

Tata Tech IPO may unlock right value for Tata Motors

SWARAJ BAGGONKAR
Mumbai, December 13

THE ANNOUNCEMENT BY Tata Motors on Monday that it is considering an initial public offer (IPO) of Tata Technologies has brought the spotlight on the lesser-known firm in the group, and the question: Why is Tata Technologies going for an IPO? The answer, perhaps, lies in the changing revenue mix of the company, say analysts.

Revenue from captive clients like Tata Motors and Jaguar Land Rover (JLR) that accounted 54% in FY20 is down sharply to 36% in FY22, according to data shared in the company's annual report.

The 33-year-old Tata Technologies is a product engineering and digital services company serving sectors such as automotive, industrial heavy machinery and aerospace.

Analysts believe that this reduction in its dependence from captive clients and growth in its business outside of the group over the past few years will reduce further in the coming period as the company gets ready for its proposed IPO. This, along with an increased focus on non-automotive sectors and through the tapping on new automotive clients, will help the company grow in the future.

In addition, since Tata Motors remains exposed to uncertainties of the automotive industry across geographies, Tata Technologies will have to look at a larger degree of diversification.

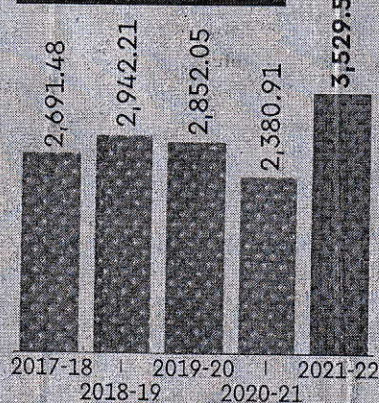
This public offer could become a first by the Tata group in over 18 years, if it beats the proposed IPO of Tata Play.

The Pune-based firm headed by company veteran Warren Harris has more than 9,300 employees across 18 delivery centres based in the US, Europe, India, China, Japan and Singapore. Its rivals include Cyient, Johnson Controls, Infosys,

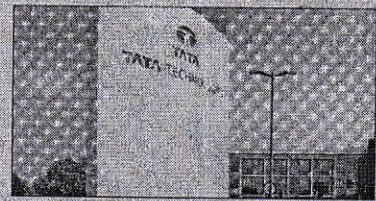
TATA TECHNOLOGIES

Consolidated figures (₹ crore)

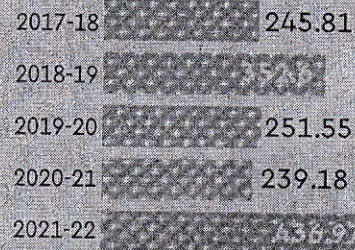
Income from ops



Source: Tata Technologies annual reports



Net profit



KPIT Technologies and Persistent.

Engineering, research and development services, digital enterprise solutions, including offerings in connected enterprise IT product lifecycle management services, education offering and value-added reselling, are the product offerings of Tata Technologies.

Much before electric vehicles became a reality on Indian roads, they had taken the centre stage of all activities at Tata Technologies. Most of the company's product development activities have some form of electrification.

"A lot of its work is about building an electrical architecture that supports the type of passenger and driver experience that many of its customers are building strategies and plans around," a Mumbai-based analyst said.

Tata Technologies' suite of electric vehicle solutions and turnkey product development capabilities helped it win large deals during last year. The company claimed that it helped clients reduce product development time by almost 30%. The company aims to hire

5,500 people over three years in anticipation of significant growth led by demand from the electric vehicle and aerospace sectors. This would push its total headcount to 15,000, a growth of 58%.

"Tata Technologies has been looking to raise funds since the past few years for growth. Its internal plan is to grow every year at 15-20%. Perhaps the fact that it ended FY22 with the best-ever figures, now is the opportune time for it to go public," another analyst said.

The company's consolidated net profit jumped a record 83% in FY22 to ₹437 crore, while its consolidated income from operations grew 48% to ₹3,530 crore in FY22 compared with FY21, making the last financial year its best-ever. The company has zero debt on its books.

During the peak of the Covid-19 disruption, Tata Technologies announced plans of setting up a global e-mobility software engineering centre in Bengaluru opening in partnership with GKN Automotive, a global leader in driveline systems and advanced ePowertrain.