

MANAGEMENT DISCUSSION AND ANALYSIS REPORT FOR THE FINANCIAL YEAR 2023-24

Company Overview:

Tata Sons Private Limited (“Tata Sons” or “the Company”) is the principal investment holding company and promoter of various Tata companies. It is a Core Investment Company registered with the Reserve Bank of India.

Tata group operates in more than 100 countries across six continents, with a mission ‘To improve the quality of life of the communities we serve globally, through long-term stakeholder value creation based on Leadership with Trust’. This mission defines the business philosophy and guides the approach of doing business by Tata group.

As on March 31, 2024, Tata Sons has 322 subsidiaries and the Company together with its subsidiaries has 40 associates and 32 joint venture companies, which are engaged in diversified businesses including Technology, Steel, Automotive, Consumer & Retail, Infrastructure, Financial Services, Aerospace & Defense, Tourism & Travel, Telecom & Media and Trading & Investments.

More than 90% of the net assets of the Company are in the form of investments and loans to various Tata companies. The primary source of inflow is dividends received from Tata companies, occasionally supplemented by sale of investments.

The Company is the owner of the ‘Tata’ brand. Group companies are signatories to the Brand Equity and Business Promotion Agreement (“BEBP Agreement”)/ Tata Trademark License Agreement. The aforesaid Agreements confers upon the signatory companies, the right to use the ‘Tata’ brand in the names of their products and services and in certain cases in their corporate names. Tata companies are committed to run their businesses ethically, transparently and in conformity with the Tata Code of Conduct which is an integral part of the BEBP Agreement.

Standalone Financial Results

Financial Performance:

	(₹ in Crore)				
	Standalone Financial Results				
	FY23	% of Revenue	FY24	% of Revenue	Increase / (Decrease) in FY24
Total Revenue	35,058.47	100%	43,893.00	100%	8,834.53
Profit before exceptional items & taxes	31,263.77	89%	41,116.51	94%	9,852.74
Exceptional items	(1,240.03)		(1,303.35)		(63.32)
Profit before tax	30,023.74	86%	39,813.16	91%	9,789.42
Profit for the year after tax	22,132.38	63%	34,653.98	79%	12,521.60
Return on Equity pre-exceptional items & tax	39.19%		38.15%		

In FY 2023-24, Total Revenue grew by 25% to ₹ 43,893.00 crore while Profit before exceptional items and taxes was ₹ 41,116.51 crore. Exceptional items in the financial year 2023-24 were ₹ 1,303.35 crore which comprised mainly of provision for gross liabilities of Tata Teleservices Limited / Tata Teleservices (Maharashtra) Limited towards Department of Telecommunications.

Profit after tax was ₹ 34,653.98 crore, a growth of 57% over the previous year.

Financial Position:

	(₹ in Crore)		
	FY23	FY24	Increase / (Decrease) in FY24
Networth	90,651.47	1,24,878.55	34,227.08
Gross debt	22,176.27	363.18	(21,813.09)
Other liabilities	22,848.59	24,209.14	1,360.55
Total: Liabilities	1,35,676.33	1,49,450.87	13,774.54
Investments	1,30,703.56	1,42,973.04	12,269.48
Cash & cash equivalents	1,533.80	3,042.37	1,508.57
Other assets	3,438.97	3,435.46	(3.51)
Total: Assets	1,35,676.33	1,49,450.87	13,774.54
Market Value of listed investments	11,20,545.24	15,20,560.60	4,00,015.35
Capital Adequacy Ratio	432.15%	501.70%	69.55%
Leverage Ratio [times]	0.10	0.05	-0.05

The capital structure of the Company strengthened during the year under review. Net worth increased by 38% to ₹ 124,878.55 crore while net debt reduced to negative ₹ 2,679.19 crore [i.e. cash balance was in excess of debt] on March 31, 2024.

The return on equity, pre-exceptional items and tax was 38.15% for the financial year 2023-24.

Consolidated Financial Results

Financial Performance:

	(₹ in Crore)				
	Consolidated Financial Results				
	FY23	% of Revenue	FY24	% of Revenue	Increase / (Decrease) in FY24
Total Revenue	415,734.41	100%	476,927.67	100%	61,193.26
Profit before exceptional items & taxes	48,272.35	12%	59,486.47	12%	11,214.12
Exceptional items	(1,427.59)		(677.83)		749.76
Profit before tax	54,247.10	13%	73,109.57	15%	18,862.47
Profit for the year after tax	28,211.04	7%	49,000.66	10%	20,789.62

Total Revenue showed an increase of 15% to ₹ 476,927.67 crore.

Profit after tax for the year was ₹ 49,000.66 crore compared to ₹ 28,211.04 crore in the previous year, an increase of 74%.

Financial position:

	(₹ in Crore)		
	FY23	FY24	Increase / (Decrease) in FY24
Networth	2,28,219.09	2,77,022.69	48,803.60
Gross debt	2,27,970.33	2,78,972.43	51,002.10
Other liabilities	1,81,401.01	2,42,983.06	61,582.05
Total: Liabilities	6,37,590.43	7,98,978.18	1,61,387.75
Investments	1,38,437.62	1,58,631.00	20,193.38
Cash & cash equivalents	85,656.90	89,379.91	3,723.01
Other assets	4,13,495.91	5,50,967.27	1,37,471.36
Total: Assets	6,37,590.43	7,98,978.18	1,61,387.75

The Tata group's combined market capitalization as on March 31, 2024 was ₹ 30,36,905 crore compared to ₹ 20,71,467 crore in the previous year.

Business Highlights:

Over the past few years, the global economic landscape has been volatile with geo-political shifts reshaping supply chains, energy security and transition gaining momentum; and Artificial Intelligence entering the mainstream.

The base line forecast for the world economy is to continue growing at 3% during 2024 and 2025, led by expectations of US growth, growth in emerging market led by India and no major downgrades in other major developed geographies.

India's growth continues to be resilient, underpinned by the Government's capital outlay and strong domestic demand. India's GDP has grown by 8.2% in the financial year 2023-24.

The Company is investing to leverage the India growth opportunity and in industries which have large potential driven by:

- i. global energy transition trend across sectors,
- ii. imperative for global manufacturers to create a more diversified and resilient supply chain and
- iii. AI/Data led transformation of businesses.

The Company continues to make investments in businesses to enable them to capitalize on above growth opportunities and to support deleveraging of balance sheets.

The Company has identified and incubated select new businesses.

Risks and Concerns for the Company & the Group Risks Management Framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Group Risk Management Committee has been formed to assist the Board for identification, assessment and monitoring of risks in line with the business strategies. The charter of the said committee is approved by the Board and lays down the risk management processes and controls.

Adequacy of Internal Controls

The Company's internal controls are commensurate with its size and the nature of operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use, executing transactions with proper authorization and ensuring compliance with the Company's policies. The Company has a well-defined delegation of power with authority limits for approving contracts as well as expenditures.

The terms of reference of the Audit Committee of the Company includes evaluation of internal financial controls and risk management systems. As part of the internal financial control systems, Internal Auditor conducts regular audits and presents their findings to the Audit Committee. As on March 31, 2024, there are no material unaddressed Internal Financial Controls related observations outstanding.

The Statutory Auditors of the Company have audited the Company's financial statements and issued an attestation report on the Company's internal control over financial reporting (as defined in Section 143 of the Companies Act, 2013).

Based on the above, the Company believes that adequate Internal Financial Controls exist and are operating effectively.