Tata Technologies

India | IT Services | Result Update

Global Markets Research

18 January 2026

Aiming for double-digit growth in FY27

Rating: Sell
Target Price: INR 490
Downside: 25%
CMP: INR 651
As on 16 January 2026

Tata Technologies' (TATATECH IN) Q3 revenue was aided by non-auto services, while margins were impacted by wage hike and a cybersecurity incident at JLR. The company is aiming for sequential growth of 10% in Q4 in the services segment, led by normalization of revenues at JLR, integration of ES-TEC numbers and continued growth in non-auto services revenues, which should not be challenging in our view. TATATECH is aiming for normalization of margin in Q4 and margin may revert to Q2 level of 16%. We maintain our view that in the medium term, due to planned scaling down of product investments by its anchor clients, JLR and Tata Motors, auto services revenue may come under pressure. We retain **Sell** with a lower TP of INR 490 on 22x FY28E P/E.

Growth driven by non-auto portfolio: TATATECH reported 1.2% QoQ revenue growth in USD terms and 2.3% QoQ in CC terms, while revenue declined 2.0% YoY in USD, down 1.5% YoY CC, in Q3. In terms of INR, revenue grew 3.2% QoQ and 3.7% YoY, led by INR depreciation. Vertical-wise, growth was led by the services segment (78% of overall revenue), up 2.6% QoQ USD (+1% QoQ CC organic growth), supported by earlier deal wins and 10% QoQ growth in aerospace and 19% QoQ growth in Industrial Heavy Machinery (IHM). The Technology Solutions segment declined 3.4% QoQ as a 30% QoQ rise in the products business, mainly due to year-end PLM software renewals, was more than offset by 22% QoQ decline in the education business, reflecting temporary softness in demand and elongated decision cycles, which the management expects to recoup as the pipeline remains healthy.

EBITDA margin down 160bps QoQ: EBITDA margin stood at 14.1% in Q3, impacted by annual wage revisions and a temporary revenue shortfall at a large client following a cybersecurity incident. TATATECH deliberately retained its delivery capacity to support future growth. The company recorded INR 1,398.7mn charge from the impact of new Labor Codes and INR 239.9mn of costs related to ES-Tec integration. With these headwinds largely behind and revenue momentum accelerating, TATATECH expects EBITDA margin in Q4 to recover and exceed Q2 run rate of 16.4%. LTM attrition expanded 70bps to 15.8%, while headcount rose by 178 to 12.6K.

Retain Sell with a lower TP of INR 490: We raise our USD revenue estimates for FY27E-28E by 1.0%-4% on integration of ES-TEC as well as strong growth in non-auto services revenues. The mix of non-auto services revenues (catering to ER&D need of Aerospace and Industrial heavy machinery clients) has increased from 9% to 15% and this segment has been growing at 5%+ CQGR in the past few quarters. This with ES-TEC acquisition (TATATECH is entering into VW ER&D as one of the outsourcing ER&D partners) has helped pare dependency on anchor clients, TML and JLR. However, as per our view, the contribution of anchor clients is still ~50% and this segment may continue to be weak. We thus retain **Sell** with a lower TP of INR 490 from INR 515, based on 22x (unchanged) FY28E P/E. Recovery in anchor client spend and higher-than-expected contribution from BMW JV are key risks to our call.

Key data

Bloomberg	TATATECH IN
Reuters Code	TATE.NS
Shares outstanding (mn)	406
Market cap (INR bn/USD mn)	264/2,905
EV (INR bn/USD mn)	256/2,820
ADTV 3M (INR mn/USD mn)	512/6
52 week high/low	838/592
Free float (%)	42

Note: as on 16 January 2026; Source: Bloomberg

Price chart

Source: Bloomberg

Shareholding (%)	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26
Promoter	55.2	55.2	55.2	55.2
% Pledge	0.0	0.0	0.0	0.0
FII	3.1	3.1	4.9	5.3
DII	3.1	2.5	3.3	2.9
Others	38.6	39.2	36.6	36.7

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(0.1)	2.9	10.7
Tata Technologies	(5.1)	(8.7)	(19.1)
NSE Mid-cap	0.4	1.5	9.4
NSE Small-cap	(5.1)	(9.5)	(3.0)

