

28 April 2025

India | Equity Research | Results update

Tata Technologies

Technology

A muted quarter offset partially by traction in BMW JV

Tata Technologies (TATATECH) has reported a sharp QoQ revenue decline of 4.7% USD in Q4FY25, similar to revenue contraction reported by Cyient-DET (-3% QoQ) and Tata Elxsi (-5.5%), due to: 1) Sharp drop in technology solutions segment -15.6%, 2) slump in auto segment -2.7%. A few positives include: 1) EBIT margin expansion of 20bps QoQ, 2) BMW JV led PAT margin expansion of 190bps QoQ, 3) positive traction in aerospace segment: - up 8% QoQ. For FY25, it reported a decline of 1.2% USD, with underperformance prevailing since the VinFast ramp-down. Though aerospace, battery engineering and BMW JV segments are panning out well, we expect a slow recovery from challenges in automotive segment and project-based nature of TATATECH's technology solutions segment. Maintain **SELL** at Mar'26E TP of INR 510 based on 1-year forward PE of 25x.

Technology solutions segment drags revenue

TATATECH reported revenue decline of 4.7% QoQ USD vs I-Sec estimate of 3.1% QoQ decline. This is in line with performance of Cyient. While services segment saw an expected decline of 1.5% QoQ, the decline in technology solutions segment was much steeper (of 15.6% QoQ). Within services segment, auto subsegment declined by 2.7% while non-auto offset it partially with 4.7% QoQ uptick. The non-auto (includes aerospace) segment has seen four straight quarters of robust growth. This is in line with the rest of ER&D results announced (thus far).

PAT margin expansion owing to gains from BMW JV

EBIT margin stood at 15.7%, up 20bps QoQ, vs I-Sec estimate of 15.1% in Q4. EBITDA margin was 18.2%. Gross margin was up 160bps QoQ. The margin uptick was aided by offshoring uptick of 80bps QoQ. Depreciation was up 10bps QoQ. TATATECH is the sole ER&D player to have achieved a QoQ EBIT margin expansion in Q4FY25. PAT margin was up 190bps QoQ at 14.7% (at 7-quarter high) on account of INR 36mn from share of profit from BMW JV, up from INR 5mn in Q3FY25 and INR 83mn gain from change in call and put option for BMW JV.

BMW JV panning out well

The JV is scaling fast to a four-digit headcount (started with ~100 professionals in Nov'24). The momentum is likely to continue. This JV is a strategic commitment on behalf of BMW with this investment targeted towards long-term goals.

Financial Summary

Y/E	March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue		51,686	53,377	59,634	67,039
EBITDA		9,342	9,700	10,984	12,348
EBITDA Margin (%)		18.1	18.2	18.4	18.4
Net Profit		6,730	7,058	8,057	9,058
EPS (INR)		16.6	17.4	19.9	22.3
EPS % Chg YoY		(0.9)	4.9	14.2	12.4
P/E (x)		41.8	39.8	34.9	31.0
EV/EBITDA (x)		29.4	28.2	24.7	21.9
RoCE (%)		17.5	16.9	18.0	19.0
RoE (%)		19.8	19.1	20.6	21.7

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Market Data

Market Cap (INR)	281bn
Market Cap (USD)	3,293mn
Bloomberg Code	TATATECH IN
Reuters Code	TATE.BO
52-week Range (INR)	1,136 /595
Free Float (%)	38.0
ADTV-3M (mn) (USD)	12.8

Price Performance (%)	3m	6m	12m
Absolute	(11.5)	(31.5)	(35.1)
Relative to Sensex	(15.4)	(31.2)	(41.6)

ESG Score	2023	2024	Change
ESG score	NA	68.5	NA
Environment	NA	44.1	NA
Social	NA	70.8	NA
Governance	NA	81.1	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.
Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	(3.5)	(4.8)
EBITDA	(11.5)	(12.3)
EPS	(10.9)	(10.2)

Previous Reports

21-01-2025: [Q3FY25 results review](#)
29-10-2024: [Q2FY25 results review](#)

Other highlights

Demand overview

FY25 saw a high degree of uncertainty due to US elections, uncertainty in regulatory environment in Europe. Management is more confident of demand environment going into FY26. Higher momentum is likely from H2FY26.

