

TCNS Clothing Co. Limited

Transcript of 23rd Annual General Meeting

AGM date and Time – September 24, 2020 at 02:00 PM

Mode of AGM – Video Conferencing (VC)/ Other Audio Visual Means (OAVM)

COMPANY SECRETARY:

Good afternoon dear shareholders, on behalf of TCNS Clothing Co. Limited, I, Piyush Asija, Company Secretary and Compliance Officer, welcome you all to the 23rd Annual General Meeting of the Company. This is the second AGM post listing of shares of the company on Bombay Stock Exchange and National Stock Exchange.

This AGM is being held through video conferencing facility in accordance with the circulars issued by the Ministry of Corporate Affairs and the Securities and Exchange Board of India. As per applicable MCA Circulars and guidelines, physical attendance at meetings has been dispensed with and hence there is no requirement of appointment of proxies. Accordingly, the facility for the appointment of proxy has not been made available for this meeting. The Annual Report along with Notice with instructions for e-voting was sent to shareholders through e-mail and is made available on the website of the Company and the Stock Exchanges.

In terms of the applicable MCA circulars, the Company had provided the facility to members to register themselves as speaker and to share their views at this AGM of the Company. In order to ensure the smooth running of this meeting we request you to please take note of the following

- The facility of attending this AGM through video conferencing has been made available on first come first serve basis.
- All the members who have joined the meeting have been placed on mute by default.
- Once the Question and Answer session starts, the Moderator shall announce the name of the speaker shareholders who have registered themselves to speak at the AGM.
- Speakers are requested to limit their respective conversation to 2 minutes.

Further the facility to raise a query during the 23rd AGM shall be made available throughout the meeting. Members may submit their views through post your query tab available on their screen.

Now, I request Mr. Onkar Singh Pasricha, Chairman to take up the proceedings of the meeting

CHAIRMAN:

Good afternoon Dear Shareholders, Namaste

I, Onkar Singh Pasricha, Chairman and Executive Director, on behalf of my fellow Board Members welcome and thank you for joining this 23rd Annual General Meeting of your Company. I sincerely hope that all of you and your near and dear ones are safe and keeping good health.

The requisite quorum being present, I declare the meeting in order.

We have taken reasonable precautions to make available internet connectivity in order to maintain the continuity of the meeting. In the unlikely event of a disconnection, with the consent of all the directors present, I hereby authorize Mr. Anant Kumar Daga as the alternate Chairman of the meeting.

Allow me to introduce my fellow Directors who are present in this meeting:

Mr. Anant Kumar Daga is the Managing Director of the Company and member of the Stakeholder Relationship Committee.

ANANT KUMAR DAGA:

Namaste

CHAIRMAN:

Ms. Neeru Abrol is a Non-Executive Independent Director, Chairperson of the Audit Committee of the Company and member of the Nomination and Remuneration Committee.

NEERU ABROL:

Namaskar

CHAIRMAN:

Mrs. Sangeeta Talwar is a Non-Executive Independent Director, Chairperson of the Stakeholder Relationship Committee of the Company and member of the Audit Committee.

SANGEETA TALWAR:

Namaste

CHAIRMAN:

Mr. Bhaskar Pramanik is a Non-Executive Independent Director, Chairman of the Nomination & Remuneration Committee and Member of the Audit Committee of the Company.

BHASKAR PRAMANIK:

Namaste

CHAIRMAN:

Mr. Naresh Patwari is a Non -Executive Director of the Company and a member of the Audit Committee. He is the Nominee Director present on behalf of Wagner Limited.

NARESH PATWARI:

Namaste

CHAIRMAN:

We have with us our CFO - Mr. Venkatesh Tarakkad.

We also have present of Mr. Satpal Singh Arora from M/s Deloitte Haskins & Sells LLP, Statutory Auditors, Mr. Himanshu Grover, from Himanshu G & Associates, Secretarial Auditors and the Scrutinizer – Mr. Devesh Vasisht from M/s Sanjay Grover & Associates

The Company has made all efforts and taken necessary steps to the extent possible in the circumstances to intimate members of the convening of the meeting and to enable them to participate and vote on the matters being considered at this AGM. Members who have not voted earlier by remote e-voting can cast their vote during the course of the meeting through the e-voting facility.

With the permission of the members, I take the notice of the AGM as read.