Source: Bloomberg

Key financials

YE March (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR mn)	51,172	51,685	53,764	60,219	65,777
YoY (%)	1,592.6	100.2	402.3	1,200.5	923.1
EBITDA (INR mn)	9,413	9,341	8,323	9,945	11,506
EBITDA margin (%)	18.4	18.1	15.5	16.5	17.5
Adj PAT (INR mn)	6,794	6,770	6,324	7,403	8,919
YoY (%)	8.9	(0.4)	(24.0)	43.8	20.5
Fully DEPS (INR)	16.7	16.7	15.6	18.2	22.0
RoE (%)	21.9	18.9	13.8	18.7	21.1
RoCE (%)	26.9	23.9	19.2	22.0	23.8
P/E (x)	38.8	39.0	41.8	35.7	29.6
EV/EBITDA (x)	27.2	27.4	30.8	25.8	22.3

Note: Pricing as on 16 January 2026; Source: Company, Elara Securities Estimate

Sameer Pardikar
IT Services

+91 22 4204 8692
sameer.pardikar@elaracapital.com

Associate
Yash Kudale
yash.kudale@elaracapital.com

Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	51,172	51,685	53,764	60,219	65,777
Gross Profit	13,498	13,894	13,400	15,535	17,439
EBITDA	9,413	9,341	8,323	9,945	11,506
EBIT	8,354	8,128	7,026	8,445	9,735
Interest expense	189	196	278	426	445
Other income	1,156	1,282	2,054	2,080	2,602
Exceptional/ Extra-ordinary items	-	-	(1,639)	-	-
PBT	9,321	9,214	7,164	10,099	11,893
Tax	2,527	2,445	2,017	2,696	2,973
Minority interest/Associates income	-	-	-	-	-
Reported PAT	6,794	6,770	5,147	7,403	8,919
Adjusted PAT	6,794	6,770	6,324	7,403	8,919

Balance Sheet (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Shareholders' Equity	32,208	35,794	37,338	39,554	42,224
Minority Interest	-	-	-	-	-
Trade Payables	4,814	4,767	4,787	5,362	5,857
Provisions & Other Current Liabilities	16,415	22,063	24,186	26,793	29,039
Total Borrowings	-	-	-	-	-
Other long term liabilities	2,347	4,018	4,018	4,018	4,018
Total liabilities & equity	**55,783**	**66,642**	**70,329**	**75,727**	**81,138**
Net Fixed Assets	3,103	2,609	2,656	2,662	2,535
Goodwill	7,826	8,181	8,181	8,181	8,181
Intangible assets	577	513	513	513	513
Business Investments / other NC assets	4,548	8,612	8,612	8,612	8,612
Cash, Bank Balances & treasury investments	10,637	15,143	16,921	18,476	20,709
Inventories	-	-	-	-	-
Sundry Debtors	11,479	10,056	10,458	11,714	12,795
Other Current Assets	17,614	21,530	22,988	25,570	27,793
Total Assets	**55,783**	**66,642**	**70,329**	**75,727**	**81,138**

Cash Flow Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Cashflow from Operations	**2,943**	**6,993**	**6,725**	**8,247**	**10,126**
Capital expenditure	(918)	(315)	(1,344)	(1,505)	(1,644)
Acquisitions / divestitures	-	-	-	-	-
Other Business cashflow	4,855	(571)	-	-	-
Free Cash Flow	**2,025**	**6,678**	**5,381**	**6,742**	**8,482**
Cashflow from Financing	(5,568)	(4,864)	(3,603)	(5,187)	(6,249)
Net Change in Cash / treasury investments	1,312	1,243	1,778	1,555	2,232

Key assumptions & Ratios	FY24	FY25	FY26E	FY27E	FY28E
Dividend per share (INR)	10.1	11.7	8.9	12.8	15.4
Book value per share (INR)	79.3	88.1	92.0	97.4	104.0
RoCE (Pre-tax) (%)	26.9	23.9	19.2	22.0	23.8
ROIC (Pre-tax) (%)	40.6	38.5	34.2	40.7	45.7
ROE (%)	21.9	18.9	13.8	18.7	21.1
Asset Turnover (x)	23.6	18.1	20.4	22.6	25.3
Net Debt to Equity (x)	(0.3)	(0.4)	(0.5)	(0.5)	(0.5)
Net Debt to EBITDA (x)	(1.1)	(1.6)	(2.0)	(1.9)	(1.8)
Interest cover (x) (EBITDA/ int exp)	49.8	47.6	30.0	23.4	25.9
Total Working capital days (WC/rev)	42.7	30.0	32.6	34.1	33.2

