

IPO ANALYSIS

Sector: Engineering Research & Development Services
Issue Price: INR 475 to INR 500
Issue Size: INR 2,890 – 3,043 Crores
Issue Opens/Closes: Nov 22 / Nov 24

IPO Basics

Promoters: Tata Motors Limited
Selling Shareholders: Tata Motors Limited, Alpha TC Holdings Pte. Ltd, Tata Capital Growth Fund I
Lead Managers: JM Financial, Citigroup Global, BofA Securities
Registered Office: Pune
Registrar: Link Intime India Pvt Ltd.
Listing: BSE and NSE

IPO Capital Structure

Fresh Issue	Nil
Offer for Sale	60,850,278 equity shares upto INR 3,043 Cr
Total Issue as % of total capital (Post-Issue)	15.00%
Post Issue No. of Shares	405,668,530
Employee Reservation	2,028,342 shares
Tata Motors Ltd * Shareholders Reservation	6,085,027 shares
Post Issue Market Cap	INR 19,269 – 20,283 Cr
Face Value	INR 2
Issue Route	Book Build Issue
Bid Lot (Shares)	30
Minimum Bid Amount	INR 15,000

All values calculated at upper band

*Shareholders having Tata Motors or Tata Motors DVR shares on 13th Nov 2023 will be eligible under Shareholder + Retail or Shareholder + HNI (Small) or Shareholder +HNI categories

Financial Snapshot (INR in crs)

Y/E Mar	FY21	FY22	FY23
Equity Share Capital	41.81	41.81	81.13
Reserves	2,100.35	2,238.36	2,908.34
Net worth	2,142.15	2,280.16	2,989.47
Revenue from Ops	2,380.91	3,529.58	4,414.18
Growth (%)	-	48.24%	25.06%
Adj EBITDA	385.71	645.66	820.93
Adj EBITDA (%)	16.20%	18.29%	18.60%
Net Profit	239.17	436.99	624.04
Net Profit (%)	10.05%	12.38%	14.14%
Basic EPS	5.89	10.77	15.38
Diluted EPS	5.89	10.77	15.38
RONW (%)	11.17%	19.16%	20.87%
NAV (INR)	52.79	56.19	73.65
P/E (Based on Upper Band)			32.51
Average Industry P/E			59.78
P/B (Based on Upper Band)			6.79

Shareholding Pattern

Holders	Pre-issue	Post Issue
Promoters	66.79%	55.39%
Public	33.21%	44.61%
Total	100.00%	100.00%

Particulars	Retail Category	NII bid between Rs 2 lakhs- Rs 10 lakhs	NII bid above Rs 10 lakhs
Minimum Bid Lot (Shares)	30	420	2,010
Minimum Bid Lot Amount (₹)	₹15,000	₹ 2,10,000	₹ 10,05,000
No of Applications for 1x	6,15,264	6,278	12,556

Tata Technologies Limited

Nov 21, 2023

Issue Highlights:

- Tata Technologies, originally 'Core Software Systems Private Limited,' started in 1994. Renamed in 2001, it acquired INCAT International plc in 2005, broadening automotive and aerospace services. Further expansions came with Cambric Corporation in 2013 and Escenda Engineering AB in 2017. They've diversified their client base, focusing on global engineering services, now with 1 direct and 10 indirect subsidiaries.
- Tata Technologies is a leading global engineering services company specializing in product development and digital solutions for OEMs and Tier-1 suppliers. With a focus on creating safer, cleaner products, they leverage their deep expertise in automotive engineering to cater to adjacent industries like aerospace and heavy machinery.
- The company's onshore-offshore service delivery system addresses diverse client needs, supporting digital transformations in product development, manufacturing, and customer experience management. In the evolving ER&D market, estimated at \$1.81 trillion in 2022 and projected to reach \$2.67 trillion by 2026, key drivers include increased outsourcing, regulatory changes for safer products, and advancements in autonomous and electrification technologies.
- Tata Technologies intends to capitalize on growth opportunities within automotive, heavy machinery, and aerospace sectors, aligning their strengths with market demands for innovation, smart manufacturing, and enhanced customer experiences.
- Tata Technologies is a focused ER&D company primarily serving the automotive sector, engaging with top spenders in this field. Their revenue predominantly comes from automotive services, comprising over 87% of their Service segment revenue in 2023, with additional revenue from other sectors.
- Renowned for their domain expertise, Tata Technologies consistently ranks in Zinnov's "leadership zone" for ER&D services, particularly excelling in automotive and electrification. Their client base spans globally, with significant revenue from India, Europe, North America, and other regions, highlighting strong client relationships and high repeat rates.
- Their global delivery model, with 19 centers across North America, Europe, and Asia Pacific, ensures uninterrupted services leveraging local expertise. As of September 30, 2023, they employed 12,451 individuals, adeptly utilizing their skills to deliver value-added services to clients.

