



TRANSPARENT CAPITAL

Tata Technologies Limited



Business of Tata Technologies:

Tata Technologies is a global leader in engineering services outsourcing and product development IT services to the global manufacturing industry; enabling ambitious manufacturing companies to design and build better products. A company of innovators, specialists in the design engineering space, who apply cutting-edge technology to provide a competitive advantage to customers in the manufacturing sector.

The company is a strategic partner for developing complete vehicles, engineering subsystems and components, managing the New Product Introduction (NPI) process through collaborative engineering tools, such as Product Lifecycle Management (PLM) and tying together information created and used throughout the extended manufacturing enterprise.

Tata Technologies is headquartered in Singapore, with regional headquarters in the United States (Novi, Michigan), India (Pune) and the UK (Warwick) with a combined global workforce of more than 8,500 employees serving clients worldwide from facilities in North America, Europe, and the Asia-Pacific region.

History of Tata Technologies:

The Tata Technologies is found under the Legacy of Trust of Tata Group in 1989. Since 1989, Tata Technologies' professionals have been contributing engineering and design services to the world's leading manufacturers.

INCAT– It was based in the UK and was developing a reputation as a world leader in engineering and design staffing to the world's top automotive OEMs.

Integrated Systems Technologies (IST)– It was developing as North America's fastest-growing and most forward-thinking systems integrator and Product Lifecycle Management (PLM) software solutions provider.

In 1998, INCAT and IST merged to form INCAT International, a global product solutions and services provider serving the automotive and aerospace industries worldwide. In late 2004, INCAT plc became a publicly-traded company on the London Stock Exchange and, within a year, was acquired by Tata Technologies.

That move created a unique global provider of Engineering Services Outsourcing (ESO), Product Development IT services, and PLM solutions with combined expertise, resources and experience that are unequaled in the industry.

The Year 1989

- Tata Technologies is founded as a business unit of Tata Motors.
INCAT formed from existing European and North American companies.

The Year 1994

- Tata Technologies spins off as an independent business unit, headquartered in Singapore.

The Year 1996

- Tata Technologies commencing operations in India.

The Year 1997

- Wins Tata Motors E&D and IT outsourcing engagement.

The Year 2003

- Moves India operations to new world-class, state-of-the-art campus Pune Infotech Park

The Year 2005

- Tata Technologies acquires 100% of INCAT International UK, expanding the global footprint.

Products of the Company

1. Autodesk: Autodesk makes software for people who make things. If you've ever driven a high-performance car, admired a towering skyscraper, used a smartphone, or watched a great film, chances are you've experienced what millions of Autodesk customers are doing with Tata Technologies software. Autodesk is the leader in 3D design, engineering, and entertainment software.

2. CAD Solutions

3. INDUSTRIAL DESIGN & VISUALIZATION

4. Products Innovation Platform

5. Data Management

6. Simulation

Services of the Company

- (i) Engineering Research and Development
- (ii) Product Lifecycle Management
- (iii) Connected Enterprise IT

Industries the Company Caters to:

Automotive, Defence, Aerospace and Industry Heavy Machinery

Opportunities & Threats

Opportunities

- (i) Growing IHM and Aerospace Verticals - There are opportunities for growing the Company's IHM /and Aerospace business by leveraging current capabilities around value engineering, product design simulation and digital twin.
- (ii) Strengthening presence in strategic geographies - Expansion of sales and delivery organization in key geographies of North America and EU presents opportunities to acquire top R&D spenders OEMs.
- (iii) Enhancing Digital Offerings - Focus on capability building on Digital ER&D, Digital manufacturing, Digital customer experience and Digital enterprise solutions will enable the Company to further expand footprint in new age offerings.
- (iv) Enhancement of Value proposition through Alliances and Partnerships – Strengthening the value proposition and Go To Market approach by partnering with new technology / solution providers.

Threats

- (i) Credit risk with new OEMs (Start-ups) - The Company has ongoing engagements with new age OEMs and there could be uncertainty in their funding plans, future product roadmap and change in ownership that could lead to a potential credit risk to the Company.
- (ii) Exchange Rate Fluctuations - As a result of increasing globalization and heightened currency volatility, exchange rate fluctuations have a substantial influence on the Company's operations and profitability.

