

Board's Report

To the Members of Titan Company Limited

The Directors are pleased to present the Thirty Sixth Annual Report and the Audited Financial Statements for the year ended 31st March 2020:

1. Financial Results

(₹ in crore)

	Standalone		Consolidated	
	2019-20	2018-19	2019-20	2018-2019
Revenue from Operations	20,010	19,070	21,052	19,779
Other Income	146	178	153	183
Total Income	20,156	19,248	21,205	19,962
Expenditure	17,592	17,068	18,585	17,788
Profit before exceptional items, finance costs, depreciation and taxes	2,564	2,181	2,620	2,174
Finance Costs	149	44	166	53
Depreciation/Amortisation	310	139	348	163
Profit before share of profit/(loss) of an associate and joint venture and exceptional items and taxes	2,105	1,997	2,106	1,959
Share of profit/(loss) of an associate and Jointly controlled entity	-	-	(4)	(2)
Profit before exceptional items and taxes	2,105	1,997	2,102	1,957
Exceptional items	-	70	-	-
Profit before taxes	2,105	1,927	2,102	1,957
Income taxes				
- Current	552	602	570	618
- Deferred	36	(49)	39	(49)
Profit for the year	1,518	1,374	1,493	1,388
Attributable to				
- Shareholders of the Company	1,518	1,374	1,501	1,404
- Non-controlling interests	-	-	(9)	(16)
Profit brought forward	2,876	1,903	2,759	1,792
Appropriations				
Adjustment of transition to Ind AS 116 on opening retained earnings	(156)	-	(159)	-
Deferred tax on Ind AS 116 transition impact	55	-	55	-
Deletion on account of sale of subsidiary	-	-	-	(4)
Acquisition of non-controlling interest in subsidiary	-	-	(30)	(31)
Dividend on Equity Shares (excluding tax)	(444)	(333)	(444)	(333)
Tax on dividends	(91)	(68)	(91)	(68)
Transfer to general reserve	-	-	-	-
Closing Balance in Retained Earnings	3,758	2,876	3,591	2,759



1a) Standalone Numbers:

During the year under review, the Company's total revenue grew by 5% to ₹ 20,010 crore compared with ₹ 19,070 crore in the previous year.

Profit before tax grew by 9% to ₹ 2,105 crore and the net profit increased by 10% to ₹ 1,518 crore.

The Watches and Wearables Division of the Company recorded revenue of ₹ 2,615 crore, a growth of 7.2%. The revenue from Jewellery Division grew by 4.4% touching ₹ 16,738 crore. The revenue from Eyewear Division grew by 6.4% to ₹ 544 crore. The revenue from other divisions recorded a sale of ₹ 171 crore, a growth of 28.2%.

New Businesses, viz. Indian Dress Wear Division and Fragrances and Accessories Division recorded revenue of ₹ 117.59 crore, a growth of 46% over the previous year. While the Indian Dress Wear Division grew by 102%, the Fragrances and Accessories Division recorded a growth of 27%.

The Management Discussion and Analysis report, which is attached, dwells into the performance of each of the business division and the outlook for the current year.

During the year, the Company had opted for lower tax rate of 25.17% by foregoing the tax benefits mainly in the tax free zones. With the declaration of the COVID-19 as a pandemic in mid-March 2020, the performance of various Divisions were affected due to store closures consequent upon declaration of national lockdown by the Government. Jewellery and Eyewear revenue declined whereas Watches & Wearables Division grew marginally by 2%. Lower sales and mark to market deposit pertaining to gold hedging transactions with Multi Commodity Exchange of India Limited resulted in substantial gross short term borrowing as at the end of the year.

The year witnessed aggressive expansion of the Company's retail network. As on 31st March 2020, the Company had 1,739 stores, with over 2.27 million square feet of retail space delivering a retail turnover of over ₹ 20,000 crore.

1b) Consolidated Numbers

At the consolidated level, the revenue stood at ₹ 21,052 crore as against ₹ 19,779 crore in the previous year. The details of the performance of the Company's subsidiaries are covered below in point 15 of this Report.

2. International Operations

Watches & Wearables Business: The non-smart segment of watches continued to face headwinds in markets across

the globe in the year 2019 and since January 2020, the COVID-19 global pandemic caused a significant slump in business during the last quarter of the previous year. Last quarter of the previous year saw a retail decline of >50% in most global corridor cities. Key commercial hubs like Singapore, Ho Chi Minh City, Bangkok and Dubai reported their worst tourist traffic numbers since 9/11. The watch category's premier event, Basel Watch Fair 2020 was cancelled for health-safety reasons. COVID-19's impact on tourism, overall business, and retail in particular is expected to last through the year 2020. 50% of the Company's watches international business is dependent on the Middle East markets. UAE, the Company's largest market outside of India, declined by about 11% but the business managed to outperform competition owing to a better retail network.

