

BOARD'S REPORT TO THE MEMBERS

Your Directors are pleased to present the 83rd Annual Report covering the operational and financial performance of your Company along with the Audited Financial Statements for the year ended March 31, 2016.

FINANCIAL HIGHLIGHTS

(Rs. in Million)

Particulars	Year ended on March 31, 2016	Fifteen month period ended on March 31, 2015	Twelve month period ended on March 31, 2015
	(Audited)	(Audited)	*
Gross Turnover	24,512.59	27,375.98	22,318.41
Less: Excise Duty on Turnover	332.05	436.03	329.68
Net Turnover	24,180.54	26,939.95	21,988.73
Other Income	300.84	432.33	355.79
Total	24,481.38	27,372.28	22,344.52
Profit/(Loss) before Exceptional item, Depreciation and Taxation	2,989.61	3,763.77	3,034.91
Exceptional item - Income/(Loss)	747.07	315.25	315.25
Profit/(Loss) before Depreciation and Taxation	3,736.68	4,079.02	3,350.16
Less: Depreciation	752.48	792.34	655.88
Profit / (Loss) before Taxation	2,984.20	3,286.68	2,694.28
Provision for Taxation:			
-Current Tax	927.51	1,170.24	945.77
-Deferred Tax Charge/ (Credit) (Net)	-130.79	-195.28	-169.17
Net Profit	2,187.48	2,311.72	1,917.68
Profit available for Appropriation	9,673.37	8,205.76	8,205.76

* Based on Limited Review by the Auditors as published in compliance with Clause 41 of the erstwhile Listing Agreement with the Stock Exchanges.

BUSINESS OPERATIONS

During the financial year ended March 31, 2016, your Company recorded a gross turnover of Rs.24,512.6 Million as compared to gross turnover of Rs. 27,376.0 Million during the fifteen month period ended March 31, 2015. The Net Profit of your Company for the financial year ended March 31, 2016 stood at Rs. 2,187.5 Million as compared to Net Profits of Rs.2,311.7 Million for the fifteen month period ended March 31, 2015. The Net Profits of your Company for the financial year ended March 31, 2016 includes Exceptional Income amounting to Rs.747.1 Million (as per details mentioned in Note No. 23 of the Notes to Financial Statements of the Company attached herewith).

On a consolidation basis, your Company recorded a gross turnover of Rs. 24,585.7 Million during the financial year ended March 31, 2016 and achieved consolidated Net Profits of Rs. 2,185.4 Million for the said financial year.

Your Company closed its previous financial year on March 31, 2015 covering a period of fifteen months as compared to the last financial year ended on March 31, 2016 covering a period of twelve months. Since the financial performance of your Company for the previous period is not comparable, your Board, therefore, considered it prudent to include the financial performance for the twelve month period ended March 31, 2015 for better understanding of year-wise performance, by all the stakeholders of your Company.

Your Company's turnover during the year ended March 31, 2016 recorded a growth of approx. 9.8% as compared to the twelve month period ended March 31, 2015. The Net Profits during the year ended March 31, 2016 registered a growth of approx. 14.1% as compared to the Net Profits achieved by your Company during the twelve month period ended March 31, 2015.

As informed in the last Annual Report, your Company had to overcome the unexpected challenges in implementation of new supply chain IT system which led to disruption and delay in supply of footwear from the factories and warehouses to the retail stores during the beginning of the financial year 2015-16 impacting the volume of footwear sold and also loss of market share. During the year under review, several corrective measures have been taken in order to overcome such challenges including focus on same store growth, replenishment of stock in retail stores based on store requirement/sales, liquidating inventory level through various schemes and also cost reduction initiatives. Your Board is happy to inform that the Company is slowly re-gaining its lost market share and also started registering volume growth from the third quarter of the financial year 2015-16.

During the last year we saw considerable changes in the external business environment. While commodity prices and inflation were under control, the second continuous monsoon failure and resulting drought reduced rural demand in several areas of the Country. In addition, competition from both foreign and national players continued to be aggressive. In this scenario your Company continued to focus on delivering value to the customers.

In order to maintain its leadership position in the organized footwear market in India, your Company has been continuously improving its collection of various range of footwear across all categories - men, women and children. During the year under review, your Company introduced various new designs of footwear which are contemporary, stylish and also affordable. The retail stores of your Company now provide a world class store ambience and delightful shopping experience to the customers. Recently, your Company has initiated a new campaign - Bata Club, which is a mobile based customer loyalty initiative. The Bata Club has approx. 6.7 Million memberships and is growing rapidly, resulting in incremental revenue generation for your Company.

Modernization of the factories and manufacturing processes of your Company continued during the year under review. Various initiatives to introduce Six Sigma in Batanagar factory are at different stages of implementation. Your Company has also taken various measures to introduce eco-friendly manufacturing processes including energy saving measures and consumption of minimum natural resources. The manufacturing unit of your Company in Batanagar is an ISO 9001 & ISO 14001 certified Unit. Your Company shall continue to make additional investments in its manufacturing units across the Country for modernization of infrastructure and manufacturing process in order to achieve improved productivity and cater to the emerging customer segments.

Your Company has decided to shift its focus from opening new retail stores to ensuring same store growth. In order to achieve volume growth your Company shall continue its penetration into Tier-2 and Tier-3 cities and other potential markets based on customer-centric market surveys and insights. An appropriate marketing campaign to re-ignite growth is also under preparation. Your Company is confident of maintaining its leadership position in the organized sector of Indian Footwear Industry and shall strengthen its position at the top in the years to come.

SHARE CAPITAL AND SUB-DIVISION OF EQUITY SHARES

Pursuant to approval of the Shareholders obtained at the Eighty Second Annual General Meeting, your Company has sub-divided the face value of its equity shares of Rs. 10/- each, fully paid-up into two equity shares of Rs. 5/- each, fully paid-up. The Share Split Committee of your Board of Directors had fixed October 8, 2015 as the 'Record Date' for the purpose of ascertaining the eligible Shareholders for receiving the aforesaid sub-divided equity shares. Subsequent to the aforesaid Record Date, new share certificates have been despatched to the Shareholders who held shares in physical mode and also credited to the respective demat account who held shares in electronic mode.

Accordingly, the Authorized Share Capital of your Company stands re-classified at Rs. 700,000,000/- divided into 140,000,000 equity shares of Rs. 5/- each. At present, the Issued Share Capital of your Company is Rs. 642,850,000/- divided into 128,570,000 equity shares of Rs. 5/- each and the Subscribed and Paid-up Share Capital is Rs. 642,637,700/- divided into 128,527,540 equity shares of Rs. 5/- each, fully paid-up.

