

One Stop Investment Avenue



GEPL
CAPITAL

IPO Note

TATA TECHNOLOGIES LIMITED

November 22, 2023





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Details of the Issue

Price Band	₹ 475 - ₹ 500
Issue Size	₹ 3,042.51 Cr
Face Value	₹ 2
Bid Lot	30
Listing on	BSE, NSE
Post Issue Mcap	₹ 20,283.43 Cr
Investment Range	₹ 14,250 - ₹ 15,000

Important Indicative Dates (2023)

Opening	22 - Nov
Closing	24 - Nov
Basis of Allotment	30 - Nov
Refund Initiation	01 - Dec
Credit to Demat	04 - Dec
Listing Date	05 - Dec

No of shares (Mn)

Fresh Issue of Shares	-
Offer for Sales	60.85
Total No of Shares	60.85

Lead Manager

JM Financial Limited
BofA Securities India Limited

Offer Details

Offer Size	₹ 3,042.51 Cr
Fresh Issue	-
OFS	₹ 3,042.51 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	1,521	30.42	32.02	75
NIB	1,065	21.29	22.41	15
Retail	456	9.12	9.60	10
Em- ploy.	-	-	-	-
Total	3,043	60.85	64.05	100

Invest Now**Company Profile**

Established in 1994, Tata Technologies Limited stands as a prominent global engineering services company specializing in product development and digital solutions. Renowned for providing comprehensive turnkey solutions, the company caters to international original equipment manufacturers (OEMs) and their tier-1 suppliers. Tata Technologies is dedicated to creating substantial value for its customers by actively contributing to the development of products that prioritize safety, environmental responsibility, and an enhanced quality of life for end-users.

With a profound domain expertise primarily in the automotive industry, Tata Technologies has expanded its influence to effectively serve clients in related sectors such as aerospace, transportation, and heavy construction machinery. The company's operations span across the globe, fostering collaboration among diverse teams with varying skill sets from different corners of the world. This collaborative approach enables real-time problem-solving for intricate engineering challenges, reflecting Tata Technologies' commitment to innovation and global excellence.

Business Highlights & Services

TTL is a leading global engineering services company specializing in product development and digital solutions for OEMs and tier 1 suppliers. Its focus is on creating value by developing safer, cleaner products that enhance the quality of life. With deep expertise in the automotive industry, it extends their services to aerospace, transportation, and TCHM. It has global, diverse teams collaborate in real-time to solve complex engineering problems. In a complex and fast-paced world, its onshore-offshore delivery capability addresses clients' needs, leveraging manufacturing domain knowledge for digital transformation in product development and customer experience management.

TTL primary business line is services ("Services"), which includes providing outsourced engineering services and digital transformation services to global manufacturing clients helping them conceive, design, develop and deliver better products. Its Services business contributed ₹35,311.55 million and ₹19,863.90 million to revenue from operations in Fiscal 2023 and the six-months period ended September 30, 2023, respectively, comprising 80.00% and 78.62% of revenue from operations for the respective periods.

Company has enhanced its services through Technology Solutions, encompassing Products and Education. In Products, they resell third-party PLM software, offering consulting, implementation, and support. Its Education business provides "phygital" manufacturing skills education, including upskilling and reskilling, to public and private institutions via iGetIT platform. In Fiscal 2023 and the six-month period ending September 30, 2023, its Technology Solutions contributed ₹8,830.22 million and ₹5,403.12 million to revenue, comprising 20.00% and 21.38% of respective periods' revenue.

Zinnov projects global ER&D spending to rise from \$1.81 trillion in 2022 to \$2.67 trillion by 2026, with outsourced services growing at a 11-13% CAGR to \$105-110 billion. Growth catalysts include increased outsourcing post-COVID-19, regulatory focus on safer and cleaner products, shorter innovation cycles, and ACES technologies. Smart manufacturing, cost reduction, digital thread connection, and improved customer experience also drive growth. TCHM industry, trailing automotive by 3-5 years, sees demand due to similar challenges. Post-COVID-19, aerospace experiences resurgence, emphasizing R&D in digitalization, sustainability, and manufacturing efficiency. It aims to capitalize on these trends in ER&D, specifically in automotive, TCHM, and aerospace industries.



