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Information Technology

Sector Report

Engineering ways in the face of adversity

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(All prices as on May 16, 2025)

Information Technology

Sector Report

May 19, 2025

Companies covered in the report

Name of the Company	Recommendation
KPIT Technologies	HOLD
L&T Technology Services	HOLD
Tata Elxsi	SELL
Tata Technologies	SELL

Engineering ways in the face of adversity

We are positive on the long-term outlook for global outsourced ER&D spend (ESP + GCC) at USD 660 bn in CY30E, given that it is projected to grow at a CAGR of ~10% over CY22-26E, with long-term growth even more encouraging at ~18% over CY23E-30E. Currently, manufacturing constitutes a major chunk, ~48%, of ER&D outsourcing spend, wherein automotive dominates with ~20% of the pie. Indian ESPs and GCCs, accounting for a very small portion (~USD45bn) of the global outsourcing spend, are estimated to grow at 21% CAGR over CY23E-30E. Indian automotive ESPs are expected to grow faster (~21% CAGR) than India-based automotive GCCs (~17% CAGR) during the period. The global automotive industry is undergoing a transformational shift with the re-engineering of automotive architecture. Amid this, automotive outsourcing spend has been hit by the recent changes in trade policies, which has forced OEMs to conserve cash for core and insourced operations, by pausing or delaying discretionary programs. We expect the cloud of uncertainties to last till 1HFY26, before OEMs gain confidence to resume funding on non-critical aspects.

We believe outsourcing players, having built end-to-end automotive capabilities (legacy to digital to embedded) and potentially explored the Chinese market, are better positioned to address the needs of key market OEMs. We believe the tariff-oriented uncertainties would ensure measured spending in 1HFY26, adversely impacting topline growth for FY26. However, a few vendors (KPIT and Tata Tech) having established JVs with key players, should deliver better earnings growth. With that, we initiate coverage on KPIT, LTTS, TELX and TataTech.

KPIT Technologies: KPIT is a pure-play ER&D service provider for the automotive sector, leveraging its broad offerings and integration architecture expertise to build strong client relationships. The company's focus on the Chinese market and middleware innovation (QORIX) positions it well for continued growth. We estimate USD revenue/EBIT/PAT CAGR of 12.3%/16.9%/14.1% over FY25-27E and initiate with '**HOLD'** rating on the stock with TP of Rs. 1,410 valuing at 35x FY27 earnings.

LTTS: LTTS is an ER&D service provider with a diversified industry mix. Its capabilities in full-vehicle architecture, mechatronics, and SDV position it well in the evolving automotive space. However, near-term tariff uncertainties may impact growth of its Mobility segment in FY26, though the recent acquisition of Intelliswift should broaden its service lines and expand its TAM within the Tech vertical. We estimate USD revenue/EBIT/PAT CAGR of 9.5%/11.3%/11.8% over FY25-27E and initiate with '**HOLD'** rating on the stock with TP of Rs. 4,360 valuing at 29x FY27E earnings

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Tata Elxsi: TELX is an ER&D company deriving majority of its revenue (~55%) from Transportation vertical with healthy contributions from Media & Entertainment and Healthcare segments. With its superior design and engineering capabilities, TELX is well placed to benefit from the increasing in-vehicle engineering and ER&D spends. Also, its unique embedded design offerings provide early access to investments by OEMs. We estimate USD revenue/EBITDA/PAT CAGR of 5.3%/9.8%/9.1% over FY25-27E and initiate with '**SELL**' rating on the stock with TP of Rs. 4,950 valuing it at 33x FY27E earnings.

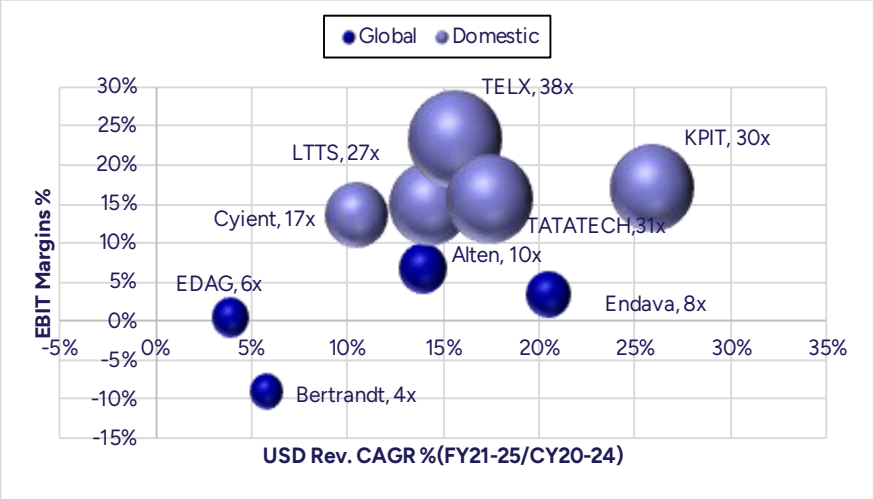
Tata Technologies: TATATECH, an ER&D provider, is well-positioned to assist auto OEMs in advanced markets with its legacy engineering expertise and capabilities in electronics, body engineering, and benchmarking. Its proficiency in turnkey EV projects demonstrates its capability to deliver new-age mobility solutions, with the JV with BMW further bolstering the offerings. Further, growth in the non-auto service sector is expected to provide some support to the overall service business. We estimate USD revenue/EBITDA/PAT CAGR of 4.7%/8.4%/12.3% over FY25-27E and initiate with '**SELL**' rating on the stock with TP of Rs. 590 valuing at 28x FY27E earnings.

Vehicle transition driving demand for new vehicle architectures: The transition from ICE to EVs and hybrid vehicles is significantly reshaping vehicle architecture. The exponential rise in electronic components in vehicles is making it even more challenging to simplify vehicle architecture (E/E) and maximize functional productivity at a threshold price. As a result, spending mandates are incrementally shifting toward infusing software components (OS/middleware/UI applications) and integrating E/E architecture, while optimizing costs and driving productivity for safety and non-safety components. The shift is also fueled by environmental goals, increasing EV acceptance, and growing charging infrastructure. Share of ICE vehicles is projected to decline from ~70% in CY24 to ~38% by CY30E, as EV and hybrid adoption rises.

Valuation and outlook: Heightened tariff uncertainties and dominance of Chinese players over US and Europe automotive OEMs, are weighing on latter's growth profile. Since fortunes of US and Europe automotive OEMs are closely tied with ESPs, valuations of ER&D players have corrected notably in recent times, partly factoring in the extended recovery in the space. Indian ER&D service providers ideally trade at premium compared with global peers, which can be attributed to their operating performance (Exhibit 1), ability to grow faster and gain higher wallet share in the ever expanding outsourcing market. Niche Indian ESPs are trading near par (~33x avg, 2-year forward) and at ~30% discount to +1SD. Considering the near-term chaos, we remain selective in the space and prefer names that carry broader playbook in engineering practice and have ability to operate in a narrow margin band.

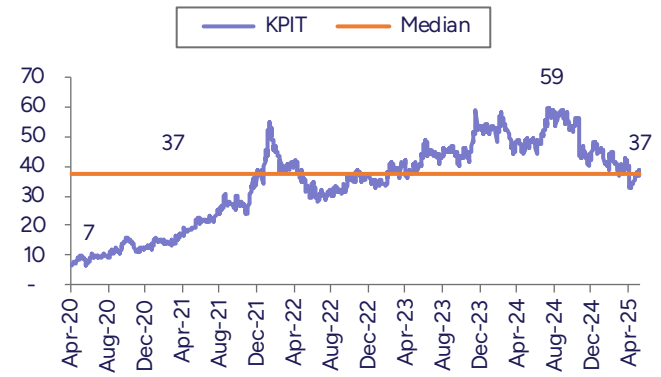
Indian ER&D service providers trading at premium compared to global companies

Exhibit 1: Indian ER&D service providers trading at premium over global peers (2-year forward PE)



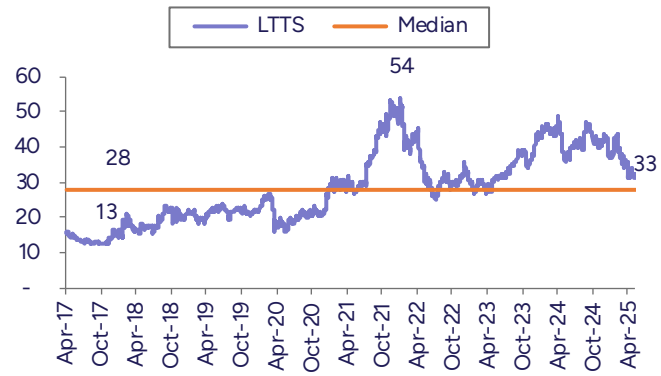
Source: Company, PL, Bubble size represents PER (x)

Exhibit 2: KPIT 1-year forward PE multiple



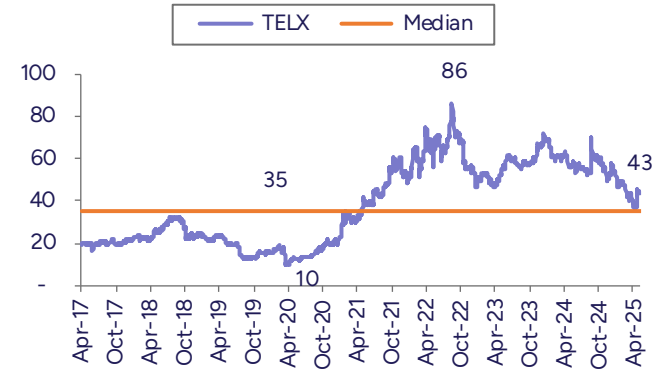
Source: Company, PL

Exhibit 3: LTTS 1-year forward PE multiple



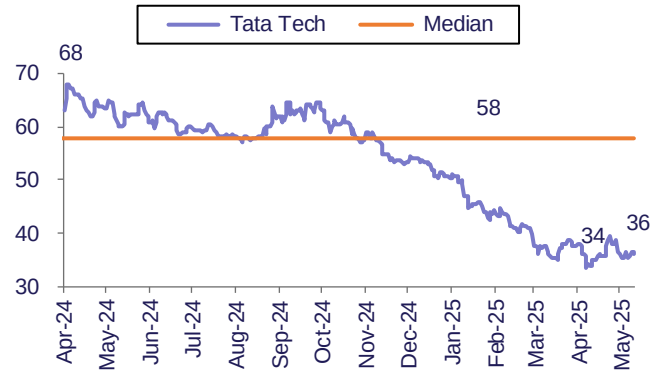
Source: Company, PL

Exhibit 4: TELX 1-year forward PE multiple



Source: Company, PL

Exhibit 5: TATATECH 1-year forward PE multiple



Source: Company, PL

Exhibit 6: Domestic & global peer comparison

Company	CMP	MCap (US$ bn)	EPS			PE			Rev growth (%) (USD)			EBITDA margin (%)		
			FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
KPIT	1,365	4.2	30.9	32.2	40.2	44.1	42.4	33.9	17.7%	10.2%	14.4%	21.0%	21.0%	21.6%
Tata Elxsi	6,212	4.3	126.0	130.0	149.9	49.3	47.8	41.4	2.8%	1.3%	9.5%	26.1%	26.2%	26.9%
LTTS	4,474	5.1	119.7	129.0	150.4	37.4	34.7	29.7	8.2%	11.2%	7.8%	17.8%	16.7%	17.4%
Tata Tech	751	3.2	16.7	18.0	21.1	45.0	41.7	35.7	-1.2%	1.1%	8.5%	18.1%	18.1%	18.4%
Cyient	1,304	2.7	54.5	56.5	64.5	22.8	22.0	19.3	-3.7%	-3.1%	3.9%	17.5%	18.0%	19.0%
HCLT	1,660	55.3	64.1	67.0	73.4	25.9	24.8	22.6	4.3%	3.3%	5.5%	21.8%	22.0%	22.3%
Capgemini*	172	29.5	11.1	12.9	13.6	15.5	13.4	12.7	-1.9%	4.5%	3.1%	14.6%	15.6%	15.7%
Alten*	85	2.8	6.2	7.6	8.7	13.6	11.1	9.8	1.8%	4.0%	2.9%	10.9%	10.3%	10.8%
EDAG*	7	0.2	-0.6	0.2	1.3	-12.9	43.9	5.8	-2.6%	-1.0%	3.2%	5.5%	7.5%	10.7%
Endava*	15	1.1	0.5	1.6	1.9	32.8	9.3	7.7	-2.5%	13.1%	6.1%	8.6%	13.9%	14.6%
Bertrandt*	20	0.2	-9.0	1.2	4.3	-2.3	17.4	4.8	4.1%	-4.4%	4.1%	0.5%	6.1%	9.7%

*Source: Company, PL; *CMP & EPS in USD and P&L metrics as per Bloomberg; Cyient EPS, rev, growth & EBIT margin are DET metrics*

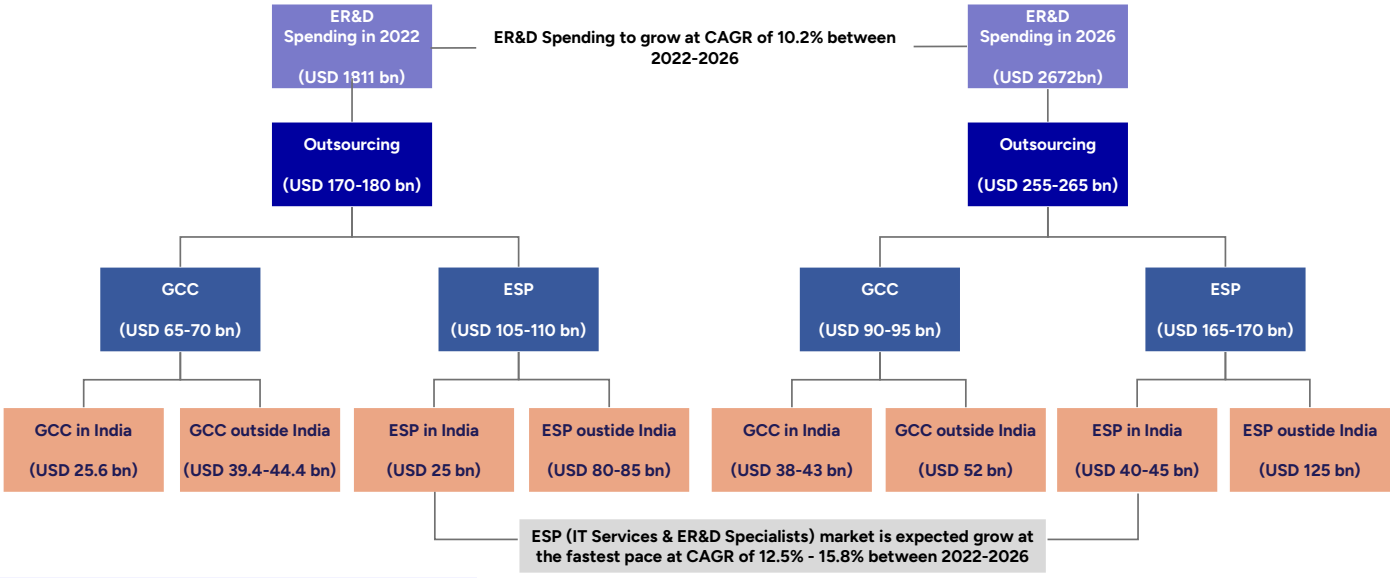
ER&D spending through India-based ESPs to clock fastest CAGR of 12.5-15.8% in CY22-26E

ER&D spending India through both GCCs & ESPs to grow in double digits over CY22-26E with ESPs leading the growth

ER&D spending set for major growth

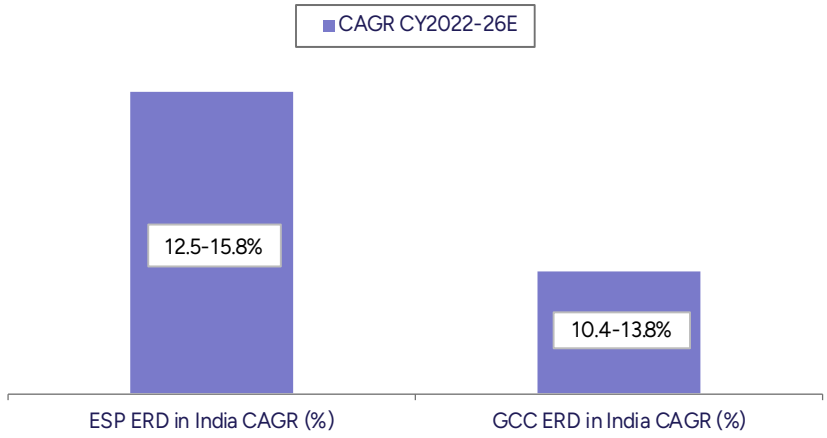
Traditionally, the sourcing component was limited to mechanical engineering. However, changing market dynamics and growing product complexity have led to the ER&D spending pie itself increasing multifold. A major part of the sourcing component is still in-house (~90% of overall ER&D spend), especially core operations. Of late, non-core activities are increasingly being outsourced to ESPs led by growing competitive intensity, technology churn and end-user experience requirements. In this context, ESPs are well positioned to capture a larger share of ER&D spend over GCCs on account of the former's multi-disciplinary expertise, internal training programs and global delivery centers. ER&D spending through ESPs (~8.0% of ER&D spend in FY26E) is expected to grow at a CAGR of 12.5-15.8% over CY22-26E, significantly outpacing GCCs (~4.5%), at 8.5% CAGR.

Exhibit 7: Addressable market of ER&D services to grow 12-15% over FY22-26E



Source: PL, Zinnov

Exhibit 8: ER&D spend in India to grow in double digits in CY22-26E

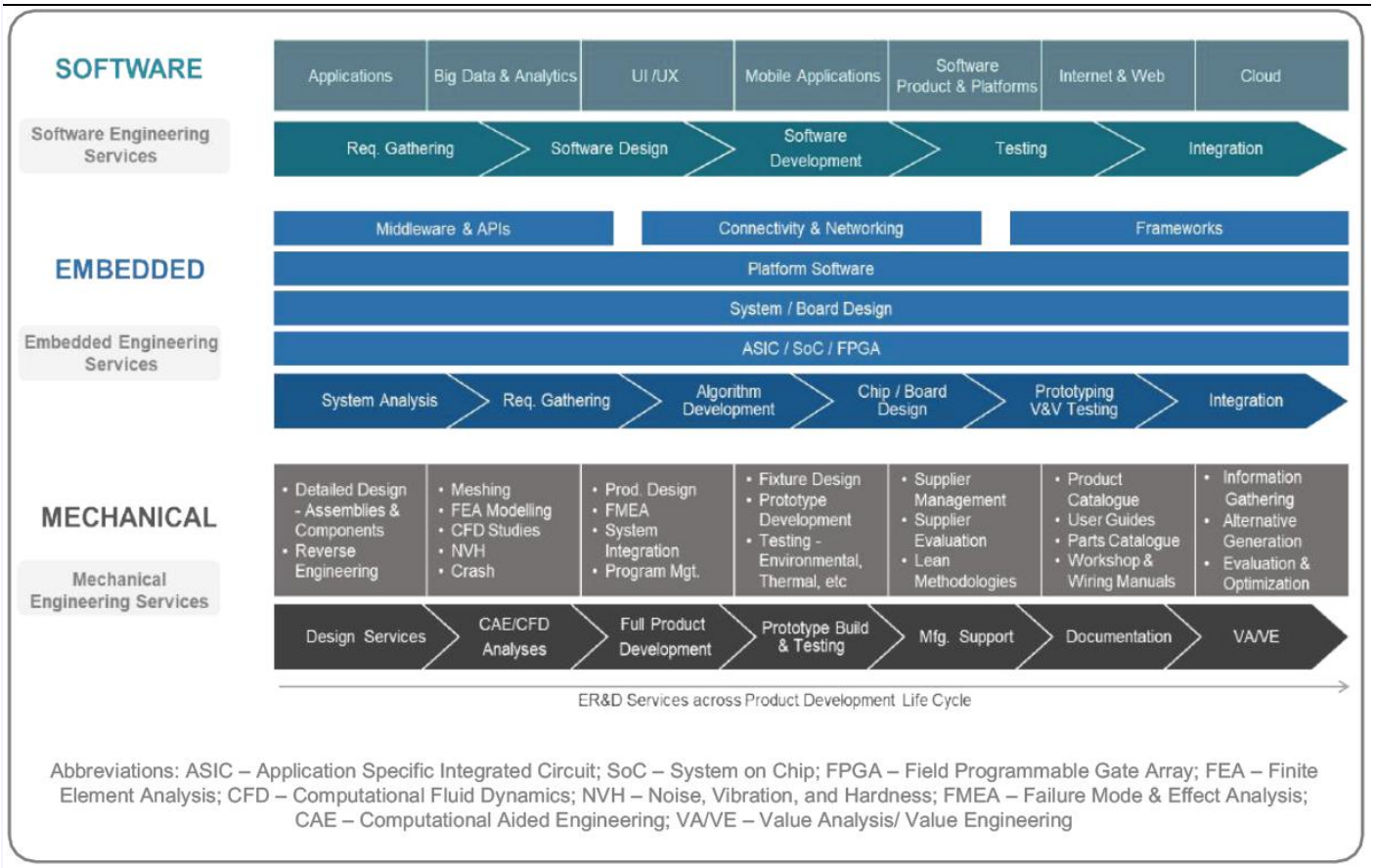


Source: PL, Zinnov

ER&D services expand beyond mechanical function

ER&D service providers help global enterprises improve their product development process. The core mechanical layers consist of multiple functions that can be assisted or outsourced, with the degree of complexity and precision increasing with embedded and software architecture. Growing demand for embedded and software engineering services is driving integration of digital thread into a set of products. This, in turn, is increasing the demand for after-sales services like asset monitoring, predictive analytics, OTA updates and diagnostics, which help reduce asset downturn and improve productivity and product lifespan.

Exhibit 9: ER&D services span product value chain



Source: Zinnov, PL

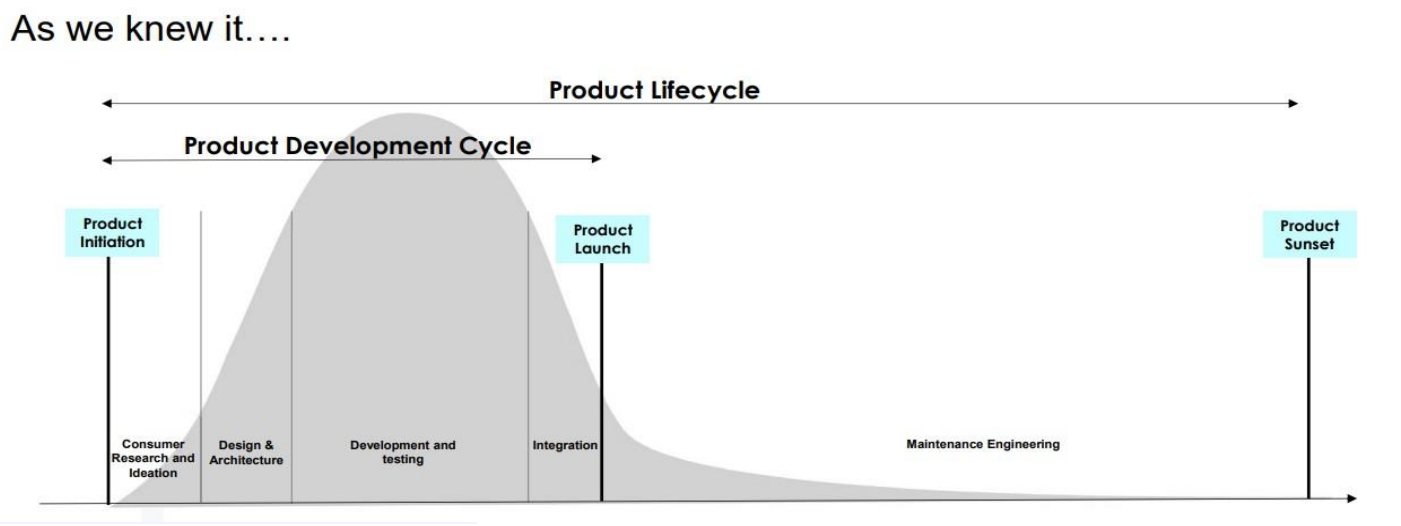
ER&D service lines are spread across multiple domains with tangible products being serviced more vs. intangibles or service-oriented domain. ER&D growth is driven by following factors:

- **Compressed PDLC:** The compression of product development life cycle (PDLC) has intensified with multiple products being launched in a year, as against the earlier trend of limited products.
- **Digital thread:** Increased integration of digital layers in traditional products is pushing companies to increase their ER&D spend.

- **Sustainability imperative:** The growing urgency to address climate change is driving companies to invest in ER&D for sustainable solutions, such as reduction of carbon footprint, building sustainable products, and adoption of green energy.
- **AI revolution:** Generative engineering powered by AI is aiding to automate and optimize designs across industries like automotive, aerospace and manufacturing, to increase their efficiency and reduce costs, which in turn is driving investments in ER&D.
- **Growing product complexity:** The tech churn is increasing product complexity, which warrants specific domain or niche skills for companies to gain a competitive edge.

Growing ER&D spending pie is also attributed to extending PDLCs. ER&D services were earlier limited to product delivery or launch activities. With continued innovation and product enhancements, the PDLC has been elongated to mitigate asset downturn, drive upgradation or release OTA updates for existing products. With this transformative approach, PDLC now eclipses the product lifecycle.

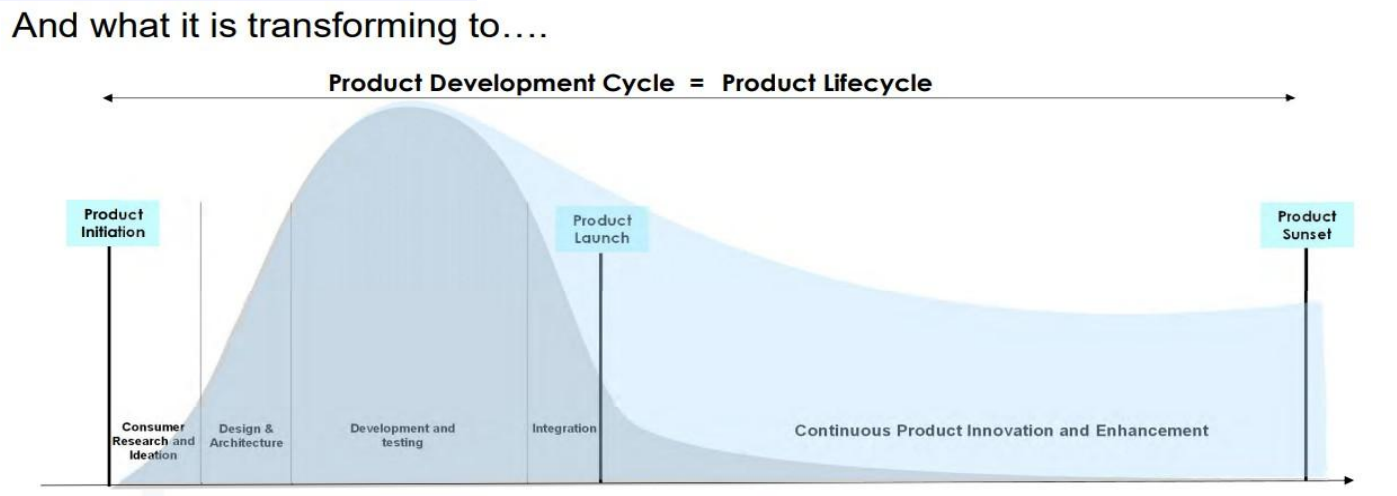
Exhibit 10: Legacy ER&D activities largely limited to product launches



Source: Tata Elxsi, PL

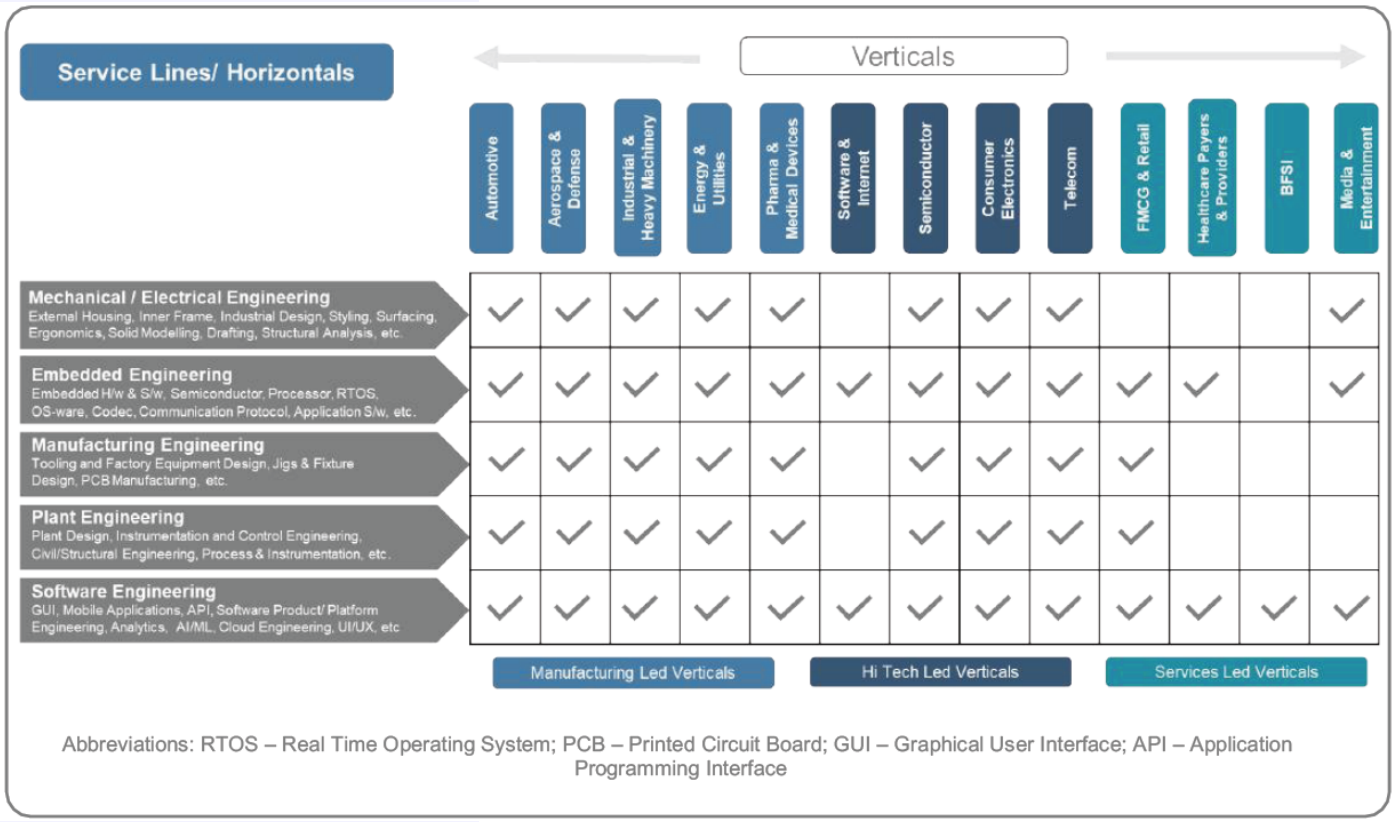
Growing concentration of embedded and software components is further intensifying back-end realization and smoothening the post-integration curve. Digital components would facilitate direct control and transparency for OEMs throughout the product life cycle for continued monitoring, deriving insights and improving asset utilization before products reach maturity and become obsolete.

Exhibit 11: R&D spend now evenly distributed until products become obsolete



Source: PL, TELX

Exhibit 12: Service lines in multiple domains and industries



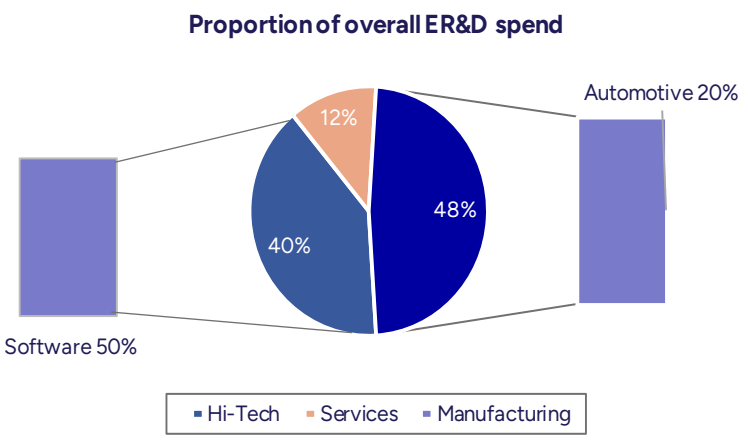
Source: Zinnov, PL

Manufacturing segment drives spending in outsourcing

Manufacturing is the largest segment within the overall ER&D sourcing pie, followed by hi-tech and services-led verticals. Within manufacturing, automotive is the largest contributor, at ~20% in FY22. Given the complexities involved and changing dynamics of the automotive segment, it would continue to be the highest sourcing segment. Software & internet (within hi-tech) is the largest contributor to the overall ER&D pie, contributing ~20% in FY22, and is majorly dominated by FAANG and hyperscalers.

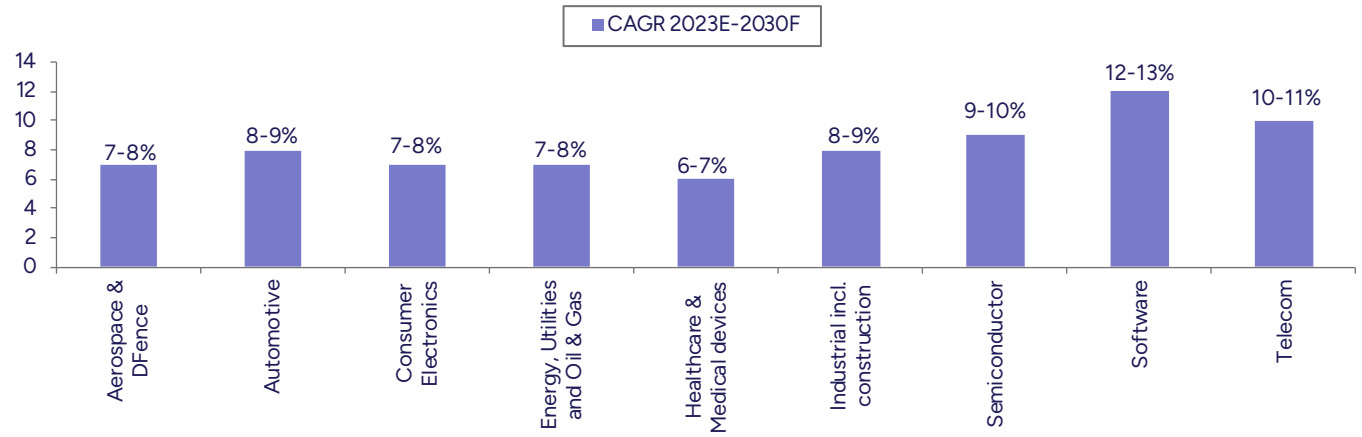
Automotive leads ER&D spending within manufacturing segment, while software leads within Hitech segment

Exhibit 13: Automotive major contributor to manufacturing ER&D spend



Source: BCG-Nasscom, PL

Exhibit 14: Software segment to lead global ER&D spending during CY23-30



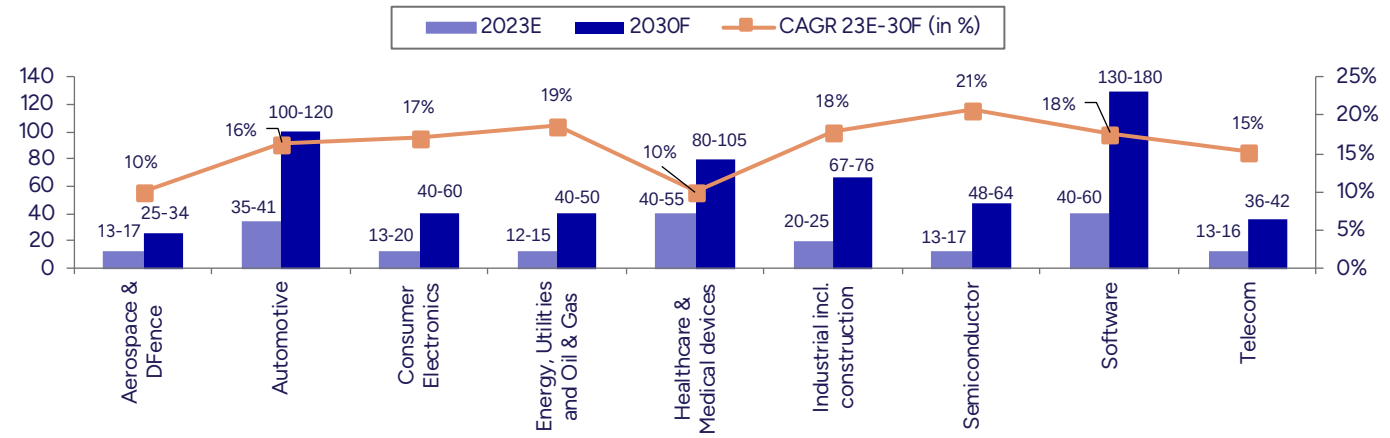
Source: BCG-Nasscom, PL

Exhibit 15: Segment-wise ER&D growth factors

Segment	Factors driving growth
Aerospace & Defense	Shift toward more fuel-efficient aircraft; increased use of automation
Automotive	Pivot toward EV, adoption of ADAS; connected cars & SDVs
Consumer Electronics	Smart devices & smart homes
Energy, Utilities and Oil & Gas	Net zero transition with low-emission technology
Healthcare & Medical Devices	Consumer-driven digital health devices; real-world data and AI-enabled treatment & discovery
Industrial, incl. Construction	Automation & robotics; platformation
Semiconductors	AI in semiconductor value chain; innovation in advanced packaging & chip stacking
Software	Integration of AI/ML into enterprise software suite
Telecommunication	Achieving hyper connectivity; 5G & 6G development

Source: BCG-Nasscom, PL

Exhibit 16: Segment-wise global ER&D opportunity (USD bn)



Source: BCG-Nasscom, PL

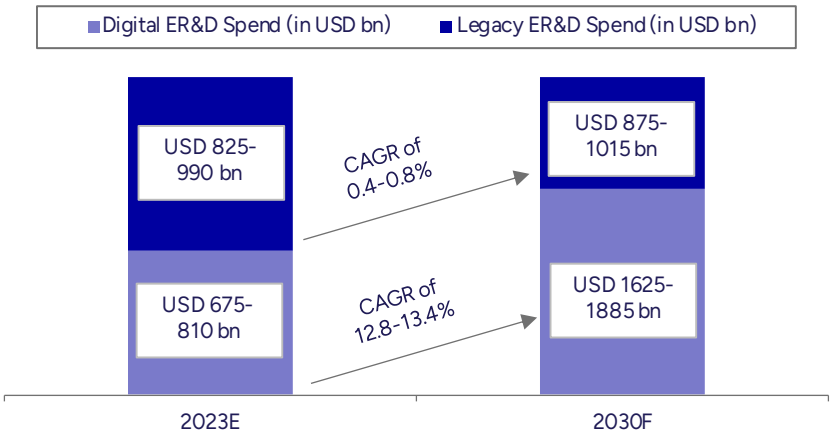
All segments are projected to register double-digit CAGR in ER&D spending during CY23-30, with the semiconductor segment leading at 21% CAGR. In terms of absolute value, the software segment is projected to increase its ER&D spending by USD90-120bn. It will be followed by automotive at USD65-79bn, driven by the segment's shift toward SDVs, EVs and hybrids.

Digital mix cannibalizing legacy ER&D spend

Overall ER&D spend is expected to grow at a CAGR of 7.6-9% between CY23 and CY30E. ER&D services are designed to facilitate the development of products and processes while optimizing existing ones. ER&D involves a wide array of activities: product or process ideation, prototyping, development, validation, testing, and even supporting the products or processes post integration.

Digital ER&D spending to log double-digit CAGR during CY23E-30F, while legacy spending to witness muted growth

Exhibit 17: Digital ER&D spend to outpace legacy spend

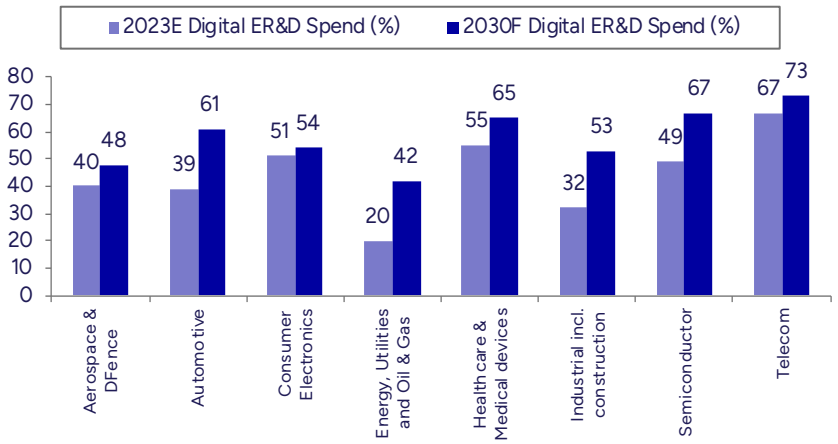


Source: PL, BCG-Nasscom

The key driver for ER&D spend is digital engineering, which involves leveraging cutting-edge technologies like digital twin, advanced analytics, immersive technology, cloud computing, AI and IoT. Digital engineering accounted for ~45% of overall ER&D spend in CY23 and is expected to reach ~65% in CY30E, growing at 12.8-13.4% CAGR.

