

MANAGEMENT DISCUSSION AND ANALYSIS

for the year ended 31 March 2018

INDIAN RETAIL.

The last two decades, Indian Retail Industry has undergone considerable change with respect to size, scope and complexity. From USD 672 billion in 2016, the Indian Retail market is expected to grow to USD 1100 billion in 2020 with the help of rise in income levels, growing aspirations, favourable demographics and ease of credit. Globally, India is fifth-largest destination in retail space and is growing at a rate of 12% per annum.

E-TAILING.

India's internet population will grow to 650 million users in 2020 from 430 million users in 2017, covering nearly half the population of the country. 20% of these internet users have already adopted e-commerce and this is projected to grow to 30% by 2020. With the digital ageing (time for which user has been active on the internet) expected to cross 2 years by 2020, the wallet share of e-commerce amongst adopters will also grow, potentially resulting in online transactions worth USD 100 billion in 2020 with 40-45% of these being for e-commerce. Apparel and Beauty categories are likely to lead this phase of e-commerce growth, with women shoppers forming as much as 45% of the digital adopters. Tier 2/3/4 cities are expected to grow to nearly 50% of the online spends, up from 40% in 2017; and the current youth mix (74% online shoppers aged less than 34 years in 2017) will decline to 67% by 2020.

MODERN RETAIL

Modern Retail in India has seen a dream run in the past year on the basis of strong valuation rating and improvement in business performance. Modern retail is well poised, after demonetisation and GST, given its underpenetration to total trade. Retailers have become more agile and investible, with increased focus on return ratios, debt reduction and exit from non-core assets.

MODERN RETAIL - CHALLENGES AHEAD.

Discounting by online retailers has taken a toll on physical retailers due to the shift from physical to online platforms on heavy discounting. However physical retailers now being more prepared and online players focusing on profitability some stabilisation of the competition from online retail is expected. Complete customer experience and interaction, strong brand and robust supply chain management, store network and scalability are some of the factors for online retailers to go offline. It is critical for retailers to define a viable transformation agenda to stay relevant. Efficient supply chain, efficient merchandise positioning in accordance with catchments, delivering in-store experience, ensuring optimum merchandise value

in relation to its price, effective allocation of space would help modern retail grow consistently.

S.W.O.T. ANALYSIS

Strengths:

- **First Citizens:** Our Loyalty Programme 'First Citizen' has continued to be one of the main strengths of our business. We crossed the 5.3 million mark in memberships, making it one of the largest loyalty programmes in the country across sectors. The Company continues to believe that its loyalty programme is not only a source of substantial competitive advantage, but also a very strong strategic tool. Your Company believes that its First Citizens will continue to drive its growth by increased average expenditure in our stores, aided by data-driven and analytics-backed targeted activities/promotions. Our fan base on social media has also been increasing, with more than 10.8 million fans on our Facebook page. We see significant opportunities on both these platforms for engaging our customers.
- **Management Strength & Corporate Governance:** The Company has a professional and well-established management team. Furthermore, the Company's unwavering focus on good corporate governance has been a beacon for the industry. Our internal and external auditors are amongst the Big 4 audit firms of the globe. The Board has 5 independent Directors with rich & diverse experience across Industries & Geographies.
- **Strong Brand:** Shoppers Stop has been a forerunner in establishing a Pan India Retail Brand. Our strong brand image, helps us in being, the first choice for shopping by elite customers, anchor tenant for mall operators & place to launch new brands for all brands & suppliers.
- **Strong focus on Systems, Processes and People:** Besides continuing to invest in retail front end as well as back end processes with IT enablement, the Company is investing into technology transformational projects. The Company believes that continuous investment in people, process and technology will drive sustainable and profitable growth for the Company. We have in the past year, undertaken a number of new initiatives in the technology transformation and continue to improve our current information technology capabilities and processes.
- **Strong Distribution and Logistics Network and Supply Chain:** We have created a robust distribution and logistics network, with four regional distribution centres covering more than 510,000 square feet handling over 400,000 SKUs per year and working 24x7. The organisation strongly believes that the

'hub-and-spoke' model followed by it for its Omni-channel distribution network which supports the e-commerce/Brick & Mortar Distribution Centre Operations, will stand it in good stead for the Strategy envisaged in the forthcoming years.

