

## TATA TECHNOLOGIES LIMITED

### Company Data

Market Cap (₹ in Cr)	32453.5
Industry	IT
Net Worth (₹ in Cr)	2280.15
Last Traded Price	800
P/B	14.23x
P/S	9.07x
Shares Outstanding (cr.)	40.57
ROCE	27%

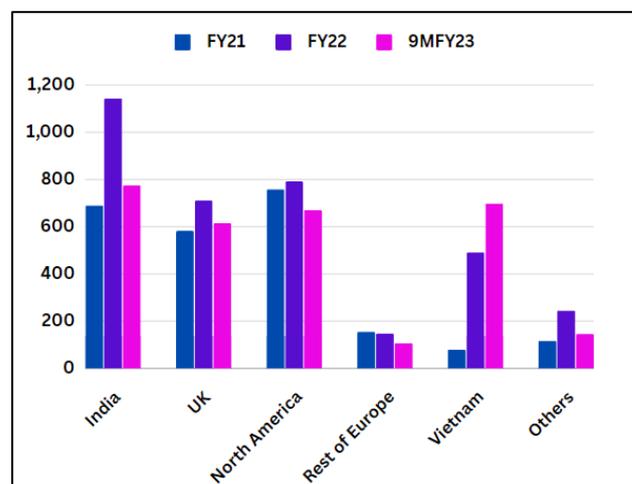
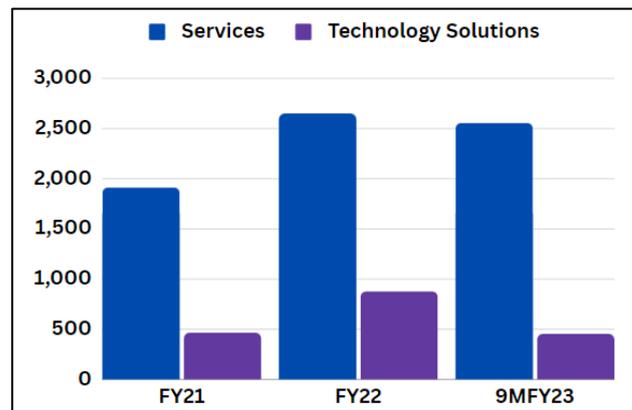
### About Company:

Founded in 1994, Tata Technologies Limited is a leading global provider of engineering services. Digital solutions and product development are the services that the company offer. This includes providing global OEMs and their first-tier suppliers with turnkey solutions.

By assisting customers in the creation of safer, cleaner, and better products that enhance the quality of life for end users, Tata Technologies aspires to create value for their clients.

With their profound space aptitude in the auto business, they have acquired high mastery to serve clients in contiguous enterprises likewise, like aviation and transportation and heavy construction machinery.

Tata Technologies has a diversified presence across APAC, Europe and Northern America and partnerships with many of the largest manufacturing enterprises in the world. As of December 2022, the clientele comprised of more than 35 traditional automotive OEMs and tier 1 suppliers and more than 12 new energy vehicle companies. The client portfolio includes TML, JLR, leading OEMS like Airbus, McLaren, Honda, Ford, and Cooper Standard and tier 1 suppliers as well as new vehicle companies.



### Key Updates:

- The company recently filed for an IPO. This happens to be an OFS of 9.57cr shares out of which 8.11cr. will be sold by Tata Motors Ltd., 0.97cr. shares will be sold by Alpha TC Holdings Pte. Ltd. and 0.48cr. shares will be sold by Tata Capital Growth Fund 1.
- As per the TTL's CEO & MD, the company expects a revenue growth of 20% for FY23. The company also expects to see a 15% CAGR after that. Organically, by 2025, TTL can grow its business to over \$800mn.
- In FY23, the company entered into a collaboration with Assam government to transform state polytechnics and ITIs into futuristic Centres of Excellence (CoEs) entailing an investment of about Rs.2390cr.
- TTL along with global industry partners and Lamrin Tech Skills University will set up a common facility in electric vehicle domain. The delegates evinced keen interest to set up this centre in the state of Punjab with a current investment of Rs.250cr. and future investment of Rs.1600cr.
- The company has an active list of targets and it is also looking for inorganic growth opportunities as well. The company expects to be actively engaged in term of mergers and acquisitions in the next couple of years. The company is betting big on electric vehicles and the digital boom in the automotive and aviation space.

