

Tata Technologies Ltd.

SELL

Sector: IT Enabled Services

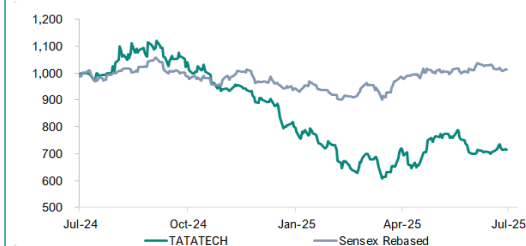
24th July, 2025

Key Changes	Target	Rating	Earnings	Target	Rs. 644		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs. 718
Small cap	TATATECH:IN	82,184	TATATECH	544028	12 Months	Return	-10%

Data as of: 24-July-2025, 17.00 hrs

Company Data			
Market Cap (Rs. cr)	29,131		
52 Week High — Low (Rs.)	1,135 - 595		
Enterprise Value (Rs. cr)	28,461		
Outstanding Shares (cr)	40.6		
Free Float (%)	37.9		
Dividend Yield (%)	1.6		
6m average volume (cr)	0.2		
Beta	-		
Face value (Rs.)	2.0		
Shareholding (%)	Q2FY25	Q3FY25	Q4FY25
Promoters	55.2	55.2	55.2
FII's	3.6	3.1	3.1
MFs/Institutions	3.6	3.1	2.5
Public	24.7	26.0	26.8
Others	12.9	12.6	12.4
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-0.6%	-10.3%	-28.1%
Absolute Sensex	3.3%	8.1%	2.9%
Relative Return	-3.8%	-18.4%	-31.0%

*over or under performance to benchmark index



Y.E March (Rs.cr)	FY25A	FY26E	FY27E
Sales	5,168	5,341	5,764
Growth (%)	1.0	3.3	7.9
EBITDA	934	926	1,073
EBITDA Margin (%)	18.1	17.3	18.6
PAT Adjusted	677	687	790
Growth (%)	-0.4	1.5	14.9
Adjusted EPS	16.7	16.9	19.5
Growth (%)	-0.4	1.5	14.9
P/E	40.6	42.3	36.8
P/B	7.7	7.7	7.2
EV/EBITDA	28.7	30.7	26.7
ROE (%)	18.9	18.2	19.6
D/E	0.1	0.1	0.1

Near-term challenges outweigh growth prospects

Tata Technologies Ltd, a subsidiary of Tata Motors Ltd, is a global product engineering and digital services company with a workforce of over 12,600 and 20 global delivery centers across 27 countries in Asia-Pacific, Europe and North America.

- Consolidated revenue from operations slipped 1.9% YoY to Rs. 1,244 cr in Q1FY26 due to paused R&D spending amid tariff-led challenges.
- In Q1FY26, revenue from the services segment (contributes 77.4% of total revenue), fell 2.2% YoY to Rs. 964cr, due to delays in ramp-ups of large deals and decision-making.
- The technology solutions segment stood at Rs. 281cr in Q1FY26, as against Rs. 283cr in Q1FY25.
- EBITDA for the quarter under review stood at Rs. 200cr, down 13.4% YoY, with EBITDA margin contracting 210bps YoY to 16.1%, primarily on account of operating deleverage.
- Consolidated profit after tax (PAT) grew 5.1% YoY to Rs. 170cr, owing to a 176.4% YoY growth in other operating income to Rs. 64cr.
- The company stated that its order book has grown compared to the same time last year by the end of the first quarter.

Outlook & Valuation

Tata Technologies has delivered a moderate financial performance in Q1FY26, impacted by uncertain macroeconomic conditions and policy-related pressure on sentiments, resulting in margin compression. Despite these challenges, the company expects a sequential recovery in Q2 and a stronger H2FY26. This optimism is driven by a stronger deal pipeline compared with last year and an early build-up of the order book, which provides increased revenue visibility and improved conversion rates. However, the company still faces industry-level challenges such as the impact of US tariff decisions. Therefore, **we downgrade our rating on the stock to SELL, based on 33x P/E on FY27E adjusted earnings-per-share (EPS), with a revised target price of Rs. 644.**

Quarterly Finance Consol.

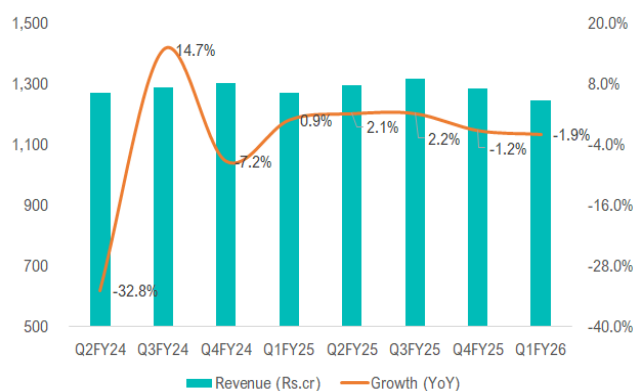
Rs.cr	Q1FY26	Q1FY25	YoY Growth (%)	Q4FY25	QoQ Growth (%)
Sales	1,244	1,269	-1.9	1,286	-3.2
EBITDA	200	231	-13.4	233	-14.3
Margin (%)	16.1	18.2	-210bps	18.2	-210bps
EBIT	169	201	-16.2	202	-16.5
PBT	233	220	5.9	258	-9.9
Rep. PAT	170	162	5.1	189	-9.8
Adj PAT	170	162	5.1	189	-9.8
Adj. EPS (Rs)	4.2	4.0	5.0	4.7	-10.1



