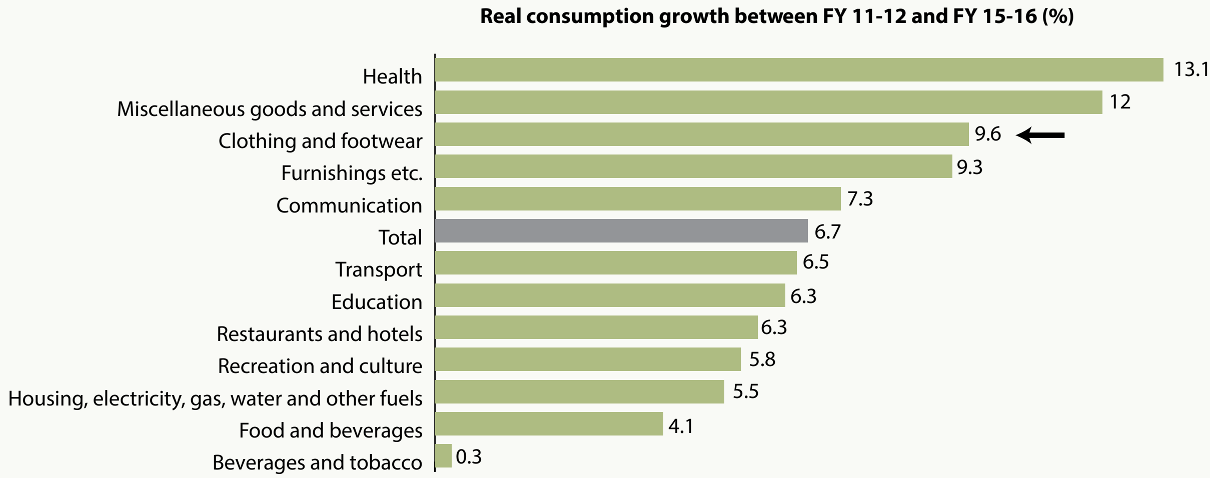
Since its inception, the company has had a focus on delivering value for all its stakeholders. It has operated on the principles of effective cost management without compromising the quality of products retailed from the stores.

Outlook

The economic situation has been more or less stable in the recent years with consumption demand holding up. Also, discretionary consumption has been registering above average growth rates in several of the categories of interest to the Company. The following charts summarise these trends.

Consumption demand (Annual YOY growth (%))





In FY 2017-18, Indian economy is expected to grow at around 7.5 percent and discretionary consumer spending is also expected to remain strong. The government's focus on strengthening the investment environment and maintaining economic stability should further boost the economic outlook and translate into positive consumption triggers over time. India has been attracting growing FDI given its large attractive market and positive government initiatives. Over time, this is also expected to increase the purchasing power of the average Indian consumer.

On the other hand, escalating costs (especially wages, electricity and common area maintenance) imply continued challenges. Further, securing properties at acceptable rentals and valuations in the real estate space (with most participants in the organized retail pursuing their growth plans) continues to be a challenge. However, across formats, the preference for standalone properties vis-à-vis mall developments has mitigated this risk to a significant degree. The property pipeline already contracted should still allow opening accelerated number of new Westside and Star banner stores in FY 2018.

The proposed GST regime slated to be rolled out from 1st July, 2017 and is likely to impact the retail businesses of the Company. The impact is expected to be positive over the medium term as indirect tax compliances should get more streamlined and formalization of the economy is accelerated under the new regime. Nevertheless, in the interim period the transition costs and operational challenges may impact results to varying degrees across of retail formats.

Overall, we continue to be very positive on the underlying case for growth of organized retailing in India over the coming years. As observed in the previous years, the intent going forward is to continue scaling up our presence and in doing so across the formats:

- Concentrate resources on substantially growing the existing anchor formats (especially Westside and Star);
- Continued emphasis on building own-branded/ exclusive customer offers that are compelling to the target audience and afford greater degree of control on key elements of the customer proposition;
- Emphasize sustainable store level profitability and only scale up with new stores locations that are expected to be profitable within an agreeable time frame;
- Emphasis on primarily "standalone" properties; especially given the rental economics vis-à-vis sales densities in locations of interest to us;

- Selectively commit direct investments in properties;
- Leverage partnership with global retailers like Tesco and Inditex to further the profitable growth of respective formats;
- Online presence through the Tatacliq marketplace platform aimed at leveraging on the growing internet penetration in India

Risk and Concerns

- **Retail real estate availability and costs:** Significant number of global retailers already having presence in India & other global brands (especially under the single-brand umbrella) plan to roll out stores and consequently, the shortage of quality malls/ standalone real estate in high street locations is seen as an impediment to the expansion plans of the organized retail in the near term. We see the emphasis on standalone properties being critical to mitigating this risk to an extent.
- **Talent availability:** As observed in earlier years, the availability of relevant talent at acceptable compensation levels continues to be an issue. And employing expatriates, with the attendant higher costs, becomes inevitable in certain areas due to paucity of talent as we attempt to scale up significantly.
- **Electricity availability & costs:** Electricity is one of the largest components of our costs and has increased significantly in recent years, especially in states like Maharashtra. Separately, higher power deficits in select cities has led to increased load shedding and has meant more reliance on generators, which has added to costs – our stores in Chennai continue to remain a case in point.
- **Discounting by online retailers:** Several online players have sought to disrupt the retail market in the last few years with discounting funded by overseas shareholders. The sustainability of such discounting is debatable but we need to nevertheless handle the onslaught and continue to be relevant to our target audiences. The recent clarification from the Department of Industrial Policy and Promotion (DIPP) on 100 percent FDI in e-commerce marketplaces is likely to facilitate formalization of presence and hopefully adoption of more sustainable business models.
- I**ndirect taxation:** The indirect tax regime with its multiplicity of charges and levies has continued to be an issue. This should get addressed with the proposed GST roll out in the current fiscal. The impact of GST is expected to be positive over the medium term however, the transition including related complexities could impact the performance of our formats in the interim.

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 economic conditions affecting demand/supply and price conditions in the markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and other incidental factor.