Digital ER&D spending share to grow from 45% in CY23E to 65% by CY30F

Exhibit 18: Digital spend to increase for all segments



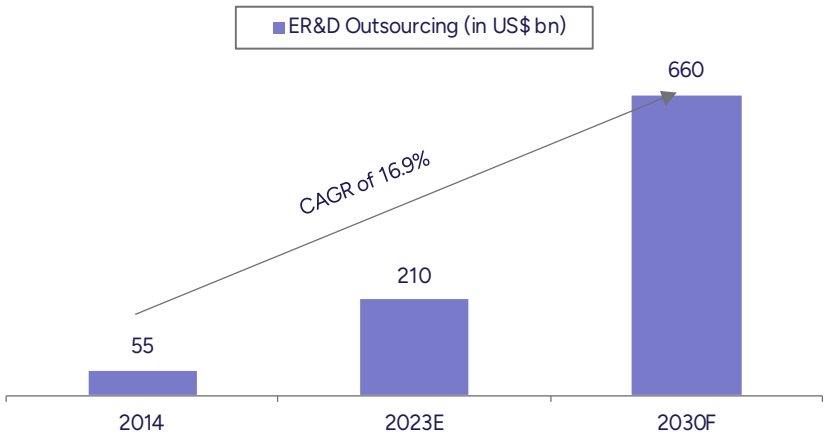
Source: BCG-Nasscom, PL

Growing intensity of ER&D outsourcing

Global enterprises generally outsource ER&D activities that are non-core to their operations and beyond the compliance & regulatory guidelines. Following factors are increasing their dependency on third-party outsourcing vendors:

- **Shortening time to market:** Global engineering companies are facing significant challenges in effective utilization of resources and staying relevant amid rapidly evolving technologies. Companies are facing internal mandates to not only launch new products faster, but also to infuse cutting-edge technology to generate better ROI.
- **Making products more affordable:** Continuous innovation through integration of new technologies is integral to product engineering. This helps make ownership more affordable for end-consumers.
- **Flexibility & scalability:** Outsourcing is highly scalable in terms of resources and domain knowledge. Unlike IT services, ER&D services require subject expertise and domain knowledge with engineering and design skills. Thus, ER&D service providers have better ability to cross-pollinate and repurpose talent across domains.
- **Focus on core operations:** Engineering activities are often repetitive and mundane, and unreasonably engage resources, which otherwise could be utilized for core engineering and product optimizing work.

Exhibit 19: Global ER&D outsourcing mix to increase 900bps over CY23-30F



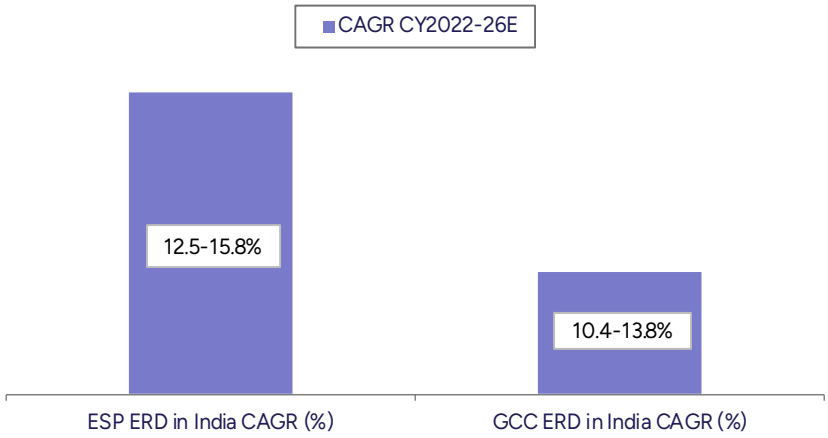
Source: PL, BCG-Nasscom, Zinnov

ER&D outsourcing spending to increase from 15% in CY23E to 24% by CY30F

Also, the share of ER&D outsourced as a proportion of total ER&D spending is poised for a dramatic rise. By CY30E, it is expected to reach 24%, a staggering 900bps increase from the 15% observed in CY23E. This surge signifies significant business opportunities for GCCs and ESPs.

Indian ESPs to grow faster than GCCs

Exhibit 20: ESPs to outpace GCCs in ER&D revenue in India



Source: PL, Zinnov

Global ER&D outsourcing market to expand to USD255-265bn by CY26, at a CAGR of 9-11.5% over CY22-26

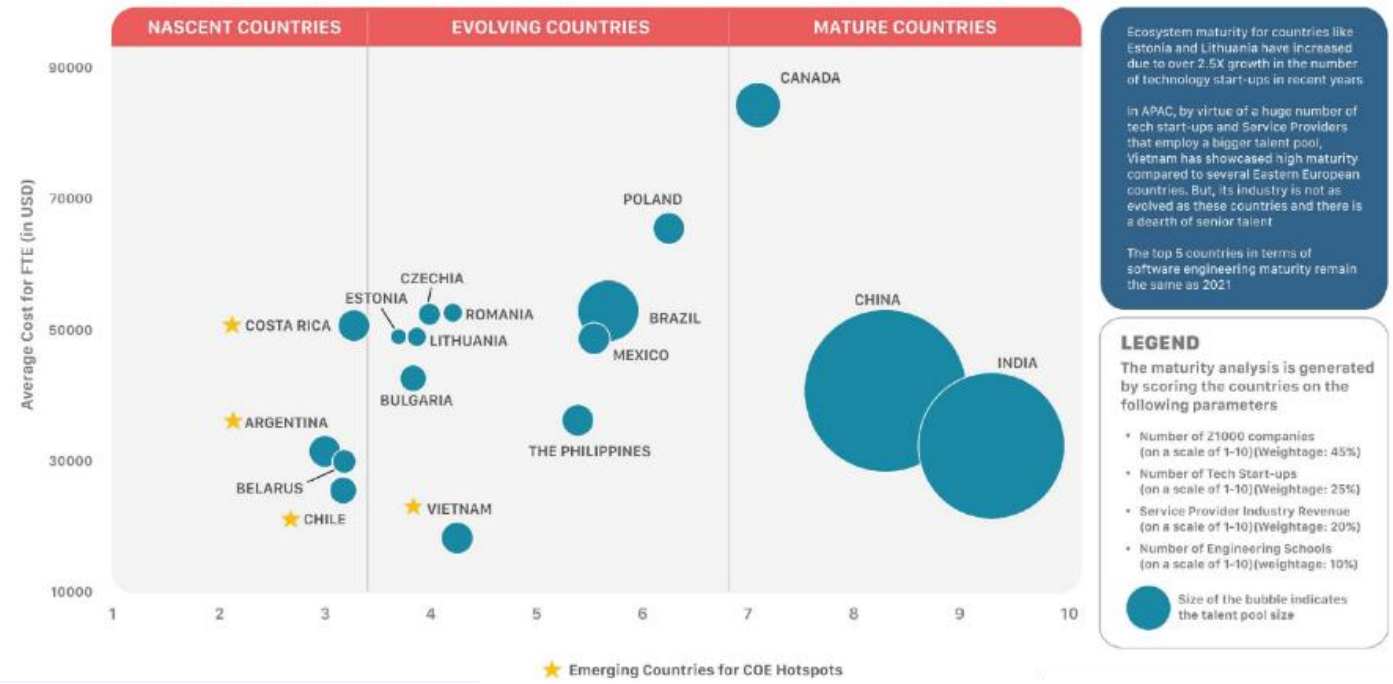
According to Zinnov's analysis of the global ER&D outsourcing market, GCCs and ESPs together contributed USD170-180bn in CY22. Of this, India's ER&D outsourcing market accounted for USD50.6bn, with GCCs contributing USD25.6bn and ESPs (including IT service companies and ER&D specialists) contributing USD25bn.

Looking ahead, Zinnov anticipates India to be a key driver of growth in the ER&D outsourcing sector. Overall global ER&D outsourcing market is projected to expand to USD255-265bn by CY26, at a CAGR of 10.2-10.7% over CY22-26. Meanwhile, India's outsourcing market is expected to outpace global growth, with a projected CAGR of 11.4-14.8% over CY22-26. Within India, GCC outsourcing is forecasted to grow at a CAGR of 10.4-13.8%, to reach a market size of USD38-43bn. ESP segment within India is expected to experience the fastest growth, at 12.5-15.8% CAGR, to reach USD40-45bn.

India emerging as a global ER&D service provider

India has positioned itself as a leading destination for global companies seeking cutting-edge technical and innovative solutions. India offers compelling benefits to international businesses looking to optimize costs, maintain a technological edge, and accelerate their time to market. As per a BCG-Nasscom report, India's ER&D sourcing market is expected to reach USD130-170bn by CY30, clocking a CAGR of 17-21% over CY23E-30F.

Exhibit 21: India & China rank among the top in global ER&D offerings



Source: Zinnov, PL

As can be observed from Exhibit 21, China and India are best placed among the mature countries to offer the best technical solutions at scale at a highly competitive cost. This has led to an increase in ER&D sourcing from not only ESPs but also through increasing number of GCCs established by global companies in India. Factors driving these trends are:

Talent powerhouse: India boasts a vast pool of highly skilled engineers, scientists, and technology professionals. This talent reservoir is continuously replenished by a robust education system focused on STEM fields. Also, availability of skilled workforce at competitive cost levels compared to developed countries, makes India an exceptionally attractive location for companies looking to establish R&D centers, outsource technical operations, or collaborate on innovative projects.

Cost optimization and efficiency: Beyond competitive labor costs, India offers advantages in operational expenses, infrastructure, and access to resources. This cost-effectiveness allows companies to maximize their R&D budgets and achieve greater efficiency in their operations. By leveraging India's cost advantages, global businesses can reinvest savings into innovation, expansion, or other strategic initiatives.

Innovation and technological advancement: India is not just a cost-effective solution; it's a hotbed of innovation for the world. Indian companies and research institutions are increasingly focusing on developing intellectual property, cutting-edge technologies, and driving advancements in various fields, from software and IT to biotechnology and renewable energy. This dynamic environment fosters collaboration between global companies and Indian innovators, leading to the co-creation of new products, services and solutions.

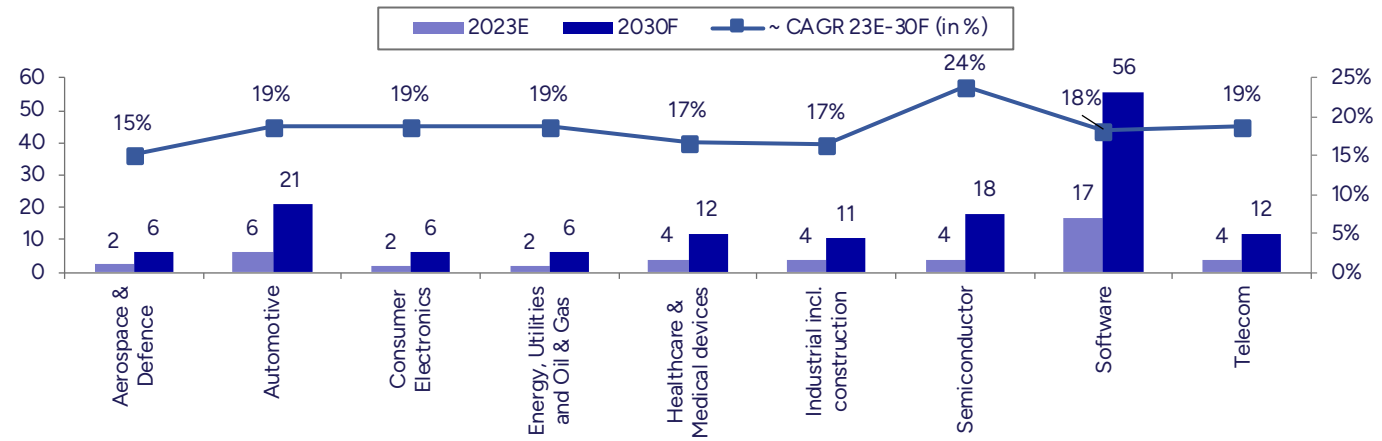
Accelerated time to market: In today's fast-paced world, time to market is critical. India's efficient project management practices, agile development methodologies, and collaborative ecosystem enable companies to accelerate PDLCs and bring innovations to market faster. This speed advantage allows businesses to gain a competitive edge and capture market share more quickly.

Segment-wise India opportunity

Segment-wise, software segment will contribute the highest revenue to India ER&D outsourcing, followed by automotive

India's outsourcing market is expected to witness broad-based growth with all segments expected to report double-digit CAGR between CY23 and CY30. Growth will be led by software, followed by automotive. In absolute terms, software ER&D outsourcing spend in India is expected to increase by USD39bn during the period, which will be followed by automotive segment, up USD15bn.

Exhibit 22: India region ER&D outsourcing market (in USD bn) to clock robust CAGR during CY23E-30F



Source: BCG-Nasscom, PL

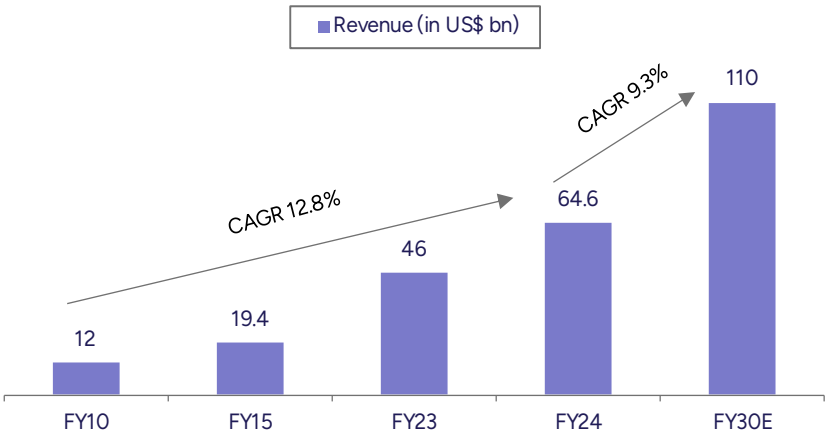
Rise of GCCs – Shifting focus from cost optimization to innovation

Beginning in the 1980s with the establishment of pioneering GCCs like Texas Instruments, the initial model centered around utilizing India's cost-effective workforce for basic IT and back-office operations. However, over the subsequent decades, the landscape has dramatically shifted. GCCs in India have shifted their focus from cost arbitrage to innovation and talent leverage.

Today, India has more than 1,700 GCCs. MNCs are increasingly recognizing India as a crucial hub for not only cost optimization but also bridging the global talent gap and driving innovation. This shift is driven by India's vast pool of skilled professionals and thriving technology ecosystem, which supports the swift establishment of GCCs. Consequently, GCCs are expanding their functions beyond traditional IT services to encompass advanced areas such as R&D, engineering design, data analytics, and AI.

GCC revenue in India has increased from USD12bn in FY10 to USD64.6bn in FY24 at 12.8% CAGR. The momentum is expected to continue with revenue projected to hit USD110bn by FY30E (9.3% CAGR during FY24-30) due to the expansion of existing GCCs and new GCC establishments.

Exhibit 23: Rapid GCC growth in India to continue



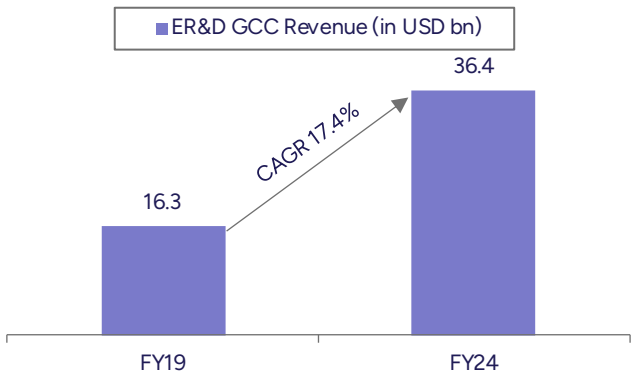
Source: PL, Nasscom

Surge in ER&D GCC revenue

India has witnessed strong revenue growth in ER&D GCCs due to changing landscape in the recent years driven by the transformation in PDLCs and support operations of MNCs. These centers are no longer confined to providing basic IT support; they are increasingly focused on complex engineering tasks, research and innovation. This shift is driven by India's vast pool of highly skilled engineers, cost-competitive environment, and rapidly maturing technology ecosystem. The drivers for increase in spending in Indian ER&D GCCs by MNCs is driven by the following:

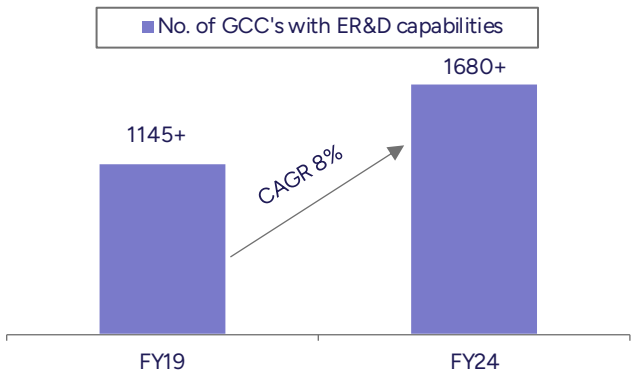
- Cost optimization: By leveraging India's cost-effective engineering talent, companies can reduce R&D expenses, freeing up resources for other critical areas.
- Enhanced collaboration: GCCs facilitate close collaboration between global R&D teams, enabling seamless knowledge transfer and faster problem-solving.
- Accelerated product development: GCCs provide access to a large talent pool, enabling companies to scale their R&D efforts rapidly. This accelerates the development process by allowing for faster development cycles.
- Digital transformation: Increasing adoption of digital technologies, such as AI, machine learning, and cloud computing, is driving demand for ER&D services. India's GCCs are well-positioned to leverage these technologies and provide cutting-edge solutions.
- Specialized expertise: India has developed specialized expertise in various engineering domains, including software, hardware, automotive, aerospace, and telecommunications. ER&D GCCs can tap into this expertise, enabling companies to develop cutting-edge products and solutions faster.

Exhibit 24: Robust growth in GCC revenue in FY19-24



Source: PL, Nasscom

Exhibit 25: 535+ GCCs established during FY19-24



Source: PL, Nasscom

These factors together have led to significant growth in ER&D GCCs. GCC count has increased from over 1,145 in FY19 to over 1,680 in FY24, directly contributing to a remarkable revenue growth from USD16.3bn to USD36.4bn, at a CAGR of 17.4%.

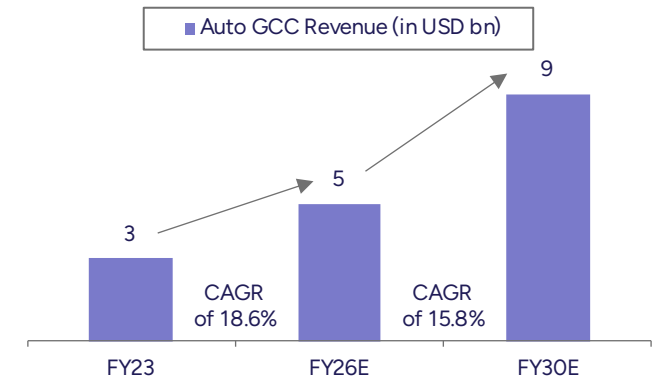
Automotive GCCs – Industry transition driving innovation

Automotive GCCs in India were initially set up as cost-arbitrage centers to support their headquarters (HQs). However, the global automotive industry has undergone significant transformation due to emerging technologies such as EVs, autonomous driving, connected vehicles, and advancements in safety and sustainability. To keep pace with these changes, reduce PDLCs, and maintain profitability, OEMs and their suppliers are ramping up investments in innovation, R&D and product development. Amid this evolving landscape, Indian automotive GCCs have become essential partners in supporting HQs' goals. They are increasingly playing a critical role in driving innovation, expanding their capabilities, and offering end-to-end solutions.

Exhibit 26: Auto GCCs grow to 60+ in FY23 from 7+ in FY95

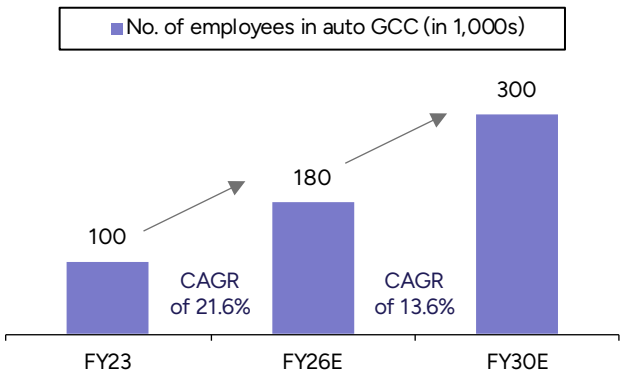
Source: PWC, PL

Exhibit 27: Auto GCC revenue to reach USD9bn by FY30E



Source: PWC, PL

Exhibit 28: Auto GCC staff size to log 13.6% CAGR in FY26-30E



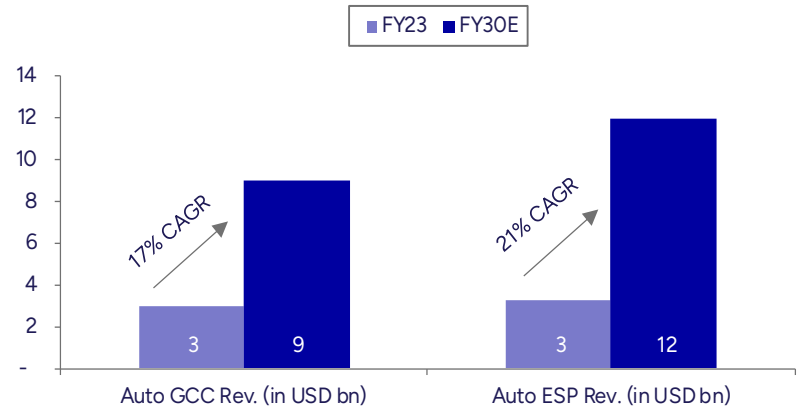
Source: PWC, PL

Despite rapid growth in auto GCCs in India, auto ESPs to outpace growth during FY23-30E

Consequently, automotive GCCs have grown from 7+ in FY95 to 60+ in FY23. Their revenue is expected to grow from ~USD3bn in FY23 to ~USD5bn by FY26E (18.6% CAGR) and USD9bn by FY30E with employee strength likely to increase from 100k to 180k by FY26E and 300k by FY30E. Growth will be driven by:

- Marquee work transferred from HQs: Indian automotive GCCs have matured and delivered successful outcomes on high-profile projects transferred by HQs. This has further bolstered confidence in shifting more critical and strategic work from HQs to these centers.
- Reduced launch timelines: The challenge of reducing product launch timelines while preserving margins is prompting HQs to expand investments in Indian GCCs, leveraging their ability to accelerate product development.
- Faster collaboration between HQs & Indian GCCs: Virtual collaboration technologies like AR, VR and digital twins are driving the expansion of Indian GCCs by facilitating faster and more efficient collaboration with global HQs.

Exhibit 29: Indian auto ESPs to grow faster than auto GCCs in FY23-30E



Source: PL, Nasscom, BCG-Nasscom

EV, hybrid transition driving automotive growth

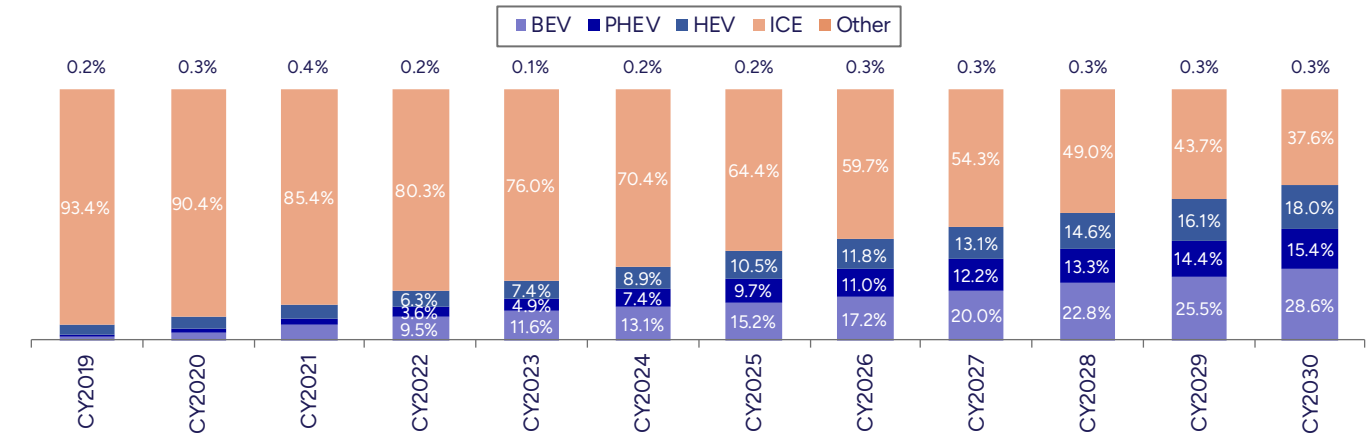
The global automotive industry is undergoing a profound transformation, shifting from traditional ICE vehicles to a future dominated by EVs, hybrids, connected cars, and SDVs. Key drivers of the transition are:

- **Environmental sustainability:** Growing awareness of climate change and the need to reduce greenhouse gas emissions is the primary driver. Also, governments worldwide are implementing stricter emission regulations and providing incentives for EV adoption, which is driving speedy transition.
- **Technological advancements:** Rapid advancements in battery technology have led to increased EV range, faster charging times, and relatively lower battery costs.

ICE vehicle sales to decline rapidly from CY25-30 due to increasing EV & hybrid adoption

Consequently, global ICE vehicle mix has declined from 93.4% in CY19 to 76.5% in CY23 and is expected to further decline to 35.6% in CY30. In contrast, EV and hybrid vehicle mix is expected to increase from 23.2% to 63.7%.

Exhibit 30: Global auto sales mix (%) transitioning from ICE to EVs & hybrid vehicles



Source: PL, Industry

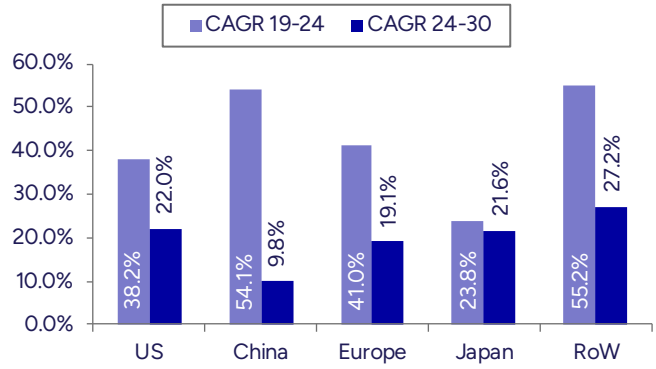
Exhibit 31: Global auto sales (mn units)

Global	CY19	CY20	CY21	CY22	CY23	CY24	CY25	CY26	CY27	CY28	CY29	CY30
BEV	1.46	2.08	4.32	6.93	9.09	10.74	12.89	14.73	17.53	21.08	24.03	28.07
PHEV	0.55	0.94	1.83	2.64	3.79	6.22	7.92	9.12	10.44	11.77	13.72	14.74
HEV	3.20	3.54	4.25	4.84	5.98	6.93	8.15	8.98	10.28	11.79	13.67	15.11
ICE	77.23	62.69	61.67	59.25	62.28	60.26	56.35	53.38	48.97	43.19	37.35	32.37
Other	0.29	0.23	0.24	0.25	0.28	0.35	0.42	0.52	0.63	0.72	0.86	0.53
Total	**82.72**	**69.48**	**72.31**	**73.90**	**81.42**	**84.49**	**85.73**	**86.73**	**87.85**	**88.55**	**89.64**	**90.83**

Source: PL, Industry

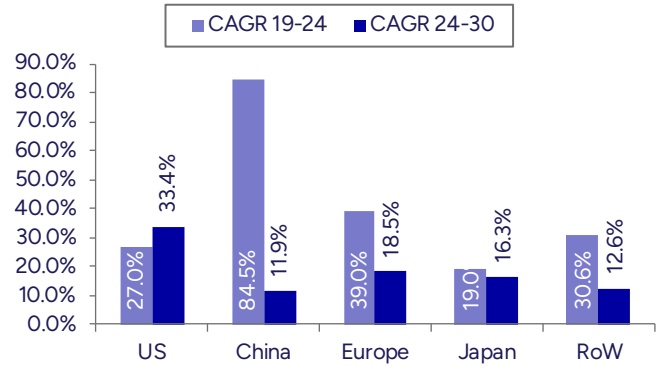
ICE vehicle sales is expected to decline from 77.23mn units globally in CY19 to 32.53mn units in CY30, while EV & hybrid vehicle sales is expected to increase to 57.92mn units in CY30 from just 5.21mn units in CY23.

Exhibit 32: BEV growth from CY19-24



Source: PL, Industry

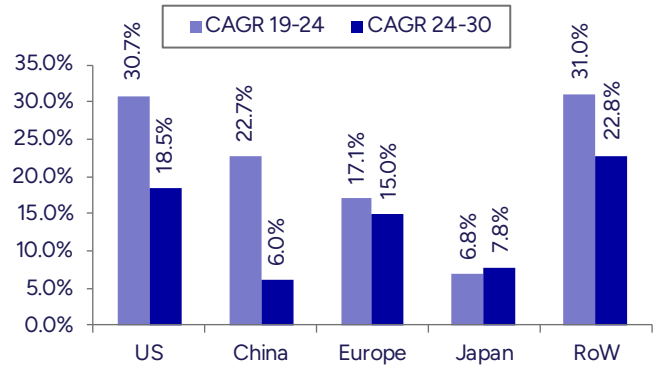
Exhibit 33: PHEV growth from CY19-24



Source: PL, Industry

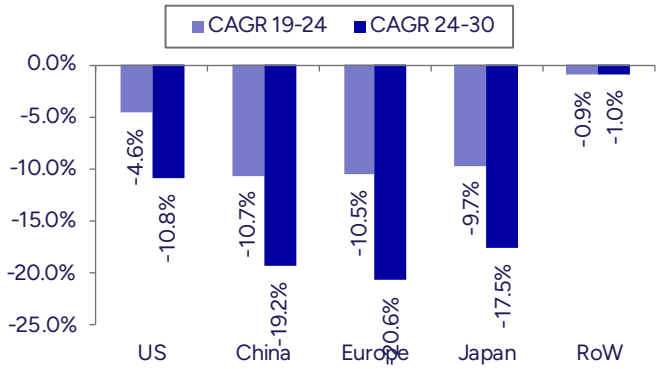
Between CY19 and CY30, BEV, PHEV & HEV sales is expected to grow at a CAGR of 48.6%, 60.8% & 17.5%, respectively, while between CY24 and CY30, growth is expected to remain strong at 15.8%, 14.8% & 14.4%, respectively. Geography wise, China will lead the transition to EVs & hybrid vehicles, followed by Europe and the US, which are also are transitioning from ICE engines at a fast pace.

Exhibit 34: HEV growth during CY19-24



Source: PL, Industry

Exhibit 35: ICE vehicle de-growth during CY19-24



Source: PL, Industry

Spending trend within automotive - ACES

The automotive industry is experiencing a drastic change, with the rapid shift from traditional ICE vehicles to EVs and hybrids, fueling a massive surge in ER&D investments. Consequently, OEMs are drastically altering their R&D priorities with their focus shifting from improvements in lean manufacturing, fuel efficiency, material science, and basic infotainment systems, toward electrification, SDVs, autonomous driving, smart infotainment, & Factory 4.0.

ADAS, infotainment & connected vehicles, and hybrid & electric mobility to drive ER&D spending in automotive segment

Exhibit 36: Service line spending within automotive segment (USD bn)

Outsourced ER&D automotive components	CY22	CY26E	CAGR
ADAS & autonomous	**1.5-2**		
Infotainment & connected	**3-4**		
Safety systems	1-2	22-23	~11%
Traditional powertrain	0.5-1.5		
Body engineering	7-8		
Hybrid & electric mobility	**3-4**	**5-6**	**~12%**
Total	**18-20**	**27-29**	**~11%**

Source: PL, Zinnov

Within the automotive segment, there is a strong potential to outsource in the areas of ADAS/autonomous, infotainment/connected, and hybrid/electronic mobility, while ER&D spends around body engineering and traditional powertrain would witness a gradual slowdown by FY26. With newly emerging technologies, auto OEMs are exploring incremental opportunities around safety measures, autonomous assistance systems and seamless connectivity outside the vehicle. Additionally, continued spending around alternate propulsion systems and power electronics is driving substantial growth within hybrid and electric mobility. These emerging areas are expected to clock ~12% CAGR during FY22-26E, thus outpacing traditional automotive outsourced components.

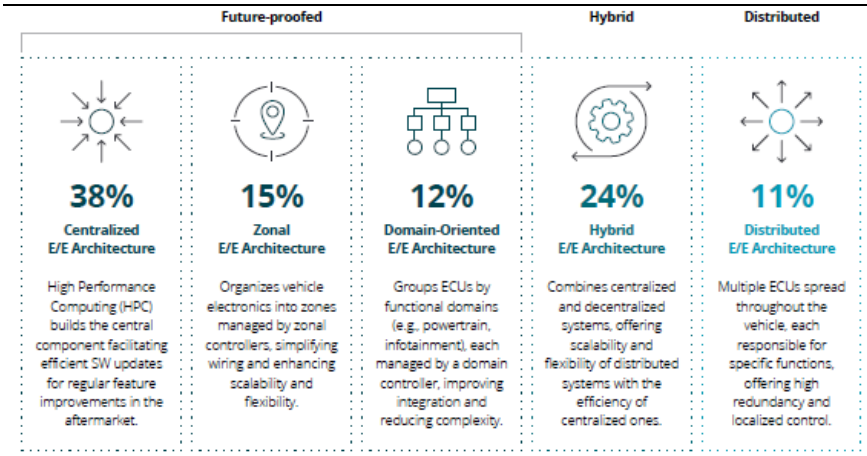
Zinnov expects ER&D spending in the automotive segment to increase to USD238bn by CY26 from USD180bn in CY22, implying a CAGR of ~7%. However, growth of outsourced automotive ER&D is expected to outpace the overall market. Zinnov anticipates outsourced spending to rise from USD18-20bn in CY22 to USD27-29bn by FY26, representing a faster CAGR of ~11%. This supports the growing trend among automotive companies to leverage external partners for their ER&D needs.

Transition to EVs & hybrids drives investment in E/E architecture

The automotive industry is undergoing a significant shift toward software-defined vehicles (SDVs), led by the transition from ICE vehicles to EVs and hybrids. Consequently, investments in electrical/electronic (E/E) architectures are rising, as these systems become central to modern vehicles, defining their functionality, safety, and overall user experience. This evolution in demand highlights that E/E architecture is not just adapting to modern requirements but is actively driving the transformation of the automotive industry.

A Deloitte report indicates that by 2030, future-proofed E/E architectures—specifically centralized, zonal, and domain-oriented approaches—will take center stage. By consolidating computing processes and functionalities into fewer, more powerful domain controllers, these architectures are expected to significantly enhance efficiency, reduce complexity, and improve system integration and security. Furthermore, this consolidation offers improved scalability to handle the increasing data processing and connectivity requirements of modern vehicles.

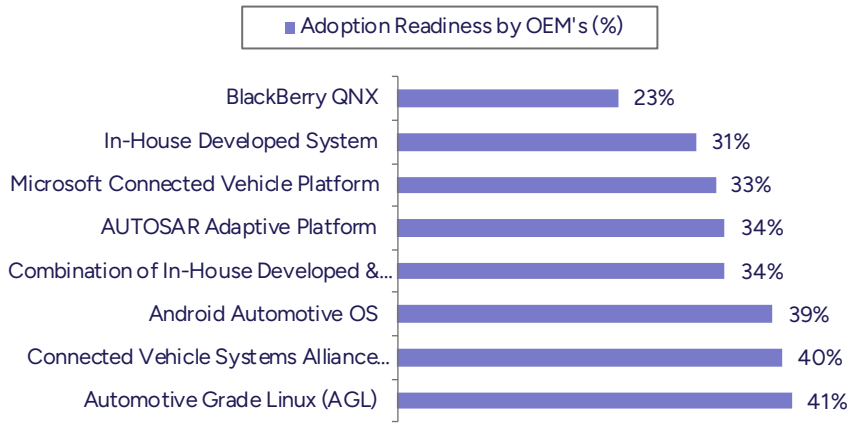
Exhibit 37: Centralized, zonal & domain-oriented architectures to dominate by CY30



Source: PL, Deloitte

Adoption of various frameworks & OSs is driving the need for robust and reliable platforms, which can support wide range of functions. Following are the most used frameworks and OSs in SDV:

Exhibit 38: Leading OS used by automotive OEMs



Source: PL, Deloitte

These frameworks and OSs form the bedrock for developing and deploying diverse in-vehicle applications and services. However, consolidating OS within an OEM's SDV implementation presents challenges, especially when balancing stringent quality management and safety-critical components. This complexity creates opportunities for specialized service providers to offer their expertise and assist OEMs in effective implementation. Furthermore, ER&D providers are gaining a competitive edge by developing proprietary OSs, evidenced by strategic alliances such as KPIT's JV with ZF.

OEMs are also forging strategic partnerships with specialized service providers to reduce costs, accelerate innovation and time to market, leverage specific skills, and enhance consumer experience. Key areas for these strategic partnerships include cybersecurity, autonomous driving, OS, connectivity, cloud platforms, ADAS, and E/E architecture.

Top 20 automotive companies contribute to ~67% of total ER&D spending in the automotive segment

Driven by these factors, automotive OEMs remain significant R&D investors, allocating resources both internally and externally, despite economic uncertainties. This positions them as the top ER&D spenders in the manufacturing industry. Notably, the top 20 automotive companies invested over USD120bn in R&D in CY22, representing a substantial portion of the sector's total USD180bn R&D expenditure.

Exhibit 39: Auto companies among top ER&D spenders

Top 20 auto ER&D spenders in CY22	USD bn
Volkswagen Group	22.3
General Motors	10.8
Toyota Motor	10.0
Ford Motor Company	8.6
BMW	7.8
Robert Bosch GmbH	7.7
Honda Motor	7.4
Mercedes Benz Group AG	6.6
Stellantis NV	6.1
Denso	4.5
Nissan Motor	4.4
Tesla Motors	3.4
Continental AG	3.4
ZF Group	3.3
SAIC Motor	3.2
BYD Co Ltd-H	3.0
Hyundai Motor	2.9
Renault	2.5
Volvo	2.4
Valeo	2.2

Source: PL, Zinnov

Exhibit 40: Transcript Highlights of major Auto OEM's regarding ER&D spending & EV transition

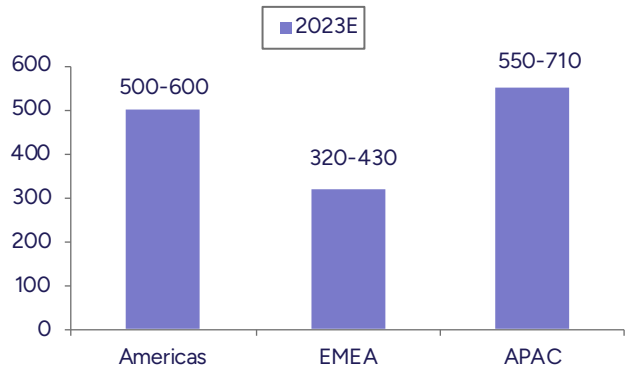
Company	Transcript
Nissan	FY2025 outlook anticipates continued challenges, with a focus on rebuilding Nissan. In Europe, the company will utilize its alliance relationship with Renault to take advantage of their electric vehicle architectures. The company aims to reduce its global workforce by 20,000 people by FY2027, with 65% coming from manufacturing, 18% from SG&A functions, and 17% from R&D, mostly contractual staff.
Honda	The company's efforts to achieve carbon neutrality targets by 2040 will impact gross margin and R&D efforts. The company's electrification strategy needs to be revisited by 2030 to stay competitive in the market. Business integration talks with Nissan are not on the table for now, but the company wants to maximize benefits from collaborative efforts and find a new direction for business growth. The electric vehicle market growth has slowed down more than expected, leading to a postponement of large-scale investments in a comprehensive value chain project in Canada.
Toyota	Toyota will leverage technologies developed for next-generation battery electric vehicles to further evolve powertrains. Toyota is working together with its suppliers to establish a system that will use digital transformation advances to seamlessly link vehicle specification information from development to sales.
Ford	Ford is using AI in processes such as quality and manufacturing to improve overall efficiency
GM	GM is focused on growing its EV business responsibly and has moderated EV production to ensure alignment with consumer demand and avoid heavy discounts. The company is focusing its EV investments on greater efficiency and cost reductions across the value chain instead of further portfolio expansion.
Volkswaggen	The company is ramping up production of Battery Electric Vehicles The company has reduced its time to market by 30%, allowing it to develop vehicles in 24-33 months.

Source: Company, PL

Geography-wise ER&D spending

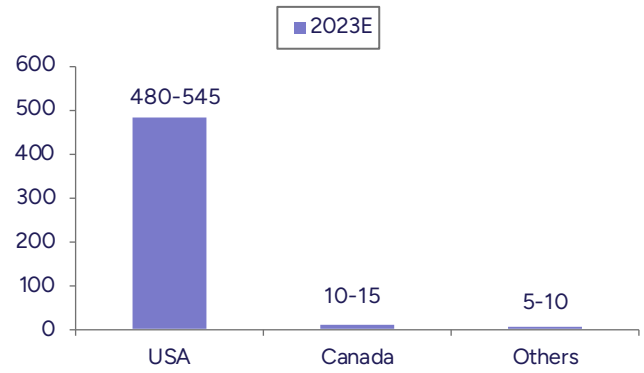
Globally, region-wise ER&D spending is led by the Americas, followed by the APAC region. Within the Americas, ER&D spending in software, healthcare and semiconductor segments is driven by the US.

