



**TATA TECHNOLOGIES**

# Tata Technologies Ltd

**Global recovery and strong domestic business to drive growth**



**SUBSCRIBE at the Upper Price Band of INR 500**

## Global recovery and strong domestic business to drive growth

Incorporated in 1994, Tata Technologies Ltd (TTECH) is a global engineering services company offering product development and digital solutions, including turnkey solutions, to global original equipment manufacturers (OEM) and their tier 1 suppliers. Backed by Tata Motors Ltd (TML), the company boasts extensive knowledge in the automotive sector and has expanded its expertise into aerospace and heavy construction machinery, enhancing its commercial opportunities. TTECH operates across two main sectors:

- **Services vertical**
  - **Engineering, Research, and Development (ER&D), where the company aids manufacturers in the inception, design, and enhancement of products using digital platforms.**
  - **Digital Enterprise Services (DES), where the company assists manufacturers in identifying and implementing technological tools and solutions for better product manufacturing, servicing, and realization.**
- **Technology solutions vertical**
  - **Products and Value-Added Reselling (VAR), where the company supports clients in selecting and applying the right product development software from its partners to succeed in product manufacturing and market competition.**
  - **Educational offerings, where the company partners with universities and governments to prepare new engineers with industry-relevant skills and provides digital learning systems to corporations for their training requirements.**

Over FY21–23, TTECH’s revenue/ EBITDA/ net profit grew at a CAGR of 36.2%/ 45.9%/ 61.5% to INR 4,414 cr/ INR 807 cr/ INR 624 cr, respectively, while EBITDA and net margins improved by 240bps (to 18.6%) and 409bps (to 14.1%), respectively. Return ratios – RoE and RoIC improved by 971bps (to 20.9%) and 308bps (to 36.3%) in FY23.

### Key Financial Data (INR Cr, unless specified)

|      | Revenue | EBITDA | Net Profit | EBITDA (%) | Net (%) | Adj EPS (₹) | BVPS (₹) | RoE (%) | RoIC (%) | P/E (X) | P/BV (X) | EV/ EBITDA (X) |
|------|---------|--------|------------|------------|---------|-------------|----------|---------|----------|---------|----------|----------------|
| FY20 | 2,852.1 | 470.5  | 251.6      | 16.5       | 8.8     | 6.2         | 45.7     | 13.6    | 25.9     | 80.6    | 10.9     | 42.2           |
| FY21 | 2,380.9 | 385.7  | 246.2      | 16.2       | 10.3    | 6.1         | 52.8     | 11.2    | 33.2     | 82.4    | 9.5      | 49.3           |
| FY22 | 3,529.6 | 645.6  | 444.2      | 18.3       | 12.6    | 10.9        | 56.2     | 19.2    | 62.6     | 45.7    | 8.9      | 29.3           |
| FY23 | 4,414.2 | 820.9  | 638.2      | 18.6       | 14.5    | 15.7        | 73.7     | 20.9    | 36.3     | 31.8    | 6.8      | 23.5           |
| TTM  | 5,053.0 | 913.2  | 716.9      | 18.1       | 14.2    | 17.7        | 70.3     | 25.1    | 41.8     | 28.3    | 7.1      | 21.2           |

| Industry      | IT/ITES                   |
|---------------|---------------------------|
| Issue Details |                           |
| Listing       | BSE & NSE                 |
| Open Date     | 22 <sup>nd</sup> Nov 2023 |
| Close Date    | 24 <sup>th</sup> Nov 2023 |
| Price Band    | INR 475-500               |
| Face Value    | INR 2                     |
| Market Lot    | 30 shares                 |
| Minimum Lot   | 1 Lot                     |

| Issue Structure     |               |
|---------------------|---------------|
| Offer for Sale      | 100%          |
| Fresh Issue         | 0%            |
| Issue Size (Amt)    | INR 3,043 cr  |
| Issue Size (Shares) | 60,850,278    |
| QIB Share (%)       | ≤ 50%         |
| Non-Inst Share (%)  | ≥ 15%         |
| Retail Share (%)    | ≥ 35%         |
| Pre issue sh (nos)  | 405,668,530   |
| Post issue sh (nos) | 405,668,530   |
| Post issue M Cap    | INR 20,283 cr |

