

October 19, 2025

Q2FY26 Result Update

☑ Change in Estimates | ☑ Target | ☑ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	REDUCE		SELL	
Target Price	640		540	
Sales (Rs. m)	63,654	73,490	57,939	65,133
% Chng.	9.9	12.8		
EBITDA (Rs. m)	11,203	13,510	10,033	11,790
% Chng.	11.7	14.6		
EPS (Rs.)	22.2	26.5	19.2	22.4
% Chng.	15.6	18.4		

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. m)	51,685	54,068	63,654	73,490
EBITDA (Rs. m)	9,341	8,854	11,203	13,510
Margin (%)	18.1	16.4	17.6	18.4
PAT (Rs. m)	6,769	7,161	8,985	10,758
EPS (Rs.)	16.7	17.6	22.2	26.5
Gr. (%)	(0.4)	5.7	25.5	19.7
DPS (Rs.)	11.7	12.4	15.5	15.4
Yield (%)	1.7	1.8	2.3	2.2
RoE (%)	19.9	19.4	22.9	25.1
RoCE (%)	17.5	15.1	18.3	20.4
EV/Sales (x)	5.1	4.9	4.1	3.5
EV/EBITDA (x)	28.1	29.8	23.5	19.3
PE (x)	41.1	38.8	30.9	25.8
P/BV (x)	7.8	7.3	6.8	6.2

Key Data TATE.BO | TATATECH IN

52-W High / Low	Rs.1,083 / Rs.592
Sensex / Nifty	83,952 / 25,710
Market Cap	Rs.278bn/ \$ 3,160m
Shares Outstanding	406m
3M Avg. Daily Value	Rs.628.67m

Shareholding Pattern (%)

Promoter's	55.22
Foreign	5.25
Domestic Institution	2.87
Public & Others	36.66
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(4.0)	5.6	(35.1)
Relative	(5.5)	(1.2)	(37.3)

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Turnaround taking shape, yet valuation leaves little room for error...

Quick Pointers:

- Beat on both Revenue & Margin, Non-auto business drives growth
- Es-Tec acquisition to be completed in Q3

The revenue performance (+4.5% CC QoQ) exceeded our expectation of sequential de-growth (-2.3% CC), attributed to outperformance in non-Auto Service and Passthroughs within Tech Solutions. Aerospace and IHM grew 14.8% QoQ, while the Technology Solutions portfolio rebounded 7.6% QoQ. Surprisingly, Auto segment delivered positive growth despite the operational glitch (limited impact) within its top account, the demand recovery beyond marquee accounts has stabilized and aided growth. The engagement within Aerospace is progressing well and moving upstream to complex engineering activities, ensuring continued steady double-digit growth. Q3 is expected to see a slowdown in the Auto segment due to the phased recovery within top-account that will partly offset by seasonal uptick in Technology Solutions, before a further rebound in Q4. The BMW JV is also progressing well and deployed 1000+ employees (beyond earlier milestone) in Q2, adding further visibility for next year. We are also factoring in ES-Tec acquisition that is expected to integrate in Q3, with that the organic growth for FY26 revised upward to -1.2%/11.0% (earlier -3.5%/10.1%) YoY CC for FY26E/FY27E. On margins, the beat was notable due to revenue outgrowing our estimates, we are passing on partial benefits due to unanticipated risk in Q3. We are revising our margin estimates upward by 40bps/30bps for FY26E/FY27E, assuming margin profile of ES-Tec is in line with Consol. We upgraded our rating to Reduce (from SELL) and set a revised TP of Rs. 640, valuing stock at 29x Sep-27E LTM earnings.

Revenue: Tata Tech reported revenue of USD 145.3 mn, up 4.5% QoQ in CC (6.4% QoQ in INR) led by strong recovery in Aero and IHM, which grew 14.8% sequentially. The services segment recorded revenue of USD 112.5 mn, up 3% QoQ in CC. Within services, the auto vertical (83% mix) stabilized with 0.5% QoQ growth, while non-auto segments such as Aero and IHM drove the bulk of expansion. The technology solutions portfolio delivered robust 7.6% QoQ growth, aided by rebound in education projects and traction in products business.

