

# TATA TECHNOLOGIES LTD.

**HOLD**

Sector: IT Enabled Services

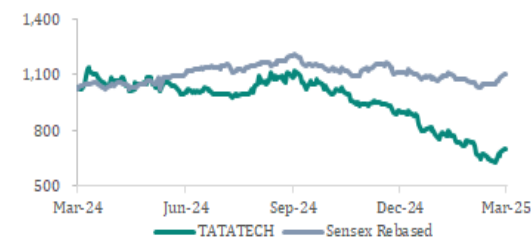
27<sup>th</sup> March, 2025

						<b>Target</b>	<b>Rs. 735</b>
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	<b>CMP</b>	<b>Rs. 687</b>
Mid cap	TATATECH:IN	77,606	TATATECH	544028	12 Months	<b>Return</b>	<b>+7%</b>

Data as of: 27-Mar-2025

Company Data			
Market Cap (Rs.cr)	27,880		
52 Week High — Low (Rs.)	1,147 - 627		
Enterprise Value (Rs. cr)	27,330		
Outstanding Shares (cr)	40.6		
Free Float (%)	37.9		
Dividend Yield (%)	1.4		
6m average volume (cr)	0.1		
Beta	-		
Face value (Rs. )	2.0		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	55.4	55.2	55.2
FII's	1.6	3.6	3.1
MFs/Institutions	1.9	3.6	3.1
Public	21.2	24.7	26.0
Others	19.9	12.9	12.6
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-22.3%	-36.1%	-31.5%
Absolute Sensex	-1.5%	-10.0%	6.6%
Relative Return	-20.8%	-26.2%	-38.2%

\*over or under performance to benchmark index



Y.E March (cr)	FY25E	FY26E	FY27E
Sales	5,311	5,878	6,626
Growth (%)	3.8	10.7	12.7
EBITDA	959	1,069	1,231
EBITDA Margin (%)	18.0	18.2	18.6
PAT Adjusted	701	821	961
Growth (%)	3.2	17.0	17.1
Adjusted EPS	17.3	20.2	23.7
Growth (%)	3.2	17.0	17.1
P/E	40.5	34.6	29.5
P/B	8.7	8.5	8.4
EV/EBITDA	29.1	26.1	22.8
ROE (%)	21.5	24.7	28.4
D/E	0.1	0.1	0.1

## Steady quarter, positive momentum ahead

Tata technologies Limited, a subsidiary of Tata Motors Limited, is a global product engineering and digital services company with a diverse workforce of over 12,500 employees and 20 global delivery centers across 27 countries in the Asia-Pacific region, Europe and North America.

- In Q3FY25, Tata Technologies reported a revenue of Rs. 1,317cr, up 2.2% YoY, despite uncertain macroeconomic environment.
- The services segment grew 1.2% YoY to Rs. 1,013cr, partially impacted by regulatory uncertainty in the US, while the technology solutions segment rose 5.7% YoY to Rs. 305cr, supported by renewal deals and strong growth in the products business.
- EBITDA for Q3FY25 was Rs. 234cr, down 1.1% YoY, with EBITDA margin contracting 50bps YoY to 17.8%, due to an increase in employee-benefit expenses and other expenses.
- Reported profit after tax (PAT) declined 0.9% YoY to Rs. 169cr, due to higher interest expense and lower other operating income.

## Outlook & Valuation

Tata Technologies delivered an encouraging earnings performance in Q3FY25. Management anticipates that regulatory clarity in the coming months is expected to drive the OEM investments in the automotive sector, while the aerospace and industrial heavy machinery segments are expected to maintain their growth momentum. The company remains optimistic about its strategic partnerships, including a recent partnership with BMW, and a growing pipeline of new opportunities. These factors position Tata Technologies well for the future, enabling it to navigate varying market conditions while minimising performance fluctuations. Therefore, we assign **HOLD** rating on the stock, based on 31x P/E on FY27E adjusted earnings per share (EPS), with a target price of Rs. 735.