Exhibit 41: Geography-wise ER&D spending (USD bn)



Source: BCG-Nasscom, PL

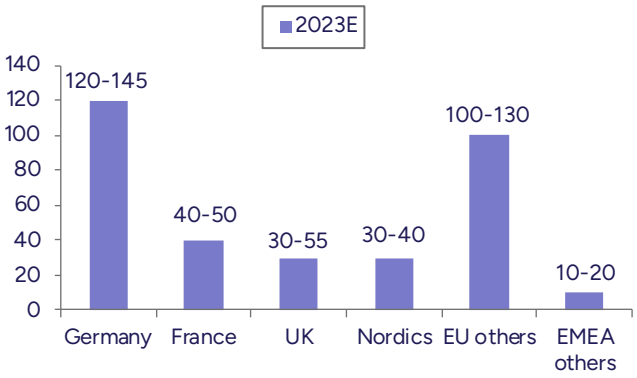
Exhibit 42: US leads ER&D spending in the Americas (USD bn)



Source: BCG-Nasscom, PL

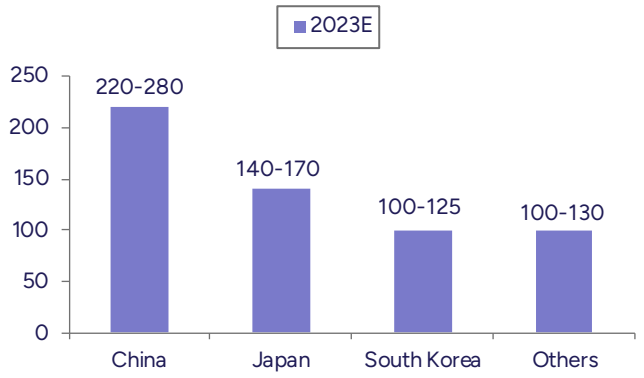
Within Europe, Germany is the leader in ER&D spending. Europe mainly focuses on automotive, aerospace and healthcare segments. China leads in the APAC region, and ER&D spending in the APAC region is driven by consumer electronics, telecommunications & software.

Exhibit 43: Germany leads in ER&D spend in EMEA (USD bn)



Source: BCG-Nasscom, PL

Exhibit 44: China leads in ER&D spend in APAC (USD bn)



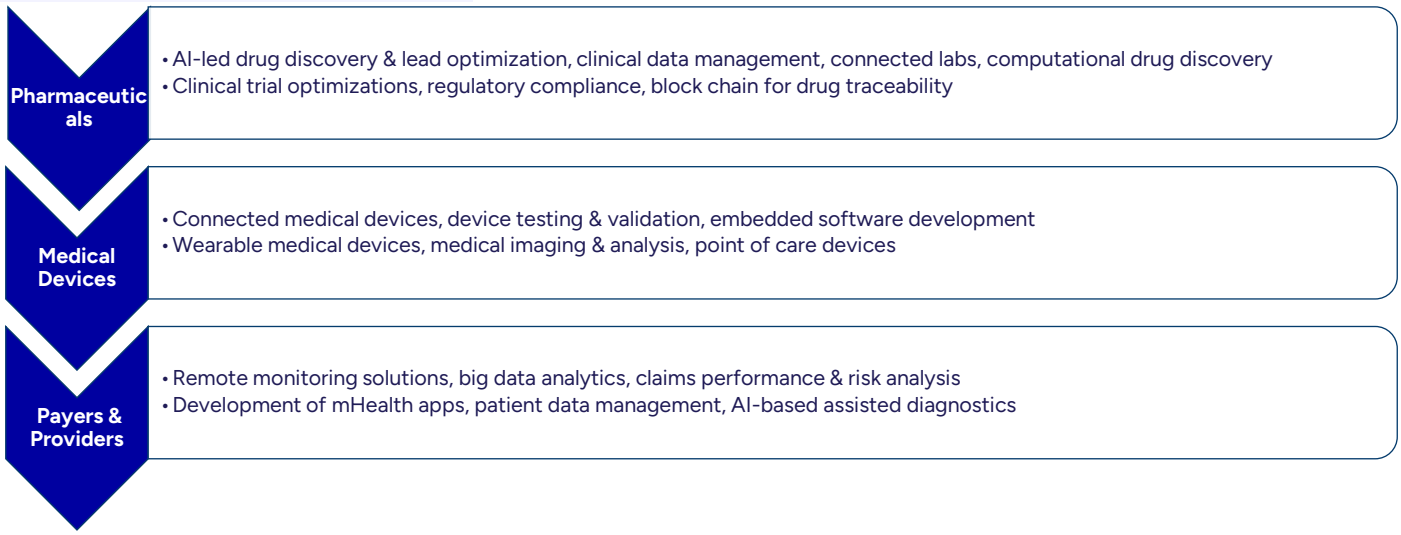
Source: BCG-Nasscom, PL

Medical & Healthcare

ER&D outsourcing in the medical and healthcare sector is driven by:

- Cost savings: Escalating costs of R&D, coupled with increasing pressure to deliver affordable healthcare, drive organizations to seek cost-effective solutions through outsourcing.
- Access to talent: Rapid technological advancements necessitate specialized skills that may not be readily available in-house, making outsourcing a strategic choice.
- Regulatory compliance: The healthcare industry is heavily regulated, and outsourcing to providers with expertise in compliance helps organizations navigate complex regulatory landscapes.

Exhibit 45: ER&D scope in medical & healthcare segment



Source: PL, Zinnov

Exhibit 46: Key drivers for outsourcing in medical & healthcare ER&D

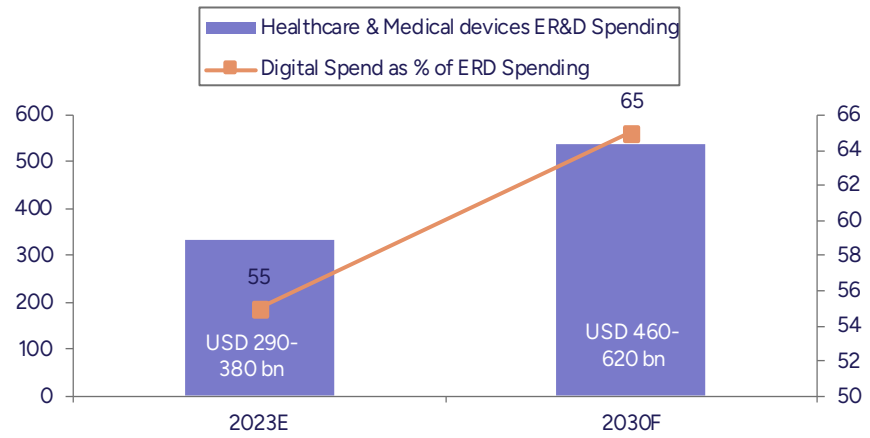
Pharmaceuticals	Clinical trials: Outsourcing clinical trial management ensures efficient and cost-effective execution of trials. Drug discovery and development: Pharmaceutical companies are increasingly outsourcing drug discovery, preclinical research, and formulation development to leverage external expertise and accelerate time to market.
Medical Devices	Product design and development: Outsourcing plays a vital role in medical device design, prototyping, and testing, enabling companies to bring innovative products to market quickly. Software development: With the growth of connected medical devices, software development and cybersecurity are increasingly being outsourced. Regulatory affairs: Outsourcing regulatory affairs ensures compliance with stringent medical device regulations.
Healthcare Payers and Providers	Data analytics: Payers and providers are leveraging outsourcing to analyze vast amounts of healthcare data, enabling better decision-making and improved patient outcomes. Digital health solutions: Growth of telehealth and remote patient monitoring is driving demand for outsourcing services in digital health platform development and support.

Source: PL, Zinnov, BCG-Nasscom

ER&D spending in healthcare & medical devices segment to grow at CAGR of 6-7% from CY23E-30F, while digital ER&D spending to grow at CAGR of 9.4-9.8%

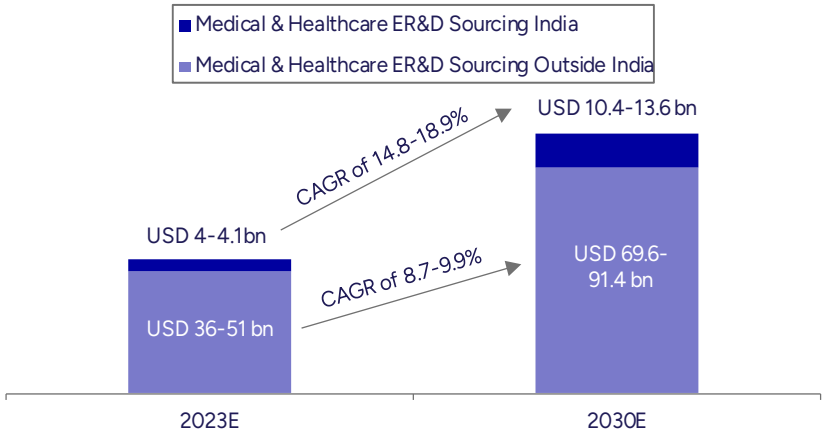
Driven by prevailing trends, BCG-Nasscom projects ER&D spending in the medical & healthcare sector to increase from USD290-380bn in CY23 to USD460-620bn by CY30, at a CAGR of 6-7%. Notably, digital ER&D spending is anticipated to outpace legacy spending, with a high single-digit CAGR. This shift will elevate digital spending's share in total ER&D expenditure from 55% to 65%.

Exhibit 47: Medical & healthcare ER&D spend to clock 6-7% CAGR in CY23-30



Source: PL, BCG-Nasscom

Exhibit 48: ER&D sourcing to grow at double-digit CAGR in CY23-30



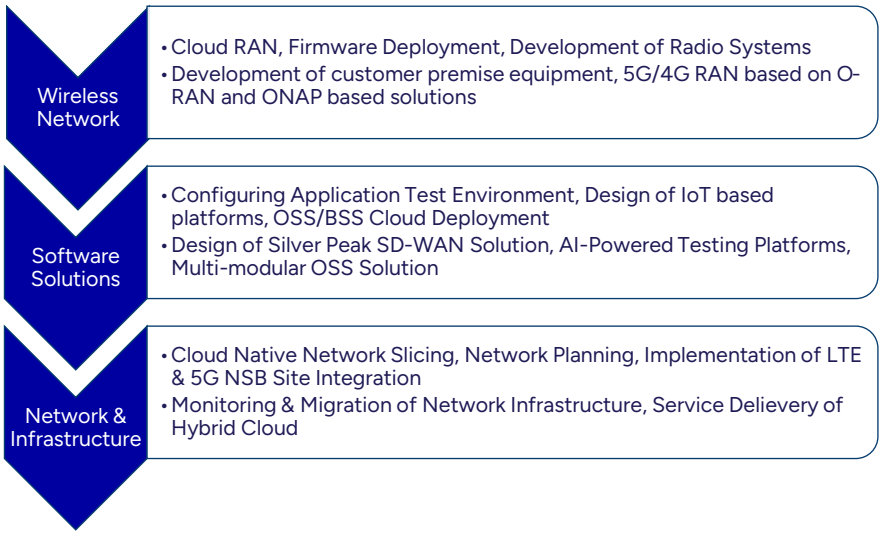
Source: PL, BCG-Nasscom

Telecom

Telecom sector is also expected to witness a surge in ER&D outsourcing, driven by the need to innovate rapidly and manage the complexities of modern networks. Key drivers are:

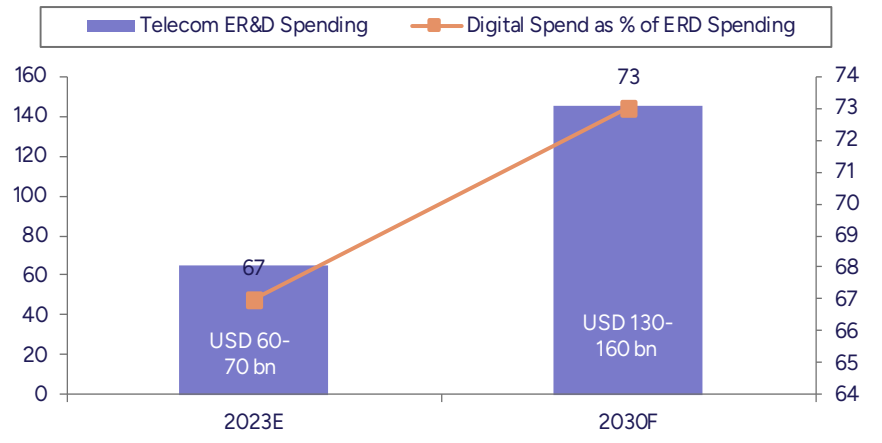
- 5G & 6G: The rollout of 5G networks and development of 6G infrastructure require substantial R&D investments. Outsourcing helps telecom companies access specialized expertise and accelerate development.
- Network virtualization and cloudification: The shift toward software-defined networking (SDN), network functions virtualization (NFV), and cloud-native architectures demand specialized software development and integration skills, which are often outsourced.
- IoT and connected devices: The proliferation of IoT devices and applications is driving the need for new network infrastructure and services. ER&D outsourcing helps telecom companies develop and deploy these solutions.

Exhibit 49: Drivers of ER&D spending in telecom segment



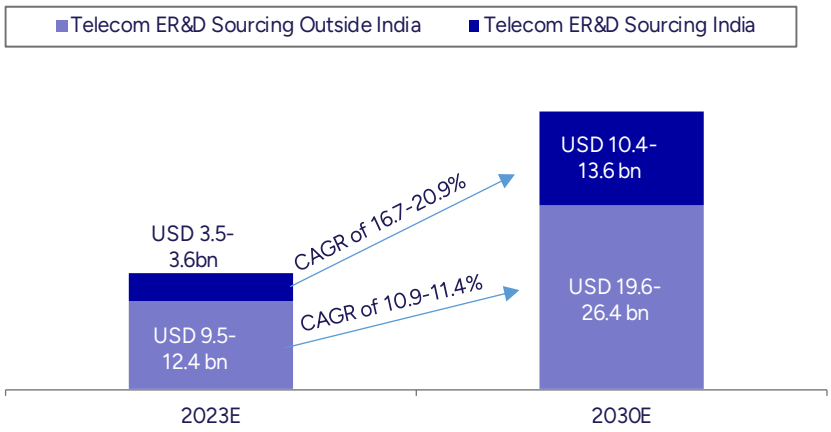
Source: PL, BCG-Nasscom

Exhibit 50: ER&D spend to clock 10-11% CAGR in CY23-30



Source: PL, BCG-Nasscom

Exhibit 51: India ER&D sourcing to grow at faster pace



Source: PL, BCG-Nasscom

Peer Comparison

ER&D practice and strength of peers

Automotive outsourcing spend is split into traditional (body, chassis, car electronics) and digital (ADAS, autonomous vehicles, powertrain, infotainment, connected tech) ER&D. Tata Technologies and EDAG focus more on traditional, while Tata Elxsi and KPIT specialize in digital. EDAG and Alten's revenue is mainly from Europe, whereas Indian companies have more diverse revenue mix (Exhibit 52).

Exhibit 52: Service line specialization of ESP companies

	Tata Tech	KPIT	LTTS	Tata Elxsi	EDAG	Alten
Body Engineering						
Powertrain Engineering						
Car Electronics						
ADAS & Autonomous Cars						
Infotainment & Connected						
Chassis Engineering						
Hybrid & Electric Mobility						
Safety Systems						

Source: Company, PL *Green = Higher Mix / Red = Lower Mix*

Exhibit 53: Geography revenue wise mix (%) of Peer companies

	Tata Tech	KPIT	LTTS	Tata Elxsi	EDAG	Alten
North America/US	20	27	52	30	4	12
Europe	29	49	18	42	85	80
RoW	51	24	30	28	11	8

Source: Company, PL

Exhibit 54: Vertical mix of peers

	Aerospace & Defense	Automotive & Transportation	Energy, Industrial & Telecom	Healthcare & Lifescience	Hi-Tech	Semiconductor
KPIT		✓				
LTTS	✓	✓	✓	✓	✓	✓
Tata Elxsi	✓	✓	✓	✓		
Tata Tech	✓	✓				
Alten	✓	✓	✓	✓		
EDAG		✓				
Endava		✓		✓		

Source: PL, Company

Exhibit 55: Revenue & margin comparison of peers

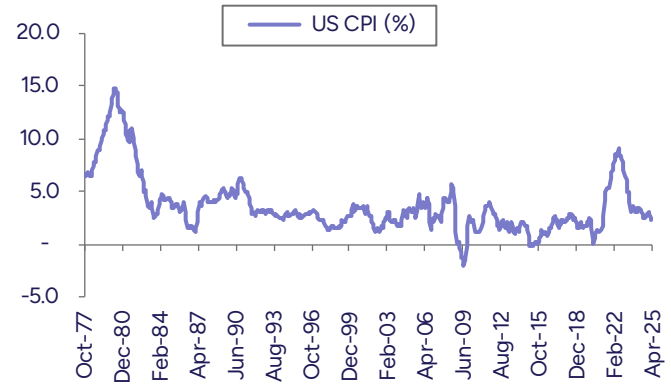
	Revenue (USD mn)					EBIT margin (%)				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Alten	2,662	3,460	3,985	4,401	4,482	6.0%	10.2%	10.4%	8.6%	6.7%
EDAG	746	813	839	913	889	2.7%	4.8%	7.0%	6.5%	-0.4%
Endava	442	601	871	957	933	6.2%	14.2%	14.7%	14.2%	2.7%
Capgemini	18,094	21,479	23,167	24,358	23,903	9.5%	10.1%	10.9%	10.4%	10.7%

Source: PL, Company

Recent macro challenges

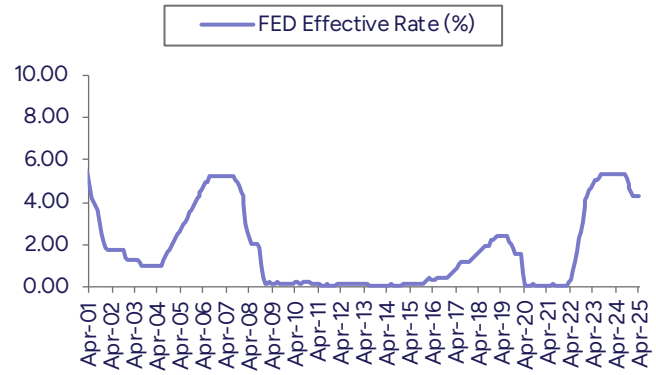
Threat of recession/ slowdown in the US: Following the pandemic, the US economy faced a significant challenge with surging inflation, reaching a 40-year peak in CY22. In response, the US Fed implemented an aggressive monetary policy, raising interest rates to a 20-year high of 5.25-5.5%. These elevated rates proved effective in curbing inflation, which subsequently declined to 2.3% by April'25. This downward trend in inflation allowed the Fed to initiate interest rate cuts, beginning in Sep'24, with a cumulative reduction of 100bps by Jan'25.

Exhibit 56: US inflation down from peak



Source: PL, FRED

Exhibit 57: Interest rate steady after 100 bps cut



Source: PL, FRED

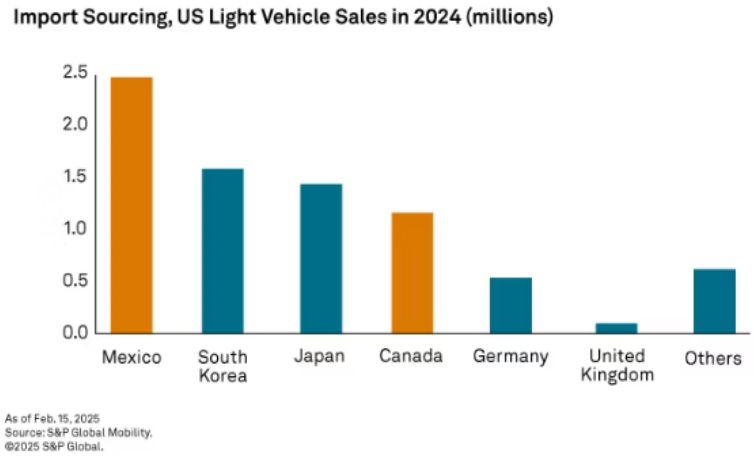
Despite recent declines, inflation remains above the US Fed's target range. Furthermore, the election of Donald Trump as the US President has heightened economic uncertainty, primarily due to the threat of renewed tariff wars. This threat has fueled concerns about a potential increase in inflation, which could significantly impact the Fed's decisions regarding future interest rate cuts. Consequently, there's a growing fear that the Fed might be compelled to reverse its course and increase interest rates, ultimately risking a US economic recession or significant slowdown.

Change of EV policy under new US government: Policies of the Donald Trump administration mark a significant shift in approach to the transition toward EVs. Some key policy changes include the rollback of Biden-era EV sales targets (50% of new vehicle sales by 2030), a pause on federal funding for charging infrastructure development, and elimination of federal tax credits for EV purchases.

Despite the shifts in federal policies, technological advancements and global trends toward electrification suggest that the EV transition in the US is likely to continue. However, the absence of strong federal support could potentially slow down the pace of adoption compared to previous projections and might make it more challenging for the US to meet its climate goals and maintain a leading position in the global automotive market as the industry undergoes significant transformation.

Tariffs could impact auto sales in the US: Automotive industry in North America operates through highly integrated supply chains that span across the US, Mexico and Canada, wherein components often cross borders multiple times before they are incorporated into the final vehicle. The recent imposition of tariffs by the US on imports from Mexico and Canada is poised to exert considerable pressure on the US automotive segment as they are largest suppliers of passenger vehicles to the US.

Exhibit 58: Mexico & Canada among top suppliers of vehicles to the US

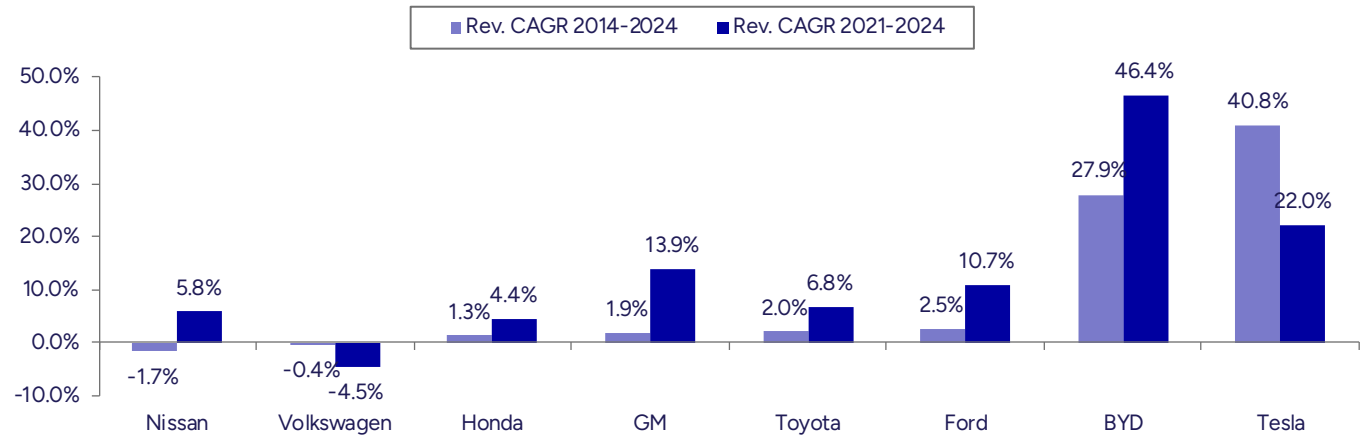


Source: PL, S&P Global

The imposition of tariffs is projected to lead to notable increases in the prices of vehicles sold in the US. The price increases are likely to have a direct impact on consumer demand and vehicle purchasing decisions, potentially leading to a decrease in overall sales for domestic automakers.

European auto OEMs facing competition from Chinese OEMs: European auto OEMs are facing significant competition from Chinese OEMs in the European market. The challenges are multifaceted, encompassing the rapid transition to electrification with the need to maintain competitiveness in both pricing and technology. The rise of Chinese manufacturers, who have made significant early investments and advancements in EV technology, presents a direct threat to the traditional dominance of European automakers. European OEMs are under immense pressure to accelerate their own transition to electric mobility to compete with the influx of technologically advanced and cost-effective EVs from China. This transition demands substantial financial investments in R&D, the establishment of robust EV supply chains, particularly for batteries, and the adaptation of their existing manufacturing processes to accommodate EV production.

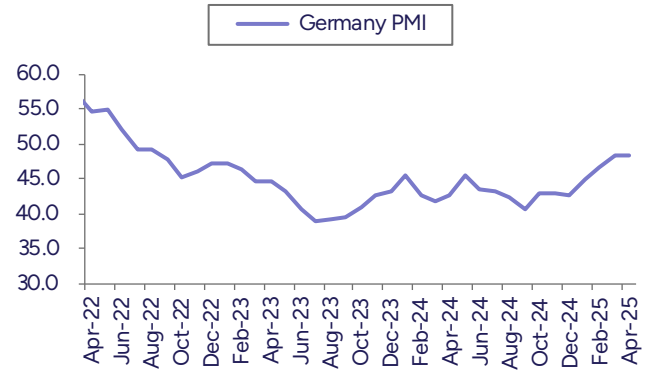
Exhibit 59: New-age auto OEMs have outpaced traditional OEMs in recent years, with Chinese OEMs leading the pack



Source: PL, Company

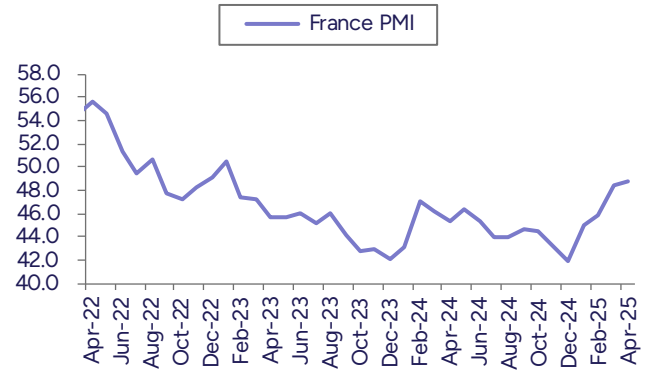
Weak manufacturing PMI: Manufacturing sector in both Germany & France has been facing significant challenges in recent times and the decline in Manufacturing PMI reflects the same. Although the PMI has improved in the last 2 months, it still remains weak. A major factor is a general weakening of demand for manufactured goods compounded by uncertainty in both domestic and international markets. Specifically, the automotive sector, backbone of German & France manufacturing, is experiencing weakened demand. This is due to a combination of factors, including: a) shifting consumer preferences, b) challenges related to the transition to EVs, & c) economic uncertainty affecting consumer spending.

Exhibit 60: Germany PMI remains weak



Source: PL, S&P Global

Exhibit 61: France PMI also remains weak



Source: PL, S&P Global

COMPANIES

KPIT Technologies (KPITTECH IN)

Rating: HOLD | CMP: Rs1,365 | TP: Rs1,410

May 19, 2025

Company Initiation

Transforming automotive at scale

We initiate coverage on KPIT with 'HOLD' rating and TP of Rs 1,410 valuing at 35x FY27E earnings. KPIT is a pure-play ER&D service provider, operating in the automotive space. The wide spectrum of offerings & unique set of capabilities in integration architecture, have been instrumental in strengthening and deepening T-25 client relationships. The company's appetite to explore Chinese market and bring innovation to middleware architecture (QORIX) will help build know-how and stay relevant to auto OEMs in key developed markets. However, intensifying OEM efforts to optimize costs and drive innovations amid elevated tariff uncertainties, might elongate recovery in the automotive space. Further, given the company's focus on reinvesting for future growth and fully optimized margin levers, we believe there is limited room for margin improvement. Considering the factors above, we estimate USD revenue/EBIT/PAT CAGR of 12.3%/16.9%/14.1% over FY25-27E.

Unique capabilities around new-age mobility driving business resilience: 90% of KPIT's engagements are in new technology areas. Further, changing automotive architecture and industry dynamics along with increasing cost optimization and feature upgradation efforts, is complementing the company's horizontal service lines. Although the legacy functions (Powertrain and Chassis) contribute notably to the topline, functional dynamics have changed towards electronics, which is leading to sustainable and steady growth from these areas.

Inorganic investments complementing horizontal service lines: Investment in Technica is further propelling KPIT's capabilities in device networking, E/E architecture and streamlining vehicle engineering with agile methodologies. Technica business majorly complements the Architecture and Middleware segments. M&A continues to be the strategic area of growth for KPIT with investments in niche areas of cybersecurity, SDVs, and ADAS. It is prudent to keep the margin profile of the acquired entities similar or at par with the consol level.

JV (QORIX) to streamline middleware architecture: We believe JV investment in middleware architecture will help KPIT keep up with the changing vehicle dynamics – from mechanical to electronics/software. The investments have largely been funded in terms of resource usage, asset deployment and building capacity, while additional ~USD5mn might be required to drive further progress in the JV. Since the JV is recently established, further breakthroughs are essential before it contributes meaningfully to the bottom line. We expect the JV to support KPIT's bottom line notably from early FY27.

De-risking near-term revenue growth through adjacencies: A robust multi-disciplinary talent pool leads to better productivity and resource usage. Though the company's primary focus continues to be on PV, legacy capabilities on the horizontal side – Powertrain, Chassis and Vehicle Engineering – can be better leveraged and monetized through CV in the near term. The recent acquisition of Caresoft will further strengthen its offerings beyond PVs and broadens its presence in adjacent areas of trucks and off-highways. (We have not incorporated Caresoft financials into our consol numbers.)

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	48,715	58,423	66,312	77,631
EBITDA (Rs. m)	9,852	12,251	13,897	16,770
Margin (%)	*20.2*	*21.0*	*21.0*	*21.6*
PAT (Rs. m)	5,945	8,396	8,739	10,931
EPS (Rs.)	21.9	30.9	32.2	40.2
Gr. (%)	*50.1*	*41.0*	*4.0*	*25.1*
DPS (Rs.)	6.7	8.5	10.0	13.0
Yield (%)	*0.5*	*0.6*	*0.7*	*1.0*
RoE (%)	*31.1*	*33.1*	*27.2*	*28.1*
RoCE (%)	*30.1*	*28.9*	*25.9*	*25.7*
EV/Sales (x)	7.4	6.1	5.3	4.4
EV/EBITDA (x)	36.7	29.0	25.1	20.3
PE (x)	62.2	44.1	42.4	33.9
P/BV (x)	17.1	12.7	10.5	8.7

Key Data	KPIE.BO | KPITTECH IN
52-W High / Low	Rs.1,929 / Rs.1,021
Sensex / Nifty	82,331 / 25,020
Market Cap	Rs.374bn/ $ 4,375m
Shares Outstanding	274m
3M Avg. Daily Value	Rs.1796.03m

Shareholding Pattern (%)

Promoter's	40.23
Foreign	20.78
Domestic Institution	34.62
Public & Others	4.37
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	18.8	0.6	(10.8)
Relative	11.1	(5.2)	(20.2)

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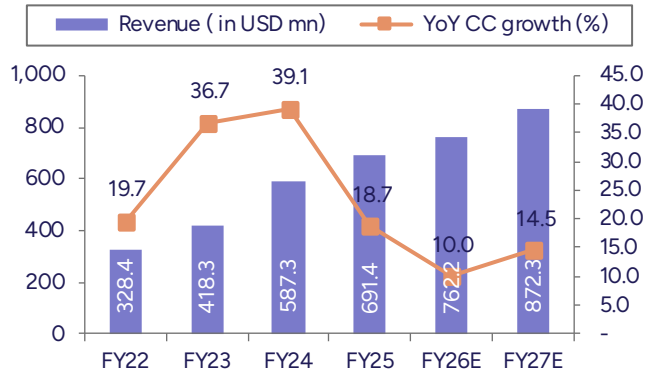
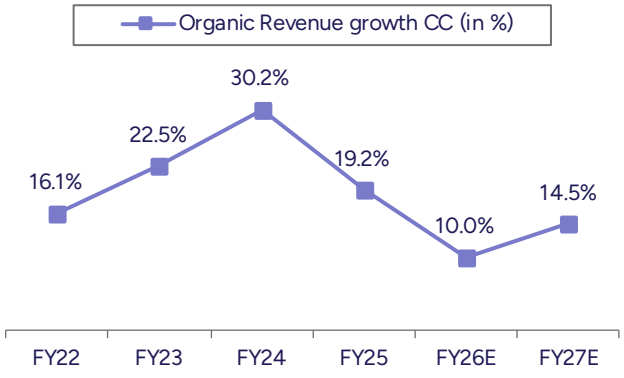
Story in Charts

Exhibit 62: Revenue to grow at 12.3% CAGR in FY25-27E



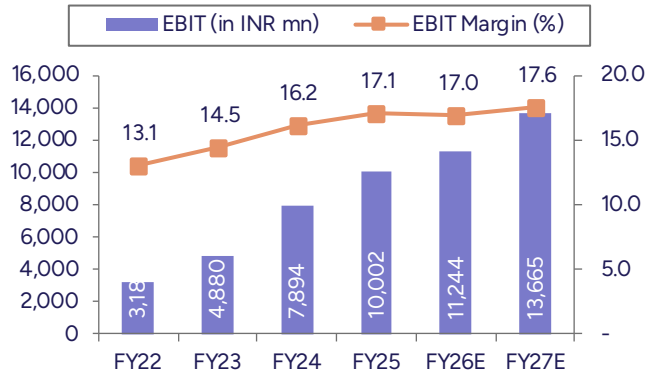
Source: Company, PL

Exhibit 63: Organic growth driving overall growth



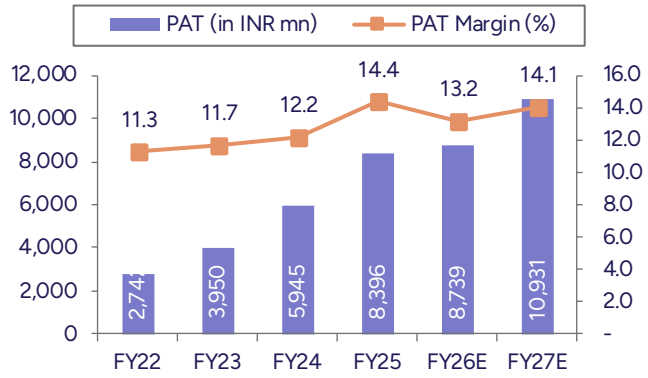
*Source: Company, PL, * as per our assumption*

Exhibit 64: Margins to expand by ~50bps over FY25-27E



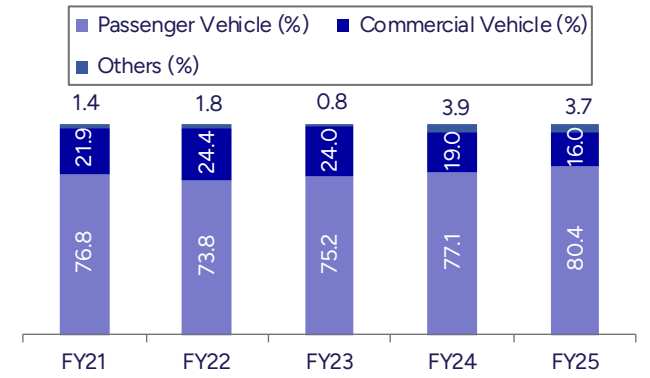
Source: Company, PL

Exhibit 65: PAT CAGR of 14.1% estimated over FY25-27E



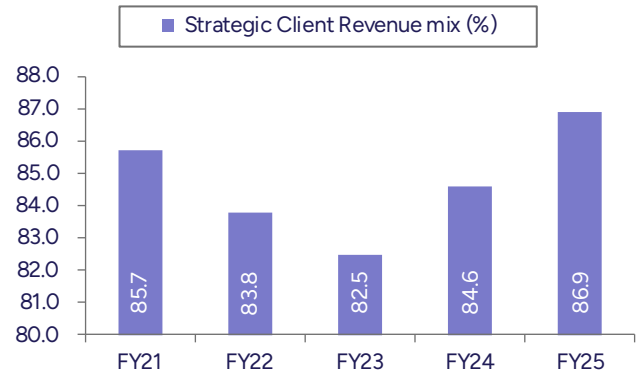
Source: Company, PL

Exhibit 66: PV driving revenue growth



Source: Company, PL

Exhibit 67: Focus on growing strategic clients



Source: Company, PL

KPIT: About the company

KPIT is a pure-play ER&D services company, specializing in software solutions for the automotive and mobility industry. Key segments are PV (~80% of rev), CV (~15%) and Others (~5%). KPIT has emerged as a critical partner for automotive OEMs and Tier 1 suppliers, helping them navigate the complexities of modern vehicle development. KPIT's focus on SDVs, electric powertrains, autonomous driving, and connected mobility positions it at the forefront of the automotive industry's transformation. KPIT has a global footprint with engineering centers in Europe, the US, and APAC.

Exhibit 68: KPIT offerings in mobility

Domain Application
• Autonomous Driving & ADAS
• Body Electronics
• Chassis
• Cockpit
• Propulsion
Vehicle.OS
• E/E Architecture, Network & Middleware
• Cloud, Edge analytics & Data management
• Vehicle Engineering & Design
• Virtual Engineering
• iDART
• Validation

Source: Company, PL

With service offerings centered around technological transformation in the automotive industry, KPIT has demonstrated expertise in the following key areas:

Domain Application

- **Autonomous Driving & ADAS:** KPIT specializes in software solutions for autonomous driving and ADAS, providing crucial services for OEMs and Tier 1 suppliers. Its expertise spans software development, integration and validation, and driving advancements in vehicle safety and autonomy.
- **Body Electronics:** KPIT delivers software solutions for body electronics, encompassing vehicle access, lighting, and comfort systems.
- **Chassis:** KPIT helps OEMs to overcome chassis engineering challenges through innovative software solutions & cutting-edge simulation tools. By simplifying integration, KPIT enhances efficiency and performance of chassis systems.
- **Cockpit:** KPIT is a preferred partner for automotive digital cockpit due to its expertise in connected vehicle solutions, platforms, tools and accelerators.
- **Propulsion:** KPIT delivers software solutions for electric propulsion systems, focusing on battery management, motor control, and energy optimization. Its expertise aids OEMs in developing efficient and reliable electric powertrains, driving the transition to sustainable mobility.

Vehicle.OS

- **E/E Architecture, Network & Middleware:** KPIT excels in developing software for E/E architecture, network and middleware, the foundational layers of modern vehicle systems. Its expertise facilitates seamless communication and data flow within vehicles, enabling complex functionalities and future SDV capabilities.
- **Cloud, Edge Analytics & Data Management:** KPIT provides solutions for cloud, edge analytics, and data management, enabling OEMs to leverage vehicle data for enhanced services and insights. Their offerings focus on secure data processing, analysis, and over-the-air updates, supporting the development of SDVs.
- **Vehicle Engineering & Design:** KPIT offers comprehensive vehicle engineering and design services, focusing on the integration of complex electronic systems to accelerate product development. Its expertise supports OEMs in developing robust and efficient vehicle architectures, ensuring seamless functionality and performance.
- **Virtual Engineering:** KPIT leverages virtual engineering to accelerate vehicle development, using simulations and digital twins for design and validation. This approach reduces development time and costs while enhancing the reliability and safety of automotive systems.
- **Integrated Diagnostics & Aftersales Transformation (iDART):** KPIT's iDART platform streamlines vehicle diagnostics and aftersales services, enabling proactive maintenance and improved customer experience.
- **Validation:** KPIT's comprehensive validation services ensure safety and reliability of automotive software and systems. Its expertise covers testing, simulation and verification, ensuring compliance with industry standards and customer requirements.

Investment Arguments

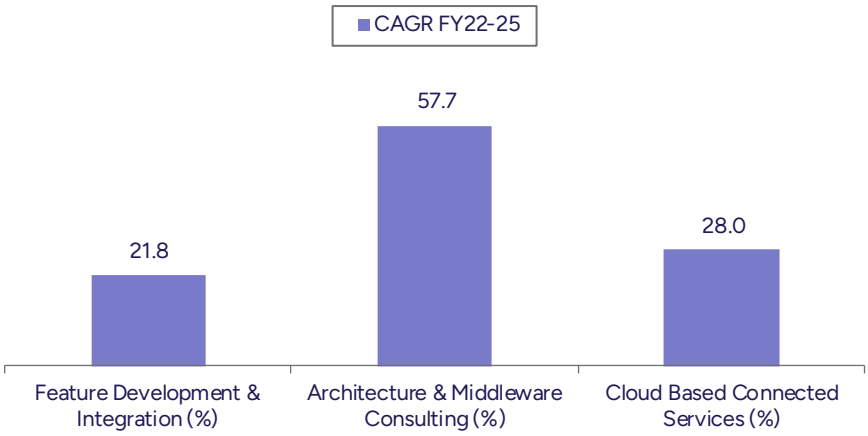
Unique capabilities around new-age mobility driving business resilience

KPIT's robust play in the electronics (powertrain, chassis, E/E) and software (ADAS, middleware and application layer) architecture with a combination of new-age vehicle design and engineering, gives it an edge over peers. 90% of its engagements are in new technology areas. Further, changing automotive architecture and industry dynamics along with increasing cost optimization and feature upgradation efforts, is complementing the horizontal service lines of the company.

Broad-based growth across segments led by architecture & middleware consulting BU, which logs robust 57.7% CAGR in FY22-25

The continued change in vehicle dynamics with alternate propulsion technology is pushing KPIT to augment its core capabilities in electric and conventional powertrains. With this foundation, the growing complexity of software and electronics components from different vendors requires a uniform platform (middleware) to facilitate interoperability and seamless communication across devices, where KPIT has unique capabilities around middleware development and integration. KPIT's revenue from architecture and middleware consulting has grown (incl inorganic) at a staggering CAGR of 57.7% over FY22-25.

Exhibit 69: Broad-based growth witnessed across segments



Source: Company, PL

Additionally, its capabilities around emerging E/E architecture to achieve lower cost per vehicle by pivoting from decentralized architecture to centralized/domain/zonal architecture of electronic components, are key in the current cost-focused environment. The company's depth and breadth of offerings in the core architectural framework also allows early access to the product roadmap and helps incremental participation in the application layer and cloud connected architecture.

Although the legacy functions (Powertrain and Chassis) contribute notably to the topline, the functional dynamics have changed towards electronics, which is leading to generate sustainable and steady growth from these areas. While ADAS, connected and middleware architectures are expected to sustain its growth momentum, attributed to the market potential and company's strategic areas. KPIT generates ~70% of its revenue from OEMs and is striving to further increase wallet share from the T25 accounts.

Supporting organic growth by pursuing inorganic opportunities to broaden offerings & increase wallet share with cross- & up-sell opportunities

Inorganic investments complementing horizontal service lines

KPIT continues to invest in inorganic opportunities to reinforce capabilities or to acquire strategic accounts. Its investment in Technica is further augmenting its capabilities in device networking, E/E architecture and streamlining vehicle engineering with agile methodologies. Technica business majorly complements architecture and middleware consulting, which witnessed exponential growth (+57.7% CAGR) over FY22-25. We believe Technica's service offerings are unique and augur well to capture the high-growth areas in new-age mobility and achieve operational benchmark, thus helping KPIT to stay relevant in the space.