DIVIDEND

Your Board has recommended a dividend of Rs.3.50 per share (i.e., 70% on an Equity Share of Rs. 5/- each) for the financial year ended March 31, 2016, as against Rs.6.50 (i.e., 65% on an Equity Share of Rs. 10/- each) for the fifteen month period ended March 31, 2015 paid last year. The payment of aforesaid dividend is subject to approval of the Members at the forthcoming Annual General Meeting and if declared, shall be paid to the eligible Members from August 18, 2016 onwards.

TRANSFER OF UNPAID AND UNCLAIMED DIVIDENDS

During the year under review, the unclaimed / unpaid dividend of Rs.6,76,440/- (Rupees Six Lacs Seventy Six Thousand Four Hundred and Forty only) pertaining to the dividend for the financial year ended December 31, 2007 was transferred to Investor Education and Protection Fund (IEPF) of Government of India. The details including last date of claiming of unclaimed / unpaid dividend amount are given at the end of the Notice convening the Eighty Third Annual General Meeting of the Company.

DEPOSITS

Your Company has no unclaimed / unpaid matured deposit or interest thereon since December 31, 2013. Presently, the Company is not accepting any deposits covered under 'Chapter V - Acceptance of deposits by Companies' of the Companies Act, 2013.

CREDIT RATINGS

During the year under review, ICRA Limited (ICRA) has revised the Credit Ratings of your Company. ICRA has reaffirmed the Credit Rating of '[ICRA]AA+' (pronounced as ICRA double A plus) for the Non-Fund Based Facilities of your Company. The outlook on the Long Term Rating is 'Stable'. ICRA has withdrawn the Credit Rating of '[ICRA]AA+' (pronounced as ICRA double A plus) assigned to the Fund Based Facilities of your Company, as there is no amount outstanding against this instrument. ICRA has also withdrawn the Credit Rating of '[ICRA]A1+' (pronounced as ICRA A one plus) assigned to the Commercial Paper programme of your Company, as the said instrument has not been placed by your Company and as such, there is no amount outstanding against this instrument.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

In terms of Section 186 of the Companies Act, 2013 and Rules framed thereunder, details of the Loans given (Note no. 11) and Investments made (Note no. 9) by your Company during the year have been disclosed in the Audited Standalone Financial Statements. Your Company has not given any guarantee or provided security during the year under review.

RELATED PARTY TRANSACTIONS

During the financial year ended March 31, 2016, your Company's transactions with all the Related Parties as defined under the Companies Act, 2013 read with Rules framed thereunder were in the 'ordinary course of business' and 'at arm's length' basis. Your Company does not have a material unlisted subsidiary as defined under Regulation 16(1)(c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. During the year under review, your Company did not have any Related Party Transaction which required prior approval of the Shareholders.

All Related Party Transactions are placed before the Audit Committee for its prior approval. There has been no materially significant Related Party Transactions during the year under review, having potential conflict with the interest of the Company. Necessary disclosures required under the Accounting Standards (AS-18) have been made in the Notes to Financial Statements.

EXTRACT OF ANNUAL RETURN

An extract of Annual Return in Form No. MGT-9 as on March 31, 2016 is annexed to this Board's Report and marked as *Annexure I*.

AUDITORS**i) Statutory Auditors**

The Statutory Auditors of your Company - M/s. S. R. Batliboi & Co. LLP, Chartered Accountants, retire at the ensuing Annual General Meeting of the Company and have given their consent for re-appointment. Your Company has received a certificate from them confirming their eligibility to be re-appointed as Auditors of the Company in terms of the provisions of Section 141 of the Companies Act, 2013 and Rules framed thereunder. They have also confirmed that they hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India as required under the provisions of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The proposal for their re-appointment has been included in the Notice convening the Eighty Third Annual General Meeting of the Members of the Company.

ii) Secretarial Auditor

In terms of the provisions of Section 204 of the Companies Act, 2013 read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a Secretarial Audit Report in the prescribed format, obtained from a Company Secretary in practice, is required to be annexed to the Board's Report. In view thereof, your Board at its Meeting held on February 10, 2016 re-appointed M/s. P. Sarawagi & Associates, Company Secretaries, 27, Brabourne Road, Kolkata - 700001 as the Secretarial Auditors of your Company to conduct the Secretarial Audit and to submit Secretarial Audit Report thereon for the financial year ended March 31, 2016. The Secretarial Audit Report in Form No. MR-3 is annexed to this Board's Report and marked as *Annexure II*.

QUALIFICATION, RESERVATION OR ADVERSE REMARK IN STATUTORY AUDIT REPORT AND SECRETARIAL AUDIT REPORT

There is no qualification, reservation or adverse remark made by the Statutory Auditors in their Auditors' Report to the Financial Statements or by the Secretarial Auditor in its Secretarial Audit Report for the financial year ended March 31, 2016.

RESEARCH & DEVELOPMENT ACTIVITIES AND ENERGY CONSERVATION

Your Company's Research & Development activities during the year under review continued to emphasize on creating a pollution-free and a safe work environment. Technological improvement in product development, material development, introduction of new footwear moulds, process improvement, etc. were the key focus area, in order to improve quality of footwear and productivity in manufacturing. During the year under review, an expenditure of approx. Rs.62.2 Million was incurred on Research & Development (including product development initiatives), as against Rs.61 Million during the year 2014-15. Your Company has adopted a series of energy conservation measures like replacing conventional tubes with energy efficient LED lights, installation of energy efficient screw compressors, etc. at its Manufacturing Units across India. Such energy saving measures led to a savings of energy cost worth approx. Rs. 11.3 Million during the year under review, as against the same savings during 2014-15. Your Company shall continue to invest on Research & Development activities and energy saving measures in its manufacturing units in the future as well.

EFFORTS ON REDUCING ENVIRONMENTAL IMPACT AND SUSTAINABILITY

Your Company is conscious and committed to maintain environmental and ecological balances of this planet and makes its conduct subject to environment audit practices. Across all manufacturing units, effluent treatment plants are working effectively and efficiently. Since Batanagar and Bataganj factories are located at the bank of River Ganges, water discharge to the River Ganga meets the norms of the "Clean Ganga" initiatives of the Central Government. All the factories are complying with stack emission qualities and ambient air qualities. Special thrusts are given on waste management, conservation of energy and water and natural resources.

On Water Conservation initiatives, Rain Water Harvesting Plant was established at the factory at Bangalore during the year 2010 and it is working efficiently and effectively towards utilization of rain water. On Energy Conservation initiatives, Batanagar factory introduced Bio-fuel Briquette fired boiler by replacing fossil fuel oil fired boiler and introduced various low energy sensitive equipments and lamps by replacing high energy consumed devices. Further, in all factories your Company has moved to Water Based (WB) adhesives from petroleum Solvent Based (SB) adhesives.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

A Statement containing information on conservation of energy, technology absorption and foreign exchange earnings & outgo of the Company, in the prescribed format, under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, is annexed to this Board's Report and marked as *Annexure III*.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) continues to be a commitment of your Company in order to create a good impact in the society it belongs. Your Company endorses the idea of improving quality of lives of people in the communities in which it operates because the society is an essential stakeholder. Your Company believes that giving back to the society through CSR activities is its moral duty.