Operating Margin: Tata Tech reported EBIT margin of 13.4%, down 20 bps QoQ above our estimate of 12.6%. The margin beat was largely due to strong revenue performance. Segment wise, Services segments EBITDA margin improved by 230 bps QoQ while Tech Solutions EBITDA margin declined by 70 bps QoQ. JV contribution came at Rs. 53.1 mn compared to Rs. 48 mn in Q1 driven by stronger than expected ramp up.

Deal Wins: Tata Tech closed three large deals in Q2 including a Tier-1 auto supplier consolidation deal, a heads-up display project for a Scandinavian OEM, and a body engineering deal with a German OEM. Management noted that Q2 deal closures were stronger than the previous quarter, with improving decision cycles and a healthy pipeline heading into H2.

Valuations and outlook: We estimate USD revenue/earnings CAGR of 7.5%/15.2% over FY25-FY28E. The stock is currently trading at a PE of 32x FY27E earnings, we are assigning P/E of 29x to LTM Sep. 27E earnings and arrive at a target price of Rs. 640. We upgrade our rating from SELL to "Reduce".

Strong Non-Auto performance offset Auto softness, driving a quarterly beat

- Consolidated revenue came at USD 150.9mn, up 3.9% QoQ in USD (up 4.5% QoQ in CC) came above our est. of -2.3% QoQ CC
- **Services segment grew by 3% QoQ in CC vs our estimated decline 2.1% CC QoQ driven by strong non-auto business growth**
- Auto (81% of Services) reported muted growth of 0.3% QoQ while non-auto segment reported strong growth of 14.8% QoQ
- Tech Solutions (23% of revenue) also reported strong growth of 7.6% QoQ in reported terms
- **EBIT margin of 13.4% (down 20bp QoQ) was above our estimates of 12.6% due to beat in revenues**
- Offshore revenue (49.9% of revenue) grew by 5.9% QoQ
- **Net employees decreased by 5 during the quarter and LTM Attrition sharply grew by 130 bps QoQ to 15.1%**
- PAT came at Rs. 1.65 bn (12.5% PAT margin) came above our estimates of Rs 1.5 bn
- JV contribution came at Rs. 53.1 mn compared to Rs. 48 mn in Q1

Conference Call Highlights

- Management indicated that demand conditions have begun to improve post tariff-related disruptions in Q1, with customers resuming deferred investments across auto, aerospace and industrial machinery. While Q3 may see some softness due to client-specific issues, the company remains confident of stronger demand conversion in Q4 and into FY27.
- The top client (impacted by a cybersecurity incident in September) contributed no revenue for part of the quarter, which affected automotive growth. Management expects a phased recovery through Q3 and full normalization in Q4. Despite this disruption, the auto portfolio still held stable with 0.3% QoQ growth, underscoring resilience in the broader client base.
- The company absorbed ~Rs. 100 mn in one-off cybersecurity-related consulting costs during Q2, which impacted margins by ~70 bps. Adjusted for this, EBITDA margin stood at 16.4% vs reported 15.7%.
- Management guided margin pressure in Q3 due to wage hikes and client-specific headwinds linked to the cybersecurity incident. However, they expect partial offset through higher utilization, recovery in Technology Solutions, and operational efficiency measures, with a rebound in profitability likely from Q4 onwards.
- Deal momentum remains solid with three strategic wins in Q2 spanning platform consolidation, embedded product development and core body engineering. With improving conversion rates, a healthy pipeline and ES-Tec integration from Q3 onwards, management expects H2 to be back-ended and FY27 to be materially stronger as large deals ramp into revenue.
- Technology Solutions rebounded strongly in Q2 and is set to remain a key growth lever in H2, supported by seasonality-led tailwinds in the product business and full normalization of the education portfolio. Management expects continued momentum into FY27 as deferred projects restart and renewal cycles kick in.
- Aerospace and Industrial Heavy Machinery led growth in Q2 with 14.8% QoQ expansion, supported by strong demand across MRO, PLM and manufacturing engineering programs. Management reiterated continued investments in digital engineering tools - including PLM, virtual validation and sustainability platforms - to further strengthen execution in these verticals. With customer investment cycles normalizing, management expects Aerospace and IHM to remain key growth pillars heading into FY27.
- The acquisition of ES-Tec (signed in Q2 and expected to close in Q3) broadens Tata Tech's access to European OEMs (notably Volkswagen) and enhances its embedded software and ADAS engineering capabilities. Management highlighted meaningful cross-sell potential and expects the deal to be accretive without material margin dilution.
- BMW JV continues to outperform expectations, having scaled past 1,000 employees and contributing steadily to profits. With growing demand for SDV and embedded software programs, the JV offers strong annuity visibility into FY27 and beyond.