TTL is a specialized manufacturing-focused ER&D company, prominently serving the automotive and new energy industries. Engaged with seven of the top 10 automotive and five of the top 10 new energy ER&D spenders in 2022, as per Zinnov Report. In Fiscal 2023, automotive revenue made up 88.68%, totaling ₹31,314.66 million. Non-automotive verticals contributed 11.32%, reaching ₹3,996.89 million.

TTL recognized as leaders in ER&D services, it has the "leadership zone" position by Zinnov Zones for seven consecutive years. Topping the charts among India-based ER&D providers and ranking in the global top two for electrification. In automotive ER&D services, It is the first among Indian providers and third globally. Achieving "leadership zone" status in aerospace ER&D ratings for 2023 and in digital thread for 2021.

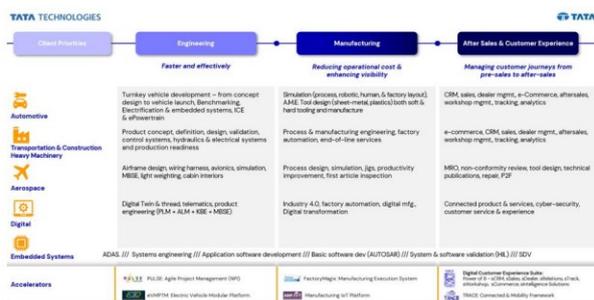
Line of Business

TTL value proposition revolves around two key elements. Firstly, in Services, it provide outsourced engineering services for manufacturing clients, employing digital tech to enhance the entire product lifecycle. Secondly, it Technology Solutions encompass the Products business, offering specific software for manufacturing processes, and Education business, collaborating with institutions and enterprises to equip future engineers with vital global manufacturing skills.

• **Services**

TTL offer global outsourced engineering services for end-to-end product realization, collaborating with manufacturing clients worldwide. With a network of 19 global delivery centers in North America, Europe, and Asia Pacific, it employ a balanced on-shore/offshore delivery model. Specializing in diverse engineering programs, from component development to electric vehicles, TTL leverage a global resource pool throughout the product lifecycle. TTL expertise in 'digital thread' provides enterprise solutions, addressing challenges from product development to customer experience, and accelerating the digital transformation journey for OEMs.

TTL full services offerings are depicted below:



TTL is specialized in engineering services for automotive, aerospace, TCHM, and related verticals. Pioneering EV concepts, like the groundbreaking eMo in 2012, it lead in electrification and connected vehicles. With expertise in embedded systems and software-defined vehicles, it have successfully partnered with both traditional and new energy vehicle companies on various EV projects, demonstrating their capabilities in turnkey vehicle development.

• **Technology Solutions**

TTL primary value proposition involves aiding clients in identifying and implementing cutting-edge technologies and solutions for manufacturing, servicing, and achieving superior product outcomes. It Products business, established through partnerships with manufacturing software providers specializing in PLM and MES software, serves as a key facilitator for this objective. Additionally, TTL value-added reselling business operates within the Products segment, offering software and associated services aligned with the solutions developed by their PLM partners. Through these integrated efforts, it empower clients to enhance product development and proficiency, while also providing training for individuals crucial to realizing competitive products.