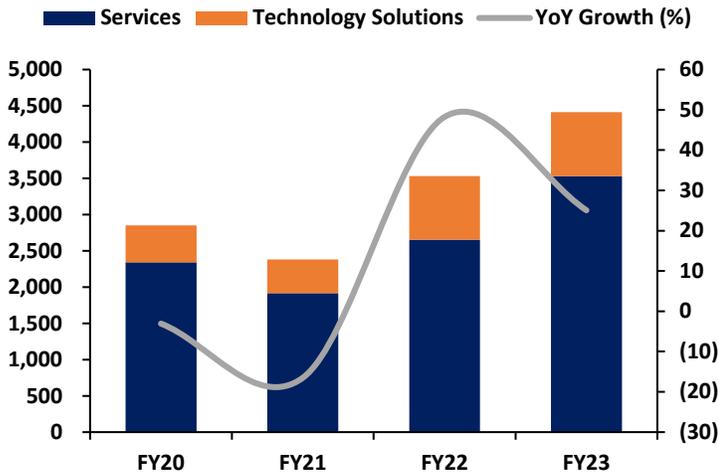
| Shareholding (%) | Pre (%)    | Post (%)   |
|------------------|------------|------------|
| Promoter         | 66.8       | 55.4       |
| Institution      | 33.2       | 38.1       |
| Public           | 0.0        | 6.5        |
| <b>TOTAL</b>     | <b>100</b> | <b>100</b> |

### Offer details and valuation summary

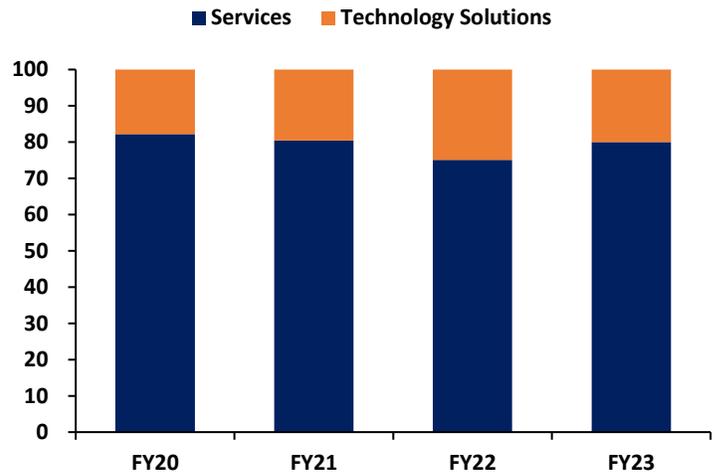
TTECH's proposed OFS size is INR 3,043 cr. TML is selling 46,275,000 shares, which will reduce its stake from 64.8% (pre-issue) to 53.4% (post-issue). Other selling shareholders are Alpha TC Holdings Pte Ltd (selling 9,716,853 shares) and Tata Capital Growth Fund I (selling 4,858,425 shares), which will reduce their holdings from 7.3% to 4.9% and 3.6% to 2.4% respectively.

With the gradual recovery in the global economy, rising manufacturing capex and shift in manufacturing from US/Europe/China to India due to cost inflation and China+1 strategy, we are expecting strong in the TTECH's financial performance in the coming years. At the IPO price of INR 500 (upper price band), TTECH is valued at a TTM P/E of 28.3X. Considering the growth opportunities and strong fundamentals of TTECH, we recommend a SUBSCRIBE rating for this IPO.

