Management Discussion and Analysis

ECONOMIC REVIEW

Global

The world economy grew by 2.9% in 2019 compared with the 3.6% in the previous year, the lowest since the global financial crisis, as per the International Monetary Fund (IMF). The US economy grew by 2.3%, while China and India grew by 6.1% and 4.2%, respectively. The slowdown has been more pronounced in emerging economies like China, India and Brazil, among others. Weak business confidence due to rising trade barriers between the US and China, geopolitical tensions in other regions and fears of a no-deal Brexit, have been key factors leading to the slow growth in 2019. Accommodative easing of monetary policy by central banks of several countries and reform initiatives by governments arrested the slowdown to an extent. There has also been increasing concerns over climate change, and governments and businesses are being called to act more responsibly. In response to these factors, organisations globally are focusing on being more agile, being closer to consumers and conducting business in a more sustainable and responsible manner.

Outlook

The initial outlook for the ensuing year was for stronger growth, especially over the subdued 2019 economic performance, buoyed by favourable news on US-China trade negotiations, the UK transitioning to a new economic relationship with Europe by December 2020 and a healthy performance of emerging markets. However, 2020 saw a significantly changed scenario with the outbreak of the COVID-19 pandemic.

This was followed by strong actions by the governments across the world in the form of a global lockdown to stem the rate of spread of the disease. Despite relief measures provided in the form of easing of monetary policy by central banks and fiscal packages announced by some governments, we are expected to see a contraction in global economy. Currently, the analyst consensus is a degrowth this year and then a gradual recovery next year – however, it is marked with uncertainty depending on the ground situation, that is, the duration of lockdown, growth in infection rate with the opening up of economies, timeline for development of vaccine and others.

India

According to the IMF, the Indian economy grew by 4.2% in FY 2019-20 due to sharper than expected slowdown in domestic demand and lingering stress in the Non-Banking Financial Company (NBFC) sector. The sluggish demand is attributed to the decline in consumption growth (tightening of credit terms and poor consumer sentiment), investment and exports. The Government of India also announced a number of policy measures to boost investment, such as reduction in corporate tax rate from 30% to 22%, which was complemented by the easing of repo rates by the Reserve Bank of India. India's rank in the World Bank's Ease of Doing Business index has improved from 77 last year to 63 this year.

Outlook

Similar to the global outlook, the Indian economy was projected to grow at a stronger pace in FY 2020-21 than the previous year, supported by monetary and fiscal stimulus and lower oil prices. However, the unprecedented COVID-19 pandemic, and the subsequent nationwide lockdown by the Government, along with other necessary measures to contain the pandemic, have made experts revise their forecasts significantly, with possible contraction of the Indian GDP in Q1 FY 2020-21. In the short term, the lockdown could also potentially lead to a financial distress, both for consumers and companies, including disruptions in money supply and general liquidity.

COVID-19 Impact on the Indian FMCG Industry

In the initial days post the lockdown, there were instances of panic buying (though at lower levels as compared to international markets), supply shocks in the system with unavailability of labour (impacting all areas of value chain – manufacturing, logistics and delivery) and streamlining of retail operations including e-commerce. The situation on the ground has however been steadily improving.

The pandemic has caused disruption in the industry and we will see long term shifts in consumer behaviour. The digital disruption can be seen across segments – whether it is in terms of increase in consumption of online content (news, entertainment, games and learning) or stronger demand for online delivery (where it is relatively easier to maintain social distancing). There is also an upswing in sales of general trade or 'kirana' outlets with the restriction on travel and closing of shopping malls or complexes during the lockdown.

In the short term, there will be higher growth and demand of Staple products (such as Salt, Pulses, Tea and Coffee – also part of essential commodities) for in-home consumption, in comparison to discretionary items.

In the short term, we expect increased at-home consumption with a reduction in orders for take-outs or deliveries. Potentially, there will be a stronger focus on quality and hygiene – resulting in consumer preference shifting from unbranded to branded options. Consumers will proactively look at health & wellness options in their purchases, including traditional and preventive measures. There will be higher growth and demand of Staple products (such as Salt, Pulses, Tea and Coffee – also part of essential commodities) for in-home consumption, in comparison with discretionary items – which is in direct contradiction to the trend witnessed in the last few years. We will also see the rise of consumers who are more price and value conscious in their choices, given the uncertainty of the COVID-19 pandemic.

COMPANY OVERVIEW

Creation of Tata Consumer Products Limited

In May 2019, we announced the scheme of arrangement, according to which the Consumer Products Business of Tata Chemicals would be merged with Tata Global Beverages Limited, and the new combined entity would be renamed as Tata Consumer Products Limited (Tata Consumer) to reflect the larger portfolio of the Company and its vision to expand into multiple categories beyond just Food & Beverage (F&B). Post the transaction, Tata Consumer is among the Top 5 listed FMCG players basis revenues in F&B and among the Top 10 basis F&B revenues in India.

This marked a new strategic direction for the Company with accelerated expansion into the ~Rs. 6,00,000 Crores Indian FMCG industry. The combination of the two consumer-focused businesses will benefit both sets of shareholders, who will be able to participate in a larger business poised to grow its share of the Food & Beverages market, with a broader exposure to the attractive and fast growing FMCG sector.

The merged consumer business will also benefit from a combined reach of over 200 Million households, a broader portfolio, deeper distribution, enhanced innovation capabilities, as well as a strong product pipeline. In addition, the new consumer entity expects to achieve substantial revenue and cost synergies, which will add value to its shareholders.

The final approval on the merger came through in February 2020 and Tata Consumer was formed. The appointed date of the merger is 1st April 2019.

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Strategic Priorities

Tata Consumer is a fast-growing F&B company – with the second largest presence in Tea globally, a leadership position in the Salt category in India and a growing portfolio of other products (India – Pulses, Liquid Beverages, Coffee, Spices and Ready-to-Eat; International – Coffee). We are committed towards delivering high-quality, innovative, tasty and convenient products with goodness and care at their core.

Post the merger, we have leapfrogged in our journey to gain scale in the FMCG space with a larger portfolio of F&B products. We remain aligned to our five stated strategic pillars:

- **Improving Execution and Operational Effectiveness**
  We are focused on realising synergies through effective integration between two businesses. We are exploring alternate business structures to improve profitability. We are efficiently managing spends, including commodity costs and building efficiencies across the value chain.

- **Rejuvenating the Base Business**
  We continue to invest in our core brands in F&B for building sustainable and profitable growth. We are focusing on brand building, premiumisation, distribution and developing alternate channels for growth.

- **Investing for Growth**
  We are piloting new launches and categories by leveraging a differentiated offering and a 'right-to-win' strategy to build a larger play across different markets successfully.

- **Driving Innovation**
  We are capitalising on industry trends to serve consumer needs specific to markets and geographies.

- **Reviewing Portfolio Options**
  We are realigning capital investments to markets/businesses with higher growth potential and ability to generate sustainable returns. We are exploring additional avenues for growth.

Management Discussion and Analysis (continued)

- **Investing in People**
  We remain committed to investing in building people capabilities and creating a sustainable high-performance work culture.

Key Strategic Developments

During the year under review, we continued to invest in our core businesses, both in India and across various international markets. We acquired a branded tea business in the state of Rajasthan, India, to expand our distribution and offering. We supported our new innovations for growth through Cold Infusions in the UK, Australia and Canada, Supers 2.0 in Canada (after the successful stint of Supers 1.0), new line of Coffee blends in USA (Barista and Flavors of America) – to name a few.