Jewellery Business: During the year under report, the Company's jewellery business in the GCC (Gulf Cooperation Council) region was studied in detail owing to its similarity to India and after careful study, Dubai was chosen to pilot the international launch of Tanishq. Two legal entities were incorporated in this regard and necessary tie-ups like banking, logistics etc. have also been put in place to enable start of operations with the first Tanishq store in the first quarter of the current financial year subject to normalcy of the COVID-19 situation.

3. Dividend

The Directors are pleased to recommend the payment of dividend on equity shares at the rate of 400% (i.e. ₹ 4 per equity share of ₹ 1 each), subject to approval by the shareholders at the ensuing Annual General Meeting (AGM).

4. Transfer to General Reserve

The Board of Directors has decided to retain the entire amount of profits for FY 2019-20 in the Retained Earnings.

5. Finance

The year was a challenging year with the surge in gold prices impacting jewellery sales. This also resulted in higher inventory in jewellery leading to a higher working capital thereby leading to lower cash position. During the year, the credit rating was upgraded from AA + to AAA by CRISIL and the Company was rated for the first time as AAA by Brickworks Rating. Details of credit ratings obtained during the year under report is covered under the Corporate Governance Report.

Further, the Company is working out its strategy to manage the current COVID-19 crisis with particular focus

to ensure that adequate liquidity is available till normalcy returns.

6. Public Deposits

The Jewellery Division of the Company was successfully operating customer schemes for jewellery purchases for many years. When the Companies Act, 2013 (the "Act") became substantially effective from 1st April 2014, the Company had around seven lakh subscribers contributing to these schemes. However, these schemes were exempt under the Companies Act, 1956 relating to acceptance of public deposits as such schemes were not covered in the definition of deposits. Under the Act and the Rules made there under ('Deposit Regulations') the scope of the term "deposit" was enlarged and therefore a view was taken that the jewellery purchase schemes offered by the Company to its customers would be treated as public deposits. Thereupon, the Company discontinued fresh enrolment of subscribers and initiated steps to close the erstwhile customer schemes, which were wound down in August 2014.

Under the Deposit Regulations as amended from time to time, a company is permitted to accept deposits subject to applicable provisions, to the extent of 10% of the aggregate of the paid-up share capital, securities premium account and free reserves from its Members & 25% of the aggregate of the paid-up share capital, securities premium account and free reserves from the Public after prior approval by way of special resolutions passed by the Members in this regard. Requisite approval was obtained from the Members of the Company and a new programme for customers to purchase jewellery (under the Jewellery Purchase Plan) was launched in November 2014 in compliance with the Deposit Regulations.

The details relating to deposits, covered under Chapter V of the Act are as under:

- (a) accepted during the year: ₹ 2,406.39 crore
- (b) remained unpaid or unclaimed as at the end of the year: ₹ 1,484.35 crore
- (c) whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved-
 - (i) at the beginning of the year: Nil
 - (ii) maximum during the year: Nil
 - (iii) at the end of the year: Nil

There are no deposits that have been accepted by the Company that are not in compliance with the requirements of Chapter V of the Act.

7. Material Changes and Commitments Affecting Financial Position Between end of the Financial Year and Date of Report

There have been no material changes and commitments for the likely impact affecting financial position between end of the financial year and the date of the report except for the impact arising out of COVID-19.

In March 2020, the World Health Organisation declared COVID-19 as a pandemic. The Company's operations were impacted from 17th March 2020 till the first week of May 2020 when the lockdown was gradually lifted. The Company opted to shut all its stores, factories and offices even before the lockdown was officially implemented keeping the safety of its customers and employees in mind. The Company adopted a work from home policy during the entire duration of the lockdown and with the easing of restrictions, the Company has re-opened its offices with limited staff resuming work from office. As on the date of this Report, all factories are open with manning within the prescribed norms and production commencing depending on the demand and a significant number of stores have also re-opened with thorough and well-rehearsed safety protocols in place including observance of strict social distancing norms and sanitization of products before and after every trial to ensure customers' safety. The Company has also taken several initiatives during the lockdown to strengthen the bond with its customers and create meaningful relationships through well-thought digital interventions. Other stores are in the process of re-opening. While the uncertainties created by COVID-19 continue for the future, your Company's focus will be on serving the interests of all its stakeholders as the situation evolves.

