MANAGEMENT DISCUSSION AND ANALYSIS REPORT FOR FY 2020-21

1. **Industry structure and developments**

   Tata Industries Limited is registered with the Reserve Bank of India as a Core Investment Company ("CIC"). The Company is an investment holding company and is part of the promoter group with shareholding in group companies apart from being engaged in incubation / promotion of new business ventures such as Tata Unistore Ltd. (TataCLiQ) and Tata Smartfoodz Ltd. (Tata Q ready-to-eat meals)). Tata Industries Ltd. divisions operate in the sectors of Data Analytics, Digital Health, EdTech and Strategy and Management Consulting. These are high growth sectors that provide an opportunity to build high-technology scalable and sustainable businesses for the group, which is the core mandate of Tata Industries.

   - **Data Analytics**

     India is currently among the top 10 big data analytics markets in the world and NASSCOM has set a target of making the country one of the top three markets.

     An increasing need for analytical services and products that are focused on business outcomes and customer experience are encouraging organizations to engage with experts in data analytics. Highly regulated industries including BFSI, telecom and healthcare are driving the need for analytical models for scalability, digitization, accessibility and cost reduction.

     Key growth drivers for the sector include: an exponential increase in data generation, presence of cost-effective infrastructure, enhancement in innovative, scalable solutions, ease of data consolidation, presence of regulatory and risk compliances and increase in SaaS (Software as a Service) solutions.
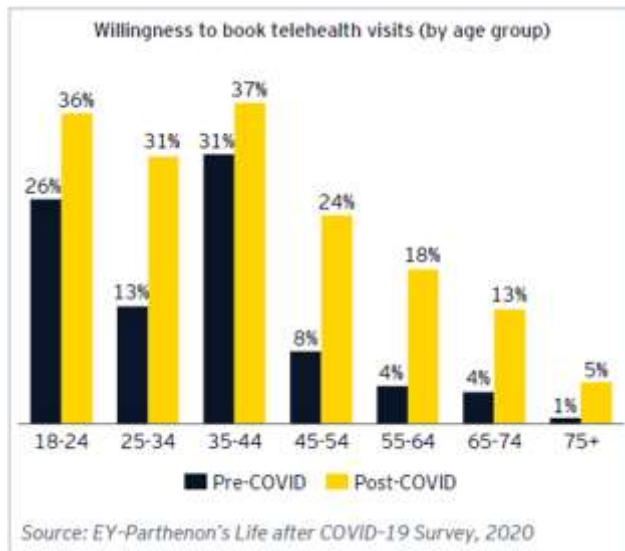
   - **Digital Health**

     The healthcare system in India remains severely under-resourced, reflecting inconsistent quality and inadequate medical infrastructure. This often leads to expensive hospitalizations in avoidable cases. 75% of the Indian population living outside urban areas can access only 31.5% of hospitals. Access to quality primary care, which is the first line of defence, is particularly scarce.

     Digital health has the potential to narrow this gap by removing the need for heavy infrastructural requirements and reducing the time taken for getting consultations. Additionally, patients benefit from affordable prices and convenience.

     The Covid-19 pandemic has created the need for a digitally integrated ecosystem that enables consultation and care for patients remotely. The need is both for acute ailments, where patients fear risk of infection and for chronic care, where patients increasingly use digital channels for disease management.

     The top 8 health-tech startups have raised over $700 Mn from 2014-2019. Of the top 12 pharmaceutical companies in India, 80% have tied–up with one or more marketplace teleconsultation platforms and 8% have launched their own platform.

Willingness to book telehealth visits (by age group)

Source: EY-Parthenon's Life after COVID-19 Survey, 2020

2020 has seen new entries from Amazon and Apollo Pharmacy in the e-pharmacy market, along with consolidation in the form of acquisitions and mergers.

