

Tata Industries Limited**ANNEXURE - F****MANAGEMENT DISCUSSION AND ANALYSIS REPORT****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). The latter has been sold to Tata Consumer Products Ltd during the year.

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**

The past year was a significant one for the data and analytics industry. The impact of the global pandemic on several industries was severe, resulting in more cautious spends across the board.

However, as the initial impact of the pandemic lessened, there was an increased push towards digitisation that is now leading to investment in data resources among several companies. Further, there was also a need for intelligent automation to reduce the physical contact or intervention of humans. These are expected to be significant contributors to the current and future growth of data and analytics.

The IT Sector continues to be the top contributor to the analytics industry market in 2021, with a share of 43%. However, this year has seen investments in in-house analytics by the industry (i.e., domain-specific companies) as well, evidenced by increase in market share of other sectors.

- **Digital Health**

The COVID-19 pandemic has spurred the pace of digital innovation in the healthcare sector both globally and in India. Driven by tailwinds of increasing internet and smartphone penetration, consumer comfort with online consumption, and government initiatives like the National Digital Health Mission and the National Health Stack, the digital health/healthtech market in India, comprising online doctor consultation, e-pharmacy, virtual care services, and e-diagnostics (among others), is experiencing very high CAGRs in the range of 30%-40% and is expected to touch US\$ 5 billion by 2023.

The major stakeholders in the industry are traditional hospital chains, healthtech startups, individual doctors and regulatory authorities.

Digital health services hold the potential to solve several ills that plague the traditional healthcare ecosystem in India, not least by bridging the gap between provider and patient, and to improve patient health outcomes by reducing drop-offs in the patient's

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health recovery journey, through richer, real-time and remote monitoring of health metrics. This also enables preventive rather than only reactive care, through secure and seamless sharing of health information between healthcare entities. In addition, digital health is expected to make healthcare services more accessible and more affordable.

Estimates for the number of active Indian startups in the healthcare sector range from 3500 to over 7000. 2021 was a record year for investments in the healthtech sector, with an estimated US\$ 2.2 billion of funding raised across 131 deals, a surge of ~4.8 times the amount of funding raised in 2020, taking the total estimated funding since 2014 to approximately US\$ 4.7 billion.

- **Education Technology**

Education Technology, popularly known as EdTech, is one of the fastest growing technology – enabled businesses in India, enabled by 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 smart phone penetration in India
- Government initiatives to drive adoption of online education
- Rapid evolution in online offerings during COVID such as recorded lectures augmented by live classes, and doubt resolution

The Edtech sector saw continued adoption of online products and services in 2021-22 though there was a slow down as compared to 2020-21 as the situation normalised post the Covid pandemic lockdowns. The M&A activities and investments continued at an elevated level as in the past years.

- **Strategy and Management Consulting**

Tata Strategic Management Group (TSMG), serves as a Strategy Center of Excellence for Chairman's office and Tata Group companies and offers strategy advisory and business incubation services. 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.

Tata Industries Limited**ANNEXURE - F****MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Continued)****2. Operations and Threats**

- **Data Analytics**

Opportunities

The growth in digitisation and accelerating shift in share of consumer interactions online will continue to drive the growth of the data and analytics industry.

The analytics domain market size in India was at USD 45.4 Billion in FY 2021, an increase of 26% from the previous year. Despite the disruptions during the peak of the pandemic, the net demand for analytics workforce has also continued to grow. Despite the challenges amid the pandemic, the net demand for the analytics workforce in India continued to grow.

Threats

Cybersecurity continues to be one of the major global threats, especially as more sensitive information is made available and liable to attack. Data privacy regulations across geographies are focusing on data rights and ownership, which requires organizations to treat data sensitively and use ethically.

Lack of skilled talent may also pose a challenge, as the industry saw a 26% growth over the past year.

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

The traditional view of digital health is of an opportunity landscape segmented into various distinct subdomains (online consultation, e-pharmacy, tele-diagnostics, remote care, fitness and wellness apps, etc) and niches such as mental wellness, big data and AI/ML, and digital solutions targeted to specific cohorts such as diabetics and the elderly. This has resulted in a profusion of players, each specializing in a different part of the consumer's health care journey.

The long-term opportunity is in building a phygital care platform that unifies the full continuum of care. Patients want their caregivers to know them deeply, yearn for trust, and expect an experience that is seamless and complete. A 24/7 primary care ecosystem that is responsive, simple and comprehensive across the spectrum of care, has the potential to build consumer trust and long-term loyalty and maximise customer lifetime value, setting the foundation for a sustainable economic model.

Such a platform play would need to be complemented by physical touchpoints-both for consumer reassurance and for completing the care journey in edge cases.

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Threats

Traditionally, the biggest threat to innovations in health care delivery has been the healthcare sector's conservatism and inertia towards change. In recent times, this has been mitigated by the COVID crisis, which has prompted a drastic change in the outlook of both regulatory authorities and providers towards the adoption of the virtual model of care. Also, ineffective data privacy controls or incidents of data misuse could slow the pace of consumer adoption.