## TATA TECHNOLOGIES LIMITED

### Industry Overview:

ER&D services are defined as the set of services offered to enterprises on activities which involve the process of designing and developing a device, equipment, assembly, platform or application such that it may be produced as a product for sale through software development or manufacturing process.

The design, development, testing, rollout, and maintenance aspects of the product and process development chain, rather than mass manufacturing, are typically the primary areas of focus for players in the ER&D services industry. The ER&D services market is comprised of product engineering services and process engineering services. Process engineering services involve assisting in the production of facilities and processes that produce value-added outputs and components through plant design engineering, manufacturing engineering, industrial engineering, and process control systems. On the other hand, product engineering services typically address the product development lifecycle for businesses.

The highest growth in ER&D spending in a decade occurred in 2021, as businesses increased their focus on digital engineering as a means of future-proofing and transforming themselves. Rapid technological advancements, shifting client preferences, and the introduction of novel products and services all characterize the engineering services and technology solutions industries.

Global ER&D expenditures are currently estimated to be \$1,635 billion (or Rs.1,35,264 billion). ER&D spending is anticipated to remain resilient and continue to grow steadily in spite of macro factors such as prolonged geopolitical tensions, persistently high inflation, and the anticipated recession. Digital engineering spending accounted for \$653 billion (54,023 billion) of the \$1,635 billion (1,35,264 billion) ER&D market in 2021. Spending on cutting-edge technologies like the Internet of Things (IoT), blockchain, 5G, augmented and virtual reality (AR/VR), cloud engineering, digital thread initiatives, advanced analytics, embedded engineering, and AI/ML, among others, made up the majority of this. In addition, spending on digital engineering is anticipated to rise at a CAGR of approximately 18% between 2021 and 2025.

Manufacturing-led verticals (automotive, industrial, aerospace, defence, etc.) have been the biggest patrons, and accounts for the greater part of the worldwide ER&D spending. The automotive industry accounted for approximately 10% of global ER&D spend in 2021, making it the largest manufacturing ER&D vertical and the second largest overall.

Hi Tech-led verticals (Software & Internet, Semiconductor, Telecom, etc.) currently represent 38% of global ER&D spending. The largest ER&D vertical is software and the internet, which accounts for approximately 19% of global ER&D spending and is one of the fastest-growing verticals.

Services-led verticals (BFSI, Healthcare Payers & Providers, Media & Entertainment, etc.) account for 11% of global ER&D expenditures, primarily due to investments in digital engineering. Despite the fact that they currently make up the smallest portion of the ER&D spend pie, they are the category that is expanding at the quickest rate.

Due to its large talent pool, innovation ecosystem, affordable costs, maturing in-house R&D centre landscape, and geopolitical support, India has emerged as a favourable destination for outsourced ER&D expenditures by global businesses.

The Indian ESP market is supposed to develop at a CAGR of 13-16% (second just to Eastern Europe, which has a YoY rate of 16-18%) and represent \$20 billion, likening to almost 1/4th of the overall outsourced ER&D spends of \$85-90 billion in 2021.

## TATA TECHNOLOGIES LIMITED

### Products & Services:

Founded in 1994, Tata Technologies Limited is a leading global provider of engineering services. Digital solutions and product development are the services that the company offer. This includes providing global OEMs and their first-tier suppliers with turnkey solutions. The company endeavour to create value for its clients by helping them develop products that are safer, cleaner and have an improved quality of life for their end customers.

The company has expertise in the automotive industry and uses it to serve the clients in the adjacent industry as well, such as aerospace and transportation and construction heavy machinery. The company has a diverse team from different parts of the world with multiple skill sets to collaborate real time data and solve complex engineering problems to fulfil its client requirements. TTL utilises its manufacturing domain knowledge to deliver value added services to its clients in support of their digital transformation initiatives such as product development, manufacturing and customer experience management.

