October 06, 2026

India | IT Services |
Thematic Research

JM Financial

ER&D Services

Designing the Next Wave



Global ER&D spend of ~USD 2.5tn by 2030; product complexity, AI to drive demand

Low outsourcing, India's talent edge to aid Indian ER&D to grow 11-15%

GCC's and engineering service providers remain complementary and likely to co-exist

JM Financial Institutional Securities Limited

ER&D Services

Designing the Next Wave

Global enterprise ER&D spending is expected to increase from ~USD 1.5tn in 2024 to ~USD 2.5tn by 2030E, implying a CAGR of ~8%. Rising technology intensity, product complexity and faster development cycles are driving investments in software-defined products, GenAI-enabled engineering, autonomous systems, electrification, IoT, edge computing, digital twins, robotics and smart manufacturing.

ER&D outsourcing should benefit from talent scarcity, engineering complexity, shorter development cycles and the need for flexible capacity. Given outsourcing penetration is still low at 5.3%, outsourced ER&D spend could expand at ~9% CAGR through 2030E.

India remains structurally well positioned to capture this opportunity supported by a deep engineering talent pool, a 50–65% cost advantage versus developed markets and mature global delivery infrastructure. Accordingly, the ER&D services market addressable by Indian providers could enlarge from ~USD 20.5bn in 2024 to USD 38.5–46.5bn by 2030E, implying a CAGR of 11–15% across NASSCOM's baseline-to-accelerated growth scenarios.

We are initiating coverage on LTTS at ADD with a TP of INR 3,575, valuing it at 22x FY28E EPS, implying a discount of ~12% to our target multiple of ~25x for the Indian ER&D sector. While we remain constructive on the medium-term opportunity and vertical diversification, near-term execution needs to be monitored.

We are also initiating coverage on Tata Elxsi at REDUCE with a TP of INR 3,200, valuing it at 25x FY28E EPS, in-line with our target Indian ER&D sector valuation. While the medium-term opportunity for the company and its strong track record of execution are inspiring, near-term growth visibility remains weak.

AI – Reshaping rather than simply deflating ER&D: AI can reduce manual effort in coding, testing, documentation and repetitive design, but savings could be reinvested into additional product features, faster release cycles, higher-fidelity simulation and broader validation. AI-native products should also create new engineering demand across embedded AI, edge computing, sensors, model integration, safety engineering and custom silicon.

Pure-play ER&D versus IT Services: ER&D differs structurally from IT Services because it sits much closer to clients' products, revenue and innovation engines. While IT Services primarily improves enterprise operations through applications, cloud, infrastructure and process transformation, ER&D providers help design, validate and industrialise products, platforms, embedded software and IP. This requires more specialised and less fungible domain talent, involves technical buyers such as Chief Engineers/Product Owners, and embeds vendors deeply across multi-year product lifecycles, creating stronger client stickiness.

GCCs and ESPs – Increasingly complementary: ER&D sourcing is increasingly moving from an insource/outsource model towards hybrid models with GCCs retaining product strategy, differentiated IP and strategic governance while *ER&D Service Providers* (ESPs) provide specialist skills, flexible capacity and execution support. GCCs and ESPs are therefore complementary—with ESPs operating via models such as Build-Operate-Transfer and GCCs enabling enterprises to retain core capabilities while leveraging external partners for speed, scale and niche expertise.

ER&D verticals: Automotive remains a large ER&D spender while software and internet vertical is the largest and growing fast. Overall, the structural drivers for ER&D spending and outsourcing remain intact, although the pace of spending and outsourcing can vary with end-market demand, macro conditions and client priorities.

Exhibit 1: JMF ER&D coverage universe

Company	CMP	Market cap (USDm)	Reco.	Target price	Upside	Revenue growth (cc YoY)			EPS growth			P/E		
						FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Tata Technologies	703	2,960	REDUCE	730	3.8%	21.5%	11.4%	10.5%	28.5%	14.9%	9.0%	35.3x	30.8x	28.3x
KPIT Technologies	493	1,401	REDUCE	505	2.7%	-0.7%	6.7%	9.8%	-22.3%	35.2%	14.1%	22.5x	16.6x	14.6x
L&T Technology Services	**3,252**	**3,578**	**ADD**	**3,575**	**9.9%**	3.5%	8.8%	9.1%	19.0%	13.4%	9.7%	22.7x	20.0x	18.2x
Tata Elxsi	**3,093**	**1,999**	**REDUCE**	**3,200**	**3.5%**	6.0%	8.7%	11.8%	11.7%	14.1%	17.3%	27.4x	24.0x	20.5x

Source: JM Financial estimates

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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Table of Contents

Focus Charts 4

Valuation 5

Key Risks 8

Industry Overview 9

ER&D Verticals 16

Pureplay ER&D versus IT services players 34

Peer Comparison 38

Initiation of Coverage

L&T Technology Services 46

Tata Elxsi 78

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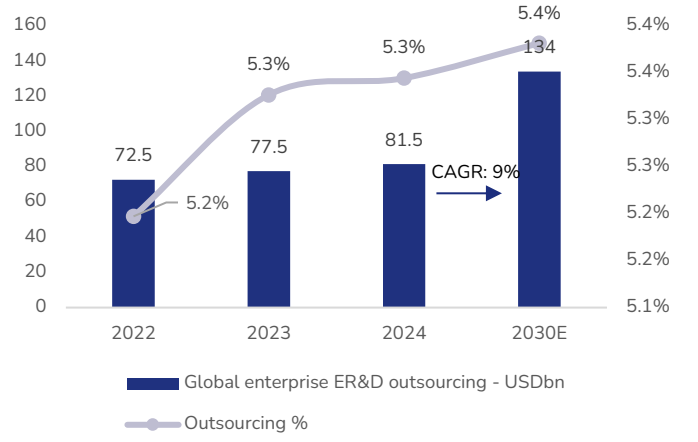
Indian IT converging to Global IT valuations a key worry



AI uncertainty remains; FCF yield to provide stabilisation

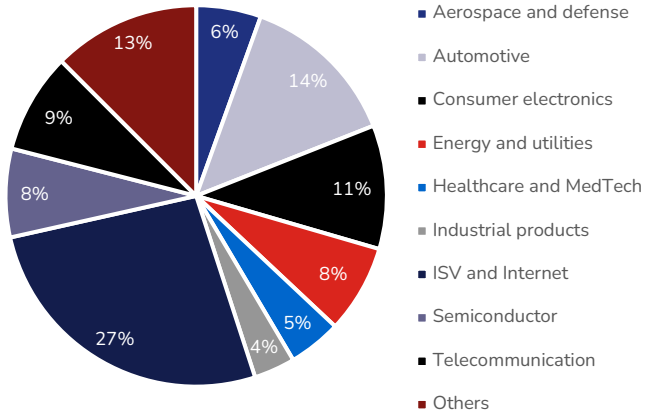
Focus Charts

Exhibit 2: Global enterprise ER&D outsourcing (USD bn)



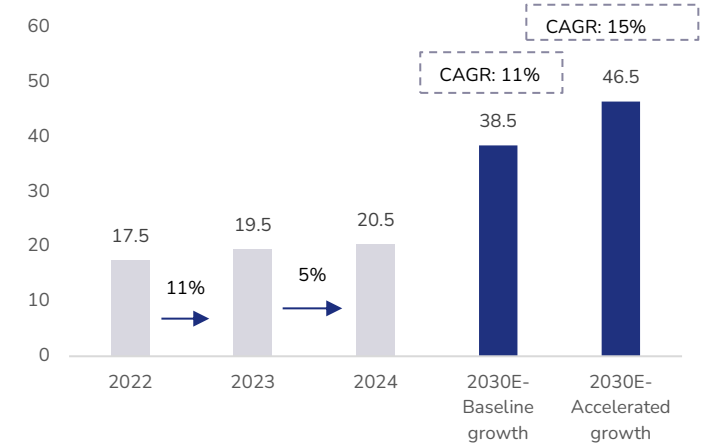
Source: Nasscom, JM Financial

Exhibit 3: Share of verticals in global ER&D spends – 2024 (%)



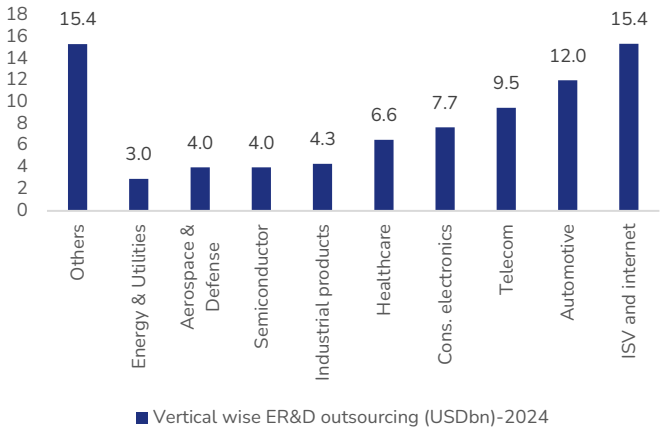
Source: Nasscom, JM Financial

Exhibit 4: ER&D market addressed by Indian providers (USD bn)



Source: Nasscom, JM Financial

Exhibit 5: Global ER&D outsourcing by vertical (USD bn) – 2024



Source: Nasscom, JM Financial

Exhibit 6: Comparison of IT services and ER&D players

Dimension	IT Services	ER&D Services
Value proposition	Enterprise enabler focused on technology transformation, operational efficiency and cost optimisation	Innovation/revenue enabler focused on products, platforms and IP that clients commercialise
Talent & buyer	More horizontal delivery model; decisions typically led by CIO/business unit heads	Specialised domain talent across embedded, mechanical, electronics, semiconductors and systems; buyers include Chief Engineers and Product Owners
Client integration	Supports enterprise applications, infrastructure and transformation programs	Can span architecture, validation, certification, manufacturing transfer and field-performance feedback
Stickiness/ switching cost	Contracts are more commonly re-bid; more replaceable/rate-card focused	Programs can continue across product generations; switching can delay launches by several quarters and affect innovation roadmaps
Win factors/ barriers	Global delivery scale and competitive rates	Engineering excellence, domain expertise, platform experience, co-innovation, specialised assets/infrastructure

Source: Company, JM Financial

Exhibit 7: Growth runway comparison – IT services versus ER&D players

Dimension	IT Services	ER&D Services
Outsourcing maturity	~46% of enterprise IT activities have already been outsourced globally over the past two decades	Only 5–6% of engineering activities have moved offshore
AI impact	In the near-term, certain traditional IT areas may see effort-based revenue compression as productivity rises	AI productivity is more likely to be reinvested into higher-value product development, validation and next-generation design
Structural growth drivers	Outsourcing is relatively mature. New outsourcing opportunities will likely open- to be monitored	Semiconductors, aerospace, defence, medical technology, energy transition, SDVs, full vehicle programs, industrial automation and AI-enabled products
Investment horizon	Focused more on enterprise transformation/efficiency	Product-development cycles can extend 20–30 years; ER&D investments are therefore more likely to be resilient across cycles

Source: Company, Gartner, Grandview research, JM Financial

Valuation

How to look at valuations for ER&D companies?

There are two key factors to consider while valuing ER&D companies.

- **First**, the sector's structural growth potential: ER&D outsourcing penetration remains relatively low at ~5.3%, leaving significant headroom for further outsourcing. As a result, outsourced ER&D spend could compound at ~9% annually through 2030E. India remains structurally well positioned to capture this opportunity, supported by a deep engineering talent pool, a 50–65% cost advantage versus developed markets and mature global delivery infrastructure.

  Accordingly, the ER&D services market addressable by Indian providers could expand from ~USD 20.5bn in 2024 to USD 38.5–46.5bn by 2030E, implying a CAGR of 11–15% under NASSCOM's base-to-accelerated scenarios. The structural growth opportunity and lower outsourcing penetration, in our view, support ER&D companies trading at premia to traditional IT services companies.

- **Second**, relative growth across ER&D and IT Services companies is an important determinant of the premium. While the addressable ER&D market is structurally growing faster, valuations should ultimately reflect the growth differential at the company level. A higher-growth ER&D company can command a premium over IT Services companies, but this premium can compress once/in case revenue growth slows or converges with that of traditional IT Services companies.

  In other words, the sector's structural growth opportunity supports a premium valuation, while near-term growth delivery determines the extent of that premium.

The combination of these two factors helps explain the recent correction in ER&D valuations. The long-term structural opportunity remains intact, but slower near-term growth across several ER&D companies has led to a moderation in the valuation premium. **Hence, we argue the appropriate valuation framework for ER&D companies is a function of both the structural growth premium of the sector and the company-specific growth differential versus IT Services.**

Our ER&D basket, comprising KPIT, LTTS, Tata Elxsi and Tata Tech, currently trades at ~25x 1-year forward consensus EPS, representing a 56% premium to NSEIT at 16x. This premium has narrowed from 105% to 50% as the basket's growth has moderated from 14% to 2% over FY24–26. In addition, the current ER&D basket multiple of 25x 1-year forward consensus EPS, is also 1.7x SD below its 5-year mean, suggesting that a meaningful part of the near-term growth moderation is already reflected in valuations.

We, therefore, remain selective within the ER&D sector and prefer LTTS (ADD rating). In our view, LTTS offers a combination of structural ER&D exposure, strengthening large-deal momentum and a potential margin recovery, not to mention its current valuation provides a reasonable entry point despite near-term execution being a key variable to monitor.

LTTS: Initiate at ADD with TP of INR 3,575

We value the stock at ~22x FY28E EPS, a discount of ~12% to our target FY28E multiple of ~25x for the Indian ER&D sector given execution risks. We estimate revenue (USD)/EBIT would clock a 6%/17% CAGR over FY26–28E. As a result, PAT would compound at a 17% over FY26–28E. The stock is trading at ~23x 1Y forward consensus EPS versus 5Y average PE of 33x and 1.6x SD below 5Y mean. Initiating coverage on LTTS at ADD with a TP of INR 3,575.

Tata Elxsi: Initiate at REDUCE with TP of INR 3,200

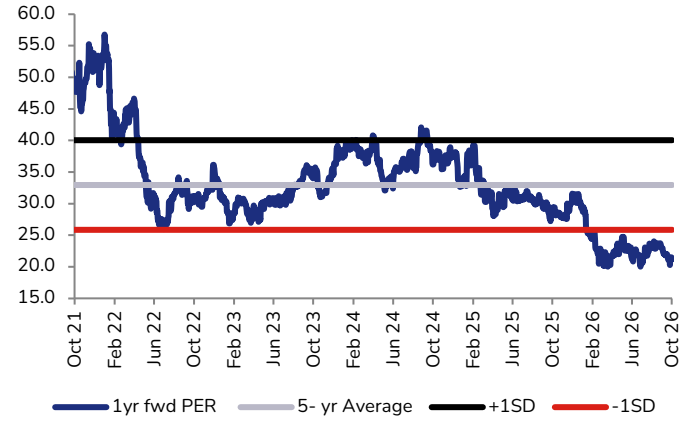
We value the stock at 25x FY28E EPS, largely in-line with the Indian ERD sector valuation of ~25x FY28E, despite soft near-term growth visibility, given strong execution in the past. We estimate its revenue (USD)/EBIT would clock a 6%/10.5% CAGR over FY26–28E. As a result, PAT would log a ~13% CAGR over FY26–28E. The stock is trading at ~23x 1Y forward consensus EPS versus 5Y average of ~36x and ~1SD below 5Y mean. Initiating coverage on Tata Elxsi at REDUCE with a TP of INR 3,200.

Exhibit 8: ER&D comparables domestic and global — A valuation snapshot

Company	CMP (LC)	Mcap (USD m)	P/E FY27	P/E FY28	P/E FY29	PEG	EV/EBITDA FY27	EV/EBITDA FY28	EV/EBITDA FY29	EV/Sales FY27	EV/Sales FY28	EV/Sales FY29
India												
Tata Tech	703	2,960	35.4x	30.1x	26.8x	2.0x	24.2x	20.9x	18.7x	4.1x	3.7x	3.3x
KPIT	493	1,401	22.2x	16.2x	13.7x	0.6x	10.6x	8.8x	7.7x	1.9x	1.8x	1.6x
Tata Elxsi	3,093	1,999	25.2x	21.3x	NA	n.m.	19.1x	15.9x	13.8x	4.2x	3.9x	3.5x
L&T TS	3,252	3,578	22.9x	20.0x	17.9x	1.6x	14.0x	12.5x	11.2x	2.6x	2.4x	2.2x
Cyient	1,119	1,216	19.6x	15.7x	13.7x	0.8x	9.2x	7.7x	6.9x	1.3x	1.2x	1.1x
***Average**			**26.9x**	**22.7x**	**16.4x**		**17.5x**	**15.2x**	**13.5x**	**3.3x**	**3.0x**	**2.7x**
Global												
Alten	79	2,577	10.8x	9.7x	9.1x	1.1x	6.0x	5.6x	5.3x	0.7x	0.6x	0.6x
Bertrandt	9	82	-3.3x	11.1x	4.8x	NA	10.1x	3.1x	2.7x	0.2x	0.2x	0.2x
EDAG	3	118	-23.9x	9.0x	5.7x	NA	9.2x	5.5x	4.7x	0.5x	0.5x	0.5x
Desay SV	79	6,599	16.7x	13.9x	12.1x	0.8x	12.1x	10.2x	9.3x	1.3x	1.1x	1.0x
AFRY	105	1,248	10.1x	8.4x	7.7x	0.6x	7.0x	6.1x	5.8x	0.7x	0.7x	0.6x
Etteplan	8	186	14.2x	10.1x	9.9x	0.5x	7.6x	6.2x	5.7x	0.8x	0.7x	0.7x
Assytem	33	479	11.6x	10.9x	10.1x	1.4x	6.6x	6.5x	6.0x	0.6x	0.6x	0.6x
Thundersoft	53	3,407	37.6x	30.1x	24.2x	1.2x	18.1x	14.6x	12.3x	2.3x	1.9x	1.6x
Arcsoft	29	1,607	39.5x	29.8x	22.2x	0.9x	30.9x	23.5x	17.1x	9.4x	7.9x	6.6x
***Average**			**21.3x**	**17.6x**	**14.6x**		**13.6x**	**11.2x**	**9.6x**	**2.1x**	**1.8x**	**1.5x**

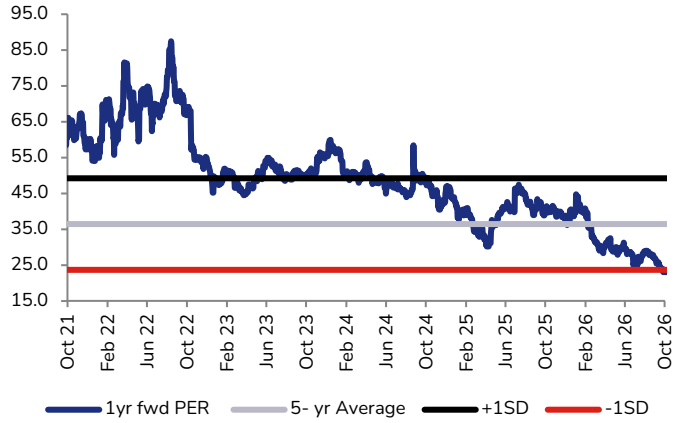
Source: Bloomberg, JM Financial
Note: *Market-cap weighted averages. Average of Indian players does not include Cyient. **PEG is calculated using FY28 P/E and EPS CAGR over FY27-29E.

Exhibit 9: LTTS: 1Y forward PER (consensus estimates)



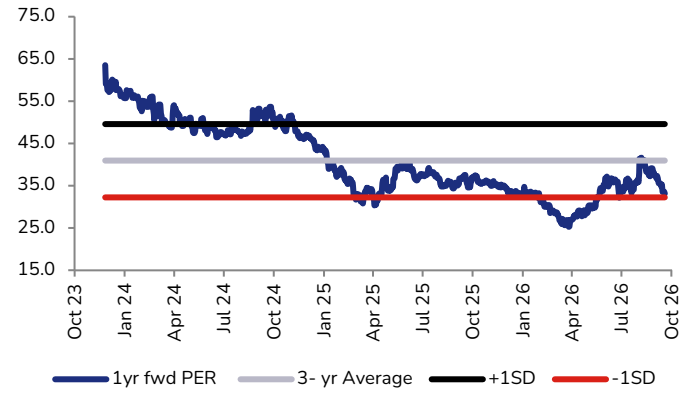
Source: Bloomberg, JM Financial

Exhibit 10: Tata Elxsi: 1Y forward PER (consensus estimates)



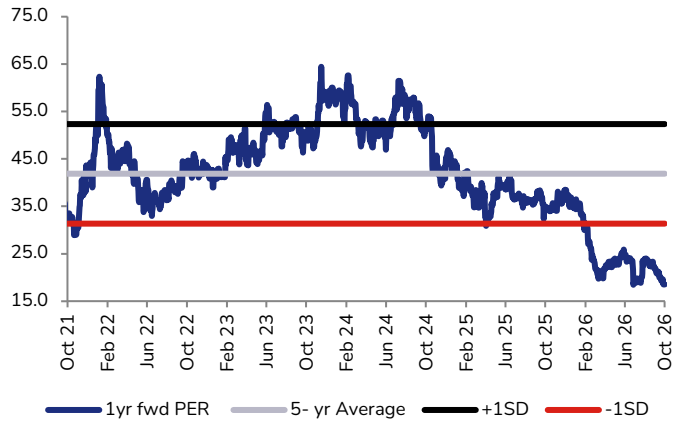
Source: Bloomberg, JM Financial

Exhibit 11: Tata Technologies: 1Y forward PER (consensus estimates)



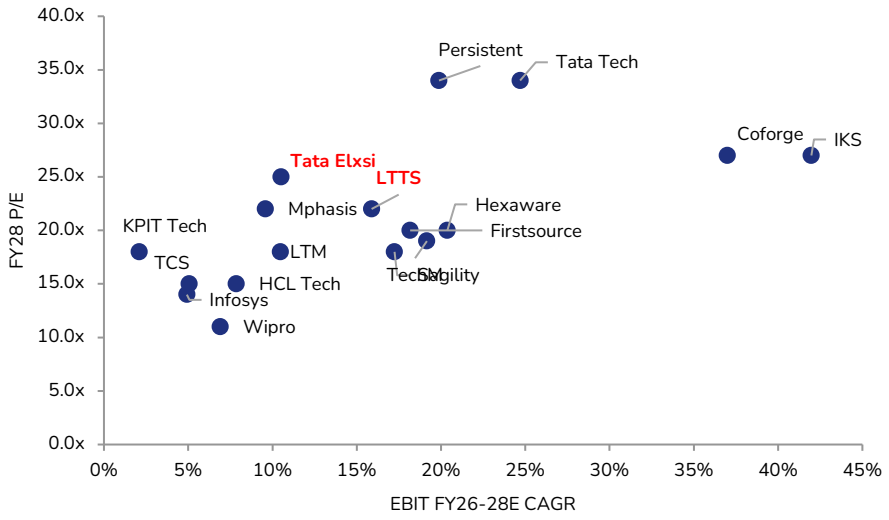
Source: Bloomberg, JM Financial

Exhibit 12: KPIT: 1Y forward PER (consensus estimates)



Source: Bloomberg, JM Financial

Exhibit 13: Peer comparison: EBIT FY26–28E CAGR versus FY28E PER based on JMFe



Source: Company, JM Financial estimates

Key Risks

Geopolitical fragmentation and regulatory complexity

Rising geopolitical tensions, trade restrictions, technology decoupling and localisation mandates are increasing complexity for global ER&D programs. Greater emphasis on data sovereignty, local IP protection and regulatory compliance—including AI, privacy and ESG frameworks—could restrict or add complexity to outsourcing led delivery models, alternatively they could raise compliance costs and lengthen certification cycles.

Supply-chain constraints and product-cycle disruptions

Persistent shortages of critical components and raw materials can delay engineering programs, constrain product launches and alter customer R&D priorities. Macro uncertainty and geopolitical tensions bring particular emphasis to supply chain disruptions. In Automotive, softer EV demand and changes in propulsion strategies have already led some OEMs to moderate capex and defer SDV/E/E programs, creating near-term volatility for ER&D vendors exposed to these areas.

Client, vertical and geographic concentration

ER&D providers can remain materially exposed to a small number of large customers, end-markets or geographies, traditionally they have been particularly exposed to European Automotive customers. Delays, insourcing initiatives or product-strategy changes at a few anchor clients can therefore materially affect growth, utilisation and margins, making diversification across customers and verticals an important risk mitigant.

AI-led disruption and rapid technology change

AI can improve engineering productivity, but it also creates disruption risk for traditional delivery models and lower-value engineering work where high productivity asks may deflate revenues. AI adoption can offset this, however, reliability concerns, and limited applicability in safety-critical use cases may slow adoption. Additionally, Providers that fail to build capabilities across AI, and next-generation engineering platforms risk losing relevance as client requirements evolve.

In-sourcing, GCC expansion and changing sourcing models

Global enterprises are increasing investments in captive GCCs and proprietary engineering capabilities, particularly in strategically important areas such as embedded software, platforms and product IP. This could limit wallet-share gains for third-party ESPs and increase pricing pressure. AI-driven automation may simultaneously reshape the type of work retained within captive centres versus outsourced to specialist providers.

Talent scarcity, cyber risks and competition from nearshore

ER&D service providers require scarce talent combining domain engineering, software, AI and systems expertise to deliver their services. This can potentially lead to wage inflation and execution risks. At the same time, increasingly connected and software-defined products raise cybersecurity and IP-protection requirements while narrowing cost arbitrage. Additionally, the expansion of nearshore centres in Eastern Europe and Latin America could challenge the relative attractiveness of traditional offshore delivery locations.

Industry Overview

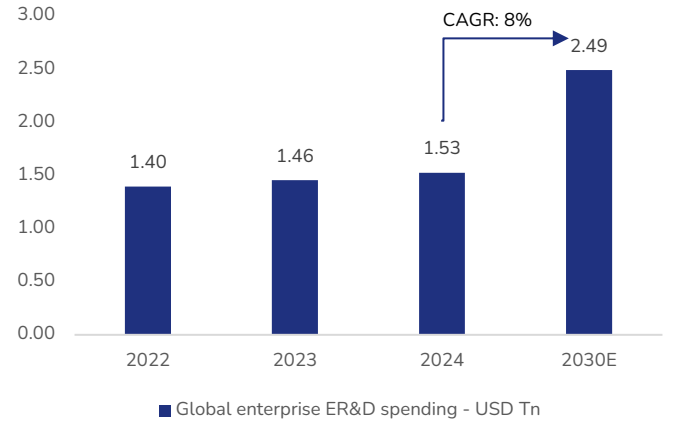
Global enterprise ER&D spending

Global enterprise ER&D spending is expected to grow from ~USD 1.5tn in 2024 to ~USD 2.5tn by 2030E (Nasscom-Everest), implying a CAGR of ~8% supported by a broad-based increase in technology intensity across products and manufacturing processes. The convergence of hardware, software and AI is driving investments in software-defined and connected products, generative AI-enabled engineering, autonomous systems, electrification in Auto, IoT, edge computing, digital twins, robotics and smart manufacturing. Enterprises are also increasingly prioritising faster time-to-market as product-development cycles lengthen and competitive intensity rises from digital-native and emerging-market players.

ER&D outsourcing should benefit from a combination of talent scarcity, increasing engineering complexity, the need for faster product development and need for greater flexibility in scaling capabilities. As products become more software-defined, enterprises increasingly require hybrid skill sets spanning traditional engineering, embedded software, AI, data, cybersecurity and systems integration, capabilities that can be difficult and time-consuming to build entirely in-house.