- **Automotive** segment remains dynamic, with US OEMs continuing to invest in hybrid vehicles. In Europe, uncertainty from tariff and competition from Chinese OEMs are further dampening the demand. However, European OEMs are pivoting towards building a more resilient supply chain.
- **Aerospace** demand is in contrast with muted demand in automotive. The sub-vertical grew 8% QoQ in Q4, doubled its revenue in FY25 vs. FY24, has healthy orderbook and has strong deal win momentum; 3 large deals in Q4 with 1 deal > USD 50mn. Conversion rates are likely to improve going forward. Airbus and Air India are upgrading battery design with Agratas (Tata Group's global battery business). TATATECH has also secured new business with two major US-based aircraft propulsion system manufacturers, which is panning out well.
- Demand in **technology solutions** segment is likely to gain traction with one contract from Uttar Pradesh government for training across 62 ITIs. In Q3FY25, education segment saw fillip in project with government of Tripura, to be implemented across 19 ITIs.
- Most German OEMs are looking for GCC component/ offshoring to service their offerings which opens up opportunities for TATATECH. German market has been slow in taking the advantage of Indian expertise and that is seeing a shift.
- 17 large deals were signed in FY25, which included one marquee deal exceeding USD 500mn, two USD 50mn plus deals, and one USD 20mn plus deal.
- The company has assigned a dedicated accounting team for its top-20 accounts, with a new leadership to manage partnership with JLR and Tata Motors.
- TATATECH continues to invest in software-defined vehicles, AI/ gAI, cyber security and these capabilities are being increasingly recognised by manufacturing customers. TATATECH's expertise lies in ICE to EV conversion, aircraft propulsion systems, industrial heavy machinery, battery electric vehicles, vehicle design.
- DSO has normalised to 81 from 90 in Q3FY25.
- Attrition was up by 30bps QoQ to 13.2%.
- Board has announced a final dividend of INR 3.35/sh.

Key risks: 1) A sharp ramp up in profit from BMW JV, 2) traction from aerospace, industrial and heavy machinery segments.

Exhibit 1: Q4FY25 performance

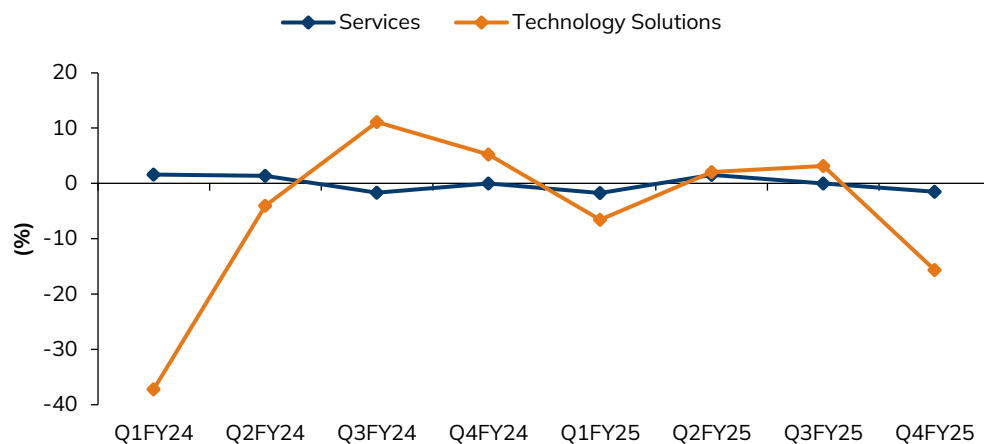
INR mn	Q4FY25	Q3FY25	QoQ	Q4FY24	YoY
CC growth	-3.3%	0.7%		0.3%	
Sales (USD mn)	148	156	-4.8%	157	-5.3%
Average (USD rate)	86.7	84.6	2.5%	83.1	4.3%
Sales	12,857	13,174	-2.4%	13,011	-1.2%
EBITDA	2,335	2,340	-0.2%	2,400	-2.7%
EBITDA margin	18.2%	17.8%	39 bps	18.4%	-29 bps
EBIT	2,023	2,036	-0.6%	2,111	-4.1%
EBIT Margin	15.7%	15.5%	28 bps	16.2%	-49 bps
Other income expenses	571	276	106.7%	241	136.5%
PBT	2,545.8	2,257.1	12.8%	2,308.4	10.3%
Tax	692.2	575.5	20.3%	735.5	-5.9%
Tax Rate	27.2%	25.5%	169 bps	31.9%	-467 bps
Reported PAT	1,889.2	1,686.6	12.0%	1,572.9	20.1%
EPS (INR/share)	4.7	4.2	11.8%	3.9	20.2%