Exhibit 1: 2QFY26 Results: Beat on both revenue and margins

	2QFY26	2QFY26E	% Var.	1QFY26	QoQ gr. (%)	2QFY25	YoY gr. (%)	H1FY26	H1FY25	YoY gr. (%)
IT Services Revenue (USD m)	151	141	7.1	145	3.9	155	-2.4	296	307	-3.4
Overall Revenue (INR b)	13,233	12,291	7.7	12,443	6.4	12,965	2.1	25,676	25,654	0.1
Gross Profit	4,301	3,845	11.9	3,990	7.8	4,563	-5.7	8,291	8,862	-6.4
Gross Margin (%)	32.5	31.3	120bps	32.1	40bps	35.2	-270bps	32.3	34.5	-230bps
SG&A and Other Costs	2,130.5	1,978.9	7.7	1,988	7.2	2,207	-3.5	4,119	4,195	-1.8
% of Rev	16.1	16.1	0bps	16.0	10bps	17.0	-90bps	16.0	16.4	-30bps
EBITDA	2,171	1,866	16.3	2,001	8.5	2,355	-7.8	4,172	4,666	-10.6
EBITDA Margin (%)	16.4	15.2	120bps	16.1	30bps	18.2	-180bps	16.2	18.2	-190bps
Depreciation	309	320	-3.3	313	-1	299	3.3	622	596	4.4
% of Rev	2.3	2.6	-30bps	2.5	-20bps	2.3	0bps	2.4	2.3	10bps
EBIT	1862	1547	20.4	1688	10.3	2056	-9.5	3550	4070	-12.8
EBIT Margin (%)	14.1	12.6	150bps	13.6	50bps	15.9	-180bps	13.8	15.9	-200bps
Other Income (net)	489	552	-11.3	637	-23.2	118	313.3	1,127	301	274.2
PBT	2,351	2,099	12.0	2,326	1.1	2,175	8.1	4,677	4,371	7.0
Tax	604	530	13.9	623	-3.1	601	0.5	1,226	1,177	4.2
Effective tax rate (%)	25.7	25.3	40bps	26.8	-110bps	27.6	-190bps	26.2	26.9	-70bps
Adjusted PAT	1,748	1,569	11.4	1,703	2.6	1,574	11.0	3,450	3,194	8.0
Exceptional items	92.6	0.0	NA	0.0	NA	0.0	NA	93	0.0	NA
Reported PAT	1,655	1,569	5.5	1,703	-2.8	1,574	5.1	3,358	3,194	5.1
Reported EPS (INR)	4	4	11.6	4	2.8	4	11.0	8	8	8.0

Source: Company, PL

Exhibit 2: Segmental Revenue growth (%)

Revenue Segment	Contribution to revenue (%)	QoQ gr. (%)
Services	76.6	2.8
Technology Solutions	23.4	7.6

Source: Company, PL

Exhibit 3: Services bifurcation Growth (%)

Verticals	Contribution to revenue (%)	QoQ gr. (%)
Auto	81.0	0.3
Non-Auto	19.0	14.8

