

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1. ECONOMIC REVIEW

### 1.1 GLOBAL

Global economic growth slowed down to 3.4% in 2022 as per International Monetary Fund (*World Economic Outlook Apr 2023*) compared to 6.2% in 2021. The year saw geopolitical uncertainty with the prolonged Russia-Ukraine conflict and economic challenges leading to disruptions in the global supply chain and elevated inflation with increase in commodity and energy prices. This prompted central banks to aggressively tighten their monetary policy, which further impacted economic activity.

#### Outlook

Analysts estimate that 2023 will continue to see the above issues playing out leading to a further slowdown in economic growth and a mild recession in the UK as well as potentially in the Euro area. The UK has been impacted by an increase in cost-of-living, dampening household's purchasing power and consumption, as well as tighter fiscal and monetary policy. Current estimates project global recovery in the second half of 2023, with moderation of inflation and re-opening of the Chinese economy. We have already started seeing cooling-off of fuel and commodity prices as well as global container freight rates.

However, risks remain to this outlook with the stress seen in banking systems in the US and Europe in the last few months, potentially getting aggravated with extended high inflation levels and triggering further rounds of rate hikes and adversely impacting the business environment. There is also continued uncertainty on a resolution of the Russia-Ukraine conflict further impacting energy markets and disrupting the supply demand balance.

### 1.2 INDIA

Despite global volatility, the Indian economy grew by 6.8% in 2022 – making it the fifth largest economy globally in terms of nominal GDP (US dollars). This growth has been supported by: (1) reduction in Covid-19 cases leading to opening up of the economy; (2) expansion of manufacturing footprint by both global and Indian firms, aided by Government policies (eg Production Linked Incentive (PLI) Scheme, PM Gati Shakti, corporate

tax cuts); (3) capex recovery; and (4) cyclical upturn in many sectors (eg Banking, Auto). India's digital infrastructure has strengthened in the last few years and the widespread adoption of real-time digital payments is estimated to have unlocked 0.56% of GDP<sup>1</sup>.

However, inflation headwinds were also felt by the Indian economy with increase in crude oil prices and we saw interest rate hikes done were by the Reserve Bank of India to control inflation. The Indian rupee weakness against the US dollar also added to the inflationary pressures.

#### Outlook

According to the International Monetary Fund, Indian economy is projected to deliver robust growth of 5.9% for 2023, highest amongst the emerging economies, driven by strong domestic demand and healthy consumption growth supported by an improvement in labour market conditions, increasing consumer confidence, an expected recovery in rural demand and higher purchasing power with moderating of inflation. In the Union Budget for FY2023-24, the government announced a 33% increase in capex allocation to INR 10 trillion, which is expected to boost private investments. The Budget has also targeted a lower fiscal deficit in FY2023-24 at 5.9% and the government has committed to bring it down to below 4.5% by FY2025-26.

Risks to the outlook remain with weakness in the global economy impacting exports, volatility in food and crude oil prices, slowdown in private consumption and aggressive monetary tightening by global central banks to moderate inflation.

## 2. STRATEGIC PRIORITIES

### 2.1 OVERALL STRATEGY

Tata Consumer Products Limited is one of the top FMCG companies in India with a portfolio of offerings across Foods and Beverages. The Company owns iconic brands with strong heritage like Tata Tea, Tata Salt, Tetley, Eight O' Clock Coffee as well as new-age brands like Tata Sampann, Teapigs, Good Earth, Tata Copper Plus, Himalayan, Tata Gluco Plus and Tata Soulfull to name a few. We

<sup>1</sup> Report by ACI Worldwide, in partnership with Global Data and the Centre for Economics and Business Research

are the second largest branded tea player globally, has the largest salt brand in India and is expanding its portfolio into other product categories such as pantry staples, snacks, ready-to-eat, ready-to-cook and coffee. We are committed to delivering products that are 'Better for You' with high quality ingredients that are innovative, delightful and convenient. The Company was ranked the 5<sup>th</sup> Most Chosen FMCG Brand in India in the Kantar India Brand Footprint Report 2022. We also secured the 4<sup>th</sup> place in India's most valuable brand (F&B category) in the Brand India Finance 2022 Report and were recognised for Growth Performance (F&B category) at the Dun & Bradstreet Corporate Awards 2022.

During the fiscal, the business continued to strengthen its presence in the Food and Beverages sector with a wide portfolio of products aspiring for a larger share of the consumer basket. Despite category softness in an inflationary environment, we continued with the journey of:

- improving our total reach in India (3.87 million retail outlets) and scaling Growth businesses (RTD Beverages, Tata Sampann and Tata Soulfull). We crossed the milestone of INR 600 crores in sales for the RTD business
- successfully negotiating price increases in International markets to mitigate the increase in commodity prices and other cost escalations
- continuing to support brand investments
- jump-shifting innovation for India from 2.7% in FY2021-22 to 3.4% of sales in FY2022-23
- powering the Digital agenda with investment in Core platform, Sales and Operations to enable higher efficiencies
- streamlining operations to drive synergies (eg network optimization for the foods 3P network, consolidating Teapigs into mainstream business)
- consolidating shareholding in two of our international joint ventures, in line with our strategic objectives – Joekels Tea Packers (Proprietary) Ltd (South Africa) and Tetley ACI Bangladesh
- growing our JV – Tata Starbucks; revenue crossed the INR 1,000 crores mark in FY2022-23

We remain aligned to our six stated strategic pillars:

- **Strengthen and accelerate core business**

We continued to power our brands while driving premiumization, distribution expansion and developing alternate channels for growth.

- **Drive digital and innovation**

We continue to embed digital in every part of our business to stay in tune with the technological advancements, improve functional capabilities and drive efficiencies across the value chain. Our e-commerce channel continued its strong growth trajectory. We aim to increase investment in digital marketing, especially in the International markets, to effectively reach a younger consumer base.

Innovation is a strong strategic pillar as we are focused on understanding and pre-empting evolving consumer trends and developing high quality and differentiated products to delight these increasingly discerning consumers. We are leveraging technology to drive cost reduction/optimization (for example packaging). During the year, we invested in the infrastructure (three centres of excellence in R&D) as well as team capabilities and significantly increased the contribution of innovation to overall TCPL revenues.

- **Unlock Synergies**

We continue to focus on improving efficiencies and this year completed the integration of Teapigs with the our operations – UK, US and Europe. We launched the Pivot platform to transfer back-end finance operations for US, UK and Canada to India to have an efficient structure and optimisation of costs.

We are in the process of receiving the approvals from the Hon'ble National Company Law Tribunals (Bengaluru and Kolkata) for the Composite Scheme of Arrangement amongst us, Tata Coffee Limited, TCPL Beverages & Foods Limited. In the next few years, we will be looking at further simplification of operations to consolidate or reduce the number of legal entities by half.

- **Explore 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 capitalize on industry trends and tap into new consumers or markets. This includes launches into new categories and realigning capital investments to markets or businesses that have higher growth potential and the ability to generate sustainable returns.

- **Create a future ready organisation**

We are committed to building a culture that empowers our people to realise our shared vision. We ensure that our people have the opportunity to drive greater impact through meaningful and productive careers – in FY23, around 31% of all our open position globally were filled internally. On April 19, 2022, we launched the Women's Inclusion Network platform for our women colleagues to help them connect, learn and grow.

- **Embed sustainability**

As part of the Tata Group, the ethos of responsibility and sustainability are interwoven in our corporate and work philosophy. We have signed up as a founding member of the India Plastics Pact, a collaboration between the Confederation of Indian Industry (CII) and World-Wide Fund for Nature-India (WWF India), which brings together multiple stakeholders to set time-bound target-based commitments to transform the current linear plastics system into a circular plastics economy. We have also announced sustainability targets in line with the Tata Group's vision in Project Aalingana.

We are committed to a sustainable way of doing business and you can read about our efforts on this front in the later sections of this report.

