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Issue Detail	
Price Band (Rs.)	Rs.475 - Rs.500
Face Value (Rs.)	2.00
Issue Size (Rs.)	3,042.51 Cr
Issue Type	Book Built Issue IPO
Minimum lot	30 Shares
Issue Opens	November 22, 2023
Issue Closes	November 24, 2023
Listing on	BSE & NSE

Indicative Timeline	On or before
Finalization of Basis of Allotment	November 30, 2023
Unblocking of Funds	December 01, 2023
Credit of shares to Demat Account	December 04, 2023
Listing on exchange	December 05, 2023

Other Detail	
Book Running Lead Managers	JM Financial Limited, Citigroup Global Markets India Private Limited, Bofa Securities India Limited.
Registrar	Link Intime India Private Limited.

IPO Shareholding (%)		
Category	Pre-Issue	Post-Issue
Promoters	66.79%	55.39%
Public	33.21%	44.61%
Total	100.00%	100.00%

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Tata Technologies Limited

Company Background

Tata Technologies Limited (Tata Technologies) was incorporated on August 22, 1994. Promoted by Tata Motors Ltd ("TML"), Tata Technologies is a leading global engineering services company offering product development and digital solutions including turnkey solutions to global OEMs and their Tier-1 suppliers. The company has deep domain expertise in the automotive industry and leverages this expertise to serve their clients in adjacent industries, such as in aerospace & transportation and construction heavy machinery ("TCHM").

The Company is a pure-play manufacturing focused Engineering Research & Development ("ER&D") company, primarily focused on the automotive industry and they are currently engaged with 7 out of the Top-10 automotive ER&D spenders and 5 out of the 10 prominent new energy ER&D spenders in 2022. TATA TECHNOLOGIES has a diversified global client base and as of September 30, 2023, they have 19 global delivery centers spread across North America, Europe and Asia Pacific.

Issue Details

The IPO Offer for Sale of equity shares aggregating upto Rs. 3,042.51 Cr.

Issue Objectives

The company will achieve:

1. Achieve the benefits of listing the Equity Shares on the Stock Exchanges;
2. Carry out the Offer for Sale of up to 6,08,50,278 Equity Shares by the Selling Shareholders.

IPO Share Issue Structure

Category	Allocation	Number of Shares	Value at upper price band (Rs. in Cr.)
QIB (Institutional)	50%	2,63,68,453	1,318.42
Non Institutional	15%	79,10,537	395.53
Retail	35%	1,84,57,919	922.90
Employee		20,28,342	101.42
TML Shareholder's Reservation Portion*		60,85,027	304.25
Total	100%	6,08,50,278	3,042.51

Source: Company RHP, ACMIIL Research

(*Note: The portion of the Offer being up to 6,085,027 Equity Shares (constituting up to 10.00% of the Offer) available for allocation to Eligible TML Shareholders, on a proportionate basis.)

Outlook and Valuation

TATA TECHNOLOGIES is leveraging their deep manufacturing domain knowledge to deliver value-added services to its clients in support of its digital transformation initiatives including product development, manufacturing, and customer experience management. The company's deep expertise in the automotive industry, marquee set of clients across anchor accounts, traditional OEMs and new energy vehicle companies ensure a positive outlook for the future. At the upper price band of Rs. 500/-, stock has valued at PE multiple of 32.53 of its FY23 Diluted EPS. **We recommend subscribing to the issue from a medium to long-term perspective.**

Company Overview

The company's primary business line is services which includes providing outsourced engineering services and digital transformation services to global manufacturing clients helping them conceive, design, develop and deliver better products.

Tata Technologies complements their service offerings with their Products and Education businesses (collectively, "Technology Solutions"). Through their Products business they resell third-party software applications, primarily product lifecycle management ("PLM") software and solutions and provide value added services such as consulting, implementation, systems integration and support.

Tata Technologies has a diversified global client base and as of September 30, 2023, they have 19 global delivery centres spread across North America, Europe and Asia Pacific.

They have established strong partnerships and alliances, such as with Dassault, Logility, Siemens Industry Software Inc., Codincity and Fantasy and by availing Microsoft AZURE products/services that augment their efforts and enable them to expand their client reach across verticals and geographies. They have also recently been empanelled by Airbus which is expected to become a strong avenue of growth.

