



# MANAGEMENT DISCUSSION AND ANALYSIS

## 1. ECONOMIC REVIEW

### 1.1 Global

Global growth is estimated at 6.1% in 2021 as per the International Monetary Fund compared to the contraction of 3.1% in 2020 mainly owing to the pandemic (World Economic outlook April 2022). The year 2021 saw economic recovery aided by supportive fiscal policy globally; however, the momentum slowed due to various factors, including subsequent Covid-19 waves (Delta and Omicron variant in Q2 and Q4, respectively), lower vaccine access in developing economies (leading to divergence in rate of recovery) and inflation with the increase in demand, supply disruptions and increase in prices (energy, freight and food).

#### Outlook

In its April 2022 outlook, the IMF estimates global economic growth to moderate to 3.6% in 2022 – marginally higher than the historical average of around 3.4% (2015-19). The recovery is expected to be supported by a consumption boost from pent-up household savings, an increase in vaccinations, and inventory restocking partly offset by headwinds of broad-based inflation continuing to impact near-term growth. We will also see the tightening of monetary policies by various central banks to stabilise inflation, with the US Federal Reserve announcing its intentions to further raise rates and taper asset purchases at a faster pace in 2022.

Geopolitical tensions as a result of the Ukraine-Russia war and economic sanctions imposed on Russia are expected to dampen the above outlook (Russia supplies ~10% of the world's energy). These developments have further elevated inflation and are likely to result in aggressive tightening policies by banks and a decline in private demand. There is a higher risk to growth with prolonged conflict.

### 1.2 India

India's economic growth is estimated at 9% in 2021, the highest among large economies, reflecting a strong recovery led by favourable monetary and fiscal policy, mass vaccinations and significant progress on structural reforms. The year witnessed strong growth momentum in exports and improvement in credit uptake driven by agricultural and industrial sectors. Banks and Non-Banking Financial Companies have healthier balance sheet positions compared to 2018 levels. However, India has also been witnessing significant inflationary pressures similar to the global economy.

#### Outlook

Indian economy is expected to benefit from the recovery in consumption supported by increasing normalisation of activity, higher rural income, and the boost from pent-up household savings in addition to continued emphasis on infrastructure spending by the government. Government CAPEX is budgeted to grow to 2.9% of GDP in FY 2022-23 the highest in nearly two decades. Private corporate investment is also expected to pick up in the second half of the year with improvement in demand leading to increased manufacturing sector capacity utilisation and roll-out of the Production-Linked Incentive Scheme.

The outlook stands to be impacted given sustained inflation pressures in the next few quarters including the impact of Russia - Ukraine conflict, quicker tightening of financial conditions with RBI's rate hikes, high oil prices impacting current account balance and fiscal deficit and subsequent Covid-19 outbreaks.

## 2. STRATEGIC PRIORITIES

### 2.1 Overall strategy

Tata Consumer Products Limited (referred to as 'Tata Consumer' or 'the Company') is among the top 10 FMCG companies in India with a portfolio of offerings in foods and beverages. The Company owns iconic brands with a strong heritage like Tata Tea, Tata Salt, Tetley, and Eight O'Clock Coffee as well as new-age brands like Tata Sampann, Teapigs, Good Earth, Himalayan Water, Tata Gluco Plus, Tata Soufull and Tata Q. It is the second-largest branded tea player globally, houses the largest salt brand in India, and is expanding its portfolio into other product categories like staples, snacks, ready-to-eat, ready-to-cook, and coffee. The Company is committed to delivering 'Better for You' products with quality, nutritious ingredients that are innovative, delightful and convenient for consumption.

The business continued to strengthen its capabilities as a focused consumer products company with a wide portfolio of products aspiring for a larger share of the consumer basket. Despite an inflationary and volatile environment, we continued to increase distribution reach to 38 lakh retail outlets in India, supported growth with high investments behind brands, accelerated innovation, improved operational efficiency, and undertook strategic reorganisation. We completed our brand integration

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with Tata Soufull and acquired Tata SmartFoodz Limited (TSFL). We also continued driving the digitisation agenda, including enabling business from a digital perspective and enhancing analytical capabilities across the value chain.

We remain aligned to our six stated strategic pillars:

- **Strengthen and accelerate core business**

We continued to power our brands with higher investments in the year while driving premiumisation, distribution expansion and developing alternate channels for growth. During the year, we strengthened our share position in India while keeping it stable in our International business.

- **Drive digital and innovation**

We are embedding digital in every part of the business to stay in tune with technological advancements and drive efficiencies across the value chain. Our e-commerce channel performed well, and we plan to continue driving growth in this channel and strengthen digital marketing across markets.

Our innovation efforts are focused on understanding and pre-empting evolving consumer trends and coming up with quality and differentiated products to delight increasingly discerning consumers. We are well-positioned to tap consumer trends and offer new products by leveraging our core systems. We are on track to ramping up the contribution of innovation to overall revenues in the next few years and cross pollinate successful launches across different geographies (Good Earth sensorial blends, Tetley Super Teas). As a result of our focus on innovation, for FY 2021-22, the innovation to sales contribution almost doubled over last year.

- **Unlock synergies**

We continue to focus on improving efficiency and have implemented two major integrations with the acquisition of Tata Soufull and Tata SmartFoodz into the Tata Consumer fold. We are restructuring to combine Tata Coffee's business into Tata Consumer and its wholly-owned subsidiary and purchase a non-controlling interest in Tata Consumer UK Group through a preferential issue of equity shares. This will simplify the legal structure,

create focused business verticals, and unlock synergies. We are looking at further simplification and consolidation of operations to reduce the effective number of legal entities over a period of time.

- **Exploring new opportunities**

We aspire to be a leading player in the FMCG industry, by expanding our play in existing categories and venturing into new spaces. We have taken both organic and inorganic routes to capitalise on industry trends and tap into new consumer segments or markets. This includes piloting launches into new categories by leveraging a differentiated offering and a 'right-to-win' strategy as well as realigning capital investments to markets or businesses that have higher growth potential and the ability to generate sustainable returns. Our inorganic agenda allows us to expand into new categories and recruit new sets of consumers. With the acquisition of Tata SmartFoodz, we ventured into the ready-to-eat portfolio, which caters to consumers seeking convenient and wholesome meals.

- **Create a future-ready organisation**

We transitioned smoothly to a new and integrated organisation structure with the right capabilities and a culture that empowers our people to realise our shared vision. As part of our ongoing commitment to promote a more inclusive and diverse workplace, we extended the group health insurance policy to cover partners of employees belonging to the LGBTQ community. We remain committed to investing in building people's capabilities and creating a sustainable, high-performance work culture.

Recognised as a  
Great Place to Work®

- **Embed sustainability**

Being part of the Tata Group, the ethos of responsibility and sustainability are interwoven in our corporate culture and philosophy. During the year, we signed up as a founding member of the India Plastics Pact, which is a collaboration between the Confederation of Indian Industry



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(CII) and WWF India that brings together multiple stakeholders to set time-bound, target-based commitments to transform the current linear plastics system into a circular plastics economy.

You will find more details of our efforts and progress against each of these strategic priorities in later sections of this report.

To read “Progress against strategic priorities” [click here](#).

### Key strategic developments

During the year under review, we increased our investments in our brands, streamlined operations and drove synergies, including network optimisation in India and simplification of our Indian and International businesses.

- We accelerated our innovation agenda and launched several new products, foraying into new categories/geographies, including Added new products in our health and wellness segment - Care range (Tata Tea Gold Care, Chakra Gold Care, Tata Tea Care), Tata Salt Super Lite with 30% lower Sodium, Tata Soulfull Muesli (Zero Added Sugar), Tata Soulfull No Maida Choco
- Prioritised customer convenience by introducing Tata Coffee Quick Filter Coffee and Tata Tea Adrak Chai
- Built on our premiumisation agenda with a care range, new SKUs in Tata Coffee Sonnets, Tata Tea 1868, and Good Earth Sensorial Blends, among others
- Entered new segments with TGP Jelly and Tata Sampann Dry Fruits in India
- Introduced TATA Soulfull portfolio in the Middle East and took RTD liquids to the International markets with Good Earth Kombucha & Good Energy

During the year, we expanded our portfolio with the acquisition of Tata SmartFoodz Ltd, which owns the TataQ (#2 player in the RTE category in India, manufacturing products using the MATS technology in its Sri City facility in Andhra Pradesh). The RTE category provides a sizeable opportunity in both

International and Indian markets and has a strong overlap with Tata Consumer's existing footprint. We are in the process of unlocking synergies across the value chain by efficiently integrating operations and leveraging technology and manufacturing facility to create a strong pipeline of value-added products in other parts of Tata Consumer's Food business.