As the nation continues to mitigate unprecedented circumstances due to novel coronavirus and its far-reaching implications, I wish and pray for good health and safety for you and your families. I would like to take this opportunity to show my immense gratitude to all our COVID warriors for their continuous efforts in keeping us safe. In our endeavour to battle the pandemic, our first priority was the continuity of business while ensuring employee safety. We took proactive steps facilitating work from home for all employees. We continued engaging with the internal and external stakeholders through remote ways, leveraged social media platforms to generate new and interactive content for both employees and customers.

As the gradual process for unlocking across the country has started, we are taking every precaution to ensure a smooth yet safe shopping experience for our customers. Keeping in mind the guidelines, we have opened our stores and in addition to the protocols setup by the administration, have also rolled out an internal standard operating procedure to ensure the well-being of both employees and customers. We are ramping up our digital marketplace to help cater to the needs of the customer round the clock, with the ease of access and offerings from the comfort of their homes. As an evolving situation, Covid pandemic has impacted economies, lives and livelihood all over the world. These difficult times drive us to reimagine, recreate and rebuild our strategies in the current context while being future ready. We are committed to the long-term strategy and continue to invest in people, brand and businesses while enhancing our stakeholder value.

I would like to take this opportunity to extend my gratitude to our management team, staff and business associates for their commitment and contribution towards TCNS Clothing. I would also like to show appreciation for my fellow Directors for providing guidance amidst this tough and testing environment. Last but not the least, my heartfelt gratitude to all our stakeholders for their support.

I now request Mr Anant Kumar Daga, the Managing Director of the company to take the proceedings forward.

MANAGING DIRECTOR:

Thank you Sir,

Dear shareholders,

First of all, we hope and pray for the safety and well-being of you and your loved ones. Last few months have been very tough for everyone and all of us, both at work and in personal lives, would have discovered a whole new way of living.

COVID-19, a black swan event, though occurred at the end of the financial year, has overshadowed the rest of the period. Our revenues remained flat at 1,149 crs on the backdrop of COVID-19 impact in Q4. In terms of retail expansion, we had a good year adding 54 exclusive stores and adding about 321 large format doors. As seen across the industry, the event had a significant impact on profitability metrics. While the situation continues to improve, these uncertainties, challenges and impact would continue to persist in the near future. Hence, it is imperative for every organisation to adapt to new realities and ever-evolving environment.

Safety and well-being of all our stakeholders have been the top priority and we have taken comprehensive steps to ensure the same. Our approach to navigate this situation is clearly laid out. We strive to retain our ability to scale up while preserving the strength of the balance sheet. We have taken a five-pronged approach towards this:

First: Control costs by renegotiating leases, service contracts and optimizing spends.

Two: Conserve cash by optimizing inventory and controlling Capex.

Three: Engage our consumers by taking digital first approach and going hyper-local.

Four: Double up on Technology by scaling up our omni-channel capabilities and marketplace operations

Five: Look beyond immediate challenges and identify growth opportunities.

Concrete steps have been taken on all these fronts and we are seeing meaningful results emerging from these. Now, while the pandemic has forced all of us to focus disproportionately at short term objectives, we believe it is imperative to keep working towards the long-term vision. Today, your company has the strength of the balance sheet and operational efficiencies to sustain a long drawn fight against this pandemic and for us, it is just not a fight for survival, it is also an opportunity to reinvent ourselves and prepare the runway for long term growth. There is some transformational work happening in multiple areas. Would like to share three key initiatives here.

First, we are on our journey of becoming a truly Omni channel business. We are now able to offer our entire catalogue to consumers across all third-party and own online channels by building Direct to consumers capabilities from a common pool of inventory. While establishing this inventory efficient model, we have been able to ensure best in class experience for our customers which has highest certification from partners. We are now embarking on the journey of creating even more evolved and complex use cases for the consumer.

Second, uncertain times call for greater agility and flexibility in managing demand and supply side spontaneity. We had already started building a quick three-week replenishment cycle for a meaningful part of the range which got launched in the last couple of months before COVID-19. It is indeed a challenging and complex model and we are happy to share that we have done a successful pilot of the same. This will now become a much larger part of the business and will have a huge impact on driving full price sales and reducing inventory risk. Along with this, we are also attempting to shorten our “thought to shelf” product cycle and move away from

strictly two seasons calendars. This will bring us closer to specific seasonal requirements and respond better to our consumer needs.