Please refer Note 38 of Notes to the standalone financial statements for further details in respect of impact of COVID-19 on the financial statements of the Company.

8. Significant and Material Orders

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

9. Particulars of Loans, Guarantees and Investments

Details of loans, guarantees and investments covered under the provisions of Section 186 of the Act are given in the notes to the financial statements.



During the year under review, the Company had invested ₹ 31 crore in purchase of additional equity stake in CaratLane Trading Private Limited (CaratLane) taking its holding to 72.3%.

Further, the Company has granted a loan of ₹ 1.95 crore to Titan Holdings International FZCO, Dubai, a wholly owned subsidiary of the Company

10. Integrated Report

The Company has, over the last two years, taken steps to move towards Integrated Reporting in line with its commitment to voluntarily disclose more information to the stakeholders on all aspects of the Company's business. Accordingly, the Company had introduced key content elements of Integrated Reporting <IR> aligned to the International Integrated Reporting Council Framework (IIRC) in the Annual Report of the previous year and has disclosed more qualitative data in the Annual Report of this year. Similar to last year, the relevant information has been provided in this year's Annual Report as well.

11. Adequacy of Internal Controls and Compliance with Laws

The Company, during the year has reviewed its Internal Financial Control systems and has continually contributed to establishment of more robust and effective internal financial control framework, prescribed under the ambit of Section 134(5) of the Act. 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.

The control criteria ensures the orderly and efficient conduct of the Company's business, including adherence to its policies, safeguarding of its assets, prevention and detection of frauds and errors, 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 adequate Internal Financial Controls system that is operating effectively as at 31st March 2020.

There were no instances of fraud which necessitates reporting of material misstatement to the Company's operations.

There has been no communication from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices.

12. Board Meetings

During the year under review, six Board meeting were held, details of which are provided in the Corporate Governance Report.

13. Audit Committee and other Board Committees

The details pertaining to the composition of the Audit Committee and its role is included in the Corporate Governance Report, which is a part of this Annual Report. In addition to the Committees mentioned in the Corporate Governance Report, the Company has a Corporate Social Responsibility Committee, the details of which are covered in **Annexure 2** to this report.

14. Risk Management

Pursuant to the requirement of Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "SEBI LODR"), the Company has constituted a Risk Management Committee (RMC), consisting of Board members and senior executives of the Company.

The Company has in place a Risk Management framework to identify, evaluate business risks and challenges across the Company both at corporate level as also separately for each business division.

The top tier of risks for the Company is captured by the operating management after extensive deliberations on the nature of the risk being a gross or a net risk and thereafter in a prioritized manner presented to the Board for their inputs on risk mitigation/management efforts. Based on this framework, a Risk Management policy has been adopted.

The RMC engages in the Risk Management process and has set out a review process so as to report to the Board the progress on the initiatives for the major risks of each of the businesses that the Company is into.

The Risk Register of each Business gets updated on an bi-annual basis and is placed for due discussions at Board meetings and appropriateness of the mitigation measures to ensure that the risks remain relevant at any point in time and corresponding mitigation measures are optimized.

15. Related Party Transactions

There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interests of the Company at large. All related party transactions are placed before the Audit Committee and the Board for approval, if applicable. Prior omnibus approval of the Audit Committee is obtained for the transactions which are of a foreseen and repetitive nature. The transactions entered into pursuant to the omnibus approval so granted are verified by the Internal Auditor and a statement giving details of all related party transactions is placed before the Audit Committee and the Board of Directors for their approval, if applicable, on a quarterly basis. The Company has developed an Internal Guide on Related Party Transactions Manual and prescribed Standard Operating Procedures for the purpose of identification and monitoring of such transactions. The Policy on Related Party Transactions as approved by the Board is uploaded on the Company’s website. None of the Directors has any pecuniary relationships or transactions vis-à-vis the Company.

The details of the transactions with related parties during FY 2019-20 are provided in the accompanying financial statements. There were no transactions during the year which would require to be reported in Form AOC-2.

16. Subsidiaries/Joint Venture/Associate Company

As on 31st March 2020, the Company had the following subsidiaries/Associate/Joint Venture:

Sl. No.	Name of the Subsidiary/ Associate/Joint Venture	Relationship
1	Favre Leuba AG, Switzerland	Subsidiary
2	Titan Watch Company Limited, Hong Kong	Subsidiary
3	Titan Engineering & Automation Limited	Subsidiary
4	CaratLane Trading Private Limited	Subsidiary
5	Green Infra Wind Power Theni Limited	Associate
6	Montblanc India Retail Private Limited	Joint Venture
7	Titan Holdings International FZCO, Dubai	Subsidiary
8	Titan Global Retail LLC, Dubai	Subsidiary

During the year 2019-20, Favre Leuba AG had registered a turnover of CHF 0.87 million i.e., ₹ 6.25 crore against the previous year’s figures of CHF 1 million, i.e. ₹ 6.82 crore and loss of CHF 7.19 million, i.e. ₹ 51.03 crore (2018-19: 7.39 million, i.e. ₹ 52.18 crore). During the year FY 2019-20, the Company has invested CHF 8.76 million in Favre Leuba AG’s share capital.

