



# Management Discussion and Analysis

## 1. ECONOMIC REVIEW

### 1.1 Global

As per the International Monetary Fund (IMF), the global economy witnessed an unprecedented contraction of 3.3% in FY 2019-20 due to the COVID pandemic, despite the policy support provided by different governments. The GDP growth scenario improved in the second half as lockdown restrictions were eased (between the first and the second waves of infection) and economies adapted to new ways of working.

#### Outlook

Current forecasts are optimistic with the IMF projecting 6% global GDP growth in FY 2020-21 supported by increase in vaccination coverage, continued accommodative fiscal, monetary and financial support provided by central banks and governments. Good growth is projected both in case of advanced (USA and Japan through their fiscal support) and emerging economies (China has already returned to pre-COVID GDP in 2020).

However, uncertainty remain around the pace of economic recovery, which may be further dampened by new COVID-19 virus mutations, continued efficacy of government policy actions and projected increase in commodity prices. We will see differential economic recoveries across the world, with global economy potentially going back to pre-pandemic levels in another two years.

### 1.2 India

The Indian economy is estimated to have contracted by 8% in FY 2020-21. In the first quarter, with the implementation of nation-wide lockdown, the economy contracted by 24%, from which it slowly went into recovery mode (contraction in first half by 7% followed by low single-digit growth in the second half of FY 2020-21). Consumption patterns normalised towards the third quarter with increasing levels of demand for consumer and in-home food products. Economic indicators like Good and Services Tax collections, automobile and tractor sales, power demand is showing growth compared to last year. Given the gradual easing of restrictions and revival of several infrastructure projects by the government, manufacturing activity has increased.

#### Outlook

There is optimism around the recovery of Indian growth with predictions ranging between 10% (World Bank) to 12.5% (IMF) for FY 2021-22. This outlook is supported by mass vaccination drive, additional fiscal support and accommodative RBI monetary policy, strong rebound of private consumption (led by large government capital expenditure push) and growth in investment. However, there are risks to growth in the form of the second and third waves and its impact on economic outlook (including but not limited to another phase of lockdown measures being implemented), negative impact from financial sector distress and recovery of global economy.

## 2. CREATION OF TATA CONSUMER PRODUCTS

### 2.1 Overall Strategy

Tata Consumer Products Limited is a fast-growing food and beverage Company, with second largest presence in Tea globally, leadership position in Salt category in India and an expanding portfolio of other products (India- pulses, liquid beverages, coffee, spices, breakfast cereals, healthy snacks and ready-to-eat; International - Coffee). We are committed to delivering 'Better for You' products with high quality ingredients that are innovative, delightful and convenient for consumption.

The current year was pivotal for us as we focused on successfully integrating the India Businesses (Packaged Beverages and Food) to create a unified organisation, processes and realise synergies. This encompassed myriad activities, including a relook at the operating model and organisation structure, harmonising processes between the two businesses by benchmarking with best FMCG practices, redesigning the sales and distribution infrastructure to make it future-ready to support multiple categories. We also looked at end-to-end digitisation across supply chain and distribution partners and actioning steps to realise cost synergies (for instance, re-alignment of margins, consolidation of vendor, warehousing and distributor base). The integration was completed by the end of the year with timelines despite challenges presented by the pandemic.

We remain aligned to our six stated strategic pillars:

- **Strengthen and accelerate core business**  
Continue to invest behind the core brands in both India and International markets with focus on brand building, premiumisation, distribution and developing alternate channels for growth.
- **Drive digital and innovation**  
We are embedding digital in every part of the business, including procurement and supply chain, marketing, sales and distribution, R&D and New Product Development (NPD) as well as within finance processes to spearhead Tata Consumer Products into one of the best-in-class FMCG companies. Our e-commerce performance has been promising and we need to further drive the channel and strengthen digital marketing across markets.

We plan on making deeper investments and accelerating our innovation agenda by targeting to drive 4% of our revenues from innovation in the next few years. Successful innovations will also be cross-pollinated across different geographies to increase scale.

- **Unlock Synergies**  
We are focused on realizing synergy benefits through effective integration between the two iconic businesses of Tea and Salt. We are exploring alternate business structures to improve profitability and are efficiently managing spends, including commodity costs and building efficiencies across the value chain.
- **Exploring new opportunities**  
We are capitalising on industry trends to serve consumer needs specific to markets and geographies. Our efforts include piloting new launches and categories by leveraging a differentiated offering and a 'right-to-win' strategy to build a larger play across different markets successfully.

We are realigning capital investments to markets or businesses that have higher growth potential and ability to generate sustainable returns.

We are exploring additional avenues for growth, including inorganic agendas to expand into adjacent categories and recruit new set of consumers. For instance, the acquisition of Soulfull has added the kids and the youth segment to our platform.

- **Create a future ready organisation**  
We remain committed to investing in building people capabilities and creating a sustainable high performance work culture. During the year, we successfully redesigned the organisation structure of Tata Consumer Products-India branded operations to bring in more focus and accountability to every function, ultimately driving superior growth in the future. We have also brought R&D and digital transformation on the forefront and have converted them into global functions reporting to the CEO directly.
- **Embed sustainability**  
Build a sustainable and profitable business model for our stakeholders. We are committed to sustainable sourcing and reducing usage of plastic packaging.

**Tata Consumer Products has the second largest presence in Tea globally, leadership position in Salt category in India and an expanding portfolio of other products.**

**We successfully completed the integration of our Packaged Food and Beverage businesses in India.**

### Key strategic developments

During the year under review, we focused our investments on strengthening our core businesses in India and across various International markets. We brought to life our innovation for growth agenda with products like Cold Infusions in UK, Australia and Canada, Super Teas in Canada, new line of Coffee blends in USA (Barista, Flavors of America, Café Arriba), among many others.

We augmented our India Food & Beverages portfolio with the 100% acquisition of stakes, in erstwhile JV – NourishCo Beverages and of Kottaram Agro Foods (Soulfull) during the year. The acquisition of NourishCo Beverages serves our ambition to create a larger portfolio in the RTD beverage segment in India. Soulfull



will help us add new customers in the kids and young adults' space, which was missing in the current portfolio. The synergies and the scale of Tata Consumer's distribution will help us expand Soulfull on a pan-India basis and give us an opportunity to take the brand global.

As part of our portfolio review, we exited our Foodservice operations in Australia (MAP Coffee) and USA (Empirical and Southern Tea) to concentrate on branded play in these markets.

With the creation of Tata Consumer Products, we are all set to target a larger market opportunity. We are now among the top 10 F&B companies in India in revenue terms. With unmatched brand equity under the Tata parentage and distribution across over 200 million households in India, we anticipate the pull of a larger share of ~Rs 2.7 Lakh Crores India F&B market. We are driving a cultural shift in the Company with a focus on accountability, empowerment and faster decision-making.

In the wake of the unprecedented COVID-19 situation, we took up projects across different geographies to give back to the community. Some of the programmes include digital crowd-funding campaign to support hot tea shops in Tamil Nadu (Chakra brand), social initiatives to increase awareness about supporting elders #BadonKeLiye #JaagoRe, participation in the UK government care packs (delivered weekly to the 1.5 million people identified as most vulnerable), supporting local communities by distributing PPE kits, thermal scanners, quarantine centres at plantations, among others.

**NourishCo acquisition will help us create a larger portfolio in the RTD beverage segment in India.**

**Soulfull acquisition will help us add new customers in the kids and young adults' space**

## 2.2 Strength and Challenges

We have leading positions in the Tea and Salt segments in India and these businesses will continue to contribute significant share of our revenue growth in the next few years. We are leveraging our distribution strength and operational excellence to build future businesses, which have the potential to become large platform players in their specific market categories (including Packaged Food, Liquid Beverages, Out of Home, Breakfast cereals, Healthy Snacks as well as newer categories being explored). We will also be leveraging the Tata brand name as it inspires trust into categories of mass consumption. A digitally enabled value chain will add further maturity of the organization.

