

Management Discussion and Analysis Report for the Financial Year 2021-22

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, 2022, the Company had 286 subsidiaries, the Company together with its subsidiaries had 37 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 inflows 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 as well as 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:

Standalone Financial Results

(₹ in crore)

Particulars	Standalone Financial Results				
	FY21	% of Revenue	FY22	% of Revenue	Inc / (Dec) in FY22
Total Revenue	19,598.35	100%	24,132.97	100%	4,534.62
Profit before Exceptional items & Taxes	15,617.78	80%	20,651.30	86%	5,033.52
Exceptional items	(8,094.77)		(1,104.28)		(6,990.49)
Profit before tax	7,523.01	38%	19,547.02	81%	12,024.01
Profit for the year after tax	6,511.63	33%	17,171.21	71%	10,659.58

The performance of the Company has shown a significant improvement in the current year.

Total Revenue in the Financial Year 2021-22 was ₹ 24,132.97 crore while Profit before Exceptional items and Taxes was ₹ 20,651.30 crore. Exceptional items in the Financial Year 2021-22 was ₹ 1,104.28 crore which comprised mainly of provision for gross liabilities of Tata Teleservices Limited / Tata Teleservices (Maharashtra) Limited towards Department of Telecommunications. Compared to previous year, Exceptional items were lower by ₹ 6,990.49 crore.

Profit Before Tax was higher at ₹ 19,547.02 crore showing an increase of 160% over the previous year. Profit margin also increased considerably to 81% from 38% in the previous year.

Profit for the year after tax was ₹ 17,171.21 crore, an increase of ₹ 10,659.58 crore or 164% over the previous year.

Financial position:

(₹ in crore)

Particulars	Mar 21	Mar 22	Inc / (Dec) in Mar 22
Networth	51,820.06	68,902.11	17,082.05
Gross debt	30,334.30	31,231.86	897.56
Other liabilities	20,814.65	21,884.38	1069.73
Sub-total : Liabilities	102,969.01	122,018.35	19,049.34
Investments	93,999.76	113,340.56	19,340.80
Cash & cash equivalents	2,718.75	3,715.49	996.74
Other assets	6,250.50	4,962.30	(1,288.20)
Sub-total : Assets	102,969.01	122,018.35	19,049.34
Market Value of listed investments	1,029,998.18	1,291,844.24	261,846.06
Capital Adequacy Ratio	449.83%	501.87%	52.04%
Leverage Ratio [times]	0.13	0.10	(0.03)

The capital structure of the Company strengthened further during the year under review. The improvement in networth was accompanied by reduction in net debt (₹ 27,516.37 crore as on March 31, 2022 compared to ₹ 27,615.55 crore as on March 31, 2021) and a significant increase in market value of investments.

The net debt to market value of listed investments held by the Company was at a healthy level of 0.02 times as on March 31, 2022 compared to 0.03 times as on March 31, 2021. The return on equity, pre-exceptional items, was 34.2% for the Financial Year 2021-22 compared to 32.1% for the previous year.

Consolidated Financial Results
Performance

(₹ in crore)

Particulars	Consolidated Financial Results				
	FY21	% of Revenue	FY22	% of Revenue	Inc / (Dec) in FY22
Total Revenue	2,43,712.72	100%	3,10,257.16	100%	66,544.44
Profit before Exceptional items & Taxes	38,936.71	16%	56,192.14	18%	17,255.43
Exceptional items	(5,021.84)	-	912.07	-	5,933.91
Profit before tax	33,914.87	14%	57,104.21	18%	23,189.34
Profit for the year after tax	19,397.08	8%	40,437.75	13%	21,040.67

The Consolidated Financial Results reflect the considerable improvement in the performance of Companies during the Financial Year 2021-22.

The improved performance has resulted in Total Revenue for the current year being higher by ₹ 66,544.44 crore and Profit before Exceptional items being higher by ₹ 17,255.43 crore.

As a result, Profit before tax increased to ₹ 57,104.21 crore compared to ₹ 33,914.87 crore in the previous year, an increase of ₹ 23,189.34 crore or 68% over the previous year. Correspondingly, Profit margin increased to 18% from 14% in the previous year.

Profit for the year after tax was ₹ 40,437.75 crore, an increase of ₹ 21,040.67 crore or 108% over the previous year.

Financial Position:

(₹ in crore)

Particulars	Mar 21	Mar 22	Inc / (Dec) in FY22
Networth	1,67,043.03	2,16,309.59	49,266.56
Gross debt	1,57,845.95	2,00,220.27	42,374.32
Other liabilities	1,16,013.71	1,60,554.56	44,540.85
Sub-total : Liabilities	4,40,902.69	5,77,084.42	1,36,181.73
Investments	1,48,380.68	1,75,625.25	27,244.57
Cash & cash equivalents	17,961.48	30,931.49	12,970.01
Other assets	2,74,560.53	3,70,527.68	95,967.15
Sub-total : Assets	4,40,902.69	5,77,084.42	1,36,181.73

The Tata group's combined market capitalization as on March 31, 2022 was ₹ 23,55,174 crore, an increase of 33% compared to the previous year.

Business Highlights:

The Company has identified and made investments in various new and existing businesses to capitalize on future growth opportunities and to support deleveraging of balance sheets.

The Company's investments in new businesses were across digital platform, services and airlines. These investments include:

- Tata Digital Private Limited, a 100% subsidiary of the Company has acquired/invested in:
 - a majority stake in Supermarket Grocery Supplies Private Limited (Big Basket) one of India's largest e-commerce player in the Food & Grocery segment.
 - a majority stake in digital health company, Tata 1MG Technologies Private Limited.
 - CureFit Healthcare Private Limited, one of the leading fitness player that has developed a strong ecosystem in fitness and wellness.
 - a new business in financial services under Tata Fintech Private Limited.
- Acquisition of majority stake in Tejas Networks Limited to build group's presence in 5G mobile & telecom infrastructure.
- Acquisition, through a competitive bidding process, of 100% shareholding in Air India Limited (a full-service airline operating in domestic and international markets), 100% in its subsidiary Air India Express Limited (a low-cost carrier airline that focusses on short-haul international operations especially in the Middle East market) and 50% in the joint venture Air India SATS Airport Services Private Limited (airport services on ground and cargo handling) at an equity value of ₹ 2,700 crore.

The Company also made investments in existing businesses including Tata Advanced Systems Limited, Tata SIA Airlines Limited, Air Asia (India) Private Limited, The Indian Hotels Company Limited, Infiniti Retail Limited and Tata International Limited during the Financial Year 2021-22.

Risks & Concerns for the Company and 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 committee is approved by the Board and lays down the risk management processes and controls.

Adequacy of Internal Financial Controls

The Company's internal controls are commensurate with its size and the nature of its 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 the regular audits and present their findings to the Audit Committee. The internal auditors are appointed by the Board based on the recommendation of the Audit Committee. As on March 31, 2022, there is 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 exist and are operating effectively.