Thematic | August 2025

Technology: Auto ER&D

An incomplete revolution

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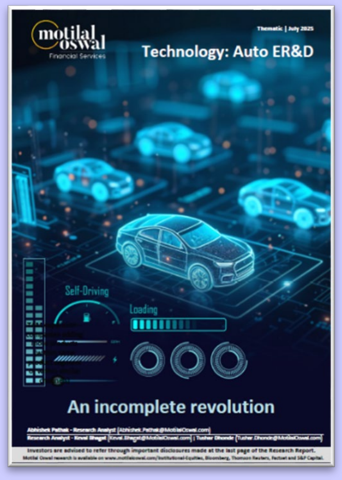
Content: An incomplete revolution

Companies

Technology | Auto ER&D



KPIT: Financials &Valuations (INR b)			
Y/E March	FY26E	FY27E	FY28E
Sales	64.2	75.5	89.9
EBIT Margin(%)	17.6	18.3	19.0
PAT	8.8	10.8	13.3
EPS (INR)	31.9	39.5	48.8
EPS Gr. (%)	9.7	23.9	23.5
BV/Sh. (INR)	130.6	156.4	188.4
Ratios			
RoE (%)	27.0	27.7	28.5
RoCE (%)	24.0	27.5	31.6
Payout (%)	35.0	35.0	35.0
Valuations			
P/E (x)	37.6	30.3	24.5
P/BV (x)	9.2	7.6	6.4
EV/EBITDA (x)	22.0	18.0	14.4
Div Yield (%)	0.9	1.2	1.4

TTL: Financials &Valuations (INR b)			
Y/E March	FY26E	FY27E	FY28E
Sales	52.9	60.6	69.6
EBIT Margin (%)	14.8	16.0	16.3
PAT	6.6	7.9	9.2
EPS (INR)	17.4	20.7	24.1
EPS Gr. (%)	4.9	19.2	16.0
BV/Sh. (INR)	96.4	102.6	109.9
Ratios			
RoE (%)	18.9	20.9	22.7
RoCE (%)	23.0	27.6	30.4
Payout (%)	53.1	70.0	70.0
Valuations			
P/E (x)	39.3	33.0	28.4
P/BV (x)	7.1	6.7	6.2
EV/EBITDA (x)	29.0	24.0	20.7
Div Yield (%)	1.4	2.1	2.5

An incomplete revolution

Three structural forces are reshaping the global mobility landscape: 1) The shift toward CASE (connected, autonomous, shared, electric) mobility is accelerating the role of software in vehicles; 2) OEMs are moving from **decentralized architectures to centralized domain controllers**, paving the way for software-defined vehicles (SDVs); 3) **Regulatory mandates for greener mobility** are compelling automakers worldwide to invest in electric powertrains and sustainability-focused innovations.

However, we note that enthusiasm for electric vehicles (EVs) has hit a snag, and with it, the companies' ability to invest heavily in SDVs in recent quarters. For the top three automotive players in the engineering research and development (ER&D) industry, average organic YoY CC revenue growth has slowed from 17% over FY21-FY23 to 12% over FY24-25. Despite the recent moderation in capex cycles among Western OEMs, the long-term outlook remains robust. Asian OEMs are pivoting toward hybrids and localized strategies, while global players are recognizing software as the key competitive frontier. This backdrop offers tailwinds for specialized engineering service players with domain depth, co-development capabilities, and global delivery footprints. **We initiate coverage on three such names**:

KPIT Technologies (KPIT): A software powerhouse

KPIT is a pure-play automotive ER&D partner focused on enabling SDV adoption for major OEMs. The company's core strengths lie in embedded software development, E/E (Electrical/Electronic) architecture, and middleware consulting, accounting for over 80% of its revenue. With strategic relationships across over 25 OEMs and tier-1 suppliers, KPIT is well-positioned to capitalize on rising software complexity in vehicles. The company's revenue grew from USD304m in FY20 to USD691m in FY25 (~18% CAGR) and is projected to reach USD1b by FY28E, clocking ~15% CAGR over FY25-28E. EBIT margins are expected to expand from 17.1% in FY25 to 19.0% in FY28E, supported by scale benefits and acquisitions like Caresoft, which is expected to contribute ~5% to revenue. We initiate coverage with a **BUY** rating and a **TP of INR1,600**, valuing KPIT at 40x FY27E EPS – implying a PEG of ~2x on a ~19% EPS CAGR over FY25–28E – reflecting its strong positioning in SDV programs, expanding architecture and middleware capabilities.

Tata Technologies (TTL): An engineering specialist facing headwinds

TTL is a global ER&D player with capabilities across mechanical design, digital engineering, and turnkey vehicle development. The company is also expanding its presence in transportation, construction, heavy machinery (TCHM) and aerospace. However, TTL's relatively higher share of mechanical engineering and on-site delivery results in lower margins compared to peers focused on high-value software services. Nonetheless, its JV with BMW is scaling well, reflecting the company's intent to deepen expertise in next-gen automotive software and SDVs, which could gradually enhance its margin profile and revenue mix. We initiate coverage with a **Sell** rating with a **TP of INR580**, valuing TTL at 28x FY27E EPS – a 30% discount to KPIT's 40x (~2x PEG) – citing TTL's lower margin profile due to high mechanical exposure, client concentration risks, and modest growth visibility despite its end-to-end engineering capabilities.

Tata Elxsi (TELX): A design-led leader with near-term speed bumps

Tata Elxsi (TELX) offers solutions across automotive, media & communications, and healthcare. The company's automotive vertical, which contributes over half of its revenue, is anchored in high-value segments like ADAS (Advanced driver assistance systems), digital cockpit, and connectivity, supported by proprietary platforms. TELX's high offshore mix supports better profitability but margins have come under pressure in recent quarters due to muted revenue growth, elevated GTM spends, and pricing resets in large renewals. While a sharp decline appears unlikely from here on, structural headwinds could cap margin recovery well below historical peaks (~27–28%). We expect EBIT margins to recover gradually to ~21.1% in FY26E. With revenue growth also expected to moderate to ~8% CAGR over FY25–28E (vs. ~18% over FY20–24), we initiate coverage with a **Sell** rating and a **TP of INR4,600**, valuing TELX at 32x FY27E EPS – an ~20% discount to KPIT's 40x (~2x PEG) – reflecting near-term growth headwinds in Europe and Healthcare/Media verticals and a less favorable risk–reward profile given current valuations.

TELX: Financials &Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	38.0	42.7	48.1
EBIT Margin (%)	21.1	24.3	25.0
PAT	7.0	8.9	10.3
EPS (INR)	112.7	143.0	165.5
EPS Gr. (%)	(10.6)	26.9	15.7
BV/Sh. (INR)	518.2	575.4	641.5
Ratios			
RoE (%)	23.1	26.2	27.2
RoCE (%)	16.2	19.1	20.1
Payout (%)	60.0	60.0	60.0
Valuations			
P/E (x)	49.5	39.0	33.7
P/BV (x)	10.8	9.7	8.7
EV/EBITDA (x)	36.3	28.6	24.6
Div Yield (%)	1.2	1.5	1.8

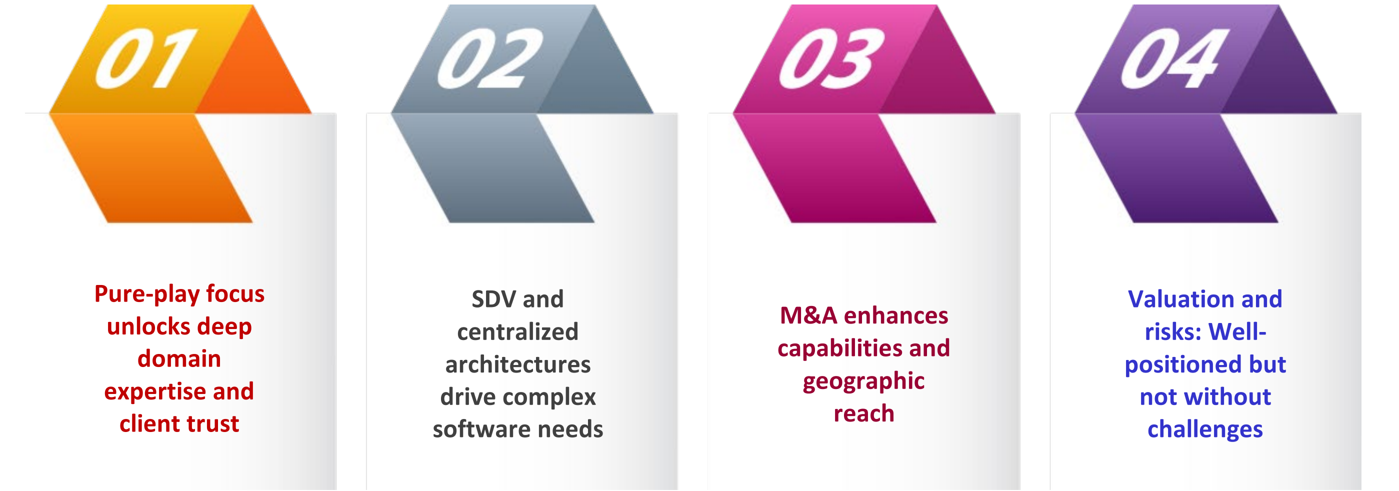
Exhibit 1: Comparative Valuations

Companies Name	CC YoY Growth			CAGR	EBIT Margin			EPS			EPS CAGR	P/E		
	FY25	FY26E	FY27E	FY25-27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25-27E	FY25	FY26E	FY27E
TCS	4.2	-0.6	4.5	2.6	24.3	24.6	25.4	134.2	142.7	152.6	6.6	23	21	20
Infosys	4.2	3.0	4.9	4.5	21.1	21.4	21.5	63.9	68.6	72.6	6.6	23	22	21
Wipro	-2.3	-1.3	3.5	1.6	17.0	16.9	17.2	12.5	12.6	13.1	2.4	20	20	19
HCLT	4.7	3.9	4.9	5.4	18.3	17.5	18.2	63.9	65.4	73.6	7.3	23	22	20
TechM	0.3	1.0	6.5	4.6	9.7	12.3	14.4	47.9	61.3	78.3	27.8	31	25	19
LTIM	5.0	5.6	8.4	7.3	14.5	14.7	15.8	155.3	174.4	200.1	13.5	34	30	26
LTTS	8.9	10.4	10.0	9.9	14.9	14.1	15.4	119.0	129.8	155.8	14.4	36	33	27
KPIT	**18.7**	**9.0**	**17.5**	**12.4**	**17.1**	**17.6**	**18.3**	**29.0**	**31.9**	**39.5**	**16.6**	**41**	**38**	**30**
Tata Tech	**-0.7**	**-0.5**	**14.4**	**7.0**	**15.7**	**14.8**	**16.0**	**16.6**	**17.4**	**20.7**	**11.8**	**42**	**40**	**33**
Tata Elxsi	**3.7**	**-2.6**	**12.0**	**5.7**	**23.3**	**21.1**	**24.3**	**126.0**	**112.7**	**143.0**	**6.5**	**44**	**50**	**39**
Mphasis	4.4	8.7	10.8	9.7	15.3	15.2	15.5	89.3	99.8	111.8	11.9	32	29	25
Hexaware*	13.8	8.2	11.6	10.5	13.0	13.4	15.0	19.3	23.5	27.5	19.5	41	34	29
Coforge	32.0	31.8	20.4	26.6	13.1	13.5	14.0	25.2	44.2	58.9	52.9	69	40	30
Persistent	19.0	16.4	18.9	18.1	14.7	15.5	16.0	90.2	114.5	140.1	24.6	60	47	38
Zensar	5.1	6.0	6.3	6.7	13.5	13.7	13.8	28.4	32.3	34.6	10.4	28	25	23
Cyient^	-6.1	-1.4	3.1	0.8	13.2	12.8	14.0	52.5	55.9	56.9	4.1	23	22	22

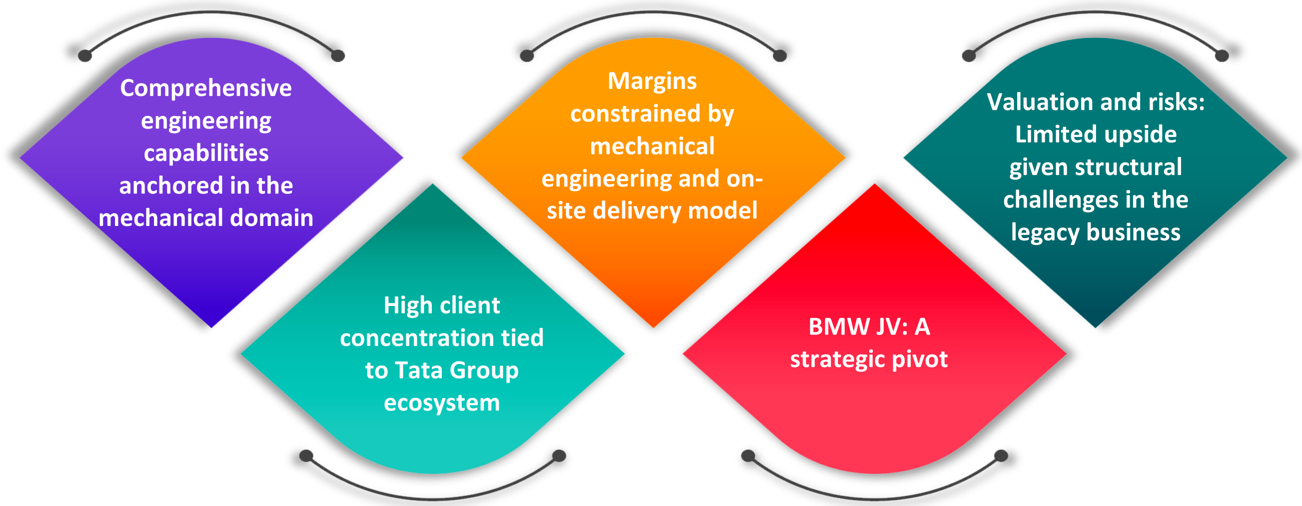
Note: * Hexaware figures are for CY24/CY25/CY26; ^DET Business' USD revenue growth.

Story in Charts

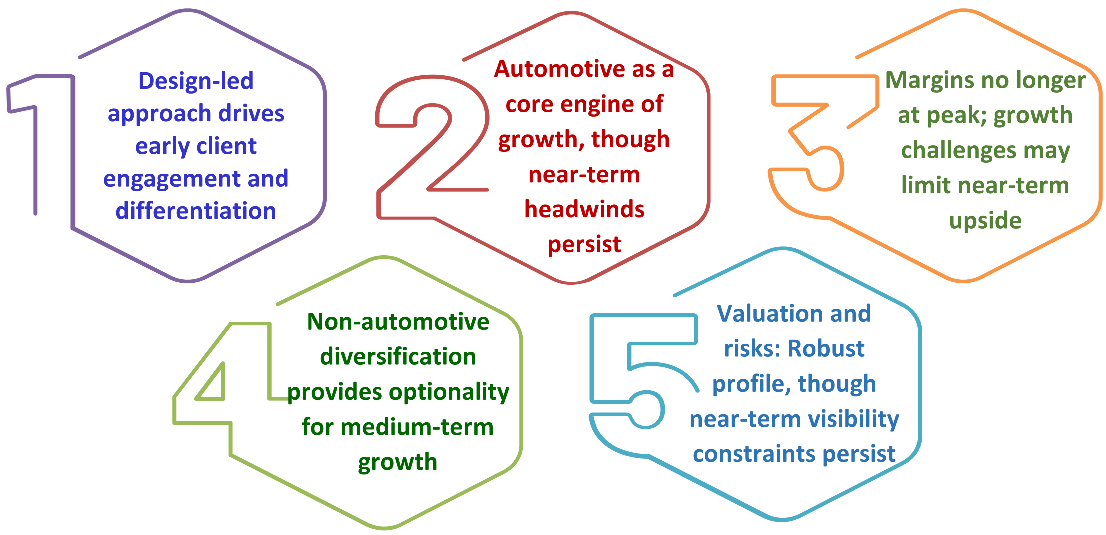
Investment argument of KPIT Technologies



Investment argument of Tata Technologies

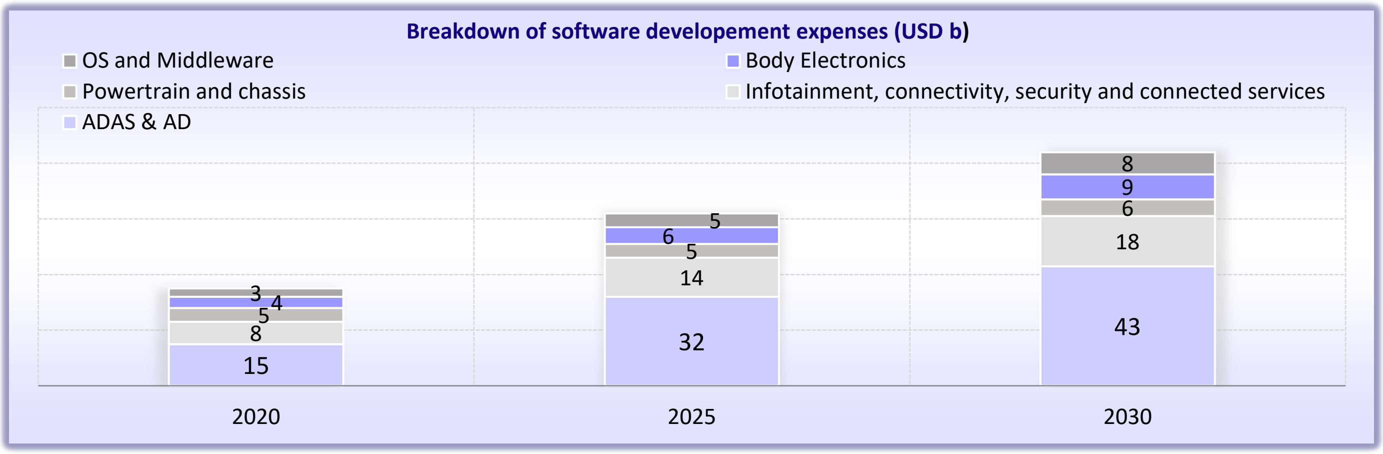


Investment argument of Tata Elxsi



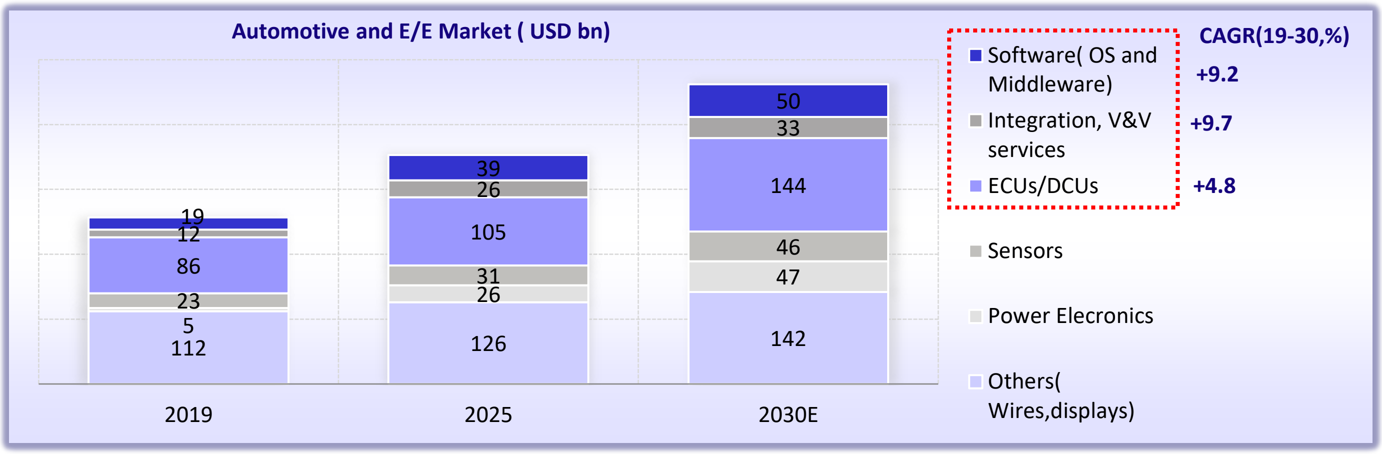
Story in Charts

Functions in domain of AD/ADAS and infotainment are expected to grow in complexity



Source: McKinsey, MOFSL

The global software integration and E/E market is expected to compound at ~9% by 2030; KPIT stands to benefit from this opportunity owing to its domain expertise



Source: McKinsey

Capabilities in the automotive domain

Capability	ADAS	Body Engineering	Cockpit electronics	Electric powertrain	Telematics
Akkodis	●●● (Leader)	●●● (Leader)	-	●●● (Leader)	●●● (Leader)
Capgemini	●●● (Leader)	●●● (Leader)	●●● (Leader)	●●● (Leader)	●●● (Leader)
Cyient	-	-	-	-	-
KPIT	●●● (Leader)	●●● (Challenger)	●●● (Leader)	●●● (Leader)	●●● (Challenger)
LTTS	●●● (Leader)	●●● (Leader)	●●● (Leader)	●●● (Leader)	●●● (Challenger)
Quest Global	●●● (Challenger)	●●● (Leader)	●●● (Challenger)	●●● (Challenger)	●●● (Aspirant)
TCS	●●● (Leader)	●●● (Leader)	●●● (Leader)	●●● (Leader)	●●● (Leader)
Tata Elxsi	●●● (Leader)	●●● (Challenger)	●●● (Leader)	●●● (Challenger)	●●● (Challenger)
Tata Technologies	●●● (Challenger)	●●● (Leader)	●●● (Challenger)	●●● (Challenger)	●●● (Challenger)
TECHM	●●● (Leader)	●●● (Leader)	●●● (Challenger)	●●● (Leader)	●●● (Leader)
Wipro	●●● (Leader)	●●● (Challenger)	●●● (Leader)	-	●●● (Leader)

LEADERS: ●●●; **CHALLENGERS:** ●●●; **ASPIRANTS:** ●●●

Source: Zinnov, Company, MOFSL

Story in Charts

Three structural forces are reshaping the global mobility landscape

1 **The shift toward Smart Mobility**, underpinned by CASE (connected, autonomous, shared, electric), is accelerating the role of software in vehicles

2 OEMs are moving from **decentralized electronic/electrical (E/E) architectures to centralized domain controllers**, paving the way for software-defined vehicles (SDVs)

3 **Regulatory mandates for greener mobility** are compelling automakers worldwide to intensify investments in electric powertrains and sustainability-focused innovations.

R&D and capex stood at peak during 2023 and early 2024

R&D and Capex trend (YoY,%)	CY18	CY19	CY20	CY21	CY22	CY23	CY24
Renualt Group	11%	1%	-9%	-25%	-13%	7%	-4%
General Motors	5%	-13%	-20%	34%	24%	10%	-4%
Ferrari	17%	6%	3%	9%	-11%	15%	9%
Ford Motor	6%	-6%	-15%	8%	6%	12%	2%
Mercedes Benz Group	16%	-7%	-23%	-1%	-19%	13%	-4%
Bayerische Motoren Werke AG	14%	-16%	-9%	118%	8%	21%	8%
Honda	-4%	5%	-2%	-8%	-6%	7%	-12%
Volkswagon	32%	-1%	-27%	34%	9%	15%	9%
Stellantis	-20%	23%	-54%	175%	-7%	18%	7%

Source: Company, MOFSL

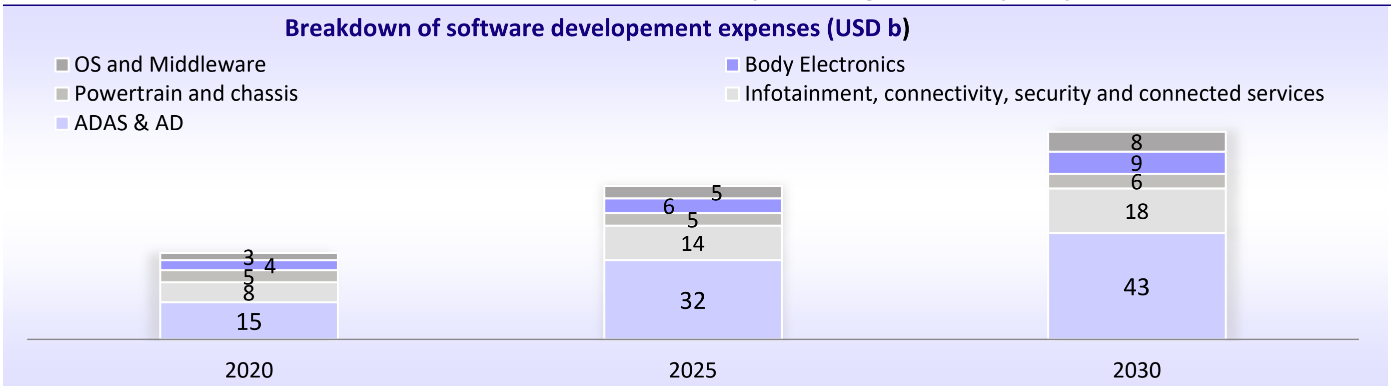
Automotive ER&D- three forces pushing long-term growth

Three structural forces are reshaping the global mobility landscape: 1) The shift toward CASE (connected, autonomous, shared, electric) mobility is accelerating the role of software in vehicles; 2) OEMs are moving from decentralized architectures to centralized domain controllers, paving the way for software-defined vehicles (SDVs); 3) Regulatory mandates for greener mobility are compelling automakers worldwide to invest in electric powertrains and sustainability-focused innovations.

A) Smart Mobility: ACES unlocks growth levers for automotive ecosystem

- The disruptive forces reshaping the automotive industry commonly referred to as ACES or CASE (Autonomous driving, Connected vehicles, Electrification of powertrain, and Shared mobility) have seen rapid acceleration in recent years.
- Automotive manufacturers and their suppliers are making substantial investments in software development and electrification, signaling a major transformation in the future of mobility.
- This shift is driven by the rise of urban-access restrictions—such as bans on internal combustion engine (ICE) vehicles, the growing adoption of shared mobility models, including car sharing and micro-mobility, and the emergence of disruptive technologies like urban autonomous driving.
- In this evolving landscape, the automotive industry is increasingly turning to software and electronics as the next critical frontier for innovation and competitive advantage.
- From a functional perspective, the automotive software market can be segmented into several distinct domains across the technology stack. At the foundational level, operating systems and middleware serve as the core components that facilitate hardware-software abstraction and manage low-level system functions.
- Above this layer, software functionalities executed on electronic control units (ECUs), domain control units (DCUs), or smart sensors are typically categorized by their functional domain. These include: Powertrain, chassis, body electronics, advanced driver assistance systems (ADAS)/autonomous driving (AD), infotainment, connectivity and cybersecurity and OS & middleware.

Exhibit 2: Functions in domain of AD/ADAS and infotainment are expected to grow in complexity

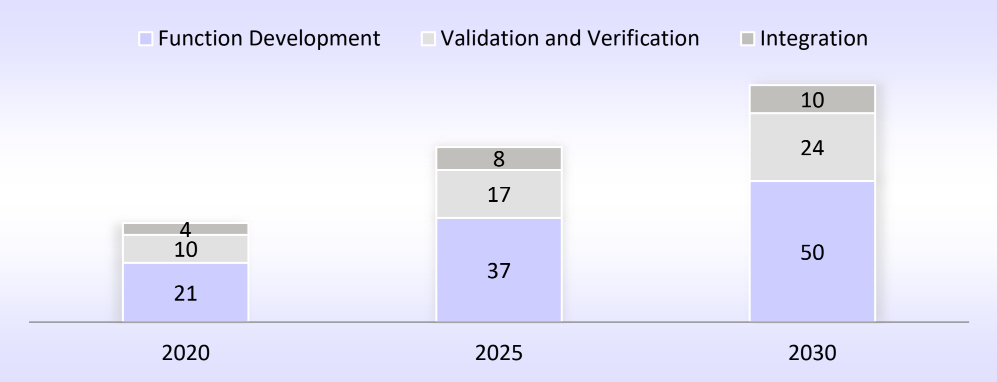


Source: McKinsey, MOFSL

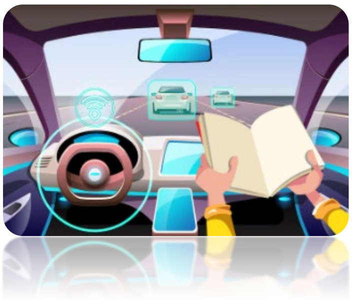
This includes ensuring seamless communication between various components, resolving compatibility issues, and optimizing the overall performance of the software within the vehicle's E/E architecture.

- From a value chain perspective, the automotive software development process can be broadly divided into three key phases:
- **Implementation of core functions**: This phase involves the development of essential software functionalities, including customization and adaptation for specific vehicle platforms. It forms the foundation of the software stack and ensures that each feature is tailored to meet the unique requirements of different models and configurations.
- **Validation and verification**: In this stage, the implemented software undergoes rigorous testing to confirm that it performs as intended. Both functional and safety requirements are verified through simulations, real-world testing, and formal validation procedures to ensure reliability and compliance with industry standards.
- **System integration**: The final phase involves integrating individual software modules into a cohesive system. This includes ensuring seamless communication between various components, resolving compatibility issues, and optimizing the overall performance of the software within the vehicle's E/E (Electrical/Electronic) architecture.

Exhibit 3: Split of Software development market across value chains (USD b)



Source: McKinsey, MOFSL

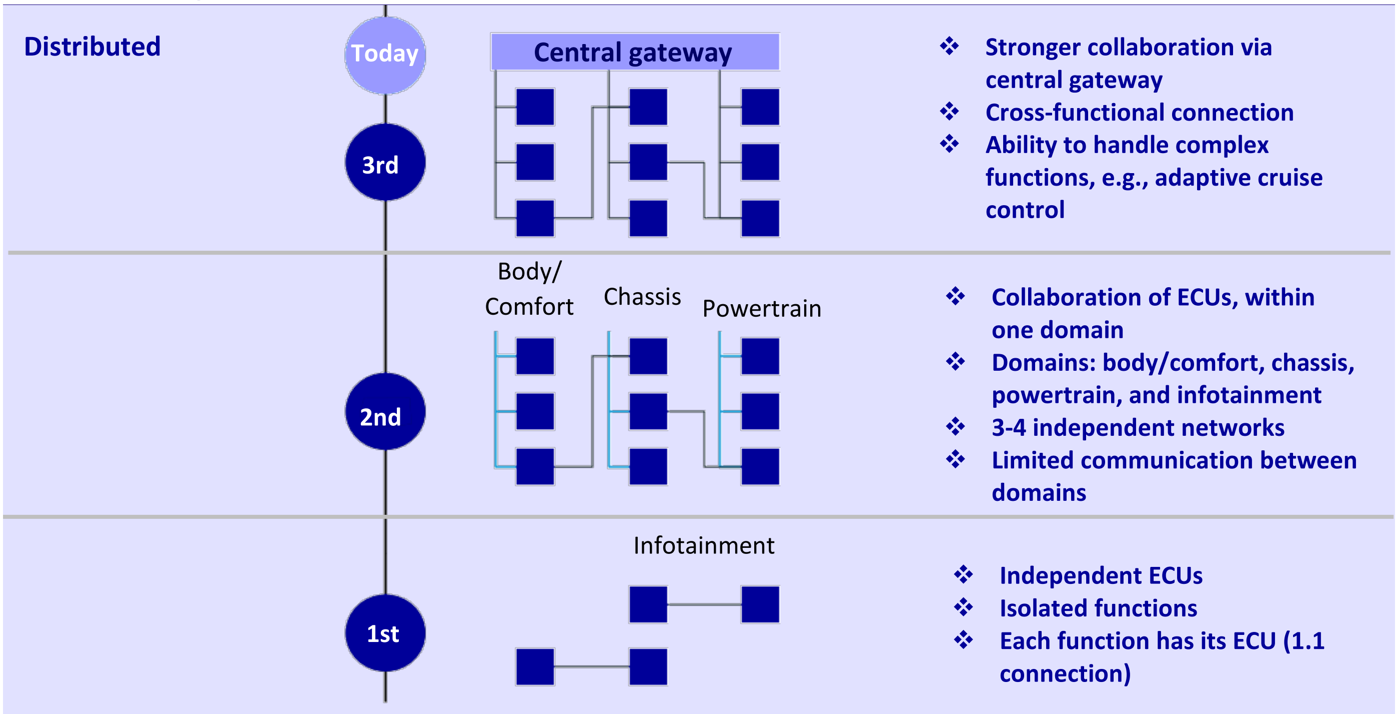


B) Centralization of E/E (Electrical/Electronic) architecture: Co-development to take front seat as software complexities rise

- We observe that the traditional model, where OEMs define detailed specifications and suppliers execute on them, is rapidly evolving. Increasingly, neither OEMs nor legacy suppliers are fully equipped to independently determine the complete technology requirements for emerging vehicle systems.
- **As a result, co-development between OEMs and suppliers/service providers is not only becoming more common but is also emerging as a necessity to keep pace with technological complexity and innovation cycles.**
- As illustrated in Exhibit 4, the automotive industry is undergoing a significant transformation in its E/E architecture. There is a shift from a **decentralized architecture to centralized architectures**. A decentralized architecture is a characteristic of the **third generation** of E/E systems, where individual functions run on dedicated ECUs interconnected through a central gateway and exhibit a high degree of software-to-hardware integration.
- **Within a vehicle, ECUs are tasked with managing various electrical subsystems. These range from basic ECUs, such as those controlling power-adjustable passenger seats, to more sophisticated ones that optimize engine performance by processing input from multiple sensors.**
- **DCUs represent the next stage in the evolution of ECUs. They consolidate the functions of multiple ECUs into a single, more cost-effective system, enhancing efficiency and reducing system complexity.**
- In the **fourth generation**, the architecture transitions to a more consolidated structure with the introduction of **dedicated domain controllers**. These controllers manage specific domains such as powertrain, ADAS, or infotainment, thereby reducing the number of ECUs and improving system efficiency and scalability.
- This move toward centralization is tightly connected with the **separation of hardware and software**, paving the way for vehicle systems to be designed as **layered architectures**. In such architectures, clear layers, particularly at the OS & **middleware** levels, enable greater modularity, reusability, and flexibility, allowing OEMs and suppliers to innovate and scale more efficiently.