## Quarterly Financials Consol.

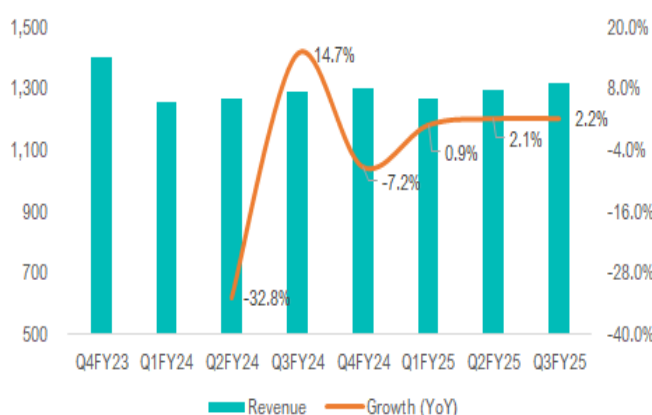
Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	1,317	1,289	2.2	1,296	1.6	3,883	3,816	1.7
EBITDA	234	237	-1.1	236	-0.6	701	701	-0.1
Margin (%)	17.8	18.3	-50bps	18.2	-40bps	18.0	18.4	-40bps
EBIT	204	209	-2.8	206	-1.0	611	624	-2.2
PBT	226	235	-3.7	217	4.0	663	701	-5.4
Rep. PAT	169	170	-0.9	157	7.1	488	522	-6.5
Adj PAT	169	170	-0.9	157	7.1	488	522	-6.5
Adj. EPS (Rs)	4.2	4.2	-0.9	3.9	7.1	12.0	12.9	-6.5



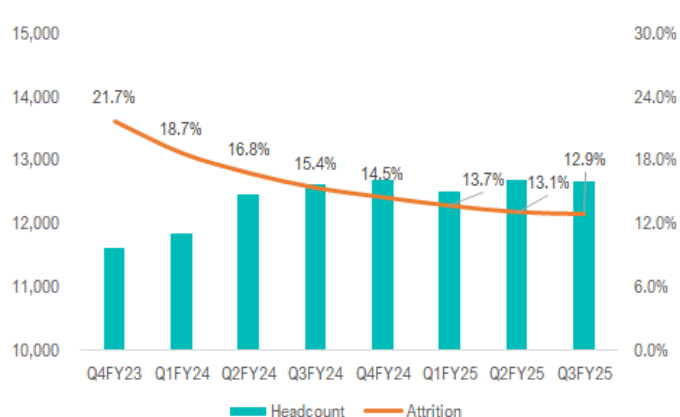
## Key Concall Highlights

- The automotive sector accounted for 84% of the revenue in the services segment, while the non-auto sector contributed 16%. The automotive segment faced challenges from declining consumer demand, regulatory challenges and rising competition, while the aerospace segment experienced significant growth, driven by strong and expanding order book.
- The company's partnership with BMW commenced operations in Q3FY25, with facilities in Pune, Bangalore and Chennai. The business launched with a headcount of over 100 employees and aims to expand to 1,000 by December 2025.
- The company secured four significant deals in Q3FY25, leveraging opportunities in digital engineering, smart manufacturing, GenAI and embedded software solutions, boosting confidence for Q4FY25 and FY26.
- Tata Technologies has signed a new agreement with the Government of Tripura to upgrade 19 industrial training institutes.
- As of December 2024, headcount was 12,659, with LTM attrition declining 20bps QoQ to 12.9%.
- The company is set to partner with Agratas, leveraging its product engineering, supply chain, digital engineering and manufacturing, which are expected to strengthen its position in the EV ecosystem.