Valuation	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	38.8	39.0	41.8	35.7	29.6
P/Sales (x)	5.2	5.1	4.9	4.4	4.0
EV/ EBITDA (x)	27.2	27.4	30.8	25.8	22.3
EV/ OCF (x)	87.0	36.6	38.1	31.1	25.3
FCF Yield	0.8	2.6	2.1	2.6	3.3
Price to BV (x)	8.2	7.4	7.1	6.7	6.3
Dividend yield (%)	1.5	1.8	1.4	2.0	2.4

Note: Pricing as on 16 January 2026; Source: Company, Elara Securities Estimate

Exhibit 1: Quarterly financials

(INR mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E	Variance (%)
Revenues (USD mn)	**153**	**156**	**(1.9)**	**151**	**1.2**	**149**	**2.2**
Revenue (INR mn)	**13,657**	**13,174**	**3.7**	**13,233**	**3.2**	**13,301**	**2.7**
Operating expenditure	11,729	10,834	8.3	11,155	5.1	11,425	2.7
Employee expenses	6,977	6,393	9.1	6,502	7.3	6,762	3.2
Outsourcing charges	1,066	973	9.5	932	14.3	913	16.7
EBITDA	1,929	2,340	(17.6)	2,078	(7.2)	1,876	2.8
Depreciation	360	305	18.2	309	16.5	314	14.5
EBIT	**1,569**	**2,036**	**(23.0)**	**1,769**	**(11.3)**	**1,562**	**0.4**
EBIT margin (%)	**11.5**	**15.5**	**(400) bps**	**13.4**	**(190) bps**	**11.7**	**(30) bps**
Other income	300	226	32.5	489	(38.7)	605	(50.5)
Exceptional items	1,639						
PBT	230	2,262	(89.8)	2,259	(89.8)	2,167	(89.4)
Total tax	163	576	(71.6)	604	(73.0)	579	(71.8)
Reported PAT	**66**	**1,686**	**(96.1)**	**1,655**	**(96.0)**	**1,588**	**(95.8)**
EPS (INR per share)	**0.2**	**4.2**	**(96.1)**	**4.1**	**(96.1)**	**3.9**	**(95.9)**

Source: Company, Elara Securities Estimate

Conference call highlights

- **Outlook:** Management has guided for >10% QoQ revenue growth in Q4FY26, driven by broad-based demand, normalization of impacted accounts, ES-TEC contribution, and deal ramp-ups. For FY27, TATATECH is targeting double-digit organic revenue growth, with any ES-TEC contribution being incremental. Management emphasized that these targets are grounded in a secured pipeline and improved customer decision cycles, and not aspirational optimism

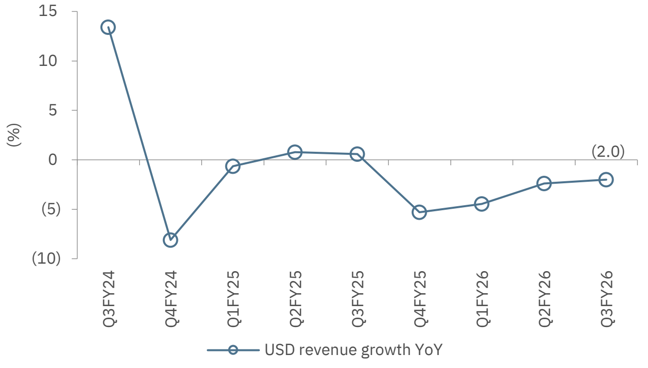
- **Automotive outlook:** Automotive investments have moderated in the past 18 months amid geopolitical uncertainty, tariffs, and regulatory ambiguity. But H2CY25 is showing improved predictability, driving catch-up investments. TATATECH won its first full vehicle program in 18 months in Q3, signaling early signs of recovery. Long-term outlook for TML and JLR is strong, with accelerating investments in new products and enterprise digitization. Geography-wise, recovery is visible across Europe and North America, while China remains structurally EV-heavy.