This move toward centralization is tightly connected with the **separation of hardware and software**, paving the way for vehicle systems to be designed as **layered architectures**.

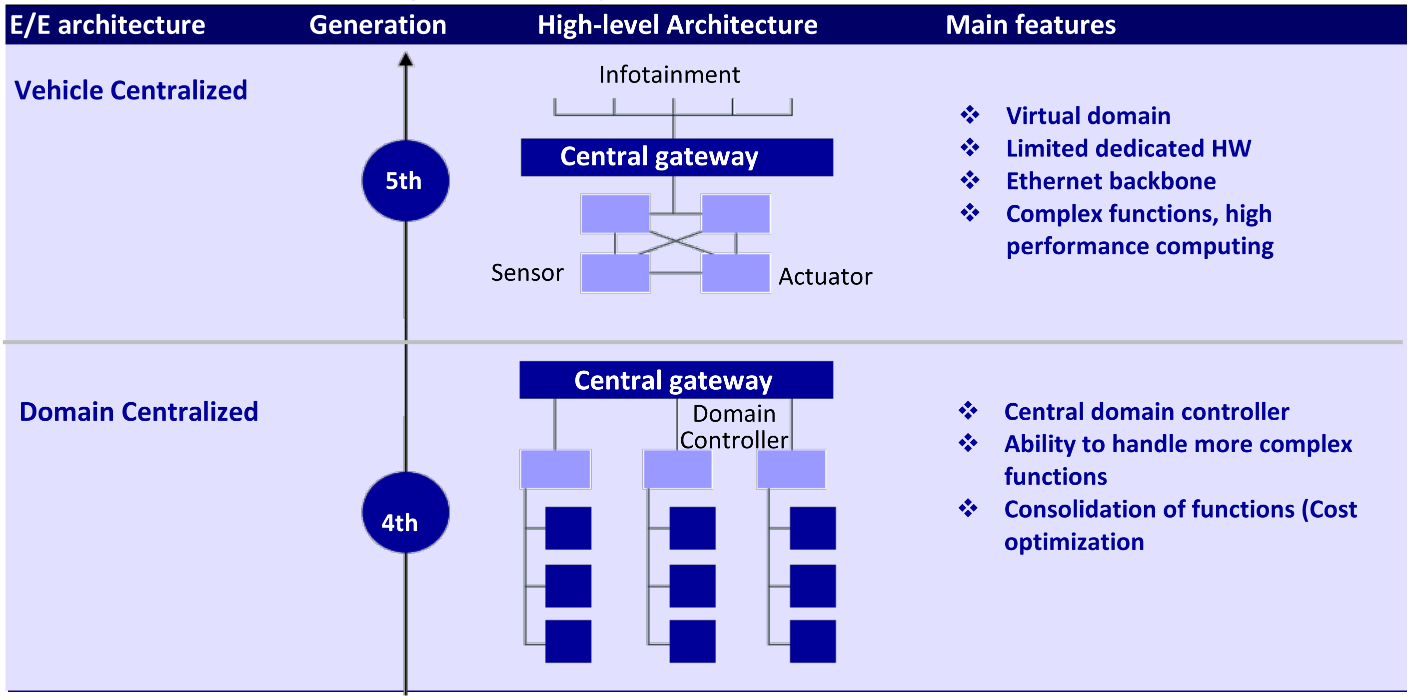
Exhibit 4: Evolving E/E architecture



Source: McKinsey, MOFSL

- **The vehicle architecture is evolving from the one that relies on a large number of separate ECUs (~100 in complex vehicles) to a more streamlined setup featuring a limited number of central DCUs, each responsible for a specific domain, i.e., chassis or infotainment**.
- For instance, in a traditional architecture without DCUs, sensors like cameras handle data processing locally and directly control actuators based on those results. In contrast, within a **DCU-based E/E architecture**, data from a variety of sensors, including cameras, radars, and LiDAR is processed centrally.

Exhibit 5: E/E architecture is evolving from function-specific ECUs to centralized architecture



Source: McKinsey, MOFSL

C) Regulatory push toward cleaner and greener products

In Asia, both India and China have announced aggressive EV adoption and decarbonization goals. India is targeting substantial EV penetration across private, commercial, and two- and three-wheeler segments by 2030.

- Governments worldwide are accelerating regulatory efforts to promote cleaner mobility, primarily through electrification and stricter fuel efficiency standards. In the US, Corporate Average Fuel Efficiency (CAFE) regulations aim to significantly improve fuel economy and penalize non-compliant automakers, driving the shift toward lightweight vehicle designs.
- In the US, a major economic push has boosted the electric vehicle (EV) manufacturing sector, with a target of increasing EV sales to 50% of all vehicle sales by 2030. Significant investments have been made in EV production, infrastructure, and battery technology, resulting in the tripling of EV sales.
- The European Union introduced comprehensive legislation in Jul'21 to achieve climate neutrality, including a strong focus on zero-emission road mobility. The plan aims to drastically cut carbon emissions by replacing conventional vehicles with cleaner alternatives across all member states.
- In Asia, both India and China have announced aggressive EV adoption and decarbonization goals. India is targeting substantial EV penetration across private, commercial, and two- and three-wheeler segments by 2030. Meanwhile, China in Sep'20 declared its intention of peaking CO_2 emissions before 2030 and reaching carbon neutrality before 2060.
- The major trends—**a) the centralization of E/E architecture** and **b) the resulting separation of software and hardware layers**—along with the push for clean and green mobility solutions, will compel OEMs and Tier-1 suppliers to significantly increase their investments in R&D. Failing to respond to these shifts could result in stagnation and a loss of competitive edge, as more agile and innovative players capture market share.

D) Investment cycle — the past and where we stand now

- As shown in Exhibit 6, the capex cycle for major automotive OEMs grew during CY21-23 but decelerated in CY24. US and European OEMs reported declining battery electric vehicle (BEV) sales, driven by pricing pressures and evolving consumer preferences. In contrast, Asia-based OEMs (such as Honda) shifted their focus toward hybrid vehicles, as BEV volumes fell short of expectations. These market dynamics have contributed to a slowdown in the pace of R&D investment by auto OEMs in the short term.

Exhibit 6: R&D and capex stood at peak during 2023 and early 2024

R&D and Capex trend (YoY,%)	CY18	CY19	CY20	CY21	CY22	CY23	CY24
Renault Group	11%	1%	-9%	-25%	-13%	7%	-4%
General Motors	5%	-13%	-20%	34%	24%	10%	-4%
Ferrari	17%	6%	3%	9%	-11%	15%	9%
Ford Motor	6%	-6%	-15%	8%	6%	12%	2%
Mercedes Benz Group	16%	-7%	-23%	-1%	-19%	13%	-4%
Bayerische Motoren Werke AG	14%	-16%	-9%	118%	8%	21%	8%
Honda	-4%	5%	-2%	-8%	-6%	7%	-12%
Volkswagon	32%	-1%	-27%	34%	9%	15%	9%
Stellantis	-20%	23%	-54%	175%	-7%	18%	7%

Source: Company, MOFSL

- We have captured commentaries around R&D, capex and EVs of major OEM players for the past five years below:

Exhibit 7: The 2021-23 period saw high capex outlay for electrification and batteries platforms

OEM	2020-22	2023	2024
VW	High intensity on R&D with focus on six battery factories and around **EUR1.7b spent** on battery-related M&A. Plans to eventually spend **EUR120b on digitalization and electrification.**	**EUR21.8b spent on R&D in 2023** and planning to invest **EUR180b over five years, of which EUR130b allocated to electrification** and digitalization. 2024 to be a peak investment year, with slowdown by 2027.	Total planned investment of EUR165b for **2025-29, down EUR15b from the prior cycle**. Expects peak capex in 2024, with a decline beginning in 2025.
Merc	Consistently spending on R&D with major focus on electrification and development of MB.EA and MMA platforms, transitioning to MB.OS, and focused improvement in battery tech and EV performance.	**EUR9.1b spent on R&D**, highest ever in company historywith focus on EV platform development (MB.EA, MMA, VAN.EA), software architecture (MB.OS).	**R&D spending flat YoY**, maintaining the same level as 2023. For 2025, expecting R&D to remain "flattish", with no cuts planned.
Honda	Plans to increase investments in R&D, with plans to invest around **JPY8t in R&D over the next decade**.	Record-high R&D expense of **JPY980b — the largest in its history**.	Reduced its planned investment in electrification from **JPY10t (USD69b) to JPY7t (USD48b) through FY31.**
Ford	Capex increases annually from **USD7.6b in 2021 to USD8-9b in 2022** with focus on batteries & EV platforms.	**Total capex of USD8-9b in 2023, with ~40% of capex (USD3.2–3.6b) allocated to EVs**, including next-gen EV product development, Michigan LFP battery plant	2024 total capex was USD8-9b; significant capex for Model E and EV infrastructure like BOSK battery plants, next-gen EV platform development. Cost reduction of USD1.4b in in Model E (EV).
Stellantis	Constant focus on R&D with annual expenditure of **EUR12-13b for BEV development and electrification**.	Increased investments by **EUR2b YoY**, with key areas being battery JVs. STLA Medium and STLA Large platforms were launched, boasting 700km and 500 miles of range, respectively.	**EUR1.6b higher capex**, aimed at enabling flexible powertrains, allowing a wider market coverage from combustion to BEVs and hybrids.
GM	Consistent capex; **USD9-10b in initial years increased to USD11b,** with extra expenditure on EV and its growth.	Three- fourths of capital and engineering expenditure on EV. Targets to make it 100%, three Ultrium plants currently under development.	**Estimated at USD10–11b**, including, battery JVs and software development and manufacturing for both ICE and EV platforms.
BMW	Consistent R&D spends of about **EUR6.3b with focus on automated driving** and NEUE Klasse EV platform.	In 2023, **BMW's R&D expenses rose to EUR7.8b** from EUR600m YoY, with an R&D ratio of 5%. 2024 projected to be R&D and capex peak year.	R&D expenditure in 2024 reached a record high of **EUR9b, up 17.1%** from EUR7b in 2023.

Source: Company, MOFSL

Exhibit 8: EV sales and outlook for major OEMs (2020-2024)

OEM	2020-22	2023	2024
VW	Rapidly scaled up its global BEV presence from 230,000 units in 2020 to over 770,000 in 2023, emerging as Europe's EV market leader, expanding US production (Chattanooga, Scout Motors) and targeting 50% global BEV sales by 2030.	Delivered ~770,000 BEVs globally in 2023.	Delivered 745,000 BEVs globally in 2024, (down 3% from 2023).
Merc	Doubled BEV sales in 2021, delivering 118,000 BEVs in 2022, and targeting another 100% growth in 2023 and a focused electrification strategy across passenger and commercial segments.	Sold a total of 240,600 units (BEV), up 61% YoY	Reported 23% decline in all-EV sales, totaling 185,000 units; anticipates a slight decrease in overall vehicle sales and a reduction in operating margins.
Honda	Focuses on hybrids, with BEV sales of only 19,000 units globally in 2023 and under 15,000 in 2020. Despite low current EV market share, Honda targets producing over 2m EVs annually by 2030, aiming for 40% of global sales from battery and fuel cell EVs.	Announced plans to produce over 2m EVs annually by 2030, aiming for EVs and fuel-cell vehicles to constitute 100% of its vehicle sales by 2040.	Revised its global EV sales target for 2030 from 30% to below 20%.
Ford	EV sales surged YoY to 61,575 units, securing the #2 spot in the US behind Tesla, with plans to scale production to 600,000 units annually by 2023.	Produced ~120,000 EVs mid-year and reached an annual production run rate of 600,000 units by year-end	EV sales climbed nearly 35% YoY to 97,865 units in USA and aims to sustain its edge through its "Power Promise" program and growing hybrid and EV portfolio
Stellantis	Accelerating its shift toward pure BEVs in response to regulatory changes, growing its BEV lineup from 19 models in 2021 to a projected 47 by 2024. BEV sales rose 41% YoY, and Stellantis led BEV van sales in Europe in 2021, signaling strong momentum in full electrification.	BEV sales rose 21% YoY, claiming #3 position in Europe with 136,000 units sold in 2023, doubling from the previous year.	Sold ~314,500 BEVs globally, down from 369,000 units in 2023
GM	Aims to scale aggressively, targeting 400,000 EVs in North America from 2022 to mid-2024 and planning 30 global EV models by 2025. Remains committed to reaching over 1m annual EV sales in North America and China by mid-decade.	Over 75,000 units sold, 93% increase from 2022 (in US).	Expects its EVs to constitute ~8% of total US vehicle sales in 2024, which is below projected forecasts of ~10%. Expects to produce ~50,000 unit's less than earlier estimates.
BMW	BEV momentum is accelerating, with over 215,000 EVs sold in 2022-23—more than double 2021 levels. BEVs expected to make up 15% of global sales in 2023. Targets 10m BEVs on the road and 50% of global sales to be fully electric by 2030.	Over 375,000 units, accounting for 15% of total sales	Sold more than 590,000 EVs, representing 24 % of total sales.

Source: Company, MOFSL

- **Despite near-term capex moderation by Western OEMs, long-term demand remains intact.** Asian OEMs are pivoting toward hybrids, while global players are increasingly focused on SDV/EV, creating tailwinds for ER&D firms with domain depth, co-development capabilities, and global delivery. We initiate coverage on three names:

Pg16

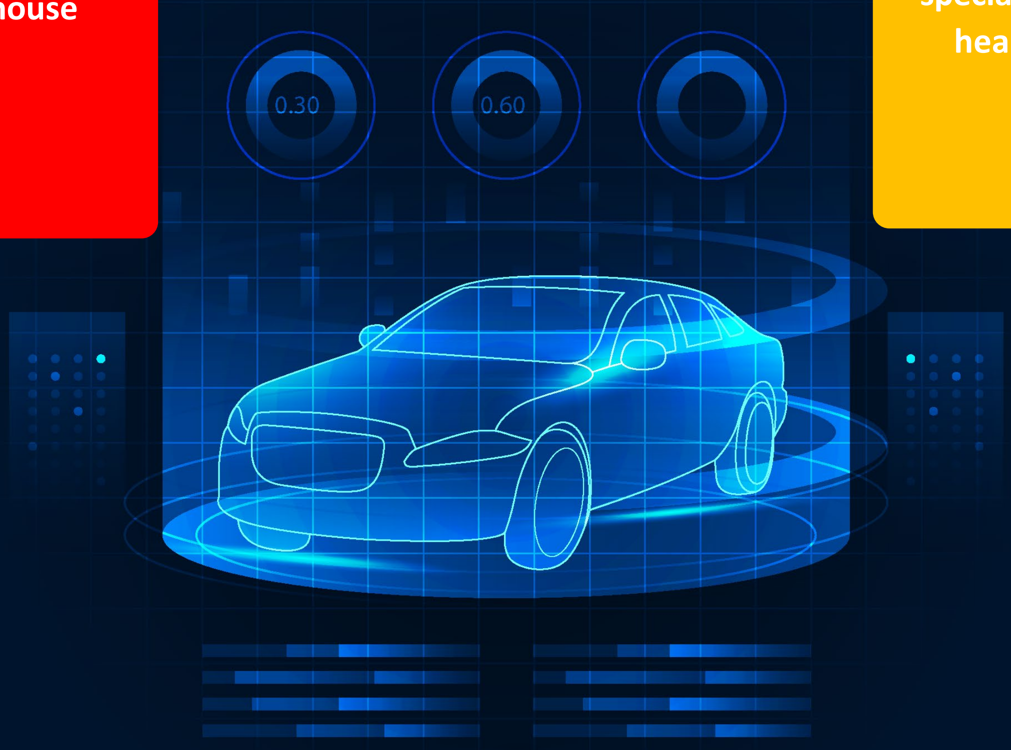
KPIT TECHNOLOGIES

A software powerhouse

Pg37

TATA TECHNOLOGIES

An engineering specialist facing headwinds



Pg60

TATA ELXSI

Design-led leader with near-term speed bumps

KPIT Technologies

BSE SENSEX	S&P CNX
81,307	24,870

KPIT

Bloomberg	KPITTECH IN
Equity Shares (m)	274
M.Cap.(INRb)/(USDb)	328 / 3.7
52-Week Range (INR)	1921 / 1021
1, 6, 12 Rel. Per (%)	-4/-18/-35
12M Avg Val (INR M)	1756

KPIT: Financials &Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	64.2	75.5	89.9
EBIT Margin (%)	17.6	18.3	19.0
PAT	8.8	10.8	13.3
EPS (INR)	31.9	39.5	48.8
EPS Gr. (%)	9.7	23.9	23.5
BV/Sh. (INR)	130.6	156.4	188.4
Ratios			
RoE (%)	27.0	27.7	28.5
RoCE (%)	24.0	27.5	31.6
Payout (%)	35.0	35.0	35.0
Valuations			
P/E (x)	37.6	30.3	24.5
P/BV (x)	9.2	7.6	6.4
EV/EBITDA (x)	22.0	18.0	14.4
Div Yield (%)	0.9	1.2	1.4

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	39.5	39.5	39.5
DII	22.4	21.3	16.6
FII	16.3	18.1	23.3
Others	21.9	21.2	20.6

FII Includes depository receipts

CMP: INR1,197 TP: INR1,600 (+34%) Buy

A software powerhouse

- KPIT is a pure-play automotive ER&D specialist, helping global OEMs accelerate their shift toward SDVs. With deep expertise in embedded software, architecture consulting, and middleware integration, KPIT has formed strategic partnerships with notable OEMs.
- Revenue grew from USD304m in FY20 to USD691m in FY25 (~18% CAGR) and is projected to reach USD1b by FY28E, posting ~15% CAGR over FY25-28E. This growth is driven by rising software complexity, accelerating SDV adoption, and vendor consolidation trends among OEMs. We believe that a turnaround in the automotive investment cycle could lead to an upside to these numbers.
- This should also help margins expand: we expect EBIT margins to expand from 17.1% in FY25 to 19.0% in FY28E. We initiate coverage with a **BUY** rating and a TP of INR1,600, valuing KPIT at 40x FY27E EPS, which implies a PEG of ~2x on a ~19% EPS CAGR over FY25-28E. We believe KPIT is among the best-positioned players to benefit from the long-term automotive software opportunity.

Pure-play focus unlocks deep domain expertise and client trust

- KPIT's strategic pivot following its demerger enabled the company to specialize entirely in automotive software engineering. It focuses on high-value domains like ADAS, electrification, connected vehicles, and digital cockpits.
- The company's focused client approach has reduced its client base from ~250 to ~60, increasing revenue per client and forging stronger partnerships. Its T21 program now accounts for ~85% of revenue, with the average client size more than doubling over the last four years.

SDV and centralized architectures drive complex software needs

- As OEMs move from distributed ECUs to centralized and zonal architectures, demand for middleware and architecture consulting is rapidly rising. KPIT has capitalized on this trend, with architecture and middleware revenue increasing from ~12% of sales in FY22 to ~22% in FY25.
- KPIT's expertise in managing SDV programs, combined with alliances with firms like AWS and QNX, positions it as a trusted advisor for OEMs re-architecting their vehicle software stacks.

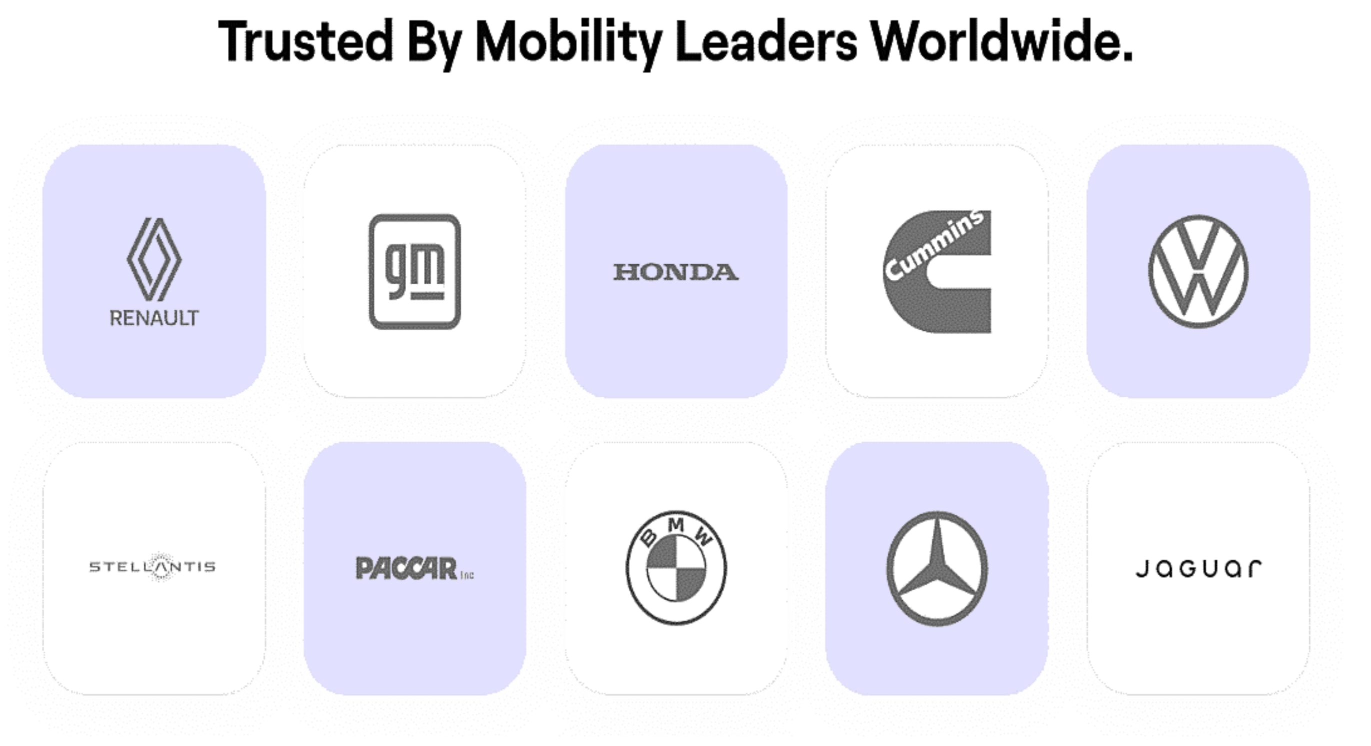
M&A enhances capabilities and geographic reach

- Strategic acquisitions have expanded KPIT's capabilities and global presence. The USD191m acquisition of Caresoft Global has strengthened KPIT's position in commercial vehicles and China's automotive ecosystem.
- Earlier deals, such as Technica and PathPartner, have added depth in virtual validation, semiconductors, and digital cockpit solutions—capabilities that are essential for SDV rollouts. These acquisitions also enable KPIT to secure larger, integrated mandates from OEMs.

Valuation and risks: Well-positioned but not without challenges

- We initiate coverage with a BUY rating and a TP of INR1,600, valuing KPIT at 40x FY27E EPS which implies a PEG of ~2x on a ~19% EPS CAGR over FY25–28E.
- Risks include potential cuts in OEM capex, particularly in Europe (~45-50% of revenues), in-sourcing of critical software work, high client concentration (~85% from top 21 clients), and integration challenges from acquisitions. However, KPIT's focused strategy, domain expertise, and proven execution support our positive outlook.

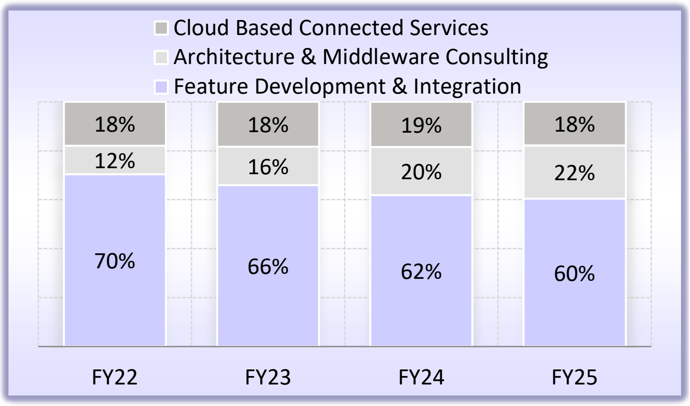
Exhibit 9: KPIT's key clientele



Source: Company, MOFSL

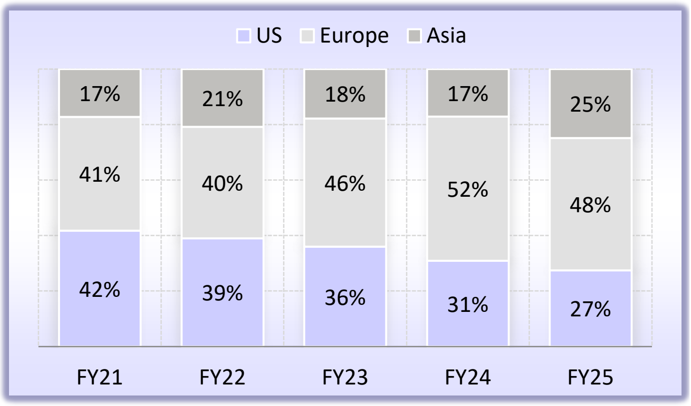
Story in Charts

KPIT's business mix: Architecture and Middleware consulting share has increased



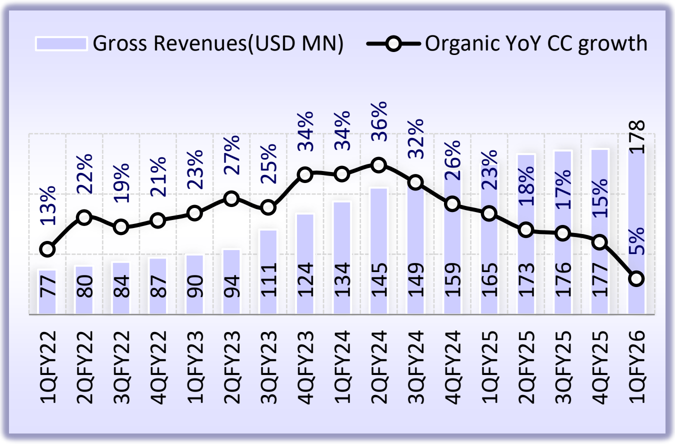
Source: Company, MOFSL

Geo mix across the years: KPIT has strategically diversified in Asia as Chinese OEMs emerge; US and Europe still key



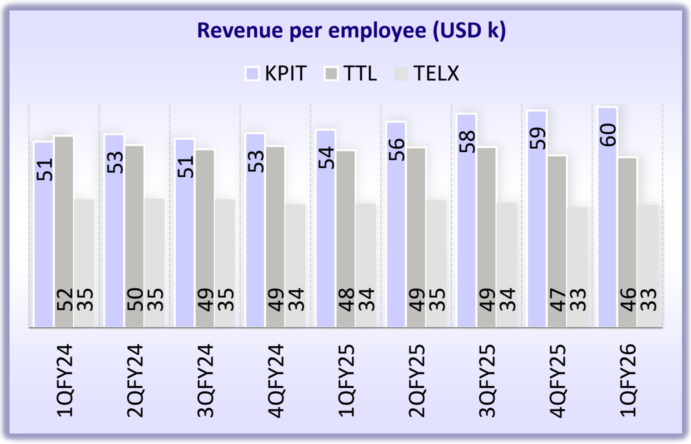
Source: Company, MOFSL

KPIT revenue grew strongly after demerger; posted 28% CAGR in FY22-25



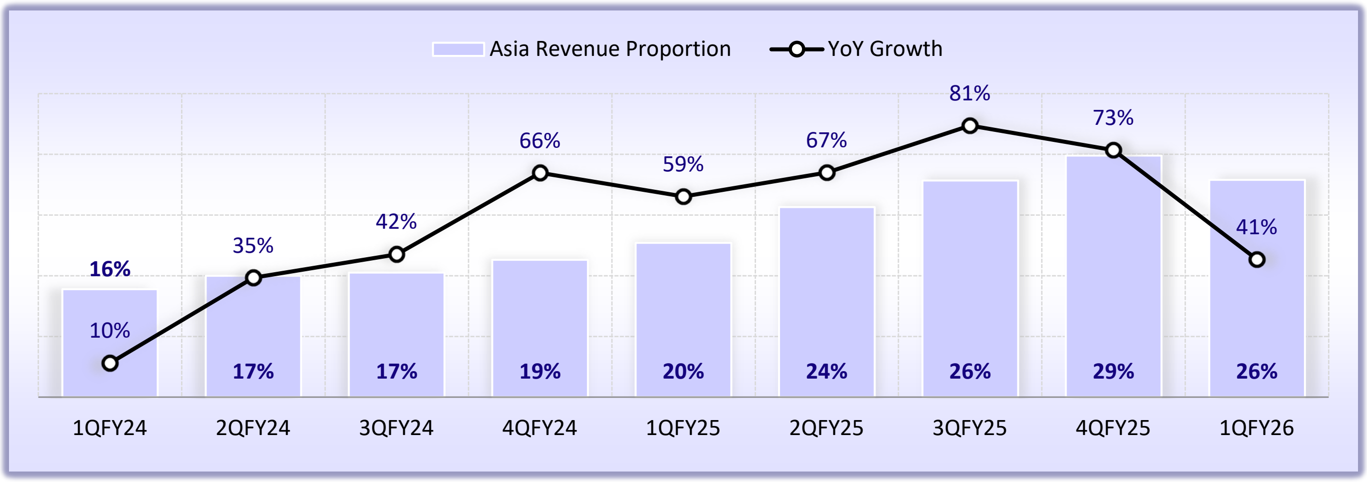
Source: Company, MOFSL

KPIT has highest revenue per employee compared to other ER&D players



Source: Company, MOFSL

KPIT taps growth potential in Asia (particularly Chinese markets) as part of geographical adjacency



Source: Company, MOFSL

Company overview

During 2018–2019, KPIT underwent a significant corporate restructuring. The company demerged its IT services offerings, while KPIT continued as a pure-play ER&D services provider focused on the automotive domain.

- KPIT Technologies (KPIT) is a global partner to the automotive and mobility ecosystem, providing ER&D services with a focus on software-defined vehicles (SDVs). The company delivers solutions across domains such as middleware, powertrain, connected vehicles, and autonomous driving. Its services include embedded software development & integration, E/E architecture, cloud-based solutions for digital cockpit.
- During 2018-2019, KPIT underwent a significant corporate restructuring. The company demerged its IT business, which merged with Birlasoft, while KPIT continued as a pure-play ER&D services provider focused on the automotive domain.
- The company caters entirely to the automotive and mobility sector, with passenger vehicles forming 81% of revenues, commercial vehicles making up 16% and others accounting for the remaining share as of FY25.
- KPIT maintains a global presence with engineering centers in Europe, the US, Japan, China, Thailand, and India. The company's revenue geo-mix is spread across the US, Europe and Asia, with the US and Europe making up three-quarters of revenue.

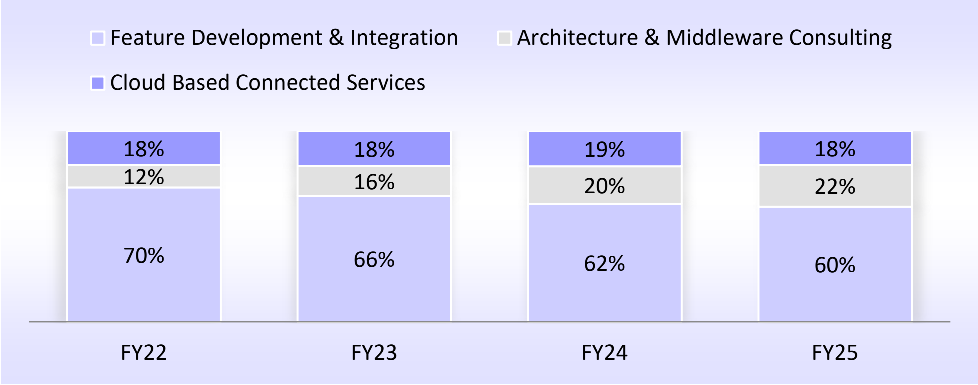
KPIT's business service lines:

- **Feature development and integration**: This service line involves the development of software functionalities specific to automotive and mobility solutions. It encompasses requirements like analysis, design, coding, testing, and verification and validation of software (V&V) features across domains such as powertrain, infotainment, ADAS, and body control modules. This comprises 60% of revenue for KPIT as of FY25.
- Integration services ensure these features are embedded into ECUs and vehicle platforms, maintaining compatibility with OEM-specific standards and regulatory compliance.

This consulting service focuses on designing and optimizing the software and system architecture of next-generation vehicles (e.g., SDVs and EVs). This vertical accounted for 22% of revenue for KPIT as of FY25.