- **Enhancing our Human capital:** We continue to develop our Customer Care Associates (CCAs) across all levels through Development & Assessment centres for promotion decisions, career planning and succession planning. Individual and organisational development is the primary objective of the assessment centre. We also conduct Associate Satisfaction survey every year and derive ASI scores, which helps us in identifying the index scores of respect, credibility, fairness and pride with the organisation. We continue to benchmark our compensation and benefits through consultants, with the best in the industry to pay our associates accordingly.
- We benefit from our Promoters' association with the real estate business and their relationships with developers, which have helped us acquire preferred properties at competitive rates. Our investment in new stores in last four to five years has resulted in to a robust network of 83 department stores at prominent catchments spread across the country. We are also parallelly embarking on our omni-channel journey to tap into the exponential ecommerce growth in India.
- **E-commerce:** This year, the Company shall focus on strengthening its e-commerce presence to build on the investments made over the last 3 years to drive more than 100% sales growth, and to create seamless experiences across online and offline in order to drive digitally influenced store sales, as well as adoption of digital channels by store customers and on leveraging its partnership with Amazon to improve sales through, making our full assortment available to the vast traffic garnered by Amazon; as well as to develop experience centres at Shoppers Stop stores to increase consumer relevance, engagement & hence foot-falls.

The Company believes that more consumers across the country will discover Shoppers Stop through its digital shopping channels due to the convenience of shopping our full assortment at best prices across channels viz. stores, mobile, website & Amazon with the added advantage of being able to return, exchange anytime, anywhere.

Risks and Concerns:

- **Execution:** We believe the key risk to our growth is execution risk. The Company has a strong execution team and we believe it has the capability to execute varied retail formats.
- **Employee retention:** The Company believes that employee satisfaction and retention is of prime importance. The demand for experienced personnel in modern retail will only increase in the near term and long term. Your Company believes that this problem will persist until the industry reaches a steady growth phase.

- **Pressure on retail lease rentals:** Rent is one of the largest components in a retail business' fixed costs, and the case is no different for the Company. The permission of 100% FDI in single brand retail is also one of the reasons for increased demand for prominent catchments in key malls consequently resulting in to higher rentals. Power cost is also a matter of concern as it puts substantial pressure on profits.
- **Internet usage:** Development of New Technologies: E-commerce Platforms being adopted by Brands themselves or by B2C & B2B Applications; as well as the obsolescence of older technologies could have a significant impact on the performance of the Company. The Company will be making focused and substantial investments to embrace new technologies and infrastructure for the Omni-channel, which is a combination of physical store and online site.
- **Economic Slowdown:** Economic slowdowns have a direct impact on consumption. Retail being the end service provider of consumption in the supply/Value chain, is bound to face difficulties in an environment of economic slowdown. The Company continuously looks at stepping up the marketing activities and strong cost control to protect the Company's profitability.

Opportunities:

- **Geographical reach:** Your Company continues to increase its Pan-India footprint. The Company's strategy to increase the number of departmental stores, and therefore improve city wise penetration in new cities, increase market share in existing cities through additional new stores in those cities, and new stores in Tier II cities, remains unchanged. Over the last Seven years the Company's retail space has increased from 2.3 million square feet for the year ended March 31, 2011 to 4.3 million square feet for the year ended March 31, 2018 which is an impressive increase of 87%.
- **Format diversification and expansion:** Your Company, in its constant endeavour to capture wallet share, has diversified into multiple formats viz., HomeStop which retails hard and soft furnishing, M.A.C., Bobby Brown, Estee Lauder, Smashbox & Clinique which retail high end makeup & skin care products, Mother Care which retails infant and kids merchandise. The Company has also made a successful foray into internet retailing through its e-retailing portal. The Company continues to expand these formats successfully and will maintain a focus on them.
- **Private & Exclusive Brands:** The Private Brand Business is a very important component in our business. We started our journey from being just fashion Labels to becoming National Brands with high customer traction and Brand recall. 'Stop' is number one apparel brand in Shoppers Stop. The financial growth has been mapped season-over-season so as to monitor and work towards increase the share of Private Brand contribution to the Chain. Private brands brings the much needed product differentiation in business.

The product, trend mapping, visual merchandising, in-store presentation, brand building, discounting and phasing strategy is being worked upon at a category level so as to bring a diverse and unique assortment and experience for the consumer. The brand team is also working towards increasing the sell through of range and improve the fashion quotient as apt for the target consumer segment. Through Brand building and engagement of loyalty customers we are pushing for analytics driven sales and are also working closely with Marketing to increase footfall and get more new customers to the store.

- **Omni-channel:** New-age, digital companies are increasingly chasing ubiquity in the customer's life, and hence aiming to become one-stop-destinations for all digital needs of the customer, while also starting to create off-line presence to make up for the absence of 'experience/touch-feel-try'.

The Company had recognised this shift at an early stage and developed a strategy to counter the impact.

Over the last 3 years, the Company has made significant investments to embrace new technologies and infrastructure for omni-channel, which is a combination of its physical and digital customer touch points.

