

## Management Discussion and Analysis Report for the Financial Year 2020-21

### Company Overview:

Tata Sons Private Limited ('Tata Sons' or the 'Company') is the principal investment holding company and promoter of the Tata Group of companies and owns the Tata Brand and Tata Trademark. It is a Core Investment Company ("CIC") registered with the Reserve Bank of India ("RBI").

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 companies.

As on March 31, 2021, Tata group had 269 subsidiaries, 39 associates and 40 joint ventures across the globe, 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, loans to various Tata companies. The primary source of inflows is dividends received from Tata companies, occasionally supplemented by sale of investments.

The Company owns the 'Tata' brand and 'Tata' Trademark. Every company that uses the 'Tata' brand is a signatory to the Tata Sons' Brand Equity and Brand Promotion (BEBP) Agreement. The BEBP Agreement confers upon the operating companies the right to use the 'Tata' brand in their products and services as well as in their corporate names. These Tata companies are committed to run their businesses ethically, transparently and in conformity with the Tata Code of Conduct.

### Financial Performance:

#### Standalone financial results

	FY 20	% of Revenue	FY 21	% of Revenue	Rs. Crore Inc / (Dec) in FY 21
Total Revenue	24,896.39	100%	19,598.35	100%	-5,298.04
Profit before exceptional items & Taxes	19,822.19	80%	15,617.78	80%	-4,204.41
Exceptional items	-17,142.44		-8,094.77		9,047.67
Profit before tax	2,679.75	11%	7,523.01	38%	4,843.26
Profit for the year after tax	2,679.75	11%	6,511.63	33%	3,831.88

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

Total Revenue in the current year was Rs 19,598.35 crores while Profit before exceptional items and Taxes was Rs 15,617.78 crores. Total Revenue and Profit before exceptional items and Taxes were lower than previous year due to lower dividend income.

Exceptional items in the current year comprised primarily of provision of Rs 8,090.00 crores for gross liabilities of Tata Teleservices Limited / Tata Teleservices (Maharashtra) Limited towards Department of Telecommunications. Compared to previous year, these were lower by Rs 9,047.67 crores.

Profit Before Tax was higher at Rs.7,523.01 crore as against Rs. 2,679.75 crore in the previous year, showing an increase of Rs. 4,843.26 crore or 181% over the previous year. Profit margin also increased considerably to 38% from 11% in the previous year.

Tax expense in the current year was Rs 1,011.38 crores compared to Nil in the previous year due to change in tax laws.

Profit for the year after tax was Rs 6,511.63 crores, a robust increase of Rs 3,831.88 crores or 143% over the previous year.

**Financial position:**
**Rs. Crore**

	Mar 20	Mar 21	Inc / (Dec) in Mar 21
Networth	45,585.61	51,820.06	6,234.45
Gross debt	31,603.34	30,334.30	-1,269.04
Other liabilities	13,095.00	20,814.65	7,719.65
Sub-total: Liabilities	90,283.95	102,969.01	12,685.06
Investments	82,085.03	93,999.76	11,914.73
Cash & cash equivalents	3,850.16	2,718.75	-1,131.41
Sub-total: Assets	90,283.95	102,969.01	12,685.06
Market Value of listed investments	559,325.58	1,029,998.18	470,672.60
Capital Adequacy Ratio	345.9%	449.83%	103.93%
Leverage Ratio [times]	0.18	0.13	-0.05

The capital structure of the Company strengthened further during the year. The improvement in networth was accompanied by reduction in debt 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 0.03 times as on March 31, 2021 compared to 0.05 times as on March 31, 2020. The return on equity, pre-exceptional items, was 32.07% for the current year.

**Consolidated financial results Performance**
**Rs. Crore**

	FY 20	% of Revenue	FY 21	% of Revenue	Inc / (Dec) in FY 21
Total Revenue	236,636.34	100%	243,712.72	100%	7,076.38
Profit before exceptional items & Taxes	31,345.94	13%	38,936.71	16%	7,590.77
Exceptional items	-9,574.24		-5,021.84		4,552.40
Profit before tax	21,771.70	9%	33,914.87	14%	12,143.17
Profit for the year after tax	10,916.36	5%	19,397.08	8%	8,480.72

The consolidated financial results reflect the considerable improvement in the performance of Companies during year.

The improved performance has resulted in Total Revenue for the current year being higher by Rs 7,076.38 crores and Profit before exceptional items being higher by Rs 7,590.77 crores.

Exceptional items (expenses) are lower in the current year by Rs 4,552.40 crores mainly due to lower provision required for gross liabilities of Tata Teleservices Limited / Tata Teleservices (Maharashtra) Limited towards Department of Telecommunication.

As a result, Profit before tax increased to Rs.33,914.87 crores compared to Rs. 21,771.70 crore in the previous year, an increase of Rs. 12,143.17 crores or 56% over the previous year. Correspondingly, Profit margin increased to 14% from 9% in the previous year.

Profit for the year after tax was Rs 19,397.08 crores, an increase of Rs 8480.72 crores or 78% over the previous year.

**Financial position:**
**Rs. Crore**

	Mar 20	Mar 21	Inc / (Dec) in Mar 21
Networth	155,613.35	167,043.03	11,429.68
Gross debt	148,224.65	157,845.95	9,621.30
Other liabilities	107,403.59	116,013.71	8,610.12
Sub-total: Liabilities	411,241.59	440,902.69	29,661.10
Investments	132,282.32	148,380.68	16,098.36
Cash & cash equivalents	20,455.10	17,961.48	-2,493.62
Other Assets	258,504.17	274,560.53	16,056.36
Sub-total: Assets	411,241.59	440,902.69	29,661.10

The Tata Group's combined market capitalization as on March 31, 2021 was Rs. 17,79,544 crore, an increase of 91% compared to the previous year.

**Business Highlights:**

The Company made significant investments in new businesses to capitalize on future growth opportunities and increase its shareholding in existing businesses.

The Company's investments to increase its shareholding in the existing businesses during the current year includes:

1. Shareholding in Tata Communications Limited was increased to 58.86 % through Panatone Finvest Limited, a subsidiary of the Company, by way of subscription to the Offer For Sale (OFS) by the Government of India.
2. Shareholding in Air Asia India Limited was increased from 51.00% to 83.67% through purchase of additional stake from AirAsia Berhad.
3. Shareholding in Tata Motors Limited was increased from 39.52% to 43.73% of the ordinary shares through primary issue of shares and from 5.26% to 7.57% of the Differential Voting Right (DVR) shares through open market purchases.
4. Shareholding in Tata Power was increased from 35.27% to 45.21% through a primary issue of shares
5. Shareholding in Tata Chemicals was increased from 28.51% to 31.90% through open market purchases

During the current year, the Company has also invested in new businesses across manufacturing, services and digital platform to capitalize on future value creation opportunities. These new business investments include:

1. Tata Electronics Private Limited to set up precision engineering and manufacturing operations
2. Tata Medical and Diagnostics Limited state of the art medical devices and patient centric solutions
3. Tata Digital Limited to build consumer-centric digital businesses for deep consumer engagement and their needs across multiple verticals including retail, travel, financial services, etc.

**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.

Further, the Company's Risk Management Policy is established in order to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The Policy and systems are reviewed regularly.

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' 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, 2021, 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 exist and are operating effectively.