Exhibit 70: Acquisitions by KPIT

Fiscal year	Company	Stake acquired	Acquisition cost	Rationale
FY25-26	Caresoft	100%	USD191mn (3.7x CY24 sales)	The acquisition will strengthen KPIT's vehicle engineering & design and truck, off-highway offerings. It will also accelerate KPIT's foray in China market, and provide entry into the software benchmarking space
FY24-25	N-Dream AG	26%	€6mn	The acquisition strengthens KPIT's embedded software solutions for the mobility industry. KPIT acquired 13% holding by 15th Dec'23 for €3mn and another 13% by 20th Aug'24 for €3mn
FY24-25	PathPartner	100%	Rs1,910mn (0.85x FY23 sales)	The acquisition will strengthen KPIT's software integration capabilities and help deliver complex software solutions for new-age vehicle architectures. It also provides early access to semiconductor technologies by leveraging PathPartner centers of excellence and technical assets for automotive OEMs and Tier 1 suppliers
FY23-24	Future Mobility Solutions GmbH	100%	€15.2mn (1.6x CY22 sales)	The acquisition strengthens KPIT offerings in software and feature development in autonomous driving, ADAS, and vehicle safety and integration & validation. KPIT acquired initial 25% stake in FMS in Sep'21. Total consideration for 100% shareholding is €15.19mn, including full and final tranche of €8.19mn
FY22-23	Technica Engineering	100%	€110mn (2.6x CY21 sales)	The acquisition strengthens KPIT drive towards offering a one-stop shop for the automotive industry to transform towards SDV. Technica specializes in production-ready system prototyping (combination of network system architecture, hardware prototyping, integration), automotive ethernet products, and validation tools. KPIT acquired Technica for total consideration of €110mn, including €80mn of fixed consideration and variable consideration of €30mn, which will be paid over 2.5 years based on achievement of certain milestones
FY22-23	SOMIT Solutions Ltd	65%	€7.7mn (2.9x CY21 sales)	The acquisition complements KPIT's after-sales diagnostics platform and strengthens its ability to cater to the multi-billion automotive aftersales industry
FY19-20	Vayavya Labs Pvt Ltd	75%	Rs418mn (4.5x FY19 sales)	Vayavya Labs is an embedded-software company focused on hardware-software interface tools & methodologies. The acquisition provides KPIT early access to simulation and embedded software automation

Source: Company, PL

Organic capabilities on ADAS, embedded and connected architectures account for ~20% of overall revenue. Tuck-in acquisitions in this space have helped KPIT to onboard a larger strategic account, while further deepening its capabilities in the high-growth areas of mobility. M&A continues to be the strategic area of growth with investments in the niche areas of cybersecurity, SDV and ADAS architecture. It is equally prudent to keep the margin profile of the acquired entity similar or at par with the consol level. The recent acquisition of Caresoft further strengthens its offerings beyond PVs and broadens its presence in adjacent areas of trucks and off-highways. Although we have not incorporated Caresoft financials into our consol numbers.

JV (QORIX) to streamline middleware architecture

Having invested in the development and integration of middleware architecture, the company is further exploring the area with ZF. The JV QORIX is a 50:50 partnership with both KPIT and ZF having invested their capabilities in IP/assets to develop standardized off-the-shelf middleware solutions. The initiative is aimed to address the gap in the availability of a mature, modular, integrated middleware solution, which shortens the redevelopment and integration time for OEMs.

Exhibit 71: Structure of QORIX

Name of JV	JV partner	Rationale	Investment
QORIX	ZF, a global technology company supplying advanced mobility products & systems for passenger cars, CVs & industrial solutions	To develop and distribute scalable middleware products & solutions for mobility ecosystem	Initial contribution of €5mn and related IPs. The companies entered into an MOU in Q4FY23, with marginal revenue generation commencing in Q2FY25

Source: Company, PL

We believe the JV investment in middleware architecture is relevant amid the change in vehicle dynamics from mechanical to electronics/software. While AUTOSAR is providing building blocks with standardized practice, QORIX is further extending the base structure with minimal customization on top. AUTOSAR will allow OEMs to retain full control of the architecture.

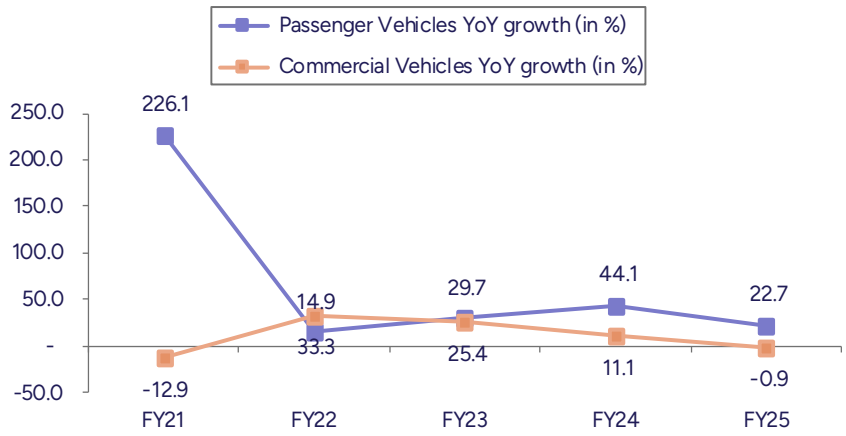
The investments have been funded in terms of resources usage, asset deployment and building capacity, while additional ~USD5mn might be required to drive further progress in the JV. Since the JV is recently established, further breakthroughs are essential before it becomes profitable in the medium term. Further, in Mar'25, Qualcomm joined the JV as a strategic minority investor, which further strengthens QORIX's position as a provider of middleware solutions. We expect the JV to support KPIT's bottom line meaningfully from early FY27.

De-risking near-term revenue growth through adjacencies

Increasing focus & offerings in CVs to diversify business & reduce PV concentration

KPIT is an established player in the PV market with 75% of revenue coming through auto OEMs. A robust multi-disciplinary talent pool leads to better productivity and resource usage. Although the revenue contribution from CVs is ~15% (PVs at ~80%), it remains supportive to re-deploy and utilize the engineering talent. The acquisition of Caresoft further extends its adjacent capabilities within CV space (trucks and off-highways) with strong solutions around software benchmarking, cost optimization and other downstream activities. With this acquisition, the company will foray into Chinese market. We expect the entity to contribute ~5% to the topline in FY26E. (We have not incorporated Caresoft financials into our consol numbers.)

Exhibit 72: PV is driving growth for the company



Source: Company, PL

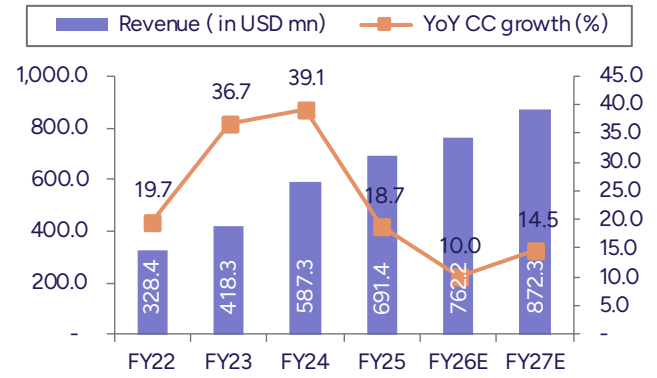
The US being the major market for CVs, the segment remains safe from the current challenges in the automotive space, which is partially de-risking near-term weakness in the PV segment. Though the company's primary focus continues to be on PVs, legacy capabilities on the horizontal side – powertrain, chassis and vehicle engineering – can be better leveraged and monetized through CVs in the near term. CVs have also seen meaningful upticks in the usage of software and connected architecture.

USD revenue to grow by 12.3% CAGR during FY25-27E

Financials & Valuations

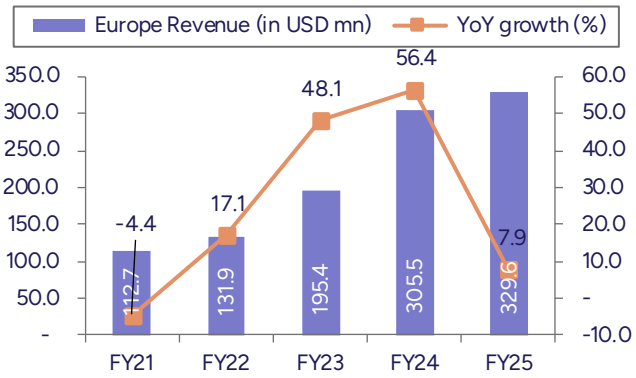
The company's deep and unique capabilities around auto software and electronics make its business resilient against disruptions/economic downturns. KPIT's USD revenue from the PV segment grew at a CAGR of 27.4% over FY21-25 in line with consol, while CV growth remains volatile, at ~16% CAGR. Given that auto manufacturing is dominated by Europe, where KPIT has meaningful concentration (~50% revenue), we expect revenue weakness to continue in the near term and anticipate CAGR of 12.3% in USD terms during FY25-27E.

Exhibit 73: Revenue growth slowed down in FY25



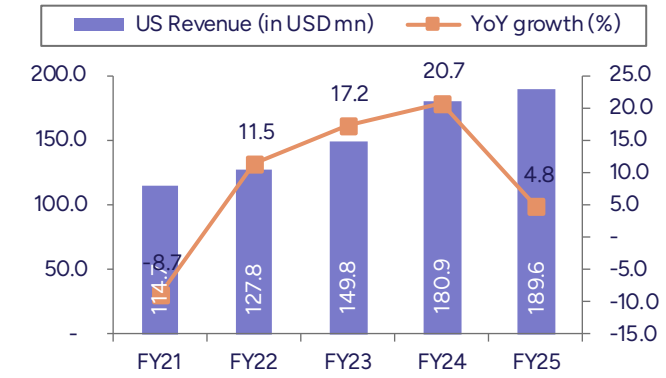
Source: Company, PL

Exhibit 74: Europe growth impacted from Chinese competition



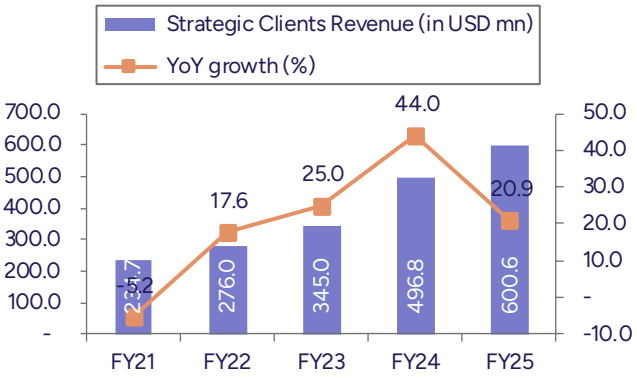
Source: Company, PL

Exhibit 75: US region growth also moderated



Source: Company, PL

Exhibit 76: Strategic clients' drive KPIT's revenue



Source: Company, PL

Strategic clients' revenue grows by 26.5% CAGR during FY25-27E

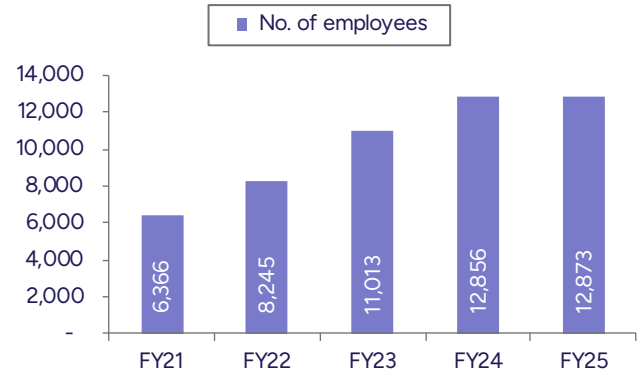
We believe KPIT's full-stack comprehensive service mix coupled with long-standing relationships with the T25 strategic accounts guarantees growth stability in a challenging environment. Region wise, we anticipate revenue from the US and Europe to be slightly weak in the near term, which will be partly offset by continued growth momentum in the Asian markets. Additionally, the company's ability to engage around adjacencies, especially on the conventional engines (ICE), should offset near-term weakness in the PV segment. Considering the factors above, we expect revenue to grow at 10% YoY CC in FY26 and 14.5% CC YoY in FY27E.

EBIT margin to improve by 50bps during FY25-27E

Margins to improve marginally

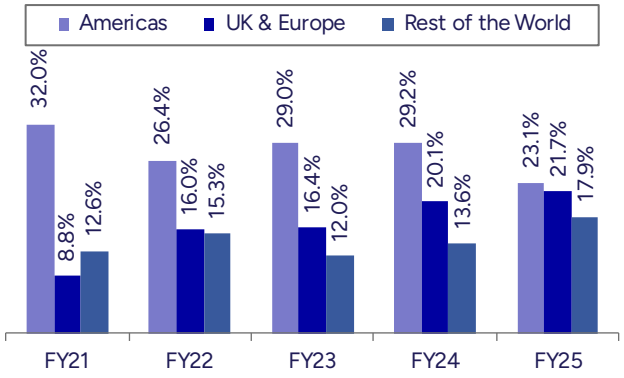
KPIT has witnessed substantial margin improvement from 15% in FY21 to 21% in FY25, driven by employee productivity and operating leverage. Further, revenue per employee improved remarkably from ~USD46k to ~USD57k over FY21-25, which indicates effective resource deployment and controlled direct cost. Given the near-term challenges in the PV segment, we believe the margin levers are overutilized and there is limited scope for improvement.

Exhibit 77: Employee strength increases marginally in FY25



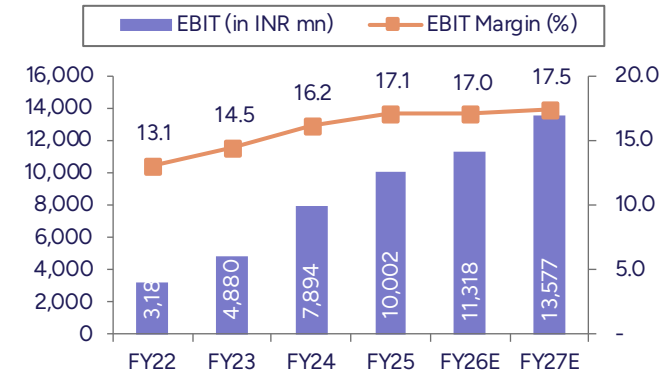
Source: Company, PL

Exhibit 78: Segmental margin mix – FY21-25



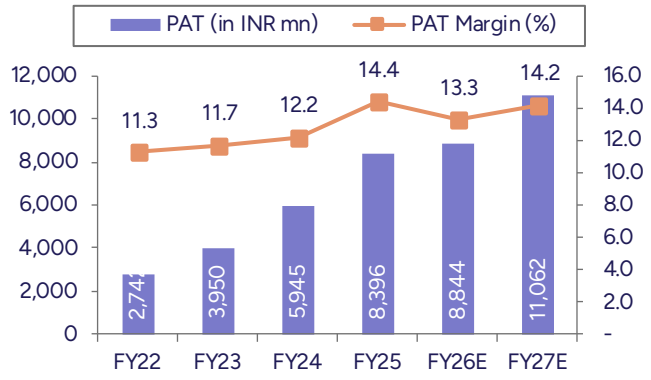
Source: Company, PL

Exhibit 79: EBIT margin to improve by 50bps by FY27E



Source: Company, PL

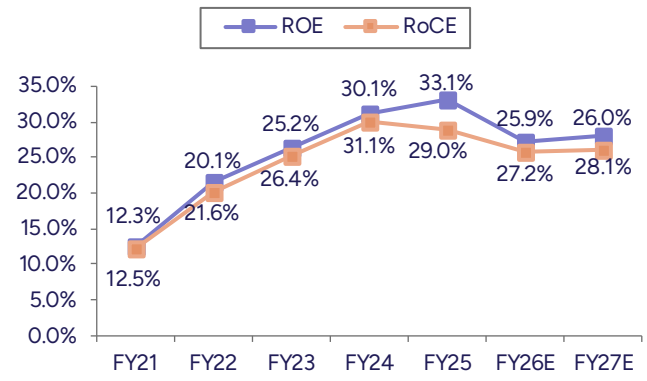
Exhibit 80: PAT margin to remain in narrow band



Source: Company, PL

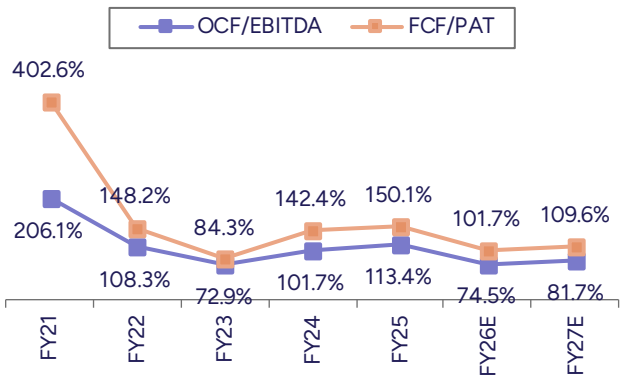
Below EBIT line, the growth is a bit higher. PBT and PAT are expected to grow at a CAGR of 14.2% and 14.1%, respectively, over FY25-27E due to JV benefits. Given that the monetization on JV has been recently initiated (2QFY25), we expect monetization to grow gradually over FY26E. We expect KPIT to scale its JV with full potential and support PAT level by early FY27, which translates to income through JV at +USD 0.4mn/+USD5.8mn in FY26E/FY27E.

Exhibit 81: ROE & RoCE trend



Source: Company, PL

Exhibit 82: OCF/EBITDA and FCF/PAT trend

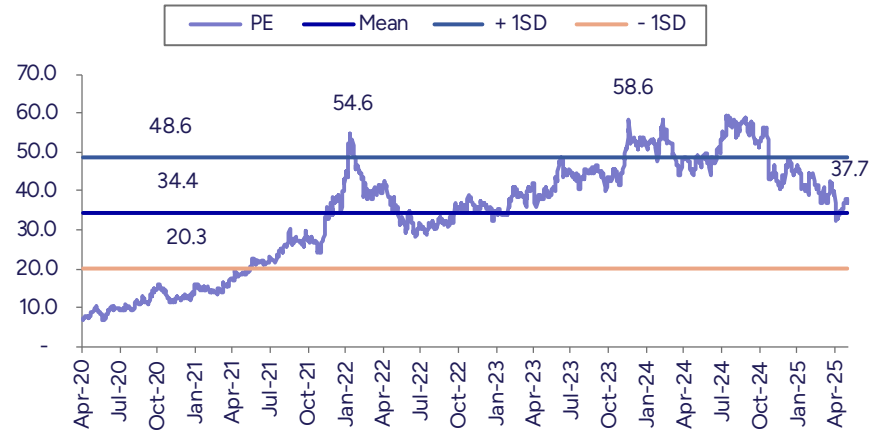


Source: Company, PL

Valuation

We expect KPIT CC revenue and earnings to clock 10% and 14.5% CAGR, respectively, over FY25-27E. The company's ability to participate in both new-age and conventional mobility coupled with unique capabilities around the middleware should limit downside risks within the automotive segment. Inorganic investments would further augment KPIT's core capabilities in new-age areas and help OEMs in cost optimization and innovation. The stock has corrected quite meaningfully from its peak and is trading at 34x (5-year avg P/E), limiting further downside risks. However, we believe the margins are fully optimized and provide limited room for improvement in FY26E/FY27E. We assign 35x PE to its FY27E EPS to arrive at TP of Rs 1,410. Initiate with 'HOLD' rating.

Exhibit 83: KPIT 1-year forward PE band



Source: Company, PL

Key Risks

- KPIT derives 100% of its revenue from the automotive sector, which is cyclical in nature and susceptible to economic downturns. A slowdown in global auto sales or production would directly impact KPIT's revenue. Also, the company's revenue is heavily reliant on the R&D spending of automotive OEMs and Tier 1 suppliers. Any reduction in their IT budgets or a shift in their outsourcing strategies could negatively affect KPIT.
- KPIT derives a significant portion of its revenue from its key strategic clients. The loss of a major client or a reduction in business from them could have a substantial impact on the company's financials.
- KPIT has been pursuing inorganic growth through acquisitions. The successful integration of acquired companies, realizing synergies, and avoiding disruptions are critical. Failure to achieve any of these aspects could negatively impact the investment thesis.
- KPIT has demonstrated a noticeable improvement in its recent performance, attributable to its employees, as reflected in the growth of revenue per employee. Maintaining this trajectory requires KPIT to retain and attract employees with specialized skills, which may lead to increased employee costs and subsequently affect the company's profitability.
- Rising geopolitical tensions, trade disputes, and tariff uncertainties (as highlighted in reports concerning the broader automotive sector and Chinese competition) could indirectly affect KPIT's clients and their spending, thereby impacting KPIT's business.

Annexures

Exhibit 84: Board of Directors

Name	Designation	Educational qualifications	Exp (years)	Brief profile
Mr. S B (Ravi) Pandit	Non-Executive Chairman	MBA from MIT Sloan School of Management, CA, ICWA	35+	In 1990, he co-founded KPIT, where he served as Chairman and Group CEO. Under his leadership, KPIT evolved into a global leader in the automotive engineering domain. He has over three decades of experience in information technology, corporate strategy formulation, and management consulting.
Mr. Kishor Patil	CEO & MD	CA	35+	In 1990, he co-founded KPIT and currently serves as its CEO and MD. With over 35 years of industry experience, his expertise spans business strategy, technology integration, and operational excellence, driving the company's continued growth and innovation.
Mr. Sachin Tikekar	Joint MD	MBA from Fox School of Business, Temple University	31+	He is associated with the company since its inception. He has played a pivotal role in its evolution into a leading software supplier for the automotive industry.
Mr. Anup Sable	Chief Technology Officer and Board Member	BE in Mechanical Engineering	34+	He drives the company's technology strategy and growth in middleware & virtualization. He is with KPIT since 1994 and has led key initiatives in electrification, autonomous driving, and diagnostics, shaping the automotive business and Cummins partnership. He previously worked at ARAI and served on the boards of GENIVI Alliance, NASSCOM Engineering Council, and KPIT GmbH.
Mr. Chinmay Pandit	President - Americas and Board Member	MBA from Kellogg School of Management, CA, BCom	25+	He has 25+ years of experience, and is currently serving as President - Americas and Board Member at KPIT, driving business growth and strategy. Having spent over 18 years at KPIT, he has led the CV vertical and played key roles in alternate powertrain solutions and hybrid technologies. Previously, he worked at Infosys, KPMG, Lehman Brothers, and Unilever.
Mr. Anant Talaulicar	Independent Director	MBA from Tulane University, Master's degree in mechanical engineering from University of Michigan	39+	He was the Chairman and MD of the Cummins Group in India (2004-2017) and a key member of Cummins Inc.'s global leadership team. He has held leadership roles at Tata Cummins and chaired multiple Cummins entities in India. Currently, he serves on the boards of 7 companies in India, teaches leadership at SP Jain Institute, and supports educational initiatives through the Usha Jaivant Foundation.
Mr. B V R Subbu	Independent Director	PG degree in economics from JNU, PG diploma from IIFT	25+	He is a renowned automotive industry expert and thought leader. Previously, he served as the President of Hyundai Motors India. Earlier in his career, he played a key role at Tata Motors, handling various responsibilities in its CVs and Multi-Utility Vehicles divisions.
Prof. Alberto Sangiovanni Vincentelli	Independent Director	Master's in engineering from Polytechnic University of Milan	50+	He is the Buttner Chair at UC Berkeley's Electrical Engineering & Computer Sciences Department. He co-founded Cadence and Synopsys, leading companies in electronic design automation, and serves on Cadence's Board. He has advised major corporations like HP, STMicroelectronics, GM, and United Technologies. He has also held key roles in Italy's strategic and research committees and chairs multiple high-tech startups in Europe. Additionally, he has consulted for several companies, including Intel, IBM, GE, BMW and Fujitsu.
Ms. Bhavna Doshi	Independent Director	CA, MCom from University of Mumbai	30+	She is the founding partner of Bhavna Doshi Associates LLP and a former partner at KPMG India. She has 30+ years of experience in taxation and corporate restructuring. She serves as an independent director on boards of multiple listed companies and has held leadership roles at ICAI, including chairing the Accounting Standards Board.
Prof. Rajiv Lal	Independent Director	PhD in Industrial Administration from Carnegie Mellon University, BTech in Mechanical Engineering from IIT Kanpur	42+	He is the Stanley Roth Sr. Professor of Retailing at Harvard Business School. He has previously developed courses on smart connected products/IoT and led the retailing curriculum. Before Harvard, he was a professor at Stanford GSB and a visiting faculty member at INSEAD.
Mr. Srinath Batni	Independent Director	ME in Mechanical Engineering from IISc, BE in Mechanical Engineering	24+	He is an independent director at KPIT with extensive leadership experience in the IT and investment sectors. He is a Co-Founder of Axilor Ventures, fostering early-stage startups, and serves on the Board of Directors at the National Institute of Engineering, Mysore. Previously, he was an independent director at Cigniti Technologies and AXISCADES and a board member at Infosys and GlobalEdge.
Mr. Vijay Gokhale	Independent Director	PG degree in history from University of Delhi	39+	He is a former Indian Foreign Service officer (1981–2020), and has served as India's Ambassador to Malaysia, Germany and China before becoming Foreign Secretary (2018–2020). A noted China expert, he has authored four books. Post-retirement, he teaches at Symbiosis International University and is a non-resident senior fellow at Carnegie India.
Mr. Ramesh Raskar	Independent Director	PhD in CS from University of North Carolina, Bachelor's & master's in engineering	22+	He is the Associate Director of MIT Media Lab and leads the Camera Culture Group. He has extensive experience in computational imaging, AI-driven healthcare, and digital innovation, having previously led research and innovation teams at Facebook across digital health, health-tech, satellite imaging, and VR/AR. His work spans physical, digital, and global domains, focusing on the intersection of societal and cyber-physical systems.
Mr. Nishant Batra	Independent Director	MBA from INSEAD	24+	He serves as the Chief Strategy & Technology Officer at Nokia, overseeing strategy, technology investments, research, digital operations, and cybersecurity. He previously held leadership roles at Veoneer as EVP & CTO, where he drove product innovation and played a key role in Arriver's acquisition by Qualcomm, and at Ericsson.

Source: Company, PL

Exhibit 85: KMP

Name	Designation	Educational qualifications	Exp. (in years)	Brief Profile
Mr. Kishor Patil	CEO & MD	CA	35+	In 1990, he co-founded KPIT and currently serves as its CEO and MD. With over 35 years of industry experience, his expertise spans business strategy, technology integration, and operational excellence, driving the company's continued growth and innovation.
Mr. Anup Sable	CTO	BE (Mechanical Engineering)	34+	He drives the company's technology strategy and growth in middleware & virtualization. He has been with KPIT since 1994 and has led key initiatives in electrification, autonomous driving, and diagnostics, shaping the automotive business and Cummins partnership. He previously worked at ARAI and served on the boards of GENIVI Alliance, NASSCOM Engineering Council, and KPIT GmbH.
Ms. Priyamvada Hardikar	CFO	BCom, ICWA	32+	Her tenure at KPIT spans over 16 years. Prior to KPIT, she served as CFO at Indoglobal Services, VP Finance at Ivitesse Technology, and General Manager – Finance at Kimberly-Clark Professional India. Her early career includes finance and accounting roles at PTC and Serum Institute of India.
Mr. Rajesh Janwadkar	President - Global Head, Delivery and Operation	BTech	24+	At KPIT, he drives business growth, key practices, and global delivery. With 24+ years at KPIT, he has led automotive product engineering, powertrain, and marketing & strategy. Previously, he managed product business and sales in other IT firms.
Ms. Nida Deshpande	CS & Compliance Officer	CS, MCom	21+	She has over 11 years of experience in corporate governance and compliance with KPIT. She played a key role in KPIT's merger, demerger, and re-listing, managed SEBI compliance, and oversaw board and shareholder meetings. Previously, at Vascon Engineers Ltd, she led IPO execution.

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	**48,715**	**58,423**	**66,312**	**77,631**
YoY gr. (%)	*44.8*	*19.9*	*13.5*	*17.1*
Employee Cost	31,704	37,550	42,702	49,665
Gross Profit	17,012	20,873	23,610	27,966
Margin (%)	*34.9*	*35.7*	*35.6*	*36.0*
Employee Cost	-	-	-	-
Other Expenses	7,160	8,622	9,714	11,196
EBITDA	**9,852**	**12,251**	**13,897**	**16,770**
YoY gr. (%)	*55.3*	*24.4*	*13.4*	*20.7*
Margin (%)	*20.2*	*21.0*	*21.0*	*21.6*
Depreciation and Amortization	1,958	2,250	2,652	3,105
EBIT	**7,894**	**10,002**	**11,244**	**13,665**
Margin (%)	*16.2*	*17.1*	*17.0*	*17.6*
Net Interest	-	-	-	-
Other Income	116	1,296	530	621
Profit Before Tax	**8,010**	**11,297**	**11,775**	**14,286**
Margin (%)	*16.4*	*19.3*	*17.8*	*18.4*
Total Tax	2,019	2,929	3,070	3,841
Effective tax rate (%)	*25.2*	*25.9*	*26.1*	*26.9*
Profit after tax	**5,991**	**8,368**	**8,704**	**10,446**
Minority interest	40	-	-	-
Share Profit from Associate	(5)	28	35	485
Adjusted PAT	**5,945**	**8,396**	**8,739**	**10,931**
YoY gr. (%)	*50.5*	*41.2*	*4.1*	*25.1*
Margin (%)	*12.2*	*14.4*	*13.2*	*14.1*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**5,945**	**8,396**	**8,739**	**10,931**
YoY gr. (%)	*50.5*	*41.2*	*4.1*	*25.1*
Margin (%)	*12.2*	*14.4*	*13.2*	*14.1*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,945	8,396	8,739	10,931
Equity Shares O/s (m)	**271**	**271**	**272**	**272**
EPS (Rs)	**21.9**	**30.9**	**32.2**	**40.2**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	**14,099**	**16,647**	**18,117**	**19,838**
Tangibles	9,376	11,685	13,155	14,876
Intangibles	4,723	4,962	4,962	4,962
Acc: Dep / Amortization	**6,409**	**8,658**	**11,311**	**14,416**
Tangibles	3,947	5,747	7,869	10,353
Intangibles	2,462	2,912	3,442	4,063
Net fixed assets	**7,690**	**7,988**	**6,806**	**5,422**
Tangibles	5,429	5,938	5,286	4,523
Intangibles	2,262	2,050	1,520	899
Capital Work In Progress	581	95	95	95
Goodwill	11,463	11,729	11,729	11,729
Non-Current Investments	780	2,302	2,302	2,302
Net Deferred tax assets	788	783	783	783
Other Non-Current Assets	213	331	331	331
Current Assets				
Investments	863	2,382	2,382	2,382
Inventories	902	847	961	1,125
Trade receivables	7,489	7,548	8,175	9,571
Cash & Bank Balance	7,705	12,681	19,383	28,451
Other Current Assets	713	1,115	1,272	1,489
Total Assets	**41,679**	**50,330**	**57,312**	**67,300**
Equity				
Equity Share Capital	2,712	2,717	2,717	2,717
Other Equity	18,918	26,405	32,427	39,827
Total Networth	**21,630**	**29,122**	**35,144**	**42,544**
Non-Current Liabilities				
Long Term borrowings	1	-	-	-
Provisions	1,209	1,325	1,325	1,325
Other non current liabilities	1,547	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	447	15	15	15
Trade payables	2,398	1,782	2,180	2,552
Other current liabilities	12,281	15,420	15,983	18,198
Total Equity & Liabilities	**41,679**	**50,330**	**57,312**	**67,300**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	8,004	11,325	8,739	10,931
Add. Depreciation	1,958	2,250	2,652	3,105
Add. Interest	436	274	(530)	(621)
Less Financial Other Income	116	1,296	530	621
Add. Other	119	(71)	3,070	3,841
Op. profit before WC changes	10,518	13,778	13,931	17,255
Net Changes-WC	871	2,167	(503)	284
Direct tax	(1,371)	(2,049)	(3,070)	(3,841)
Net cash from Op. activities	**10,018**	**13,895**	**10,358**	**13,699**
Capital expenditures	(1,549)	(1,273)	(1,470)	(1,721)
Interest / Dividend Income	54	101	530	621
Others	(4,142)	(5,126)	-	-
Net Cash from Invt. activities	**(5,637)**	**(6,299)**	**(940)**	**(1,100)**
Issue of share cap. / premium	17	5	-	-
Debt changes	(156)	(393)	-	-
Dividend paid	(1,287)	(1,928)	(2,716)	(3,531)
Interest paid	(195)	(194)	-	-
Others	(779)	(915)	-	-
Net cash from Fin. activities	**(2,400)**	**(3,424)**	**(2,716)**	**(3,531)**
Net change in cash	**1,981**	**4,172**	**6,702**	**9,068**
Free Cash Flow	8,464	12,600	8,888	11,978

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Net Revenue	**13,646**	**14,714**	**14,780**	**15,283**
YoY gr. (%)	*3.6*	*7.8*	*0.4*	*3.4*
Raw Material Expenses	8,823	9,591	9,374	9,763
Gross Profit	4,824	5,123	5,406	5,520
Margin (%)	*35.3*	*34.8*	*36.6*	*36.1*
EBITDA	**2,882**	**3,018**	**3,122**	**3,230**
YoY gr. (%)	-	-	-	-
Margin (%)	*21.1*	*20.5*	*21.1*	*21.1*
Depreciation / Depletion	525	561	584	579
EBIT	**2,356**	**2,457**	**2,538**	**2,651**
Margin (%)	*17.3*	*16.7*	*17.2*	*17.3*
Net Interest	-	-	-	-
Other Income	417	417	92	370
Profit before Tax	**2,774**	**2,874**	**2,629**	**3,020**
Margin (%)	*20.3*	*19.5*	*17.8*	*19.8*
Total Tax	725	794	696	715
Effective tax rate (%)	*26.2*	*27.6*	*26.5*	*23.7*
Profit after Tax	**2,048**	**2,080**	**1,933**	**2,306**
Minority interest	-	-	-	-
Share Profit from Associates	(7)	(43)	(64)	141
Adjusted PAT	**2,042**	**2,037**	**1,870**	**2,447**
YoY gr. (%)	*24.2*	*(0.2)*	*(8.2)*	*30.9*
Margin (%)	*15.0*	*13.8*	*12.7*	*16.0*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**2,042**	**2,037**	**1,870**	**2,447**
YoY gr. (%)	*24.2*	*(0.2)*	*(8.2)*	*30.9*
Margin (%)	*15.0*	*13.8*	*12.7*	*16.0*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**2,042**	**2,037**	**1,870**	**2,447**
Avg. Shares O/s (m)	271	271	271	272
EPS (Rs)	**7.5**	**7.5**	**6.9**	**9.0**

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	21.9	30.9	32.2	40.2
CEPS	29.2	39.2	41.9	51.7
BVPS	79.8	107.3	129.4	156.6
FCF	31.2	46.4	32.7	44.1
DPS	6.7	8.5	10.0	13.0
Return Ratio(%)				
RoCE	30.1	29.0	25.9	26.0
ROIC	15.9	16.6	15.9	16.1
RoE	31.1	33.1	27.2	28.1
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.5)	(0.6)	(0.7)
Net Working Capital (Days)	38	36	33	33
Valuation(x)				
PER	62.2	44.1	42.4	33.9
P/B	17.1	12.7	10.5	8.7
P/CEPS	46.8	34.8	32.5	26.4
EV/EBITDA	36.7	29.0	25.1	20.3
EV/Sales	7.4	6.1	5.3	4.4
Dividend Yield (%)	0.5	0.6	0.7	1.0

Source: Company Data, PL Research

L&T Technology Services (LTTS IN)

Rating: HOLD | CMP: Rs4,474 | TP: Rs4,360

May 19, 2025

Company Initiation

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	96,472	1,06,702	1,21,809	1,34,342
EBITDA (Rs. m)	19,189	19,002	20,372	23,400
Margin (%)	*19.9*	*17.8*	*16.7*	*17.4*
PAT (Rs. m)	13,036	12,667	13,660	15,930
EPS (Rs.)	123.3	119.0	129.0	150.4
Gr. (%)	*7.4*	*(3.5)*	*8.4*	*16.6*
DPS (Rs.)	50.1	55.6	53.1	65.1
Yield (%)	*1.1*	*1.2*	*1.2*	*1.5*
RoE (%)	*26.7*	*22.2*	*21.1*	*21.7*
RoCE (%)	*24.4*	*20.3*	*19.0*	*19.5*
EV/Sales (x)	4.6	4.2	3.6	3.2
EV/EBITDA (x)	23.2	23.7	21.6	18.4
PE (x)	36.3	37.6	34.7	29.7
P/BV (x)	8.9	7.8	6.9	6.1

Key Data	LTEH.BO | LTTS IN
52-W High / Low	Rs.6,000 / Rs.3,855
Sensex / Nifty	82,331 / 25,020
Market Cap	Rs.474bn/ $ 5,539m
Shares Outstanding	106m
3M Avg. Daily Value	Rs.748.76m

Shareholding Pattern (%)

Promoter's	73.66
Foreign	5.18
Domestic Institution	13.67
Public & Others	7.47
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	5.6	(13.5)	(0.7)
Relative	(1.2)	(18.5)	(11.2)

Pritesh Thakkar
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Engineering in a broader landscape

We initiate coverage on LTTS with 'HOLD' rating and TP of Rs 4,360 valuing at 29x FY27E earnings. LTTS is an ER&D service provider, with a diversified mix of industries: Mobility (~30% of revenue), Sustainability (~29%) and Tech (~41%). Its presence in full-vehicle architecture along with mechatronics and SDV capabilities should help it to stay relevant in the changing automotive space. Also, a combination of legacy and digital practices around automotive engineering, favors the emerging trend of hybrid-vehicle architecture; however, near-term tariff uncertainties would hit Mobility growth in FY26. The recent acquisition of Intelliswift would help broaden its horizontal service lines and expand TAM within Tech vertical. We expect organic revenue growth (4.9% YoY CC in FY26E) to be majorly driven by Sustainability vertical, aided by continued momentum in Plant and Industrial areas. However, margins would remain under pressure in the near/mid-term due to (1) weakness in the high-margin Mobility business, (2) integration of low-margin businesses, (3) offshore mix reaching its peak, and (4) limited pricing power in a competitive environment. We estimate USD revenue/EBIT/PAT CAGR of 9.5%/11.3%/11.8% over FY25-27E. Full valuation leaves no meaningful upside.

- **End-to-end presence in vehicle architecture:** We believe the company's wide spectrum of horizontal offerings along with partial overlapping of legacy and modern architectures should support acceleration within electrification and hybrid technologies. Saturation of incremental spending around body engineering and vehicle platforms is decelerating growth within the legacy areas, which is likely to get cannibalized over time with the growing new-age architecture.

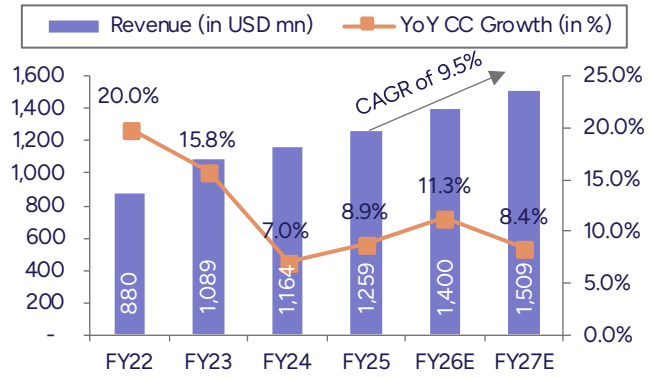
- **Deep roots around Plant and Industrial Engineering:** We believe LTTS has an edge over its peers due to its deep engineering expertise along with a digital thread on top. Multi-year client relations, strong engineering DNA and early investments in digital engineering have been a force multiplier.

- **Expanding TAM through acquisitions:** Intelliswift acquisition has helped the company expand to Retail, Fintech and Healthcare segments beyond its core capability in Hitech with unique horizontal service lines on platform/data engineering. Although Intelliswift's capabilities and geo presence are similar to its peer companies, its operational excellence is yet to match that of peers. We believe LTTS's quality execution and robust sales engines would amplify Intelliswift's unique capabilities to acquire new logos and gain wallet share through strategic accounts.

- **Experienced, balanced team in place to win large deals:** We believe the recent organizational rejig (7×3 from 5×6×4) has been effective in eliminating overlaps and overutilization of senior resources, while allocating full P&L responsibilities to each domain and subject expert. The restructuring looks promising with multiple deals falling within a bucket of USD30-50mn (5 deals in FY25 vs 3 deals in FY24) and 2 deals having TCV over USD50mn in FY25.