Key Risks:

- Significant revenue comes from Top 5 Clients, including Tata Motors and Jaguar Land Rover (JLR).
- A substantial portion of future revenue is expected to originate from new energy vehicle companies, potentially startups and there may be uncertainties surrounding their funding, future product strategies, growth management, and creditworthiness.
- Certain client contracts include benchmarking and favored client provisions if activated, these clauses could potentially lead to reduced contractual revenues and profitability in the future.
- The company may face potential claims regarding intellectual property infringement from clients or third parties leading to unauthorized use that could result in competition with services.
- Reliance on vendors and partners for software, some of which are sole or limited suppliers.

Particulars	No. of shares (Cr.)	Issue Size Amount Lower Band (Rs. Cr.)	Issue Size Amount Upper Band (Rs. Cr.)	% Of Issue
QIB	2.64	1,252.50	1,318.42	50.00%
NIB	0.79	375.75	395.53	15.00%
Retail	1.85	876.75	922.90	35.00%
Employee	0.20	96.35	101.42	
Shareholders of Tata Motors Ltd	0.61	289.04	304.25	
Total	6.01	2,890.39	3,042.51	100.00%

An Indicative Timetable Post Issue Closing

Particulars	Tentative Date
Finalization of Basis of Allotment	November 30, 2023
Refunds/un-blocking of ASBA Accounts	December 01, 2023
Credit of Equity Shares to DP Ac	December 04, 2023
Trading Commences	December 05, 2023

Investors are advised to refer disclosures made at the end of the research report.

BACKGROUND**Brief Biographies of Directors**

Ajoyendra Mukherjee is the Chairman and Independent Director of the company. He was previously associated with Tata Consultancy Services Ltd for almost 4 decades.

Warren Kevin Harris is the Chief Executive Officer and Managing Director of the company. He has been associated with the company since October 1, 2005. He is currently a director of certain of company's Subsidiaries, namely, Cambric Ltd, Bahamas, INCAT International Plc., Tata Manufacturing Technologies (Shanghai) Co., Ltd, Tata Technologies de Mexico S.A. de C.V. (under liquidation), Tata Technologies Europe Ltd, Tata Technologies, Inc., Tata Technologies Nordics AB (previously known as Escenda Engineering AB), Tata Technologies Pte Ltd and Tata Technologies S.R.L.

Usha Sangwan is an Independent Director of the company. Prior to joining the company, she was associated with the Life Insurance Corporation of India as the managing director.

Aarthi Sivanandh is an Independent Director of the company. She is a senior partner with AZB & Partners.

Nagaraj Ijari is an Independent Director of the company. Prior to joining the company, he was associated with Gherzi Eastern Ltd, Mafatlal Consultancy Services (India) Ltd and Tata Consultancy Services.

Pathamadai Balachandran Balaji is a Non-Executive Director of the company. He is currently the president and chief financial officer of Tata Motors group. Prior to joining the company, he was associated with Hindustan Unilever Ltd.

Shailesh Chandra is a Non-Executive Director of the company. Prior to joining the company, he was associated with the Promoter, Tata Motors Ltd. Currently, he is the managing director of subsidiaries of company's Promoter, namely, Tata Motors Passenger Vehicle Ltd and Tata Passenger Electric Mobility Ltd.

Key Managerial Personnel

Savitha Balachandran is the Chief Financial Officer of the company. She joined the company on July 1, 2020. She is responsible for global finance and procurement in the company. Prior to joining the company, she was associated with the company promoter, Tata Motors Ltd.

Vikrant Gandhe is the Company Secretary and Compliance Officer of the company. He is responsible for global company secretarial function in the company. Prior to joining the company, he was associated with Synechron Technologies Pvt Ltd. and Tech Mahindra Ltd

Pawan Kumar Bhageria is the President (Global HR, IT, Admin and Education) of the company. He is responsible for delivery leadership, sales, client leadership for services and education and global human resources leadership in the company. Prior to joining the company, he was associated with General Motors Technical Centre India Pvt Ltd.

Nachiket Paranjpe is the President – Automotive Sales of the company. He joined Tata Technologies Europe Ltd, one of the Subsidiaries of the company on August 1, 2019. He is responsible for sales and client engagement at JLR. Prior to joining the company, he was associated with KPIT Technologies GmbH.

