

July 15, 2025

Q1FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	SELL		SELL	
Target Price	570		590	
Sales (Rs. m)	52,899	59,994	53,708	59,594
% Chng.	(1.5)	0.7		
EBITDA (Rs. m)	9,076	10,637	9,722	10,970
% Chng.	(6.6)	(3.0)		
EPS (Rs.)	17.3	20.2	18.0	21.1
% Chng.	(4.3)	(3.9)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	51,172	51,685	52,899	59,994
EBITDA (Rs. m)	9,413	9,341	9,076	10,637
Margin (%)	18.4	18.1	17.2	17.7
PAT (Rs. m)	6,794	6,769	7,013	8,221
EPS (Rs.)	16.8	16.7	17.3	20.2
Gr. (%)	-	(0.4)	3.4	17.2
DPS (Rs.)	10.1	11.7	12.1	14.2
Yield (%)	1.4	1.6	1.7	2.0
RoE (%)	21.9	19.9	19.0	21.0
RoCE (%)	19.6	17.5	15.6	17.5
EV/Sales (x)	5.5	5.3	5.2	4.6
EV/EBITDA (x)	29.8	29.5	30.5	26.0
PE (x)	42.8	42.9	41.5	35.4
P/BV (x)	9.0	8.1	7.7	7.2

Key Data TATE.BO | TATATECH IN

52-W High / Low	Rs.1,131 / Rs.592
Sensex / Nifty	82,253 / 25,082
Market Cap	Rs.291bn/ \$ 3,382m
Shares Outstanding	406m
3M Avg. Daily Value	Rs.2287.31m

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	(4.4)	(9.9)	(30.3)
Relative	(5.8)	(16.2)	(31.8)

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Early green shoots, yet to pan out

Quick Pointers:

- Services segment declined due to project ramp up delays & deferrals
- EBIT Margins declined by 210 bps QoQ due to missing operating leverage

The Services revenue de-growth (7.6% CC QoQ) was below our estimates (5.1% CC QoQ), largely due to delayed ramp ups and slower decision making within automotive vertical. Although the aerospace momentum continued through Q1, the weakness in the Heavy-Machinery segment led the decline (4.7% QoQ) in non-Auto business. The management anticipates recovery in Q2 on the back of strategic deals signings, while early green shoots are visible in term of improved client sentiment and robust order book, hinting to a better H2 over H1. We believe, with improved client confidence, the earlier investments that were kept on hold would get prioritized first, while the new projects would continue to be pushed for further clarity on the trade war. Given the Q1 drag and volatility in the non-Auto business, the ask-rate for the Service business seems to be meaningfully high (~5% CQGR) to deliver flat growth in FY26. The reported margins were tad below our estimates by 30bps QoQ due to lower employee utilization and operating de-leverage. We are keeping our margin estimates broadly unchanged, while baking in revenue decline of 3.0% and 1.2% for Service/Consol business in FY26E followed by 11.5% growth in FY27E for both Service/Consol. We are assigning 28x PE to FY27E, translating a TP of 570 and maintain our SELL rating.

Revenue: Tata Tech reported a revenue of USD 145.3 mn, down 4.6% QoQ in CC & 2% in reported terms. The revenue decline was above estimate of 5.7% QoQ CC due to strong performance in tech solutions. Services segment revenue came at USD 112.5 mn, down 7.6% QoQ CC was below our estimate of 5.1% due to continued weakness in automotive segment and heavy machinery segment due to macro uncertainties. Among services segment, both auto business (83% of mix) and non-auto business (17% of mix) declined by 4.7% QoQ each.

Operating Margin: Tata Tech reported EBIT margin of 13.6%, down 210 bps QoQ lower than our & consensus estimate of 13.9% & 14.7% respectively. The margin miss was largely due to missing leverage on account of weak performance. Segment wise, Services segments EBITDA margin declined by 630 bps QoQ while Tech Solutions EBITDA margin declined by 80 bps QoQ. Company reported PAT of INR 1.7 bn above our estimate of INR 1.4 bn due to higher other income.