Our leading International brands – Tetley and Eight O'Clock, are heritage brands, which have built a loyal customer base. These brands operate primarily in mature markets with lower growth rates and base re-aligning towards Non-Black segments (during the initial period of the pandemic, we saw growth being led by mainstream black, which reversed by the end of the year). We are focusing on product innovations to build scale in these new segments (some of our successful launches include Super Teas, Herbals, Barista Blends) and based on good traction, launching with agility across different markets to gain edge over our competition. We are also investing in the black tea business to ensure long-term health of the business vertical. Portfolio optimisation and cost restructuring to streamline the Company's operations and enhance business effectiveness and profitability have also been among our priorities.

Among our B2B businesses, our extraction business (both Tea and Coffee) enjoys healthy margins though during the year, the business was adversely impacted by the pandemic. At Tata Coffee Limited, our freeze-dried plant in Vietnam performed well and has already reached around 90% capacity utilisation by the end of the second year of operation. It was a good year for our plantation businesses as we saw increase in prices and volumes. Our long-term fundamentals of business remain strong and we will continue to evaluate various options to improve efficiency.

## 2.3 Opportunities and Threats

Our business segments await vast opportunities in India and the International markets as existing trends in health and wellness as well as convenience create new consumer needs and market opportunities. We are preparing to leverage them through focused expansion of our sales and distribution system in India and improving our supply chain model. Premium product offerings and new market models are also

being developed. We are exploring opportunities to expand our Indian products in the International markets, where we have a presence to cater both the ethnic food aisles and the needs of Indian diaspora.

Key threats to our business include changing consumer preferences, volatility in commodity and currency and concentration of retailers in developed markets. We run multiple factories and operations across the world and engage thousands of workers daily. Employee and support system safety is a key focus in this environment. Although we plan on ensuring business continuity at every level, the continuation of crisis can have long-term demand and supply implications which is difficult to predict at this point in time.

**We are exploring opportunities to expand our Indian products in the International markets where we have a presence to cater both the ethnic food aisles and the needs of Indian diaspora.**

## 2.4 Growth drivers

### 2.4.1 India

**Completion of Integration of Packaged Beverages and Food business**

A dedicated team was created to ensure successful integration of businesses with focus on holistic, intrinsic transformation exercise to adopt best in class processes and make structural changes for future ready organization. The combination of the sales and distribution networks of the two businesses was one of the largest exercises undertaken to drive future capability building, customer centricity, sales growth, and synergy realisation for Tata Consumer Products. A multi-category sale and distribution organisation was designed to ensure expanded coverage at a reduced cost to serve. This involved consolidation of Carrying and Forwarding Agents (CFA), distributors, expansion of dedicated feet on street, realignment of channel margins and terms of trade and expansion of rural feet on street.

In modern trade and alternate channels as well, exclusive distributors were appointed, and a direct servicing model was adopted in select accounts. The business expanded its direct reach rapidly during the year with addition of feet-on-street and productivity improvement drives. In FY 2020-21, we consolidated

the base of channel partners and de-layered the channel structure by leveraging technology. A sales enabling organisation was also put in place to support the growth objectives with focus on shopper marketing and sales analytics. We continue to focus on building capability for the future in the sales and distribution system with focus on fundamental metrics to sustain and grow our distribution strength.

In order to support the sales transformation, the supply chain network was also restructured with the CFA locations for Foods and Beverages businesses consolidating during the year. We undertook a modernisation of the ERP system by implementing SAP S4 HANA as part of the digital agenda. S4 HANA is the latest offering from SAP systems, which has the latest technology and feature set, supports faster and real-time analytics and better decision-making. With one single instance of SAP system being implemented across our businesses, we will be able to harmonise our global processes on a single digital platform (currently rolled out in India and underway for other geographies).

### Beverages

**India Beverages business grew by 36%**

The India beverages business (including NourishCo which became a subsidiary in this financial year) grew 36% with 12% volume growth in branded tea business. The higher increase in value is due to price increases to partly offset rise in commodity costs during the year as well as higher growth in the Premium segment. The business also saw an increase in share (both value and volume) supplemented by increase in direct outlet reach (including rural) and quality of distribution. We continued to invest behind brands with state-specific hyperlocal strategy and had limited edition festival packs for our Tata Tea Gold and Premium brands. To strengthen our presence in the super premium segment, we made two launches: Sonnets by Tata Coffee (premium roast and ground coffee segment for coffee connoisseurs) and 1868 by Tata Tea (exclusive range of luxury teas across India to celebrate the legacy of Tata group). We saw significant growth in e-commerce channel, while general trade continues to grow well. We also accelerated our Coffee agenda in the second half of the year with new campaign support.



We acquired our JV partner's 50% shareholding in NourishCo and made it our wholly owned subsidiary. The acquisition gives us the rights to the Tata Gluco Plus, the flagship brand under the fold and also the company's supply chain and Go-To-Market (GTM) system, which is currently focused on Tamil Nadu, Orissa, Telangana and Andhra Pradesh. We believe that the footprint of this very successful brand, which operates in only 25% of the addressable market can be grown significantly by expanding the supply chain and GTM. This would then create a platform for water and a broader portfolio of healthy ready-to-drink beverages, which are even more in trend because of the current crisis. In spite of the pandemic, the business finished the year with top-line at par with FY 2019-20, on the back of growth commencing in the third quarter. The highlight of the year was the expansion of Tata Water Plus which saw good growth in volumes. GTM and supply expansion outside of the core geographies of Andhra Pradesh, Telangana, Orissa and Tamil Nadu yielded good results for Tata Gluco Plus. We transitioned Himalayan from 3P to a company-owned distribution and initial results were ahead of expectations. Going forward, this is expected to be a significant enabler for driving profitable growth for the brand. The business re-launched Tata Fruski in micro markets in Andhra Pradesh and Telangana towards the end of the year with 3 offerings: Mango Masti, Lemon Masala and Jeera Masala.

#### Food

**Food business grew by 18%**

**Tata Salt continued to strengthen its market leadership and grew value share by 1.8% points**

**Completed the acquisition of Kottaram Agro Foods (Soulfull)**

The Food business grew by 18% during the year led by the Salt, Pulses and Spices portfolio and driven by increase in direct distribution and improvement of brand health with differentiated communication. Tata Salt further strengthened its market leadership position with value share increasing by 1.8% points to 33% (Nielsen) in the packaged salt category. We

were sponsors on the game show, Kaun Banega Crorepati on Sony Television and used the platform to promote Tata Salt ('Ask the Expert' lifeline in every episode as Tata Salt Intelligent expert) and increase awareness for our premium/value-added salts (Tata Salt Lite and Rock Salt). The new product portfolio of poha and Nutrimix categories also grew well and were expanded in range during the year.

We acquired Kottaram Agro Foods (owner of the brand Soulfull), which has a portfolio of millet-based products for adults and kids. We will see full year impact of the acquisition in FY 2021-22.

#### TATA Starbucks JV

**39 New store openings in FY 2020-21**

**Presence across 18 Indian cities**

Tata Starbucks, our 50:50 JV with Starbucks, was significantly impacted due to lockdown restrictions. While the initial months were adversely impacted, we saw progressive recovery of sales in the latter months. We crossed the 200<sup>th</sup> store milestone and added 39 new stores in the current fiscal and are now present in 221 stores across 18 cities in India.

#### 2.4.2 International

During the financial year, International Business grew by 8% (1% in constant currency). Excluding Food Service and Out-of-Home sectors which were impacted by Covid pandemic, International business grew by 12% (5% in constant currency) mainly driven by Retail and Online segments with volume growth of 7% in Branded Coffee and 1% in Tea. There was concerted effort made to push innovation/new product launches to attract new consumers to the Tetley and Eight O'Clock brand umbrella.