As part of our portfolio review, we exited our Czech business to focus on core growth markets. We also initiated the process to acquire a 50% stake of our JV partner PepsiCo in NourishCo Beverages, which is in line with our ambition to create a larger portfolio in the F&B industry in India. On the completion of this acquisition, NourishCo Beverages will become a fully owned subsidiary of Tata Consumer.

We are focused on realising synergies through effective integration between two businesses.

COVID-19 Impact on Tata Consumer

In the last month of FY 2019-20, our business was impacted by the lockdown issued by the various governments across the globe to arrest the growth of COVID-19 cases. We saw a mixed response across our different businesses – panic buying and closure of restaurants led to a spike in retail and online sales for both our Indian and International branded businesses, while food service sales were impacted significantly.

While we managed production and supply chain operations internationally; we faced logistical challenges in the Indian market with limited availability of workers (including due to large scale migration to home states), restriction in movement of transport and time taken to streamline operations of retail stores, including modern trade and e-commerce. The situation has however progressively improved with measures taken by the Government of India leading to higher market openings and easing of supply constraints. We have also partnered with e-commerce and delivery players in India to ensure direct reach to our customers wherever possible.

Tata Starbucks saw the closure of stores from mid-March. Some of the stores opened for deliveries only from the last week of April 2020 onwards. The Plantations operations (subsidiary Tata Coffee and associate companies APPL and KDHP) were also shut down, but have resumed operations in April, albeit with a lower number of workers to start with, and are now fully operational.

SCOT Analysis

Strengths & Challenges

We have leading positions in the Tea and Salt segments in India and these businesses will continue to contribute to a significant share of our revenue growth in the next few years. We are leveraging our distribution strength, operational excellence and brand loyalty to build future businesses, which have the potential to become large platform plays in their specific market categories (including Packaged Foods, Liquid Beverages, Out-of-Home, as well as newer categories under exploration). We are further strengthening our sales network and using technology to improve our execution capabilities. The integration of the Beverages and Foods businesses in India has the potential to realise both revenue and cost synergies, while providing a platform for accelerated growth in the future.

We are leveraging our sales and distribution strength, operational excellence and brand loyalty to build future businesses, which have the potential to become large platform plays in their specific market categories.

Our leading International plays – Tetley and Eight O' Clock – are heritage brands and have built a loyal customer base. These brands operate primarily in developed markets with lower growth rates and a declining black tea category. Our last few innovations (Supers, Cold Infusions, Barista Blends) have met with good consumer response and we are fast-tracking the process to launch in different markets (to gain a head-start against competition) and actively building innovation pipeline. At the same time, we are also investing in the brands to ensure long term health of the business. We are also intensifying efforts on restructuring our cost base to ensure improvement in operational efficiency.

Among our B2B businesses, our extraction business (both Tea and Coffee) have performed well and enjoys healthy margins. In Tata Coffee, our freeze-dried plant in

Vietnam performed well and has already reached over 80% capacity utilisation by the end of the first year of operation. However, our plantations business has suffered in the last few years due to adverse weather conditions, including floods, pest attack and lower commodity prices. Going forward, we believe that the long-term fundamentals of the business would remain strong and we will continue to evaluate various options to improve efficiency.

Opportunities & Threats

All our businesses have vast opportunities, both in India and International markets as existing trends in health & wellness and convenience create new consumer needs and market opportunities. We are preparing to leverage this through focused expansion of the sales and distribution systems in India and scale up and improve our robust supply chain. Premium product offerings and new market models are also being developed. We are also looking at opportunities to expand our India products in the international markets, where we have a presence to cater to both the ethnic food aisles and the needs of the Indian diaspora.

The key threats for our businesses include changing preference of consumers, commodity prices and currency volatility as well as concentration of retailers in developed markets. The current COVID-19 crisis provides opportunities with likely increase in the in-home consumption. However, parts of our business, which cater to out-of-home consumption, have been adversely impacted. We run multiple factories and operations across the world and engage with workers daily. Employee and support systems safety is a key focus in this environment. Though we have plans to ensure business continuity at every level, the continuation of the crisis can have long term demand and supply implications, which is difficult to predict at this point in time.

Growth Drivers

India

Beverages

The year 2019-20 saw the India Beverages business deliver strong volume and revenue growth of ~7% despite slowdown in category growth. During the year, we completed the acquisition of the branded tea business of Dhunseri Tea Ltd. ('Lal Ghoda' and 'Kala Ghoda'). Lal Ghoda is the leading premium tea brand in Rajasthan (market dominated by local players and where Tata Consumer had a very small presence). On the organic front, we continued to invest behind our premium brands portfolio – Tata Gold, Chakra Gold and the re-stage of Tata Tea Premium. Building on the health & wellness and convenience trends, we pilot launched two new products – Tata Tea Tulsi Green Tea and Tata Tea Quick Chai Lite (3 in 1 tea mix with 'low sugar' variant to make boiled tea). During the year, we also opened the seventh store of Tata Cha in Cunningham Road, Bangalore.

Foods

The India Foods business (erstwhile Consumer Products Business of Tata Chemicals/CPB) delivered a revenue growth of 12%, in the year, led by the Salt and the Pulses portfolio. We supported the core Salt business with differentiated campaigns. Pulses delivered good growth and Spices is now finding the ground. We also test launched a host of new food product categories in the e-commerce outlets, including Nutrimixes (Chilla), Poha, Chutney, Organic Pulses and Sattu.

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Joint Ventures

NourishCo

NourishCo Beverages, our water and other liquid beverage business in India, performed below expectation, led by muted growth of Tata Gluco Plus, mainly due to temporary supply challenges. While it was resolved in May, we however ended up missing a part of the peak summer season.

Our Himalayan Glass Bottle (launched to capitalise on the trend of increasing consumer concern for plastic bottles, especially in fine dining restaurants and hotels) continues to perform well.

Our Tata Water Plus PET bottle delivered strong profitable growth, as we expanded distribution by leveraging our Tata Gluco Plus footprint in the markets of Andhra Pradesh, Telangana Tamil Nadu and Odisha.

The overall business of Nourishco was impacted due to COVID-19, as a significant portion of our March sales did not happen due to the lockdown. The situation is gradually coming back to normal, as the lockdown is easing across the country.

Both our Himalayan Glass Bottle and Tata Water Plus PET bottle performed well during the year.

Management Discussion and Analysis (continued)

Tata Starbucks JV

Tata Starbucks, our 50:50 JV with Starbucks, improved sales by 21% in FY 2019-20 with robust in-store performance and new store openings (opened 39 new stores in the current fiscal versus 30 stores in FY 2018-19). We are now present in 11 cities in India (with expansion to Ahmedabad, Surat and Vadodara this year). The total store count is 185, as on 31st March 2020. The business was impacted in the last quarter due COVID-19 and a number of store openings that were scheduled in March 2020, had to be postponed. By the end of May 2020, we had ~60 stores opened for takeaway and deliveries in 10 out of the 11 cities we are present in.

International

During the year, the International Beverages business grew by 0.4% on constant currency basis (excluding the Czech Republic, which we exited during the year) amidst a declining tea industry. We achieved a volume growth of ~1% and ~4% in the International branded Tea and Coffee businesses, respectively. We made concerted efforts to drive product innovation and attract new consumers to the Tetley and Eight O' Clock brand umbrella.