Source: Company data, I-Sec research

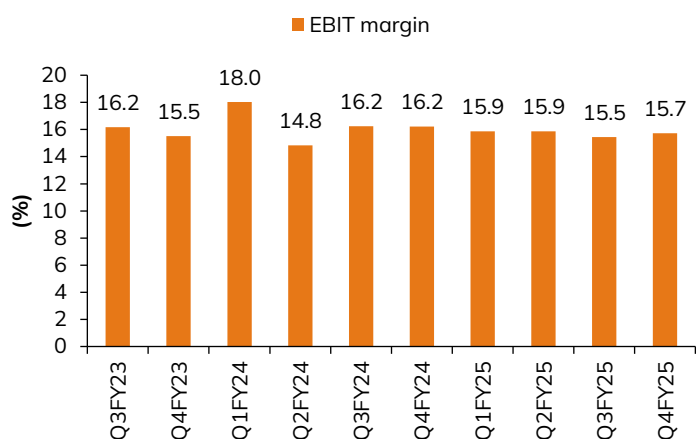
Exhibit 2: Change in estimates

	Revised		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenues (USD mn)	624	685	639	712	-2.3%	-3.7%
Revenue growth YoY USD	2.2%	9.8%	4.2%	11.4%	-190bps	-160bps
Revenue growth YoY CC	3.7%	9.8%	4.2%	11.4%	-50bps	-160bps
USD/INR	86	87	87	88	-1.3%	-1.1%
INR mn						
Revenues	53,377	59,634	55,324	62,620	-3.5%	-4.8%
EBITDA	9,700	10,984	10,957	12,528	-11.5%	-12.3%
EBITDA margin	18.2%	18.4%	19.8%	20.0%	-160bps	-160bps
EPS (INR/share)	17.4	19.9	20.0	22.6	-10.9%	-10.2%