**International business grew by 5% in constant currency basis (excluding Food Service and Out-of-Home sectors which were impacted by Covid pandemic)**

**Product innovation focus with the new 'Supers' range in Canada, 'Good Earth' range in UK and 'Herbals' range in US**

**Exited Foodservice operations – Empirical (USA) and MAP Coffee (Australia)**

The businesses were positively impacted, recording an increase in retail sales, for company and category, led by pantry loading due to lockdowns owing to the pandemic. The products targeting the health and immunity building credentials performed well – Supers (Canada) and Herbals (UK). This was partly offset by decline in Out-of-Home and foodservice/institutional sales as we entered a new normal of working from home – mainly impacting our Empirical business (USA) and MAP Coffee (Australia). We exited both the businesses in FY 2020-21 as part of our strategy to focus on core branded plays.

We launched new brand in UK – Good Earth Tea (currently mainly available in US and Australia). This will be our third brand in Tea in UK that is positioned in the premium segment (Tetley - mainstream and Teapigs - super premium). For the current year, it was available exclusively in Sainsbury, online (own website) and across select Out-of-Home/High Street outlets. The product was well received, and by March 2021 had gained ~1% share in Sainsbury.

#### 2.4.3 TATA Coffee

During the fiscal, Tata Coffee Limited (including its subsidiary in Vietnam) witnessed a ~ 14% revenue growth (in constant currency), led by plantation business and increase in capacity utilisation of the freeze-dried plant in Vietnam by way of onboarding of new customers and increasing size of business with existing base (reached ~90% capacity).

#### 2.5 Road ahead

Post the integration, we are ready to leapfrog our India businesses, by means of strengthening the distribution model by leveraging the Go-to-Market infrastructure for growing Beverages and Food businesses.

In the short term, we will gauge the economic recovery from the pandemic, especially across the International markets. We will continue to closely monitor the on-ground situation and focus on innovation to build scale in non-black tea portfolio and coffee.

We are also closely monitoring costs across the supply chain for further efficiencies, which can then be invested back in the business to build growth.

#### 2.6. Sustainability

Sustainability continues to form the core to our vision.

- We are committed to sustainably source all our teas and encourage our supply chain partners to follow sustainable agricultural practices in the certification of Rain Forest Alliance (International markets) and trustea programs (India). All our Tetley tea is 100% Rainforest Alliance certified in the International markets since 2016.
- We were also recognised for our sourcing practices in the tea industry by CII Food Future Foundation (FFF) National Award for Sustainable Sourcing 2020. We won the award for 'Outstanding Performance' in the Category of 'Sectoral Value Chain on Tea'.
- 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 20th November (World Children's Day).
- We have a change strategy focused on sustainable agriculture for climate change adaptation, sustainable forestry for climate change mitigation, energy efficiency and renewable energy. We are one of the Indian companies recognised on the CDP India 2020 in A List, that was released recently. Our carbon footprint or Green House Gas (GHG) emission (Scope 1 and 2) was audited by British Standards Institute, where we recorded a 26% decrease between 2010-2020.
- We aim to support development programmes for 1 Million community members by 2023. As part of this, we provide affordable healthcare to over 100,000 tea community members annually through our hospitals in Munnar (Kerala) and Chubwa (Assam). The hospitals were equipped

to manage emergencies and COVID-19 cases by improving the healthcare facilities and building capabilities among medical professionals. The Improving Lives Program with UNICEF-ETP is facilitating better health, nutrition, water and sanitation, education and empowerment with life skills to adolescent girls and women in over 200 tea estates in Assam.

- Our flagship water project, 'Project Jalodari' was put in place to create sustainable water sources, raise awareness and build capacities on water and sanitation in the communities of Himachal Pradesh and Assam. We partnered with Tata Chemical Society for Rural Development to improve the lives of the communities in Gujarat towards water security, environment preservation, sustainable agriculture and livelihoods.
- We are committed to ensuring a circular economy focused on reducing the impact of plastic packaging on the environment by shifting towards sustainable packaging for our products. During the year, we scaled up the recyclable packaging of Tata Salt products to reach 53%. We framed the Extended Producer Responsibility (EPR) for collection and reprocessing of plastic packaging waste on a brand-neutral basis across key markets. We joined the UK Plastics Pact in October 2018, which is a collaborative initiative between UK businesses across the plastics value chain, the government, and NGOs, to create a circular economy for plastics by 2025.

### 3. INDUSTRY AND BUSINESS OVERVIEW

#### 3.1 India

Amid an unprecedented global situation, the Indian FMCG industry remained resilient with strong recovery after disruptions due to lockdown at the beginning of the year. Packaged staples and convenience food categories drove growth in the industry and e-commerce salience witnessed a sharp acceleration. Rural markets witnessed higher growth than urban due to shift of migrant population, government stimulus and a good monsoon.

The total Indian Food & Beverage industry is expected to be around ~Rs 3 Lakh Crores market and will continue to grow by leveraging India's favourable demographic profile (1.4 Billion-strong population, rising income levels and higher urbanisation). The Food and Beverage segment constitutes ~30% of household spending and is expected to sustain the wallet share going forward.

#### 3.1.1 Beverages

##### a) Industry Overview and Outlook

We operate in the sub-categories of Tea, with brands like Tata Tea, Tetley, Kanan Devan, Gemini, Lal Ghoda, Kala Ghoda and Teaveda; Coffee with the brand Tata Coffee Grand; and Water with brands, such as Himalayan, Tata Gluco Plus, Tata Water Plus and Tata Fruski.

#### Tea

**Health and wellness are steadily becoming a strong consumer trend**

The branded Indian tea market is estimated to be ~Rs 26,000 Crores, with unbranded constituting 30-35% of the overall market (by value). The branded market grew by ~8% during the year despite a decline in the initial months due to the impact of lockdowns, led by tea price inflation. Tea is the favourite Indian beverage, and we continue to see growth across all tiers through upgradation from loose to economy branded tea and movement up the chain to Premium and Super Premium Teas. Black Tea is the predominant sub-category with high customer preference for taste of boiled milk tea. Green Tea is estimated to be a niche segment (~3%). Health and wellness are steadily becoming a strong consumer trend, as more of them look at the functional benefits from their cup of *chai* (Ayurveda Tea, Tulsi Tea). The e-commerce channel has emerged much stronger during the year. It is estimated that ~3-4% of tea category value sales is attributable to the e-commerce channel.

In tandem with global markets, we observed increased in-home consumption of beverages while out-of-home consumption was adversely impacted due to the pandemic. Tea category growth was adversely impacted during the initial few months of the outbreak, and has staged a strong rebound in subsequent months, led by small towns and rural areas.

Owing to the lockdown, there was decline in domestic tea production leading to commodity price inflation which was further accentuated with inclement weather conditions. However, prices eased gradually in the second half of the year; but remain higher than FY 2019-20 levels.

The tea cafes, like the hotels and restaurant chains, were impacted due to the pandemic restrictions. The focus shifted to delivery in the initial period till the gradual opening of dine-in option was allowed by the government.

#### Coffee

The branded retail coffee market in India is estimated at ~Rs 2,600 Crores as on FY 2019-20. Instant Coffee is the largest sub-segment and forms ~80-85% of the category and still growing as consumers continue to prioritise convenience. We are seeing emergence of artisanal and gourmet Premium Coffees estimated to be ~5% of the organized market. In terms of at-home consumption, we saw different consumer behaviours in South as opposed to rest of India. While coffee remains an aspirational product across the rest of India, there is increased demand for Instant Coffee, especially during winters. On the other hand, in South, we see regular consumption of both Instant and Roast & Ground (filter coffee).