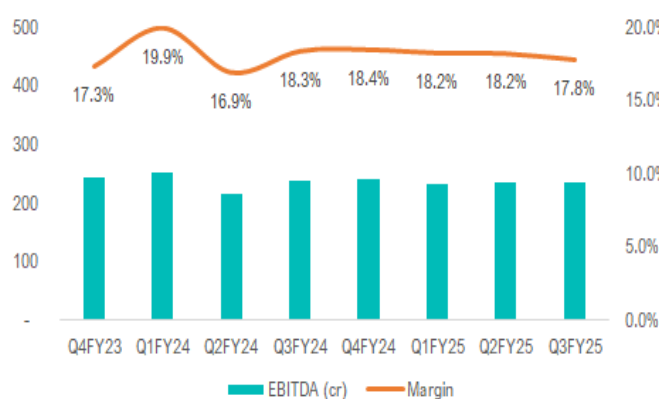
### Revenue



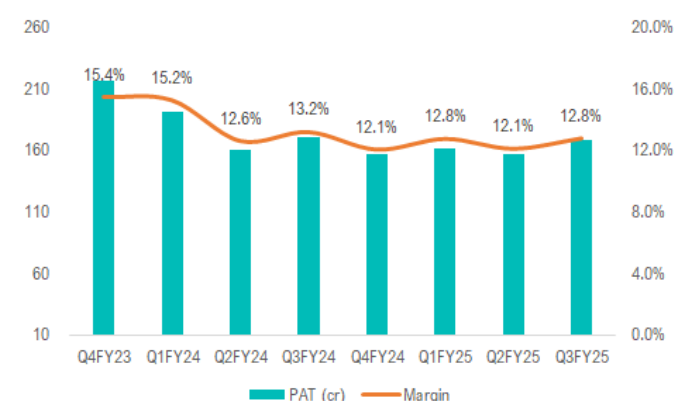
### LTM Attrition



### EBITDA



### PAT



## Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change -%	
	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Revenue	-	-	5,311	5,878	6,626	-	-
EBITDA	-	-	959	1,069	1,231	-	-
Margins (%)	-	-	18.0	18.2	18.6	-	-
Adj. PAT	-	-	701	821	961	-	-
EPS	-	-	17.3	20.2	23.7	-	-



## Consolidated Financials

### Profit & Loss

Y.E March (Rs. Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Sales</b>	<b>4,414</b>	<b>5,117</b>	<b>5,311</b>	<b>5,878</b>	<b>6,626</b>
% change	25.1	15.9	3.8	10.7	12.7
<b>EBITDA</b>	<b>909</b>	<b>941</b>	<b>959</b>	<b>1,069</b>	<b>1,231</b>
% change	30.9	3.6	1.8	11.5	15.1
Depreciation	95	106	121	128	132
<b>EBIT</b>	<b>814</b>	<b>835</b>	<b>837</b>	<b>941</b>	<b>1,098</b>
Interest	18	19	20	24	29
Other Income	-	116	118	177	212
<b>PBT</b>	<b>796</b>	<b>932</b>	<b>935</b>	<b>1,094</b>	<b>1,282</b>
% change	35.7	17.1	0.3	17.0	17.1
Tax	172	253	234	274	320
Tax Rate (%)	21.6	27.1	25.0	25.0	25.0
<b>Reported PAT</b>	<b>624</b>	<b>679</b>	<b>701</b>	<b>821</b>	<b>961</b>
<b>PAT att. to common shareholder-</b>	<b>624</b>	<b>679</b>	<b>701</b>	<b>821</b>	<b>961</b>
Adj.*	-	-	-	-	-
<b>Adj. PAT</b>	<b>624</b>	<b>679</b>	<b>701</b>	<b>821</b>	<b>961</b>
% change	42.8	8.9	3.2	17.0	17.1
No. of shares (cr)	40.6	40.6	40.6	40.6	40.6
<b>Adj EPS (Rs.)</b>	<b>15.4</b>	<b>16.7</b>	<b>17.3</b>	<b>20.2</b>	<b>23.7</b>
% change	42.7	9.0	3.2	17.0	17.1
DPS (Rs.)	12.3	10.1	10.4	12.1	14.2

### Cash Flow

Y.E March (Rs. Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Net inc. + Depn.</b>	<b>719</b>	<b>785</b>	<b>823</b>	<b>948</b>	<b>1,094</b>
Non-cash adj.	-317	-277	-447	-401	-450
Other adjustments					
Changes in W.C		-214	-23	-67	-91
<b>C.F. Operation</b>	<b>401</b>	<b>294</b>	<b>353</b>	<b>480</b>	<b>553</b>
Capital exp.	-65	-91	-95	-105	-119
Change in inv.	-15	192	-	-	-
Other invest.CF	-407	293	58	58	59
<b>C.F - Investment</b>	<b>-487</b>	<b>394</b>	<b>-38</b>	<b>-47</b>	<b>-60</b>
Issue of equity		-	-	-	-
Issue/repay debt	-51	-58	8	3	3
Dividends paid	-	-499	-421	-492	-577
Other finance.CF	-296		-20	-24	-29
<b>C.F - Finance</b>	<b>-347</b>	<b>-557</b>	<b>-433</b>	<b>-513</b>	<b>-602</b>
Chg. in cash	-433	131	-118	-80	-109
<b>Closing Cash</b>	<b>999</b>	<b>913</b>	<b>796</b>	<b>716</b>	<b>607</b>