During the year, as part of our portfolio evaluation, we transitioned our tea café format Quick Service Restaurant business - Tata Cha - to Qmin-Shops operated by a subsidiary of Indian Hotels Company Limited (IHCL). This will enable us to better focus on our core FMCG business.

### Digital integrations and organisation restructuring

We have laid out our digital strategy and vision, and are embedding digital across the value chain of the company. After the implementation of SAP S/4 HANA in the India business, we are now rolling this out across our other businesses (mainly International and Tata Coffee) and have initiated the setup of an enterprise data platform to draw insights and analysis to support the business.

We streamlined our operations further in India and International markets to drive operational efficiency. Major initiatives include network optimisation and operating model design for the foods 3P network and converting the Australian market into a distributor model.

As part of organisational restructuring and to simplify the legal structure while unlocking synergies, we announced the re-organisation plan during the year with two key steps – a) Composite Scheme of Arrangement with Tata Coffee Limited, our listed Indian subsidiary company and b) purchase of non-controlling interest held by Tata Enterprises Overseas AG (**TEO**) in Tata Consumer Products UK Group Limited (**TCP UK**), our subsidiary company in UK.

The Composite Scheme of Arrangement includes the demerger of our plantation business, Tata Coffee Limited (TCL) into TCPL Beverages & Foods Limited (TBFL), a newly formed wholly-owned subsidiary of Tata Consumer. The second part of the restructure includes the merger of the remaining business of TCL, comprising its extraction and branded coffee business, with TCPL.

Additionally, the Company proposes to purchase the non-controlling interest in TCP UK by way of

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a share swap, through a preferential issue of its equity shares. Currently, Tata Consumer (directly/through its subsidiary companies) holds 89.85% of the share capital of TCP UK, and the balance 10.15% stake is held by TEO. Through this transaction, the Company intends to purchase this non-controlling interest and the purchase consideration is to be paid through the preferential allotment of shares of Tata Consumer to TEO, based on an independent valuation by a registered valuer and subject to other regulatory approvals.

This reorganisation accelerates the Company's objective of creating a future-ready organisation and will act as a stepping-stone for further simplification. It will also result in operational efficiencies, faster decision-making and execution, creation of focused business verticals and unlocking of potential synergies. These initiatives will enable simplification of the Group structure (one listed entity instead of two previously), helping us drive synergies in the organisation, unlock market potential and increase operational control by consolidating the tea and coffee extraction businesses. We plan on significantly reducing the number of operational entities at Tata Consumer group over the period of next few years as part of our simplification agenda.

The Company was certified as a 'Great Place to Work®' and recognised for its commitment to fostering a positive company culture with an employee-first approach at the Great Place to Work® platform, which is a global authority on workplace culture.

### 2.2 Opportunity and strengths

The Company has leading market positions in the Tea and Salt segments, which contribute a significant share of the revenue and is projected to steadily grow over the next few years. We are continuously advancing our distribution and operational capabilities and institutionalised benchmark practices for strong customer engagement and delivery processes. This approach helps create a platform for future businesses through organic and inorganic means to flourish.

These new businesses have the potential to scale over a period and become engines of growth (including Packaged Food, Liquid Beverages, Breakfast Cereals, Healthy Snacks, Ready-to-Eat as well as newer categories being explored). The rich

heritage of the Tata brand name inspires widespread trust and allows us to play in different categories. We are rapidly digitising our processes throughout the value chain, which will further add to the maturity of the organisation.

We are the #2 branded Tea player globally and have a sizeable presence in Coffee in the US with our heritage brands - Tetley and Eight O'Clock, respectively. In the international markets, we enjoy strong brand equity built over years and a loyal customer base. Good Earth and Teapigs are brands with premium offerings targeted at serving emerging consumer needs and provide opportunities for growth in the International business.

We are strengthening the Black Tea business, which forms the largest Tea category while focusing on product innovations in the non-black segment, (a growth segment), and strategically expanding the ethnic portfolio (beverages and food). We are well positioned to address the growing consumer preference for wellness, sustainability, authenticity and premium choices with products like Tetley Super Teas, Tetley Herbals, Good Earth, Eight O'Clock Barista Blends and Teapigs, including ready-to-drink offerings like Kombucha. We continuously evaluate our portfolio and drive cost optimisation to enhance business effectiveness and profitability.

In the B2B segment, which constitutes the extraction business (Tea and Coffee), we enjoy healthy margins – though, during the year, the Tea Extraction business volumes were adversely impacted by the pandemic. At Tata Coffee Limited, our Coffee and Pepper Plantation and Extractions business performed well with improved realisations. As we consolidate and simplify the corporate structure with a demerger/merger scheme, we will work to create focused business verticals in the Extractions business and unlock potential synergies.

We operate in large and growing segments in India and the International markets. The Indian packaged foods and beverage consumption growth story remains strong with preferences tipping towards health, wellness and convenience as a result of the pandemic. The penetration of branded products continues to remain untapped and will increase due to favourable demographics, urbanisation, higher awareness and expansion of modern retailing and e-commerce.



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We are well-positioned to tap into this opportunity with our diverse and growing portfolio, focused expansion of sales and distribution system as well as improvements across our supply chain. Premium product offerings and new market models are also being developed. We are exploring opportunities to selectively introduce products from the Indian to the international markets, where we have a presence, to cater to both ethnic food aisles and the needs of the Indian diaspora.

### 2.3 External threats and mitigation strategies

Key threats to our business include changing consumer preferences, volatility in commodity and currency, inflation, and the concentration of retailers in developed markets. In the year gone by, we witnessed broad-based cost pressures and continue to manage the same. These include commodity prices (coffee prices reaching an 11-year high with supply volatility and adverse weather conditions, temporary disruption in salt supply during monsoons, India tea prices normalised after tumultuous 2020 but remained above 2019 levels), input cost (packaging cost inflation) and freight (container availability issues and inflation). The Company has taken strategic pricing interventions to mitigate some of the effects of input cost inflation while protecting the interests of the consumers.

We continue to closely monitor the pandemic situation across the globe and place a high priority on the health and safety of our employees. With several factories, warehouses, and other on-ground operations across the world engaging thousands of workers daily, we have taken robust steps to ensure employee safety and business continuity during the pandemic. While the pandemic situation has improved globally, any further rise in cases in our key markets could pose a challenge. However, having successfully navigated this over the last couple of years, we believe we are well-positioned to combat it.

### 2.4 Growth drivers

#### 2.4.1 India

During the year, we integrated our operations across different functions (sales force, operations, procurement, and support) in Indian markets, which will enable us to drive value for the whole India business.

We continued to strengthen our leadership position, gain market share in our core Tea and Salt businesses and build a strong platform for growing scale in new categories. We remain focused on delivering profitable and sustainable growth in India.

13% growth in the overall India business

83% growth in the RTD Beverages segment

Unlocking distribution efficiencies

In the Indian market, the Company expanded its distribution footprint to increase direct distribution reach to ~2x through a structured programme led by efficient planning. We also focused on driving improvement in salesforce productivity, better visibility and servicing at the outlets, and capability building for the frontline sales force. We added 8,000+ rural/semi-urban distributors in the year to expand our presence in these markets, which presents a large opportunity for us. We also started a premium distributor sales representative programme to enable focus on the premium portfolio and newer brands like Tata Sampann, Tetley, Tata Coffee, Tata Soufull and Tata Q. The rapid expansion in distribution was enabled with digitally connected sales infrastructure and the use of data and analytics for decision-making. We engaged closely with our modern retail, e-commerce and institutional customers to improve assortment, coverage, availability and servicing metrics to drive growth during the year.

2X increase in direct distribution reach  
8,000+ rural/semi-urban distributors added to network in FY 21-22

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### Digitising and optimising

We continue our journey of digitising and transforming all elements of our value chain, with the implementation of SAP S/4 HANA followed by integrated business planning and interventions towards optimising our network and operating model across different parts of the business.

During the year, we initiated the 3P network optimisation project to make the Company future-ready for food categories as well as realising cost synergies over the medium to long term. The key outcomes from the project are around moving packing locations closer to demand centres, cross-leveraging networks across various categories, exploring new sourcing locations and changing sourcing operating models (for a few categories). This will help drive efficiencies and reduce total delivered costs over the medium to long term.

### India Business

#### Tea and Coffee

Tea business grew 6% by value and 3% by volume terms. The premium tea brands grew at a faster pace (1.2x) than the overall tea portfolio. Coffee business grew 48% by value and 43% by volume terms. In the packaged tea market, we improved our value market share position by ~100 basis points to 22.2% and volume share by 154 basis points to 22% driven by the increase in distribution and supported by brand investments.