**Instant Coffee remains the largest sub-segment in the Indian Branded Coffee**

**South India continues to be the largest and most regular coffee consumption market in India**

#### Water

**Our brand Himalayan was the first entrant in the natural source mineral water category**

Water is the largest sub-category in Non-Alcoholic Beverages globally (followed by Coffee) and second largest in India following Tea. The India packaged water market is estimated to be ~Rs 18,000 Crores. The industry was negatively impacted during the pandemic.

Within the category, we play in four segments – Fortified Water or Energy Drinks (Tata Gluco Plus), Natural Mineral Water (Himalayan), Packaged Drinking Water (Tata Water Plus) and Fruit based drinks (Tata Fruski). Our brand Himalayan was the first entrant in the natural source mineral water category and continue to enjoy leadership position in the Premium sub-segment.

#### Outlook

The resurgence of pandemic impacted behavioural patterns within the short term. While we don't expect the consumers to go back to pantry stocking as supply chain issues have resolved on-ground compared to first nationwide lockdown; we anticipate the continuation of the following consumer trends: being more value conscious, continued growth of in-home consumption products (home cooking), higher priority on products with trustworthy credentials to improve health or boost immunity and increase in e-commerce penetration driven by the need for safety and convenience

In the near term, demand and supply is likely to be impacted by trends and impact of continuing COVID-19 cases in the country. However, the long-term drivers remain robust and we will see sustained expansion of the categories. We are looking at a huge opportunity to grow by building on distribution with our combined sales infrastructure (including for the new acquisition - Soufull) and new product innovation centred on the health platform.

#### b) Business Performance

##### Beverages

##### Tea

We strengthened our leadership position in the Tea market by improving its volume market share (MAT) to 20.4% (0.6% pts improvement from last year) and value market (MAT) share to 21% (1% pts improvement compared to last year) [Source: Nielsen]. The improvement in market share was due to the significant increase in both the range and depth of outlet reach for the business. We assumed the top spot as the fastest-growing tea company in Modern Trade, backed by differentiated strategy and strong team execution. Tata Tea Premium won awards in 6 categories at the 'ET Brand Equity Shark Awards 2020', along with 'Brand of the Year 2020' (The Shark Awards recognise and reward excellence in marketing across industries in India).



The lockdown during the initial months of the year resulted in roadblocks caused by limited workforce availability and restriction in transport movement. However, we streamlined operations and strengthened our direct distribution reach by partnering with Flipkart and food delivery applications, such as Domino's Pizza and Zomato. Despite the uncertain start, the business delivered a robust volume growth of 12% and value growth of 32% (led by price increases to partially recover the increase in commodity prices). We invested behind the health and wellness portfolio with new product launches (Tata Tea Gold Care and the newly reformulated Tata Tea Tulsi Green with added Vitamin C and relaunch of Tetley Green Tea bag range as Tetley Green Tea Immune).

#### Our response to consumption trends

Much like last year, we launched state-specific hyperlocal campaign for our key brands - Tata Tea Premium, Tata Tea Gold (West Bengal), Chakra Gold, Kanan Devan, Gemini and Tata Tea Agni, to establish stronger connect with the consumers as well as win in their key states. For Independence Day, we launched a special, limited-edition 'Desh Ka Kulhad' collection that promoted the work of Indian artisans, who were severely impacted by the pandemic. The hand painted *kulhad* (traditional Indian terracotta cups used for *masala chai*) showcased the rich cultural heritage and diversity of various Indian states.

We launched state-specific campaigns by launching state specific limited edition festival packs – Tata Tea Gold in West Bengal during the Durga Puja festival, Tata Tea Leaf in Bihar during the Chhat celebrations and Tata Tea Premium in Delhi and Uttar Pradesh with exclusive Holi packs.

The Spice Mix portfolio (Tata Tea Elaichi and Masala) continues to perform well in the market and its Gross Sales crossed Rs 300 Crores benchmark in FY 2020-21.

In case of regional tea brands, Chakra Gold was the Official Tea Partner of Chennai Super Kings in IPL 2020, extending the celebration of the Tamil way of life. The association was amplified across mainstream media, digital, print and OOH communication besides contests and visibility drives in trade to build excitement. We ran a thematic campaign in Andhra Pradesh. Our regional brand in Kerala, Kanan Devan, also ran state-specific campaigns to improve brand

equity. In Telangana, we restaged our brand, Tata Tea Gemini, with new packaging and campaign.

We further enhanced the wellness portfolio with the addition of latest wellness products TATA Tea Tulsi Green, TATA Tea Gold Care and re-launch of Tetley Green Tea bag range as Tetley Green Tea Immune. The trend for consumers to use natural herbs, ingredient/ spices and their home-made mixtures in their regular cup of tea has existed for some time now, but this has become even more relevant in the last few months.

To strengthen our presence in the Super Premium segment through the direct-to-consumer route, we made two launches during the year: Sonnets by Tata Coffee and 1868 by Tata Tea. Sonnets by Tata Coffee is a new offering in the premium Roast and Ground coffee segment and targeted to cater to the taste of coffee connoisseurs. 1868 by Tata Tea is an exclusive range of luxury teas from across India and was launched to celebrate the legacy of the Tata group.

#### Fastest growing tea company in Modern Trade

#### Strong hyperlocal blends, campaigns and packaging introduced during the year

#### Increased focus on health wellness through new products launched across brands

We expanded our infrastructure and commenced commercial production at our new plant in Gopalpur, Odisha to optimise our supply network and cater to our medium-term growth plans. Our Damdim Packeting Centre received the highest sectoral award for 'Outstanding Performance in Food Safety' in the 'Small & Medium Manufacturing Food Businesses - Tea' category by the Confederation of Indian Industry Award (CII) for Food Safety. For our Sampla Packeting Centre in Haryana and Pullivasal Packeting Centre in Munnar, we were awarded the Silver prize in the 6<sup>th</sup> edition of the India Green

Manufacturing Challenge (national programme developed by International Research Institute of Manufacturing to recognise sustainable factories in India). As an organisation, we were recognised with the Special Award for Building Future Ready Organisation.

### Recognised for food safety by the CII

#### Coffee

As part of the strategy to accelerate the Coffee business, Tata Coffee Grand was supported by its new campaign 'great sounding coffee, great tasting coffee', leveraging its product truth of flavour-locked decoction crystals, which lead to a great coffee experience. The campaign ran across key states in the South zone.

#### Water

We acquired 100% control in NourishCo Beverages this financial year, in line with our strategy to build a larger presence in the Indian RTD Beverages segment. Our summer season sales were impacted by the pandemic linked nation-wide lockdown as it is an 'impulse' category with higher out-of-home consumption compared to other FMCG segments. However, we were able to deliver strong growth in the second half of FY 2020-21 and delivered 1% revenue growth over previous year. We improved profitability by enhancing gross margin and spend optimisations.

Two of our brands, Tata Gluco Plus and Tata Water Plus, delivered growth, despite challenges. During the year, we also invested behind the GTM infrastructure for Tata Gluco Plus to prepare ahead of the upcoming summer season and commissioned two new plants for Tata Water Plus to plan for new market entries.

For Himalayan, we successfully transitioned to our own network without any loss of business and added new accounts for the brand in the second half of FY 2020-21 (outlet coverage increased greater than 75%). However, the brand underperformed against expectations with low occupancy rates in hotels and restaurants impacting offtake volumes.

We re-launched the pilot for 'Tata Fruski' to capture the essence of Indian street flavours in Hyderabad and Vizag. It was launched in three SKUs – Lemon Masala, Mast Mango and Jeera Masala in two pack sizes. The initial response was encouraging, and we will be looking at learnings from the two cities before pivoting it for a larger launch in India.

