ANNEXURE - F

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. **Industry Structure and Developments**

   Tata Industries Limited (TIL) 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), which was sold to Tata Digital Private Limited during the year.

   Tata Industries Ltd. divisions now operate in the sectors of Data Analytics and Strategy and Management Consulting with the Edtech business being hived-off during the year into a subsidiary company, Tata ClassEdge Limited - TCL (formerly known as Smart ClassEdge Systems Limited) apart from Tata Digital Health ceasing operations at the end of the year after integration with Tata 1mg Healthcare Solutions Pvt. Ltd.

   ❖ **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.

   ❖ **Data Analytics**

   • Tata iQ serves as a Centre of Excellence for Tata Group Companies by offering data analytics and developing assets and accelerators for big data.

   • Digital transformation journeys were spurred by an increased need for tech-driven solutions to drive efficiency and effectiveness. This also brought about a renewed focus on Data Governance, Data Pipelines, Data Management Platforms and Big Data.

   • The IT Sector continues to be the top contributor to the analytics industry market in 2022 with a share of almost 50%, up from 43% last year. Amongst the other sectors, industries like BFSI, Retail and eCommerce, that were early adopters, continue to dominate.

   • Sectors such as Healthcare and Travel & Hospitality, have also seen an increasing trend in their contribution to the share of the analytics industry market, while traditional sectors such as FMCG, Engineering & Manufacturing, Telecom, and Energy & Utilities have a smaller share. However, even traditional sectors are looking at a combination of Technology Automation and Data interventions towards addressing opportunities to improve efficiency, sales and safety & sustainability.

Tata Industries Limited

ANNEXURE - F

MANAGEMENT DISCUSSION AND ANALYSIS REPORT *(Continued)*

❖ **Education Technology**

- The Education Technology ('EdTech') sector continues to be a high focus area in India and aims to enhance the process of learning by making it more engaging, inclusive and personalised. India is a significant participant in the global education market and has one of the largest networks of education institutions globally.

  Moreover, the supportive efforts from the Government to make education available to anybody, everywhere, have also contributed to providing momentum to the EdTech sector. India's burgeoning internet economy – with a large subscriber base and an increasing number of smartphone users – has helped augment the sector's growth.

2. **Opportunities and Threats**

❖ **Strategy and Management Consulting**

Opportunities

Growth of digital businesses across Group companies provides significant opportunity for TSMG to provide digital-linked business strategy and incubation support services. 5G and sustainability being other key priorities for Group companies provides TSMG with an opportunity to extend its expertise in these areas and enter long-term projects with Group companies. Ongoing transformations within Group companies, provides continued opportunity for TSMG to drive major transformations.

Threats

With the slowdown expected in key sectors, discretionary spends are likely to come down, which may impact revenues in the short term.

❖ **Data Analytics**

Opportunities

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

The net demand for analytics workforce has also continued to grow. Despite some layoffs in recent times, the net demand for the analytics workforce in India witnessed an upward growth trend.

With the realisation of value due to data analytics, there is an increasing adoption in key sectors to enable business operations move effectively and efficiently.

Threats

Cybersecurity continues to be a key global threat, 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 it ethically.

ANNEXURE - F

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Lack of skilled talent may also pose a challenge, as the industry saw an over 30% increase in demand in the current year.

❖ **Education Technology**

Opportunities

$6.5 Tn of the global education industry is still in the early stages of digitization, with less than 4% of the market currently digitized. A major proportion of India's population is below the age of 30, as per census data. With literacy rates at about 74% and favourable demographics, demand for quality education is expected to continuously rise. There is also a growing demand for proper training of educators and teachers which are often not linked with recognition and progression along their career paths.

The Company recognised the value of creating quality educational content and will continue through its subsidiary, TCL, to focus on improving the existing product mix with a strong emphasis on quality of the content delivered. Given the dynamic nature of a business environment, the subsidiary company will proceed to align to the National Educational Policy (2020) by its curriculum mapped to the policy.

