Tata Technologies Limited

January 13, 2025

Facilities/Instruments	Amount (₹crore)	Rating[1]	Rating Action
Long-term / Short-term bank facilities	765.00	CARE AA+; Stable / CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Tata Technologies Limited (TTL) considers the company's strong brand recall and well-established position in the Engineering, Research and Development (ER&D) segment, and diversified presence across key geographies thus enabling global reach. Ratings also reflect TTL's healthy operational and financial risk profiles, aided by strong debt coverage metrics, and superior liquidity.

TTL has exhibited strong revenue and profitability growth, with consolidated total operating income (TOI) growing at a Compounded Annual Growth Rate (CAGR) of ~29 percent during the period FY21-FY24 (refers to period April 01 to March 31), reaching ₹5,117 crores in FY24. TTL derives ~34 percent of its revenue from its captive customers, Tata Motors Limited (TML) and Jaguar Land Rover (JLR), in FY24, up from 31 percent in FY23. While the technology solutions segment led with a CAGR of 34.5 percent, the service segment witnessed a CAGR of ~27.7 percent. The service segment, covering Engineering & Design and Digital Enterprise Services, grew 12.8 percent Y-o-Y to ₹3,982 crores in FY24, supported by contributions from aerospace and automotive sectors and the technology solutions segment continued to perform well, supported by demand for digital solutions in the education sector, which grew by ~28% Y-o-Y in FY24 to ₹1,134 crores. Healthy order book position was supported by the signing of a US$ 30 million, 5-year MoU with the Telangana government for IT infrastructure modernization and skill training. TTL secured several large deals, signalling strong demand and a healthy deal pipeline.

VinFast was one of the major customers for TTL, with a revenue share of ~22 percent during FY23, which has subsequently fallen to ~11%, owing to completion of major EV development projects. Although VinFast's revenue contribution declined, the segment-maintained growth due to a diversified client base and focus on high-growth areas like GenAI and smart manufacturing. In H1FY25, the service segment revenue remained stable at ₹1,990.6 crores. Key clients such as TML contributed to growth, particularly in the electric vehicle (EV) space. Revenue decline from VinFast was offset by growth in aerospace, industrial machinery, and new customer additions. The revenues improved 15.9% Y-o-Y in FY24 and 1.5% Y-o-Y in H1FY25. Overall, TTL's strong growth is supported by a diversified revenue base, strategic customer relationships, and investments in high-growth sectors. The company maintained healthy profitability margins, with profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins at 18.48% in FY24 and 18.19% in H1FY25, ensuring sustained growth and positive outlook.

Ratings further reflect TTL's healthy operational and financial risk profiles, aided by strong debt coverage metrics and superior liquidity. The company's financial risk profile continues to remain significantly healthy, aided by strong debt coverage metrics with absence of any term loan and minimal utilisation of working capital limits, while only lease liabilities alone comprising total debt. The overall gearing and total debt/ PBILDT remained strong at 0.08x and 0.27x as on March 31, 2024. The company remains net debt negative at ₹739 crore as on March 31, 2024, due to high cash and liquid investments (excl. margin money) at ₹996 crore. The same has consistently stayed above ₹1,000 crore for the past three fiscals. The company has historically parked surplus funds with its parent, TML, in the form of intercorporate deposits (ICDs), which stood at ₹222 crores as on March 31, 2024. The interest rates on these deposits ranged from 5% to 7.05% in 2023 and stood at 7.25% to 7.30% in 2024. Following its IPO, the company's capital-raising capacity has improved, providing easier access to capital markets and further strengthening its liquidity profile.

In October 2024, a 50:50 joint venture, BMW TechWorks India Private Limited (BTIPL), was formalized by TTL and BMW Holding B.V. Initially incorporated as a wholly owned subsidiary of TTL in July 2024, the JV would combine TTL's engineering and digital capabilities with BMW's expertise in automotive and IT solutions sectors. Automotive software development, including software-defined vehicle (SDV) technology, and business IT solutions for digital transformation will be the focus of BTIPL. Operations will be carried out from Pune, Bengaluru, and Chennai, with a workforce expected to exceed 1,000 employees by 2025.