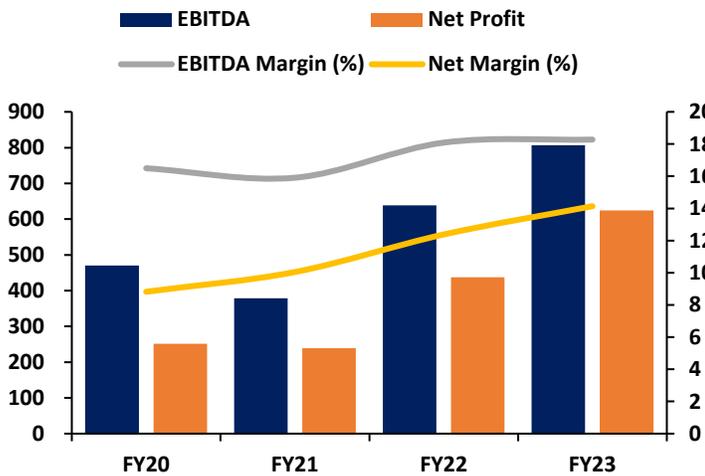
### Post Covid strong recovery in revenue



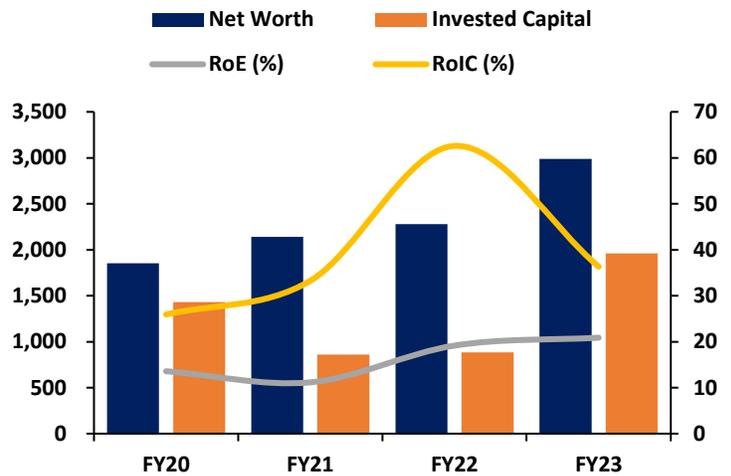
### Revenue mix % remained stable



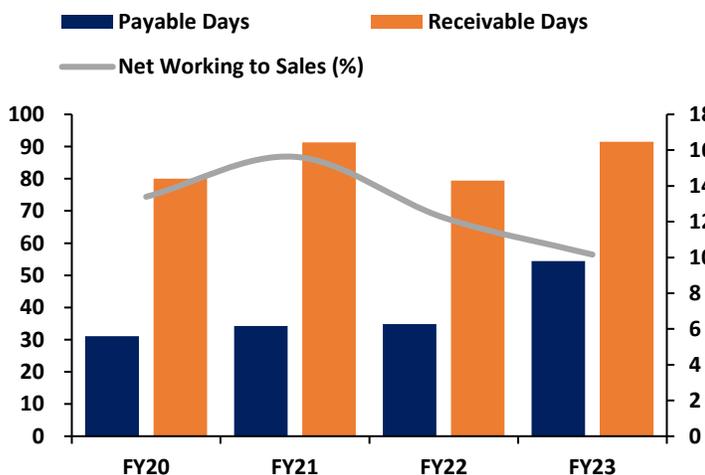
### Business recovery has improved the profitability



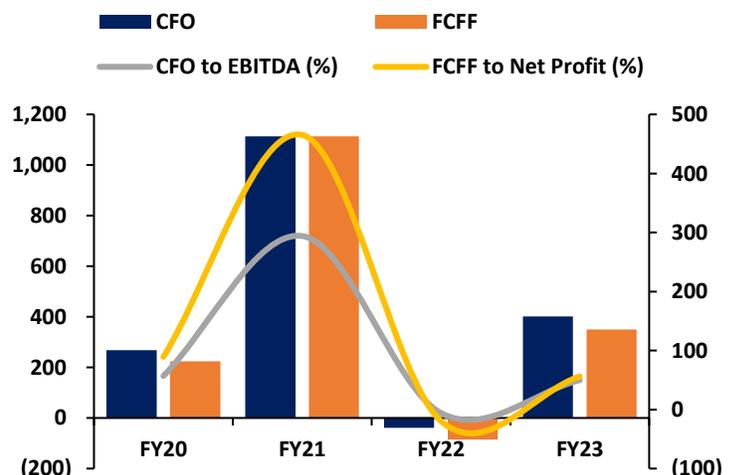
### Increase in capital based impacted the ROI