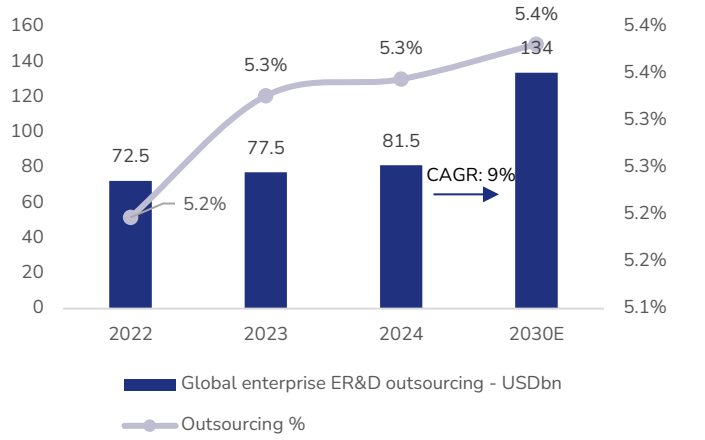
This is driving greater use of external engineering partners and global delivery hubs such as India. While outsourcing penetration remains relatively low at ~5.3%, these structural drivers should support a CAGR of~9% in outsourced ER&D spend through 2030E.

Exhibit 14: Global enterprise ER&D spending (USD tn)



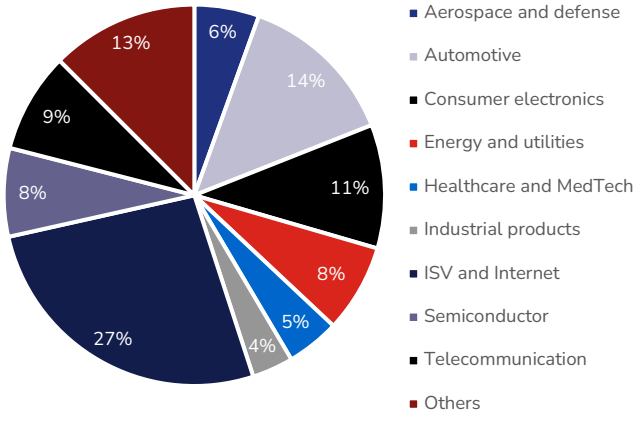
Source: Nasscom, JM Financial

Exhibit 15: Global enterprise ER&D outsourcing (USD bn)



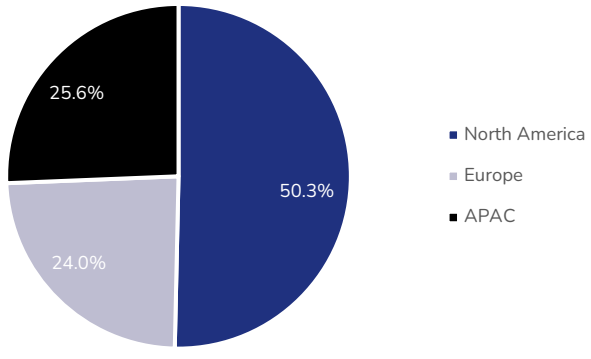
Source: Nasscom, JM Financial

Exhibit 16: Share of verticals in global ER&D spends – 2024



Source: Nasscom, Everest, JM Financial

Exhibit 17: Share of global ER&D spends by geography – 2027E



Source: Zinnov, JM Financial

Volatility amidst structural expansion: ER&D demand while structurally sound can nevertheless remain volatile over shorter periods, particularly when macro uncertainty, weak end-demand or changes in customer priorities lead enterprises to defer, resize or reallocate engineering programmes; moderation in EV investments in the recent past is one such example. Geopolitical tensions, tariffs, export controls, IP protection requirements and data-sovereignty regulations could also encourage greater regionalisation of R&D while customer insourcing can alter the wallet share dynamics for ESPs.

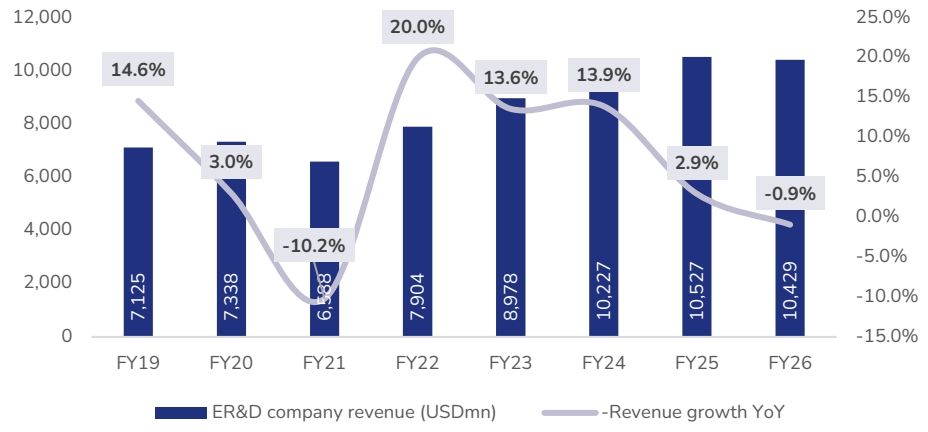
At the execution level, shortages of specialised talent, rising costs and interoperability issues across increasingly complex hardware-software-AI architectures can slow programme ramps. Supply-chain disruptions, regulatory requirements and longer product-development timelines can add further variability. That said, we see these factors primarily as drivers of periodic volatility in the timing, mix and pace of spending rather than a structural erosion of demand, with rising product complexity, software intensity and capability gaps continuing to underpin the medium- to long-term ER&D opportunity.

Exhibit 18: Factors driving growth in Enterprise ER&D spending and risks thereof

Factor	Description
DRIVERS	
Generative AI & digital engineering	Rising investment in generative AI, cloud-native platforms, DevOps and digital engineering to build AI-enabled products, improve design/simulation and reduce physical prototyping
Software-defined & connected products	Products are becoming increasingly software-led and connected, driving ER&D spend on embedded software, connected platforms and, in automotive, software-defined vehicles and advanced driver-assistance systems
Faster time-to-market & agility	Growing product complexity and competitive intensity are pushing enterprises to invest in engineering tools and digital workflows that shorten development cycles and improve responsiveness
Smart manufacturing & digital twins	Adoption of digital twins, Internet of Things, edge computing and digital threads is increasing to improve product lifecycle visibility, predictive maintenance and manufacturing resilience
Sustainability & electrification	Environmental regulation and corporate sustainability targets are driving engineering spend on lower-carbon products, sustainable lifecycles, electrification and battery ecosystems
Cost reduction & engineering productivity	Enterprises are investing in automation, simulation and digital engineering to lower development costs and improve engineering productivity while protecting innovation intensity
Regulatory compliance & capacity scaling	More complex product regulation and growing engineering backlogs require additional investment in compliance capabilities, validation and scalable engineering capacity
RISKS	
Macroeconomic volatility & sector softness	Weak demand, inflation and cost pressures can delay discretionary programs, particularly in cyclical sectors, and lead enterprises to slow research and development or capital expenditure
Geopolitical tensions & trade barriers	Tariffs, export controls and regional conflicts can disrupt supply chains and force enterprises to redesign or localize engineering footprints, increasing cost and execution complexity
Talent & skill shortages	Scarcity of engineers with artificial intelligence, software, systems engineering and cybersecurity skills can constrain the pace at which enterprises scale next-generation programs
AI and technology implementation hurdles	Legacy integration, model reliability, governance and ethical concerns can slow deployment of new technologies and delay expected productivity benefits
Cybersecurity & data privacy	More connected products and third-party integrations expand the attack surface and raise the cost and complexity of protecting sensitive product and customer data
Intellectual property & regulatory constraints	Local intellectual property rules, sovereignty requirements and lengthy certification processes can raise development costs, limit cross-border engineering and extend product timelines

Source: Nasscom, Zinnov, Capgemini, JM Financial

Exhibit 19: ER&D companies' aggregate revenues and revenue growth (FY19–26)



Source: Company, JM Financial Note: ER&D company revenue (USD mn) is aggregate revenue of LTTS, KPIT tech, Tata Elxsi, Tata Tech, Cyient, Alten, Bertrandt, EDAG. LTTS revenue includes divested business.

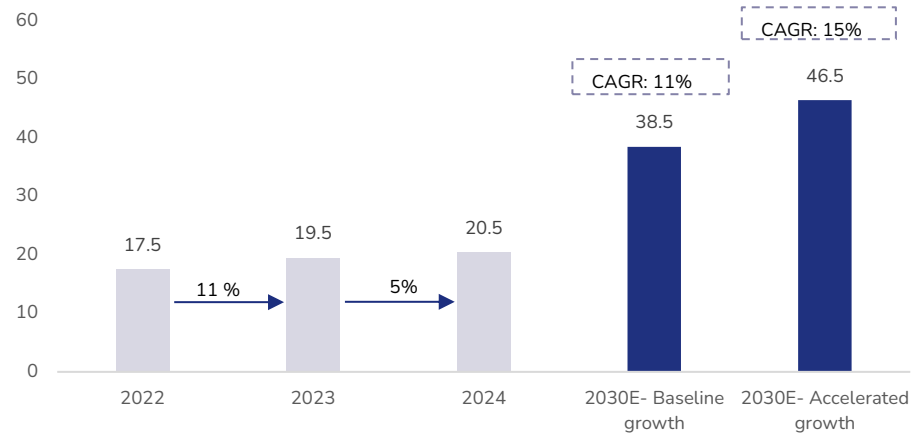
ER&D companies' aggregate revenue clocked a CAGR ofover 7% between FY20–26; however, growth rates have been volatile

Global ER&D market addressed by Indian service providers

India remains structurally well positioned to capture a larger share of global ER&D sourcing supported by its deep engineering talent pool, 50–65% cost advantage versus developed markets, and mature delivery ecosystem. More importantly, Indian engineering service providers are steadily moving up the value chain—from execution-led, task-based work towards turnkey programme ownership, system-level engineering, product design and co-innovation—allowing them to participate in a larger portion of clients' R&D budgets.

Investments in reusable IP, GenAI-led engineering tools and domain-specific platforms should further improve time-to-market and delivery productivity while acquisitions are helping providers add niche capabilities across semiconductors, AI, automation and next-generation connectivity. Partnerships with hyperscalers, chipmakers, academia and start-ups, alongside continued investments in reskilling talent across AI, embedded software, cloud and digital engineering, further strengthen the ecosystem. Consequently, the ER&D services market addressed by Indian providers could expand from ~USD 20.5bn in 2024 to USD 38.5–46.5bn by 2030E across NASSCOM's baseline-to-accelerated scenarios, implying a CAGR of 11–15%.

Exhibit 20: Global ER&D services market addressed by Indian service providers (USD bn)



Source: Nasscom, JM Financial

Exhibit 21: Factors driving outsourcing of ER&D spending and risks thereof

Factor	Description
DRIVERS	
Access to specialised & hybrid talent	Outsourcing gives enterprises access to scarce software, artificial intelligence, systems engineering and domain talent that may be difficult or slow to build internally
Strategic co-innovation & Centres of Excellence	External engineering partners are increasingly used for higher-value work, including platform development and end-to-end product engineering, rather than only staff augmentation
Faster time-to-market & operating agility	Global delivery models add engineering capacity quickly, reduce internal bottlenecks and enable round-the-clock execution, helping accelerate product development
Cost and capacity flexibility	Outsourcing converts part of the engineering cost base into a more flexible model and allow enterprises to scale capacity up or down without building equivalent fixed internal infrastructure
Outcome-based & flexible commercial models	Performance-based, managed-service and build-operate-transfer models increasingly link engineering spend to defined outcomes and shift more execution responsibility to external partners
Rising product complexity & AI demand	As physical products converge with software, cloud and artificial intelligence, enterprises increasingly rely on partners with reusable intellectual property, specialised tools and system-level expertise
RISKS	
In-sourcing & captive engineering centres	Original equipment manufacturers and global enterprises may build proprietary software capabilities or expand owned offshore centres, reducing the addressable share available to third-party providers
Geopolitics & intellectual property nationalism	Export controls, data-sovereignty rules and tighter intellectual property protection can push engineering work toward local-for-local models and limit cross-border outsourcing
Cybersecurity & third-party data risk	Sharing sensitive product data, source code and intellectual property with external partners creates additional cyber, privacy and copyright risk
Macroeconomic uncertainty & budget pauses	Economic weakness can delay client decisions, postpone large engineering ramp-ups and reduce discretionary outsourcing even if long-term product investment remains intact
Client concentration	Deep dependence on a few anchor clients can amplify revenue volatility when a major customer delays programs, changes sourcing strategy or faces a sector downturn
Competition from alternate delivery hubs	Nearshore and offshore centres in Eastern Europe, Latin America and other regions can intensify competition for talent and pressure the traditional cost-skill advantage of established outsourcing markets

Source: Nasscom, Zinnov, Capgemini, JM Financial

The ER&D outsourcing landscape

ER&D sourcing is a continuum than a binary insource-versus-outsource decision. Enterprises generally retain strategic product direction, differentiating IP and overall design or regulatory accountability in-house or selectively within GCCs. At the same time, the outsourcing boundary is moving upstream: beyond traditional testing, tooling and engineering support, ESPs participate in software and embedded engineering, defined product or subsystem work, manufacturing transformation and selected end-to-end programs. ESPs are seeing their support shift toward broader, expertise-led and outcome-oriented external engineering.

GCCs can retain enterprise-specific knowledge, governance and strategically sensitive work while ESPs provide specialist skills, flexible capacity, accelerators and execution depth. The emerging model can therefore be increasingly co-sourced, with capable ESPs taking greater module- or program-level responsibility while the enterprise/GCC retains strategic control. This remains constructive for differentiated ESPs, although domain depth, reusable IP, program management and measurable outcomes become increasingly important.

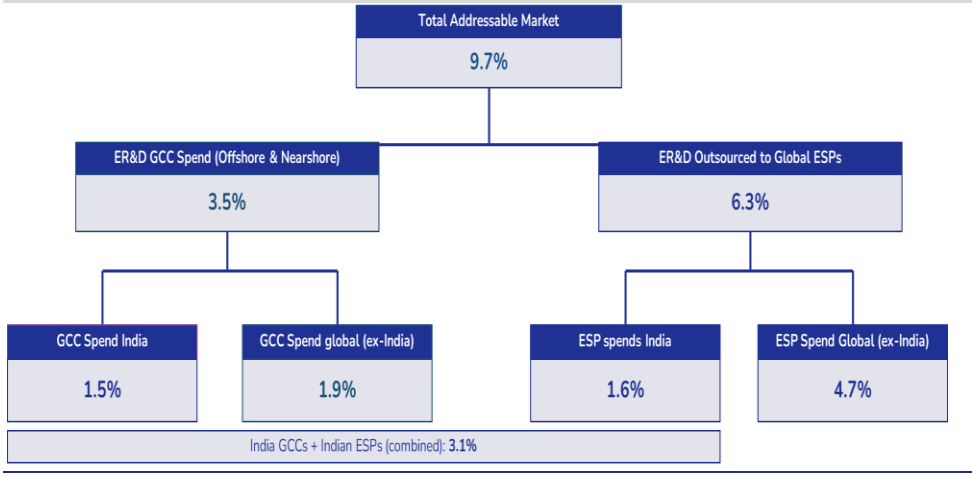
Exhibit 22: Scope of work retained in-house versus outsourced

Work category	Retained in-house / GCC	Outsourced to ESPs
Strategic product direction & differentiating R&D	Strategic priorities, product direction and the most differentiating areas of R&D are generally retained within the enterprise or its GCCs	ESPs may support select research, feasibility, engineering analysis and co-innovation activities
Core systems, design authority & differentiating IP	Core systems, design authority and strategically sensitive IP are generally kept under close enterprise control	Trusted partners can support defined modules, engineering analysis and implementation under appropriate governance
Next-generation/frontier engineering	Long-horizon and highly strategic technology work is often led by internal teams or advanced GCCs	Specialist partners can contribute select prototyping, simulation, AI, software or other niche engineering expertise
Product / platform engineering	The enterprise typically retains product ownership, strategic direction and overall governance	ESPs can own defined modules, subsystems, releases or broader engineering workstreams, including end-to-end execution in selected programs
Software, embedded & connected engineering	Core product decisions and overall architecture remain closely governed by the enterprise	Software and embedded development, connectivity, integration, testing and related digital engineering are widely addressable to external partners
Verification, validation & testing	The enterprise retains overall product accountability and, where applicable, final approval responsibility	Validation, simulation, test engineering and test automation are commonly outsourced across multiple ER&D verticals
Manufacturing engineering & industrialisation	Strategic manufacturing decisions and proprietary process know-how generally remain with the enterprise	Tooling, production engineering, automation, digital twins, plant modernisation and production support can be outsourced
Compliance & quality engineering	Final regulatory and quality accountability generally remains with the enterprise	Compliance support, documentation, testing, traceability, quality engineering and related operational support can be co-sourced
Legacy product sustenance & engineering support	Strategic product decisions remain internal	Product maintenance, cost-down work, obsolescence management, engineering support and selected MRO-related activities are commonly outsourced
Digital engineering & transformation	Transformation priorities, governance and enterprise-specific architecture are typically retained internally	Digital thread, PLM, digital twins, AI-enabled engineering workflows, automation and implementation can involve external partners
Vertical	**Retained in-house / GCC**	**Outsourced to ESPs**
Automotive	Strategic product direction, core architecture and final safety/design accountability	Software and embedded development; infotainment and ADAS-related engineering; validation; tooling and manufacturing engineering; selected broader vehicle-development programs
Aerospace & defence	Core platform work, sensitive IP and final design/regulatory accountability	Component and subsystem engineering; avionics-related work; digital-thread and manufacturing support; selected MRO and conversion programs
Healthcare & life sciences	Core scientific/product IP and final regulatory/quality governance	Compliance support; digital R&D-tool management and integration; connected-device engineering; selected AI-enabled engineering and operations work
Industrial & manufacturing	Core product/process know-how and major strategic engineering decisions	Plant modernization; automation and robotics; digital twins; predictive maintenance; product and manufacturing engineering
Telecom, hi-tech & semiconductors	Core product/chip architecture, differentiating IP and strategic technology direction	Network and embedded engineering; device/software work; chip-design support; validation; cloud and connectivity engineering

Source: Nasscom, Capgemini, Zinnov, HFS, JM Financial

GCCs and Service providers together account for 9.7% of total global enterprise ER&D spends (~USD 1.5tn) according to Zinnov (2023) in 2026E. Out of this 6.3% of spends are outsourced to global ESPs, within which 1.6% is outsourced to Indian ESPs (~USD 24bn). GCCs are estimated to account for 3.5% of total spends and Indian GCCs likely account for 1.9% of total spends (USD ~28bn). Outsourced and offshored portion therefore account for a small share of the overall spends within which Indian ESPs currently account for an even tinier portion. These estimates however indicate that the Indian ER&D GCC ecosystem is sizeable and significant at ~USD 28bn.

Exhibit 23: GCCs and service providers' share of ER&D spends (2026E)



Source: Zinnov, JM Financial
Note: Total addressable market is the sum of ER&D expenditure by GCCs and the ER&D expenditure outsourced to third-party engineering services providers

Recent trends in ER&D outsourcing

Recent ER&D trends point to a structural shift towards AI-enabled, software-defined and increasingly digital product development. GenAI is moving into core engineering workflows while software-defined products, digital twins, digital threads and sustainability-led engineering are expanding the scope of technology-intensive R&D. At the same time, global operating models are becoming more strategic with greater use of offshore Centres of Excellence, co-sourcing and outcome-linked delivery.

Near-term conditions, however, remain mixed. Engineering costs and development timelines have risen, macro uncertainty has made spending more selective, and supply-chain, geopolitical, talent and legacy-system constraints continue to slow execution. AI productivity and the growing role of GCCs also raise the bar for traditional effort-based delivery. These headwinds are more likely to reshape the opportunity than eliminate it: pressure on clients to improve speed, cost and engineering productivity can create additional outsourcing demand, value should increasingly accrue to ESPs that can deliver measurable outcomes.

Exhibit 24: Recent trends/headwinds in ER&D and read-through for ESPs

Headwinds	Description	ESP read-through
Higher engineering costs & longer development cycles	Engineering organisations are facing worsening cost and speed metrics as product complexity rises	Client pressure for productivity and faster execution can support outsourcing, but also raises RoI scrutiny and pricing pressure on providers
Macroeconomic pressure & variance of demand across verticals	Economic uncertainty and client cost pressure are delaying decisions and causing selective reprioritization of ER&D budgets, particularly in more cyclical areas	Growth is likely to vary by vertical; diversified exposure and relevance to productivity-led programs become more important
Supply-chain disruption & geopolitical complexity	Supply-chain constraints, tariffs, export controls and regionalization are making engineering programs more complex and forcing enterprises to reconsider global footprints	Can slow program execution, but also creates demand for redesign, localisation, digital continuity and more resilient engineering operating models
Specialist talent shortages	The constraint is increasingly less about engineering headcount in aggregate and more about hybrid skills that combine domain depth with software, AI and systems expertise	Supports the value of providers with scaled specialist talent pools, but raises hiring, reskilling and retention requirements
Legacy systems & integration complexity	Legacy tools, fragmented data and organizational resistance can slow AI, digital-thread and software-led transformation	Creates modernisation and integration opportunity for capable partners, but can delay project ramp-ups and make delivery more complex
AI productivity & changing sourcing economics	AI is reducing effort in coding, testing and other repeatable engineering activities while GCCs are also taking on more advanced work	Raises the bar for ESPs: providers that monetise productivity through broader scope, IP, managed programs and partnerships should be better positioned than pure labour-arbitrage models

Source: Nasscom, Capgemini, Zinnov, JM Financial

Exhibit 25: Recent technology developments in ER&D and read-through for ESPs

Development	Description	ESP read-through
GenAI moving into core engineering workflows	AI adoption is broadening from discrete productivity tools to software development, design, testing, simulation and engineering knowledge workflows; more agentic approaches are also beginning to emerge	Potential positive for ESPs that can embed AI into delivery and bring reusable engineering accelerators; simpler effort-based work may face productivity pressure.
Shift to software-defined & connected products	Physical products are becoming more software-led and connected, increasing the importance of embedded software, cloud, connectivity, edge computing and intelligent product architectures	Broadens the addressable pool for providers that combine domain engineering with software and systems-integration capability.
Digital twins, digital threads & simulation-rich engineering	Enterprises are increasing the use of virtual models, lifecycle data and simulation to connect design, manufacturing and operations and reduce dependence on physical iteration	Favors multidisciplinary ESPs with product-lifecycle, simulation, manufacturing and digital-engineering capabilities
Sustainability embedded into engineering priorities	Sustainability considerations are moving further upstream into product design, materials, propulsion, manufacturing and lifecycle decisions	Creates additional engineering work in areas such as electrification, materials, energy efficiency and sustainable product design, although buyers remain focused on measurable returns
Global operating models becoming more strategic	Enterprises are using offshore Centres of Excellence, co-sourcing and more flexible commercial models to access specialist engineering capability and improve speed and scale	Supports a shift in ESP positioning from capacity augmentation toward co-innovation, managed programs and outcome-linked delivery
Frontier technologies moving into select pilots	Engineering teams are beginning to experiment with areas such as advanced robotics, quantum technologies, bioengineering and new materials alongside AI and cloud	Provides longer-term optionality for niche specialists and providers with strong ecosystems, but is unlikely to be a material growth driver

Source: Nasscom, Capgemini, Zinnov, JM Financial

GCCs

India's GCC ecosystem has continued to scale up rapidly, reaching 2,117 centres, 3,728 units, USD 98.4bn of revenue and 2.36mn installed talent in FY26E (Nasscom-Zinnov). Over FY21–26E, GCC revenue expanded at a CAGR of ~9.9% versus ~6.2% CAGR in talent while more than 500 GCCs and 1,000 units were added. The gap between revenue and talent growth is consistent with GCCs moving beyond a pure labour-arbitrage model towards broader capability ownership, higher-value engineering and technology roles, and greater responsibility for global products and platforms.

ER&D-led GCCs constitutes a major portion of the GCCs in India. Industry estimates suggest 1,100+ ER&D led GCCs in India. ER&D GCCs are increasingly taking on product and platform engineering, architecture, product management, embedded/software development, AI engineering and select frontier R&D, rather than functioning just as execution centres.

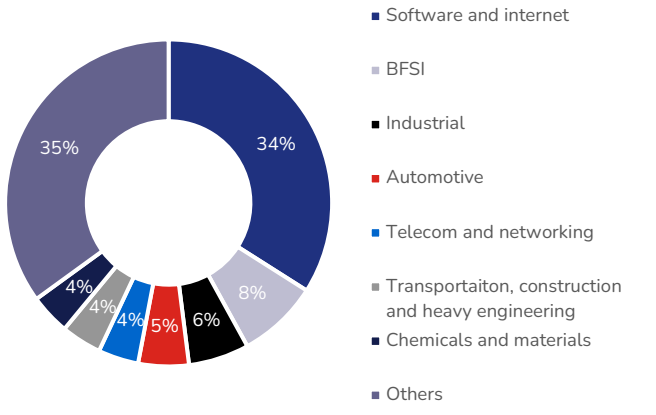
The work mix is gradually moving up the value chain: expertise-driven and frontier work now form a much larger share of India GCC portfolios. ESPs complement them with specialist skills, flexible scale, accelerators and execution capacity. The two increasingly coexist through hybrid models such as Build-Operate-Transfer, managed GCC structures and broader vendor ecosystems, allowing GCCs to retain core ownership while using ESPs for speed, niche capability and program delivery.

Exhibit 26: Key metrics for Indian GCCs

Particulars	FY21	FY26E	CAGR
GCC count	1,600	2110	**5.7%**
GCC units	2,700	3720	**6.6%**
GCC revenue (USD bn)	61.4	98.4	**9.9%**
Installed GCC talent (mn)	1.7	2.36	**6.2%**
ER&D-led GCCs			
Total ER&D-led GCCs in India		1,143	
ER&D-led GCC in India by HQ region			
-Americas		797	
-Europe		254	
-APAC		91	

Source: Nasscom, Zinnov, JM Financial

Exhibit 27: GCCs in India by sector



Source: Nasscom, Zinnov, JM Financial

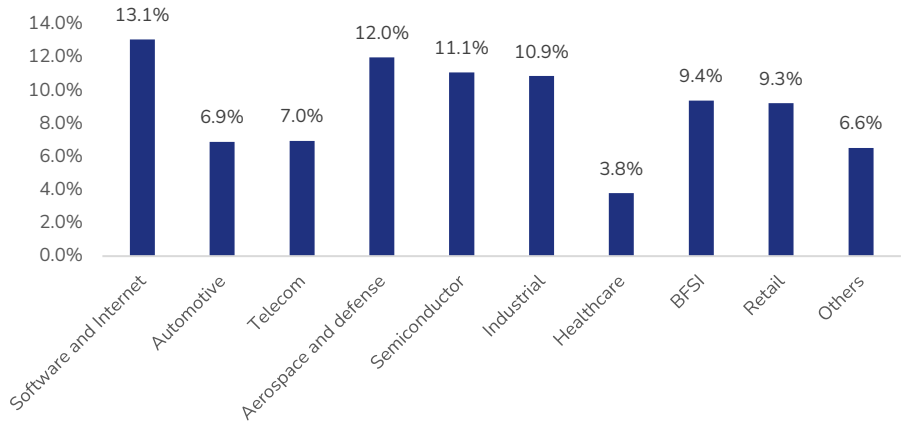
ER&D Verticals

Important sectors that spend significantly on ER&D include Hi-tech (ISV, telecom and internet), Automotive, Semiconductor, Industrial & Manufacturing, Healthcare and Aerospace & defence. ESPs provide value to each of these verticals in various areas of their ER&D processes.