Pursuant to the provisions of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Regulations, 2014, a report on CSR Activities, in the prescribed format, is annexed to this Board's Report, marked as *Annexure IV* and the same forms an integral part of the Annual Report.

SUBSIDIARY COMPANIES

Bata Properties Limited and Way Finders Brands Limited continue to be wholly-owned subsidiaries of your Company. Coastal Commercial & Exim Limited continues to be the only step down wholly-owned subsidiary of your Company.

The Annual Reports of the abovementioned Subsidiaries for the financial year ended March 31, 2016 shall be provided to the Members of the Company upon receipt of written requests from them. The Annual Reports of these Subsidiary Companies will also be made available for inspection by the Members of the Company at the Registered Office of the Company at 27B, Camac Street, 1st Floor, Kolkata - 700016 between 11:00 a.m. and 1:00 p.m. on any working day. Annual Reports along with the Audited Financial Statements of each of the Subsidiaries of your Company are also available on the website of the Company at www.bata.in.

Pursuant to the provisions of Section 129(3) of the Companies Act, 2013, a statement containing salient features of financial statements of the aforesaid Subsidiaries, in Form AOC-1, is attached to the Financial Statements of your Company for the year ended March 31, 2016.

The Consolidated Financial Statements of your Company for the financial year ended March 31, 2016, as prepared in terms of the Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India are also forming part of this Annual Report.

MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION BETWEEN END OF THE FINANCIAL YEAR AND DATE OF REPORT

There has been no material change and commitment affecting financial position between end of the financial year and the date of this Board's Report.

The Ministry of Corporate Affairs, Government of India *vide* its Notification dated February 16, 2015 has issued the Companies (Indian Accounting Standards) Rules, 2015 which lays down a roadmap for companies for implementation of Indian Accounting Standards (*Ind AS*). Every listed company and their holding and subsidiary companies (other than banking companies, insurance companies and non-banking financial companies) are required to comply with *Ind AS* in the preparation of their financial statements for accounting periods beginning on or after April 1, 2016, with the comparatives for the periods ending March 31, 2016. In pursuance of the above Notification, your Company and its subsidiaries have adopted *Ind AS* with effect from April 1, 2016. Your Company has assessed its current financial reporting framework taking into consideration *Ind AS* and has identified major points of differences. Your Company has devised a robust implementation plan for adoption of *Ind AS*.

SIGNIFICANT AND MATERIAL ORDERS

During the year under review, your Company has amicably settled its protracted litigations with Relaxo Footwear Limited relating to 'SPARX' Trademark. Necessary consent terms have been filed with the appropriate Trademarks Authorities and before the Hon'ble Delhi High Court. Except this, there has been no 'material' litigation outstanding as on March 31, 2016. Details of litigation on tax matters are disclosed in the Auditors' Report and Financial Statements which are forming part of this Annual Report.

AWARDS AND RECOGNITION

Your Board is pleased to inform that your Company has been able to maintain its leadership position in the organized footwear market by bagging several awards and recognitions. During the year under review, your Company received several Awards and Recognitions, which include the following:

- The Most Trusted Brand - In 2015, Bata was awarded with the title of the most trusted brand according to the Brand Trust Report, India Study 2015.
- Best Footwear Brand - Known as the brand with outstanding e-Retail Performance and re-design/ re-launch of the Year by Franchise India in 2015.
- Delhi NCR's Hot 50 brands by Hindustan Times co-hosted by LinkedIn
- Child's Most popular Award by CHILD Magazine.

SUPPORT FROM BATA SHOE ORGANIZATION

Your Company continues to receive assistance and benefits of technical research and innovative programs of Bata Shoe Organization (BSO) through Global Footwear Services Pte. Ltd., Singapore (GFS). Your Company has renewed the Technical Collaboration Agreement with GFS with effect from January 1, 2011 for a period of ten years. In terms of the said Technical Collaboration Agreement, your Company receives guidance, training of personnel and services from GFS in connection with research & development, marketing, brand development, footwear technology, testing & quality control, store location, layout & design, environment, health & safety, risk & insurance management, etc. Your Company continues to obtain expertise and experience from the visiting senior personnel of GFS and other BSO group companies to improve its product range and operational processes throughout the year. In terms of the renewed Agreement as aforesaid, your Company has paid a technical services fee of Rs. 237.4 Million to GFS for the financial year ended March 31, 2016, equivalent to approx. 1% of the Net Turnover of your Company.

STATUS OF BATANAGAR PROJECT

As reported in the earlier Annual Reports, in terms of the Order of the Government of West Bengal dated August 25, 2014 as amended vide Memorandum dated November 28, 2014, completion of the remaining obligations with regard to development of an Integrated Township Project at Batanagar, West Bengal would be the sole responsibility of Riverbank Developers Private Limited (RDPL) - the erstwhile Joint Venture Company of the Company and the obligations of your Company stand satisfied. RDPL has been given time up to March 31, 2017 to fulfill the requirements as stipulated in the aforesaid Memorandum issued by the Government of West Bengal.

As mutually agreed *inter alia*, between RDPL and the Company vide New Development Agreement dated April 28, 2010 read with Addendum Agreement dated December 5, 2013, your Company received approx. 1,36,955 sq. ft. of constructed space in the Project during the previous year. In terms of the said Agreement, your Company took possession of the remaining 1,95,075 sq. ft. of constructed space in the said Project, during the year under review. Accordingly, RDPL's obligation to handover 3,32,030 sq. ft. of constructed space to the Company has been completed.

In view of the above, your Company had written back provision for contingent liability amounting to Rs. 93 Million in the previous year. The remaining provision amounting to Rs.123.2 Million has been written back in the financial year ended March 31, 2016 as no longer required.

Notwithstanding anything contained in the Order and Memorandum as aforesaid issued by the Government of West Bengal, your Company is committed to invest in the development and modernization of manufacturing units in Batanagar and also shall continue to take all necessary steps to rejuvenate and improve lifestyles of its employees in the State of West Bengal.

BOARD OF DIRECTORS AND BOARD MEETINGS

Your Company has a duly constituted Board of Directors which is in compliance with the requirements of the Companies Act, 2013, Schedules thereto and Rules framed thereunder and also in terms of the provisions of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and provisions of the Articles of Association of the Company. Your Board has been constituted with requisite diversity, wisdom and experience commensurate to the scale of operations of your Company.

A total of five Meetings of the Board of Directors of your Company were held during the year under review, i.e., on May 27, 2015; August 5, 2015; August 19, 2015; November 4, 2015 and February 10, 2016. The maximum interval between two meetings did not exceed 120 days, as prescribed in the Companies Act, 2013, Clause 49 of the erstwhile Listing Agreements with the Stock Exchanges and in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Details of all Board / Committee Meetings are given in the Corporate Governance Report which forms part of this Annual Report.