Third, as a platform, we have been incubating new brands and categories while scaling existing businesses. We are excited to share that the year saw two big launches. We have introduced our new Coordinates wear brand – ‘eleven’. The brand promise is to be the ultimate destination for contemporary bottom and drape wear solutions for the Indian women. Our first store opened in Ahmedabad in February just before the pandemic. We have also launched a new category under brand W – Foot-Apparel. The unique promise of brand W that blends fashion and functionality is extended to footwear category. We have launched our first range in February that saw encouraging response from consumers. Given our design strength, supply chain capabilities and retail experience, we look forward to rapidly scaling it up once the situation stabilizes.

The pandemic has given us an opportunity to look at business in a new light. There will be long term implications for all aspects of a business including consumer behavior, channel dynamics, product creation and supply chain. While it is difficult to have definitive answers to many of these questions, it is important for one to be cognizant of the evolving trends and have agility to adapt to new realities. We are committed to ride this learning curve and make the best out of it. We would also like to mention that today, our entire eco system, be it our employees, trade partners, supply chain vendors, retail property landlords, service providers, investors and everyone else are going through difficult times and yet we have seen them sharing our pains and extending support to the business. We would take this opportunity to thank each one of them for their unfaltering support.

We are confident that this experience will help us discover the next version of ourselves and unleash the next phase of our journey which am sure will be cherished with as much pride as the one behind us.

Thank you and please keep safe.

I would now request Mr. Piyush, our company secretary to explain the process of voting on the resolutions proposed for approval.

COMPANY SECRETARY:

Thank You Sir,

The Company has provided its members the facility for remote e-voting in accordance with the provisions of the Companies Act and the SEBI Listing Regulations through the remote e-voting system provided by KFin Technologies Private Limited. The Company had fixed

September 17, 2020 as the cut-off date for determination of shareholders eligible to vote and/or participate in the meeting and the remote e-voting facility was made available from 09:00 am on September 21, 2020 to 05:00 pm on September 23, 2020.

The Company has made all efforts and taken necessary steps to the extent possible in the circumstances to intimate members on convening of the meeting and to enable them to participate and vote on the matters being considered at this AGM. The Registers under the Companies Act and other documents that have been referred to in the Notice convening the AGM are available for inspection at this meeting. The Facility for e-voting/Insta Poll at this meeting is also provided for members attending this AGM and who have not voted yet.

Mr. Devesh Vasisht from M/s Sanjay Grover and Associates, Practicing Company Secretaries have been appointed as the Scrutinizers. We request all the shareholders to note that there are no qualifications, observations or comments in the Auditors Report, which may have any adverse effect on the functioning of the company. The reports of the Statutory Auditors and Secretarial Auditors forms part of the Annual Report which has been circulated to the Members and accordingly is being taken as read.

Before we start on the voting process, I request Mr Anant Kumar Daga, the Managing Director of the company, on behalf of the Board to answer the questions received from shareholders.

MANAGING DIRECTOR:

Thank you Piyush, due to paucity of time it may be possible that some queries may not get addressed during the event. We shall respond to the same subsequently post AGM conclusion. We seek your understanding of the same.

Q & A Session

SPEAKER 1 – Mr. Amit Chand:

Thank you. I am Amit Chand and am attending this meeting through video conference from Gurgaon. Hello to my fellow shareholders and directors of the company. My question is regarding the cash flows of the company. From the last quarter transcripts, I gathered that the cash flow is a little stressed for the company to make payments to its vendors while the collections are slow. What I want to understand is that how the company perceive the cash flows in future, whether the current cash with the company is sufficient to survive through the Covid crisis. Basically, that's my question. Thank you

SPEAKER 2 – Mr. Manoj Chand:

Good afternoon everyone. I am Manoj Chand. I am attending this meeting from Delhi. Thank you for giving an opportunity to speak at the AGM and my question is due to Covid, the sales of all retail companies have been impacted. So, what measures have you taken or propose to take to control cost in this post-Covid scenario.