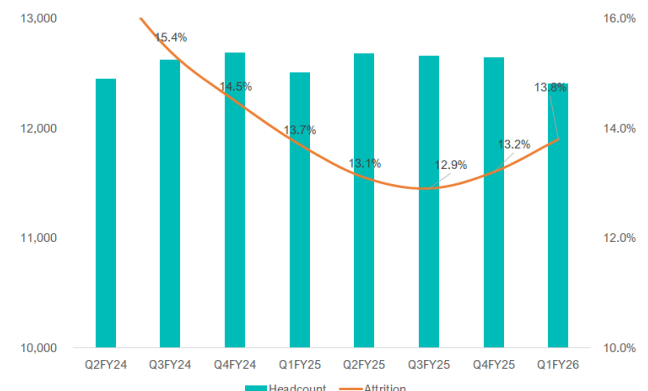
Key concall highlights

- The aerospace division saw a notable 13% rise in revenue from the previous quarter, driven by robust demand and consistent execution across product lifecycle management (PLM), manufacturing, engineering and digital transformation engagements.
- The quarter was marked by a substantial rise in deal activity, with the completion of six large deals, including four that surpassed \$10 million and two that were valued between \$5 million and \$10 million, which were successfully finalized.
- As of June 2025, headcount stood at 12,407, reflecting a net decrease of 2% (237 individuals) from the previous quarter, with LTM attrition rising 60bps QoQ to 13.8%.
- Tata Technologies formed new alliances with National Instruments and Emerson to co-develop next-generation validation, automation, and digital twin solutions, enabling artificial intelligence-driven industrial transformation.
- Volvo Cars recognized Tata Technologies as one of the top 10 strategic suppliers, underscoring its position as a trusted engineering partner in software-defined and sustainable mobility initiatives.
- A transformative project to design and deploy an integrated aircraft docking system, spanning concept design, simulation, manufacturing and installation is being undertaken in partnership with a leading Asian airline, with the aim of improving turnaround times and maintenance efficiency.

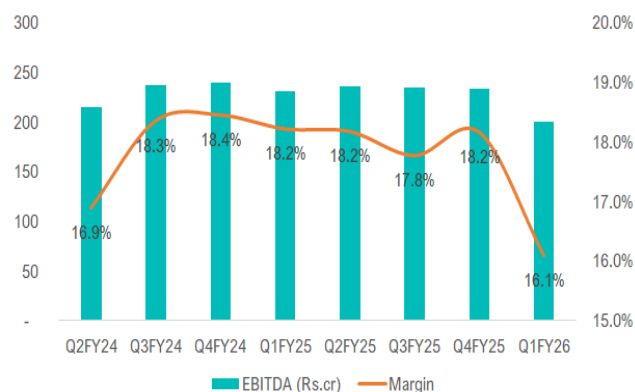
Revenue



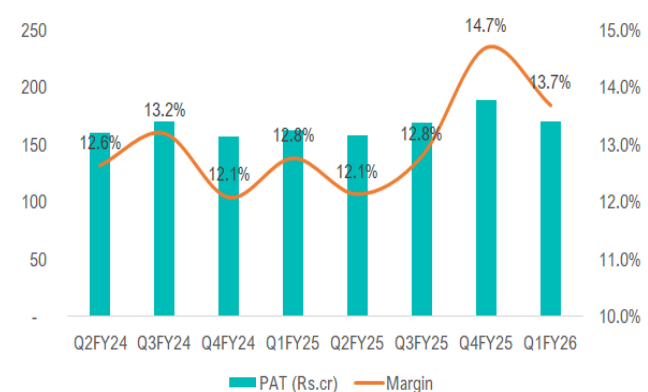
LTM Attrition



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	5,878	6,626	5,341	5,764	-9.1	-13.0
EBITDA	1,069	1,231	926	1,073	-13.4	-12.8
Margins (%)	18.2	18.6	17.3	18.6	-90bps	0bps
Adj. PAT	821	961	687	790	-16.3	-17.9
EPS	20.2	23.7	16.9	19.5	-16.3	-17.9