The JV is likely to enable TTL to leverage its expertise in engineering and digital services to support BMW's transition from internal combustion engine (ICE) technology to electric vehicles (EVs). TTL will provide the managerial team, engineers, and staff, all with prior experience on BMW projects. The JV was established to meet BMW's enhanced data security needs and will broaden TTL's deliverables, including mechanical software and other areas previously outsourced to other regions. This partnership is expected to expand TTL's portfolio and strengthen its position in the global ER&D space. CARE Ratings Limited (CARE Ratings) expects such strategic partnerships to maintain TTL's competitive position in long term in ER&D industry.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

The above rating strengths are offset by the concentration of revenue to captive customers, TML and JLR. These captive customers contributed 34% of TTL's consolidated total operating income (TOI) in FY24. However, CARE Ratings notes declining revenue share of captive customers over the years. Going ahead, CARE Ratings expects revenue growth to be driven largely by non-captive customers and state government orders supported by improved demand environment for the automotive segment, particularly for EVs across geographies. Ratings are further constrained by susceptibility to slow down in end-user industries and margin exposure to competition, technological obsolescence, attrition risk, protectionist measures, and foreign exchange fluctuation risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significantly growing scale of operations, and PBILDT margins in the range of 22-25%, while maintaining its strong leverage and liquidity on a sustained basis.
- Reducing customer concentration risk largely from its captive/ group companies.

Negative factors

- Weakening or moderating new order wins in the backdrop of prolonged slowdown in the industry resulting in lower-than-anticipated revenue visibility and delaying execution.
- Major debt-funded acquisition/capex, resulting in deteriorating capital structure with overall gearing above 0.50x.

Analytical approach: Consolidated

CARE Ratings has adopted a consolidated approach owing to considerable financial, operational and management linkages between TTL and its subsidiaries. The list of subsidiaries considered in the consolidated financial statements as on September 30, 2024, and March 31, 2024, is given below in Annexure-6.

Outlook: Stable

The stable outlook reflects the company's ability of receiving repeat orders from existing customers and addition of new customers within both the automotive and non-automotive space. Alongside the stable demand scenario, the financial risk is also expected to remain superior with absence of any term loan and superior liquidity, negating the requirement of any major borrowings.

Detailed description of key rating drivers:

Key strengths

Robust performance and strong profitability

On a consolidated basis, TTL's revenues grew at a CAGR of 29.1% for FY21-FY24. For FY24 (FY refers to the period April 01 to March 31), the revenues improved 15.9% Y-o-Y for FY24 (12.6% in constant currency terms) and 1.5% Y-o-Y in H1FY25. The growth momentum has been maintained alongside continuation of strong profitability margins with PBILDT margins of 18.48% in FY24 (vs 18.71% in FY23), the margin remained consistent in H1FY25 and stood at 18.19%.

The service segment, covering Engineering & Design and Digital Enterprise Services, grew 12.8% Y-o-Y in FY24 to ₹3,982 crore, supported by a diversified client base and focus on high-growth areas like GenAI and smart manufacturing. Despite the ramp-down of VinFast, growth was broad-based, with contributions from aerospace (Airbus) and automotive (JLR, TML). In H1FY25, service segment revenue remained stable at ₹1,990.6 crore (vs. ₹1,986 crores in H1FY25). The segment's strong pipeline provides potential for continued performance.

Anchor clients accounted for ~34% of total revenues in FY24, an increase from their 31% revenue share in FY23. TML including JLR have seen significant improvement in sales volumes and has gained market share of over 70% in four-wheeler electric vehicle (EV) category for FY24. TTL has been involved in majority of the new product development and product launch aspects of anchor clients. Some successful projects with complete ownership of TTL include internal combustion engine (ICE) to EV conversion for Tata Tigor EV (2021) and Tata Tiago EV (2023). Supposedly, if the product launches for TML were to slow down, TTL would continue to benefit from maintenance, service, and various other re-designing aspects. However, CARE Ratings draws comfort from the fact that TML has multiple product launches lined up providing medium-term revenue visibility for TTL.

Other major customer, Vinfast witnessed lower contribution to TTL's revenue which declined to 11% in FY24 from 22% in FY23, largely due to the completion of major EV development projects like the VF 6 and VF 7. As these projects conclude and the focus shifts to smaller, maintenance-related work, revenue from VinFast is expected to continue declining in FY25 and beyond. However, this decline was partly offset by growth from other sectors, including aerospace, and industrial machinery, as well as the addition of new external customers. The services division, excluding VinFast, grew 30% Y-o-Y in FY24, demonstrating TTL's efforts to diversify its client base and reduce reliance on a single customer.