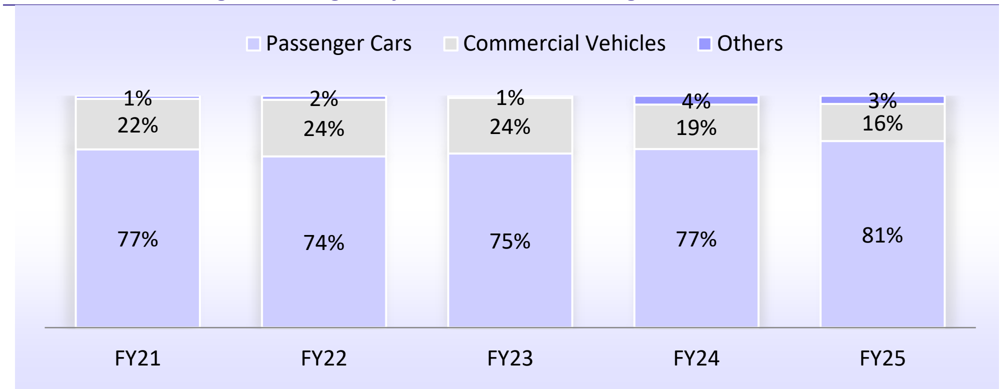
- **Architecture and middleware consulting**: This consulting service focuses on designing and optimizing the software and system architecture of next-generation vehicles (e.g., SDVs and EVs). This vertical accounted for 22% of revenue for KPIT as of FY25.
- This service includes the selection, customization, and deployment of middleware stacks that facilitate communication between hardware and application layers. Middleware consulting addresses data routing, service abstraction, and inter-ECU communication to support distributed computing models and emerging E/E architectures (e.g., DCUs).
- **Cloud-based connected services**: This offering provides cloud-enabled solutions that connect vehicles to external ecosystems such as OEM backend systems, mobile applications, and third-party services. It involves development and deployment of telematics platforms and over-the-air (OTA) update frameworks. This forms the remaining 18% of revenue for the company.

Exhibit 10: KPIT's business mix: Architecture and Middleware consulting share has increased as new-age E/E architectures emerge for SDVs and EVs



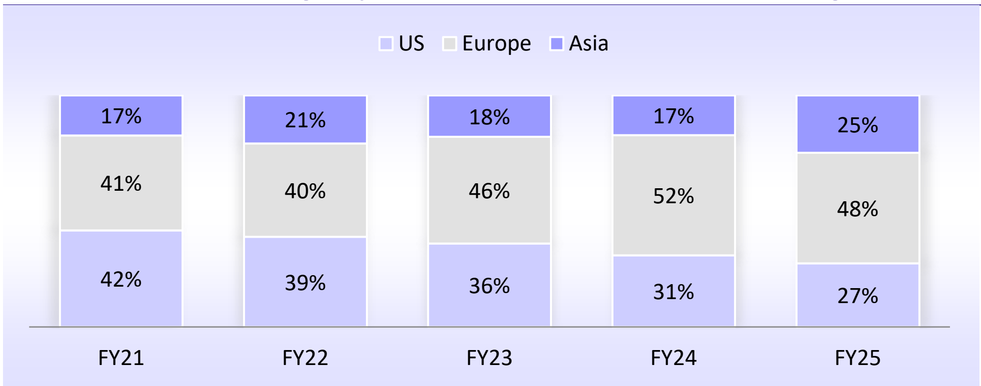
Source: Company, MOFSL

Exhibit 11: Passenger car segment dominates the company's revenue verticals, though KPIT is now focusing on off-highways and commercial segments



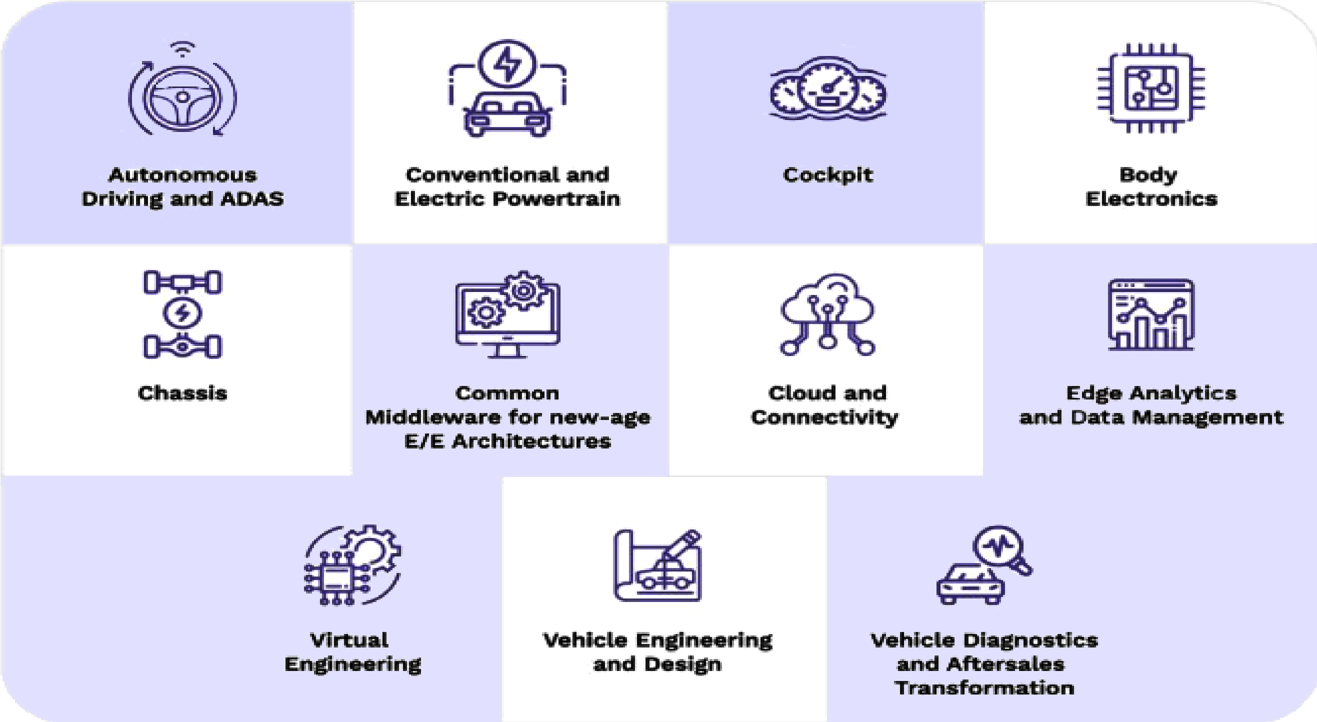
Source: Company, MOFSL

Exhibit 12: Geo mix across the years: While US and Europe are still making a large chunk of revenue, KPIT has strategically diversified in Asia as Chinese OEMs emerge



Source: Company, MOFSL

Exhibit 13: KPIT's offerings — solutions and services



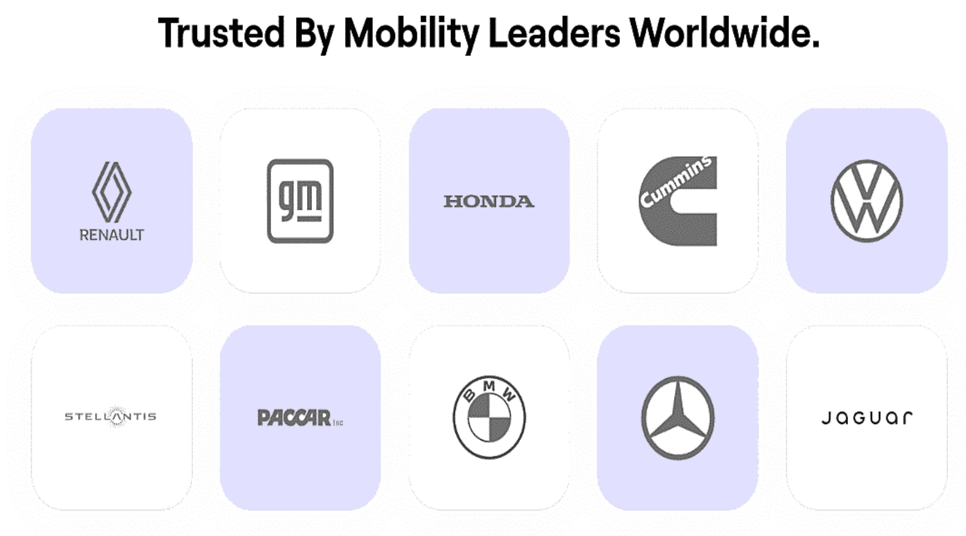
Source: Company, MOFSL

Client portfolio and ecosystem partnerships

The company works with over 25 OEMs and Tier-1 suppliers and is involved in more than 10 collaborations across chip-to-cloud domains.

- KPIT has over 25 years of experience in automotive and mobility software, and its software is present in more than 20 million vehicles globally.
- The company works with over 25 OEMs and Tier-1 suppliers and is involved in more than 10 collaborations across chip-to-cloud domains. It has contributed to over 700 production programs, reflecting its role in supporting various vehicle platforms.
- KPIT also offers a set of 80+ platforms and tools that support the transition from prototype to production, delivered through a globally distributed delivery model.
- KPIT has established long-term partnerships with leading OEMs such as BMW (since 2018) for autonomous driving and charging tech, PACCAR (since 2011) with a dedicated India-based tech center, and Hyundai in the early 2010s for AUTOSAR-based ECU development.

Exhibit 14: KPIT's key clientele



Source: Company, MOFSL

Exhibit 15: KPIT's key partnerships offer solution across virtual engineering and diagnostics, helping clients to speed up time-to-market

	Partner	Description
Cloud	AWS	❖ KPIT co-develops GTM solutions for virtual engineering and diagnostics, with 2,000+ AWS-skilled engineers and solutions listed in the AWS Solution Library
	Microsoft Azure	❖ KPIT offers diagnostics solutions using Azure OpenAI and has a connected services platform on Azure Marketplace.
	Google Cloud	❖ KPIT provides virtual validation solutions on Google Cloud, supported by 500+ engineers skilled in the platform.
Engineering Tools	dSPACE	❖ KPIT and dSPACE co-develop EV and smart charging test solutions with a strong GTM partnership and 2,000+ engineers skilled in dSPACE HIL systems.
	Vector	❖ KPIT, with 1000+ engineers trained on Vector and AUTOSAR tools, is Vector's largest software integration partner, collaborating on major OEM SDV programs.
Middleware	Google	❖ KPIT partners with Google on AOSP-based digital cockpit platforms, supported by 100+ engineers skilled in Google technologies.
	Blackberry QNX	❖ KPIT offers joint GTM solutions for aftersales diagnostics using Microsoft Azure and QNX, with 2,000+ engineers trained on relevant platforms.
Semicon	Qualcomm	❖ KPIT collaborates with Qualcomm on digital chassis, smart charging, and diagnostics, with 800+ engineers supporting SDV programs across six OEMs.
	Infineon	❖ KPIT partners with Infineon on next-gen radar and xEV platforms, involving 500+ engineers in low-level driver and GTM development efforts.

Source: Company, MOFSL

Exhibit 16: KPIT's recent deal wins span across all geographies and business units

Quarter	Key Deal Wins	Geography	Segment
1QFY26	❖ Strategic engagement in the electric powertrain domain for a leading European Car Manufacturer.	Europe	Passenger
	❖ Multiple engagements in the powertrain, vehicle diagnostics and mechatronics domains with a leading American Commercial Vehicle OEM.	America	Commercial
	❖ A leading European Commercial Vehicle manufacturer selected KPIT for multiple engagements in the connected and diagnostics domains	Europe	Commercial
4QFY25	❖ Asian Car Manufacturer selected KPIT for strategic engagements in the electric powertrain, middleware and connected domains	Asia	Passenger
	❖ Strategic engagements in the electric powertrain, body electronics and autonomous domains for a leading European car manufacturer	Europe	Passenger
	❖ Multiple engagements in the powertrain, vehicle diagnostics and mechatronics domains with a leading American commercial vehicle OEM	America	Commercial
	❖ Strategic engagements in the connected, autonomous and electric powertrain domains with a leading American car OEM	America	Passenger
	❖ Key engagements in autonomous and connected domains for a leading American car OEM	America	Commercial
3QFY25	❖ Strategic engagement in autonomous driving domain	Europe	Passenger
	❖ Strategic engagement in electric powertrain and architecture domains	Europe	Passenger
	❖ Engagements in vehicle diagnostics and mechatronics domains	America	Commercial
	❖ Engagements in the connected, autonomous and body electronics domains	Asia	Passenger
	❖ Engagements in autonomous and connected domains along with joint GTM with a semiconductor company	America	-
2QFY25	❖ Multiple strategic engagements in the autonomous, middleware and diagnostics domains with European OEM	Europe	Passenger
	❖ Engagements in the electric powertrain and connected domains for a leading American car manufacturer	America	Passenger
	❖ Engagements in the body electronics connected and electric powertrain domains	European	Passenger
	❖ Engagements in the connected, middleware and powertrain domains	America	
	❖ Engagements in autonomous and powertrain domains	Asia	Passenger
1QFY25	❖ A significant engagement in the connected vehicle domain	Europe	Passenger
	❖ Engagements in the autonomous, connected and powertrain domains	Europe	Passenger
	❖ Engagements in the middleware and architecture domains	America	Passenger
	❖ Engagements in the connected, middleware and architecture domains	Asian	Passenger
	❖ Engagements in powertrain and connected domains	America	Commercial
4QFY24	❖ Significant engagements in the electric powertrain and connected domains	European	Passenger
	❖ Engagements in the connected, autonomous and middleware domains	Asia	Passenger
	❖ Engagements in the connected, electric and conventional powertrain domains	America	Passenger
	❖ Engagements in the autonomous, electric and conventional powertrain domains	America	Passenger
	❖ Engagements in powertrain and vehicle diagnostics domain	America	Commercial
3QFY24	❖ Multiple engagements in the autonomous driving and vehicle engineering domains	Asia	Passenger
	❖ System engineering for body electronics domains	Europe	Passenger
	❖ Strategic engagements in the e-powertrain domain for leading European OEMs in partnership with a leading Tier-1	Europe	Passenger
	❖ Engagement in the autonomous driving domain	Europe	Passenger
	❖ Several engagements in vehicle engineering domain	America	Commercial

Source: Company, MOFSL

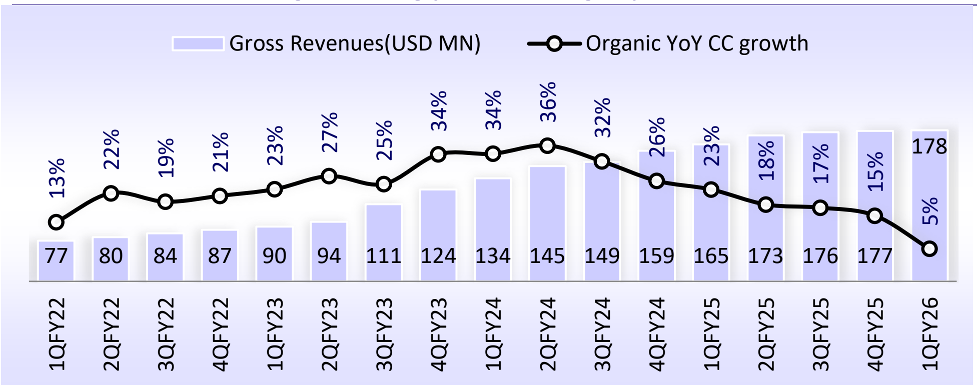
Investment thesis

A) Specialist over generalist: Focused play in automotive ER&D

- KPIT's strategic transformation from a general IT services provider to a specialized automotive engineering and mobility solutions partner marks a significant pivot in its business model. This shift, initiated in Jan'18 through the demerger of its IT services business and subsequent merger with Birlasoft, allowed KPIT to concentrate exclusively on the automotive sector, embracing a "specialist over generalist" approach.
- After the demerger, KPIT strategized its vision for auto and mobility solutions, particularly in embedded software development and integration services. It has streamlined its operations, reducing its client base from ~250 to about 60, and its workforce from 13,500 to around 6,600 to focus on deep, strategic partnerships with key automotive players.
- This 'inch-wide, mile-deep' strategy played well for KPIT. Revenue grew from USD304m in FY20 to USD691m in FY25 at a CAGR of ~18%. Its headcount expanded from ~7,000 in FY20 to ~13,000 in FY25 to support growth. The company has managed to maintain industry-leading revenue per employee compared to other ER&D peers (exhibit 18).

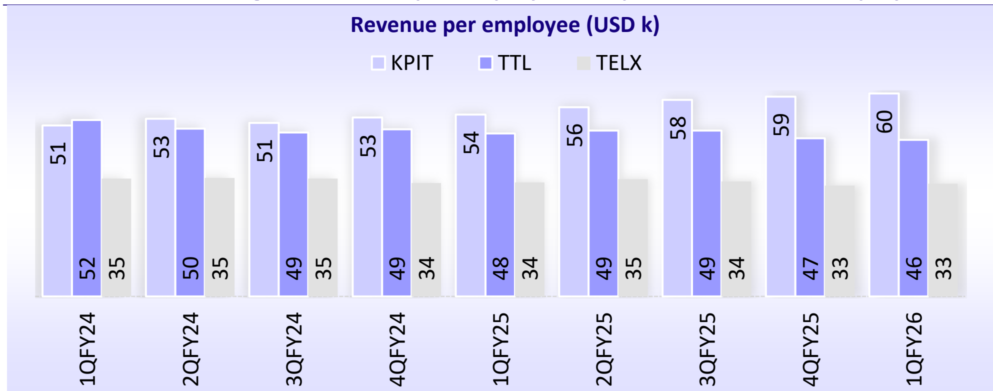
This 'inch-wide, mile-deep' strategy played well for KPIT. Revenue grew from USD304m in FY20 to USD587m in FY24 at CAGR of 17.9%.

Exhibit 17: KPIT revenue grew strongly after demerger; posted 5.0% CQGR in FY22-25



Source: Company, MOFSL

Exhibit 18: KPIT has highest revenue per employee compared to other ER&D players

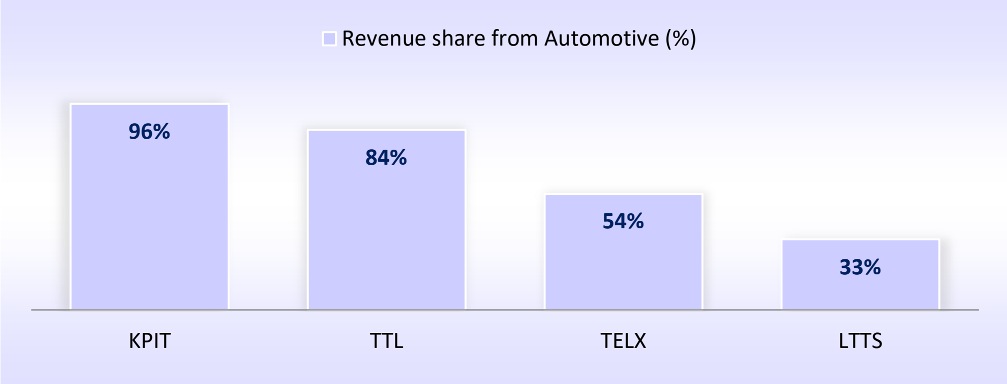


Note: Revenue is annualized, Source: Company, MOFSL

- KPIT is among the top ER&D service providers for the automotive segment among its Indian peers. Its concentrated exposure to the automotive vertical, particularly in the US and Europe, along with high client concentration (strategic clients accounting for over 80% of revenue), has benefited KPIT.

Its concentrated exposure to the automotive vertical, particularly in the US and Europe, along with high client concentration (strategic clients accounting for over 80% of revenue), has benefited the company.

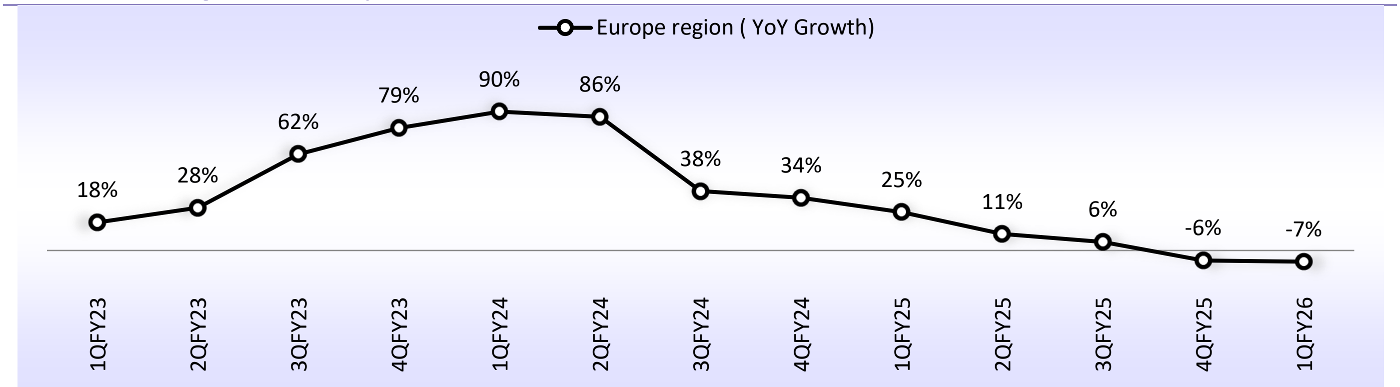
Exhibit 19: KPIT has highest share of automotive revenue compared to its peers



Source: Company, MOFSL

- However, increased competitive intensity through Chinese OEMs, regulatory changes (faster transition to EVs from ICEs), and changing consumer preferences for more features have dented the underlying demand environment in the automotive sector in European regions.
- European companies now face the challenge of competing with Chinese OEMs on the cost front in the Chinese market. Additionally, they are preparing to face increased competition from Chinese players in their own domestic markets.
- This, in turn, has caused deceleration in growth for Indian ER&D players, KPIT being no exception. However, the slowdown comes on the back of a previously experienced high-growth phase; ER&D companies' growth still continues to outpace Indian IT service players.

Exhibit 20: KPIT's growth in Europe has continued its downward trend

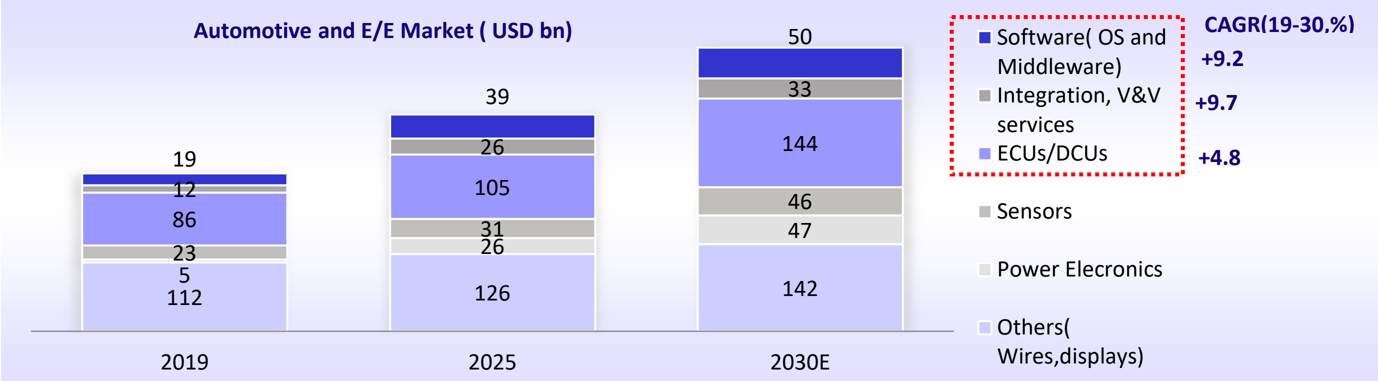


- We believe European OEMs are now gradually responding to the need for upgrade and feature-led software integration to stay competitive. Many are likely to pursue vendor consolidation, breeding an opportunity for KPIT to emerge as a natural partner by leveraging its deep-rooted relationships and established presence among European OEMs.

b) Decoupling of Hardware and software – step to SDV transition

- KPIT's niche offerings include software development and integration services across autonomous driving and ADAS and body electronics, along with cloud-based services for connected vehicles and digital cockpits.
- Key trends shaping the mobility industry include a shift from hardware to software-defined vehicle architecture, the rising focus on software services (like CASE – Connected, Autonomous, Shared and Electric), mobile connectivity and cloud. These trends provide avenues for mobility OEMs not only to gain competitive advantage but also to germinate new pools of revenue through software monetization.

Exhibit 21: The global software integration and E/E market is expected to compound at ~9% by 2030; KPIT stands to benefit from this opportunity owing to its domain expertise



Source: McKinsey

KPIT's depth and breadth of services help OEMs accelerate their SDV transition programs through advanced E/E architectures.

- The realization of SDV and CASE is complex. An enabler of these capabilities is E/E and software architectures. The vehicle's E/E architecture is shifting from decentralized to centralized architecture. A large number of ECUs can cause software update bottlenecks, leading to challenges in safety and reliability.
- The most recent architecture replaces these ECUs with zonal controllers and central compute units controlling them. However, they bring a trail of complex software integrations.
- Software complexities can cause a higher cost of development and maintenance, increased SOP (start of production) timelines and time-to-market. **Thus, decoupling of hardware and software development becomes the preferred roadmap.**
- A separate software-focused organization can help OEMs to reduce SOP timelines (~30%), expedite time-to-market, and lower the cost of software development.
- KPIT's structuring across three clusters, i.e., – 1) architecture consulting and middleware (helping OEM with platform development, integration and virtual engineering), 2) domain development, migration and integration for autonomous driving, electrification and body electronics, 3) cloud-based connected services in digital cockpit offers OEMs breadth and depth for SDV transition.
- Further, KPIT's acquisition of Technica strengthens its position in central and zonal compute architectures. Technica solutions align with KPIT's middleware and software integration expertise.

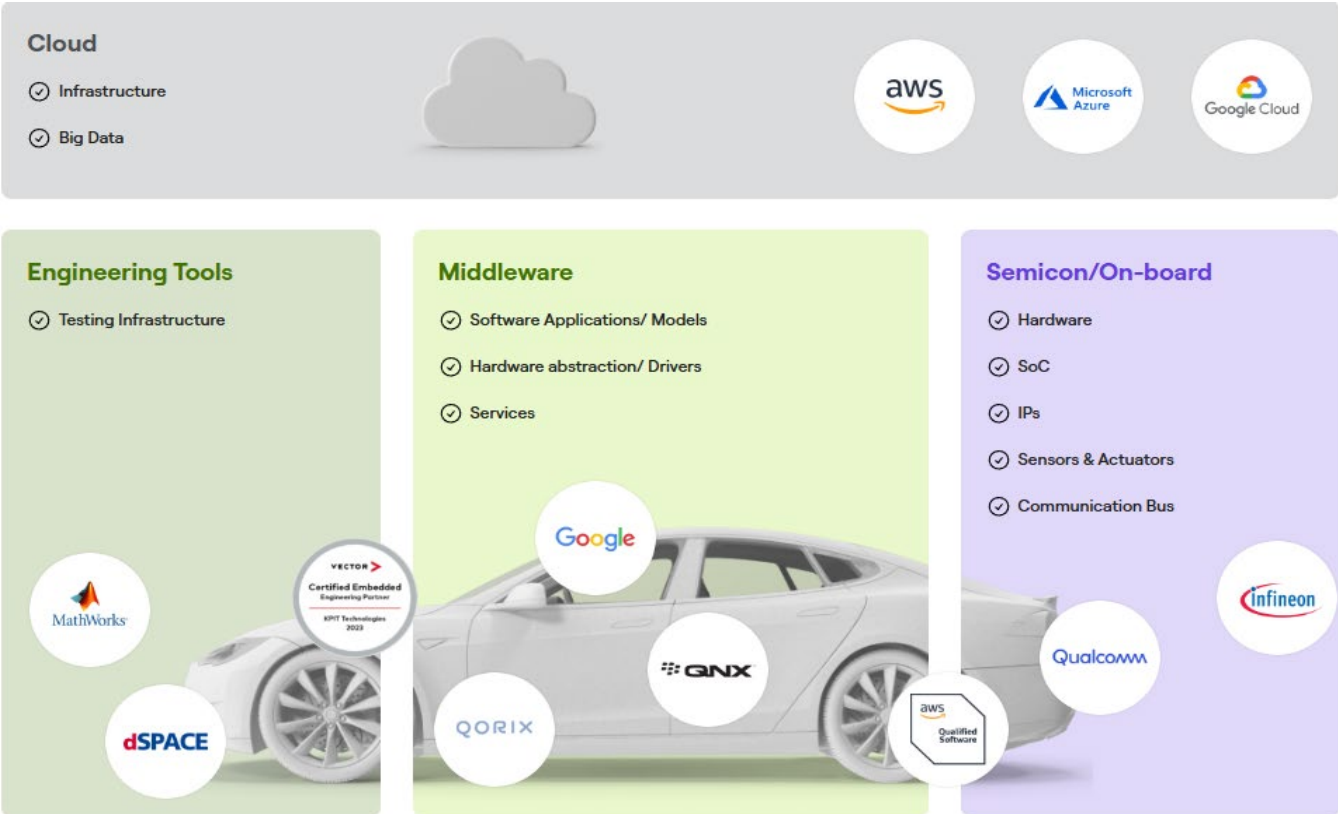
KPIT's strategic T21 client initiatives focus on scaling and improving revenue per client by cross-selling to the top 21 accounts. These clients contribute ~85% of revenue.

- Together, KPIT and Technica can play an integral role in the OEM journey from pre-SOP to post-SOP, helping OEMs in accelerating development by providing an E/E architecture blueprint during the pre-SOP stage, which lays the foundation to advance SOP timelines by at least a year.

c) KPIT's client-focused strategy yielding results

- KPIT boasts strategic partnerships and collaborations with 25+ OEMs and Tier-1 companies, 10+ ecosystem partners (given its two decades of experience in the mobility industry), 80+ platforms, tools and accelerators across domains, and 700+ production programs.
- KPIT also remains a preferred partner for six global OEMs for their SDV programs. This bodes well for KPIT, as OEMs will continue to adopt and transition to SDVs as argued in the previous point.

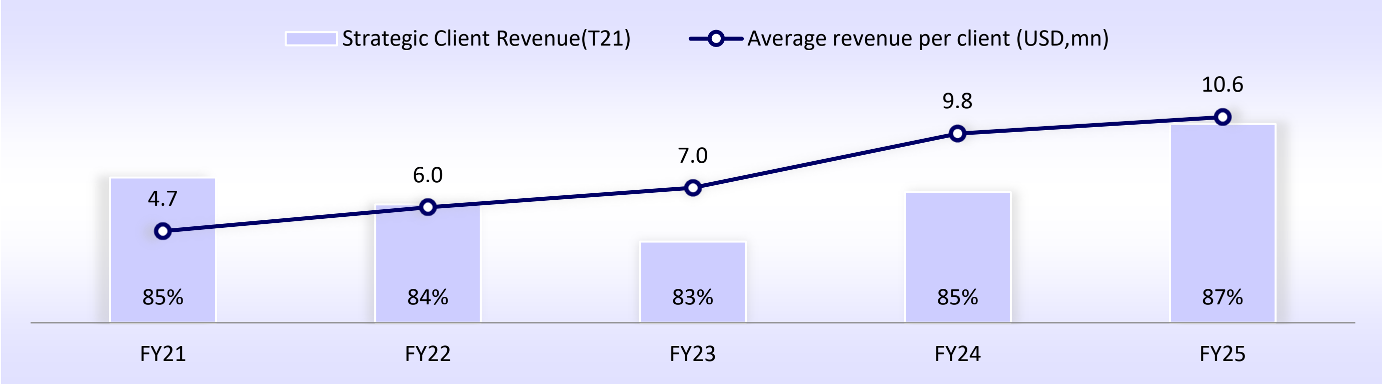
Exhibit 22: KPIT's partner ecosystem



Source: Company, MOFSL

- KPIT's strategic T21 client initiatives focus on scaling and improving revenue per client by cross-selling to the top 21 accounts. These clients contribute ~85% of KPIT's total revenue.

Exhibit 23: KPIT has been able to expand its wallet share gains through focused approach on Top 21 clients



Source: Company, MOFSL

- KPIT's endeavors have worked well. It was able to capitalize on client-mining efforts, as revenue per client increased from USD4.7m in FY21 to USD10.6m in FY25 (Exhibit 23). On the flip side, we see a significant dependence on a few key clients, and restricted client-mining opportunities may weigh on the momentum of new deals. Any delays in ramp-ups or projects by big clients can slow down the pace of revenue growth.

d) Investments in China and CV/off-highways fortify its future

KPIT is also actively pursuing vertical adjacency initiatives by expanding its focus to commercial vehicles and off-highway segments, in addition to passenger vehicles.