Sriram Lakshminarayanan is the President and Chief Technical Officer of the company. He is responsible for leading the practice organization, strategic monetization of intellectual property and assets as well as the products business. Prior to joining the company, he was associated with Complete Business Solutions (India) Ltd and IBM India Pvt Ltd.

Aloke Palsikar is the Executive Vice President and Head - Aerospace and Industrial Heavy Machinery Sales of the company. He is responsible for global sales for non-automotive industry verticals. Prior to joining the company, he was associated with Siemens Ltd, Larson & Toubro Infotech Ltd, Tech Mahindra Ltd and Satyam Computer Services Ltd.

Shailesh Pramod Saraph is the Executive Vice President and Global Head – Engineering, Research and Development of the company. He is responsible for the global delivery for engineering services across the company. Prior to joining the company, he was associated with the Promoter, Tata Motors Ltd.

Geena Binoy is the Executive Vice President and Global Head (Digital Enterprise Solutions) of the company. She is responsible for global delivery for digital enterprise solutions. Prior to joining the company, she was associated with the Promoter, Tata Motors Ltd.

Anjali Balagopal is the Executive Vice President and General Counsel of the company. She leads the legal and compliance functions of the company globally and is also responsible for intellectual property and data protection. Prior to joining the company, she was associated with Infosys Ltd and with Juris Corp.

OFFER DETAILS

The Offer for Sale by:	Upto 65,850,278 Equity Shares	WACA [^] per Equity Share (₹)
The Promoter Selling Shareholders:		
<i>Tata Motors Ltd</i>	<i>Upto 46,275,000 Equity Shares</i>	7.40
The Investor Selling Shareholders:		
<i>Alpha TC Holdings Pte Ltd</i>	<i>Upto 9,716,853 Equity Shares</i>	25.10
<i>Tata Capital Growth Fund-I</i>	<i>Upto 4,858,425 Equity Shares</i>	25.10

[^]Weighted Average Cost of Acquisition

SHAREHOLDING PATTERN

Shareholders	Pre-offer		No. of Shares offered	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
Promoter and Promoters Group					
<i>Promoter</i>	262,844,816	64.79%	46,275,000	216,569,816	53.39%
<i>Promoters Group</i>	8,119,920	2.00%		8,119,920	2.00%
Total for Promoter and Promoter Group	270,964,736	66.79%	46,275,000	224,689,736	55.39%
<i>Public – Investor Selling Shareholders</i>	44,167,510	10.89%	14,575,278	29,592,232	7.29%
<i>Public - Others</i>	90,536,284	22.32%		151,386,562	37.32%
Total for Public Shareholder	134,703,794	33.21%	14,575,278	180,978,794	44.61%
Total Equity Share Capital	405,668,530	100.00%	60,850,278	405,668,530	100.00%

Details of Secondary Transactions:

Date of transfer	Name of transferor	Name of transferee	No. of Equity Shares transferred	Price per Equity Shares (in ₹)	Total Consideration (in ₹ Cr)
25-10-2023	Tata Motors Ltd	TPG Rise Climate SF Pte. Ltd.	36,509,794	401.81	1,467.00
		Ratan Tata Endowment Foundation	3,651,390	401.81	146.72
26-10-2023	TMF Business Services Ltd (previously known as Tata Motors Finance Ltd)	Tata Motors Finance Ltd (previously known as Tata Motors Finance Solutions Ltd)	8,119,920	Na	Na
Total Purchase Value (in ₹ Cr)					1,613.72
Total number of equity shares transacted[^]					40,161,184
Weighted Average Cost of Acquisition (in ₹)					401.81