The technology solutions segment reported a 28.5% Y-o-Y revenue growth in FY24, reaching ₹1,134 crores, primarily driven by demand for digital solutions in the education sector, such as e-learning platforms and learning management systems. The growth was supported by a strong order book and the signing of a US$30 million, 5-year MoU with the Telangana government for IT infrastructure modernization and skill training initiatives in 65 state-owned Industrial Training Institutes. In H1FY25, technology solutions segment reported Y-o-Y growth of 6.4% from H1FY24 and stood at ₹575 crores.

In FY24, TTL secured 12 large deals, including one over US$50 million, five in the US$15 to US$25 million range, and two in the US$5 to US$10 million range, with three smaller deals in the US$1 to US$5 million range. The number of customers generating over US$1 million in annual revenue rose from 34 in FY23 to 41 in FY24. This indicates a healthy customer addition trend and a sustained deal pipeline.

Strong brand recall with sustained strong market position in ER&D services

TTL derives strong brand recall owing to its brand image and its long-established position in the ER&D division for the last three decades. TTL derived ~34% of its overall revenue from its two captive customers (TML and JLR) in FY24. All the orders from one of its captive customers are bid-based and TTL does not receive any preferential treatment in the bidding process. Being a subsidiary of TML, which is one of the flagship companies of the Tata group, TTL continues to benefit from its top management having over two decades of expertise in their respective areas and lend in their global business perspective.

TTL has a balanced onshore/offshore global delivery model with 20 global delivery centers in the USA, Europe, India, China, and South-east Asia to provide aligned onshore customer proximity required to support the iterative nature of product development services together with the capacity and cost-effectiveness of offshore locations. The company has several orders from the state governments including Government of Karnataka, Government of Bihar, Government of Assam, and Government of Tamil Nadu among others for transforming government ITIs into technology centres with modern infrastructure and training facilities to meet the industry 4.0 standard.

Robust financial risk profile with stable earnings, debt-free status, and strong cash reserves

TTL's financial profile is robust with strong cash accruals as against absence of long-term debt and having a net debt free status. According to CARE Ratings' analysis, the total debt comprises only lease liabilities. Overall gearing remained very healthy at 0.08x while total debt by gross cash accruals (TD/GCA) was 0.38x as on March 31, 2024. GCA climbed from ~₹630 crore to FY23 to ₹685 crore to FY24 and ~₹342 crore in H1FY25. However, net cash accruals for FY24 were relatively low at ₹185 crore due to high dividend payout before IPO. Given that the GCA is quite strong, just the internal accruals and surplus cash and liquid investments would suffice for acquisitions or expansion plans, if any.

The net worth is sturdy at ₹3,221 crore as on March 31, 2024. The company's liquidity is superior with cash and liquid investments of ₹996 crore as on March 31, 2024, and have consistently stayed above ₹1,000 crore for the past three fiscals. Moreover, the company has tendency of parking surplus funds with the parent, Tata Motors, in the form of ICD. ICDs have reduced from ₹484.75 crore as on March 31, 2023, to ₹222 crore as on March 31, 2024. Due to IPO, the company's liquidity has further strengthened with ease of access to capital markets.

Strategic Partnerships to support competitive position in long run

TTL has entered into several strategic partnerships that provide visibility into its long-term growth prospects. The joint venture with BMW leverages complementary expertise in engineering and automotive software, targeting emerging areas like software-defined vehicles and digital transformation. Similarly, its collaboration with Agratas, Tata Sons' battery business, focuses on sustainable battery solutions and the industrialization of giga factories, which align with the increasing shift towards EV adoption. Partnerships with Siemens EDA and Databricks add depth to its capabilities in software-defined products, predictive analytics, and smart manufacturing. These developments, while still evolving, provide comfort regarding the company's ability to adapt to industry trends and sustain its competitive position.