AUDIT COMMITTEE

Your Board has a duly constituted Audit Committee in terms of Section 177 of the Companies Act, 2013 read with the Rules framed thereunder and Regulation 18 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The term of reference of the Audit Committee has been approved by the Board. The Composition of the Audit Committee, no. of meetings held during the year under review, brief terms of reference and other details have been mentioned in the Corporate Governance Report section which is annexed to this Annual Report. All the recommendations made by the Audit Committee were accepted by your Board.

NOMINATION AND REMUNERATION POLICY

The Nomination and Remuneration Policy formulated by the Nomination and Remuneration Committee of the Board of Directors and approved by your Board provides for criteria for selection and appointment of Directors, Key Managerial Personnel (KMP) and Senior Management Personnel (SMP). The Policy provides for criteria for the Nomination and Remuneration Committee and the Board for fixing remuneration of the Directors, KMP, SMP as well as other employees of the Company. The Policy also provides points of reference for performance evaluation of the Board of Directors, the Committees of Directors and individual Directors of the Company. Performance evaluation of all the KMP, SMP and other employees are carried out based on the individual evaluation of Key Result Area (KRA). The Policy enumerates the powers, roles and responsibilities of the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee oversees the Company's nomination process for Directors and in that reference identifies, screens and review individuals qualified to be appointed as a Director on the Board of Directors of the Company. Your Board, on the recommendations of the Nomination and Remuneration Committee, appoints Director(s) of the Company based on his / her eligibility, experience and qualifications and such appointment is approved by the Members of the Company at General Meetings. Generally, the Managing Director and Whole-time Directors (Executive Directors) are appointed for a period of five years. The Non-executive Directors (other than Independent Directors) are liable to retire by rotation at Annual General Meeting and if eligible, may seek approval of the Members for their re-appointment. Independent Directors of the Company are appointed to hold their office for a term up to five consecutive years on the Board of the Company. Based on their eligibility for re-appointment for another term of five consecutive years, the outcome of their performance evaluation and based on the recommendation by the Nomination and Remuneration Committee, the Independent Directors may be re-appointed by the Board, subject to approval of the Members of the Company. The Directors, KMP and SMP shall retire as per the applicable provisions of the Companies Act, 2013 and the policy of the Company. Your Board has the discretion to retain the Directors, KMP and SMP in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company, subject to compliance of all applicable legislations.

While determining remuneration of the Directors, KMP, SMP and other employees, the Nomination and Remuneration Committee ensures that the level and composition of remuneration are reasonable and sufficient to attract, retain and motivate them and insure the quality required to run the Company successfully; the relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and the remuneration to Directors, KMP, SMP and other employees comprises a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals. The Company follows a compensation mix of fixed pay, benefits, allowances, perquisites, performance linked incentives and retirement benefits for its Executive Directors, KMP, SMP and other employees. Performance Linked Incentive is determined by overall business performance of the Company. Annual increments are decided by the Nomination and Compensation Committee within the salary scale approved by the Board and Members of the Company. The Company pays remuneration to Independent Directors by way of sitting fees and commission on the net profits of the Company. Non-Executive Non-Independent Directors of your Company do not receive any remuneration from the Company. Remuneration to Directors is paid within the limits as prescribed under the Companies Act, 2013 and the limits as approved by the Members of the Company, from time to time.

The aforesaid Nomination and Remuneration Policy is available on the website of the Company at www.bata.in and same is available at the link: http://bata.in/0/pdf/Remuneration-Policy_2015.pdf.

BOARD EVALUATION

In compliance with the requirements of the provisions of Section 178 of the Companies Act, 2013 read with Rules framed thereunder and provisions of Schedule IV to the Act as well as the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, your Company has carried out a performance evaluation programme for the Board of Directors, Committees of the Board and individual Directors for the financial year ended March 31, 2016.

Such performance evaluation process was formulated in consultation with the Nomination and Remuneration Committee and approved by your Board. The performance evaluation, thus, included the following:

- (i) Board Assessment;
- (ii) Assessment of each of the Committees constituted by the Board;
- (iii) Self-assessment by each Director;
- (iv) Peer Assessment by each Director.

Your Directors were circulated performance evaluation sheets with various parameters on a rating scale and to communicate the same to the Chairman of the Board of Directors and the Chairman / Chairperson of the respective Committees of the Board in confidential envelopes. The outcome of such performance evaluation was discussed at a separate meeting of the Independent Directors, held on May 3, 2016 and at the Board Meeting held on May 30, 2016. Based on the aforesaid performance evaluation, it was decided to continue the terms of the appointed Independent Directors and also to seek approval of the shareholders at the forthcoming Annual General Meeting to the proposals of appointment / re-appointment of the Directors concerned.

DISCLOSURES ON REMUNERATION OF DIRECTORS AND EMPLOYEES OF THE COMPANY

Information as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed to this Board's Report and marked as *Annexure V*.

A Statement containing Information on particulars of employees of the Company drawing remuneration of not less than Rs.60 Lac per annum or Rs. 5 Lac per month when employed for part of the year as specified under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) & 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, in the prescribed format, is annexed to this Board's Report and marked as *Annexure VI*.

WHISTLE BLOWER POLICY / VIGIL MECHANISM

In terms of Section 177 of the Companies Act, 2013, Rules framed thereunder and Regulation 22 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, your Company has a vigil mechanism in place for the Directors and Employees of the Company through which genuine concerns regarding various issues relating to inappropriate functioning of the organization can be communicated. For this purpose, your Board has a Whistle Blower Policy and the same has been uploaded on the website of the Company at <http://bata.in/0/pdf/Whistle-Blower-Policy.pdf>. A Vigil Mechanism Committee under the Chairmanship of the Audit Committee Chairman has been constituted. The Policy provides access to the Head of Legal Department of the Company and to the Chairman of the Audit Committee in certain circumstances.

No person has been denied an opportunity to have access to the Vigil Mechanism Committee including the Audit Committee Chairman. However, during the year under review, there has been no incidence reported which requires action by the Vigil Mechanism Committee.

POLICY ON PREVENTION OF INSIDER TRADING

Your Company has adopted a Code of Conduct for Prevention of Insider Trading with a view to regulate trading in equity shares of the Company by the Directors and designated employees of the Company. The said Code of Conduct is available on the website of the Company at www.bata.in. The Code requires pre-clearance for dealing in Company's shares and prohibits purchase or sale of shares in your Company by the Directors and designated employees, while they are in possession of unpublished price sensitive information and also during the period when the Trading Window remains closed.

POLICY ON PREVENTION OF SEXUAL HARASSMENT OF WOMEN AT WORKPLACE

Your Company is committed to provide a safe and secure environment to its women employees across its functions and other women stakeholders, as they are considered as integral and important part of the Organization.