  Industrial heavy machinery and aerospace: Growth in industrial heavy machinery is being driven by commercial vehicles and off-highway segments, supported by Tata Motors CV's IVECO acquisition and new supplier accreditations with global CV OEMs. Defense presents multiple growth vectors, including direct contract opportunities in India, Europe, and the US via localized manufacturing and delivery platforms, alongside an indirect upside as accelerating defense demand reallocates capacity away from commercial aerospace, creating incremental backfill opportunities. Aerospace is emerging as a structurally strong growth pillar, with revenues doubling for four consecutive years and expected to reach ~USD 40mn in FY26, driven by deepening Airbus engagement (including EMES supply chain entry), Design Organization Approval (DOA) certifications enabling safety-critical work, expansion into US engine OEMs, and differentiated digital industrialization and factory digitization capabilities

- Management highlighted a deliberate 12-18 month effort to reduce concentration risk, diversify customer exposure, and rebalance the portfolio. While ~90% of revenues were from automotive a year ago, that share has reduced to ~80%, with faster growth in aerospace and IHM. The company is migrating from cyclical, program-heavy mechanical work toward embedded software, validation, SDV, and digital engineering.

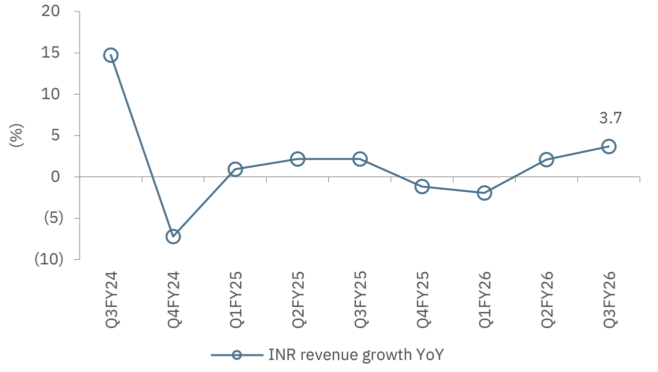
- **BMW JV** continues to scale and now employs 1,500+ engineers. It is a cornerstone of BMW's global engineering strategy and has enabled Tata Technologies to secure direct framework agreements in Europe. Share of profit from the JV rose 37% QoQ to INR 72.7mn, contributing INR 156mn to PBT. Management expects continued scale-up across Europe, North America, and China, with increasing offshore delivery from India.

Exhibit 2: Soft USD revenue due to seasonality and a temporary cybersecurity-related billing disruption



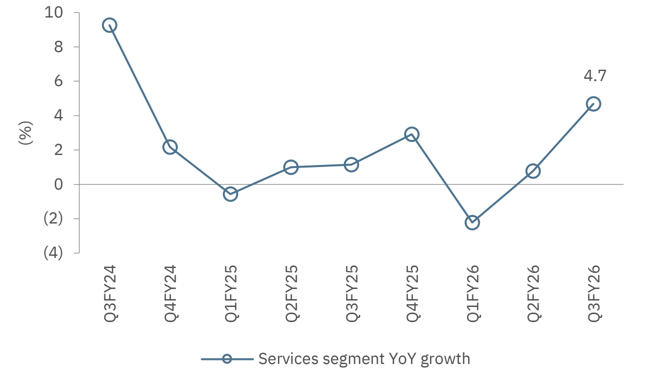
Source: Company, Elara Securities Research

Exhibit 3: INR revenue growth supported by currency gains



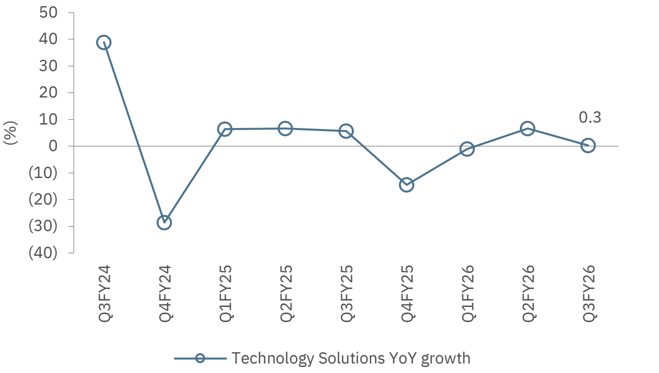
Source: Company, Elara Securities Research