### Working capital remained stable



### Business recovery improved the cash flows



Source: Company Reports and Ventura Research

## Issue Structure and Offer Details

The proposed OFS size of TTECH's IPO is INR 3,043 cr and the price band for the issue is in the range of INR 475-500 and the bid lot is 30 shares and multiples thereof.

| Issue structure     |            |                      |
|---------------------|------------|----------------------|
| Investor category   | Allocation | No of shares offered |
| QIB                 | 50         | 26,368,453           |
| NIB                 | 15         | 7,910,537            |
| Retail              | 35         | 18,457,919           |
| Employees           | NA         | 2,028,342            |
| Shareholders of TML | NA         | 6,085,027            |
| <b>Total</b>        |            | <b>60,850,278</b>    |

*Number of shares are based on the higher price band of INR 500 per share*

*Source: Company Reports*

## Details of selling shareholders

| Name of the selling shareholders | Amount offered (INR Cr) | No of shares offered (nos) |
|----------------------------------|-------------------------|----------------------------|
| <b>Promoter group</b>            |                         |                            |
| Tata Motors Ltd                  | 2,314                   | 46,275,000                 |
| <b>Investors</b>                 |                         |                            |
| Alpha TC Holdings Pte Ltd        | 486                     | 9,716,853                  |
| Tata Capital Growth Fund I       | 243                     | 4,858,425                  |
| <b>Total</b>                     | <b>3,043</b>            | <b>60,850,278</b>          |