Titan Watch Company Limited is a subsidiary of Favre Leuba AG and hence is a subsidiary of the Company. It has a capital of HK \$ 10,000 and no Profit and Loss account has been prepared.

During the year FY 2019-20, Titan Engineering & Automation Limited (TEAL) generated income of ₹ 462.33 crore against the previous year’s figures of ₹ 343.21 crore, an increase of 34.70% and the profit before tax was at ₹ 78.12 crore against the previous year’s figures of ₹ 58.06 crore.

CaratLane is engaged in the business of manufacturing of jewellery products and has significant online presence. CaratLane’s performance was very good with high double digit growths recorded in retail sales in both online and physical channels, with great emphasis on Omni selling. CaratLane added 37 stores in the year to take the store count to 92. During the year 2019-20, CaratLane registered a turnover of ₹ 621.23 crore (previous year: ₹ 416.39 crore) and the loss amounted to ₹ 27.27 crore against the previous year’s figures (loss) of ₹ 46.13 crore.

The Company holds a 49% equity stake in Montblanc India Retail Private Limited (Montblanc), a joint venture entered into with Montblanc Services B.V., the Netherlands for operation of retail boutiques in India for Montblanc products. Montblanc registered a turnover of ₹ 57.45 crore and the loss amounted to ₹ 4.87 crore. During the year, the Company invested an additional amount of ₹ 7.74 crore through rights issue in Montblanc.

Titan Holdings International FZCO was formed as a Free Zone Company, for which the Certificate of Formation was issued on 22nd October 2019, with a view to carry out business activities and invest in the share capital of any other companies/entities either as a joint venture partner or as its wholly owned subsidiary company for carrying out business activities. The Company did not have any business operations during FY 2019-20. However, it had certain expenses pertaining to the incorporation and setting up its corporate office in DAFZA and incurred a loss of AED 0.31 million (₹ 0.59 crore).

Titan Global Retail LLC was formed on 15th December 2019 as a subsidiary of Titan Holdings International



FZCO to carry out business activities and retail trade in the industry in which the company operates. Titan Global Retail LLC will operate its retail stores and service stores in UAE. During the year under review, the Company has identified and started work on its first Boutique and Service Centre in Dubai but the Company did not have any business operations. However, it had expenses for setting up its retail store and service centre and incurred a loss of AED 0.41 million (₹ 0.79 crore).

The Company holds 26.79% stake in Green Infra Wind Power Theni Limited which supplies energy to the Company.

None of these subsidiary companies declared a dividend for FY 2019-20 except TEAL which has declared a dividend of ₹ 5 per share on the face value of ₹ 10 per share aggregating to ₹ 23.53 crore (subject to applicable taxes).

The annual accounts of these subsidiary companies/JV company were consolidated with the accounts of the Company for FY 2019-20.

The statement containing salient features of the financial statement of subsidiaries/associate company/joint venture in Form AOC-1 forms part of the Annual Report.

17. Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The particulars as prescribed under sub-section (3) (m) of Section 134 of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014 are furnished in **Annexure-I** to the Board's Report.

18. Corporate Social Responsibility (CSR)

In compliance with Section 135 of the Act, the Company has undertaken CSR activities, projects and programs as provided in the CSR policy of the Company and as identified under Schedule VII of the Act and excluding activities undertaken in pursuance of its normal course of business. In addition to the projects specified as CSR activities under Section 135 of Act, the Company has also carried out several other sustainability/responsible business initiatives and projects.

The Company has spent the entire 2% of the net profits earmarked for CSR projects during the FY 2019-20.

A report on CSR pursuant to Section 135 of the Act & Rules made thereunder is attached in **Annexure-II**.

19. Extract of Annual Return

As provided under Section 92(3) of the Act, the extract of annual return is given in **Annexure-III** in the prescribed Form MGT-9, which forms part of this Report.

20. Dividend Distribution Policy

The Dividend Distribution Policy is annexed as **Annexure-IV** to this Report.