Business Operations

Tata Technologies Limited ("Tata Technologies") is a leading global engineering services company offering product development and digital solutions, including turnkey solutions, to global original equipment manufacturers ("OEMs") and their Tier-1 suppliers. They endeavour to create value for their clients by helping them develop products that are safer, cleaner and improve the quality of life for their end-customers. The company has deep domain expertise in the automotive industry and leverage this expertise to serve their clients in adjacent industries, such as in aerospace & transportation and construction heavy machinery ("TCHM"). As a global organization, they bring together diverse teams from different parts of the world with multiple skill sets to collaborate in real time and solve complex engineering problems for their clients.

The Company's globally distributed onshore-offshore service delivery capability helps them to suitably address clients' requirements. They leverage their deep manufacturing domain knowledge to deliver value-added services to their clients in support of their digital transformation initiatives including product development, manufacturing, and customer experience management.

Zinnov has estimated the global engineering, research and development ("ER&D") spend to be approximately \$1.81 trillion as of 2022 and expects it to grow to approximately \$2.67 trillion by 2026. The ER&D spend outsourced to third party service providers reached \$105 billion to \$110 billion in 2022 and is anticipated to grow at a 11-13% CAGR between 2022 and 2026. Key drivers for growth within the ER&D market, particularly the automotive market, include an increasing propensity to outsource services (following the COVID-19 pandemic), increased regulatory interventions for safer and cleaner products, shrinking product innovation cycles and next-generation product technologies that underpin autonomous, connected, and electrification and shared ("ACES") technologies.

Additional growth drivers include a heightened focus on smart manufacturing, reducing product development time and cost, connecting the digital thread and enhancing customer experience. Typically, the TCHM industry lags behind the automotive industry by 3 to 5 years, but the demand for outsourced engineering services is driven by similar regulatory and technological challenges. While the aerospace industry has been disproportionately impacted by COVID-19, the sector has recently shown signs of recovery, largely driven by an increased focus on digitalization, sustainability and improving manufacturing throughput to meet increased demand. They intend to continue leveraging their strengths to address the opportunities in the ER&D industry generally and more specifically in the automotive, TCHM and aerospace industries.

Tata Technologies is a pure-play manufacturing focused ER&D company, primarily focused on the automotive industry and they are currently engaged with 7 out of the Top-10 automotive ER&D spenders and 5 out of the 10 prominent new energy ER&D spenders in 2022. Their automotive revenue attributable to the Services segment for Fiscal 2023 and the 6 months period ended September 30, 2023 was ₹3,131.47 crore and ₹1,745.76 crore, respectively, comprising 88.68% and 87.89% of their revenue attributable to the Services segment for the respective periods. Additionally, their revenue attributable to the Services segment from verticals other than automotive for Fiscal 2023 and the 6-months period ended September 30, 2023 was ₹399.69 crore and ₹240.63 crore, respectively, comprising 11.32% and 12.11% of their revenue attributable to the Services segment for the respective periods.

The company's domain expertise has also been recognized by industry bodies and external analysts. They are positioned in the "leadership zone" by Zinnov Zones for ER&D services ratings in 2023 for the 7th consecutive year. They are also ranked 1st among all India-based ER&D service providers and are among the Top-2 globally, in electrification. For automotive ER&D services, they are ranked 1st among India service providers and 3rd globally among rated service providers by Zinnov. In addition, they are also ranked in the "leadership zone" in the aerospace ER&D ratings in 2023 by Zinnov Zones and were ranked in the "leadership zone" for digital thread by Zinnov Zones in 2021. They are also ranked in the "established-expansive" zone in the 2023 rankings for Industry 4.0 by Zinnov Zones. Additionally, Frost & Sullivan recognized them as the 'Company of the Year' in 2020 for global digital solutions in the enterprise modernization industry.