Exhibit 4: Services segment – Growth led by earlier deal wins



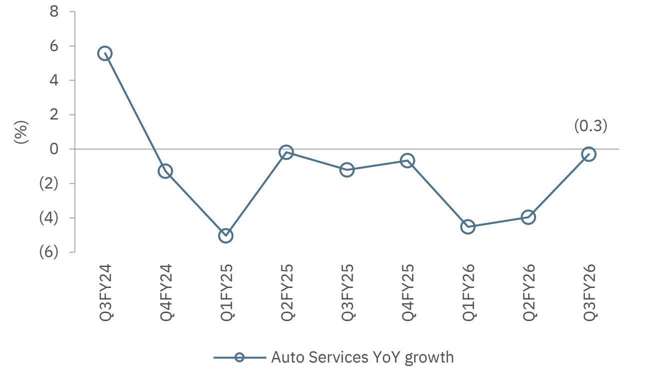
Source: Company, Elara Securities Research

Exhibit 5: Technology solutions subdued



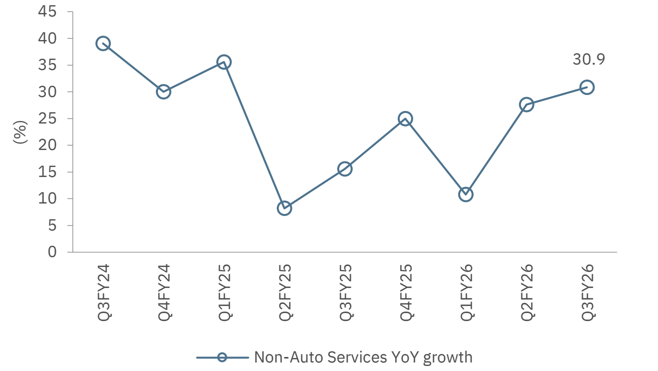
Source: Company, Elara Securities Research

Exhibit 6: Auto services – Growth soft



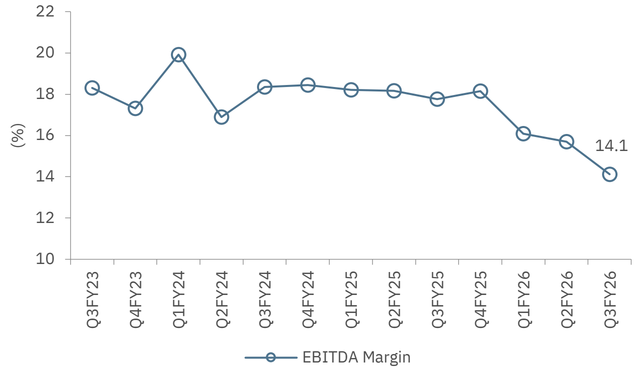
Source: Company, Elara Securities Research

Exhibit 7: Expanding aerospace and industrial heavy machinery



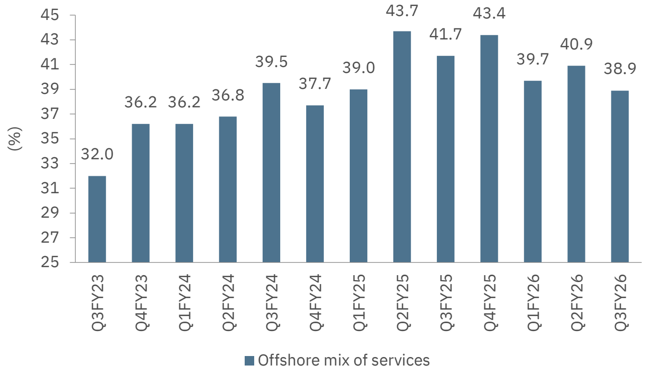
Source: Company, Elara Securities Research

Exhibit 8: EBITDA margin down 160bps sequentially



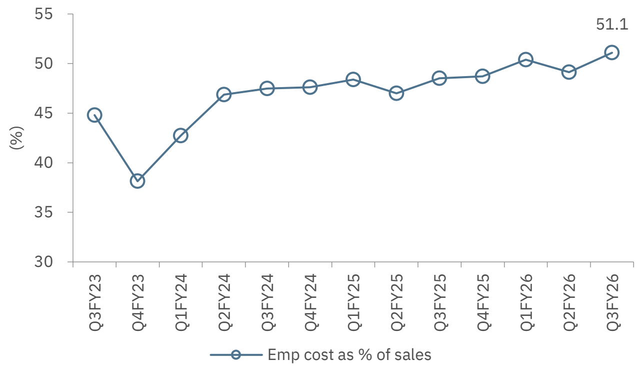
Source: Company, Elara Securities Research