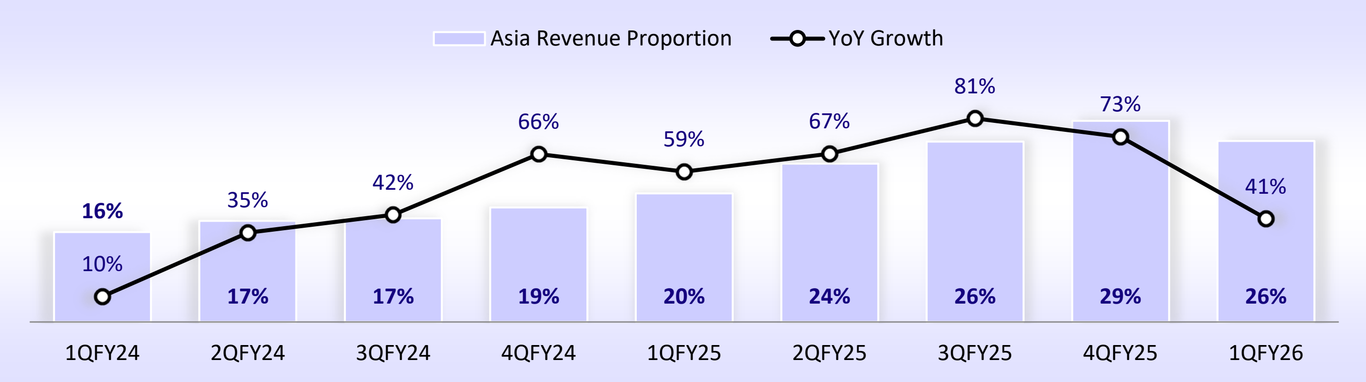
- As the western OEM makers pay heed to the emergence of Chinese OEMs and the resultant increase in competitive intensity, KPIT is also taking strategic actions of exploring Chinese markets.
- KPIT has outlined a comprehensive and multi-pronged strategy to expand its presence in China, recognizing it as a critical market for automotive innovation. The company aims to leverage its insights from the Chinese ecosystem to help global OEM clients enhance their product features, reduce costs, and accelerate time-to-market.
- KPIT is actively assisting its existing global clients to stay competitive in China, particularly through its expertise in automotive architecture.
- It is also exploring opportunities to support Chinese OEMs in expanding globally by offering compliance, integration, and platform-based solutions. The company sees this move as a strategic priority, and investments shall fructify in the long term.
- KPIT is also actively pursuing vertical adjacency initiatives by expanding its focus to commercial vehicles and off-highway segments, in addition to passenger vehicles.

KPIT is pursuing a multi-pronged strategy to expand in China, aiming to leverage local insights to help global OEMs enhance their features, reduce costs, and accelerate time-to-market.

- The company has begun engagements with multiple new clients in these areas, with active projects already underway for two truck OEMs and one off-highway equipment manufacturer.
- It also plans to accelerate in the above-mentioned directions through any inorganic opportunities and is in active discussions for the same.
- **KPIT has announced the acquisition of Caresoft Global's** engineering solutions business for up to USD191m, marking a significant strategic move to enhance its capabilities in the commercial vehicle and off-highway segments. **This acquisition facilitates KPIT's expansion into the Chinese market, where Caresoft has established strong relationships with OEMs, particularly in the new-energy vehicle segment.**

- We believe these strategic priorities position KPIT well, as the company sharpens its niche in automotive software by expanding into China and diversifying into the CV and off-highway segments, backed by strong domain expertise and targeted inorganic initiatives. Execution risks in new and evolving markets remain a key monitorable.

Exhibit 24: KPIT taps growth potential in Asia (particularly Chinese markets) as part of geographical adjacency



Source: Company, MOFSL

e) Pointed acquisitions to unlock new markets and capabilities

- KPIT has continued to strengthen its offerings through M&A, thus unlocking new synergies and adding value to its offerings to clients. Largely, all acquisitions have been EPS-accretive to KPIT, thus improving its profitability at a much faster pace. The company has also been able to tap unexplored markets and win clients through acquisitions.
- KPIT recently announced its biggest acquisition in the past five years by acquiring the carved-out engineering solutions business of Caresoft. The acquisition emphasizes the company's pivot on strategic directions as discussed in the previous point. KPIT expects business synergies through 1) reducing costs and engineering services for the commercial vehicle and off-highway segments; 2) expanding service offerings to T25 clients; 3) entering into software benchmarking; and 4) accelerating its entry into the China market.

Exhibit 25: KPIT acquisitions in past five years

Date	Acquire	Acquisition price (USD m)	Revenue (USD m)	Objects and benefits
May-25	Caresoft Engineering	191	51	❖ Strengthens KPIT's VED, off-highway offerings as it will integrate engineering and benchmarking services. This will lead to faster GTM for products, resulting in cost savings for OEMs.
Sep-22	Technica	108	46	❖ Helps to create across-the-stack expertise, offering a one-stop shop for the industry to transform toward SDV
May-22	SOMIT Solutions	8	3	❖ Offers aftersales service through cloud-based platform and expert consulting services
Sep-21	Future Mobility Solutions	18	6	❖ Strengthens market presence in Germany and improves access to strategic clients.
Jun-21	PathPartner	26	11	❖ Early access to semicon technologies through PathPartner CoE, performance engineering of DCU in Autonomous, Infotainment, Connected domains

Source: Company, MOFSL

Valuation and view: Initiate coverage with BUY rating

KPIT is at a strategic inflection point, as an accelerated adoption of SDVs and EVs by Chinese OEMs compels western peers to fast-track software-led feature integration. KPIT leverages its positioning as a pure-play automotive software engineering partner to capitalize on this shift.

- KPIT is at a strategic inflection point, as an accelerated adoption of SDVs and EVs by Chinese OEMs compels western peers to fast-track software-led feature integration. KPIT leverages its positioning as a pure-play automotive software engineering partner to capitalize on this shift.
- Its robust capabilities in architecture and middleware consulting - which now account for ~22% of revenue in FY25 (up from ~12% in FY22, growing at a CAGR of 58%) – makes KPIT a preferred vendor for OEMs pacing up their SDV and EV investment cycles, as E/E architecture evolves and software complexities increase.
- KPIT continues to strengthen its capabilities through targeted inorganic initiatives as well. The company has executed multiple strategic acquisitions in recent years, all of which have been EPS-accretive and additive to its domain expertise.
- Its latest acquisition, Caresoft Engineering, is expected to contribute to revenue (~5%) and margins starting in FY26 while providing a strategic foothold in the Chinese automotive ecosystem.
- Operationally, KPIT remains in the top quartile of its peer group, with FY25 EBIT margins at 17% — second only to Tata Elxsi. We estimate a CAGR of ~15% in USD revenue for KPIT over FY25-28E. Its EBIT margin is set to improve steadily from 17.1% in FY25 to 19.0% in FY28E, supported by growth leverage and employee productivity.
- With an EPS CAGR of 19% over FY25-28, outpacing most peers in the ER&D space, and continued leadership in the automotive software vertical, we initiate coverage with a BUY rating and a TP of INR1,600 (34% upside), valuing at 40x FY27E EPS (implying a PEG of ~2x).

Key risks to our thesis

KPIT derives over 80% of its revenue from its T25 clients. While this focus has enabled strong mining, it also raises the risk of revenue volatility if there are delays, pauses, or ramp-downs in large programs.

- KPIT's business is heavily concentrated in the automotive and mobility domains, particularly in electric and autonomous vehicle technologies. Any slowdown in global automotive R&D budgets, regulatory shifts, or delays in EV/SDV adoption could directly impact growth visibility.
- A fair share of KPIT's revenue comes from European OEMs. Given recent macro uncertainty, tighter budgets, and increased competition from Chinese OEMs, any pullback in ER&D spends by these clients can weigh on KPIT's revenue trajectory.
- Chinese OEMs are rapidly scaling in the EV and autonomous space, with strong local ecosystems and a preference for domestic partners. This may limit KPIT's expansion potential in Asia unless it successfully adapts its go-to-market and delivery model to the region's dynamics.
- KPIT derives over 80% of its revenue from its T25 clients. While this focus has enabled strong mining, it also raises the risk of revenue volatility if there are delays, pauses, or ramp-downs in large programs.
- Inorganic growth has been a key lever for KPIT (Caresoft, Technica, FMS, etc.). While most deals have been synergistic and EPS-accretive, risks around cultural integration, delivery alignment, and synergy realization remain important execution monitorable.
- Some global OEMs are increasingly investing in in-house software capabilities (e.g., Mercedes' MB.OS). While this trend does not eliminate external vendors, it can slow wallet share growth and increase pricing pressure for vendors like KPIT, especially for commoditized service areas.

Bull and Bear cases

Bull Case

- ☑ **Revenue is projected to grow at a ~16% CAGR in USD over FY25-28E,** led by KPIT's continued leadership in the automotive ER&D space, increased software content per vehicle, deepening wallet share within the top 21 strategic clients, and accelerated SDV adoption**.**
- ☑ **EBITDA margin is estimated to expand by 200bp to 23.0%** by FY28E, driven by operating leverage, rising contribution from high-value segments like middleware, and synergies from Caresoft and Technica**.**
- ☑ **EPS is expected to clock a 21% CAGR over FY25-28E, driven by margin expansion and steady revenue growth.**
- ☑ **TP of INR1,900 is based on 46x FY27E EPS, implying an upside of 59% from the current levels.**

Bear Case

- ☑ **Revenue is projected to grow at a 13% CAGR in USD over FY25-28E,** impacted by macro pressures in Europe, slower-than-expected adoption of EVs, ramp-up in large deals, and cautious spending by top clients**.**
- ☑ **EBITDA margin is estimated to expand modestly to 22.0%**, with limited benefits from operating leverage and potential delays in acquisition synergies.
- ☑ **EPS is forecast to grow at a 14% CAGR over FY25-28E, reflecting tepid revenue growth and flat margin performance.**
- ☑ **TP of INR1,100 is based on 32x FY27E EPS, implying a modest downside of 7% from the current levels.**

Exhibit 26: Scenario Analysis: Base | Bull | Bear

	Bear				Base			Bull		
INR m, except mentioned	**FY25**	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**
Revenue (USD m)	691	733	843	986	743	873	1040	757	901	1090
Growth YoY CC (%)		7.5%	15.0%	17.0%	9.0%	17.5%	19.1%	11.0%	19.0%	21.0%
USD/INR	84.52	84.73	84.00	84.00	86.47	86.45	86.45	84.73	86.00	86.00
Revenue	58,423	62,087	70,788	82,821	64,250	75,463	89,913	64,137	77,470	93,739
EBITDA	12,251	13,038	15,078	18,221	13,834	16,583	20,392	14,110	17,431	21,560
EBITDA Margin (%)	21.00%	21.0%	21.3%	22.0%	21.5%	22.0%	22.7%	22.0%	22.5%	23.0%
EBIT	10,002	10,617	12,246	14,742	11,299	13,794	17,066	11,545	14,487	18,092
EBIT Margin	17.10%	17.1%	17.3%	17.8%	17.6%	18.3%	19.0%	18.0%	18.7%	19.3%
EBT	10,875	10,980	13,001	15,641	11,663	14,548	17,965	11,908	15,242	18,991
Tax Rate (%)	26.90%	25.9%	26.0%	26.0%	25.2%	25.7%	25.7%	25.5%	26.0%	26.0%
PAT	7,945	8,136	9,621	11,575	8,720	10,808	13,346	8,872	11,279	14,053
EPS(INR)	29.05	30	35	43	32	39	49	33	41	52
Growth (%)		3%	18%	20%	10%	24%	23%	12%	27%	25%
P/E Multiple				32			40			46
TP				**1,100**			**1,600**			**1,900**
Upside /Downside				**-7%**			**34%**			**59%**

SWOT analysis - KPIT

Strength

- ☑ Proven expertise and strong client relationships enable KPIT to navigate and perform well even in turbulent times
- ☑ Preferred SDV partner by major auto OEMs
- ☑ Strong presence in US and European markets

Weakness

- ☑ Heavy reliance on the automotive industry makes it vulnerable to sector-specific downturns or disruptions
- ☑ Excessive reliance on Europe OEMs and decline in tech spending pose a concentration risk

Opportunity

- ☑ Vendor consolidation by European OEMs positions KPIT as preferred partner
- ☑ Leveraging market insights and operational learnings from China to offer competitively priced solutions to global OEMs
- ☑ Expansion into commercial vehicles and off-highway segments

Threats

- ☑ Increased uncertainty and tariff wars can delay conversion and execution timelines
- ☑ High competitive intensity in service providers for SDVs and electrification programs
- ☑ Changes in data protection laws or policies could increase compliance costs

Management team - KPIT

Mr. Kishor Patil

Co-Founder, CEO and MD

Mr. Patil co-founded KPIT in 1990. He played a pivotal role in orchestrating a comprehensive merger-demerger scheme in 2018, leading to the creation of new KPIT. His vision and leadership have established KPIT as a trusted partner for software integration in the mobility industry.

Mr. Sachin Tikekar

Joint Managing Director

Mr. Tikekar is responsible for building and nurturing trusted partnerships and relationships with clients and alliances globally. He has played a crucial role in formulating the new vision for KPIT after the demerger. He has led the strategy and blueprint of KPIT's client- and OEM-centric approach that has delivered KPIT's industry-leading growth over the last few years.

Mr. Anup Sable

Chief Technical Officer

Mr. Sable has been with KPIT since 1994 and has led global teams, which include electrification of vehicles, digital cockpit, autonomous driving, AUTOSAR and diagnostics. He was instrumental in starting the automotive business unit and developing the Cummins relationship for engineering services.

Mr. Pankaj Sathe

President – Strategy and Growth Office, Member of Executive Board

Mr. Sathe is an electronics and telecommunications engineer from the Delhi College of Engineering and holds an MBA from IIM Lucknow. He has over 25 years of in-depth experience in establishing sales, marketing and operations in new geographies, integrating acquired companies and partnering with customers.

Mr. Rajesh Janwadkar

President (Global Head, Delivery and Operation)

Mr. Janwadkar is responsible for business growth, key practices leadership and global delivery.
He has served as a core member of the KPIT team and contributed to both the development and execution of the automotive business strategy.

Ms. Priya Hardikar

CFO

Ms. Hardikar completed her graduation in Commerce from Pune University as rank holder and qualified as cost accountant with a high rank at all-India level.
She has been with KPIT in leadership position in Corporate Accounting and Finance (CF&G) for more than 12 years.

Financials and valuations – KPIT

Consolidated - Income Statement (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	**20,357**	**24,324**	**33,650**	**48,715**	**58,423**	**64,250**	**75,463**	**89,913**
Change (%)	-5.6	19.5	38.3	44.8	19.9	10.0	17.5	19.1
Employees Cost	13,415	16,106	21,957	31,704	37,550	41,034	47,807	56,507
Total Expenditure	**13,415**	**16,106**	**21,957**	**31,704**	**37,550**	**41,034**	**47,807**	**56,507**
% of Sales	65.9	66.2	65.3	65.1	64.3	63.9	63.4	62.8
Gross Profit	**6,943**	**8,218**	**11,693**	**17,012**	**20,873**	**23,216**	**27,657**	**33,406**
SG&A	3,897	3,832	5,457	7,159	8,622	9,383	11,074	13,014
EBITDA	**3,045**	**4,385**	**6,236**	**9,852**	**12,251**	**13,834**	**16,583**	**20,392**
% of Sales	15.0	18.0	18.5	20.2	21.0	21.5	22.0	22.7
Depreciation	1,332	1,196	1,464	1,958	2,250	2,534	2,789	3,327
EBIT	**1,714**	**3,189**	**4,772**	**7,894**	**10,002**	**11,299**	**13,794**	**17,066**
% of Sales	8.4	13.1	14.2	16.2	17.1	17.6	18.3	19.0
Other Income	11	254	204	116	845	415	755	899
PBT	**1,725**	**3,443**	**4,976**	**8,010**	**10,847**	**11,714**	**14,548**	**17,965**
Total Tax	305	683	1,099	2,019	2,929	2,942	3,740	4,619
Tax Rate (%)	17.7	19.8	22.1	25.2	27.0	25.1	25.7	25.7
Reported PAT	**1,420**	**2,760**	**3,876**	**5,991**	**7,917**	**8,771**	**10,808**	**13,346**
Change (%)	-15.3	94.5	40.4	54.5	32.2	10.8	23.2	23.5
Margin (%)	7.0	11.3	11.5	12.3	13.6	13.7	14.3	14.8
Minority Interest	0	0	0	0	0	0	0	0
Adjusted PAT	**1,420**	**2,760**	**3,876**	**5,991**	**7,917**	**8,771**	**10,808**	**13,346**
Tax Rate (%)	-15.3	94.5	40.4	54.5	32.2	10.8	23.2	23.5

Consolidated - Balance Sheet (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	2,690	2,700	2,703	2,712	2,717	2,717	2,717	2,717
Total Reserves	9,378	10,396	13,812	18,746	26,405	32,759	39,784	48,459
Net Worth	**12,068**	**13,096**	**16,515**	**21,459**	**29,122**	**35,476**	**42,501**	**51,176**
Minority Interest	29	155	118	171	0	0	0	0
Borrowings	24	19	2	1	0	0	0	0
Other Long term liabilities	2,278	3,015	5,690	4,923	3,990	3,990	3,990	3,990
Capital Employed	**14,399**	**16,285**	**22,325**	**26,553**	**33,112**	**39,466**	**46,491**	**55,166**
Net Fixed Assets	**4,473**	**4,440**	**4,738**	**5,429**	**5,938**	**5,974**	**6,203**	**6,473**
Goodwill	1,014	1,679	10,103	11,463	11,729	11,729	11,729	11,729
Capital WIP	118	4	56	5	94	94	94	94
Other Assets	1,114	2,097	4,093	4,617	5,468	5,650	5,863	6,170
Curr. Assets, Loans&Adv.	**12,957**	**15,142**	**15,016**	**20,164**	**27,101**	**33,893**	**41,037**	**49,841**
Account Receivables	3,777	4,410	7,748	9,558	8,895	10,034	11,785	14,041
Cash and Bank Balance	2,858	3,421	4,542	6,550	10,743	16,201	21,217	27,279
Current Investments	5,949	6,863	1,622	2,441	5,501	5,501	5,501	5,501
Other Current Assets	373	448	1,104	1,615	1,962	2,157	2,534	3,019
Curr. Liability & Prov.	**5,277**	**7,077**	**11,681**	**15,126**	**17,218**	**17,873**	**18,435**	**19,140**
Account Payables	1,352	1,372	1,643	2,398	1,782	2,284	2,661	3,145
Other Current Liabilities	3,588	5,046	9,520	11,957	14,564	14,718	14,903	15,124
Provisions	336	658	517	771	871	871	871	871
Net Current Assets	**7,680**	**8,065**	**3,335**	**5,039**	**9,883**	**16,020**	**22,602**	**30,700**
Appl. of Funds	**14,399**	**16,285**	**22,325**	**26,553**	**33,112**	**39,465**	**46,491**	**55,166**

Financials and valuations –KPIT

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic EPS (INR)	5.2	10.1	14.2	21.9	29.0	31.9	39.5	48.8
Cash EPS	10.2	14.5	19.4	29.1	37.2	41.3	49.7	60.9
BV/Share	44.9	48.5	61.1	79.1	107.2	130.6	156.4	188.4
DPS	0.0	0.0	0.0	2.1	8.3	11.2	13.8	17.1
Payout (%)	0.0	0.0	0.0	9.6	28.7	35.0	35.0	35.0
Valuation (x)								
P/E	228.4	118.2	84.4	54.6	41.2	37.6	30.3	24.5
Cash P/E	117.8	82.5	61.6	41.1	32.2	29.0	24.1	19.6
P/BV	26.7	24.7	19.6	15.1	11.2	9.2	7.6	6.4
EV/Sales	15.4	12.8	9.5	6.5	5.3	4.7	4.0	3.3
EV/EBITDA	102.9	71.2	51.3	32.0	25.2	22.0	18.0	14.4
Dividend Yield (%)	0.0	0.0	0.0	0.2	0.7	0.9	1.2	1.4
Return Ratios (%)								
RoE	12.6	21.8	26.1	31.3	31.3	27.0	27.7	28.5
RoCE	14.9	21.5	18.5	19.7	21.9	24.0	27.5	31.6

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	1,471	2,762	4,968	8,004	10,875	11,663	14,548	17,965
Depreciation	1,332	1,196	1,464	1,958	2,250	2,534	2,789	3,327
Interest & Finance Charges	68	0	183	436	274	-415	-755	-899
Direct Taxes Paid	-327	-888	-989	-1,371	-2,049	-2,942	-3,740	-4,619
(Inc)/Dec in WC	3,076	875	-1,769	871	2,166	-978	-1,894	-2,474
Others	656	805	768	119	379	0	0	0
CF from Operations	**6,276**	**4,750**	**4,625**	**10,018**	**13,895**	**9,863**	**10,949**	**13,299**
(Inc)/Dec in FA	-595	-685	-1,276	-1,549	-1,273	-2,570	-3,019	-3,597
Free Cash Flow	**5,681**	**4,065**	**3,349**	**8,469**	**12,622**	**7,293**	**7,930**	**9,703**
(Pur)/Sale of Investments	1,776	2,720	6,080	3,517	6,049	0	0	0
Others	-6,190	-5,059	-6,827	-7,605	-11,075	378	685	809
CF from Investments	**-5,008**	**-3,024**	**-2,024**	**-5,637**	**-6,299**	**-2,192**	**-2,334**	**-2,788**
Issue of Shares	7	27	17	17	5	0	0	0
Inc/(Dec) in Debt	-1,109	-521	-641	-935	-1,308	154	184	221
Interest Paid	-45	-32	-87	-195	-194	0	0	0
Dividend Paid	0	-741	-892	-1,287	-1,928	-2,366	-3,783	-4,671
Others	0	0	-228	0	0	0	0	0
CF from Fin. Activity	**-1,148**	**-1,267**	**-1,831**	**-2,400**	**-3,424**	**-2,213**	**-3,598**	**-4,450**
Inc/Dec of Cash	**120**	**459**	**770**	**1,981**	**4,172**	**5,458**	**5,016**	**6,062**
Forex Adjustment	-21	104	352	27	21	0	0	0
Opening Balance	2,759	2,858	3,421	4,542	6,550	10,743	16,201	21,218
Closing Balance	**2,858**	**3,421**	**4,542**	**6,550**	**10,743**	**16,201**	**21,218**	**27,279**

Tata Technologies

BSE SENSEX	S&P CNX
81,307	24,870

Bloomberg	TATATECH IN
Equity Shares (m)	406
M.Cap.(INRb)/(USDb)	277.3 / 3.2
52-Week Range (INR)	1131 / 592
1, 6, 12 Rel. Per (%)	-4/-17/-32
12M Avg Val (INR M)	2006

Financials &Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	52.9	60.6	69.6
EBIT Margin (%)	14.8	16.0	16.3
PAT	6.6	7.9	9.2
EPS (INR)	17.4	20.7	24.1
EPS Gr. (%)	4.9	19.2	16.0
BV/Sh. (INR)	96.4	102.6	109.9
Ratios			
RoE (%)	18.9	20.9	22.7
RoCE (%)	23.0	27.6	30.4
Payout (%)	53.1	70.0	70.0
Valuations			
P/E (x)	39.3	33.0	28.4
P/BV (x)	7.1	6.7	6.2
EV/EBITDA (x)	29.0	24.0	20.7
Div Yield (%)	1.4	2.1	2.5

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	55.2	55.2	55.4
DII	3.3	2.5	1.9
FII	4.9	3.1	1.6
Others	36.6	39.2	41.1

FII Includes depository receipts

CMP: INR684 TP: INR580 (-15%) Sell

An engineering specialist facing headwind

- TTL offers engineering solutions across mechanical design, digital engineering, and full vehicle development for global OEMs and their tier-1 suppliers. With capabilities in product design and manufacturing support, TTL has historically played a critical role for anchor clients like Tata Motors and JLR, and has successfully supported turnkey vehicle programs for emerging OEMs such as VinFast.
- TTL reported FY25 revenue of USD611m, reflecting a modest ~5% CAGR over FY16-25. While the company's legacy strengths remain intact, its revenue mix continues to be skewed toward manufacturing support, which limits margin expansion relative to software-centric peers. EBIT margins have remained stable at ~16%, trailing those of peers focused on software-led engineering.
- We initiate coverage with a **Sell** rating, citing muted growth visibility, margin constraints, and TTL's relatively lower participation in high-growth SDV-led opportunities. While the JV with BMW offers a potential upside, it is unlikely to fully offset challenges in TTL's legacy business.

Comprehensive engineering capabilities anchored in the mechanical domain

- TTL has differentiated itself through a broad range of services that support entire vehicle programs, from styling and design to digital simulation and manufacturing engineering. This full-stack capability has enabled TTL to secure significant mandates, particularly from Tata Motors, JLR, and emerging OEMs aiming to launch vehicles at speed.
- However, TTL's core business limits its exposure to high-margin software engineering work that is driving the future of automotive ER&D. The company's focus on large, resource-intensive projects results in higher costs and limits flexibility compared to software-led business models.

High client concentration tied to Tata Group ecosystem

- TTL's business remains closely tied to the Tata ecosystem, with Tata Motors and JLR collectively contributing ~50% of revenue. While these relationships provide stable business flows, they expose TTL to significant concentration risk and limit pricing power.
- Recent OEM commentaries from JLR and Tata Motors suggest cautious capex growth over FY26, prioritizing platform efficiency over new program launches. This conservative stance could impact TTL's growth trajectory.

Margins constrained by mechanical engineering and on-site delivery model

- TTL's EBIT margins have remained in a narrow band of ~16%, lower than those of software-focused peers. This is driven by its revenue mix, as mechanical engineering work is both resource-heavy and lower-margin, and ~60% of TTL's delivery remains on-site.
- TTL's business model leaves limited room for operating leverage or margin expansion, as mechanical projects often require large teams deployed at client locations. While TTL has initiated a strategic push into digital engineering and software development, the transition has been gradual, and its impact on margins has remained modest so far.

BMW JV: A strategic pivot

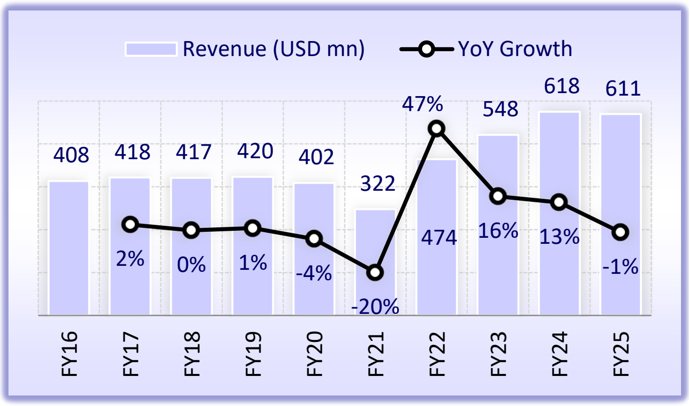
- TTL's BMW JV represents a key pivot toward high-value automotive software development. The JV contributed INR48m to PBT in 1QFY26, a significant step up from INR5m in 3QFY25. Management is targeting a USD100m annualized run-rate by FY26E, signaling traction in scaling the partnership.
- This is notably a good start, but TTL's challenge lies in replicating similar high-value engagements beyond the BMW JV to transform its overall revenue mix.

Valuation and risks: Limited upside given structural challenges in the legacy business

- We initiate coverage with a **Sell** rating, reflecting muted revenue momentum, structural margin constraints, and lower participation in SDV-led opportunities. TTL's valuation implies a limited upside. Key risks include potential delays in scaling the BMW JV, overdependence on clients within the Tata ecosystem, and a slow transition into software-heavy projects. Upside could emerge if TTL accelerates software-led wins outside the Tata Group or if the BMW JV significantly outperforms current expectations. We value KPIT at 40x (implying ~2x PEG) and assign TTL a 30% discount to KPIT, arriving at a **28x PE multiple on FY27E EPS** and a **TP of INR580**, implying ~15% downside.

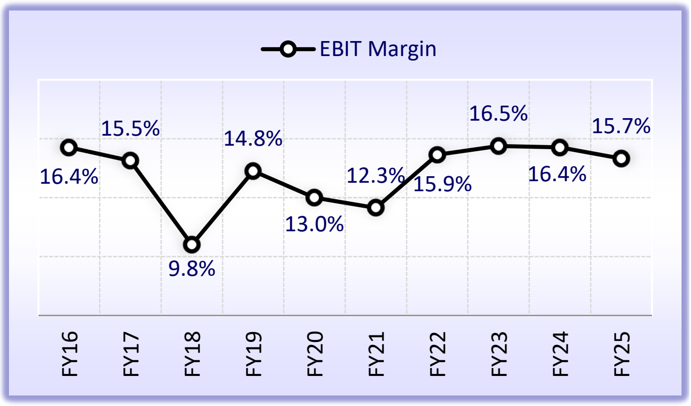
Story in Charts

USD revenue posted ~5% CAGR over FY16-25



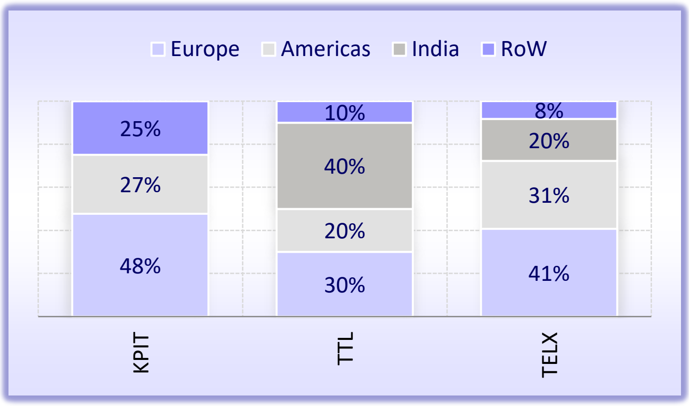
Source: Company, MOFSL

TTL's EBIT margin steady at ~16%; ongoing BMW ramp-up likely to lift margin profile in coming years (%)



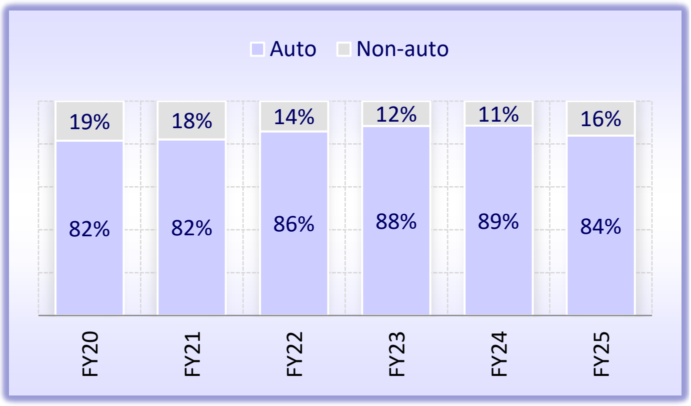
Source: Company, MOFSL

Lowest exposure to Europe and US compared to peers



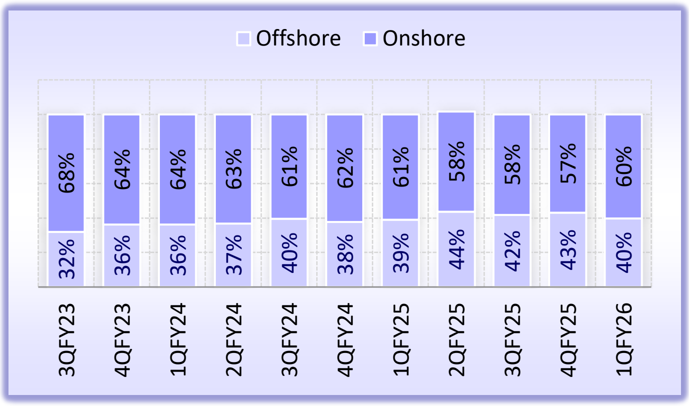
Source: Company, MOFSL; Note: * TTL FY25 number is guesstimate.

Revenue mix (%) of the services segment



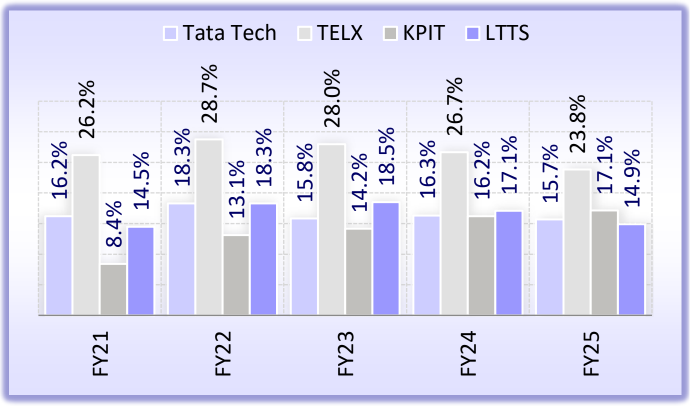
Source: Company, MOFSL

TTL's onshore and offshore mix



Source: Company, MOFSL; Note: * TTL FY25 number is guesstimate.