Threats

The growth trend in EdTech is burdened with players looking to acquire direct customers through a 'freemium' model, which increases the challenge of creating a differentiated and competitive value proposition. Other threats also include a lack of awareness of online offerings, abundance of free content online and, therefore, a high degree of industry fragmentation with large number of players with multiple products and services. In the direct-to-school segment, democratization of content and government initiatives are a key threat to players positioning the proposition with content at the center.

3. **Segment**

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

4. **Outlook**

❖ **Strategy and Management Consulting**

TSMG is expected to continue its current trajectory, leveraging its credible value additions and strong relationships with Group company leaders, further reinforced by TSMG alumni transitioning to Group companies. There is a steady pipeline of projects from both Tata Sons and Group companies across strategically important topics. Continuous effort in talent management enables TSMG to onboard expertise towards emerging topics on an ongoing basis which ensures continued relevance to Group companies.

Tata Industries Limited

ANNEXURE - F

MANAGEMENT DISCUSSION AND ANALYSIS REPORT *(Continued)*

❖ **Data Analytics**

The estimated growth of the Indian analytics market is at a CAGR of 27% till 2027.

Tata iQ having been one of the early entrants, can possibly look at increasing the penetration in the existing companies where there is a good order book of projects in important areas. Efforts are also being made in bringing in new talent to focus on emerging areas in analytics to ensure group companies are serviced with best in class solutions.

❖ **Education Technology**

The Edtech market is expected to reach $78.50 Billion by 2027, growing at a CAGR of over 19% over 2022-2027. The major growth drivers include a substantial addressable market, convenience, price advantage, aided with constant evolving technology capabilities. Besides technologies which provide increased personalization of course content and delivery, the demand for vernacular languages, integration of augmented reality and virtual reality, and upskilling and reskilling has seen a sharp increase.

The Company's objective for FY 2022-23 was to create a product mix which would deliver the highest margins. During the year, revenues, total collections and total order bookings were largely in line with the budgets set. Expenses towards advertisements and other overheads were reduced substantially so as to operate with better margins.

Going forward, TIL, through its subsidiary, TCL aims to improve its market share in specific markets while also improving the product mix with a focus on content and the software stack.

5. **Risks and Concerns**

❖ **Strategy and Management Consulting**

This success of delivering high quality strategy and business incubation services is dependent largely on quality of talent. TSMG targets lateral talent from top-tier strategy consulting firms. Consulting firms have increased their compensation leading to increase in hiring costs. There is an increased demand for this talent from industry, start-ups and consulting firms. TSMG will need to focus on offering competitive employee value proposition and compensation to address this risk.

❖ **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 considerable 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.

ANNEXURE - F

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The continuing debate on India Data Privacy Act in its draft format leaves the market cautious in their adoption of scalable cloud solutions to fuel Data and Analytics Solutions especially when it comes to where the data is housed and the ease of accessibility as well as the use of the same in an ethical and transparent (customer informed) manner while conforming to changing Government regulations.

❖ **Education Technology**

The impact of the changes in Government regulation is a concern to players in the EdTech industry. With the government's announcement to provide a range of free content, the quality of the content is expected to evolve at a rapid pace. It places a high emphasis on the EdTech sector to ideate key differentiators to stand out. EdTech enterprises have had to take drastic measures to stay afloat in the face of a global economic slowdown. Companies that had seen headcounts increase exponentially during the pandemic resorted to downsizing, restructuring, and mass layoffs to trim costs and optimise their bottom lines.

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.

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

❖ **Strategy and Management Consulting**

•   Number of People Employed : 85

❖ **Data Analytics**

•   Number of People Employed : 111

❖ **Education Technology**

•   Number of People Employed : 265

For and on behalf of the Board of Directors,

Place : Mumbai   F. N. Subedar   K.R.S. Jamwal
Date : 27th April, 2023   *Director*   *Executive Director*