*Number of share based on higher price band of INR 500 per share*

*Source: Company Reports*

## TTECH financial summary and analysis

| Fig in INR Cr (unless specified)  | FY20          | FY21          | FY22        | FY23        | Fig in INR Cr (unless specified)   | FY20    | FY21    | FY22    | FY23    |
|-----------------------------------|---------------|---------------|-------------|-------------|------------------------------------|---------|---------|---------|---------|
| <b>Income Statement</b>           |               |               |             |             | <b>Per share data &amp; Yields</b> |         |         |         |         |
| Revenue                           | 2,852.1       | 2,380.9       | 3,529.6     | 4,414.2     | Adjusted EPS (INR)                 | 6.2     | 6.1     | 10.9    | 15.7    |
| <i>YoY Growth (%)</i>             | <i>(3.1)</i>  | <i>(16.5)</i> | <i>48.2</i> | <i>25.1</i> | Adjusted Cash EPS (INR)            | 8.6     | 8.3     | 13.1    | 18.1    |
| Raw Material Cost                 | 367.9         | 338.3         | 688.5       | 682.5       | Adjusted BVPS (INR)                | 45.7    | 52.8    | 56.2    | 73.7    |
| <i>RM Cost to Sales (%)</i>       | <i>12.9</i>   | <i>14.2</i>   | <i>19.5</i> | <i>15.5</i> | Adjusted CFO per share (INR)       | 6.6     | 27.4    | (1.0)   | 9.9     |
| Employee Cost                     | 1,418.5       | 1,216.0       | 1,512.7     | 1,929.5     | CFO Yield (%)                      | 1.3     | 5.5     | (0.2)   | 2.0     |
| <i>Employee Cost to Sales (%)</i> | <i>49.7</i>   | <i>51.1</i>   | <i>42.9</i> | <i>43.7</i> | Adjusted FCF per share (INR)       | 5.5     | 27.4    | (2.1)   | 8.6     |
| Other Expenses                    | 595.1         | 440.9         | 682.7       | 981.3       | FCF Yield (%)                      | 1.1     | 5.5     | (0.4)   | 1.7     |
| <i>Other Exp to Sales (%)</i>     | <i>20.9</i>   | <i>18.5</i>   | <i>19.3</i> | <i>22.2</i> | <b>Solvency Ratio (X)</b>          |         |         |         |         |
| EBITDA                            | 470.5         | 385.7         | 645.6       | 820.9       | Total Debt to Equity               | 0.0     | 0.0     | 0.0     | 0.0     |
| <i>Margin (%)</i>                 | <i>16.5</i>   | <i>16.2</i>   | <i>18.3</i> | <i>18.6</i> | Net Debt to Equity                 | (0.2)   | (0.6)   | (0.6)   | (0.3)   |
| <i>YoY Growth (%)</i>             | <i>(6.4)</i>  | <i>(18.0)</i> | <i>67.4</i> | <i>27.1</i> | Net Debt to EBITDA                 | (0.9)   | (3.3)   | (2.2)   | (1.3)   |
| Depreciation & Amortization       | 99.2          | 92.2          | 85.7        | 94.6        | <b>Return Ratios (%)</b>           |         |         |         |         |
| EBIT                              | 371.3         | 293.5         | 559.9       | 726.4       | Return on Equity                   | 13.6    | 11.2    | 19.2    | 20.9    |
| <i>Margin (%)</i>                 | <i>13.0</i>   | <i>12.3</i>   | <i>15.9</i> | <i>16.5</i> | Return on Capital Employed         | 12.9    | 10.1    | 18.0    | 18.6    |
| <i>YoY Growth (%)</i>             | <i>(14.5)</i> | <i>(21.0)</i> | <i>90.8</i> | <i>29.7</i> | Return on Invested Capital         | 25.9    | 33.2    | 62.6    | 36.3    |
| Other Income                      | 44.9          | 44.8          | 48.8        | 87.8        | <b>Working Capital Ratios</b>      |         |         |         |         |
| Bill discounting & other charges  | 15.6          | 17.7          | 21.9        | 18.0        | Payable Days (Nos)                 | 31      | 34      | 35      | 54      |
| Fin Charges Coverage (X)          | 23.8          | 16.6          | 25.6        | 40.4        | Inventory Days (Nos)               | 0       | 0       | 0       | 0       |
| Exceptional Item                  | (8.6)         | (5.4)         | 0.0         | 0.0         | Receivable Days (Nos)              | 80      | 91      | 79      | 91      |
| PBT                               | 392.0         | 315.3         | 586.8       | 796.2       | Net Working Capital Days (Nos)     | 49      | 57      | 45      | 37      |
| <i>Margin (%)</i>                 | <i>13.7</i>   | <i>13.2</i>   | <i>16.6</i> | <i>18.0</i> | Net Working Capital to Sales (%)   | 13.4    | 15.6    | 12.2    | 10.2    |
| <i>YoY Growth (%)</i>             | <i>(16.8)</i> | <i>(19.6)</i> | <i>86.1</i> | <i>35.7</i> | <b>Valuation (X)</b>               |         |         |         |         |
| Tax Expense                       | 140.4         | 76.1          | 149.9       | 172.1       | P/E                                | 80.6    | 82.4    | 45.7    | 31.8    |