Exhibit 9: Offshore services mix has seen a downtick in Q3



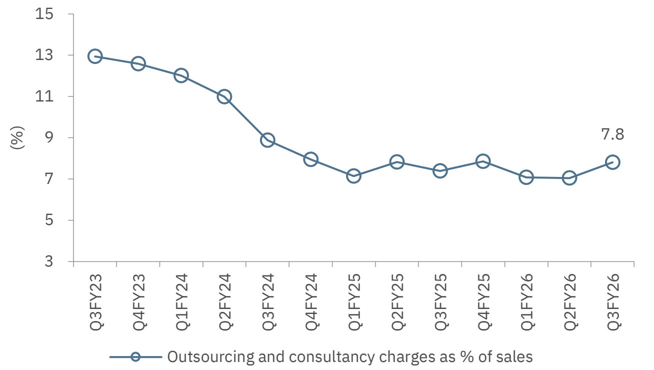
Source: Company, Elara Securities Research

Exhibit 10: Employee cost expanded sequentially



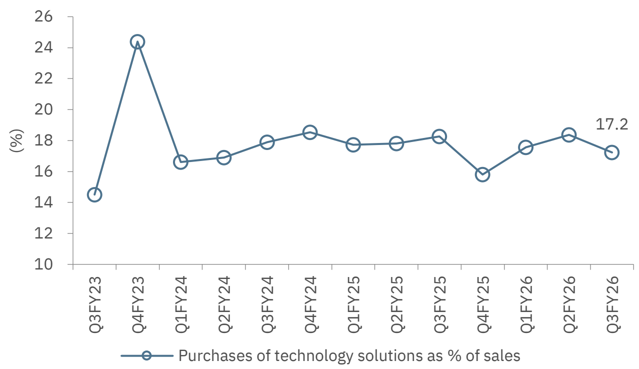
Source: Company, Elara Securities Research

Exhibit 11: Outsourcing cost was up 80bps QoQ



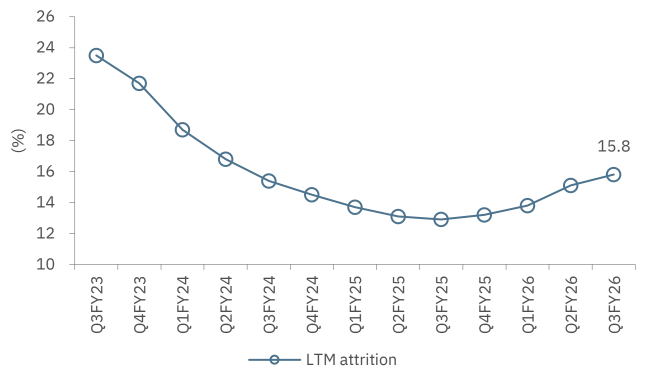
Source: Company, Elara Securities Research

Exhibit 12: Cost of technology solutions contracting



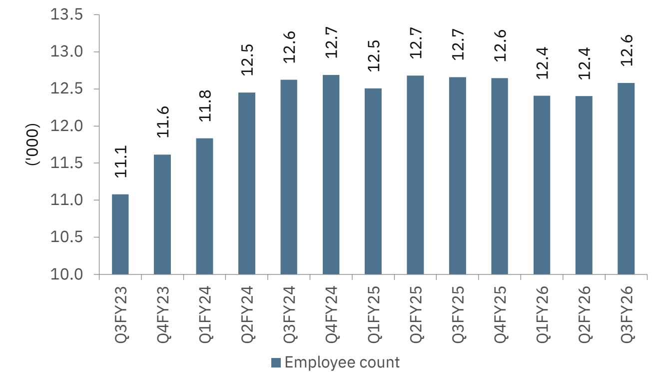
Source: Company, Elara Securities Research

Exhibit 13: LTM attrition has increased 70bps



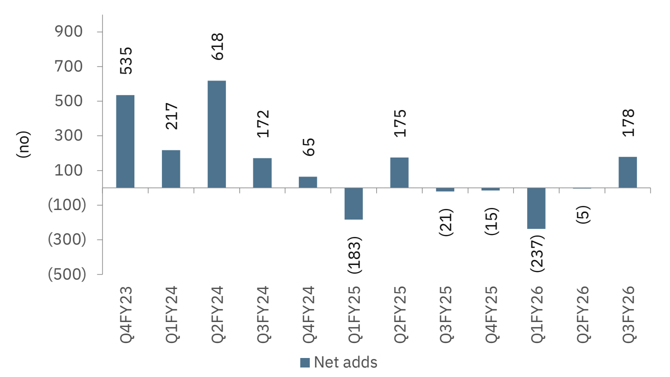
Source: Company, Elara Securities Research