21. Vigil Mechanism

The Company has a whistle blower mechanism wherein the employees can approach the Management of the Company (Audit Committee in case where the concern involves the Senior Management) and make protective disclosures to the Management about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct and Insider Trading Code. The Whistle Blower Policy requires every employee to promptly report to the Management any actual or possible violation of the Code or an event an employee becomes aware of that could affect the business or reputation of the Company. The disclosures reported are addressed in the manner and within the time frames prescribed in the policy. A mechanism is in place whereby any employee of the Company has access to the Chairman of the Audit Committee to report any concern. No person has been denied access to the Chairman to report any concern. Further, the said policy has been disseminated within the organisation and has also been posted on the Company's website at https://www.titancompany.in/sites/default/files/Whistle%20Blower%20Policy_1.pdf.

22. Secretarial Standards

The Directors state that the applicable Secretarial Standards i.e., SS-1 and SS-2, issued by the Institute of Company Secretaries of India, relating to Meetings of Board of Directors and General Meetings respectively have been duly complied with.

23. Disclosures as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has been at the forefront in ensuring a safe and secure work place for all its employees. In particular, as per the mandated Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules made thereunder, prevention and redressal of complaints of sexual harassment at workplace are actively cascaded. The Company has adopted a zero tolerance for sexual harassment at workplace.

The selection and training of Internal Complaints Committee (ICC) members follows a stringent process to ensure that the most suitable person is part of the committee. The Company has also empaneled its unionized employees at its manufacturing units for a better

representation and reach of the employees. All members undergo the Prevention of Sexual Harassment (POSH) training and are equipped to handle communication as well as redressal.

During the year under review, the total number of ICC members was at 96 as against 64 in the previous financial year. The Company had organised annual meets with ICC members where learning is shared and industry perspective and changes in law (if any) are discussed. The Company also invests in building capability of its ICC members through programmes on POSH, investigation techniques, impact of bias and industry exposure.

The core Ethics team comprises of the ICC Chairperson, the Chief Ethics Counsellor (CEC) and experienced senior managers across the Company besides an external expert.

All stakeholders across geographies, viz. employees, contract and agency hires, vendors and associates are part of the communication cascades. All new joiners are also part of an induction on POSH. The cascades are designed in a simple but effective manner by the use of regional theatre to demonstrate violations and the consequences. The regional heads or manufacturing/unit heads along with the leadership team of the respective unit are part of the open house and Q&A at the end of the session at their respective locations. This has impacted positively with more and more stakeholders becoming familiar with the policy and gaining confidence to raise concerns with the locational committee members. About 129 such events were held across the country covering over 14,619 stakeholders. Other means of communication using short films, quizzes and games were continued to create awareness along with sensitization programmes for people managers.

During the financial year FY 2019-20, the Company received 3 complaints on sexual harassment, 2 were disposed of with appropriate action taken and 1 complaint was pending as on 31st March 2020.

24. Details in Respect of Frauds Reported by Auditors Under Sub-Section (12) of Section 143 other than those which are Reportable to the Central Government

The Statutory Auditors of the Company have not reported any fraud as specified under the second proviso of Section 143(12) of the Act (including any statutory modification(s) or re-enactment(s) for the time being in force).

25. Corporate Governance and Management Discussion and Analysis

As per SEBI LODR, Management Discussion and Analysis, Corporate Governance Report and Practising Company Secretary's Certificate regarding compliance of conditions of Corporate Governance forms part of this Annual Report.

Pursuant to Regulation 34 of the SEBI LODR the Management Discussion and Analysis is presented in a separate section forming part of this Annual Report. As required under the provisions of the SEBI LODR, the Audit Committee of the Company has reviewed the Management Discussion and Analysis report of the Company for the year ended 31st March 2020.

26. Business Responsibility Report

As per SEBI LODR, a Business Responsibility Report is attached and forms part of this Annual Report.

27. Directors and Key Managerial Personnel

Ms. Hema Ravichandar, Ms. Ireena Vittal, Mr. Ashwani Puri, Mr. B Santhanam, Mr. Pradyumna Vyas and Dr. Mohanasankar Sivaprakasam were the Independent Directors during the Financial Year 2019-20 and all have given declarations that they continue to meet the criteria of independence as laid down under Section 149(6) of the Act and Regulation 16(1)(b) of the SEBI LODR and that they are not debarred from holding the office of director by virtue of any SEBI order or any other such authority.

All the Independent Directors have confirmed that they are in compliance with Rules 6(1) and 6(2) of the Companies (Appointment and Qualification of Directors) Rules, 2014, with respect to registration with the data bank of Independent Directors maintained by the Indian Institute of Corporate Affairs.

