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BUDGETORY CONTROL AND STRATEGIC COST MANAGEMENT" AT TITAN COMPANY LTD , HOSUR

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ABSTRACT :

This study explores the implementation and effectiveness of budgetary control and strategic cost management practices in Titan Company Ltd, a leading player in the Indian consumer goods industry. Budgetary control serves as a critical tool for planning, coordinating, and controlling financial resources, enabling Titan to align its operations with overall corporate objectives. The research highlights how Titan employs a structured budgeting system to monitor performance, ensure accountability, and support decision-making. Furthermore, the study delves into the company's strategic cost management techniques, including cost reduction initiatives, value chain analysis, and benchmarking, to maintain competitiveness and improve Profitability

Key words: Currency fluctuations, Tax incentives, Profitability, financial rewards, Duty Drawback, GST Refund, Premium pricing.

INTRODUCTION

Titan Company Limited is an Indian company that mainly manufactures fashion accessories such as jewellery, watches and eyewear. Part of the Tata Group and started as a joint venture with TIDCO, the company has its corporate headquarters in Electronic City, Bangalore, and registered office in Hosur, Tamil Nadu.Titan Company commenced operations in 1984 under the name Titan Watches Limited. In 1994, Titan diversified into jewellery with Tanishq and subsequently into eyewear with Titan Eye plus. In 2005, it launched its youth fashion accessories brand Fastrack. Titan is the largest branded jewellery maker in India by value, with a 6% market share as of 2022. More than 80% of its total revenue comes from the jewellery segment. As of 2019, it is also the fifth-largest watch manufacturer in the world

RESEARCH BACKGROUND

In today's competitive and volatile market environment, organizations across all industries are under intense pressure to manage costs strategically while ensuring operational efficiency and financial discipline. This is particularly true in industries like manufacturing, where input costs, supply chain disruptions, and changing consumer preferences have significantly impacted profitability.
continuous innovation in financial and operational planning. Amid this complexity, Budgetary Control and Strategic Cost Management (SCM) have emerged as pivotal tools.

GLOBAL TRADE DYANAMICS AND EXPORT OPPORTUNITIES

The global nature of the construction and interior design markets has made the export of engineered
Titan an attractive business avenue. Countries such as India, and other countries have emerged as key exporters, thanks to abundant natural, affordable labor, and growing industrial capabilities.

IDENTIFIED PROBLEM

Despite the theoretical importance and availability of budgeting and cost management tools, many organizations struggle with outdated budgeting practices, lack of integration across departments, Fragmented cost management practices with minimal cross-functional collaboration.

- Insufficient real-time financial monitoring or scenario planning capabilities. These challenges limit the effectiveness of.

OBJECTIVES OF THE STUDY

- To define and compare traditional and modern budgeting practices.
- To explore tools of SCM such as ABC, target costing, value chain analysis, and Kaizen costing.
- To evaluate budgeting effectiveness through key performance indicators.
- To understand challenges in implementation and suggest improvements.