Your Company has in place an Anti Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013.

An Internal Complaints Committee (ICC) with requisite number of representatives has been set up to redress complaints relating to sexual harassment, if any, received from women employees and other women associates. All employees (permanent, contractual, temporary, trainees) are covered under this policy, which also extends to cover all women stakeholders of the Company.

The following is a summary of sexual harassment complaints received and disposed off during the financial year ended March 31, 2016:

- No. of Complaints received : NIL
- No. of Complaints disposed off : Not Applicable

Your Company has been conducting awareness campaign across all its manufacturing units, warehouses, retail stores and office premises to encourage its employees to be more responsible and alert while discharging their duties.

RISK MANAGEMENT AND ADEQUACY OF INTERNAL FINANCIAL CONTROLS

Your Company operates through definitive Chart of Authorities (COAs) and Standard Operating Procedures (SOPs) in respect of its operations including financial transactions. Such COAs and SOPs are regularly monitored and if required, modified from time to time depending on business requirements.

Your Company has an adequate system of internal financial controls commensurate with its size and scale of operations which includes policies and procedures pertaining to maintenance of records containing reasonable details, accurate and fair reflections of financial transactions and dispositions of the assets of the Company. Such practice provides reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that the same are well within the COAs and SOPs, without exception. Your Company also monitors through its Internal Audit Team the requirements of processes in order to prevent or timely detect unauthorized acquisition, use or disposition of the Company's Assets which could have a material effect on the Financial Statements of the Company.

The Audit Committee of your Board has devised a Risk Management Policy, approved by your Board, which outlines the risk management framework for the functions involved within your Company. As per the said Policy, Risk Management Committee of your Board has been entrusted with the role and responsibilities to formulate, monitor and review risk management plans of your Company.

Your Company's internal financial control ensures that all assets of the Company are safeguarded and protected, proper prevention and detection of frauds and errors and all transactions are authorized, recorded and reported appropriately.

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

Your Board has also constituted a Risk Management Committee comprising of the Directors and Senior Executives of the Company under the chairmanship of the Managing Director of the Company. The Terms of Reference of the Risk Management Committee and a Risk Management Policy of the Company have also been approved and adopted. The Risk Management Committee held their first meeting on May 30, 2016.

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

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Your Board at its meeting held on May 27, 2015 appointed Mr. Ravindra Dhariwal and Mr. Shaibal Sinha as Additional Directors with effect from May 27, 2015. Subsequently, at the Eighty Second Annual General Meeting of your Company held on August 5, 2015, appointment of Mr. Shaibal Sinha was approved by the Members of the Company as a Director of the Company, whose period of office is liable to determination by retirement of directors by rotation at the Annual General Meetings. In terms of the requirements of Section 149 of the Companies Act, 2013 read with Schedule IV to the Act and Rules framed thereunder, the Members of the Company at the aforesaid Annual General Meeting appointed Mr. Ravindra Dhariwal as an Independent Director of your Company for a term of five consecutive years, effective from May 27, 2015. Your Company has formalized the appointment of Mr. Ravindra Dhariwal as an Independent Director of your Company by issuing an Appointment Letter to him and the same is available on the website of the Company, www.bata.in.

Subsequent to his attaining superannuation, Mr. Jorge Carbajal stepped down as a Non-Executive Director of your Company with effect from August 19, 2015. Mr. Ranjit Mathur, Director Finance & Chief Financial Officer, Mr. Kumar Nitesh, Managing Director-Retail and Mr. Jack G. N. Clemons, Non-Executive Director resigned from the Board of Directors of your Company with effect from August 19, 2015, November 4, 2015 and November 12, 2015, respectively. Your Board places on record its deep appreciation for the contributions made by Mr. Jorge Carbajal, Mr. Ranjit Mathur, Mr. Kumar Nitesh and Mr. Jack G. N. Clemons during their tenure as Directors of the Company and wishes them success in their future endeavours.

Consequent upon resignation of Mr. Ranjit Mathur, at the Board Meeting held on August 19, 2015, your Board appointed Mr. Ram Kumar Gupta as an Additional Director of the Company with effect from August 19, 2015 to hold office up to the date of the forthcoming Annual General Meeting. At the said Board Meeting, pursuant to Section 196 of the Companies Act, 2013 read with applicable Rules, Mr. Ram Kumar Gupta has also been appointed as a Whole-time Director designated as the Director Finance of the Company for a period of five years with effect from August 19, 2015, subject to approval of the Shareholders at the ensuing Annual General Meeting. In terms of Section 152(6) of the Companies Act, 2013 read with the provisions of the Articles of Association of the Company, Mr. Ram Kumar Gupta shall be liable to retire by rotation at Annual General Meetings. At the same Board Meeting, pursuant to Section 203 of the Companies Act, 2013, Mr. Ram Kumar Gupta was also appointed as the Chief Financial Officer and a Key Managerial Person of the Company for a period of five consecutive years with effect from August 19, 2015.

At the Board Meeting held on February 10, 2016, your Board appointed Mr. Christopher Kirk, Chairman of Bata Shoe Organization as an Additional Director of the Company with effect from February 10, 2016 to hold office up to the date of the forthcoming Annual General Meeting. Your Board recommends appointment of Mr. Christopher Kirk as a Non-Executive Director of the Company at the ensuing Annual General Meeting, whose period of office would be liable to determination by retirement of directors by rotation.

Your Directors welcome Mr. Christopher Kirk and Mr. Ram Kumar Gupta on the Board and wishes a successful association with them during their tenure as the Directors of the Company.

The Company has received Notices under Section 160 of the Companies Act, 2013 from Members of the Company along with requisite deposits signifying the candidature of Mr. Christopher Kirk and Mr. Ram Kumar Gupta for their respective appointments as Directors of the Company at the ensuing Annual General Meeting.

Mr. Rajeev Gopalakrishnan, Managing Director was appointed for a period of five years with effect from February 23, 2011, in terms of the Shareholders approval obtained at the Seventy Eighth Annual General Meeting held on June 28, 2011 and accordingly held office till February 22, 2016. Your Board at its Meeting held on February 10, 2016, in accordance with Sections 196, 203 and applicable provisions of the Companies Act, 2013 and Schedule V thereto read with Rules framed thereunder, re-appointed Mr. Rajeev Gopalakrishnan as the Managing Director, a Key Managerial Person, of the Company with revised remuneration for a period of five consecutive years with effect from February 23, 2016, subject to approval of the Members of the Company at the ensuing Annual General Meeting.

In accordance with the provisions of Section 152 of the Companies Act, 2013, Rules framed thereunder and the Articles of Association of your Company, Mr. Shaibal Sinha, Director is due to retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Your Board is of the opinion that continued association of Mr. Rajeev Gopalakrishnan and Mr. Shaibal Sinha with the Board will be of immense benefit to your Company and, therefore, recommends their re-appointment.