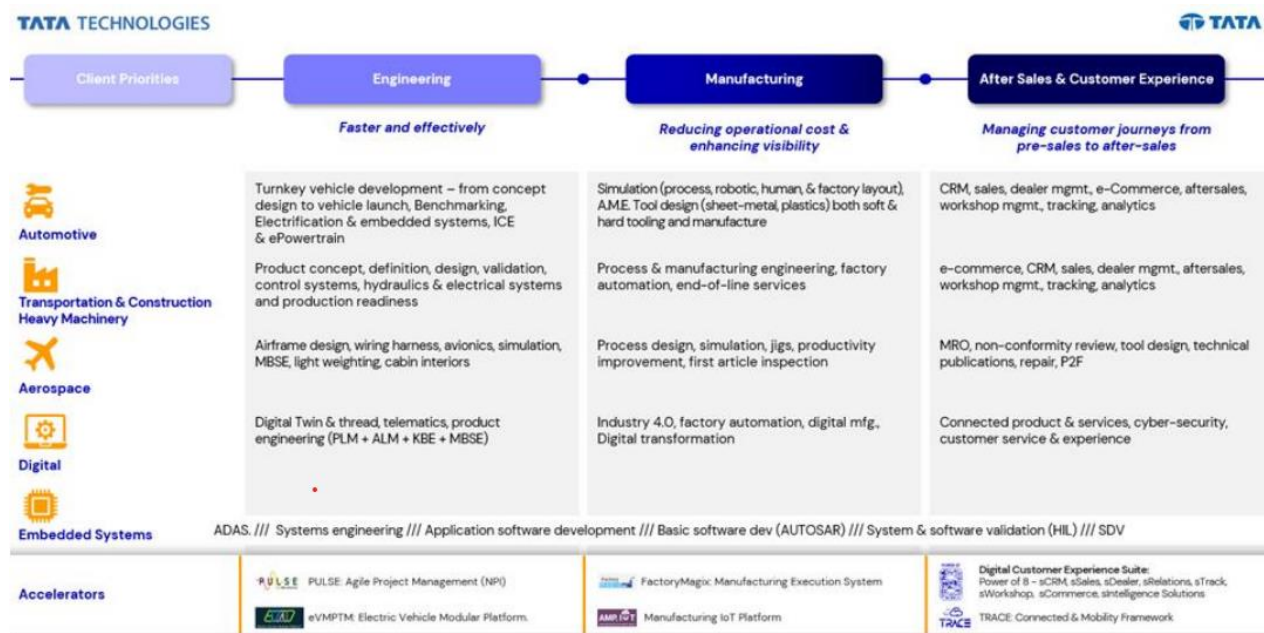
[^]The acquisition of Equity Shares by Tata Motors Finance Ltd (previously known as Tata Motors Finance Solutions Ltd) from TMF Business Services Ltd (previously known as Tata Motors Finance Ltd) has not been considered in the computation of the weighted average cost of acquisition as these Equity Shares were acquired pursuant to a scheme of arrangement between erstwhile Tata Motors Finance Ltd (now TMF business Services Ltd) and erstwhile Tata Motors Finance Solutions Ltd (now Tata Motors Finance Ltd) and their respective shareholders, sanctioned by the NCLT, Mumbai by an order dated May 12, 2023, for which no consideration was applicable.

LINE OF BUSINESS

The company's value proposition centers on two primary components. Firstly, their **Services offerings** involve providing outsourced engineering services to manufacturing clients and utilizing digital technology to enhance the product development process.

Secondly, their **Technology Solutions offering** includes the Products business, selling specialized software used in product development, and the Education business, focusing on equipping future engineers and technicians with skills crucial for the global manufacturing industry.

Services:



The company specializes in providing outsourced engineering and digital transformation services to global manufacturing clients, aiding in product conception, design, and development. They emphasize a synchronized approach across clients' processes and people for optimal product lifecycle realization. Operating through 19 global delivery centers, they offer a balanced on-shore/offshore global delivery model. With a focus on the automotive sector and adjacent industries like aerospace and TCHM, they've actively engaged in emerging automotive trends, particularly in electrification and connected vehicles. Notably, they launched eMo, the first full-vehicle EV concept developed by an Indian engineering services firm, and have undertaken various EV projects for traditional and new energy vehicle companies.

In the automotive sector, the company excels in Concept Design, Tear Down and Benchmarking, Vehicle Architecture, Body and Chassis Engineering, CAE Virtual Validation, ePowertrain, Electrical and Electronics, Embedded Solutions, SDV, Manufacturing, Build and Test, and Launch.

Their additional service offerings encompass Product Data Management, Smart Manufacturing, Enterprise Resource Planning, Customer Experience Management, Application Management, Data Intelligence, and Process Automation.

Technology Solutions

The company's value proposition involves aiding clients in adopting and implementing manufacturing technologies for improved product development and offering training to enable this process. This is facilitated through their Products business, collaborating with manufacturing software providers like PLM and MES software.

Tata Technologies augments their service offerings with their Technology Solutions, comprising Products and Education businesses. Their Products business involves reselling third-party software, mainly product lifecycle management (PLM) software, and offering additional services like consulting, implementation, systems integration, and support.

Education

The Education business delivers "phygital" (physical and digital) education solutions in manufacturing skills, focusing on upskilling and reskilling in the latest engineering and manufacturing technologies. They cater to public and private institutions and enterprises through curriculum development and competency center offerings via their iGetIT platform.

iGetIT, their proprietary platform, utilizes blended learning, offering self-paced courses covering over 2,000 mechanical computer-aided design (MCAD), PLM, and specialized skill sets. Widely accessed across 60 countries, iGetIT serves a substantial number of learners worldwide to achieve their learning objectives.