- **Hi-tech and semiconductor:** Seeing high levels of growth and capex investment due to AI.
- **Automotive**: Seeing spending towards cost takeout, efficiency and speed-to-market while continuing to make investments in full-vehicle programs, SDV and alternate powertrains. Major spenders in the Auto vertical are, however, going through significant cost pressures.
- **Industrial & manufacturing:** Seeing tailwinds due to AI infrastructure build-out. Companies in this sector are investing in digital technologies, optimisation and capacity expansion.
- **Aerospace & defence:** Seeing tailwinds in the current environment and committed to spending. Defence ER&D outsourcing could be hindered due to regulatory restrictions.

Drivers for ER&D spending and ER&D outsourcing are intact for all sectors. However, degree of spending and outsourcing could see fluctuations due to demand environment, macro and changes in priorities.

Exhibit 28: Global enterprise ER&D spend by vertical — CAGR over 2023–27E



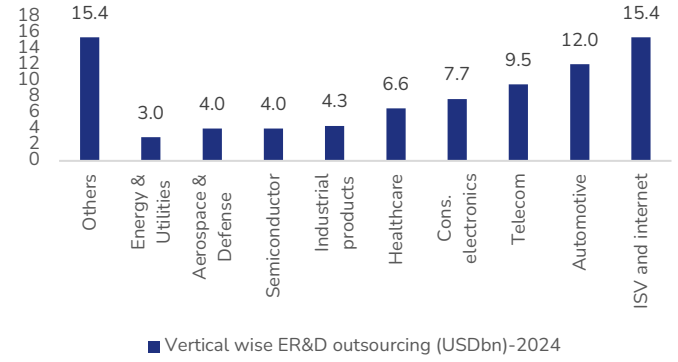
Source: Zinnov, JM Financial

ER&D outsourcing by vertical

- **ISV & internet and automotive** are the largest ER&D outsourcing verticals supported by rising investments in AI-led software engineering, cloud platforms, SDVs, connected vehicles, ADAS and electrification.
- **Telecom** demand is being driven by 5G/6G, private networks, network automation and edge infrastructure while semiconductor outsourcing is benefiting from growing requirements for custom silicon, embedded engineering and AI/GPU-led chip development.
- **Consumer electronics** remains a sizeable market, although growth has been relatively more exposed to margin and supply-chain pressures.
- **Aerospace & defence** is seeing increasing digital engineering spend around sustainable aviation, fleet expansion, space and MRO modernisation
- **Healthcare** is benefiting from MedTech, digital health and AI-led drug discovery.
- **Industrial** products should also see steady outsourcing opportunities from Industry 4.0, digital twins, robotics and smart-factory investments.

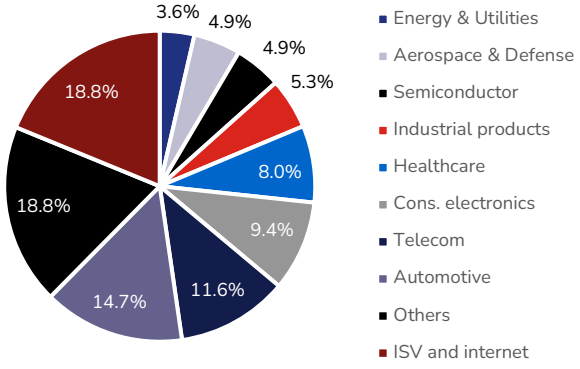
The above mentioned statements indicate that ER&D demand is increasingly broad-based across both software- and physical-product industries.

Exhibit 29: Global ER&D outsourcing by vertical (USD bn) – 2024



Source: Nasscom, JM Financial

Exhibit 30: Global ER&D outsourcing by vertical (%) – 2024



Source: Nasscom, JM Financial

Exhibit 31: Indicative list of top ER&D spenders by vertical

Software and Internet	Automotive	Aerospace and defense	Telecom	Semiconductor	Industrial	Healthcare	BFSI	Retail
Amazon.com	Volkswagen group	Boeing	Huawei Technologies	Intel	Siemens AG	Merck and Co inc	JP Morgan Chase and Co.	Walmart
Alphabet Inc.	General Motors	Airbus	Cisco systems	Qualcomm	Robert Bosch GmbH	Roche Holding	Industrial and commercial Bank of China	Costco corp
Meta	Toyota motors	Bae Systems	Ericsson	NVIDIA	Deere and Company	Johnson and Johnson	China construction bank	The Home Depot
Microsoft corp	Ford motor company	RTX corporation	Nokia corporation	TSMC	Catepillar Inc.	Novartis	Bank of America	Kroger Co
Tencent	BMW	Leonardo S.p.A	ZTE	AMD	Cummins	AstraZeneca	Agricultural bank of china	Walgreens Boots alliance
Oracle corp	Mercedes Benz	Lockheed Martin	Verizon communications	Broadcom ltd.	ABB	Medtronic	Bank of China	Target corporation
SAP	Stellantis NV	Safran S.A	China telecom	Asml Holding	Schneider electric	United health	Wells Fargo	Carrefour
IBM	Honda Motor	Thales group	AT&T	Mediatek	TDK	Pfizer	Citigroup	Ahold Delhaize
Alibaba.com	Robert Bosch Gmbh	Northrop Grumman	Keysight technologies	Hon Hai	Hitachi	Abbot labs	HSBC corporation	Lowe's companies
Salesforce.com	Continental AG	Rolls Royce holdings	Motorola Solutions	Applied materials	CHN Industrial NV	Boston Scientific	BNP Paribas SA	LVMH

Source: ZInnov, JM Financial

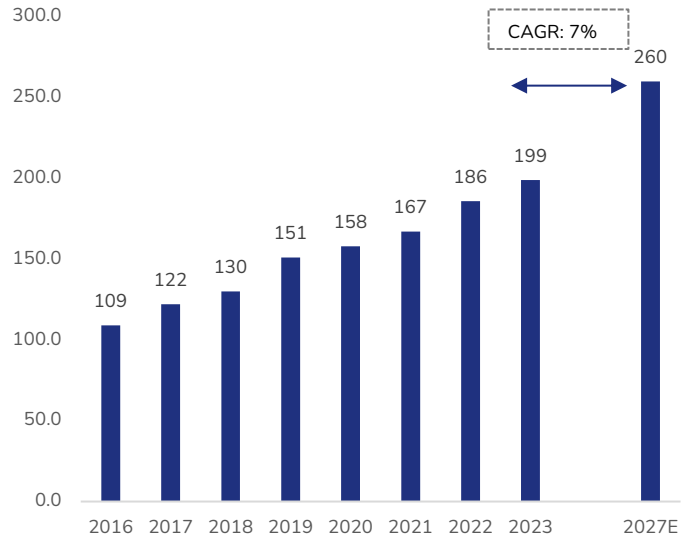
Automotive

Automotive ER&D offers a meaningful structural outsourcing opportunity: Nasscom-Everest estimates the market at USD 12.04bn in 2024, representing 5.6–6.1% of overall automotive ER&D spend. Total sector ER&D spend is projected to increase from USD 199bn in 2023 to USD 260bn by 2027E, implying a ~7% CAGR (Zinnov – 2024).

Software-defined vehicles, electrification, advanced driver-assistance systems and connected platforms are increasing vehicle complexity and creating demand across embedded software, electronics integration, validation, manufacturing engineering and product lifecycle management.

Talent shortages, shorter development cycles and cost pressures should further support outsourcing. Recent full-vehicle programme wins at ESPs indicate that engagements are expanding beyond discrete work packages towards larger, integrated programmes as OEMs seek specialist capabilities, variable capacity and faster execution.

Exhibit 32: ER&D spend in Automotive vertical (USD bn)



Source: Zinnov, JM Financial

Exhibit 33: Workstreams outsourced to ESPs

Workstream	Engineering service provider work
Product strategy & concept	Full vehicle program ownership from market definition to vehicle launch
Vehicle / mechanical engineering	System-level vehicle engineering and component design
Software & electronics	Embedded software and electronics development/integration
Testing, validation & compliance	Virtual + physical validation and certification
Manufacturing engineering	Design and industrialisation of manufacturing systems and tooling
PLM / digital thread	Enterprise product lifecycle and engineering–manufacturing continuity
Factory digitalization	MES, digital twins and AI-enabled manufacturing
Connected / cloud vehicle	Offboard connected services and software-defined platform enablement
Supplier / program management	Quality, supplier coordination and large-program governance
Scale and flexibility	Full-vehicle program execution at scale

Source: Nasscom, Capgemini, Company, JM Financial

Exhibit 34: Drivers of outsourcing in Auto vertical

Driver	Why it drives outsourcing
Software-defined vehicles and ADAS	Software, electronics, cloud and cybersecurity complexity outpaces traditional OEM skill pools and increases integration work
Electrification + powertrain re-architecture	New architectures require parallel investment in battery, BMS, software, testing and industrialisation
Time-to-market pressure	External engineering capacity, reusable assets, simulation and concurrent engineering help compress development cycles
Cost and margin pressure	OEMs seek lower cost per program and a more variable global engineering cost base
Engineering talent scarcity	Global operating models access scarce embedded, AI, SDV, cloud and systems talent that is difficult to build in every local market
AI, simulation and digital engineering	AI expands use cases in design, code, testing, documentation, validation and manufacturing while providers can industrialise tools at scale
Regulation, safety and cybersecurity	More complex vehicle architectures increase validation traceability, homologation and security requirements
Localization and resilient delivery	Geopolitical shocks and local-market requirements encourage multi-region engineering footprints and faster local industrialisation

Source: Nasscom, Capgemini, Company, JM Financial

Exhibit 35: Recent trends in Automotive vertical

Trend	What is changing
EV reset; hybrid / fuel-cell pivot	EV demand slowdown and policy uncertainty are tempering near-term programs while hybrid and fuel-cell powertrains gain priority
Project delays, not broad cancellations	Macro, tariffs and changing propulsion strategies have delayed decisions over the last 12–18 months
AI industrialization	AI is moving from pilots into engineering, manufacturing and lifecycle workflows
AI across the lifecycle	Use cases are broadening beyond coding into concept, documentation, factory operations, design and testing
Outcome-linked commercial models	Sourcing is moving away from pure effort-based delivery toward performance, BOT and value-linked models
Regionalization / hyper-local engineering	Tariffs, export controls and supply-chain fragility are pushing more local and multi-region engineering
Operating-model restructuring	Legacy engineering organisations are being reorganised for software-defined and globally distributed delivery
Digital foundation before scale	Cloud-native platforms, DevOps, digital twins and standardised data are becoming prerequisites for distributed engineering and AI
Ecosystem orchestration	OEMs increasingly partner directly across software, semiconductors, cloud and AI rather than rely only on the classic supplier hierarchy

Source: Nasscom, Capgemini, Company, JM Financial

OEM commentary, however, points to a measured near-term spending environment. Volkswagen, BMW and Continental are prioritising cost efficiency, platform consolidation and selective investment while Mercedes-Benz and Honda remain cautious amid regional demand and profitability pressures. Toyota and Stellantis appear relatively constructive and are open to partnerships while Ford's product-launch cycle should support engineering activity. General Motors continues to invest in software and services, although its sourcing strategy retains a strong onshore component.

R&D expenditure as reported in the financials for this sample of companies, has generally expanded across the board over FY16–26 led by Stellantis, Hyundai and Honda, although Continental recorded a decline. However, the latest fiscal year saw weakness across most companies as these companies grappled with cost pressures.

Capex growth has been more moderate and mixed. Nevertheless, the need to sustain product investment and innovation to defend market share should support ER&D demand even as OEMs retain ownership of core platforms and award work selectively.

Exhibit 36: Recent commentary by key ER&D spenders in Automotive vertical

Company	Topic	Comments	Inference
Volkswagen	Outlook & current pain point	VW said its cost structure is "overly high" and that it must "lower our cost base structurally" while accelerating technology development	Cost pressures highlighted, consolidation is in progress, Capex and R&D reducing
	Tech insourcing / outsourcing	VW is consolidating platforms, E/E architectures and software into "two regional technology ecosystems," with selective partners such as Rivian and Carizon	
	R&D spend / ESP indicator	Capex and R&D fell by EUR1.5bn in H1, with a long-term investment target of ~9%	
BMW	Outlook & current pain point	"We have a very strong product momentum with the Neue Klasse... [but] the cost structure of our company... we need to improve."	Product activity remains, but R&D intensity is normalising and cost pressure is rising
	Tech insourcing / outsourcing	"We want to work more on partnership levels with our suppliers... [and] the way we develop our products must be changed more towards industrial standards."	
	R&D spend / ESP indicator	"There is no intention to elevate this 5% again... [R&D will remain] between 4% and 5%."	
Continental AG	Outlook & current pain point	"We continue to expect volumes to remain unsupportive... [and are] slightly more cautious on both vehicle production and replacement demand."	Weak outlook, and limited tailwind to ER&D spends
	Tech insourcing / outsourcing	"Management said investment is in "turning existing capacities into future ready capacities."	
	R&D spend / ESP indicator	"Our 7% as the average mid-term assumption still holds... investment into Asian footprint."	
General Motors	Outlook & current pain point	"We continue to... grow software and services revenue, lower our warranty costs, reduce EV losses [and] increase operating efficiency."	Wants to invest in partnerships but is focused on onshoring
	Tech insourcing / outsourcing	GM described key supplier relationships as "strategic engagements and long-term engagements" with "jointly developed technology roadmaps."	
	R&D spend / ESP indicator	GM is investing "approximately USD1 billion to USD1.5 billion" in onshoring, supply chain and software, but is "not expecting significant additional investment" in 2027.	
Ford	Outlook & current pain point	"Continue to optimize cost as we enter a heavy new product launch period over the next three years."	Launch activity supports engineering demand, open to explore partnerships for efficiencies but core software in-house
	Tech insourcing / outsourcing	"UEV has a fully zone electric architecture with our own software." Ford will still use partnerships where they improve "speed and capital efficiency."	
	R&D spend / ESP indicator	Capex remains at "USD9.5 billion to USD10.5 billion," including about "USD 1bn in incremental investment" for UEB and Ford Energy.	
Mercedes-Benz	Outlook & current pain point	"We retain our constructive view with targeted growth ex-China," while China has been "more challenging than expected."	Core platform ownership stays in-house, but localisation and implementation remain open to partners. R&D to decline
	Tech insourcing / outsourcing	"MB.OS will be in every single Mercedes going forward." Mercedes has also "strengthened our partnerships in China, especially on the tech side."	
	R&D spend / ESP indicator	Car R&D is past its "funding peak in 2025," while Vans is executing its "largest product investment program" ever.	
Honda	Outlook & current pain point	Honda "struggled in China" but grew unit sales in North America and elsewhere; management remains cautious on macro and material risks.	Outlook remains soft, cost pressures exist
	Tech insourcing / outsourcing	Honda and Nissan are discussing joint SDV development covering "not just software" but also "common hardware."	
	R&D spend / ESP indicator	"Expenses are weighted heavily into H2, and the same goes for R&D." Honda also wants to make "development more efficient" using standard parts".	
Toyota	Outlook & current pain point	Toyota raised FY vehicle sales and operating-profit guidance, but continues to monitor geopolitical risk.	Selective investments, outlook strengthening
	Tech insourcing / outsourcing	To improve China BEV competitiveness, Toyota will pursue "joint development with local partners."	
	R&D spend / ESP indicator	Management referenced a "BEV step-three development freeze" and said "for some projects, we decided to suspend some actions."	
Stellantis	Outlook & current pain point	Management's top priorities are "market coverage," "industrial cost" and "quality."	Partnership appetite is high and the investment is consistent
	Tech insourcing / outsourcing	"Partnerships are a key pillar of our FaSTLAne 2030 plan," including co-development with Dongfeng in China	
	R&D spend / ESP indicator	Full-year capex and R&D remains at "6.5% to 7% of net revenues."	

Source: Company, JM Financial

Exhibit 37: R&D and capex analysis for major ER&D spenders in Automotive vertical

R&D expenses growth YoY-%	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY16-FY26E CAGR
Volkswagen group	0.2%	-1.9%	8.5%	-0.6%	-1.0%	16.3%	8.1%	18.3%	-3.6%	-3.4%	3.8%
BMW	-0.4%	20.7%	17.9%	-11.7%	-0.2%	13.3%	-7.0%	10.9%	17.1%	-4.2%	5.1%
Hyundai motor	5.6%	8.5%	13.8%	3.5%	1.8%	2.6%	-4.5%	17.5%	10.7%	15.8%	7.3%
Toyota	9.1%	0.1%	-1.5%	8.0%	0.7%	-2.7%	-8.3%	-9.3%	4.6%	16.2%	1.4%
Honda	11.5%	8.0%	10.4%	1.6%	-5.8%	0.6%	-7.0%	-1.8%	12.8%	41.8%	6.5%
Ford motors	9.0%	9.6%	2.5%	-9.8%	-4.1%	7.0%	2.6%	5.1%	-2.4%	17.5%	3.4%
Stellantis	14.0%	-9.5%	9.9%	-20.1%	-11.6%	108.3%	3.2%	11.0%	3.0%	101.3%	14.8%
General motors	10.0%	10.6%	6.8%	-12.8%	-8.8%	27.4%	24.1%	1.0%	-7.1%	-7.6%	3.5%
Continental AG	15.1%	11.8%	45.2%	-4.5%	-38.4%	-0.8%	43.4%	1.7%	-0.6%	-85.2%	-13.5%
Renault	15.6%	28.5%	23.2%	-0.3%	-24.2%	-14.6%	-11.2%	17.4%	3.4%	3.0%	2.7%
Capex growth YoY-%	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY16-FY26E CAGR**
Volkswagen group	-0.7%	1.3%	51.9%	-3.0%	-40.7%	70.0%	9.1%	16.8%	6.4%	-7.3%	6.5%
BMW	-1.4%	24.7%	14.3%	-15.9%	-9.1%	11.5%	21.8%	23.5%	12.2%	-6.1%	6.6%
Hyundai motor	-64.4%	5.5%	8.5%	5.0%	29.3%	-5.5%	-17.1%	73.7%	9.2%	-0.4%	-2.0%
Toyota	206.4%	-0.9%	3.8%	-6.1%	4.0%	-5.7%	-20.0%	31.5%	-1.4%	1.4%	11.8%
Honda	-13.7%	-17.9%	1.2%	-10.3%	-11.8%	-20.5%	47.1%	-31.3%	38.9%	21.3%	-2.6%
Ford motors	-2.8%	0.8%	10.4%	-2.0%	-24.8%	8.4%	10.3%	20.0%	5.4%	1.5%	2.1%
Stellantis	-0.3%	-6.2%	-30.4%	47.4%	-66.8%	229.3%	-11.7%	21.5%	8.5%	-24.5%	-0.8%
General motors	23.1%	0.8%	3.6%	-13.3%	-30.2%	41.7%	23.0%	18.7%	-1.3%	-14.1%	3.2%
Continental AG	18.6%	12.2%	14.6%	-9.7%	-33.5%	-2.6%	4.0%	2.3%	-50.3%	6.1%	-6.7%
Renault	12.6%	11.5%	18.6%	4.8%	-9.0%	-48.4%	-4.9%	12.9%	11.2%	-3.8%	-1.7%

Source: Company, Bloomberg, JM Financial

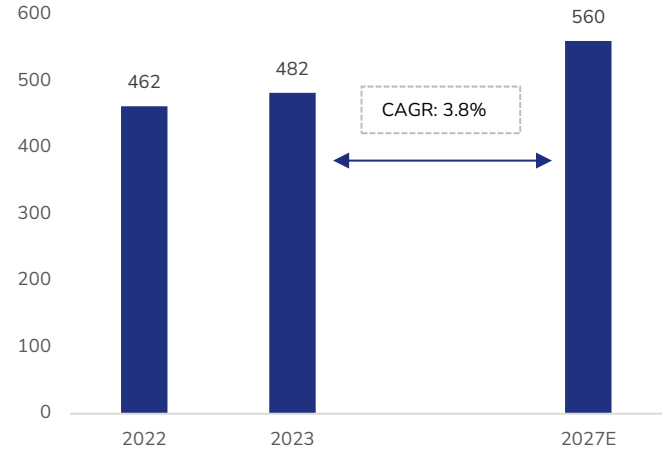
Healthcare

Healthcare ER&D presents a steady outsourcing opportunity: Nasscom-Everest estimates the market at USD 6.55bn in 2024, representing 8.6–10.8% of overall healthcare ER&D spend. Total sector ER&D spend is projected to rise from USD 482bn in 2023 to USD 560bn by 2027E, implying a CAGR of ~3.8% (Zinnov-2024).

Longer product-development cycles, regulatory complexity, scarce interdisciplinary talent and rising productivity requirements should support outsourcing across end-to-end medical-device engineering, clinical and regulatory workflows, connected care, biopharma platforms and manufacturing.

AI adoption is also widening from pilots to diagnostics, documentation, regulatory interpretation and R&D workflows while connected-care models are extending medical-device engineering beyond the hospital. However, enterprise-wide AI adoption and smart-manufacturing programmes are in early stages, making domain expertise, regulatory capabilities and scaled execution are table stakes for ESPs.

Exhibit 38: ER&D spend in Healthcare vertical (USD bn)



Source: Zinnov, JM Financial

Exhibit 39: Work streams outsourced to ESPs

Workstream	Engineering service provider work
Medical device product engineering	End-to-end device engineering from concept through validation and lifecycle support
Digital health / connected care	Build connected-care platforms linking devices, clinicians, patients and cloud systems
Regulatory / quality engineering	Operate and transform regulated documentation and quality workflows
Clinical AI / diagnostics	Engineer AI solutions used in diagnostics and clinical workflows
Biopharma R&D platforms	Build reusable data, knowledge and GenAI platforms across scientific workflows
Clinical development automation	Automate regulated clinical documentation while retaining expert oversight
Manufacturing / industrialization	Digitise pharma and MedTech manufacturing operations
Cross-domain device innovation	Engineer advanced electronics and sensing for new medical products

Source: Nasscom, Everest, Capgemini, Company, JM Financial

Exhibit 40: Drivers of outsourcing in Healthcare vertical

Driver	Why it drives outsourcing
Longer development cycles	Lengthening innovation timelines increase urgency to add capacity and redesign engineering processes.
Cost pressure / productivity	Rising engineering costs push buyers toward global talent, automation and outcome-linked delivery.
Talent scarcity	Life sciences needs scarce combinations of biomedical, regulatory, software, data and AI skills.
Regulatory intensity	Compliance is mission critical but contains large volumes of standardized, document-heavy work.
Digital health / decentralized care	Care delivery is shifting toward connected, remote and software-enabled models.
AI across R&D and product development	AI creates both new engineering work and productivity pressure across the R&D lifecycle.
Global operating models	Buyers increasingly treat offshore models as strategic levers for speed and resilience.
Positive MedTech demand backdrop	Healthy product-development priorities support continued engineering investment even amid macro uncertainty.

Source: Nasscom, Everest, Capgemini, Company, JM Financial

Exhibit 41: Recent trends in Healthcare vertical

Trend	What is changing
AI moving from pilots toward scale	AI deployment is advancing, but enterprise-wide value capture remains uneven.
AI-led regulatory automation	GenAI is increasingly applied to compliance documentation and regulatory interpretation.
Performance / outcome-linked sourcing	Buyers are reducing reliance on traditional T&M constructs.
Connected care / hospital-at-home	Medical-device engineering is extending into persistent digital-care ecosystems outside the hospital.
Digital twins / smart manufacturing scaling slowly	Life sciences is investing in digital engineering, but some technologies remain stuck in pilot mode.
Geopolitics and supply-chain resilience	Life sciences engineering footprints and sourcing strategies are being redesigned for resilience.
Regulation / cybersecurity moving higher on the agenda	AI-enabled and connected devices face tighter regulatory, privacy and security requirements.

Source: Nasscom, Everest, Capgemini, Company, JM Financial

Exhibit 42: R&D and capex expenses of major spenders in Healthcare vertical

R&D expenses growth YoY (%)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY16–26 CAGR
Merck & Co.	51.0%	2.1%	-5.7%	-0.3%	37.8%	-8.6%	10.6%	125.4%	-41.2%	-12.0%	8.9%
AstraZeneca	-1.8%	-2.3%	3.0%	2.1%	-1.1%	62.5%	0.3%	12.0%	24.2%	4.8%	9.0%
Pfizer	2.4%	-2.4%	4.2%	4.7%	12.0%	10.3%	10.3%	-6.6%	1.3%	-3.6%	3.1%
Bayer	2.8%	4.4%	18.5%	-0.8%	36.0%	-21.3%	8.1%	-16.1%	15.6%	-2.9%	3.2%
Johnson & Johnson	0.5%	16.5%	1.7%	5.4%	7.1%	21.0%	-3.9%	6.7%	14.2%	-14.9%	5.0%
Boston Scientific	5.0%	8.4%	11.6%	5.5%	-2.6%	5.3%	9.9%	6.9%	14.2%	27.1%	8.9%
Medtronic	-1.4%	2.9%	3.3%	0.0%	6.9%	10.1%	-1.8%	1.4%	-0.1%	5.2%	2.6%
Abbot labs	1.2%	57.2%	2.9%	6.1%	-0.8%	13.3%	5.3%	-5.1%	3.8%	3.4%	7.7%
Siemens Healthineers	5.0%	19.9%	3.4%	-1.9%	7.7%	14.7%	6.3%	6.0%	-0.2%	1.3%	6.0%
Capex growth YoY (%)	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY16–26 CAGR**
Merck & Co.	25.8%	17.0%	38.5%	28.8%	31.5%	0.4%	-1.3%	-12.0%	-12.7%	21.9%	12.4%
AstraZeneca	8.9%	-8.3%	-21.3%	-6.1%	-1.8%	13.5%	0.0%	24.7%	41.4%	46.0%	7.8%
Pfizer	30.5%	7.3%	4.4%	0.2%	8.8%	21.8%	19.4%	20.7%	-25.5%	-9.6%	6.5%
Bayer	2.1%	-6.3%	73.5%	-36.0%	-6.9%	11.9%	0.6%	-4.2%	1.0%	-6.5%	0.1%
Johnson & Johnson	-6.8%	1.6%	11.9%	-4.7%	-4.3%	9.1%	9.8%	13.3%	-2.6%	9.2%	3.4%
Boston Scientific	52.2%	-15.2%	-0.9%	45.9%	-18.4%	47.3%	6.1%	20.9%	11.1%	10.9%	13.5%
Medtronic	19.9%	-14.8%	6.2%	7.0%	11.7%	1.0%	6.7%	8.8%	17.1%	2.4%	6.2%
Abbot labs	1.0%	1.2%	22.8%	17.5%	32.9%	-13.4%	-5.7%	23.9%	0.2%	-1.6%	6.9%
Siemens Healthineers	19.6%	21.9%	128.0%	3.7%	-4.5%	29.1%	14.6%	-3.1%	-15.7%	19.9%	16.9%

Source: Company, Bloomberg, JM Financial

Company commentary remains broadly constructive, although spending priorities vary. AstraZeneca, Pfizer and Merck continue to invest in drug pipelines, launches and external innovation while Medtronic and Johnson & Johnson are increasing investment in medical devices and strategic partnerships. Abbott's R&D intensity remains steady while Bayer and Boston Scientific are maintaining greater near-term cost discipline and directing capital towards select priority areas.