In terms of Section 102 of the Companies Act, 2013, Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Secretarial Standards on General Meetings (SS-2) issued by the Institute of Company Secretaries of India, brief profiles of Mr. Christopher Kirk, Mr. Rajeev Gopalakrishnan, Mr. Ram Kumar Gupta and Mr. Shaibal Sinha have been annexed to the Notice convening the Eighty Third Annual General Meeting of the Members of the Company and the same form an integral part of this Annual Report.

Mr. Uday Khanna, Mr. Ravindra Dhariwal, Mr. Akshay Chudasama and Ms. Anjali Bansal, Independent Directors of your Company, have declared to the Board of Directors that they meet the criteria of Independence in terms of Section 149(6) of the Companies Act, 2013 and that there is no change in their status of Independence.

Your Board has appointed Mr. Rajeev Gopalakrishnan, Managing Director (Chief Executive Officer), Mr. Ram Kumar Gupta, Director Finance (Chief Financial Officer) and Mr. Maloy Kumar Gupta, Company Secretary & Compliance Officer as the Key Managerial Personnel of your Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to provisions of Section 134 of the Companies Act, 2013, your Directors hereby confirm that:

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed;
- (b) 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 and loss of the company for that period;
- (c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) they have prepared the annual accounts on a going concern basis;
- (e) they have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively; &
- (f) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(a) Industry structure and developments

The Global Footwear Market, by geography, is divided into four regions: North America, Europe, Asia Pacific and Rest of the World. In terms of volume, Asia Pacific is the largest contributor to the market, accounting for a market share of approximately 40%. The major reason is attributed to increasing middle class population and rapid expansion of footwear industry in emerging countries such as China and India among others. Presently, in terms of revenue, Global Footwear Market is valued at approx. USD 210 Billion and is expected to grow at a CAGR of 2.5% from 2015 to 2023. In terms of volume, Global Footwear Market is approx. 10 Billion pairs, which may cross 12 Billion pairs in 2023 by growing at a CAGR of 2.3%.

India is the second largest producer of footwear in the world, next to China and has an ever-growing domestic market. Annually, India produces about 2.1 Billion pairs and it is estimated that production of footwear will exceed 4 Billion pairs by 2020. The per capita consumption of footwear in India is set to grow rapidly from its existing level of 1.7 pairs per annum. The global average per capita consumption of footwear is 3 pairs per annum, whereas the same for developed countries in the World is more than 5 pairs per annum.

The footwear industry is an important driver in the economic growth of India and is a significant segment of the leather industry. The Indian Footwear Market is divided into organized and unorganized segment, where the latter occupies about 65% of the overall market. In the recent past, the organized footwear sector has witnessed a faster growth and is expected to grow at 15% over the next few years.

The Government of India now allows 100% Foreign Direct Investment (FDI) in Footwear manufacturing sector through the Automatic Route. The Indian Government is also boosting the Footwear Industry by reducing excise duty on certain category of footwear. Government of India in its Finance Budget 2016, has proposed reduction in excise duty for rubber sheets for soles and heels from 12.5% to 6% and an increase in abatement from retail sales price for calculating excise duty for footwear from 25% to 30%. Such step by the Government is creating a conducive investment climate towards attracting overseas investments and increasing employment potential within the Country.

(b) Opportunities and Threats

While India is the second largest footwear manufacturers of the World, only 10% footwear produced in India are being exported and the remaining 90% of the production are sold within the Country for domestic consumption. China continues to be leading country in the World as an exporter. Indian footwear industry is exploring ways to increase exports and the growth in export of footwear will depend on quality and cost competitiveness.

India is attracting various established fashion brands of the World as well as retailers who are re-orienting their focus on the domestic footwear market, which has led to a significant increase in the number of retail outlets nationwide. Furthermore, growing fashion consciousness and increasing demand for innovation in design and technology of footwear products is increasing competitiveness in the Markets.

Your Company has enjoyed a presence in the Indian Footwear Industry for more than eight decades and has established an integrated manufacturing, supply chain and distribution network. Your Company understands the latest trends in footwear industry and will exploit its leadership position in the organized footwear industry and take appropriate steps to overcome the challenges in the footwear industry to achieve its objectives.

(c) Segment wise or product wise performance

Your Company operates in two segments - Footwear & Accessories and Surplus Property Development. Your Company has chosen Footwear & Accessories as its primary segment.

Performances of major business categories and key brands of your Company during the financial year ended March 31, 2016 are highlighted below:

Retail Business

During the twelve month period ended March 31, 2016, your Company opened 26 new retail stores across India.

The new stores are larger in size and are based on global design, making them look complete and enticing with adequate space to display the products. Your Company plans to add around 30 new retail stores every year to increase its presence in the Malls and High Street Markets and 30 new Franchisee stores also in the Tier-2 and Tier-3 cities across India. Your Company plans to open 5 destination stores each year to provide a unique shopping experience with wide collection to the consumers. Such destination stores will comprise of very large retail space located at the outskirts of the cities with all amenities like ample parking space, children's play area and food-court. In addition, your Company shall continue to make investment on renovating existing stores hence creating a delightful shopping experience for the customers by improving store layouts and creating an emphasis on key products within the retail stores.

India has witnessed exponential growth in e-commerce business with customers preferring to shop online. This leads to a lesser footfall and decreasing conversion rate, impacting the retail business across the Country. Your Company believes that the present business model of e-commerce players offering huge discount is not sustainable in the long run and expects the customers' footfall in retail store shall increase. In order to cater to the customers who prefer online shopping, your Company has been exploring various plans to facilitate their shopping choices through on-line kiosks from the retail stores of the Company.

Digital Multi-Channel Business

The business world is being digitized rapidly adding value to the customers on existing product offerings. Technical innovations and web-based transactions have become the key to success. Your Company's Digital Multi-Channel Business has quickly adopted these changes in consumer buying pattern and invested in strengthening this segment of business.

Your Company's online business has grown well during the year under review. Your Company sold more than 3.8 lacs pairs of footwear through online channels achieved a turnover of approx. Rs.360 Million. Your Company's e-commerce presence has penetrated in more than 2000 cities across India.

During the year under review, your Company's e-commerce Division mainly focused on increasing its customer database by reaching out to new set of target audience and also establishing successful association with many reputed companies and banks, e.g., HDFC Bank, Standard Chartered Bank, State Bank of India, Deutsche Bank, Samsung, SpiceJet Airlines, etc. Such alliances helped your Company increase its brand awareness and customer database. Your Company's products continued to be sold through its partners' websites including Amazon, Myntra, Jabong, Flipkart, etc. Your Company has launched a 'Click and Collect' service for its Stores in Delhi NCR Region. The customers can now shop the entire range of products available online with the click of a button and have their preferred footwear or accessories delivered to the local Bata retail store of their choice. Your Company has launched online exclusive product lines for both Spring-Summer Season and Autumn-Winter Season generating a good response from the customers.