Tata Cha, the Company's foray in the Out-of-Home Tea space, has increased presence from 6 stores last year to 12 stores in Bangalore. The stores were opened in second half of the year and include two Dark Kitchens (only Delivery model) and an outlet in the Bangalore Airport, with encouraging first month performance. We launched a campaign on interesting stories on different types of *chais* (teas) consumed in various parts of India (For example: *Chatpata Churan Chai* from Kolkata, *Ginger Chai* from Delhi and Mumbai's *Masala Chai*). The business had saw a challenging start in FY 2020-21 as a result of the lockdown. However, it has seen sequential month-on-month recovery as stores were allowed to open (with seating restrictions) and re-starting of deliveries. By the end of March 2021, for our stable stores, our sales reached 95% of the previous year levels. We have also looked at cost optimisation initiatives, including rent negotiations to offset the decline in revenue.

### Tata Water Plus and Tata Gluco Plus delivered growth. We transitioned Himalayan to our own GTM network

### Opened 6 new stores for Tata Cha around India

#### 3.1.2 Food

##### a) Industry Overview and Outlook

The Food and Beverages segment continued to drive growth for the FMCG industry in FY 2020-21, with packaged staples industry outpacing the growth of the industry. Consumption growth was led by rural due to a good monsoon and government initiatives and investments.



The Indian staples industry is largely unorganised with share of branded players at less than 10%. The overall health, hygiene and wellness concerns are expected to give a fillip to the shift from loose and unorganised to branded consumption of food.

#### Salt

Within the staples category, Indian Branded Salt market is estimated to be ~Rs 6,000 Crore. We have a strong presence in the category with Tata Salt, our vacuum evaporated salt sold nationally, i-Shakti salt, our lower-priced solar evaporated salt normally sold in South) and range of value-added premium salts (Tata Salt Lite, Black Salt, Rock Salt, among others). Our supply partners, Tata Chemicals have 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, iron and iodine-fortified salt like Tata Salt Plus and mineral-rich rock salt and black salt. I-Shakti and crystal salt are being used to drive penetration and growth in South markets.

**Leveraging consumers' shift from loose, unorganised to branded and packaged salt**

**Strengthened health and wellness proposition with lower iodine and value - added alternatives**

#### Pulses

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 in households. The industry is estimated to be larger than 1.5 Lakh Crores with only 1% of the segment being branded. Tata Sampann is the pioneer and the first national branded player in the category and enjoys a high brand affinity among its core consumer segment.

The trend towards migration from loose to packaged pulses and besan has been fuelled by increasing preference for better quality packaged products, launch of differentiated products (Tata Sampann Unpolished Dals, Tata Sampann Low Oil Absorb Besan, and organic range of pulses) and growth in number of organised players entering the category, thereby, expanding the base. The trend has been further amplified following the pandemic due to the need for safe and hygienic products offered by the organised industry. We saw the demand for pulses go up due to increase in home consumption. Prices in the industry remained volatile during the year and soared in second half of FY 2020-21 due to lower than expected yield.

**Tata Sampann is the pioneer and the first national branded player in the category**

#### Spices

Branded spices in India is a Rs. 17,000 Crores industry, as recorded in FY 2019-20. It is a highly contested marketplace with multiple regional or local leaders of scale with single-category businesses. Straight/Pure form the significant share of the market, with competitive intensity from loose players, while Blended spices are mainly branded with loyal consumer base, driven by higher convenience and certainty of taste. There is an increasing demand for branded products with consumers looking at improved quality products in Straight/Pure spices (with better quality of raw materials used) and increasing adoption of Blended spices in kitchen (higher convenience and certainty of taste).

With rising in-home consumption of spices, consumers have become more conscious of the quality and purity of spices and are keen on knowing about the source of raw materials, further accentuated by the pandemic. The role of Indian spices in building immunity has

been known for ages and the pandemic also reinvigorated the discussion on traditional recipes and usage of spices to strengthen immunity. For instance, curcumin found in turmeric has anti-inflammatory properties that are 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

Snacks is a Rs. 81,000 Crores segment with high share of branded play (ready-to-cook is all branded in comparison to Snacks). The growth is being driven by more players entering the segment and offering consumers different taste choices, including healthier food and convenience (For example: Tata Sampann Chilla Mix, millet-based breakfast cereals). During the pandemic, growth was accelerated with lifestyle changes like work from home, at home consumption of convenience foods, higher preference for healthier alternatives and ready-to-cook options. Focus on health and wellness is also reflected in the increasing importance of natural ingredients and functional propositions like protein.

### Outlook

Conversion to branded packaged food will accelerate in post-COVID-19 era. Health and immunity building categories in Food business continue to witness sustained growth even following the lockdown. This trend is likely to continue in the near term. Cooking in home meals will be higher than pre-COVID-19 times, despite lesser restrictions and increase in eating out/ ordering in occasions.

#### b) Business performance

Our Food business grew in strong double digits across the Tata Salt and Tata Sampann portfolio.

Tata Salt further strengthened its market leadership position with value share increasing to 33% (Nielsen) in the packaged salt category. The brand is distributed across 22.8 lakh outlets and 186 million households across the country making it the largest distributed brand in the country. TATA Salt was awarded the 'Most Trusted Brand in India' by consumers in the 'Brandzsurvey' done by WPP and Kantar, won 2 metals (Gold and Silver) at WOW Asia Awards and won 5 Golds and 6 Silvers at Flame Awards 2020, organised by Rural Marketing Association of India. We also won two accolades at the Indian Digital Marketing Awards.

We invested behind the brand reinforcing and extending our #NamakKeWaastey, #Missingl and #SawalDeshKiSehatKa campaigns through the year. We collaborated with popular television show Kaun Banega Crorepati and branded the 'Ask the Expert' lifeline in every episode as Tata Salt Intelligent expert. Tata Salt Lite was the official Health Partner for Kaun Banega Crorepati and the proposition for rock salt was also communicated in the programme on both television and the Sony Liv application. Fresh communication was launched to dial up the importance of right amount of iodine in the mental development of children through the #NoBigDeal campaign for the South market and #SawaalDeshKiSehatKa campaign nationally. Media promotions were supported with visibility drives in the market to maintain and expand availability across key markets.

The Tata Sampann brand launched the #SpiceUpYourHealth campaign and featured the brand ambassador, Sanjeev Kapoor to communicate how inherently present natural oils are known to enrich Tata Sampann spices with essential health benefits. The TV campaign called out the brand's promise of delivering *Sarvagunn Sampann* (endowed with every good quality) ingredients with natural goodness. The brand reached out to consumers through innovative initiatives like #BeatTheLockdown, which launched live sessions and videos from renowned experts in psychology, yoga and nutrition science, to help consumers stay fit and nourished throughout the lockdown. Another campaign '*Har Din Haldi, Har Ghar Healthy*' focused on helping consumers build immunity through the common Indian spice turmeric and showcased cool, new ways of using turmeric every day.

Apart from the Pulses and Spices portfolio, the newly launched portfolio of Mixes and Poha also showed strong traction and consumer offtake. We launched Poha nationally during the year. We test launched a host of new food product categories in the e-commerce domain, which includes Supergrain nutrimixes (*Ragi Idli, Dosa, Idli, Moong Dal Vada*), *Dhokla* nutrimix (made with unpolished dals), *Haldi-Doodh* mix (based on immunity platform), *Masala Daliya* Khichdi mix (the comfort food with fibre goodness) and High Fibre Thin *Poha*.

During the pandemic, we started adopting direct to consumer selling methods, using our own digital platform, Nutrikorner. This helped engage



with our consumers on food and health along with helping establish our brand message.

Five of our units in Food received the CII Award for Food Safety, which is a platform to promote internationally benchmarked practices on Food Safety in small, medium and large food businesses and to build capacity in the food chain.

