

Date	Report / Update	Report Price (₹)	Buy Range (₹)	Target Price (₹)
24-Sep-24	Quick Insight	1,102.5	1080 – 1100	1330 – 1350

TATA TECHNOLOGIES

Q4FY25 Result Highlights

- On a full year basis, TATATECH grew 1% Y-o-Y (12% Y-o-Y ex VinFast project which concluded in FY-24) to ₹5,168crs. The issues surrounding the US import tariff continued to delay investments by partners and clients resulting in lower execution for the year. EBITDA margins remained constant at 18%.
- The Services segment (~80% of the business) grew 1.1% Y-o-Y generating ₹4,027crs, primarily due to the conclusion of the VinFast project in FY-24, which contributed 14% of Service segment revenue. Ex-Vin Fast, the business demonstrated 16% Y-o-Y growth.
- The Technology Solutions segment saw muted revenue growth of 0.6% Y-o-y to ₹1,141crs owing to the Product business witnessing a 7.6% Y-o-Y decline offset by the 6.8% Y-o-y growth in the Education segment.
- In spite of the strong challenging geopolitical environment – marked by shifting trade alliances, rising protectionism, tightening export controls and the ongoing reconfiguration of global supply chain, the company has managed to maintain strong Operating cost discipline, thus ensuring to maintain an 18.2% EBITDA margin.
- The BMW partnership that was initiated in November is already paying off with a net positive contribution of ₹~12crs in Q4 FY25. Employee attrition levels continued to remain at 13%, but the company's efforts to upskill and upgrade employee skillset continues to pay-off with 60%+ engineers now being AI-ready. Aerospace segment continues to witness strong deal wins on the back of the company's partnership with Airbus. However, new order wins are delayed owing to the uncertainty looming over import tariffs being proposed by key governments such as the US, Europe and China.

VIEW

The new partnership with BMW helped to slightly offset the void in revenues left by the conclusion of the Vin-Fast partnership, thus resulting in a muted revenue growth in FY-25. As the partnership ramps up in the coming months, we estimate strong revenue growth to come in the near future. Supplementing this growth is the Airbus partnership, which continues to bear fruit. Leveraging its ability to meet Airbus' strict criteria, TATATECH was able to secure contracts with 3 additional clients for aerospace solutions'. The uncertainty looming around US import tariffs continue to hinder potential capital investments and deal closures. Given the choppy macro-environment and the strong volatility in the domestic securities' markets, we expect the stock to continue demonstrating strong volatility before it witnesses a significant ramp-up. The recent broad-based selling in the equity markets, means the stock continues to trade in the value zone at a P/E of ~32x FY-27E EPS. Hence, we recommend investors to **HOLD** at current levels.

Partnership with BMW

TATATECH initiated a joint venture with BMW in November 2024, starting with a team of 100 professionals and scaling up rapidly to a 10x+ headcount milestone, with a commitment to enhance capabilities in automotive software, AI, and digital solutions. This investment, the management believes, confirms the idea that the German market is now showing positive sentiment in investing in the Indian market. The JV has been a significant net positive contributor, generating ₹50 lakh in Q3 FY25 and ₹3.6crs in Q4 FY25. In addition to this, the quarter also saw a fair value gain on the options relating to the investment in the JV has accumulated to ₹8.3crs which is reflected in Other Income. As the partnership is expected to continue to scale up even further, the management expects these options to gain even further in the foreseeable future, in addition to being a net positive contributor in the P&L. Management confidence in the JV to generate substantial double-digit million-dollar revenue and to eventually surpass USD 100 million within a few years remains seemingly intact.

Important Data

Nifty	24,273
Sensex	80,334

Key Stock Data

LTP*	₹652
MCAP (bn)	~₹266
52-WHigh/Low	₹1136/597
Shares o/s(mn)	405.7
Daily Vol.(3MNSEAvg.)	24,49,715
BSE Code	544028
NSE Code	TATATECH
Bloomberg Code	TATATECH:IN

LTP* as on 8th May 2025

Shareholding Pattern (%) – Mar'25

Promoter	55.22
DII	02.48
FII	03.10
Public	39.20

Financials

Particulars	FY22	FY23	FY24
Revenue	35,296	44,142	51,172
EBIDTA	6,457	8,210	9,413
Margin (%)	18.3	18.6	18.4
PAT	4,370	6,241	6,794
EPS (₹)	10.8	15.4	16.7
RoE (%)	19.8	23.7	21.9
RoCE (%)	25.1	29.2	30.1
P/E (x)	60.8	42.6	39.1
EV/EBITDA (x)	39.8	31.2	27.3
P/BV (x)	11.7	8.9	8.3
EV/Sales (x)	7.3	5.8	5.0

Particulars	FY25	FY26E	FY27E
Revenue	51,685	54,400	61,200
EBIDTA	9,341	9,955	11,322
Margin (%)	18.1	18.3	18.5
PAT	6,770	7,290	8,323
EPS (₹)	16.7	18.0	20.5
RoE (%)	21.0	18.5	19.1
RoCE (%)	26.3	25.2	26.0
P/E (x)	39.3	36.5	31.9
EV/EBITDA (x)	27.5	25.8	22.7
P/BV (x)	7.4	6.7	6.1
EV/Sales (x)	5.0	4.7	4.2

Source: Company, Way2Wealth

Relative Performance

Returns (%)	Since 30Nov23
TATA TECH	(46.13)%
Nifty 50	20.35 %
Sensex	19.51%

Source: Company, Way2Wealth

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Strong Employee Retention and Readiness

At 12,644 employees and 87.5% utilization, TATATECH saw negligible change in employee count and productivity. Attrition levels remain steady at 13.2% vs. 12.9% Q-o-Q. It's in-house technical learning platform aided in accelerating expertise in critical next-generation competencies essential for growth, including introducing specialized learning initiatives focused on generative AI, software-defined vehicles and cyber security allowing 60%+ of engineering talent to be equipped with AI-readiness, thus paving the way for future innovation.

