

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT FOR THE FINANCIAL YEAR 2022-23

### Company Overview:

Tata Sons Private Limited (“Tata Sons” or “the Company”) is the principal investment holding company and promoter of various Tata companies. It is a Core Investment Company registered with the Reserve Bank of India.

Tata Group operates in more than 100 countries across six continents, with a mission ‘To improve the quality of life of the communities we serve globally, through long-term stakeholder value creation based on Leadership with Trust’. This mission defines the business philosophy and guides the approach of doing business by Tata Group.

As on March 31, 2023, Tata Sons has 289 subsidiaries and the Company together with its subsidiaries has 38 associates and 37 joint venture companies, which are engaged in diversified businesses including Information Technology, Automotive, Steel, Financial Services, Consumer & Retail, Aerospace & Defense, Travel & Tourism, Infrastructure, Telecom & Media and Trading & Investments.

More than 90% of the net assets of the Company are in the form of investments and loans to various Tata companies. The primary source of inflow is dividends received from Tata companies, occasionally supplemented by sale of investments.

The Company is the owner of the ‘Tata’ brand. Every company that uses the ‘Tata’ brand is a signatory to the Brand Equity and Business Promotion Agreement (“BEBP Agreement”)/ Tata Trademark License Agreement. The aforesaid Agreements confers upon the signatory companies, the right to use the ‘Tata’ brand in the names of their products and services and in certain cases in their corporate names. Tata companies are committed to run their businesses ethically, transparently and in conformity with the Tata Code of Conduct which is an integral part of the BEBP Agreement.

### Financial Performance:

(₹ in Crore)

	Standalone Financial Results				
	FY22	% of Revenue	FY23	% of Revenue	Increase / (Decrease) in FY 23
Total Revenue	24,132.97	100	35,058.47	100	10,925.50
Profit before exceptional items & taxes	20,651.30	86	31,263.77	89	10,612.47
Exceptional items	(1,104.28)		(1,240.03)		(135.75)
Profit before tax	19,547.02	81	30,023.74	86	10,476.72
Profit for the year after tax	17,171.21	71	22,132.38	63	4,961.17

The performance of the Company was the best ever in FY23 with all time high profits.

In FY 2022-23, Total Revenue grew by 45% to ₹ 35,058.47 crore while Profit before exceptional items and taxes was ₹ 31,263.77 crore. Exceptional items in the financial year 2022-23 was ₹ 1,240.03 crore which comprised mainly of provision for gross liabilities of Tata Teleservices Limited / Tata Teleservices (Maharashtra) Limited towards Department of Telecommunications.

Profit after tax was ₹ 22,132.38 crore, a growth of 29%.

**Financial position:**

	2021-22	2022-23	(₹ in Crore) Increase / (Decrease) in FY 23
Networth	68,902.11	90,651.47	21,749.36
Gross debt	31,231.86	22,176.27	(9,055.59)
Other liabilities	21,884.38	22,848.59	964.21
<b>Total: Liabilities</b>	<b>1,22,018.35</b>	<b>1,35,676.33</b>	<b>13,657.98</b>
Investments	1,13,340.56	1,29,203.56	15,863.00
Cash & cash equivalents	3,715.49	1,533.80	(2,181.69)
Other assets	4,962.30	4,938.97	(23.33)
<b>Total: Assets</b>	<b>1,22,018.35</b>	<b>1,35,676.33</b>	<b>13,657.98</b>
Market Value of listed investments	12,91,657.69	11,20,545.24	(1,71,112.45)
Capital Adequacy Ratio	501.87%	432.15%	(69.72%)
Leverage Ratio [times]	0.10	0.10	-

The capital structure of the Company strengthened further during the year under review. The improvement in net worth was accompanied by reduction in net debt to ₹ 20,642.47 crore at March 31, 2023 from ₹ 27,516.37 crore as on March 31, 2022.