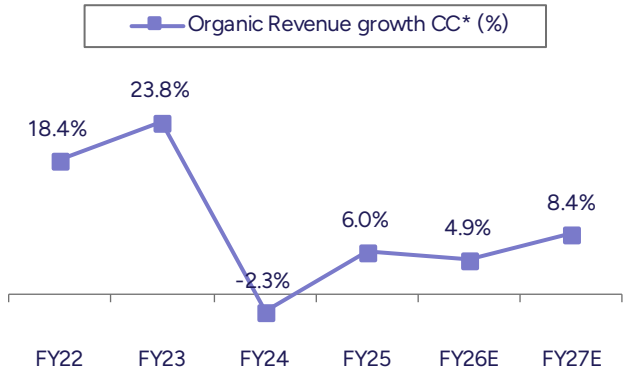
Story in Charts

Exhibit 86: Revenue CAGR estimated at 9.5% in FY25-27E



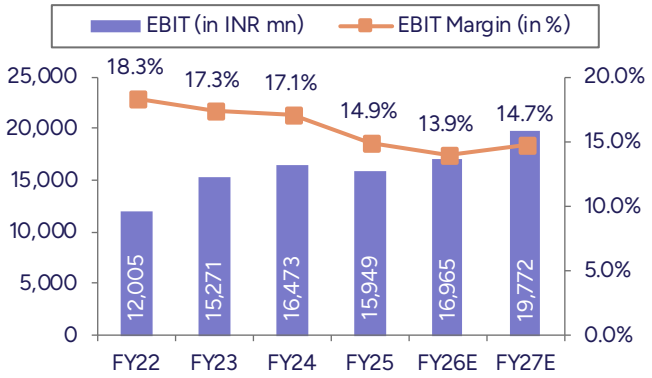
Source: Company, PL

Exhibit 87: Organic growth muted in recent times



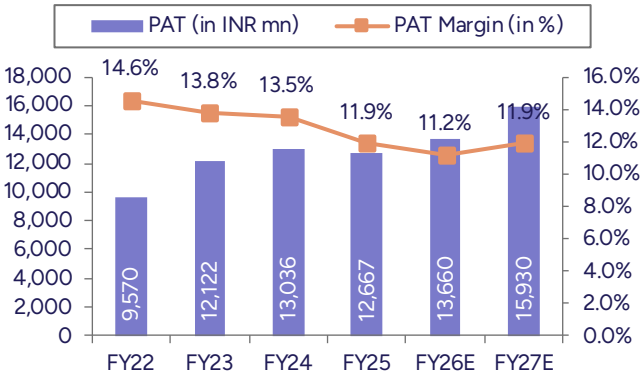
*Source: Company, PL, * as per our assumption*

Exhibit 88: Margins to remain in narrow band



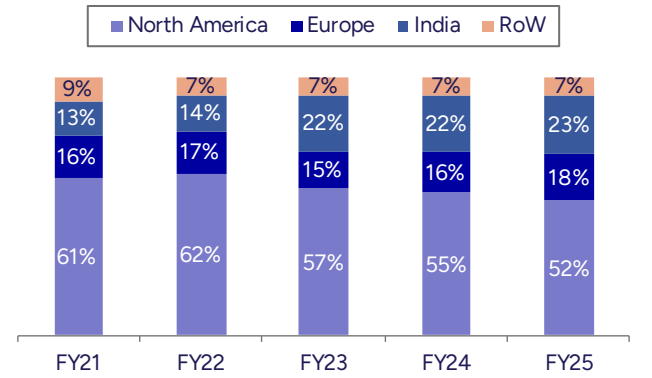
Source: Company, PL

Exhibit 89: PAT CAGR of 11.8% estimated over FY25-27E



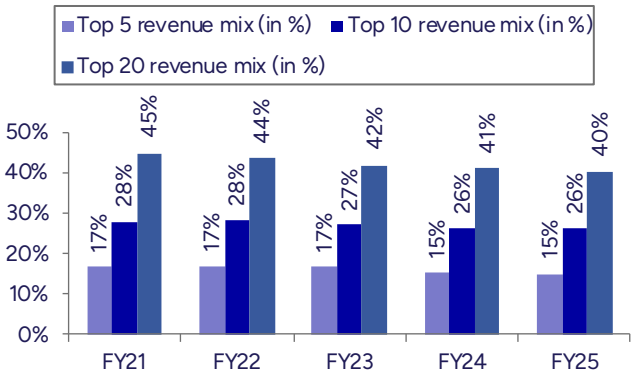
Source: Company, PL

Exhibit 90: North America revenue concentration still high



Source: Company, PL

Exhibit 91: Revenue from non-top clients aids diversification



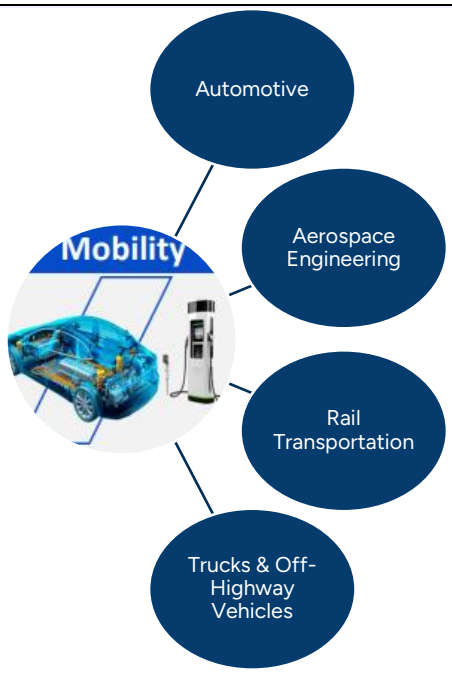
Source: Company, PL

LTTS: About the Company

LTTS is a global ER&D services company, specializing in digital engineering and technology solutions. It partners with leading global companies across various industries, providing services in areas like product development, smart manufacturing, and digital transformation. It offers services to clients across the globe in the following segments:

- Mobility
- Sustainability &
- Tech

Exhibit 92: Offerings in Mobility segment



- Vehicle engineering
- Software-defined mobility
- Electrification & hybrid tech

Source: Company, PL

To maintain a competitive edge and accelerate time to market for its clients, LTTS is developing a suite of powerful platforms and solutions, and is focusing on streamlining the entire product lifecycle. Some key solutions developed by LTTS include:

eVOLTTS: It is a comprehensive EV engineering solutions portfolio that accelerates EV development and deployment. It encompasses expertise in powertrain design, battery management, charging infrastructure, vehicle integration, and software.

EDGYneer: It helps businesses across industries, such as manufacturing, transportation and healthcare, to leverage the benefits of edge computing, such as reduced latency, improved bandwidth utilization, and enhanced data privacy.

REFACTO: It enables manufacturers to transform their facilities into smart factories, thus improving efficiency, quality and agility.

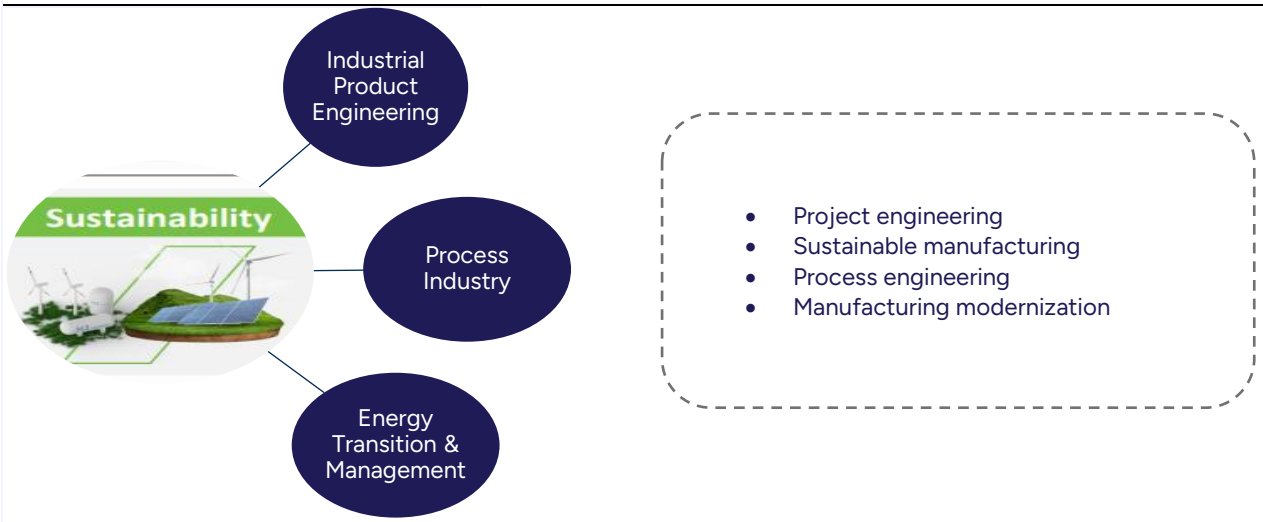
EmbedVIO: It enables companies to develop and deploy embedded vision solutions faster and more cost-effectively.

MicroHIL: It provides a simulated environment that emulates real-world interactions of the embedded system, allowing engineers to test software thoroughly and identify potential issues early in the development cycle.

Connected Car: It is an end-to-end telematics platform as a service for connected car solutions. This platform provides robust and scalable infrastructure for automakers and other stakeholders to develop and deploy telematics services quickly and efficiently.

EvQUAL: It is a comprehensive test automation solution that empowers businesses to streamline their testing processes, improve product quality, and accelerate time to market.

Exhibit 93: Offerings in Sustainability segment



Source: Company, PL

The Sustainability segment is experiencing a surge in demand fueled by the growing adoption of clean energy, global push for energy transition, and increasingly stringent carbon emission norms. These converging forces are driving businesses to seek sustainable solutions, creating significant opportunities in areas like renewable energy, energy efficiency, and carbon reduction technologies. This increased demand is accelerating innovation and investment in sustainable practices across industries. Following are key offerings within the segment:

Energy Transition and Management: LTTS assists enterprises in shifting from traditional energy sources to renewable and clean energy alternatives. It offers expertise in product electrification, EV charging infrastructure design, energy storage systems, and smart grids.

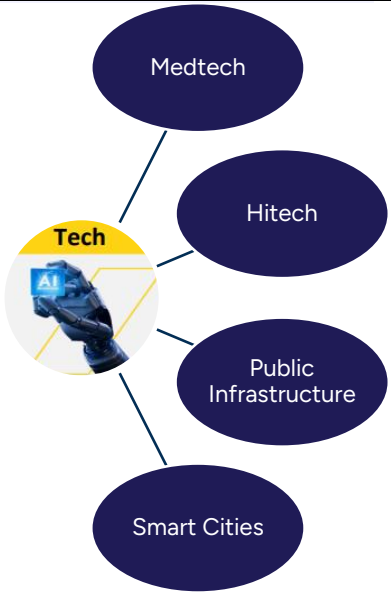
Digital and Smart Manufacturing: LTTS promotes sustainable manufacturing practices through automation, eco-friendly solutions, and efficient resource management. It offers services in manufacturing and industrial engineering, tool and automation design, and remote asset performance monitoring.

Sustainability Consulting: LTTS helps businesses define and implement sustainability strategies, including UN SDG-based strategies, net-zero products, and energy strategies.

Water and Waste Management: LTTS provides technology and domain expertise to improve global water and waste management initiatives. This includes water and effluent treatment, water mapping and monitoring, and solutions for achieving zero liquid discharge.

Climate Action: LTTS helps clients reduce their carbon footprint and achieve net-zero goals through clean fuel engineering, carbon capture and storage, and energy-efficient construction design.

Exhibit 94: Offerings in Tech segment



- Embedded software & systems
- Data analytics & engineering
- Cloud, connectivity & cyber security
- Software systems & domain

Source: Company, PL

The Tech segment is further divided into Medtech, Hitech, and Public Infrastructure and Smart Cities.

Medtech: LTTS collaborates with leading global medical device OEMs, leveraging advancements in connected healthcare, wearables, AI, and digital manufacturing to revolutionize patient care. Some of the key solutions created by LTTS are:

- **AiCE:** Artificial Intelligence Clinical Evaluation (AiCE), an integrated AI tool for systematic review and reporting, has revolutionized the clinical evaluation report (CER) process. AiCE's cognitive capabilities provide a near-perfect solution for literature search, improving efficiency, cost-effectiveness, speed, and accuracy of CER research.
- **Chest-rAi™:** It is an AI-powered radiology tool designed to assist radiologists in detecting and reporting lung abnormalities from chest X-rays, ultimately enhancing diagnostic accuracy and efficiency.

- **MDaaS:** The platform is designed to help healthcare organizations unlock the value of their medical data. By providing a centralized, secure, and standardized environment, it aims to facilitate better data management, analysis, and utilization in the healthcare industry.

Hitech: Under Hitech, LTTS collaborates with clients from consumer electronics, media & entertainment, next-gen comms, semiconductors, and software & platforms, to provide next-gen engineering & tech solutions.

Public Infrastructure and Smart Cities: LTTS provides comprehensive solutions for modern urban development. Its expertise includes smart city projects (e-governance, surveillance, etc.), smart operations (smart metering, energy analytics), and safety & security systems (integrated operation centers, vision-based security). LTTS delivers sustainable and scalable solutions for smarter, more livable cities.

Investment Arguments

End-to-end presence in vehicle architecture

A robust playbook around vehicle architecture has been instrumental in transitioning from mechanical to electronics/software. **Within Software Defined Mobility**, the company has built strong capabilities around onboard (E/E architecture and vehicle software) and offboard (connected, OTA updates and cloud applications) architectures. Its presence and capabilities in the current cost-focused environment through smart vehicle architecture and emerging trends around cockpit experience (UI/UX) through application layer, have largely supported the growth within Mobility.

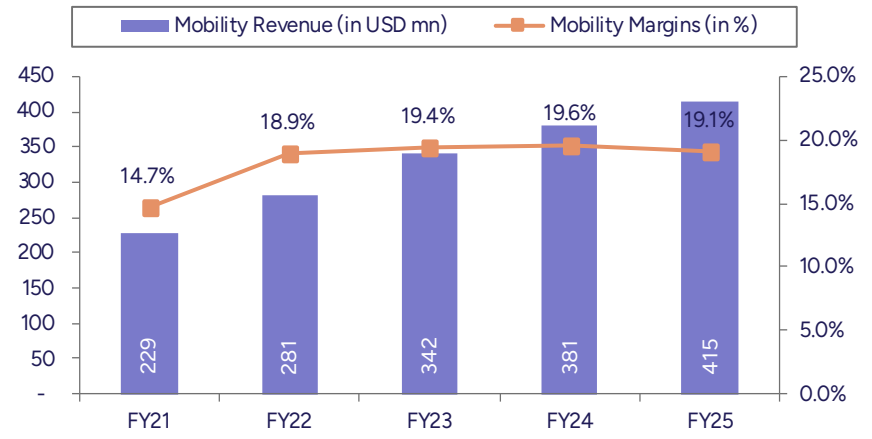
The convergence of mechanics + electrical/electronics (mechatronics) is further augmenting its legacy capabilities of powertrains and body engineering with emerging BMS and hybrid converter. The company also specializes in reverse engineering capabilities and is actively pursuing opportunities to meet the demand of US and Europe auto OEMs amid a challenging environment.

LTTS aims to strengthen and broaden its automotive offerings

With the help of its multi-disciplinary talent pool (80% of the workforce gets up-/cross-skilled annually), LTTS is extending its offerings and solutions to **Off-highway, Aerospace and Railway sub-verticals**. The combination of legacy solutions, digital manufacturing, and avionics is supporting growth within non-Auto (Mobility), which is de-risking the near-term weakness within Automotive PVs.

The company is actively scouting for strategic capabilities in the areas of SDV/ADAS/connected vehicles in core geographies to drive hypergrowth within onboard/offboard architecture. We believe the company's wide spectrum of horizontal offerings along with partial overlapping of legacy and modern architectures should support the acceleration within electrification and hybrid technologies. The saturation of incremental spending around body engineering and vehicle platforms is decelerating growth within the legacy areas, which is likely to get cannibalized over time with the growing new-age architecture.

Exhibit 95: Mobility revenue & margins



Source: Company, PL

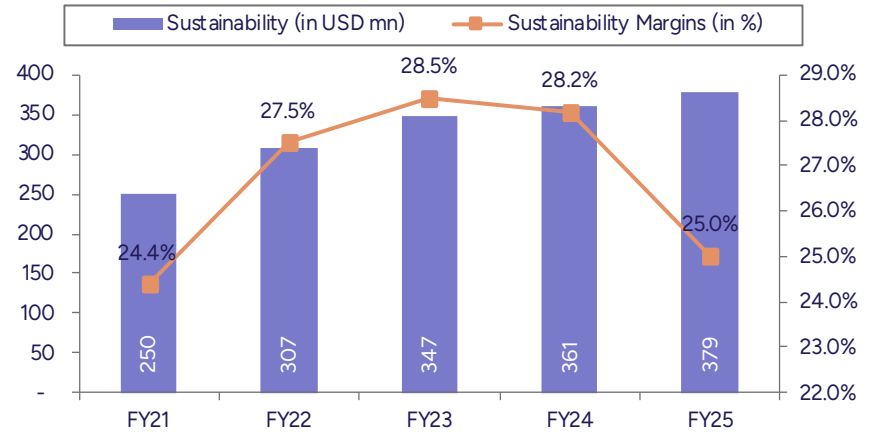
Deep roots around Plant and Industrial Engineering

The company's strong engineering DNA is backed by its group company. Although the concentration mix of legacy engineering (EPCM projects, FEED services) is notable in its service offerings through the Plant and Industrial Engineering segments, increasingly stringent environmental regulations within developed countries are driving incremental spending within digital engineering and sustainability areas.

LTTS is heavily invested in the new growth areas of building automation, remote asset monitoring and prescriptive analytics, which are enabling a new digital thread along the lines of legacy foundation. We believe LTTS has an edge above its peers due to its deep engineering root along with a digital thread on top. Its multi-year client relations, engineering expertise and early investments in digital engineering have been a force multiplier. Plant and Industrial Engineering segments reported revenue CAGR of 11% and 10.8% over FY20-FY23, respectively.

Additionally, the increasing focus on environmental themes, such as carbon capture and net zero emission, are helping broaden the revenue stream in digital engineering. The company's organic capabilities and cross-functional upskilling programs have helped create a new horizontal line within this domain. The company is aspiring to improve its concentration mix in the emerging areas of digital tech and sustainability to ~20% and ~12% of revenue (from current 14% and 4%), respectively.

Exhibit 96: Sustainability grows 11% CAGR in FY21-25



Source: Company, PL

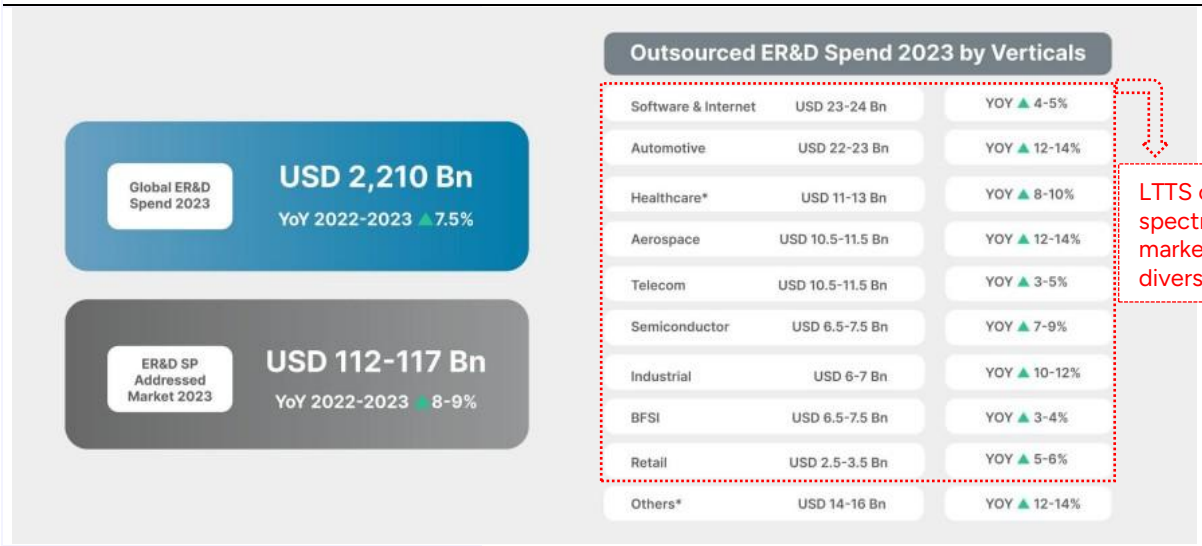
Expanding TAM through acquisitions

Investments in inorganic growth over the last 2 years have further supported to expand LTTS's arms and channel new offerings in the areas of Hitech (ISVs, hyperscalers) and communications (wireless, smart cities, and cybersecurity). With Intelliswift acquisition, the company has expanded its addressable market to Retail (USD2.5-3.5bn), Fintech (USD6.5-7.5bn) and Healthcare (USD11-13bn), beyond its core capability in Hitech with unique horizontal service lines on platform/data engineering. Although Intelliswift's capabilities and geo presence are similar to peer companies, its operational excellence is yet to match that of peers. We believe, LTTS's quality execution and robust sales engines would amplify Intelliswift's unique capabilities to acquire new logos and gain wallet share through strategic accounts.

LTTS has completed strategic acquisitions in recent years to expand its addressable markets and will continue to look for opportunities to broaden its offerings

The legacy model of SWC is highly concentrated in the domestic market, although the strategic GTM along the lines of LTTS core offerings has supported notable wins in core geographies. The integration of SWC and LTTS has supported winning large deals in the areas of cybersecurity and 5G. The ~USD100mn deal (Maha Cyber) is a testament to its unique offerings around cyber space. However, low-margin government-led India-based projects and higher payback period would continue to weigh over consolidated margins and cash flows in the near/mid-term. With this integration, the company has also deployed senior sales leaders in advanced core geographies to extend SWC's service offerings and build deeper relations with telecom operators and service providers. Given that SWC (~80% of revenue) is India-dominated, anchoring revenue growth from advanced geographies would be time-tested.

Exhibit 97: LTTS's tentative addressable market based on the current business mix



Source: Zinnov, PL

The Tech segment is dominated by Medtech and Hitech. Growth and concentration mix of the Hitech vertical have improved with SWC and Intelliswift acquisitions.

- **Medtech** comprises Digital Health, Quality Assurance & Regulatory Affairs (QARA), Digital Manufacturing, and Device Engineering.

- Digital Health provides substantial growth opportunities on the back of improving consumer experience on telehealth, wearables and self-monitoring devices. LTTS expects Digital Health to contribute to 28-33% of segmental revenue vs 21% in FY24.

- QARA growth is expected to be driven by the adoption of automation and AI-powered tools to boost productivity and accuracy. LTTS expects QARA to contribute to 28-33% of segmental revenue vs 20%.

- **Hitech** can be divided into: System Integration, Platform Engineering, Device Engineering, and Silicon Engineering.

  - Intelliswift acquisition is in line with LTTS's growth strategy. With this acquisition, the company has onboarded 25+ Fortune 500 accounts, including 4 hyperscalers. It expects Platform Engineering to contribute to 30-35% of segmental mix vs 15%.

Experienced, balanced team in place to win large deals

Although the company recently consolidated the vertical threads into 3 growth vectors, the account head responsibility is still diversified and spread across 7 sub-segments. These sub-segment heads would be working along 3 horizontal heads to drive cross-functional opportunities and broaden the revenue stream from strategic accounts. Additionally, the company has hired a senior resource to stimulate large deal activities, who will be working with each of the account heads for potential mining and scaling of top accounts.

We believe the recent organizational rejig (7×3 from 5×6×4) has been effective in eliminating overlaps and overutilization of senior resources, while allocating full P&L responsibilities to each domain and subject expert. The results look promising with multiple deals falling within a bucket of USD30-50mn (8 deals in FY25 vs 3 deals in FY24) with a record USD100mn deal signed in Q4FY24.

Exhibit 98: Leadership rejig to drive large deal opportunities

Source: Company, PL

With an experienced and balanced team in place, the management aspires to scale 2 clients in the USD100mn+ bracket and 3 clients in the USD50-100mn bracket. Exhibit 99 shows that revenue per account has outpaced growth in the number of overall active clients, which is attributed to the accounts added at the top end of the bucket (USD20-30mn), growing at 13.6% CAGR during FY21-25. With plans to add larger accounts on top, revenue per account would accelerate and ensure effective usage of senior resources.

Exhibit 99: Revenue/client logs 5.6% CAGR in FY21-25, on top account additions

	FY21	FY22	FY23	FY24	FY25	CAGR (FY21-25)
Active clients	306	324	356	381	421	8.3%
Revenue/client (USD k)	602	769	765	764	748	5.6%
USD30-20mn	3	4	10	7	5	13.6%
USD20-10mn	17	16	17	23	21	5.4%
USD10-5mn	19	26	29	23	27	9.2%
USD5-1mn	83	88	121	122	135	12.9%
<USD1mn	184	188	178	201	227	5.4%

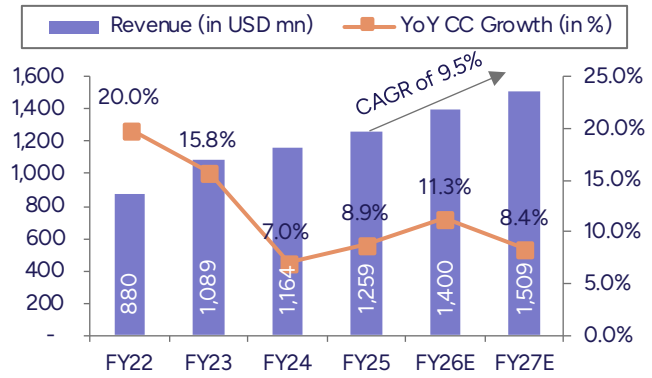
Source: Company, PL

USD revenue to grow at 9.5% CAGR during FY25-27E, while INR revenue to grow at 12.2% CAGR

Financials & Valuations

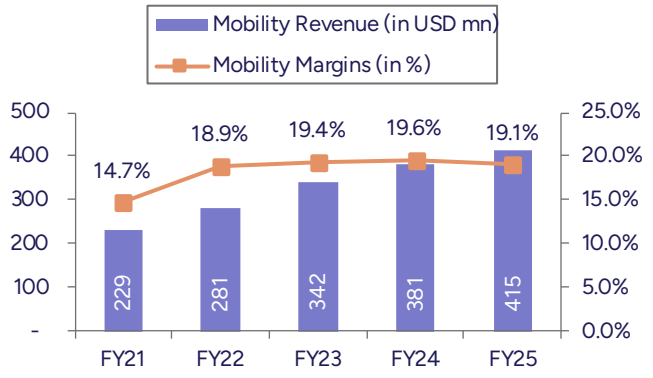
The company's end-to-end participation in the product value chain coupled with wide industry coverage balances macro volatility. LTTS revenue grew at a CAGR of 14.3% over FY21-25, with organic at ~14.1% (our assumption). Organic growth was largely supported by Mobility (+16% CAGR), followed by Sustainability (+11% CAGR). The organic part of Tech business remained under stress, especially in the telecom portfolio, which remained volatile due to inherent weakness in the operators' business profile. However, the inorganic mix within Tech business has meaningfully changed with two sizable acquisitions (SWC and Intelliswift), which are also changing the business dynamics within the tech portfolio, while de-risking the dominant presence of global telecom providers.

Exhibit 100: USD revenue and CC growth over FY22-27E



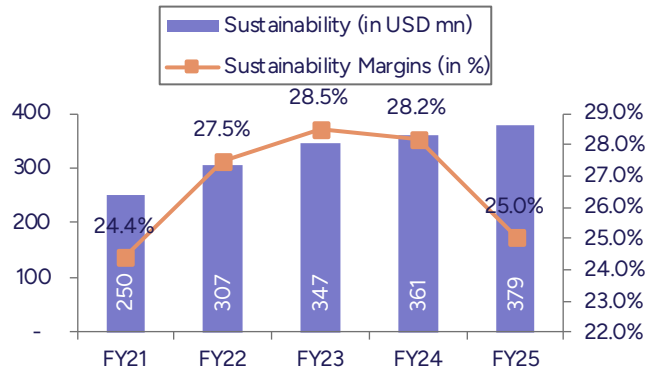
Source: Company, PL

Exhibit 101: Mobility grew by 16% CAGR in FY21-25



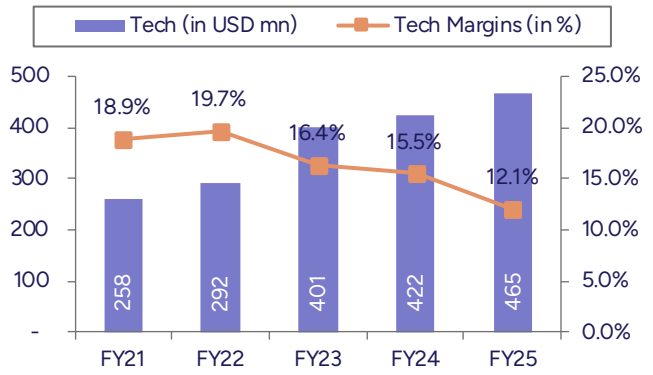
Source: Company, PL

Exhibit 102: Sustainability clocks 11% CAGR in FY21-25



Source: Company, PL

Exhibit 103: Tech grows 15.9% CAGR in FY21-25



Source: Company, PL

We expect the weakness within Mobility to continue for at least H1FY26, before it shows recovery in H2. We believe the company's inherent presence in legacy practice and deep understanding of in-vehicle architecture (body engineering, powertrain converter, E/E), position it well to develop innovative and cost-effective solutions for auto OEMs in core geographies. The combination of legacy engineering with digital practice, gives LTTS an edge above its peers, especially in a cost-focused environment.

Within Sustainability, the Plant and Industrial Engineering segments together drive growth, led by the government and regulatory push for achieving carbon neutrality and net zero enterprise goal by 2030. Industrial and Plant Engineering reported a USD CAGR of 11.6% and 14.8%, respectively, over FY21-24. Thus, LTTS is well positioned to cross- and up-sell sustainability practice with its long-standing client relations within O&G, FMCG and chemical domains.

The volatility within Tech (Medtech + Hitech) should continue due to weakness in Hitech (global telecom business) along with a seasonality in the domestic business (SWC). The Hitech (ex-Telecom) segment should deliver sustained growth with many of ISV businesses maintaining a positive outlook. Additionally, hyperscalers have recently diverted investments to software architecture, from hardware and server-dominated earlier.

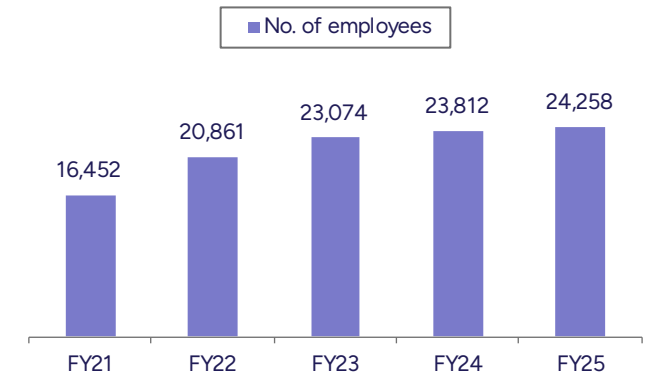
Considering the balanced portfolio and healthy mix of growth industries, we expect LTTS CC organic revenue to grow at 4.9% YoY (incl. inorganic at 11.3% YoY)/8.4% YoY in FY26E/FY27E. We expect Sustainability to meaningfully outpace consol organic revenue growth, followed by Hitech, while Mobility would underperform due to near-/mid-term headwinds.

Margins to improve gradually

Operating margins to remain in narrow band during FY25-27E

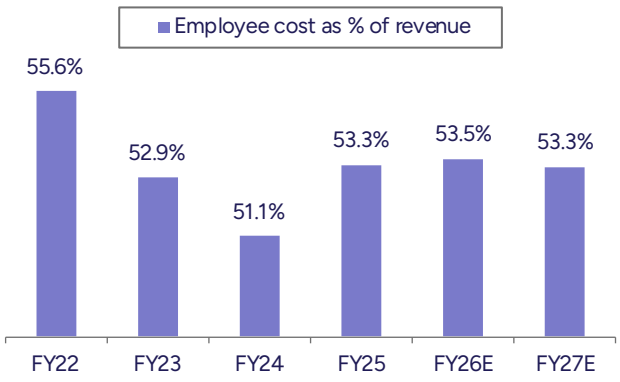
Margin execution at the core level (ex-SWC) has been steady at ~21% EBITDA (our assumption) over FY22-24. The low-margin domestic-oriented SWC business was operating at 8.5-9% EBITDA at the time of integration, which is weighing on the consol business margin. With SWC turnaround on track, a sizable win (USD80mn deal) in the international telecom market further strengthens the management's focus on anchoring SWC business internationally. Meanwhile, LTTS has acquired another entity (Intelliswift) of similar size and profitability, which would impact consolidated margins of the company. We believe another inorganic investment can extend the timeline for margin improvement, which otherwise could be achieved much earlier.

Exhibit 104: Empl additions driven by inorganic acquisitions



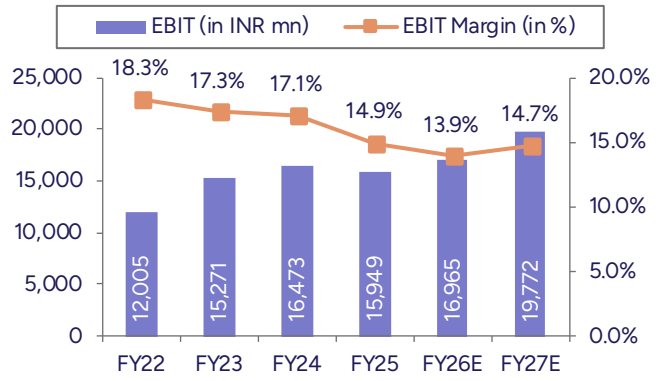
Source: Company, PL

Exhibit 105: Employee cost to revenue to remain steady



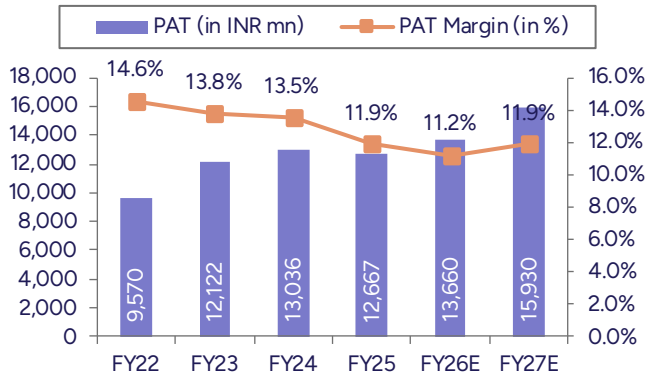
Source: Company, PL

Exhibit 106: EBIT margin to remain in narrow band



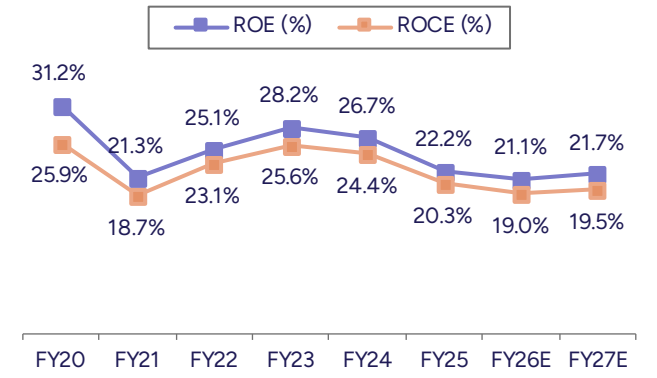
Source: Company, PL

Exhibit 107: PAT to increase by 12.1% CAGR during FY25-27E



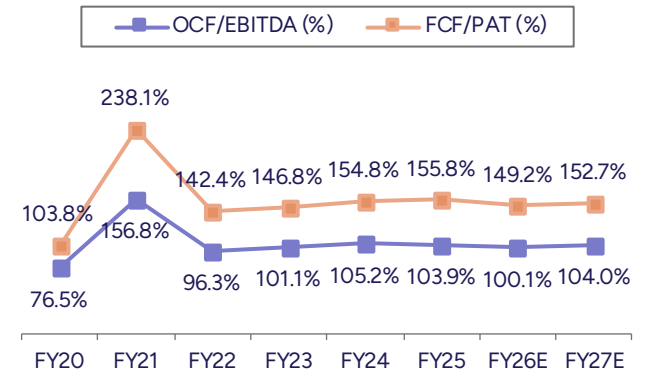
Source: Company, PL

Exhibit 108: ROE & RoCE trend



Source: Company, PL

Exhibit 109: OCF/EBITDA and FCF/PAT trend



Source: Company, PL

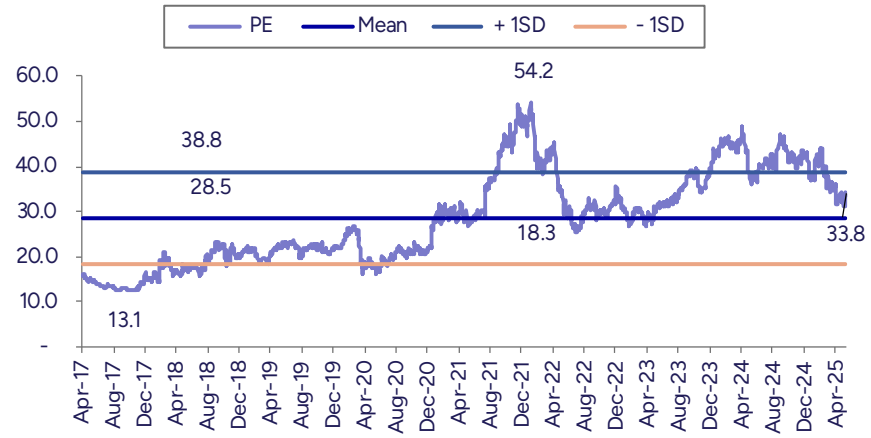
We believe the company's overall margin would come under pressure in the near to mid-term as (1) the high-margin Mobility business growth is expected to be weak in FY26, (2) low-margin businesses will continue to weigh on consol business margins, (3) the offshore mix has reached its peak, and (4) LTTS has limited pricing power in a competitive environment. However, we expect the pyramid exercise (infusing 2k-3k freshers per annum) and effective utilization of senior resources to drive large deals. We expect LTTS to report operating margins of 13.9% in FY26E, a YoY decrease of 100bps, followed by a recovery to 14.7% in FY27E, representing an 80bps increase.

We believe the company's bold investments to drive inorganic growth and the long gestation to match consol level profitability, would keep cash flow conversion weak. Again, consol DSO has reached a steady state (110 days), and further recovery would be limited and purely a function of SWC integration. Hence, we expect OCF/EBITDA and FCF/PAT to reach 100%/104% and 149%/153% in FY26E/FY27E.

Valuation and Outlook

We expect LTTS CC revenue and earnings to clock 11.3% and 8.4% CAGR, respectively, over FY25-27E. Diversified business mix with a large set of horizontal offerings should compensate weakness in selective pockets. Further, engineering DNA with multi-disciplinary talent should help cross-pollinate and drive productivity to its operations. However, continued inorganic investments with limited scope of margin improvement should keep cash conversion within a tight band. Current valuation at 10-year average PE and ~25% discount to +1SD justifies the way forward. We assign 29x PE to FY27E EPS to arrive at TP of Rs 4,360. Initiate with 'HOLD' rating.

Exhibit 110: LTTS PE band



Source: Company, PL

Key Risks

- The company's margins are expected to remain under pressure due to a significant increase in sub-contractor costs, rising from 4.4% of revenue in FY22 to 10.8% in FY24. Furthermore, the acquisitions of SWC and Intelliswift, which operate at lower margin levels, are anticipated to keep the company's overall margins within a narrow range.
- LTTS has been actively pursuing inorganic growth through acquisitions. Integrating these acquired entities can pose challenges in achieving the expected synergies. Also, the integration of SWC has already impacted margins, and Intelliswift acquisition also presents similar risks.
- Although LTTS possesses a diversified portfolio, it maintains a significant reliance on key verticals within its Mobility segment, particularly transportation and automotive. Consequently, a prolonged downturn in the automotive industry could materially impact the company's revenue growth.
- Medtech segment could be impacted by reductions in Medicare & Mediaid funding by the US government, which could impact the Tech segment – the largest for the company.
- Substantial portion of LTTS's revenue is generated from its top 20 clients. Consequently, any economic downturn experienced by these major clients, reduction in their spending with LTTS, or shift to alternative service providers could lead to a significant loss of revenue for the company.
- LTM attrition has been stable for the company. However, increasing attrition and availability of talent with the right skill sets, especially in emerging technologies, remain key risks. Increased competition for talent can also lead to higher employee costs, impacting profitability.

Annexures

Exhibit 111: Board of Directors

Name	Designation	Educational qualifications	Experience (years)	Brief Profile
Mr. A M Naik	Founder Chairman	BE	60+	He is the Founder Chairman of LTTS. He is also the Chairman Emeritus of L&T – parent company where he served for over 5 decades.
Mr. S N Subramanyan	Vice-Chairman	BE from NIT and PGDM from Symbiosis Institute of Business Management	40+	Apart from being the Vice-Chairman, he also holds the position of the Chairman & MD of L&T. He also holds diverse leadership positions such as Chairperson of L&T Finance Holdings Ltd, Vice-Chairman of LTIMindtree and Chairman of L&T Metro Rail (Hyderabad) Ltd.
Mr. Amit Chadha	CEO & MD	Advanced Management Program in Business Leadership from INSEAD, France, and Global Business Leadership Executive Program from Harvard Business School	25+	He joined LTTS in 2009 as Business Head of Americas region and over the years, progressed to the position of CEO. He has 25+ years of experience in core engineering & IT outsourcing industry and has held various leadership roles.
Dr. Keshab Panda	Non-Executive Director	Aeronautical engineering from Anna University and postgraduate degree in aerospace engineering from IISc	30+	He is a distinguished leader in the technology and engineering services industry. With over 30+ years of experience, he has a strong background in research, innovation, and business leadership. He began his career at ISRO and ADA, contributing to landmark programs like INSAT 2 and LCA. He joined L&T Group in 2009 and retired as the CEO of LTTS.
Mr. Narayanan Kumar	Independent Director	Graduate in electronics and communication engineering from University of Madras	30+	He is the Chairman of Group Corporate Board of The Sanmar Group, a multinational conglomerate headquartered in Chennai. He also sits on the Board of various public companies like Airtel and L&T and has extensive experience in various sectors.
Ms. Apurva Purohit	Independent Director	BSc in Physics and PGDM from IIM Bangalore	30+	She is a businesswoman with over 3 decades of experience in the corporate world. She is also an Independent Director at LTIMindtree Ltd, Navin Fluorine International Ltd, and Marico Ltd, and is the Co-Founder of Aazol Ventures Pvt Ltd.
Mr. Sudip Banerjee	Independent Director	BA (Honours) from University of Delhi	32+	He has 30+ years of experience in the IT industry. He also sits on the Board of Kesoram Industries Ltd and IFB Industries Ltd and has been an Operating Partner at Capital Square Partners Advisors Pte Ltd, Singapore.
Mr. R. Chandrasekaran	Independent Director	Engineering Degree from NIT Trichy	34+	He has 34+ years of experience in IT. He retired as the Executive Vice-Chairman of Cognizant and serves as an Independent Director on the Board of PNB Housing Finance Ltd, LTIMindtree, NSEIT Ltd, and Aujas Networks.
Mr. Luis Miranda	Independent Director	CA from ICAI	25+	He is the Co-Founder of the Indian School of Public Policy. He has been involved in setting up HDFC Bank and IDFC Private Equity. Presently, he is Chairman of ManipalCigna Health Insurance and Senior Advisor at Morgan Stanley.
Ms. Aruna Sundararajan	Independent Director	M.A. in Philosophy	30+	She is a retired Indian Administrative Service officer. She served as the Secretary to the Government of India in the ministries of steel, IT and telecom. She serves on the Boards of leading companies, including Delhivery, Info Edge, NabFID and Cochin International Airport.
Mr. Abhishek Sinha	COO & WTD	BE from IIT BHU	20+	A professional with over 2 decades of industry experience, he has a demonstrated track record in business leadership on both engineering and enterprise software areas. Prior to joining LTTS, he was the Chief Operations & Personnel Officer at KPIT. After graduating in engineering, he joined Infosys and served for 2 decades, growing its ER&D business at a rapid pace.
Mr. Alind Saxena	President- Sales & WTD	BE from IIT Kanpur	30+	He is responsible for driving topline growth, strategic business development and creating new revenue streams for the company. Prior to joining LTTS, he was associated with TCS & Tech Mahindra.