The Company continues to make focused investments in technology & operations set-up towards providing seamless shopping experiences through online and by digitally transforming our stores continuing to drive profitable revenue growth. Adding to the online commerce platform (SAP Hybris), CRM (Microsoft Dynamics) and WMS (JDA) built over 2015-2017, last year, the technology rollout with the deployment of Riversand Master Data Management (MDM) for a unified view of product and customer, IBM Sterling Order Management System for a unified view of orders, and an integration layer involving TIBCO's Enterprise Service Bus (ESB) to enable customer journeys across channels.

As a result, of these initiatives, the Company has now been able to introduce omni-channel experiences such as Express Store Pickup and Ship from Store, while growing online sales for FY 2018 by 63% over FY 2017.

The Company entered into a commercial agreement with Amazon Seller Services Pvt. Ltd. wherein Shoppers Stop now has an exclusive flagship store on the Amazon marketplace - listing the Company's portfolio of 400+ brands. Additionally, as part of this arrangement, Amazon experience centres will be created across the physical network of Shoppers Stop stores, and Shoppers Stop & Amazon India will also conduct joint marketing efforts.

Threats:

- **Economic slowdown:** Economic slowdowns have a direct impact on consumption. Retail, being the end service provider of consumption in the supply/value

chain, is bound to face difficulties in an environment of economic slowdown.

- **Threat of new entrants:** With India continuing to be an attractive retail market, the Company expects many new entrants into the sector, thus increasing competition. However, the nationwide footprint, excellent customer service levels, look & feel of the stores, competitive product offerings & capability of its management team to execute the business operations & expansion are the few factors amongst many which would certainly help the Company to retain its market share.
- **Competitive rivalry in the industry:** There is intense rivalry among leading national retailers for new locations and quality real estate. The Company believes that it has a robust pipeline of stores for future expansion.

Growing competition from online players' price war among e-tailers for ramping up sales by offering steep discounts, attractive deals and lucky draws on a range of products, has brought disruption to the traditional retail sector.

Availability of quality real estate space at commercially viable cost and at desired locations is a greatest challenge and will impact the growth of the Company.

Retailers measure entry as footfalls, which is the number of people entering the stores. This is computed through manual count in all stores during trading hours.

**CUSTOMER ENTRY
DEPARTMENTAL STORE**



(Customer entry in million)

2017-18	42.5
2016-17	46.8
2015-16	45.4
2014-15	45.6
2013-14	46.8

(Source: Company MIS)

CONVERSION RATIO

Conversion is the ratio of the number of transactions (Cash Memo) versus the total customer entry into the stores. Tracking conversion helps the retailer understand the productivity of his front-end store employees and the attractiveness of the merchandise and services.

**CONVERSION RATIO %
DEPARTMENTAL STORE**



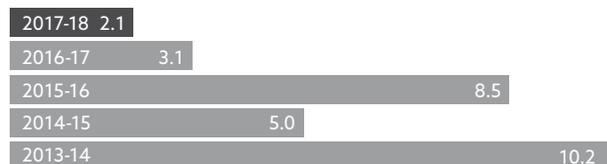
2017-18	27.5
2016-17	26.1
2015-16	25.6
2014-15	24.3
2013-14	21

(Source: Company MIS)

SALES

Gross Sales both at chain level and for Like-To-Like stores has grown against last year. The growth was 2% in gross retail turnover of Shoppers Stop departmental store business. The sales per sq. has been computed on built-up area.

SALES (LIKE-TO-LIKE GROWTH %) DEPARTMENTAL STORE



(Source: Company MIS)

SALES PER SQUARE FEET (IN ₹) DEPARTMENTAL STORE



(Source: Company MIS)

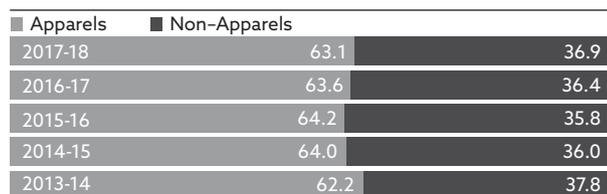
APPAREL

The Apparel contribution to total sales of the Shoppers Stop departmental store business was 63.1% in 2017-18 as compared to 63.6% in 2016-17.

NON-APPAREL

This category includes Cosmetics, Personal Accessories, Jewellery, Leather goods, Home Wares, Electronics, Books and Music. These lifestyle products have high aspiration value, and as the consuming class increases, there will be a big surge in the demand for this category. The Non-Apparel contribution to total sales of the Company was 36.9% in 2017-18 as compared to 36.4% in 2016-17.