Cyclicality in auto industry has had low impact on fluctuation in TTL's profitability margins in the past

Within services segment, automotive segment contributes ~85-90% of the overall revenues due to major clients being TML, JLR and later Vinfast (Vietnam-based EV manufacturer). Overall exposure to automobiles sector is likely to be ~70%. During the downturn for the auto industry (FY20 and FY21), net sales declined by 2.8% and 15.9% Y-o-Y, while profit after tax (PAT) margins declined to ~8.8% in FY20 and later improved to 10.1% in FY21. During such down times as on March 31, 2021, owing to surplus generation of operating cash flows, ICDs of ~₹250 crore was extended to parent, while cash and cash equivalents remained strong during the downturn in the auto industry. CARE Ratings expects, while this downturn will create some turbulence in the short-to-medium term, the same is unlikely to having any harsh impact on TTL's credit profile.

Key weaknesses

Higher customer concentration risk

Around 34% of TTL's total revenues for FY24 comes from its top two captive customers- TML and JLR, posing significant revenue concentration risk for the company. However, TTL has been reducing its reliance on captive customers from 70% of the revenue in FY15 to ~50% in FY20 and further down to ~30-35% range currently. With the completion of large full-vehicle development projects for VinFast, its revenue contribution has declined, leading to a higher proportionate share of TML and JLR in total revenue. TTL is actively expanding its technology solutions segment to diversify its customer base, by acquiring non-captive customers and various state government orders by taking necessary steps.

Susceptibility to competition and technological obsolescence

The company serves customers largely in the engineering, design and technology domains that are undergoing rapid changes and innovation. For auto original equipment manufacturers (OEMs), adaptation to the customers' changing needs and expectations, that is, switch to electrification, connected and autonomous driving systems among others is highly expected. Adaptability to these changes needs to be dynamic to avoid OEMs shifting to other competitors. This may also be a potential threat due to workforce skill obsolescence. However, TTL has been investing in research and development (R&D) activities, reskilling and up-skilling of the workforce, which shall help it in updating its designs and manufacturing varieties of products for the customers.

Exposed to foreign currency fluctuation risk

~60-70% of the company's revenues are derived in foreign currencies. TTL uses forward exchange contracts to partly mitigate the risks of adverse currency movements. The unhedged foreign currency outstanding stood at ₹421.9 crore as on March 31, 2024, and ₹548.5 crore as on March 31, 2023. TTL uses forward exchange contracts to hedge its exposure in foreign currency. However, given unhedged exposure is high, the company is susceptible to adverse currency movements.

Attrition risk and protectionist measures

TTL's attrition rate at the consolidated level was at 14.5% for FY24 (improved from 21.7% in FY23) and ~13.1% for Q2FY25, this was in line with overall reduction in industry wide attrition levels. However, a reversal in this trend or sustained higher attrition could pose a risk of elevated employee costs and impact profitability. Increasing protectionist measures imposed by few developed economies, changes in immigration laws or any local regulations may result in workforce mobilization and increased employee and operational costs, thus impacting the margins.

Liquidity: Superior

The company's liquidity continues to remain superior with cash and cash equivalents of ₹813 crore as on September 30, 2024. These have consistently remained above ₹800 crore over the past three fiscals, even while supporting a high dividend payout of ~₹499 crore in FY24. TTL also has a tendency to park surplus funds with the parent- TML in the form of intercorporate deposits (ICD). ICDs as on March 31, 2024, stood at ₹222 crores. The last 12 months average utilisation of fungible fund based/non-fund-based limits remained moderate at 18%, since the company makes minimal use of its working capital limits, thus providing sufficient cushion to liquidity. Overall gearing remains very healthy and stood at 0.08x and total debt/PBILDT at 0.27x as on March 31, 2024, due to absence of long-term debt with lease liability being the only component of total debt. The current ratio stood at 1.84x in FY24 and lean operating cycle negates any requirement of working capital in the projected period.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks

	Risk factors
Environmental	**GHG emissions: Low** • TTL focuses on designing greener products, accurately and with minimal waste. Additionally, GHG emissions relatively lower due to service sector. • TTL targets to achieve carbon neutrality and transition to 100% renewable energy by 2045. These goals align with the Tata Group's Project Aalingana, which serves as a strategic framework for addressing social and environmental priorities.
Social	**Gender diversity efforts: Adequate** TTL promotes gender diversity through initiatives like Reignite, SHEnnovator, and LeaderBridge, which empower women engineers and leaders. The EVE program continues to support women pursuing engineering through scholarships, while the Ready Engineer program equips students with expertise in emerging fields like EVs, Industry 4.0, and essential professional skills, driving skill development and industry readiness. **Attrition rate: High** Attrition rate high at 14.5% for FY24 (vs. 21.7% in FY23).
Governance	**Board independence: Majority** Majority of the board comprises independent directors. **Data governance risk: Moderate** The industry is inherently exposed to risks related to cybersecurity, information security, and data privacy. Adequate data governance practices in place.