Deal Wins: Tata Tech during the quarter won 6 large deals including 4 large deals of USD 10 mn+ and 2 deals with TCV of USD 5-10 bn. Management indicated that the deal wins in Q1FY26 is materially better than Q1FY25, with the strong deal closure observed at the end of June quarter.

Valuations and outlook: We estimate USD revenue/earnings CAGR of 5.1%/10.2% over FY25-FY27E. The stock is currently trading at a PE of 35x FY27E earnings, we are assigning P/E of 28x to FY27E with a target price of INR 570. We maintain our "SELL" rating.

Services revenue disappointed, missed on margins

- Consolidated revenue came at USD 145.3mn, down 2% QoQ in USD (down 4.6% QoQ in CC) came above our est. of -5.7% QoQ CC and consensus est. of -2.9% QoQ in reported terms
- Services segment declined 7.6% QoQ in CC vs our estimated decline 5.1% CC QoQ
- Auto (83% of Services) and non-auto segment declined by 4.7% QoQ each in reported
- Tech Solutions (23% of revenue) grew by 8.6% QoQ in reported terms
- **EBIT margin of 13.6% (down 210bp QoQ) was below our and consensus estimates of 13.9% & 14.7%, respectively**
- Offshore revenue (39.7% of revenue) decreased by 12.1% QoQ
- **Net employees decreased by 237 during the quarter and LTM Attrition was up by 60 bps QoQ to 13.8%**
- PAT came at Rs. 1.7b (13.7% PAT margin) came above our estimates of Rs 1.5b due to the higher other income

Conference Call Highlights

- Management mentioned that the Q1 weak performance in the services segment was due to macro headwinds due to tariff-related uncertainty which led to delay in ramp up and pause of certain projects especially in US region. The management, however, expressed confidence that these headwinds are short term as they witnessed strong deal closure at the end of June quarter indicating an improving macro environment.
- The auto business in Services segment was impacted by slower ramp up and project deferrals. The management further mentioned that in the non-auto business they observed weakness in industrial machinery business while aerospace reported strong sequential growth of 13% due to ramp up Airbus deal.
- Management mentioned that they witnessed traction in client conversations by end of June quarter which translated into closure of 6 large deals. They expect their auto clients to resume spending, which makes them optimistic of recovery from Q2 onwards. In aerospace segment management mentioned that they are witnessing strong demand which gives them confidence that robust growth. On the back of revival in demand and the order book management expect H2 performance to stronger than H1.
- Management mentioned that strong performance of tech solutions was due to ramp up education business which was delayed to infrastructure issues.
- Management mentioned that although its anchor clients of JLR & Tata Motors are currently facing uncertain macro uncertainty they are confident of them continuing their investment in product development as the automotive industry recovers

- Management mentioned that the double-digit growth it has estimated at the start of fiscal year remains challenging due to weak Q1 but maintained that it will still strive for it and re-evaluate its revenue goal post Q2.
- Management mentioned that ramp up of JV with BMW is progressing ahead of schedule and it expects 4-digit headcount deployment before the end of fiscal year.
- Management mentioned that offshore revenue mix increased during the quarter due to ramp up Airbus deal and they indicated that as the client relationship matures the onshore mix of the deal will increase.
- Management mentioned that they have not yet decided on the quantum and timing of implementation of wage hike as of now and will take a decision on it later

Exhibit 1: 1QFY26 Results: Miss on Margins due to missing operating leverage, PAT beat due to higher other income