Industry Overview

Global Engineering Research & Development (“ER&D”) Services Industry - Overview:

The key characteristics of service providers across different geographies:

	India	Eastern Europe	Western Europe	North America
Total Spend in Bn(2022)	USD 25, INR 2,052	USD 8, INR 657	USD 37, INR 3,038	USD 16, INR 1,314
Characteristics	Large IT services companies and pure play ER&D services	Focused on Software engineering for ISV clients	Large Key Vertical focused service providers	Large onshore staffing organizations
Focus Verticals	Diversified	Software/ Internet, Telecom, Automotive	Automotive, Aerospace, Energy	Aerospace, Automotive, Software, Telecom
Key Players (non-exhaustive list)	LTTS, KPIT, Tata Elxsi, Tata Technologies	DXC, EPAM Softserve,	Alten, Bertrand, Capgemini, Tieto	Allegis, Belcan, CDI
Customer Segments	North American and European end markets	Nearshore outsourcing for European Companies as well as US companies	Local Europe customers meeting on-shore needs and staffing requirements	Local R&D units of large companies
Advantages	Availability of Next Generation Digital Talent Pool, Annual Graduate STEM Talent Pool of ~2.3 Mn, providing an opportunity to scale, Attractive billing rates when compared to peers from other nations	Emergence as a strong nearshore presence due to presence of skilled workforce; Favourable Ecosystem and costs to build scalable teams	Onshore presence for Manufacturing heavy verticals	Vibrant Tech Start-up Ecosystem
Average Billing Rates (USD/ FTE/ Annum)	35k-45k	60k-70k	90k-110k	90k-110k

Note: Currency conversion for USD to INR is calculated using the value as of 30th June 2023 i.e., 1 USD = INR 82.096

Source: Company RHP, ACMIIL Research

Competition Landscape:

The global ER&D spend is allocated across in-house ER&D departments of enterprises, GCCs and third-party ESPs. The third-party ESP outsourced market is currently pegged at ₹8,620 - 9,031 billion.

The market is global and fragmented in nature and can be broadly classified into 4 categories:

Large IT Service Providers	Indian heritage ER&D Specialists	Western European Specialists	High Growth Service Providers
Capgemini, Accenture, TCS, Wipro, Tech Mahindra etc	KPIT, LTTS, Tata Elxsi, Tata Technologies, etc	Alten, Akkodis, Bertrand, EDAG, Magna Steyr, etc	EPAM, Globant, Endava, etc
<ul style="list-style-type: none"> Historically IT and BPM focused players Increased enterprise spending on R&D even during the pandemic which is making the large SPs bet big on ER&D 	<ul style="list-style-type: none"> Focused sales teams with pure play branding allows them a differentiated positioning Pointed focus on translating their niche ER&D prowess into large deals 	<ul style="list-style-type: none"> Historically focused on asset heavy verticals Low potential to address Digital Engineering with limited software engineering component in their revenues 	<ul style="list-style-type: none"> Engineering culture, Digital talent, Agile pods and India alternate presence (EE, LATAM) Majority of players are digital natives and largely focused on digital engineering services across industries

Source: Company RHP, ACMIIL Research

The comparative view of the Top service providers:

Engineering Services Providers	Revenue from operations for auto vertical (6M-FY24*) in Mn	Contribution of Auto vertical to revenue from operations (6M-FY24*)	Onsite/Offsite or Onshore/Offshore Mix (6M-FY24*)
Tata Technologies	INR 17,458 (USD 213)	88%	Onshore: 49% Offshore: 51%
KPIT	INR 22,090 (USD 269)	96%	Onshore: NA Offshore: NA
L&T TS	INR 15,458 (USD 188)	33%	Onshore: 40% Offshore: 60%
Tata Elxsi	INR 6,775 (USD 83)	46%	Onshore: 26% Offshore: 74%

Source: Company RHP, ACMIIL Research

Note: Revenue from Operations for LTTS and Tata Elxsi is for the Transportation vertical, considering that the firms do not report revenues from Auto vertical; Tata Elxsi reports Industry wise split of revenues and Onsite/Offshore mix only for the Embedded Product Design (EPD) segment. So, all the values for Tata Elxsi have been calculated only for the EPD segment; For Tata Technologies', their revenue from services has been considered from calculations; 88% is the contribution of the auto vertical to the firm's revenue from services; Currency conversion for USD to INR is calculated using the value as of 30th June 2023 i.e., 1 USD = INR 82.096; *6M-FY24 refers to the first 2 quarters of FY 2023-2024.