## KEY STRATEGIC DEVELOPMENTS

In the year under review, we faced challenges on two fronts – 1) volume softness in the beverages category owing to demand slowdown in some key markets; and 2) increase in commodity prices (coffee and salt) with elevated cost inflation and currency fluctuations precipitating pressure on margins across businesses. We made timely choices to increase prices, in some instances before competition to help protect profitability, and invested in our brands and capabilities (eg digital, R&D) to drive future growth, and focused on unlocking efficiencies across the value chain. Despite these challenges, we delivered a healthy topline growth of 11% led by both the branded and non-branded portfolios. Additionally, we were able to improve profit by mitigating cost pressures through pricing interventions and good control on costs.

We further accelerated our innovation agenda with a total of 34 new launches (compared to 19 in FY22), including new categories / geographies (eg

Himalayan Honey and Preserves, protein platform with Tata Go Fit and Simply Better, Spices range for Karnataka market), health and wellness platform (Tata Salt Immuno, Tata Tea Gold Saffron, Iodized Pink Salt, Tata Soulfull Masala Oats+), convenience (Cold Coffee, Tata Sampann All Purpose Masala) and premiumization (new SKUs in 1868 Teas and Sonnet Coffees, Tata Coffee Gold) to name a few. We also transitioned the "TataQ" brand to "Tata Sampann Yumside" and relaunched a new range of products. During the later part of the year, we expanded our presence in the B2B segment and entered the RTE category in the US, UK and Canada (under the brand name "Tata Raasa")

## Stepped up the innovation agenda with 34 new launches. Pilot launched in Ready to Eat space in US, UK and Canada

We are in the process of receiving the approvals from the Hon'ble National Company Law Tribunals (Bengaluru and Kolkata) for the Composite Scheme of Arrangement amongst us, Tata Coffee Limited, TCPL Beverages & Foods Limited. Post all the remaining approvals to the above Scheme, we will demerge the plantation business of Tata Coffee Limited to TCPL Beverages & Foods Limited, a newly formed wholly-owned subsidiary of the Company and amalgamate the extractions operations of Tata Coffee Limited with the Company to unlock synergies.

Digital is an important strategic pillar in our transformation agenda – a global S4HANA implementation has helped build a solid core foundation and we continued to invest in Cloud-based Data Platform to drive effective insights for faster business decisions. We have launched a Self Service enabled Sales Order portal for the General Trade (GT) channel in India. This is a real time ordering system that has been greatly appreciated by our distributors, and we now have 100% of our GT orders flowing through this system. We have also initiated the process of geo-fencing of the sales outlets in India – and we had already covered 65% of our outlets by March 2023. We leverage AI solutions to optimize our Tea blending operations in India and plan to extend it to our international operations in the upcoming fiscal year.

As part of streamlining back-end operations – we launched "TCP Pivot", an inhouse service delivery

centre. This will allow for greater control and visibility by leveraging technology and shared services. During the year, we transitioned back-end finance operations for India and International markets.

In R&D, we strengthened team capabilities as well as infrastructure by revamping our facilities to accelerate the pace of new launches and future proof and embed innovation (new product and cost) within the organization. We now have three R&D centres – Bengaluru (Centre of Excellence), Srirangapatna (Process Excellence Centre) and Mumbai (Food Innovation Centre).

As part of improving our operational efficiencies and reducing cost base, we implemented the recommendations from the strategic review of our manufacturing and supply chain for our International businesses. Other major initiative was the network optimization and operating model design for the foods 3P network in India. In line with our commitment to move to sustainable packaging – we invested in plant and machinery for our Eaglescliffe factory in the UK and are planning to launch new sustainable pack in a phased manner to customers starting from the UK market and then extending into Canada and the US.

We continue to strengthen the Diversity & Inclusion pillar of Recruitment, Retention and Advancement. During the year, we conducted an Inclusive Hiring workshop that focused on building capabilities of the HR Business partners and Talent Acquisition team. We also invested in capability building with different learning programs across different functions and skill sets.

### 2.2 OPPORTUNITIES AND STRENGTHS

We have leading market positions in the Tea and Salt segments which contribute a significant share of our revenue. We aim to continue driving growth led by improvement in distribution, innovation and premiumization. We are leveraging our strengths in distribution, operational excellence and institutionalized benchmark practices in customer engagement and delivery processes to create a strong platform to build future businesses through both organic and inorganic means. These new businesses (including Packaged Food, Liquid Beverages, Breakfast cereals, Healthy Snacks, RTE as well as other newer categories being explored)

are the future engines of growth and have the potential to scale over time. The rich heritage of the “Tata” brand inspires widespread trust and allows us to operate in different categories.

We are also the #2 branded Tea player globally (“Tetley”) and have a sizeable presence in US Coffee, with our heritage brand Eight O’Clock. We enjoy strong brand equity, built over years, and a loyal consumer base. Teapigs and Good Earth are brands with premium offerings aimed at serving the emerging consumer needs and form our future growth engines. In our International markets, we continue to protect and strengthen the black tea business which forms the largest tea category, while focusing on product introductions in the growing non-black segment as well as strategically growing the ethnic portfolio (beverages and food). We are well positioned to leverage the growing consumer preferences for wellness, sustainability, authenticity and premium choices with products like Tetley Super Teas, Tetley Herbals, Good Earth, Eight O’Clock Barista Blends and Teapigs. We continuously evaluate our portfolio and drive cost optimization to enhance business effectiveness and profitability.

In B2B extractions business (Tea and Coffee), we enjoy healthy margins, and in the next few years are aiming to diversify our customer base as well as premiumize with innovation. At Tata Coffee Limited, our Coffee & Pepper Plantation and Extractions business performed well with improved realizations. As we plan to consolidate and simplify the corporate structure with the proposed Composite Scheme of Arrangement with Tata Coffee Limited, we will be able to create a focused business verticals in the Extractions business and unlock potential synergies, through a wider consumer base and combined expertise on the back-end.

### 2.3 EXTERNAL THREATS AND MITIGATION STRATEGIES

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 trends in health, wellness and convenience becoming even more relevant for the consumer as a result of the pandemic. The penetration of branded products still remains low but will continue to increase due to favourable demographics, rising per capita incomes,

urbanization, higher awareness and expansion of modern retailing and e-commerce.

We are well positioned to capitalize on this opportunity with a wide range of product portfolio, focused expansion of our sales and distribution system in India and improvements across our supply chain. Premium product offerings and new market models are also being developed. We are exploring opportunities to expand our products from the India portfolio in the International markets where we have presence to cater to both ethnic food aisles and the needs of the Indian diaspora.

Key threats to our business include changing consumer preferences, volatility in commodity and currency, inflation and concentration of retailers in developed markets. In FY2022-23, we witnessed exceptionally elevated cost pressures whether it be commodity prices, cross currency movements impacting prices of our key raw materials, packaging and freight costs. We took 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 the highest priority on the health and safety of our employees. With a number of 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.

## 2.4. GROWTH DRIVERS

### a) India

While we faced volume softness in the Tea category during the year; we were able to deliver a robust performance in Salt as well as scale our Growth businesses (RTD Beverages, Tata Sampann, Tata Soufull and Ready-to-Eat). Overall, the India business delivered 10% growth while the Growth businesses delivered 53% growth.

The Company expanded its distribution footprint to increase the direct reach by around 170K outlets to 1.5 million outlets and increased distributor count to more than 2,000, with total numeric reach of 3.87 million. This outlet expansion is supported with customized

digitally enabled micro-market shopper marketing plan – which uses data analytics for decision making. We engaged closely with our modern retail, e-commerce and institutional customers as well as trained frontline sales and distributor workforce across 30 cities to improve assortment, coverage, availability and servicing metrics to drive growth during the year.

**10% growth of total India branded businesses while India Growth businesses (RTD Beverages, Tata Sampann, Tata Soufull and Ready-to-Eat) grew by 53%**

**Increased numeric reach to 3.87 million outlets**

We continue to make good progress on the digital journey in India, as we integrated digital operations for the NourishCo business (Sales & Distribution automation). We also started the process of geo-fencing of our sales outlets; coverage completed for 65% of the outlets by March-2023. We have implemented a new cloud platform for our Customer Relationship Management which has improved service levels for our distributors. We executed an Integrated Business Planning solution for India and enhanced capability of Distributor Management Systems to improve efficiency.