TTL in the bottom quadrant of the margin profile in the ER&D space



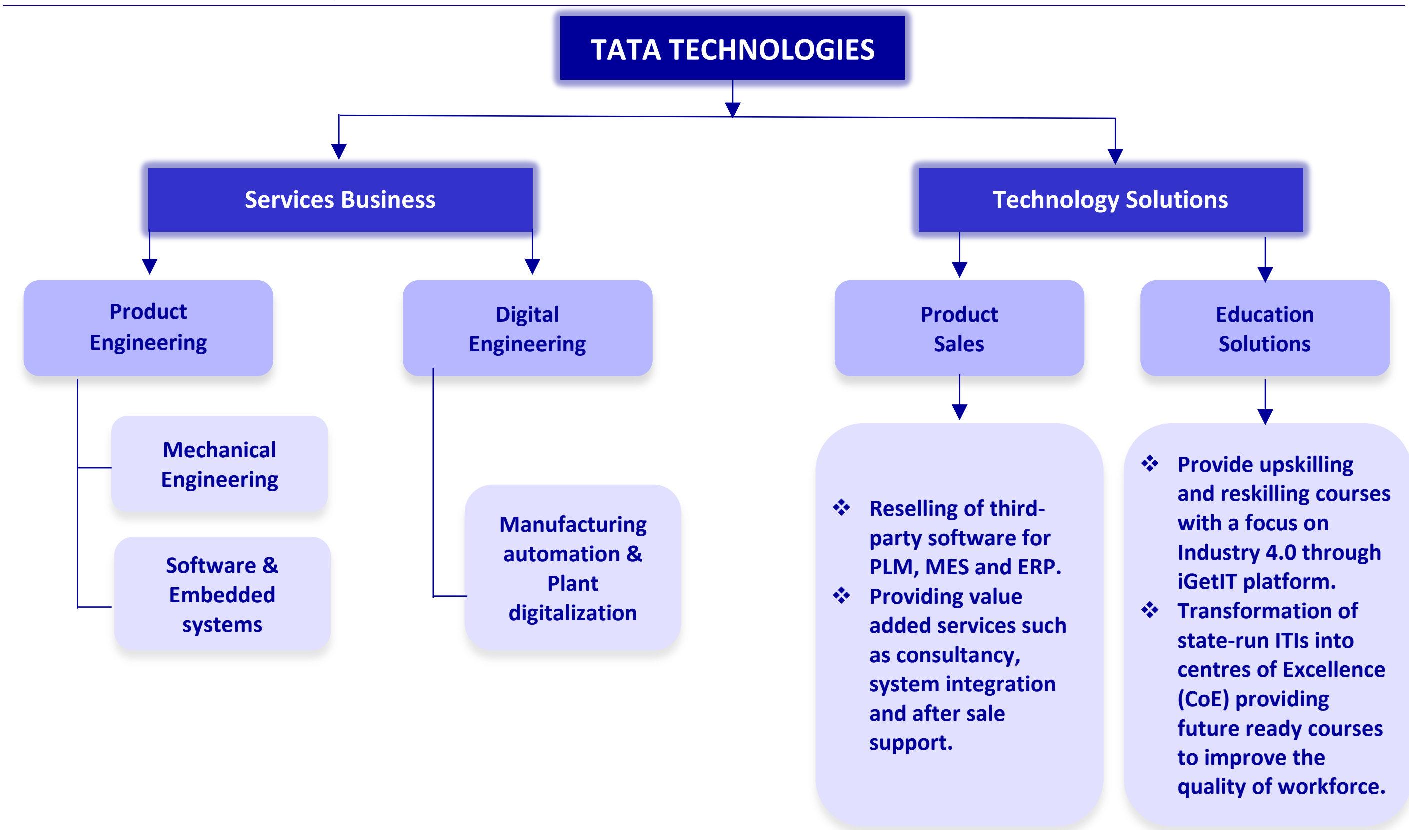
Source: Company, MOFSL

TTL – Company overview

TTL is a pure-play, manufacturing-focused ER&D company with a concentration on the automotive industry. It is currently engaged with seven of the top 10 automotive ER&D spenders and five of the top 10 new energy ER&D spenders.

- TTL is a global engineering services leader offering product development and digital solutions, including turnkey solutions, to global OEMs and their tier-1 suppliers.
- Leveraging its domain expertise in the automotive sector, the company also serves adjacent industries such as aerospace and transportation, construction, and heavy machinery (TCHM). Its operations are categorized into two segments: Services (~78% of FY25 revenue) and Technology Solutions (~22%).
- TTL is a pure-play, manufacturing-focused ER&D company with a concentration on the automotive industry. It is currently engaged with seven of the top 10 automotive ER&D spenders and five of the top 10 new energy ER&D spenders.
- TTL operates global delivery centers across North America, Europe, and Asia Pacific, largely staffed by local professionals. This supports its ability to offer region-specific services and maintain close client engagement (though impacts its margin profile).

Exhibit 27: TTL's business snapshot



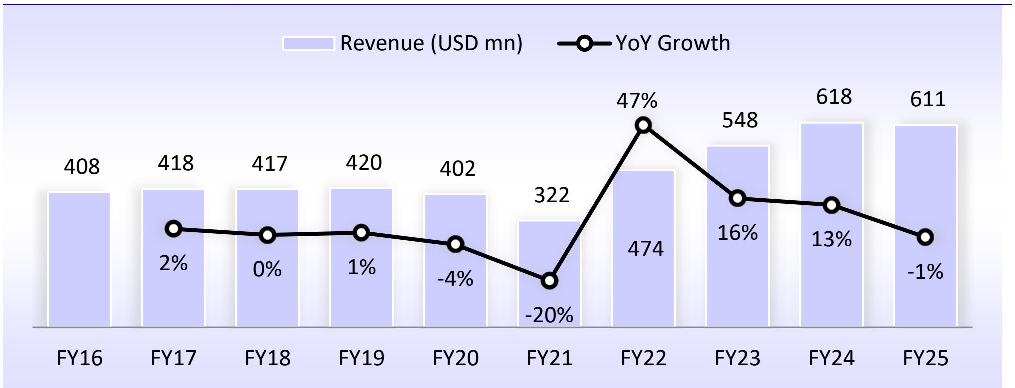
1. ER&D service to companies in automobiles, aerospace and TCHM industries.
2. Deep automotive industry expertise.
3. Strategic collaboration with global OEMs such as BMW and Airbus.
4. Propriety platforms and accelerators provide competitive advantage.

Source: Company, MOFSL

- **Services:** The company's primary business line is services, which involves offering outsourced engineering services and digital transformation services to global manufacturing clients, helping them conceive, design, develop, and deliver better products.
- **Technology solutions:** The company complements its service offerings with product and education businesses. Through this, it resells third-party software applications, primarily product lifecycle management software and solutions. It also provides value-added services such as consulting, implementation, systems integration, and support.
- The education business offers 'phygital' (physical and digital) education solutions in manufacturing skills, including upskilling and reskilling in the latest engineering and manufacturing technologies. It serves public and private institutions and enterprises through curriculum development and competency centers, delivered through its proprietary iGetIT platform.

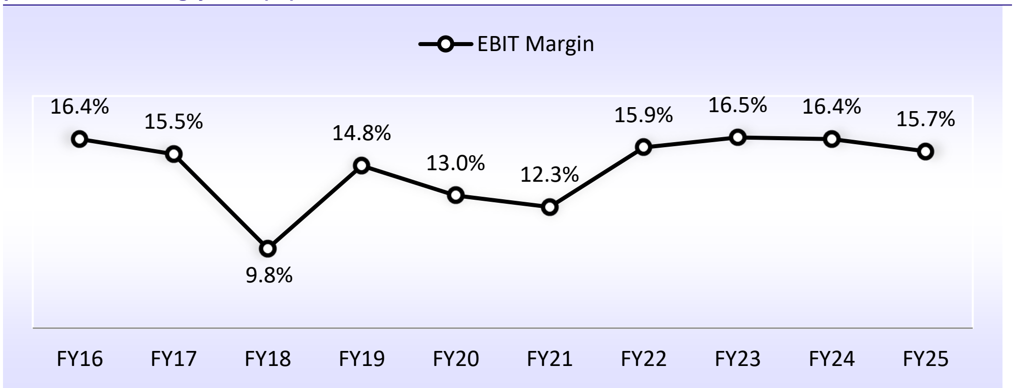
The company's primary business line is services, which involves offering outsourced engineering services and digital transformation services to global manufacturing clients, helping them conceive, design, develop, and deliver better products.

Exhibit 28: Revenue posted ~5% CAGR over FY16-25



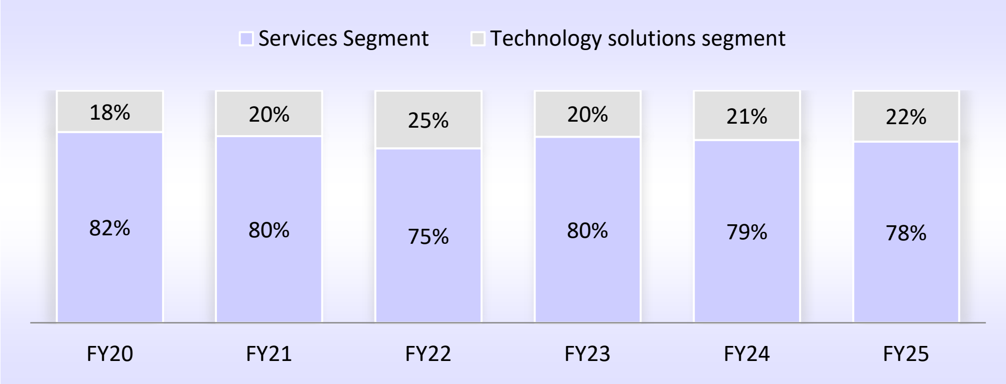
Source: Company, MOFSL

Exhibit 29: TTL's EBIT margin steady at ~16%; ongoing BMW ramp-up likely to lift margin profile in coming years (%)



Source: Company, MOFSL

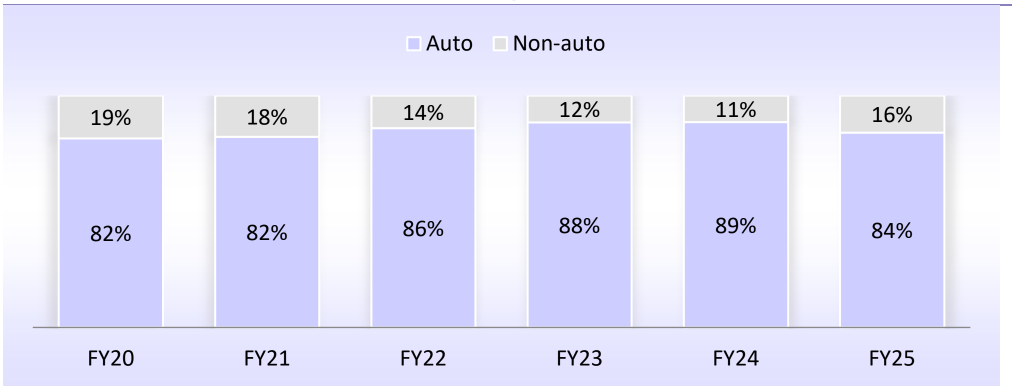
Exhibit 30: Total revenue mix (%)



Source: Company, MOFSL

Exhibit 31: Revenue mix (%) of the services segment

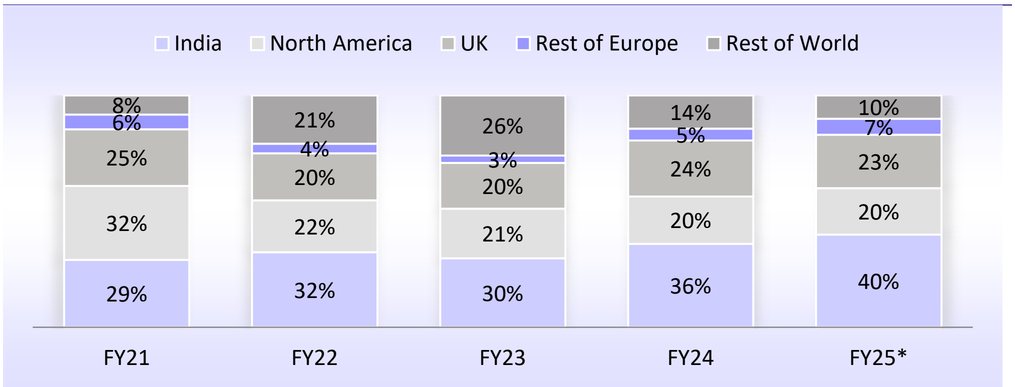
TTL stands out among its ER&D peers through its relatively lower exposure to traditional geographies—North America (~20%) and Europe (~29%)—and higher tilt toward Asia.



Source: Company, MOFSL

- TTL has evolved from offering shared services to helping clients execute complete vehicle programs. It now supports the entire product development process, working with teams globally to deliver engineering solutions—from individual components to entire vehicle projects.
- TTL stands out among its ER&D peers through its relatively lower exposure to traditional geographies—North America (~20%) and Europe (~29%)—and higher tilt toward Asia. This skew is largely driven by strong engagements with Tata Motors (India), VinFast (Vietnam), and the presence of its subsidiary in China.

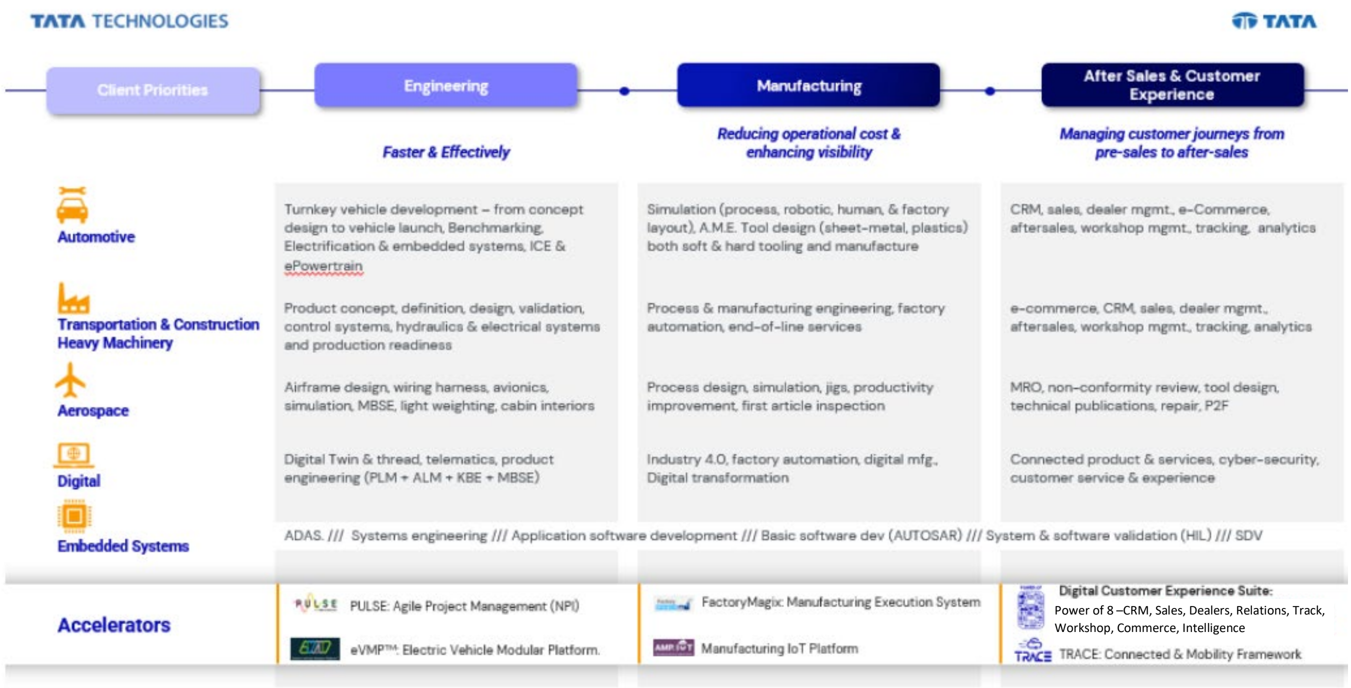
Exhibit 32: Geographical revenue mix (%)



Source: Company, MOFSL; Note: * FY25 is guesstimate.

- TTL's portfolio exhibits a strategic pivot from traditional mechanical engineering services to fast-growth digital engineering services. The company is building capabilities in software-defined products, autonomy, and cybersecurity—critical areas as mobility evolves to become more intelligent and connected. It has also formed partnerships with Arm, Intel, and Foxconn.

Exhibit 33: TTL's service offerings



Source: Company, MOFSL

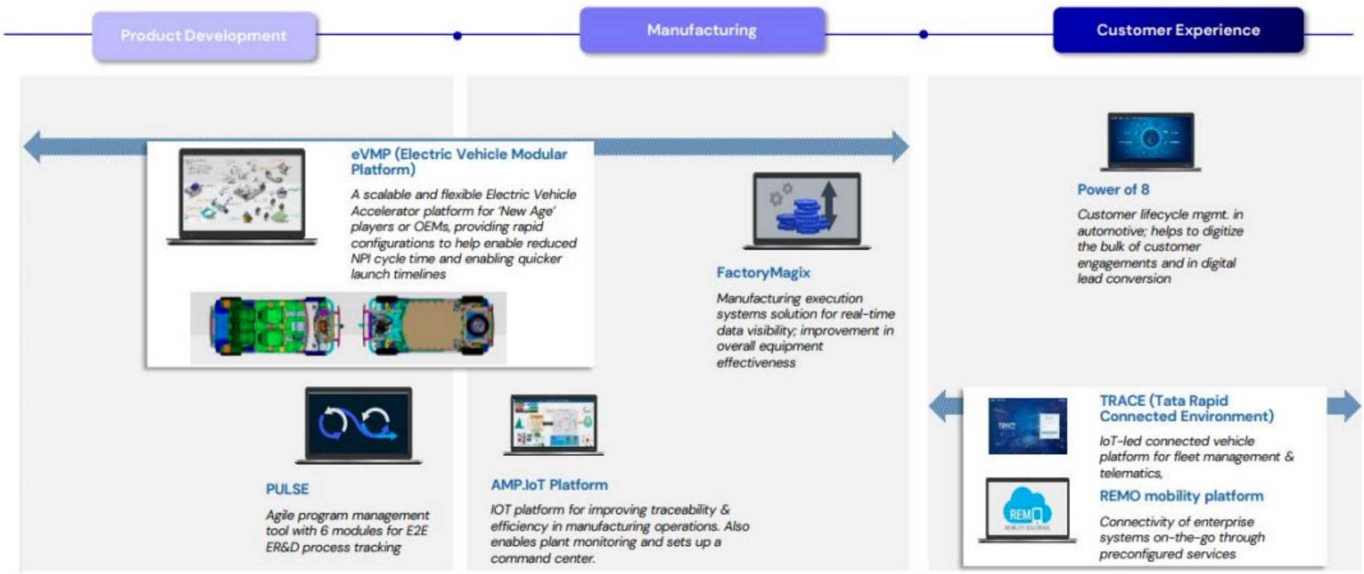
Investment thesis

A) TTL's full-stack, end-to-end capabilities come with a margin caveat

In our view, TTL's relatively higher share of cost-intensive mechanical work may weigh on its margins, compared to peers with more software-centric portfolios.

- TTL's playbook remains anchored in legacy automotive engineering, with a balanced mix of mechanical and software capabilities.
- Having started as Tata Motors' in-house engineering team, TTL has built expertise across the entire vehicle development process—from early-stage design and mechanical systems to digital modeling and embedded software.
- TTL adopts a vertically integrated approach, combining design, software, and manufacturing to offer end-to-end capabilities that are less common among peers.
- Its collaboration with clients like Renault, VinFast, and Volvo typically involves complete vehicle programs rather than standalone projects.
- While companies like KPIT and LTTS have focused on embedded software, we believe TTL is steadily developing a more balanced capability set across both mechanical and software domains. Around half of its workforce now operates in embedded software, reflecting this shift.
- **That said, contributions from emerging areas such as SDV, connected platforms, and embedded architectures remain modest. In our view, TTL's relatively higher share of cost-intensive mechanical work may weigh on its margins, compared to peers with more software-centric portfolios**.

Exhibit 34: TTL's proprietary platforms and accelerators across the value chain



Source: Company, MOFSL

Exhibit 35: End-to-end presence from engineering to after-sales services

Engineering	Manufacturing	After Sales
Turnkey full vehicle development solutions	Process engineering	e-commerce
Embedded solutions	Process simulation/digital	CRM
Product Benchmarking solutions	Process validation	Sales
Connected cars	Tooling & automation	Dealer mgmt.
HIL Testing & validation solutions	Robotics simulation	Workshop mgmt.
Software-defined vehicles	Ergonomics simulation	Vehicle tracking
	Factory design & validation	Data analytics
	Plant simulation	

Source: Company, MOFSL

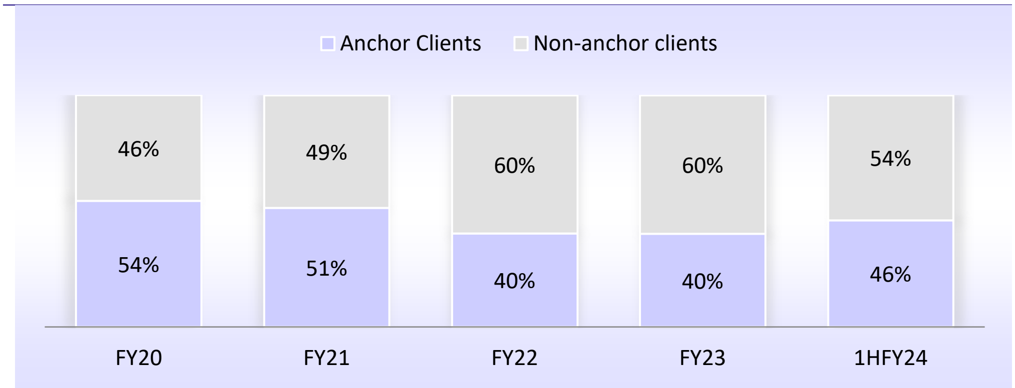
- As shown in Exhibit 34, TTL's portfolio of digital services and accelerators is designed to support OEMs and tier-1 suppliers across the digital product lifecycle, with a focus on enhancing customer engagement throughout the journey.
- We believe these proprietary platforms offer advantages such as efficiency, faster deployment, and enhanced program execution. **These solutions accelerate new product introductions across the automotive, industrial machinery, and aerospace sectors**.

In the ER&D space, high client concentration is often a double-edged sword. While this reflects deep vendor trust, greater visibility into future work streams, and a strong foothold to expand wallet share, it also concentrates risk around a few key accounts

B) Marquee set of anchor clients: Strength with high concentration risk

- TTL's growth has been closely tied to a core group of long-term clients. Its top five customers—including Tata Motors, Jaguar Land Rover (JLR), and VinFast—are engaged with the company through multi-year projects, significantly contributing to TTL's revenue over the years.
- In the ER&D space, high client concentration is often a double-edged sword. While this reflects deep vendor trust, greater visibility into future work streams, and a strong foothold to expand wallet share, it also concentrates risk around a few key accounts—making the business more vulnerable to macro or client-specific disruptions.
- TTL is witnessing an uptick in scope of work from existing anchor clients. For instance, its growing role in programs for Tata Motors, JLR, and now Air India (post-acquisition by Tata Group) reflects a virtuous cycle of deeper engagement and expanding TAM within the group ecosystem.
- That said, dependency on Tata Motors and JLR remains material, together contributing ~50% of total revenue in FY24. While this marks an improvement from 75% in FY14, **the risk persists: a slowdown at either OEM or across the broader auto cycle could materially impact TTL's earnings visibility.**

Exhibit 36: Anchor clients TAMO and JLR contribute almost 50% to revenue



Source: Company, MOFSL; Post-FY24, TTL stopped disclosing numbers.

- TTL's growing client base helps offset concentration risk. It now works with 35 OEMs and 11 new-energy vehicle (NEV) companies, including traditional players like Airbus, McLaren, Honda, Ford, and Cooper Standard, as well as newer EV firms such as VinFast, NIO, and Rivian. Its digital engineering support for a US-based autonomous EV company further underscores its ability to build strategic engagements beyond Tata Group.

Exhibit 37: TTL's diversified revenue mix compared to peers

Source: Company, MOFSL

Exhibit 38: TTL's customer pyramid

Particulars	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
>50m	3	3	3	3	2	2	2	2	2
10-50m	3	3	3	5	6	6	5	3	3
5-10m	3	4	4	3	3	4	7	10	8
1-5m	27	28	29	30	29	30	29	29	32

Source: Company, MOFSL

Exhibit 39: Overview of anchor client engagements

Client	Engagement Focus	Key Contributions
Tata Motors	❖ Smart Manufacturing at Sanand Plant	❖ Integrated ERP, PLM, MES, IoT; Deployed end-to-end digital solution
Jaguar Land Rover (JLR)	❖ Digital Transformation (part of the 'Reimagine' strategy)	❖ Cloud ERP (SAP S/4HANA, SAP BTP); Integration across manufacturing & logistics
VinFast	❖ End-to-end EV Design & Launch Support	❖ Vehicle architecture & CAE; Virtual validation (durability, fatigue, crash, visual simulations); Electrical system design: schematics, diagnostics, 3D wiring harness routing; E/E integration and supplier management; Supported design & production of two EV models now in the launch phase

Source: Company, MOFSL

- That said, it is important to track how anchor clients themselves are evolving. JLR increased its five-year investment plan from GBP15b to GBP18b, with a focus on product development, particularly in battery electric vehicles (BEVs).
- Under its 'Reimagine' strategy, JLR is reinforcing its commitment to the luxury EV segment, including a phased overhaul of its vehicle platforms—transitioning to: 1) modular longitudinal architecture; 2) electric modular architecture; and 3) Jaguar electrified architecture. **However, near-term headwinds persist due to US tariffs impacting JLR, ongoing uncertainty around the EV transition, and weak demand in China.**
- Tata Motors is also ramping up its EV ambitions, with plans to expand its electric vehicle portfolio. These developments are likely to support steady demand for TTL's engineering and digital services.

Exhibit 40: Tata Motors' steady investments to continue in new technologies and powertrains

(INR, m)	Total R&D	YoY Growth	Capital & Other Investment	YoY Growth	Total Investment Spending	YoY Growth
FY25	51,370	6%	32,860	-4%	84,230	2%
FY24	48,640	32%	34,270	26%	82,910	29%
FY23	36,940	68%	27,250	86%	64,190	75%
FY22	22,020	38%	14,620	48%	36,640	42%
FY21	16,010		9,850		25,860	

Source: Company, MOFSL

Exhibit 41: JLR's EUR3.8b FY25 investment reinforces commitment to EV transition

(EURO, m)	Total Engineering Investment	YoY Growth	Capital Investment	YoY Growth	Total Investment Spending	YoY Growth
FY25	2,661	14%	1,129	21%	3,790	16%
FY24	2,333	38%	930	41%	3,263	39%
FY23	1,693	31%	660	-11%	2,353	16%
FY22	1,294	-28%	742	233%	2,036	1%
FY21	1,790		223		2,013	

Source: Company, MOFSL

Exhibit 42: TAMO and JLR's commentary on investment budget & EV strategy

	1QFY26	4QFY25	3QFY25	2QFY25	1QFY25	4QFY24	3QFY24
JLR	JLR invested GBP850m in Q1, with wholesales at 87k units and revenues of GBP6.6b; **US tariffs impacted profitability and FCF**.	JLR investment came in at GBP850m, lower end of guidance, as **focus remained on Range Rover, Defender and Jaguar EV launches; capex for FY25 stood at GBP3.8**b.	Investment peaked at over GBP1b in Q3 for prototype builds of EMA, MLA, and JEA architectures.	An investment of around GBP1.9b in Q2 was focused on electrification efforts and maintaining the existing ICE lineup.	JLR has invested GBP678m in engineering and aims to reach close to GBP3.5b by the end of FY25.	Investment was ramped up to GBP3.3b in FY24—an increase from GBP2.2b in FY23.	JLR reported a capital investment of GBP862m, marking a 34% increase from the previous quarter.
	77% of sales from Range Rover, Range Rover Sport and Defender; **BEV demand below projections,** but flex from MLA architecture provides cushion.	Continued dual investment in ICE and BEVs; **BEV demand softer than earlier projections.**	**Parallel investment in ICE, PHEV, and BEV**	The scale of investment in both the ICE portfolio and BEVs exceeded expectations.	JLR is working to bring BEV solutions to market, such as off-road mastery and luxury drive credentials.	78% of 4QFY24 sales came from BEVs, PHEVs, and MHEVs, highlighting an accelerating shift toward electrification.	The company aims to transition to a 100% BEV portfolio by 2030 and is targeting zero tailpipe emissions by 2036.
	China volumes under pressure with luxury tax impact and weak finance availability; Defender retail growth offset Jaguar weakness.	China remains challenging as luxury tax threshold lowered, further pressuring demand; US tariffs continue to weigh on P&L.	**Cautious about China,** where BEV competition is fierce.	EVs face limited competition in China as local makers focus on lower-priced segments, allowing JLR to maintain a strong position in the high-end market.	EV penetration in China remains limited, with customers continuing to prefer ICE variants for models like Range Rover and Defender.	The company continues to invest in next-gen EVs, including its BEV Range Rover and other models built.	It is developing a strategic mix of PHEVs & BEVs, including models like the Range Rover Electric.
TATA MOTORS	Wholesales down 9.1% YoY at 300k units; EBIT margins resilient in CV at 9.7%, PV margins impacted by weak sub-10 lakh demand.	Tata Motors capex for FY25 stood at INR80b, with investments across CV, PV and EV segments; strong FCF generation supported deleveraging.	**Spent INR60b on capex** and is **on track to spend ~INR80b** for the full FY25.	Total investment spending for the quarter stood at around INR18.43b.	The company remains confident in achieving its investment plan of INR80b for the fiscal year, staying in line with its earlier commitment.	The standalone capex for FY24 stood at INR88b, primarily for the EV and CNG segments.	By the end of Q3, INR60b has already been spent, including investments in Sanand 2 plant, which has a production capacity of 300,000 units.
	Introduction of lifetime EV battery warranty boosted Nexon.ev and Curvv.ev	EV portfolio expansion continued with launch of Tiago and Curvv variants;	PLI payouts are part of a broader **USD2b EV investment plan,** with ~USD800m	It held a strong market leadership in the personal EV segment with a 67% market share.	The fleet segment, which typically contributes to 10% of EV sales, declined to 5-6% in 1Q, mainly due	The company plans to expand the charging ecosystem, advance battery technology, and offer competitive	The company aims to establish 17,000 public charging stations and is offering a seven-year

1QFY26	4QFY25	3QFY25	2QFY25	1QFY25	4QFY24	3QFY24
bookings; Harrier.ev launch saw blockbuster response with 10k bookings on day one.	charging infra build-out progressing.	expected via PLI and USD1b already received from TPG.		to pre-buying in 4Q of last year and delays, as fleet owners awaited clarity on FAME III incentives.	pricing to accelerate EV adoption.	battery warranty, improving TCO and making EV adoption more attractive.
EV bookings jumped 25% MoM in July 2025; Tata Motors EV market share rebounded to 40% in July, on track to approach 50% in coming quarters.	**EV sales momentum moderated in Q4,** impacted by weak fleet demand; FY25 ended with >55% EV market share.	Tata EVs **covered 5 billion km**, with over **10,000 customers** crossing the 1 lakh mark, highlighting the vehicles' reliability.	EV registrations and wholesales declined due to a slowdown in PVs, the end of FAME2 subsidies affecting fleets, and the temporary expiry of state tax benefits.	The EV fleet segment experienced moderation in demand following the expiry of FAME II in March 2024.	EV sales stood at 73,833 units in FY24, marking a 48.4% YoY increase and securing a market share of over 70%.	EV sales posted a **69% YoY growth in Jan'24**

Source: Company, MOFSL

C) The BMW JV: Scaling up steadily

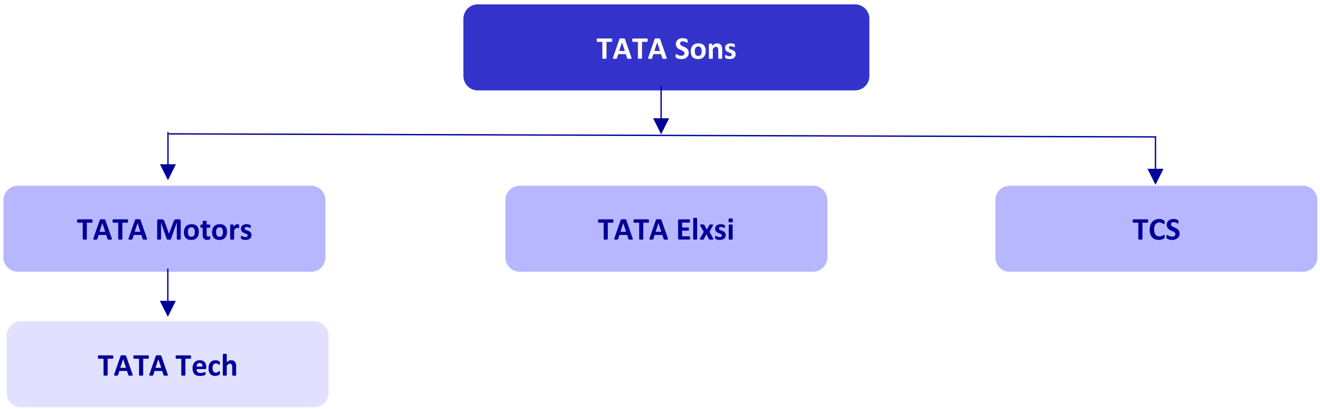
We believe that the recent JV with BMW reflects a shift in management's focus toward building capabilities in next-generation automotive technologies, while gradually moving away from legacy-heavy work.

