IPO Details:

Tata Technologies Ltd is coming out with an IPO of about Rs. 3,042.51 cr consisting of 6,08,50,278 shares of face value of Rs. 2 each in a price band of Rs. 475 – Rs. 500. The entire IPO comprises of Offer for Sale of Rs. 3,042.51 cr by the promoter (Tata Motors) and other existing shareholders. The IPO opens on 22nd November and closes on 24th November.

Company Details:

- **Leading global engineering services company** offering product development and digital solutions, including turnkey solutions, to global OEMs and their Tier 1 suppliers.
- **Operates 19 global delivery centers** spread across North America, Europe and Asia Pacific with each center staffed by majority of local nationals enabling it to provide uninterrupted service to clients.
- Engaged with **seven out of the top ten automotive ER&D spenders** and **five out of the ten prominent new energy ER&D spenders** in 2022.

Strength:

- **Globally distributed onshore-offshore service delivery capability** enables it to suitably address its clients requirements.
- Longstanding relationships with **anchor clients** - **Tata Motors and Jaguar Land Rover** has enabled it to **incubate skills and capabilities** that has assisted in pursuing opportunities outside of the Tata Group
- **Leveraging deep domain expertise** in the automotive industry to serve its clients in adjacent industries such as in aerospace and transportation and construction heavy machinery (TCHM).

Growth Drivers:

- Global engineering, research and development (ER&D) spend is expected to increase from about **US$ 1.81 trillion in 2022 to US$ 2.67 trillion by 2026**.
- ER&D spend outsourced to 3rd party service providers is expected to **grow at CAGR of 11% - 13%** between 2022 and 2026.
- Heightened focus on **smart manufacturing, reducing product development time and cost**, connecting the digital thread and enhancing customer experience, driving business opportunities for outsourced ER&D services.

Key Financial Highlights –

Tata Technologies Ltd (Rs. Cr)

Year	Revenue	Ebitda	Ebitda Margins (%)	PAT	EPS	RoCE (%)	RoE (%)
FY21	2,380.91	385.71	16.2%	239.17	5.89	15.8%	11.2%
FY22	3,529.58	645.66	18.3%	436.99	10.77	26.7%	19.2%
FY23	4,414.18	820.93	18.6%	624.04	15.37	27.2%	20.9%
H1 FY24	2,526.70	464.75	18.4%	351.90	8.67	16.7%	12.3%

- Operating Revenues have grown at CAGR of 36.2% between FY21 – FY23 to touch Rs. 4,414.18 cr in FY23.
- Its Ebitda margins inched up from 16.2% in FY21 to 18.6% in FY23 on the back of operating leverage. This led to CAGR growth in Ebitda of 45.9% between FY21 – FY23.
- Profits after Tax grew from Rs. 239.17 cr in FY21 to Rs. 624.04 cr in FY23, translating into CAGR of 61.5% between FY21 – FY23.
- Capital efficiency of the business is healthy with RoCE and RoE at 27.2% and 20.9% respectively in FY23.

Valuations:

- At Upper end of the IPO price band of Rs. 500, Tata Technologies Ltd will be valued at about Rs. 20,283.43 cr.
- On EV/Ebitda basis it will be valued at 21.2x while on PE basis it is available at 28.3x its TTM EPS of Rs. 17.65.
- **Investments should be made in Tata Technologies Ltd considering significant growth opportunities in global ER&D space, strong parentage in the form of Tata Motors, long term engagements with anchor clients - Tata Motors Ltd and Jaguar Land Rover (JLR), diversified global client base, ability to cater to both traditional Internal Combustion Engine (ICE) as well as new energy vehicle companies, strong operational and capital efficiency and relative under valuations vis a vis peer – KPIT Technologies.**

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*Long Term Investments could range from 3-5 years.