REVIEW OF LITERATURE

1. Anthony (2018) introduced the concept of Management Control Systems, where budgeting is seen as a core tool for performance measurement and resource allocation.
2. Horngren et al. (2018) emphasized the role of budgets in goal setting, coordination, and motivation, noting that budgetary control systems can promote managerial accountability.
3. Hope and Fraser (2017), in their *Beyond Budgeting* model, criticized traditional budgeting for being inflexible and misaligned with dynamic market conditions.
4. Otley (2019) argued that budgeting systems often focus on short-term cost control rather than long-term value creation.
5. A study by Drury (2018) found that firms with more robust budgetary control systems tend to exhibit better cost control and operational efficiency.
6. 6.Libby and Lindsay (2018) conducted a survey showing that over 90% of firms still use traditional budgeting methods despite known limitations, often due to internal policy constraints.
7. Shank and Govindarajan (2019) introduced the concept of Strategic Cost Management, defining it as the use of cost data to develop and implement business strategy.
8. Kaplan and Norton (2020) linked SCM with the Balanced Scorecard, advocating for a strategy-focused approach to cost management.
9. Porter (2020) emphasized that managing cost drivers strategically across the value chain helps create sustainable cost advantages.
10. 10.Dekker and Smidt (2021) analyzed how Dutch firms applied SCM and found significant improvements in strategic decision-making, especially when using ABC and target costing.
11. 11.Chenhall and Langfield-Smith (2022) observed that strategic cost systems are more successful when integrated with performance management systems and when tailored to specific business environments.
12. 12.Merchant and Van der Stede (2020) emphasized that budgetary control systems must evolve from rigid, static processes to more adaptive, strategic tools aligned with long-term objectives.
13. 13.Yalcin (2021) found that organizations integrating strategic cost analysis with budgeting practices report better strategic alignment and improved financial performance.
14. 14. Becker, T., Mahlendorf, M. D., Schäffer, U., & Thaten, M. (2023) Many firms made budgets more flexible and integrated scenario planning, highlighting a shift toward strategic adaptation of budgetary control in dynamic markets.
15. 15. Ahmad, N. H., & Zabri, S. M. (2017) Effective budgetary control significantly contributes to financial performance when it includes employee participation and regular monitoring.
16. 16. Tuanmat, T. Z., & Smith, M. (2017) Strategic cost management enhances decision-making quality and supports long-term profitability, especially when linked with performance metrics.
17. 17. Wnuk-Pel, T. (2024) Strategic cost tools are more effective when aligned with lean principles, enabling firms to eliminate waste and improve cost accuracy.
18. 18. Muda, I., & Dharsuky, A. (2018) A well-designed budget system contributes to improved planning, coordination, and control when linked to performance evaluations.
19. 19. Adedeji, O. S., & Ogundipe, A. A. (2024) Strategic cost management tools are underutilized in many firms due to lack of awareness and training but have high potential for improving competitiveness.
20. 20. van der Stede, W. A., & Moon, J. (2020) Budgetary control can support strategic goals beyond profit, including environmental and social performance when integrated with broader management controls.
21. 21. Agyei-Mensah, B. K. (2021) Budgeting systems were often not aligned with long-term strategic plans, leading to inefficiencies and missed growth opportunities.
22. 22. Sharma, R., & Mehta, A. (2022) Firms adopting digital technologies in budgeting and cost control achieved faster decision-making and better cost traceability.
23. 23. Liu, Y., & Zhang, L. (2023) Combining agile methods with SCM enhanced responsiveness to market changes and allowed better cost-benefit evaluations.
24. 24. Al-Faryan, M.A.S. (2022) SCM significantly contributes to strategic decision-making and cost leadership in the Middle East's competitive industries.
25. 25. Oduro, S. & Agyei-Mensah, B.K. (2020) SMEs that implement basic strategic cost principles (such as cost driver analysis) perform better financially and are more adaptable to market changes.
26. 26. Hafiee, M. & Pourzolfaghar, Z. (2018) SCM is essential in project-based industries like construction and IT, where cost planning must be tightly aligned with delivery phases.
   Emphasized the role of SCM tools like value chain analysis in project environments.

27. 27. Ramakrishnan, K. & Suresh, B. (2022) indian firms are increasingly adopting ABC, target costing, and life cycle costing, but implementation remains partial and inconsistent.
Explored SCM adoption in emerging markets, highlighting barriers such as lack of training and data accuracy.

RESEARCH METHODOLOGY

The research methodology is the foundation upon which a study is built. It defines the strategies, methods, tools, and procedures used to collect, analyze, and interpret data. This chapter outlines the research approach adopted to explore the integration of Budgetary Control and Strategic Cost Management (SCM) practices in Titan Company Ltd. The chosen methodology supports a deep investigation into how these tools impact financial planning, cost optimization, and strategic alignment over a five-year period.

In the context of increasing global competition, economic uncertainties, and rapidly evolving technologies, the importance of meticulous budgetary control and stringent cost management has become more critical than ever. Companies today face the dual pressure of maintaining competitive pricing while simultaneously safeguarding their profit margins. In this scenario, effective budgeting and proactive cost management serve not merely as administrative functions, but as strategic tools that drive informed decision-making, ensure resource optimization, and sustain business continuity.