Source: Company, PL

Exhibit 112: KMP

Name	Designation	Educational qualifications	Exp. (in years)	Brief Profile
Mr. Amit Chadha	CEO & MD	Advanced Management Program in Business Leadership from INSEAD, France, and Global Business Leadership Executive Program from Harvard Business School	25+	He joined LTTS in 2009 as Business Head of Americas region and over the years progressed to the position of CEO. He has 25+ years of experience in the core engineering & IT outsourcing industry in various leadership roles.
Mr. Abhishek Sinha	COO & WTD	BE from IIT BHU	20+	A professional with over 2 decades of industry experience, he has a demonstrated track record in business leadership in both engineering and enterprise software areas. Prior to joining LTTS, he was the Chief Operations & Personnel Officer at KPIT. After graduating in engineering, he joined Infosys and served for 2 decades, growing its ER&D business at a rapid pace.
Mr. Alind Saxena	President- Sales & WTD	BE from IIT Kanpur	30+	He is responsible for driving topline growth, strategic business development and creating new revenue streams for the company. Prior to joining LTTS, he was associated with TCS & Tech Mahindra.
Mr. Rajeev Gupta	CFO	CA from ICAI	30+	He has over 30 years of experience in finance and accounting. Prior to joining LTTS, he was CFO at Birlasoft. His career includes leadership roles at companies like Amazon India, JLT Group, InterGlobe Technologies, and Capgemini.
Mr. Prasad Shanbhag	Company Secretary	CS from ICSI	30+	With over 30 years of experience, he joined LTTS after serving as Joint Company Secretary at L&T.

Source: Company, PL

Acquisitions by LTTS

Exhibit 113: Acquisitions by LTTS

Target entity	Cost of acquisition	Objective and effects of acquisition
Intelliswift Software	USD110mn (1.15x CY23 sales)	The acquisition will: a) strengthen LTTS's AI and software capabilities within the digital engineering suite, b) deepening hyperscaler relationships, & c) access to marquee logos in Retail, Fintech & Hitech. The company has 25+ Fortune 500 logos including 5 of the top 10 ER&D spenders in Software and Technology Companies; 4 of the Top 5 Hyperscalers. Hitech contributes to >50% revenue of the company.
Smart World & Communication (SWC)	Rs8,000mn	LTTS acquired L&T's SWC business by way of slump sale. The acquisition enhances LTTS's differentiation in next-gen communications with cutting edge solutions around 5G networks and sustainable spaces, and also offers a full stack of cybersecurity solutions.
Orchestra Technology	USD25mn (1.65x CY19 sales)	Orchestra Technology is a specialist technology partner for wireless and mobile eco-systems. The acquisition will strengthen LTTS footprint in the telecom OEM and service provider space. It will also bolster LTTS investments as part of open network forums ONF and TIP across key elements of 5G like ORAN, private networks, and NBIoT.
Graphene Semiconductor Services	Rs930mn (1.4x FY28 sales)	Graphene provides end-to-end solutions from chip design, embedded software and providing support to mass manufacturing. It has presence in India, Singapore, Taiwan and Malaysia.
Esencia Technologies	USD27mn (1.5x CY16 sales)	Esencia provides design services & hardware IP-cores used in semiconductors from specification to final products such as ASIC, embedded systems in video/image processing, digital communications & digital security. The acquisition strengthens LTTS offerings in ASIC, VLSI and embedded design services.

Source: Company, PL

Future acquisition strategy

Armed with a strategic roadmap for acquisitions, the company is actively pursuing opportunities to strengthen its presence in key growth areas, especially Mobility and Tech. This strategic approach aims to capitalize on emerging trends and solidify LTTS's position as a leader in these sectors.

A key component of this acquisition strategy is expanding LTTS's footprint in Europe, recognizing the significant potential for growth in this region.

LTTS is also prioritizing acquisitions that offer strong potential for value creation. This means carefully evaluating potential targets to ensure they are available at a reasonable valuation. Furthermore, the company is looking for acquisitions that offer opportunities for increased offshoring and margin expansion, thereby maximizing the return on investment and contributing to sustainable growth of the company.

Exhibit 114: Acquisition strategy

Segment	Strategic capabilities	Region
Mobility	SDV, ADAS, Connected	Europe
ISV	Platform Engineering, AI, ML, Data Engineering	North America
Medtech	Connected Healthcare, Patient Management, Health Analytics	North America

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	**96,472**	**1,06,702**	**1,21,809**	**1,34,342**
YoY gr. (%)	*9.4*	*10.6*	*14.2*	*10.3*
Employee Cost	68,467	75,984	88,619	96,836
Gross Profit	28,005	30,718	33,190	37,506
Margin (%)	*29.0*	*28.8*	*27.2*	*27.9*
Employee Cost	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	**19,189**	**19,002**	**20,372**	**23,400**
YoY gr. (%)	*9.0*	*(1.0)*	*7.2*	*14.9*
Margin (%)	*19.9*	*17.8*	*16.7*	*17.4*
Depreciation and Amortization	2,716	3,053	3,407	3,627
EBIT	**16,473**	**15,949**	**16,965**	**19,772**
Margin (%)	*17.1*	*14.9*	*13.9*	*14.7*
Net Interest	-	-	-	-
Other Income	1,564	1,536	1,827	2,149
Profit Before Tax	**18,037**	**17,485**	**18,792**	**21,922**
Margin (%)	*18.7*	*16.4*	*15.4*	*16.3*
Total Tax	4,975	4,771	5,168	6,029
Effective tax rate (%)	*27.6*	*27.3*	*27.5*	*27.5*
Profit after tax	**13,062**	**12,714**	**13,624**	**15,893**
Minority interest	(26)	31	36	37
Share Profit from Associate	-	-	-	-
Adjusted PAT	**13,036**	**12,667**	**13,660**	**15,930**
YoY gr. (%)	*7.5*	*(2.8)*	*7.8*	*16.6*
Margin (%)	*13.5*	*11.9*	*11.2*	*11.9*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**13,036**	**12,745**	**13,660**	**15,930**
YoY gr. (%)	*7.5*	*(2.2)*	*7.2*	*16.6*
Margin (%)	*13.5*	*11.9*	*11.2*	*11.9*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	13,036	12,667	13,660	15,930
Equity Shares O/s (m)	**106**	**106**	**106**	**106**
EPS (Rs)	**123.3**	**119.0**	**129.0**	**150.4**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	**20,842**	**24,926**	**26,088**	**27,370**
Tangibles	16,737	18,694	19,856	21,138
Intangibles	4,105	6,232	6,232	6,232
Acc: Dep / Amortization	**10,751**	**13,804**	**17,211**	**20,838**
Tangibles	6,859	9,912	13,319	16,946
Intangibles	3,892	3,892	3,892	3,892
Net fixed assets	**10,091**	**11,122**	**8,877**	**6,532**
Tangibles	9,878	8,782	6,537	4,192
Intangibles	213	2,340	2,340	2,340
Capital Work In Progress	131	280	280	280
Goodwill	6,035	11,327	11,327	11,327
Non-Current Investments	3,691	6,008	6,008	6,008
Net Deferred tax assets	(691)	(594)	(678)	(748)
Other Non-Current Assets	2,580	2,893	3,303	3,642
Current Assets				
Investments	12,936	9,603	12,103	14,603
Inventories	33	39	39	39
Trade receivables	23,997	35,118	38,378	41,223
Cash & Bank Balance	13,905	15,658	21,591	29,211
Other Current Assets	9,862	2,437	2,782	3,068
Total Assets	**84,885**	**96,435**	**1,06,661**	**1,17,926**
Equity				
Equity Share Capital	212	212	212	212
Other Equity	53,059	60,588	68,625	77,659
Total Networth	**53,271**	**60,800**	**68,837**	**77,871**
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	83	219	219	219
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	14,117	16,223	17,693	19,333
Other current liabilities	11,254	13,677	13,677	13,677
Total Equity & Liabilities	**84,885**	**96,435**	**1,06,661**	**1,17,926**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	18,038	17,407	18,792	21,922
Add. Depreciation	2,716	3,053	3,407	3,627
Add. Interest	(307)	(110)	-	-
Less Financial Other Income	1,564	1,536	1,827	2,149
Add. Other	294	(388)	-	-
Op. profit before WC changes	20,741	19,962	22,199	25,549
Net Changes-WC	(557)	(223)	(1,812)	(1,222)
Direct tax	(5,256)	(4,928)	(5,168)	(6,029)
Net cash from Op. activities	**14,928**	**14,811**	**15,219**	**18,299**
Capital expenditures	(2,143)	(7,091)	(3,662)	(3,782)
Interest / Dividend Income	461	488	-	-
Others	(651)	1,509	-	-
Net Cash from Invt. activities	**(2,333)**	**(5,094)**	**(3,662)**	**(3,782)**
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(4,967)	(5,292)	(5,624)	(6,897)
Interest paid	(509)	(565)	-	-
Others	(1,103)	(1,325)	-	-
Net cash from Fin. activities	**(6,579)**	**(7,182)**	**(5,624)**	**(6,897)**
Net change in cash	**6,016**	**2,535**	**5,933**	**7,620**
Free Cash Flow	12,400	13,695	14,057	17,017

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Net Revenue	**24,619**	**25,729**	**26,530**	**29,824**
YoY gr. (%)	*(3.0)*	*4.5*	*3.1*	*12.4*
Raw Material Expenses	17,403	18,192	18,849	21,540
Gross Profit	7,216	7,537	7,681	8,284
Margin (%)	*29.3*	*29.3*	*29.0*	*27.8*
EBITDA	**4,562**	**4,660**	**5,025**	**4,755**
YoY gr. (%)	-	-	-	-
Margin (%)	*18.5*	*18.1*	*18.9*	*15.9*
Depreciation / Depletion	726	783	728	816
EBIT	**3,836**	**3,877**	**4,297**	**3,939**
Margin (%)	*15.6*	*15.1*	*16.2*	*13.2*
Net Interest	-	-	-	-
Other Income	491	531	180	334
Profit before Tax	**4,327**	**4,408**	**4,477**	**4,273**
Margin (%)	*17.6*	*17.1*	*16.9*	*14.3*
Total Tax	1,188	1,208	1,204	1,171
Effective tax rate (%)	*27.5*	*27.4*	*26.9*	*27.4*
Profit after Tax	**3,139**	**3,200**	**3,273**	**3,102**
Minority interest	(3)	(4)	29	9
Share Profit from Associates	-	-	-	-
Adjusted PAT	**3,136**	**3,196**	**3,224**	**3,111**
YoY gr. (%)	*(8.0)*	*1.9*	*0.9*	*(3.5)*
Margin (%)	*12.7*	*12.4*	*12.2*	*10.4*
Extra Ord. Income / (Exp)	-	-	78	-
Reported PAT	**3,136**	**3,196**	**3,302**	**3,111**
YoY gr. (%)	*(8.0)*	*1.9*	*3.3*	*(5.8)*
Margin (%)	*12.7*	*12.4*	*12.4*	*10.4*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**3,136**	**3,196**	**3,224**	**3,111**
Avg. Shares O/s (m)	106	106	109	106
EPS (Rs)	**29.6**	**30.1**	**29.7**	**29.3**

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	123.3	119.0	129.0	150.4
CEPS	149.0	147.7	161.2	184.7
BVPS	504.0	571.1	650.1	735.4
FCF	117.3	128.6	132.8	160.7
DPS	50.1	55.6	53.1	65.1
Return Ratio(%)				
RoCE	24.4	20.3	19.0	19.5
ROIC	15.3	13.7	13.0	13.6
RoE	26.7	22.2	21.1	21.7
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.4)	(0.5)	(0.6)
Net Working Capital (Days)	37	65	62	59
Valuation(x)				
PER	36.3	37.6	34.7	29.7
P/B	8.9	7.8	6.9	6.1
P/CEPS	30.0	30.3	27.8	24.2
EV/EBITDA	23.2	23.7	21.6	18.4
EV/Sales	4.6	4.2	3.6	3.2
Dividend Yield (%)	1.1	1.2	1.2	1.5

Source: Company Data, PL Research

Tata Elxsi (TELX IN)

Rating: SELL | CMP: Rs6,212 | TP: Rs4,950

May 19, 2025

Company Initiation

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	35,521	37,290	38,860	43,513
EBITDA (Rs. m)	10,466	9,729	10,187	11,720
Margin (%)	*29.5*	*26.1*	*26.2*	*26.9*
PAT (Rs. m)	7,925	7,849	8,097	9,337
EPS (Rs.)	127.2	126.0	130.0	149.9
Gr. (%)	*4.9*	*(1.0)*	*3.1*	*15.3*
DPS (Rs.)	70.0	75.0	70.0	70.0
Yield (%)	*1.1*	*1.2*	*1.1*	*1.1*
RoE (%)	*34.5*	*29.3*	*26.6*	*26.8*
RoCE (%)	*28.5*	*22.9*	*21.5*	*22.0*
EV/Sales (x)	10.6	10.0	9.5	8.3
EV/EBITDA (x)	35.9	38.3	36.2	30.9
PE (x)	48.8	49.3	47.8	41.4
P/BV (x)	15.4	13.5	12.0	10.4

Key Data	TTEX.BO | TELX IN
52-W High / Low	Rs.9,083 / Rs.4,601
Sensex / Nifty	82,331 / 25,020
Market Cap	Rs.387bn/ $ 4,524m
Shares Outstanding	62m
3M Avg. Daily Value	Rs.1904.55m

Shareholding Pattern (%)

Promoter's	43.91
Foreign	12.73
Domestic Institution	8.54
Public & Others	34.82
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	26.0	(2.5)	(14.9)
Relative	17.9	(8.2)	(23.9)

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Designing the future

With its design and engineering capabilities, TELX is well placed to benefit from the increasing in-vehicle engineering and research & development (ER&D) spends. Its unique embedded design offering provides early access to OEMs' investments. However, given the ongoing transition in automotive space and a layer of tariff uncertainties on top would make FY26 even more challenging to drive growth despite winning notable large deals within this space. Despite securing a record-high TCV ($100m) in Media & Communications (M&C) space, the outlook for the segment remains discouraging. We expect the consolidation deal to compensate for the structural weakness within the space and support growth in the latter half of FY26. Further, strong headcount additions (+13% YoY) in FY24 followed by a net decline (~7% YoY) in FY25 have kept the utilization rate under pressure (at ~70%), attributed to muted topline growth. We expect TELX to be prudent with hiring in order to optimize utilization and other margin levers (Offshoring and FPP). Our FY25E-27E USD revenue/EBITDA/PAT CAGR estimates are 5.3%/9.8%/9.1%. Valuation remains expensive (~40x FY27E), we initiate coverage on TELX with 'SELL' rating and TP of Rs 4,950 valuing it at 33x FY27E earnings.

- **Complementary design & engineering capabilities:** Amid increasing vehicle electrification and softwarization, TELX's strong design and engineering capabilities in SDV, ADAS, and connected vehicles position it to significantly benefit when US and European auto OEMs resume their currently paused futuristic programs and delayed decision-making due to industry headwinds.

- **Changing automotive landscape favoring TELX:** As vehicles incorporate more software and electrical components, OEMs are reducing reliance on Tier 1 suppliers and increasing direct engagement with outsourcing vendors. This shift has resulted in TELX's OEM revenue concentration increasing from 56% in Q4FY24 to 72% in Q4FY25.

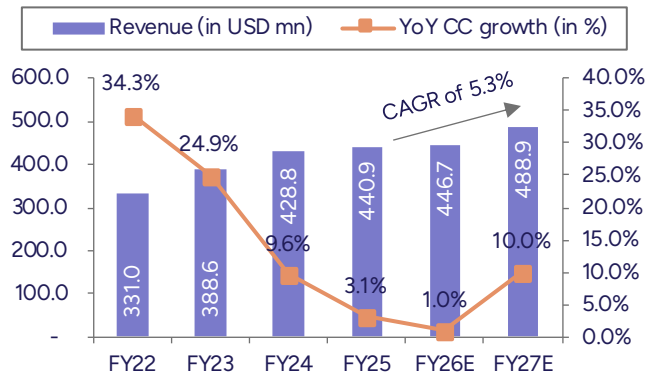
- **Domain expertise driving TAM expansion:** TELX's high-quality talent pool enables market expansion beyond its core territory. By integrating horizontal services within verticals and using a 2-in-a-box model for cross-functional opportunities, TELX has expanded its service portfolio to include aerospace and semiconductor markets, adding ~$17bn TAM.

- **Exploring captives and JVs to meet auto OEM demand:** Facing industry pressures major auto OEMs are forming partnerships and JVs. TELX's strong Japanese market presence gives it an advantage to build relationships with advanced Japanese auto players, a strategy it can replicate in its existing markets.

- **Bottoming out of M&C and H&L:** Improved US spending sentiment is expected to accelerate deal closures and shorten sales cycles through FY26. Proactive client engagement and a strong deal pipeline suggest the M&C vertical is recovering, while healthy growth in H&L's regulatory and compliance areas and a robust pipeline indicate continued strength, likely further boosted by Medicare and Medicaid policy resets.

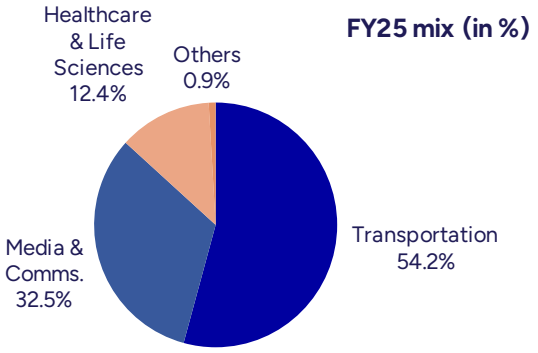
Story in Charts

Exhibit 115: Rev. CAGR estimated at 5.3% in FY25E-27E



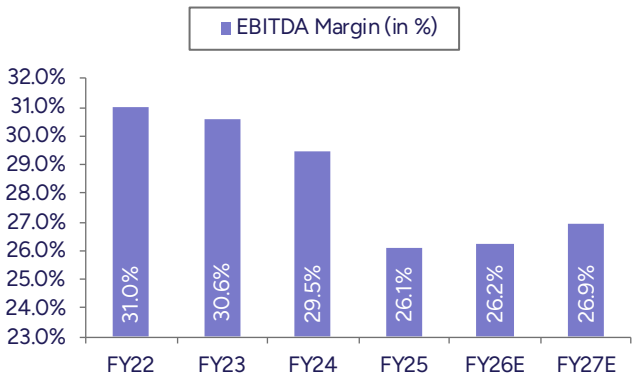
Source: Company, PL

Exhibit 116: Transportation contributes over 50% to SDS



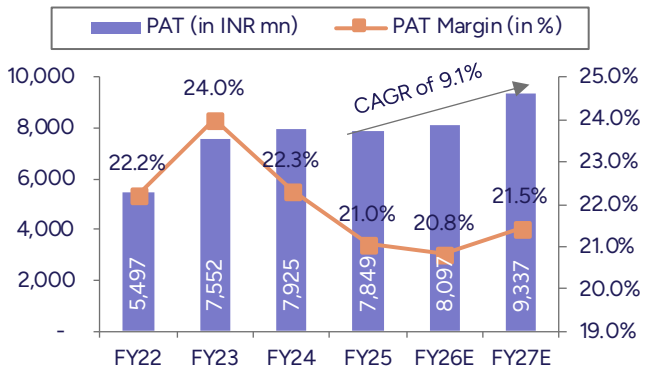
Source: Company, PL

Exhibit 117: Margins to expand by 80bps over FY25E-27E



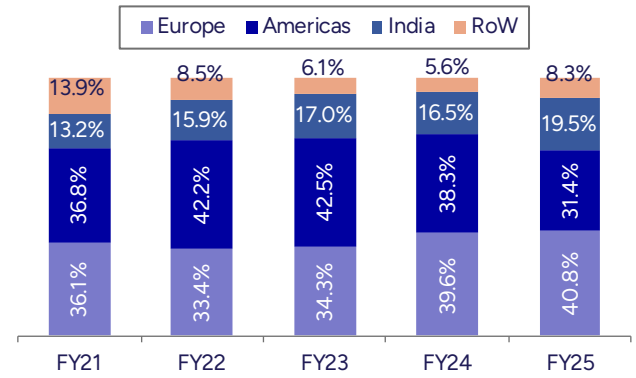
Source: Company, PL

Exhibit 118: PAT CAGR of 9.1% estimated over FY25E-27E



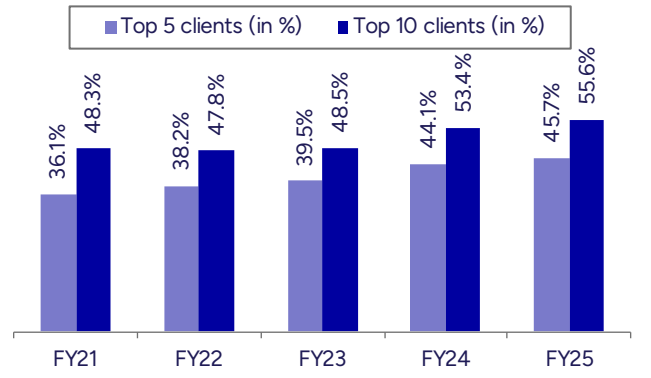
Source: Company, PL

Exhibit 119: Europe & US contribute ~72% of revenue



Source: Company, PL

Exhibit 120: Top clients drive revenue for TELX

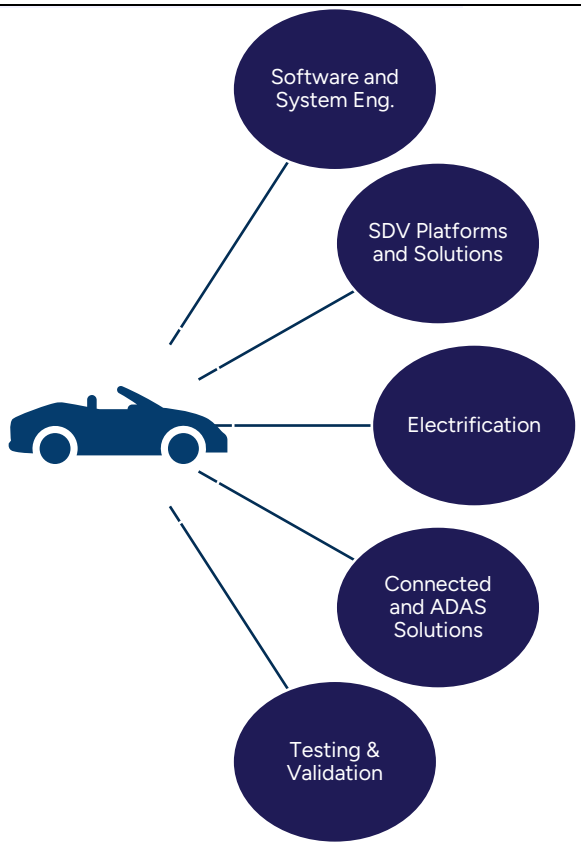


Source: Company, PL

TELX: Focused on continued product innovation

Transportation: TELX offers a comprehensive suite of services that cater to the evolving needs of the automotive, aerospace, and railway industries. Its offerings span the entire PDLC, from concept design to validation and deployment. The following are some key service offerings of the company:

Exhibit 121: Horizontal offerings in Transportation



- **SDV**
- **Automotive software engineering**
- **Vehicle system engineering**
- **Battery pack development**
- **Automotive virtualization**
- **System testing & HILS**
- **Passenger experience & CASE**

Source: Company, PL

Automotive: With rapid transformation in the automotive industry, OEMs & Tier 1 suppliers are actively seeking partnerships with outsourcing players to bridge the technical gap and speed up the product life cycle with new emerging technologies such as autonomous driving, electrification and connectivity. TELX offers the following services along with its products & solutions to accelerate the PDLC:

- **SDV:** TELX provides services for building SDV architectures, enabling software-centric vehicle design. Services include developing vehicle operating systems, middleware, and applications, leveraging its platforms, TETHER, AVENIR, and AUTOSAR, to facilitate connected vehicle solutions and a cloud-agnostic SDV framework.
- **EV:** TELX provides expertise in battery management systems (BMS), power electronics, charging infrastructure, and EV platform development. They also offer solutions for electric powertrain design, simulation, and validation.
- **Vehicle Engineering Services:** It provides traditional engineering services, including mechanical design, embedded systems development, and validation testing.

- **Battery Pack Development:** TELX provides comprehensive battery pack development services, catering to the increasing demands of the EV industry. Its expertise spans the entire battery development lifecycle, from initial design to validation and deployment.

- **System Testing & HILS:** TELX provides critical system testing and hardware-in-the-loop (HILS) services, particularly for the automotive industry, to ensure reliability and safety of complex electronic systems. Its expertise helps automotive manufacturers detect defects early, reduce costly physical testing, and ensure the delivery of high-quality, safe, and reliable vehicles.

Aerospace: The aerospace segment is undergoing a significant transformation, driven by the need for efficient manufacturing to accelerate aircraft production, improved fuel efficiency to reduce carbon emissions, and enhanced passenger experiences. TELX, with its deep domain knowledge in aerospace engineering, maintains a strong presence in the sector, providing a range of digital engineering and technology services. Their offerings are designed to help aerospace companies innovate, improve efficiency, and enhance safety. Key offerings include:

- **Aerostructure Design & Engineering:** TELX offers expertise in the design and engineering of both primary and secondary aerostructures. It utilizes advanced simulations, AI-led design, and digital tools to optimize designs and improve efficiency.

- **Avionics:** TELX offers comprehensive avionics platform development services, including system and software engineering. This includes work on surveillance, communication, navigation, and control systems, as well as safety analysis and verification.

- **Aerospace Electrification:** TELX is involved in the development of electrification solutions for aerospace, focusing on areas like control and actuation systems, propulsion, and battery management. This addresses the growing demand for greener and more efficient aircraft.

- **Aerospace Digitalization:** TELX helps aerospace companies digitalize their operations, from design and production to maintenance. This involves leveraging model-based engineering, digital twins, and AI/ML to improve efficiency and reduce costs.

Rail: TELX is actively contributing to the modernization of the rail industry through a range of digital engineering and technology services. TELX's offerings address the growing demand for safer, more efficient, and passenger-friendly rail transportation. The following are key services offerings within the segment:

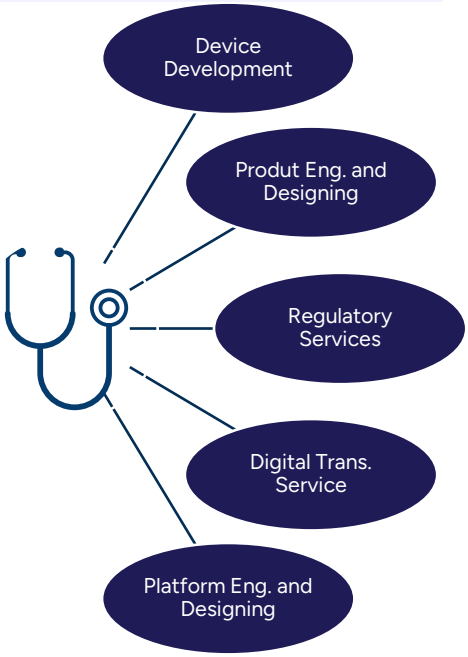
- **Rolling Stock and Systems:** TELX provides expertise in the design, development, and validation of rolling stock. This includes mechanical engineering, embedded systems engineering, and system integration.

- **Digitalization:** TELX offers comprehensive rail digital transformation solutions, leveraging technologies like AI/ML, big data analytics, and cloud-based platforms. This includes solutions for predictive maintenance, remote diagnostics, collision avoidance, efficient monitoring and control.

- **Passenger Experience:** TELX offers services to enhance passenger experience through services such as UI/UX design, AI-powered solutions, extended reality & transportation styling.

H&L: TELX's H&L division focuses on leveraging technology and design to improve patient outcomes and accelerate innovation in the medical field. Its offerings span a wide range of services, addressing the evolving needs of medical device manufacturers, pharmaceutical companies, and healthcare providers. Following are key service offerings of TELX:

Exhibit 122: Horizontal offerings in H&L



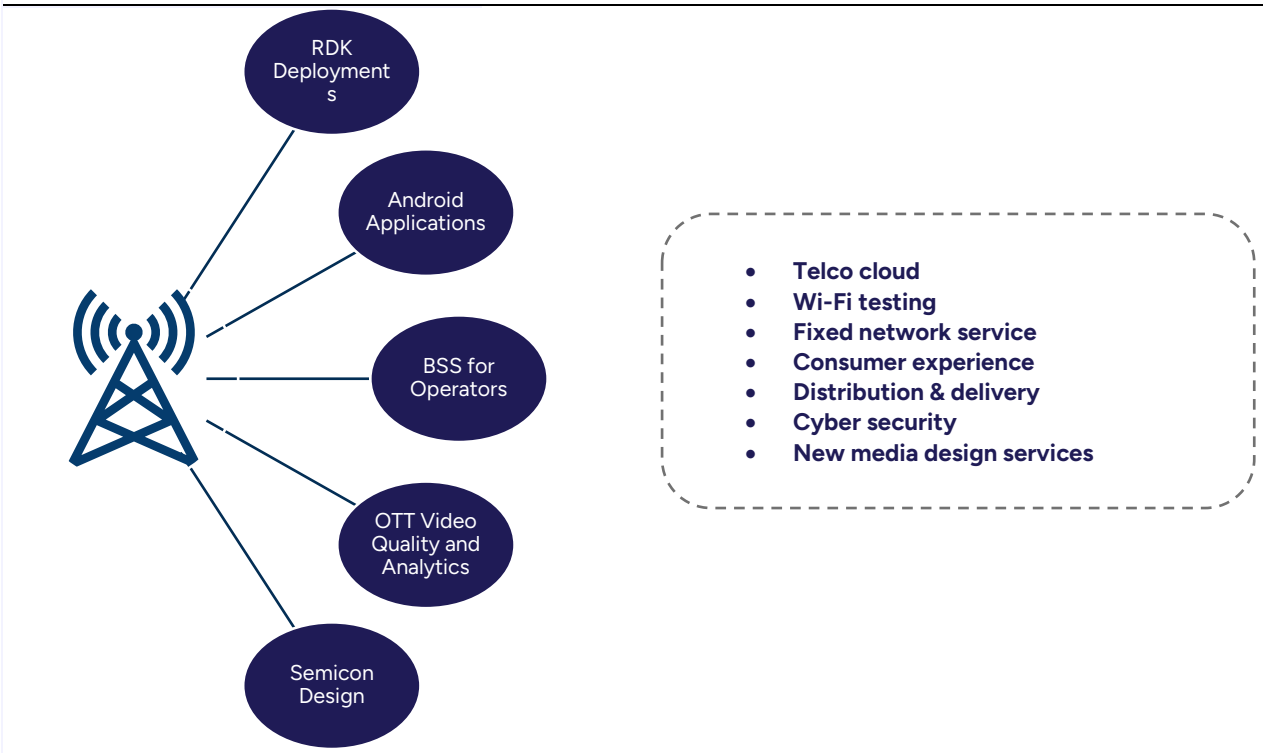
- **Medical device design & engineering services**
- **Digital health engineering**
- **Medical device regulatory compliance**
- **Pharmaceutical & biotechnology compliance**

Source: Company, PL

- **Medical Device Design & Development:** TELX provides end-to-end services for the design and development of medical devices, including Product conceptualization and design, Embedded software development, Usability engineering and human factors design, Regulatory compliance support and Verification and validation.
- **Digital Health Solutions:** TELX develops digital health solutions that enable remote patient monitoring, telehealth, and personalized healthcare. This includes mobile health (mHealth) applications, wearable device integration, cloud-based healthcare platforms and AI/ML powered data analytics.
- **Pharmaceutical & Life Sciences Solutions:** TELX offers solutions for pharmaceutical and life sciences companies, focusing on digital transformation of drug discovery and development, clinical trial data management, regulatory information management and development of digital therapeutics.
- **Regulatory Compliance & Quality Management:** TELX assists clients in navigating the complex regulatory landscape, ensuring compliance with standards such as FDA, CE, and ISO 13485. It also offers cybersecurity services for medical devices.

M&C: TELX offers a wide range of services and solutions that cater to the evolving needs of content creators, broadcasters, and telecom operators. Its focus is on enabling digital transformation, enhancing user experiences, and driving innovation. The following are key service offerings of TELX:

Exhibit 123: Horizontal offerings in M&C



Source: Company, PL

- **Content Creation & Distribution:** TELX provides services for content creation, production, and distribution, including video engineering & processing, cloud-based media workflows, OTT platform development, content management systems and Metaverse and virtual production.
- **Connectivity & Communications:** TELX offers expertise in areas of 5G network solutions, network virtualization, IoT platform development, telecom software development, etc.
- **Emerging Technologies:** TELX also offers services for development and implementation of emerging technologies like VR & AR, AI & ML and cloud-based solutions.

Investment Arguments

Complementary design & engineering capabilities

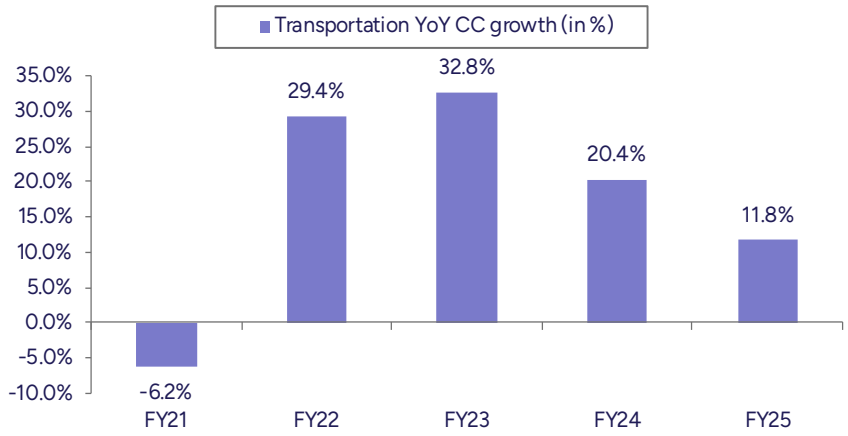
Transition from ICE to EVs and hybrids, and increasing digital inputs driving transportation segment

TELX has fine-tuned its design engineering and embedded capabilities through its long-standing relationship with the anchor accounts – TTMT and JLR. These accounts have not only helped TELX to win incremental business but also strengthen its engineering capabilities, which otherwise requires extensive time and testing.

TELX's exceptional design capability has enabled it to land and expand strategic accounts. More importantly, participating in the design architecture or deliveries of clients gives early access to their product roadmap and futuristic investments. With increasing softwarization and electrification, design and engineering architectures have become even more critical to meet the demand for improving cockpit experience. Also, auto OEMs prefer to engage with outsourcing vendors that keep the 2 frameworks (design & engineering) aligned to their costs, pricing and features.

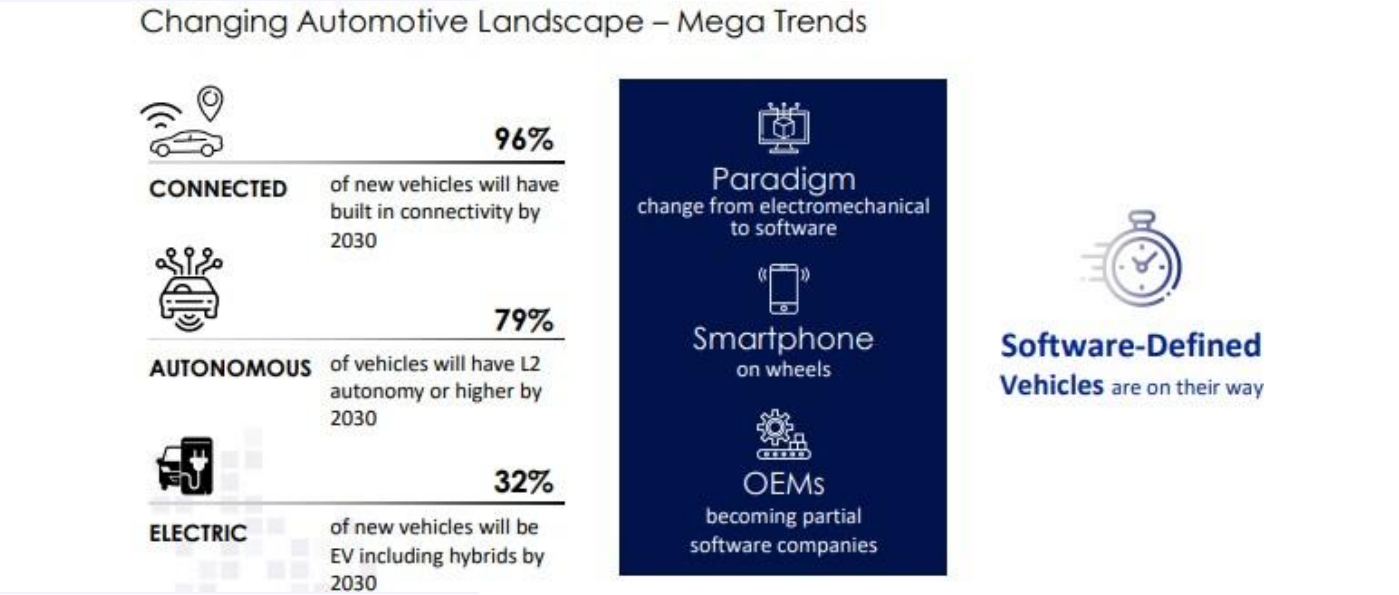
Software development service (SDS), encompassing the erstwhile EPD and IDV offerings, contributes ~98% to overall revenue and grew at a CAGR of 13.9% and 9.7% during FY19-22 and FY22-25, respectively. SDS includes technology consulting, new product design & development, and testing services for all the 3 BUs of the company. Current challenges in the automotive space have blurred the near-term visibility and outlook of the US and Europe-dominated auto OEMs, which is forcing them to pause futuristic programs and delay decision-making. We believe the headwinds are industry-oriented, and TELX, with its complementary offerings in design and engineering, would benefit the most once OEMs resume non-critical spending.

Exhibit 124: Transportation revenue growth moderating



Source: Company, PL

Exhibit 125: Changing automotive landscape



Source: Company, PL

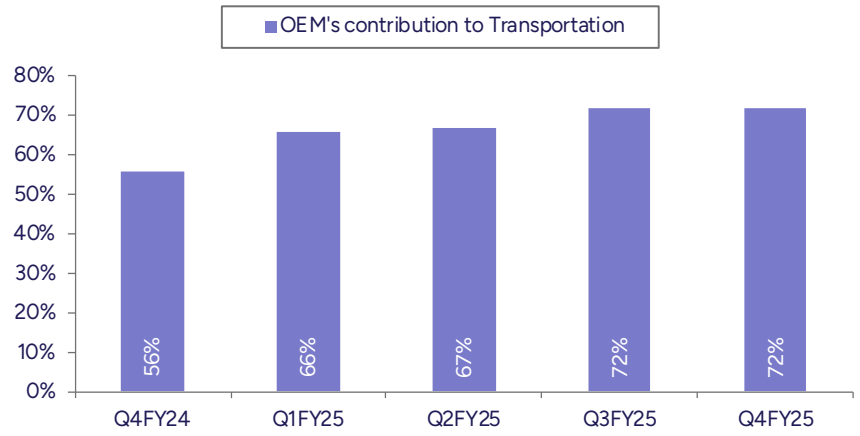
OEM contribution to revenue increased to over 70% from 56% in the past 15 months

Changing automotive landscape favoring TELX

The company has made early investments in digital and software-defined aspects, and pivoted its service offerings to design-oriented, embedded and digital architecture. The changing automotive landscape – from purely mechanical to SDVs – is favoring the company and helping it gain higher wallet share from top global OEMs.

More importantly, the changing landscape is improving direct connects with global OEMs, earlier routed through Tier-1 suppliers. This is driven by the increasing proportion of software and electrical components vs mechanical. Direct engagement with outsourcing vendors is improving cost transparency, pricing and integration aspects. which can be OEM concentration in TELX revenue has increased from 56% in Q4FY24 to 72% by Q4FY25.

Exhibit 126: Improving OEM revenue concentration from Q4FY24-Q4FY25



Source: Company, PL

There has been a frantic race to increase participation in software, electrification and embedded aspects of mobility. As per a BCG-Nasscom study, growth in digital engineering (+15% CAGR) would significantly outpace legacy spends (+2% CAGR) during CY23E-30F. However, considering the current headwinds, especially in the US and Europe, outsourcing vendors would have to assist OEMs in the critical aspects of hybrid engineering and cost optimization, and build unique UI/UX on the software fabric.

We believe, with strong engineering and embedded capabilities and over 2 decades of experience built through multiple referrals, including its anchor accounts, TELX is on a better footing to deliver unique, creative solutions to bridge the gap between traditional manufacturing and advanced capabilities of Chinese OEMs. However, to address this gap, the spending sentiment should improve and confidence should flow through the US and Europe OEMs first, which will take at least 2HFY26 to achieve stability before it gains momentum in early FY27.

Domain expertise driving TAM expansion

TELX has identified multiple adjacencies in each core vertical and de-risked its vertical portfolio mix. High-quality talent pool with expertise in multiple disciplines/domains is driving fungibility. With this, TELX is in a better position to expand its addressable market by catering to sub-verticals beyond its core territory.