Competitive Strengths

Deep expertise in the automotive industry

The company's automotive ER&D services span the entire automotive value-chain and includes concept design and styling, tear down and benchmarking ("TDBM"), vehicle architecture, body engineering, chassis engineering, virtual validation, ePowertrain, electrical and electronics, connected, manufacturing engineering, test and validation and vehicle launch. In addition to the spectrum of discrete service offerings, they also offer turnkey full vehicle development solutions for traditional internal combustion engine ("ICE") powered vehicles, plug-in hybrids ("PHEV") and battery electric vehicles ("BEV") which have been developed over a period of 10 years.

Differentiated capabilities in new age automotive trends - electric vehicles ("EVs"), connected and autonomous

The first step in creating EVs is a compelling vehicle concept and engineering design. Company's end-to-end solutions for EV development, manufacturing and after-sales services are designed to help OEMs develop competitive EVs while maintaining a balance between cost, quality and timelines. Their suite of product engineering solutions including outsourced turnkey EV development, product benchmarking, electric vehicle modular platform ("eVMP") for accelerating product development timelines and their light-weighting framework can help OEMs develop products within competitive timelines. Further, their suite of omnichannel after-sales solutions powered by the Power of 8 platforms can help OEMs engage with their EV customers early and manage the entire customer journey effectively.

Strong digital capabilities bolstered by proprietary accelerators

The company's suite of digital services and accelerators are designed to help OEMs and Tier-1 suppliers manage the entire digital product life cycle and engage the customer throughout the product journey. The solutions leverage their deep manufacturing domain knowledge and intimate understanding of clients. Their solutions and accelerators across new product introduction ("NPI") increase the efficiency of automotive, TCHM and aerospace clients in introducing new products to the market. Their range of offerings span across digital product development solutions.

Marquee set of clients across anchor accounts, traditional OEMs and new energy vehicle companies

The company has a diversified global presence across Asia Pacific, Europe and North America and partner with many of the largest manufacturing enterprises in the world. As of September 30, 2023, their clients are comprised of more than 35 traditional automotive OEMs and tier 1 suppliers and more than 12 new energy vehicle companies. Their client portfolio includes their Anchor Clients, TML and JLR, leading traditional OEMs like Airbus, McLaren, Honda, Ford, and Cooper Standard and tier 1 suppliers as well as new energy vehicle companies such as VinFast among others such as Cabin Interiors and Engineering Solutions, ST Engineering Aerospace.

Global delivery model enabling intimate client engagement and scalability

Tata Technologies has a global workforce of over 12,451 employees serving multiple global clients from 19 global delivery centres in Asia Pacific, Europe and North America, as of September 30, 2023. Their globally distributed execution model ensures a balance between onshore client proximity and offshore efficiency. They had approximately 1,717 employees based out of their strategic onshore locations, enabling greater proximity to their clients. In addition, their onshore delivery centres are made up of a majority, as of September 30, 2023 of local national talent and they have a local presence in all the key automotive ER&D markets globally. They also have a delivery headcount of 11,534 employees.

Proprietary e-learning platform leveraging the manufacturing domain knowledge to tap into the large upskilling and reskilling market

The Company's digital and technology capabilities and long-standing manufacturing expertise coupled with their many years of experience of providing skills training, initially through teacher led classroom training and subsequently through their proprietary iGetIT platform, has positioned them to help address the growing engineering upskilling needs. They leveraged their manufacturing expertise and their iGetIT platform to impart industry-oriented, job-specific skills for reskilling engineers and technicians. The platform has over 25,000 hands-on exercises and over 2,000 courses across various skill sets, including design thinking and multiple computer aided design ("CAD") software.

Well-recognized brand with experienced Promoter, board of directors and management team

The company benefits from the strong track record, reputation, and experience of their Promoter, TML, which is part of the Tata Group. The Tata Group is one of the leading business conglomerates in India, with a heritage of over 100 years, comprising of more than 28 equity listed companies across multiple verticals such as technology, steel and automotives. The Tata Group was recognized as the most valuable Indian brand in 2022 in the Brand Finance India-100, 2022 report.