### i) Beverages

The India Beverages business (including RTD) grew by 1% during the year, however, on a 3-year CAGR basis (FY20-FY23), the business grew by 15%. The tea business saw marginal decline in volumes and 5% decline in value (with softening of tea prices) compared to FY22. We saw value growth in our Premium (led by Tata Tea Gold and Chakra Gold) and Popular (Kanan Devan and Spice Mix) segments, which was offset by economy (Agni) due to slowdown in its key markets.

In the packaged tea market, we had a minor dip in our market share primarily led by softness in performance of our mass brands, especially Agni. However, we addressed distribution gaps in a targeted manner and

continued to support brand investments to improve equity. We also achieved good success in our innovations to improve premiumization within tea. During the year, we launched a complete assortment of Coffee products – convenience (Quick Filter), premiumization (Cold Coffee, Café specials, Tata Coffee Gold) and geographic blends (Tata Coffee Grand Premium – Rest of India). We also continued with the hyper-local strategy for our brands to further strengthen the consumer connect.

The RTD beverages portfolio crossed the 600 Crores revenue mark and delivered strong growth of 86% during the year. Tata Gluco Plus delivered 53% growth led by the existing and new markets and was supported by TV campaign. The RTD business has doubled revenues for Tata Copper Plus with expansion to new markets that are now contributing to almost 53% of the overall revenue of the RTD business. It was an equally exciting year for Himalayan brand which grew by 85%. We also extended Himalayan as a Provenance brand and launched a range of premium products in a new category – Honey and Preserves. Other notable innovations include Tata Gluco Plus Juice and Jelly Shake and Tata Fruski Jelly – which saw encouraging response.

### RTD Beverage crossed 600 crores revenue with broad based growth across brands

#### ii) Food

The Foods business (Salt, Sampann and Soulfull) grew by 26% during the year. FY23 was another strong year for the Sampann brand and we increased Soulfull distribution to almost double the size of business over FY22. In Salt, we continue to enjoy leadership position in India and further expanded our value share by 0.8% points to reach 37.7% (Nielsen).

The Premium Salt portfolio grew by 24% during the year led by distribution and drives to improve awareness and accelerate trials. We expanded our Salt portfolio with three new launches in the health and wellness

space: (1) Iodized Pink Salt (low price variant in Rock Salt category for everyday cooking); (2) Tata Salt Vitamin Shakti (with added benefit of Vitamin D and Calcium to support bone health); and (3) Tata Salt Plus (with iodine and iron fortification).

### Robust growth in Salt portfolio

#### 23% growth in Tata Salt

#### 24% growth in Premium Salts

The Tata Sampann portfolio continued to deliver strong growth, led by good performance seen across the categories – Spices, Pulses & Staples and New Products. In terms of recent launches, we witnessed continued good ramp-up in Poha as well as Dry fruits (the latter ramped up by 5x in terms of sales, albeit on a low FY22 base). The year also saw a lot of activities in terms of Innovation with curated assortment of pure and blended spices for the Karnataka market, Shahi Besan launch in select markets as a lower priced variant and entry into the nascent but growing categories of plant-based meat (Tata Simply Better) and health supplements like plant-based protein powder (Tata Go Fit). We relaunched “TataQ” as “Tata Sampann Yumside” and increased our range for both Ready-to-Eat (RTE) meals and Ready-To-Cook (RTC) gravies.

Tata Soulfull, revenue grew 2x times driven by distribution as well as it significantly improved the profit margins for the business by reducing manufacturing costs and freight, with higher direct shipments to Carrying and Forwarding Agents. Tata Soulfull Masala Oats+ was off to a good start and garnered a decent share of the category. The UN General Assembly resolution declared 2023 as the 'International Year of Millets' and the Government of India is increasingly pushing to improve public awareness on health benefits for millets, which should help increase consumer awareness as well help in making millets more mainstream within the consumer space.

## Grew sales (scaled to ~2x) and improved profitability in Tata Soulfull

### UN General Assembly declared 2023 as the 'International Year of Millets'

We also executed key recommendations of the Foods 3P network optimization project with the objective to make the organization future ready for some of our future core categories. As part of the project, new packing locations were identified to reduce costs (through a combination of lower distance travelled thereby reducing logistics costs, cross leveraging foods network and changing sourcing operating models/locations for a select few categories) while increasing service efficiency across the supply chain. Full efficiencies are expected to be realized over the short to medium term.

#### iii) Tata Starbucks

Tata Starbucks, our 50:50 JV with Starbucks, opened 71 new stores this year – outpacing the last year's record of highest store opening in a single year (50 stores) and achieved revenues in excess of INR 1,000 crores. We are now present in a total of 333 stores and 41 cities in India. We launched a pilot that entailed newer food menu, wider beverage choices and a new small size beverage 'Picco' in select stores and cities to recruit new consumers. The pilot was a success, and we will be expanding it to other stores and markets. The year under review also marked our 10<sup>th</sup> anniversary, and we opened the first Starbucks Reserve® store in Mumbai, designed to bring the coffee experience to life for customers.

#### b) International

The International Branded business grew 8% during the year even as the volume growth was impacted by category softness given the macroeconomic headwinds. Across different countries, we successfully negotiated several

rounds of strategic price increases across customers to offset the inflationary pressures in costs. We remained focused on sales performance on our core portfolio, delivering operational efficiency with identified projects, re-organization and restructuring (including integration of Teapigs into mainstream organization and hiring new talent in senior leadership positions) and preparing for a phased launch of Tetley with new sustainable packaging (starting with the UK next year).

We were able to successfully ramp up the ethnic portfolio of food and beverages and continued to see good response for Good Earth Tea, Tetley Supers (UK and Canada) and Tetley Gold Brew (black tea innovation launched in UK). We piloted the RTE launch in US, UK and Canada under the brand name "Tata Raasa" and have received favourable initial response.

#### c) Tata Coffee

During the fiscal, Tata Coffee Limited (including Vietnam) reported a strong growth of 25% in revenue, driven by both the Plantations and Extractions business. Within Plantations, which is ~32% of overall non-branded portfolio, growth was driven by an increase in commodity prices in the Coffee segment. Growth in the Coffee Extraction business was led by higher volumes in India operations and a mix of higher premium sales and volumes in Vietnam operations. We undertook a number of productivity initiatives in both Plantations and Extractions to improve quality and control costs in an inflationary environment.

## 2.5 ROAD AHEAD

We will continue to drive sustainable profitable growth with a focus on growing both the core (in India and International) and rapidly scaling the new Growth businesses in India supported by higher brand investments and increasing the breadth and depth of distribution, among other initiatives. Premiumization and innovation will play a key role in fuelling growth and we will continue to keep clear focus on executing cost initiatives including unlocking synergies with legal and organizational restructuring to support the business. In addition, we remain committed to exploring inorganic

opportunities that create long-term shareholder value.

## 2.6 SUSTAINABILITY

Sustainability continues to be core to our vision at Tata Consumer Products as we stand for better nutrition, for a better community, for better sourcing and for a better planet. During the year, we released our first impact reports for Tetley and Teapigs, showcasing some of our key initiatives undertaken to drive a positive impact.

- Our sustainability strategy 'For Better Living' is inspired by the Tata core values of Integrity, Responsibility, Excellence, Pioneering, and Unity and focuses on our corporate identity of 'For Better'. We have also announced sustainability targets aligned with the Tata Group's vision in Project Aalingana - around driving Net Zero, pioneering Circular economies, and preserving Nature and Biodiversity. As recognition to our efforts, 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 are committed to sustainably sourcing our teas and encourage our supply chain partners to follow sustainable agricultural practices through Rain Forest Alliance (International markets) and trustea programmes (India). All Tetley blends in International markets are Rainforest Alliance certified. Tetley in the UK and the US is recognized on the Amazon website with a '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 has cumulative verified volumes of more than 870 million kg tea till March-2023, which is over 55% of the total tea sold in the Indian markets. Since inception, about 92,000 small growers have been verified and 6.5 lakh workers reached under trustea. It has facilitated better working environment for women (maternity benefits, crèche facility), market access and better prices for small tea growers, structured grievance redressal system, decent housing, portable drinking water, and uniformity in system of wage payment for

tea workers. The Trustea Sustainable Tea Foundation is now an ISO 9001:2015 certified organization and member of ISEAL under a globally recognized framework, that defines practices for effective and credible sustainability systems.