Exhibit 14: Headcount expands modestly



Source: Company, Elara Securities Research

Exhibit 15: Net adds in headcount after four quarters of drop



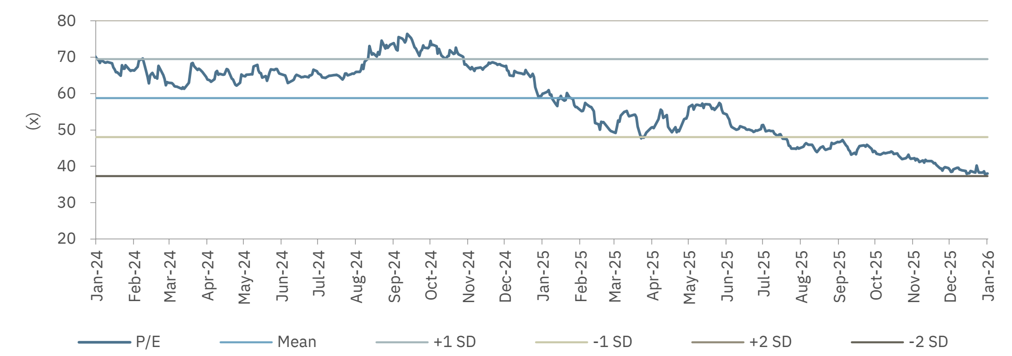
Source: Company, Elara Securities Research

Exhibit 16: Valuation (FY28E)

(INR)	(FY28x)
TTM EPS	13.1
Target EPS	22.0
Target P/E (x)	22
TP	**490**
CMP	651
Downside (%)	(25)

Note: Pricing as on 16 January 2026; Source: Elara Securities Estimate

Exhibit 17: Trading at 38.0x FY26E P/E



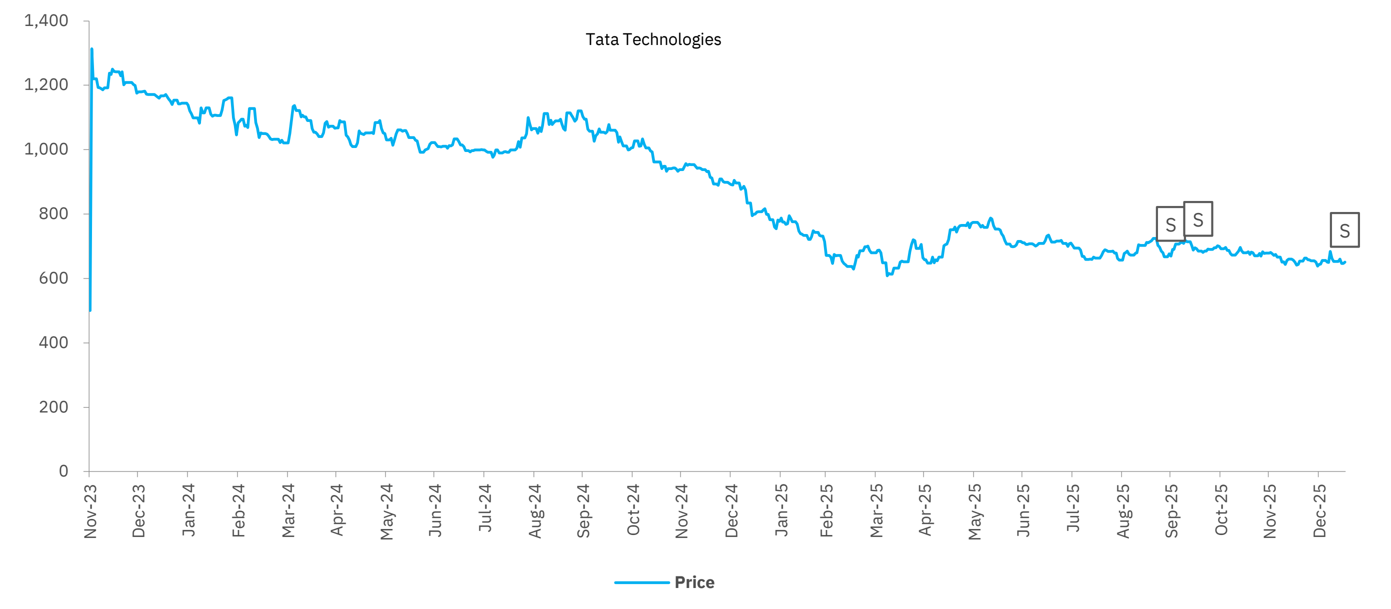
Note: Pricing as on 16 January 2026; Source: Bloomberg, Company, Elara Securities Estimate