R&D and capex have expanded across most major spenders over FY16–26, with particularly healthy long-term investment growth at AstraZeneca, Merck, Boston Scientific and Siemens Healthineers; however, annual trends remain uneven due to product cycles, acquisitions and portfolio reprioritisation. Overall, sustained innovation requirements and greater use of external partnerships should support demand for ESPs even as clients increasingly favour outcome-linked engagements over traditional time-and-material contracts.

Exhibit 43: Recent commentary by key ER&D spenders in Healthcare vertical

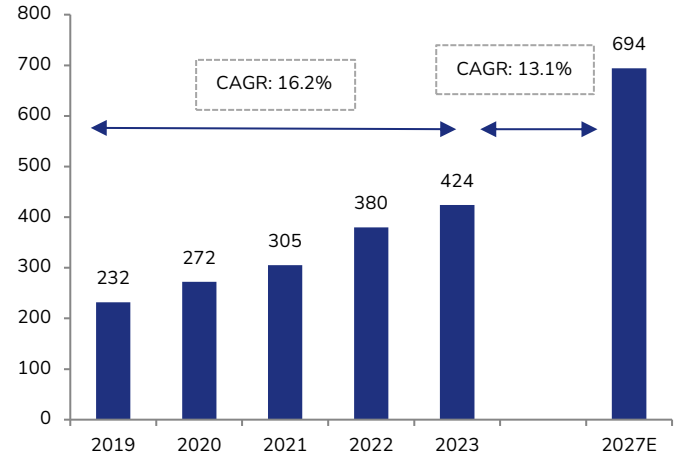
Company	Topic	Comments	Inference
Abbott Laboratories	Outlook & current pain point	"We are reaffirming our full-year guidance for comparable sales growth of 6.5% to 7.5%, and raising our EPS guidance range to USD5.45 to USD5.60."	No explicit outsourcing comment; R&D investment remains steady
	Tech sourcing / outsourcing	"We also remain on track to begin patient enrolment in the fourth quarter for several important clinical trials that will support a steady cadence of future product launches."	
	R&D spend	"Adjusted R&D was 6.9% of sales and adjusted SG&A was 28.6% of sales."	
AstraZeneca	Outlook & current pain point	"Growth in China was impacted by continued effects from volume-based procurement, and we expect the recent NRDL additions and new regulatory approval in 2026 to fuel future growth."	R&D spend continues to rise and external licensing remains part of the innovation model
	Tech sourcing / outsourcing	"We entered into an exclusive license agreement with CTTQ... for the development, manufacturing, and commercialization of TQC3721."	
	R&D spend	"Core R&D expense increased by 6% in the first half, reflecting continued investment in our pipeline."	
Bayer	Outlook & current pain point	"Sales remained flat, with Nubeqa and Kerendia combining to grow 66%, overcoming significant and expected declines in Xarelto. Eylea is down 27%, driven by pressures from biosimilars."	Patent/biosimilar pressure keeps spending discipline high while acquisitions and AI remain priority areas
	Tech sourcing / outsourcing	"We closed the acquisition of Perfuse Therapeutics... This is a novel development medicine in glaucoma and diabetic retinopathy."	
	R&D spend	"We're investing in AI in both enterprise systems and tools for our people, so that each person at Bayer can extend their productivity."	
Boston Scientific	Outlook & current pain point	"We now expect the second half to be more pressured than we originally anticipated." "Our guidance reduction is concentrated in two areas... WATCHMAN... and... EP."	Near-term pressure and restructuring imply tighter discretionary budgets, but selective external innovation remains active
	Tech sourcing / outsourcing	"We announced our intent to potentially re-enter the TAVR market through an investment in MiRus in their differentiated SIEGEL TAVR valve."	
	R&D spend	"We're focused on... staying disciplined on spending, and continuing to fund the areas of the portfolio where we see the strongest long-term opportunity."	
Pfizer	Outlook & current pain point	"We are raising the midpoint of our revenue guidance range despite lower-than-expected COVID revenues. We are also reaffirming adjusted diluted EPS guidance."	Large internal/external R&D spend and business development support; AI-driven productivity should favour vendors.
	Tech sourcing / outsourcing	"In the first half of 2026, we invested USD5.5 billion in internal and external R&D." "The Innovent Biologics deal closed in July, resulting in an initial USD650 million upfront payment..."	
	R&D spend	"We view AI as the structural transformation opportunity for driving substantial acceleration of our R&D pipeline, greater speed and productivity across our business."	
Medtronic	Outlook & current pain point	"Organic revenue growth was 13.7%, reflecting strong underlying market demand and excellent execution across our businesses."	Strong growth, rising R&D and external technology partnerships are supportive for ESP demand
	Tech sourcing / outsourcing	"We are further enhancing and expanding our robotic portfolio through a strategic investment and distribution agreement for Cornerstone's Sentire surgical system..."	
	R&D spend	"Adjusted R&D was 7.9% of revenue in Q1 and increased 6% year-over-year."	
Merck & Co.	Outlook & current pain point	"We remain confident in our outlook for the remainder of the year." "We anticipate that total U.S. KEYTRUDA year-over-year growth will moderate as we increasingly reach peak penetration across several key indications."	Pipeline and launch investment remains robust; positive for R&D-support partners
	Tech sourcing / outsourcing	"We also continue to augment our portfolio through disciplined business development. During the quarter, we completed the acquisition of Terns Pharmaceuticals..."	
	R&D spend	"Operating expenses grew 7%, reflecting increased investments in support of our launches, as well as our robust early and late phase pipeline..."	
Johnson & Johnson	Outlook & current pain point	"We said 2026 would be a year of accelerated growth and impact... and with our Q2 beat on the top and bottom line and raised guidance, we are delivering."	Strong growth and increased MedTech investment support engineering demand
	Tech sourcing / outsourcing	"Acquisitions are an enabler of growth, but they are not a requirement to deliver on our near and long-term objectives."	
	R&D spend	"Research and development leveraged by 40 basis points... partially offset by increased investment in MedTech."	

Source: Company, JM Financial

Hi-Tech vertical

Hi-Tech ER&D (Including ISV, software and telecom) offers significant outsourcing headroom. Nasscom-Everest estimates the outsourced market at USD 15.4bn in 2024, representing 3.7–3.9% of overall Hi-Tech ER&D spend. Total sector ER&D enterprise spend is projected to rise from USD 424bn in 2023 to USD 694bn by 2027E (Zinnov-2024), implying a CAGR of 13.1%, after clocking a CAGR of 16.2% over 2019–23. AI-native products, cloud-platform modernisation, autonomous networks and private 5G/edge deployments are increasing engineering complexity across software, silicon, cloud and network stacks. Talent scarcity, faster release cycles and the need to integrate multi-vendor ecosystems should support outsourcing. However, clients continue to scrutinise spending and returns while telecom is recovering after a weak FY24/FY25.

Exhibit 44: ER&D spend in Hi-Tech vertical – USDbn



Source: Zinnov, JM Financial

Exhibit 45: Workstreams outsourced to ESPs

Workstream	Engineering Service Provider work
Software product engineering	Own software-product development across the lifecycle
AI-native product engineering	Embed GenAI/agentic AI across products and engineering workflows
Cloud / platform modernization	Re-architect legacy products and platforms for cloud-native delivery
5G network engineering	Engineer the network stack from design through operations
Testing & certification	Validate devices, applications, networks and interoperability
Private 5G / edge engineering	Build enterprise 5G and edge environments
Autonomous network operations	Modernize provisioning, inventory, assurance and operations using AI
Media / OTT platform engineering	Engineer streaming, Android TV and monetization platforms

Source: Nasscom, Everest, Capgemini, Company, JM Financial

Exhibit 46: Drivers of outsourcing in the Hi-Tech vertical

Driver	Why it lifts outsourcing
AI-native software products	ISVs must embed GenAI/agentic AI into products and engineering workflows while continuing rapid release cycles
Cloud-native re-architecture & data engineering	Legacy products and platforms need modernization to support AI, scalability and API-led ecosystems
Private 5G / 6G / Open RAN / edge	Enterprise connectivity is becoming programmable, distributed and software-defined
AI-led network operations	Operators need automation to control network complexity and improve opex/quality
Integration complexity / multi-vendor ecosystems	5G, cloud, silicon and edge stacks require system-level integration across heterogeneous vendors
Talent scarcity & time-to-market	AI, cloud, embedded and network skills are difficult to build fast enough internally
Reusable IP & ecosystem partnerships	Product companies and telcos need faster innovation without rebuilding every capability internally
Cost optimization / monetization pressure	Telcos face high capex and stagnant consumer revenues, increasing focus on network efficiency and new monetisation

Source: Nasscom, Everest, Capgemini, Company, JM Financial

Exhibit 47: Recent trends in Hi-Tech vertical

Trend	What is changing
AI-native product engineering	GenAI and agentic AI are becoming embedded in products and across the software-product lifecycle
Autonomous networks	Telcos are moving from rules-based automation toward AI-led closed-loop operations
5G engineering spend shifting to monetization and operations	The 5G opportunity is moving beyond network rollout toward private networks, operations and monetization
Telecom capex cycle showing gradual improvement	After sharp FY24/FY25 weakness, US telecom spending conditions are stabilizing, though deal activity remains selective
OTT / connected media migration	Video delivery continues to shift from linear/on-premise infrastructure toward OTT and cloud-native connected platforms
Budget rationalization remains a near-term headwind	Developed-market technology and telecom buyers continue to scrutinise discretionary spend and RoI
Network fragmentation / interoperability	Multi-vendor, software-defined stacks are making integration more difficult
Provider model becoming IP- and ecosystem-led	ESPs are investing in reusable platforms, hyperscaler alliances, testing frameworks and acquisitions

Source: Nasscom, Everest, Capgemini, Company, JM Financial

Company commentary highlights a sharp divergence between AI-led cloud investment and the more measured telecom environment. Alphabet, Amazon, Oracle and Microsoft expect robust AI and cloud demand with capacity constraints prompting substantial investments in data centres, compute and custom silicon. In contrast, AT&T and Ericsson remain focused on cost control and selective partnerships while Verizon's outlook is improving and capital investment remains committed. R&D and capex have expanded strongly across hyperscalers over FY16–26, whereas telecom equipment and connectivity players have recorded more moderate or uneven trends.

Exhibit 48: Recent commentary by key ER&D spenders in Hi-Tech vertical

Company	Topic	Comments	Inference
Alphabet	Outlook and current pain point	"In Google Cloud, we're seeing significant demand for our products and services, which we expect to drive strong growth." "Given the supply-constrained environment, we plan to expand the use of third-party capacity in Q3 as a bridging strategy while we build out more internal capacity."	Outlook strong; R&D expenses robust, but include employee compensation; AI infra capex outlook strong
	Tech sourcing/outsourcing	"Given the supply-constrained environment, we plan to expand the use of third-party capacity in Q3 as a bridging strategy while we build out more internal capacity."	
	R&D spend	"R&D expenses increased by 32% driven by compensation from investments in AI talent as well as depreciation." "We are updating our full-year 2026 capex guidance range to USD 195bn to USD 205bn."	
Amazon	Outlook and current pain point	"We now believe we will spend approximately USD 220bn in cash capex in 2026... But even at that amount, we will still not have enough capacity to meet all the demand we have in 2026, and I believe this dynamic will also be true in 2027 too."	Strong outlook and significant capex commitments; AI infrastructure build-out outlay to be strong
	Tech sourcing / outsourcing	"We also continue to have a deep partnership with NVIDIA, and we'll continue making AWS the best place to run NVIDIA chips..." "All that said, we are pursuing our own frontier model..."	
	R&D spend	"We now believe we will spend approximately USD 220bn in cash capex in 2026..." "Our investments in software and process improvements optimized server capacity and help to develop a more efficient network using our lower lower-cost custom silicon and custom network gear."	
Cisco	Outlook and current pain point	"We believe the accelerating adoption of agentic AI is fuelling a networking super-cycle." "Non-GAAP product gross margin was 64.8%, down 270 basis points, primarily driven by higher memory costs..."	AI is improving outlook, focus on greater control of supply chain, investment to be directed towards M&A
	Tech sourcing / outsourcing	"We plan to roll out Silicon One comprehensively across our high-performance networking systems by fiscal year '29, which gives us greater control over our supply chain and innovation pipeline."	
	R&D spend	"We remain focused on making strategic investments in organic innovation to capitalize on the significant growth opportunities we see ahead as well as complementary M&A opportunities."	
AT&T	Outlook and current pain point	"For the full-year, we continue to expect consolidated service revenues to grow in the low single-digit range and consolidated adjusted EBITDA to grow in the 3% to 4% range." "In our Legacy segment, service revenues declined 26% year-over-year and EBITDA declined about 46%..."	Soft outlook, focused on partnerships for cost control, capital investment continues
	Tech sourcing / outsourcing	"I'm not prone to look for a wholesale agreement to go solve a problem I don't have. I am prone to look for a partnership to solve the 2%."	
	R&D spend	"For the full year, we continue to expect... USD 23bn to USD 24bn of capital investment." "We added over 1mn fibre locations during the second quarter as we accelerated pace of deployment."	
Oracle	Outlook and current pain point	"We expect growth in our total revenues of plus 34% in constant currency..." "Our fiscal year 2027 gross margins will step down due to timing for the ramp-up of our data centre projects into their full revenue contribution plus impacts from mix."	AI-led build-out and investments continues; Outlook on growth led by AI demand; however, margins to be impacted
	Tech sourcing / outsourcing	"We signed USD 67bn in AI infrastructure contract this quarter, the majority of which was either bring your own hardware or prepaid... Customers are showing that they chose OCI to deliver their infrastructure, even when they are bringing the capital themselves."	
	R&D spend	"We'll continue those investments in our fiscal year 2027 with an expected net cash outlay for capital expenditures of around USD 70bn." "We deploy more and more of our research and development dollars into making things more efficient..."	
Microsoft	Outlook and current pain point	"In Azure, we expect revenue growth of approximately 45% in constant currency, and we remain focused on delivering efficiencies that help us bridge the gaps we see as customer demand continues to exceed supply."	Strong growth outlook in cloud; capex to see growth led by AI build-out
	Tech sourcing / outsourcing	"We continue to modernize our fleet with our own silicon innovation alongside the latest from NVIDIA and AMD." "We announced a partnership with Mistral to bring its models to Sovereign Cloud..."	
	R&D spend	"Operating expenses should grow in the mid to high-single digits, reflecting continued investment in R&D compute capacity, talent, and data." "We expect FY27 capital expenditures will grow year-over-year given demand signals across our portfolio."	
Tencent	Outlook and current pain point	"Within Business Services, while we're still working through capacity constraints, our cloud revenue growth rate accelerated... benefiting from AI-related demand..."	AI is the tailwind here as well; AI investment is driving capex growth
	Tech sourcing / outsourcing	"Over time, there will be many models serving the users through WorkBuddy... Hunyuan will be one of the models... but it would not be the only model."	
	R&D spend	"R&D expenses rose by 35% year on year to RMB27.2 billion..." "Operating capex was RMB51.8 billion, up 190% year-on-year... as we accelerated investments in AI infrastructure..."	
Ericsson	Outlook and current pain point	"Global uncertainty remains elevated... including the global semiconductor situation... input costs increased further in Q2. The financial impact from this will start to build up gradually."	Outlook soft; cost control in focus
	Tech sourcing / outsourcing	"We have picked a strategy of being... agnostic from a hardware point of view. So, we can run our RAN stack on... an x86 or a GPU or our purpose-built silicon." "It's actually not an either-or question."	
	R&D spend	"This includes continued R&D investments in our leading high-performing programmable networks." "We are... spending maybe a little bit more effort on product design to actually optimize our products for the performance needed in order to balance component costs."	
Verizon	Outlook and current pain point	"We are accelerating across every key metric. And consequently, we are raising our mobility and broadband service revenue, free cash flow, and adjusted EPS guidance."	Outlook improving; company committed to investments
	Tech sourcing / outsourcing	"We're just announcing this partnership with Google for several of our dark fibre routes for well in excess of USD 1bn." "We do our own construction..."	
	R&D spend	"Capital expenditures were USD 8.2bn through the end of the second quarter. We are executing towards our full-year guide of USD 16bn to USD 16.5bn as we continue to focus on future growth opportunities within mobility and broadband."	

Source: Company, JM Financial

Exhibit 49: R&D and capex expenses of major spenders in Hi-Tech vertical

R&D expenses growth YoY (%)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY16–26 CAGR
Amazon	28.3%	40.6%	27.5%	24.6%	19.0%	31.1%	30.6%	16.9%	3.4%	22.6%	24.1%
Alphabet	13.6%	19.2%	28.8%	21.5%	6.0%	14.5%	25.2%	15.0%	8.6%	23.8%	17.4%
Microsoft	8.8%	13.0%	14.6%	14.2%	7.5%	18.3%	10.9%	8.5%	10.1%	9.5%	11.5%
Meta	22.9%	31.0%	32.5%	32.4%	35.6%	33.7%	43.3%	8.9%	14.0%	30.8%	28.1%
Oracle	6.4%	-1.2%	-1.0%	0.7%	7.6%	10.6%	19.4%	3.4%	10.6%	4.2%	5.9%
Tencent	24.0%	45.0%	34.2%	26.8%	28.5%	42.3%	13.5%	-0.9%	8.5%	21.6%	23.6%
Cisco	-3.8%	4.5%	3.9%	-3.5%	3.2%	3.4%	11.5%	5.7%	16.5%	2.8%	4.3%
Ericsson	-10.5%	20.0%	0.9%	-8.4%	5.4%	13.3%	-4.4%	1.9%	5.9%	-1.3%	1.9%
AT&T	-2.6%	-8.9%	-20.6%	6.9%	-5.2%	9.5%	-6.7%	-22.8%	0.1%	-11.7%	-6.7%
Capex growth YoY (%)	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY16–26 CAGR**
Amazon	44.9%	53.2%	12.3%	25.6%	138.1%	52.1%	4.2%	-17.2%	57.4%	58.8%	37.7%
Alphabet	2.6%	29.1%	90.7%	-6.3%	-5.4%	10.6%	27.8%	2.4%	62.9%	74.1%	24.8%
Microsoft	-2.6%	43.1%	19.7%	10.9%	33.6%	15.8%	17.7%	58.2%	45.1%	79.6%	30.1%
Meta	78.0%	49.9%	106.7%	8.5%	0.4%	23.3%	68.2%	-13.3%	36.6%	87.1%	39.4%
Oracle	70.0%	-14.1%	-4.4%	-5.8%	36.5%	111.3%	92.8%	-21.0%	209.0%	162.4%	46.9%
Tencent	10.5%	20.7%	86.4%	17.0%	45.6%	-15.9%	-28.2%	-12.6%	220.7%	25.9%	24.6%
Cisco	-15.9%	-13.5%	9.0%	-15.3%	-10.1%	-31.1%	78.0%	-21.1%	35.1%	55.8%	2.1%
Ericsson	-27.5%	-13.0%	-9.5%	24.9%	-17.9%	-6.8%	14.0%	-16.0%	-33.3%	11.9%	-9.0%
AT&T	12.0%	-3.8%	-1.4%	-7.6%	-20.2%	-0.8%	26.3%	-9.0%	13.5%	2.9%	0.4%

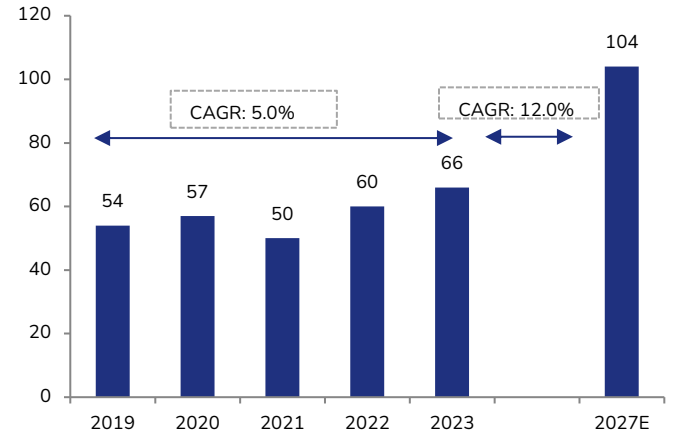
Source: Company, Bloomberg, JM Financial

Aerospace & defence

Aerospace & defence ER&D offers substantial outsourcing opportunity as well: Nasscom-Everest estimates the market at USD 4.01bn in 2024, representing just 4.4–5.3% of the overall sector ER&D spend. Total spending is projected to increase from USD 66bn in 2023 to USD 104bn by 2027E (Zinnov-2024), implying a CAGR of ~12%. Commercial fleet expansion, higher defence and space budgets, platform replacement and ageing-fleet sustainment should support demand across airframe design, avionics, systems integration, manufacturing engineering and maintenance.

Production ramp-ups, talent shortages and supply chain constraints should also increase the need for external engineering capacity, although security, sovereignty and export controls may limit the offshore scope of sensitive defence programmes.

Exhibit 50: ER&D spends in Aerospace & defence vertical



Source: Zinnov, JM Financial

Exhibit 51: Workstreams outsourced to ESPs

Workstream	Engineering Services Provider work
Airframe / aerostructures	Design and engineer aircraft structures and mechanical systems
Avionics / embedded software	Develop safety-critical aircraft electronics and software
Systems engineering / certification	Own system integration, verification and regulatory evidence
Manufacturing engineering	Translate designs into scalable, traceable production
MRO / digital sustainment	Improve asset availability across the in-service lifecycle
Passenger to freight (P2F) / retrofit engineering	Engineer aircraft conversions and fleet upgrades
UAV / defence prototypes	Develop next-generation unmanned and defence platforms
Advanced air mobility	Engineer eVTOL and future-air-mobility systems

Source: Nasscom, Everest, Capgemini, Company, JM Financial

Exhibit 52: Drivers of outsourcing in the Aero & defence vertical

Driver	Why it lifts outsourcing
Commercial fleet expansion + defence/space investment	Rising commercial demand and defence budgets expand the volume of new and derivative programs while existing fleets still require support
Platform replacement + legacy sustainment	OEMs must develop next-generation platforms while maintaining aging fleets and mature defence programs
Time-to-market / production-ramp pressure	Backlogs and new entrants make engineering speed and industrial ramp-up increasingly strategic
Talent shortage / global engineering models	A&D lacks enough systems, mechanical, software, certification and AI engineers in traditional hubs
MRO / aftermarket expansion	Production constraints and aging fleets increase the need to maximize aircraft availability and extend asset life
Passenger to freight (P2F) conversions	Airlines can add cargo capacity by extending useful life of existing passenger aircraft
Sustainability / advanced air mobility	Net-zero targets require new propulsion, lighter structures and new aircraft architectures
Digital continuity, AI and reusable engineering assets	Integrated data/model flows improve simulation, validation, traceability and engineering productivity across long programs

Source: Nasscom, Everest, Capgemini, Company, JM Financial

Exhibit 53: Recent trends in Aerospace and defence vertical

Trend	What is changing
Augmented engineering is moving from pilots to strategic priority	A&D organisations are combining digital continuity and AI to compensate for talent scarcity and improve program performance
Digital continuity remains fragmented	Connected engineering data remains a bottleneck to scaling AI and cross-functional execution
Supply-chain pressure remains structural	Persistent shortages and long lead times constrain both commercial production and defence readiness
Aftermarket / sustainment is strengthening	Production backlogs are forcing airlines to fly older fleets longer and turn MRO into a capacity buffer
Defence AI / autonomy is accelerating	Defence spending is shifting toward drones, counter-UAS, autonomy, missile defence, space and cyber
Sustainability and advanced air mobility	OEMs are prioritising lower-emission aircraft and new mobility architectures
Smart manufacturing to address ramp-up bottlenecks	Backlog resolution increasingly depends on engineering the factory as much as engineering the aircraft
Sovereignty / export controls shape delivery models	Global talent models are expanding, but security and sovereignty limit where core engineering can be located

Source: Nasscom, Everest, Capgemini, Company, JM Financial

Commentaries by companies remain constructive supported by strong backlogs and rising production requirements.

- **Airbus** expects higher R&D investment and continues to use partnerships
- **Boeing** is adding engineering resources and capital to improve safety, quality and production readiness.
- **Northrop Grumman's** record backlog supports capacity investment.
- **Leonardo** and **Thales** see a structural acceleration in defence demand and are expanding partnerships to improve speed to market.
- **Rolls-Royce** is also investing in suppliers, engineering development and capacity expansion.

R&D and capex trends have varied across companies over FY16–26, but recent investment is strengthening as production ramps. This should benefit ESPs with capabilities in certification, embedded systems, digital manufacturing and aftermarket engineering while defence-related outsourcing may remain more locally delivered.

Exhibit 54: Recent commentary by key ER&D spenders in Aerospace & defence vertical

Company	Topic	Comments	Inference
Airbus	Outlook & current pain point	"We maintain a strong upward trajectory across our civil and defence businesses to meet the rising demands. Our immediate focus is on steady execution and ramp-up."	Improving demand outlook, R&D expenses increased
	Tech sourcing / outsourcing	"We continue to foster partnerships and collaboration, notably with European startups, to benefit from their increased speed and agility in the defence sector."	
	R&D spend	"Our expenses slightly increased versus H1 of last year, and they stood at EUR1.5 billion... our R&D expenses are expected to increase in 2026, including to support the defence portfolio acceleration."	
Boeing	Outlook & current pain point	"With a continued focus on safety and quality, our teams are increasing production and delivering at levels we have not seen since 2018."	Focus on safety and quality; adding resources to build and test
	Tech sourcing / outsourcing	For existing aircraft, Boeing said it is "not going to change" the current supply-chain architecture; for the next airplane, it "could require a different kind of a business partnership, different types of ventures."	
	R&D spend	"We've made the decision to add significant resources to support the build and test schedule of the VC-25B." Boeing also pledged "USD1 billion investment over the next several years in both people and capital" in Wichita.	
Northrop Grumman	Outlook & current pain point	"Backlog continues to grow, including a new record high of USD105 billion... These dynamics strengthen our confidence and outlook for accelerating sales growth in the second half of the year."	Strong backlog and capacity investment; however, defence security and sovereignty requirements might constrain offshore outsourcing
	Tech sourcing / outsourcing	No direct outsourcing comment. Management said it is "partnering with our customers to more rapidly develop and deliver the next generation of capabilities."	
	R&D spend	Northrop is "scaling and investing in advanced factories to increase production rates and volumes." Management also referenced capex at "4.5% of sales."	
Leonardo	Outlook & current pain point	"We are really convinced that, we are in a structural long-term defence spending trend." Management also stressed the need to "accelerate many of our initiatives."	Called out structural expansion in the industry; exploring partnerships for speed to market
	Tech sourcing / outsourcing	Leonardo is "expanding strategic partnerships" to access new markets and "accelerate our entrance into new domains and new technologies."	
	R&D spend	Management wants to "accelerate execution, program development, production, industrialization, engineering" and said it must "invest and... strengthen mostly new technologies."	
Thales	Outlook & current pain point	Management said the defence outlook has moved from "a high single-digit growth in revenue to a low double-digit growth potential."	Defence demand is strong, higher R&D intensity and multiple industrial partnerships support systems integration, sensors work
	Tech sourcing / outsourcing	Thales highlighted partnerships for "enhanced system integration and production ramp-up" and a multinational consortium with Airbus Defence and Space, MBDA Deutschland, Safran Electronics & Defence and Destinus.	
	R&D spend	"The R&D is up faster than revenue... and it's at 6.2% of revenue now for the Group."	
Rolls-Royce	Outlook & current pain point	"Together with our strong progress in the first half, this has allowed us to raise our guidance for the full year." The company is also supporting OEM partners as they ramp production despite supply-chain challenges.	Increased guidance, deploying people at suppliers, continued investment in capacity
	Tech sourcing / outsourcing	"We've invested with our suppliers. We've sent hundreds of people in there to strengthen their supply chain. We've opened up additional sources... [and] second source supply."	
	R&D spend	"Investments in Power Systems and engine development and capacity expansion are just some of the areas where we continue to invest to underpin future growth."	