- As the largest buyer of tea from Malawi, we are dedicated to supporting a thriving, profitable and sustainable Malawi tea industry. Following Malawi 2020, we have launched several projects on the ground with the Ethical Tea Partnership. Project Kuwala (meaning Shine) is a 3-year project comprising two initiatives: (i) distribution of solar lights, which provides multiple benefits such as allowing children to do homework after dark, reducing household costs and creating jobs through training villagers to maintain and repair the lights; and (ii) Village Savings and Loans Scheme which enables women and men with the ability to save as a community and access safe affordable loans.
- For better communities, we aspire to support development programmes for 2 million beneficiaries by 2030; and have already supported ~1.25 million beneficiaries by March 2023. In India, we provide affordable healthcare to over 100,000 tea community members annually through our hospitals in Munnar (Kerala) and Chubwa (Assam). The hospital operates on a not-for-profit basis and caters to patients from not just the nearby area, but also the neighbouring states. The hospitals are recognized for healthcare facilities, professionalism, safety, ethics, and affordability.
- We are aligning our 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 GHG emissions. Our different factories in India have also commissioned solar PV modules using the latest multi-crystalline technology. At the Damdim packaging centre, multiple energy savings projects have been implemented. We were awarded the First Prize in the Consumer Goods Sector of the National Energy Conservation Awards -2022 (NECA 2022) and received the Gold Award in the Category 2 – Climate Change of the ICAI International Sustainability Reporting Awards 2021-22.



## Awarded the first prize in consumer goods sector of the National Energy Conservation Awards 2022

- We have joined the India Plastics Pact, as a founding member. The pact focuses on creating a circular economy for plastics. We had earlier joined the UK Plastics Pact in 2018 and the EU Plastics Pact in 2021. Our teams are actively engaged in the Advisory Committee and Collaborative Action Groups (CAG) to co-create a road-map for plastics management. All our beverages factories worldwide are now zero waste to landfill and all wastes are disposed of through authorized vendors who recycle or repurpose them to avoid landfills. In our International markets, we continue to rollout biodegradable tea bags (for example – our Poland team launched 17 new plastic free SKUs for the Vitax brand). Our Extended Producer Responsibility (EPR) target in India is to collect 100% of total packaging for Beverages, Food and RTD divisions; and we achieved the target in FY23.

We also partnered with Wastelink and together, we collected and recycled waste into animal feed. Wastelink is a Gurgaon based company that enables food manufacturers, kitchens and restaurants manage their surplus and waste through an innovative operating model that transforms food waste into nutritional animal feed.

- Project Jalodari is our flagship water management programme. The key objectives of the project are to create sustainable water sources, raise awareness, and build capacities around sanitation issues in the communities where we operate. As part of the project, we have established rainwater harvesting structures in all tea packeting centres in India, and 98% of rooftop area has been connected for water recharge. The Project received the CII National Award for Water Management 2021 in the 'Beyond the Fence' category. The Project has now been extended from the year 2021 to 2025, and will expand to other areas.

## 3. INDUSTRY AND BUSINESS OVERVIEW

### 3.1 INDIA BUSINESS

The packaged foods and beverages segment continues to deliver good growth in the FMCG industry as the underlying drivers remain robust with attractive demographic profile and rising consumer affluence, increasing penetration and low organized share. The organized Indian food and beverage market is expected to grow at 10-15% over the next 5 years. In the past 6-12 months, the sector saw significant input cost inflation with the increase in commodity costs impacting overall demand trends, especially in rural markets.

#### a) 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; Coffee with the brand Tata Coffee Grand and Sonnets; and RTD with brands, such as Himalayan, Tata Gluco Plus, Tata Copper Plus and Tata Fruski. We further operate in the pantry/snacking segment with our Sampann and Soulfull brands.

#### **Tea**

The total Indian tea market is estimated to be worth ~INR 34,400 Crores, with the branded business constituting ~74% of the overall market (by value). Tea remains the favourite Indian beverage with a high consumer preference for boiled milk tea. During the year, we saw higher volume growth in the lower priced segments (Popular and Economy) as consumers, impacted by high inflation, shifted preferences; but in value terms, there was growth across all the tiers (including Premium). Green Tea is estimated to be a niche segment (~3%) currently. In terms of channels, the emerging alternate channels of Modern Trade and Ecommerce are gaining significance. Health and wellness remain a significant consumer trend post the pandemic and consumers are showing a preference for the functional benefits of their cup of chai.

**Coffee**

Branded Coffee is a ~INR 3,160 crores category, with Instant Coffee constituting the largest sub-segment at ~80-85% and growing as consumers continue to prioritise convenience. We are also seeing the emergence of artisanal and gourmet Premium Coffees – estimated to be 5-6% of the organized market.

In terms of at-home consumption, consumers in South India prefer both Instant and Roast and Ground (filter coffee) and consume regularly throughout the year, while 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 ~INR 7,500 crores. We have a national presence in the category with the vacuum evaporated “Tata Salt”, the lower-priced solar salt “I-Shakti”, the mid-tier solar salt “Shuddh” and a range of value-added premium salts (Tata Salt Lite, Tata Salt Super Lite, Black Salt, Rock Salt and Tata Salt Immuno). In addition, this year, we added a lower priced variant in Rock Salt (Iodized Pink Salt) and new value-added variants in Tata Salt (Tata Salt Iron Health and Tata Salt Vitamin Shakti). Our supply partner, Tata Chemicals Limited has the largest manufacturing facility for producing 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, Shuddh and Crystal salt are being used to drive penetration and growth in the South markets.

**Water**

The India packaged water market is estimated to be ~INR 20,000 Crores, with ~60% of the market being unorganized. The per capita consumption still remains significantly lower than that of developing/ developed markets,

but with the growing per capita income, rising mobility and urbanisation, the industry is seeing good growth.

Within the category, we play in four segments – functional hydration drinks (Tata Gluco Plus), natural mineral water (Himalayan), packaged drinking water (Tata Copper Plus) and fruit based drinks (Tata Fruski). Our brand Himalayan was the first entrant in the naturally sourced mineral water category and continues to enjoy leadership position in the Premium sub-segment.

**Pulses**

Tata Sampann is the pioneer and the first national branded player in the pulses category and 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 around 10% with a high penetration of loose and unbranded products. The industry is estimated to be larger than INR 1.7 lakh crores with less than 2% of the segment being branded.

The trend towards migration from loose to packaged pulses and staples has been fuelled by the increasing 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.

**Spices**

The total branded spices in India is estimated to be ~INR 25,000+ crores industry. It is a highly cluttered market, driven by regional preferences for taste. Straight/Pure spices form the 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 pure, hygienic and authentic straight/pure spices and convenient to use blended spices with the certainty of taste. The introduction of small packs and increased product shelf life have also helped in the shift from loose to branded.

### **Snacks / Ready to Cook**

Overall snacks is estimated to be ~INR 85,000+ crores segment with a high share of branded play. Today's consumer wants to be given the option of different 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 the continued higher in-home consumption post Covid-19 led to a higher 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.

#### **Outlook**

We will continue to see consumption-led growth in India with a favourable young demographic profile, rising affordability and better infrastructure reach for rural markets supported by increase in penetration and rising share of the branded market. Conversion to branded packaged food will continue to accelerate in post pandemic era with consumers making conscious choice to consume trusted and healthier products. Along with the increase in internet users and access to social media, we are seeing the emergence of digital only brands with a Direct-to-Consumer business model.

We will continue to focus on growing and building distribution, investing in improving brand equity and new product innovation centred on the health, convenience and premiumization platform. We will tap opportunities at the intersection of health and taste with both ready-to-eat and quick-to-cook options.