Budgetary control refers to the comprehensive process of setting financial goals, formulating detailed budgets for various departments, continuously monitoring actual performances against these budgets, and taking timely corrective actions wherever deviations occur. It is an iterative process that reinforces accountability at every organizational level. Budgeting does not end at setting financial limits; it extends to behavior modification, performance evaluation, and strategic prioritization of financial resources. In contrast, cost management encompasses the planning and control of an organization's overall expenditure. It is a broader concept that includes cost estimation, cost budgeting, cost monitoring, cost control, and cost reduction. Effective cost management ensures that expenditures remain within approved budgets without compromising the quality of operations or the strategic goals of the organization.

LIMITATION OF THE STUDY

A study on Titan Company may be limited by factors such as data availability, industry dynamics, and geographic focus. The rapidly changing consumer preferences and intense competition in the watch and jewelry industry may also impact the study's findings. Furthermore, methodological constraints, such as sample size or data collection methods, could affect the accuracy of the results. Additionally, the study's timeframe might not capture long-term trends or changes in the market, and internal and external factors specific to Titan Company may not be fully accounted for..

DATA ANALYSIS AND INTERPRETATION

Table 1. SCHEDULE OF CHANGES IN BUDGETARY CONTROL AND COST MANAGEMENT (2021 – 2022)

Category	**2019**	**2020**	**Change**
Revenue from Operations	₹19,070 Cr	₹20,010 Cr	+₹940 Cr (+4.9%)
EBITDA	₹2,181 Cr	₹2,564 Cr	+₹383 Cr (+17.6%)
Profit Before Tax (PBT)	₹1,997 Cr	₹2,105 Cr	+₹108 Cr (+5.4%)
Cash & Bank Balances	₹1066.48 Cr	₹381.13 Cr	-₹685.35 Cr (-64.3%)
Borrowings (Short-term)	₹0.08 Cr	₹705.9 Cr	+₹705.82 Cr
Gold on Loan	₹2,352.90 Cr	₹1,584.55 Cr	-₹768.35 Cr (-32.7%)
Lease Liabilities (New)	–	₹686.77 Cr	New Entry
Capital Work-in-Progress	₹141.04 Cr	₹109.67 Cr	-₹31.37 Cr (-22.2%)
Provisions (Short-term)	₹65.34 Cr	₹119.70 Cr	+₹54.36 Cr (+83.2%)
Marketing & Discretionary Spend	High (Pre-COVID)	Reduced significantly	Controlled via reviews
Trade Payables	₹905.98 Cr	₹596.71 Cr	-₹309.27 Cr (-34.1%)
Inventory	₹7,038.82 Cr	₹8,102.98 Cr	+₹1,064.16 Cr (+15.1%)
Other Financial Assets	₹98.98 Cr	₹459.06 Cr	+₹360.08 Cr (+363.9%)
Employee Cost / Support	Protected	Protected	No major cuts

INTERPRETATION:

In the period between FY 2019 and FY 2020, Titan Company Ltd. maintained control over its expenses and budgets amidst economic fluctuations. By measures such as the implementation of the "War on Waste" initiative, discretionary spend was reduced, vendor payments maximized, and collection cycles enhanced. Strategic cash utilization and a strong cut in gold-on-loan maintained financial risk management, while capital expenditures were postponed to preserve liquidity. Despite the decline in cash balances, Titan maintained employee expenses and enhanced profitability, indicating effective budgetary control and long-term cost management discipline