USA

In USA, the Eight O' Clock brand completed 160 years of existence and to mark the occasion, we launched a new line of products under the Brand with a differentiated packaging – Barista Blends and Flavors of America – as compared to our base portfolio. We also introduced a new value coffee brand (Early Riser) to compete in a different part of the coffee shelf in the West Coast – the Can segment, where we are currently absent. During the year, we also launched the Indulgence Blends (a delectable blend of four chocolate flavoured coffees) to celebrate holidays and special occasions.

UK

In the UK, we continued to support our new product launch – Cold Infusions – during the summer season. The Cold Infusions category continues to grow despite increased competition and is now ~1% of the overall category and growing by ~25%. During the year, we also launched the new marketing campaign #NowWereTalking, to strengthen our brand position in Tea.

Product innovations, along with differentiated marketing campaigns, are helping bring new customers to our brand and improving brand salience in our international markets.

Canada

In Canada, we launched the next line of Supers (our range of teas fortified with vitamins and minerals) – Supers 2.0 – supported by a media campaign. Supers continues to drive growth, both for us and the overall non-black tea category. By the end of the financial year, it had a monthly share of ~3.9% in the non-black category.

Other markets

We also launched Cold Infusions in Australia under the Tetley brand with a new campaign 'Thirst Tea?' featuring popular comedian and actor Celia Pacquola. The Cold Infusions segment is one of the fastest growing segments in the tea category, representing 7% of the total tea category in just one year.

As mentioned earlier, we exited our 100% stake in TGB Czech.

This year, we also focused on launching and expanding our ethnic brands aimed at the South Asian diaspora across different markets under different brands like the Tata Tea Export portfolio (Tata Tea Gold and Tata Tea Premium), Tetley Ethnic range in the UK and Flavors of India in USA (Masala, Ginger and Cardamom flavours) and Good Earth Ayurveda Teas in USA.

Tata Coffee (including Vietnam business)

Tata Coffee's revenues in FY 2019-20 grew by 19% owing to the commercialisation of the freeze-dried plant in Vietnam (reaching over ~80% of capacity utilisation by the end of the fiscal) and the improved performance from its coffee and pepper plantations.

Sustainability

Sustainability remains key to the Company's Vision and Purpose.

- We are committed to sustainably sourcing all our teas and encourage our supply chain partners to follow sustainable agricultural practices to earn the certification of the Rainforest Alliance (international markets) and trustea programmes (India). All the Tetley tea is 100% Rainforest Alliance certified in the international markets since 2016.
- Tata Consumer supports affordable healthcare to over 1,00,000 tea community members annually through its hospitals in Munnar (Kerala) and Chubwa (Assam). These hospitals have treated over five Lakh patients in the past five years. We are now initiating partnership with Tata Chemicals to improve the lives of the communities in Gujarat.

- One of our other flagship projects is 'Project Jalodari'. It is a water management programme that aims to create sustainable water sources, raise awareness and build capacities on water and sanitation in the communities of Himachal Pradesh and Assam.
- In line with regulations, we are committed to reducing the impact of plastic packaging on the environment by managing the plastic waste we generate through packing of tea, and also by shifting towards sustainable packaging for our products. During the year, we scaled up the recyclable packaging of Tata Salt products to cross 21%. We also conducted pilot tests for recyclable packaging for the India Tea business in Goa and received encouraging results.

21%

Of Tata Salt products use recyclable packaging

- We have framed the Extended Producer Responsibility (EPR) for collection and reprocessing of plastic packaging waste on a brand neutral basis across key markets. In FY 2019-20, the India Beverages business achieved 70% collection of plastic packaging waste and the India Food business achieved 98%. The target is to secure 100% collection and disposal of plastic packaging in India by 31st December 2020.
- We joined the UK Plastics Pact in October 2018, which is a collaborative initiative between UK businesses across the plastics value chain, the government and NGOs, to create a circular economy for plastics.
- Tata Starbucks eliminated 100% of its single-use customer-facing plastics, which includes straws, stirrers, cups and lids into compostable poly lactic acid and wood (which is more environment friendly). PET bottles for the water and juices category have been eliminated and moved to recyclable glass packaging across all stores in India.

In FY 2019-20, the India Beverages business achieved 70% collection of plastic packaging waste and the India Food business achieved 98%. Tata Starbucks eliminated 100% of its single-use customer-facing plastics.

Road Ahead

In the short term, we visualise disruption caused by the lockdown, both in India and international markets (the initial panic buying would also normalise). However, over the medium term, with the gradual recovery in economy, we are hopeful that growth will revert to normal levels. As the underlying dynamics change, we will continue to closely monitor the position on ground and prepare ourselves for future trends.

We are at a pivotal stage in our India journey to leverage the combined platform of the Foods and Beverages businesses to drive incremental growth and deliver cost efficiencies. This year, our teams focused on ensuring smooth Day One transition after we received formal approvals in February 2020. In the upcoming financial year, we will focus on successfully integrating the two businesses and driving efficiencies and synergies, both, on the top-line and costs, within the Tata Consumer system. The key objectives of the exercise will be: (i) to create a common integrated organisation structure; (ii) to combine and upgrade our Sales & Distribution network; and (iii) to maximise synergies and growth opportunities in our existing and new categories.

In the upcoming financial year, we will focus on successfully integrating the two businesses.

We are in the process of acquiring the 50% shareholding of PepsiCo in the JV NourishCo Beverages. We are confident about the growth potential of the business and believe it can contribute meaningfully to the Company's financials in the next few years.

In the international market, we will continue to focus on innovation to build our non-black tea portfolio and coffee. We are also closely monitoring costs across the supply chain, to further build efficiencies, which could then be invested back in the business to build growth.

The next year will be important for our non-branded/B2B business as it will be the first full year of operations for our Vietnam plant and will add incrementally to both top-line and bottom-line. However, we will have to watch out for the commodity prices that might see some swings due to the impending COVID-19 crisis the world over.

INDUSTRY AND BUSINESS OVERVIEW

India

The total organised Indian F&B industry is expected to be ~Rs. 4,00,000 Crores market as on 2019 and projected to grow by 2.5x to ~Rs. 10,00,000 Crores by 2025 (CAGR of 16%) – leveraging India's favourable demographic (1.4 Billion strong population, rising income levels and higher urbanisation). The F&B segment constitutes ~30% of household spending and is expected to sustain the wallet share, going forward.

Beverages

We operate in the sub-categories of Tea (Tata Tea, Tetley, Gemini, Lal Ghoda, Kala Ghoda and Teaveda), Coffee (Tata Coffee Grand) and Water (Himalayan, Tata Gluco Plus, and Tata Water Plus).

Industry Overview

Tea

The Indian tea market is estimated to be ~Rs. 26,000 Crores, with unbranded being 30-35% of the overall market (by value). Tea is the favourite Indian beverage and we continue to see growth across all tiers through upgradation from loose to economy branded tea and movement up the chain to premium and super premium teas. Black tea is the predominant sub-category, with high customer preference for the taste of boiled milk tea. Green tea is estimated to be ~3% of the branded category and is growing at 12.5%. Health & wellness continues to be a strong trend and consumers are also looking at functional benefits from their cup of chai (such as Ayurveda Tea and Tulsi Tea).

There is a re-emergence of tea cafés in urban centres in the last few years, which is helping reinvent the tea culture, provide a comfortable venue compared to tea stalls and serve as an alternative to coffee chains. Tea cafés like Chaayos, Chaipoint and our own Tata Cha are becoming prominent. There is an increasing potential base of consumers, who see tea as fashionable and are getting familiar with different varieties of tea.