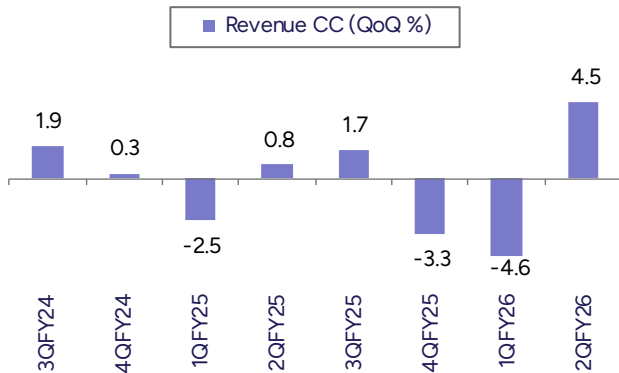
Source: Company, PL

Exhibit 4: Key Performance Indicator

	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	FY25*	FY26*
Revenue (QoQ CC %)	0.3	-2.5	0.8	1.7	-3.3	-4.6	4.5	-0.7	-1.9
Margins (%)									
EBIT Margin	16.2	15.9	15.9	15.5	15.7	13.6	14.1	15.7	13.9
Net Margin	12.1	12.8	12.1	12.8	14.7	13.7	13.2	13.1	13.4
Operating metrics									
Headcount	12,688	12,505	12,680	12,659	12,644	12,407	12,402	12,644	-
Attrition (%)	14.5	13.7	13.1	12.9	13.2	13.8	15.1	13.2	-