Revenue disaggregation by Business Vertical Units

Segment	6 months ended September 30,				For the Year ended March 31,					
	2023		2022		2023		2022		2021	
	Revenue ₹ Cr	% to Total	Revenue ₹ Cr	% to Total	Revenue ₹ Cr	% to Total	Revenue ₹ Cr	% to Total	Revenue ₹ Cr	% to Total
Service	1,986.39	78.62%	1,640.88	86.92%	3,531.16	80.00%	2,651.35	75.12%	1,914.37	80.40%
- Automotive	1,745.76		1,445.29		3,131.47		2,276.87		1,573.42	
- Others	240.63		195.59		399.69		374.48		340.95	
Technology Solutions	540.31	21.38%	247.03	13.08%	883.02	20.00%	878.23	24.88%	466.54	19.60%
- Technology Solutions	538.29		245.00		878.96		874.74		463.17	
- Product Business Services	2.02		2.03		4.06		3.49		3.37	
Total	2,526.70	100.00%	1,887.91	100.00%	4,414.18	100.00%	3,529.58	100.00%	2,380.91	100.00%

Revenue disaggregation by geography:

Anchor Client	For the half year ended September 30,		For the Year ended March 31,		
	2023	2022	2023	2022	2021
	Revenue ₹ Cr	Revenue ₹ Cr	Revenue ₹ Cr	Revenue ₹ Cr	Revenue ₹ Cr
India	887.78	462.37	1313.83	1,143.54	690.02
UK	572.57	394.85	868.74	711.96	582.82
North America	486.66	423.18	946.54	792.16	758.59
Rest of Europe	107.00	67.95	138.88	147.06	154.32
Rest of World	472.68	539.56	1,146.19	734.86	195.16
- Vietnam	381.97	443.19	958.29	491.22	79.51
- Others	90.71	96.37	187.90	243.64	115.65
Total	2,526.70	1,887.91	4,414.18	3,529.58	2,380.91

The segmental revenue and Revenue from Operations generated from the Anchor Clients, who are related parties:

(₹ in Cr, except for percentages)

Segment	6 months ended September 30,		Fiscal		
	2023	2022	2023	2022	2021
Revenue from Anchor Clients attributable to the Services segment	913.04	641.86	1,421.04	1,069.65	983.95
% of revenue from Anchor Clients attributable to the Services segment	45.96%	39.07%	40.24%	40.34%	51.40%
Revenue attributable to Services Segment	1,986.39	1,640.88	3,531.16	2,651.35	1,914.37
Revenue from Anchor Clients attributable to the Technology Solutions segment	40.27	21.47	84.33	42.69	37.16
% of revenue from Anchor Clients attributable to the Technology Solutions segment	7.45%	8.69%	9.55%	4.86%	7.97%
Revenue attributable to Technology Solutions segment	540.31	247.03	883.02	878.23	466.54
Revenue from Anchor Clients attributable to Revenue from Operations	953.31	663.33	1,505.38	1,112.34	1,021.11
% of revenue from Anchor Clients attributable to Revenue from Operations	37.73%	35.14%	34.10%	31.51%	42.89%
Revenue from Operations	2,526.70	1,887.91	4,414.18	3,529.58	2,380.91

Key Performance Indicators

(₹ in Cr, unless otherwise indicated)

	6 Months ended September 30,		Fiscal		
	2023	2022	2023	2021	2020
Revenue from Operations	2,526.70	1,887.91	4,414.18	3,529.58	2,380.91
Revenue attributable to the Services segment	1,986.39	1,640.88	3,531.16	2,651.35	1,914.37
Revenue attributable to the Services segment (% of Revenue from operations)	78.62%	86.92%	80.00%	75.12%	80.40%
YoY growth in Revenue from Operations (%)	33.84%	Na	25.06%	48.24%	(16.52)%
YoY constant currency growth in Revenue from Operations (%)	28.59%	Na	24.02%	45.18%	(19.74)%
Profit for the period/year	351.90	259.06	624.04	436.99	239.17
Profit Margin for the period/year (%)	13.93%	13.72%	14.14%	12.38%	10.05%
EBITDA	525.47	395.00	908.69	694.46	430.54
Adjusted EBITDA	464.75	372.52	820.93	645.66	385.71
Adjusted EBITDA Margin (%)	18.39%	19.73%	18.60%	18.29%	16.20%