Coffee

The branded retail coffee market in India is estimated at ~Rs. 2,750 Crores in 2019. Instant coffee is the largest sub-segment and is ~80-85% of the category and growing as consumers look at convenience. We are also witnessing the emergence of artisanal and gourmet premium coffees – estimated to be ~5% of the organised market. In terms of at-home consumption, we see different consumer behaviours in the South and Rest of India segments. In the Rest of India, coffee is an aspirational product and there is preference for instant coffee, especially during winters. On the other hand, in the South, we see regular consumption of both instant and Roasted & Ground (filter coffee).

Water

Water is the second largest beverage sub-category after Tea in India (globally it is the largest sub-category in the Beverages market). The current size of the packaged water market in India is ~Rs. 17,000 Crores, growing at a CAGR of 12%. Fruit-based beverages is a ~Rs. 8,250 Crores category, growing at a CAGR of 10%.

Within the packaged drinking water category, we were one of the first players to launch naturally sourced mineral water in India through our brand Himalayan, and continue to enjoy a leadership position. We also entered the functional and fortified water space with Tata Gluco Plus and Tata Water Plus.

Industry Outlook

The COVID-19 pandemic has resulted in short-term disruptions in the industry, especially for out-of-home consumption. Even for essential products like Tea and Coffee, there will be supply challenges before things get normalised. In the short term, we will also see consumers getting more value conscious and hence, the growth dynamics will change across the different tiers (economy/premium).

However, long-term drivers remain robust and expect continued expansion of the categories. There is an opportunity to grow, driven primarily by distribution expansion (including into white space geographies like Rajasthan, with the acquisition of Lal Ghoda and Kala Ghoda) as well as through new product innovation.

NO. 1

Tea company in the Indian market by volume and No. 2 by value.

Business Performance

Tea

We are the market leader by volume (~19.7%) and the second largest player in value terms (20.0%) in India (Source: Nielsen). We maintained the pace of volume and revenue growth in the financial year despite the slowdown in category growth rate. Tata Consumer also took the top spot as the fastest-growing tea company in modern trade (growing channel in the Indian Consumer landscape) backed by differentiated strategy and strong team execution.

This year, we continued to invest in our portfolio of premium brands – Tata Tea Gold, Chakra Gold and Tata Tea Premium.

The year also marked inorganic acquisition of the branded tea business of Dhunseri Tea – Lal Ghoda and Kala Ghoda. The acquisition is in line with our strategy to explore additional avenues for growth – especially in markets like Rajasthan, where Tata Consumer has a minor presence. The integration of the business with systems and processes of Tata Consumer is on track and the business delivered is as per expectations.

Tata Tea Gold partnered with IIFA 2019 as the Official Brand Partner, to launch #DilKiSuno stories as part of the brand's 'Dil ki Suno' campaign, which attempts to bring alive the inspiring stories of consumers, who have listened to their hearts and paved their own path.

We did hyperlocal campaigns for Tata Tea Premium and Tata Tea Chakra Gold. The intent was to disrupt the category by celebrating regional pride and creating a State specific communication plan including media choices. We did a restage for Tata Tea Premium with an integrated campaign, including the creation of a region-specific pack, trade message and marketing campaign by tapping into local/regional-level insight for the states of Delhi, UP, Punjab and Haryana.

In the South, our regional brand Kanan Devan ran the 'Pure & Natural' campaign to build awareness against adulterated teas and its harmful impacts by TVC and press articles across publications.

The Spice Mix portfolio (Tata Tea Elaichi and Masala) continues to perform well in the market and has already exceeded gross sales of Rs. 200 Crores in the current financial year.

We test launched Tata Tea Tulsi Green in Q2 FY20 in Delhi NCR to check consumer response and acceptance of the product. We intend to do a larger rollout in the next financial year.

For our 3-in-1 tea mix product, Tata Tea Quick Chai, which addresses the market for convenience in tea drinking by addressing the taste barrier of boilable tea, we worked on the product formulation in this financial year to create the low sugar variant as well as extended the range to Masala and Cardamom.

We also kick-started the process of sales transformation to create a modernised system that can handle multiple product categories. We have rolled out our Distributor Management and Sales Force Automation software across our distributors, stockists and sales teams. We are happy to report that we are close to completing the rollout across our 1,400 distributors and have noticed good adoption levels.

We have almost completed the fastest rollout of our Distributor Management and Sales Force Automation software across our 1,400 distributors and noticed good adoption levels.

To support our growth, we have also looked at driving cost efficiencies across our supply chain, which is enabled by digitisation. Our digital initiative in blending called 'DigiTea' has contributed significantly to our profitability by providing real-time data of auctions, enabling centralised data on buying across centres and creation of daily buying tracker, as opposed to the previous fortnightly tracker. Similarly, in operations, measures like increase in automation, optimisation of packaging specifications and business waste reduction among others, have contributed to the bottom-line.

NourishCo Beverages, our Liquid Beverages in India, delivered mixed results. Our star performer Tata Gluco Plus had muted results in FY 2019-20 as we suffered from labour related temporary disruption in our Andhra Pradesh factory. This happened during the period of March to May – which unfortunately impacted sales during the peak summer season. Tata Gluco Plus continued its geographical expansion with new plants commissioned in Odisha, West Bengal and Delhi NCR. We also launched a lychee flavoured beverage, which received good customer response.

Himalayan Glass Bottle continues to perform well. However, the overall Himalayan brand underperformed against expectations as the change in distribution system from PepsiCo to Varun Beverages did not yield results as planned.

Tata Cha, our foray in the Out-of-Home beverage space, has increased presence to seven stores in Bangalore. We have been doing menu interventions to drive the number of transactions in the store (for instance, the new monsoon menu). However, given the lockdown situation, we had to delay opening of four of our stores to the next financial year.

Management Discussion and Analysis (continued)

Foods

Industry Overview

The organised Indian Staples industry is ~Rs. 88,000 Crores in 2019. It is largely unorganised, with the share of branded players at less than 10%.

Salt

Within the Staples category, the Indian Salt market is estimated to be ~Rs. 7,000 Crores with unorganised players forming ~12% of the category by volume (a stark difference to the rest of the category). The growth drivers for branded play remains the increasing awareness of better product quality, visible purity and iodine content. We compete in the category with Tata Salt (vacuum evaporated salt sold nationally) and I-Shakti salt (lower priced solar evaporated salt normally sold in South). Our supply partners, Tata Chemicals have the largest manufacturing facility for producing vacuum evaporated salt in India. We are seeing a growing trend of health & wellness with consumers making conscious choices by selecting better-for-you options (such as lower sodium content in Tata Salt Lite, Iron and iodine fortification in Tata Salt Plus). Specialty salts like rock salt and black salt have increased presence in modern format stores.

Pulses

India is the largest producer, consumer and importer of pulses. The total Pulses and Derivatives industry is estimated to be ~Rs. 1,50,000 Crores in FY 2018-19 with only 1% of the segment being branded. The low penetration is primarily led by a host of factors including low perceived value addition by packaged players (leading to consumers unwilling to pay price premium) and low consumer concern regarding adulteration in unbranded. However, the trend has been changing in the last few years with consumers preference for better quality packaged products, launch of differentiated products (such as Tata Sampann Unpolished dals, Tata Sampann Low Oil Absorb Besan, an organic range of pulses) and growth in the number of organised players entering the category (and thereby, expanding the base). Tata Sampann is the first national branded player in this category.