- One of the most notable developments in TTL's growth journey is its US500m joint venture with BMW, structured as a global capability center (GCC). This long-term engagement is a good step up in TTL's positioning within the embedded software ecosystem.
- **The JV focuses on developing automotive software, including autonomous driving systems and infotainment platforms**, leveraging TTL's generative AI capabilities.
- The JV is scaling faster than initially anticipated. In 1QFY26, it contributed INR48m to PBT, up from INR5m in 3QFY25. Management expects the headcount to cross 1,000 by 1QFY26—two quarters ahead of plan. Revenue could potentially reach an annualized run rate of USD100m by 4QFY26E, highlighting the growing relevance of this relationship in TTL's portfolio.
- We believe that the recent JV with BMW reflects a shift in management's **focus toward building capabilities in next-generation automotive technologies, while gradually moving away from legacy-heavy work**.
- The JV aims to establish a robust software development footprint across Indian cities like Chennai, Bengaluru, and Pune. **In our view, this venture also helps balance out the impact of VinFast's recent ramp-down.**

D) Ownership structure – A strategic anchor with trade-offs

- TTL benefits from a close relationship with Tata Motors, which is both its largest client and majority shareholder (owning 53.4%). This gives TTL a stable pipeline of work and access to long-term development programs with both Tata Motors and Jaguar Land Rover (JLR).
- This connection helps TTL to remain engaged in key innovation areas, including electric vehicles and digital transformation, while also supporting long-term revenue visibility.

Exhibit 43: TTL's direct association with Tata Motors



Source: Company, MOFSL

- That said, there is a fine line for TTL when it comes to exercising pricing power in negotiations, primarily due to its ownership structure. **While the strategic relationship with Tata Motors offers stability and access to key development programs, it also creates a dependency that may limit TTL's ability to command premium pricing.**
- With Tata Motors holding a 53.4% stake in TTL and contributing around 50% of its revenues (considering JLR as well), **there is a strong alignment of interests. However, this also implies that TTL's negotiation leverage is somewhat constrained, in our view.**

> However, this close tie can also pose challenges—particularly when negotiating with Tata Motors—as it may limit TTL's ability to push for higher pricing or more favorable terms.

- In many ways, TTL acts as a partner in innovation and digital transformation for both Tata Motors and JLR, enabling long-term contracts and a reliable revenue stream. However, this close tie can also pose challenges—particularly when negotiating with Tata Motors—as it may limit TTL's ability to push for higher pricing or more favorable terms. The ownership link can blur the lines between a commercial client and a controlling stakeholder, making it challenging for TTL to assert pricing power.
- On the other hand, TTL's involvement in the development of new automotive technologies, especially in the EV space, gives it some leverage, particularly as Tata Motors accelerates its shift toward electrification and innovation.

E) Asia-weighted presence offers both insulation and opportunity

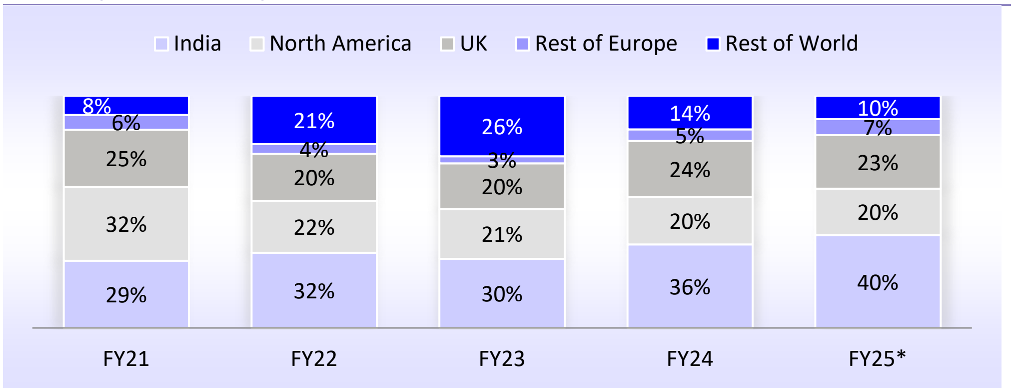
- TTL stands out among ER&D peers for its relatively lower exposure to traditional geographies—North America (~20%) and Europe (~29%)—and a higher tilt toward Asia. This skew is largely driven by strong engagements with Tata Motors (India), VinFast (Vietnam), and the presence of a subsidiary in China.
- While TTL's China revenues are currently small, its legal and operational foothold in the region provides strategic access to one of the world's most innovative and fast-moving EV ecosystems.

> TTL's concentration in Asia has emerged as a strength in the near term. Automotive clients in Europe have temporarily paused large R&D ramp-ups amid softening demand and macro uncertainty.

- China accounted for 80% of global EV sales in 2024, and TTL's presence in the region positions it advantageously to tap into developments in software-defined vehicles, battery platforms, and autonomous driving technologies.
- TTL's concentration in Asia has emerged as a strength in the near term. Automotive clients in Europe have temporarily paused large R&D ramp-ups amid softening demand and macro uncertainty. While this will likely lead to

increased outsourcing over time, the pace has been slower than expected. TTL's lower exposure to Europe has helped insulate it from this volatility.

Exhibit 44: TTL's geographical exposure to offer some respite compared to peers due to its lower exposure in Europe

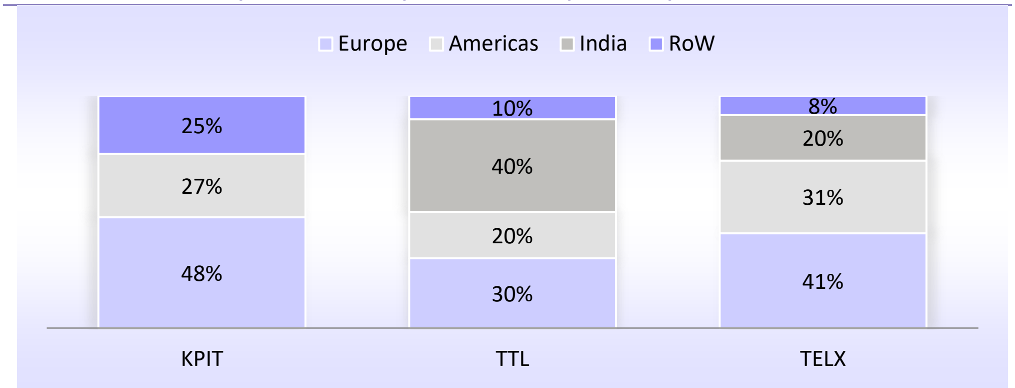


Source: Company, MOFSL; Note: * FY25 is guesstimate.

- That said, TTL's limited presence in the US and Europe—traditionally the largest ER&D spenders—could restrict access to premium clients and large digital transformation programs over the long term. A deeper penetration into these markets would diversify the revenue base and reduce geopolitical risk.
- Overall, we believe TTL's Asia-centric strategy is yielding benefits; however, sustaining growth over the medium term will require stronger market development in Europe and North America as ER&D budgets in these regions begin to normalize.

TTL's limited presence in the US and Europe—traditionally the largest ER&D spenders—could restrict access to premium clients and large digital transformation programs over the long term.

Exhibit 45: Lowest exposure to Europe and US compared to peers



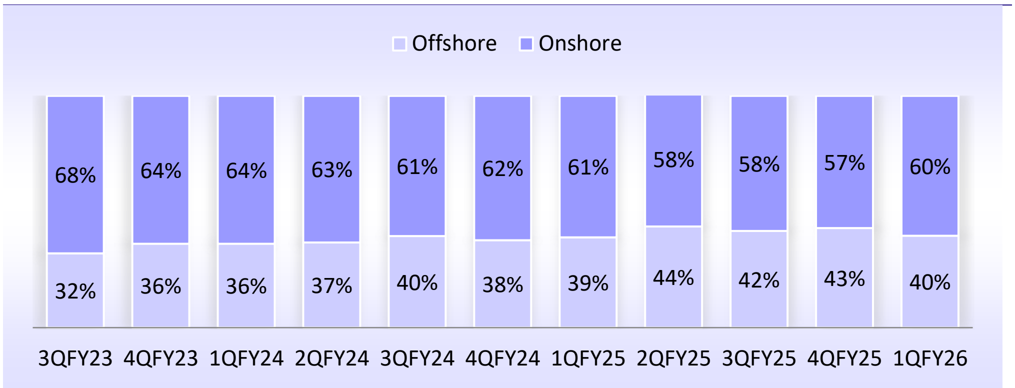
Source: Company, MOFSL; Note: * TTL FY25 number is guesstimate.

While TTL is actively building its embedded software capabilities—now accounting for ~50% of its workforce—we believe it is still in the process of catching up with software-focused ER&D players in terms of margin profile.

F) Higher on-site mix and mechanical focus limit margins

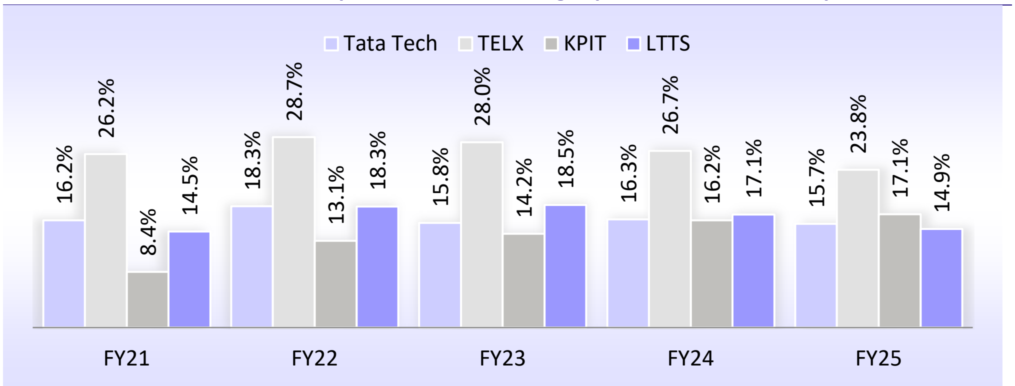
- We believe TTL's lower margin profile compared to peers like KPIT and TELX is a function of its business mix, client concentration, and delivery model.
- While KPIT and TELX focus on high-margin software areas such as ADAS, infotainment, and powertrain systems, TTL still draws a significant share of revenue from mechanical engineering and full-vehicle development programs—domains that are more resource-intensive and lower-margin.
- In our view, the company's close relationship with Tata Motors and JLR ensures steady business but also restricts pricing flexibility, as these anchor clients contribute nearly half of its revenues.
- Moreover, as shown in Exhibit 46, TTL operates with a higher share of on-site delivery, though offshore contribution has been gradually increasing—from 32% in 3QFY23 to 40% in 1QFY26.
- This higher on-site intensity results in elevated cost structures compared to peers with greater offshore leverage. While TTL is actively building its embedded software capabilities—now accounting for ~50% of its workforce—we believe it is still in the process of catching up with software-focused ER&D players in terms of margin profile.

Exhibit 46: TTL's onshore and offshore mix



Source: Company, MOFSL

Exhibit 47: TTL in the bottom quadrant of the margin profile in the ER&D space



Source: Company, MOFSL

Valuation and view: Initiate coverage with a Sell rating

TTL's Asia-heavy revenue profile (~50%+) has shielded it from near-term weakness in Europe and the US; however, we think its **under-indexed exposure to developed markets** may limit its ability to tap large digital transformation programs that are increasingly becoming a growth engine for peers.

- TTL provides end-to-end engineering services across mechanical design, digital engineering, and turnkey vehicle development. Despite its strong legacy positioning and partnerships with anchor clients like Tata Motors and JLR, we believe growth will remain constrained in the near to medium term.
- Revenue growth (~9.5% USD CAGR over FY25-28E) is expected to remain subdued due to a lack of meaningful participation in SDV/EV-led digital engineering spending. Combined with client concentration risk, this tempers our outlook. While the **BMW JV** adds strategic relevance and provides an eventual pivot to embedded software, the ramp-up remains gradual and insufficient to offset near-term headwinds.
- Margins (~16%) are structurally capped by TTL's higher on-site mix (~60%), large mechanical footprint, and limited pricing power with anchor clients, who contribute nearly 50% of revenue. **We expect EBIT margins to remain range-bound as cost levers are largely exhausted, and incremental gains are unlikely in the absence of meaningful offshore shift or software mix expansion.**
- TTL's Asia-heavy revenue profile (~50%+) has shielded it from near-term weakness in Europe and the US; however, we think its **under-indexed exposure to developed markets** may limit its ability to tap large digital transformation programs that are increasingly becoming a growth engine for peers.
- We expect TTL to post **USD revenue and earnings CAGR of 9.5% and 13.3%**, respectively, over FY25-28E. Currently, TTL trades at ~39x 12M FWD P/E, which we view as expensive given the muted growth visibility, modest IP leverage, and sub-par return ratios compared to peers like KPIT and TELX. We value KPIT at 40x (implying ~2x PEG) and assign TTL a 30% discount to KPIT, arriving at a **28x PE multiple on FY27E EPS** and a **TP of INR580**, implying ~15% downside. **Initiate with a Sell rating.**

Key risks to our thesis

Offshore delivery has already risen from 32% in 3QFY23 to 40% in 1QFY26. If TTL continues this trajectory faster than expected (toward 50%+), the margin profile could structurally improve, narrowing the gap versus KPIT/TELX.

- BMW JV is already ahead of schedule on hiring and profitability front. If revenue run-rate ramps up faster, it could materially accelerate TTL's software mix, lift margins, and enhance positioning in high-value SDV/autonomous programs.
- Offshore delivery has already risen from 32% in 3QFY23 to 40% in 1QFY26. If TTL continues this trajectory faster than expected (toward 50%+), the margin profile could structurally improve, narrowing the gap versus KPIT/TELX.
- TTL's higher Asia exposure (~50%+ revenues) insulated it from Europe/US weakness. If Asian EV/SDV ecosystems (China, India, Vietnam) continue to outpace Western peers in innovation spend, TTL could benefit.
- Tata Motors and JLR together are committing R&D outlays (~INR80-84b and EUR3.5-3.8b, respectively, for FY26). A sustained ramp up in their EV/SDV programs could drive higher wallet share for TTL, outweighing concentration risk in the near term.
- TTL's engagement with VinFast, Rivian, NIO, and a US autonomous EV OEM suggests it can scale relationships outside Tata Group. A couple of large program wins with NEV or Tier-1 players could accelerate revenue growth and diversify risk faster than modeled.
- A sharper tilt toward SDV, HIL testing, and connected solutions especially via the BMW JV and non-Tata EV clients could gradually expand margins, offsetting the legacy mechanical drag.

Bull and Bear cases

Bull Case

- ☑ USD Revenue is expected to grow at ~10.3% CAGR over FY25-28, driven by improving wallet share from anchor clients, better macro conditions and budget flush among UK/US clients, and expansion in Asia-led EV programs.
- ☑ EBITDA margin is projected to expand 90bp to 19.0% by FY28, supported by a higher offshore mix, better software contribution, and fixed-cost leverage from large client ramp-ups.
- ☑ EPS is estimated to post at 13.9% CAGR over FY25-28, led by a healthy revenue growth, margin uptick, and operating efficiencies from maturing delivery centers.
- ☑ We value TTL at 35x FY27E EPS, arriving at a TP of INR 730, implying a 7% upside from CMP.

Bear Case

- ☑ Revenue is projected to grow at a slower ~8.5% CAGR over FY25-28, factoring in delayed recovery in developed markets, limited traction in non-auto verticals, and continued high client concentration.
- ☑ EBITDA margin is expected to contract to 17.9% by FY28, dragged by a high on-site mix, a slower shift to embedded/software work, and pricing constraints with anchor clients.
- ☑ EPS is expected to grow at 8.7% CAGR over FY25-28, weighed down by the weak topline momentum, margin stagnation, and lack of diversification.
- ☑ We assign a 24x multiple to FY27E EPS, translating to a TP of INR 450, implying a 35% downside from CMP.

Scenario Analysis: Base | Bull | Bear

	Bear				Base			Bull		
INRm, except mentioned	**FY25**	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**
Revenue (USD m)	611	606	686	781	612	699	803	615	707	818
Growth YoY CC(%)		-1.5%	13.4%	13.8%	-0.5%	14.4%	14.8%	0.0%	15.0%	15.8%
USD/INR	84.61	84.73	84.00	84.00	86.46	86.72	86.72	86.50	86.00	86.00
Revenue	51,685	51,305	57,642	65,599	52,885	60,641	69,618	53,183	60,781	70,387
EBITDA	9,341	8,978	10,145	11,742	9,142	11,036	12,802	9,839	11,305	13,374
EBITDA Margin (%)	18.1%	17.5%	17.6%	17.9%	17.3%	18.2%	18.4%	18.5%	18.6%	19.0%
EBIT	8,128	7,901	8,935	10,233	7,810	9,732	11,340	8,509	10,029	11,895
EBIT Margin	15.7%	15.4%	15.5%	15.6%	14.8%	16.0%	16.3%	16.0%	16.5%	16.9%
EBT	9,173	9,299	10,147	11,626	9,633	11,479	13,266	9,907	11,242	13,288
Tax Rate (%)	26.6%	25.0%	25.5%	25.5%	26.6%	26.6%	26.3%	25.5%	25.0%	25.0%
PAT	6,729	6,974	7,560	8,661	7,068	8,425	9,776	7,381	8,431	9,966
EPS(INR)	16.58	17.16	18.60	21.31	17.39	20.73	24.05	18.16	20.75	24.52
Growth (%)		3%	8%	15%	5%	19%	16%	10%	14%	18%
P/E Multiple				24			28			35
TP				**450**			**580**			**730**
Upside /Downside				**-35%**			**-15%**			**7%**

SWOT analysis – TTL

Strength

- ☑ Domain depth in automotive ER&D with end-to-end capabilities
- ☑ Deep client ties with Tata Motors, JLR, VinFast; expanding global footprint
- ☑ Growing embedded/software focus via BMW JV and digital partnerships
- ☑ Asia-led presence offers insulation from developed market volatility

Weakness

- ☑ High client concentration (~50% from Tata Motors/JLR)
- ☑ Mechanical-heavy and high on-site mix restricts margins
- ☑ Under-penetration in US/Europe limits access to large ER&D programs
- ☑ Limited SDV/ADAS exposure vs peers

Opportunity

- ☑ BMW JV and digital pivots open high-growth software opportunities
- ☑ Expansion in aerospace, industrials, and NEVs supports diversification
- ☑ Strong tailwinds from EV/SDV adoption in Asia
- ☑ Potential for IP-led monetization and platform scaling

Threats

- ☑ Auto sector weakness and client-specific risks (Tata/JLR)
- ☑ Slow recovery in Europe; macro and tariff headwinds
- ☑ Delay in software scale-up may cap re-rating
- ☑ Talent availability and cost inflation in embedded/software roles may pressure margins and delay execution in next-gen programs

Management team – TTL

Mr. Warren Kevin Harris

CEO & Managing Director

He holds a bachelor's degree in Engineering (Technology) from the University of Wales Institute of Science and Technology. He has completed the Advanced Management Program from Harvard Business School. He is also a chartered mechanical engineer, registered with and a member of the Institution of Mechanical Engineers.

Ms. Sukanya Sadasivan

Chief Operating Officer

She is responsible for managing delivery and practice operations, along with internal digital & IT systems at TTL. She holds a bachelor's degree in Computer Science and Informatics from Bharathiar University. Before joining the company, she worked as the Senior Vice President and Chief Information Officer at Tata Consultancy Services (TCS).

Ms. Savitha Balachandran

Chief Financial Officer

She is responsible for global finance and procurement. She holds a bachelor's degree from Mount Carmel College and a postgraduate diploma in management with a specialization in finance from the Symbiosis Centre for Management and HRD, Pune. Ms. Balachandran is also a Fulbright-CII Fellow, having pursued advanced studies at the Tepper School of Business, Carnegie Mellon University.

Mr. Shailesh Pramod Saraph

EVP and Global Head – ER&D Delivery

He is responsible for the global delivery of engineering services across the company. He holds a bachelor's degree in mechanical engineering, a master's degree in management science, a master's degree in business administration.

Mr. Santosh Singh

Non-Executive Director

Mr. Singh is the President and Global Head of Marketing and Business Excellence at TTL, responsible for developing TTL's business excellence plan. He joined TTL in 2016 as Sr. Vice President – Business Excellence and Innovation.

Mr. Sriram Lakshminarayanan

President & CTO

He is responsible for leading the practice organization, strategic monetization of intellectual property and assets, as well as the products business. He holds a Bachelor's degree in Engineering in Electronics and Communication from the Madurai Kamaraj University.

Financials and valuations – TTL

Consolidated - Income Statement (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	**23,809**	**35,296**	**44,142**	**51,172**	**51,685**	**52,885**	**60,641**	**69,618**
Change (%)	NA	48.2	25.1	15.9	1.0	2.3	14.7	14.8
Employees Cost	17,538	24,841	30,236	36,676	38,440	39,828	44,995	51,629
Total Expenditure	**17,538**	**24,841**	**30,236**	**36,676**	**38,440**	**39,828**	**44,995**	**51,629**
% of Sales	73.7	70.4	68.5	71.7	74.4	75.3	74.2	74.2
Gross Profit	**6,271**	**10,455**	**13,906**	**14,496**	**13,245**	**13,056**	**15,646**	**17,990**
SG&A	2,414	3,998	5,697	5,084	3,904	3,914	4,610	5,188
EBITDA	**3,857**	**6,457**	**8,209**	**9,413**	**9,341**	**9,142**	**11,036**	**12,802**
% of Sales	16.2	18.3	18.6	18.4	18.1	17.3	18.2	18.4
Depreciation	922	857	946	1,059	1,212	1,332	1,304	1,462
EBIT	**2,935**	**5,600**	**7,264**	**8,354**	**8,128**	**7,810**	**9,732**	**11,340**
% of Sales	12.3	15.9	16.5	16.3	15.7	14.8	16.0	16.3
Other Income	272	269	698	966	1,045	1,398	1,213	1,392
PBT	**3,207**	**5,869**	**7,962**	**9,321**	**9,173**	**9,209**	**10,945**	**12,732**
Total Tax	761	1,499	1,721	2,527	2,445	2,566	3,055	3,491
Tax Rate (%)	23.7	25.5	21.6	27.1	26.6	27.9	27.9	27.4
Reported PAT	**2,446**	**4,370**	**6,240**	**6,794**	**6,729**	**6,643**	**7,890**	**9,241**
YoY Change (%)	NA	78.7	42.8	8.9	-1.0	-1.3	18.8	17.1
Margin (%)	10.3	12.4	14.1	13.3	13.0	12.6	13.0	13.3
Minority Interest	0	0	0	0	0	0	0	0
Adjusted PAT	**2,446**	**4,370**	**6,240**	**6,794**	**6,729**	**6,643**	**7,890**	**9,241**

Consolidated - Balance Sheet (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	418	418	811	811	811	811	811	811
Total Reserves	21,003	22,384	29,083	31,397	34,983	38,295	40,823	43,755
Net Worth	**21,422**	**22,802**	**29,895**	**32,208**	**35,794**	**39,107**	**41,634**	**44,567**
Minority Interest	0	0	0	0	0	0	0	0
Borrowings	5	4	5	8	5	5	5	5
Other Long term liabilities	2,479	2,418	2,381	2,339	4,013	4,021	4,070	4,127
Capital Employed	**23,906**	**25,223**	**32,281**	**34,555**	**39,812**	**43,132**	**45,709**	**48,698**
Net Fixed Assets	**3,200**	**3,024**	**3,005**	**3,103**	**2,609**	**2,335**	**2,244**	**2,174**
Goodwill	7,699	7,655	7,949	8,403	8,735	8,735	8,735	8,735
Capital WIP	0	3	27	0	0	0	0	0
Other Assets	950	1,696	3,060	4,548	8,571	8,650	9,158	9,746
Curr. Assets, Loans&Adv.	**23,875**	**29,802**	**37,975**	**39,730**	**46,728**	**50,873**	**56,594**	**63,255**
Account Receivables	5,958	7,682	11,062	11,479	10,056	10,867	12,460	14,305
Cash and Bank Balance	7,813	7,683	3,828	5,199	6,675	9,390	9,520	9,710
Current Investments	2,806	1,802	11,810	7,093	3,324	3,335	3,405	3,487
Other Current Assets	7,298	12,636	11,274	15,960	26,674	27,281	31,208	35,752
Curr. Liability & Prov.	**11,822**	**16,957**	**19,734**	**21,228**	**26,830**	**27,459**	**31,021**	**35,211**
Account Payables	2,237	3,366	6,578	4,814	4,767	4,964	5,607	6,434
Other Current Liabilities	9,466	13,284	12,817	16,122	21,795	22,228	25,146	28,509
Provisions	119	307	339	293	267	267	267	267
Net Current Assets	**12,053**	**12,845**	**18,241**	**18,502**	**19,898**	**23,413**	**25,573**	**28,044**
Appl. of Funds	**23,902**	**25,223**	**32,281**	**34,555**	**39,812**	**43,132**	**45,709**	**48,698**

Financials and valuations – TTL

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic EPS (INR)	5.9	10.8	15.4	16.8	16.6	17.4	20.7	24.1
Cash EPS	8.3	12.9	17.7	19.4	19.6	19.6	22.6	26.3
BV/Share	102.5	109.1	73.7	79.4	88.2	96.4	102.6	109.9
DPS	48.0	42.5	60.6	70.0	11.7	9.2	14.5	16.8
Payout (%)	814.9	394.6	393.8	417.9	70.6	53.1	70.0	70.0
Valuation (x)								
P/E	116.1	63.5	44.4	40.8	41.2	39.3	33.0	28.4
Cash P/E	82.4	53.1	38.6	35.3	34.9	34.8	30.2	26.0
P/BV	6.7	6.3	9.3	8.6	7.7	7.1	6.7	6.2
EV/Sales	11.2	7.6	5.9	5.2	5.2	5.0	4.4	3.8
EV/EBITDA	69.2	41.5	31.9	28.2	28.6	29.0	24.0	20.7
Dividend Yield (%)	7.0	6.2	8.9	10.2	1.7	1.4	2.1	2.5
Return Ratios (%)								
RoE	12.0	19.8	23.7	21.9	19.8	18.9	20.9	22.7
RoCE	9.9	17.0	34.3	26.5	24.5	23.0	27.6	30.4

Consolidated - Cash Flow Statement (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	2,392	4,370	6,240	6,794	6,770	7,068	8,425	9,776
Depreciation	922	857	946	1,059	1,212	1,332	1,304	1,462
Interest & Finance Charges	33	-178	-235	-382	-481	-1,398	-1,213	-1,392
Direct Taxes Paid	-1,102	-1,278	-2,429	-3,026	-3,140	-2,579	-3,137	-3,587
(Inc)/Dec in WC	8,057	-5,802	-2,191	-4,071	382	-641	-1,119	-1,214
Others	828	1,645	1,684	2,570	2,251	2,566	3,055	3,491
CF from Operations	**11,129**	**-387**	**4,014**	**2,943**	**6,993**	**6,347**	**7,313**	**8,535**
(Inc)/Dec in FA	-137	-629	-652	-908	-307	-1,058	-1,213	-1,392
Free Cash Flow	**10,992**	**-1,016**	**3,362**	**2,036**	**6,686**	**5,289**	**6,100**	**7,143**
(Pur)/Sale of Investments	-6,633	949	-4,078	4,394	-3,011	-208	-1,343	-1,555
Others	135	380	331	508	2,433	1,398	1,213	1,392
CF from Investments	**-6,636**	**700**	**-4,400**	**3,995**	**-885**	**133**	**-1,343**	**-1,555**
Inc/(Dec) in Debt	-419	-439	-509	-578	-694	-17	9	-4
Interest Paid	-25	-4	-1	-1	-5	0	0	0
Dividend Paid	0	0	0	-4,990	-4,165	-3,755	-5,897	-6,843
Others	0	-1	-2,959	0	0	8	49	57
CF from Fin. Activity	**-443**	**-444**	**-3,469**	**-5,568**	**-4,864**	**-3,765**	**-5,839**	**-6,790**
Inc/Dec of Cash	**4,050**	**-130**	**-3,854**	**1,370**	**1,243**	**2,715**	**130**	**190**
Forex Adjustment	0	0	0	0	233	0	0	0
Opening Balance	3,760	7,810	7,680	3,825	5,196	6,672	9,387	9,517
Closing Balance	**7,810**	**7,680**	**3,825**	**5,196**	**6,672**	**9,387**	**9,517**	**9,707**

Tata Elxsi

BSE SENSEX	S&P CNX
81,307	24,870

Bloomberg	TELX IN
Equity Shares (m)	62
M.Cap.(INRb)/(USDb)	347.6 / 4
52-Week Range (INR)	9083 / 4601
1, 6, 12 Rel. Per (%)	-9/-15/-20
12M Avg Val (INR M)	1872

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	38.0	42.7	48.1
EBIT Margin (%)	21.1	24.3	25.0
PAT	7.0	8.9	10.3
EPS (INR)	112.7	143.0	165.5
EPS Gr. (%)	(10.6)	26.9	15.7
BV/Sh. (INR)	518.2	575.4	641.5
Ratios			
RoE (%)	23.1	26.2	27.2
RoCE (%)	16.2	19.1	20.1
Payout (%)	60.0	60.0	60.0
Valuations			
P/E (x)	49.5	39.0	33.7
P/BV (x)	10.8	9.7	8.7
EV/EBITDA (x)	36.3	28.6	24.6
Div Yield (%)	1.2	1.5	1.8

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	43.9	43.9	43.9
DII	9.8	8.6	6.3
FII	12.7	12.7	13.7
Others	33.6	34.8	36.2

FII Includes depository receipts

CMP: INR5,580 TP: INR4,600 (-18%) Sell

Design-led leader with near-term speed bumps

- TELX has established itself as a differentiated ER&D player, combining design-led thinking with engineering capabilities to serve automotive, media & communications, and healthcare verticals. Its proprietary IP platforms like AUTONOMAI (ADAS), TETHER (connected vehicles), and QoEtient (video analytics) enable early client engagement in product development, positioning it as a preferred partner for innovation programs.
- TELX reported FY25 revenue of USD441m from USD226m in FY20. CAGR is expected to moderate to ~8% through FY28E, compared to ~18% over FY20-24, due to softness in the European automotive market, soft Media/Healthcare spending, and client concentration risk.
- TELX's profitability has taken a hit in recent quarters, with EBIT margins down 610bp/190bp YoY/QoQ in 1QFY26. This was driven by a weak topline, increased go-to-market spends, and pricing pressure in large deal renewals. While TELX continues to run a lean cost structure with a high offshore mix, structural pricing resets in renewal deals could limit full margin recovery. We expect margins to gradually recover to ~21.1% in FY26E and settle around 24–25% by FY27–28E—still below the ~27–28% highs.
- We initiate coverage with a **Sell** rating and a target price of INR4,600. Despite its efficient off-shore delivery model, TELX faces both cyclical and structural challenges including softness in key verticals, sub-scale client relationships beyond the top accounts, and pricing resets. Margin recovery is likely to be gradual and capped below historical peaks, making the risk–reward less attractive at this point.

Design-led approach drives early client engagement and differentiation

- TELX's integration of design thinking into engineering services sets it apart in the ER&D industry. Its offerings help clients define product experiences and innovate across user interfaces and system design.
- This approach allows TELX to engage early in product lifecycles, securing higher-value work and long-term relationships. Platforms like AUTONOMAI and TETHER have strengthened TELX's presence in high-growth automotive areas such as ADAS and connected vehicles.

Automotive as a core engine of growth, though near-term headwinds persist

- Automotive ER&D remains TELX's largest segment, contributing ~53% of FY25 revenue. The company excels in software areas critical for SDVs, including infotainment, connectivity, and autonomous systems.

- However, European OEMs are delaying new program launches amid macro uncertainty, and JLR's cautious FY26 investment outlook may weigh on TELX's automotive momentum in the near term. Despite these pressures, TELX's strategic platforms keep it well-positioned for eventual recovery as OEM budgets normalize.

Margins no longer at peak; growth challenges may limit near-term upside

- TELX was long regarded for its industry-leading margins (~27–28%), supported by a high offshore mix and IP-led solutions. However, profitability has come under pressure in recent quarters driven by muted growth, higher GTM spends, and pricing resets in large renewals.
- While a sharp margin decline seems unlikely from here, meaningful expansion will likely hinge on a pickup in revenue growth. We expect margins to improve gradually to ~21.1% in FY26E and stabilize around 24–25% by FY27–28E—still healthy, but well below historical highs.

Non-automotive diversification provides optionality for medium-term growth

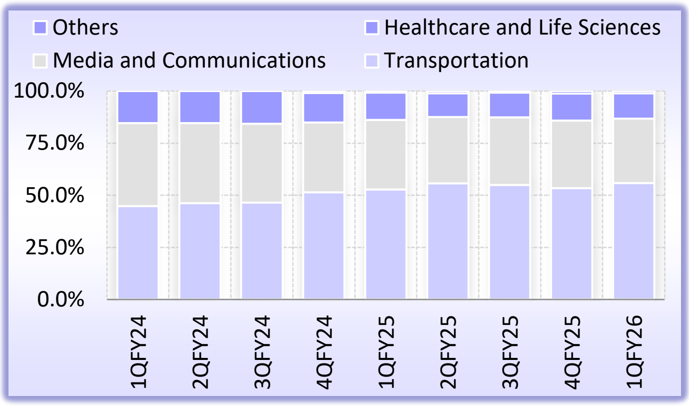
- TELX derives ~32% of revenue from Media & Communications and ~13% from Healthcare. While these segments have provided diversification, media spending has softened due to cautious tech budgets, and healthcare growth faces regulatory delays.
- TELX's ongoing investment in platforms like QoEtient (video analytics) and TEngage (digital health) positions it to capture medium-term opportunities as client budgets recover. However, visibility on the timing and scale of monetization remains limited in the near term.