Source: Company, JM Financial

Exhibit 55: R&D and capex growth in Aerospace & defence vertical

R&D expenses growth YoY (%)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY16–26 CAGR
Airbus	-3.5%	19.8%	-1.1%	-13.2%	-0.5%	-0.1%	8.6%	-0.2%	1.4%	0.9%
Boeing	-31.3%	2.8%	-1.5%	-23.1%	-9.2%	26.8%	18.4%	12.9%	-5.2%	-2.7%
Northrop Grumman	-9.4%	19.6%	24.7%	12.6%	2.5%	9.1%	0.0%	-8.3%	0.0%	5.1%
Leonarda	14.4%	-2.2%	0.4%	10.1%	13.5%	-1.1%	12.8%	13.2%	25.9%	9.3%
Thales	11.2%	14.9%	18.1%	-12.5%	12.8%	-7.8%	6.9%	15.0%	9.0%	7.0%
Rolls Royce	-12.7%	-5.6%	-4.1%	57.2%	-30.8%	2.9%	-16.6%	-71.8%	152.7%	-6.9%
Capex growth YoY (%)	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY16–26 CAGR**
Airbus	-14.7%	-6.6%	-2.9%	-23.3%	13.5%	13.8%	27.1%	20.3%	12.9%	3.2%
Boeing	-33.4%	-1.0%	6.5%	-29.0%	-24.8%	24.7%	25.0%	46.0%	31.9%	1.3%
Northrop Grumman	0.9%	34.6%	1.2%	12.3%	-0.4%	1.4%	23.7%	-0.5%	-17.9%	5.2%
Leonarda	26.1%	24.9%	-2.4%	-46.6%	104.9%	10.3%	5.4%	14.5%	18.6%	11.5%
Thales	-6.7%	-6.3%	21.3%	-23.1%	23.1%	5.6%	20.2%	-0.4%	26.9%	5.4%
Rolls Royce	18.6%	28.4%	-21.1%	-21.3%	-39.9%	-1.6%	21.3%	23.1%	23.5%	0.4%

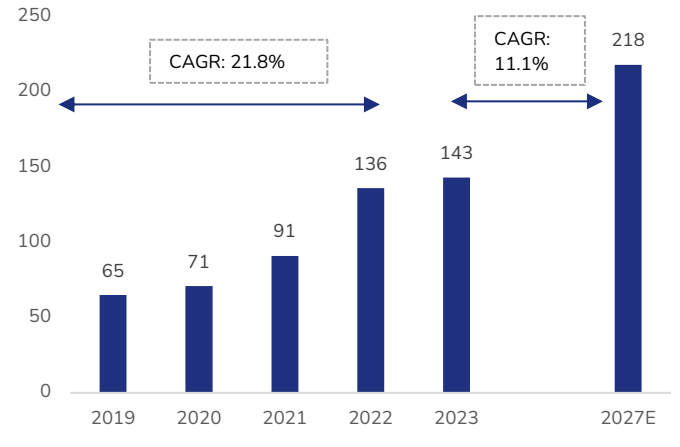
Source: Company, Bloomberg, JM Financial

Semiconductor

The ER&D opportunity in the Semiconductor vertical is seeing strong tailwinds due to the significant AI-led demand inflection: Nasscom-Everest estimates the outsourced market at USD 4.01bn in 2024, representing just 3.3–3.8% of overall sector ER&D spend. Total spend is projected to increase from USD 143bn in 2023 to USD 218bn by 2027E (Zinnov-2024), implying a CAGR of 11.1%.

AI compute demand, custom silicon, advanced nodes and chiplet architectures are increasing design and verification complexity while scarce semiconductor talent and faster product cycles support outsourcing across ASIC design, physical design, verification, testing and embedded engineering. Geopolitical fragmentation and chip-sovereignty programmes are also expanding regional ecosystems while export controls may influence delivery locations.

Exhibit 56: ER&D spends in Semiconductor vertical



Source: Zinnov, JM Financial

Exhibit 57: Workstreams outsourced to ESPs

Workstream	ESP work
Architecture / logic design	SoC / ASIC design and implementation
Physical / analog design	Physical design, analog and implementation engineering
Verification	Functional and timing verification
Pre / post-silicon validation	Validate chip functionality before and after fabrication
Test / qualification	Turnkey product test engineering
AI / data-centre silicon	Design chips for AI, hyperscale and edge workloads
Custom application silicon	Domain-specific ASIC design
System / embedded engineering	Engineer the product around the silicon

Source: Nasscom, Everest, Capgemini, Company, JM Financial

Exhibit 58: Drivers of outsourcing in Semiconductor vertical

Driver	Why it lifts outsourcing
AI / GPU demand surge	AI compute demand requires more specialized, high-performance and energy-efficient silicon.
Rise of custom ASICs	Enterprises increasingly design workload-specific chips for AI, cloud, telecom, automotive and edge use cases.
Advanced nodes / chiplets	Moving to smaller nodes and chiplet architectures increases design, verification and integration complexity.
Talent scarcity	ASIC, VLSI, verification, analog and AI-silicon skills remain scarce and difficult to scale internally.
Vertical integration by OEMs / telecom	More non-semiconductor companies are building proprietary silicon, but often lack complete internal design organizations.
Reshoring and government investment	Chip sovereignty programs are expanding fabs, design ecosystems and local engineering capacity.
India's design ecosystem	India already has a deep installed base of global semiconductor R&D and design talent.
Time-to-market / capability access	Faster product cycles and rapid AI innovation favour external partners with reusable IP, labs and specialist teams.

Source: Nasscom, Everest, Capgemini, Company, JM Financial

Exhibit 59: Recent trends in Semiconductor vertical

Trend	What is changing
GenAI in Register Transfer Level / chip design	GenAI is moving into code generation and design workflows rather than remaining a generic productivity tool.
AI in wafer-yield optimization	AI/ML is increasingly used in manufacturing analytics and process optimization.
AI-assisted verification / analog layout	AI is being applied to test generation, bug detection, coverage and layout optimization.
Custom silicon & chiplets	AI/cloud/edge workloads are driving more application-specific architectures and modular chip design.
Capability-led M&A	Large service firms are acquiring niche silicon design capability to accelerate scale in scarce skills.
Geopolitical fragmentation / chip sovereignty	US-China decoupling, export controls and reshoring are changing R&D and supply-chain footprints.
India ecosystem deepening	India is moving from a design-talent base toward a broader semiconductor ecosystem.

Source: Nasscom, Everest, Capgemini, Company, JM Financial

Commentaries by companies remain strong led by AI and data-centre demand.

- **Nvidia**, **AMD** and **Broadcom** continue to expand AI accelerators, custom silicon and networking products.
- **TSMC**, **ASML**, **Micron** and **Applied Materials** are investing in capacity and working closely with supply-chain partners to raise output.
- **Intel** is also increasing investment in advanced manufacturing.
- **Qualcomm** continues to invest in connectivity, custom silicon and AI accelerators despite near-term cost pressures.

R&D and capex have risen strongly across most major spenders over FY16–26, particularly at Nvidia, AMD, TSMC, ASML and Broadcom. This should benefit ESPs with specialised capabilities in chip architecture, verification, advanced-node design and system integration.

Exhibit 60: R&D and capex growth in Semiconductor vertical

R&D expenses growth YoY (%)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY16–26 CAGR
Nvidia	9.9%	22.8%	32.2%	19.1%	38.7%	34.3%	39.3%	18.2%	48.9%	43.2%	30.1%
Intel	4.6%	2.8%	3.9%	-1.3%	1.5%	12.1%	15.4%	-8.5%	3.1%	-16.8%	1.3%
Qualcomm	-6.2%	6.5%	2.6%	-4.0%	10.7%	20.1%	14.2%	7.6%	0.9%	1.7%	5.1%
TSMC	7.0%	20.1%	7.4%	3.8%	25.7%	20.1%	22.7%	6.8%	8.6%	24.7%	14.4%
AMD	6.4%	18.7%	19.9%	7.9%	28.2%	43.5%	75.9%	17.3%	9.9%	25.3%	23.9%
ASML	3.2%	16.3%	30.8%	18.4%	14.0%	19.9%	13.8%	25.6%	8.1%	14.1%	16.2%
Applied materials	6.1%	15.6%	13.5%	1.6%	8.8%	11.2%	11.5%	11.9%	4.2%	10.4%	9.4%
Samsung electronics	-2.8%	16.6%	14.1%	2.2%	3.9%	9.5%	-2.0%	12.2%	18.3%	3.5%	7.3%
Broadcom	154.9%	23.1%	14.5%	24.6%	5.8%	-2.3%	1.3%	6.8%	77.2%	17.9%	26.5%
Micron	5.0%	12.8%	17.4%	14.0%	6.5%	2.4%	17.0%	-0.1%	10.1%	10.7%	9.4%
Capex growth YoY (%)	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY16–26E CAGR**
Nvidia	104.7%	236.9%	1.2%	-18.5%	130.7%	-13.5%	87.8%	-41.7%	202.7%	86.7%	53.0%
Intel	31.4%	22.4%	28.9%	6.8%	-10.9%	40.7%	23.2%	2.8%	-7.0%	-38.8%	7.2%
Qualcomm	-45.8%	28.0%	13.6%	13.1%	58.6%	34.2%	19.8%	-35.9%	-28.2%	14.5%	1.8%
TSMC	25.8%	6.8%	-3.9%	42.3%	16.7%	73.0%	20.8%	-16.1%	-2.3%	37.6%	17.6%
AMD	-19.8%	46.8%	44.2%	33.1%	35.5%	2.4%	49.5%	21.3%	16.5%	53.1%	26.1%
ASML	-15.2%	9.4%	77.1%	26.6%	28.0%	-3.0%	26.7%	72.7%	-4.1%	-20.5%	15.7%
Applied materials	17.7%	36.4%	80.3%	-29.1%	-4.3%	58.3%	17.8%	40.5%	7.6%	89.9%	26.5%
Samsung electronics	-9.0%	81.9%	-29.0%	-19.0%	46.6%	29.0%	-6.8%	15.0%	-14.5%	-11.3%	3.9%
Broadcom	21.9%	47.9%	-40.6%	-32.0%	7.2%	-4.3%	-4.3%	6.6%	21.2%	13.7%	0.5%
Micron	44.7%	-18.6%	87.6%	10.1%	-15.9%	22.0%	20.3%	-36.4%	9.2%	89.1%	14.7%

Source: Company, Bloomberg, JM Financial

Exhibit 61: Recent commentary by key ER&D spenders in Semiconductor vertical

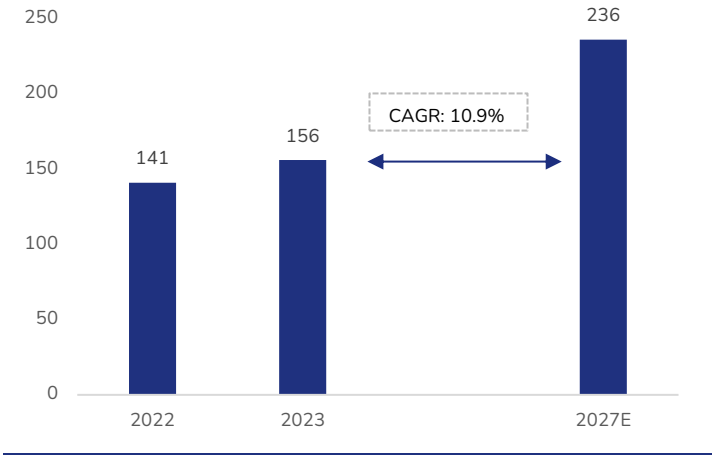
Company	Topic	Comments	Inference
AMD	Outlook and current pain point	"Customer pull for Helios is very strong and tracking ahead of our initial forecast." "The Server CPU supply chain is tight right now, and it has been tight for the first half of the year..."	Strong demand and strong R&D investments
	Tech sourcing / outsourcing	"The partnership includes a multi-year joint engineering collaboration... to optimize workloads for Instinct GPUs and accelerate ROCm software development."	
	R&D spend	"Operating expenses were USD3.4 billion, an increase of 40% year-over-year as we continue to invest in R&D to expand our AI silicon systems and software capabilities..."	
Applied Materials	Outlook and current pain point	"Customers have found new ways to address cleanroom space constraints and significantly increased their demand for tool deliveries." "In the past three months, we have again made upward revisions to our revenue growth forecast for the year..."	Deep co-innovation with customers and partners is positive for engineering demand
	Tech sourcing / outsourcing	"Our EPIC strategy is designed to increase innovation and commercialization velocity by creating earlier and deeper engagements with our customers and partners and co-locating key innovators."	
	R&D spend	"In R&D and services, we are using AI to create highly differentiated products, significantly speed up product development timelines, and create valuable new service solutions for customers."	
ASML	Outlook and current pain point	"Driven by continued strong demand, we are updating our full-year 2026 guidance. We now expect total net sales between EUR43 billion and EUR45 billion..."	Improving growth outlook; company is working with supply chain partners to increase output
	Tech sourcing / outsourcing	"This year we have worked closely together with our supply chain partners to re-accelerate our output of these systems."	
	R&D spend	"R&D expenses came in at EUR1.3 billion..." "With the current team that we have in R&D, there is a lot of value and a lot of innovation roadmap that we can still pursue."	
Broadcom	Outlook and current pain point	"Q3 demand was simply hot, and we're just getting started." "We are continuing to see exponential growth in demand from our XPU customers."	Strong demand outlook and investments in capacity
	Tech sourcing / outsourcing	"Our engagement with Google has never been stronger. This has been recently strengthened by a long-term agreement to develop and supply future generations of TPUs and AI networking."	
	R&D spend	"Operating expenses of USD1.2 billion reflected investments in R&D..." "In Q4, we expect capital expenditures of USD1.4 billion as we invest in capacity for Semiconductors."	
Micron	Outlook and current pain point	"DRAM and NAND industry demand continues to significantly exceed industry supply. We expect tight conditions to persist beyond calendar 2027..."	Strong demand and outlook; investments towards building capacity
	Tech sourcing / outsourcing	"We are focused on maximizing output from our fabs, including collaboration with our suppliers to accelerate tool acquisition, fab tool installation and ramp and tool replacements and upgrades to improve productivity."	
	R&D spend	"Our SCAs provide enhanced visibility on our long-term demand and provide us greater confidence on our capex and R&D investments." "Recently, we concluded a multi-year EUV supply agreement with ASML..."	
Intel	Outlook and current pain point	"Strong demand for our products continue to outpace our growing supply." "Industry is facing one of the most severe supply constraints in its history across leading-edge logic, silicon wafers, memory, and subscripts."	Demand outlook remains strong; investments towards capacity continue
	Tech sourcing / outsourcing	"Our recent announcement to deepen our collaboration with Google Cloud will help to accelerate the transformation as we fully embrace an AI-first mentality throughout operations."	
	R&D spend	"We stepped up investments in Q2 for Intel 14A to prepare for risk production in 2027 and committed high-volume ramps in 2028." "We now expect our capex to be more than USD20 billion..."	
Qualcomm	Outlook and current pain point	"The entire industry continues to be impacted by unprecedented memory prices, higher manufacturing and input costs, as well as supply chain shortages..." "Despite this headwinds, we expect top line growth for Qualcomm in fiscal '27..."	Going through cost pressures; Investments in product continue
	Tech sourcing / outsourcing	"Both projects are in the first phase of strategic multi-year customer relationships that we expect to expand over time." "We are in active conversations with nearly every leading data centre player about building long-term partnerships."	
	R&D spend	"We are developing a differentiated set of product lines, including connectivity in fiscal '26, custom silicon in AI accelerators in fiscal '27, and server class CPUs in fiscal '28."	
NVIDIA	Outlook and current pain point	"We expect to grow revenue by approximately 70% in fiscal 2028. This is a supply-constrained outlook."	Strong growth outlook
	Tech sourcing / outsourcing	"Today, we are delighted to announce an expansion of our partnership with AWS. Building on its already vast installed base of NVIDIA Compute, AWS is deploying an additional 2 million GPUs..."	
	R&D spend	"For the full year, we now expect opex to grow in the low-50s, driven by a broadening of our product portfolio and further increase in the usage of AI tools, which is already and will continue to enhance engineering productivity."	
TSMC	Outlook and current pain point	"AI-related demand continues to be extremely robust." "We now expect our full year 2026 revenue growth to be slightly above 40% year-over-year in US dollar terms."	Strong growth outlook; investments in expanding capacity
	Tech sourcing / outsourcing	"We always collaborate closely with the tool suppliers well in advance to prepare the capacity... just like our customers collaborate with us well in advance to plan our capacity."	
	R&D spend	"We have decided to raise our full year 2026 capital budget to be between USD 60bn and USD 64bn, as we continue to invest heavily to support our customers' growth."	

Source: Company, JM Financial

Industrial & Manufacturing

Industrial & manufacturing (I&M) ER&D offers a steady outsourcing opportunity: Nasscom-Everest estimates the market at USD 4.3bn in 2024, representing ~7–9% of overall sector ER&D spend. Total spend is projected to rise from USD 156bn in 2023 to USD 236bn by 2027E (Zinnov-2024), implying a CAGR of 10.9%. Smart manufacturing, equipment electrification, industrial AI, digital twins and sustainability requirements are expanding demand across product engineering, plant modernisation and connected operations. Talent shortages and the complexity of integrating mechanical, software, controls and data systems should support outsourcing, although fragmented legacy systems and selective customer investment may moderate the pace of large-scale adoption.

Exhibit 62: ER&D spends in Industrial & manufacturing vertical



Source: Zinnov, JM Financial

Exhibit 63: Workstreams outsourced to ESPs

Workstream	ESP work
Heavy machinery product engineering	Own mechanical, electrical and embedded product development
Electrification / software-defined equipment	Engineer electric, connected and semi-autonomous industrial machinery
Smart factory / plant modernization	Transform brownfield and greenfield manufacturing operations
Industrial AI / quality / operations	Apply AI and analytics to production and asset performance
Digital twins / connected products	Create virtual replicas and connected engineering-to-operations platforms
Process / project engineering	Deliver process-plant engineering and capital-project support
Sustainability / energy transition	Engineer lower-carbon industrial operations
PLM / digital thread modernization	Integrate product-lifecycle data and engineering systems

Source: Nasscom, Everest, Capgemini, Company, JM Financial

Exhibit 64: Drivers of outsourcing in Industrial & manufacturing vertical

Driver	Why it lifts outsourcing
Industry 4.0 / smart manufacturing	Manufacturers need integrated automation, IoT/edge, robotics, data and AI capabilities that span engineering and operations
Electrification of heavy equipment	Diesel-to-electric/hybrid transition introduces new battery, power-electronics, controls and validation requirements
End-market growth / infrastructure investment	Higher demand for industrial equipment raises both new-product and lifecycle engineering workloads
Supply-chain resilience	Trade volatility and supplier concentration force redesign, localization and connected supply-chain decision-making
Sustainability / energy transition	Environmental regulation and net-zero targets require more efficient equipment, plants and energy systems
Talent and IT/OT complexity	Industry 4.0 deployment requires scarce cross-functional talent spanning mechanical, controls, software, data and cyber
AI / edge / digital twins	Real-time, local intelligence enables autonomous operations, predictive maintenance and faster engineering decisions
Global outsourcing backdrop	Enterprises increasingly use providers to bridge next-gen technology gaps and accelerate delivery

Source: Nasscom, Everest, Capgemini, Company, JM Financial

Exhibit 65: Recent trends in Industrial & manufacturing vertical

Trend	What is changing
Smart-manufacturing investment remains resilient	Manufacturers are prioritizing targeted automation and operational technology despite a difficult macro backdrop
Agentic AI is moving toward the shop floor	AI is evolving from analytics/copilots toward systems that plan, coordinate and act across production workflows
Physical AI / autonomous operations	Robotics is becoming more adaptive as AI moves from software into physical production environments
Supply-chain volatility remains a key constraint	Tariffs and trade-policy changes are forcing manufacturers to redesign sourcing and inventory strategies
Legacy systems are blocking scaled autonomy	Factories often have fragmented data, rigid automation and siloed execution systems that limit real-time intelligence
Digital twins and edge-Industry 4.0	Manufacturers are moving toward connected virtual replicas and real-time local intelligence
Industrial AI is shifting from pilots to platforms	Providers are combining engineering data, plant data, digital twins and AI into closed-loop operations
IHM demand is improving but customer investment remains selective	Industrial machinery demand is benefiting from predictive maintenance, smart manufacturing and digital transformation while macro/tariff uncertainty can still delay programs

Source: Nasscom, Everest, Capgemini, Company, JM Financial

Exhibit 66: Recent commentary by key ER&D spenders in Industrial & manufacturing vertical

Company	Topic	Comments	Inference
ABB	Outlook and current pain point	"We raised our growth guidance for the year to a low-double-digit to low-teens increase in comparable revenues. This adds confidence to our current margin outlook, which is to improve from last year..."	Strong outlook, investments directed towards connected and autonomous solutions
	Tech sourcing / outsourcing	"Under the extended partnership with VoltaGrid, Motion and Automation will supply synchronous condensers with the associated prefabricated eHouse units."	
	R&D spend	"As part of the automation extended platform, it will enhance our ability to help our customers through increasingly digital connected and autonomous solutions."	
Caterpillar	Outlook and current pain point	"We are increasing our full-year 2026 sales and revenues expectations to mid to high-teens growth... We are also progressing in our capacity expansion plans."	Improving outlook and investments towards technology and strategic investment increasing versus last year
	Tech sourcing / outsourcing	"Resource Industries completed the acquisition of Skycatch in July... Skycatch's technology captures high-frequency, large-scale spatial data and pairs it with a suite of AI capabilities."	
	R&D spend	"Strategic investments related to technology are expected to increase SG&A and R&D expenses versus prior year." "Higher compensation expense and strategic investments related to technology, are driving the higher SG&A and R&D expenses versus prior year."	
Deere & Co.	Outlook and current pain point	"Within Production & Precision Ag... we have seen softer demand conditions in both South America and Europe, while North America has remained stable." "Given the softer demand expectations... we've adjusted our full year sales outlook to be down approximately 10%."	Weak large-ag (agriculture) demand is a near-term constraint, but Deere continues to protect technology investment through the cycle
	Tech sourcing / outsourcing	"Whether through technology adoption, expansion of our digital ecosystem with solutions like Tenna, or growth of our equipment portfolio, we see a strong runway ahead."	
	R&D spend	"We continue investing through the cycle in technologies that improve customer profitability..." "Current EOP trends suggest factory adoption of See & Spray will nearly double..."	
Cummins	Outlook and current pain point	"We have raised our full-year outlook once again as demand continues to build across several key markets." "While customer demand remains exceptionally strong, particularly for data centre applications, our growth in 2026 will continue to be constrained by capacity."	Data centre-led demand outlook improvement
	Tech sourcing / outsourcing	"We recently signed a multi-year agreement with a global hyperscaler, expanding a long-standing partnership and securing visibility into several gigawatts of future backup power genset demand."	
	R&D spend	"Selling, administrative and research expenses were $1.3 billion... The increase was driven primarily by higher development costs to support our upcoming on highway platform launches... and new mining and natural gas power generation programs."	
Emerson Electric	Outlook and current pain point	"End-market demand is robust... Underlying orders grew 7% in the third quarter with broad-based growth across all business groups led by software and systems, which was up 10%." "Demand in Europe and China remained soft, but showed signs of improvement in the quarter."	Automation demand is healthy and Emerson is adding software/AI capability both organically and through acquisitions
	Tech sourcing / outsourcing	"Rudy joined Emerson through the acquisition of NI and brings decades of experience in software-defined automation, spanning engineering, product, and corporate strategy and operations."	
	R&D spend	"This appointment reinforces Emerson's strategy to lead an AI-enabled automation, advancing the full technology stack and helping customers achieve autonomous operations at scale."	
Eaton	Outlook and current pain point	"We also continue to see unprecedented demand... data centre orders and revenue remain robust." "Scaling capacity to turn demand into revenue remains the clear priority in the business."	Strong data centre demand; investments continue
	Tech sourcing / outsourcing	"I believe they're going to continue to win because they are the partner -- the design partner for broad-based chip providers. They are always in their roadmaps..."	
	R&D spend	"We are investing more than $1 billion in capacity expansion and bringing online two dozen projects across Electrical Americas."	
Schneider Electric	Outlook and current pain point	"You can see that all the segments of Schneider Electric from a demand standpoint are growing with a fairly high demand everywhere. And probably the only one which continues to be subdued is really the residential market."	Focused on partnerships while retaining strength in organic R&D
	Tech sourcing / outsourcing	"A key part of our strategy will be really to accelerate through partnership. We don't need to do everything by ourselves..."	
	R&D spend	"Staying on data centre, we continue to be very active in organic R&D." "We have... new SST solution that we have developed right now, that we have prototyped and testing already with a couple of customer..."	
Hitachi	Outlook and current pain point	"Reflecting our stronger-than-planned Q1 performance, order trends, and revised foreign exchange assumptions, we have raised our forecast for revenue, adjusted EBITA, net income, core free cash flow, and ROIC." "Developments in the Middle East remain a potential source of significant volatility..."	Improving outlook; capex and investment increasing
	Tech sourcing / outsourcing	"This platform, combining Hitachi's domain knowledge with our partner's frontier AI, enable us to achieve both high quality and rapid development speed."	
	R&D spend	"To support organic growth, we plan to increase capital expenditures, including investments in production capacity, and also expand the corporate strategic investments aimed at accelerating AI adoption."	
Siemens	Outlook and current pain point	"Book-to-bill reached an outstanding 1.34, lifting order backlog to a record EUR132 billion." "SI's data centre vertical showed exceptional momentum again with triple-digit order growth... [and] DI also saw some improvements in the broader manufacturing space."	Strong order momentum; company is open to partnerships
	Tech sourcing / outsourcing	"At COMPUTEX, we announced an expansion of our partnership with Intel across the entire value chain from design to chip manufacturing."	
	R&D spend	"Our Eigen Engineering Agent continues to demonstrate our ability to rapidly translate advances in AI into commercial industrial software."	

Source: Company, JM Financial

Commentaries by companies remain broadly constructive led by automation and data centre demand.

- **ABB**, **Emerson** and **Siemens** are investing in connected and AI-enabled industrial systems.
- **Eaton**, **Schneider Electric** and **Cummins** continue to add capacity to address strong data centre and power demand.
- **Caterpillar** and **Hitachi** are increasing technology investment.
- **Deere** faces softer agri equipment demand, but continues to invest through the cycle.

R&D and capex trends have varied across companies over FY16–26, reflecting end-market cycles and portfolio changes, although investment remains strong in automation, electrification and capacity expansion. This should benefit ESPs with capabilities spanning embedded engineering, industrial software, digital manufacturing and plant modernisation.