Spices

India is the world's largest producer, consumer and exporter of spices and accounts for almost half of the global spice trade. The total Spices industry is worth ~Rs. 60,000 Crores, with the branded Spices industry, estimated to be ~Rs. 18,000 Crores in FY 2018-19, is highly fragmented with the presence of many regional players. The branded segment is growing at a CAGR of ~15%. Straight/Pure Spices form ~80% of the segment (with a high-competitive intensity from unorganised players), while blended spices are mainly branded with consumers choosing to be brand loyal. However, there is an increasing demand for branded products, with consumers looking at improved quality products in straight/pure spices (with better quality of raw materials used) and increasing adoption of blended spices in the kitchen (higher convenience and consistency of taste).

Snacks/Ready-to-Cook

Snacks/Ready-to-Cook is an Rs. 40,000 Crores segment with a high share of branded play (Ready-to-Cook is all-branded in comparison to Snacks). The growth is being driven by more players entering the segment and offering consumer different taste choices including healthier food and convenience (such as Tata Sampann Chilla Mix).

Industry Outlook

We expect the current trends to continue and the demand for the branded products in the staples category to grow at a strong pace. The disruption caused due to COVID-19 is likely to further accelerate the adoption of branded products across the Staples and Spices category as customers are now preferring more branded products than loose and local options.

Business Performance

The Foods Business witnessed robust growth of 12%, in FY 2019-20, led by the flagship brand Tata Salt and Pulses and Spices through the Tata Sampann brand.

Tata Salt is the market leader in the branded salt category with significant share of ~30% of the entire category (as per Nielsen). During the year, Tata Chemicals also increased the Salt manufacturing capacity in its Mithapur plant from 1 Million tonnes to 1.2 Million tonnes – which will provide support to Tata Consumer's ambition in growing the business. Tata Salt won its first ever metal (Bronze) at The EFFIES 2020 Awards for the campaign 'Sawal Kijiye Apne Namak Se' (Question your salt), which was launched to educate consumers about the quality of their salt.

12%

Growth in Foods business in FY 2019-20

The year saw good performance by Tata Sampann Pulses and Besan, as we strengthened the sourcing, packing and supply chain model to improve our efficiencies. The Tata Sampann Spices segment witnessed marginal revenue growth led by muted performance by pure spices (which contributes significantly to the topline) and a below par performance by blended spices. A variety of campaigns and activations were carried out this year, to seed in the brand message and generate trials. We collaborated with several content creators on digital platforms to expand our digital reach and presence. Radio led activation for spices under Sampann Superchef was conducted in eight major cities reaching out to more than a lakh consumers and actively engaging with more than 60,000 consumers. We also undertook multiple initiatives to communicate our superior proposition on Haldi/Turmeric across various channels.

During the festive season of Diwali, Tata Sampann launched its new digital campaign #LautAayiDiwali, which brings out nostalgic memories of Diwali, celebrating the true taste and essence of the festival.

We are also doing a number of pilots in the new Foods category, such as Nutrimixes/Chilla, Poha (High Fibre White Rice and Red Rice), pulse based snacks and low sugar Tata Nx, to name a few. The aim is to do a limited launch in select channels (across e-commerce/ modern trade format outlets) or select geographies with some awareness drive to get customer feedback on the product and gauge levels of customer acceptance (repeat buy) before a larger national roll out.

Digital transformation initiatives were also implemented across the value chain including revamping our Distribution Management software to make it more robust, and installing it across our 600 stockists. We also initiated pilot of Transport Management System software and will be scaling it up across locations in the next financial year. We have also started digital platform NutriKorner, to engage with our customers on food and health along with the establishment of the brand message.

We are piloting new products in the Foods category, such as Nutrimixes/Chilla, Poha (High Fibre White Rice and Red Rice), pulse-based snacks and sugar replacements like Tata Nx.

International

Beverages

Industry Overview

Tea

As per Euromonitor estimates, global hot tea category is a ~USD 45 Billion industry. Black/Everyday black tea forms the largest category sub-segment globally – but is declining across different international markets. Non-black tea (Green, Fruit & Herbal, Decaf, Specialty, Cold Infusions etc.) is growing and in some markets like Canada, has become larger than black tea. However, a similar growth profile may not be seen across the different non-black segments. For instance, green tea has started witnessing softening of growth/decline in some markets.

Health & wellness is one of the key focus areas of the industry. There is an increasing number of new launches with active health claims, such as Gut Health and Sports & Recovery (Tetley Super Teas also leverage on this trend). Consumer perception with respect to macronutrients in relation to health are evolving as media/science dictates what is good for body like no sugar, good carbs, low sodium (Tetley Cold Infusions was launched with an alternative offer of low sugar hydration).

Coffee

Retail hot coffee is ~2x the size of Tea at USD 88 Billion. USA is the largest coffee market – estimated at ~USD 12 Billion – and has also been leading growth in the category.

Coffee has four sub-segments: Roast & Ground, Beans, Pods and Instant Coffee. Affordable ground and instant formats are more prevalent in early stage markets like Asia, Africa and the Middle East (where Tea is the primary beverage of choice) while Roast & Ground and Pods are more prevalent in countries with an evolved café culture. Our largest play in coffee is in USA with the Eight O' Clock coffee brand.

The USA market has been witnessing a slowdown of growth and an increase in competitive intensity. The growth is either being driven by: (i) premium/food service brands (such as Starbucks and Dunkin Donut) that are over-investing in promotions/discounts; (ii) small niche brands that are capitalising on trend of artisanal, single-origin coffees; and (iii) private label (retailers look at SKU rationalisation and restrict shelf choice to a few select brands).

Consumers are looking at authentic and premium choices in coffee, and there have been several new launches targeting the trend (like we launched Barista Blend and

Management Discussion and Analysis (continued)

Flavors of America). Consumers are also more conscious about their choices and want to select healthier options.

Industry Outlook

With the increase of COVID-19 cases and closing of bars and restaurants, consumers have started stockpiling on tea and coffee in their pantries, which led to overall growth in category (including declining segments like everyday black in the UK). However, this growth is expected to decline in the next few weeks, as countries look to lift the lockdown and the situation returns to normalcy.

The international markets are seeing an upsurge in the in-home consumption and will positively impact our businesses, if sustained. We will continue to focus on innovation led growth.

We launched two unique lines of coffee blends under Eight O'Clock, with a new packaging – Barista Blends and Flavors of America.

Business Performance

USA

On the eve of the 160th anniversary of our Eight O' Clock coffee brand in USA, we extended the brand with two new unique lines supported by new packaging – Barista Blends and Flavors of America. While Barista Blends allows consumers to make their home the coffee house, the seven new star-spangled creations of Flavors of America celebrate the great flavours associated with various states in the US. Both new Eight O' Clock lines were crafted coffees made with 100% Arabica beans that are uniquely roasted and blended with flavours to deliver an enhanced coffee drinking experience.

We launched the ethnic range of Tetley in three flavours – Masala, Elaichi (Cardamom) and Ginger in USA. This is the first time a mainstream tea brand is disrupting the tea category by offering an authentic chai experience in a tea bag format. In the US, we also launched a range of Ayurveda inspired Teas under our Good Earth brand in three flavours – Calm (peppermint tea with floral notes from hibiscus and beautifully balanced with zesty lemon balm), Peace (chamomile tea blended with sweet cinnamon and a touch of zesty orange peel) and Warmth (lively kick of ginger and sweet earthy notes from holy basil and spearmint).