Competitive Strength

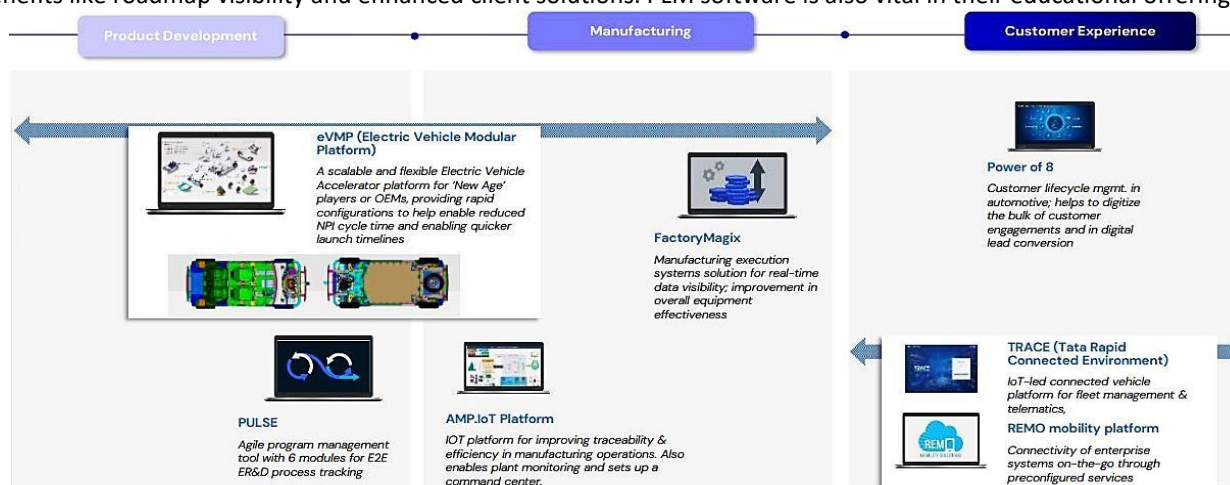
Deep expertise in the automotive industry: The company offers a comprehensive range of automotive ER&D services covering the entire value chain, from concept design to vehicle launch, including TDBM, vehicle architecture, body and chassis engineering, ePowertrain, and more. They specialize in turnkey solutions for ICE, PHEV, and BEV vehicles developed over 10 years. Leveraging their automotive domain expertise, they assist clients in optimizing product development, manufacturing, and service using digital technologies. Their partnerships, notably with JLR since 2010, facilitate skill cultivation and refining their value proposition. Additionally, their capabilities in TCHM machine development and automotive tooling design support propositions in the aerospace MRO sector.

Differentiated capabilities in new age automotive trends – electric vehicles (“EVs”), connected and autonomous: The company provides end-to-end solutions for EV development, focusing on compelling vehicle concepts and engineering design. Their suite includes turnkey EV development, product benchmarking, eVMP for accelerated development, lightweighting framework, and omnichannel after-sales solutions. With a history in EV capabilities since 2010, they offer a comprehensive range of services spanning EV architectures, connected services, ADAS, embedded solutions, CAE, prototype build, and program management. Their eVMP platform aids rapid development for both traditional OEMs and new energy vehicle companies, reducing timelines and risks. They have undertaken significant projects in EVs with multiple global OEMs.

Strong digital capabilities bolstered by proprietary accelerators: The company offers digital services aiding OEMs and Tier-1 suppliers in managing the entire product lifecycle. Leveraging deep manufacturing expertise, their solutions focus on new product introduction, enhancing efficiency for automotive, TCHM, and aerospace clients. They specialize in digital product development solutions.

Digital technologies revolutionize manufacturing, linking machines through a 'digital thread,' extracting insights from diverse data sources. PLM, MES, and ERP form the foundation for product realization. Tata Technologies excels in integrating these solutions through proprietary accelerators, deploying Industry 4.0 at scale to revolutionize client manufacturing operations.

Through partnerships with Siemens Industry Software Inc., Dassault Systems, and Autodesk, they resell PLM application software, providing strategic benefits like roadmap visibility and enhanced client solutions. PLM software is also vital in their educational offerings.



Marquee set of clients across anchor accounts, traditional OEMs and new energy vehicle companies: The company boasts a global presence across Asia Pacific, Europe, and North America, collaborating with major manufacturing enterprises worldwide. They serve over 35 traditional automotive OEMs and tier 1 suppliers and 12 new energy vehicle companies. Notable clients include TML, JLR, Airbus, McLaren, Honda, Ford, Cooper Standard, VinFast, Cabin Interiors, and ST Engineering Aerospace.