Exhibit 67: R&D and capex trends for key companies in the industrial and manufacturing vertical

R&D expenses growth YoY (%)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY16–26 CAGR
Siemens	2.1%	9.3%	16.0%	-20.5%	-2.8%	13.7%	3.6%	7.3%	4.9%	6.8%	3.5%
Cummins	-13.3%	18.4%	19.6%	11.0%	-9.5%	20.3%	17.2%	17.4%	-2.5%	-4.6%	6.6%
Deere and Co.	-2.2%	-1.5%	20.8%	7.5%	-7.8%	-3.5%	20.5%	13.9%	5.2%	0.9%	5.0%
Caterpillar	-39.2%	-0.6%	0.4%	-8.5%	-16.4%	19.2%	7.6%	16.2%	0.0%	1.9%	-3.4%
ABB	-7.5%	-22.1%	13.2%	4.4%	-5.9%	8.2%	-4.3%	13.0%	-3.7%	3.9%	-0.6%
Hitachi	7.7%	0.3%	-3.0%	-7.3%	2.5%	2.1%	-17.2%	-14.1%	-15.2%	13.2%	-3.6%
Emerson	-4.8%	6.3%	28.2%	4.1%	-3.3%	-21.0%	11.0%	35.8%	49.3%	-1.3%	8.7%
Eaton	-5.8%	-0.8%	0.0%	3.8%	-9.1%	11.8%	8.0%	13.4%	5.3%	0.4%	2.5%
Scheider electric	28.7%	-0.1%	14.8%	-0.2%	4.9%	13.3%	6.8%	12.2%	12.1%	10.0%	10.0%
Capex growth YoY (%)	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY16–26 CAGR**
Siemens	8.8%	12.1%	16.5%	-35.2%	-16.4%	23.2%	9.2%	1.5%	-1.2%	19.4%	2.2%
Cummins	-28.6%	-4.7%	40.1%	-1.3%	-24.6%	39.0%	24.8%	32.4%	-0.4%	2.2%	5.2%
Deere and Co.	4.6%	-12.3%	13.8%	16.9%	-23.0%	-2.9%	46.8%	18.0%	7.5%	-12.0%	4.1%
Caterpillar	-10.2%	-69.3%	224.7%	-8.5%	-20.8%	16.9%	5.1%	19.0%	4.0%	33.3%	2.8%
ABB	-5.1%	-9.5%	2.7%	-1.3%	-8.9%	18.2%	-7.1%	1.0%	3.8%	25.3%	1.3%
Hitachi	-5.1%	7.8%	9.4%	-13.9%	-19.1%	10.1%	-29.3%	-13.7%	0.5%	44.2%	-2.7%
Emerson	-24.0%	6.5%	29.6%	-3.7%	-9.4%	-24.9%	-26.0%	21.4%	15.4%	2.9%	-3.1%
Eaton	-1.8%	4.6%	8.7%	3.9%	-33.7%	47.8%	4.0%	26.6%	6.7%	13.7%	6.1%
Scheider electric	-6.8%	-6.9%	17.1%	-1.3%	-2.2%	16.0%	15.9%	32.7%	4.0%	17.9%	7.9%

Source: Company, Bloomberg, JM Financial

Pureplay ER&D versus IT Services players

ER&D differs structurally from IT Services because it sits much closer to the client's product, revenue and innovation engine. While IT Services primarily improves enterprise operations through applications, cloud, infrastructure and process transformation, ER&D providers help design, validate and industrialise products, platforms, embedded software and IP.

This requires more specialised and less fungible domain talent, involves technical buyers such as Chief Engineers and Product Owners, and embeds vendors deeply across multi-year product lifecycles—creating stronger client stickiness. Commercially, ER&D engagements often begin as smaller niche programs and expand through technical credibility rather than starting as large outsourcing mandates. ER&D also appears to have a greater structural runway given lower outsourcing penetration. In our view, these characteristics could allow ER&D companies to sustain higher valuation multiples than traditional IT Services players, subject to execution and growth delivery.

Exhibit 68: ER&D services sits closer to 'client's revenue' and has higher switching costs – Comparison of IT services and ER&D players

Dimension	IT Services	ER&D Services	Why it matters
Value proposition	Enterprise enabler focused on technology transformation, operational efficiency and cost optimisation	Innovation / revenue enabler focused on products, platforms, embedded software and IP that clients commercialise	**ER&D is more directly linked to customer revenue and product differentiation**
Talent & buyer	More horizontal delivery model; decisions typically led by CIO / business unit heads	Specialised domain talent across embedded, mechanical, electronics, semiconductors, systems and manufacturing; buyers include Chief Engineers, VP Engineering and Product Owners	**Technical credibility and domain depth matter more in vendor selection**
Client integration	Supports enterprise applications, infrastructure and transformation programs	Can span architecture, design, validation, certification, manufacturing transfer and field-performance feedback	**ER&D vendors accumulate product knowledge across the lifecycle**
Stickiness / switching cost	Contracts are more commonly re-bid; relatively replaceable / higher rate-card focus	Programs can continue across product generations; switching can delay launches by several quarters and affect innovation roadmaps	**Higher continuity value creates stronger switching costs and client stickiness**
Win factors / barriers	Global delivery scale and competitive rates	Engineering excellence, domain expertise, platform experience, co-innovation, trusted relationships, specialised assets / infrastructure	**Specialist capability and embedded know-how create higher barriers to entry**

Source: Company, JM Financial

Exhibit 69: Operational differences between ER&D service providers and IT services players

Dimension	IT Services	ER&D Services	Why it matters
Operating model	Horizontal service lines such as applications, cloud, infrastructure and BPO; easier to standardise across industries	Vertical engineering competencies across automotive, aerospace, industrial, energy, healthcare, semiconductors, etc	**Domain specialisation is a primary competitive advantage in ER&D**
GTM model	Broader sales coverage around horizontal service lines	Account-led GTM built on engineering credibility and technical leadership	**Account growth is more relationship- and capability-led**
Deal formation	Open MSAs, RFP-led opportunities and large outsourcing mandates are more common	Typically begins with niche programs of ~USD 0.25–4mn and expands after successful execution	**Initial deal size understates the eventual lifetime value of successful ER&D accounts**
Deal evolution	Can start large under established sourcing constructs	Technical execution leads to broader, larger and multi-year work packages over time	**Scope expansion is earned through delivery rather than sourced upfront**
M&A logic	Scale-led consolidation and capability led acquisitions	Primarily capability-led; retaining engineering leadership and domain expertise is critical	**Scarce technical capability can be more valuable than acquired revenue scale**

Source: Company, JM Financial

Exhibit 70: Growth runway comparison between IT services and ER&D

Dimension	IT Services	ER&D Services	The difference
Outsourcing maturity	~46% of enterprise IT activities have already been outsourced globally over the past two decades	Only 5–6% of engineering activities have moved offshore	**ER&D starts from a much lower outsourcing base and therefore has greater structural headroom**
AI impact	Certain traditional IT areas may see effort-based revenue compression as productivity rises	AI productivity is more likely to be reinvested into higher-value product development, validation and next-generation design	**AI is a clearer revenue-model risk for effort-based IT work; ER&D may convert productivity into more engineering scope**
Structural growth drivers	Outsourcing is relatively mature. New outsourcing opportunities will likely open- to be monitored	Semiconductors, aerospace, defence, medical technology, energy transition, SDVs, full vehicle programs, industrial automation and AI-enabled products and related engineering work	**Rising product complexity increases demand for specialist engineering capability**
Investment horizon	Focused more on enterprise transformation / efficiency	Product-development cycles can extend 20–30 years; ER&D investments are therefore more likely to be resilient across cycles	**Long product cycles can make ER&D budgets and vendor relationships structurally more durable**

Source: Company, Gartner, Grandview research, JM Financial

Sizing up AI's impact on ER&D

AI could reshape rather than simply deflate ER&D spend. It can reduce manual effort in coding, testing, documentation and repetitive design, shorten development cycles and lower the cost per iteration.

However, these savings can be reinvested in additional product features, more frequent releases, higher-fidelity simulation and broader validation, allowing the overall engineering scope to remain resilient or expand. AI-native products should also create new work across embedded AI, edge computing, sensors, model integration, safety engineering and custom silicon.

Executives of enterprises expect the largest impact in maintenance and support (71%), documentation and compliance (62%) and research and concept development (60%). Adoption will, however, remain gradual as companies still remain concerned on reliability of output (53%), integration and talent constraints (50% each), governance (49%) and data quality (47%), particularly in safety-critical and regulated engineering.

Exhibit 71: Changes in workflows due to AI

Workflow	Likely Immediate effect	Potential deflation	Expansion/reinvestment offset	Net ER&D implication
Code / test / documentation automation	Less manual effort per release and faster iteration	Lower hours for repetitive software, test and documentation work	Savings can be redeployed into more features, more releases and broader validation coverage	Unit effort falls; total engineering scope can remain resilient or expand
Generative design & simulation	More design alternatives evaluated earlier; lower physical-prototype dependence	Fewer manual iterations and lower cost per design loop	Higher-fidelity simulation, more scenarios and faster next-generation product cycles	AI changes the quantity and quality of engineering performed, not only the cost
Software-defined / AI-native products	More intelligence moves into the product itself	Some legacy engineering tasks become automated or obsolete	Creates new work in embedded AI, edge compute, sensors, model integration, safety and custom silicon	New ER&D categories partly offset automation of legacy tasks
Agentic engineering workflows	Agents orchestrate bounded build–test–release and engineering workflows	Leaner delivery pyramids and fewer junior / repetitive tasks	Greater demand for architecture, domain judgement, governance, integration and exception handling	Talent mix shifts upward; headcount elasticity weakens
Reusable IP / accelerators	Providers reuse domain modules and AI assets instead of rebuilding each engagement	Billable effort per project declines	Faster client time-to-value and ability to take more scope / monetize IP	Revenue model matters more: IP/outcome pricing can retain productivity gains

Source: Capgemini, Nasscom, JM Financial

Exhibit 72: Where companies believe AI will improve ER&D activity

Lifecycle stage	% of executives who believe AI will transform ER&D activity	Typical AI role
Research & concept development	60%	Literature mining, feasibility analysis, knowledge extraction
Documentation, compliance & IP management	62%	Technical documentation, traceability, compliance drafting, IP workflows
Design & prototyping	41%	CAD assistance, generative design, manufacturability and design-space exploration
Manufacturing operations	51%	Quality prediction, scheduling, operator copilots, process optimization
Maintenance & support	71%	Predictive maintenance, diagnostic copilots, field feedback loops
Simulation & testing	45%	Synthetic scenarios, test generation, virtual validation, Model based system engineering workflows

Source: Capgemini, JM Financial

Exhibit 73: What companies believe are barriers to AI implementation

Barrier	% of executives citing as challenge	Why it matters more in ER&D
Reliability / accuracy of outputs	53%	Engineering errors can affect physical safety, quality and certification
Integration with existing tech / IT systems	50%	AI must connect to PLM, ALM, CAD, MES, ERP and legacy engineering toolchains
Talent / skill shortages	50%	Teams need both domain engineering and AI / systems skills
Organizational resistance to change	49%	New workflows alter engineering accountability and review processes.
Lack of AI governance frameworks	49%	Agentic systems need traceability, approval gates and bounded autonomy
Data quality / availability	47%	Engineering data is fragmented, proprietary and often poorly structured

Source: Capgemini, JM Financial

The impact will vary by vertical and provider capability. Automotive and semiconductor programmes should generate additional demand for embedded software, validation, custom silicon and specialised chip design, although automation may compress standardised coding and verification effort.

Aerospace and healthcare should adopt AI more gradually because certification, explainability, traceability and human validation remain critical while industrial ER&D offers a large implementation opportunity as AI moves from dashboards to closed-loop and autonomous operations.

For ESPs, AI should create leaner talent pyramids and weaken headcount and utilisation as growth indicators. Commercial models should progressively shift from time-and-material pricing towards managed services and outcome-linked constructs.

Reusable intellectual property, accelerators and larger transformation programmes can offset lower effort per task and support non-linear growth, but providers will need sustained investment in platforms, domain specialists, partnerships and acquisitions to retain productivity gains.

Exhibit 74: Opportunity expansion due to AI by vertical

Vertical	High-impact AI use cases	Incremental ER&D demand created	ESP opportunity / risk
Automotive & SDV	ECU code synthesis; synthetic sensor data; ADAS validation; personalised HMI; diagnostics	More embedded software, data pipelines, virtual validation, safety engineering and edge compute	Positive for software/validation specialists; negative for low-level coding/test effort if pricing remains T&M
Semiconductors	Agentic RTL (Register Transfer Language) generation; analog layout; verification; yield forecasting; tool-drift detection.	More custom silicon, accelerator design, verification complexity and AI infrastructure	Potentially expansionary for scarce design/verification talent; automation compresses standardized design effort
Aerospace & defence	AI-enabled digital twins; stress/certification automation; autonomy; advanced robotics.	Higher digital-thread, Model based Systems Engineering, simulation, certification and autonomy-engineering demand	High assurance limits full automation; human validation and traceability remain critical
Industrial & energy	CAD-to-mesh; weld monitoring; predictive maintenance; grid scenario planning; operator copilots	More digital twins, controls, operational data, edge AI and closed-loop optimisation	Large implementation opportunity; value shifts from dashboard analytics toward autonomous operations
Healthcare & life sciences	Drug discovery; clinical / technical documentation; post-market surveillance; regulatory drafting	More AI-enabled R&D tooling, regulated-data pipelines, model validation and compliance engineering	Strong opportunity but slower automation because evidence, explainability and regulation remain binding

Source: Nasscom-ISG, JM Financial

Exhibit 75: Changes to traditional delivery model due to AI

Dimension	Traditional / legacy model	AI-enabled model	Why it changes	Implication for ESP economics
Talent pyramid	Large junior base; manual coding, testing, documentation and support	Leaner execution layer; more architects, domain engineers, AI/system integration and validation roles	Agents automate repeatable work while complex exceptions and system decisions remain human-led	Lower headcount elasticity; utilization becomes a weaker growth proxy
Commercial model	Time & Materials and effort-linked pricing	Velocity, performance, managed-service and outcome-based constructs; selective BOT models	AI makes hours a poor proxy for value when output per engineer rises sharply	Providers need to retain some productivity gains or risk revenue deflation
Reusable IP / platforms	Custom-build each engagement; IP largely resides with client	Domain SDKs, AI accelerators, reusable engineering agents and platformised services	Pre-built assets reduce cycle time and improve consistency	Creates non-linear revenue and potential margin uplift, but requires upfront R&D investment
Delivery scope	Staff augmentation / discrete work packages	Larger managed programs, engineering lifecycle ownership and AI-assisted transformation	Clients need integration across software, data, AI, toolchains and physical engineering	More scope can offset fewer hours per task
M&A / ecosystem	Hire skills organically and partner tactically	Acquire niche AI/silicon/edge capabilities; co-create with hyperscalers, chip vendors and startups	AI capability is fragmented and evolves faster than internal reskilling alone	Raises differentiation but can increase investment intensity

Source: Nasscom, JM Financial

Top 25 ER&D players

Traditional IT services companies form a large part of the ER&D services market alongside global and Indian engineering pure play service providers. Capgemini leads with USD 6.2bn in CY23 revenue and a ~8% market share in CY23 followed by Accenture, Deloitte, HCL Tech and TCS; the top five together account for only ~29% of the market (at end-CY23).

Scaled IT Services players such as Cognizant, Wipro and Tech Mahindra coexist with pureplay ESPs such as Alten, Akkodis, AFRY, AVL, Bertrandt, KPIT, LTTS, Cyient and Tata Technologies. Accenture, TCS and Cognizant seem to have gained share since CY19 while Capgemini has broadly retained its leadership. The fragmented structure leaves room for both scale-led providers and pure-play service providers.

Exhibit 76: ER&D service provider revenues (USD bn)

Service provider	CY23	CY22	CY21	CY20	CY19
Capgemini	6.2	5.8	5.3	4.5	4.8
Accenture	4.5	2.8	2.2	1.9	1.7
Deloitte	4.2	NM	NM	NM	NM
Tata Consultancy Services	3.7	3.3	2.1	1.9	1.7
HCL Tech	3.8	3.7	3.3	3.0	2.7
Alten	3.3	3.0	2.6	2.7	2.9
Akkodis	3.0	2.8	2.8	1.0	1.9
Cognizant	2.7	2.5	2.5	1.6	0.9
AFRY	2.6	2.3	2.3	2.0	2.1
AVL	2.2	2.0	1.9	2.1	2.2
Wipro	2.4	2.4	1.9	1.9	1.5
Globant	1.6	1.3	1.0	0.8	0.7
Tech Mahindra	1.2	1.0	0.9	1.0	1.0
GlobalLogic	1.4	1.2	0.9	0.9	0.8
L&T Technology Services	1.2	1.0	0.9	0.8	0.8
EPAM	1.9	1.9	1.5	0.4	0.4
Bertrandt	1.3	1.1	0.8	1.0	1.1
KPIT	0.6	0.4	0.3	0.3	0.3
FEV	1.2	1.0	0.9	0.8	0.7
Cyient	0.9	0.7	0.6	0.6	0.6
Infosys	1.3	1.2	1.2	0.9	0.8
Tata Technologies	0.6	0.5	0.5	0.3	0.4
IBM	1.1	1.0	0.9	0.9	1.0

Source: Everest, JM Financial

Exhibit 77: ER&D service providers' market share

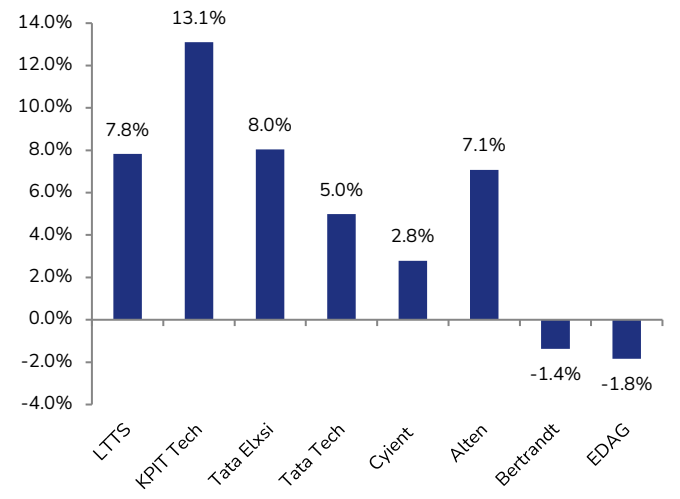
Service provider	CY23	CY22	CY21	CY20	CY19
Capgemini	7.9%	8.0%	8.3%	7.8%	8.1%
Accenture	5.8%	3.8%	3.4%	3.2%	2.8%
Deloitte*	5.4%	NM	NM	NM	NM
Tata Consultancy Services	4.7%	4.6%	3.3%	3.2%	2.9%
HCL Tech	4.9%	5.0%	5.2%	5.1%	4.5%
Alten	4.2%	4.1%	4.1%	4.6%	5.0%
Akkodis	3.8%	3.8%	4.4%	1.8%	3.2%
Cognizant	3.5%	3.4%	3.8%	2.8%	1.6%
AFRY	3.4%	3.2%	3.7%	3.5%	3.5%
AVL	2.9%	2.7%	3.0%	3.7%	3.7%
Wipro	3.1%	3.2%	3.0%	3.3%	2.5%
Globant	2.0%	1.8%	1.5%	1.4%	1.1%
Tech Mahindra	1.5%	1.4%	1.4%	1.6%	1.6%
GlobalLogic	1.8%	1.6%	1.4%	1.5%	1.3%
L&T Technology Services	1.5%	1.3%	1.3%	1.3%	1.3%
EPAM	2.4%	2.7%	2.4%	0.7%	0.7%
Bertrandt	1.6%	1.5%	1.3%	1.7%	1.8%
KPIT	0.7%	0.5%	0.5%	0.6%	0.5%
FEV	1.5%	1.4%	1.3%	1.3%	1.2%
Cyient	1.1%	0.9%	0.9%	1.0%	1.1%
Infosys	1.7%	1.7%	1.9%	1.5%	1.3%
Tata Technologies	0.8%	0.7%	0.7%	0.6%	0.7%
IBM	1.4%	1.4%	1.5%	1.6%	1.6%

Source: Everest, JM Financial

Peer Comparison

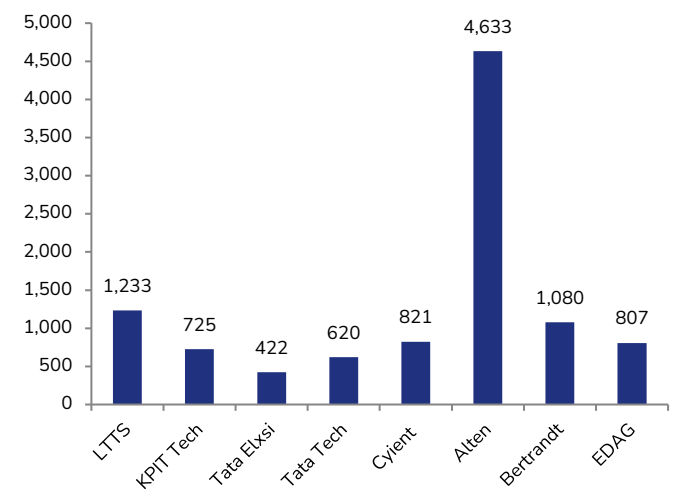
Revenue metrics

Exhibit 78: Revenue CAGR over FY19–26



Source: Company, Bloomberg, JM Financial
Note: Y/E is Dec 31st for Alten, Bertrandt and EDAG, FY end 31st Dec 25 taken as FY26 for these three companies. For LTTS, FY26 revenue including discontinued operations considered for calculating CAGR.

Exhibit 79: FY26 revenue (USD mn)



Source: Company, JM Financial
Note: Y/E is Dec 31st for Alten, Bertrandt and EDAG, FY end 31st Dec 24 taken as FY25 for these three companies. For LTTS, Revenue is excluding discontinued operations.

Exhibit 80: ER&D players' revenue over FY19–26 (USD mn)

Revenue	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
LTTS	723	786	737	880	990	1,163	1,259	1,321
Tata Elxsi	228	227	247	331	390	429	441	422
KPIT Technologies	271	304	275	328	418	587	691	725
Tata Tech	420	402	322	474	547	618	611	620
Cyient	659	622	558	608	745	863	870	821
Alten	2,682	2,938	2,662	3,461	3,987	4,401	4,482	4,633
Bertrandt	1,206	1,187	1,047	1,005	1,063	1,252	1,284	1,080
EDAG	936	875	742	814	838	914	889	807

Source: Company, Bloomberg, JM Financial
Note: LTTS revenue in FY26 is including discontinued operations. Alten/Bertrandt/EDAG have Y/E at 31st Dec/30th Sep/31st Dec CY25 for global players compared with FY26 of Indian companies.

LTTS remains the largest Indian ER&D player by revenue; European peers such as Alten operate at a higher scale

Exhibit 81: Revenue growth YoY over FY20–26

Revenue growth (USD) %	FY20	FY21	FY22	FY23	FY24	FY25	FY26
LTTS	8.7%	-6.3%	19.5%	12.4%	17.5%	8.2%	4.9%
Tata Elxsi	-0.3%	8.5%	34.3%	17.8%	9.9%	2.8%	-4.2%
KPIT Technologies	12.1%	-9.5%	19.5%	27.4%	40.3%	17.8%	4.8%
Tata Tech	-4.3%	-19.8%	47.2%	15.4%	13.0%	-1.2%	1.5%
Cyient	-5.7%	-10.2%	8.9%	22.6%	15.8%	0.8%	-5.7%
Alten	9.5%	-9.4%	30.0%	15.2%	10.4%	1.8%	3.4%
Bertrandt	-1.6%	-11.8%	-4.0%	5.8%	17.7%	2.5%	-15.9%
EDAG	-6.6%	-15.2%	9.6%	3.0%	9.1%	-2.7%	-9.2%

Source: Company, Bloomberg, JM Financial
Note: LTTS revenue in FY26 is including discontinued operations. Alten/Bertrandt/EDAG have Y/E at 31st Dec/30th Sept/31st Dec, CY25 for global players compared with FY26 of Indian companies. LTTS revenue in FY26 is including discontinued operations.

FY26 growth remained subdued across peer set; several players reported revenue contractions

Exhibit 82: Revenue growth YoY organic (USD) over FY20–26

Revenue growth (USD) organic (%)	FY20	FY21	FY22	FY23	FY24	FY25	FY26
LTTS	8.0%	-6.3%	17.4%	12.4%	4.1%	6.2%	-0.9%
Tata Elxsi	-0.3%	8.5%	34.3%	17.8%	9.9%	2.8%	-4.2%
KPIT Technologies	12.1%	-9.5%	19.5%	27.4%	40.3%	17.8%	1.6%
Tata Technologies		-19.8%	47.2%	15.4%	13.0%	-1.2%	-5.5%

Source: Company, Bloomberg, JM Financial

Margins

Exhibit 83: ER&D players' EBIT margins over FY20–26

EBIT margin	FY20	FY21	FY22	FY23	FY24	FY25	FY26
LTTS	16.5%	14.5%	18.3%	18.5%	17.1%	14.9%	14.5%
Tata Elxsi	18.6%	26.2%	28.8%	28.0%	26.7%	23.3%	20.0%
KPIT Technologies	8.7%	8.4%	13.1%	14.1%	16.2%	17.1%	16.2%
Tata Tech	13.0%	12.3%	15.9%	16.5%	16.3%	15.7%	12.9%
Cyient	8.2%	9.2%	13.8%	12.4%	14.5%	11.9%	9.5%
Alten	9.1%	5.1%	9.9%	15.7%	7.9%	6.7%	4.9%
Bertrandt	5.4%	1.4%	2.1%	4.1%	4.5%	-8.2%	-3.5%
EDAG	-2.6%	4.5%	8.4%	6.9%	-0.4%	-0.4%	-5.9%

Source: Company, Bloomberg, JM Financial
Note LTTS EBIT margin excluding discontinued operations.

Indian ER&D players continue to operate at materially higher EBIT margins than European peers; Elxsi operates at highest margin due to high offshore work

Exhibit 84: Indian ER&D players' EBITDA margins over FY20–26

EBITDA margin (%)	FY20	FY21	FY22	FY23	FY24	FY25	FY26
LTTS	19.8%	18.5%	21.5%	21.3%	19.9%	17.7%	17.6%
Tata Elxsi	21.3%	28.6%	31.0%	30.6%	29.5%	26.1%	22.5%
KPIT Technologies	13.7%	15.0%	18.0%	18.4%	20.2%	21.0%	20.8%
Tata Technologies	16.5%	16.2%	18.3%	18.6%	18.4%	18.1%	15.5%

Source: Company, JM Financial, Bloomberg
Note: LTTS EBIT margin excluding discontinued operations.