The company categorizes its line of business as follows:

- 1. Services:** This is the primary business of TTL which includes providing outsourced engineering services and digital transformation services to global manufacturing clients and helping them conceive, design, develop and deliver better products. This vertical contributes Rs.26,51.35cr. and Rs.2557.18cr. to its revenue for operations in FY22 and 9mFY23, respectively, in percentage terms the share comprised of 75.12% and 84.91% for the respective periods.
- 2. Technology Solutions:** TTL complement its service offerings with its product and education businesses. Through its products business the company resells third party software applications, primarily product lifecycle integration and support. The education business provides “phygital” education solutions in manufacturing skills including upskilling and reskilling in relation to the largest engineering manufacturing technologies to public sector institutions and private institutions. In Fiscal 2022 and the nine-months period ended December 31, 2022, our Technology Solutions business contributed Rs.8,78.22cr and Rs.454.61cr. to our revenue from operations, respectively, comprising 24.88% and 15.09% of our revenue from operations for the respective periods.

TTL is a manufacturing focused ER&D company, primarily focused on the automotive industry and it is currently engaged with six out of ten automotive ER&D spenders and four out of ten prominent new energy ER&D spenders in 2021. The automotive revenue attributable to the service segment for FY22 and 9mFY23 was Rs.2276.87cr. and 2264.45cr., respectively, comprising 85.88% and 88.43% of the revenue attributable to the service segment for the respective period.

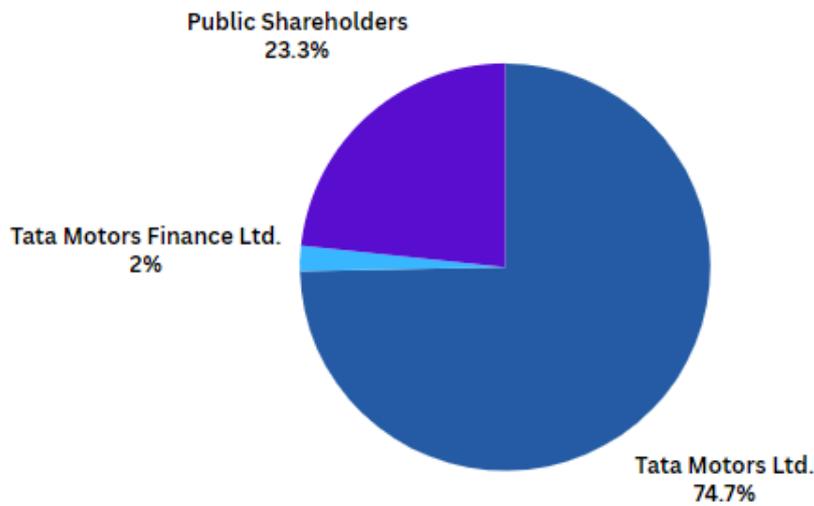
The company has a diversified clientele and in 9mFY23, TTL derived 25.76%, 23.94%, 22.27% and 28.03% of its revenues from operation from clients in India, Europe, North America and the rest of the world, respectively.

TTL's global delivery model leverages the skills and capabilities of its employees from various regional centres, delivering value to its client s. As of 9mFY23, TTL had 18 global delivery centres spread across North America, Europe and Asia Pacific, with each enter staffed by a majority of local nationals enabling it to provide uninterrupted services to its clients and tap specialist skills sets in different geographies. As on 9mFY23, TTL had 11,081 employees, comprising 10,161 fulltime employees and 920 contracted employees.

## TATA TECHNOLOGIES LIMITED

### Management & Shareholding Pattern:

Name	Title
Warren Kevin Harris	CEO & MD
Ajoyendra Mukherjee	Chairman
Savitha Balachandran	Chief Financial Officer
Vikrant Gandhe	Company Secretary