Valuation and risks: Robust profile, though near-term visibility constraints persist

- We initiate coverage on TELX with a **Sell** rating and a target price of INR4,600, valuing it at 32x FY27E EPS – an ~20% discount to KPIT's 40x (~2x PEG). While the company's offshore-led model and design-led positioning remain key strengths, near-term risks are hard to ignore. Weak demand in key verticals, limited scale beyond top clients, and pricing resets renewals are likely to keep margins below historical levels. With recovery expected to be gradual, we see limited upside at current valuations.
- Risks include high client concentration (~46% from the top five clients), potential delays in large automotive programs, and ongoing weakness in media and healthcare spending. Upside could emerge from faster SDV adoption or the successful monetization of TELX's proprietary platforms.

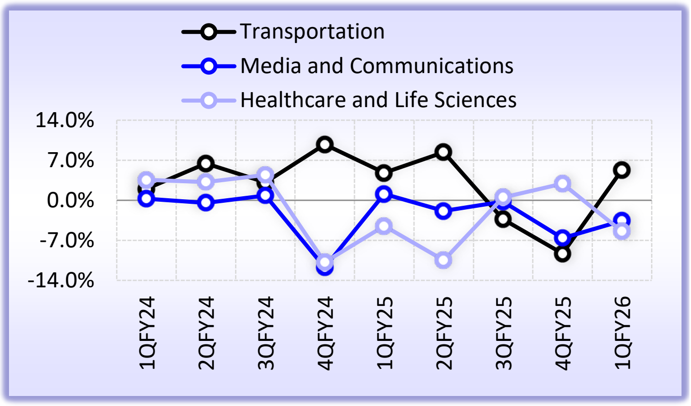
Story in Charts

Increased dependency on the transportation vertical



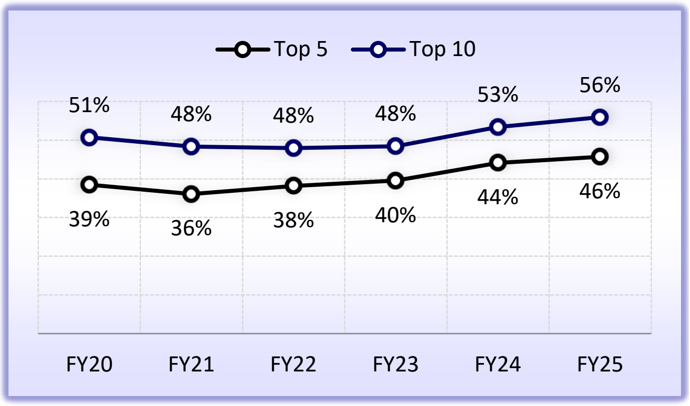
Source: Company, MOFSL

Soft growth across verticals in the last few quarters



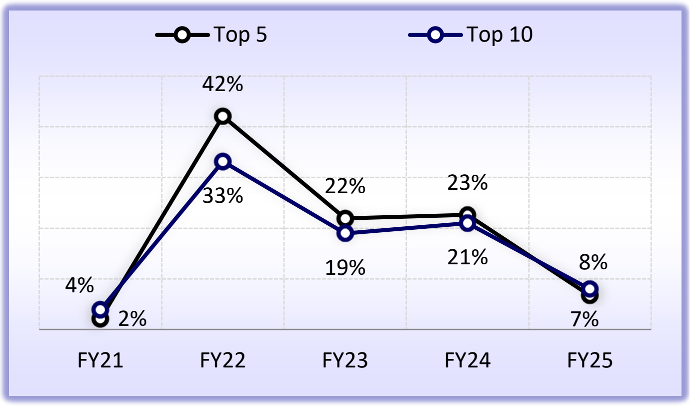
Source: Company, MOFSL

Top 5/10 accounts revenue concentration



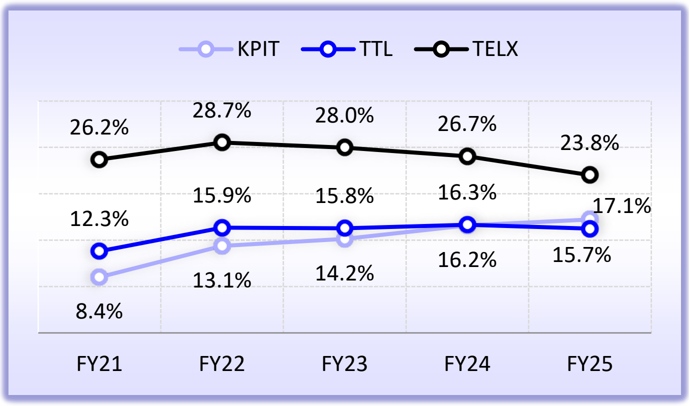
Source: Company, MOFSL

Top 5/10 accounts revenue growth (YoY, %)



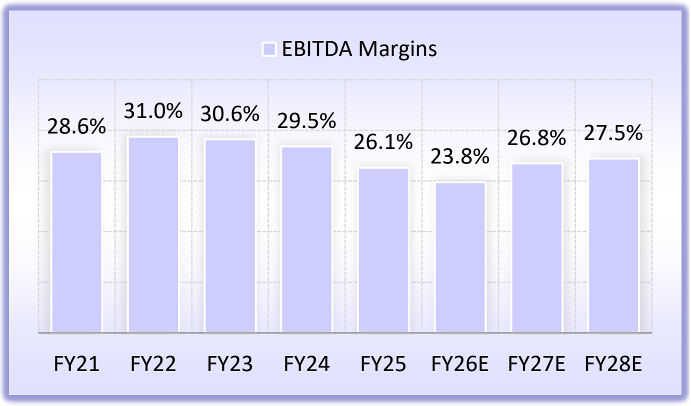
Source: Company, MOFSL

TELX margin to remain industry-leading due to its offshore-heavy delivery model



Source: Company, MOFSL

Margins to expand 150bp over FY25-28



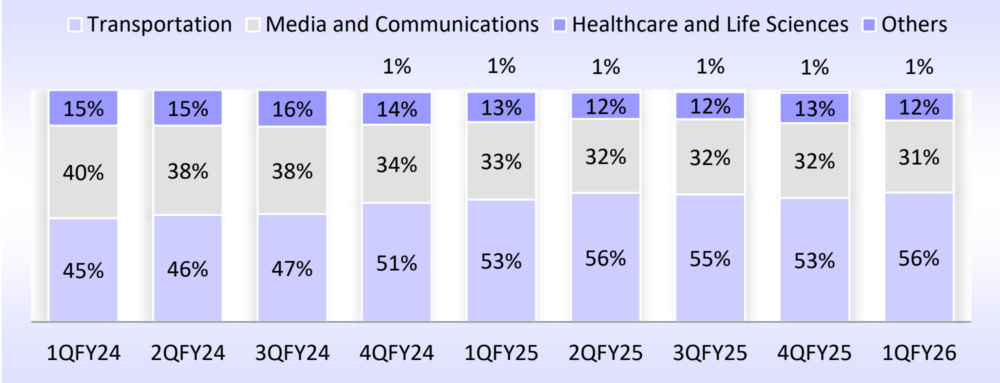
Source: Company, MOFSL

Company overview – TELX

- TELX is one of the key players in the ER&D space, offering solutions across key industries, including Automotive, Healthcare & Lifesciences, and Media & Communications.
- The company helps clients reimagine their products and services through design thinking and digital technologies such as IoT, Cloud, Mobility, and Artificial Intelligence.
- Its service offerings include software development, system integration, and industrial design, with a strong emphasis on digital transformation and innovation. We view its embedded design offerings as a gateway to early-stage OEM investments.
- Transportation remains TELX's largest vertical, contributing ~53-55% of revenue in FY25, while Media & Communications accounted for ~32%. Over the medium term, the company is targeting a more balanced 40:40:20 revenue split across Transportation, Media & Communications, and Healthcare & Medical Devices.
- We believe the company's targeted vertical mix will support better growth diversification.

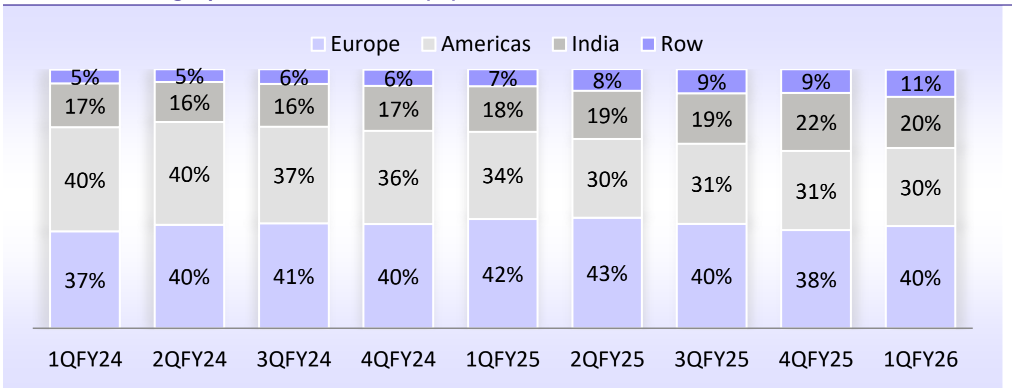
Transportation remains TELX's largest vertical, contributing ~53-55% of revenue in FY25, while Media & Communications accounted for ~32%. Over the medium term, the company is targeting a more balanced 40:40:20 revenue split across Transportation, Media & Communications, and Healthcare & Medical Devices.

Exhibit 48: Vertical revenue mix (%)



Source: Company, MOFSL

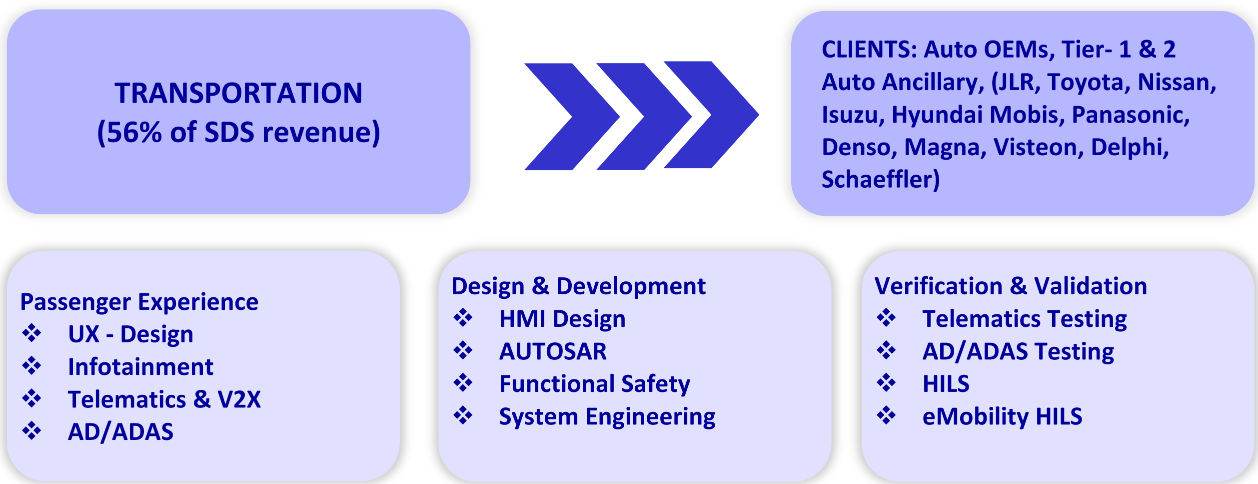
Exhibit 49: Geographical revenue mix (%)



Source: Company, MOFSL

- Transportation remains TELX's core growth engine, driven by its expertise in software-defined and electric vehicle technologies. Platforms such as AUTONOMAI (for autonomous driving), TETHER (connected vehicles), and e-Cockpit (digital cockpit integration) highlight TTL's ability to blend domain knowledge with software engineering know-how.

Exhibit 50: TELX's transportation vertical offerings and clients (~56% of the revenue)



Source: Company, MOFSL

Exhibit 51: Key deal wins in the transportation vertical

Timeline	Customer	Description
Q1FY26	Leading Agri Machinery Manufacturer	❖ Connected Vehicle Platform selected to power next gen connected tractor for a Global agrimachinery manufacturer, with initial deployments planned for Europe
	US-based specialized vehicle leader	❖ a deal for a Next Gen Off Road Vehicle platform with Advanced ADAS features including auto parking, active collision prevention and platooning
Q4FY25	World Leader in Green Energy	❖ Multi-million USD design digital deal to develop a transformative fleet management software for EVs powered by next-generation analytics and AI
	Global Automotive OEM	❖ Strategic EUR50m+ multi-year deal from a leading European headquartered automotive OEM for platform and application development across SDV, electrification, body, and chassis domains
Q3FY25	New-age OEM	❖ Delivered ADAS Level 3 function development over a multi-year program for a new-age OEM
	Off-highway Vehicle OEM	❖ Developed a next-generation connectivity platform for off-highway operations for a global leader in off-highway vehicles
	Suzuki Motor Corporation	❖ Launched an ODC in Pune for Suzuki Motor to accelerate software and virtual development for next-generation connected and EVs
Q2FY25	Global Automotive OEM	❖ USD50m multi-year strategic deal from a global OEM headquartered in Europe, which encompassed SDV and multiple domains of automotive engineering
Q1FY25	Global Automotive OEM	❖ Won multiple multi-million USD deals to support software development, advanced simulation, and digital twin program
	Leading Tier 1 Automotive Supplier	❖ Strategic innovation and development partner for a Japanese supplier's upcoming production programs across multiple domains
4QFY24	Global Automotive OEM	❖ Supported software development across multiple domains, including e-cockpit, base software, connectivity, and ADAS
	American Rail Network Operator	❖ Developed a next-gen collision detection and warning system that fuses data from multiple sensors and systems, and advanced AI/ML algorithms
3QFY24	Japanese Automotive Supplier	❖ A multi-year product engineering program for connected infotainment and digital cockpit from a leading automotive supplier

- Media and telecom companies, which ramped up tech spending during the pandemic, have since scaled back as they adjust to a more cautious macro environment. FY24-25 saw a noticeable reset in budgets across the sector, reflecting this shift.
- That said, TELX continues to expand its presence in the vertical by focusing on high-impact offerings. Solutions like QoEtient (for video quality monitoring), AIVA (intelligent video analytics), TEPlay (a white-label OTT platform), and iCX (for device lifecycle management) are gaining steady traction.
- These platforms address critical client needs, such as cost-efficiency, customer experience, and automation, positioning the company well for recovery once discretionary spending picks up.

Exhibit 52: TELX's media & communication vertical offerings and clients (~31% of the revenue)

Multi System Operator
- Android TV
- RDK
- OTT
- Network Transformation
- - UI & CX

MEDIA & COMMUNICATION (31% of SDS revenue)

CLIENTS: MSO, OEMs, Broadcasters (Comcast, Sky, Liberty, Google)

Network Transformation
- Workflow automation
- OSS/BSS maintenance
- Plugins for OSS-BSS
- Engineering support

Operations Transformation
- Business Process Automation
- Roll out of automated change management, service monitoring, release management

STB
- Integration of Android release
- deploy open source and proprietary software stacks

5G & Wireless
- 5G device certification
- Product engineering
- SI & Validation

Source: Company, MOFSL

Exhibit 53: Key deal wins in the media and communications vertical

Timeline	Customer	Description
Q4FY25	Media & Communications Company	❖ USD 100m+ multi-year consolidation deal win from a leading Media & Communications company for next-generation product engineering across its portfolio of video and broadband products.
Q3FY25	Global US-based MSO	❖ A multi-million dollar long-term deal from a leading US-headquartered MSO to manage a portfolio of applications, with ramp-up expected over the next two quarters.
Q2FY25	Leading MEA Operator	❖ Strategic AI CoE to support company-wide transformation initiatives, including re-imagining products, customer experience, operations, customer support, and software development.
	US Technology Company	❖ A multi-million USD Design Digital deal by a world-leading technology company headquartered in the US to deliver consumer research and insights for next-generation consumer devices and applications.
Q1FY25	Telecom Operator - US	❖ NEURON was selected by a leading telecom operator in North America to power its network transformation and automate operations for its next-generation 5G network.
Q4FY24	MEA Operator	❖ A design-digital multi-million, multi-year transformation program for the video and OTT streaming service of a leading MEA operator with a scaled presence in over 25 countries.
Q3FY24	North American Telecom	❖ A product engineering consolidation deal for a leading MSO.

- The healthcare industry is undergoing a significant digital shift as providers increasingly adopt connected medical devices, digital-first workflows, data-driven diagnostics, and stronger compliance frameworks. In our view, this transformation is unlocking new avenues in digital health, remote diagnostics, and personalized care—areas where TELX is actively building capabilities.
- The company is leveraging this tailwind through a suite of platforms that address key pain points across the healthcare value chain. These include TEngage (a unified omnichannel care platform enhancing patient experience), TEDREG (a real-time global regulatory intelligence tool), the Digital Health Platform (a front door to telehealth services), and TEcare (a modular solution for digital therapeutics).
- These platforms not only strengthen TELX's positioning in the digital healthcare space but also create a base for scalable, recurring revenue models.

Exhibit 54: TELX's healthcare and life sciences vertical offerings and clients (~12% of the revenue)

HEALTHCARE & LIFESCIENCES (12% of SDS revenue)

CLIENTS: Aesculap, Hitachi, Becton Dickinson, Philips

Integrated Design & Engineering
- Product engineering
- Value engineering
- V&V

Application Engineering
- Modernisation
- Testing
- ALM

Regulatory Compliance
- EU MDR/IVDR
- CER
- PMS

Source: Company, MOFSL

Exhibit 55: Key deal wins in the healthcare vertical

Timeline	Customer	Description
Q1FY26	Global Pharma and Biotech Leader	❖ A strategic deal with a global Pharma and Biotech leader for a sophisticated and connected device portfolio for radioactive pharmaceutical infusion for molecular imaging towards cancer detection
	Japan based Medtech major	❖ A strategic partner for Medical Device Testing & Certification and Regulatory Compliance for a Cardiovascular portfolio of products
Q4FY25	European Medtech Company	❖ A large deal by a leading European renal care Medtech company to enhance software functionality, cybersecurity, interoperability, and support life-cycle management
Q3FY25	Global Medical Device OEM	❖ A global medical device OEM for a multi-year program to manage regulatory workflows and complaints operations by leveraging AI and Gen AI
Q2FY25	Healthtech AI Leader	❖ Clinical AI-powered solutions for diagnostics and healthcare providers, starting with regulatory and data engineering services
	Global Renal Care Leader	❖ Design and develop its next-gen digital platform for renal care devices, leveraging data and AI to transform patient care and therapies
Q1FY25	Global Healthcare Major	❖ Selected by a global medical device manufacturer to design and deploy a GenAI-based solution for sustainability and toxic material identification and impact assessment
	Global Medical Devices OEM	❖ A multi-year large deal by a top-five global medical devices manufacturer to develop a next-generation cloud-based connected care system
Q4FY24	Dräger	❖ Offshore development center (ODC) to focus on developing innovative critical care medical devices
	European Medical Device OEM	❖ Implement a multi-year regulatory transformation program that leverages automation and AI to significantly enhance the quality of outcomes and efficiency of workflows
Q3FY24	Multinational Medical Device Leader	❖ Services to enhance efficiencies by leveraging the latest AI technology and algorithms to identify trends, potential risks, and anomalies, thereby improving compliance and reducing overall spend

Products and platforms

- **TELX's product and platform strategy plays a key role in opening doors to large client relationships.** The company has developed a suite of IP-led offerings across its core verticals—some highly tailored to industry-specific needs (like automated testing and validation), while others more horizontal in nature—aimed at enhancing scalability and client stickiness.
- These IPs are often used as differentiators in early-stage client conversations, helping establish credibility and accelerate deal wins. That said, the strategic value of these platforms is evident in **higher profitability and deeper client engagement**, even if they don't yet drive large non-linear revenue streams.
- While sustained investment and client adoption may unlock broader monetization potential over time, we view these platforms more as strategic enablers than revenue engines in the near to medium term.

Exhibit 56: TELX's key product and platform offerings

Platform	Comments
Healthcare Vertical	
Phygital Neurodiversity Platform	❖ Designed to support neurodivergent individuals with autism, ADHD, or learning disabilities—through personalized digital therapies, assessments, and assistive tools
TEngage	❖ A digital health platform for omnichannel care that offers a unified patient experience
TEDREG	❖ A global regulatory intelligence platform that monitors and captures real-time updates to global healthcare standards
Digital Health Platform	❖ Digital front door to all telehealth services
TEmpower	❖ Patient assistance program solution
Tecare	❖ Configurable platform for digital therapeutic solutions
Media/Telecom Vertical	
FalconEye	❖ Agentless test-automation multimedia platform
ICX	❖ A SaaS-based solution for monitoring and managing CPE
QoEient	❖ Cloud-based video DevOps platform as a packaged automation-as-a-service
AIVA	❖ Intelligent video analytics platform for content curation and object action event meta-tagging
TEPlay	❖ Off-the-shelf OTT platform for regional service providers
Transportation Vertical	
AUTONOMAI	❖ Platform for driverless cars that leverages sophisticated AI and deep learning-based algorithms to deliver complex use-case scenarios for driverless cars
eMobility HILS	❖ Lab-based framework for the validation of EV systems
TETHER	❖ An IoT-based connected vehicle platform, Tether is a vendor-agnostic, cloud-based IoT platform that enables automotive customers to offer a range of customer-centric and digitally enhanced features
Coalesce	❖ XR-based immersive collaboration solution that brings together digital twins, spatial computing, and simulations

Source: Company, MOFSL

Investment thesis

While design work has traditionally been project-based and lumpy, the pace of product upgrades and iterative development is lending more predictability to revenue.

A) Design-led ER&D DNA is a differentiator

- TELX has built a position in the ER&D space by focusing on design-led product innovation. Over the past decade, it has shifted from a multi-vertical structure to a specialized ER&D player, with embedded systems, design, and software integration as key areas.
- Currently, most of TELX's revenue comes from software development services (SDS), which include technology consulting, new product development, and testing across **three main verticals: Transportation, Media & Communications, and Healthcare & Life Sciences.**
- TELX's strength in design and embedded engineering has developed through long-term partnerships with key accounts such as Tata Motors and Jaguar Land Rover.
- These relationships have provided steady revenue and helped better the company's technical capabilities. In design-led projects, TELX often gains early insights into clients' product plans.
- This focus has become more relevant as ER&D priorities change. With shorter product lifecycles and increasing emphasis on electrification and software-defined vehicles, **clients require vendors that align design and engineering closely with cost, features, and user experience**.
- **While design work has traditionally been project-based and lumpy, the pace of product upgrades and iterative development is lending more predictability to revenue.** TELX has adjusted well to this evolution, positioning its 'Design + Domain' stack as a scalable edge, especially as clients seek faster time-to-market without compromising on differentiation.

Exhibit 57: Capabilities in the automotive domain

Capability	ADAS	Body Engineering	Cockpit electronics	Electric powertrain	Telematics
Akkodis	🔵🔵🔵	🔵🔵🔵	-	🔵🔵🔵	🔵🔵🔵
Capgemini	🔵🔵🔵	🔵🔵🔵	🔵🔵🔵	🔵🔵🔵	🔵🔵🔵
Cyient	-	-	-	-	-
KPIT	🔵🔵🔵	🔴🔴🔴	🔵🔵🔵	🔵🔵🔵	🔴🔴🔴
LTTS	🔵🔵🔵	🔵🔵🔵	🔵🔵🔵	🔵🔵🔵	🔴🔴🔴
Quest Global	🔴🔴🔴	🔵🔵🔵	🔴🔴🔴	🔴🔴🔴	⚫⚫⚫
TCS	🔵🔵🔵	🔵🔵🔵	🔵🔵🔵	🔵🔵🔵	🔵🔵🔵
Tata Elxsi	🔵🔵🔵	🔴🔴🔴	🔵🔵🔵	🔴🔴🔴	🔴🔴🔴
Tata Technologies	🔴🔴🔴	🔵🔵🔵	🔴🔴🔴	🔴🔴🔴	🔴🔴🔴
TECHM	🔵🔵🔵	🔵🔵🔵	🔴🔴🔴	🔵🔵🔵	🔵🔵🔵
Wipro	🔵🔵🔵	🔴🔴🔴	🔵🔵🔵	-	🔵🔵🔵

LEADERS: 🔵🔵🔵; CHALLENGERS: 🔴🔴🔴; ASPIRANTS: ⚫⚫⚫

Source: Zinnov, Company, MOFSL

- Overall, TELX's DNA—rooted in design precision and domain capabilities—remains its most defensible advantage. In an environment where discretionary spends are under pressure, its ability to support clients in both core and strategic programs could prove resilient.

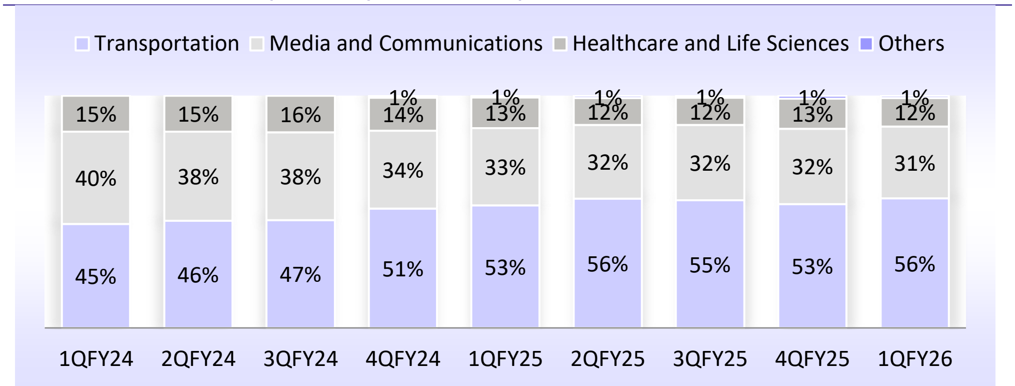
B) Growth in transportation and communications/healthcare tempered by demand weakness and policy uncertainty

- TELX's multi-vertical strategy is steadily maturing, evolving from a transportation-heavy profile to a more balanced portfolio. Transportation remains the largest contributor, accounting for 54% of SDS revenues, supported by domain expertise in EV systems, ADAS, and infotainment.

TELX derives a significant portion of its business from European OEMs, while it works predominantly with Tier-1 suppliers in the US.

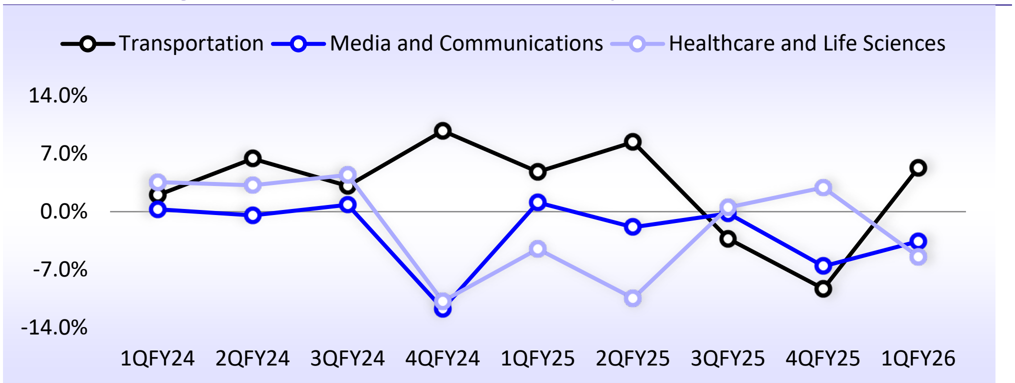
- TELX derives a significant portion of its business from European OEMs, while it works predominantly with Tier-1 suppliers in the US. It has a limited presence among US OEMs, driven by stringent terms set and significant liability to be taken up by service providers even in cases of marginal deviations from master services agreement (MSA).
- **That said, we believe near-term growth remains tempered due to macro softness in Europe and China-linked demand compression, both of which could persist through 1HFY26**.

Exhibit 58: Increased dependency on the transportation vertical



Source: Company, MOFSL

Exhibit 59: Soft growth across verticals in the last few quarters



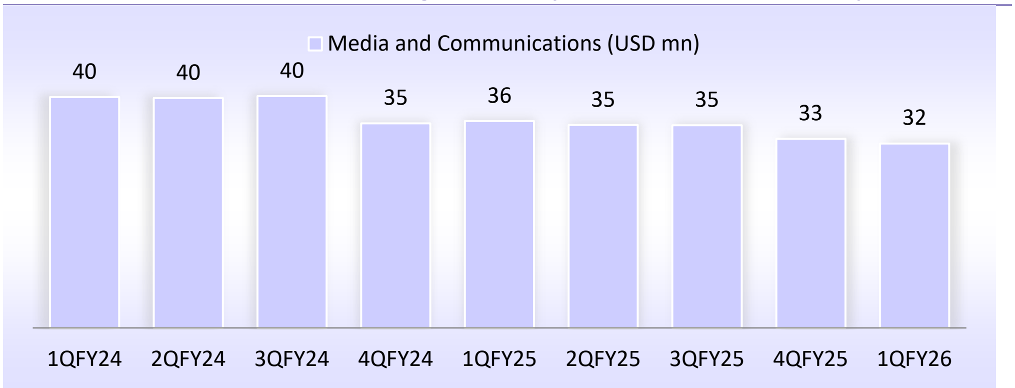
Source: Company, MOFSL

- **Media & Communications** faces mixed conditions. While the vertical remains aligned with long-term digital trends such as OTT adoption, CTV expansion, and 5G rollouts—providing a strong foundation for growth. However, the US communications sector is still recovering from a sharp decline in FY24 and FY25, impacted by sectoral challenges and market consolidation within media. These factors continue to limit near-term growth, in our view.

Deal activity and client engagement within Media show some momentum, with a pipeline that could support recovery over time. A recent USD100m product engineering contract with a global broadcaster is expected to contribute to revenues from 2HFY26.

- The revenue profile and capex cycle for communications in the US are gradually improving, supported by lower borrowing costs that have eased telco debt burdens (telco operators account for around 70% of this vertical's revenue). Nonetheless, deal activity remains muted amid these headwinds.
- TELX's investments in IP-led, annuity-based platforms help mitigate fluctuations in its project-driven business but do not fully offset near-term pressure.
- Deal activity and client engagement within Media show some momentum, with a pipeline that could support recovery over time. A recent USD100m product engineering contract with a global broadcaster is expected to contribute to revenues from 2HFY26.
- Both broadcast/media and telecom segments are undergoing significant technology shifts: OTT is gradually replacing linear TV, while the expansion of 5G networks by telecom operators is creating long-term growth opportunities.
- **Nonetheless, we believe budget rationalization in developed markets may lead to uneven growth in the near term, especially after strong growth seen over FY21-23.**

Exhibit 60: Media & communications growth likely to face near-term volatility

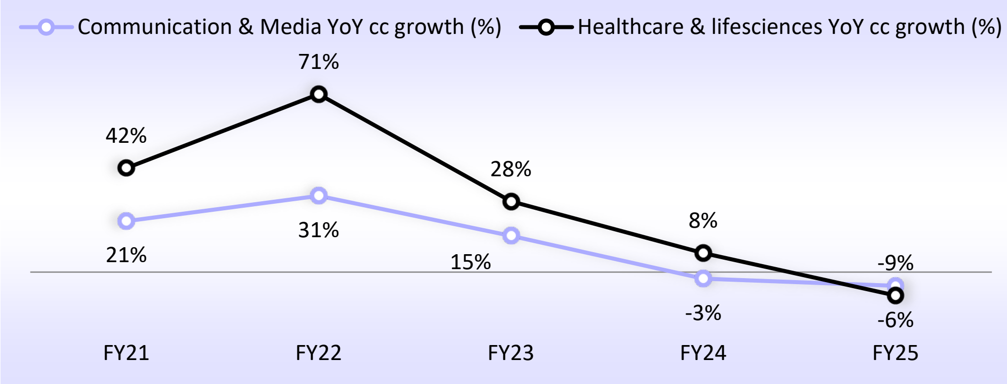


Source: Company, MOFSL

However, we believe near-term momentum is somewhat tempered by ongoing policy uncertainties, including the EU MDR deferral and regulatory uncertainty in the US.

- **Healthcare & Life Sciences** has emerged as a credible third growth engine, scaling from under 5% of revenues in FY19 to over 15% in FY23. The company's investments in bio-medical engineering talent, platform IP (like TEnage and TEDREG), and adjacencies such as digital diagnostics and smart wearables position this vertical for medium-term growth.
- However, we believe near-term momentum is somewhat tempered by ongoing policy uncertainties, including the EU MDR deferral and regulatory uncertainty in the US.

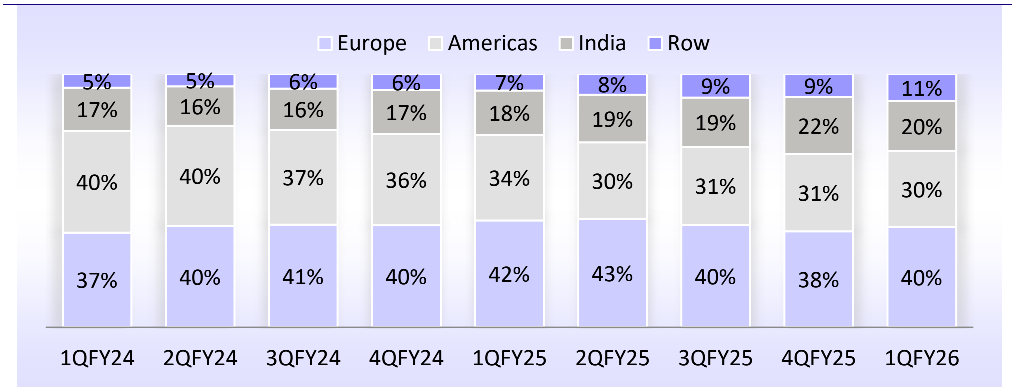
Exhibit 61: Media & communications and Healthcare vertical CC growth over FY21-25



Source: Company, MOFSL

- Geographically, India has emerged as a primary growth engine, with revenue CAGR of 26% over FY20-25 and contribution rising from 17% to over 23%. Europe's share has declined due to the JLR concentration issue, but the company aspires for a 40:40:20 revenue split across the US, Europe, and RoW over the long term.

