

Tata Tech in talks with banks; IPO likely this FY

This is likely to be Tata Group's first IPO since the TCS listing in 2004

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After almost 18 years, a Tata Group firm is planning to sell shares to retail investors, with Tata Technologies — the profit-making arm of Tata Motors — planning to list its shares in the current financial year and use the proceeds to expand its business to new clients.

Once launched, the initial public offer (IPO) will be the first from the Tata group since the group holding firm, Tata Consultancy Services (TCS) listed its shares in 2004. Bankers said the company is in talks with several banks, including Citibank to manage the share sale. Tata Motors owns 74 per cent stake in Tata Technologies and rest by Tata group companies. The talks on the size of the issue and dilution is currently on.

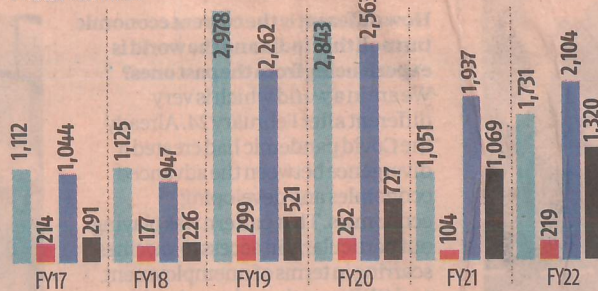
"The Tata group is likely to dilute about 25 per cent with the share sale though a final decision will be taken once the markets improve," said a banker close to the development.

As of now, about 40 per cent of Tata Technologies

COMPANY FINANCIALS

Figures in ₹ crore

- Sales turnover
- Profit after tax
- Total assets
- Total liabilities



Numbers for Tata Technologies Source: Capitaline Compiled by BS Research Bureau

income comes from its top two captive customers — Tata Motors and JLR — which, analysts said, poses a significant revenue concentration risk for the company. Bankers said the company earns its income from three industrial segments, viz., automotive, aerospace and industrial machinery, but derives the maximum chunk of its revenue from the automobile segment.

According to data submitted by the company, it earned revenues of ₹2,648 crore in the first nine months

of the fiscal year ending March 2022 and net profit of ₹330 crore.

Tata Group officials declined to comment on the IPO plans. The Tata Group company's share sale comes at a time when several top companies are planning to list their unlisted companies to unlock value for the holding firms.

Bankers said the Tata group companies are planning to bring down their debt across group companies and the listing the technology arm by Tata Motors will help the company to unlock value and

reduce debt by selling part of its stake in the company. "Earlier the Tata group was planning to sell the stake to a private equity firm but that plan has been shelved," the source said.

Apart from the Tatas, Reliance Industries — India's biggest company in market capitalisation — is planning to list its wireless telephony and retail arms. An announcement by RIL is expected at the forthcoming annual general meeting of the shareholders.

In the first half of 2022, 50 companies have filed their draft red herring prospectus (DRHP) with the Securities and Exchange Board of India (Sebi), so as to raise funds. This is the highest number of filings for IPOs since 2007, statistics by PRIME Database shows. Bankers said the surge is on the back of strong momentum seen in the initial public offering (IPO) market in 2021 and many companies may have either put on hold or abandoned their issue plan because of volatile market conditions, the broader markets' crash, and drying up of liquidity after the Reserve Bank of India raised rates.