Consolidated Financials

Profit & Loss

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Sales	4,414	5,117	5,168	5,341	5,764
% change	25.1	15.9	1.0	3.3	7.9
EBITDA	909	941	934	926	1,073
% change	30.9	3.6	-0.8	-0.9	15.9
Depreciation	95	106	121	130	142
EBIT	814	835	813	796	931
Interest	18	19	20	23	26
Other Income	-	116	128	161	169
PBT	796	932	921	935	1,075
% change	35.7	17.1	-1.1	1.5	14.9
Tax	172	253	244	248	285
Tax Rate (%)	21.6	27.1	26.5	26.5	26.5
Reported PAT	624	679	677	687	790
PAT att. to common shareholder-	624	679	677	687	790
Adj.*	-	-	-	-	-
Adj. PAT	624	679	677	687	790
% change	42.8	8.9	-0.4	1.5	14.9
No. of shares (cr)	40.6	40.6	40.6	40.6	40.6
Adj EPS (Rs.)	15.4	16.7	16.7	16.9	19.5
% change	42.7	9.0	-0.4	1.5	14.9
DPS (Rs.)	12.3	10.1	11.7	11.9	13.6

Cash Flow

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Net inc. + Depn.	719	785	798	817	932
Non-cash adj.	-317	-277	-243	-359	-401
Other adjustments	-	-	-	-	-
Changes in W.C	-	-214	144	-42	-118
C.F. Operation	401	294	699	416	413
Capital exp.	-65	-91	-31	-53	-58
Change in inv.	-15	192	-325	-	-
Other invest.CF	-407	293	268	68	69
C.F - Investment	-487	394	-89	15	11
Issue of equity	-	-	-	-	-
Issue/repay debt	-51	-58	-69	8	3
Dividends paid	-	-499	-416	-482	-553
Other finance.CF	-296	-	-1	-23	-26
C.F - Finance	-347	-557	-486	-496	-576
Chg. in cash	-433	131	124	-65	-152
Closing Cash	999	913	903	837	686

Balance Sheet

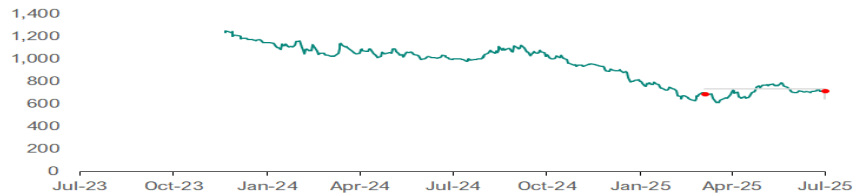
Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	999	913	903	837	686
Accts. Receivable	1,106	1,148	1,006	1,068	1,210
Inventories	-	-	-	-	-
Other Cur. Assets	1,692	1,912	2,765	2,807	2,844
Investments	-	-	-	-	-
Gross Fixed As-	672	746	789	842	900
sets					
Net Fixed Assets	300	310	261	185	100
CWIP	3	-	-	-	-
Intangible Assets	795	840	869	907	947
Def. Tax -Net	152	253	342	347	371
Other Assets	154	202	520	537	557
Total Assets	5,201	5,578	6,664	6,689	6,715
Current Liabilities	1,899	2,041	2,605	2,382	2,127
Provisions	57	58	60	60	60
Debt Funds	255	257	237	243	244
Other Liabilities	1	1	183	220	264
Equity Capital	81	81	81	81	81
Res. & Surplus	2,908	3,140	3,498	3,704	3,940
Shareholder Funds	2,989	3,221	3,579	3,785	4,021
Minority Interest	-	-	-	-	-
Total Liabilities	5,201	5,578	6,664	6,689	6,715
BVPS	74	79	88	93	99

Ratios

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	20.6	18.4	18.1	17.3	18.6
EBIT margin (%)	18.4	16.3	15.7	14.9	16.1
Net profit mgn.(%)	14.1	13.3	13.1	12.9	13.7
ROE (%)	20.9	21.1	18.9	18.2	19.6
ROCE (%)	25.1	24.0	21.3	19.8	21.8
W.C & Liquidity					
Receivables (days)	91.5	81.9	71.0	73.0	76.7
Inventory (days)	-	-	-	-	-
Payables (days)	351.8	196.2	193.4	197.1	191.6
Current ratio (x)	1.9	1.9	1.7	1.9	2.1
Quick ratio (x)	1.1	1.0	0.9	0.9	1.1
Turnover & Leverage					
Gross asset T.O (x)	7.0	7.2	6.7	6.6	6.6
Total asset T.O (x)	0.9	0.9	0.8	0.8	0.9
Int. covge. ratio (x)	45.3	44.2	41.4	35.3	36.4
Adj. debt/equity (x)	0.1	0.1	0.1	0.1	0.1
Valuation					
EV/Sales (x)	9.2	8.0	5.2	5.3	5.0
EV/EBITDA (x)	44.8	43.3	28.7	30.7	26.7
P/E (x)	66.4	61.0	40.6	42.3	36.8
P/BV (x)	13.9	12.9	7.7	7.7	7.2



Recommendation Summary - (Since Listing)



Dates	Rating	Target
27-Mar-25	HOLD	735
24-Jul-25	SELL	644

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%


Not rated/Neutral


Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

 Upgrade

 No Change

 Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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