We launched the ethnic range of Tetley in three flavours in USA. This is the first time a mainstream tea brand is disrupting the tea category by offering an authentic chai experience in a tea bag format.

UK

In the UK, the focus was to scale up the new product launch – Cold Infusions (with four new blends) – as well as to strengthen our core business with a new marketing advertisement. Cold Infusions is the fastest growing category within the Tea segment (though on a smaller base) in the UK, and has been doing very well (has already reached ~1% of overall category). We brought four fruit and herbal infusions (Raspberry & Cranberry, Peach & Orange, Mango & Passion Fruit and Mint, Lemon & Cucumber), which were complemented by high impact consumer campaigns (Shake up Water, Wake up Flavour), encouraging consumers to shake up the ordinary. It ran throughout summer with live events, sampling, print, outdoor and social campaigns.

We also launched a new campaign for Tetley – 'Now We're Talking'. The campaign kicked off with a witty and heart-warming TV commercial featuring the antics of a cat with attitude and a lovable dog. The advertisement mirrored the everyday conversations people have on their sofas at home – proving that Tetley can get anyone talking.

Six of our Tetley products in the UK have also won the coveted Gold Stars at the Great Taste Awards. The Great Taste Awards, known as the 'Oscars' of the fine Food & Beverages world, is organised by the Guild of Fine Food. Five of our products received one Gold Star each for fantastic flavour (Tetley Green Tea Mint, Super Fruit Boost Blueberry & Raspberry, Extra Strong, Super Herbals Multi Turmeric & Chamomile and Super Herbals Detox Mint Infusion), while Redbush received two Gold Stars ('above and beyond delicious').

This year, we also launched Indian flavours for the South Asian diaspora in different geographies through our flagship brand, Tata Tea. 'Tata Tea Export Portfolio' consisting of Tata Tea Gold and Tata Tea Premium was launched in UK and Europe.

Canada

We extended the Super Teas range in Canada (Supers 2.0) with three new flavours – two in Herbals and one in Green/Matcha. This was integrated with a marketing campaign run across Canada TV, social media together with in-store shelf advertisement and promoted with a 'Wellness Contest'. Like Supers 1.0, the products line was well received by our customers and drove growth for us as well as the overall Non-Black Tea category in Canada. For the month of March, our share in the Non-Black category moved to ~3.9%. Tetley Super Tea Antiox won the ChickAdvisor 2019 Reviewers' Choice Award.

Australia

We extended the launch of Cold Infusions in Australia with four exciting flavours designed to give water a refreshing twist. The launch was supported by an integrated campaign featuring popular Australian comedian and actor Celia Pacquola ('Thirst Tea?'). Like UK, the Cold Infusions segment is witnessing incredible growth in Australia and is one of the fastest growing in the tea category, representing ~7% of the total tea category in just one year.

This year, we launched our Cold Infusions range in three of our markets (UK, Australia and Canada). It is a fast-growing segment and in some markets like Australia, has already occupied 7% of the total tea segment. We also expanded our Supers range in Canada.

Non-Branded business/B2B

The year saw good performance for the B2B coffee business and showed a growth of ~16%, led by commercialisation of Vietnam Freeze Dried plant and favourable performance by the Tata Coffee Plantation business (higher sales of Robusta coffee). At the 4th Ernesto Illy International Coffee Awards in New York by Illy Caffé, a global leader in Coffee, Tata Coffee's Suntikoppa estate in Coorg won the Best Indian Coffee and was amongst the finalists for global recognition for producing the finest coffee through sustainable means.

Tata Coffee's state-of-the-art freeze-dried coffee plant in Vietnam is operational and has reached over ~80% capacity utilisation. Freeze-dried coffee is a growing segment worldwide in the premium Instant Coffee space. Tata Coffee also launched its e-commerce platform www. coffeesonnets.com that sells three unique variants of luxury single origin specialty coffee named 'The Sonnets –Voice of our estates.' The coffees are directly sourced from two of Tata Coffee's 19 estates located in the Coorg region of Karnataka (Goorghuly and Woshully) and are recognised for growing some of the best Arabica Coffees in the country.

Road Ahead

In the short-term, performance will be impacted by demand from export markets outside India and supply constraints arising out of the COVID-19 crisis. The business outlook is expected to improve gradually as markets normalise.

Others – Tata Starbucks

During the year, we grew the revenues by ~21%. Tata Starbucks kept up the momentum on expanding the store base, and added 39 new stores to reach 185 stores by the end of FY 2019-20 (compared with the 30 new stores opened FY 2018-19). We unfortunately had to phase the opening of some stores to the next financial year, due to the COVID-19 situation in the month of March 2020.

This year, we entered three new cities of Gujarat: Ahmedabad, Surat and Vadodara. All the stores have been very well received by the customers and performance is as per expectations.

In an industry first, Starbucks completed the transition to compostable and recyclable packaging solutions across its stores in India by World Environment Day (5th June 2019) and on-boarded hearing and speech impaired barista partners with a customised learning tool and sensitisation workshops.

Tata Starbucks was recognised as one of the top 100 Best Companies to Work For and top 75 Best Workplaces for Women in India by the Great Place to Work® Institute in 2019. We have achieved 100% pay equity for women and men, a landmark accomplishment that demonstrates Starbucks' commitment to gender equality globally. Tata Starbucks continues to create opportunities for female partners, boosting the share of female partners from 14% in FY 2013-14 to 29% in FY 2018-19 and plans to increase the share to 40% by FY 2021-22.

We also witnessed a very healthy jump in the usage of our loyalty programme, which now forms ~31% of our revenues, out of which 10% is through mobile tender.

Tata Starbucks was recognised as one of the top 100 Best Companies to Work. It also achieved 100% pay equity for women and men.

Management Discussion and Analysis (continued)

Road Ahead

In the short term, store reopening and ramp up will be impacted by the pace at which normalcy is restored in the economy and the return of consumer confidence. We are exploring additional revenue models including delivery and open pick up systems. There will be renewed focus on delivery and expanding the loyalty programme and usage of mobile tender as we prepare ourselves for the post COVID-19 world.

FINANCIAL REVIEW

The Consumer Products Business of Tata Chemicals comprising of the business under the brands; Tata Salt and Tata Sampann merged with Tata Consumer w.e.f. 1st April 2019. The aforesaid SBU is being referred to as 'India Foods' in this segment.

Pursuant to the merger, we have acquired Net assets of Rs. 6,099 Crores as at 1st April, 2019, which includes Goodwill of Rs. 3,563 Crores, Intangible assets (including Indefinite Brands) of Rs. 2,459 Crores and other assets (net of liabilities) of Rs. 77 Crores. Consolidated Financials for the year include the full year impact of India Foods business performance including the addition of net assets as at 1st April 2019 mentioned above.