The website of the Company has been made more user-friendly in order to provide better interface. The website now provides facilities like easy navigation, simplistic designs, effortless checkout process and effective product shots. Your Company has also launched Bata Mobile Application with interactive user-interface which has also been well accepted in the market. Your Company has strengthened its e-commerce team and had recently launched Bata Blog, which acts as a style inspiration for the young audience and also provides frequent online customer surveys and customer feedback for improved services. Going forward, your Company shall expand its Digital Multi-Channel Business through various measures including placement of online kiosks in major retail stores, tie-up with payment banks and also increasing the presence of its product offerings through partners' websites.

Hush Puppies

Your Company's international premium brand 'Hush Puppies' continues to live up to its brand image of comfort, quality and style. The year 2015-16 was a milestone year for Hush Puppies as your Company sold over a Million pair in the year 2015 itself. In addition to being available through the retail stores, wholesale network and e-commerce channel of your Company, the brand has been expanding its presence through 68 exclusive stores and 37 shop- in-shops in premium departmental stores. During the year under review, Hush Puppies embarked on a journey of re-positioning itself as an International Premium Lifestyle Casual Footwear brand. Your Company shall continue to focus on offering unique products under this brand, which will be more comfortable with contemporary fashionable style, making 'Hush Puppies' the most desired lifestyle footwear brand in India.

Footin

Recognizing needs of the young consumers, your Company's new retail concept - Footin was created in the year 2012. It is a new business model with a different approach to cater to the young customers who are style conscious and trend-savvy shoppers and need quality merchandise at affordable price. Footin has become the source for current fashionable footwear at great value. Footin business is fast growing, featuring new and exciting store environments, trendy shoes and accessories designs at the right price. At present, your Company has 35 exclusive Footin stores across the Country, which are strategically located to cater to the target group of young shoppers.

Bubblegummers and Disney

In order to cater to the children category of customers, your Company has been introducing many new designs and innovative footwear for the children. Through Bubblegummers brand of footwear, your Company has always been striving to make quality shoes with uncompromising comfort and features that safeguard their little feet. Bubblegummers is retailed through all Bata stores across the Country and has been the first point of contact to start our consumers' journey and long term association with Bata. With 18% of the Country's population below the age of 10 years, potential to grow in the children category of footwear is huge. Therefore, it is one of the key focus areas for your Company today. With a revamped collection, a dedicated team to drive this brand, experience of being associations with brands like Angry Birds in the past and Walt Disney at present, your Company has robust plans to make Bubblegummers the best children footwear brand in the Country.

Your Company has established an association with The Walt Disney Company India Pvt. Ltd. and working with a set of designers from Disney, to create a complete collection covering all types of footwear ranging from casual shoes, canvas shoes and ballerinas to everyday-wear sandals and chappals. Your Company has been exploring the possibilities to create exclusive 'Disney Corners' in some of the key retail stores across major cities in India to highlight the collection and add value to the children category of footwear range. Your Company is confident that the young little customers will be excited and thrilled to see their favorite characters on their favorite shoes.

Non-Retail Business

Your Company's urban wholesale business has recorded a good growth in turnover and profitability during the year under review. The urban wholesale business of your Company has been penetrating the markets through a wide network of more than 325 distributors across India. Your Company offers various incentive / loyalty rewards to its existing and new distributors for promoting the Company's brands of footwear in the areas where the Company does not have retail presence of its own. During the year under review, your Company has strengthened its urban wholesale business monitoring team and efforts are being made to increase its market share in the wholesale footwear business.

During the year under review, your Company's Industrial business division has recorded a good growth in turnover and is now recognized as one of the foremost suppliers in the safety footwear market catering to the requirements of different industries in India. The division has expanded its coverage in the market and also continues to remain focused towards upgrading the market with newer technology products. The product range has been refreshed by launching new designs and new sole patterns as well as new PU-Rubber sole collection. Your Company provides more than 100,000 pairs of safety shoes for Indian Navy and other defence services.

Your Company's Institutional business has recorded better results during the financial year ended March 31, 2016 as compared to the previous financial period. The focus is to cater to segments like defense, aviation, education, corporate, etc. A new range for the healthcare segment has been launched with specialized footwear to be used in hospitals for doctors, nurses, front office staff, maintenance team, etc.

Customer Care Initiatives

Your Company has a dedicated customer care team with a toll free number to attend customer grievances and to resolve the same amicably. In the financial year 2014-15, your Company introduced a new initiative of customer loyalty program viz., 'The Bata Club'. During the year under review, this loyalty program has been introduced in more than 800 retail stores across 47 cities in India. Since its introduction, approx. 6.7 Million Club Memberships have already been added to 'The Bata Club'. These Club members are communicated on priority about various new marketing offers and promotions as and when planned by your Company. Several personalized offers have been customized for these 'The Bata Club' Members on the basis of their purchase behaviour and trends, e.g., *Raksha Bandhan* Campaign, Naturalizer product promotion, Pay less - Get more Offer, etc. Your Company aims to provide best in class support to its customers by addressing their queries and feedback through a dedicated helpdesk.

(d) Outlook

Despite a challenging retail environment and increase in competitive intensity, your Company continued to deliver steady improvement in its performance.. Your Company is taking appropriate steps to leverage its position to achieve good growth in terms of volumes and profitability. Your Company has been investing to strengthen its Digital Multi-Channel Business Division along with Logistics Division with due importance for delivery of footwear and accessories to the customers through 'delivery services', 'cash on delivery' and 'click and collect' services.

India has a good potential for the footwear industry in view of rapid change in lifestyle, increase in disposable income of middle-class people and continuous growth in number of working women. Customers' preference for branded products is providing a better opportunity to the players in organized footwear markets in India.

(e) Risks and concerns

Your Company through its Audit Committee and recently constituted Risk Management Committee monitors its major risks and concerns at regular intervals. Appropriate steps are taken in consultations with all concerned to mitigate such risks. In addition to the business risks, some of the major risks and concerns are summarized as under:

i. Globally competitive business environment

Ever increasing competition from local and overseas players in the footwear industry remains a major challenge for your Company.