Margins came under pressure in FY26 vis-à-vis FY25

Exhibit 85: Expense items as % of revenue for Indian ER&D players in FY26

Expenses as % of revenue	Employee benefit expenses	Inventory costs	Other expenses	Outsourcing	Depreciation and amortisation expense	EBIT margin
LTTS	58.7%	NM	23.7%	NM	3.1%	14.5%
Tata Elxsi	58.1%	7.3%	12.0%	NM	2.5%	20.0%
KPIT Technologies	61.9%	1.4%	15.8%	NM	4.7%	16.2%
Tata Technologies	48.5%	17.2%	9.5%	8.7%	3.0%	12.9%

Source: Company, JM Financial

Employee costs – largest cost item

Employee metrics

Exhibit 86: ER&D players' headcount over FY20–26

Number of employees	FY20	FY21	FY22	FY23	FY24	FY25	FY26
LTTS	16,883	16,452	20,861	22,233	23,812	24,258	23,830
Tata Elxsi	6,577	7,362	9,376	11,864	13,399	12,414	11,540
KPIT Technologies	7,125	6,366	8,245	11,013	12,856	12,873	12,520
Tata Tech	8,620	7,418	8,533	11,645	12,688	12,644	12,646
Cyient	13859	12032	12834	15172	15461	14151	13,777
Alten	37200	33700	42300	54100	57000	57700	58,030
Bertrandt	13664	12335	12030	13179	14276	14028	12,185
EDAG	8488	7649	7880	8112	8880	9133	8,656

Source: Company, JM Financial, Bloomberg
Note: Alten/Bertrandt/EDAG have Y/E at 31st Dec/30th Sept/31st Dec, CY25 for global players compared with FY26 of Indian companies.

Headcount addition accelerated through FY22–24, but declined for most players in FY26

Exhibit 87: Revenue per employee for ER&D players (USD)

Revenue per employee	FY20	FY21	FY22	FY23	FY24	FY25	FY26
LTTS	46,573	44,773	42,194	44,515	48,857	51,896	51,725
Tata Elxsi	34,575	33,509	35,329	32,877	31,999	35,514	36,568
KPIT Technologies	42,639	43,167	39,830	37,991	45,667	53,712	57,907
Tata Technologies	46,608	43,426	55,567	46,974	48,700	48,300	49,027
Cyient	44,845	46,387	47,366	49,115	55,804	61,479	59,592
Alten	78,975	78,978	81,828	73,689	77,213	77,673	79,838
Bertrandt	86,855	84,847	83,514	80,679	87,696	91,519	88,634
EDAG	103,057	97,032	103,259	103,281	102,903	97,353	93,230

Source: Company, Bloomberg, JM Financial
Note: Alten/Bertrandt/EDAG have Y/E at 31st Dec/30th Sep/31st Dec CY25 for global players compared with FY26 for Indian companies.

Revenue productivity has improved for Indian peers, but remains much lower than European peers

Exhibit 88: EBIT per employee for ER&D players (USD)

EBIT per employee	FY20	FY21	FY22	FY23	FY24	FY25	FY26
LTTS	7,713	6,478	7,715	8,242	8,351	7,733	8,038
Tata Elxsi	6,394	8,770	10,157	9,187	8,532	8,265	7,314
KPIT Technologies	3,690	3,636	5,186	5,331	7,412	9,183	9,381
Tata Technologies	6,047	5,344	8,798	7,725	7,949	7,598	6,325
Cyient	3,658	4,271	6,535	6,095	8,090	7,318	5,661
Alten	7,168	4,040	8,056	11,542	6,069	5,194	3,912
Bertrandt	4,643	1,151	1,778	3,306	3,954	-7,457	-3,102
EDAG	-2,665	4,424	8,720	7,093	-373	-406	-5,501

Source: Company, JM Financial, Bloomberg
Note: Alten/Bertrandt/EDAG have Y/E at 31st Dec/30th Sept/31st Dec, CY25 for global players compared with FY26 of Indian companies.

LTTS has remained relatively stable on EBIT per employee; Elxsi suffered some moderation in FY26

Other metrics

Tata Elxsi leads on RoIC; it turned in impressive returns on capital during FY22–24

Exhibit 89: RoIC for Indian ER&D players over FY20–26

Return on Invested Capital - %	FY20	FY21	FY22	FY23	FY24	FY25	FY26
LTTS	28.24%	20.17%	26.09%	29.07%	30.90%	27.14%	25.30%
Tata Elxsi	51.06%	74.87%	92.85%	92.66%	70.03%	55.16%	45.10%
KPIT Technologies	10.23%	10.18%	18.87%	17.51%	19.52%	22.05%	17.10%
Tata Technologies		15.79%	30.11%	33.77%	28.54%	23.92%	17.87%

Source: Company, JM Financial

Cash conversion remains healthy for most players

Exhibit 90: OCF/EBITDA for Indian ER&D players over FY20–26

OCF/EBITDA	FY20	FY21	FY22	FY23	FY24	FY25	FY26
LTTS	0.57	1.32	0.71	0.77	0.78	0.78	0.75
Tata Elxsi	0.75	0.84	0.63	0.51	0.67	0.83	1.05
KPIT Technologies	1.32	2.06	1.08	0.75	1.02	1.13	0.89
Tata Technologies	0.57	2.89	-0.06	0.49	0.31	0.75	0.91

Source: Company, JM Financial

Initiation of Coverage

L&T Technology Services | ADD

Initiate at ADD; Deal ramps to drive growth

One of the largest and most diversified ER&D service providers, LTTS is well-positioned to benefit from increasing ER&D outsourcing. We anticipate growth for the company supported by: i) strengthening large-deal momentum; ii) multi-domain presence, specialisation and expertise, which provide resilience against vertical-specific cycles; and iii) structural ER&D growth drivers that provide a long runway for growth. In our view, L&T parentage should further support LTTS. While we remain constructive on the medium-term opportunity, near-term execution needs to be monitored. We estimate revenue (USD)/EBIT would clock a 6%/16% CAGR over FY26–28 with PAT compounding at 16%. The stock is trading at ~22x 1Y forward consensus EPS; we are accordingly valuing the stock at 22x FY28E EPS; initiate at ADD with a TP of INR 3,575 (~10% upside potential).

- **Key growth drivers:** i) LTTS materially strengthened its large-deal momentum in FY26 with TCV rising 40% YoY to USD 855mn, averaging c. USD 200mn for six consecutive quarters through Q4FY26. ii) The company is among the largest and most diversified pure-play ER&D providers globally, which should help it navigate vertical-specific cycles and provide an avenue to scale larger, multi-domain accounts. iii) Structural ER&D growth drivers provide LTTS with a long growth runway as the outsourced ER&D market shall expand at an~9% CAGR to USD 133–135bn. Therefore, the company could benefit from both growth in clients' underlying engineering budgets and a rising share of these budgets being outsourced.

- **Lakshya'31 plan:** i) The company has set out its medium-term ambition under its five-year Lakshya'31 plan, targeting a 13–15% revenue CAGR over FY26–31E while sustaining 16–17% EBIT margins through the cycle. ii) The five key levers: a) scale six technology bets into large growth engines; b) move from engineering services towards technology solutions; c) pivot on AI through Engineering Intelligence; d) scale larger and more strategic deals; and e) build deeper capabilities while maintaining profitable growth.

- **Margin trajectory**: i) EBIT margin moderated from 18.5% in FY23 to 14.9% in FY25 as investments in capabilities, large-deal ramp-up costs and acquisition-related dilution weighed on profitability. ii) A focus on disciplined SG&A is supporting further EBIT-margin expansion. iii) We expect a structural margin recovery supported by the exit from low-margin work, a greater contribution from Sustainability, improving offshore delivery and operating leverage from deal ramp-ups. iv) Management reiterated their aspiration to reach a mid-16% EBIT margin around or before Q4FY27 and maintain a 16–17% band under Lakshya'31.

- **Major focus areas**: i) LTTS's track record of delivering against its initial revenue guidance has been mixed over the last five years, with outcomes reflecting both macro sensitivity and internal strategic actions. ii) Acquisition of Smart World & Communication (SWC) from its promoter and parent, Larsen & Toubro (L&T), raised concerns around M&A and capital allocation. iii) Weakness in the Technology vertical and the scaling up large clients remain the key aspects to monitor.

- **Initiate at ADD; TP of INR 3,575:** We value the stock at ~22x FY28E EPS, ~12% discount to our target multiple of 25x (average) for Indian ER&D sector given execution risks. We estimate revenue (USD)/EBIT would clock a 6%/16% CAGR over FY26–28E. As a result, PAT to grow at a 16% CAGR over FY26–28E. LTTS is trading at 22x 1-yr forward consensus EPS versus 5-year average of 33x and 1.6SD below 5-yr mean. initiate coverage on LTTS at ADD with TP of INR 3,575.

Financial Summary (INR mn)

Y/E	FY25A	FY26A	FY27E	FY28E	FY29E
Net Sales	106,702	109,959	122,142	133,365	146,240
Sales Growth (%)	10.6	3.1	11.1	9.2	9.7
EBITDA	18,924	19,351	22,616	25,329	27,776
EBITDA Margin (%)	17.7	17.6	18.5	19.0	19.0
Adjusted Net Profit	12,667	13,006	15,177	17,262	18,939
Diluted EPS (INR)	119.4	122.5	143.0	162.6	178.4
Diluted EPS Growth (%)	-2.9	2.6	16.7	13.7	9.7
ROIC (%)	29.0	27.7	34.8	40.6	42.3
ROE (%)	22.2	20.7	22.0	22.0	21.2
P/E (x)	27.2	26.9	22.6	20.0	18.2
P/B (x)	5.7	5.3	4.7	4.1	3.6
EV/EBITDA (x)	17.4	17.0	13.8	12.1	10.6
Dividend Yield (x)	1.7	1.8	1.9	2.0	2.2

Source: Company data, JM Financial. Note: Valuations as of October 06, 2026

Recommendation and Price Target

Current Reco.	ADD
Previous Reco.	ADD
Current Price Target (12M)	INR3,575
Upside/(Downside)	10.1%
Previous Price Target	INR3,575
Change	0.0%

Key Data – LTTS IN EQUITY

Current Market Price	INR3,246
Market cap (bn)	INR344.4/US$3.6
Free Float (%)	19.3
Shares in issue (mn)	106.1
Diluted share (mn)	106
3-mon avg daily val (mn)	INR505.5/US$5.3
52-week range	INR4,747/3,010
Sensex/Nifty	73,068/22,776
INR/US$	96.4

Price Performance

%	1M	6M	12M
Absolute	-7.1	-3.0	-24.5
Relative*	-2.7	-1.6	-15.5

*To the NSE Nifty 50

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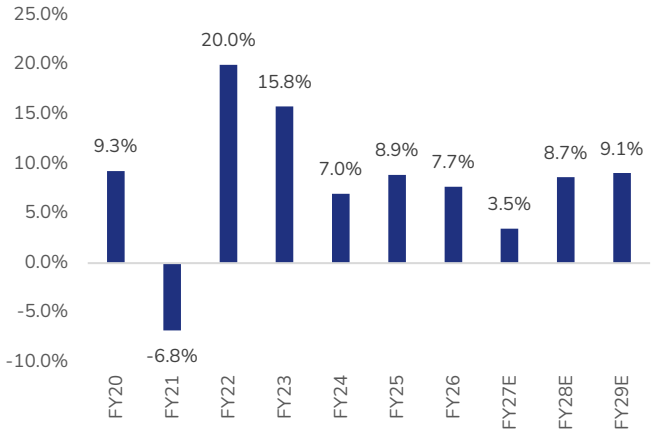
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JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

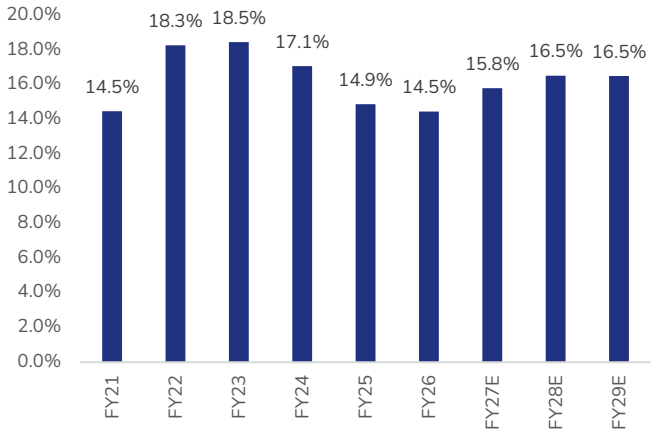
Focus Charts

Exhibit 1: Revenue growth cc YoY (FY20–29E)



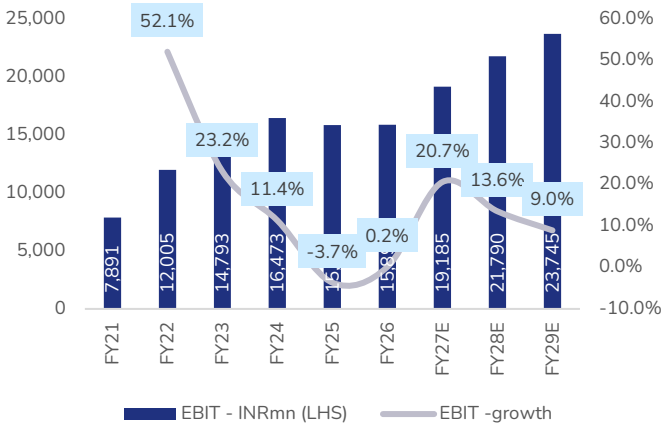
Note: FY26 cc YoY growth for continuing operations. Source: Company, JM financial estimates

Exhibit 2: EBIT margin trend (FY21–29E)



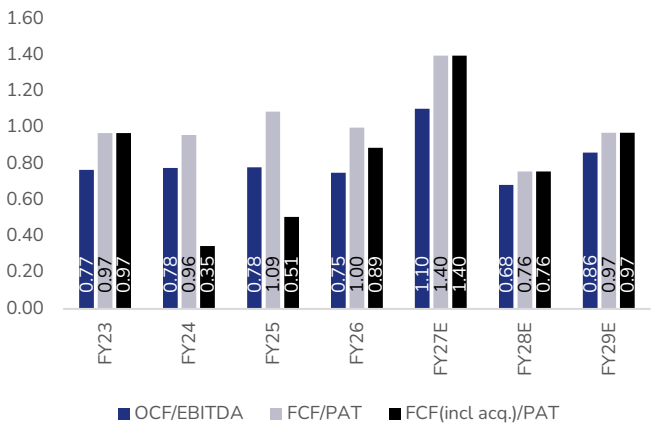
Source: Company, JM financial estimates

Exhibit 3: EBIT growth trend (FY21–29E)



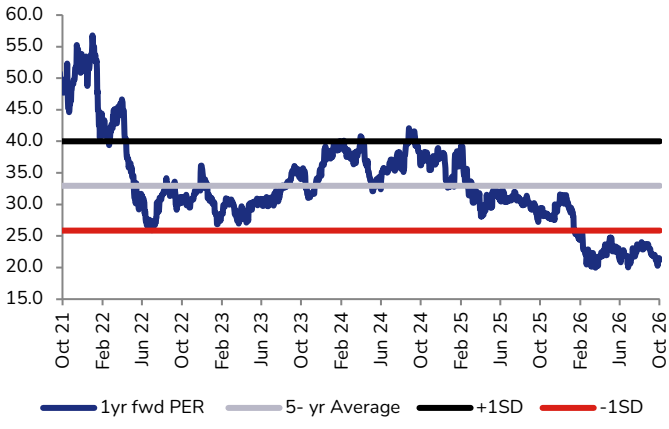
Source: Company, JM financial estimates

Exhibit 4: Cash flow conversion (FY23–29E)



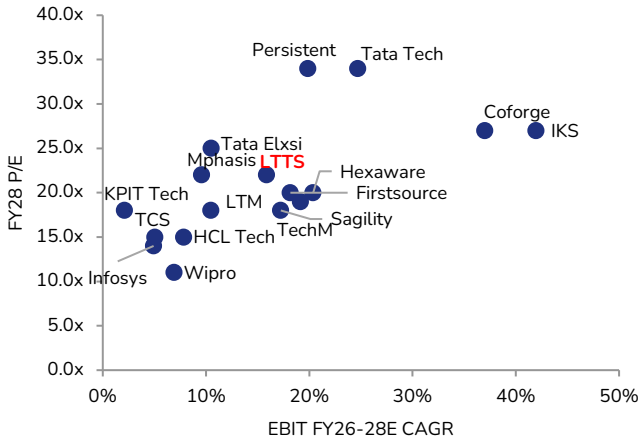
Source: Company, JM financial estimates

Exhibit 5: One-year forward consensus PER



Source: Bloomberg, JM financial

Exhibit 6: Peer comparison – EBIT growth FY26–28E versus FY28 P/E



Source: Company, JM financial estimates

Investment Thesis

Acceleration in large deal wins and pipeline

LTTS has materially strengthened its large-deal engine, with FY26 large-deal TCV rising 40% YoY to USD 855mn and averaging c. USD 200mn for six consecutive quarters through Q4FY26. Importantly, management indicated that c. 80% of wins represented add-on/new scope, supporting incremental revenue potential. The pipeline remains healthy across Mobility, Sustainability and Tech, aided by deeper client mining, a dedicated large-deal organisation and investments in newer technologies. While Q1FY27 TCV moderated to c. USD 100mn due to deal closures shifting into Q2FY27, conversion of the existing pipeline and ramp-up of recent wins could support an acceleration in growth.

Ambitious medium-term plan – Lakshya'31

Under Lakshya '31, LTTS targets 13–15% revenue CAGR over FY26–31 while sustaining 16–17% EBIT margins through the cycle, implying FY31 revenue of USD 2.27–2.48bn from USD 1.23bn in FY26. The company aims to become the world's #1 pure-play ER&D player, build two USD 1bn revenue segments and win a single large deal exceeding USD 500mn. Execution is centred around six technology bets spanning software-defined mobility, plant modernisation, digital manufacturing/industrial automation, MedTech, software platforms and Engineering Intelligence, and next-gen compute and AI infrastructure, complemented by deeper technical capabilities, productised solutions and targeted M&A.

Largest and most diversified ER&D player

The company combines global scale with a highly diversified ER&D franchise—it has 23,800+ employees, 190+ USD +1mn clients, presence across 25+ countries, 103 innovation labs, 270+ accelerators/solutions and 1,757 patents, while serving 69 Fortune 500 companies and 57 of the world's top 100 R&D spenders. Revenue is well distributed across Mobility, Sustainability and Tech, while client concentration remains contained, with the top 30 accounting for only 49% of revenue in Q1FY27. This broad installed base, high repeat business and cross-domain engineering capabilities provide LTTS with significant scope to mine existing accounts, reuse engineering IP and scale multi-domain engagements.

Moving towards Engineering Intelligence and margins

LTTS is repositioning itself from an engineering-services provider to an Engineering Intelligence solutions company by embedding AI across products, processes and manufacturing, while simultaneously pruning lower-margin/non-strategic work and reallocating investments towards higher-value technology areas. Engineering Intelligence is increasingly being incorporated into fixed-price and outcome-based transformation programs, enabling LTTS to retain a greater share of productivity benefits and participate in larger engagements. The portfolio reset is already translating into profitability, with EBIT margin improving from 14.8% in Q3FY26 to 15.2% in Q4FY26 and 15.7% in Q1FY27. Management expects further sequential improvement through FY27 and targets mid-16% margins before Q4FY27, with Lakshya'31 sustaining 16–17% over the medium term.

Structural ER&D growth, outsourcing creates growth runway

The company is positioned to benefit from multiple compounding growth layers—global enterprise ER&D spend is expected to grow at 8% CAGR over 2024–30E, while outsourced ER&D is expected to grow slightly faster at 9% CAGR as clients increase outsourcing. The opportunity for Indian providers is stronger, with the ER&D market addressed by India likely to grow at 11–12% CAGR driven by offshoring, talent access and migration towards higher-value engineering work. Importantly, only 5–10% of engineering activities have moved offshore vis-à-vis 45–55% of enterprise IT, leaving substantial headroom for further outsourcing. Against this backdrop, LTTS targets 13–15% revenue CAGR over FY26–31, implying continued share gains through its diversified exposure to faster-growing engineering domains, deeper client mining and higher-value work.

Valuation and Risks

Initiate with ADD, TP of INR 3,575

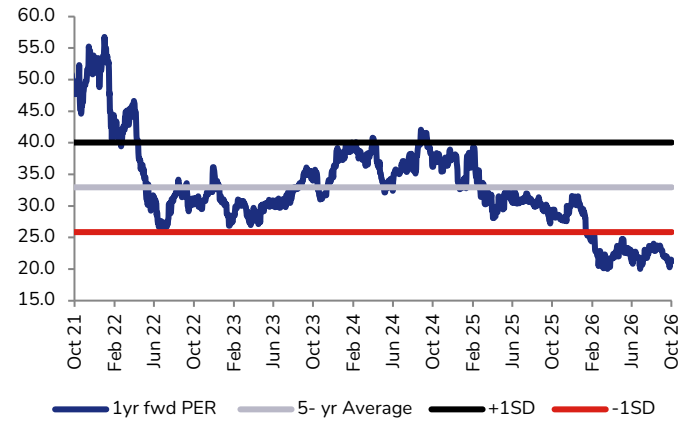
We initiate coverage on L&T Technology Services (LTTS) with an ADD rating and TP of INR 3,575 (~10% upside). While we are constructive on LTTS given medium-term opportunity and vertical diversification, valuations appear reasonable at current multiple of ~22x one-year forward consensus EPS (~1.6 SD below five-year mean). We initiate coverage with ADD and TP of INR 3,575 with a target multiple of ~22x FY28 EPS at ~12% discount to our target valuation (average) of the ER&D sector factoring risks to execution.

Exhibit 7: JMF target multiples and valuation of ER&D companies

Company	Market cap	Target price	Target multiple	Revenue growth (cc YoY)			EPS growth			Consensus P/E		
				FY27	FY28	FY29	FY27	FY28	FY29	FY27	FY28	FY29
LTTS	346,669	3,575	22.0x	3.5%	8.8%	9.1%	19.0%	13.4%	9.7%	22.9x	20.0x	17.9x
Tata Elxsi	192,699	3,200	25.0x	6.0%	8.7%	11.8%	11.7%	14.1%	17.3%	25.2x	21.3x	NA
KPIT technologies	134,040	505	17.0x	-0.7%	6.7%	9.8%	-22.3%	35.2%	14.1%	22.2x	16.2x	13.7x
Tata Technologies	283,749	730	32.0x	21.7%	11.6%	10.5%	27.5%	14.6%	8.9%	35.4x	30.1x	26.8x
Average*			**24.9x**							**22.2x**	**23.4x**	**25.0x**

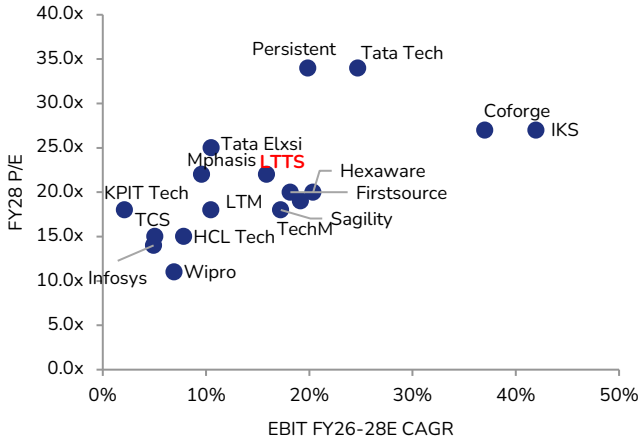
Note: Market cap weighted average for all P/E ratios. Source: JM Financial estimates, Company

Exhibit 8: One-year forward consensus PER



Source: Bloomberg, JM financial

Exhibit 9: Peer comparison – EBIT growth FY26–28E versus FY28 P/E



Source: Company, JM financial estimates

Key risks

Prolonged weakness in Automotive could weigh on Mobility growth

Mobility remains a large segment for LTTS at ~32% of revenue in Q1FY27, with Automotive a key constituent. While the company has seen improving traction in SDV, hybrid and next-generation mobility programs, the recovery remains uneven, particularly in Europe where OEMs continue to face market-share and spending pressures. A prolonged delay in new vehicle development cycles, further program cancellations or slower consolidation wins could therefore materially constrain LTTS's growth, given its relatively high exposure to the automotive engineering ecosystem.

Large-deal conversion remains critical to achieving LTTS's FY31 growth aspirations

LTTS aspires to deliver 13-15% USD revenue CAGR over FY26-31, largely organically, supported by a significantly scaled-up large-deal engine. While large-deal TCV reached USD855mn in FY26, the trajectory from deal wins to revenue remains dependent on conversion, ramp-up timelines and the absence of leakage in existing accounts. Delays in closure or ramp-up of large transactions—particularly as LTTS targets increasingly complex, multi-year engagements—could create volatility in growth and make achievement of its medium-term aspirations more challenging.

Execution risk around the turnaround and repositioning of the Tech portfolio

Tech remains a meaningful ~31% (Q1FY27) of LTTS's revenue base but has lagged the other segments on both growth and profitability, with EBIT margin at 11.5% in 1QFY27 versus substantially higher profitability in Sustainability. LTTS is repositioning areas such as Intelliswift, MedTech and Communications towards AI-led platforms, higher-value engineering and outcome-based engagements; however, recent program completions, delayed starts and dependence on conversion of large opportunities highlight execution risks. A slower-than-expected portfolio transition could drag both consolidated growth and margin expansion.

Margin aspirations hinge on favourable mix and successful scaling of new programs

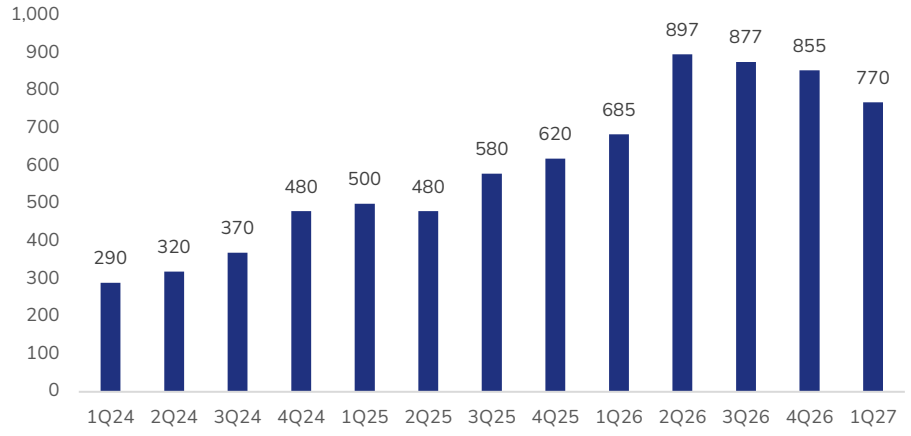
LTTS targets a sustainable 16-17% EBIT margin under its FY31 plan versus 15.7% in 1QFY27. Achievement of this ambition partly relies on continued growth in the high-margin Sustainability business, improvement in Tech profitability, better utilization/offshoring as recently won programs mature, and benefits from exiting lower-margin businesses such as SWC. Conversely, a higher onsite mix during large-deal ramp-ups, weaker growth in Sustainability or slower margin recovery in Tech could limit operating leverage and delay the targeted margin improvement.

Investment Arguments

Acceleration in large deal wins and pipeline

LTTS materially strengthened its large-deal momentum in FY26, with TCV rising 40% YoY to USD 855mn and averaging c. USD 200mn for six consecutive quarters through Q4FY26. Management expects this traction to sustain, supported by its Engineering Intelligence pivot, dedicated large-deal engine, deeper client mining and rising investments in newer technologies. Management had indicated in Q3FY26 that c. 80% of wins represented add-on/new scope, supporting incremental revenue potential. The pipeline remains healthy across segments—Mobility across Auto, Aerospace and Rail; Sustainability across digital transformation, plant modernisation, power electronics and data centres; and Tech, where several large Telecom and MedTech opportunities are in advanced stages. However, Q1FY27 TCV moderated to nearly USD 100mn as a few deal closures shifted to early Q2FY27, highlighting quarterly timing volatility. Conversion and ramp-up of existing wins, along with closure of the current pipeline, could accelerate growth.