Chart 1. FIGURE OF EXPENSE CONTROL

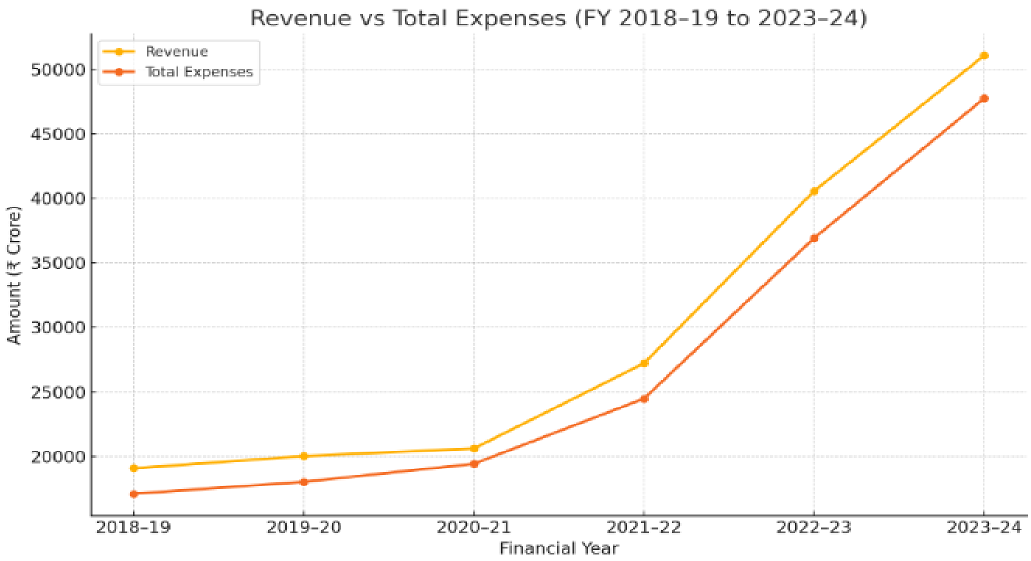

Table 2. TABLE FOR LIQUIDITY RATIO

Year	Liquid Assets (₹ in Crore)	Current Liabilities (₹ in Crore)	Liquidity Ratio
2020	11,206	9,606	1.167
2021	9,574	9,239	1.036
2022	17,070	11,827	1.443
2023	18,584	11,364	1.635
2024	17,038	15,710	1.085