(₹ in million, except for percentages)

	Six-months period ended		Fiscal		
	September 30, 2023	September 30, 2022	2023	2022	2021
Revenue from Products business	2,349.02	1,854.29	4,961.56	4,319.36	4,238.84
Revenue from Technology Solutions Segment	5,403.12	2,470.26	8,830.22	8,782.29	4,665.40
% of Revenue from Products business attributable to Revenue from Technology Solutions Segment	43.48%	75.06%	56.19%	49.18%	90.86%



• Education

TTL Education business, anchored in manufacturing expertise and the iGetIT platform acquired in 2005, addresses academia and corporate skilling. It has expanded to assist colleges, universities, and six State Governments in curriculum development and ITI upgradation. Through competency centers, it enable engineers and technicians to upskill, capitalizing on the digital wave's upskilling trend. Leveraging the iGetIT platform, its blended learning methodology offers self-paced courses globally. With a strong foothold, first-mover advantage, and positive reception, TTL entered agreements with State Governments to transform ITIs into Centers of Excellence, driving youth employability. Examples include agreements to upgrade 150 government ITIs and establish a Center for Invention, Innovation, Incubation, and Training (CIIT). Between November 2020 and September 30, 2023, TTL secured agreements for five State Government-owned ITIs, totaling ₹22,983.48 million in contracted revenue.

(₹ in million, except for percentages)

	Six-months period ended		Fiscal		
	September 30, 2023	September 30, 2022	2023	2022	2021
Revenue from Education business	3,054.10	615.97	3,868.67	4,462.93	426.56
Revenue from Technology Solutions Segment	5,403.12	2,470.26	8,830.22	8,782.29	4,665.40
% of Revenue from Technology Solutions Segment attributable to Revenue from Education business	56.52%	24.94%	43.81%	50.82%	9.14%

TTL Segmental Revenue Breakdown

(₹ in million, except for percentages unless otherwise indicated)

Particulars	Six-months period ended				Fiscal					
	September 30, 2023		September 30, 2022		2023		2022		2021	
	Portion of Revenue from Operations	% of Revenue from Operations	Portion of Revenue from Operations	% of Revenue from Operations	Portion of Revenue from Operations	% of Revenue from Operations	Portion of Revenue from Operations	% of Revenue from Operations	Portion of Revenue from Operations	% of Revenue from Operations
Services Segment	19,863.90	78.62%	16,408.80	86.92%	35,311.55	80.00%	26,513.51	75.12%	19,143.71	80.40%
Automotive	17,457.56	69.09%	14,452.87	76.56%	31,314.66	70.94%	22,768.74	64.51%	15,734.20	66.08%
Others	2,406.34	9.52%	1,955.93	10.36%	3,996.88	9.05%	3,744.77	10.61%	3,409.51	14.32%
Technology Solutions Segment	5,403.12	21.38%	2,470.26	13.08%	8,830.22	20.00%	8,782.29	24.88%	4,665.40	19.60%
Revenue from Operations	25,267.02	100.00%	18,879.06	100.00%	44,141.77	100.00%	35,295.80	100.00%	23,809.11	100.00%

TTL Geographical Revenue Breakdown

(₹ in million, except for percentages)

Region	Six-months period ended September 30, 2023		Fiscal 2023	
	Portion of Revenue from Operations	% of Revenue from Operations	Portion of Revenue from Operations	% of Revenue from Operations
India	8,877.84	35.14%	13,138.31	29.76%
Europe	6,795.74	26.90%	10,076.24	22.83%
North America	4,866.61	19.26%	9,465.35	21.44%
Rest of the world	4,726.83	18.71%	11,461.87	25.97%
Revenue from Operations	25,267.02	100.00%	44,141.77	100.00%

TTL Client Portfolio

TTL service multiple clients globally through their 19 global delivery centers across North America, Europe and Asia Pacific. TTL current clients include seven out of 10 and 12 out of the top 20 automotive ER&D spenders (across OEMs and tier 1 suppliers). Further, It work with five out of the 10 prominent new energy ER&D spender.