Consolidated Business

Key Financials

- **Revenue from operations** at Rs. 9,637 Crores, higher than the previous year by 33% (including the impact of merger of India Foods business). On a like to like basis, the Group revenues have grown by 4% with volume growth in both India and International branded beverages businesses.
  - India Beverages business grew by ~7% both in volume and value terms.
  - India Food business grew by ~12% with all business segments growing led by Salt and Pulses.
  - International business, excluding Czech business (exited during the year), grew by modest 0.4% with a volume growth of ~1% and ~4% in the International Branded Tea and Coffee businesses, respectively.
- **Earnings before interest, taxes and Depreciation & Amortisation** (EBITDA) at Rs. 1,310 Crores, higher than the previous year by 56%. On a like to like basis, EBITDA excluding India Foods business and impact for revised lease accounting, increased by ~12%.
- **Profit before exceptional items and taxes** (PBIT) at Rs. 1,084 Crores, higher than the previous year by 41%. On a like to like basis, PBIT increased by 6.5%.
  - Profits from the India beverage business increased, excluding non-recurring gains in previous year, with higher spends on brand building
  - Profits from India Foods, excluding amortisation charge on intangible assets of ~Rs. 43 Crores (arising out of merger), marginally declined with higher investments behind brands for long term health of business
  - Significant improvement in profits in the international business with gross margin expansion, due to better management of commodity costs, and cost reduction initiatives across businesses (including overheads), which was partly offset by higher advertisement spend to support brands
- **Exceptional items** mainly include costs related to merger of India Foods business and non-cash impairment loss on goodwill relating to businesses in Australia and the US. The accounting impairment has been recognised due to a combination of factors like COVID-19 related impact on specific out-of-home business segments, changes to discount rates due to market conditions and revision in business plan sensitivities.
- **Group net profit** for the year at Rs. 460 Crores, is marginally higher by ~1% than that of the previous year, with higher exceptional items and higher losses from Associates and Joint Ventures due to impact of deferred tax/lease accounting and business disruptions caused by the COVID-19 outbreak in India.
- **Earnings per share** is Rs. 4.99 for the year as compared to Rs. 6.47 in the previous year. EPS for the year is mainly impacted due to higher exceptional items and higher losses from Associates and Joint Ventures despite higher operational profits generated during the year. The Cash EPS for the year is Rs. 11.02 as compared to Rs. 8.07 in the previous year.

Performance Snapshot

The consolidated financial highlights for FY 2019-20 are as follows:

Rs. in Crores

	2020	2019	Change
Revenue from operations	**9,637**	**7,252**	**33%**
Operating profit before depreciation and amortisation (EBITDA)	1,310	837	56%
EBITDA %	13.6%	11.5%	2.1%
Operating profit (EBIT)	**1,069**	**715**	**49%**
EBIT %	11.1%	9.9%	1.2%
Profit before exceptional items and taxes (PBEIT)	1,084	768	41%
PBEIT %	11.2%	10.6%	0.6%
Exceptional items (net)	(275)	(33)	725%
Profit before tax	809	735	10%
Profit after tax	**535**	**474**	**13%**
Share of JVs and Associates	(75)	(17)	346%
Group net profit	**460**	**457**	**1%**
Net Profit Margin %	4.7%	6.2%	1.5%

	2020	2019	Change
Net Worth (excluding Minority Interest)	14,907	8,359	78%
Operating Capital Employed	13,145	7,019	87%
Goodwill	7,334	3,785	94%
Brand (Indefinite life)	2,093	-	
Borrowings	1,256	1,141	10%
Cash and Cash equivalents including current investments and ICDs	2,578	1,862	38%
Net Cash/(Debt)	**1,321**	**721**	**83%**

Key Financial Ratios	2020	2019	Change
Return on Operating Capital Employed (RoCE)	8.1%	10.2%	(2.1%)
Return on Operating Capital Employed excluding Goodwill and Brand (Indefinite life)	28.7%	22.1%	6.6%
Return on Net Worth (RoNW) %	3.4%	5.7%	(2.3%)
Basic EPS (Rs./Share)	4.99	6.47	(23%)
Cash EPS (Rs./Share)	11.02	8.07	37%
Debtors Turnover (Days)	32	33	3%
Inventory Turnover (Days)	117	139	16%
Interest Coverage Ratio	14.92	15.64	(5%)
Current Ratio	2.60	2.93	(11%)
Debt Equity Ratio	0.08	0.14	(38%)

Note

Change in Return on Operating Capital Employed (RoCE) and Net Worth (RoNW) is mainly on account of higher Goodwill and Brands (Indefinite life) consequent to merger of India Foods business during the year. However, excluding Goodwill and Brands (Indefinite life), RoCE has considerably improved with higher operating profits.

Management Discussion and Analysis (continued)

Additional Information:

Rs. in Crores

	2020	2019	Change %
SEGMENT REVENUE			
India branded business:			
India Beverages	3,377	3,168	7%
India Foods	2,064	-	-
International branded business	3,226	3,238	0%
Total branded business	**8,667**	**6,406**	**35%**
Non branded business	975	842	16%
Others/Unallocated items	(4)	4	
Total Group Revenue	**9,637**	**7,252**	**33%**
SEGMENT RESULTS			
India branded business:			
India Beverages	465	457	2%
India Foods	266	-	-
International branded business	361	361	361
Total branded business	**1,092**	**734**	**49%**
Non branded business	56	67	(17%)
Others/Unallocated items	(339)	(66)	(1.8%)
Total Group PBT	809	735	10%

Standalone India Business

Key Financials

- **Revenue from operations** at Rs. 5,690 Crores, higher than that of the previous year by 66%. On a like to like basis, the revenue from operations grew by 6%. This was driven by volume growth of ~7% in the Indian branded tea portfolio, which was seen across different type of brands i.e. Economy and Premium. The Food Business grew at ~12% and ~3% in value and volume terms respectively, with all business segments growth led by Salt and Pulses. This year also saw the partial benefit of acquisition of the branded tea business of Dhunseri Tea Limited.
- **Earnings before interest, taxes, depreciation and amortisation** (EBITDA) at Rs. 806 Crores, higher than that of the previous year by 74%. On a like to like basis, EBITDA excluding impact for revised lease accounting and the India Foods business increased by 4%, with a higher brand investment.
- **Profit before exceptional items and taxes** (PBIT) at Rs. 781 Crores, higher than that of the previous year by 36%.
  - On a like to like basis, Profit before exceptional items and taxes declined by 10%. This is lower than that of the previous year mainly on account of higher advertisement spends on brands (especially the premium brands – Tata Tea Gold, Tata Tea Premium and Chakra Gold) to ensure long term health of the business, lower dividend income from overseas subsidiaries and absence of non-recurring gains.
  - The India Foods business delivered a PBIT of Rs. 266 Crores. PBIT, excluding brand amortisation charge of ~Rs. 43 Crores (arising out of the merger), marginally declined with higher investments behind brands for long term health of the business.
- **Exceptional items** of Rs. 52 Crores mainly consists of costs related to the merger.
- **Profit after tax** at Rs. 524 Crores, higher than that of the previous year by 27% mainly due to addition of the India Foods business, lower taxation rate adopted for the year, partly offset by higher exceptional items.