	1QFY26	1QFY26E	% Var.	4QFY25	QoQ gr. (%)	1QFY25	YoY gr. (%)	FY25	FY24	YoY gr. (%)
IT Services Revenue (USD m)	145	143	1.5	148	-2.0	152	-4.5	611	618	-1.2
Overall Revenue (INR b)	12,443	12,253	1.5	12,857	-3.2	12,690	-1.9	51,685	51,172	1.0
Gross Profit	3,990	4,028	-0.9	4,561	-12.5	4,299	-7.2	17,798	18,582	-4.2
Gross Margin (%)	32.1	32.9	-80bps	35.5	-340bps	33.9	-180bps	34.4	36.3	-190bps
SG&A and Other Costs	1,988.1	2,034.0	-2.3	2,227	-10.7	1,988	0.0	8,458	9,169	-7.8
% of Rev	16.0	16.6	-60bps	17.3	-130bps	15.7	30bps	16.4	17.9	-160bps
EBITDA	2,001	1,994	0.4	2,334	-14.3	2,311	-13.4	9,341	9,413	-0.8
EBITDA Margin (%)	16.1	16.3	-20bps	18.2	-210bps	18.2	-210bps	18.1	18.4	-30bps
Depreciation	313	294	6.5	312	1	297	5.5	1212	1059	14.5
% of Rev	2.5	2.4	10bps	2.4	10bps	2.3	20bps	2.3	2.1	30bps
EBIT	1688	1699	-0.7	2023	-16.5	2014	-16.2	8128	8354	-2.7
EBIT Margin (%)	13.6	13.9	-30bps	15.7	-220bps	15.9	-230bps	15.7	16.3	-60bps
Other Income (net)	637	290	119.7	558	14.2	183	248.9	1,085	966	12.3
PBT	2,326	1,990	16.9	2,581	-9.9	2,196	5.9	9,214	9,321	-1.1
Tax	623	506	23.2	692	-10.0	576	8.1	2,445	2,527	-3.3
Effective tax rate (%)	26.8	25.4	140bps	26.8	0bps	26.2	50bps	26.5	27.1	-60bps
Adjusted PAT	1,703	1,484	14.7	1,889	-9.8	1,620	5.1	6,769	6,794	-0.4
Exceptional items	0.0	0.0	NA	0.0	NA	0.0	NA	0	0.0	NA
Reported PAT	1,703	1,484	14.7	1,889	-9.8	1,620	5.1	6,769	6,794	-0.4
Reported EPS (INR)	4	4	14.4	5	-10.1	4	5.0	17	17	-0.4

Source: Company, PL

Exhibit 2: Segmental Revenue growth (%)

Revenue Segment	Contribution to revenue (%)	QoQ gr. (%)
Services	77.4	-4.7
Technology Solutions	22.6	8.6

Source: Company, PL

Exhibit 3: Services bifurcation Growth (%)

Verticals	Contribution to revenue (%)	QoQ gr. (%)
Auto	83.0	-4.7
Non-Auto	17.0	-4.7

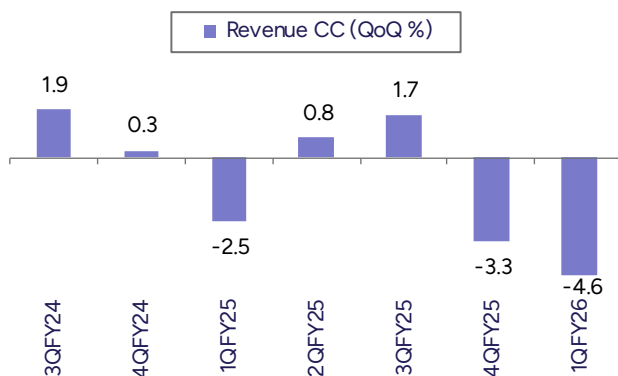
Source: Company, PL

Exhibit 4: Key Performance Indicator

	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	FY24*	FY25*
Revenue (QoQ CC %)	1.9	0.3	-2.5	0.8	1.7	-3.3	-4.6	12.6	-0.7
Margins (%)									
EBIT Margin	16.2	16.2	15.9	15.9	15.5	15.7	13.6	16.3	15.7
Net Margin	13.2	12.1	12.8	12.1	12.8	14.7	13.7	13.3	13.1
Operating metrics									
Headcount	12,623	12,688	12,505	12,680	12,659	12,644	12,407	12,688	12,644
Attrition (%)	15.4	14.5	13.7	13.1	12.9	13.2	13.8	14.5	13.2