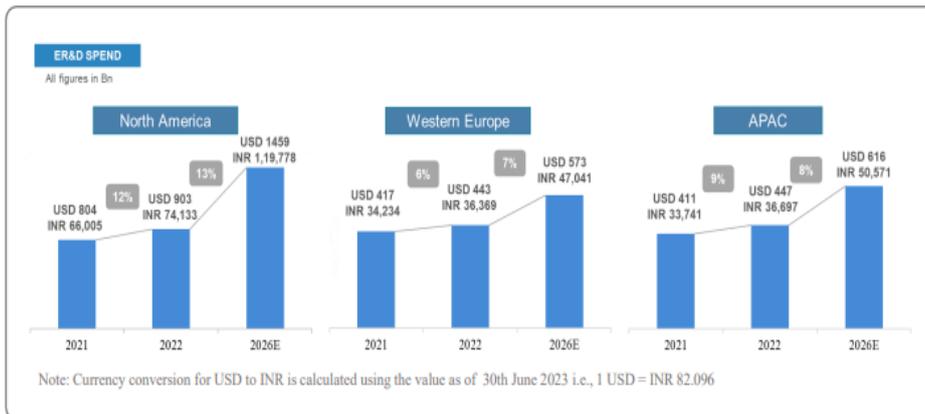
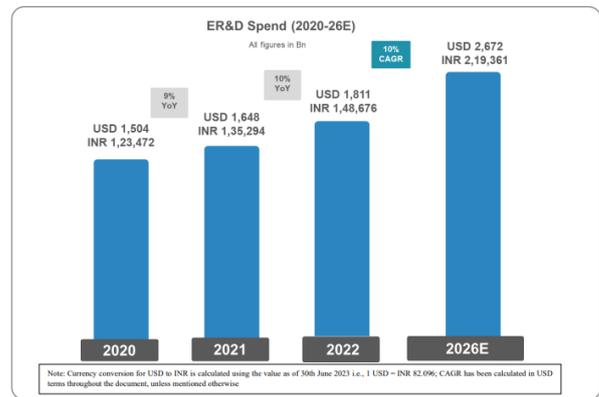
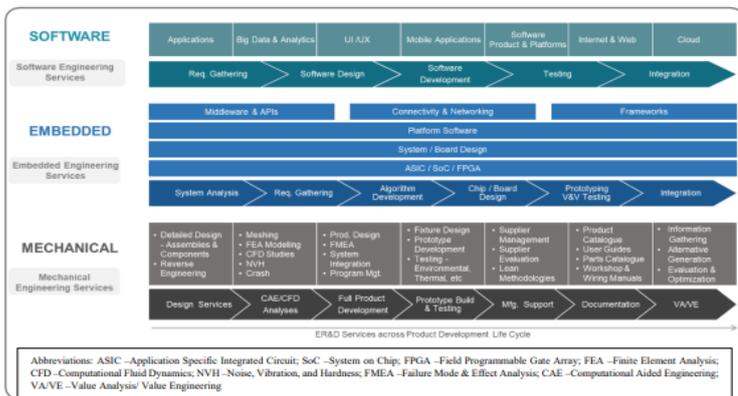


(₹ in million, except for percentages)