We invested in brand building across our portfolio; adopted hyperlocal strategy for Tata Tea Premium and Chakra Gold with regional campaigns relaunched Tata Tea Agni with new packaging and positioning of “Josh Jagaye Har Roz”, positioned Tetley Green Tea Immune to promote internal health and wellbeing, launched a clutter-breaking Tata Coffee “Shik Shik” campaign to name a few.

#### Salt

Salt business grew by 17% in value terms and 8% in volume terms. Tata Salt led the portfolio performance, gaining value market share and we

further strengthened our market leadership in Salt category by gaining 400 basis points to 37% value share (source: Nielsen). We continued to expand the salt portfolio with three launches during the year:

- Tata Salt Super Lite in the premium segment (India's first specially formulated 30% low sodium salt)
- Shuddh by Tata Salt – mainstream solar salt play for the South Indian market
- Tata Salt Immuno, our value-added play fortified with Zinc to help improve immunity

Premium Salt portfolio delivered double-digit growth during the year with the increase in distribution and initiatives taken to improve awareness and accelerate trials.

Overall Salt business grew by 17% while Premium Salt grew at a faster pace

### Water

The RTD beverages portfolio delivered 83% growth as the lockdown restrictions eased through the year. Tata Gluco Plus grew by 43% led by the core and new markets and supported by TV campaigns. Tata Water Plus, now rebranded to Tata Copper Water, was able to grow to 3x with new markets now contributing to almost 36% of the overall revenue. This was a record year for Himalayan as it reported break-even performance for, the first time since inception. Our new launch– Tata Gluco Plus Jelly received a positive response.

### Pulses, Staples, and Spices

Tata Sampann portfolio delivered double-digit growth during the year led by higher distribution. For Tata Sampann Poha sales were 2x times of the previous year. We also entered a new and premium category with the launch of Tata Sampann Dry Fruits pre-Diwali in e-commerce channel and a pilot launch across select stores in Mumbai and Delhi.

### Snacks and Breakfast Cereals

We completed the integration of Tata Soulfull into the sales and distribution network of Tata Consumer





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during the year, which resulted in a significant ramp-up of outlet reach to over 3 Lakhs by end of March 2022. Soulfull became TATA Soulfull with the new logo being integrated into all brand touchpoints. Our new launch 'No Maida Choco' garnered a positive market response. Besides traditional channels, the business scaled up in the e-commerce/D2C channels as well with consistent customer acquisition and effective performance marketing.

### Ready to Eat

We made a strategic acquisition of Tata SmartFoodz Ltd (TSFL), in line with our ambition of exploring new opportunities, and forayed into the RTE category. TSFL owns the brand Tata Q and is the #2 player in the RTE category in India. It manufactures products using MATS technology in its plant in Sri City, Andhra Pradesh. The RTE category is expected to grow at a fast pace in India and presents a sizeable opportunity in the overseas markets (USA, Canada, UK, and Australia), which have a strong overlap with Tata Consumer's existing footprint. MATS technology and Tata SmartFoodz's in-house manufacturing and R&D capabilities will enable Tata Consumer to create a strong pipeline of value-added products across TCPL's Foods business. There is also a potential opportunity to unlock synergies across procurement, manufacturing, and logistics, among other functions.

### TATA Starbucks JV

Tata Starbucks, our 50:50 JV with Starbucks, saw a strong recovery since re-opening following the second wave of the pandemic. It accelerated its store openings during the year with 50 new stores, the highest number of store openings in a single year so far. We are now present in 268 stores across 26 cities in the country. Delivery vertical continues to perform well even after the easing of dine-in restrictions. The business was able to deliver breakeven at the operating profit level before depreciation and amortization (EBITDA).

### 2.4.2 International Business

The International Branded business grew at a 2-year CAGR of 6%, excluding exits of the food service business, with most categories now returning to pre-pandemic trends. The business delivered margin improvement due to restructuring (portfolio exit from non-branded and unprofitable markets, distributor model change in Europe and Australia) and strategic price increases to offset the inflationary pressures in

input cost. As part of the digitalisation agenda, SAP S4 HANA was implemented across international markets resulting in a common global integrated system. We remained focused on structural simplification in the business, sales performance and growth through innovation. In addition, we continue to focus on cost re-engineering across the value chain and general & administration, process interventions and model optimisation to support the business.

The Company continues to focus on scaling the non-black tea portfolio and attracting new consumers. Some of the initiatives undertaken include supporting Cold Infusions range in the UK and Canada, the launch of Tetley Herbal range, Good Earth F&H rollout across markets, entry into Liquids in the UK under both Good Earth and Teapigs brand (Kombucha, Natural Energy) and continuing to build distribution for Barista Blends and Flavors of America under the Eight O'Clock brand in the USA. We also grew the ethnic food and beverages portfolio across markets.

### 2.4.3 Tata Coffee

During the year, Tata Coffee Limited (including Vietnam) witnessed 11% revenue growth, led by the Extractions business and Coffee and Pepper plantations. The Extractions business saw both volume and price led growth despite the challenging demand scenario in some of our markets. The plantation business was impacted by weather related issues and growth was primarily led by the increase in realisation in coffee, which more than offset lower realisations in tea, where prices tapered down from the abnormally high levels seen in 2020. Our instant coffee plants operated at near full capacity utilisation in India and Vietnam, and we undertook a slew of productivity initiatives in the business to control costs in an inflationary environment.

### 2.5 Road ahead

Tata Consumer Products will continue to focus on portfolio expansion and inorganic opportunities. We will drive top-line as well as bottom-line growth by working to strengthen and expand the core (in India and International markets) and rapidly scaling the new growth businesses in India supported by brand investments and an increase in breadth and depth of distribution expansion. We will focus on premiumisation and innovation to fuel growth in the business and execute cost initiatives, including unlocking synergies through legal and organisational restructuring to support the business. We will closely

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evaluate and take strategic pricing interventions to manage inflationary pressures and volatility. Strengthening our commitment to sustainability, we will drive engagement with Trustea as well as execute the agenda for a circular economy in a phased manner, beginning with our International markets.

### 2.6. Sustainability

Sustainability continues to be core to our vision at Tata Consumer, as we stand for better products, for better nutrition, for better living, for a better community, for better sourcing, and for a better planet.

- Our Company's sustainability strategy 'For Better Living' is inspired by the Tata core values of Integrity, Responsibility, Excellence, Pioneering, and Unity and focused on our corporate identity of 'For Better'. The strategy incorporates metrics from Tata Group's Sustainability strategy around Driving Net Zero, Pioneering Circular economies, and Preserving Nature and Biodiversity. Tata Consumer supports development programmes for 1 million community members. We received the award for Best Growth Performance – F&B at India's top 500 Companies 2021 conference by Dun & Bradstreet on the theme of 'Laying foundations for an ESG ready corporate India'. We were also recognised on the CDP India leadership index.
- We are committed to sustainably sourcing our tea and encourage our supply chain partners to follow sustainable agricultural practices through Rain Forest Alliance (International markets) and Trustea programmes (India). All our Tetley blends in the international markets are Rainforest Alliance certified. Tetley in UK and USA is recognised on the Amazon website with the Climate Pledge Friendly logo that uses sustainability certifications to highlight products that support Amazon's commitment to help preserve the natural world.

The India trustea programme exceeded the verification target of 100 million kg in 2021 and has cumulatively verified over 60% of the total tea sold in Indian markets. Over 80,000 small growers were verified and 6.4 Lakh workers reached under trustea. It has facilitated a better working environment for women (maternity benefits, crèche facility), as well as market access and better prices for small tea growers. It has also enabled a structured

grievance redressal system, decent housing, portable drinking water, and uniformity in the system of wage payment for tea workers. The trustea Sustainable Tea Foundation is now an ISO 9001:2015 certified organisation and member of ISEAL under a globally recognised framework, which defines practices for effective and credible sustainability systems.

- We are dedicated to supporting a thriving, profitable and sustainable Malawi tea industry for producers, workers and smallholders. The Malawi Tea 2020 partnership brings together a coalition to achieve a competitive and profitable Malawian tea industry. The 5-year Tetley - UNICEF Project for Early Childhood Development in Malawi tea estates was launched on 20<sup>th</sup> November 2020 (World Children's Day) and aims to support young children in the tea estates with quality and integrated ECD services, including in health, nutrition, early learning, child protection, caring, nurturing, and a clean and protective environment.
- In India, we provide affordable healthcare to over 100,000 tea community members annually through our hospitals in Munnar (Kerala) and Chubwa (Assam). The hospitals are recognized for healthcare facilities, professionalism, safety, ethics, and affordability. They have the lowest infant and maternal mortality in the industry and in respective states and were equipped to manage emergencies and Covid-19 cases through infrastructure improvements and professional training. The Improving Lives programme with UNICEF-ETP is facilitating better health, nutrition, water, sanitation, education, skilling and empowerment for adolescent girls and women in over 200 tea estates in Assam.