(iii) Data security - GDPR, Cyber security and customer data confidentiality - Stringent Data privacy laws are being implemented across territories and globally connected business operations have vulnerability to system breach, hacking and data leakages impacting IT infrastructure.

(iv) Disruptions due to Global or local Pandemics - Pandemic situation from infectious disease has a substantial impact on global operations as lock outs can disrupt manufacturing operations and impacts customers' ability to spend and the Company's ability to continue the business.

FY19-20 Performance Analysis

(i) FY19-20 was quite challenging for Tata Technology. Falling vehicle sales and push towards ACES(Autonomous, Connected, and Electric Shared) has pushed clients of Tata Technology to reduce costs. We know 80% of Tata Technology revenue comes from the global automotive sector, the problem in that sector has impacted the overall growth of the company.

(ii) However, despite the problems, Tata Technology has earned a revenue of 2852 Cr in FY20, a tad lower as compared to last year where they earned 2984 Cr. The company has made operating margins of 16% in FY20. EPS of FY19-20 stands at 60 per share.

(iii) As per management commentary, Tata Technology has seen revenue growth of 4.4% and operating profit growth of 32% QoQ basis in the last quarter of FY20. This has achieved due to the operational efficiency program that resulted in saving ~100 Cr in FY19-20.

(iv) In FY19-20, Tata Technology has participated in the Electric Vehicle event in China to showcase its product called EVMV (Electric Vehicle Modular Platform). This product helps OEMs of EV to reduce costs in manufacturing.

Future Planning

(i) Tata Technology is looking to align its business portfolio with new markets and opportunities. They are doing investment in embedded electronics, digital, and software segments.

(ii) Last year they build the project called Autostar (Automotive Open System Architecture) for a major tier-1 automotive supplier. 20% of service business revenue comes from Digital now.

(iii) Tata Technology is looking to diversify its client base to grow in adverse situations. In FY19-20, the company has shown strong growth in North-America and India, however, over-dependence upon the automotive sector, especially specific clients in UK, Sweden, and China has impacted the business.

Shareholding Pattern:

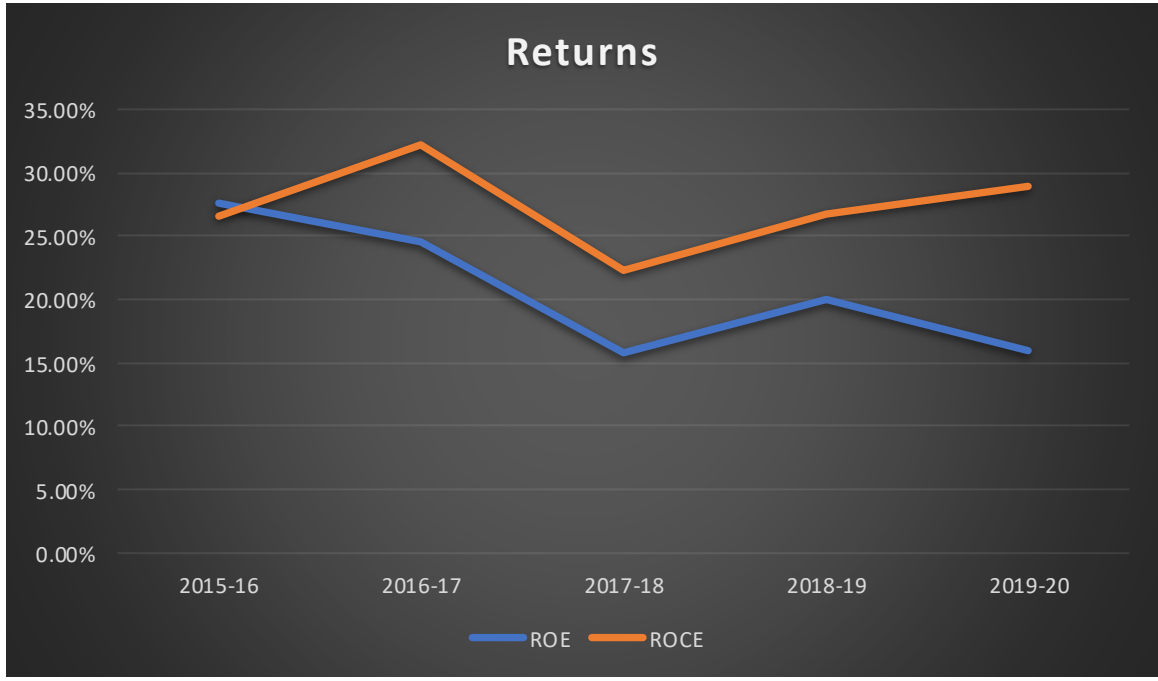
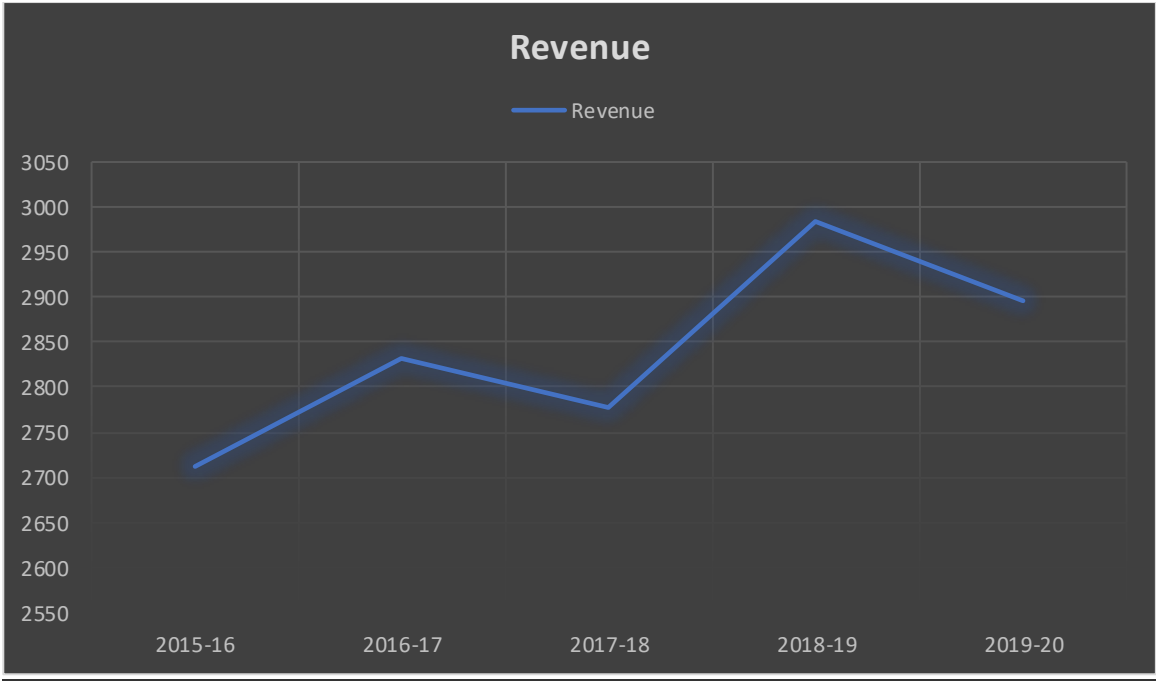
Shareholding Pattern of Tata Technologies as on 31st March 2020

Category	No. of Shareholders	No. Of Shares	% of Paid Up Capital
Tata Motors Limited	1	3,03,00,600	72.48
Alpha TC Holdings Pte. Ltd.	1	37,46,505	8.96%
Tata Capital Growth Fund I	1	18,73,253	4.48%
Tata Motors Finance Limited	1	8,11,992	1.94%

Financials of Tata Technologies Limited Unlisted Shares:

(Fig. in Crores)

Year	Revenue	PAT	OPM	NPM	EPS	ROE	ROCE	D/E
2015-16	2712	384	19.50%	14.20%	91.43	27.60%	26.56%	0.28
2016-17	2832	350	18.67%	12.36%	83.33	24.60%	32.20%	0.1
2017-18	2777	245	15.19%	8.82%	58.37	15.80%	22.30%	0.04
2018-19	2984	352	18%	12%	83.61	20%	26.75%	0
2019-20	2896	312	18%	10.77%	60	16%	28.90%	0