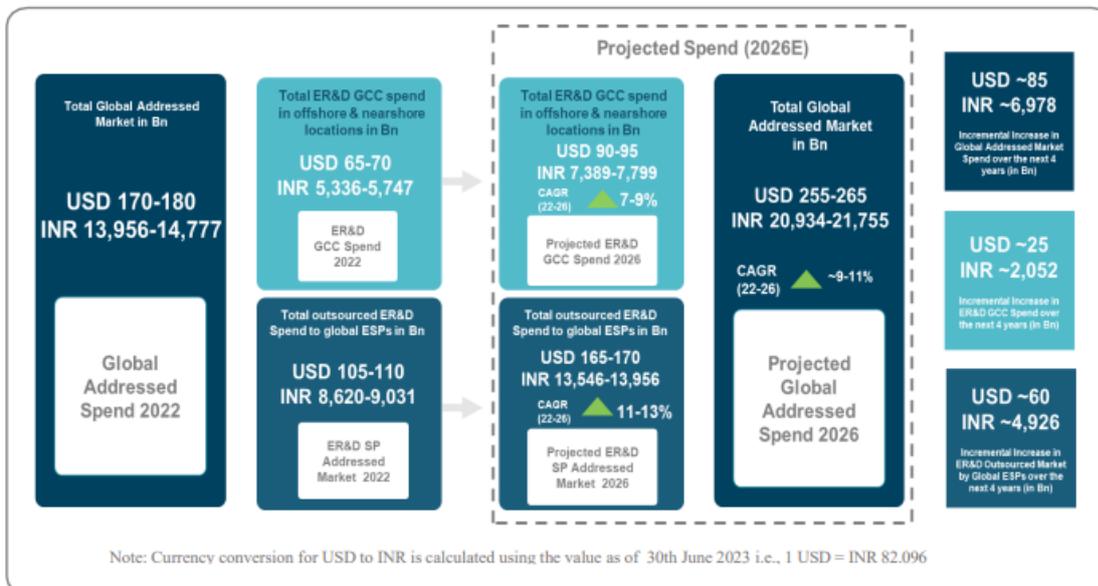
Client Concentration	Six-months period ended				Fiscal					
	September 30, 2023		September 30, 2022		2023		2022		2021	
	Portion of revenue attributable to the Services segment	% of revenue attributable to the Services segment	Portion of revenue attributable to the Services segment	% of revenue attributable to the Services segment	Portion of revenue attributable to the Services segment	% of revenue attributable to the Services segment	Portion of revenue attributable to the Services segment	% of revenue attributable to the Services segment	Portion of revenue attributable to the Services segment	% of revenue attributable to the Services segment
Anchor	9,130.39	45.96%	6,418.63	39.11%	14,210.43	40.24%	10,696.45	40.34%	9,839.52	51.40%
Top 5 Clients	14,086.69	70.92%	11,852.91	72.24%	25,847.59	73.20%	17,434.13	65.76%	12,347.44	64.50%
Top 10 Clients	15,916.85	80.13%	13,256.23	80.81%	28,528.62	80.80%	20,588.95	77.65%	14,634.82	76.45%
Top 20 Clients	17,477.84	87.99%	14,468.58	88.21%	31,216.03	88.40%	23,070.05	87.01%	16,245.37	84.86%
Services segment	19,863.90	100.00%	16,408.80	100.00%	35,311.55	100.00%	26,513.51	100.00%	19,143.71	100.00%