## **b) Business performance**

### **Tea**

We increased our direct reach by 170K outlets (to around 1.5 million outlets) and in terms of overall outlets, crossed 2.6 million (Nielsen). We saw a minor decline in market shares due to demand softness in some key markets and segments. Tata Tea was awarded again as the Most Purposeful FMCG brand in India by Kantar Brandz 2022 Most Valuable Indian Brands. Tata Tea Chakra Gold won the Brand of the Year at Exchange4media's Indian Marketing Awards South 2022

### **Increased numeric reach for tea to 2.6 million outlets**

The tea volumes were marginally lower than previous year and in terms of value, the tea business declined slightly mainly due to price cuts in-line with the decline in commodity prices, however, our premium brands delivered an overall 2% value growth.

We launched new products leveraging on the underlying category trends - health and wellness (Tata Tea Gold Saffron and Tetley Green Tea Immune Tulsi), premiumization (new range in 1868 Teas) and convenience (Tata Tea Premium Street Chai). We also scaled Tata Tea Gold Care and Chakra Gold Care ranges.

We continued with our hyperlocal strategy for Tata Tea Premium (#DumdaarUP, #Kadak Haryana) and also leveraged cross sampling opportunities with our other products to drive awareness and trials for the latter (e.g. with TATA Soulfull Masala Oats, Tata Coffee and Tea Veda). We also did festival specific campaigns e.g. Tata Tea Leaf limited edition pack celebrating the Chhath Puja in Bihar and Jharkhand, Tata Tea Gold celebrating the various art forms of West Bengal to bring alive the joy of Durga Puja, Navaratri campaign in Andhra Pradesh and Telangana and Tamil Nadu Deepavali campaign by Chakra Gold, Lohri campaign in Punjab by Tata Tea Premium in association with Punjabi actor Shehnaaz Gill, to name a few.

In the 15<sup>th</sup> year of "Jaago Re" campaign, we raised the issue of climate change. Launching on the World Environment Day (5<sup>th</sup> June), we released a new TV campaign with actor Pankaj Tripathi, who was also a part of the first ever Jaago Re communication. Over the years, Jaago Re has been used as a platform to talk about social/ contemporary issues as well as inviting call to actions.

We also ran a social campaign during the Independence Day celebrations with Tata Tea Premium, launching the limited-edition art infused tea-set and tin pack collection called #DeshKaGarv in association with the Plated Project; and 100% of the proceeds were donated to sponsor meals for underprivileged children. For the Navaratri campaign in

Andhra Pradesh and Telangana, we launched 'Mana Kondapalli Bommalu Utsav' initiative to celebrate and support the Kondapalli art form and artisans. The Kondapalli artform originated from the Kondapalli village, Krishna district with a 400-year-old rich heritage and unique craftsmanship which brings alive tales of rural life, folklore and animals. We collaborated with Lepakshi, a unit of Andhra Pradesh Handicrafts Development Corporation, to encourage consumers to purchase Kondapalli Toys by referring to a QR code placed on Tata Chakra Gold's Navratri special edition packs.

For Tetley – we launched #everyBODYcan campaign which encourages consumers to go beyond just looks, embrace their body type and focus on being fit. The campaign emphasized the importance of “feeling fit” vs just “looking fit”.

As part of our health and wellness platform, we launched Tata Tea Gold Saffron, a blend of fine Assam tea combined with the flavour of rich and fragrant saffron. Initially launched in Andhra Pradesh and Telangana, we have expanded distribution to Tamil Nadu, Punjab and Haryana. We also added to the Tetley Green portfolio by launching Tetley Green Tea Immune Tulsi, which provides the goodness of antioxidants and immunity power of added vitamin C, with Tulsi flavour.

We continued to strengthen back-end operations with a number of initiatives including network expansion to support growth ambitions and driving cost efficiency with digitization and improving service levels. Our Dam Dim Packaging Centre won the first prize in the National Energy Conservation Awards 2022 in the FMCG sector presented by the President of India.

#### **Coffee**

We were able to grow coffee volumes by 18% during the year. To drive trials, we cross sampled our coffee offerings with Chakra Gold in South (Tamil Nadu and Andhra Pradesh) and Tata Tea Premium in North. We built on the “Shik Shik Shik” campaign released last year in Tamil Nadu. Tata Coffee Grand won a Bronze at the ET Shark Awards for Regional “Sounds of Pongal” campaign.

We significantly accelerated the pace of innovation and launched several new products – premium instant coffee for non-South geography (Tata Coffee Grand Premium, a 100% coffee blend with flavour locked decoction crystals) and new range for Tata Coffee Sonnets, Café Specials and Cold Coffee. We also did pack restage for Tata Coffee Grand and Quick filter. For Tata Coffee Grand Premium, we supported the launch with a differentiated campaign using ASMR (Autonomous Sensory Meridian Response) that showcased the sensory journey of Tata Coffee Grand Premium from the bean to the cup.

#### **Liquid Beverages/ Ready-to-Drink**

RTD business continues to deliver exceptional growth and crossed a milestone INR 600 crores in turnover in the year, growing 86% year-on-year. We saw broad-based growth across brands – Tata Gluco Plus, Tata Copper Plus and Himalayan – across both core and new markets. In terms of distribution, we expanded our reach by 217K to 652K outlets. We also implemented digitization in the front and back-end to integrate with our systems. The year saw the business adversely impacted by commodity and freight cost inflation. However, we were able to offset the same with the execution of strategic cost saving initiatives along with tighter control of spends.

**Delivered 86% revenue growth and expanded reach to 650k+ outlets**

**Extended Himalayan into Honey & Preserves category**

Himalayan saw improvement in profitability, and we also extended it to a provenance brand with entry into a new category of Honey & Preserves. The products are made in small batches using Himalayan-origin fruits and sourced from partners committed to helping local communities. The honey is sourced from 'Pahaadi Utpaad', Tata Trusts' associate organization that promotes traditional bee-keeping methods with an objective to source unadulterated mountain honey and establish a mountain honey value chain. Other innovations include - Tata Gluco Plus Jelly Energy Drink,

the first drinkable jelly in India filled with the goodness of glucose and real fruit juice and Tata Gluco Plus ORS, in the functional beverages space.

Tata Gluco Plus launched its first national campaign that embodies the brand's purpose of making challenges fun. The campaign uses light humour to connect with Gen-Z while gamifying the brand experience through the Energy On Game On narrative. The brand has used gaming technology with a Scan, Play and Win on the pack, which allows the consumers to scan the QR code on the Tata Gluco+ cups, get a chance to play engaging games on their phones, and also get rewarded.

### Salt

We continue to enjoy strong leadership position in the packaged salt category with value share of 37.7% (MAT), up by 0.7% points compared to Mar-22. The brand is distributed across 2.4 million outlets and 222 million households across the country making it the largest distributed brand in India. We continued to expand our distribution as our weighted distribution expanded by 0.7% points – led by both core Tata Salt and innovations.

While Tata Salt recorded double digit growth (23%) during the year led by strategic pricing actions to combat cost increases. We continued to ramp up our Premium Salt portfolio (Tata Salt Lite, Tata Salt Super Lite and Rock Salt), which grew 24% during the year. This year we had three launches in the Salt portfolio: dding to health and wellness platform with Tata Salt Vitamin Shakti (fortified with Vitamin D and Calcium) and Tata Salt Iron Health (fortified with Iodine and Iron); and lower priced Rock Salt – Pink Salt (fortified with Iodine) to play in the untapped lower priced category currently dominated by local and regional players. We also relaunched Shuddh with attractive new packaging, which has been well received in the market. We also significantly scaled up Tata Salt Immuno (fortified with Iodine and Zinc) by launching it in new states and supporting with media investments. During the year, we ran a TV campaign 'Har Narangi Pack Tata Namak Nahi Hota' with actor Ravi Kishan, to build awareness among consumers and trade partners against

counterfeits.

### Pulses and Spices / Others

The Sampann portfolio (Pulses, Besan, Vital Staples, Spices and Dry Fruits) continued to grow on double digit basis. In Spices, we launched new blends (All Purpose Masala, Hing) as well a range of spices tailored for Karnataka market (Pures and Blends), which were well received. Poha and Dry Fruits delivered robust performance. We launched a new campaign for Sampann with actor Manoj Bajpayee for both our Pulses and Spices range highlighting the quality and nutritional benefits of our products. Our Karnataka launch was supported by TV campaign featuring Priyamani, to communicate the brand's commitment to serve authentic flavour.