Performance Snapshot

The standalone financial highlights for FY 2019-20 are as follows:

Rs. in Crores

	2020	2019	Change
Revenue from Operations	**5,690**	**3430**	**66%**
Operating profit before depreciation and amortisation (EBITDA)	806	464	74%
EBITDA %	14.2%	13.5%	0.7%
Operating profit (EBIT)	**692**	**432**	**60%**
EBIT %	12.2%	12.6%	(0.4%)
Profit before exceptional items and taxes	781	576	36%
Exceptional items (net)	(52)	-	-
Profit before tax	729	576	27%
Profit after tax	**524**	**411**	**27%**
Net Profit Margin %	9.0%	11.4%	(2.4%)

	2020	2019	Change
Net Worth	10,850	4,444	144%
Operating Capital Employed	7,249	1,047	592%
Goodwill	3,579	-	
Brand (Indefinite life)	2,093	-	
Borrowings	35	5	673%
Cash and Cash equivalents including current investments and ICDs	1475	985	50%
Net Cash/(Debt)	**1440**	**980**	**47%**

Key Financial Ratios

	2020	2019	Change
Return on Operating Capital Employed (RoCE)	9.5%	41.3%	(31.8%)
Return on Operating Capital Employed excluding Goodwill and Brand (Indefinite life)	43.8%	41.3%	2.5%
Return on Net Worth (RoNW) %	4.9%	9.5%	(4.6%)
Basic EPS (Rs./Share)	5.68	6.51	(13%)
Cash EPS (Rs./Share)	9.17	7.08	30%
Debtors Turnover (Days)	19	17	(12%)
Inventory Turnover (Days)	101	140	28%
Interest Coverage Ratio	31.36	44.70	(30%)
Current Ratio	2.97	3.92	(23%)
Debt Equity Ratio	0.00	0.00	-

Note

Change in Return on Operating Capital Employed and Net Worth is mainly on account of higher goodwill and indefinite brands consequent to merger of the India Foods business during the year. However, excluding goodwill and brands (Indefinite life), RoCE has considerably improved with higher profits.

Management Discussion and Analysis (continued)

RISK MANAGEMENT

The Board of Directors of the Company has formed a Risk Management Committee to frame, implement and monitor the risk management plan for the Company. The Committee is responsible for reviewing the risk management plan and ensuring its effectiveness. The Committee considers the risks that impact mid- to long-term objectives of the business, including those reputational in nature.

The Company has an elaborate risk charter and risk policy defining risk management governance model, risk assessment and prioritisation process. The Risk Management Committee reviews and monitors the key risks and their mitigation measures periodically and provides an update to the Board on Company's risks outlined in the risk registers. The Audit Committee has additional oversight in the area of financial risks and controls.

Additionally, a third-party organisation has benchmarked the Company's risk management practice with various companies in India and globally and pronounced it as a leader in FMCG category. The Company was declared as the winner in the category Best Risk Management Framework & Systems – FMCG, at the sixth edition of The India Risk Management Awards 2020 by CNBC TV-18 and ICICI Lombard. These awards recognise those organisations and teams that have significantly added to the understanding and practice of risk management. It also won the CRO Leadership award 2020 from the UBS Forum.

Tata Consumer won the 'Best Risk Management Framework & Systems – FMCG' at the India Risk Management Awards 2020.

CYBERSECURITY

We devised a three-pronged approach to cybersecurity.

- Ensured strong safeguards that included antivirus and malware detection and prevention, laptop hard-disk encryption, virtual private network to access our applications, and web security to block malicious sites
- Established and solidified, our managed Security Operations Centre (SOC), which provides protective monitoring and speedy response and recovery to any cybersecurity incidents that might happen
- Ensured strong operational safeguards that included end point security, disk encryption, multi-factor authentication (MFA), secure internet access, virtual private network, and strengthened user access management. We have also established and solidified our managed Security Operations Centre (SOC) that provides threat intelligence, protective monitoring and speedy response and recovery to any incidents that might happen by utilising the Security Incident and Event Management (SIEM) tools.
- Implemented a proactive security assessment tool, Security Assessment Framework for Enterprise (SAFE), which provides Enterprise Wide, Objective, Unified, Real Time Cyber Risk Quantification (CRQ) platform. This helps us to assess, analyse and give a score to every IT asset (including, but not restricted to laptops, servers, network connectivity devices) and gives advance visibility of assets at risk and allows us to proactively take actions to eliminate/mitigate it.
- Received a national level award by Data Security Council of India (a not-for-profit, industry body on data protection in India, setup by NASSCOM®) – Cyber Risk Quantification Champion of the Year for demonstrating the largest improvement in a year for the APAC region (~112 companies had participated from the region).

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

We currently have over 2,200 full time employees across all our branded businesses. As we embark on our growth journey with entry into a larger portfolio of the Food & Beverages segment, we improved our people strategy and processes across the following areas to propel this growth.

High Performance Culture

To strengthen the culture of high performance, we enhanced our performance management system to reward employees on performance achievement as well as showcasing behaviours aligned to our values. We ensured stronger cascade of goals and communicated the performance expectations to better align employees to the organisation's goals. We also introduced the concept of 'One Significant Thing', wherein employees get an opportunity to take on a personal goal. This builds a culture wherein the employees as well as the organisation support each other.

Additionally, we rolled out the sales incentive programme in India to enable sales growth by encouraging and rewarding sales employees for their high performance.

Managing Talent

We strive to nurture and develop our employees' skills and capabilities. This is achieved through multiple platforms (internal and external) including academy-based development opportunities, group learning programmes, e-learning platforms, mentoring programmes to name a few.

In line with our objective to develop talent and provide them with opportunities, internal movements were planned across functions and geographies. We held 'FELT Leadership' sessions across all our geographies, to create a workplace that cares for employees as well as builds a deeper understanding of health and safety guidelines. The Management Trainee programme 'Emerging Leaders Plus', is now established as a key programme to build our pipeline for future leaders.

Energising Employees

We continue to leverage employee engagement surveys to gather employee feedback. We also established a stronger, more regular and visible internal communication mechanism with employees across the organisation.

In our last (dipstick) survey, we witnessed a noteworthy progress in three areas – leadership connect, communication of survey results, elements of managing talent, which were identified as global engagement drivers. We continued to action plan and introduce new initiatives to further strengthen employee engagement globally.

Health & Wellness

We actively focused on bringing a shift from reactive healthcare to proactive wellbeing. Globally, our health & wellness focus includes a wellness app, options to savings programme, flexible work hours, employee assistance programmes, mediation/fitness classes, conversation with coaches on mental fitness, enhanced insurance and volunteering activities across all geographies.

Rewards & Recognition

We have a well-established rewards and recognition platform, 'Brewing Brilliance', wherein 4,000+ monetary and non-monetary peer-to-peer rewards were shared globally. We also concluded the 'Perfect Cup' celebrations (our annual awards programme) that recognises individuals and teams, who have contributed significantly across functional areas.

Employer Branding

We actively leverage technology and social media including LinkedIn, Twitter, Glassdoor to strengthen the overall approach and brand presence to deepen our engagement and brand image with potential talent and stakeholders.

The Industrial Relations environment across the organisation has been stable, barring a few negotiations and settlements.

INTERNAL CONTROLS AND GOVERNANCE

Our internal financial control framework is commensurate with the size and operations of the business and is in line with requirements of the regulations. We have laid down adequate procedures and policies to guide the operations of our business. Unit/functional heads are responsible for ensuring compliance with the policies and procedures laid down by the management. Our internal control systems are routinely tested by the Management, Statutory Auditors and Internal Auditors.

The Tata Code of Conduct has prescribed guidelines outlining the key disclosure and governance requirements besides mandating the observance of applicable statutory requirements by us. We cascade these guidelines across all levels in the organisation and observe the same in our stakeholder relationships.

INTERNAL AUDIT

Internal Audit at Tata Consumer is an independent, objective, assurance and consulting activity designed to add value and improve the organisation's internal controls. It helps the Company to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of process, controls and governance.

The Internal Audit function carries out a focused and risk-based annual internal audit plan approved by the Audit Committee, using a 10-factor risk approach. The internal audit primarily focuses on the adequacy of process and controls. The internal audit reports are reviewed by the Audit Committee periodically.

The Internal Audit function at Tata Consumer is differentiated by utilising homegrown data analytics platform Tgo and a mix of various in-house domain specialists in the execution of the annual audit plan.