MANAGING DIRECTOR:

I will first address the first question. Mr Chand your observation is right. In fact, we continue to support all our partners throughout the Covid period. It's not that we have cleared all outstanding but we ensured that whatever is required to sustain their business has been extended to them. Supply chain has been one of the biggest strength as a company we have and we share a deep bond with all our business partners and something like this in these times takes the relationship a long long way and could build a far stronger network in days to come. Coming to your question about sustainability and cash reserves, despite probably the worst six months of the pandemic, we are still sitting with about Rs 120 Crores of cash and unutilized bank limits. You know April and May were difficult months because when the collections were down to almost zero, we had honoured all our buy commitments. As you rightly said, we made payments for our vendors. But hereon we are able to control our costs, we have reduced our cash flow on that account. We have also been able to control our purchases – most of our inventories are in and the buys are going to be very limited. Finally, with opening of the business our collections are getting up. So, with all that, there is lesser pressure now on the cash flow. And we believe given the cash reserves that we have and the kind of actions we have taken as a company, we are very confident and feel very strong about riding this crisis really well.

Coming to the next question about what specific cost initiatives we have taken as a company – well in my opening remarks also I have mentioned that this is one of the key focus areas for us to fight this crisis. There are two main heads of our costs – the big heads - one is lease rentals and second is employee cost. If you look at lease rentals, we have been able to already negotiate more than 85% of leases across and I would like to thank our landlords for this support and understanding. Compared to last year we already are sitting on savings of 25% plus. As we see we continue to build on this. It's a year long discussion and you will see meaningful gains to come in times to come. Coming to employee cost specifically there were two things we have done. First, we have taken a graded cut across the organization and I would like to thank all the employees for their understanding of the same. Second, we have also rationalized some staff in our frontend operations across the plants. Both these initiatives put together gives us a savings of 20% over last year. Other than that, all discretionary spends have been minimized and every overhead cost is being looked through a zero-base budgeting method. I hope I have answered your questions.

We have got few other queries and while most them have been covered in our opening remarks or in these two questions. There are two specific one which I would like to address now.

The first one is regarding a shareholder wanting to know what percentage of our stores are operational. After the lockdown ended in May, subsequently we started seeing opening up of stores throughout the country gradually. As on date, 95% plus of our retail network is operational. Having said that, there had been intermittent lockdowns. There have been some restrictions on working hours for few stores. So actual time may be lower but actually 95% plus of the stores are operational.

Second question is specifically on why the company has not declared any dividend. I understand your concern, but you would appreciate that at this point in time for any organization the biggest security and biggest strength is cash in balance sheet. The times are really uncertain, and we need to be prepared for any eventuality. So, we want to keep our reserves to fight a bad day. Also given the structure of our industry, we believe once the dust settles around Covid, there could be interesting opportunities which could come up and we also want to have a war chest to capitalize on those at a more opportune time. So keeping these in mind, we thought it is in the best interest of business and stake holders that we manage these reserves right now and we will probably take a fresh call at a more opportunistic note.

So, I think these were some of the queries and thank you for your patience. I would again like to handover the proceedings to Piyush

COMPANY SECRETARY:

Thank you Sir,

The matters to be voted upon are as follows:

1. To receive, consider and adopt the Audited Financial Statements of the Company for the financial year ended 31st March 2020, together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint Mr. Anant Kumar Daga as a director, who retires by rotation and being eligible, offers himself for re-appointment.
3. Approval for Remuneration of Mr. Anant Kumar Daga, Managing Director of the Company.

4. Approval for Remuneration of Mr. Onkar Singh Pasricha, Chairman and Executive Director of the Company.
5. To approve the alteration of the object clause of the Memorandum of Association of the Company.

With the permission of the Chair the e-voting facility shall remain open for 15 minutes to enable the members who have not yet voted to cast their vote on the resolutions. The voting results shall be announced within 48 hours of the conclusion of the meeting. The same will also be uploaded on the website of the Company, the Stock Exchanges and the RTA.

Now I handover the proceedings to the Chairman.

CHAIRMAN:

Thank You Piyush,

The e-voting/Insta Poll commences now and would remain open for 15 minutes.

I wish to thank and express sincere appreciation for the excellent support and coordination extended by the shareholders, customers, suppliers, bankers, and all other business associates. We gratefully acknowledge on-going co-operation and support provided by the Central Government, State Governments and also all regulatory authorities. Last but not the least, we would like to thank and acknowledge the efforts of all our employees.

On behalf of the Board, I thank all shareholders for attending our AGM and we hereby conclude the meeting.

Thank you all for your valuable time.