SALES MIX % DEPARTMENTAL STORE



(Source: Company MIS)

PRIVATE & EXCLUSIVE BRANDS

Your Company aims to provide a differentiated and unique offering to the customer through its own Private Brands as well as through exclusive private brands. The contribution of Private Brand is at 10.1% of sales as compared to 12.0% last year. Your Company is working on several new initiatives to drive the share of existing Private Brands like Stop, Life, Haute Curry, Vittorio Fratini, & Kashish. Exclusive brand contribution of Sales is at 3.8% as compared to 4.2% last year. Exclusive brands include, brands/labels such as WROGN by Virat Kohli & Desigual the Spanish fast fashion brand, RS by ROCKY STAR, FLAUNT BY FAMINA, RHE-SON.

PRIVATE BRAND SALES MIX %



(Source: Company MIS)

EXCLUSIVE BRAND SALES MIX %

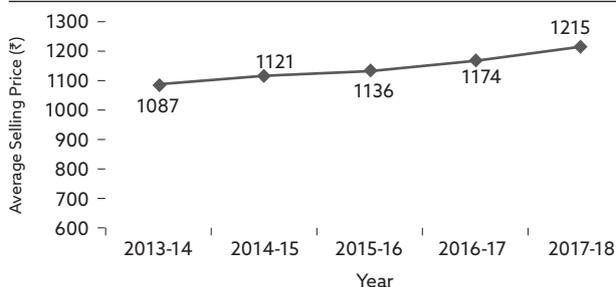


(Source: Company MIS)

AVERAGE SELLING PRICE (ASP)

Average Selling Price is the Gross Retail Sales divided by the number of units sold. Tracking ASP helps the retailer to align the offering as per the customer segment as well as improve the productivity of the floor space.

AVERAGE SELLING PRICE (LIKE-TO-LIKE) (DEPARTMENTAL STORES)



(Source: Company MIS)

TRANSACTION SIZE (₹)

Transaction size represents the amount spent by each customer on his buying. This is computed by the total sales divided by the number of cash memos.

TRANSACTION SIZE (₹) DEPARTMENTAL STORE



2017-18	3053
2016-17	2878
2015-16	2791
2014-15	2615
2013-14	2667

(Source: Company MIS)

MERCHANDISE PURCHASE

Your Company's ability to present on the shelves correct merchandise assortments in the right mix, style, color & fashion is one of its most critical success factors. A team of Buyers & Merchandisers continuously ensure that the pricing strategy and value proposition are completely in tune with the customers' expectations. We regularly monitor sales trends to optimise inventory levels. We also take inputs on customer buying behaviour from Loyalty and Analytics team to alter the product and brand assortments.

In order to enrich the quality of data we have moved from JDA MMS system to Master Data Management system.

Our well established systems and processes in Buying & Merchandising & Logistics enables us to efficiently manage the flow of inventory to stores, provide prompt replenishments and manage pricing.

Your Company believes in a broad distribution of risk with no high dependency on any single supplier and has a diversified supplier base. Suppliers are selected after evaluation based on fairly stringent parameters which ensure the quality & reliability of supply. Alternate distribution channels for inventory have also been put in place as a contingency, should the need arise.

SUPPLIER RISKS

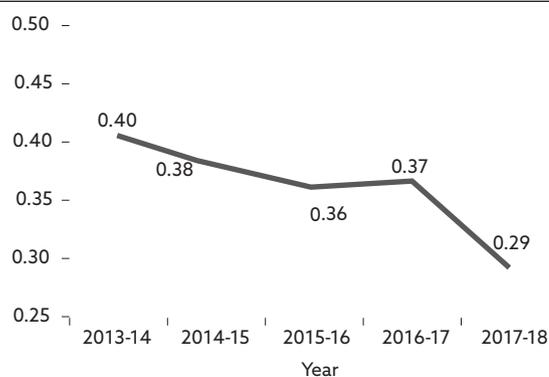
Our broadly varied offering necessitates alliances with a large number of suppliers from various business sectors. In order to mitigate the risk involved, we enter into arrangements with vendors in various business formats such as outright buy/sale or return, consignment & concessionaire/conducting arrangement.

SHRINKAGE:

Shrinkage in the retail business is defined as the loss in inventory through a combination of shop lifting, pilferage, and errors in documentation and transaction processing that go unnoticed. We have focus on inventory control. We monitor shrinkage on a regular basis and look at

various factors that could lead to Shrinkage at stores and distribution centres. Store Operations along with the Supply Chain team have worked together and monitored the Shrinkage level on a month on month basis which has resulted in the Shrinkage percentage being controlled at 0.29% of the Turnover and our endeavour will always be to lower this ratio through proper monitoring and continuously reviewing Inventory management processes and systems.