| <i>Tax Rate (%)</i>               | <i>35.8</i>   | <i>24.1</i>   | <i>25.5</i> | <i>21.6</i> | P/BV                               | 10.9    | 9.5     | 8.9     | 6.8     |
| PAT                               | 251.6         | 239.2         | 437.0       | 624.0       | EV/EBITDA                          | 42.2    | 49.3    | 29.3    | 23.5    |
| <i>Margin (%)</i>                 | <i>8.8</i>    | <i>10.0</i>   | <i>12.4</i> | <i>14.1</i> | EV/Sales                           | 7.0     | 8.0     | 5.4     | 4.4     |
| <i>YoY Growth (%)</i>             | <i>(28.6)</i> | <i>(4.9)</i>  | <i>82.7</i> | <i>42.8</i> | <b>Cash Flow Statement</b>         |         |         |         |         |
| Min Int/Sh of Assoc               | (0.0)         | 7.0           | 7.2         | 14.2        | PBT                                | 392.0   | 315.3   | 586.8   | 796.2   |
| Net Profit                        | 251.6         | 246.2         | 444.2       | 638.2       | Adjustments                        | 116.9   | 871.2   | (409.0) | (191.6) |
| <i>Margin (%)</i>                 | <i>8.8</i>    | <i>10.3</i>   | <i>12.6</i> | <i>14.5</i> | Change in Working Capital          | (101.0) | 9.9     | (59.5)  | (16.9)  |
| <i>YoY Growth (%)</i>             | <i>(28.7)</i> | <i>(2.1)</i>  | <i>80.4</i> | <i>43.7</i> | Less: Tax Paid                     | (140.4) | (76.1)  | (149.9) | (172.1) |
| <b>Balance Sheet</b>              |               |               |             |             | Cash Flow from Operations          | 267.4   | 1,113.2 | (38.7)  | 401.4   |
| Share Capital                     | 41.8          | 41.8          | 41.8        | 81.1        | Net Capital Expenditure            | (53.0)  | (13.7)  | (62.9)  | (65.2)  |
| Total Reserves                    | 1,810.8       | 2,100.4       | 2,238.3     | 2,908.3     | Change in Investments              | 45.4    | (659.8) | 137.1   | (422.2) |
| Shareholders Fund                 | 1,852.6       | 2,142.2       | 2,280.2     | 2,989.5     | Cash Flow from Investing           | (7.6)   | (673.6) | 74.2    | (487.4) |
| Long Term Borrowings              | 0.0           | 0.0           | 0.0         | 0.0         | Change in Borrowings               | (23.9)  | (26.7)  | (22.5)  | (328.9) |
| Deferred Tax Assets / Liabilities | (32.0)        | (43.0)        | (57.4)      | (152.1)     | Less: Finance Cost                 | (15.6)  | (17.7)  | (21.9)  | (18.0)  |
| Other Long Term Liabilities       | 0.0           | 0.0           | 0.0         | 0.0         | Proceeds from Equity               | (40.1)  | 0.2     | 0.0     | 0.0     |
| Long Term Trade Payables          | 0.0           | 0.0           | 0.0         | 0.0         | Buyback of Shares                  | 0.0     | 0.0     | 0.0     | 0.0     |
| Long Term Provisions              | 22.5          | 15.2          | 18.7        | 23.3        | Dividend Paid                      | (181.5) | (0.3)   | 0.0     | 0.0     |
| Total Liabilities                 | 1,843.1       | 2,114.4       | 2,241.4     | 2,860.7     | Cash flow from Financing           | (261.1) | (44.4)  | (44.4)  | (346.9) |
| Net Block                         | 874.7         | 867.0         | 877.9       | 915.8       | Net Cash Flow                      | (1.2)   | 395.2   | (8.9)   | (432.9) |
| Capital Work in Progress          | 0.1           | 0.0           | 0.3         | 2.7         | Forex Effect                       | 4.8     | 10.0    | (4.2)   | 47.5    |
| Intangible assets under developm  | 0.3           | 0.1           | 0.0         | 0.1         | Opening Balance of Cash            | 372.5   | 376.1   | 781.3   | 768.3   |
| Non Current Investments           | 5.0           | 0.0           | 0.0         | 0.0         | Closing Balance of Cash            | 376.1   | 781.3   | 768.3   | 382.8   |
| Long Term Loans & Advances        | 58.5          | 21.9          | 44.3        | 43.7        |                                    |         |         |         |         |
| Other Non Current Assets          | 6.1           | 20.6          | 70.1        | 109.4       |                                    |         |         |         |         |
| Net Current Assets                | 898.4         | 1,204.8       | 1,248.8     | 1,789.1     |                                    |         |         |         |         |
| Total Assets                      | 1,843.1       | 2,114.4       | 2,241.4     | 2,860.7     |                                    |         |         |         |         |

Source: Ventura Research

## Disclosures and Disclaimer

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