In February 2021, we also acquired 100% equity shares of Kottaram Agro Foods, owner of the brand 'Soulfull' with a portfolio of millet-based products for adults and kids. We see Soulfull as a strategic fit with our food and beverages portfolio in terms of pipeline expansion (Soulfull products address breakfast and snacking options) as well as being margin accretive. Soulfull is one of the fastest growing brands in the India's 'Better for You' packaged food segment and has strong presence in select urban cities.

Millets require minimal resources (water, fertiliser and pesticide), are sustainable for land and environment and are grown by dryland farmers extensively. Being coarse grains with rancid nature, they are difficult to process and are less preferred by contemporary urban consumers. With its superior R&D capabilities, Soulfull has processed millets into various products appealing to health and wellness needs of the upwardly mobile Indian consumer, creating a pull for millets.

In order to drive complete synergies, we renamed it as Tata Consumer Soulfull Private Limited and the brand to Tata Soulfull. In the next year, we aim to synergise the distribution and supply chain operations with the larger Tata Consumer infrastructure to optimise the cost base.

### 3.1.3 International Beverages

#### a) Industry overview and outlook

##### Tea

As per Euromonitor estimates, Global Hot Tea category is a US\$45 billion industry. Black/Everyday Black Tea forms the largest category sub-segment globally followed by Non-Black segments (Green, Fruit & Herbal, Decaf, Specialty, Cold Infusions, among others). During the pandemic there was an increase in at-home consumption led by pantry loading during the lockdowns and limited/restricted opening of offices, bars and restaurants. This translated to volume growth in retail segment, including in Everyday Black, which is in contrast to the decline trend seen in last few years. However,

Out-of-Home and Institutional channels witnessed significant drop in volumes.

Health and wellness remains one of the key focus areas of the industry. There was higher focus on functionality, such as ingredients improving immunity, for example, turmeric, moringa, herbals, owing to which we saw good response on Super Teas.

E-commerce recorded significant growth with acceleration fuelled by lockdowns and consumers' preference of the safety of purchasing online in comparison to maintaining social distancing in physical stores.

##### Coffee

Retail Hot Coffee is ~2x the size of Tea. USA is the largest coffee market - estimated at ~US\$ 11 Billion and is leading the category growth. Coffee has four sub-segments: Roast & Ground, Beans, Pods and Instant Coffee. Affordable ground and instant formats are more prevalent in Tea drinking markets like Asia, Africa, UK and the Middle East while Roast & Ground and Pods are more prevalent in countries with an evolved café culture (for example: USA, Western Europe). We have presence across two Coffee categories, in the USA with Eight O'Clock coffee brand and India with Tata Coffee Grand.

Like Tea, US Coffee also witnessed an increase in retail volumes while, foodservice and Out-of-Home were significantly impacted.

##### Outlook

We are now witnessing normalisation of market scenario with lower growth in retail volumes in both US and India, compared to a year ago especially in Everyday Black. During recent lockdowns, we also saw decrease in the level of pantry stockpiling as consumers were less worried about stock availability. With this, we will see an increase in competitive activity (including among retailers, grocery and discounter channels) as well as higher promotional intensity between different players. Innovation will play a key role both in terms of growth in the segment and for us at Tata Consumer Products.

#### b) Business Performance

##### UK

In the beginning of the financial year, there was huge increase in demand with consumer stockpiling as a result of lockdown and some of our competitors struggled from the pressures on the supply chain.

While we saw challenges in our supply chain, we were able to manage the bottle necks with measures like running factory 24/7 to meet significantly higher weekly demand, direct supply to retailers as our outbound supply partners were finding it difficult to transport to retail distribution centres. This allowed us to capitalise on the growth opportunity to improve distribution (share within store and higher number of stores).

We launched a new brand in UK – Good Earth Tea (currently mainly available in US and Australia). This will be our third brand in Tea in UK and in terms of price positioning, will straddle between Tetley (mainstream) and Teapigs (Super premium). The brand made its debut with a portfolio of expertly crafted teas and bubbly kombucha (carbonated tea drink), each made with natural, bold flavours with on-trend ingredients and a bold new packaging. The focus of the brand will be on Green and Fruit & Herbal, both popular among younger and health-conscious consumers. In FY 2020-21, it was available exclusively in Sainsbury as part of their Future Brands initiative (which nurtures challenger brands that offer more unique and innovative ranges), online (own website) and select Out-of-Home/High Street outlets. The product was well received, and by March, gained ~1% share in Sainsbury.

We launched a new campaign for our Tetley Cold Infusions range during the summer months in the UK around the core message of 'Add a little fruitiness to your water'. The campaign aimed to increase awareness and education of the range, as well as drive trial and repeat purchase. The digital campaign was shot and edited at home due to COVID-19 with influencer-talent, Georgia, Binky and Megan; and was supported by magazine sampling.

Six of our Tetley products in the UK won The Great Taste Awards in 2020, organised by the Guild of Fine Food (acknowledged benchmark for fine food and drink). We received a one-star accreditation, which means that our products are 'simply delicious and deliver fantastic flavour.' The products include Tetley Decaf, Tetley Redbush Pure, Tetley Super Fruits Multivitamin Summer Berries and three SKUs of Tetley Cold Infusions (Raspberry & Cranberry, Mint, Lemon & Cucumber and Strawberry & Watermelon).

During the pandemic, we also contributed to the UK Government's Department for Environment, Food & Rural Affairs (DEFRA) care packs, which

were delivered weekly to the 1.5 Million people identified as the most vulnerable in the UK. We continued to supply tea to frontline health and emergency staff and patients within the NHS. We provided monetary support to Grocery Aid and were recognised with a Gold Grocery Aid award for the same (GroceryAid is a charity which provides help and support to people who work, or have worked, within the grocery industry either for a retailer, wholesaler or manufacturer).

### USA

In Coffee, we continued to focus on scaling up the innovations - Barista Blends, Flavors of America and Early Riser (premium in value segment dominated by Can segment). During the year, we launched new blend – Café Arriba, Latin-inspired premium coffee flavours, targeting the Hispanic consumer base in SKU formats – Café Espresso (dark medium roast) and Churros Y Chocolate (flavours of sweet cinnamon pastry and chocolate finish). We also launched pods in new 32-count packaging format and received good results.

In tandem with the UK market, we launched Good Earth Sensorial Blends in USA which captured bold flavours in a new biodegradable packaging with eight new SKUs. The blends have gained good traction.

During the fourth quarter, we exited from our JV partnership agreement with Harris Tea for Empirical and Southern Tea by selling our interest to our partner, in line with our strategy to focus on core branded business in international markets. Empirical is engaged in the business of primarily selling white label tea and coffee in the foodservice channel and contract customers. Southern Tea is a manufacturing entity which supplies to both JV partners (in Tata Consumer: Empirical, Tetley and Good Earth brands) and following the transaction, will continue to manufacture for Tetley and Good Earth brands.

### Canada

During the year, with the pandemic, similar to other markets, the Tea category witnessed growth (both volume and value) with higher in-home consumption, in both Mainstream Black and Non-Black segments. We witnessed growth in revenue and share led by Mainstream Black and Non-Black (led by superlative performance of Super Teas). The functional benefit provided by the Super Teas, resonated well with the Canadian customers and we saw monthly shares hitting little shy of 5% share in the segment.



The current year was the first full year the Cold Infusion range being in markets, which was supported by advertising 'Unbore your Cold Water' featuring Canada's Olympic Gold Medallist, Penny Oleksiak. The campaign was centred on the idea that just as Penny adds excitement in water so does Tetley Cold Infusions. The product was received well.

#### Australia

During the year we delivered mixed performance in Tea – increased share in Mainstream Black segment, despite temporary shortage caused due to lower inventory of stocks led by panic buying and delay in shipping from India due to the pandemic. However, our key new product - Cold Infusions performed poorly as the segment witnessed significant decline with the pandemic. Similar to USA, we exited the MAP Coffee business in Australia, engaged primarily in foodservice and will continue to focus on Tea.