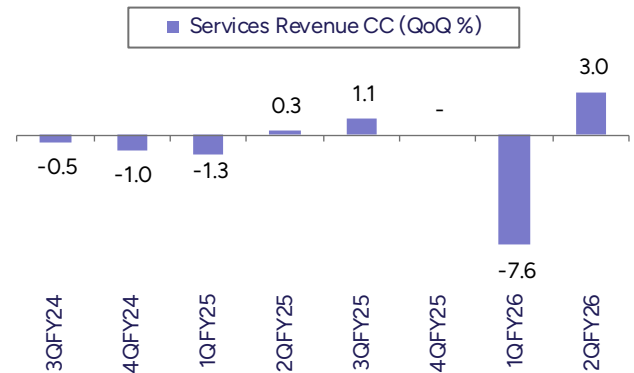
Source: Company, PL, * YoY CC

Exhibit 5: Sharp rebound in Q2



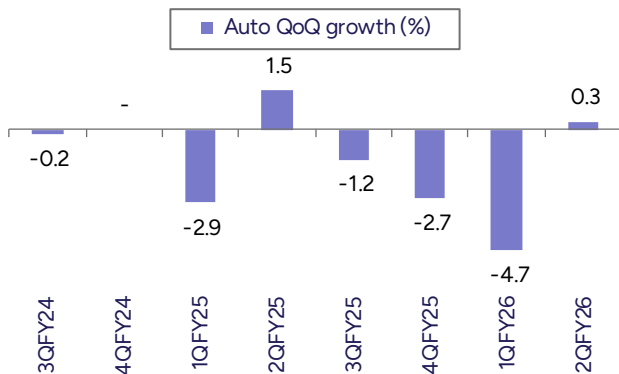
Source: Company, PL

Exhibit 6: Non-auto business drives Services growth



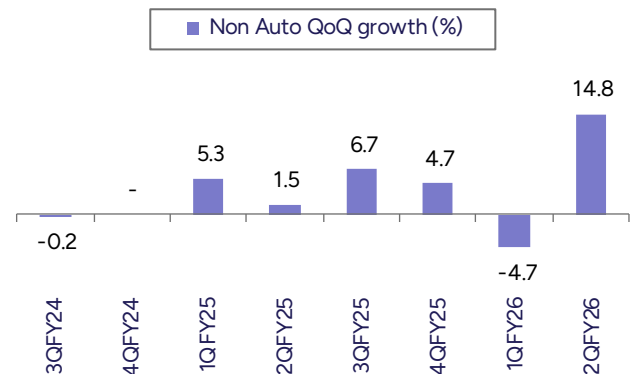
Source: Company, PL

Exhibit 7: Auto business stabilizes despite top client headwind



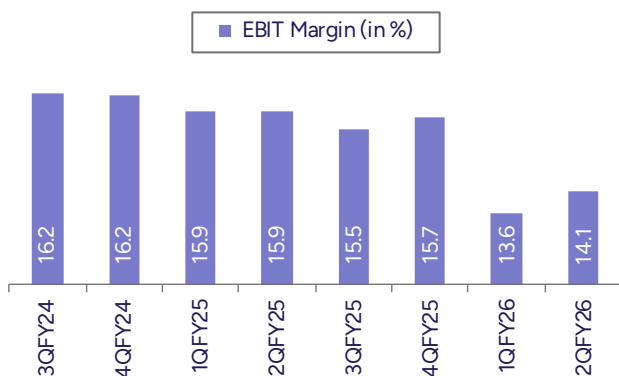
Source: Company, PL

Exhibit 8: Non-auto reports strong performance



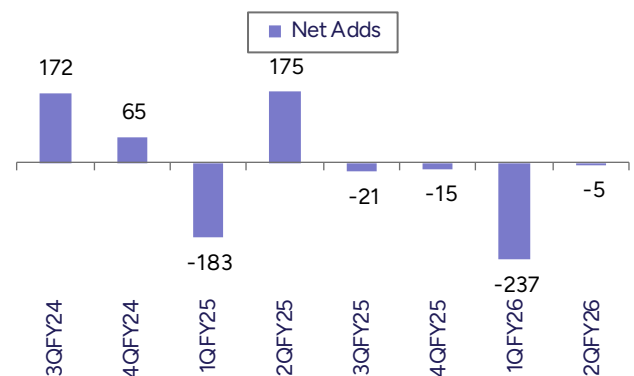
Source: Company, PL

Exhibit 9: Adj EBIT margin increased



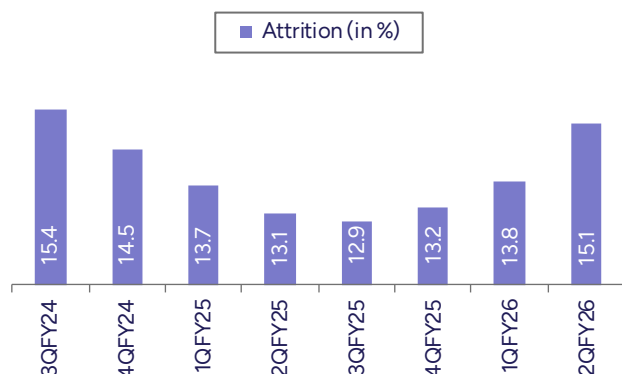
Source: Company, PL

Exhibit 10: Net employee declined



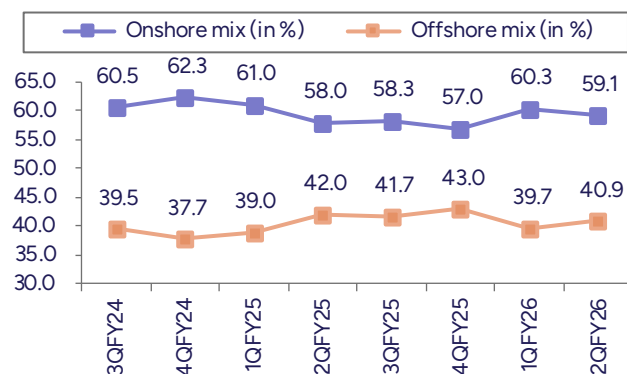
Source: Company, PL

Exhibit 11: Attrition increased during the quarter



Source: Company, PL

Exhibit 12: Onshore mix declined in Q2



Source: Company, PL

Exhibit 13: Operating Metrics

	3Q FY23	4Q FY23	1Q FY24	2Q FY24	3Q FY24	4Q FY24	1Q FY25	2Q FY25	3Q FY25	4Q FY25	1Q FY26	2Q FY26
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	76.6
Technology Solutions	18.8	30.3	21.2	21.5	22.4	23.2	22.4	22.4	23.0	20.4	22.6	23.4
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	81.0
Non-auto	11.0	11.0	11.0	14.0	14.0	14.0	15.0	15.0	16.0	17.0	17.0	19.0
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%	59.1%
Offshore	32.0%	36.2%	36.2%	36.8%	39.5%	37.7%	39.0%	42.0%	41.7%	43.0%	39.7%	40.9%
Employee Metrics												
Total Employees		11,081	11,616	11,833	12,451	12,623	12,688	12,505	12,680	12,659	12,644	12,407
Attrition (%)		23.5	21.7	18.7	17.2	15.4	14.5	13.7	13.1	12.9	13.2	13.8