Industry Outlook

Global ER&D Services Industry Overview



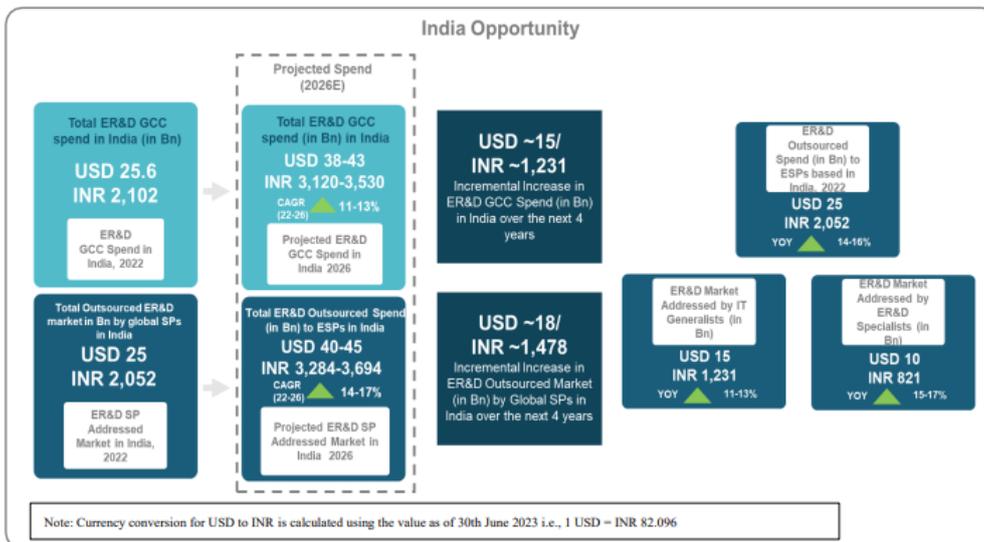
TAM of ER&D Market





India Opportunity

Indian ESPs, encompassing Indian heritage players and excluding global entities with Indian centers, constitute nearly 25% of the total outsourced ER&D expenditure. Over 85% of the top 50 R&D spenders maintain a presence in India. With an annual influx of 2.3 million STEM graduates, India's robust software engineering capabilities and abundant digital engineering talent make it an attractive hub for enterprises outsourcing end-to-end product/platform development. The country's appeal is further enhanced by its substantial talent pool, thriving innovation ecosystem, cost-effectiveness, maturing in-house R&D centers, and geopolitical support, solidifying its status as a preferred destination for global enterprises outsourcing ER&D.



Objective of Issue

- Achieve the benefits of listing the Equity Shares on the Stock Exchanges.
- Carry out the Offer for Sale of up to 95,708,984 Equity Shares by the Selling Shareholders.

Peers Comparisons

Peers Operational Breakdown

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%

Valuation Comparison

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E	RoNW(%)
TATA Technologies Ltd	2	4,414	15.37	73.65	NA	20.87%
Peers Group						
KPIT Technologies Ltd	10	3,365	13.95	61.58	80.31	22.91%
L&T Technologies	2	8,014	110.48	470.66	37.47	23.54%
TATA Elxsi Ltd	10	3,145	121.26	334.92	61.55	36.21%

**Companies Competitive Strength :**

- Deep expertise in the automotive industry.
- Differentiated capabilities in new age automotive trends - electric vehicles EVs, connected and autonomous.
- Strong digital capabilities bolstered by proprietary accelerators.
- Marquee set of clients across anchor accounts, traditional OEMs and new energy vehicle companies.
- Global delivery model enabling intimate client engagement and scalability.
- Proprietary e-learning platform leveraging manufacturing domain knowledge to tap into the large upskilling and reskilling market.
- Well-recognized brand with experienced Promoter, board of directors and management team.

Key Strategies Implemented by Company

- Deepen engagements within existing client base.
- Target top ER&D spenders in select high priority verticals and key geographies.
- Expand capabilities in digital engineering and embedded systems.
- Expand capabilities and enterprise client base in the education sector.
- Strengthening service delivery through capacity and capability building and optimizing delivery processes.

Particulars (Rs Cr)	2023	2022	2021
Equity Share Capital	384	251	245
Reserves	2,606	2,028	2,142
Net worth as stated	2,990	2,280	2,142
Revenue from Operation	4,502	3,578	2,426
Revenue Growth (%)	25.8%	47.5%	-
EBITDA as Stated	821	646	380
EBITDA margin (%)	18.24%	18.05%	15.67%
Net Profit for the period	624	437	239
EPS (₹)	15.37	10.77	5.89
RoNW (%)	20.87	19.16	11.17

Valuations and Recommendation:

- TTL Ltd annualized Book Value arrives at ₹ 703.80 Cr for FY24. At upper price band of ₹ 500, Company is looking for post issue market cap of ₹ 20,283.43 Cr, Which implies a earning multiple (P/E) of 29(x).
- Based on the valuation, issue appears to be fairly valued, TTL is a leading global engineering services firm, specializing in comprehensive product development and digital solutions for esteemed Original Equipment Manufacturers (OEMs) and tier-1 suppliers. With a strong focus on manufacturing-centric sectors, TTL derives 75% of its revenue from the Automotive industry. The company also actively serves the Aerospace, Transportation, and Construction Heavy Machinery (TCHM) sectors. Tata Tech excels in mechanical domain expertise, particularly in areas like body engineering. In addition, it is strategically expanding into software and embedded engineering, showcasing a commitment to staying at the forefront of technological advancements. Backed by a well-recognized brand and guided by experienced promoters, TTL has demonstrated robust financial growth. With a solid foundation and a forward-looking approach, Tata Technologies Limited is well-positioned to capitalize on emerging opportunities in the automotive sector and beyond. Hence, we recommend “Subscribe” rating to the stock issue.



Notes

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