We were acknowledged for our sustainable sourcing practices in the tea industry and conferred the CII Food Future Foundation (FFF) National Award for Sustainable Sourcing 2020. The Company also won the Outstanding Performance in the Category of 'Sectoral Value Chain on Tea' award.

- We aligned its GHG emissions targets with the larger Tata Group. Our UK factory uses offsite solar power for its operations and has also installed a biomass boiler for reducing its





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GHG emissions. Our different factories in India commissioned solar PV modules using the latest multi-crystalline technology

- We joined the India Plastics Pact, as a founding member, which focuses on creating a circular economy for plastics. We had earlier joined the UK Plastics Pact in 2018 and EU Plastics Pact in 2021. Our teams are actively engaged in the Advisory Committee and Collaborative Action Groups (CAG) to co-create a roadmap for plastics management. All TCPL beverages factories worldwide are now zero waste to landfill and all wastes are disposed of through authorised vendors who recycle or repurpose them to avoid landfills. In our International markets, there is continued rollout of biodegradable tea bags. Our tea brand Tata Tea Premium has completely changed the 500 gm SKU to recyclable packaging and the remaining packs are also in process. Tata Consumer's Extended Producer Responsibility (EPR) target in India is to collect 100% of total packaging for Beverages, Food and RTD divisions. We conducted a capacity building and awareness programmes for sanitation and waste workers in collaboration with Urban Local Bodies and the NGO, Saahas across a few South Indian states.
- Project Jalodari is the Company's flagship water management programme with the goal to provide water and sanitation solutions for communities. The project has established rainwater harvesting structures across packeting centres in India, and 98% of the rooftop area was connected for water recharge. The project received the CII National Award for Water Management 2021 in the category 'Beyond the Fence', has been extended between 2021 and 2025 and will expand to other areas.

Packaged foods and beverages segment continues to drive growth in the FMCG industry. The organised Indian food and beverage market is estimated at ₹ 5 lakh Crores and is expected to grow at 10-15% over the next 5-year period.

### Industry overview and outlook

We operate in the sub-categories of Tea, with brands like Tata Tea Premium, Tata Tea Gold, Tata Tea Chakra, Tetley, KananDevan, Gemini, Lal Ghoda, Kala Ghoda and Teaveda, and in Coffee with the brand Tata Coffee Grand and Sonnets. In the water category, we play in four segments – Fortified Water or Energy Drinks (Tata Gluco Plus), Natural Mineral Water (Himalayan), Packaged Drinking Water (Tata Copper Water) and Fruit-based drinks (Tata Fruski). Our brand Himalayan was the first entrant in the naturally sourced mineral water category and continues to enjoy a leadership position in the Premium sub-segment.

#### Tea

The total Indian Tea market is estimated to be worth ~₹ 27,300 Crores, with the branded business constituting ~70% of the overall market (by value). The branded market grew by ~15% last year mainly driven by price inflation as a result of the unusual tea cost increase seen in 2020 due to the pandemic. Tea remains the favourite Indian beverage with a high consumer preference for boiled milk tea. 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. Green Tea is estimated to be a niche segment (~3%). The emerging channels of modern trade and e-commerce are gaining significance. Health and wellness remain a significant trend post the pandemic as consumers are increasingly showing a preference for the functional benefits of their cup of chai.

#### Coffee

Branded Coffee is estimated at ~₹ 2,600 Crores and Instant Coffee is the largest sub-segment, forming ~80-85% of the category. It is growing as consumers continue to prioritise convenience. We are also seeing the emergence of artisanal and gourmet premium coffees, which are estimated to be ~5% of the organised market. In terms of at-home consumption, consumers in South India prefer to consume both instant and roast & ground (filter coffee) regularly throughout the year, while

## 3. INDUSTRY AND BUSINESS OVERVIEW

### 3.1 India business

The Food and Beverages segment continued to drive growth for the FMCG industry as the underlying drivers remain robust, including India's attractive demographic profile, rising consumer affluence, increasing penetration and organised share. Lately, the industry has been witnessing inflation, due to global supply disruption caused by the pandemic and exacerbated by the Russia-Ukraine war. This has resulted in significant price hikes in recent months.

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coffee remains an aspirational product across the rest of India with higher demand for Instant Coffee during winters.

### Salt

The Indian Branded Salt market is estimated at ~₹ 6,900 Crores. We have a national presence in the category with vacuum evaporated Tata Salt, the lower-priced solar evaporated I-Shakti salt and a range of value-added premium salts (Tata Salt Lite, Tata Salt Super Lite, Black Salt, Rock Salt, among others). In addition, this year, we launched Shuddh by Tata Salt (mid-tier space) and Tata Salt Immuno (value-added zinc variant) to strengthen our portfolio play.

Our supply partners, Tata Chemicals have the largest manufacturing facility to produce vacuum evaporated salt in India.

Consumers are upgrading from loose and unbranded to packaged and branded iodised salt, and from local brands to regional and national brands. Awareness on purity and micronutrient delivery is the key growth driver for Tata Salt, even as we increasingly cater to health-conscious consumers with lower sodium alternatives like Tata Salt Lite, Tata Salt Super Lite, and mineral-rich, rock salt, and black salt. I-Shakti and crystal salt are being used to drive penetration and growth in the South Indian markets.

### Water/Ready to Drink

The India packaged water market is estimated at ~₹ 18,000 Crores. The segment was adversely impacted by the pandemic but has seen recovery with the gradual normalisation of out-of-home activity.

### Pulses and Spices

Structurally, the Indian packaged staples industry is under-penetrated with a significant portion of the category still remaining unbranded. The conversion from loose and unorganised to branded is aided by an emphasis on overall health and well-being considerations. Tata Sampann is the pioneer and the first national branded player in the pulses category, which enjoys a high brand affinity among its core consumer segment. India is the largest producer (~25% of global production) and consumer (27% of global consumption) of pulses. The Indian Pulses and Derivatives industry is growing at ~10% with high penetration of loose and unbranded products.

The industry is estimated to be larger than 1.5 Lakh Crores with only 1-2% of the segment being branded.

The trend towards migration from loose to packaged pulses and besan (chickpea flour) was fuelled by increasing consumer awareness and preference for better quality packaged products, the launch of differentiated products (Tata Sampann unpolished dals and organic range of pulses), and growth in the number of organised players entering the category, thereby, expanding the base.

Branded spices in India form a ₹ 23,400 Crores industry. It is a highly cluttered market, driven by regional preferences for taste. The product mix in spices needs to be tailored as per geography and market. Straight/Pures form a significant share of the market, with competition from loose players, while blended spices are mainly branded with a loyal consumer base, driven by higher convenience and certainty of taste. There is an increasing demand for branded products with consumers looking for unadulterated, hygienic and authentic straight/pure spices and convenient to use blended spices with the certainty of taste. The pandemic has reinvigorated the discussion on traditional recipes and the usage of spices to strengthen immunity. For instance, curcumin found in turmeric has anti-inflammatory properties and is known to prevent flu, and chilli is known to be a rich source of Vitamin C – which essentially supports the immune system.

### Snacks/Ready to Cook

Overall Snacks (excluding confectionary) market is estimated at ₹ 81,000 Crores with a high share of branded play. Today, consumers are looking at diverse taste choices, including healthier food and convenience in multiple mini-meals (For example: Tata Sampann Chilla Mix, millet-based breakfast cereals). Work from home and higher in-home consumption led to a greater preference for healthier snacking options. Focus on health and wellness is also reflected in the increasing importance of natural ingredients and functional propositions like protein.

The Breakfast Cereals (muesli) market is estimated at ~₹ 200 Crores, mostly dominated by a single player in the branded market. In recent years, new players like Soulfull entered the category and are growing the overall base.



## Management Discussion and Analysis

### Outlook

We will continue to see volume-led growth in India with a favourable young demographic profile, rising affordability, and urbanisation supported by the increase in penetration and rising share of the branded market. The shift in preferences towards premium products and consumers making conscious choices to consume trusted and healthier products, especially post covid, will continue to play out within the category. With internet users multiplying and increased access to social media, we are also seeing the emergence of digital-only brands with a direct-to-consumer business model.

We will continue to focus on growing and building distribution with our combined sales infrastructure, investing in equity for our brands, and new product innovation centred on the health, convenience and premiumisation platform. Conversion to branded packaged food will continue to accelerate in the post-Covid era. Health and immunity building categories in the Food business will witness sustained growth. We will tap opportunities at the intersection of health and taste with both ready-to-eat and quick-to-cook options.