SHRINKAGE (AS A % OF SALES)



(Source: Company MIS)

OPERATING PROFIT

The Operating profit (without exceptional items) for the FY 2017-18 is ₹ 22,025 lacs as compared to ₹ 20,184 lacs last year and 5.3% of sales in 2017-18 against 5.0% in 2016-17 an increase of 0.3%.

EBIDTA



(Customer entry in million)

2017-18	5.3%	22025
2016-17	5.0%	20184
2015-16	5.7%	21648
2014-15	5.6%	19158
2013-14	5.0%	15366

(Source: Company MIS)

NET INTEREST

Interest cost has decreased to ₹ 2,751 lacs as against ₹ 3,820 lacs last year.

PROFIT AFTER TAX

The Company has achieved post tax profit of ₹ 6,201 lacs before exceptional items, as against a post-tax profit of ₹ 2,786 lacs before exceptional items last year. The post-tax profit after exceptional items is ₹ 1,160 lacs as against loss of ₹ 1,993 lacs in last year.

DIVIDEND

The Board of Directors have recommended a dividend of 15% i.e. (₹ 0.75 per share) for the year under review.

INVENTORY

The inventory as at the end of current year is ₹ 32,842 lacs as against ₹ 35,277 lacs as at the end of the last year. Inventory holding period is 16 weeks during the current fiscal against 18 weeks last year. The inventory has been valued at lower of cost or net realisable value.

LIQUIDITY

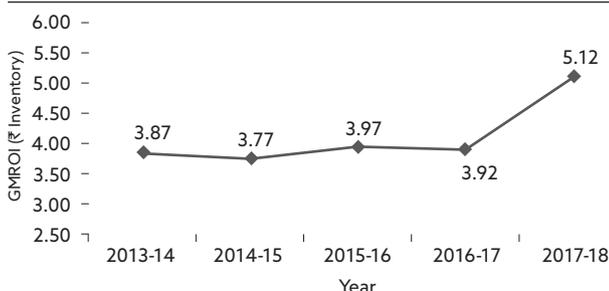
The cash generated from operations is ₹ 32,187 lacs.

PRODUCTIVITY / OPERATING EFFICIENCY PARAMETERS

We look at our Gross Margin with reference to our Space, Inventory and Labour to monitor our efficiency with the help of 3 indicators i.e. Gross Margin Return on Inventory (GMROI), Gross Margin Return on Floor Space (GMROF) and Gross Margin Return on Labour (GMROL).

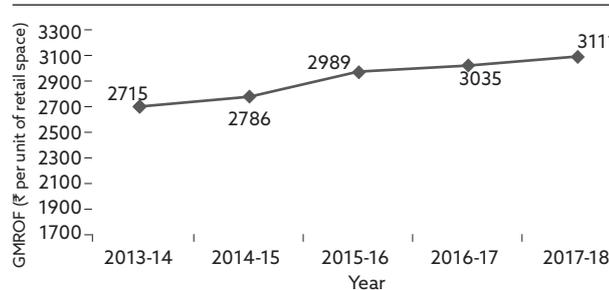
GMROI helps to optimise inventory levels, GMROF helps to maximise the cash margins and GMROL helps to increase labour productivity.

GMROI



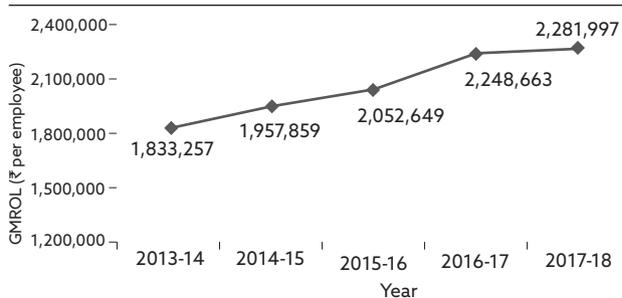
(Source: Company MIS)

GMROF



(Source: Company MIS)

GMROL



(Source: Company MIS)

PARTNER SATISFACTION INDEX (PSI)

The performance of any Company depends on the association and relationship it builds with various vendors/partners over a period of time. To evaluate this satisfaction and expectation, your Company has appointed CSMM (Customer Satisfaction Measurement and Management), a part of IMRB (Indian Marketing and Research Bureau) to do an impartial evaluation of our relationship with various stakeholders. This helps your organisation understand the expectations of various business partners, current strengths and concern areas thereby help set a clear roadmap for improvement and better performance.

Our PSI scores for the five years are as below.