Also, the company has integrated its horizontal service offerings within each vertical/sub-vertical and created a 2-in-a-box model to drive cross-functional opportunities. These strategic initiatives have helped the company to acquire multiple-year large deals from top global auto OEMs, telecom operators and healthcare device manufacturers.

Exhibit 127: TELX's tentative addressable market based on business mix

Source: Zinnov, PL

The growing TAM is supported by TELX's talent fungibility along with investments in high-growth areas.

- Within Automotive, TELX has invested beyond the line of SDV and connected to a suite of EV solutions and expertise in the development of inverters, electric motors, skateboard design, and battery management systems.
- Within M&C, the company has expanded its footprint in the LATAM and MEA regions vs US dominated earlier. Additionally, the company has invested in developing a new age platform to draw video analytics, device monitoring and customer experience monitoring to cater to adtech and telecom operators.
- Within H&L, the company has entered providers and pharma markets with digital platform, regulatory and compliance services.

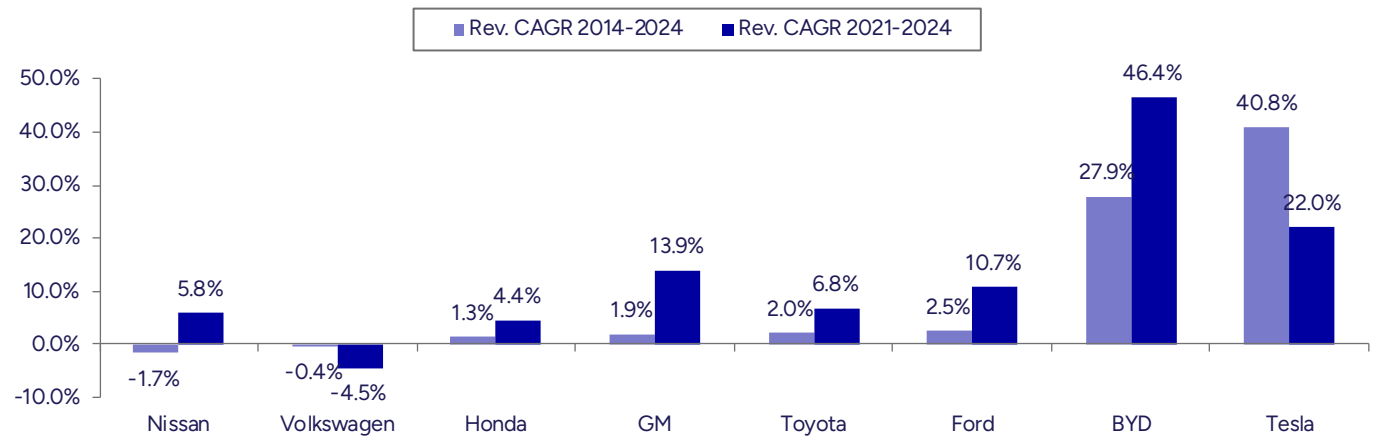
Exploring captives and JVs to address auto OEM demand

The changing automotive landscape and intense competition from Chinese OEMs are pushing US and European auto OEMs to innovate faster, bring efficiency and address technical know-how gap. Industry-led challenges due to increasing competition, pricing, optimizing cost and improving in-vehicle experience are compelling major auto OEMs to build partnerships and JVs. With this tactical shift, niche outsourcing players get to participate through in-house captives (on either side) or predominantly address the skillset gap, to assist design engineering or optimize business functions.

TELX is still in the exploratory phase of building JVs or partnerships with Japanese clients, though it has established a strong market presence in the country through long standing relationships with OEMs and Tier-1 suppliers. Japan's intricate cultural and market dynamics make it challenging for new entrants to gain a foothold in the country. In such a scenario, TELX has an edge over peers to establish mindshare with advanced Japanese auto players. More importantly, the Japanese market is open to establishing JVs with outsourcing providers, unlike the Chinese.

TELX has not entirely eliminated Chinese auto OEMs for creating JVs. However, given the complexity and regulatory challenges involved, penetrating the Chinese market is unfavorable, especially since the space is unexplored.

Exhibit 128: Alternative fuel vehicle companies seeing robust growth



Source: Company, PL

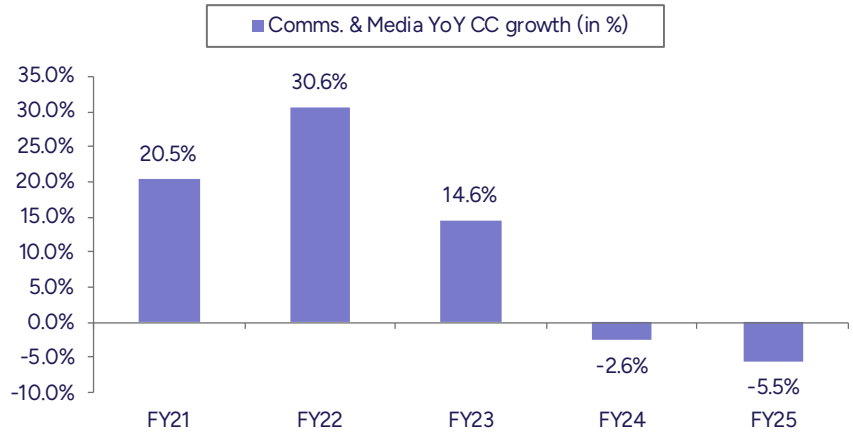
Bottoming out of M&C and H&L verticals

M&C to stabilize in near term

The weakness within M&C vertical witnessed over the last 2 years can be attributed to sectoral challenges in communications, market consolidation within the media space, and predominant presence of the M&C vertical in the US region.

- Revenue profile and capex cycle of communications business in the US region are still recovering after the sharp decline in FY24 & FY25. Reduction in the US borrowing rates has arrested a large part of debt obligations within telco books (telco operators contribute to ~70% of revenue). Uptick in large deal activities within communications indicate recovery within the space.
- Within the media space, consolidation among players is shrinking the overall addressable outsourcing pie. The emerging new age revenue model and continued innovation within the industry make the space highly attractive in terms of M&A.
- TELX is de-risking the weakness within M&C pocket by investing heavily in an IP-led (annuity revenue) platform, which has partially offset weakness in the project-led business.
- With improvement in spending sentiment in the US, we expect deal closure activities and sales cycle to improve through FY26. Green shoots within M&C in terms of proactive client engagement and a healthy deal pipeline, indicate the vertical has bottomed out and should recover in a few quarters.

Exhibit 129: M&C CC growth (FY21-25) declined due to industry challenges

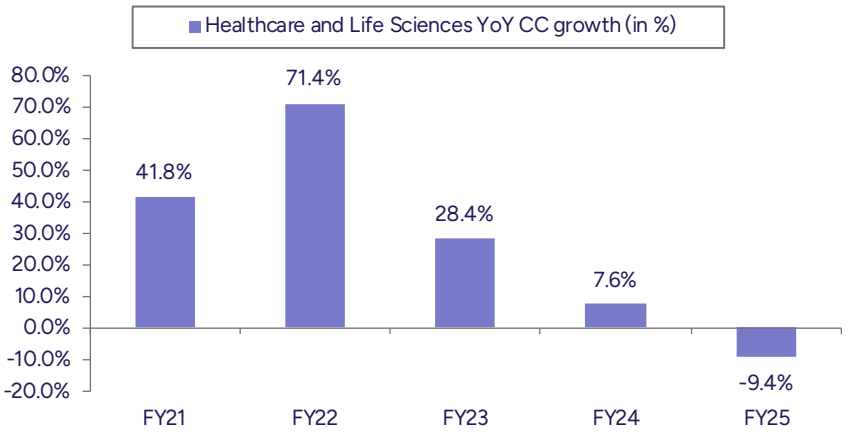


Source: Company, PL

H&L seeing early signs of recovery

The vertical is predominantly dependent upon the US medical device manufacturing and providers' businesses. And both these businesses have been facing industry-led headwinds. The former was affected by the deferment of the MDR clause, while the latter sees spending deferrals due to no clarity on the US Medicare and Medicaid policies.

Exhibit 130: H&L CC growth (FY21-25)



Source: Company, PL

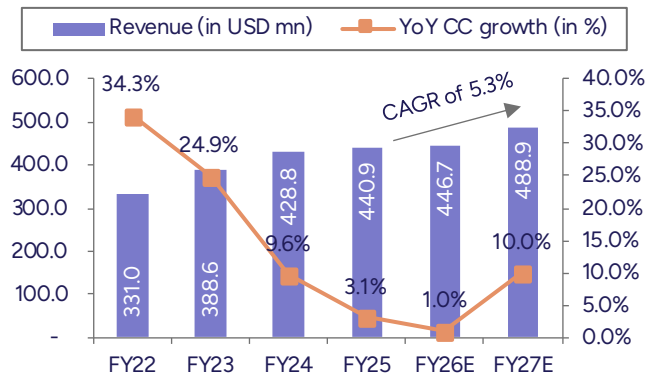
- Regulatory and compliance areas of H&L have witnessed healthy recovery in the recent quarter. Even the pipeline for these functions remains strong, which gives early visibility into FY26.
- Decision making or deal closure activities within the providers segment are seeing deferrals. Presumably the Medicare and Medicaid policies would reset the spending sentiment and drive certainty to providers' platforms and solutions.

USD revenue to grow by CAGR of 5.3% during FY25-27E, while INR revenue to grow by 8%

Financials & Valuations

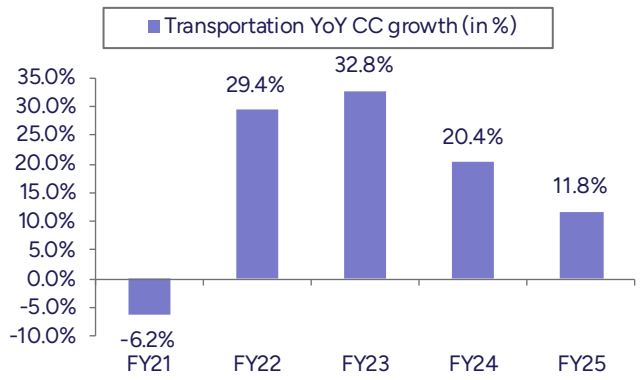
TELX's business mix has been a key factor supporting balanced growth of pockets that remain under stress while stimulating others amid changing market dynamics. Despite volatility within all the 3 pockets, TLEX reported 11.7% CAGR in USD revenue over FY19-25. The company's strategy to dig deeper into adjacent verticals with its multi-domain expertise has helped fill the gaps created through the current volatile period. Additionally, the structural re-classification of horizontal and vertical strengths along with the 2-in-a-box model strategy, has helped the company in hunting and farming strategic accounts. Top 5 strategic accounts grew by 13.4% CAGR over FY19-25, outpacing consolidated revenue growth.

Exhibit 131: USD revenue and CC growth over FY21-27E



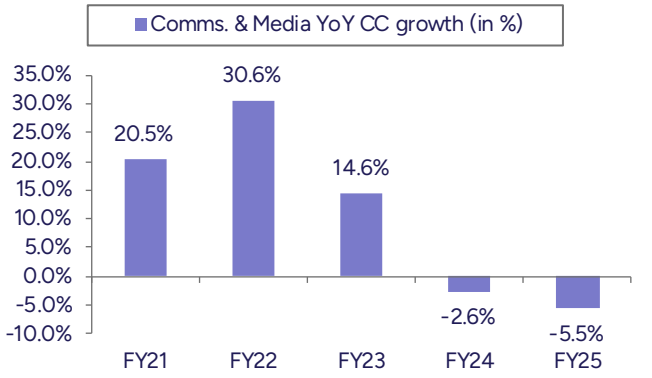
Source: Company, PL

Exhibit 132: Transportation CC revenue growth over FY21-25



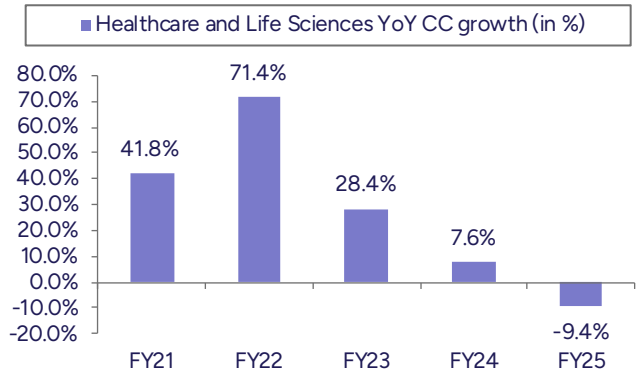
Source: Company, PL

Exhibit 133: M&C CC revenue growth over FY21-25



Source: Company, PL

Exhibit 134: H&L CC revenue growth over FY21-25



Source: Company, PL

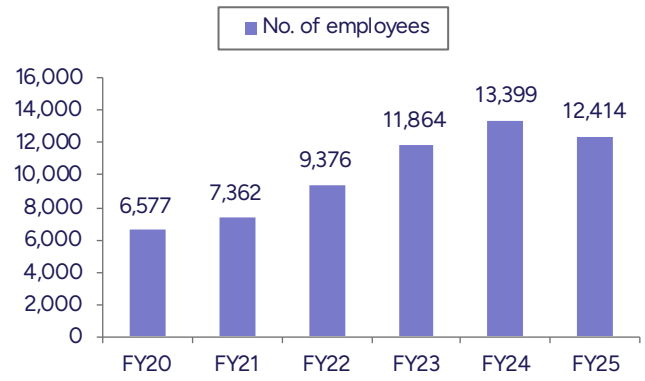
However, considering the challenges plaguing the automotive industry (especially in the US and Europe), top clients should underperform against the consolidated revenue growth in the near-term. The company's growth trajectory is anchored around top accounts, which themselves are facing challenges. At the same time, recovery within M&C and H&L would not be meaningful to compensate for the near-term weakness in the Transportation space. We expect TELX CC revenue to grow at 1% YoY in FY26E due to weakness in multiple pockets before it sees recovery in FY27 with 10% YoY growth. We expect the ramp-up of large deals to support growth in the near term. However, the structural weakness would continue to weigh on FY26 revenue growth. We expect tariff uncertainties to fade by 2HFY26 and drive incremental engagement on PVs through early FY27.

EBITDA margin to increase by 80bps during FY25-27E

Margins to expand 80bps by FY27

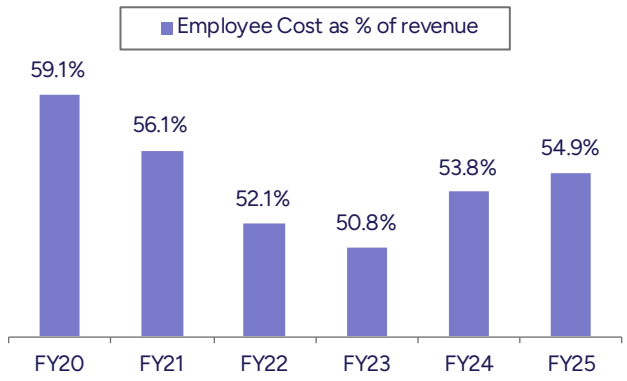
TELX has been keeping a tight control on margins and has delivered avg 25%+ EBIT margin over FY18-24. Robust offshore effort mix (>90%) and premium realization on quality services have supported margins. Reduction in margins (from FY22 elevated level) over the last 2 years was majorly a function of the inflationary environment and supply-demand challenges, which have mitigated largely. Weakness in EBITDA margin in the recent past (26.1% in FY25 vs 29.5% in FY24) was attributed to muted revenue growth (+5% YoY FY25).

Exhibit 135: Employee headcount declines in FY25



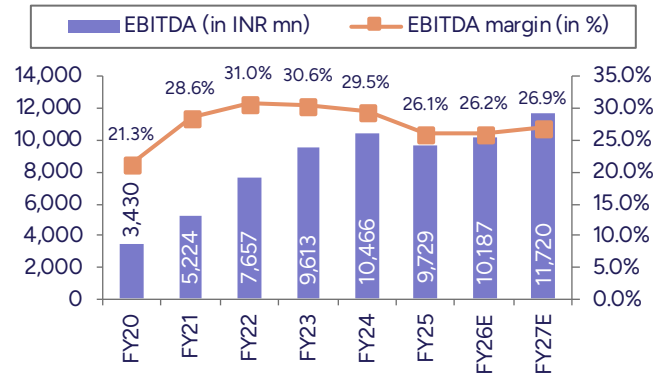
Source: Company, PL

Exhibit 136: Employee cost as a % of revenue increases



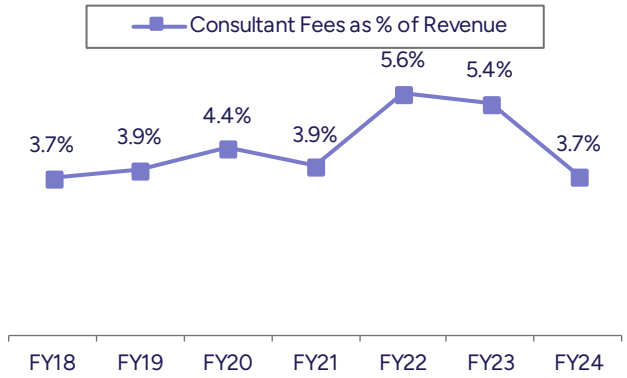
Source: Company, PL

Exhibit 137: INR EBITDA and margin



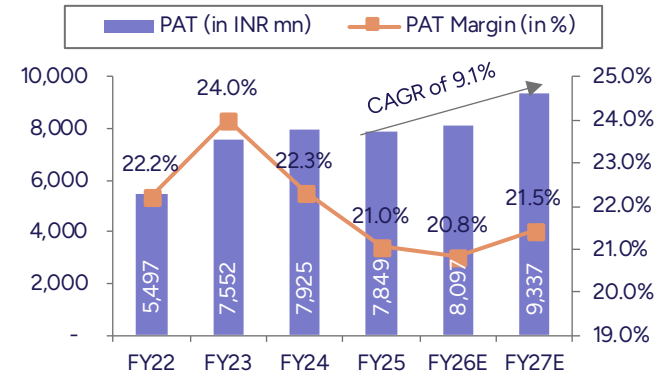
Source: Company, PL

Exhibit 138: Consultant fees at pre-Covid levels



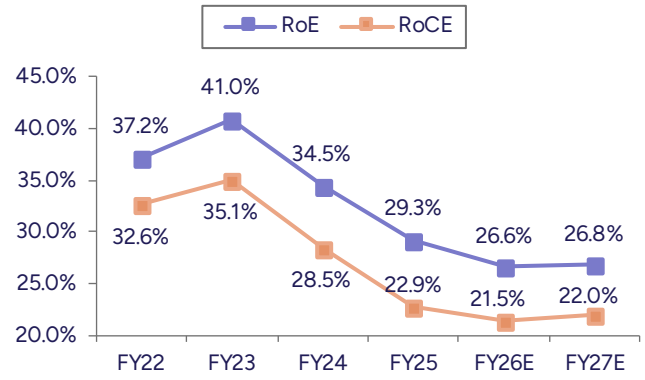
Source: Company, PL

Exhibit 139: INR PAT and margin



Source: Company, PL

Exhibit 140: ROE and ROCE trend (%)



Source: Company, PL

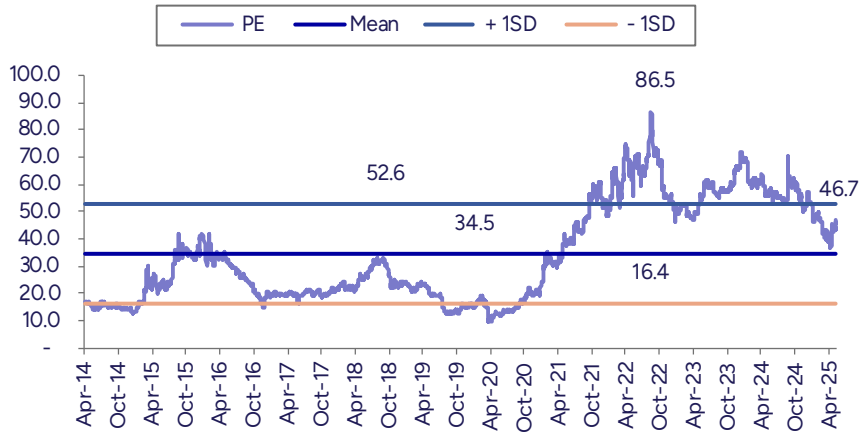
Strong net headcount addition of ~20% CAGR over FY22-24 did not result in productivity benefits during the challenging period, leading to utilization rate falling by ~10pp in FY25. Hence, utilization is expected to be a critical margin lever going forward. Net headcount decline in FY25 indicates that hiring is expected to be much lower than in the last couple of years, leading to better productivity and efficiency; cross-pollinating talent for adjacencies could be the way forward. Secondly, material reduction in the revenue concentration of US geographies by ~700bps YoY in FY25, is resulting in lower realization and weighing on overall operating margins.

We expect TELX to report EBITDA margin of 26.2.0%/26.9% in FY26E/FY27E, an improvement of 10bps/70bps YoY. We anticipate the softness to continue till H1FY26. With sufficient talent available to address the incremental demand, we expect top-line growth to outpace net headcount addition over the next 2 years.

Valuation and Outlook

We expect TELX's CC revenue/earnings to clock 5.4%/9.1% CAGR over FY25-27E. Industry-wide challenges, weighing on its near-term growth, are expected to continue for a few more quarters. Auto OEMs across the US and Europe are actively seeking solutions to drive efficiency and productivity. Partnerships in EV, BMS and powertrain solutions, will open up opportunities for TELX in a wider spectrum of vehicle architecture going forward. However, the near-term growth visibility remains weak which is expected to keep the margins in a narrow band in FY26 before witnessing recovery in FY27. Valuation remains expensive (~41x FY27E), we arrive at TP of Rs 4,950 valuing the company at 33x FY27E EPS. Initiate with 'SELL' rating.

Exhibit 141: TELX 1-year forward PE band



Source: Company, PL

Key Risks

- The Transportation segment, which contributes to over 50% of the company's revenue, has witnessed a slowdown since H2FY25 due to strong competition faced by European OEMs from Chinese OEMs. This headwind has been compounded by tariff uncertainty, which could lead to a further delay in demand recovery in the transportation sector.
- Industry consolidation and high interest rates, leading to reduced capex, are creating headwinds for the M&C segment, as evidenced by the revenue decline in FY25. Furthermore, anticipated economic slowdown in the key US region poses a risk of prolonged weakness in this segment.
- The healthcare segment in the US is experiencing headwinds due to government efficiency initiatives and reduced Medicaid funding. This decreased funding poses a significant risk for the company.
- TELX derives ~45% of its revenue from its top 5 clients, and any downturn or loss within this key customer group could directly and substantially impact the company's overall financial performance.
- The company has experienced a steady increase in LTM attrition and its employee cost-to-revenue ratio over the last 2 fiscal years. Continued increase in these metrics poses a risk to the company's profitability.
- Traditional IT companies are also acquiring businesses in the automotive ER&D sector, which could intensify competition among IT service providers and pure-play ER&D firms.
- The potential for a US recession presents a significant challenge for the company. This concern stems from the likely reduction in spending by its US-based clientele, compounded by the fact that the US is a substantial market for global OEMs, whose potential downturn would also impact TELX's global client base.

Annexures

Board of Directors & KMP

Exhibit 142: Board of Directors

Name	Designation	Educational qualifications	Experience (years)	Brief profile
Mr. N Ganapathy Subramaniam	Chairman (Non-Executive & Non-Independent)	Master's degree in mathematics from University of Madras	40+	He is the Chairman since 2014 and also served as the COO of TCS from 2017-2024. Prior to this, he served as the Executive VP & Head of TCS Financial Solutions, a strategic business unit of TCS.
Mr. Manoj Raghavan	CEO & MD	BTech from IIT Madras and MBA from IIFT, Delhi	22+	He joined the company in 1997 as Regional Manager and rose through the ranks to become CEO and MD. Prior to this, he served as Executive VP and Head of the Embedded Product Design division, where he led sales, delivery, and P&L.
Dr. Anurag Kumar	Independent Non-Executive Director	BTech from IIT Kanpur and PhD from Cornell University, US	45+	He began his career as a Member of Technical Staff at AT&T Bell Laboratories in the US, where he worked for 7 years. He then returned to India to join as a faculty member of the ECE department at the Indian Institute of Science, becoming a professor in 1996 and serving as the Director from 2014 to 2020.
Mr. Ankur Verma	Non-Executive & Non-Independent	BE in Mechanical Engineering and PGDM from IIM Calcutta	25+	He currently serves as Group Chief Strategy Officer at Tata Sons, bringing over 25 years of experience in investment banking, capital markets, and corporate strategy. His prior experience includes roles at Bank of America Merrill Lynch and Infosys.
Mr. Sudhakar Rao	Independent Non-Executive Director	IAS, master's degree in economics from Delhi School of Economics and in public administration from Kennedy School of Government, Harvard University	30+	He is a retired IAS Officer of the 1973 batch. He has held various positions, including Chairman & Managing Director of Karnataka Urban Infrastructure Development and Finance Corporation; Principal Secretary - Finance; Principal Secretary - Home; Principal Secretary to the Chief Minister of Karnataka; Development Commissioner, and Chief Secretary of Karnataka until his superannuation from government service.
Mrs. Shyamala Gopinath	Independent Non-Executive Director	MCom and Certified Associate of the Indian Institute of Bankers	30+	She retired as Deputy Governor of RBI. She has vast experience in guiding and influencing national policies in diverse areas of financial sector regulation and supervision, development and regulation of financial markets, capital account management of government borrowings, forex reserves management, RBI accounts, and payment and settlement systems.

Source: Company, PL

Exhibit 143: KMP

Name	Designation	Educational qualifications	Experience (years)	Brief profile
Mr. Manoj Raghavan	CEO & MD	BTech from IIT Madras and MBA from IIFT, Delhi	22+	He joined the company in 1997 as Regional Manager and rose through the ranks to become CEO and MD. Prior to this, he served as Executive VP and Head of the Embedded Product Design division, where he led sales, delivery and P&L.
Mr. Gaurav Bajaj	CFO	CA from ICAI	20+	He has spent over 4 years at current company and more than 10 years at Wipro, where he was Finance Head of Digital & Consulting BU. He has also worked at IBM and ETA Ascon.
Ms. Cauveri Sriram	CS & Compliance Officer	CS from ICSI	17+	She completed her CS from ICSI and in this role, she is responsible for ensuring the company's compliance with all applicable legal and regulatory requirements. She acts as a key liaison between the Board of Directors and shareholders, facilitating effective communication and ensuring transparency in corporate governance. Her responsibilities also include active participation in board meetings and contributing to the company's overall governance framework.

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	**35,521**	**37,290**	**38,860**	**43,513**
YoY gr. (%)	*13.0*	*5.0*	*4.2*	*12.0*
Employee Cost	21,061	22,862	23,845	26,528
Gross Profit	14,460	14,428	15,015	16,985
Margin (%)	*40.7*	*38.7*	*38.6*	*39.0*
Employee Cost	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	**10,466**	**9,729**	**10,187**	**11,720**
YoY gr. (%)	*8.9*	*(7.0)*	*4.7*	*15.0*
Margin (%)	*29.5*	*26.1*	*26.2*	*26.9*
Depreciation and Amortization	994	1,049	1,088	1,175
EBIT	**9,472**	**8,681**	**9,099**	**10,545**
Margin (%)	*26.7*	*23.3*	*23.4*	*24.2*
Net Interest	-	-	-	-
Other Income	1,017	1,603	1,554	1,741
Profit Before Tax	**10,489**	**10,284**	**10,654**	**12,286**
Margin (%)	*29.5*	*27.6*	*27.4*	*28.2*
Total Tax	2,564	2,435	2,557	2,949
Effective tax rate (%)	*24.4*	*23.7*	*24.0*	*24.0*
Profit after tax	**7,925**	**7,849**	**8,097**	**9,337**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**7,925**	**7,849**	**8,097**	**9,337**
YoY gr. (%)	*4.9*	*(0.9)*	*3.2*	*15.3*
Margin (%)	*22.3*	*21.0*	*20.8*	*21.5*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**7,925**	**7,849**	**8,097**	**9,337**
YoY gr. (%)	*4.9*	*(0.9)*	*3.2*	*15.3*
Margin (%)	*22.3*	*21.0*	*20.8*	*21.5*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	7,925	7,849	8,097	9,337
Equity Shares O/s (m)	**62**	**62**	**62**	**62**
EPS (Rs)	**127.2**	**126.0**	**130.0**	**149.9**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	**6,837**	**7,000**	**7,169**	**7,357**
Tangibles	6,422	6,586	6,754	6,943
Intangibles	414	414	414	414
Acc: Dep / Amortization	**2,877**	**3,926**	**5,014**	**6,188**
Tangibles	2,597	3,646	4,734	5,909
Intangibles	280	280	280	280
Net fixed assets	**3,960**	**3,074**	**2,155**	**1,169**
Tangibles	3,825	2,940	2,020	1,034
Intangibles	134	134	134	134
Capital Work In Progress	22	122	122	122
Goodwill	-	-	-	-
Non-Current Investments	-	-	-	-
Net Deferred tax assets	239	376	155	174
Other Non-Current Assets	2,304	4,309	4,491	2,698
Current Assets				
Investments	12,239	14,711	17,711	20,711
Inventories	-	-	-	-
Trade receivables	9,716	9,715	10,221	11,683
Cash & Bank Balance	1,332	1,353	1,952	5,247
Other Current Assets	2,080	2,196	2,288	2,437
Total Assets	**31,891**	**35,857**	**39,096**	**44,240**
Equity				
Equity Share Capital	623	623	623	623
Other Equity	24,434	27,977	31,713	36,690
Total Networth	**25,057**	**28,600**	**32,336**	**37,313**
Non-Current Liabilities				
Long Term borrowings	2,354	1,961	1,452	1,626
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	856	1,230	1,241	1,236
Other current liabilities	3,603	4,067	4,067	4,067
Total Equity & Liabilities	**31,870**	**35,857**	**39,096**	**44,24**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	7,922	7,849	10,654	12,286
Add. Depreciation	994	1,049	1,088	1,175
Add. Interest	(933)	(1,165)	-	-
Less Financial Other Income	1,017	1,603	1,554	1,741
Add. Other	2,960	2,868	-	-
Op. profit before WC changes	10,943	10,602	11,742	13,460
Net Changes-WC	(1,351)	(242)	(1,056)	332
Direct tax	(2,580)	(2,239)	(2,557)	(2,949)
Net cash from Op. activities	**7,012**	**8,120**	**8,129**	**10,843**
Capital expenditures	(830)	(162)	(168)	(189)
Interest / Dividend Income	874	820	-	-
Others	(2,745)	(3,741)	(3,000)	(3,000)
Net Cash from Invt. activities	**(2,701)**	**(3,083)**	**(3,168)**	**(3,189)**
Issue of share cap. / premium	-	0	-	-
Debt changes	-	-	-	-
Dividend paid	(3,774)	(4,359)	(4,360)	(4,360)
Interest paid	(7)	(14)	-	-
Others	(498)	(612)	-	-
Net cash from Fin. activities	**(4,278)**	**(4,986)**	**(4,360)**	**(4,360)**
Net change in cash	**33**	**51**	**600**	**3,295**
Free Cash Flow	6,182	7,956	7,960	10,655

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Net Revenue	**9,265**	**9,551**	**9,392**	**9,083**
YoY gr. (%)	*2.3*	*3.1*	*(1.7)*	*(3.3)*
Raw Material Expenses	5,489	5,743	5,713	5,917
Gross Profit	3,775	3,808	3,679	3,166
Margin (%)	*40.7*	*39.9*	*39.2*	*34.9*
EBITDA	**2,523**	**2,664**	**2,466**	**2,077**
YoY gr. (%)	-	-	-	-
Margin (%)	*27.2*	*27.9*	*26.3*	*22.9*
Depreciation / Depletion	271	272	260	247
EBIT	**2,252**	**2,392**	**2,206**	**1,830**
Margin (%)	*24.3*	*25.0*	*23.5*	*20.1*
Net Interest	-	-	-	-
Other Income	272	595	352	385
Profit before Tax	**2,524**	**2,987**	**2,558**	**2,214**
Margin (%)	*27.2*	*31.3*	*27.2*	*24.4*
Total Tax	683	693	568	490
Effective tax rate (%)	*27.1*	*23.2*	*22.2*	*22.1*
Profit after Tax	**1,841**	**2,294**	**1,990**	**1,724**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**1,841**	**2,294**	**1,990**	**1,724**
YoY gr. (%)	*(6.5)*	*24.6*	*(13.3)*	*(13.4)*
Margin (%)	*19.9*	*24.0*	*21.2*	*19.0*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**1,841**	**2,294**	**1,990**	**1,724**
YoY gr. (%)	*(6.5)*	*24.6*	*(13.3)*	*(13.4)*
Margin (%)	*19.9*	*24.0*	*21.2*	*19.0*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**1,841**	**2,294**	**1,990**	**1,724**
Avg. Shares O/s (m)	62	62	62	62
EPS (Rs)	**29.6**	**36.8**	**32.0**	**27.7**

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	127.2	126.0	130.0	149.9
CEPS	143.2	142.9	147.5	168.8
BVPS	402.3	459.2	519.1	599.0
FCF	99.3	127.7	127.8	171.1
DPS	70.0	75.0	70.0	70.0
Return Ratio(%)				
RoCE	28.5	22.9	21.5	22.0
ROIC	24.5	21.4	20.2	19.5
RoE	34.5	29.3	26.6	26.8
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.5)	(0.6)	(0.7)
Net Working Capital (Days)	-	-	-	-
Valuation(x)				
PER	48.8	49.3	47.8	41.4
P/B	15.4	13.5	12.0	10.4
P/CEPS	43.4	43.5	42.1	36.8
EV/EBITDA	35.9	38.3	36.2	30.9
EV/Sales	10.6	10.0	9.5	8.3
Dividend Yield (%)	1.1	1.2	1.1	1.1

Source: Company Data, PL Research

Tata Technologies (TATATECH IN)

Rating: SELL | CMP: Rs751 | TP: Rs590

May 19, 2025

Company Initiation

Balancing legacy and new-age architectures

TATATECH is a pure-play ER&D service provider, operating predominantly in the automotive industry. We believe the company's expertise in legacy engineering along with unique capabilities around electronics, body engineering, and teardown & benchmarking, positions it to support auto OEMs in advanced markets. The company's ability to develop and launch turnkey EV projects underscores its ability to deliver on new-age mobility solutions (BEV/PHEV). The JV with BMW is progressing well with TATATECH having shortened deployment timelines in FY25. The core Auto business (ex-VinFast) demonstrated notable USD revenue growth in FY25 (up ~13% YoY), aided by anchor accounts, while the tariff uncertainties would impact its performance in FY26. Non-Auto Services business momentum should continue, while marginally supporting the overall Services business growth. We expect EBITDA margin to be in the range of 18-18.5% due to near-term weakness in the high-margin Services business, while other margin levers are fully optimized and provide limited room for improvement. We estimate USD revenue/EBITDA/PAT CAGR of 4.7%/8.4%/12.3% over FY25-27E and initiate coverage on TATATECH with 'SELL' rating and TP of Rs 590 valuing at 28x FY27E earnings.

- **Legacy capabilities supporting ongoing vehicle transition:** TATATECH's expertise in lightweight engineering is supportive to the ongoing transition of vehicle architecture. Its ePowertrain and alternative propulsion technology help OEMs in transitioning to hybrid vehicles. More importantly, the company has successfully delivered turnkey EV projects (either full vehicle or lower panel), which underscores its capability to deliver on BEVs/PHEVs.

- **JV investment to accelerate transition to new-age vehicle architecture:** With this initiative, TATATECH has gone beyond the outsourced addressable market and would engage with BMW around SDV, connected and digital areas of future mobility architecture. We believe the JV further validates the management's focus to invest into high-growth, new-age capabilities and subsequently reduce concentration of legacy architecture.

- **Non-Auto Services (~15% of rev) partially de-risking near-term weakness in Auto:** Investments around design and engineering capabilities have created a robust orderbook and deeper relationships with its top account (Airbus) within Aero. Long-standing client relationships in the areas of aerostructure/MRO/digital and accreditations received for airframe designing, further validate TATATECH's ability in aerospace. The company has recently onboarded a few marquee logos in Aerospace.

- **Asset-light Education business supports ROI:** TATATECH is leveraging its manufacturing practice by extending its knowledge across public and private sectors by developing curriculum and delivering digital content through iGetIT platform. The subscription-based revenue from iGetIT is marginal compared to the overall Education business; hence, the annuity component is limited. Additionally, software reselling activities would translate into meaningful passthroughs and keep the segmental margins within a tight band.

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	51,172	51,685	53,708	59,594
EBITDA (Rs. m)	9,413	9,341	9,722	10,970
Margin (%)	*18.4*	*18.1*	*18.1*	*18.4*
PAT (Rs. m)	6,794	6,769	7,304	8,535
EPS (Rs.)	16.8	16.7	18.0	21.1
Gr. (%)	-	*(0.4)*	*8.0*	*16.8*
DPS (Rs.)	10.1	11.7	12.6	14.7
Yield (%)	*1.3*	*1.6*	*1.7*	*2.0*
RoE (%)	*21.9*	*19.9*	*19.8*	*21.7*
RoCE (%)	*19.6*	*17.5*	*17.0*	*18.1*
EV/Sales (x)	5.7	5.6	5.4	4.9
EV/EBITDA (x)	31.2	31.0	29.9	26.3
PE (x)	44.8	45.0	41.7	35.7
P/BV (x)	9.5	8.5	8.0	7.5

Key Data	TATE.BO | TATATECH IN
52-W High / Low	Rs.1,136 / Rs.595
Sensex / Nifty	82,331 / 25,020
Market Cap	Rs.305bn/ $ 3,562m
Shares Outstanding	406m
3M Avg. Daily Value	Rs.1968.1m

Shareholding Pattern (%)

Promoter's	55.22
Foreign	3.10
Domestic Institution	2.48
Public & Others	39.20
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	14.9	(22.0)	(28.3)
Relative	7.5	(26.5)	(35.9)

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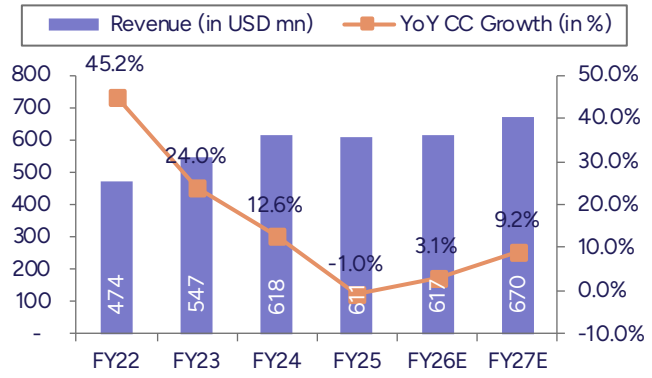
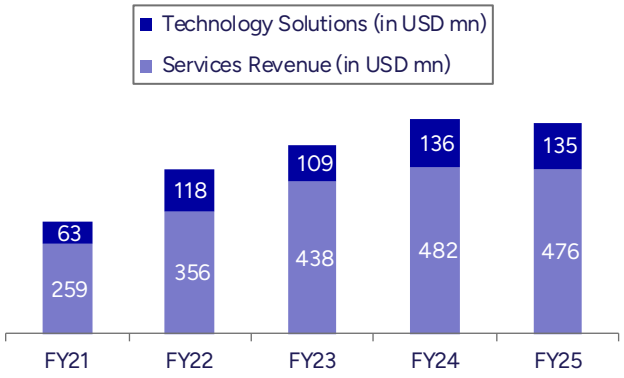
Story in Charts

Exhibit 144: Rev. CAGR estimated at 4.7% in FY25-27E



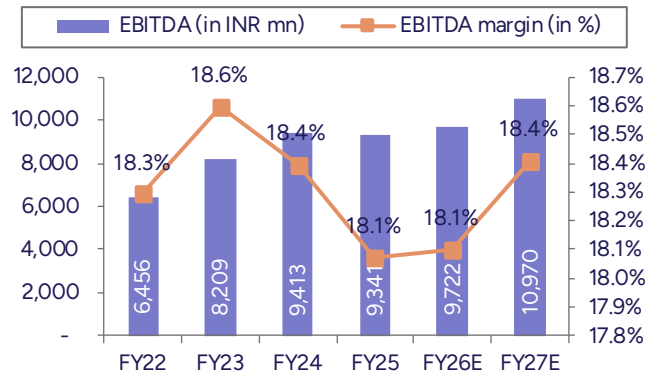
Source: Company, PL

Exhibit 145: Services forms 78-80% of revenue mix



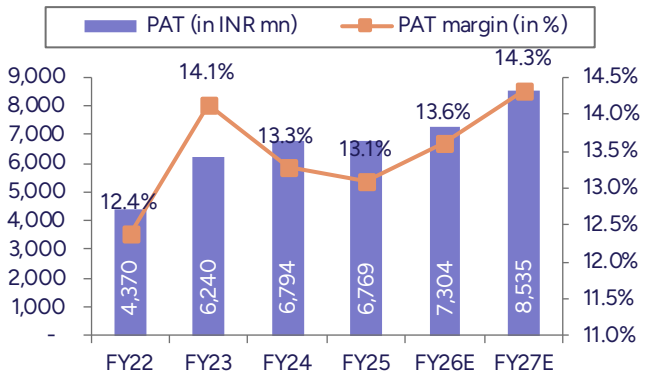
Source: Company, PL

Exhibit 146: Margins to expand by ~30bps over FY25-27E



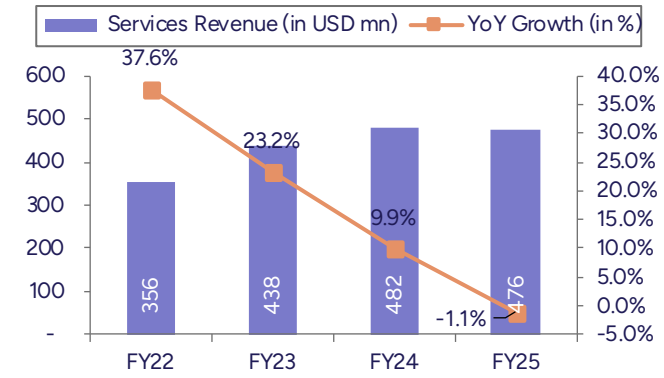
Source: Company, PL

Exhibit 147: PAT CAGR of 12.3% estimated over FY25-27E



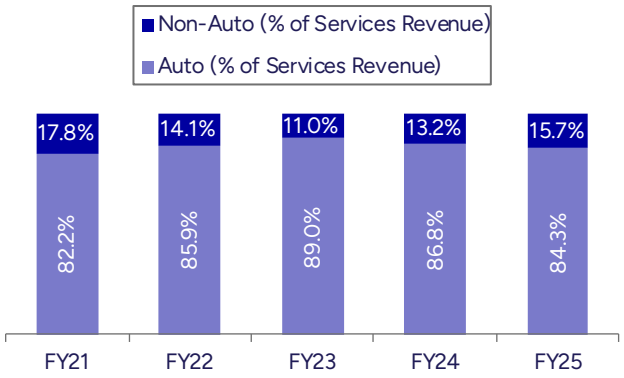
Source: Company, PL

Exhibit 148: Services impacted by slowdown in Auto



Source: Company, PL

Exhibit 149: Auto segment drives Services revenue



Source: Company, PL

TATATECH: About the company

TATATECH is a global engineering services leader, providing comprehensive product development and digital solutions, including turnkey projects, to OEMs and Tier 1 suppliers. Leveraging deep automotive domain expertise, it caters to aerospace, transportation and construction machinery sectors. TATATECH empowers clients' digital transformation through value-added services in product development, manufacturing, and customer experience management.