This year also marked our entry into an emerging and growing space of plant protein with two launches: (i) Tata Go Fit, plant protein powder; and (ii) Tata Simply Better, alternate meat range of RTC products (Nuggets, Burger Patty, Awadhi Seekh Kebab, and Spicy Fingers) with no added preservatives, artificial colours, or artificial flavours. Globally there is an increasing focus on plant protein with an emphasis on health, sustainability and animal welfare. Although this trend is still nascent in India, analysts are estimating that this category will see exponential growth with increasing awareness over the next decade.

### Snacks / Breakfast Cereals

It was an exciting year for Tata Soulfull as we scaled the business to ~2x with distribution expansion. We were also able to significantly improve margins by improving manufacturing efficiency, increasing direct shipments to Carrying and Forwarding Agents as well as improving customer service levels. We supported our innovation Tata Soulfull Masala Oats+ with a 360-degree campaign (Non-sticky Mast taste Zabardast) and it was able to gain decent share in its first year of launch. Other notable innovations include - Ragi Bites Enhanced cream and Enhanced Millet Muesli (with increased millet content of 25%). Our application under the Production Linked Incentive Scheme on higher millet content (above 18%) was successfully

approved.

#### **Ready-to-Eat**

During the year, we also pivoted our TataQ range and rebranded under the Sampann brand to Tata Sampann Yumside. We also refined the proposition and revamped the portfolio by improving recipes and packaging and expanding into the ethnic range. We also piloted the launch in International markets (US, UK and Canada) under brand name “Tata Raasa” with full scale launch planned for next financial year.

#### **Road ahead**

We will continue distribution-led volume growth in India with favourable macro- and category-dynamics. Our focus will remain on building sales and distribution infrastructure, and investing in building capabilities and behind our brands.

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

### **3.2 INTERNATIONAL BEVERAGES**

#### **a) Industry overview and outlook**

##### *Tea*

The Global Hot Tea industry is estimated to be around US\$45-50 billion. While Black/Everyday Black remains the largest segment, it is facing long term headwinds as the consumer preferences shift towards non-black segments (Green, Fruit & Herbal, Decaf, Specialty, Cold Infusions, among others). Out-of-home consumptions has picked up but is still lower than pre-pandemic levels.

There continues to be a strong consumer focus on Health & Wellness/ immunity and transparency on ethical and sustainable sourcing credentials. Ecommerce continues to be an emerging growth channel. Although the rate of growth was impacted during the year owing to inflationary trends with supply chain disruption, but medium-term growth trends remain intact.

##### *Coffee*

The size of the retail hot coffee market is double that of tea. The US continues to be the world's largest coffee market and is leading the category's growth. Roast & Ground, Beans, Pods, and Instant Coffee are the four sub-categories of coffee. In strong café culture markets like the US – Roast & Ground and Pods contribute a significant portion of coffee market while in emerging coffee markets like Asia and the Middle East – Instant Coffee forms the largest sub-category.

Apart from single origin coffees, we are witnessing increasing consumer interest for café inspired blends (eg EOC Barista Blends). Similar to tea, there is an increasing consumer interest for traceable sustainable coffee origins. We are also experiencing the growing influence of social media accelerating online shopping for consumers.

##### *Outlook*

The continued impact of inflation and lower growth rates in development economies will make for a softer demand environment continuing into next year.

#### **b) Business performance**

##### *UK*

During the year, the UK business largely in line with previous year in underlying terms, despite tough business environment. We integrated the Tetley and teapigs businesses to combine teams and restructure operations to operate as one Tata Consumer unit. As a testament to the strength of our supply chain and operations, we were placed at 3<sup>rd</sup> position in the Advantage group report 2022 across 22 suppliers in the core grocery peer group and 5<sup>th</sup> overall. It was the third consecutive year with top tier ranking for us. Advantage Group provides benchmarking study for the suppliers and retailers/ wholesalers.

We capitalized on the following trends to launch new products during the year to recruit new consumers for the brands (i) premiumization with Tetley Gold Brew in black tea and (ii) new consumption occasion with teapigs Iced tea in summers. We also did a limited edition launch of tea caddy with a pack of our best-selling Tetley Original. The tea caddy design celebrates our

185<sup>th</sup> year as tea masters launched in select retailers and e-commerce channels and the tin is embossed with crest to celebrate our love for tea as well as pay homage to the tea lovers of Britain.

We supported both our Tetley and teapigs with marketing investments. This was the first year for teapigs to be on TV and we ran the 'Live large, Brew big' campaign which had a series of snapshots of tea lovers living their best tea life with teapigs every single day. For Tetley, we continued to air the 'For the love of tea, for the love of Tetley' campaign evoking the country's love for tea and trust in Tetley's long-standing heritage across different formats.

### **US**

In Coffee, we delivered an overall revenue growth of 7% in constant currency during the year and navigated multiple price increases with increase in coffee commodity costs and input inflation. Our overall share in the category was stable at 1.8% while it improved marginally for Kcups/ pods. We did packaging refresh for Eight O'Clock for both our Bags and pods format, which was well received by the trade and consumers. We expanded on the Barista Blends rooted in responsibility campaign this year. We also partnered with the International Women's Coffee Alliance in their mission to empower women in the coffee industry to achieve sustainable livelihoods. Our factory Landover received AA+ rating in BRC audit (BRC refers to British Retail Consortium and is an assessment of a food manufacturer's adherence to its Global Standard for Food Safety)."We also combined the US Coffee Center of Excellence and Operations functions to invest in a fit-for-future cost-of-goods-sold organization.

In Tea, we integrated the team and operations for teapigs within the US tea umbrella. Teapigs is currently the fastest growing tea brand in the US, albeit from a small base. We launched Tetley Sweet Tea Cold Brew which offers convenience and strengthens our presence in the specialty tea segment. Our innovation Tetley Irish Breakfast continued to perform well in the market.

We piloted the launch of Tata Raasa launch this year in January 2023 in the Ethnic channel and the initial response was encouraging. This was supported by in-store activations, radio and outdoor advertising across three states. We are planning a larger mainstream launch in the next fiscal year.

### **Canada**

We continued to hold No. 1 position in the Canadian tea market and delivered revenue growth of 9% in constant currency during the year. Our market shares have been stable compared to previous year. Tetley emerged as the "Most Trusted Tea Brand 2022" - Reader's Digest, for the 9<sup>th</sup> year in a row and reinforced our position in the consumer's mind. We also celebrated our 21<sup>st</sup> year of support for breast cancer research with the Canadian Cancer Society, by launching a limited-edition Anniversary Pink Pack design, that was voted for by over 2,500 fans via social media.

Key marketing activities including supporting Tetley Cold Infusions in summers "Unboring your Cold Water naturally", with activations in-store and on social media as well as increasing trials with sampling. In the winters, we supported our Tetley Live Teas with "Live in the moment" digital and TV campaign, which was also supported by a live experiential activation involving sampling, PR, and influencers.

This was also the first year of us lending investment support to the ethnic portfolio. In the summers, we launched a digital campaign for Tata Tea Premium with ads displayed on popular South Asian websites and geo-targeted to Food Basic locations. This was followed by a digital Diwali campaign for Tata Sampann and Tata Tea to drive awareness and trials from the ethnic community. In February 2023, we launched the Tata Tea "New beginnings" campaign on digital media channels, supported by radio, social and in-store touchpoints. We are also piloting the Tata Raasa launch in Canada with full scale launch next year.

### **Australia**

We started the year with restructured operations as we moved to a new distributor model, as part of our efforts to simplify the organization

structure and realize efficiencies. The business has been able to maintain its market share position. During the year, we launched “Spill the tea” campaign for Tetley, which is a quirky advertisement aimed at recruiting younger audience set to the category. The activation was done across digital, outdoor, radio and social platforms and supported by instore activities.

### Road ahead

We will continue to drive sustainable profitable growth by building distribution with focus on delivering differentiated innovation to improve share in growing categories of non-black and Coffee as well expanding our portfolio range. We will continue to focus on premiumization and execute cost-saving initiatives to unlocking synergies.