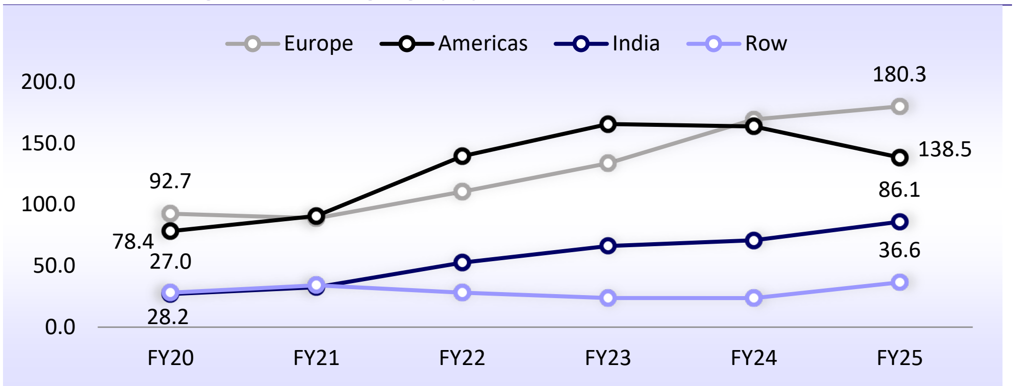
Exhibit 62: TELX's geography split



Source: Company, MOFSL

Exhibit 63: TELX's growth across geography over FY20-25(USDm)

Revenue growth CAGR:
Europe – 14%
Americas – 12%
India – 26%
RoW – 5%



Source: Company, MOFSL

C) Focused scaling of strategic accounts, though client concentration and top-account softness remain key monitorables

We believe this concentrated effort on key accounts positions TELX to participate in larger, more durable annuity-led engagements and move clients to higher-value tiers over time.

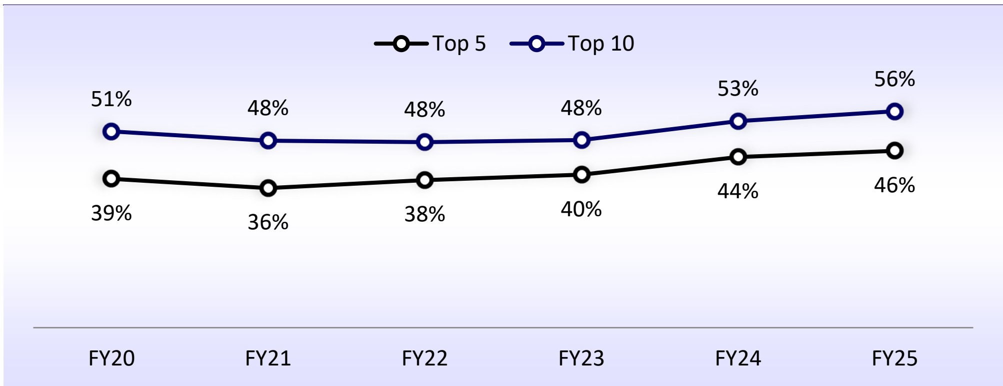
- In our view, TELX is strategically doubling down on clients with scalable, long-term potential across its three core verticals. With marquee clients like JLR, Nissan, Alps Alpine, Comcast, Panasonic, and Siemens already on board, the company is taking a focused approach—deepening wallet share where opportunities are big while rationalizing tail accounts with limited growth prospects.
- We believe this concentrated effort on key accounts positions TELX to participate in larger, more durable annuity-led engagements and move clients to higher-value tiers over time.
- Since FY22, there has been a clear divergence in growth between the top 10 clients and the broader base, suggesting that the strategy to scale within anchor accounts is working. For instance, revenue per top-five clients has more than doubled since FY20.
- While part of this outperformance reflects stronger spending trends among some top-5 and top-10 clients, we believe it also signals TELX's increasing strategic relevance in its digital transformation agendas.
- That said, the flip side of this high-focus strategy is increasing concentration risk. Growth in top 5 and top 10 accounts slowed to 8%/7% in FY25 as seen in Exhibit 66, a sharp contrast to the 23%/20% median growth seen during FY21-24. This makes future capex plans and execution at anchor accounts a key monitorable, in our view.

Exhibit 64: Revenue from top 5 and 10 accounts over FY20-25

Revenue (USDm)	FY20	FY21	FY22	FY23	FY24	FY25
Top 5	87	89	126	154	189	202
Top 10	115	119	159	189	229	247
Ex Top 10	112	127	172	201	200	195
Revenue per client (USDm)						
Top 5	17	18	25	31	38	40
Top 10	11	12	16	19	23	25
Top 6-10	6	6	6	7	8	9

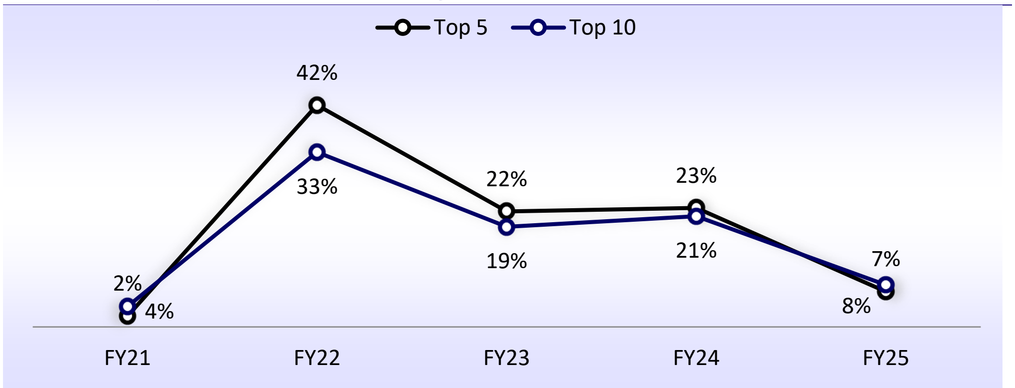
Source: Company, MOFSL

Exhibit 65: Top 5/10 accounts revenue concentration



Source: Company, MOFSL

Exhibit 66: Top 5/10 accounts revenue growth (YoY, %)



Source: Company, MOFSL

We think this structural shift—combined with vertical P&L accountability—is an enabler for sustainable growth. However, in the near term, revenue volatility from a few large clients and slower-than-expected ramp-ups may weigh on overall growth.

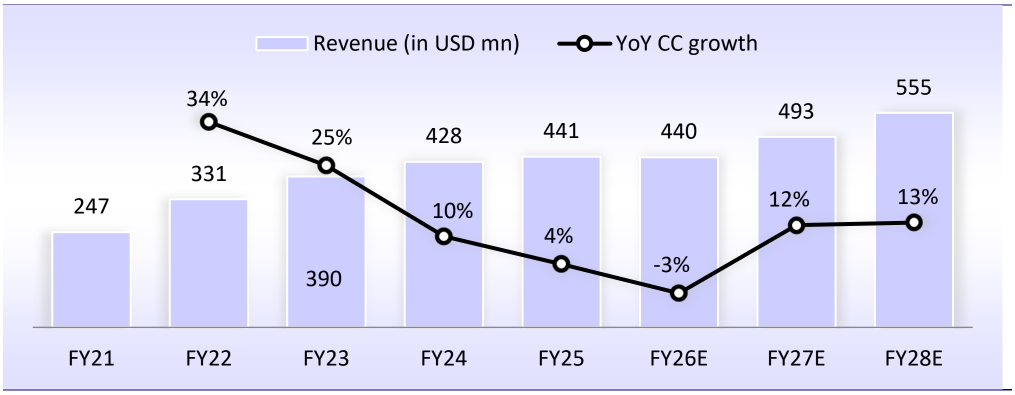
- TELX is evolving its go-to-market structure to better support this account-mining approach. The move from a geo-led sales structure to vertically-aligned business units, along with the implementation of a '2-in-a-box' model—pairing local sales personnel with delivery/solutioning experts—is, in our view, sharpening account focus and ensuring delivery alignment.
- We think this structural shift—combined with vertical P&L accountability—is an enabler for sustainable growth. **However, in the near term, revenue volatility from a few large clients and slower-than-expected ramp-ups may weigh on overall growth.**

D) High-margin structure under pressure amid growth headwinds

- While TELX has historically benefitted from a strong offshore-led model and premium positioning in design-led engineering, the near-term outlook has weakened. Revenue growth has slowed meaningfully, with FY25 revenue at USD441m and CAGR expected to moderate to ~8% over FY25–28E (vs. ~18% in FY20–24), driven by softness in the European automotive market, weak media/healthcare spending, and high client concentration.
- Margin pressures have increased in recent quarters, with EBIT margins down to 18.2% in 1QFY26. The decline reflects a combination of weak topline, increased GTM investments, and pricing resets in large renewals. Structural pricing pressures—especially in renewal business—could constrain margin normalization.
- While TELX continues to maintain a lean cost structure (~90–95% offshore mix) and high delivery efficiency, we expect EBIT margins to gradually recover to ~21.1% in FY26E and stabilize at 24–25% by FY27–28E—well below the historical ~27–28% levels.

While TELX continues to maintain a lean cost structure (~90–95% offshore mix) and high delivery efficiency, we expect EBIT margins to gradually recover to ~21.1% in FY26E and stabilize at 24–25% by FY27–28E—well below the historical ~27–28% levels.

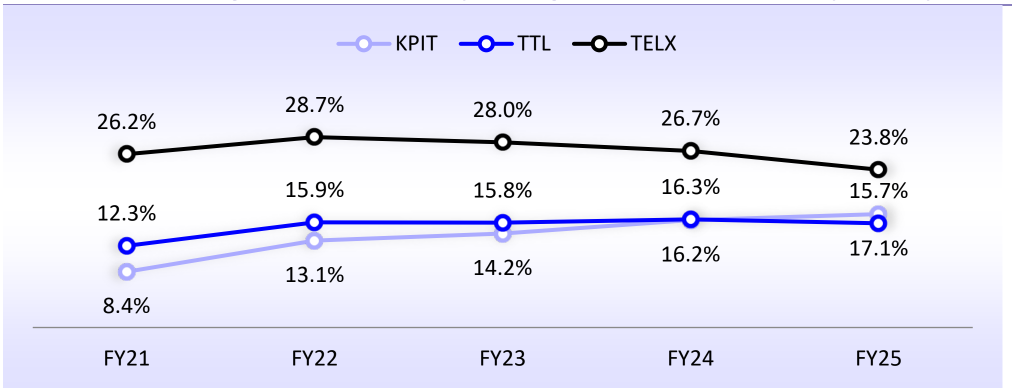
Exhibit 67: Revenue to clock 8% CAGR over FY25-28



Source: Company, MOFSL

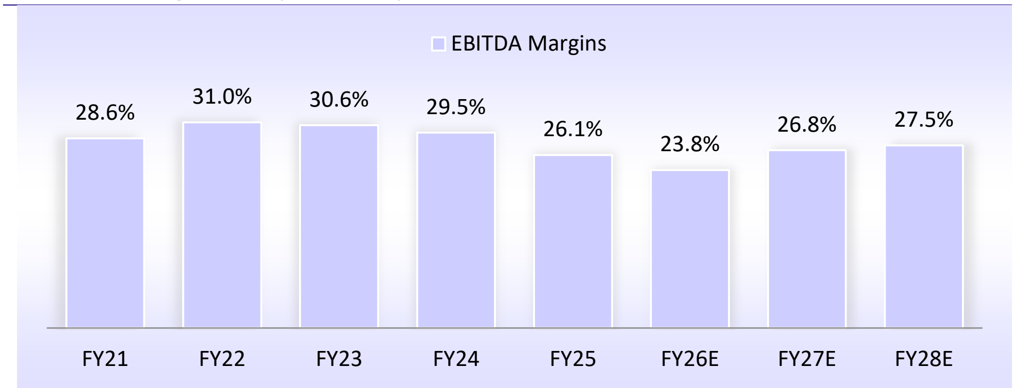
- Growth visibility also remains clouded. Management expects FY26 to be back-ended, but recovery depends on improvement in Europe and a pickup in discretionary tech spends. Utilization continues to lag historical averages (~60–65% vs. peak of ~80%), limiting operating leverage in the near term.
- Wage hikes expected in coming quarters could add near-term pressure, although partially offset by utilization and deal ramp-up. However, with growth still tepid and margins structurally lower, TELX's high-valuation multiples appear difficult to sustain.

Exhibit 68: TELX margin to remain industry-leading due to its offshore-heavy delivery model



Source: Company, MOFSL

Exhibit 69: Margins to expand 150bp over FY25-28



Source: Company, MOFSL

Valuation and view: Initiate coverage with a Sell rating

While TELX continues to deliver a good ROE profile, regaining historical levels will depend on both revenue acceleration and margin normalization.

- Unlike several mid-cap peers, TELX has pursued a largely organic growth strategy. But project delays in Europe and sluggish discretionary tech spends across Automotive and Media are weighing on near-term momentum. Growth also remains heavily concentrated in a few top accounts, many of which are facing their own spending constraints. We expect USD revenue to grow modest by 8% CAGR over FY25-28.
- Margins, once a defining strength for TELX, have come under meaningful pressure—EBIT declined 610bp/190bp YoY/QoQ in 1QFY26, impacted by weak revenue growth, increased GTM investments, and pricing resets during deal renewals. Although the company maintains a lean cost structure and high offshore mix, structural pricing changes in renewal business could limit a full recovery.
- We expect margins to gradually improve to ~21.1% in FY26E and settle at 24–25% by FY27–28E—healthy, but still below the ~27–28% levels seen previously. With top-line growth yet to pick up, further margin upside looks capped. EPS is likely to grow at ~9% CAGR through FY28.
- While TELX continues to deliver a good ROE profile, regaining historical levels will depend on both revenue acceleration and margin normalization.
- Valuations remain steep at ~50x 12M FWD P/E, which we see as difficult to justify given current headwinds. Accordingly, we value TELX at 32x FY27E EPS – an ~20% discount to KPIT's 40x (~2x PEG) to arrive at a **target price of INR4,600** and initiate with a **Sell** rating.

Key risks to our thesis

- OEMs increasingly view vehicles and devices as "software-defined". TELX's design-led + embedded expertise positions it well to capture higher-value digital engineering deals, especially if AI-led automation accelerates demand for re-engineering legacy platforms.
- Current utilization (~60–65%) leaves scope for a sharp operating leverage benefit if demand improves.
- A favorable offshore mix, and pyramid optimization could allow EBIT margins to normalize back toward historical ~27–28% levels faster than modeled.
- If Tier-1s and OEMs front-load spending on electrification and infotainment, TELX's domain-heavy positioning may help it capture outsized wallet share.
- Recent USD100m contract with a broadcaster highlights TELX's credibility in securing large annuity deals. Faster scaling of such wins, combined with 5G rollout, streaming platform and CTV adoption, could accelerate growth in this vertical beyond near-term expectations.
- Policy/regulatory clarity in Healthcare vertical (e.g., smoother MDR adoption, faster FDA approvals) may unlock delayed spending. TELX's IP-led platforms (TEnage, TEDREG) and bio-medical engineering capabilities could enable it to scale this vertical more quickly.

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Bull and Bear cases

Bull Case

- ☑ Revenue is projected to expand at a 10.5% CAGR over FY25-28, led by steady demand in Auto, Media, and Healthcare; strong positioning in design-led ER&D; and scale-up in large strategic accounts.
- ☑ EBITDA margin is expected to expand 220bp to 28.3% by FY28, driven by operating leverage, higher utilization level, and offshore delivery.
- ☑ EPS is expected to clock 12.8% CAGR over FY25-28, driven by margin expansion and steady topline growth.
- ☑ TP of INR6,000, based on 40x FY27E EPS, implies an upside of 8% from current levels.

Bear Case

- ☑ Revenue is expected to expand at an 8.0% CAGR over FY25-28, reflecting slower deal ramp-ups, continued macro pressures in Auto, and limited wallet share gains.
- ☑ EBITDA margin is expected to marginally expand 40bp to 26.5%, constrained by lower revenue growth and slower execution on margin levers.
- ☑ EPS is projected to post a 6.6% CAGR over FY25-28, reflecting tepid revenue growth and flattish margin performance.
- ☑ TP of INR4,000, based on 30x FY27E EPS, implies a downside of 27% from current levels.

Scenario Analysis: Base | Bull | Bear

	Bear				Base			Bull		
INRm, except mentioned	**FY25**	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**
Revenue (USD m)	441	456	506	557	440	493	555	465	525	596
Growth YoY CC(%)		1.0%	11.0%	10.0%	-2.6%	12.0%	12.6%	3.0%	13.0%	13.5%
USD/INR	84.61	84.73	84.00	84.00	86.32	86.72	86.72	84.73	86.00	86.00
Revenue	37,290	38,652	42,509	46,760	37,992	42,734	48,121	39,400	45,163	51,260
EBITDA	9,730	8,890	10,840	12,391	9,052	11,446	13,254	9,850	12,420	14,507
EBITDA Margin (%)	26.1%	23.0%	25.5%	26.5%	23.8%	26.8%	27.5%	25.0%	27.5%	28.3%
EBIT	8,681	7,730	9,777	10,989	8,018	10,378	12,051	8,865	11,291	13,328
EBIT Margin	23.3%	20.0%	23.0%	23.5%	21.1%	24.3%	25.0%	22.5%	25.0%	26.0%
EBT	10,284	9,087	11,273	12,673	9,375	11,874	13,736	10,222	12,786	15,012
Tax Rate(%)	23.7%	25.0%	25.0%	25.0%	25.1%	25.0%	25.0%	25.0%	25.0%	25.0%
PAT	7,850	6,815	8,455	9,505	7,018	8,906	10,306	7,666	9,590	11,259
EPS(INR)	126	109.42	135.74	152.59	112.68	142.98	165.45	123.08	153.96	180.76
Growth(%)		-13%	24%	12%	-11%	27%	16%	-2%	25%	17%
P/E Multiple				30			32			40
TP				**4,000**			**4,600**			**6,000**
Upside /Downside				**-27%**			**-18%**			**8%**

SWOT analysis – TELX

- ☑ Industry-leading EBIT margins backed by 90-95% offshore delivery model.
- ☑ Strong strategic client relationships with OEMs like JLR, Panasonic, Comcast, Suzuki, and Siemens.
- ☑ Scalable, IP-led platform strategy (AUTONOMAI, TETHER, QoEtient, TEngage) enhances client stickiness and deal velocity.
- ☑ High return ratios and consistent cash generation without inorganic growth dependency.

- ☑ High revenue dependence on Transportation (~54%) and JLR (~35%) raises concentration risk.
- ☑ Minimal penetration among US-based OEMs due to strict commercial terms and liability norms.
- ☑ Healthcare and Media verticals still sub-scale and impacted by regulatory and macro uncertainties.

- ☑ Shift to SDVs, connected/autonomous EVs, and digital health solutions align with TELX's design + domain strengths.
- ☑ Strategic wins (e.g. EUR50m auto deal, USD100m media contract, medtech digitization) deepen presence across verticals.
- ☑ Expansion of vertical-aligned GTM model and IP monetization potential in maturing platforms.

- ☑ Ongoing macro headwinds in Europe, softness in Media/Healthcare may delay recovery.
- ☑ Delay in discretionary tech spends and prolonged auto sector softness could drag top-line growth.
- ☑ Regulatory changes (e.g. EU MDR, US FDA policies) could impact go-to-market in the MedTech vertical.

Management team – TELX

Mr. N. Ganapathy Subramaniam (NGS)

Chairman

Mr. NGS is Chairman and Non-executive Director of the Board at TELX. He has been part of the Indian IT industry for 40 years. Prior to TELX, he served as the Chief Operating Officer at TCS. He has played a strategic role in several landmark initiatives across the banking, telecom, and public service sectors globally.

Mr. Manoj Raghavan

CEO & Managing Director

Mr. Raghavan has over 27 years of industry experience. Prior to taking over the role of CEO & MD, he served as the Executive Vice President and Head of the embedded product design (EPD) division, spearheading sales, overall delivery, and P&L for this division.

Mr. Nitin Pai

Chief Marketing and Chief Strategy Officer

Mr. Pai has been associated with TELX for 29 years. He has led the branding and business development portfolio for IP and solutions, including Autonomai—TELX's proprietary platform. He holds an engineering degree from Birla Institute of Technology and Science, Pilani.

Mr. Gaurav Bajaj

Chief Financial Officer

Mr. Bajaj has been associated with TELX for over three years. He is also a Chartered Accountant and holds a bachelor's degree in Commerce from Delhi University. He has played a key role in shaping TELX'S financial strategy, contributing to the company's financial performance.

Mr. Rajagopalan S

Chief Human Officer

Mr. Rajagopalan S has been associated with TELX for over 25 years. He holds a master's degree from IIM Bangalore. Prior to taking on his current role, he served as Corporate Manager, HR, at TELX for 20 years.

Mr. RajaGopalan Rajappa

Chief Technology Officer

Mr. Rajappa has been associated with the company for 28 years. Prior to joining TELX, he served as a faculty member at Vellore Institute of Technology.

Financials and valuations – TELX

Consolidated - Income Statement (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	**18,262**	**24,708**	**31,447**	**35,521**	**37,290**	**37,992**	**42,734**	**48,121**
Change (%)	13.4	35.3	27.3	13.0	5.0	1.9	12.5	12.6
Employees Cost	13,038	17,050	21,834	25,057	27,561	28,941	31,287	34,866
Total Expenditure	**13,038**	**17,050**	**21,834**	**25,057**	**27,561**	**28,941**	**31,287**	**34,866**
% of Sales	71.4	69.0	69.4	70.5	73.9	76.2	73.2	72.5
Gross Profit	**5,224**	**7,658**	**9,613**	**10,464**	**9,730**	**9,052**	**11,446**	**13,254**
SG&A	0	0	0	0	0	0	0	0
EBITDA	**5,224**	**7,658**	**9,613**	**10,464**	**9,730**	**9,052**	**11,446**	**13,254**
% of Sales	28.6	31.0	30.6	29.5	26.1	23.8	26.8	27.5
Depreciation	444	557	814	994	1,049	1,034	1,068	1,203
EBIT	**4,780**	**7,101**	**8,799**	**9,470**	**8,681**	**8,018**	**10,378**	**12,051**
% of Sales	26.2	28.7	28.0	26.7	23.3	21.1	24.3	25.0
Other Income	338	351	576	1,017	1,603	1,357	1,496	1,684
PBT	**5,119**	**7,452**	**9,375**	**10,487**	**10,284**	**9,375**	**11,874**	**13,736**
Total Tax	1,437	1,958	1,823	2,564	2,435	2,356	2,968	3,430
Tax Rate (%)	28.1	26.3	19.4	24.5	23.7	25.1	25.0	25.0
Reported PAT	**3,681**	**5,494**	**7,552**	**7,922**	**7,850**	**7,018**	**8,906**	**10,306**
Change (%)	43.7	49.2	37.5	4.9	-0.9	-10.6	26.9	15.7
Margin (%)	20.2	22.2	24.0	22.3	21.1	18.5	20.8	21.4
Minority Interest	0	0	0	0	0	0	0	0
Adjusted PAT	**3,681**	**5,494**	**7,552**	**7,922**	**7,850**	**7,018**	**8,906**	**10,306**

Consolidated - Balance Sheet (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	623	623	623	623	623	623	623	623
Total Reserves	12,899	15,386	20,235	24,434	27,977	31,651	35,213	39,335
Net Worth	**13,522**	**16,009**	**20,858**	**25,057**	**28,600**	**32,273**	**35,836**	**39,958**
Minority Interest	0	0	0	0	0	0	0	0
Borrowings	605	1,183	1,537	1,812	1,393	1,393	1,393	1,393
Other Long term liabilities	396	398	455	542	568	578	650	732
Capital Employed	**14,522**	**17,590**	**22,849**	**27,410**	**30,560**	**34,245**	**37,879**	**42,083**
Net Fixed Assets	**1,511**	**2,512**	**3,174**	**3,825**	**3,092**	**3,198**	**3,412**	**3,652**
Goodwill	186	203	162	134	88	88	88	88
Capital WIP	73	221	70	22	16	16	16	16
Other Assets	1,484	1,799	1,094	2,521	4,686	4,617	5,762	6,477
Curr. Assets, Loans&Adv.	**13,914**	**16,957**	**23,135**	**25,367**	**27,975**	**31,411**	**33,985**	**37,526**
Account Receivables	4,894	6,728	9,764	9,716	9,715	9,368	10,537	11,865
Cash and Bank Balance	1,004	1,511	1,339	1,332	1,353	5,089	6,219	8,119
Current Investments	7,725	8,294	11,051	12,806	14,992	14,997	15,028	15,063
Other Current Assets	291	424	981	1,513	1,915	1,957	2,201	2,479
Curr. Liability & Prov.	**2,645**	**4,102**	**4,786**	**4,459**	**5,297**	**5,085**	**5,384**	**5,676**
Account Payables	561	843	1,032	856	1,230	1,095	1,184	1,320
Other Current Liabilities	1,957	3,133	3,498	3,218	3,575	3,498	3,708	3,865
Provisions	126	126	256	385	492	492	492	492
Net Current Assets	**11,269**	**12,855**	**18,349**	**20,908**	**22,678**	**26,325**	**28,601**	**31,850**
Appl. of Funds	**14,522**	**17,590**	**22,849**	**27,410**	**30,560**	**34,245**	**37,880**	**42,084**

Financials and valuations – TELX

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic EPS (INR)	59.1	88.3	121.3	127.2	126.0	112.7	143.0	165.5
Cash EPS	66.2	97.2	134.3	143.2	142.8	129.3	160.1	184.8
BV/Share	217.1	257.1	334.9	402.3	459.2	518.2	575.4	641.5
DPS	48.0	42.5	60.6	70.0	75.0	67.6	85.8	99.3
Payout (%)	81.2	48.2	50.0	55.0	59.5	60.0	60.0	60.0
Valuation (x)								
P/E	94.4	63.2	46.0	43.9	44.3	49.5	39.0	33.7
Cash P/E	84.2	57.4	41.5	39.0	39.1	43.2	34.8	30.2
P/BV	25.7	21.7	16.7	13.9	12.2	10.8	9.7	8.7
EV/Sales	18.6	13.7	10.7	9.4	8.9	8.7	7.7	6.8
EV/EBITDA	65.0	44.2	35.0	32.0	34.2	36.3	28.6	24.6
Dividend Yield (%)	0.9	0.8	1.1	1.3	1.3	1.2	1.5	1.8
Return Ratios (%)								
RoE	30.1	37.2	41.0	34.5	29.3	23.1	26.2	27.2
RoCE	22.3	27.1	29.0	24.3	19.8	16.2	19.1	20.1

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	5,119	7,452	9,375	10,487	10,284	9,375	11,874	13,736
Depreciation	444	553	814	994	1,049	1,034	1,068	1,203
Interest & Finance Charges	59	94	162	203	190	0	0	0
Direct Taxes Paid	-1,237	-2,062	-1,848	-2,580	-2,239	-2,213	-3,024	-3,498
(Inc)/Dec in WC	122	-1,002	-3,097	-1,351	-242	89	-1,145	-1,349
Others	-132	-208	-538	-741	-921	-1,346	-1,424	-1,602
CF from Operations	**4,374**	**4,827**	**4,867**	**7,012**	**8,120**	**6,938**	**7,350**	**8,489**
(Inc)/Dec in FA	-388	-712	-637	-830	-162	-1,140	-1,282	-1,444
Free Cash Flow	**3,986**	**4,116**	**4,230**	**6,182**	**7,959**	**5,799**	**6,068**	**7,045**
(Pur)/Sale of Investments	-4,244	-656	-1,695	-2,745	-3,741	-75	-1,090	-646
Others	255	285	313	874	820	1,357	1,496	1,684
CF from Investments	**-4,377**	**-1,083**	**-2,019**	**-2,701**	**-3,083**	**142**	**-876**	**-406**
Inc/(Dec) in Debt	-237	-271	-381	-498	-612	0	0	0
Interest Paid	0	-1	-4	-7	-14	0	0	0
Dividend Paid	-1,028	-2,989	-2,647	-3,774	-4,359	-3,345	-5,343	-6,183
CF from Fin. Activity	**-1,265**	**-3,261**	**-3,031**	**-4,278**	**-4,986**	**-3,345**	**-5,343**	**-6,183**
Inc/Dec of Cash	**-1,268**	**483**	**-183**	**33**	**51**	**3,736**	**1,131**	**1,899**
Forex Adjustment	-12	20	10	-39	-31	0	0	0
Opening Balance	2,284	1,007	1,511	1,338	1,331	1,352	5,088	6,218
Closing Balance	**1,007**	**1,511**	**1,338**	**1,331**	**1,352**	**5,088**	**6,218**	**8,118**

ESG initiatives

Environment

TELX

- TELX reduces waste through awareness and responsible disposal, promoting recycling, and supporting United Nations sustainable development goals (UN SDGs) through initiatives such as water treatment and recharge facilities.
- The company's Battery Passport platform leverages AI, ML, and blockchain to improve battery lifecycle management, ensure data transparency, and promote shared responsibility across the EV supply chain.

KPIT

- KPIT aims for net-zero emissions by 2030, focusing on minimizing operational footprints and promoting sustainable practices across all business aspects.

TTL

- The company focuses on vehicle light-weighting, digital product design, and sustainable facilities management to minimize environmental impact across the product lifecycle.

Social

TELX

- TELX undertakes skill-building initiatives aimed at empowering women through vocational training, entrepreneurship development, and mentorship
- Through the social activity forum of Elxsians (SAFE), employees volunteer in community services, such as blood donation drives, tree plantations, school teaching, and rural development work.

KPIT

- KPIT has adopted 177 schools in Pune and Karnataka under the 'Chhote Scientists' initiative, promoting STEM education and providing scholarships to underprivileged students.
- The company has also established vocational training centers to equip youth with practical skills in IT, electronics, and related fields, enhancing their employability.

TTL

- **Initiatives like 'I GET IT' and the transformation of training institutes into Centers of Excellence are focused on skill development and career advancement, aimed at building a skilled workforce for future challenges**.

Governance

KPIT

- KPIT holds a 'Low Risk' ESG rating of 18.8 from Sustainalytics, ranking 281st out of 939 companies in the software & services industry group.

TTL

- TTL holds a 'Low Risk' ESG rating of 19.5 from Sustainalytics, ranking 331st out of 941 companies in the software & services industry group.
- The company's governance strategies are aligned with global frameworks such as the **UN SDGs**, ensuring that its operations contribute positively to global sustainability efforts.

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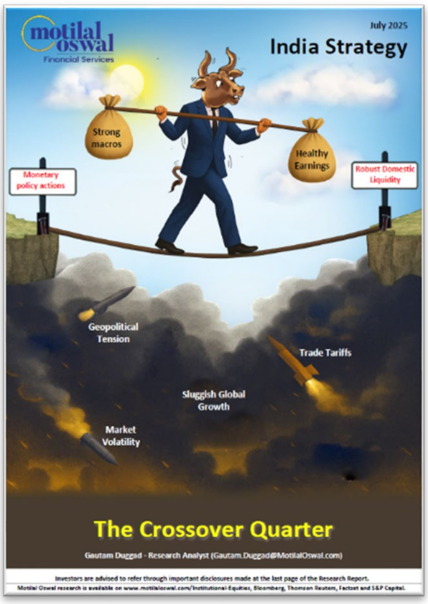

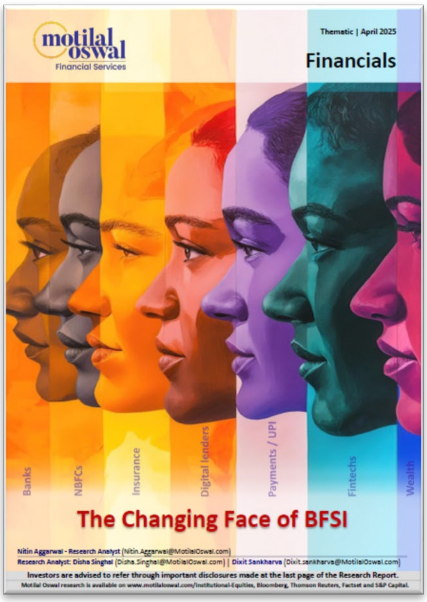

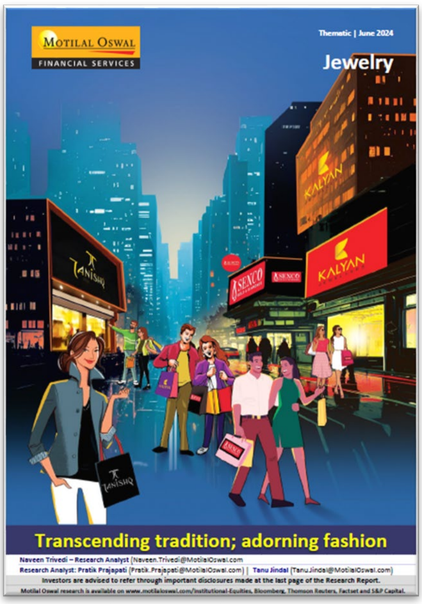

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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