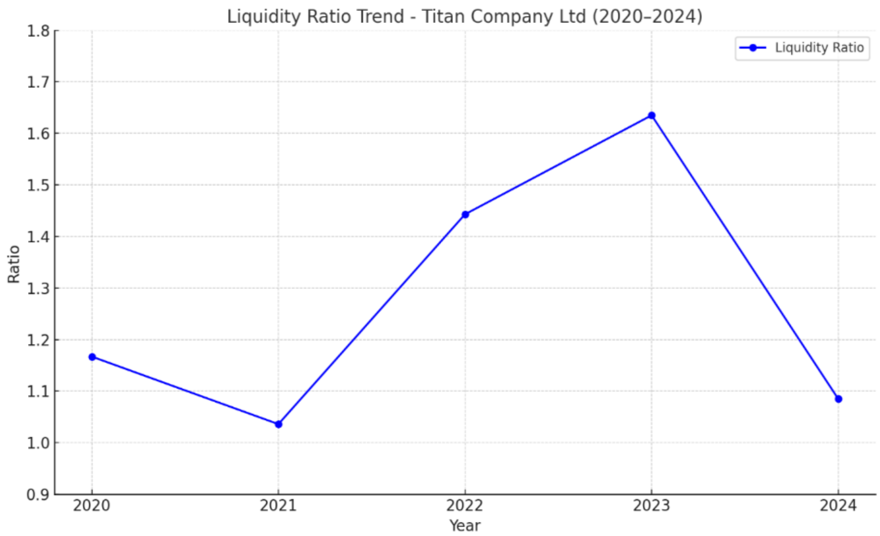

Chart 2. FIGURE OF LIQUIDITY RATIO

SUMMARY OF FINDINGS

1. Titan Company effectively controlled costs during FY 2019–20 through initiatives like the "War on Waste," reducing discretionary spending and enhancing collection cycles, while postponing capital expenditures to preserve liquidity.
2. In FY 2020–21, the company strategically increased gold-on-loan usage by over 170% to conserve cash during the pandemic, ensuring operations could continue without increasing debt burdens significantly.
3. Despite a small revenue rise in FY 2020–21, Titan's EBITDA and PBT declined sharply due to reduced consumer demand and high fixed costs, indicating the sensitivity of profitability to external disruptions.
4. Titan continued its cost-saving efforts during the crisis, cutting marketing and employee costs, and renegotiating vendor contracts to stabilize cash flow, showing agile financial adjustments in a volatile environment.
5. FY 2021–22 marked a return to growth mode, with revenue increasing 32% and profits rising disproportionately by 138%, demonstrating effective budget reallocation and a strong cost-to-sales leverage.
6. Inventory planning was closely tied to anticipated high-margin and seasonal demand, ensuring higher stock turnover and minimizing the risk of overstocking, especially in FY 2021–22.
7. Marketing expenses doubled in FY 2021–22, but spending was digitally focused and ROI-driven, maintaining budget discipline while scaling outreach post-COVID.
8. Titan limited capital expenditures to high-return areas such as technology upgrades and premium retail formats, continuing an asset-light strategy and prioritizing strategic value over volume expansion.
9. In FY 2022–23, revenue rose by 49% and PBT by 52%, with expenses increasing proportionately, reflecting strong budgetary alignment between top-line growth and operational costs.
10. The company's liquidity ratio remained above the safe benchmark of 1.0 throughout FY 2020–24, peaking at 1.635 in FY 2023, showing strong short-term solvency and careful liquidity planning.
11. In FY 2024, a slight decline in liquidity ratio to 1.085 was observed, likely due to short-term liabilities incurred to support aggressive expansion, although the level remained financially sound.
12. The cash position ratio fluctuated significantly over the years, peaking in FY 2023 but declining in FY 2024, suggesting an increased reliance on gold-on-loan and other financing options rather than holding large cash reserves.
13. Titan's fixed asset to capital employed ratio fell from 1.59 in FY 2020 to 0.47 in FY 2024, indicating improved capital efficiency and a shift towards non-physical asset deployment like technology and working capital.
14. The inventory turnover ratio remained stable despite rising stock levels, reflecting efficient inventory utilization and strong demand forecasting capabilities.
15. Titan's working capital efficiency improved steadily, with the efficiency ratio increasing from 3.88 in FY 2020 to 5.05 in FY 2024, showing greater revenue generation from available capital.
16. The operating expense ratio remained relatively stable, fluctuating between 86.9% and 91.6%, indicating consistent control over operational costs despite fluctuating business volumes.
17. Operating margins recovered after a pandemic-related dip, stabilizing at around 12–13% in FY 2022–24, demonstrating effective cost management during both recovery and growth phases.
18. Investments in ERP and digital tools enhanced real-time budget monitoring and variance tracking, enabling faster and data-driven financial decisions.
19. Employee costs were protected or increased incrementally even during downturns, reflecting Titan's strategic focus on retaining talent and ensuring workforce continuity.

SUGGESTION

Replace traditional annual budgeting with rolling forecasts to reflect dynamic market conditions and allow better responsiveness.
Implement ABC more extensively to track actual cost drivers, especially in manufacturing and logistics-heavy divisions.
Enhance real-time budget tracking through advanced ERP dashboards and AI-powered financial modeling tools for faster variance alerts.
Break down silos between finance, operations, and sales to foster integrated cost decisions Link budget ownership and cost-saving behaviors to performance rewards at departmental and individual levels.
Continue refining demand forecasting to minimizeoverstocking, especially in high-value segments.

CONCLUSION

The study of budgetary control and cost management in Titan Company Limited's watches division highlights a robust financial strategy that balances operational efficiency with long-term growth. Over the years, Titan has successfully implemented structured budgeting practices that are both flexible and performance-oriented. The company's adoption of strategic cost management tools such as Activity-Based Costing (ABC), rolling forecasts, and digital budgeting platforms has enabled it to respond swiftly to changing market dynamics, especially in the highly competitive watch industry.

DIRECTIONS FOR FUTURE RESEARCH

Break down budgetary and cost management strategies for individual business units (e.g., Tanishq, Fastrack) to understand tailored tactics across product lines.
Future studies could include primary data collection (interviews or surveys) with Titan's finance and strategy managers to uncover real-time decision-making processes.
Compare Titan's budgeting and SCM performance with competitors like Tanishq peers or international retail brands for industry-wide implications
Analyze the impact of AI, automation, and digital analytics on budgeting accuracy, decision speed, and cost savings
Investigate how environmental, social, and governance (ESG) goals are being incorporated into cost and budget frameworks.

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