### Financials:

#### P&L Statement

Year	2018	2019	2020	2021	2022
Op. Income	2,691.48	2,942.21	2,852.05	2,380.91	3,529.57
Op. Exp.	2,356.16	2,437.35	2,381.61	1,995.20	2,883.93
<b>Gross Margin</b>	<b>335.32</b>	<b>504.86</b>	<b>470.44</b>	<b>385.71</b>	<b>645.64</b>
Other Income	85.67	42.23	44.89	44.83	48.80
<b>EBITDA</b>	<b>420.99</b>	<b>547.09</b>	<b>515.33</b>	<b>430.54</b>	<b>694.44</b>
Depreciation	71.43	68.64	99.15	92.20	85.71
<b>EBIT</b>	<b>349.56</b>	<b>478.45</b>	<b>416.18</b>	<b>338.34</b>	<b>608.73</b>
Interest	4.70	1.29	15.63	17.66	21.90
<b>PBT</b>	<b>344.86</b>	<b>477.16</b>	<b>400.55</b>	<b>320.68</b>	<b>586.83</b>
Tax	90.72	118.34	140.42	76.09	149.86
<b>PAT</b>	<b>254.14</b>	<b>358.82</b>	<b>260.13</b>	<b>244.59</b>	<b>436.97</b>

## TATA TECHNOLOGIES LIMITED

### Balance Sheet

Year	2018	2019	2020	2021	2022
Paid Up Capital	42.10	42.10	41.81	41.81	41.81
Reserves and Surplus	1,508.38	1,714.90	1,810.80	2,100.36	2,238.34
<b>Net worth</b>	<b>1,550.48</b>	<b>1,757.00</b>	<b>1,852.61</b>	<b>2,142.17</b>	<b>2,280.15</b>
Long Term provisions	24.46	24.68	22.49	15.20	18.65
Other long-term liabilities	16.30	15.98	15.24	0.00	0.00
<b>Total Non-Current Liabilities</b>	<b>40.76</b>	<b>40.66</b>	<b>37.73</b>	<b>15.20</b>	<b>18.65</b>
Short Term Borrowings	67.37	0.00	0.00	0.00	0.00
Sundry Creditors/Trade Payables	316.71	294.82	243.13	223.66	336.63
Other Current Liabilities	215.92	165.31	422.89	1,179.80	1,551.90
Provisions	11.92	11.20	16.63	11.91	30.69
<b>Total Current Liabilities</b>	<b>611.92</b>	<b>471.33</b>	<b>682.65</b>	<b>1,415.37</b>	<b>1,919.22</b>
<b>Total Liabilities + Equity</b>	<b>2,203.16</b>	<b>2,268.99</b>	<b>2,572.99</b>	<b>3,572.74</b>	<b>4,218.02</b>
Tangible Assets	119.09	99.80	352.02	319.88	302.38
Intangible Assets	733.52	719.25	767.22	769.93	765.52
Capital Work in Progress	12.65	25.00	0.35	0.11	0.26
Non-Current Investments	36.79	33.83	5.00	0.00	0.00
Deferred Tax Assets	12.78	30.66	32.03	42.97	57.44
Long Term Loans and Advances	11.05	9.89	8.68	0.34	0.04
Other Non-Current assets	16.53	20.29	23.23	30.44	67.96
<b>Total Non-Current Assets</b>	<b>942.41</b>	<b>938.72</b>	<b>1,188.53</b>	<b>1,163.67</b>	<b>1,193.60</b>
Sundry Debtors/Trade Receivables	605.05	575.68	640.80	595.74	768.18
Inventories	1.25	0.04	0.00	0.00	0.00
Cash and Bank Balance	256.81	383.93	389.03	783.41	869.40
Other Current Assets	311.24	296.47	295.16	281.13	812.91
Loans & Advances	86.40	69.15	28.41	251.71	46.25
Current Investments	0.00	5.00	31.06	497.08	527.68
<b>Total Current Assets</b>	<b>1,260.75</b>	<b>1,330.27</b>	<b>1,384.46</b>	<b>2,409.07</b>	<b>3,024.42</b>
<b>Total Assets</b>	<b>2,203.16</b>	<b>2,268.99</b>	<b>2,572.99</b>	<b>3,572.74</b>	<b>4,218.02</b>

### Cash Flow Statement

Year	MAR-2018	MAR-2019	MAR-2020	MAR-2021	MAR-2022
Cash Flow from Operations	270.11	369.01	267.39	1,113.20	-38.46
Cash Flow from Investing	111.15	-22.43	-7.56	-673.58	74.21
Cash Flow from Financing	-373.63	-220.87	-261.07	-44.38	-44.66