Services: In the Services business line, TATATECH provides outsourced engineering services & digital transformation services to global manufacturing clients to help them conceive, design, develop and deliver better products.

Exhibit 150: Services offerings

	Engineering	Manufacturing	After sales & customer experience
Automotive	Turnkey vehicle development - from concept design to vehicle launch, benchmarking, electrification & embedded systems, ICE & power train	Simulation (process, robotic, human & factory layout), AME tool design (sheet-metal, plastics) both soft & hard tooling & manufacture	CRM, sales, dealer management, e-commerce, after sales, workshop management, tracking analytics
Transportation & Construction Heavy Machinery	Product concept definition, design, validation, control systems, hydraulics & electrical systems and production readiness	Process & manufacturing engineering, factory automation, end of line services	e-commerce, CRM, sales, dealer management, after sales, workshop management, tracking, analytics
Aerospace	Airframe design, wiring harness, avionics, simulation, MBSE, light weighting, cabin interiors	Process design, simulation, jigs, productivity improvement, first article inspection	MRO, non-conformity review, tool design, technical publications, repair, P2F
Digital	Digital twin & thread, telematics, product	Industry 4.0, factory automation, digital manufacturing, digital transformation	Connected product & services, cyber security, customer service & experience
Embedded Systems	ADAS, system engineering, application software development, basic software dev (AUTOSAR), system & software validation (HIL), SDV		

Source: Company, PL

Proprietary accelerators

Digital technologies are fundamentally transforming global manufacturing, revolutionizing product development, production, and service. By establishing a "digital thread" across the value chain, these technologies enable the secure generation, organization, and analysis of diverse data, unlocking significant value. Product lifecycle management (PLM), manufacturing execution systems (MES), and enterprise resource planning (ERP) are the core components of this digital transformation. A robust "digital thread" relies on seamless digital integration across these foundational systems.

TATATECH has developed specialized expertise in PLM, ERP, and MES integration, utilizing proprietary accelerators to achieve this. TATATECH's comprehensive suite of digital services and accelerators empower OEMs and Tier 1 suppliers to effectively manage the entire digital product lifecycle and enhance customer engagement throughout the product journey. These solutions drive increased efficiency and accelerate new product introductions for clients in the automotive, industrial machinery, and aerospace sectors.

Exhibit 151: Proprietary accelerators of TATATECH

eVMP 2.0 Electric Vehicle Modular Platform™	eVMP modular EV platform helps companies launch EV products faster by reducing time to market. It offers one-click scalability, versatile chassis structures, multiple suspension options, advanced electric and electronic architecture, modular battery packs with interchangeable components and ADAS capabilities, which accelerates EV development process for faster and cost-effective product launches.
5R Rightweighting: Right Performance + Right Price = Right Material + Right Place + Right Amount	To meet stringent vehicle weight, efficiency and performance standards, TATATECH employs its 5R rightweighting methodology. This systematic approach—applying the *right* material, in the *right* place, in the *right* amount—streamlined the redesign of critical components like the chassis and suspension, significantly reducing design and development time while delivering optimal performance at a competitive price.
AMP. IoT Transforming Manufacturing Through IIoT Solutions	It is a suite of modular applications that caters to the industrial IoT needs of manufacturers, offering features like asset tracking, predictive analytics, and digital work instructions.
Factory Magix	It is a manufacturing execution system that provides real-time data visibility of plant manufacturing operations, thus improving operational efficiency and productivity.
PULSE from TATA TECHNOLOGIES	It is a digital tool that boosts product development efficiency. It provides end-to-end ER&D process tracking and data visibility through 12+ modules, enabling faster, more informed decision-making and quicker product launches for OEMs. Essentially, Pulse streamlines program management, allowing companies to bring competitive products to market faster.
TRACE Stay Connected, Always.	The platform is a connected vehicle cloud solution delivering comprehensive services across the automotive value chain. It empowers OEMs with remote fleet and vehicle management, geofencing, real-time communication, predictive maintenance, and enhanced vehicle uptime.

Source: Company, PL

Investment Arguments

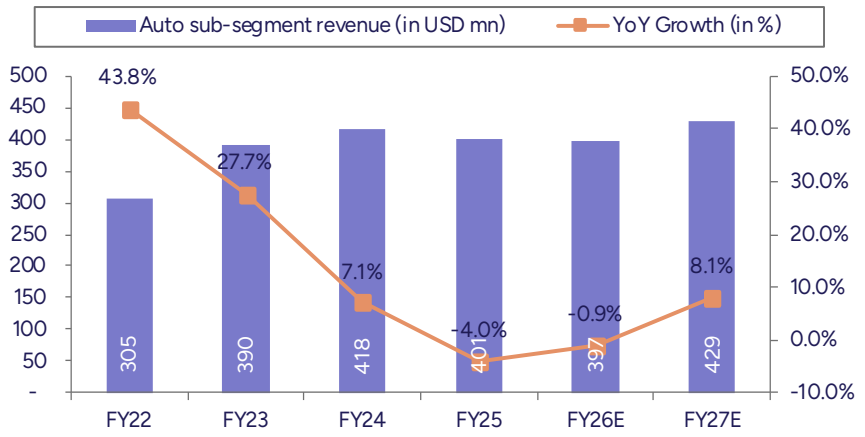
Legacy capabilities complement vehicle transition

TATATECH's playbook is largely pivoted toward legacy areas of automotive engineering with proportionate mix of mechanical and electronics. Although the company has made investments in SDV, embedded and connected architectures, their contribution to overall revenue is marginal. The company has a track record of demonstrating body engineering and teardown & benchmarking practices to legacy OEMs and even delivering turnkey EV projects to new-energy OEMs with full-vehicle development and launching.

We believe the ongoing transition would require complete overhaul to the onboard architecture, wherein TATATECH has deep expertise in lightweight engineering. Its ePowertrain and alternative propulsion technology help OEMs in transitioning to hybrid vehicles. More importantly, the company has successfully delivered several turnkey EV projects (either full vehicle or lower panel), which underscores its ability to deliver on BEV/PHEV. Moreover, the company's Chinese subsidiary acts as a base station to derive technical know-how from the Chinese market and support OEMs in the core markets.

Revenue declines in FY24 & FY25 due to VinFast project ramp-down

Exhibit 152: Automotive segment USD revenue and growth



Source: Company, PL

The anchor accounts (Tata Motors JLR) have been supportive in terms of incubating skillset and capabilities within the automotive space. Its turnkey projects and recent EV launches (VF8 and VF9) are a testament to TATATECH's execution ability.

As VinFast project ramp-down accelerated in H2FY24, full-year FY24 USD revenue from the project fell ~43% YoY (our assumption). Nevertheless, USD revenue from the Auto segment grew 7.1% YoY in FY24, aided by its anchor accounts in India and UK markets but declined by 4% in FY25 due to slowdown in demand. The segment reported a revenue CAGR of 25.3% (ex-VinFast at ~18.1% our assumption) over FY21-24.

Exhibit 153: Automotive projects – Delivery timeline

Year	Project deliveries
2010-11	eMo
2013-24	JLR electrification (mild hybrids)
2016	Polestar 1
2017-18	Chinese OEM EV programs
2018	North American EV manufacturer
2018	Chinese OEM EV program
2019-20	TML Tigor (ICE to EV)
2020-21	British OEM EV program
2022-23	VinFast VF8 and VF9

Source: Company, PL

JV investment to accelerate transition to new-age vehicle architecture

JV with BMW started in FY25, to fully ramp up in FY26

Under the JV executed in H1FY25, TATATECH would engage with BMW's in-house team for new-age engineering activities that are core to the OEM. With this JV, TATATECH has gone beyond the outsourced addressable market and would engage on a multiyear JV with BMW around SDV, connected and digital areas of future mobility architecture. We believe the JV opportunity is further validating management focus to invest into high-growth new-age capabilities and subsequently reduce concentration of legacy architecture. With this JV, the company has already deployed more than 700 employees (our assumption) and is aspiring to scale it to 1,000+ by the end of CY25.

Exhibit 154: JV with BMW to grow in CY25

Name of JV	JV partner	JV structure	Rationale
BMW TechWorks India	BMW Group and Tata Technologies	50:50% holding	The aim of the JV is to accelerate innovation in automotive software and enhance SDV capabilities for the BMW Group. The partnership aims to bolster BMW's capabilities in developing SDVs, automated driving, infotainment systems, and digital services. The JV will commence operations with 100 employees across key technology hubs in Pune, Bengaluru and Chennai, and aims to scale the workforce to a four-figure number by the end of CY25.

Source: Company, PL

We believe the JV would create unique propositions for TATATECH and encourage other auto OEMs to engage with the company on new-age mobility solutions. TATATECH has recently initiated monetization of the JV (3QFY25) with the deployment of ~100 and ~700 employees while reporting profit from the JV of Rs 5 mn & Rs 356 mn in Q3FY25 & Q4FY25, respectively. We expect it to scale its JV with 1,100 employees in FY26 and 1,600 employees in FY27, which translates to income through JV reaching USD 2.8 mn/USD 3.9 mn in FY26E/FY27E.

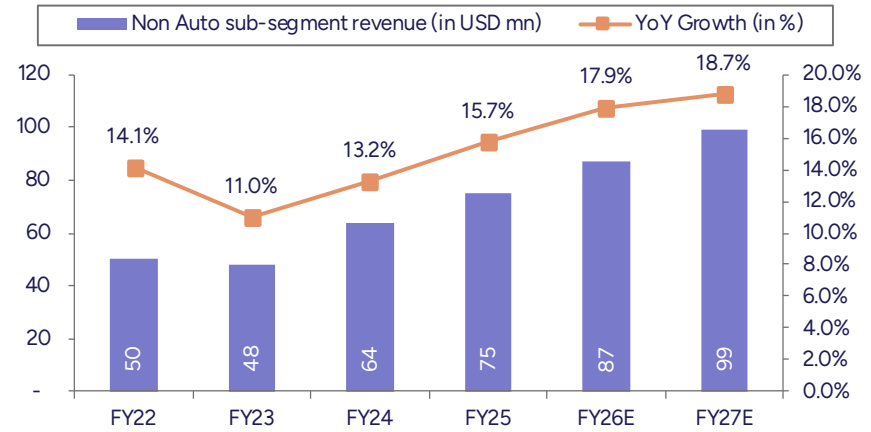
TATATECH is actively exploring JVs in the Chinese market, with its subsidiary in Shanghai helping with building relationships with Chinese OEMs and Tier 1 suppliers. With its teardown and benchmarking competency, it stands at the forefront to derive detailed study and analysis of futuristic Chinese vehicles and integrate those valuables to legacy and new-age OEMs.

Non-Auto segment business to increase by 15% CAGR from FY25-27E

Non-Auto performance partially de-risking near-term weakness within Auto

TATATECH is capitalizing on earlier investments (2-3 years ago) to derive revenue from the Non-Auto (Services) vertical, especially the Aerospace segment. The investments around design and engineering capabilities have created a robust orderbook and deeper relationships with its top account (Airbus) within Aero segment. Long-standing client relationships in the areas of aerostructure/MRO/digital and accreditations received for airframe designing, further validate TATATECH's ability to participate in aerospace engineering. Recently, the company has onboarded a few marquee logos in Aerospace, with Air India being one.

Exhibit 155: Non-Auto USD revenue and growth



Source: Company, PL

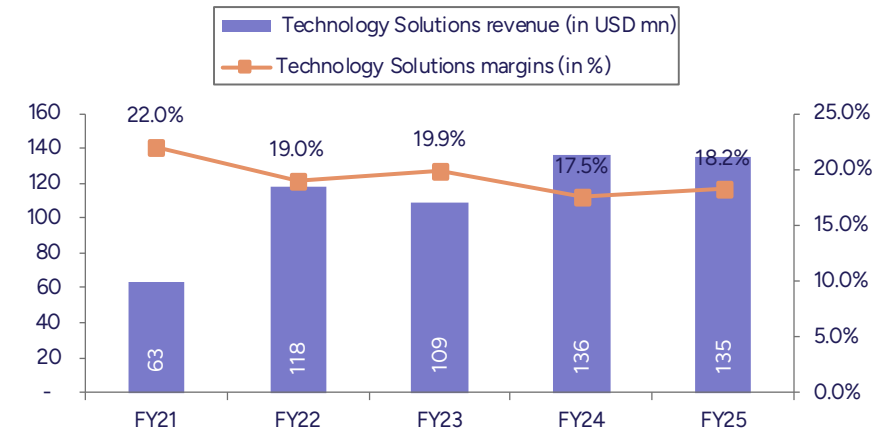
Talent fungibility helps in optimize resource usage and improve productivity across business functions. The company's expertise in lightweight materials, advanced design, and validation techniques are fungible across business functions, which can be executed through multi-disciplinary talent.

Non-Auto (Aero, Industrial Heavy Machinery) reported revenue CAGR of 13% over FY21-25. Growth momentum has further accelerated with new logo additions, increasing Airbus volume, ramp-up of large deals and robust deal funnel; FY25 Non-Auto USD revenue has increased by 15.7% YoY. We believe continued growth momentum within Non-Auto (~15% of revenue) would partly offset the near-term weakness within Auto (~85% of revenue).

Asset-light Education business supports ROI

TATATECH is leveraging its manufacturing practice by extending its knowledge across public and private sectors by developing curriculum and delivering digital content through iGetIT platform. Earlier, content delivery was limited through the online platform. Now it has extended its partnership with state governments (ITI) and private institutions that require frequent reskilling and upskilling in the areas of computer aided design and EV. It also provides consulting support to state governments on building CoEs and labs for student training and content delivery. Additionally, it has partnerships with existing clients (Siemens Industry Software, Dassault Systems) for reselling software and content upgradation to initiating reskilling activities for students and technology professionals.

Exhibit 156: Technology Solutions revenue & margin trend



Source: Company, PL

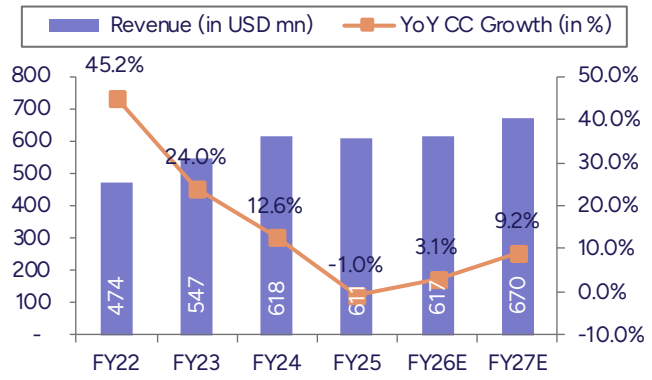
Despite being asset light, the Education segment is a lumpy, low-margin business. The delay in building specialized labs or CoEs for training (by public/private institutes) might defer the curriculum and digital content monetization. The subscription-based revenue on iGetIT is marginal to the overall Education business; hence, the annuity component is limited. Additionally, software reselling activities would translate into meaningful passthroughs and keep segmental margins within a tight band. We believe the lumpiness is structural, but the business is generating a good ROI as resource usage is minimal with no future commitments to build training infrastructure.

USD revenue to grow at 4.7% CAGR from FY25-27E, while INR revenue to grow at 7.4% CAGR

Financials & Valuations

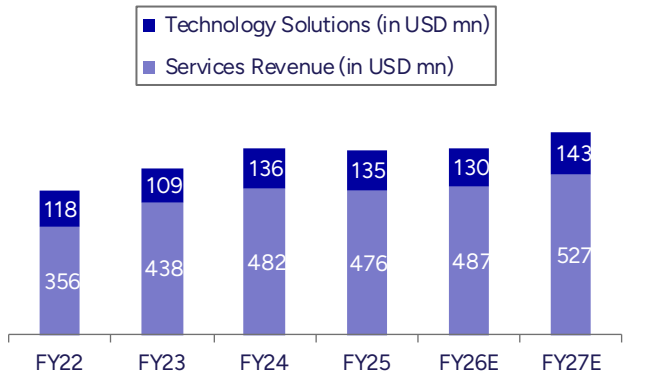
The company's deep expertise in body engineering and electronics with engagement in turnkey projects has supported growth within the Services segment. USD revenue from the Services segment grew at 16.5% CAGR over FY21-25 (Automotive at ~17.2%). With the closure of a large project (VinFast), the Automotive segment decelerated in FY24 and reported 7.1% YoY USD growth, largely aided by its anchor accounts (Tata Motors and JLR), while VinFast reported a decline of ~43% YoY (our assumption). Further, the slowdown in demand due to competition faced by European OEMs and tariff headwinds adversely impacted growth for the Services business.

Exhibit 157: USD revenue and CC growth % over FY22-27E



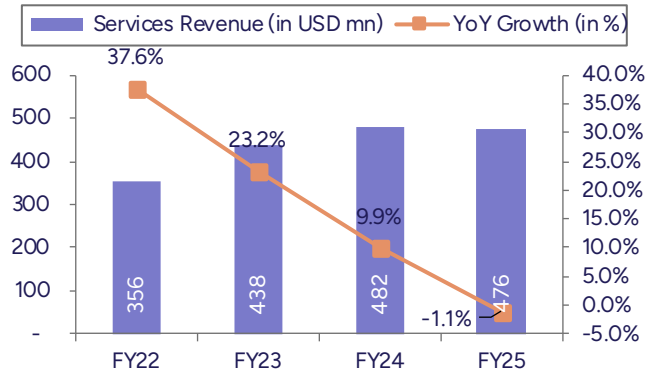
Source: Company, PL

Exhibit 158: Segment revenue mix



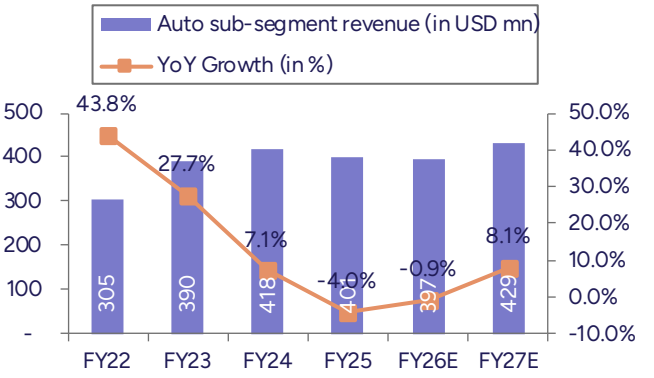
Source: Company, PL

Exhibit 159: Services segment revenue trend



Source: Company, PL

Exhibit 160: Auto sub-segment drives Services revenue



Source: Company, PL

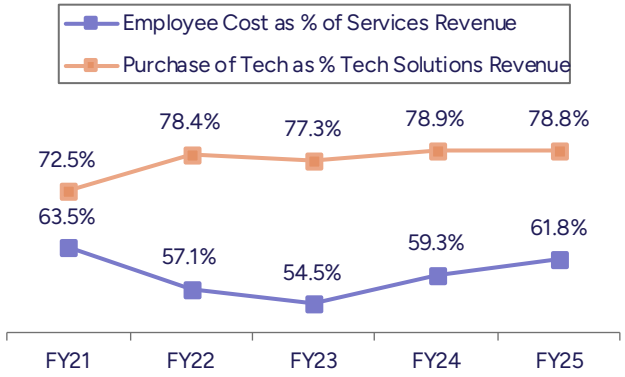
We expect near-term challenges within Automotive to continue to weigh on Services segment growth, while the strong momentum within Aerospace (~5% of revenue) should provide some breather. We expect revenue from Tech Solutions to be volatile due to the inherent nature of the business and the high concentration mix of non-annuity revenue. The software re-selling component forms ~40% of the overall Tech Solutions, which is cyclical in nature and majorly attributes to the segmental volatility. Considering the factors above, we envisage the company to report consol business revenue of 1.9%/9.4% CC in FY26E/FY27E.

EBITDA margin to improve marginally by 30bps from FY25-27E

Margins to improve gradually

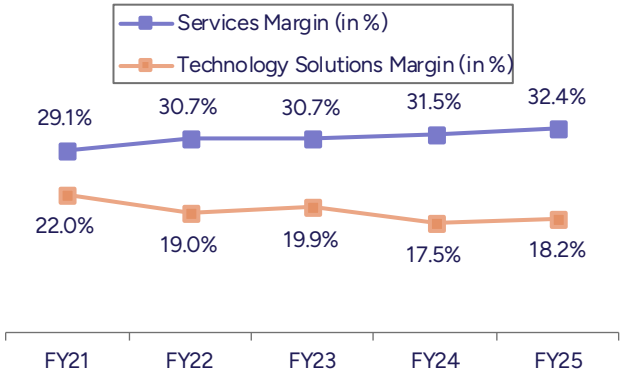
TATATECH's Services segment (Auto, Aero, and Heavy Machinery) is a high-margin business, with Auto being the major contributor. Given the weak outlook for the Automotive business, we expect margins to be within a tight band of 18-19% for FY26-27E. Gross margin for the Services segment has improved from 29.1% in FY21 to 32.4% in FY25. Although the company has demonstrated improvement in employee cost as a percentage of revenue within Services, the incremental passthroughs (software resell) within Tech Solutions were substantial and have largely offset the benefits generated over FY21-25. The management is aspiring for EBITDA margin of 20% in the long term, but we believe margin improvement is purely a function of improving business mix, predominantly on the Services side.

Exhibit 161: Empl cost as % of Services revenue increases



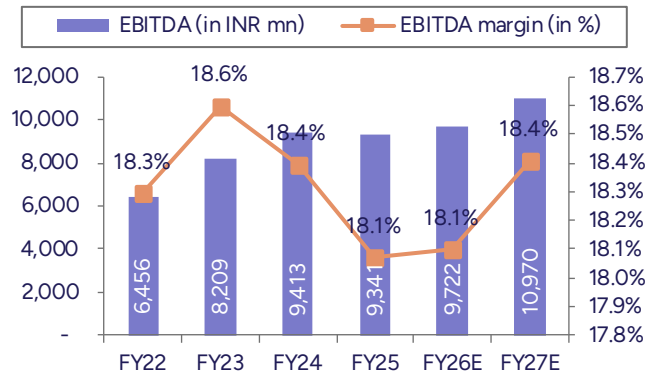
Source: Company, PL

Exhibit 162: Services margin improves over FY21-25



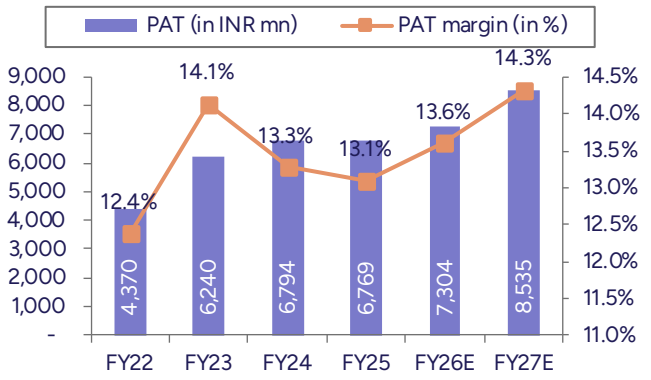
Source: Company, PL

Exhibit 163: EBITDA margins to remain in narrow band



Source: Company, PL

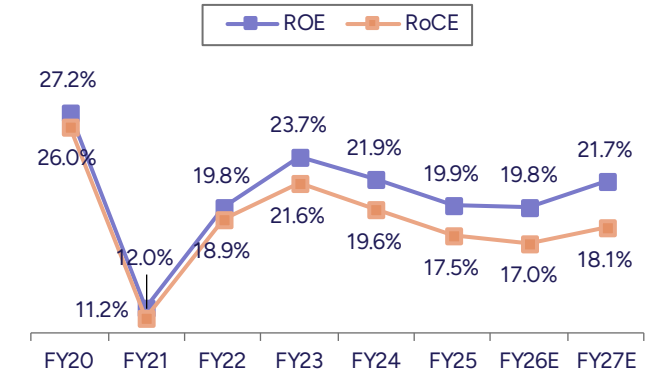
Exhibit 164: PAT margin growth higher due to JV



Source: Company, PL

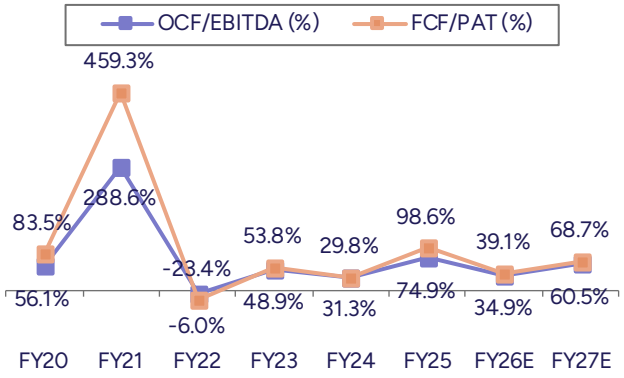
Below EBIT line, growth is a bit higher. PAT is likely to grow at a CAGR of 12.3% over FY25-27E due to: (1) the parked one-time fee (Rs83mn) received as a part of JV, and (2) the profit generated through JV partnership (50:50). TATATECH has recently initiated monetization of the JV with the deployment of ~700 employees (our assumption) in Q4FY25. We expect it to scale to 1,100 employees in FY26 and 1,600 employees in FY27, which translates to income through JV reaching USD2.8mn/USD3.9mn in FY26E/FY27E.

Exhibit 165: ROE & ROCE Trend



Source: Company, PL

Exhibit 166: OCF/EBITDA and FCF/PAT Trend

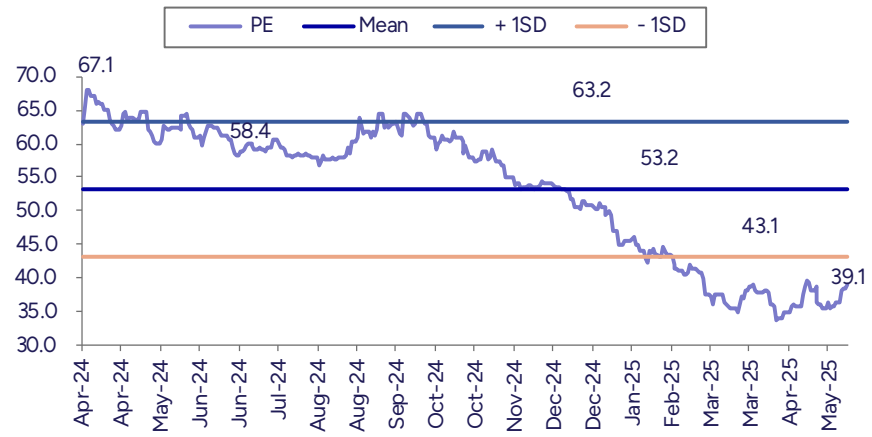


Source: Company, PL

Valuation

We expect TATATECH USD revenue and earnings to clock 4.7% and 12.3% CAGR, respectively, over FY25-27E. The company's predominant presence in legacy engineering coupled with weak automotive outlook in developed markets would weigh on its overall revenue growth. However, we expect the momentum within the Non-Automotive Services business to continue, aided by Aerospace. Margins are likely to be range-bound as majority of the levers are over-utilized, and high-margin business growth is expected to be weak in the near term. We assign 28X PE to its FY27E EPS to arrive at TP of Rs 590. Initiate with 'SELL' rating.

Exhibit 167: TATATECH 1-year forward PE



Source: Company, PL

Key Risks

- TATATECH derives significant revenue form the auto sector, which is inherently cyclical and susceptible to economic downturns. Thus, any slowdown in global or regional automotive markets could directly impact TATATECH's revenue and profitability.
- A substantial portion of TATATECH's revenue is generated from its key anchor clients and top 5 customers. Any economic downturn experienced by these major clients, a reduction in their spending with TATATECH, or a shift to alternative service providers could lead to a significant loss of revenue for the company.
- To diversify its business and reduce the automotive business concentration, TATATECH aims to increase its Non-Auto business mix. However, slower or unsuccessful diversification could lead to long-term growth stagnation.
- Delays in infrastructure readiness have adversely affected the anticipated ramp-up of TATATECH's Education segment. Should these delays persist, growth in this business could be affected.
- TATATECH over the years has improved its employee cost to services revenue. However, rise in attrition could increase employee cost and impact overall profitability of the company.

Annexures

Exhibit 168: Board of Directors

Name	Designation	Educational qualifications	Experience (years)	Brief profile
Ajoyendra Mukherjee	Chairman, Independent Director	Bachelor's degree in engineering	40+	He was previously associated with Tata Consultancy Services Ltd for almost 4 decades, where he held positions such as the head of business operations in Eastern India, Middle East and Africa and Switzerland; global head of CSR function; global head of energy and utilities practice; and EVP president and global head of human resources.
Usha Sangwan	Independent, Non-Executive Director	MA in Economics and Post-graduate Diploma in Human Resource Management	30+	She is a member of the Financial Services Institutions Bureau, Diversity and Inclusion Committee of the Bombay Chamber of Commerce and Industry, and a charter member of Equalifi. Prior to joining the company, she was associated with the Life Insurance Corporation of India as the MD.
Nagaraj Ijari	Independent, Non-Executive Director	Bachelor's degree in technology and Advanced Management Program from Harvard Business School	35+	Prior to joining the company, he was associated with Gherzi Eastern Ltd as senior programmer, Mafatlal Consultancy Services (India) Ltd as systems engineer, and Tata Consultancy Services as head – business unit.
Aarthi Sivanandh	Independent, Non-Executive Director	Master's degree in law from Tulane University	22+	She is enrolled with the Bar Council of Tamil Nadu. She is presently a senior partner with AZB & Partners.
Shailesh Chandra	Non-Executive Director	Executive MBA from SP Jain and bachelor's degree in mechanical engineering	30+	Prior to joining the company, he was associated with Tata Motors Ltd as head – strategy and business transformation. Currently, he is the MD of subsidiaries of Tata Motors Ltd, namely, Tata Motors Passenger Vehicle Ltd and Tata Passenger Electric Mobility Ltd.
Balaje Rajan	Non-Executive Director	Bachelor's degree in mechanical engineering and MBA from University of Oxford	23+	Currently, he serves as the Chief Strategy Officer and VP of International Business at Tata Motors Passenger Vehicle Ltd and Tata Passenger Electric Mobility Ltd. Prior to joining the Tata Motors Group, he led the automotive practice at Tata Strategic Management Group, working on key initiatives across EV strategy, charging infrastructure, and battery manufacturing.
Warren Harris	CEO & MD	BE in technology	17+	He has been associated with Tata Tech for 15+ years. Prior to joining Tata Tech, he was the CEO of Incat International PLC.

Source: Company, PL

Exhibit 169: KMP

Name	Designation	Educational qualifications	Experience (years)	Brief profile
Warren Harris	CEO & MD	BE in Technology	17+	He is associated with TATATECH for 15+ years. Prior to joining the company, he was the CEO of Incat International PLC.
Sukanya Sadasivan	COO	Bachelor's degree in CS & informatics	33+	She is responsible for managing delivery, practice and internal digital & IT systems at TATATECH. Before joining the company, she worked as the Senior VP and Chief Information Officer at Tata Consultancy Services Ltd.
Savitha Balachandran	CFO	CFA & PGDM from Symbiosis Centre for Management Studies	22+	She joined TATATECH in 2020 as its CFO. Prior to joining the company, she was associated with Tata Motors for 18 years, where she held various leadership positions.
Geena Binoy	CHRO	MA in Economics & PGDM from Symbiosis Centre for Management Studies	30+	She has over 30 years of experience in the field of manufacturing & technology. Prior to joining the company, she was associated with Tata Motors.
Nachiket Paranjpe	President – Automotive Sales	ME from University of Pune and master's degree in management from Purdue University	30+	He has over 30 years of industry experience and is associated with the company since 2019. Prior to joining the company, he was associated with KPIT Technologies GmbH as the head of Germany automotive integrated business unit.
Anish Raghunandan	President and Client Partner – Tata Motors	BTech from NIT Calicut	30+	He has 30+ years of experience of which he has spent 2 decades with Tata Group companies of Tata Industries, Tata Sons & TCS. At TATATECH, he is responsible for strengthening its partnership with Tata Motors.
Sriram Lakshminarayanan	President and Chief Technical Officer	Bachelor's degree in engineering	22+	He has 22+ years of industry experience, of which he has spent 18 years with IBM. He joined TATATECH in 2021 and is responsible for leading the practice organization, strategic monetization of intellectual property and assets as well as the products business.
Keith Matthews	EVP and Head – Aerospace	Bachelor's degree in electrical engineering	30+	He has 30+ years of experience in aerospace, engineering services, industrial automation & manufacturing. He worked with various organizations like Siemens, Airbus Group and USA Aerospace Center.
Pawan Bhageria	President - Education	ME from Birla Institute of Technology & MBA from XLRI	19+	He has over 19 years of industry experience and is currently responsible for scaling the education business of the company. Prior to joining the company, he was associated with GM.

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	**51,172**	**51,685**	**53,708**	**59,594**
YoY gr. (%)	*15.9*	*1.0*	*3.9*	*11.0*
Employee Cost	37,674	37,791	39,448	43,709
Gross Profit	13,498	13,894	14,261	15,885
Margin (%)	*26.4*	*26.9*	*26.6*	*26.7*
Employee Cost	-	-	-	-
Other Expenses	4,085	4,553	4,539	4,915
EBITDA	**9,413**	**9,341**	**9,722**	**10,970**
YoY gr. (%)	*14.7*	*(0.8)*	*4.1*	*12.8*
Margin (%)	*18.4*	*18.1*	*18.1*	*18.4*
Depreciation and Amortization	1,059	1,212	1,249	1,340
EBIT	**8,354**	**8,128**	**8,472**	**9,630**
Margin (%)	*16.3*	*15.7*	*15.8*	*16.2*
Net Interest	-	-	-	-
Other Income	966	1,045	1,074	1,430
Profit Before Tax	**9,321**	**9,173**	**9,547**	**11,060**
Margin (%)	*18.2*	*17.7*	*17.8*	*18.6*
Total Tax	2,527	2,445	2,482	2,876
Effective tax rate (%)	*27.1*	*26.6*	*26.0*	*26.0*
Profit after tax	**6,794**	**6,729**	**7,064**	**8,185**
Minority interest	-	-	-	-
Share Profit from Associate	-	41	240	350
Adjusted PAT	**6,794**	**6,769**	**7,304**	**8,535**
YoY gr. (%)	*8.9*	*(0.4)*	*7.9*	*16.8*
Margin (%)	*13.3*	*13.1*	*13.6*	*14.3*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**6,794**	**6,769**	**7,304**	**8,535**
YoY gr. (%)	*8.9*	*(0.4)*	*7.9*	*16.8*
Margin (%)	*13.3*	*13.1*	*13.6*	*14.3*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6,794	6,769	7,304	8,535
Equity Shares O/s (m)	**406**	**406**	**405**	**405**
EPS (Rs)	**16.8**	**16.7**	**18.0**	**21.1**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	**9,805**	**10,459**	**10,996**	**11,771**
Tangibles	7,464	8,182	8,719	9,494
Intangibles	2,341	2,277	2,277	2,277
Acc: Dep / Amortization	**6,125**	**7,337**	**8,586**	**9,927**
Tangibles	4,362	5,574	6,823	8,163
Intangibles	1,764	1,764	1,764	1,764
Net fixed assets	**3,680**	**3,122**	**2,410**	**1,844**
Tangibles	3,103	2,609	1,896	1,331
Intangibles	577	513	513	513
Capital Work In Progress	-	-	-	-
Goodwill	7,826	8,181	8,181	8,181
Non-Current Investments	415	2,875	2,875	2,875
Net Deferred tax assets	2,533	3,415	3,415	3,415
Other Non-Current Assets	1,600	2,322	2,322	2,322
Current Assets				
Investments	1,504	6,117	6,117	6,117
Inventories	-	-	-	-
Trade receivables	9,671	7,711	8,829	10,123
Cash & Bank Balance	9,134	9,026	7,840	9,158
Other Current Assets	14,457	20,556	19,129	21,715
Total Assets	**55,783**	**66,642**	**64,858**	**70,009**
Equity				
Equity Share Capital	811	811	811	811
Other Equity	31,397	34,983	37,174	39,735
Total Networth	**32,208**	**35,794**	**37,986**	**40,546**
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	289	328	328	328
Other non current liabilities	8	1,833	1,833	1,833
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	4,814	4,767	5,003	5,551
Other current liabilities	16,415	22,063	17,852	19,894
Total Equity & Liabilities	**55,783**	**66,642**	**64,858**	**70,009**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	6,794	6,770	7,304	8,535
Add. Depreciation	1,059	1,212	1,249	1,340
Add. Interest	(382)	(481)	(1,074)	(1,430)
Less Financial Other Income	966	1,045	1,074	1,430
Add. Other	2,570	2,251	2,482	2,876
Op. profit before WC changes	10,040	9,751	9,962	11,320
Net Changes-WC	(4,071)	382	(4,090)	(1,808)
Direct tax	(3,026)	(3,140)	(2,482)	(2,876)
Net cash from Op. activities	**2,943**	**6,993**	**3,390**	**6,637**
Capital expenditures	(865)	(262)	(537)	(775)
Interest / Dividend Income	508	610	1,074	1,430
Others	4,293	(1,233)	-	-
Net Cash from Invt. activities	**3,936**	**(885)**	**537**	**656**
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(4,990)	(4,165)	(5,113)	(5,974)
Interest paid	(1)	(5)	-	-
Others	(578)	(694)	-	-
Net cash from Fin. activities	**(5,568)**	**(4,864)**	**(5,113)**	**(5,974)**
Net change in cash	**1,312**	**1,243**	**(1,186)**	**1,318**
Free Cash Flow	2,025	6,678	2,853	5,862

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Net Revenue	**12,690**	**12,965**	**13,174**	**12,857**
YoY gr. (%)	*(2.5)*	*2.2*	*1.6*	*(2.4)*
Raw Material Expenses	9,297	9,417	9,771	9,306
Gross Profit	3,393	3,548	3,402	3,551
Margin (%)	*26.7*	*27.4*	*25.8*	*27.6*
EBITDA	**2,311**	**2,355**	**2,340**	**2,334**
YoY gr. (%)	-	-	-	-
Margin (%)	*18.2*	*18.2*	*17.8*	*18.2*
Depreciation / Depletion	297	299	305	312
EBIT	**2,014**	**2,056**	**2,036**	**2,023**
Margin (%)	*15.9*	*15.9*	*15.5*	*15.7*
Net Interest	-	-	-	-
Other Income	183	118	221	523
Profit before Tax	**2,196**	**2,175**	**2,257**	**2,545**
Margin (%)	*17.3*	*16.8*	*17.1*	*19.8*
Total Tax	576	601	576	692
Effective tax rate (%)	*26.2*	*27.6*	*25.5*	*27.2*
Profit after Tax	**1,620**	**1,574**	**1,681**	**1,853**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	5	36
Adjusted PAT	**1,620**	**1,574**	**1,686**	**1,889**
YoY gr. (%)	*3.0*	*(2.9)*	*7.1*	*12.0*
Margin (%)	*12.8*	*12.1*	*12.8*	*14.7*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**1,620**	**1,574**	**1,686**	**1,889**
YoY gr. (%)	*3.0*	*(2.9)*	*7.1*	*12.0*
Margin (%)	*12.8*	*12.1*	*12.8*	*14.7*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**1,620**	**1,574**	**1,686**	**1,889**
Avg. Shares O/s (m)	406	406	405	405
EPS (Rs)	**4.0**	**3.9**	**4.2**	**4.7**

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	16.8	16.7	18.0	21.1
CEPS	19.4	19.7	21.1	24.4
BVPS	79.4	88.2	93.7	100.0
FCF	5.0	16.5	7.0	14.5
DPS	10.1	11.7	12.6	14.7
Return Ratio(%)				
RoCE	19.6	17.5	17.0	18.1
ROIC	12.0	10.4	11.2	11.7
RoE	21.9	19.9	19.8	21.7
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.4)	(0.4)	(0.4)
Net Working Capital (Days)	35	21	26	28
Valuation(x)				
PER	44.8	45.0	41.7	35.7
P/B	9.5	8.5	8.0	7.5
P/CEPS	38.8	38.2	35.6	30.8
EV/EBITDA	31.2	31.0	29.9	26.3
EV/Sales	5.7	5.6	5.4	4.9
Dividend Yield (%)	1.3	1.6	1.7	2.0

Source: Company Data, PL Research

Notes

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Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Cyient	Hold	1,200	1,244
2	HCL Technologies	Hold	1,540	1,480
3	Infosys	BUY	1,630	1,420
4	LTIMindtree	Accumulate	4,980	4,537
5	Mphasis	BUY	2,860	2,468
6	Persistent Systems	BUY	5,910	5,164
7	Tata Consultancy Services	BUY	4,160	3,247
8	Tech Mahindra	Accumulate	1,530	1,445
9	Wipro	Hold	260	248

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Accumulate : 5% to 15%
Hold : +5% to -5%
Reduce : -5% to -15%
Sell : < -15%
Not Rated (NR) : No specific call on the stock
Under Review (UR) : Rating likely to change shortly

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