Applicable criteria

[Definition of Default](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Consolidation](#)
[Criteria on Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)
[Service Sector Companies](#)
[Financial Ratios – Non financial Sector](#)
[Short Term Instruments](#)

About the company and industry
Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Information Technology	Information Technology	IT - Services	IT Enabled Services

Incorporated on August 22, 1994, and headquartered in Pune, TTL, is a subsidiary of TML (rated 'CARE AA+; Stable/ CARE A1+'). TTL is a global engineering and product development services company and was initially a dedicated department of TML, handling ER&D services exclusively for the former. Later, with the management decision to realign the TML's focus solely on automotive manufacturing, the division was carved out as a separate entity. Over the years, the company has moved up the value chain and presently offers its services through the ER&D services and Digital Enterprise Solutions (DES) verticals.

TTL provides ER&D services, which includes product design, simulation, testing, and embedded systems development, primarily serving the automotive, aerospace, and industrial sectors. The company also offers Digital Enterprise Solutions (DES), focusing on IT services such as ERP, CRM, analytics, and product lifecycle management (PLM), and reselling third-party software and delivering technology solutions for academia upskilling and reskilling.

Range of services includes IT Consultancy, SAP implementation and maintenance, providing networking solutions, computer-aided design & computer-aided manufacturing (CAD/CAM) and design consultancy primarily to manufacturers and their suppliers in the international and domestic automotive, aerospace, and industrial machinery engineering segment. The company serves to over 100 global clients through its six offices located at Mumbai, Lucknow, Jamshedpur, Bangalore, Chennai and one branch office located in Japan along with 20 Global Delivery Centers (GDCs) in USA, Europe, India, China and Southeast Asia. The company has a global presence, through its subsidiaries, in the US, the UK, Germany, Canada, Singapore, South Korea, Netherlands, Thailand, China and Sweden. As of September 30, 2024, TTL had 12,680 professionals serving clients across Asia pacific, Europe and North American region.

Brief Financials (₹crore) (Consolidated)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	4,414	5,117	2,565
PBILDT	827	946	467
PAT	624	679	319
Overall gearing (times)	0.09	0.08	0.08
Interest coverage (times)	45.99	50.01	50.07

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-CC/Packing Credit		-	-	-	765.00	CARE AA+; Stable / CARE A1+

LT/ST: Long term/Short term

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ ST-CC/Packing Credit	LT/ST	765.00	CARE AA+; Stable / CARE A1+	1)CARE AA+; Stable / CARE A1+ (22-Apr-24)	1)CARE AA+; Stable / CARE A1+ (21-Mar-24)	1)CARE AA+; Stable / CARE A1+ (03-Jan-23)	1)CARE AA+; Stable / CARE A1+ (03-Mar-22) 2)CARE AA+; Stable / CARE A1+ (07-Dec-21)

LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-CC/Packing Credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No.	Name of the entity	Extent of consolidation	Rationale for consolidation
	Direct Subsidiaries		Subsidiaries, with significant operational and management linkages.
1	TATA Technologies Pte. Ltd.	Full	
	Indirect Subsidiaries		
2	Tata Technologies (Thailand) Limited	Full	
3	Tata Manufacturing Technologies Consulting (Shanghai) Limited	Full	
4	INCAT International Plc.	Full	
5	Tata Technologies Europe Limited	Full	
6	Tata Technologies Nordics AB	Full	
7	Tata Technologies GmbH	Full	
8	Tata Technologies Inc.	Full	
9	Tata Technologies de Mexico, S.A. de C.V ** (in process of liquidation)	Full	
10	Cambric Limited, Bahama **	Full	
11	Tata Technologies SRL, Romania **	Full	
12	Tata Technologies Limited Employees Stock Option Trust	Full	
13	INCAT International Limited ESOP 2000	Full	
	Joint Ventures		
14.	BMW TechWorks India Private Limited* (w.e.f. October 2024)	Proportionate	Joint venture

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
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