

## TATA TECHNOLOGIES LIMITED

22-11-2023 to 24-11-2023

Industry: Computers - Software & Consulting  
Recommendation: SUBSCRIBE

Price Band: ₹ 475 - 500  
Post Implied Market Cap: ₹ 19,269 - 20,283 Cr

### Key Data

Issue Size (₹ Cr)	3,043
Fresh (₹)	--
OFS (₹)	3,043
No of shares offered	40,56,68,530
Face Value (₹ /share)	2
Bid Lot	30

### About the Company

Tata Technologies Limited (Tata Tech) established in 1994 and promoted by Tata Motors Ltd, is a prominent global engineering services company specializing in product development and digital solutions. Primarily focused on the automotive industry, the company also extends its expertise to aerospace, transportation, and construction heavy machinery. As a pure-play manufacturing-focused Engineering Research & Development (ER&D) company, Tata Tech serves major automotive and new energy ER&D clients contributing to their digital transformation initiatives. The company's core business is providing outsourced engineering services and digital transformation services to global manufacturing clients. Additionally, they operate in Products and Education, offering third-party software applications and value-added services. Tata Technologies has a diverse global client base with 19 delivery centre's worldwide as of September 30, 2023.

### Investment Rationale

- **Deep expertise in the automotive industry:** Tata Tech specializes in comprehensive ER&D services across the entire automotive value chain. Their offerings include concept design, tear down and benchmarking, vehicle architecture, virtual validation, and more. Over 10 years, they've developed turnkey solutions for internal combustion engine vehicles, plug-in hybrids, and battery electric vehicles. Leveraging deep automotive domain expertise, they assist clients in optimizing digital technologies for product conception, development, manufacturing, sales, and service. Their capabilities extend to turnkey machine development for construction heavy machinery and expertise in automotive tooling design for the aerospace MRO sector.
- **Differentiated capabilities in new age automotive trends - electric vehicles, connected and autonomous:** Tata Tech provides end-to-end solutions for electric vehicle (EV) development, manufacturing, and after-sales services. Their product engineering offerings include turnkey EV development, electric vehicle modular platform (eVMP) and a light-weighting framework. With a history in EV capabilities since 2010, they offer a comprehensive suite, covering EV architectures, connected services, autonomous driver assistance systems, embedded electronics and more. Their eVMP platform reduces development timelines, enhances scalability, and facilitates virtual validation. Notably, they accelerated VinFast's EV development using eVMP. Additionally, Tata Tech developed the TRACE connected vehicle cloud platform to support the entire automotive value chain.
- **Strong digital capabilities bolstered by proprietary accelerators:** Tata Tech offers a comprehensive suite of digital services and accelerators to assist OEMs and Tier-1 suppliers in managing the entire digital product lifecycle. Leveraging deep manufacturing domain knowledge, they enhance efficiency in new product introductions across automotive, aerospace, and construction heavy machinery sectors. Their digital product development solutions focus on integrating technologies like Product Lifecycle Management (PLM), Manufacturing Execution Systems (MES), and Enterprise Resource Planning (ERP) to create a 'Digital Thread' across the manufacturing value chain. They also deploy Industry 4.0 at scale, identifying and implementing emerging technologies to transform client manufacturing operations. The company resells PLM application software through strategic partnerships, providing insights into future product roadmaps and reducing client acquisition costs. PLM software is a key component of their education offerings.
- **Marquee set of clients across anchor accounts, traditional OEMs and new energy vehicle companies:** Tata Tech has a diverse global presence, partnering with major manufacturing enterprises worldwide. Their client portfolio includes traditional automotive OEMs, tier 1 suppliers, and new energy vehicle companies, with key accounts comprising top global automotive ER&D spenders. They actively engage with clients on multiple projects, boasting a high repeat rate and strong client Net Promoter Scores (NPS). While maintaining deep strategic relationships with Anchor Clients like TML and JLR, they have successfully increased revenue from non-Anchor Clients and expanded key account profitability through cross-selling. New energy vehicle clients, such as VinFast, have also increased their spending with the company over the years.

### Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	30-11-2023
Refunds/Unblocking ASBA Fund	01-12-2023
Credit of equity shares to DP A/c	04-12-2023
Trading commences	05-12-2023

### Shareholding (No. of shares)

Pre-Issue	40,56,68,530
Post Issue (Lower price band)	40,56,68,530
Post Issue (Higher price band)	40,56,68,530

### Shareholding Pattern

	%
<b>Promoters - Tata Motors Ltd:</b>	
Pre Issue	64.79%
Post Issue	53.39%
<b>Promoter Group:</b>	
Pre Issue	2.00%
Post Issue	2.00%
<b>Public - Investors Selling S/h:</b>	
Pre Issue	10.89%
Post Issue	7.29%
<b>Public -Others:</b>	
Pre Issue	22.32%
Post Issue	37.32%

### Issue Breakup

QIB	50%
NIB	15%
Retail	35%

### Risk

- Customer concentration.
- 100% OFS.