### 3.3 NON-BRANDED BUSINESS

The Plantations business, which is ~32% of the total unbranded business, grew by 21% led by Coffee plantations with higher commodity prices. The Tea plantations segment also delivered growth led by mix of price, with improvement in quality and product mix, and volumes, including productivity improvement measures taken during the year. We continue to explore opportunities for yield enhancement, cost optimization, and diversification for increased value addition.

While the overall Extraction portfolio, which is ~68% of the total unbranded business, grew by 21% led by performance of Coffee extractions; Tea extractions performance was adversely impacted by a weaker business environment. In Coffee, both our India and Vietnam businesses delivered robust performance, despite challenging conditions due to Russia-Ukraine conflict and the inflationary environment impacting business demand (eg in European and African markets). Despite the same, the business delivered good results by leveraging relationships with large-branded players, getting into forward contracts and increasing revenues from differentiated blends.

In terms of sustainability, the business made good strides as our Theni Coffee plant now runs on 100% renewable energy.

### Road ahead

Russia remains a key market for Instant Coffee operations globally (with the presence of all leading

global soluble coffee brands and assets) and as well for Tata Coffee. However, with the improvement of macroeconomic conditions, we believe that the markets of Europe, Africa and South Asia will bounce back, and we will focus on diversifying our sales mix. These markets are also important for growing our Tea Extractions portfolio.

Post the final approval from Hon'ble National Company Law Tribunals (Bengaluru and Kolkata benches) of the Composite Scheme of Arrangement with Tata Coffee Limited, we will be integrating our Tea and Coffee Extractions businesses to unlock synergies.

### 3.4 OTHERS

#### Tata Starbucks

Crossed 1,000cr revenue milestone and celebrated 10<sup>th</sup> anniversary.

Opened first Starbucks reserve store in India

We expanded our store base to 333 stores by adding 71 new stores and city coverage to 41 with entry into 14 new cities during the year. FY23 also marked our 10<sup>th</sup> anniversary, and we kick started the celebrations with the opening of the first Starbucks Reserve store in Mumbai. The Reserve store will further elevate the signature Starbucks Experience by introducing an intimate, multi-sensory coffee experience to customers. We also ran 'Brew Your Own Starbucks' campaign giving customers a chance to create beverages to be featured on the Starbucks menu. As an initiative to thank our partners (employees), we announced an expanded insurance option for the parents of partners, one of the most requested benefits across the market.

The business also crossed a milestone revenue of INR 1,000 crores during the year under review, driven by same store sales growth as well as new store additions. Post Covid-19, the delivery channel continues to perform well, and we are seeing a sequential improvement in average daily transactions. During the year, we ran a pilot in select stores across four cities with new additions to the menu for both food and beverages including freshly assembled sandwiches, milkshakes, filter coffee, vegan menu offerings and “Picco” a small beverage format. The pilot was successful, and we plan to scale it to other stores in the upcoming fiscal year.



During the year, we partnered with leading designer and couturier Sabyasachi Mukherjee to launch limited-edition lifestyle drinkware merchandize. The ‘Sabyasachi + Starbucks’ collection featured a range of drinkware including ceramic mugs and steel tumblers, showcasing Indian art and culture. Part of the proceeds was used to support ‘Educate Girls’, a non-profit organization working towards improving girls’ and young women’s education across rural India. This was very well received and was one of the highest ever merchandize sales through a partnership.

Tata Starbucks also partnered with TRRAIN Her to skill 1,000 young women, with sponsorship from the Starbucks Foundation. Tata Starbucks, as an equal opportunity employer, has been able to achieve a 40% women representation in its talent force, including with 20 all-women stores.

#### ROAD AHEAD

We remain committed to aggressively increasing our store base in India with expansion both in existing as well as new cities while looking at improving customer and partner experiences, investing in digital infrastructure along with exploring cost-saving opportunities to improve profitability. Delivery will remain a channel of focus as work-from-home through hybrid model is expected to continue in the near term.

## 4. FINANCIAL REVIEW

### 4.1 CONSOLIDATED PERFORMANCE

#### Key financials

**Consolidated Revenue from operations** at INR 13,783 crores, grew by 11% (10% in constant currency) mainly driven by revenue growth from across branded and non-branded businesses

- India Business grew by 10% mainly driven by

- India Salt business , grew by 25% led by price increases and volume growth
- Growth Business grew by 53%, growth across all verticals, mainly led by increased distribution reach in existing states and expansion into new states
- India Beverages marginally declined , mainly due to stress in rural demand and delayed onset of winter
- International Business grew by 5% in constant currency , on account of price increases taken across most markets.
- Non-Branded business revenue grew by 21% in constant currency driven by higher realisation in coffee plantations and extraction business

**Earnings before interest, taxes and depreciation and amortisation (EBITDA)** were at INR 1,874 crores, improved on absolute terms by 7% over previous year, mainly led by revenue growth and good control on costs. EBITDA margin at 13.6%, largely in line with prior year, despite inflationary trends across markets for a major part of the year.

**Profit before exceptional items and taxes (PBIT)** at INR 1,634 crores was higher than the previous year by 8%.mainly led by growth in operating profit and higher other income

Exceptional items represent, profit on sale of investment property in Tata Coffee, accounting gain on conversion of South African and the Bangladesh entities into subsidiary partly offset by re-structuring and re-organisation costs

**Group net profit** for the year stood at INR 1,320 crores, higher than the previous year by 30%, aided by higher exceptional income and improved performance of Tata Starbucks.

**Earnings per share** were at INR 13.02 for the year as compared to INR 10.15 in the previous year.

**Performance snapshot**

The consolidated financial highlights for FY 2022-23 are as follows:-

In INR Crores

Particulars	FY 2023	FY 2022	Change
Revenue from Operations	13,783	12,425	11%
Operating profit before depreciation and amortisation (EBITDA)	1,874	1,749	7%
EBITDA %	13.6%	14.1%	(50 bps)
Operating profit (EBIT)	1,570	1,471	7%
EBIT %	11.4%	11.8%	(40 bps)
Profit before exceptional items and taxes	1,634	1,508	8%
PBT (bei)%	11.9%	12.1%	(20 bps)
Exceptional items (net)	159	(52)	506%
Profit before tax	1,794	1,456	23%
Profit after tax	1,347	1,076	25%
Share of profits/(loss) of JVs and Associates	(26)	(64)	59%
Group net profit	1,320	1,015	30%
Net Profit Margin %	9.6%	8.2%	140 bps

INR Crores

Particulars	FY 2023	FY 2022	Change
Net Worth	17,127	16,294	5%
Capital Employed	4,575	4,482	2%
Goodwill	8,025	7,754	3%
Brand (indefinite life)	2,093	2,093	0%
Borrowings (excluding lease liabilities)	1,183	1,011	17%
Cash and cash equivalents, including current investments and ICDs	4,076	3,455	18%
Net Cash/(Debt)	2,893	2,444	18%
Key financial ratios	FY 2023	FY 2022	Change
Return on Capital Employed (RoCE) %	34.31%	32.82%	150bps
Return on Net Worth (RoNW)%	7.90%	6.36%	154bps
Basic EPS (₹/Share)	13.02	10.15	28%
Debtors' turnover (Days)	22	23	(4%)
Inventory turnover (Days)	66	66	0%
Interest coverage ratio	19.75	21.72	(9%)
Current ratio	2.12	2.25	(6%)
Debt equity ratio	0.09	0.09	4%

Return on net worth has improved mainly due to higher operating profit, higher exceptional income and improved performance of Tata Starbucks

**4.2 STANDALONE PERFORMANCE**
**Key financials**

**Revenue from operations** at INR 8,538 crores, grew by 8%, driven by higher distribution reach and investment behind brands. Revenue growth was mainly led by Salt, driven by price increases and volume growth, volume growth in Sampann led by innovation and distribution expansion partly offset by marginal decline in India Beverages on account of stress in rural demand for most of the year and delayed onset of winter.