Engaging in multiple projects, they maintain a high repeat rate of over 97.72%, demonstrating strong client loyalty. Their robust Net Promoter Scores (NPS) reached 58 for the 12 months ended September 2023. While revenue from Anchor Clients accounted for 40.24% in Fiscal 2023, revenue from non-Anchor Clients has significantly increased from 48.60% to 59.76% between Fiscal 2021 and Fiscal 2023. They've expanded client profitability through cross-selling services and witnessed increased spending from new energy vehicle companies like VinFast.

Global delivery model enabling intimate client engagement and scalability: Tata Technologies operates with a global team of over 12,451 employees across 19 delivery centers in Asia Pacific, Europe, and North America. They strategically maintain approximately 1,717 employees in onshore locations for enhanced client proximity. Additionally, the majority of their onshore talent consists of local nationals, ensuring a strong local presence in key automotive ER&D markets globally. Their overall delivery headcount stands at 11,534 employees.



Proprietary e-learning platform leveraging the manufacturing domain knowledge to tap into the large upskilling and reskilling market: The company has developed a proprietary e-learning platform, iGetIT, leveraging its extensive manufacturing expertise to cater to the growing need for engineering upskilling and reskilling. With over 25,000 exercises and 2,000 courses covering various skill sets, the iGetIT platform offers job-specific training in design thinking and multiple CAD software. It's utilized by public and private sector institutions in India, partnering with universities and over 150 private enterprises. Additionally, they've expanded collaborations with State Governments to modernize and upgrade ITIs, establishing Centers of Excellence and advancing industry-specific skills training across India.

Well-recognized brand with experienced Promoter, board of directors and management team: The company, under the Tata Group umbrella, benefits from a strong legacy and global reach. Leveraging Tata Motors' stature as a leading global automobile manufacturer with an extensive range of mobility solutions in over 125 countries, the company is strategically positioned. With Tata Group's emphasis on EVs, aerospace, and defense, the company gains from shared synergies and corporate governance standards. Their diverse and experienced board and management team enable swift adaptation to market changes and innovative solutions in various industries.

Key Business Strategies

Deepen engagements within existing client base: Tata Technologies strategically targets major spenders in key industries like automotive, aerospace, and TCHM, emphasizing client-centricity and long-term relationships. Their top 20 clients contributed 88.40% of Fiscal 2023 revenue, and they aim to enhance value through strategic account planning.

Target top ER&D spenders in select high priority verticals and key geographies: The company aims to secure projects with top spenders in automotive, aerospace, and TCHM ER&D. They focus on high-potential accounts and new energy vehicle companies. Their recent empanelment by Airbus is expected to drive growth. Besides, they pursue an organic approach, targeting major spenders and expanding geographically. Specific strategies for key territories like China, France, and Germany, tailored to EVs, aerospace, and embedded solutions respectively, support their sustainable growth.

Expand capabilities in digital engineering and embedded systems: Engineering Service Providers are crucial for silicon design, embedded software, and integrating digital technology, fostering growth in engineering services outsourcing. The digital engineering sector is projected to grow at a 16% CAGR from 2022 to 2026. With regulations emphasizing passenger safety and OEMs striving for enhanced experiences, the demand for autonomous and connected technologies is rising. Tata Technologies is actively expanding its embedded and digital capabilities through strategic investments and partnerships. Collaborations with key players like **Dassault, Logility, Siemens Industry Software Inc., Codincity, Fantasy**, and leveraging **Microsoft AZURE** products/services enhance their outreach across industries and global markets.

Strengthening service delivery through capacity and capability building and optimizing delivery processes: The company is actively improving forecasting, resource management, and process automation to enhance delivery excellence and optimize pricing models. Prioritizing talent acquisition and management, they aim to efficiently meet client needs while boosting margins and value for stakeholders.

Expand capabilities and enterprise client base in the education sector: The company addresses the global engineering upskilling demand, particularly in India's manufacturing sector, by providing training via classroom sessions and their iGetIT online platform. This platform caters to engineering, polytechnic, and ITI students and is utilized by both enterprise clients and public sector institutions. They are expanding their academic partnerships in India to develop a comprehensive "phygital" solution and aim to collaborate more with State Governments on ITI enhancement initiatives.