In addition to the above, your Company is concerned about the current sluggish retail growth and slow infrastructural development in India. Many of your Company's retail stores are large formats stores located in Malls. Increases in rental costs and high cost of raw materials may negatively impact business performance of your Company. In order to overcome these risks and concerns, your Company has taken appropriate measures, e.g., long term lease agreement for retail stores, alternative sources of raw materials, ensuring availability of skilled laborers, etc. Your Company believes such measures are adequate to mitigate the aforesaid risks and concerns.

ii. Risk related to changes in law and regulations

Your Company operates in a complex regulatory environment and fully abides by the laws and regulations of the Country it operates in. Any change in the laws and regulations governing the leather and footwear industry may affect the business and financial performance of your Company.

iii. Contingent Liabilities involving Litigations

During the normal course of its business operations, your Company has been subjected to several legal cases in connection with or incidental thereto. These litigations include civil cases, excise and customs related cases, etc. filed by and against the Company. These cases are being pursued with due importance and in consultation with legal experts in respective areas. Your Board believes that the outcome of these cases is unlikely to cause a materially adverse effect on the Company's profitability or business performance. Your Company has a Contingent Liability of Rs. 949.43 Million as on March 31, 2016 as compared to Rs. 767.15 Million as on March 31, 2015. Attention of the Shareholders is drawn to the explanations mentioned in point no. 31 of the Notes to Financial Statements as attached.. In view of the present status and based on legal advice received, your Board is of the opinion that no provision is required to be made against these Contingent Liabilities during the year under review.

iv. Trade Unions related risks

Your Company has several recognized Trade Unions and enjoys harmonious relationship with all its employees. During the year under review, your Company has entered into long term agreements with its Workers' Unions at Manufacturing Units. During the year, your Company successfully negotiated Long Term Settlements with the Workers' Union at Bataganj and with the Shop Employees' Union. The industrial relations at all the units of the Company have been harmonious and peaceful with active involvement of the employees in the collective bargaining process.

(f) Internal Control Systems and their adequacy

Your Company has an adequate system of internal controls commensurate with its size and scale of operations, to ensure that all assets of the Company are safeguarded and protected and that all transactions are authorized, recorded and reported appropriately. The Internal Audit Report and Risk Inventory Report are reviewed periodically by the Audit Committee of the Board of Directors. The Chief Internal Auditor is a permanent invitee to the Audit Committee Meetings. The Audit Committee advises on various risk mitigation exercises on a regular basis. Your Company has been maintaining a separate Internal Audit Team headed by the Chief Internal Auditor.

(g) Discussion on financial performance

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

The Earning per Share (EPS) (Basic and Diluted) of your Company for the financial year ended March 31, 2016 was at Rs. 17.02. The EPS for the fifteen month period ended March 31, 2015 - the previous financial year of the Company was Rs. 17.99. The EPS for the twelve month period ended March 31, 2015 was approx. Rs. 14.92. As informed through earlier Annual Reports, your Company does not have any Bank Borrowings since April-2010 and the entire capital expenditure has been funded through internal sources.

Capital Expenditure incurred during the year under review amounted to Rs.794.41 Million as compared to Rs.1538.77 Million during the fifteen month period ended March 31, 2015.

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

Industrial Relations and Personnel

Your Company has been continuously working to improve human resources skills, competencies and capabilities in the Company, which is critical to achieve results as per our strategic business ambitions. Some key initiatives have been taken in the year 2015-16 in this direction. These are summarized below:

(i) Building up the best team in all functional areas

During the year, your Company has hired over 25 middle and senior level Executives in various functional areas like Retail Operations, Non Retail and Merchandising. These professionals come with rich and varied domain experience within and across industries. Addition of these skills and competencies will address the gaps and take the Company towards further growth.

(ii) Creating bench strength and building up capability for future growth

Management Training Program

Your Company has put in place a structured Management Training program for roles in Retail Operations, Merchandising and Product Design. As part of the program, the Company has recruited design and fashion professionals as well as Management Graduates from well-known Institutes. After a 12 month long training under the mentorship of experienced leaders, these Management Trainees are now ready for independent responsibilities. Your Company continues to recruit Summer Interns who worked on very specific business impact initiatives.

(iii) Training and Development

Retail Training Academy

Your Company had set up a Retail Training Academy in February -2014. The Academy designs and delivers specialized courses for different roles like Sales Promoters, Store Managers, District Managers and Retail Managers. The courses have been designed to ensure comprehensive learning of Product as well as Business operations. In the year 2015-16 the Retail Training Academy trained:

- 31 District Managers and Retail Managers under 13.5 weeks duration Advanced District Administration Professional Training (ADAPT) program
- 109 Store Managers under 7.5 weeks duration Store Managers Advance Retail Training (SMART) program
- 204 experienced Store Managers under a week long Fully Integrated Retail Store Training (FIRST) program

Currently, the Academy conducts programs at Gurgaon, Bangalore, Kolkata and Mumbai.

'Passion to Serve' Training to Store Employees and Store Managers

In order to improve customer experience at our Stores, your Company rolled out 'Passion to Serve' Program across Stores in key metro cities. The objective of the program is to retain and grow existing customers as well as attract new customers. The Store Managers and the Sales Promoters along with District Managers were trained in this two days' training session. The training was also followed by mystery shopping in order to assess the impact. As part of the program a career path was also laid out for a performing Sales Promoter. During the year, over 100 Store Managers and 1011 Sales Promoters were trained.

Product Training

Retail Training Academy (RTA) imparts in-store Product Category specific training program to Sales Promoters across stores. Currently three different programs namely Power Champs, Comfort Champs and Non-Footwear Products Champs are being conducted that covers all technologies and products available in the Stores. So far more than 300 Sales Promoters were trained under the Champs Training Program. This program helps Sales Promoters understand products, technologies and any special features thus acquiring the product specific selling skills.

People employed

As on March 31, 2016, there were 4,796 permanent employees on the rolls of your Company.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis Report describing the estimates, expectations or predictions may be 'forward-looking statements' within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that would make a difference to the Company's operations include demand-supply conditions, raw material prices, changes in Government Regulations, tax regimes, economic developments within the Country and outside the Country and other factors such as litigation and labor negotiations.

CORPORATE GOVERNANCE

In compliance with the provisions of Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Schedule V to the said Regulations, the Corporate Governance Report of your Company and a Certificate on Corporate Governance Compliance received from M/s. S. R. Batliboi & Co., LLP, Chartered Accountants, the Statutory Auditors of your Company, are annexed to this Annual Report.

ACKNOWLEDGEMENTS

Your Board acknowledges the support and co-operation received from all its stakeholders including our dear shareholders as well as regulatory authorities of the Central Government and all State Governments in India as they endeavour to create an enabling environment for industry and commerce to prosper.

Your Board continues to remain thankful to Bata Shoe Organization for their continuous support, guidance and co-operation in conducting the business operations of the Company in India.

Your Board wishes to place on record its deep appreciation of the Independent Directors. All of them, despite their busy schedule and other exigencies, immensely contribute to the Company through their strategic guidance and valuable suggestions in improving the business performance of the Company.

Your Board appreciates the relentless effort of the Management Team lead by the Managing Director who steers the Company in achieving better performances year-on-year. Our employees are our biggest strength and we gratefully acknowledge their contribution to the Company in achieving its objectives to serve our customers.

For and on behalf of the Board of Directors

UDAY KHANNA
Chairman
(DIN: 00079129)

Place : Gurgaon
Date : May 30, 2016