## TATA TECHNOLOGIES LIMITED

### Key Ratio:

Year	2020	2021	2022
ROE	14%	11%	19%
ROCE	22%	16%	27%
D/E	0	0	0
Current Ratio	2.98x	2.02x	1.76x
Gross margin	16%	16%	18%
PAT margin	9%	10%	12%

### Growth Levers:

- TTL is expected to grow 69% to about \$800mn by 2020 up from \$473mn during FY22. This growth is to be driven by increase in demand in the electric vehicle space and aviation. As stated by the company's MD and CEO, Warren Harris, "We are expecting business to grow 20% in the next 12 months. We expect to see a 15% CAGR after that. Organically, by 2025, Tata Tech can grow our business to over \$800mn." [\[1\]](#)
- In FY23, the company entered into a collaboration with Assam government to transform 34 state polytechnics and 43 it is into futuristic Centres of Excellence (CoEs) entailing an investment of about Rs.2390cr. The company signed the MoA with Assam government for a period of 10 years for the purpose. Post upgradation the COE will not only cater to advanced skills requirement of the students aligned to the key industries in Assam, but also act as a technology and industrial hub for MSMEs and support entrepreneurship. The COEs will cover various technical courses related to Industry 4.0 such as additive manufacturing, EV product design and development, design for artisans and handicrafts, modern automotive maintenance repair and overhaul, battery electric vehicle training, IoT and digital instrumentation, advanced manufacturing and prototyping, industrial robotics with arc welding, AI based virtual welding and painting. [\[2\]](#)
- TTL along with global industry partners and Lamrin Tech Skills University offered to set up a common facility in electric vehicle domain. The delegates comprising of Global CEO of Tata Technologies Warren Harris, President Global HR and IT Pawan Bhageria and others, showed keen interest to set up this centre in the state of Punjab with a current investment of Rs.250cr. and future investment of Rs.1600cr. This would lay thrust on development of MSME in EV segment with a focus on cleaner mobility and creating jobs for the youth in Punjab, TTL also ensured skill development of the youth in the state. [\[3\]](#)
- Continuing to the above point, in the meeting it was also decided that Lamrin Tech Skill University will collaborate with IBM and TTL and Ansys Corporation for setting up a high-end technology lab through Innovation Centre for Education with the investment of Rs.602cr. [\[3\]](#)
- TTL has an active list of targets and it is also looking for inorganic growth opportunities as well. The company expects to be actively engaged in term of mergers and acquisitions in the next couple of years. The company is betting big on electric vehicles and the digital boom in the automotive and aviation space. [\[4\]](#)

## TATA TECHNOLOGIES LIMITED

### Outlook & Valuation:

Tata Technologies Limited is a leading global provider of engineering services. Going ahead, the company is betting big time on the EV story and benefit big time from the same. The company has marquee clients like Tata Motors, JLR, VinFast etc in the automotive space and in the aviation space it serves client like Airbus. The company's revenue from Vietnam has grown exponentially over the past few years and the company has plans to cover more geographies with its 18 global delivery centres which are spread across North America, Europe and Asia Pacific. As on 9mFY23, TTL had 11,081 employees, comprising 10,161 fulltime employees and 920 contracted employees and is looking forward to hire more employees in the next 18 months to fully utilise its expertise and provide best of its services to the clients.

The company is expected to clock a revenue growth of 20% in FY23 and then grow its revenue at the CAGR of 15% after that till 2025.

Going ahead, the company is also looking forward to grow inorganically through mergers and acquisition as well.

At a market capitalization of Rs.32,453.5cr., the company is available at a P/S multiple of 9.07x. As per the recent interview of the management, the company is looking forward to grow its revenue to over \$800mn. (Rs.6,080cr. – at USDINR rate of Rs.76) by 2025, thus the company is available at a FY25E P/S multiple of 5.34x. This is reasonable for a company which is expected to grow its revenue at a CAGR of 15% over the next few years.

### References:

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