### Business performance

#### Tea

We improved both the range and depth of our distribution in the business leading to an improvement in value market (MAT) share by ~100 bps to 22.2% [Source: Nielsen]. Tata Tea emerged as the 'Most Purposeful Brand' in the 2021 Kantar report in the FMCG category. The report showcased how the brand exhibited a clear sense of purpose from a consumer standpoint and adopted a bold social stance during the pandemic. During the last fiscal, the tea business delivered value and volume growth of 6% and 3%, respectively. Our premium brands – Tata Tea Premium and Tata Tea Gold delivered double-digit growth in sales. Tata Spice Mix (Elaichi, Masala) continues to perform well and is now the 5<sup>th</sup> largest brand in the portfolio.

There were various innovation launches in the year in the category leveraging the underlying category trends – health and wellness (extending Care range under Chakra Gold and Tata Tea brands; value-added variant in Agni with Ginger/Adrak) and premiumisation (new variants for specially curated black and green teas under Tata Tea 1868).

To strengthen our brands, we launched multiple hyperlocal campaigns in our core markets for Tata Tea Premium (#Dumdaar UP, #Kadak Haryana), Chakra Gold ('Ghanam' taste of Andhra Pradesh and Telangana), and Kanan Devan. We also launched special festive packaging for Tata Tea Gold and Tata Tea Leaf for Durga Puja and Chhath Puja alongside artistic expressions such as sand art installation on Utkal Dibas in Odisha and a 3D projection mapping show in Visakhapatnam. Chakra Gold became the co-sponsor for Big Boss Tamil Nadu, the biggest reality TV show in the state.

We supported the packaging refresh of Tata Tea Agni with a new TV campaign (Josh Jagaye Har Roz). The TVC captures 3 key players from the Indian Women's Hockey Team- Arjuna award winner, Vandana Katariya, drag-flicker and a key architect of India's success over Australia in the Tokyo Olympics, Gurjit Kaur, and Asian Games medalist, Neha Goyal. It pays an ode to their journeys, displaying the real stories of their hardship, purposefulness, 'josh', and their prevalence over challenges. Tata Tea Premium also launched a first-of-its-kind Holi party in the Metaverse, in an effort to leverage the growing power of digital storytelling and personalisation, as a means to connect with our consumers.

We ran two campaigns during the year highlighting social causes. During the first quarter of the year, we ran the Tata Tea Jaago Re campaign to sensitise and encourage people to help the underprivileged in their vaccination journey. On Independence Day, we partnered with Rare Planet – a startup that promotes the work of local Indian artisans, to unveil a 'Desh ka Kulhad' collection. The aim was to lend support to the artisan community especially as they faced a severe setback due to the ongoing pandemic. The hand-painted kulhads (earthen pots) were crafted with region-specific art forms such as Madhubani folk art from Bihar, and Warli art form from Maharashtra; and the funds collected from the sale of these kulhads were given to the artisans of Okhai.

We accelerated our health and wellness agenda and invested in brand building. Tetley launched a campaign for Tetley Immune with added Vitamin C, driving the key message of staying fit from within, beyond pursuing physical fitness. We invested in creating awareness on our Tata Tea Gold Care range, launched in FY 20-21, to support scale-up

## Management Discussion and Analysis

and expansion across different markets. We drove awareness and trials of Chakra Gold Care in Tamil Nadu with a state-specific campaign showcasing the Tamizh way of showing care. Chakra Gold Care is infused with the goodness of five natural ingredients: Adhimadhuram, Tulsi, Elaichi, Ginger and Brahmi, used traditionally in Tamil households for their health benefits,

To support the transformation journey at the front end, we made multiple interventions in the supply chain network as well. We inaugurated our new tea packaging plant in Gopalpur Industrial Park following successful trial production. It is a state-of-the-art unit and the largest tea packing plant for Tata Consumer. It will be a key hub in our supply chain network and has been built with a focus on green manufacturing, in line with our sustainability agenda. We implemented an integrated business planning solution, which will allow automated S&OP capabilities, help optimise inventory and improve service levels for the organisation.

### Coffee

We were able to grow coffee volumes by 44% during the year with the increase in distribution, albeit on a small base. We built on the 'Shik Shik' campaign released last year in Tamil Nadu inspired by the spirit and sounds of Pongal. The campaign captures the excitement of the festival along with the emotions of drinking coffee. In terms of innovation, this has been one of the best years for Coffee as we launched four new products leveraging consumer trends on (i) convenience with quick filter coffee – a promising taste of filter coffee in instant coffee format and (ii) premiumisation with Eight O Clock – Roast & Ground in gourmet coffee space; Freeze Dried Coffee – Tata Coffee Gold and extending the Tata Coffee Sonnets range. Given their niche target customer group, Eight O' Clock and Tata Coffee Sonnets are only sold through direct-to-consumer and e-commerce channels.

### Salt

We remain the dominant player in Salt in the packaged salt category with a value share of 37.0% (MAT), which is an increase of ~400 basis points on a year-on-year basis. The brand is distributed across 25.5 lakh outlets and 214 million households across the country making it the largest distributed brand in the country. We also doubled our direct reach

with a weighted distribution gain of 3.4% on our Salt portfolio.

While Tata Salt recorded double-digit growth (15%) during the year, we were able to ramp up our Premium Salt portfolio (Tata Salt Lite, Tata Salt Super Lite and Rock Salt) by 26% and gross sales crossed the ₹ 100 Crores benchmark during the year. We made three launches in the Salt portfolio – (i) Tata Salt Super Lite with 30% less sodium than ordinary iodised salt and formulated for the needs of the health-conscious consumer looking to reduce sodium intake and manage blood pressure (ii) Tata Salt Shuddh - the first new brand launch from the Tata Salt stable in a decade, specifically for South and other markets in the mid-tier segment (iii) Tata Salt Immuno, with the added benefit of Zinc, which increases immunity. We ran different campaigns to support our businesses, including the 360-degree campaign 'Namak Badalne ka Socho' with Supriya Pathak to increase awareness on Tata Salt Super Lite, the Navatra campaign for Rock Salt and a regional campaign for Shuddh by Tata Salt.

### Water/Ready to Drink

Following our acquisition of NourischCo Beverages last year, the business witnessed exceptional growth despite recurrent lockdowns during the year. This was driven on the back of portfolio and distribution expansion in core and newer markets, led by our key brands - Tata Gluco Plus and Tata Copper Water (Tata Water Plus was rebranded during the year to underscore its differentiation of added copper). We almost doubled the sales of our Himalayan brand, albeit on a smaller base, and were able to achieve breakeven at the operating profit level for the first time since its inception. We expanded the distribution of Tata Fruski, a drink with an ethnic street twist, to newer markets such as Odisha, Bihar, Delhi-NCR, Uttar Pradesh and West Bengal to upgrade consumers from unbranded to branded.

We expanded our portfolio with two launches - Tata Nature Alive, a mass-premium mineral water brand in select markets and TGP Jelly, the first drinkable jelly in India. Tata Nature Alive will help strengthen our portfolio further since it is positioned in the mass premium segment between Himalayan and Tata Copper Water. This will enable us to address a larger market opportunity while increasing access to natural mineral water for consumers, at the premium



## Management Discussion and Analysis

end. TGP Jelly is a unique product combination of fruit-based beverage and jelly, playing at the cusp of snacking and beverages, and has received promising customer feedback.

### Pulses, Staples, and Spices

The Tata Sampann portfolio continued to grow in double digits. In Spices, we crossed the ₹ 100 Crores benchmark (gross sales) and were able to double the sales of Poha. We ran several campaigns like the monsoon print campaign to build awareness on turmeric's immunity-boosting powers, a TV campaign around the benefit of unpolished pulses, #SpiceUpYourHealth in select priority markets and a consumer outreach programme on World Heart Day on the TATA 1mg platform, among others. We also launched multiple new products – Dry Fruits (new category) and a range of ready-to-cook mixes like Masala Daliya Khichdi Mix, Dhokla Mix, Supergrain Ragi Mixes, and so on.

### Snacks and Breakfast cereals

After acquiring Kottaram Agro Foods (owner of Soulfull brand) in February 2021, we completed its integration with the Tata Consumer system and rebranded 'Soulfull' to 'Tata Soulfull'. We have a harmonised pan-India distribution system and this has enabled a rapid increase in reach for the brand. We launched a TV campaign for Ragi Bites (Kids range) and onboarded actress Sameera Reddy as a brand ambassador. In terms of innovation, we launched three products - No Maida Choco Ragi Bites, Muesli Zero Added Sugar and Smoothix Zero Added Sugar. No Maida Choco Ragi Bites grew to account for 24% of the overall Ragi Bites portfolio. We entered an MoU with the Indian Institute of Millet Research (IIMR) to unlock the potential of millets as a healthier and more sustainable alternative to traditional grains. As part of the agreement, we are collaborating on R&D operations and developing more value-added and contemporary formats for consumers. The next year 2023 was announced as the International Year of Millets and there is a considerable thrust on enhancing the consumption and branding of millet products nationally and internationally.