Year	2013	2014	2015	2016	2017
Scores	4.31	4.18	4.13	4.17	4.05

PARTNERSHIP FOR PROGRESS

Partnership for Progress (PFP) is a vendor, meet which your Company conducts annually. During this event, your Company gets and gives opportunity to the top retail vendors / brands to discuss and strengthen the association, apart from exploring various business possibilities with each other. The summit also becomes a platform for your Company as well as its partners to share their experiences with each other. Your Company also invites well known international and national speakers to share learning and experience which is closely related to Retail, Brand, Customer, Logistics, etc.

Your Company also recognises the performance of top partners who are rewarded with 'SHOPPERS STOP PINNACLE AWARDS' during this summit.

This is an activity with more than 100 vendors/partners attending the summit.

HUMAN RESOURCES:

- **STYLE:**

To build the organisational capability and make the organisation future ready, a 18 months programme called Shoppers Stop Young Leaders Evaluation (STYLE) programme was launched. 27 High Potentials across all functions were chosen through scientific assessments and they underwent varied initiatives across competencies like Leadership, Innovation, Storytelling etc. They were also given Live projects to work upon to develop & nurture them. The training exposure happened through External Subject Matter Experts.

- **ILearn:**

To engage, educate and empower our learners through a blended learning mechanism, we introduced a digital platform branded as 'ILearn' that allows our managers and future leaders to manage their learning needs at their own pace. We have partnered with digital e-learning content experts to help our people access world-class content at their fingertips. This content is jointly designed by industry experts and professors from reputed institutes like Harvard, Stanford, Kelloggs to name a few. The blended learning model encompasses a bouquet of courses keeping in mind current skills required at the job and the competencies to do them in a right way. 850 managers across Stores and Services Office have been identified to be engaged through this initiative this year.

- **SIP:**

We continue our journey to inspire and influence our people through Leadership Talk series branded as SIP - 'Systematic Investment in People.' We've used this platform effectively to engage our employees and seek a whole new perspective through some eminent speakers. The insights and personal stories of some of the best thought leaders often inspire our learners to reflect, evaluate, assess and then action. Thus bringing a 360 degree transformation in their personal or professional approach. We added a new outlook in the way we look at innovation in day-to-day life through the session conducted by Rolex award winner Sonam Wangchuk. The famous veteran of Kargil fame, General V.P. Malik also showed us the power of Leading from Behind. We have had an overwhelming response with the participation crossing over 400 people from Services Office for these sessions.

- **Cashier Excellence programme:**

Cashiering process is the last touchpoint and the customer experience at this stage plays an important role in the overall engagement at the store. We conducted a benchmarking activity across diverse industries to study trends and service levels at the cash tills. To stand out and differentiate our service at this touchpoint we needed to bring a subtle balance in functional and behavioural abilities of our cashiers.

We designed an intervention which was a fine blend of observed best practices and ideal desired behaviours that our cashiers should demonstrate during customer engagement. We covered cashiers across all stores as a part of this service excellence initiative. To constantly reinforce key learnings of the programme a customised sticker is pasted on POS machines for cashiers' immediate reference.

- **Outbound**

Offsite trainings are a great platform for informal learning and breaking monotony. We conducted this year's Service office outbound session at Lonavla. This one and half day intervention aimed at helping team members network and meeting new people working in other functions. This opened avenues for future inter and intra department collaboration. The training activities were designed to bring out fresh perspectives on aspects like innovation, teamwork, collaboration, problem solving, design thinking and seamless execution. The theme of this intervention to Refresh, Recharge, Renew truly met participant expectations.

- **Hosting Skills**

With our organisation aiming to become Omni-channel it is important for us to create differentiation with our service. To create a seamless experience for our customers it was imperative that we looked at an innovative way of servicing them. Hosting a customer rather than merely selling or servicing could help us boost the service experience 3X times at the stores. This learning initiative focused on bringing a shift in the mindsets from being sale oriented to being service oriented. We focused on imparting associates with key skills that could help them host the customer with ease and confidence thus creating a wholesome experience. Customer Care Associates, Personal Shoppers, Cashiers, CSD / FCD team members, Department Managers and Unit Heads were part of this intervention.

- **IGDS**

We continue to inculcate and give our employees, exposure to Best International Retail Practices through IGDS. Three of the senior leader participated in this year's IGDS US Retail Executive Tour. The journey helped them look at technology practices followed by best-in-class retailers.

- **Personal Safety & Defense**

Living the philosophy of Start Something New we initiated a pilot of Personal Shoppers at Home service in three cities. Self-Management and Personal safety of our employee becomes utmost important while they are away from the store. Subject Matter Expert Mr. Anuj Sharma conducted a two day session where the participants were made aware of the various aspects of the POSH Law and urban safety at the store or at the extended workplaces like travel or the customer's residence. They were told how to

recognise the signs of the harassment and danger. They were also educated on steps they could take for corrective action and the process for reporting the case.