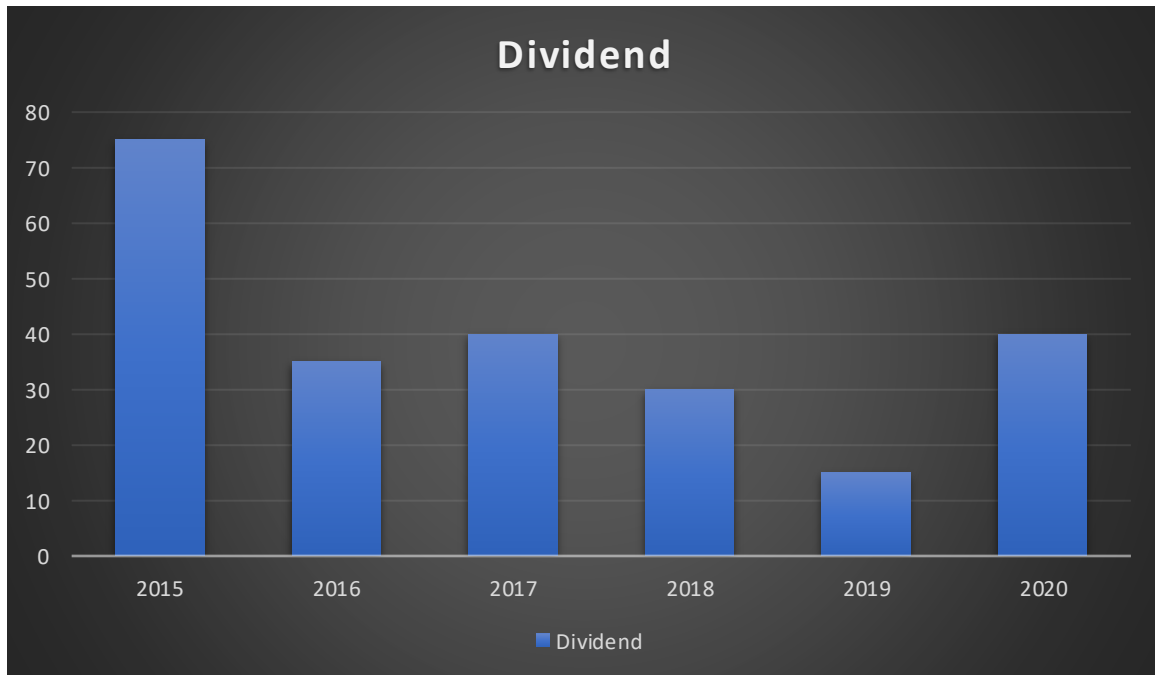
Key Takeaways in FY18-19

- (i) Operating revenue on a consolidated basis registered an increase of 9.3% to 2,942.21 crores in 2018-19.
- (ii) Profit after Tax (PAT) increased by 7.7% on a standalone basis and 43.4% on a consolidated basis.
- (iii) During 2018-19, the Company has paid three interim dividends of 5 each per share (previous year 30 per share).
- (iv) Paid-up share capital of the Company increased from 43.04 crore to 43.05 crore during 2018-19 due to the issue of additional 6,188 shares under the ESOP Scheme. However, out of shares issued and outstanding, 950,501 shares are held by ESOP Trusts, hence net share capital as on March 31, 2019, is 42.10 crore after the consolidation of accounts of ESOP Trusts as per IND AS 110.

Key Takeaways in FY19-20

- (i) Tata Technology has recorded a decrease in revenue from operations by 3.1%. The revenue from operations decreased to ₹ 2,852.05 crores during the financial year 2019-20 compared to ₹ 2,942.21 crores during the previous year.
- (ii) The Profit after Tax (PAT) decreased by 28% to ₹ 251 crores in the financial year 2019-20 compared to ₹ 352 crores during the previous financial year.
- (iii) EPS stands at 60 per share.
- (iv) Tata Technology has recommended a given dividend of 40 per share in FY19-20. This converts into a dividend yield of 3.6% at CMP of 1100 per share.

Dividend History of Tata Technology Shares



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