Dr. Mohanasankar Sivaprakasam was appointed as an Additional Director and Independent Director on the Board of the Company with effect from 3rd July 2019 and subsequently approved by the shareholders at the thirty fifth Annual General Meeting held on 6th August 2019 as an Independent Director for a period of five years from 3rd July 2019.

Mr. T K Balaji, Independent Director, retired from the Board on 31st July 2019 upon completion of his tenure as an Independent Director. The Board placed on record its appreciation for the valuable contribution and wise counsel rendered by him during his tenure as a member of the Board.



Mr. Bhaskar Bhat, who retired as the Managing Director of the Company on 30th September 2019 was nominated by Tata Sons Private Limited (Tata Sons) on the Board of the Company as Non-Executive Director with effect from 1st October 2019 and Mr. Harish Bhat, nominee of Tata Sons stepped down from the Board as a Non-Executive Director with effect from 30th September 2019. The Board recorded the stupendous and well-rounded development of the Company under the exemplary leadership of Mr. Bhaskar Bhat and also recorded its appreciation on Mr. Bhat's contributions to the Company during his tenure in the Company.

Mr. C K Venkataraman was appointed as the Managing Director of the Company with effect from 1st October 2019, subject to approval of the shareholders. Members attention is drawn to Item No. 7 & 8 of the Notice convening the Thirty Sixth Annual General Meeting for the appointment of Mr. C K Venkataraman as a Director and Managing Director of the Company.

Mr. Ramesh Chand Meena, nominee of TIDCO, resigned from the Board with effect from 14th October 2019.

Ms. Kakarla Usha was appointed as an Additional Director on the Board of the Company on 21st November 2019.

Ms. Sindhu Gangadharan, on the basis of the recommendation of the Board Nomination and Remuneration Committee, was appointed as an Additional Director and Independent Director on the Board of the Company on 8th June 2020 for a period of five years subject to the approval of the shareholders.

In accordance with the provisions of the Act and in terms of the Memorandum and Articles of Association of the Company, Mr. N N Tata retires by rotation at the Annual General Meeting and has offered himself for re-appointment.

Members attention is drawn to Item No. 5 of the Notice for the appointment of Ms. Kakarla Usha as a Director of the Company, to Item No.6 of the Notice for the appointment of Mr. Bhaskar Bhat as a Director of the Company and to Item No.11 of the Notice for the appointment of Ms. Sindhu Gangadharan as an Independent Director of the Company for a period of five years from 8th June 2020.

None of the Directors are related to each other within the meaning of the term "Relative" as per Section 2(77) of the Act.

28. Details of Key Managerial Personnel who were Appointed or have Resigned during the year

During the year, Mr. Bhaskar Bhat retired as Managing Director of the Company effective 30th September 2019 and Mr. C K Venkataraman, was appointed as the Managing Director effective 1st October 2019 subject to the approval of the shareholders of the Company. Pursuant to the provisions of Section 203 of the Act, Mr. C K Venkataraman-Managing Director, Mr. S. Subramaniam - Chief Financial Officer and Mr. Dinesh Shetty - General Counsel & Company Secretary are the Key Managerial Personnel of the Company.

29. Directors' Responsibility Statement

Based on the framework of Internal Financial Controls and compliance systems established and maintained by the Company, the work performed by the internal, statutory and secretarial auditors and external consultants, including audit of internal financial controls over financial reporting by the statutory auditors and the reviews performed by Management and the relevant Board Committees, including the Audit Committee, the Board is of the opinion that the Company's internal financial controls are adequate and operating effectively.

Accordingly, pursuant to the requirements of Section 134 (5) of the Act, the Directors hereby confirm that:

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures;
- ii. they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. they have prepared the annual accounts on a going concern basis;
- v. they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively;

- vi. they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

30. Board Evaluation

The performance evaluation of the Board, its Committees and individual Directors was conducted by the Board Nomination and Remuneration Committee (BNRC) and the Board. This was based on questionnaire responses and feedback received through one on one insighting by the BNRC Chairperson with each Director.

Based on the questionnaire and feedback, the performance of every Director was evaluated by the BNRC.

Some of the key criteria for performance evaluation, as laid down by the BNRC were as follows:

Performance evaluation of directors:

Contribution at Board/Committee meetings and Guidance/support to Management outside Board/Committee Meetings.

Performance evaluation of Board and Committees:

Board structure and composition, Degree of fulfillment of key responsibilities, Establishment and delineation of responsibilities to Committees, Effectiveness of Board Processes, Information and Functioning, Board Culture and Dynamics, Quality of relationship between the Board and Management, Efficacy of communication with External Stakeholders and Committees – strengths and areas of improvement.