**Launched Good Earth in UK – premium price positioning with focus on Green and Fruit & Herbal teas**

**Continued to drive innovation across markets**

The Domestic Extraction business suffered due to loss of production in the beginning of the year on account of shutdown with a nationwide lockdown, lower demand from customers with decline in out-of-home consumption during the pandemic and delay in dispatches due to unavailability of containers and increase in oceanic freight rates.

Both of our plants in Domestic Extraction business received industry recognition from CII- SR for FY 2020-21. Theni unit received excellence 4-star rating award for our Commitment to Environment, Health & Safety (EHS) while Toopran Unit received excellence 3-Star rating award in the same category.

#### Road ahead

In the short-term, we see continued stress on our Coffee Extraction business, impacted by decline in demand from international markets, stemming from the COVID-19 crisis. In the Plantation business – Tea will be impacted by normalisation of prices after the surge seen last year due to lower production with lockdown measures being implemented. The business outlook is expected to improve as markets normalise.

**Vietnam facility delivered 72% growth (in constant currency) and operated at ~90% capacity**

**Both our plants in the Domestic Extraction business was recognised by CII-SR for EHS excellence**

#### 3.1.4 Non-Branded business / B2B

The plantation business of Tata Coffee Limited witnessed ~22% growth with improvements seen across Tea, Coffee and Pepper. The business also faced its fair share of challenges during the pandemic, lower production on account of nationwide lockdown in the initial months and bad weather conditions (Q2 FY2020-21), shortage of labour availability due to travel restrictions and volatility in commodity prices (while tea prices surged, Arabica and Robusta coffee hit lows). We focused on diversification initiatives and cost optimisation during the year, which helped in improving the overall performance.

In our Coffee Extraction business – Domestic Extraction was severely impacted while our Vietnam plant delivered 72% growth (in constant currency) with higher volumes (plant operated at near-peak capacities and reached capacity utilisation of ~90%).

#### 3.1.5 Others

##### Tata Starbucks

The financial year was challenging for our Retail operations as a result of prolonged lockdown, night curfews and restrictions on dine-in seating capacity to maintain social distancing. However, we saw month-on-month improvement in metrics with March 2021 being greater than previous year levels. While we ended the year with lower revenues than previous year, we were able to partly mitigate the impact on profitability with help of cost initiatives like rent negotiations. We were also recognised as India's top 10 workplaces in Retail, 2021.

Tata Starbucks kept up the momentum on expanding the store base to 221 stores with addition of

39 new stores during the year. We crossed the 200<sup>th</sup> store milestone by opening in new city - Amritsar, Punjab. We also entered two new cities – Lucknow and Chandigarh. We are now in 18 cities across India.

We experimented with new format, drive-through store at Dhillon Plaza, Singhpura in Zirakpur (next to Chandigarh-Ambala highway). The launch was supplemented by digital marketing campaign.

As a pioneering initiative in the industry, Tata Starbucks announced two stores in India operated entirely by women in Delhi and Mumbai. This reaffirms ongoing commitment to promoting an inclusive and diverse workforce by empowering women leaders and an important part of our efforts to achieving 40% gender diversity by the end of 2022.

### Road ahead

In the short term, revenue (average daily transactions) will be impacted by the pace of opening of economy (opening of offices, malls, travel and tourism). In the medium-term Starbucks will continue with the accelerated store growth agenda and enter new cities. There will be renewed focus on digital and omni channel partnerships to drive sales and cost initiatives to streamline operations.

## FINANCIAL REVIEW

### 4.1 Consolidated Business

#### Key financials

- **Revenue from operations** stood at Rs. 11,602 Crores, higher than the previous year by 20% with growth in both Branded and Non-Branded business.

- India Beverages Business grew by ~36%, led primarily by Tea (volume growth of 12% and value growth of 32%) and inclusion of NourishCo as a subsidiary.
- India Food Business grew by ~18% with all business segments growing led by Salt and Pulses.
- International Business grew by 8% (1% in constant currency). Excluding Food Service and Out-of-Home sectors which were impacted by Covid pandemic, International business grew by 12% (5% in constant currency) mainly driven by Retail and Online segments with volume growth of 7% in Branded Coffee and 1% in Tea.
- Non-Branded Business revenue grew by 15% (13% in constant currency) driven by

higher capacity utilisation of Vietnam plant coupled with improved performance in both tea and coffee plantations.

- **Earnings before interest, taxes and Depreciation & Amortisation (EBITDA)** at Rs. 1,569 Crores, higher than the previous year by 20%.
- **Profit before exceptional items and taxes (PBIT)** at Rs. 1,342 Crores, higher than the previous year by 24%.
  - India Beverages: Improvement in profit from operations mainly due to higher sales and rationalisation of expenses while it recorded higher spends on brand building and was significantly impacted by record tea cost inflation in India. India Food business saw an improvement in profit, led by higher sales and good management of spends
  - International Branded saw significant improvement in profits, led by sales, gross margin expansion (due to better management of commodity costs) and cost reduction initiatives across businesses (including overheads), which was partly offset by higher advertisement spend to support brands
  - Non-Branded Business witnessed significant enhancement in profits, attributable to higher profits in Tata Coffee Limited led by growth in plantation segment and higher revenue driven improved performance in Vietnam.
- **Exceptional items** include restructuring and re-organisation costs mainly relating to integration of India Food and Beverages businesses, loss on disposal of businesses (Empirical LLC, Southern Tea and foodservice operations in Australia), partly offset by gain with conversion of NourishCo Beverages from JV to subsidiary operations.
- **Group net profit for the year** stood at Rs. 930 Crores, significantly higher than the previous year driven from improved operating performance coupled with lower exceptional items and lower share of losses from associates and JVs.
- **Earnings per share** is at Rs. 9.30 for the year as compared to Rs. 4.99 in the previous year. EPS for the year is higher primarily led by higher profits generated during the year and lower exceptional costs.



## Performance Snapshot

The consolidated financial highlights for FY 2020-21 are as follows:

Rs. in Crores

Particulars	FY 2020-21	FY 2019-20	Change
Revenue from operations	11,602	9,637	20%
Operating profit before depreciation and amortisation (EBITDA)	1,569	1,310	20%
EBITDA %	13.5%	13.6%	-0.1
Operating profit (EBIT)	1,315	1,069	23%
EBIT %	11.3%	11.1%	0.2
Profit before exceptional items and taxes	1,342	1,084	24%
PBT ( <i>bei</i> )%	11.6%	11.2%	0.4
Exceptional items (net)	(31)	(275)	-89%
Profit before tax	1,311	809	62%
Profit after tax	994	535	86%
Share of JVs and associates	(63)	(75)	-16%
Group net profit	930	460	102%
Net profit margin%	7.9%	4.7%	3.2

Rs. In Crores

Particulars	FY 2020-21	FY 2019-20	Change
Net worth	15,627	14,907	5%
Operating capital employed	13,191	13,145	0%
Goodwill	7,597	7,334	4%
Brand (indefinite life)	2,093	2,093	0%
Borrowings	1,207	1,256	-4%
Cash and cash equivalents including current investments and ICDs	3,589	2,578	39%
Net cash/(Debt)	2,383	1,321	80%

Key Financial Ratios	FY 2020-21	FY 2019-20	Change
Return on Operating Capital Employed (RoCE)	10%	8.1%	1.9
Return on Operating Capital Employed, excluding Goodwill and Brand (indefinite life)	37.5%	28.7%	8.8
Return on Net Worth (RoNW)%	6.0%	3.4%	2.6
Basic EPS (Rs./Share)	9.30	4.99	86%
Debtors turnover (Days)	26	32	19%
Inventory turnover (Days)	105	117	10%
Interest coverage ratio	20.53	14.92	38%
Current ratio	1.59	2.05	-22%
Debt equity ratio	0.08	0.08	0%

**Note:** Change in Return on Net profit margin and Net Worth (RoNW) is mainly on account of improved operating performance and lower exceptional items. Change in Interest Coverage ratio is on account of softening of interest rates and lower requirement of working capital loans.