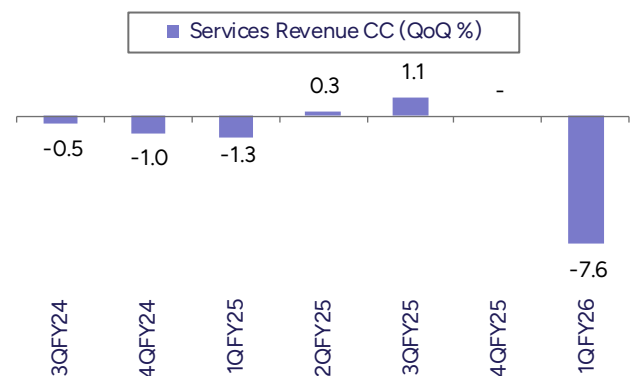
Source: Company, PL, * YoY CC

Exhibit 5: Revenue declined by 4.6% YoY CC in Q1



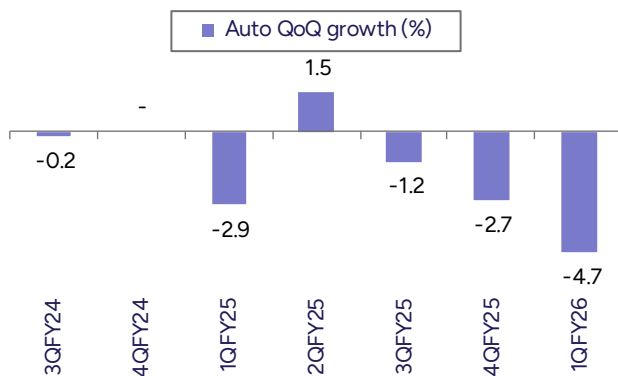
Source: Company, PL

Exhibit 6: Services revenue declined sharply in Q1



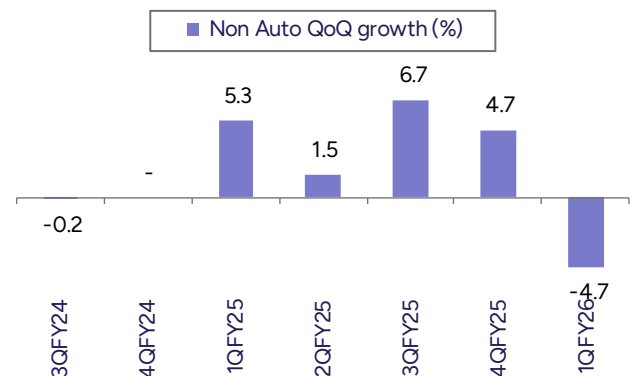
Source: Company, PL

Exhibit 7: Auto business declined sharply



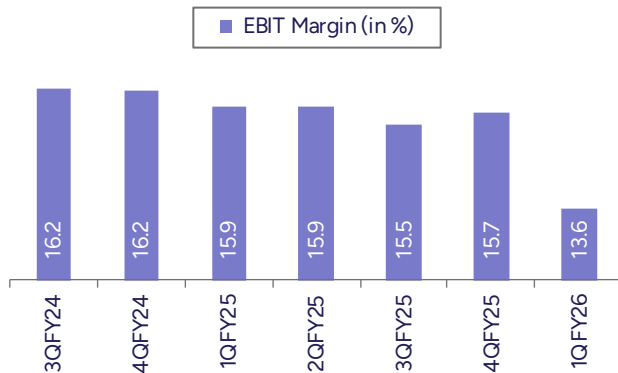
Source: Company, PL

Exhibit 8: Non-auto also declined in Q1



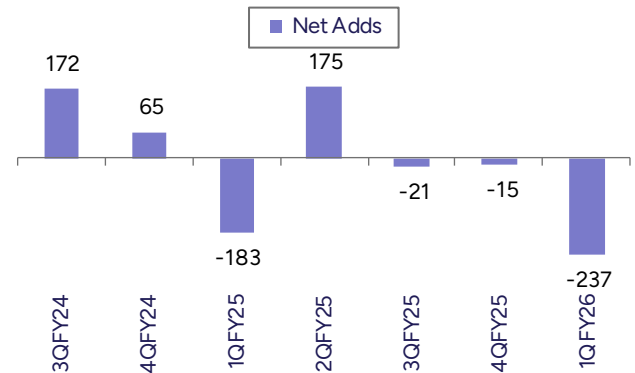
Source: Company, PL

Exhibit 9: EBIT margin declined



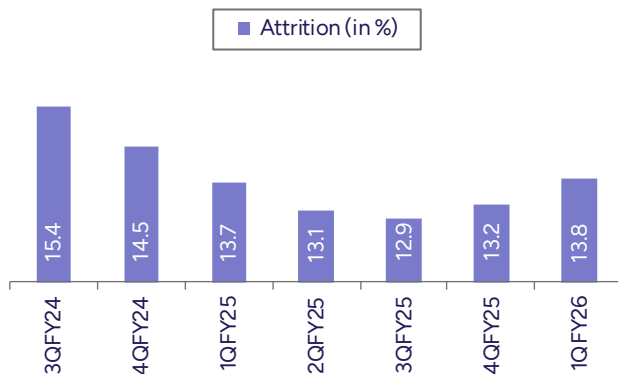
Source: Company, PL

Exhibit 10: Net employee declined



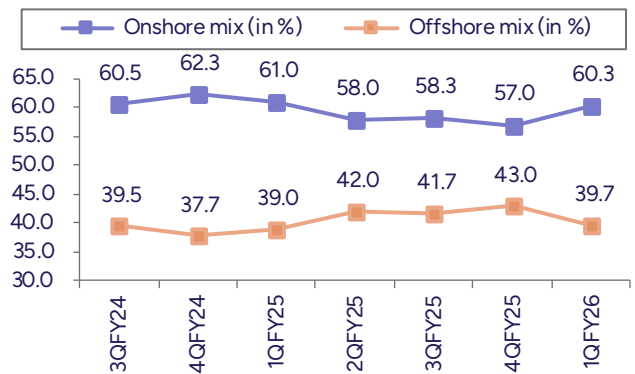
Source: Company, PL

Exhibit 11: Attrition increased during the quarter



Source: Company, PL

Exhibit 12: Onshore mix increased in Q1



Source: Company, PL

Exhibit 13: Operating Metrics

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Revenue by Segment (%)											
Services	81.2	69.7	78.8	78.5	77.6	76.8	77.6	77.6	77.0	79.6	77.4
Technology Solutions	18.8	30.3	21.2	21.5	22.4	23.2	22.4	22.4	23.0	20.4	22.6
Revenue by Services (%)											
Auto	89.0	89.0	89.0	86.0	86.0	86.0	85.0	85.0	84.0	83.0	83.0
Non-auto	11.0	11.0	11.0	14.0	14.0	14.0	15.0	15.0	16.0	17.0	17.0
Revenue Mix											
Onsite	68.0%	63.8%	63.8%	63.2%	60.5%	62.3%	61.0%	58.0%	58.3%	57.0%	60.3%
Offshore	32.0%	36.2%	36.2%	36.8%	39.5%	37.7%	39.0%	42.0%	41.7%	43.0%	39.7%
Employee Metrics											
Total Employees		11,081	11,616	11,833	12,451	12,623	12,688	12,505	12,680	12,659	12,644
Attrition (%)		23.5	21.7	18.7	17.2	15.4	14.5	13.7	13.1	12.9	13.2