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, Bertrandt, 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

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

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%

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

Comparison with Listed Industry Peers (AS ON 31ST MARCH 2023)

Name of the Bank	Consolidated/ Standalone	Face Value	Revenue from Operations for FY 2023 (₹ Cr)	Market Capitalization as on March 31, 2023 (₹ Cr)	EPS		NAV	P/E	RoNW (%)
					Basic	Diluted			
Tata Technologies Ltd	Consolidated	2	4,414.18	NA	15.38	15.37	73.65	32.51	20.87%
KPIT Technologies Ltd	Consolidated	10	3,365.04	25,009.75	14.10	13.95	61.58	80.31	22.91%
L&T Technology Services Ltd	Consolidated	2	8,013.60	35,680.24	110.80	110.48	470.66	37.47	23.54%
Tata Elxsi Ltd	Consolidated	10	3,144.72	37,111.15	121.26	121.26	334.92	61.55	36.21%

Source: RHP; P/E Ratio has been computed based on the closing market price of equity shares on NSE on October 26, 2023.

Comparison of the key performance indicators with listed industry peers:

(₹ in Cr, unless otherwise indicated)

Particulars	L&T Technology Services					KPIT Technologies				
	6 months ended September 30,		For the year ended March 31,			6 months ended September 30,		For the year ended March 31,		
	2023	2022	2023	2022	2021	2023	2022	2023	2022	2021
Revenue from Operations	4,687.90	3,868.80	8,013.60	569.70	5,449.70	1,430.56	3,365.04	2,035.74	1,731.97	1,489.06
Revenue from Operations (\$ Cr)	56.81	48.66	99.00	88.00	73.70	18.41	41.83	27.48	Na	Na
Revenue attributable to the Services segment	4,687.90	3,868.80	8,013.60	6,569.70	5,449.70	Na	3,272.02	2,035.10	1,687.06	1,454.40
Revenue attributable to the Services segment (% of Revenue from operations)	100.00%	100.00%	100.00%	100.00%	100.00%	Na	97.24%	99.97%	97.41%	97.67%
YoY growth in Revenue from Operations (%)	Na	Na	21.98%	20.55%	(3.01)%	Na	38.34%	(5.59)%	Na	Na
YoY constant currency growth in Revenue from Operations (%)	Na	Na	15.80%	20.00%	(6.80)%	Na	36.70%	-	Na	Na
Profit for the year	626.50	556.60	1,169.80	957.00	663.30	275.84	171.22	386.86	276.24	147.10
Profit Margin for the year (%)	13.36%	14.39%	14.60%	14.57%	12.17%	12.01%	11.97%	11.50%	11.36%	7.23%
EBITDA	1,017.30	906.80	1,918.70	1,567.30	1,161.10	477.51	296.54	675.65	483.36	325.84
Adjusted EBITDA	928.40	822.80	1,710.70	1,414.90	1,007.40	459.95	271.34	635.46	438.55	310.07
Adjusted EBITDA Margin (%)	19.80%	21.27%	21.35%	21.54%	18.49%	20.03%	18.97%	18.88%	18.03%	15.23%

(₹ in Cr, unless otherwise indicated)

Particulars	Tata Elxsi					Tata Technologies				
	6 months ended September 30,		For the year ended March 31,			6 months ended September 30,		For the year ended March 31,		
	2023	2022	2023	2022	2021	2023	2022	2023	2022	2021
Revenue from Operations	1,731.97	1,489.06	3,144.72	2,470.78	1,826.16	2,526.70	1,887.91	4,414.18	3,529.58	2,380.91
Revenue from Operations (\$ Cr)	Na	Na	Na	Na	Na	30.65	24.01	54.69	47.35	32.15
Revenue attributable to the Services segment	1,687.06	1,454.40	3,118.71	2,453.75	1,810.32	1,986.39	1,640.88	3,531.16	2,651.35	1,914.37
Revenue attributable to the Services segment (% of Revenue from operations)	97.41%	97.67%	99.17%	99.31%	99.13%	78.62%	86.92%	80.00%	75.12%	80.40%
YoY growth in Revenue from Operations (%)	Na	Na	27.28%	35.30%	13.44%	33.84%	Na	25.06%	48.24%	(16.52)%
YoY constant currency growth in Revenue from Operations (%)	Na	Na	24.90%	34.30%	8.00%	28.59%	Na	24.02%	45.18%	(19.74)%
Profit for the year	388.90	359.00	755.20	549.70	368.10	351.90	259.06	624.04	436.99	239.17
Profit Margin for the year (%)	22.45%	24.11%	24.01%	22.25%	20.16%	13.93%	13.72%	14.14%	12.38%	10.05%
EBITDA	568.44	493.69	1034.91	810.23	562.17	525.47	395.00	908.69	694.46	430.54
Adjusted EBITDA	515.10	464.70	961.10	765.70	522.40	464.75	372.52	820.93	645.66	385.71
Adjusted EBITDA Margin (%)	29.74%	31.21%	30.56%	30.99%	28.61%	18.39%	19.73%	18.60%	18.29%	16.20%

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