## 4.2 Standalone India Business

### Key Financials

- Revenue from operations** at Rs. 7,154 Crores, higher than the previous year by 26%. This was driven by volume growth of ~12% in the Indian Branded tea portfolio, which was seen across different type of brands i.e. Economy and Premium. The Food business grew at ~18% in value terms with Salt volumes growing by 11%.
- Earnings before interest, taxes and depreciation and amortisation (EBITDA)** at Rs. 919 Crores, higher than the previous year by 14%.
- Profit before exceptional items and taxes (PBIT)** at Rs. 897 Crores, higher than the previous year by 15%. Growth led by higher sales in both Beverages and Food business despite decline in gross margin for the beverages business impacted by record tea cost inflation and higher investment behind brands.
- Exceptional items** of Rs. 61 Crores represents restructuring and re-organisation costs, which mainly includes costs related to integration of the India Beverages and Food business.
- Profit after tax** at Rs. 620 Crores, higher than the previous year by 18% led by improved operating performance, lower tax rate, partly offset by higher exceptional expenditure.

### Performance Snapshot

The standalone financial highlights for FY 2020-21 are as follows:

	Rs. In Crores		
	FY 2020-21	FY 2019-20	Change
Revenue from operations	7,154	5,690	26%
Operating profit before depreciation and amortisation (EBITDA)	919	806	14%
EBITDA %	12.8%	14.2%	-1.4
Operating profit (EBIT)	793	692	15%
EBIT %	11.1%	12.2%	-1.1
Profit before exceptional items and taxes	897	781	15%
Exceptional items (net)	(61)	(52)	17%
Profit before tax	836	729	15%
Profit after tax	620	524	18%
Net Profit Margin %	8.5%	9.0%	-0.5

	Rs. in Crores		
	FY 2020-21	FY 2019-20	Change
Net worth	11,224	10,850	3%
Operating capital employed	6,915	7,249	-5%
Goodwill	3,579	3,579	0%
Brand (indefinite life)	2,093	2,093	0%
Borrowings	-	35	-100%
Cash and cash equivalents, including current investments and ICDs	1,916	1,475	30%
Net cash/(Debt)	1,916	1,440	33%

Key financial ratios	FY 2020-21	FY 2019-20	Change
Return on Operating Capital Employed (RoCE)	11.5%	9.5%	2
Return on Operating Capital Employed, excluding goodwill and indefinite brand	63.8%	43.8%	20
Return on Net Worth (RoNW)%	5.6%	4.9%	0.7
Basic EPS (Rs./Share)	6.72	5.68	18%
Debtors turnover (days)	15	19	21%
Inventory turnover (Days)	90	101	11%
Interest coverage Ratio	32.90	31.36	5%
Current ratio	1.39	2.01	-31%
Debt equity ratio	-	0.00	-100%

**Note:** Change in Return on Net Worth (RoNW) is driven by improved profitability. Change in Current ratio is led by better working capital management.

### RISK MANAGEMENT

At Tata Consumer Products, our 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 the 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 risk management governance model, risk assessment and prioritisation process. The Risk Management Committee

adopted a follow-up risk management framework to review and monitor the key risks and their mitigation measures periodically and provide an update to the Board on Company's risks outlined in the risk registers. 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 consecutively for the second time declared 'Masters of Risk' in FMCG category, at the seventh edition of The India Risk Management Awards 2021 by CNBC TV-18 and ICICI Lombard. These awards



recognise those organisations and teams that have significantly added to the understanding and practice of risk management.

## CYBER SECURITY

We devised a three-pronged approach to cybersecurity:

- Ensured strong safeguards that included antivirus and malware detection and prevention, laptop hard-disk encryption, virtual private network to access our applications, and web security to block malicious sites
- Established and solidified our managed Security Operations Centre (SOC), which provides protective monitoring and speedy response and recovery to any cybersecurity incidents that might happen
- Ensured strong operational safeguards that included end-point security, disk encryption, multi-factor authentication (MFA), secure internet access, virtual private network, and strengthened user access management. We also established and solidified our managed Security Operations Centre (SOC) that provides threat intelligence, protective monitoring and speedy response and recovery to any incidents that might happen by utilising the Security Incident and Event Management (SIEM) tools.
- Implemented a proactive security assessment tool, Security Assessment Framework for Enterprise (SAFE), which provides enterprise-wide, objective, unified 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, network connectivity devices, and gives advance visibility of assets at risk, allowing us to proactively take actions and eliminate or mitigate it.

## HUMAN RESOURCES AND INDUSTRIAL RELATIONS

We currently have over 3,300 full time employees (globally) across our branded businesses. As we embark on our growth journey with entry into a larger portfolio of the Food & Beverages segment, we defined and communicated our people strategy and processes across the following areas:

- **High Performance Culture**  
We reviewed our Performance Management System to reward employees on performance achievement and showcase behaviours aligned to our values to reinforce the culture of high performance and strong accountability. The key focus was on cascading

organisational and functional goals with emphasis on outcomes delivered. To create a learning culture in the organisation, we introduced the concept of learning goals for our employees and supported them with relevant avenues to fulfil these goals. We revised our annual incentive plan to reflect our continued emphasis on organisational, functional and individual performance. We also ensured the relevance of our sales incentive plans by refreshing them to reflect the revised organisation structure.

- **Managing Talent**

Building skills and capabilities for the present and the future is on the top of our learning agenda. We build our learning agenda on two sets of capabilities – future-ready and future-engaged. This is achieved through multiple platforms (internal and external), including academy-based development opportunities, group learning programmes, e-learning platforms and mentoring programmes, among others.

In line with our objective to develop talent and support our succession planning process we provided key talent with opportunities, special learning assignments, projects and internal movements across functions and geographies. The Management Trainee programme 'Emerging Leaders Plus', is now established as a key programme to build our pipeline for future leaders.

- **Engagement**

We successfully completed our annual engagement survey, 'Interactions' in March with a 90% response rate. Our overall engagement index improved from previous levels and we will be building specific action plans based on our overall areas of improvement. In addition to the annual survey, we continued to conduct small employee pulse surveys during the year.

- **Safety**

We continue to encourage employees to work from home wherever possible and reinforce safety standards in office and factory locations. We continued to support our employees reaching out to us, in case of any medical emergency. Balanced, Energetic, and Mindful (BEAM) is our well-being programme that focuses on physical, emotional and financial well-being of our employees and was institutionalised during the year. We conducted multiple webinars on physical activities and yoga for our employees. To ensure emotional well-being, there were multiple counselling sessions conducted throughout the year.

- **Rewards & 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 award, SPARKLE and GRATITUDE, recognition from leadership, GREAT JOB CAFÉ, accolades for values displayed, SHINE and BRANIACS rewards for solving business problems. Since the launch of the new platform in October 2020, nearly 85% employees engaged with the platform to give or receive recognition.

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

### INTERNAL CONTROLS AND GOVERNANCE

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

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

### INTERNAL AUDIT

Internal Audit (IA) at Tata Consumer Products is an independent, 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 process, controls and governance. The internal audit function carries out a focused and risk-based annual internal audit plan approved by the Audit Committee using a 10-factor risk approach. Our IA is differentiated by utilising better data analytics tools, like using home-grown and developed analytics platform, Tgo and its mix of various in-house domain specialists in its activity

### 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 significant difference to our operations. These include climatic and economic conditions affecting demand and supply, government regulations and taxation, any epidemic or pandemic, natural calamities over which we do not have any direct/indirect control.