Key Business Strategies

Deepen engagements within existing client base

Given the high concentration of ER&D spend among select automotive, aerospace and TCHM companies globally, Tata Technologies methodically target large spenders in their chosen industries, devoting substantial time and resources in cultivating relationships. Their fundamental approach of client centricity, long-term strategic partnering and joint engagement governance has consistently enabled them to develop and expand their long-term relationships.

Target top ER&D spenders in select high priority verticals and key geographies

The company endeavour to secure projects with the top ER&D spenders within their focus verticals of automotive, aerospace and TCHM. Automotive ER&D is highly concentrated among the Top-20 companies, in terms of ER&D spend for 2022, which account for 73% of the global spend. They aim to strengthen their dedicated business development strategy to focus on high potential accounts with large annual ER&D spends and new energy vehicle companies. They have also recently been empanelled by Airbus which is expected to become a strong avenue of growth.

Expand capabilities in digital engineering and embedded systems

Engineering Service Providers are being leveraged for silicon design, embedded software, and integration of digital technology, thus accelerating the growth opportunities for engineering services outsourcing. Digital engineering is expected to grow at 16% CAGR from 2022 to 2026. As demand for autonomous and connected technologies grows due to increasing pressure from regulations on passenger safety and cost pressures on OEMs, OEMs will continue to focus on delivering a better and safer experience to their clients through incorporation of connected and autonomous technologies.

Strengthening service delivery through capacity and capability building and optimizing delivery processes

The company continues to work on strengthening their forecasting processes, resource management processes and automation of non-core processes in order to enhance delivery excellence and strengthen pricing models that will enable them to improve their margins while creating value for all stakeholders. They are focused on building their talent supply chain to ensure they fulfil client requirements at the right time and at the right cost.

Expand capabilities and enterprise client base in the education sector

The global manufacturing sector is being disrupted by technological change. There is a large engineering upskilling requirement globally, and particularly in India, in the manufacturing sector. They train their engineers through a combination of classroom training and utilizing their proprietary iGetIT offering, an online learning system with courses related to engineering design software and skills. Their iGetIT platform is used by enterprise clients as well as public sector institutions in India to train engineering, polytechnic and ITI students.

Financial Snapshot (Consolidated)

Particulars (in Rs. Mn.)	FY21	FY22	FY23	June 30, 2023
Share Capital	418.10	418.10	811.30	811.30
Reserves	21,003.50	22,383.60	29,083.40	27,719.90
Net worth	21,421.50	22,801.60	29,894.70	28,531.30
Revenue from Operations	23,809.10	35,295.80	44,141.77	25,267.00
EBITDA	3,857.10	6,456.60	8,209.30	4,647.50
EBITDA Margin (%)	16.20%	18.29%	18.60%	18.39%
Profit before Tax	3,152.70	5,868.60	7,961.50	4,662.50
Profit for the period	2,391.70	4,369.90	6,240.40	3,519.00
Net Profit Margin (%)	10.05%	12.38%	14.14%	13.93%
Diluted EPS (Rs.)	5.89	10.77	15.37	8.67
RONW (%)	11.17%	19.16%	20.87%	12.33%*
Net Asset Value (Rs.)	52.79	56.19	73.65	70.27

Source: Company RHP, ACMIIL Research

Note: *Not annualized

Comparison with Peers

Particulars (in Rs Mn.)	Revenue from Operations for FY 2023	Diluted EPS (Rs.)	P/E	RoNW (%)
Tata Technologies Ltd	44,141.77	15.37	32.53	20.87%
KPIT Technologies Ltd	33,650.38	13.95	80.31	22.91%
L&T Technology Services Ltd	80,136.00	110.48	37.47	23.54%
Tata Elxsi Ltd	31,447.23	121.26	61.55	36.21%

Source: Company RHP, ACMIIL Research

Risks and concerns

- Exchange rate fluctuations in various currencies in which company's business could materially and adversely impact their business, financial condition and results of operations.
- Company's revenues are highly dependent on clients concentrated in the automotive segment. An economic slowdown or factors affecting this segment may have an adverse effect on their business, financial condition and results of operations.

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