Employee Metrics	Q4FY24	Q3FY25	Q4FY25
Headcount	12,688	12,659	12,644
Voluntary attrition (TTM)	14.50%	12.90%	13.20%

US Tariff Issues

With uncertainty surrounding the tariff levels being issued by various countries including USA and China – OEMs, global supply chains and business organizations at large are delaying investment decisions and taking a cautious approach to capital deployment till strong clarity emerges. TATATECH remains hopeful for a resolution on the tariff situation emerging over the next couple of months, allowing for a strong market recovery and renewed investment momentum in the latter part of H1 FY26. This is crucial for the company to demonstrate strong business growth in the coming fiscal.

Aerospace Segment Continues to Demonstrate Strong Growth

The aerospace business experienced significant growth, nearly doubling its revenues Y-o-Y in FY25, with an 8% Q-o-Q increase in Q4 FY25. This growth is driven by a strong order book and a partnership with Airbus, which has allowed TATATECH to enhance its credibility and facilitates introductions within Airbus' supply chain network. The company secured business with two large propulsion manufacturing players in North America and won major deals related to hydraulic test benches and product lifecycle management systems. Leveraging its expertise and capabilities, TATATECH believes that it can aid in solving Airbus' supply chain issues and expects to witness continued positive demand momentum in FY26.

Q4FY25 Financial Performance

Particulars	Q4FY24	Q3FY25	Q4FY25	QoQ	YoY	FY24	FY25	YoY
Revenue	13,010	13,174	12,857	-2.40%	-1.20%	51,172	51,685	1.00%
Services Segment	9,951	10,127	10,241	1.10%	2.90%	39,826	40,274	1.10%
Technology Solutions segment	3,060	3,047	2,616	-14.10%	-14.50%	11,346	11,411	0.60%
Gross Profit	3,680	3,776	3,987	5.60%	8.40%	14,540	15,119	4.00%
Margin (%)	28.30%	28.70%	31.00%			28.40%	29.30%	
Gross Profit - Services	3,123	3,249	3,475	7.00%	11.30%	12,557	13,039	3.80%
Margin (%)	31.40%	32.10%	33.90%			31.50%	32.40%	
Gross Profit - Tech Solutions	557	527	512	-2.90%	-8.10%	1,983	2,080	4.90%
Margin (%)	18.20%	17.30%	19.60%			17.50%	18.20%	
EBITDA	2,400	2,340	2,334	-0.30%	-2.70%	9,413	9,341	-0.80%
Margin (%)	18.40%	17.80%	18.20%			18.40%	18.10%	
PBT	2,308	2,262	2,581	14.10%	11.90%	9,321	9,214	-1.10%
Profit After Tax (PAT)	1,572	1,686	1,889	12.00%	20.20%	6,794	6,770	-0.40%
Margin (%)	12.10%	12.80%	14.70%			13.30%	13.10%	
EPS (diluted)	3.87	4.15	4.65	12.00%	20.20%	16.72	16.66	-0.40%

Customer Count (TTM)	Q4' FY24	Q3' FY25	Q4' FY25
> 50 Mn	3	2	2
10-50 Mn	5	5	3
5-10 Mn	3	7	10
1-5 Mn	30	29	29

Source – Company, Way2Wealth

FINANCIALS & VALUATIONS

Particulars	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenue (USD mn)	474	547	618	611	640	720
Revenue	35,296	44,142	51,172	51,685	54,400	61,200
EBIDTA	6,457	8,210	9,413	9,341	9,955	11,322
Margin (%)	18.3	18.6	18.4	18.1	18.3	18.5
PAT	4,370	6,241	6,794	6,770	7,290	8,323
EPS (₹)	10.8	15.4	16.7	16.7	18.0	20.5
Net Worth	22,800	29,890	32,210	35,790	36,110	36,470
RoE (%)	19.8	23.7	21.9	21.0	18.5	19.1
RoCE (%)	25.1	29.2	30.1	26.3	25.2	26.0
P/E (x)	60.8	42.6	39.1	39.3	36.5	31.9
EV/EBITDA (x)	39.8	31.2	27.3	27.5	25.8	22.7
P/BV (x)	11.7	8.9	8.3	7.4	6.7	6.1
EV/Sales (x)	7.3	5.8	5.0	5.0	4.7	4.2
Cash & Equivalents	8,690	9,990	9,130	9,030	9,350	9,400

Source: Company, Way2Wealth

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Disclosure of Interest Statement: TATA TECHNOLOGIES LTD. as on 9th May 2025

Name of the Security	TATA TECHNOLOGIES LTD.
Name of the analyst	Rupali Singh
Analysts' ownership of any stock related to the information contained.	NIL
Financial Interest Analyst :	No
Analyst's Relative : Yes / No	Yes (10 Nos, 10Jan24)
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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