### Ready to Eat

In line with our strategic priority of exploring new opportunities for growth, in November 2021, the Company acquired Tata SmartFoodz Ltd.

(TSFL), the owner of the brand Tata Q along with its manufacturing facility for food products. The acquisition will enable Tata Consumer to expand its product portfolio into more value-added and the premium Ready to Eat segment.

We continue to explore opportunities to optimise our supply chain network and realise cost synergies in the medium to long term. This includes moving packing locations closer to demand centres, cross-leveraging networks across various categories, exploring new sourcing locations and changing sourcing operating models for relevant categories.

## 3.2 International Business

### Industry overview and outlook

#### Tea

According to Euromonitor, the Global Hot Tea sector is estimated at US\$ 45 billion. The largest category sub-segment globally is Black/Everyday Black Tea, followed by Non-Black segments (Green, Fruit & Herbal, Decaf, Specialty, Cold Infusions, among others). We are now seeing pre-pandemic trends being played out in the category with the decline in Everyday Black volumes. Although out-of-home consumption slowed down due to the pandemic, it is now seeing recovery. Focus on health and wellness as well as immunity became more pronounced. There is a growing interest for different formats such as fermented beverages like Kombucha, which are low in sugar and good for gut health. Sustainability is increasingly becoming a focal point for consumers in the developed world. Online channel adoption and e-commerce continue to grow and are becoming more significant (we launched our D2C sites for Tetley in the UK and Canada to strengthen our presence digitally). Disruptions in the supply chain impacted the tea segment as well leading to an inflationary impact on input costs.

#### Coffee

The size of the retail hot coffee market is double that of tea. The United States continues to be the world's largest coffee market, estimated at US\$ 11 billion and is spearheading the category's growth. Roast & Ground, Beans, Pods, and Instant Coffee are the four sub-categories of coffee. Affordable ground and instant versions are more common in tea-drinking regions like Asia, Africa, the United Kingdom, and the Middle East, whereas Roast & Ground and Pods are more common in countries with developed café



## Management Discussion and Analysis

cultures. We are now seeing stabilisation in category growth levels in Coffee with pods continuing to grow by 4-5%. Café styled or barista coffees for at-home consumption gained popularity during the pandemic, since many restaurants and cafes remain closed during lockdown. The segment was also impacted by supply disruptions and adverse weather in Brazil leading to coffee prices touching a historical 11-year high.

### Outlook

While the industry has normalised to pre-pandemic levels, we are witnessing demand headwinds and inflation, which are expected to stabilise over the short term depending on how the Russia-Ukraine conflict unfolds. We are seeing an increase in competitive activity, including among retailers, grocery and discounter channels as well as higher promotional intensity. Innovation will play a key role in terms of growth in the segment and for us at Tata Consumer.

### Business Performance

#### UK

We restructured our sales operations in the UK in line with the integrated three brand strategy. The business witnessed a decline in revenue led by Tetley as the black tea segment was challenged to sustain the Covid-led pantry stocking gains seen in the previous year. However, Teapigs and Good Earth revenues grew by 8% year over year. The total market share for the business remained steady, led by Tetley Everyday Black. We participated in a pilot with Tesco and Loop to explore options to eliminate single-use plastics by offering Tetley everyday tea bags in reusable tin cannisters. The new tins, containing 80 biodegradable Tetley tea bags were available at a deposit to the consumer, which could be redeemed following returning; and the cannister is washed, refilled, and returned for sale as part of the loop zero-waste system.

We strengthened the Tetley brand recall with a national TV and social campaign titled 'For the love of tea, for the love of Tetley' evoking the country's love for tea and trust in Tetley's long-standing heritage across different formats. In the summer, we also ran a campaign to drive awareness and trials for Tetley Cold Infusion with Rebecca Adlington, an Olympic medallist.

We launched Teapigs Kombucha this year (following Good Earth Kombucha range launched last year) and continued to scale up the launches by increasing reach. Leveraging the health and wellness platform – Tetley Supers, Specialty, and Herbals ranges performed well. Tetley Herbals is now formed ~1% share of the total F&H segment. Good Earth Kombucha and Good Energy (natural energy drink) are also showing encouraging results.

Teapigs celebrated its 15<sup>th</sup> anniversary by running a cross-channel campaign, #teapigsfreeteaday where free tea samples and birthday boxes were distributed by 350 stockists across 15 countries all day, creating a huge buzz on social media. Good Earth ran a geo-targeted campaign during Christmas, to generate awareness and drive trials online and offline.

Teapigs was also recognised by the Guild of Fine Food (an acknowledged benchmark for fine food and drink) and won 15 'Great Taste Awards' for its tea range, Kombucha and cold brew this year. This brings teapigs' total to an impressive 152 prizes to date. Tetley and Good Earth also won a total of 10 'Great Taste Awards.'

#### USA

In Coffee, we delivered 5% revenue CAGR growth over 2 years. We ran a new digital campaign for our brand, titled 'Overdelivery in every cup' for the core Eight O'Clock coffee brand and video creative for Barista blends – 'Be Your Own Barista' proposition to drive awareness. The coffee prices touched historic highs and while we had proactively covered for the majority of our requirements, we did take strategic pricing interventions during the year, in line with the competition. We continued scaling our innovations with range extensions (Flavors of America, Barista Blends) and K-cup SKUs.

In Tea, Teapigs continued to grow in double digits, albeit on a smaller base and outpaced the Specialty Tea category. Tetley and Good Earth sales were impacted as the gains led by pantry stocking with Covid-led lockdown did not get repeated. In terms of innovation, this year we had several launches, including Tetley Irish Breakfast Teas, Tetley British Blends, Good Earth Sensorial Blends, and Teapigs Cold Brew.



## Management Discussion and Analysis

### Canada

We continued to hold our #1 position in the Canadian Tea market and delivered a growth of 3% on a two-year CAGR basis. During the year, our sales were impacted due to the lockdown restrictions implemented in the initial months. Our e-commerce channel delivered double-digit growth and we launched a direct-to-consumer site. Tetley emerged as the 'Most Trusted Tea Brand 2022' - Reader's Digest, for the 8<sup>th</sup> consecutive year reinforcing our position in the consumer's mind, more so after the pandemic.

We continued to build on our success with Tetley Super Teas by driving distribution and share. We launched the new Super Multivitamin teas and supported the range with an integrated campaign, including TV sponsorship, and digital and social media. We also collaborated with one of Canada's most prominent health and wellness influencers, Sasha Exeter, and launched Tetley's first-ever co-created limited edition custom tea 'Be Still' Tetley, sold exclusively on our e-commerce channel. The collaboration with Sasha Exeter garnered strong social media attention and PR impressions, creating quite a buzz. We continued to market the Cold Infusions range with Canadian Olympic Swimmer, Penny Oleksiak and moved to a new ethnic distributor for our beverage and food portfolio.

### Australia

Tetley continued to gain market share and firmly established itself as the second most mainstream black tea brand in the country (gained 210 bps on a MAT basis). We scaled up our e-commerce sales significantly by building product range and presence for both Tetley and Good Earth. As part of our efforts to simplify the organisation structure and realise efficiencies, we transitioned our operating model to being a distributor-led model in Australia. This will help us optimally distribute our products and utilise efficiency gains to invest in our brands for the long-term success of the business.

### 3.3 Non-Branded business

Non-branded portfolio performance was led by the Coffee Extractions businesses in Tata Coffee. Tea Extraction was adversely impacted by the pandemic. In the Coffee Extraction business, we delivered good growth both in our domestic operations (2<sup>nd</sup> highest sales historically) and Vietnam, despite challenging

macro-economic conditions with severe inflationary pressures on ocean freight and input costs (eg fuel). Vietnam saw an increase in premium product sales and achieved 98% capacity utilisation for the year. We implemented cost optimisation initiatives at the plants to improve profitability.

The Tea Plantations business in Tata Coffee was adversely impacted due to external factors resulting in lower crop and realisation. The crop was impacted by adverse weather conditions while prices normalised following the unusual hike in 2020 due to the pandemic. However, we continued to focus our efforts on improving the yield and made strategic interventions in field and factory operations to improve the quality of output. Coffee and Pepper plantations' revenue growth was driven by higher volumes and realisations. We continue to explore opportunities for yield enhancement, cost optimisation, and diversification for increased value addition.