**Earnings before interest, taxes and depreciation and amortisation (EBITDA)** at INR 1,323 crores, grew by 19%. EBITDA margins at 15.5% improved

by 150 basis points mainly led by improvement in Salt margins on account of price increases taken and overall good control on costs, partly offset by competitive price corrections in Tea.

**Profit before exceptional items and taxes (PBIT)** at INR 1,306 crores was higher than the previous year by 11%, Driven by improved operating margins partly offset by lower other income in current year

Exceptional items represent re-structuring and reorganisation costs

**Profit after tax** at INR 950 crores was higher than the previous year by 7%, mainly due to higher operating profit, exceptional items and higher taxes.

## Performance snapshot

The standalone financial highlights for FY 2022-23 are as follows:-

In INR Crores			
Particulars	FY2023	FY 2022	Change
Revenue from Operations	8,539	7,932	8%
Operating profit before depreciation and amortisation (EBITDA)	1,323	1,111	19%
EBITDA %	15.5%	14.0%	150bps
Operating profit (EBIT)	1,177	969	21%
EBIT %	13.8%	12.2%	160 bps
Profit before exceptional items and taxes	1,306	1,178	11%
Exceptional items (net)	(39)	(27)	(44%)
Profit before tax	1,267	1,151	10%
Profit after tax	950	886	7%
Net Profit Margin %	11.1%	11.2%	(10 bps)

In INR Crores			
Particulars	FY2023	FY 2022	Change
Net Worth	12,753	11,762	8%
Capital Employed	5,212	4,357	20%
Goodwill	3,579	3,579	0%
Brand (indefinite life)	2,093	2,093	0%
Borrowings (excluding lease liabilities)	40	-	100%
Cash and cash equivalents, including current investments and ICDs	2,328	2,047	14%
Net Cash/(Debt)	2,288	2,047	12%

In INR Crores			
Key financial ratios	FY2023	FY 2022	Change
Return on Capital Employed (RoCE) %	22.58%	22.25%	33bps
Return on Net Worth (RoNW)%	7.75%	7.71%	4bps
Basic EPS (Rs/Share)	10.27	9.61	7%
Debtors' turnover (Days)	13	12	8%
Inventory turnover (Days)	57	62	(8%)
Interest coverage ratio	45.50	40.57	12%
Current ratio	2.43	2.56	(5%)
Debt equity ratio	0.02	0.02	9%

## 5. RISK MANAGEMENT

The Board of Directors has 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 medium- 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 prioritization 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 institutionalize 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.

Please refer page no. 136 of integrated reporting section of this report for risk management framework and key risks including the mitigation measures.

Additionally, a third-party organization 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 2022 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 endeavour to bring thought leadership and use advanced digital enablers such as 'Tgo' analytics (a home-grown capability) in audit and risk management practices.

## **6. 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 the Company 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.

## **7. CYBERSECURITY**

We have adopted the NIST Cyber Security Framework to provide effective and efficient risk management across the organization. We have taken various initiatives to identify and address potential security threats and ensure the safety of our IT systems and data.

### **SECURITY MEASURES:**

To identify and understand assets and threat vectors, we have implemented various security measures such as assessing security defects and weaknesses and performing penetration testing on all IT assets. We have also conducted various other security assessments to reduce the chances of an attacker breaching our IT systems.

### **STRENGTHENED SECURITY OPERATIONS**

We have solidified the managed Security Operations Centre (SOC) and aligned our policies and procedures with CERT-In guidelines and CERT-In playbooks for proactive monitoring, response, and recovery to any cybersecurity incidents that may occur.

### **CYBERSECURITY AWARENESS**

We have prioritized creating and improving cybersecurity awareness by educating and training users about the latest threats, policies, and best practices for risk mitigation. This includes enforcing cyber policies, introducing phishing campaigns, conducting tailored security training and assessments, and publishing various security awareness mailers.

### **DATA SAFEGUARDS**

We have ensured strong safeguards of data and information by monitoring, detecting, and preventing unauthorized privileged access to critical resources. We have also enforced security controls, policies on the usage of smartphones, tablets, and other endpoints and prevents potential data breaches and ex-filtration transmissions. These measures provide better visibility and control over data usage within the organization.

Our adoption of the NIST Cyber Security Framework and various initiatives for risk management have significantly contributed to the protection of our

data and IT systems. Our focus on cybersecurity awareness and data safeguards has also helped us to minimize potential security threats and ensure business continuity.

## 8. 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 to become a full-scale FMCG organization, our people strategy has also evolved and centred around the following key themes:

### ROBUST REWARDS AND PERFORMANCE FRAMEWORK

We have a robust total rewards framework focused on ensuring competitive compensation based on affordability and benchmarked to best-in-class FMCG companies. We undertake continuous review of our compensation structure to ensure focus on pay for performance and industry alignment. Our short-term incentive plan rewards employees on organizational, functional and individual performance while our long term incentive plan enables us to align leadership rewards to the Company strategy and 3-year business objectives. Our sales incentive program is reviewed year on year to align with the larger sales strategy.

We have a strong performance management structure to ensure objective goal setting based on the Balanced Scorecard methodology. We conduct mid-year performance check-ins and evaluate performance based on outcomes delivered rather than the effort involved. Based on performance review and assessment, we build a greater focus on continuous learning and enhancing employee engagement. Continuous assessment of our performance management process and learning and development initiatives enables us to stay aligned to our growth objectives and build a future-ready organization.

### 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 continue to invest in our talent by providing them bespoke learning opportunities, access to mentoring / coaching, business projects and continue to mobilize them into critical roles.

We have accelerated investment in employee capability building. We onboarded LinkedIn learning towards empowering employees to develop themselves at their own pace and place. We have revamped our Manager Capability Development Program, called 'SOAR' to encompass elements of mentoring, simulation and workshops. We concluded Project Elevate, an instructor-led bespoke learning intervention (covering attributes that were identified as a business need - 'Digital Transformation', 'Collaboration for New Product Launches', 'Problem Solving', and 'Commercial Acumen'. We invested in functional training programmes to build a future ready and resilient organization.

### ENGAGEMENT

In March, we conducted our bi-annual 'Interactions' engagement survey, which received a 92% response rate. To build focus on manager level actions for improving engagement, manager linked questions were enmeshed with people commitment goals of managers. Although our overall engagement index remained constant at previous levels, we intend to develop targeted action plans at both the organizational and managerial levels to enhance engagement.

### SAFETY

As Covid-19 receded this year, fully vaccinated employees came back to the office in a calibrated manner and office operations were reinstated. We continue to monitor the Covid-19 situation across locations and provide inputs / guidance from time to time in accordance with the government directives. At our manufacturing units and offices, all safety protocols were reinforced to ensure a safe and secure working environment. We conduct periodic internal and external audits to ensure safety standards across the organization. Our continued focus on periodic risk reviews, safety trainings, mock drills, safety walks ensures a robust safety culture in the organization. Our well-being programme BEAM (Balanced, Energetic, and Mindful), which prioritizes the physical, emotional, and financial well-being of our employees, has added advantage. There were multiple counselling sessions and webinars conducted throughout the year on physical activities and yoga for our employees.

### RECOGNITION FRAMEWORK

Moments of Recognizing 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 the leadership for exceptional performance - Great Job café; accolades for values displayed – Shine. We have also launched our annual awards programme - Hall of Fame crafted to recognize and appreciate teams who have collaborated to deliver high impact work, thus contributing to our overall growth story.

### INDUSTRIAL RELATIONS

Throughout the year, the Industrial Relations scenario was peaceful, and we continuously addressed union grievances. We successfully concluded the closure of two LTS (Long Term Settlement) at the Paonta Water Factory in Himachal Pradesh and the Tetley Factory in Kochi.

We have over the year and in a phased manner, rolled out a Rewards & Recognition programme for workmen 'Prasansaniya' at Munnar, Paonta and

Tetley. The programme is showing early positive impacts, which now needs to be nurtured.

The Employees Relation Team also conducted training programmes to build capabilities among operational and administrative personnel. We plan to expand these programmes to reach a broader audience in the future.

The number of permanent employees on the rolls of the Company as on March 31, 2023, was 3040 employees.

### 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.*