31. Independent Directors

A separate meeting of the Independent Directors ("Annual ID Meeting") was convened, which reviewed the performance of the Board (as a whole), the non-independent directors and the Chairman. Post the Annual ID Meeting, the collective feedback of each of the Independent Directors was discussed by the Chairperson of the BNRC with the Board covering performance of the Board as a whole, performance of the non-independent directors and performance of the Board Chairman.

32. Remuneration Policy

The Board has, on the recommendation of the BNRC framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The Remuneration Policy is annexed to the Corporate Governance Report.

33. Policy on Directors' Appointment and Remuneration and other Details

In accordance with the agreement between the promoters, three Directors each may be nominated by Tata Sons and TIDCO.

The guidelines for selection of Independent Directors are as set out below:

The Board Nomination and Remuneration Committee ("Committee") oversees the Company's nomination process for Independent Directors and in that connection to identify, screen and review individuals qualified to serve as an Independent Director on the Board.

Process for selection

The Committee may act on its own in identifying potential candidates. The Committee shall review and discuss details pertaining to candidates and will conduct evaluation of candidates in accordance with the process that it sees fit and appropriate and thereafter pass on its recommendation for nomination to the Board, based on the following guidelines:

Attributes

- i) The Committee shall seek candidates who is not a nominee or related to either Promoters of the Company. Such candidates shall possess integrity, leadership skills, managerial qualities, foresight abilities and competency required to direct and oversee the Company's management in the best interest of its stakeholders i.e. shareholders, customers, employees and communities it serves.
- ii) The candidate must be willing to regularly attend the meetings of the Board and develop a strong understanding of the Company, its businesses and its needs, to contribute his/her time and knowledge to the Company and to be prepared to exercise his/her duties with skill and care. Besides these, the candidate should have an understanding of governance concepts and legal duties of a Director.
- iii) It is desirable that the candidate should have expertise to fill in the gap(s) identified by the Company in the current composition of the Board.
- iv) Ideally the candidate should possess experience of 5 years on the Board of a listed company.
- v) The candidate's age shall not exceed 70 years at the time of joining the Board.
- vi) Fortrightness and ability to possess foresight abilities in the Governance of a Corporate.

Board Composition

Keeping in mind that women constitute a majority of the Company's customers it would be desirable to have one-third of the Board's strength represented by woman members.

Procedure

1. The Committee may retain search firms or advisors as it deems appropriate to identify candidates.
2. Develop a list of potential candidates of Independent Directors which may be refreshed every year. The Committee to create a list of probable candidates from known sources or from the database of Ministry of Corporate Affairs, Government of India or Stock Exchanges.
3. The Committee may also consider profiles of suitable expatriates.

4. The candidate considered by the Committee as potentially qualified will be contacted to determine their interest in being considered to serve on the Board and if interested will be interviewed.

As and when a candidate is shortlisted, the Committee will make a formal recommendation to the Board.

34. Other Disclosures

The information required under Section 197 of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below:

- i) The ratio of the remuneration of each director to the median remuneration of the employees of the Company and the percentage increase in remuneration of each Director, Managing Director, Chief Financial Officer and Company Secretary in the financial year is as below:

Sl. No.	Name of the Director	Ratio (times)	% change
A]	Director's remuneration		
1	Mr. N Muruganandam	4.57	-28.64
2	Mr. Arun Roy	4.86	NA*
3	Mr. Ramesh Chand Meena ¹	2.50	NA*
4	Ms. Kakarla Usha ²	1.07	NA*
5	Mr. N. N. Tata ³	3.86	-15.25
6	Mr. Harish Bhat ³	4.04	NA*
7	Mr. T. K. Balaji ⁴	2.10	NA*
8	Ms. Hema Ravichandar	9.92	5.90
9	Ms. Ireena Vittal	8.81	-4.11
10	Mr. Ashwani Puri	7.57	-15.25
11	Mr. B Santhanam	6.06	19.65
12	Mr. Pradyumna Vyas	3.65	NA*
13	Dr. Mohanasankar Sivaprakasam ⁵	3.12	NA*
14	Mr. Bhaskar Bhat ⁶ - as Managing Director	86.65	NA*
15	Mr. Bhaskar Bhat ⁷ - as Non-Executive Director	2.68	NA*
16	Mr. C K Venkataraman ⁸	51.48	NA*
B]	Key Managerial Personnel		
17	Mr. S Subramaniam	-	19
18	Mr. Dinesh Shetty	-	12