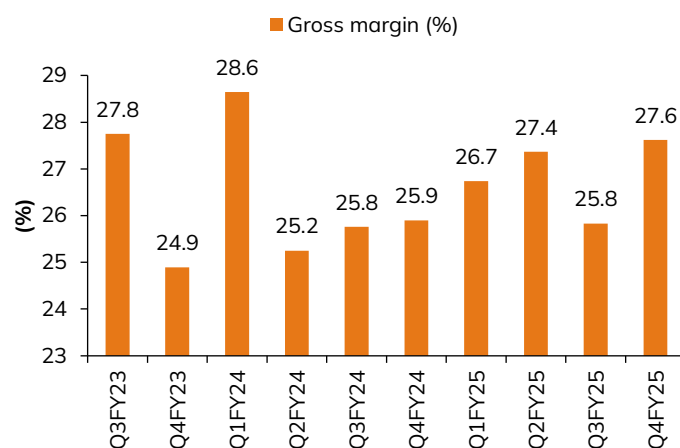
Source: Company data, I-Sec research

Exhibit 3: Technology solutions slump caused growth derailment


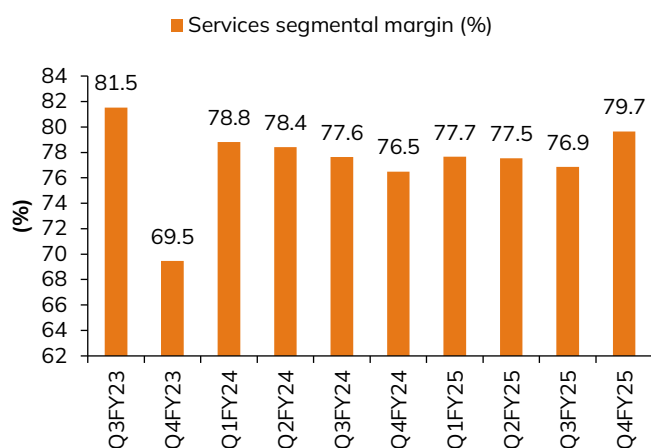
Source: Company data, I-Sec research

Exhibit 4: EBIT margin up 20bps QoQ

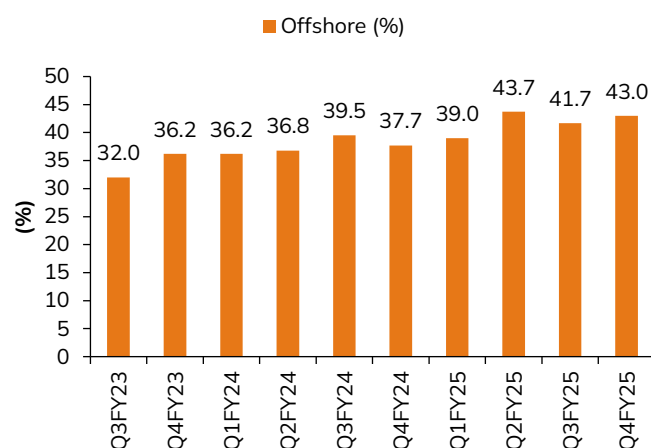
Source: I-Sec research, Company data

Exhibit 5: Gross margin up 180bps QoQ

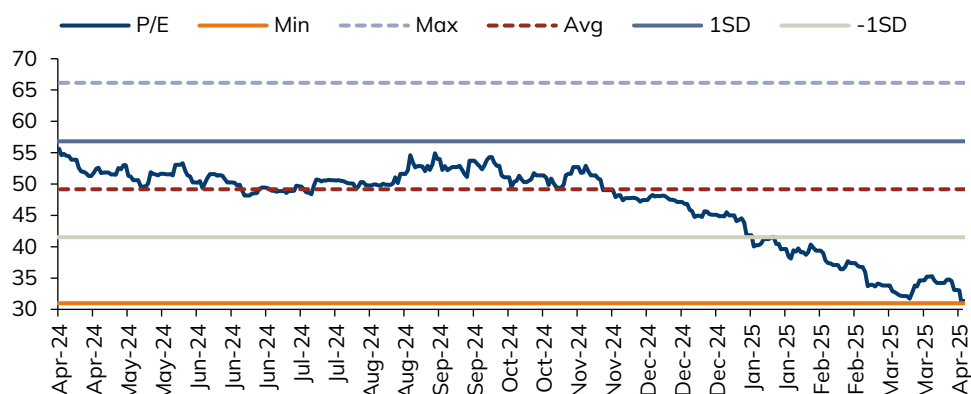
Source: I-Sec research, Company data

Exhibit 6: Services forms 79.7% of Q4FY25 revenue

Source: I-Sec research, Company data

Exhibit 7: Offshoring up 130bps QoQ

Source: I-Sec research, Company data

Exhibit 8: TATATECH is trading close to PE of its lifetime average – 2SD

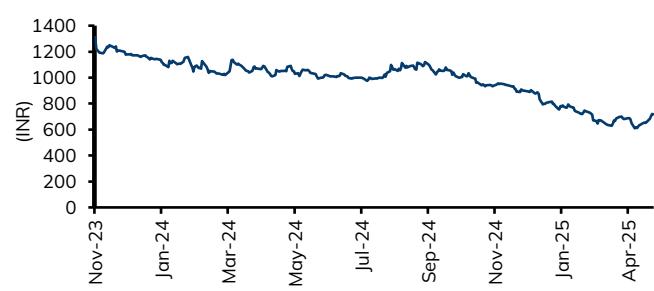
Source: I-Sec research, Company data

Exhibit 9: Shareholding pattern

%	Sep'24	Dec'24	Mar'25
Promoters	55.2	55.2	55.2
Institutional investors	7.2	6.0	5.6
MFs and others	2.4	1.9	1.2
FIs/Banks	0.4	0.3	0.2
Insurance	0.8	0.7	1.0
FIIIs	3.6	3.1	3.2
Others	37.6	38.8	39.2

Source: Bloomberg

Exhibit 10: Price chart



Source: Bloomberg

Financial Summary

Exhibit 11: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales (USD mn)	611	624	685	762
Net Sales (INR mn)	51,686	53,377	59,634	67,039
Operating Expense	42,344	43,677	48,650	54,691
EBITDA	9,342	9,700	10,984	12,348
EBITDA Margin (%)	18.1	18.2	18.4	18.4
Depreciation & Amortization	1,212	1,174	1,312	1,475
EBIT	8,129	8,526	9,672	10,873
Interest expenditure	196	200	220	240
Other Non-operating Income	1,241	1,342	1,585	1,776
Recurring PBT	9,174	9,668	11,037	12,409
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	2,445	2,610	2,980	3,350
PAT	6,730	7,058	8,057	9,058
Less: Minority Interest	-	-	-	-
Net Income (Reported)	6,730	7,058	8,057	9,058
Extraordinaries (Net)	-	-	-	-
Recurring Net Income	6,730	7,058	8,057	9,058