- We also arranged a two day session for the POSH committee members across the organisation. This is in line with the regulatory guidelines for POSH committee members to remain updated on the framework & statutory requirements of POSH. The session contained both, POSH guidelines (what is POSH, definition etc.) as well as POSH regulations in detail (How to handle investigations, reporting structure, differentiating POSH Vs no POSH etc.). The session was highly engaging through use of case studies which helped committee members get a practical insight on handling investigations.

• **Baby Kangaroo:**

The award Winning Baby Kangaroo Programme continues to provide development and growth opportunity to the front end associates and helps them evolve as thorough Department Managers. This year 21 Customer Care Associates went through the 35 days of the exhaustive and effective M.A.S.T. (Managerial and Supervisory Training) programme and embarked on their journey of the Department Manager. Learnings were also imparted by a pool of internal and external speakers and trainers.

• **Dronacharya:**

In a constant pursuit of enhancing the quality of our BKs and enhancing the possibility of every DM progressing upward, we are glad to re-launch our 'Dronacharya' initiative. Under this initiative the nominated Unit Head is trained on sharpening and enhancing Coaching & Mentoring skills. On successful clearance of assessment, the Unit Head is certified as a 'Dronacharya'. This initiative helps us create a pool of mentors who would guide and groom young leaders to bring the best out of them.

• **SSL radio**

SSL radio 91 was launched in the year 2016 with an intent to create a new learning experience through quotes and reiteration of important policies on a day to day basis. This initiative has been one of the simplest yet useful way to inform, inspire and influence our associates to do nothing but the best. It also has been one of the fastest modes for the Functional Heads and Top management to reach out to our associates and feed them with inspiring message & tips to excel in their roles.

• **Times Technology**

We continue to focus on maximising reach & minimising time & efforts, through our partnership with Times Education Ltd. Through its studio and Video conferencing facility, we were able to conduct Training on New Season launch for B & M.

• **Training hours:**

Training hours 16-17	Training hours 17-18
25386	33144

Our organisation level annual employee engagement survey 'COMPASS' is conducted by a renowned external agency with a widely accepted engagement framework. It helps us to gauge our overall engagement levels, as well as to understand the factors which impact engagement across different populations within the organisation. This enables us to appropriately align our efforts to motivate our associates in future.

MARKETING:

This year, Shoppers Stop revived Doty - Designer of the Year Campaign. The grand finale witnessed a fashion night and winners who interned and designed range with Shoppers Stop. Shoppers Stop continued to craft category-specific promotions such Shopping League, Back to School, Festive Delight, to name a few. Regional promotions such as Poila Baisakh and Pujor Bazaar with localized content and celebrity endorsements helped build brand connect in various markets.

Shoppers Stop continued to establish itself as the leader on Social Media by crossing 10.8 million followers on Facebook. To be ahead of the curve and engage consumers through innovative solutions we launched Talking Mannequin in Bandra. The AI interacted with the consumers as soon as they landed in the defined radius. This garnered us a lot of traction online and offline as well. In keeping with the latest trends we ensured to engage with the consumers with latest features on social channels like Instagram Polls, GIFS, Swipe Up feature that landed the consumer on e-commerce site. To drive the footfalls to our stores through the expanding landscape of digital media, we collaborated with Google and implemented an O2S (Online To Store) campaign in Mumbai and Bengaluru. The concept was to maximise the online eyeballs to footfall ratio which could translate into better customer entry and helps in mapping the same.

LOYALTY PROGRAMMES:

Your Company runs the famed 'First Citizen Loyalty Programme'. The First Citizens programme now has a base of over 5.3 million customers. During the current year, the First Citizens contributed 75% of the Company's annual sales. The First Citizen programme has 3 tiers - Classic Moments (entry level), Silver Edge and Golden Glow. Members fall into the various tiers on the basis of their spends with us.

First Citizens also earn differential rewards basis their current tier of membership. First Citizens receive:

- Reward points on their spends. These reward points can be redeemed for a wide variety of merchandise at your Company's stores and online store www.shoppersstop.com and mobile app.

- Members can earn and redeem points via their mobile phones.
- Exclusive schemes, benefits and promotions.
- Extended and exclusive shopping hours – especially during the festive season. Special previews before the sale periods.
- Invitations to exclusive events – both in-store as well as those organised outside the stores.
- Home delivery of altered merchandise for select tiers.
- Exclusive First Citizen lounge at select stores.