¹ Mr. Ramesh Chand Meena, IAS, nominee of TIDCO resigned from the Board with effect from 14th October 2019.
² Ms. Kakarla Usha, IAS, nominee of TIDCO was appointed effective 21st November 2019
³ In line with the internal guidelines, no payment is made towards commission to Mr. Harish Bhat and Mr. N N Tata, Non-Executive Directors of the Company, who are in full-time employment with other Tata companies
⁴ Mr. T K Balaji ceased to hold office as an Independent Director of the Company with effect from 1st August 2019 upon completion of his tenure on 31st July 2019 as approved by the shareholders at the 30th Annual General Meeting of the Company.
⁵ Dr. Mohanasankar Sivaprakasam was appointed as an Independent Director on the Board effective 3rd July 2019.
⁶ Mr. Bhaskar Bhat was Managing Director for the period 1st April 2019 to 30th September 2019 and this payment is only pertaining to the period during which he served as the Managing Director of the Company.
⁷ Mr. Bhaskar Bhat was appointed as a Non-Executive Director with effect from 1st October 2019 and this payment is only pertaining to the period October 2019 to March 2020 during which he served as a Non-Executive Director of the Company.
⁸ Mr. C K Venkataraman was appointed as Managing Director of the Company with effect from 1st October 2019
 * The % change in remuneration is not comparable as the said directors held the position for a part of the year either in 2018-19 or in 2019-20.

- ii) The percentage increase in the median remuneration of employees in the financial year: 10.5%
- iii) The number of permanent employees on the rolls of the Company: 7,550
- iv) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

The average percentage increase this year has been 10.5% across all levels. Increase in the managerial remuneration is based on market trends and performance criteria as determined by the Board of Directors and on the recommendation of the Board Nomination and Remuneration Committee (BNRC).

- v) Affirmation that the remuneration is as per the Remuneration Policy of the Company: The Company's Remuneration Policy is based on the principle of internal equity, competence and experience of the employee and industry standards. Through its compensation programme, the Company endeavours to attract, retain, develop and motivate a high performance and engaged workforce. The Company follows a compensation mix of fixed pay, benefits and performance based variable pay. Individual performance pay is determined by business performance and the performance of the individuals measured through the annual appraisal process. The Company affirms remuneration is as per the Remuneration Policy of the Company.

35. Information as per Rule 5(2) of the Chapter XIII, of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

The statement containing names of top ten employees in terms of remuneration drawn and the particulars of employees as required under Section 197(12) of the Act read with Rule 5(2) of the Companies (Appointment and

Remuneration of Managerial Personnel) Rules, 2014, is provided in a separate annexure forming part of this report. Further, the report and the accounts are being sent to the members excluding the aforesaid annexure. In terms of Section 136 of the Act, the said annexure is open for inspection at the Registered Office of the Company. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary.

36. Auditors

a) Statutory Auditors

Pursuant to the provisions of Section 139 of the Act read with applicable Rules framed thereunder, BSR & Co., LLP have been appointed as Auditors for a term of five years, subject to ratification by the shareholders, from the conclusion of the 33rd Annual General Meeting till the conclusion of the 38th Annual General Meeting.

The Ministry of Corporate Affairs vide Notification dated 7th May 2018 notified several Sections of the Companies (Amendment) Act, 2017. In view of the said notification, the requirement of ratification of appointment of auditors, under Section 139 of the Companies Act, 2013, at each AGM is no longer required. Hence, the resolution to this item is not being included in the Notice to the AGM.

b) Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed V. Sreedharan & Associates, Practising Company Secretary to undertake the Secretarial Audit of the Company. The Report of the Secretarial Audit is annexed herewith as **Annexure-V**.

c) Cost Audit

The Company is not required to maintain cost records as per sub-section (1) of Section 148 of the Act.

**37. Auditor's Report and Secretarial Auditor's Report**

There are no disqualifications, reservations, adverse remarks or disclaimers in the auditor's report and secretarial auditor's report.

38. Disclosures of Transactions of the Listed Entity with any Person or Entity belonging to the Promoter/Promoter Group which Hold(s) 10% or more Shareholding in the Listed Entity, in the format prescribed in the relevant Accounting Standards for Annual Results.**Related Party Transactions with Promoter/Promoter Group holding 10% or more shares**

TIDCO and Tata Sons hold 10% or more shares in the

Company. The details of transactions with promoter/promoter group holding 10% or more shares have been disclosed in the financial statements which is part of the Annual Report.

Acknowledgements

Your Directors wish to place on record their appreciation of the support which the Company has received from its promoters, shareholders, lenders, business associates, vendors, customers, media and the employees of the Company.

On behalf of the Board of Directors,

N N Tata

Vice Chairman

Mumbai

C K Venkataraman

Managing Director

Bengaluru

8th June 2020