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	51,172	51,685	52,899	59,994
YoY gr. (%)	15.9	1.0	2.4	13.4
Employee Cost	37,674	37,791	39,076	44,409
Gross Profit	13,498	13,894	13,824	15,585
Margin (%)	26.4	26.9	26.1	26.0
Employee Cost	-	-	-	-
Other Expenses	4,085	4,553	4,748	4,948
EBITDA	9,413	9,341	9,076	10,637
YoY gr. (%)	14.7	(0.8)	(2.8)	17.2
Margin (%)	18.4	18.1	17.2	17.7
Depreciation and Amortization	1,059	1,212	1,284	1,380
EBIT	8,354	8,128	7,791	9,257
Margin (%)	16.3	15.7	14.7	15.4
Net Interest	-	-	-	-
Other Income	966	1,045	1,399	1,380
Profit Before Tax	9,321	9,173	9,190	10,637
Margin (%)	18.2	17.7	17.4	17.7
Total Tax	2,527	2,445	2,420	2,766
Effective tax rate (%)	27.1	26.6	26.3	26.0
Profit after tax	6,794	6,729	6,770	7,871
Minority interest	-	-	-	-
Share Profit from Associate	-	41	243	350
Adjusted PAT	6,794	6,769	7,013	8,221
YoY gr. (%)	8.9	(0.4)	3.6	17.2
Margin (%)	13.3	13.1	13.3	13.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	6,794	6,769	7,013	8,221
YoY gr. (%)	8.9	(0.4)	3.6	17.2
Margin (%)	13.3	13.1	13.3	13.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6,794	6,769	7,013	8,221
Equity Shares O/s (m)	406	406	406	406
EPS (Rs)	16.8	16.7	17.3	20.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	9,805	10,392	10,921	11,701
Tangibles	7,464	7,885	8,414	9,194
Intangibles	2,341	2,507	2,507	2,507
Acc: Dep / Amortization	6,125	7,271	8,555	9,935
Tangibles	4,362	5,277	6,561	7,941
Intangibles	1,764	1,994	1,994	1,994
Net fixed assets	3,680	3,122	2,366	1,766
Tangibles	3,103	2,609	1,853	1,253
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	8,696	10,191
Cash & Bank Balance	9,134	9,026	7,954	8,971
Other Current Assets	14,457	20,556	18,841	21,861
Total Assets	55,783	66,642	64,460	69,984
Equity				
Equity Share Capital	811	811	811	811
Other Equity	31,397	34,983	37,087	39,553
Total Network	32,208	35,794	37,898	40,365
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	4,928	5,588
Other current liabilities	16,415	22,063	17,616	20,012
Total Equity & Liabilities	55,783	66,642	64,460	69,984

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	6,794	6,770	7,013	8,221
Add. Depreciation	1,059	1,212	1,284	1,380
Add. Interest	(382)	(481)	(1,399)	(1,380)
Less Financial Other Income	966	1,045	1,399	1,380
Add. Other	2,570	2,251	2,420	2,766
Op. profit before WC changes	10,040	9,751	9,319	10,987
Net Changes-WC	(4,071)	382	(3,931)	(2,050)
Direct tax	(3,026)	(3,140)	(2,420)	(2,766)
Net cash from Op. activities	2,943	6,993	2,968	6,172
Capital expenditures	(865)	(262)	(529)	(780)
Interest / Dividend Income	508	610	1,399	1,380
Others	4,293	(1,233)	-	-
Net Cash from Invst. activities	3,936	(885)	870	600
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(4,990)	(4,165)	(4,909)	(5,755)
Interest paid	(1)	(5)	-	-
Others	(578)	(694)	-	-
Net cash from Fin. activities	(5,568)	(4,864)	(4,909)	(5,755)
Net change in cash	1,312	1,243	(1,072)	1,017
Free Cash Flow	2,025	6,678	2,439	5,392