- **Education Technology**

Opportunities

Technology exposure and digital literacy are some of major thrusts for the adoption of EdTech solutions. Student behaviours are also evolving, with online offerings during COVID such as recorded lectures augmented by live classes, and doubt resolution 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 opportunistic players looking to acquire customers through discounts and other offers.

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, and high degree of industry fragmentation with large number of players with multiple products and services.

3. Segment

Please refer to Para 3 of the Board's Report.

Tata Industries Limited**ANNEXURE - F****MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Continued)****4. Outlook**

- **Data Analytics**

The estimated growth of the Indian analytics market is a CAGR of 21% till 2026, then capturing a share of 41% of the IT/ ITES industry.

- **Digital Health**

Driven by the strong momentum in underlying drivers of growth, the digital health industry continues on a high-growth trajectory. Valued at Rs. 116.6 billion in 2018, it is estimated to reach a size of Rs. 485.4 billion by 2024, at a CAGR of ~27% for the 2019-2024 period.

In the initial growth phase, industry players and investors largely focussed on big opportunity areas such as e-pharmacy, teleconsultation and online lab tests in the top metropolitan markets and tier-1 cities. In the next phase, there shall be a focus on penetrating into more challenging tier-2 and tier-3 towns with existing offerings, on developing specific health solutions (enabled through remote diagnostics and health data tracking) targeted to high-lifetime-value cohorts such as diabetics and the elderly, on the use of IoT (Internet of Things), Artificial Intelligence, and interoperable systems that leverage rich data to yield insights that can ensure better health outcomes. The percentage of healthcare that is delivered virtually will continue to rise steadily towards a penetration level of 15%-20%.

- **Education Technology**

The Indian EdTech market is expected to grow to ~\$15.7 Bn by 2026 from ~\$4.9 Bn in 2021, with an increase in paid users of K-12 learning solutions to 25 Mn to 30 Mn by 2026. Contributory factors include high customization and personalisation in content delivery, assessment and result analyses, availability of affordable content, provision of 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, data governance with a focus on clarity on the ethical use of data, a dearth of capabilities and skillsets vis-à-vis the demand with increased amount of data and 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

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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**

Globally, concerns around data privacy and security have acted as speed bumps on the digitisation journey of traditional healthcare players. In India, consumers may not be as concerned about data privacy issues as in the west. A bigger concern for Indian consumers would be the perceived inadequacy of a virtual or remotely delivered healthcare service, given that 'touch and feel' is seen as essential to comprehensive diagnosis and care.

In the short-to-medium term, digital healthcare businesses shall feel pressure on unit economics due to deep discounting and the high cost of customer acquisition fuelled by venture capital inflows.

- **Education Technology**

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, continuous investment in upgrading the product, and high customer acquisition costs which leads to increase in overall costs of business operations.

- **Strategy and Management Consulting**

Success of delivering high quality strategy and business incubation services is dependent completely on quality of talent. TSMG targets lateral talent from top-tier strategy consulting firms. This talent pool is being targeted by start-ups and new age businesses aggressively. Consulting firms have increased their compensation structure to reduce attrition. In FY 22-23, we could see difficulties in attracting talent. TSMG will need to focus on offering competitive employee value proposition and compensation structure to address this risk.

6. Internal control systems and their adequacy

Please refer to Para 11 of the Board's Report.

7. Discussion on financial performance with respect to operational performance

Please refer to Paras 1 to 3 of the Board's Report.

Tata Industries Limited**ANNEXURE - F****MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Continued)****8. Material developments in Human Resources / Industrial Relations front, including number of people employed****• Data Analytics**

Number of People Employed : 96

Additional measures

- o Continued with Work From Home for employee health and safety in light of prevailing Covid 19 protocols.
- o Partnership with 3rd Party Employee Assistance Program for Employee Counselling and Wellbeing Consultation.
- o Partnership with 3rd Party online learning platform for technical and leadership training and certification as part of Employee Training & Development Initiative.
- o Infrastructure such as hospital tie-up, purchase of Oxygen concentrator, vaccination for employees and family were enabled.

• Digital Health

Number of People Employed: 124

• Education Technology

Number of People Employed: 271.

Additional Measures

- o Execution of Hybrid Work Plan Schedule
- o Competency development continues via online trainings
- o Tie ups to assist in emergency and other hospital needs and services
- o Vaccination assistance for Employee and family
- o Employee Connect Programme and wellness calling to increase employee engagement, employee's health and wellbeing
- o Centres of excellence to build and develop Design and Tech-talent

• Strategy and Management Consulting

Number of People Employed : 75

For and on behalf of the Board of Directors,

Place : Mumbai
Date : 29th April, 2022

F. N. Subedar
Director

K.R.S. Jamwal
Executive Director