The net debt to market value of listed investments held by the Company improved to 1.84% as on March 31, 2023 compared to 2.13% as on March 31, 2022. The return on equity, pre-exceptional items, also increased to 39.19% for the Financial Year 2022-23 from 34.22% in the previous year..

**Consolidated financial results**
**Performance**

	(₹ in Crore)				
	Consolidated Financial Results				
	FY22	% of Revenue	FY23	% of Revenue	Increase / (Decrease) in FY 23
Total Revenue	3,10,257.16	100	4,15,734.41	100	1,05,477.25
Profit before exceptional items & Taxes	56,192.14	18	55,674.69	13	(517.45)
Exceptional items	912.07		(1,427.59)		(2,339.66)
Profit before tax	57,104.21	18	54,247.10	13	(2,857.11)
Profit for the year after tax	40,437.75	13	28,211.04	7	(12,226.71)

Total Revenue showed an increase of 34% to ₹ 415,734.41 crore.

Profit after tax for the year was ₹ 28,211.04 crore compared to ₹ 40,437.75 crore in the previous year.

## Financial position:

	(₹ in Crore)		
	2021-22	2022-23	Increase / (Decrease) in FY 23
Networth	2,16,309.59	2,28,219.09	11,909.50
Gross debt	2,00,220.27	2,27,970.33	27,750.06
Other liabilities	1,60,554.56	1,81,401.01	20,846.45
<b>Total: Liabilities</b>	<b>5,77,084.42</b>	<b>6,37,590.43</b>	<b>60,506.01</b>
Investments	1,26,296.00	1,38,437.62	12,141.62
Cash & cash equivalents	80,260.74	85,656.90	5,396.16
Other assets	3,70,527.68	4,13,495.91	42,968.23
<b>Total: Assets</b>	<b>5,77,084.42</b>	<b>6,37,590.43</b>	<b>60,506.01</b>

The Tata group's combined market capitalization as on March 31, 2023 was ₹ 20,71,467 crore compared to ₹ 23,60,140 crore in the previous year.

## Business Highlights:

The macro-economic volatility and geo-political factors have dominated the global business environment during the financial year 2022-23. Looking ahead, global growth is poised to slow down to 2.6% in 2023 (from 3.1% in 2022), led by a pronounced slowdown in developed markets. In contrast, emerging markets will provide some cushion, led by India.

India's growth continues to be resilient, underpinned by government's capital outlay and buoyant private consumption. India's GDP has grown by 7.2% in the financial year 2022-23 and is expected to continue to be the fastest growing large economy.

The Company is investing to leverage the India growth opportunity and in industries which have large potential driven by:

- global energy transition trend across sectors,
- imperative for global manufacturers to create a more diversified and resilient supply chain and
- AI/Data led transformation of businesses.

The Company continues to make investments in existing businesses to enable them to capitalize on above growth opportunities and to support deleveraging of balance sheets.

The Company has also identified and incubated select new businesses.

## Risks and Concerns for the Company & the Group Risks Management Framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Group Risk Management Committee has been formed to assist the Board for identification, assessment and monitoring of risks in line with the business strategies. The charter of the said committee is approved by the Board and lays down the risk management processes and controls.

## **Adequacy of Internal Controls**

The Company's internal controls are commensurate with its size and the nature of operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use, executing transactions with proper authorization and ensuring compliance with the Company's policies. The Company has a well-defined delegation of power with authority limits for approving contracts as well as expenditures.

The terms of reference of the Audit Committee of the Company includes evaluation of internal financial controls and risk management systems. As part of the internal financial control systems, Internal Auditor conducts regular audits and presents their findings to the Audit Committee. As on March 31, 2023, there are no material unaddressed Internal Financial Controls related observations outstanding.

The Statutory Auditors of the Company have audited the Company's financial statements and issued an attestation report on the Company's internal control over financial reporting (as defined in Section 143 of the Companies Act, 2013).

Based on the above, we believe that adequate Internal Financial Controls exists and are operating effectively.