Exhibit 18: Change in estimates

(INR mn)	Earlier estimates			Revised estimates			% change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue (USD mn)	605	649	729	610	673	735	0.9	3.8	0.8
Revenue (INR mn)	52,209	55,795	62,724	53,764	60,219	65,777	3.0	7.9	4.9
EBITDA	8,567.7	10,048.9	11,543.4	8,323	9,945	11,506	(2.9)	(1.0)	(0.3)
EBITDA margin (%)	16.4	18.0	18.4	15.5	16.5	17.5	(90) bps	(150) bps	(90) bps
PAT	7,078	8,307	9,450	5,146.8	7,402.6	8,919.4	(27.3)	(10.9)	(5.6)
EPS (INR)	17.4	20.5	23.3	12.7	18.2	22.0	(27.3)	(10.9)	(5.6)
Target price (INR)			**515**			**490**			**(4.9)**

Source: Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
30-Sep-2025	Sell	500	670
17-Oct-2025	Sell	515	685
16-Jan-2026	Sell	490	651

Guide to Research Rating

BUY (B)	Absolute Return >+20%
ACCUMULATE (A)	Absolute Return +5% to +20%
REDUCE (R)	Absolute Return -5% to +5%
SELL (S)	Absolute Return < -5%

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India
Elara Securities (India) Private Limited
One International Center, Tower 3,
21st Floor, Senapati Bapat Marg,
Elphinstone Road (West)
Mumbai – 400 013, India
Tel : +91 22 6164 8500

Europe
Elara Capital Plc.
6th Floor, The Grove,
248A Marylebone Road,
London, NW1 6JZ,
United Kingdom
Tel : +44 20 7486 9733

USA
Elara Securities Inc.
230 Park Avenue, Suite 2415,
New York, NY 10169, USA
Tel: +1 212 430 5870
Fax: +1 212 208 2501

Asia / Pacific
Elara Capital (Asia) Pte.Ltd.
One Marina Boulevard,
Level 20,
Singapore 018989
Tel : +65 6978 4047

Managing Director	**Harendra Kumar** | harendra.kumar@elaracapital.com | +91 22 6164 8571
Head of Research	**Dr Bino Pathiparampil** | bino.pathiparampil@elaracapital.com | +91 22 6164 8572

Sales Team

India	**Hitesh Danak** - hitesh.danak@elaracapital.com - +91 22 6164 8543 **Ashok Agarwal** - ashok.agarwal@elaracapital.com - +91 22 6164 8558 **Himani Sanghavi** - himani.sanghavi@elaracapital.com - +91 22 6164 8586
India, APAC & Australia	**Sudhanshu Rajpal** - sudhanshu.rajpal@elaracapital.com - +91 22 6164 8508 **Joshua Saldanha** - joshua.saldanha@elaracapital.com - +91 22 6164 8541 **Shraddha Shrikhande** - shraddha.shrikhande@elaracapital.com - +91 22 6164 8567 **Suyash Maheshwari** - suyash.maheshwari@elaracapital.com - +91 22 4204 8698
India & UK	**Prashin Lalvani -** prashin.lalvani@elaracapital.com - +91 22 6164 8544
India & US	**Karan Rathod** - karan.rathod@elaracapital.com - +91 22 6164 8570
Corporate Access, Conference & Events	**Anita Nazareth** - anita.nazareth@elaracapital.com - +91 22 6164 8520 **Tina D'souza** - tina.dsouza@elaracapital.com - +91 22 6164 8595

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Elara Securities (India) Private Limited
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Investor Grievance Email ID: investor.grievances@elaracapital.com - Tel. +91 22 6164 8509
Compliance Officer: Mr. Anand Rao - Email ID: anand.rao@elaracapital.com - Tel. +91 22 6164 8509