Source Company data, I-Sec research

Exhibit 12: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	40,611	43,176	48,258	54,211
of which cash & cash eqv.	6,675	8,126	9,375	10,793
Total Current Liabilities & Provisions	28,482	29,620	33,050	37,105
Net Current Assets	12,129	13,555	15,208	17,106
Investments	6,117	6,423	6,744	7,081
Net Fixed Assets	1,001	1,427	1,915	2,440
ROU Assets	1,607	1,607	1,607	1,607
Capital Work-in-Progress	-	-	-	-
Goodwill	8,181	8,181	8,181	8,181
Other assets	8,612	8,612	8,612	8,612
Deferred Tax Assets	-	-	-	-
Total Assets	38,160	40,318	42,780	45,541
Liabilities				
Borrowings	-	-	-	-
Deferred Tax Liability	-	-	-	-
provisions	-	-	-	-
other Liabilities	2,366	2,366	2,366	2,366
Minority Interest	-	-	-	-
Equity Share Capital	811	811	811	811
Reserves & Surplus*	34,983	37,141	39,603	42,363
Total Net Worth	35,794	37,953	40,414	43,175
Total Liabilities	38,160	40,318	42,780	45,541

Source Company data, I-Sec research

Exhibit 13: Quarterly trend

(INR mn, year ending March)

	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Net Sales	12,690	12,965	13,174	12,857
% growth (YOY)	0.9%	2.1%	2.2%	-1.2%
EBITDA	2,311	2,355	2,340	2,335
Margin %	18.2%	18.2%	17.8%	18.2%
Other Income	230	164.3	276.2	570.8
Adjusted Net Profit	1,621	1,574	1,687	1,889

Source Company data, I-Sec research

Exhibit 14: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
CFO before WC changes	10,427	11,003	12,524	14,058
CFO after WC changes	6,993	8,417	9,141	10,227
Capital Commitments	(315)	(1,600)	(1,800)	(2,000)
Free Cashflow	6,678	6,817	7,341	8,227
Other investing cashflow	(4,614)	(306)	(321)	(337)
Cashflow from Investing Activities	(885)	(1,906)	(2,121)	(2,337)
Issue of Share Capital	0	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	5	-	-	-
Cash flow from Financing Activities	(4,853)	(5,060)	(5,771)	(6,472)
Dividend paid	(4,165)	(5,060)	(5,771)	(6,472)
Others	-	-	-	-
Chg. in Cash & Bank balance	1,254	1,451	1,249	1,417
Closing cash & balance	6,686	8,126	9,375	10,793

Source Company data, I-Sec research

Exhibit 15: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	16.6	17.4	19.9	22.3
Diluted EPS	16.6	17.4	19.9	22.3
Cash EPS	19.6	20.3	23.1	26.0
Dividend per share (DPS)	11.7	12.5	14.2	16.0
Book Value per share (BV)	88.2	93.6	99.6	106.4
Dividend Payout (%)	70.5	71.7	71.6	71.5
Growth (%)				
Net Sales	1.0	3.3	11.7	12.4
EBITDA	(0.8)	3.8	13.2	12.4
EPS	(0.9)	4.9	14.2	12.4
Valuation Ratios (x)				
P/E	41.8	39.8	34.9	31.0
P/CEPS	35.4	34.2	30.0	26.7
P/BV	7.9	7.4	7.0	6.5
EV / EBITDA	29.4	28.2	24.7	21.9
P/S	5.4	5.3	4.7	4.2
Dividend Yield (%)	1.7	1.8	2.1	2.3
Operating Ratios				
EBITDA Margins (%)	18.1	18.2	18.4	18.4
EBIT Margins (%)	15.7	16.0	16.2	16.2
Effective Tax Rate (%)	26.6	27.0	27.0	27.0
Net Profit Margins (%)	13.0	13.2	13.5	13.5
Inventory Turnover Days	-	-	-	-
Fixed Asset Turnover (x)	45.1	44.0	35.7	30.8
Receivables Days	76	70	68	68
Payables Days	34	34	33	33
Working Capital Days	62	37	34	33
Net Debt / EBITDA (x)	(5.5)	(6.9)	(7.1)	(7.3)
Profitability Ratios				
RoCE (%)	17.5	16.9	18.0	19.0
RoIC (%)	39.4	40.0	42.9	45.5
RoNW (%)	19.8	19.1	20.6	21.7

Source Company data, I-Sec research

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