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	16.8	16.7	17.3	20.2
CEPS	19.4	19.7	20.4	23.6
BVPS	79.4	88.2	93.3	99.3
FCF	5.0	16.5	6.0	13.3
DPS	10.1	11.7	12.1	14.2
Return Ratio(%)				
RoCE	19.6	17.5	15.6	17.5
ROIC	12.0	10.4	10.4	11.3
RoE	21.9	19.9	19.0	21.0
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	42.8	42.9	41.5	35.4
P/B	9.0	8.1	7.7	7.2
P/CEPS	37.0	36.4	35.1	30.3
EV/EBITDA	29.8	29.5	30.5	26.0
EV/Sales	5.5	5.3	5.2	4.6
Dividend Yield (%)	1.4	1.6	1.7	2.0

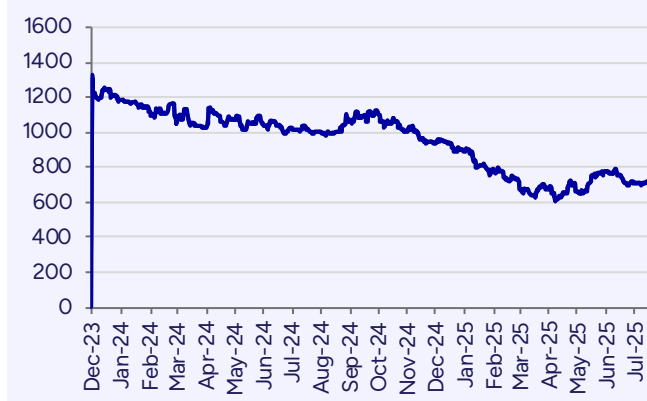
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Net Revenue	12,965	13,174	12,857	12,443
YoY gr. (%)	2.2	1.6	(2.4)	(3.2)
Raw Material Expenses	9,417	9,771	9,306	9,335
Gross Profit	3,548	3,402	3,551	3,108
Margin (%)	27.4	25.8	27.6	25.0
EBITDA	2,355	2,340	2,334	2,001
YoY gr. (%)	-	-	-	-
Margin (%)	18.2	17.8	18.2	16.1
Depreciation / Depletion	299	305	312	313
EBIT	2,056	2,036	2,023	1,688
Margin (%)	15.9	15.5	15.7	13.6
Net Interest	-	-	-	-
Other Income	118	221	523	589
Profit before Tax	2,175	2,257	2,545	2,278
Margin (%)	16.8	17.1	19.8	18.3
Total Tax	601	576	692	623
Effective tax rate (%)	27.6	25.5	27.2	27.3
Profit after Tax	1,574	1,681	1,853	1,655
Minority interest	-	-	-	-
Share Profit from Associates	-	5	36	48
Adjusted PAT	1,574	1,686	1,889	1,703
YoY gr. (%)	(2.9)	7.1	12.0	(9.8)
Margin (%)	12.1	12.8	14.7	13.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,574	1,686	1,889	1,703
YoY gr. (%)	(2.9)	7.1	12.0	(9.8)
Margin (%)	12.1	12.8	14.7	13.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,574	1,686	1,889	1,703
Avg. Shares O/s (m)	406	405	405	406
EPS (Rs)	3.9	4.2	4.7	4.2

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	01-Jul-25	Sell	550	711
2	19-May-25	Sell	590	751

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Cyient	Reduce	1,150	1,289
2	HCL Technologies	Reduce	1,530	1,729
3	Infosys	Accumulate	1,680	1,602
4	KPIT Technologies	Accumulate	1,390	1,259
5	L&T Technology Services	Hold	4,300	4,402
6	LTIMindtree	Hold	5,060	5,312
7	Mphasis	Hold	2,900	2,845
8	Persistent Systems	Hold	5,890	6,042
9	Tata Consultancy Services	BUY	3,920	3,382
10	Tata Elxsi	Sell	4,750	6,138
11	Tata Technologies	Sell	550	711
12	Tech Mahindra	Reduce	1,490	1,687
13	Wipro	Reduce	250	266

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
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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(Indian Clients)

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