- **Education Technology**

  Education Technology, popularly known as EdTech, is one of the fastest growing technology-enabled businesses in India, enabled by some drivers such as:
  - Rising affluence: Indicated by shift towards private schools in expectation of better learning outcomes
  - Growth of emerging cities: Smaller cities look for education quality that is at par with that of Metro cities
  - Rise of nuclear households: Help sought with child's learning as number of double income parents is rising
  - Increase in internet and smartphone penetration in India
  - Government initiatives to drive adoption of online education

  A booming ed-tech sector in 2020, attributable to digital adoption due to the Covid-19 pandemic, has led to extensive M&A activity and significant investments in India in the past year.

- **Strategy and Management Consulting**

  Additionally, Tata Industries' Division, Tata Strategic Management Group (TSMG), serves as a Strategy Center of Excellence for Tata companies. It offers strategy advisory services to Tata Sons Pvt. Ltd. and various other Tata companies. It also collaborates closely with the other Tata companies to identify and facilitate synergy initiatives across various companies. It partners with external experts and firms as needed to deliver its services. TSMG has consistently been able to recruit high quality talent from the market. TSMG has implemented structured training interventions for

its employees and built strong knowledge management capabilities to support its core advisory services.

2. Opportunities and Threats

- **Data Analytics**

  Opportunities: The explosion of data – both structured and unstructured as well as digitization of processes, is driving the opportunity to leverage analytics and data science in supporting and driving decisions across functions and domains.

  Industries and companies are at varying levels of analytics maturity, providing an opportunity for data and analytics products and services across the value chain – data management, visualizations, business analysis, predictive and prescriptive analytics using machine learning / artificial intelligence and optimization.

  The overall revenues from analytics offerings by Indian firms stood at $ 35.9 Billion in 2020. The share of advanced analytics, predictive modelling, and data science stood at 16% of total analytics revenues in 2020, i.e. around $ 5.7 Billion.

  Threats: One of the global threats to the growing data analytics industry is an increasing threat of cyber security, especially as more sensitive information is made available and liable to attack. Apart from this, data rights and ownership is a topic that needs to be managed sensitively and ethically. A purely for-profit approach to data analysis could be myopic and has the risk of creating irreversible long-term damage to an organization.

  Other challenges that may reduce the pace of analytics adoption include the lack of pre-requisites (such as effort- and cost-intensive modernization of legacy systems, investments and capital focused on traditional ROI projects), inability to deal with ambiguity (such as fuzzy value measurement, unforeseen risks, security and privacy concerns) and the lack of skills, capabilities and mindset.

- **Digital Health**

  Opportunities: Virtual care in India constitutes tele–consultation, telepathology, teleradiology and e–pharmacy. India's eHealth sector reached ~$1.4 Bn GMV in 2020, followed by a 1.7x expansion in the household base. While tele-consultation and e- pharmacy have made strides due to Covid, teleradiology and telepathology are still at nascent stages.

  The range of diagnosis made possible by tele-consultations is set to improve with an increased adoption of teleradiology and telepathology. Tier-2 and tier-3 towns are the major growth areas owing to quality care at affordable prices.

  Threats: Ineffective policy and inappropriate regulation, data security, customer data privacy and misuse by interested parties, lack of infrastructure and reach and low adoption by doctors are some of the factors that can stall adoption.

- **Education Tech**

  Opportunities: Technology exposure and digital literacy are some of major thrusts for the adoption of EdTech solutions. Student behaviours are also evolving, as they seek a detailed understanding of concepts as opposed to studying only for exams. Increased digitalization of schools, with traditional rote learning methods being replaced by more interactive learning, is driving a need for more digital

solutions that complement traditional learning.

There is also a growing demand from tier-2 and tier-3 cities as well as fast-growing consumer spending on digital education. It is estimated that over 70 million students across India supplement school education with some form of tuition. This indicates a potential for strong growth of online adoption of supplementary education.

Threats: The pandemic, and subsequent lockdowns, have led to a massive disruption to children's school education, thus creating a mixed effect for the sector. Closure of schools for long periods of time impacts learning by children, and the funds available to schools, as also the use of digital classrooms and to pay for supplementary solutions. However, this has perhaps forced a massive shift towards adoption of online solutions, a trend that has been accelerated by digital adoption and is likely to be irreversible. The growth scenario is also fraught with opportunists looking to acquire customers. Other threats also include a lack of awareness of online offerings, abundance of free content online and therefore, a lower perceived value of paid content.