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	51,685	54,068	63,654	73,490
YoY gr. (%)	1.0	4.6	17.7	15.5
Employee Cost	37,791	40,354	47,202	54,027
Gross Profit	13,894	13,714	16,453	19,462
Margin (%)	26.9	25.4	25.8	26.5
Employee Cost	-	-	-	-
Other Expenses	4,553	4,861	5,249	5,953
EBITDA	9,341	8,854	11,203	13,510
YoY gr. (%)	(0.8)	(5.2)	26.5	20.6
Margin (%)	18.1	16.4	17.6	18.4
Depreciation and Amortization	1,212	1,304	1,464	1,690
EBIT	8,128	7,550	9,739	11,819
Margin (%)	15.7	14.0	15.3	16.1
Net Interest	-	-	-	-
Other Income	1,045	1,963	1,910	2,205
Profit Before Tax	9,173	9,513	11,649	14,024
Margin (%)	17.7	17.6	18.3	19.1
Total Tax	2,445	2,510	3,029	3,646
Effective tax rate (%)	26.6	26.4	26.0	26.0
Profit after tax	6,729	7,003	8,620	10,378
Minority interest	-	-	-	-
Share Profit from Associate	41	251	365	380
Adjusted PAT	6,769	7,161	8,985	10,758
YoY gr. (%)	(0.4)	5.8	25.5	19.7
Margin (%)	13.1	13.2	14.1	14.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	6,769	7,254	8,985	10,758
YoY gr. (%)	(0.4)	7.2	23.9	19.7
Margin (%)	13.1	13.4	14.1	14.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6,769	7,161	8,985	10,758
Equity Shares O/s (m)	406	406	406	406
EPS (Rs)	16.7	17.6	22.2	26.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	10,392	10,933	11,760	12,716
Tangibles	7,885	8,426	9,253	10,209
Intangibles	2,507	2,507	2,507	2,507
Acc: Dep / Amortization	7,271	8,574	10,038	11,728
Tangibles	5,277	6,580	8,044	9,735
Intangibles	1,994	1,994	1,994	1,994
Net fixed assets	3,122	2,359	1,722	987
Tangibles	2,609	1,846	1,209	474
Intangibles	513	513	513	513
Capital Work In Progress	-	-	-	-
Goodwill	8,181	8,181	8,181	8,181
Non-Current Investments	2,875	2,875	2,875	2,875
Net Deferred tax assets	3,415	3,415	3,415	3,415
Other Non-Current Assets	2,322	2,322	2,322	2,322
Current Assets				
Investments	6,117	6,117	6,117	6,117
Inventories	-	-	-	-
Trade receivables	7,711	8,888	10,813	12,483
Cash & Bank Balance	9,026	7,777	8,530	11,754
Other Current Assets	20,556	19,257	23,195	26,778
Total Assets	66,642	64,954	71,685	80,048
Equity				
Equity Share Capital	811	811	811	811
Other Equity	34,983	37,131	39,827	44,353
Total Networth	35,794	37,942	40,638	45,165
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	328	328	328	328
Other non current liabilities	1,833	1,833	1,833	1,833
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	4,767	5,036	5,929	6,846
Other current liabilities	22,063	17,956	21,099	24,020
Total Equity & Liabilities	66,642	64,953	71,685	80,048

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	6,770	7,161	8,985	10,758
Add. Depreciation	1,212	1,304	1,464	1,690
Add. Interest	(481)	(1,963)	(1,910)	(2,205)
Less Financial Other Income	1,045	1,963	1,910	2,205
Add. Other	2,251	2,510	3,029	3,646
Op. profit before WC changes	9,751	9,012	11,568	13,890
Net Changes-WC	382	(4,160)	(2,578)	(2,038)
Direct tax	(3,140)	(2,510)	(3,029)	(3,646)
Net cash from Op. activities	6,993	2,342	5,961	8,206
Capital expenditures	(262)	(541)	(828)	(955)
Interest / Dividend Income	610	1,963	1,910	2,205
Others	(1,233)	-	-	-
Net Cash from Inv. activities	(885)	1,422	1,082	1,249
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(4,165)	(5,013)	(6,290)	(6,231)
Interest paid	(5)	-	-	-
Others	(694)	-	-	-
Net cash from Fin. activities	(4,864)	(5,013)	(6,290)	(6,231)
Net change in cash	1,243	(1,249)	754	3,224
Free Cash Flow	6,678	1,801	5,134	7,250