Tata Coffee received multiple accolades during the year. Tata Coffee's Jumboor estate won two acclaimed awards – 'India's Best Coffee' and 'Best of the Best' – overall best coffee in the world, at the Ernesto Illy International Coffee Awards 2021. This was the first time that an estate from India won this prestigious award. Tata Coffee also won the 'Sustainable Agriculture Award' at the Federation of Indian Chamber of Commerce and Industry (FICCI) Agriculture Summit and Awards 2021 as recognition of its soil and water conservation initiatives undertaken at its plantations and instant coffee plants. The Theni extraction plant won the Gold Award from the Society of Energy Engineers and Managers for Energy (SEEM) as a recognition of its efforts in achieving sustainable energy performance at the unit.

### Road ahead

Apart from the oil and related inflation impact, which was already starting to be felt, the Russia - Ukraine conflict has added more unknowns into an already uncertain environment for coffee globally, both on the cost front in terms of packaging and ocean freight, and from a demand perspective, given that Russia is a key market for Instant Coffee operations globally (with the presence of all leading global soluble coffee brands and assets). We will continue to expand markets and undertake measures to mitigate some of the risks and focus on cost optimisation initiatives

## Management Discussion and Analysis

as well as yield and drive productivity improvement to improve profitability.

### 3.4 Others

#### Tata Starbucks

Despite the pandemic, we maintained momentum in increasing the store base and added 50 new stores to take the total count to 268. The stores were a mix of landmark store openings (Golden Temple complex in Amritsar, Jio World Drive in BKC, Brahmaputra Riverfront in Guwahati) and smaller footprint stores. We were also able to achieve regional milestones (crossed 100 stores in the West and 75 stores in the North) and format milestones (crossed 100 high street stores and 75 mall stores). We entered 8 new cities during the year, taking the total count to 26. We also entered 8 new Airports.

As Covid restrictions eased through the year, we saw a robust sequential recovery of sales in the business (by March – the store operation index reached 95%). The business delivered revenue growth of 77% over FY 20-21 and ~9% on a 2-year CAGR basis, led by growth across different formats. We also saw an increase in average daily transactions on our delivery channel with the restrictions, and the levels stabilised higher versus pre-Covid even as the restrictions eased. We ran targeted promotions in the channel (eg: Starbucks 190, Valentine's Day) to drive trials.

We continued investing behind the brand as we partnered with Chennai Super Kings during IPL 2021 and launched Starbucks merchandise on Tata CLiQ Luxury platform. Starbucks also collaborated with FILA for the first time to offer an exclusive, co-branded collection of sporty, street-style essentials that seamlessly combine fashion, function, and on-trend design for customers in the Asia Pacific. We pioneered store formats with the launch of the first-ever Nitro Cold Brew store in India, operated solely by women baristas and the first-ever 'bake-in store' format in Mumbai, offering a delicious menu of freshly baked items inside the store.

Tata Starbucks was awarded India's Best Workplace for Women 2021 in Large Companies Category – Top 100 by Great Place to Work®, which reaffirms our commitment to promoting an inclusive and diverse workforce by empowering women leaders.

### Road ahead

We expect the post-pandemic recovery to continue across different store formats. Delivery will remain a channel of focus as work from home through a hybrid model continues in the near term. We are working on expanding the store portfolio, streamlining operations and driving new customer acquisition through product innovation and improved customer and partner experience.

## 4. FINANCIAL REVIEW

### 4.1 Consolidated performance

#### Key financials

- **Revenue from operations** stood at ₹ 12,425 crores, growing by 7% (6% in constant currency) mainly driven by our Branded business. On a like-to-like basis, and net of exits of food service, business growth reached 9% (8% in constant currency):
  - India Business delivered 13% revenue growth. In terms of our base business - Tea Business delivered 6% value growth while Salt grew at 17% value growth. The new businesses delivered an overall growth of 52% led by ready-to-drink and Tata Sampann,
  - International business revenues, net of exits of food service business on a like-to-like basis witnessed a decline of 2% in constant currency terms due to an elevated base with Covid-induced pantry loading
  - Non-Branded business revenue grew by 8% in constant currency driven by higher realisation in Tata Coffee and Vietnam
- **Earnings before interest, taxes and depreciation and amortisation (EBITDA)** were at ₹ 1,749 Crores, which is higher than the previous year by 11%. EBITDA margin stood at 14.1%, an improvement of 60 basis points
- **Profit before exceptional items and taxes (PBIT)** at ₹ 1,508 Crores was higher than the previous year by 12%.
  - Improvement in India Branded business led by higher revenue and growth in



## Management Discussion and Analysis

- margins, driven by tapering of tea commodity cost despite input cost inflation and higher investments in brands and growth initiatives
- International business margins improved over the prior year driven by good management over spends despite a sharp increase in coffee commodity prices and input cost inflation
  - Non-Branded businesses witnessed a marginal increase in profitability in the performance of coffee extractions and pepper, offset by the adverse performance of tea plantations
  - **Exceptional items** represent re-structuring & re-organisation costs and acquisition costs
  - **Group net profit for the year stood at ₹ 1,015 Crores**, higher than the previous year by 9%, driven by improved operating performance partly offset by higher exceptional expenditure
  - **Earnings per share** were at ₹ 10.15 for the year as compared to ₹ 9.30 in the previous year.

### Performance snapshot

The consolidated financial highlights for FY 2021-22 are as follows:

| ₹ in Crores  |        |        |        |
|--|--------|--------|--------|
| Particulars  | 2022   | 2021   | Change |
| Revenue from operations  | 12,425 | 11,602 | 7%     |
| Operating profit before depreciation and amortisation (EBITDA) | 1,749  | 1,569  | 11%    |
| EBITDA %   | 14.1%  | 13.5%  | 60 bps |
| Operating profit (EBIT)  | 1,471  | 1,315  | 12%    |
| EBIT %   | 11.8%  | 11.3%  | 50 bps |
| Profit before exceptional items and taxes                      | 1,508  | 1,342  | 12%    |
| PBT (bei)%   | 12.1%  | 11.6%  | 60 bps |
| Exceptional items (net)  | (52)   | (31)   | (70%)  |
| Profit before tax  | 1,456  | 1,311  | 11%    |
| Profit after tax   | 1,079  | 994    | 9%     |
| Share of profits/(loss) of JVs and Associates                  | (64)   | (63)   | (1%)   |
| Group net profit   | 1,015  | 930    | 9%     |
| Net Profit Margin %  | 8.2%   | 8.0%   | 20 bps |

| ₹ in Crores   |        |        |        |
|---|--------|--------|--------|
| Particulars   | 2022   | 2021   | Change |
| Net worth   | 16,294 | 15,627 | 4%     |
| Capital employed  | 4,482  | 3,791  | 18%    |
| Goodwill  | 7,754  | 7,597  | 2%     |
| Brand (indefinite life)   | 2,093  | 2,093  | 0%     |
| Borrowings (excluding lease liabilities)                          | 1,011  | 1,207  | -16%   |
| Cash and cash equivalents, including current investments and ICDs | 3,455  | 3,589  | -4%    |
| Net Cash/(Debt)   | 2,444  | 2,383  | 3%     |

## Management Discussion and Analysis

| Key financial ratios                | 2022   | 2021   | Change   |
|-------------------------------------|--------|--------|----------|
| Return on Capital Employed (RoCE) % | 32.82% | 34.68% | -186 bps |
| Return on Net Worth (RoNW)%         | 6.36%  | 6.09%  | 27 bps   |
| Basic EPS (₹/Share)                 | 10.15  | 9.30   | 9%       |
| Debtors' turnover (Days)            | 23     | 26     | 11%      |
| Inventory turnover (Days)           | 66     | 62     | -6%      |
| Interest coverage ratio             | 21.72  | 20.53  | -6%      |
| Current ratio                       | 2.25   | 2.28   | -1%      |
| Debt equity ratio                   | 0.09   | 0.10   | 14%      |

## 4.2 Standalone performance

## Key financials

- **Revenue from operations** at ₹ 7,932 Crores, higher than the previous year by 11%, driven by higher distribution reach, investment in brands, and premiumisation. There was growth across categories, mainly led by volume growth in Tea and Tata Sampann and value increase in Tata Salt.
- **Earnings before interest, taxes and depreciation and amortisation (EBITDA)** at ₹ 1,111 Crores, higher than the previous year by 21%. EBITDA margins at 14.0% improved by 120 basis points.
- **Profit before exceptional items and taxes (PBIT)** at ₹ 1,178 Crores was higher than the previous year by 31%, with higher revenue and growth in margins, driven by tapering off of tea commodity cost in spite of input cost inflation and higher investments in brands
- **Exceptional items** represent re-structuring & reorganisation costs and acquisition costs.
- **Profit after tax** at ₹ 886 Crores was higher than the previous year by 43%

## Performance snapshot

The standalone financial highlights for FY 2021-22 are as follows:

₹ in Crores

| Particulars  | 2022  | 2021  | Change  |
|--|-------|-------|---------|
| Revenue from operations  | 7,932 | 7,154 | 11%     |
| Operating profit before depreciation and amortisation (EBITDA) | 1,111 | 919   | 21%     |
| EBITDA %   | 14.0% | 12.8% | 120 bps |
| Operating profit (EBIT)  | 969   | 793   | 22%     |
| EBIT %   | 12.2% | 11.1% | 110 bps |
| Profit before exceptional items and taxes                      | 1,178 | 897   | 31%     |
| Exceptional items (net)  | (27)  | (61)  | 55%     |
| Profit before tax  | 1,151 | 836   | 38%     |
| Profit after tax   | 886   | 620   | 43%     |
| Net Profit Margin %  | 11.2% | 8.7%  | 250 bps |





## Management Discussion and Analysis

₹ in Crores

| Particulars   | 2022   | 2021   | Change |
|---|--------|--------|--------|
| Net worth   | 11,762 | 11,224 | 5%     |
| Capital employed  | 4,357  | 3,805  | 15%    |
| Goodwill  | 3,579  | 3,579  | 0%     |
| Brand (indefinite life)   | 2,093  | 2,093  | 0%     |
| Borrowings (excluding lease liabilities)                          | -      | -      | -      |
| Cash and cash equivalents, including current investments and ICDs | 2,047  | 1,916  | 7%     |
| Net cash/(Debt)   | 2,047  | 1,916  | 7%     |

| Particulars                                 | 2022   | 2021   | Change  |
|---|--------|--------|---------|
| Return on Operating Capital Employed (RoCE) | 22.25% | 20.83% | 142 bps |
| Return on Net Worth (RoNW)%                 | 7.71%  | 5.61%  | 210 bps |
| Basic EPS (₹/Share)                         | 9.61   | 6.72   | 43%     |
| Debtors' turnover (days)                    | 12     | 15     | 15%     |
| Inventory turnover (days)                   | 62     | 59     | -4%     |
| Interest coverage ratio                     | 40.57  | 32.90  | 23%     |
| Current ratio                               | 2.56   | 2.75   | -7%     |
| Debt equity ratio                           | 0.02   | 0.02   | 8%      |

### 5. RISK MANAGEMENT

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

We have an elaborate risk charter and risk policy defining our risk management governance model, risk assessment and prioritisation process. The Risk Management Committee adopted a follow-up risk management framework – ERM4Business. As part of our evolution towards an advanced ERM practice, which would effectively embed risk management as a part of business processes, a digitised follow-up mechanism was developed. This will institutionalise the process by enabling real-time and seamless access to all key business stakeholders for the periodic update, monitoring, and reporting of respective risks, mitigation plans, and associated target KPIs. The Audit Committee has an additional oversight on financial risks and controls.

Additionally, a third-party organisation benchmarked our risk management practice with various

companies in India and globally. We were declared **'Masters of Risk' in the FMCG category**, for the third consecutive time at the eighth edition of The India Risk Management Awards 2021 by CNBC TV-18 and ICICI Lombard. This is a coveted award and winners are decided after a rigorous review of various large-cap FMCG companies by an independent panel of jury. The win is a testimony to our constant endeavor to bring thought leadership and use advanced digital enablers such as Tgo analytics (a home-grown capability) in risk management practices.

### 6. CYBERSECURITY

We devised a three-pronged approach to cybersecurity:

- Ensured strong safeguards that included anti-virus 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), to provide protective monitoring and speedy response and recovery to any cybersecurity incidents that might occur

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- Ascertained 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 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 occur through the use of our Security Incident and Event Management (SIEM) tools
- Implemented a proactive security assessment tool, security assessment framework for Enterprise (SAFE), which provides an enterprise-wide, objective, unified and real-time Cyber Risk Quantification (CRQ) platform. This helps us assess, analyse and score every IT asset, including but not restricted to laptops, servers, and network connectivity devices while providing advance visibility on assets at risk. This allows us to proactively take action and eliminate or mitigate it.

### 7. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

We have over 3,500 full-time employees across our branded businesses. As we embark on our next growth journey with entry into a larger portfolio of the Food & Beverages segment, we have defined and communicated our people strategy as outlined:

- **High-performance culture**  
We will continue to build our high-performance culture through strong cascading of goals, communication of performance expectations, building managerial capabilities, conducting frequent performance check-ins and evaluating performance on outcomes delivered rather than the effort involved. We drove common organizational goals to build a greater focus on continuous learning and enhancing employee engagement. Our sales incentive plan was sharpened to align with the larger sales strategy and our short-term incentive plan continues to reward employees on organisational, functional and individual performance. This learning-oriented, transparent and broad approach to performance management will help us create a strong and inspiring culture of performance.

- **Managing talent**

In line with our overall talent strategy to create and sustain a future-ready, high-performing talent pool, we continue to assess and develop our employees' capabilities across levels and geographies. We mapped our entire population of global graded employees on parameters such as potential, attrition risk, role criticality, succession depth, and mobility.

Towards empowering employees to take charge of their own growth, we launched an online portal called Compass, which provides visibility on roles and responsibilities, skills and indicative future career paths for all organisational roles.

Building skills and capabilities for the present and the future continues to be at the top of our learning agenda and was driven through multiple platforms (internal and external), including academy-based development opportunities, group learning programmes, e-learning platforms, and coaching programmes, among others. Career conversations, bespoke learning programmes, exposures and assignments were provided to enhance succession planning and increase internal mobility.

- **Engagement**

We completed our bi-annual engagement survey, 'Interactions' in March with an 87% response rate. To build focus on manager level actions for the sake of enhancing engagement, manager linked questions were enmeshed with people commitment goals of managers. Our overall engagement index stayed stable at previous levels, and we will be building specific action plans both at the organisational and managerial levels to improve engagement.

- **Safety**

As Covid-19 cases receded in the second half of the year, fully vaccinated employees could come back to the office in a calibrated manner. A rostering system is in place to regulate visits. We encourage employees who are in office-based roles to come back to the workplace as defined from time to time in keeping with the Covid-19 situation. At our manufacturing units, safety protocols were reinforced to ensure a



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safe working environment by incorporating changes in protocols in accordance with government directives. At our offices and manufacturing units, external visitors were not entertained until recently. We continued to focus on our well-being programme, Balanced, Energetic, and Mindful (BEAM) which prioritises the physical, emotional and financial well-being of our employees. There were multiple counselling sessions and webinars conducted throughout the year on physical activities and yoga for our employees.

- **Rewards and recognition framework**

Moments of Recognising Excellence (MORE) is our overall recognition framework that has a mix of monetary and non-monetary programmes, which includes peer-to-peer recognition awards - Sparkle and Gratitude Tree; recognition from leadership for exceptional performance - Great Job café; accolades for values displayed - Shine; and rewards for providing ideas to improve business performance - Brainiacs.

~85% of management employees received peer-to-peer recognition.

~90% of management colleagues were recognized as a part of MORE

- **Industrial Relations:**

The Industrial Relations situation during the year was generally peaceful. Ensuring factory sustainability and revisiting existing practices across factories were the top priorities in the year. The focus remained on ensuring the sustenance of factories by introducing good practices and sustaining costs to ensure that factories become future-ready.

We introduced various initiatives with a focus on aligning the unionised workforce, office bearers and line managers in the long run. The initiatives include recognition of the workforce, communication forums and connect platforms, disciplinary processes, multiskilling, and building ER capability among line managers and union leadership.

## 8. INTERNAL CONTROLS AND INTERNAL AUDIT

Our internal financial control framework is commensurate with the size and operations of the business and is in line with the 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 periodically tested by the Management, Statutory Auditors and Internal Auditors.

Internal Audit (IA) at Tata Consumer is an independent and objective activity designed to provide assurance to senior management and add value by identifying opportunities to deliver business benefits and improvements to internal controls. It helps us accomplish our objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of processes, 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. Our IA is differentiated by utilising better data analytics tools, like home-grown and developed analytics platform, Tgo, and its mix of in-house domain specialists. IA activities for the new business were integrated within the Tata Consumer team. The IA team is working closely to extend the good IA practices to the IA teams for JV, associates, and subsidiaries to enhance the coverage and increase efficacy.

## 9. FORWARD-LOOKING STATEMENT

Certain statements made in the Management Discussion and Analysis Report relating to the Company's objectives, projections, outlook, expectations, estimates, and others may constitute forward-looking statements within the meaning of applicable laws and regulations. Actual results may differ from such expectations, whether expressed or implied. Several factors could make a significant difference to our operations. These include climatic and economic conditions affecting demand and supply, government regulations and taxation, any epidemic or pandemic, and natural calamities over which we do not have any direct/indirect control.