3. Segment

Please refer to Para 4 of the Board's Report.

4. Outlook

- **Data Analytics**

Estimates placed the analytics function in India earning consolidated revenues at $35.9 Bn in FY2020, a 19% growth over the previous year. Analytics services cover descriptive, predictive, and prescriptive analytics and include data reporting, business intelligence, visualization, and analysis.

The analytics domain's revenue is expected to grow at a CAGR of 16% till 2025, by when the Indian analytics market would touch $ 75 Billion, about 30% of the $ 255 Billion IT industry by 2025.

- **Digital Health**

The digital health market is expected to grow to US$35 Bn by 2030. The key enablers that are driving this change are rising income levels, shifts in disease mix and demography, increased affordability, accessibility, awareness of health and wellness and growth of digital technology.

Long-term trends include increased adoption of wellness-based offerings, technology innovations, portable sensors for non-invasive monitoring of disease conditions such as anaemia, diabetes etc., creation of scalable and interoperable system that leverage rich data to yield analytical insights. 15%-20% of healthcare is expected to shift to virtual care, across triaging, consults, remote monitoring, home health among many others.

- **Education Tech**

The Indian EdTech market is expected to grow to ~$10 Bn by 2025 from ~$2.8 Bn in 2020, with an increase in paid users of K-12 learning solutions to11.3 Mn by 2025). Contributory factors include high customization in content delivery, assessment and result analyses, availability of affordable content, provision of

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value- added services and merging of online and offline modes, among others.

There is a need for continuous learning which is enabled by rapid advancements in technology and a regular need for new skills and competencies. Technologies providing increased personalization of course content and delivery are expected to find greater adoption in the sector.

5. Risks and Concerns

- **Data Analytics**

  Key risks involve data privacy and storage, data ownership and a dearth of capabilities and skillsets vis-à-vis the demand with increased amount of data, the cyber security risk is continuously growing.

  Digital solutions have made the sharing of data easy but tracking the ownership to avoid any dispute as well as the regulatory requirements in few countries pose high risk for the data analytics industry and can hamper the growth if a sustainable solution is not found in next few years. India has a shortage of data science talent and current education streams are lagging in supplying the skillsets being demanded by a rapidly growing industry.

- **Digital Health**

  Concerns around data privacy and reservations about sharing health data online can inhibit both the adoption of digital health and the range of offerings that can be made possible by digital health. For a society that is used to physical interaction like personal touch, digital health may face trust deficit barriers.

  Regulations around digital health, both in India and globally, are still developing. Concerns about specialization-specific limitations (lighting near patients for dermatologists etc.), lack of remote diagnostic solutions and delayed payments hinder onboarding of qualified doctors required for a successful patient diagnosis and positive user experience.

- **Education Tech**

  Lockdowns (driven by Covid-19), economic slowdown or reduction in school fees by state governments - leading to deferment of purchase decisions by schools or restriction in school budgets - will delay the eventual classroom digitalization requirements. Abrupt regulatory changes or alterations in board curriculum may require revamping of select digital content, which leads to increase in costs.

6. Internal control systems and their adequacy

Please refer to Para 12 of the Board's Report.

7. Discussion on financial performance with respect to operational performance

Please refer to Paras 2 to 4 of the Board's Report.

8. Material developments in Human Resources / Industrial Relations front, including number of people employed

Number of People Employed : Approximately 700.
Additional measures by all the Divisions
- 100% Work From Home arrangement due to Covid-19 for employee health and safety.
- Partnership with 3rd Party Employee Assistance Program for employee counselling and well-being consultation during Work From Home arrangements.
- Launch of "Employee Connect Platform" by Data Analytics Division for employee engagement, employees health and wellbeing communication.
- Employee participation in online skill development courses during lockdown as Learning and Development initiatives.
- Employee assistance for safety and related hospital tie-up for any COVID related illness.

For and on behalf of the Board of Directors,

Place : Mumbai

April 29, 2021

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