### Balance Sheet

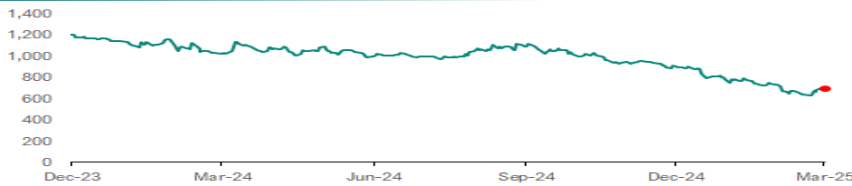
Y.E March (Rs. Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	999	913	796	716	607
Accts. Receivable	1,106	1,148	1,190	1,311	1,474
Inventories	-	-	-	-	-
Other Cur. Assets	1,692	1,912	2,063	2,259	2,482
Investments	-	-	-	-	-
<b>Gross Fixed As-sets</b>	<b>672</b>	<b>746</b>	<b>842</b>	<b>947</b>	<b>1,066</b>
Net Fixed Assets	300	310	284	262	249
CWIP	3	-	-	-	-
Intangible Assets	795	840	870	908	947
Def. Tax -Net	152	253	292	301	336
Other Assets	154	202	213	227	241
<b>Total Assets</b>	<b>5,201</b>	<b>5,578</b>	<b>5,708</b>	<b>5,982</b>	<b>6,336</b>
Current Liabilities	1,899	2,041	2,119	2,337	2,625
Provisions	57	58	60	60	60
Debt Funds	255	257	261	263	264
Other Liabilities	1	1	1	1	1
Equity Capital	81	81	81	81	81
Res. & Surplus	2,908	3,140	3,186	3,241	3,305
<b>Shareholder Funds</b>	<b>2,989</b>	<b>3,221</b>	<b>3,268</b>	<b>3,322</b>	<b>3,386</b>
Minority Interest	-	-	-	-	-
<b>Total Liabilities</b>	<b>5,201</b>	<b>5,578</b>	<b>5,708</b>	<b>5,982</b>	<b>6,336</b>
<b>BVPS</b>	<b>74</b>	<b>79</b>	<b>81</b>	<b>82</b>	<b>83</b>

### Ratios

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	20.6	18.4	18.0	18.2	18.6
EBIT margin (%)	18.4	16.3	15.8	16.0	16.6
Net profit mgn.(%)	14.1	13.3	13.2	14.0	14.5
ROE (%)	20.9	21.1	21.5	24.7	28.4
ROCE (%)	25.1	24.0	23.7	26.3	30.1
<b>W.C &amp; Liquidity</b>					
Receivables (days)	91.5	81.9	81.8	81.4	81.2
Inventory (days)	-	-	-	-	-
Payables (days)	351.8	196.2	196.4	196.7	197.5
Current ratio (x)	1.9	1.9	1.8	1.8	1.7
Quick ratio (x)	1.1	1.0	1.0	0.9	0.8
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	7.0	7.2	6.7	6.6	6.6
Total asset T.O (x)	0.9	0.9	0.9	1.0	1.1
Int. covge. ratio (x)	45.3	44.2	41.7	39.4	38.4
Adj. debt/equity (x)	0.1	0.1	0.1	0.1	0.1
<b>Valuation</b>					
EV/Sales (x)	9.2	8.0	5.2	4.8	4.2
EV/EBITDA (x)	44.8	43.3	29.1	26.1	22.8
P/E (x)	66.4	61.0	40.5	34.6	29.5
P/BV (x)	13.9	12.9	8.7	8.5	8.4



## Recommendation Summary - (last 3 years)



Dates	Rating	Target
27-Mar-25	HOLD	735

## 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.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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

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