### MView

We believe Tata Tech IPO gives investors an opportunity to invest in a prestigious Tata group company which is a prominent leader in global engineering services company with deep expertise in the automation industry focused in Engineering Research & Development ("ER&D"). We like the company's strong established brand and diverse product portfolio across different product categories from traditional OEM's to new age energy vehicles. We also believe Tata Tech as a front runner in new-age automotive trends, particularly in EVs, connected services and autonomous technologies it could ensure a leadership in new automotive trends. We think outsourcing business model would be in great demand going forward in engineering services and digital transformation services to global manufacturing clients helping clients to conceive, design, develop and deliver better products.

By looking at the financials, the company has shown a strong growth between fiscal 2022 and 2023 with a 48.2/25.1% in revenue from operations and 82.7%/42.8% in Net profit. On Valuation parse at upper price band of ₹ 500/- and based on annualized earnings and fully diluted post-IPO paid-up capital, the issue is asking for a Market Cap of ₹ 20,283 Cr with P/E of 29x on consolidated basis, which seems the issue is reasonably priced when compared industry peers which are trading ~60x. Despite coming with 100% OFS offer investors would be keen to own the share based on the group long term legacy, Tata Tech is well positioned as a key player in the evolving automotive industry which is poised for sustainable long term growth. Considering all the parameters, we strongly advocate a good long term prospects for the company. Hence, we recommend investors to "SUBSCRIBE" to the TATA TECH IPO offer with long-term perspective as well as strong listing gain due to investor friendly pricing given good room for upside on listing.

### Other Details

**BRLMs:** JM Financial, Citigroup Global, BofA Securities  
**Registrar:** Link Intime India Pvt. Ltd.  
**Listing:** BSE & NSE

### Research Analyst

**Rajan Shinde**  
Rajan.shinde@mehtagroup.in  
022-61507142



## CONSOLIDATED FINANCIAL TABLES

### BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at Sept' 30		As at March' 31		
	2023 (06)	2022 (06)	2023	2022	2021
Equity Share Capital	81.13	40.57	81.13	41.81	41.81
Reserve	2,771.99	2,441.32	2,908.34	2,238.16	2,100.35
Net Worth	2,853.13	2,481.88	2,989.47	2,280.16	2,142.15
Revenue From Operations	2,526.70	1,887.91	4,414.18	3,529.58	2,380.91
Revenue Growth %	33.8%	-	25.1%	48.2%	-
Adj EBITDA	464.75	372.52	820.93	645.66	385.71
Adj EBITDA Margin (%)	18.39%	19.73%	18.60%	18.29%	16.20%
Profit Before Tax	466.25	341.3	796.15	586.86	315.27
Net Profit for the Period	351.9	259.06	624.04	436.99	239.17
Net Profit Margin (%) as stated	13.93%	13.72%	14.14%	12.38%	10.05%
EPS (₹)	8.67	6.39	15.38	10.77	5.89
RONW(%)	12.33%	10.44%	20.87%	19.16%	11.17%
NAV (₹)	70.27	61.18	73.65	56.19	52.79

Source: Company RHP

### COMPARISON WITH LISTED PEERS ₹ (in Cr)

Companies	Consolidated/ Standalone	Mcap (in Cr)	FV	Revenue from Operation FY 2023 (In Cr)	EPS	NAV	P/E	RONW
Tata Technologies Ltd	Consolidated (Annualised FY 2024)	20,283	2	4,414.18	17.35	79	28.82	20.87%
KPIT Technologies Ltd	Consolidated	44,474	10	3,365.04	14.1	61.58	90.9	22.91%
L&T Technology Services Ltd	Consolidated	47,861	2	8,013.60	110.8	470.66	37.6	23.54%
Tata Elxsi Ltd	Consolidated	51,629	10	3,144.72	121.26	334.92	65.8	36.21%

Date as on 31st March 2023, Cline Mcap, PE calculated as on 20-11-2023

Tata Technologies Ltd, Revenue EPS/PE, NAV calculated on annualised basis post money



# MSEARCH

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### **Msearch's Recommendation (Absolute Performance)**

**Buy: > 20% within the next 12 Months**

**Accumulate: 5% to 20% within the next 12 Months**

**Sell : < -20% within the next 12 Months**

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Mehta Equities Limited, 903, 9th Floor, Lodha Supremus, Dr.E.Moses Road, Worli Naka, Worli, Mumbai 400 018, India

Tel: +91 22 6150 7101, Fax: +91 22 6150 7102

Email: [info@mehtagroup.in](mailto:info@mehtagroup.in), Website: [www.mehtagroup.in](http://www.mehtagroup.in)

Compliance Officer: Prakash Joshi

Email Id: [compliance@mehtagroup.in](mailto:compliance@mehtagroup.in)

Phone No +91 22 61507180

For grievance redressal contact Customer Care Team Email: [help.kyc@mehtagroup.in](mailto:help.kyc@mehtagroup.in) Phone: + 91 22 61507154