Co-branded Credit card Programme with Citibank

Your Company in association with Citibank continues to offer its First Citizens an option to add on a credit card to their existing loyalty cards. This enables First Citizens to add on a credit line to their purchases. They also have the added advantage of being able to choose from amongst various attractive financing options, cash back schemes, EMI schemes, etc., for buying at your Company's stores.

RISK MANAGEMENT AND INTERNAL CONTROL

Effective governance consists of competent management; implementation of standard policies and processes; maintenance of an appropriate audit programme with internal control environment; effective risk monitoring and management information systems (MIS).

The Company has an integrated approach for management of risk and has formulated the framework for regulatory and risk management, standardising the definition of internal controls.

It also provides a framework for risk management and regulatory compliance, which requires risk assessments and related policies, a control-based environment and activities, information and communication procedures, and a monitoring mechanism for the control environment.

The Company has laid down a sound system of Internal Controls for financial reporting of various transactions, efficiency of operations and compliance with relevant laws and regulations commensurate with its size and nature of business. The Company has a well-defined system of management reporting and periodic review of businesses to ensure timely decision-making.

These internal control procedures ensure the following:

- Efficient use and protection of resources.
- Compliance with policies, procedures and statutes.
- Accuracy and promptness of financial reports.

The MIS forms an integral part of the Company's control mechanism. All operating parameters are monitored and controlled, with material deviations from the annual planning and budgeting and business outlook including capital expenditure reported to the Board on quarterly basis.

In line with the needs of Companies Act, 2013 the Company has documented & tested all the key internal controls

related to both Financial Reporting and Operational Controls.

Reports of internal auditors are reviewed by the Audit Committee, and corrective measures are carried out towards further improvement in systems and procedures and compliance with Internal Control System. The board also recognises the work of the auditors as an independent check on the information received from the management on the operations and performance of the Company

TECHNOLOGY INITIATIVES:

2017-18 has been an exciting and action filled year for your Company. Changing market, emerging technologies and evolving customer behaviours require us to better understand our consumers need and reformulate our technology portfolio. Beside the regulatory changes in the form of GST gave us an opportunity to relook at some of our business processes and build newer capabilities. We are motivated by our position; our excellent progress leaves us in a confident position for the future. Some of the key initiatives that your Company took during the year are:

In-store Customer Engagement Initiatives and Improved Experience

In the context of a changing customer who wants a combination of luxury and fashion, your Company rolled out the Personal Shopper programme where technology played a crucial role by integrating the entire process from appointment booking to the feedback into the CRM solution and empowering our frontend associates with in-store mobile apps. Quick surveys and feedback systems were implemented to get the sense of what our customers are experiencing in-store.

Based on the extensive analytics deployed by your Company, we understand that our customers shop by brands. Brand wise points earning and redemption was a therefore a natural response which was built and rolled out in our Loyalty programme.

Faster Supply Chain & Smarter Fulfilment Model

Merchandise has its best worth when it has reached the store front in shortest possible time and is frequently refreshed. Your Company continues to invest into technologies that optimise the supply chain operational processes and makes products available for the customer efficiently. Single scan carton receiving process and automation of reverse logistics has been implemented this year to significantly reduce the goods receipt and pull back time. This enables the associates to focus more on the customers.

Information Security & Compliance Initiative

This year we continued improve upon security best practices and recertified our information security standard for PCI / DSS and extended the scope to obtain certification for our e-commerce business.

Your Company also transitioned to GST with almost no impact on the business, your stores were open to receive the customers with a GST compliant solution on 1st of July. Your Company has very successfully changed its core solutions for GST and has met all the timelines mandated by the Government under GST.

Integrated Processes & People Efficiency

All round communications and seamlessly integrating technologies are the key to creating an agile business. Your Company has invested in the best of the breed Master Data Management (MDM) solution this year thereby allowing us to manage all the business critical data with integrity and accuracy. This is already in use extensively in the product on-boarding and on-line enrichment processes and has significantly reduced the time to make our products available online.

Another major initiative delivered this year is the Enterprise Service Bus (ESB) which integrates all the key business technologies with minimum impact. The MDM & ESB technologies form the base on which your Company will continue to maintain its leadership position in Retail Technology.

Solutions for Associate Enablement

Human resource being a critical element in maintaining a customer centric organisation culture, your Company added several new initiatives to automate the various processes like promotion, separation and performance management in an employee lifecycle.

CORPORATE GOVERNANCE

Your Company has taken steps to ensure that the Corporate Governance guidelines are adopted and fully complied with. The detailed Corporate Governance Report is attached with this report.

CAUTIONARY STATEMENT

The statement made in this section describes the Company's objectives, projections, expectations and estimations which may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. The annual results can differ materially from those expressed or implied, depending on the economic and climatic conditions, Government policies and other incidental factors which are beyond the control of the Company.