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	16.7	17.6	22.2	26.5
CEPS	19.7	20.9	25.8	30.7
BVPS	88.2	93.5	100.2	111.3
FCF	16.5	4.4	12.7	17.9
DPS	11.7	12.4	15.5	15.4
Return Ratio(%)				
RoCE	17.5	15.1	18.3	20.4
ROIC	10.4	10.0	11.5	12.3
RoE	19.9	19.4	22.9	25.1
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.4)	(0.4)	(0.4)
Net Working Capital (Days)	21	26	28	28
Valuation(x)				
PER	41.1	38.8	30.9	25.8
P/B	7.8	7.3	6.8	6.2
P/CEPS	34.8	32.9	26.6	22.3
EV/EBITDA	28.1	29.8	23.5	19.3
EV/Sales	5.1	4.9	4.1	3.5
Dividend Yield (%)	1.7	1.8	2.3	2.2

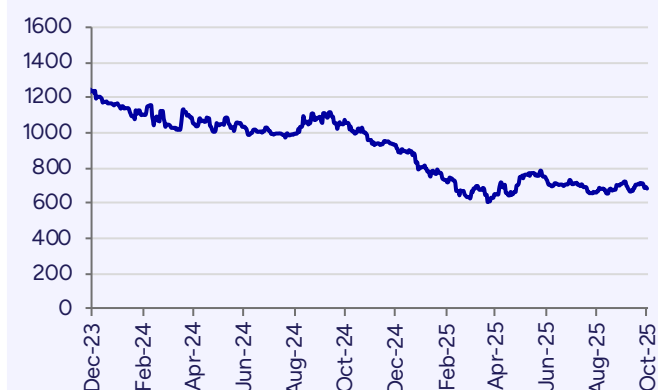
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Net Revenue	13,174	12,857	12,443	13,233
YoY gr. (%)	1.6	(2.4)	(3.2)	6.4
Raw Material Expenses	9,771	9,306	9,335	9,864
Gross Profit	3,402	3,551	3,108	3,369
Margin (%)	25.8	27.6	25.0	25.5
EBITDA	2,340	2,334	2,001	2,171
YoY gr. (%)	-	-	-	-
Margin (%)	17.8	18.2	16.1	16.4
Depreciation / Depletion	305	312	313	309
EBIT	2,036	2,023	1,688	1,862
Margin (%)	15.5	15.7	13.6	14.1
Net Interest	-	-	-	-
Other Income	221	523	589	436
Profit before Tax	2,257	2,545	2,278	2,298
Margin (%)	17.1	19.8	18.3	17.4
Total Tax	576	692	623	604
Effective tax rate (%)	25.5	27.2	27.3	26.3
Profit after Tax	1,681	1,853	1,655	1,695
Minority interest	-	-	-	-
Share Profit from Associates	5	36	48	53
Adjusted PAT	1,686	1,889	1,703	1,655
YoY gr. (%)	7.1	12.0	(9.8)	(2.8)
Margin (%)	12.8	14.7	13.7	12.5
Extra Ord. Income / (Exp)	-	-	-	93
Reported PAT	1,686	1,889	1,703	1,748
YoY gr. (%)	7.1	12.0	(9.8)	2.6
Margin (%)	12.8	14.7	13.7	13.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,686	1,889	1,703	1,655
Avg. Shares O/s (m)	405	405	406	406
EPS (Rs)	4.2	4.7	4.2	4.3

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Oct-25	Sell	540	707
2	15-Jul-25	Sell	570	717
3	01-Jul-25	Sell	550	711
4	19-May-25	Sell	590	751

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Cyient	Hold	1,130	1,170
2	HCL Technologies	BUY	1,760	1,495
3	Infosys	BUY	1,780	1,472
4	KPIT Technologies	BUY	1,360	1,158
5	L&T Technology Services	Hold	4,400	4,262
6	Latent View Analytics	BUY	570	415
7	LTIMindtree	Hold	5,470	5,623
8	Mphasis	Accumulate	2,920	2,737
9	Persistent Systems	BUY	6,280	5,338
10	Tata Consultancy Services	BUY	3,800	3,062
11	Tata Elxsi	Reduce	5,010	5,580
12	Tata Technologies	Sell	540	707
13	Tech Mahindra	Hold	1,500	1,468
14	Wipro	Hold	250	254

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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