Exhibit 10: 10mn+ LTM large deal wins (USDmn)



Source: Company, JM Financial

LTTS has seen a gradual acceleration in large deals wins. FY26 large deal wins grew 40% YoY.

Exhibit 11: Commentary on large deal wins and pipeline in recent earnings calls

"We expect sustained momentum in CY26, driven by a robust pipeline and stronger large-deal ramp-ups; Auto, particularly North America, is seeing momentum, while Sustainability should sustain growth across Industrial and Plant on large-deal ramp-ups and a strong pipeline."
"Based on our interactions, we believe CY '26 holds promise as macro situation improves and demand, particularly in new age technology areas continues to strengthen. This is also reflected in our large deal pipeline and closures."
"The pipeline remains robust with multiple deal conversions happening in auto, T&OH, aero and rail. In summary, the mobility segment is witnessing green shoots, and we expect to see continued growth momentum in CY '26 due to better ramp-up on large deals."
"We are confident of closing larger engagements in the coming quarters despite some closures shifting to early 2Q; Mobility's pipeline remains healthy, Sustainability has a strong pipeline, while Tech's pipeline continues to strengthen with several large opportunities at advanced stages."
"Our sustained focus on building strong pipeline and 'Go Deeper to Scale' strategy has helped in large deal wins, resulting in an average TCV of USD200 Mn for five consecutive quarters."
"I would like to confirm, the pipeline that you got is year on year has grown double digit as well. And we are confident there is some good significant deal in our pipeline. There are, I would like to say, multiple hundred million plus deals that we have got."
"Our diversification strategy, early investments in AI and new age technologies, coupled with deep relationships with clients have led to the highest ever large deal wins of about USD300 Mn in the quarter, including a USD100 Mn deal win in Sustainability and USD60 Mn win in Tech segment."
"Our wins used to be in USD100 million range, and they have jumped to USD200 million for the last 4 quarters, including this quarter."
"About 20% would be what was already there and 80% broadly is what we have built on as add-on new. That's how you should look at it. And one more point, just to answer that. Most of the deals we are getting when we are announcing a TCV USD10 million plus, it is a plus-plus. It is not just a renewal."

Source: Company, JM Financial

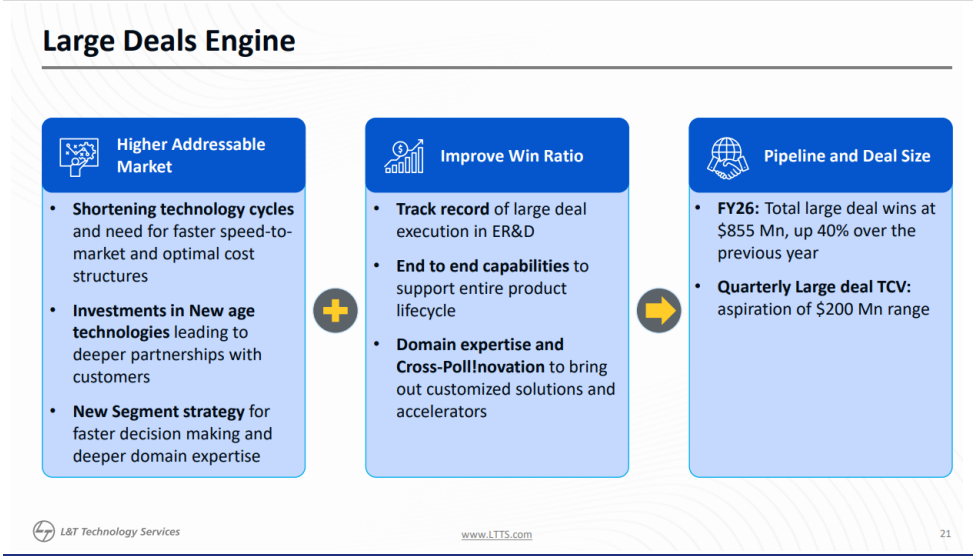
Large deal TCV grew 40% YoY in FY26 and pipeline remains healthy. Management has indicated that deal wins trajectory is expected to be strong and the pipeline is large. They expect an improvement in CY26 led by ramp up of large deal wins.

Exhibit 12: Recent announcements of deal wins

Quarter	Deal win announcements
Q2FY26	LTTS signed a USD 100mn multi-year agreement in its Sustainability segment with a US-based industrial equipment manufacturer operating in the semiconductor value chain, to support initiatives across new product development, sustenance engineering, value engineering and platform automation.
Q2FY26	In the Tech segment, LTTS was awarded a ~USD 60mn multi-year program, by a US-based provider of wireless telecommunications services to deliver advanced network software development and application engineering solutions.
Q1FY26	In the Sustainability segment, LTTS has been awarded a USD +50mn agreement by a Global Energy Major for Enterprise Data and Digital Services.
Q4FY25	LTTS has been awarded a multi-year, USD +800mn deal with a US-based manufacturer of industrial products and solutions to accelerate the client's digital transformation through the integration of advanced technologies and digital thread.
Q4FY25	A European Automotive OEM awarded LTTS a EUR 50mn transformational deal to set up a new development centre leveraging SDV, ADAS capabilities.
Q3FY26	LTTS has won a large multi-million dollar engagement from a global luxury OEM, covering infotainment system engineering across multiple product domains and assessment and assurance of telematics modules.
Q3FY26	LTTS has been awarded a multi-million-dollar engagement for the detailed design scope for a planned LNG facility expansion for a global natural gas producer on the US Gulf Coast. The contract includes engineering, design and project management services for the detailed design phase.
Q2FY26	LTTS has been awarded a multi-million-dollar contract by a global beverage major for end-to-end execution of their machine safety program, encompassing design and installation support across several global sites.
Q1FY26	ThyssenKrupp Steering has selected LTTS as a strategic partner to establish a state-of-the-art software development centre in Pune, India, dedicated to developing safety-critical software for advanced steering technologies, while supporting ThyssenKrupp's global engineering expansion.
Q3FY25	Secured a USD 50mn deal with a global network provider as a strategic partner to deliver product integration services for the North American market.
Q3FY25	Awarded a four-year deal with a tier-1 European automotive customer to restructure their delivery models and ensure streamlined program ownership.
Q3FY25	Secured a multi-million-dollar deal with an oil & gas major to design an Integrated Operations Centre, leveraging plant engineering expertise, Smartworld technologies and AI solutions
Q1FY25	A leading global automotive supplier has awarded LTTS an additional USD 30mn deal in their Ultra-Low Emissions Engineering program, delivering clean mobility solutions to their global customers.
Q4FY24	LTTS has won a first-of-its-kind program in India worth around USD 100mn (INR 8bn) from Maharashtra State Cyber Department, under the Government of Maharashtra. This initiative extends LTTS's commitment to developing secure, digitally interconnected smart and safe cities through premier Cyber Security and Digital Forensic solutions consolidated under one umbrella.

Source: Company

Exhibit 13: Large deals engine



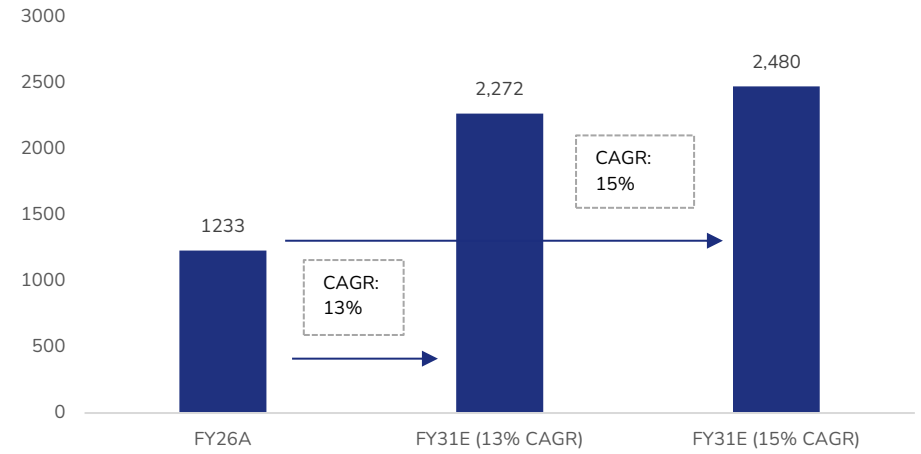
Source: Company

LTTS is widening addressable market through engineering intelligence, shortening their tech cycles, investing in new age technologies and newer segments.

Ambitious medium-term plan – Lakshya'31 plan

LTTS has set its medium-term ambition under its five-year Lakshya'31 plan, targeting 13–15% revenue CAGR over FY26–31 while sustaining 16–17% EBIT margins through the cycle. Applied to FY26 continuing-operations revenue of USD 1,233mn, this implies FY31 revenue of USD 2.27–2.48bn (JMFe). The scale objectives are to become the #1 global pure-play ER&D company, build two USD 1bn revenue segments and win a single large deal exceeding USD 500mn. Execution rests on six technology bets – software-defined mobility, plant buildout and modernisation, digital manufacturing/energy and industrial automation, MedTech, software platforms and Engineering Intelligence, and next-gen compute and AI infrastructure – along with three shifts—from engineering services to scalable productised technology solutions, from 'better to best' through deeper technical mastery and a future-ready organisation, and an AI-led pivot across engineering and manufacturing. Management also plans targeted investments and M&A in Mobility, Plant Engineering and MedTech. We view the FY31 framework as a respectable medium-term target as it couples a healthy growth trajectory with high-teen profitability—larger outcome-led deals, IP/productised solutions and a higher-value portfolio could expand revenue while improving the quality of growth. Key execution risks are large-deal conversion, decision delays, soft near-term Europe demand and sustainable recovery in the Tech and MedTech verticals.

Exhibit 14: FY31E targeted revenue lands between USD 2.3bn–2.5bn



Source: Company, JM Financial

The stated growth and margin targets imply an EBIT CAGR range of 17–20% over FY26–31E.

Five levers to deliver the Lakshya'31 aspirations

Scale six technology bets into large growth engines: LTTS is concentrating investments around six areas—Software-Defined Mobility, Plant Buildout & Modernisation, Digital Manufacturing/Energy and Industrial Automation, MedTech, Software Platforms and Engineering Intelligence, and Next-Gen Compute and AI Infrastructure. These bets span the three core segments and target areas where management sees structural engineering spend and where LTTS could build differentiated domain capabilities. Scaling these businesses is central to the ambition of creating two USD 1bn revenue segments and sustaining 13–15% revenue CAGR through FY31.

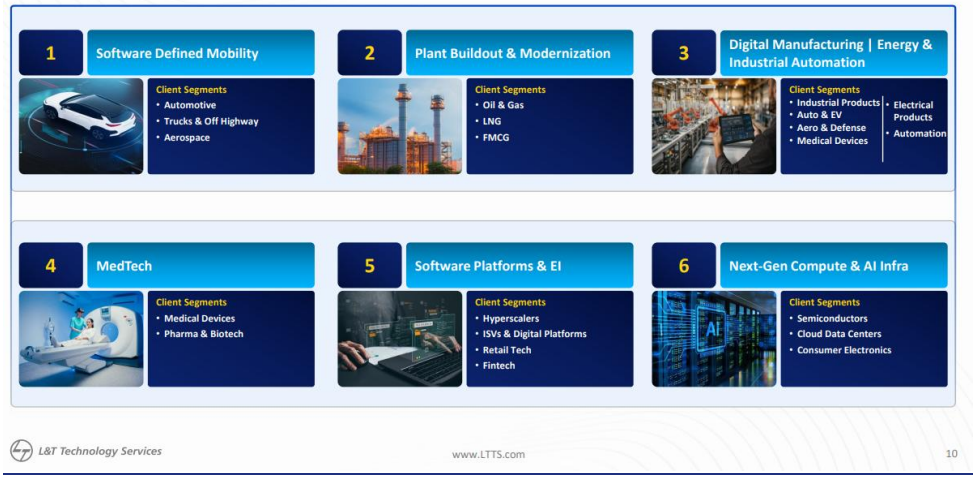
Move from engineering services to technology solutions: A key Lakshya'31 shift is to move beyond predominantly effort-led engineering services towards scalable, productised technology solutions, with management looking to embed solutions across a majority of its offerings. LTTS increasingly uses its platforms, accelerators and engineering IP to take greater ownership of client outcomes; the rising mix of fixed-price and outcome-based engagements already reflects this transition. Greater solution reuse and broader program ownership could enable larger engagements while improving differentiation and revenue quality.

AI pivot through Engineering Intelligence: LTTS intends to make AI integral to both how LTTS delivers engineering and what it sells to clients. Engineering Intelligence combines its domain capabilities with multi-modal, agentic and physical AI across products, processes and manufacturing. The company is moving upstream into AI/process consulting and then into implementation through proprietary solutions such as PLxAI and Ainfonix, while partnerships with frontier labs such as Anthropic broaden the technology stack. Management believes this could improve engineering productivity, create incremental use cases and move LTTS towards higher-value transformation work rather than simply supplying engineering capacity.

Scale large and more strategic deals: Lakshya'31 targets a step-up in deal size, including the aspiration to win a single deal exceeding USD 500mn. LTTS has aligned senior leadership around strategic initiatives, large deals and growth markets, while EI-led transformation, technology solutions and deeper domain capabilities should increase its relevance in larger programs. Management also notes that large deals are increasingly fixed-price/outcome-led and require LTTS to embed transformation into the proposition, creating an opportunity to expand from an engineering vendor into a more strategic partner.

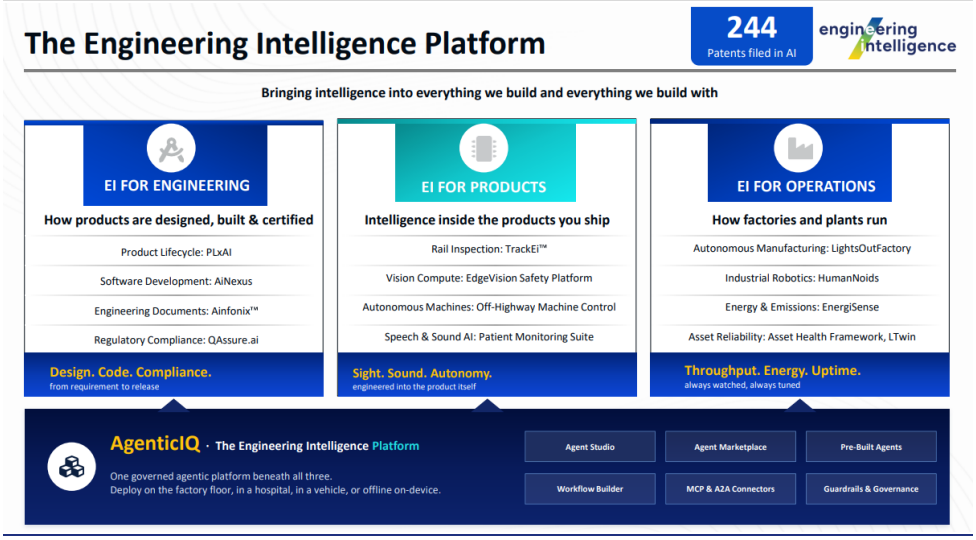
Build deeper capabilities while maintaining profitable growth: The second strategic shift – "Better to Best" – focuses on developing deep technical mastery in selected domains and building a future-ready organisation. LTTS also plans targeted investments and M&A, particularly across Mobility, Plant Engineering and MedTech, while directing capital towards opportunities combining high growth, profitability and future technology relevance. Management expects portfolio rationalisation, growth in higher-margin businesses, EI-led productivity and disciplined SG&A to support the 16–17% EBIT margin aspiration alongside growth.

Exhibit 15: Six growth drivers for their Lakshya'31 targets



Source: Company

Exhibit 16: Engineering Intelligence platform



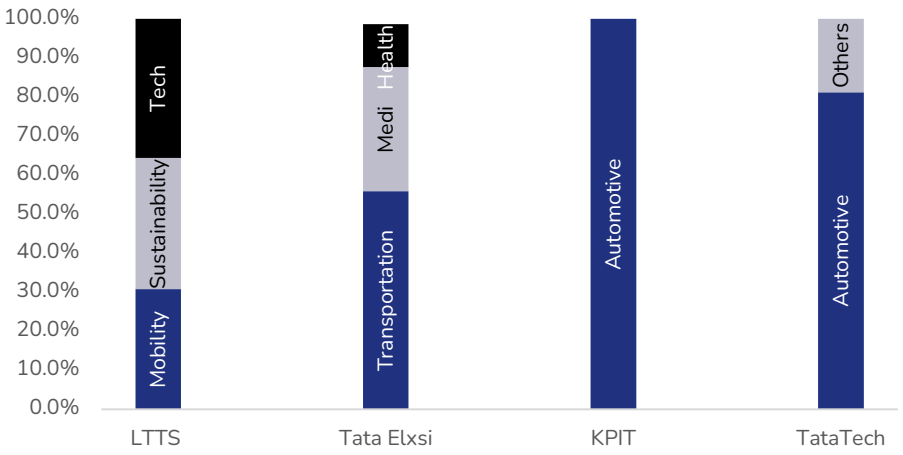
Source: Company

Largest and most diversified ER&D player

LTTS is among the largest pure-play ER&D providers globally and combines scale with a broad, balanced operating footprint. At Q1FY27, the company had 23,800+ employees, 190+ clients generating over USD 1mn each, operations across 25+ countries, 103 innovation labs, 270+ accelerators and solutions, and 1,757 patents. The customer base includes 69 Fortune 500 companies and 57 of the Global Top 100 R&D spenders. Revenue is well spread across Mobility (32%), Sustainability (35%) and Tech (33.4%), while North America/Europe/India/RoW account for 60%/18%/13%/9%. Management has also highlighted that LTTS is diversified within Mobility across Auto, Trucks & Off-Highway, and Aero/Rail, as well as across geographies.

Importantly, client concentration remains under control. The top 10/20/30 clients contributed only 27%/41%/49% of LTM revenue in Q1FY27, leaving 51% outside the top 30. LTTS also reported that it has 90% repeat business across 417 global customers. The combination of a broad, installed base and cross-domain engineering capabilities could support account mining and reuse of engineering IP across sectors. LTTS's 25+/30+/40+ labs and 376/730/651 patents (1,059 co-authored with clients; 244 patents in AI) across Mobility/Sustainability/Tech, respectively, provide the backbone of innovation. We view the diversification as both a buffer against vertical-specific cycles and an avenue to scale larger multi-domain accounts as engineering spend increasingly converges around software, AI and product/platform modernisation.

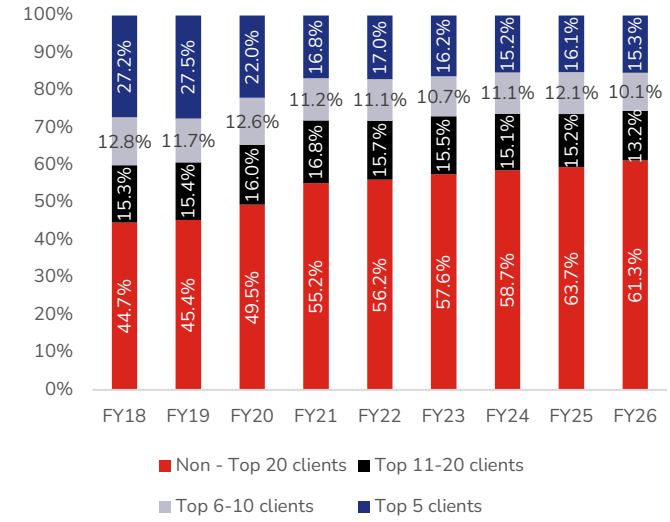
Exhibit 17: Vertical mix of ER&D companies – FY26



Source: Company, JM Financial

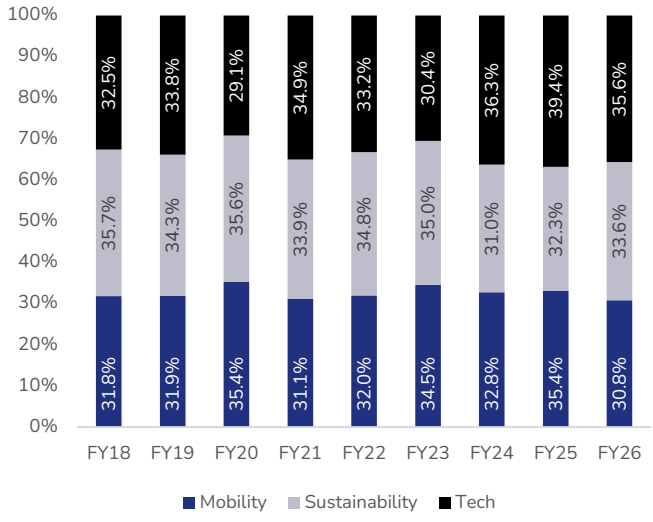
LTTS is diversified across its verticals – Mobility (31%), Sustainability (34%), Tech (36%). Other peers are skewed towards automotive.

Exhibit 18: Top clients mix (%) – FY18–26



Source: Company, JM Financial

Exhibit 19: Vertical mix (%) – FY18–26



Note: For FY18-FY24- industrial products + plant engineering is stated as sustainability, Transportation as mobility, Telecom & hi-tech and Medical devices as Tech. Source: Company, JM Financial

Exhibit 20: LTTS emerges as the largest pureplay Indian ER&D player with wide capabilities



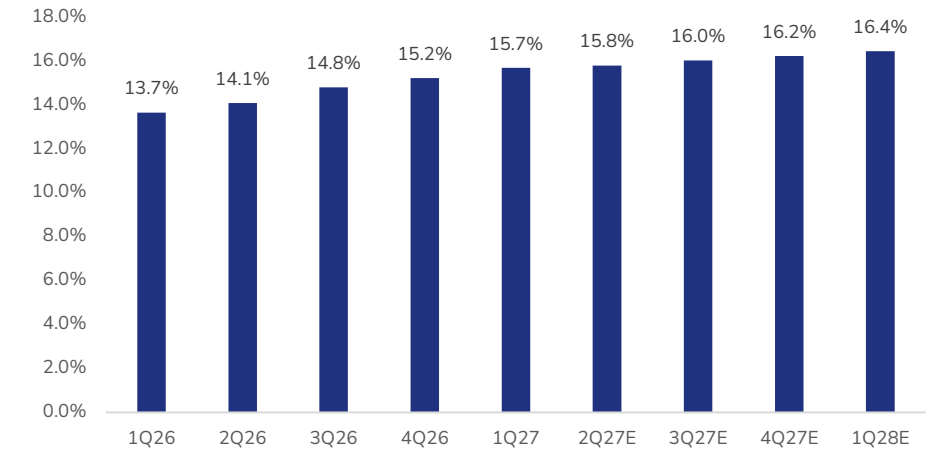
Source: Company, JM Financial

Moving to Engineering Intelligence and driving margins

LTTS is transitioning from an engineering-services provider to an Engineering Intelligence (EI) solutions company, embedding AI across products, processes and manufacturing. Under Lakshya'31, the company has completed its strategic portfolio realignment, including pruning low-margin/ non-strategic work and divesting the SWC business, while reallocating investment towards six technology bets spanning Software-Defined Mobility, Plant Build-out & Modernisation, Digital Manufacturing/Energy & Industrial Automation, Next-Gen Compute & AI Infra, Software Platforms & EI and MedTech. EI combines LTTS's engineering expertise with multi-modal, agentic and edge AI, with solutions such as AgenticIQ, PLxAI and Ainfonix. In Q1FY27, management highlighted that EI is driving more strategic client conversations and increasingly being embedded into fixed-price and outcome-based transformation programs, potentially allowing LTTS to capture a greater share of productivity benefits and participate in larger, higher-value engagements.

The portfolio reset has also begun translating into improved profitability. EBIT margin expanded 40bps QoQ to 15.2% in Q4FY26 despite the deliberate exit from lower-quality revenue and improved another 50bps QoQ to 15.7% in Q1FY27 alongside a return to sequential revenue growth. Management expects margins to improve sequentially through FY27 driven by a richer mix from higher-margin Sustainability and Mobility, improvement in Tech, EI-led delivery productivity, operational efficiencies and disciplined SG&A. LTTS continues to target mid-16% EBIT margin around or before Q4FY27, while Lakshya'31 envisages maintaining 16–17% margins over the next five years.

Exhibit 21: EBIT margin % Q1FY26–Q1FY28E (consensus estimates)



Source: Bloomberg, JM Financial

EBIT margins are expected to expand 70bps between Q1FY27–Q1FY28, driven by shift towards full-stack engineering intelligence and portfolio rationalisation.

Structural ER&D growth drivers provide LTTS a long growth runway

We expect structural growth in global ER&D spend and rising outsourcing intensity to provide a durable demand tailwind for LTTS. Global enterprise ER&D spend is expected to increase from USD 1.52–1.53tn in 2024 to USD 2.48–2.50tn by 2030 (~8% CAGR), while the outsourced ER&D market is expected to grow at ~9% CAGR to USD 133–135bn. LTTS could therefore benefit from a combination of growth in clients' underlying engineering budgets and a rising share of those budgets being externalised. Rising product complexity across software-defined mobility, semiconductors, AI infrastructure, MedTech, industrial automation and energy transition should further increase the requirement for specialist engineering capabilities.

Incremental outsourcing provides a fillip to underlying ER&D spends

Engineering remains substantially less outsourced than traditional enterprise IT—only 5–10% of engineering activities have moved offshore versus 45–55% of enterprise IT activities having been outsourced, leaving materially greater headroom for ER&D providers. Moreover, outsourcing is expanding beyond discrete execution and cost arbitrage towards core digital engineering, product development, co-innovation, platforms and ownership of larger portions of the product lifecycle. The ER&D services market addressed by Indian providers at USD 20–21bn in 2024, with the baseline scenario reaching USD 38–39bn by 2030, implying 11–12% CAGR (Nasscom-Everest). This creates scope for Indian providers such as LTTS to grow faster than the underlying global ER&D market through continued offshoring and higher-value work migration.

Exhibit 22: R&D spend growth and expected increase in outsourcing aids growth

Growth layer	2024	2030E	Growth	Implication for LTTS
Global enterprise ER&D spend	USD 1.52–1.53tn	USD 2.48–2.50tn	~8% CAGR	Expanding underlying client engineering budgets provide the base demand driver.
Global outsourced ER&D	USD 81–82bn	USD 133–135bn	~9% CAGR	Outsourcing is expected to grow slightly faster than total ER&D spend.
ER&D addressed by Indian providers – baseline	USD 20–21bn	USD 38–39bn	11–12% CAGR	Offshoring, talent access and movement into higher-value work could drive share gains for Indian providers.
Incremental LTTS opportunity	1,138	2,191 (at 14% CAGR)	13–15% CAGR (target)	LTTS could additionally gain through client wallet-share expansion and exposure to faster-growing verticals.

Source: Nasscom-Everest, Company, JM Financial

ER&D appears relatively less exposed to revenue deflation than traditional IT services

GenAI is already driving productivity gains of 30–40% in software product engineering, 20–30% in connected products and 15–25% in manufacturing engineering. However, ER&D productivity savings could be reinvested into additional product functionality, faster iterations, validation and next-generation design, while AI itself creates incremental engineering demand across semiconductors, edge devices, software-defined products and compute infrastructure. We therefore see AI as likely to change ER&D unit economics and commercial constructs rather than necessarily shrink the overall engineering spend pool, with providers increasingly moving from effort-based billing towards IP, accelerators and outcome- and velocity-based models.

ER&D embedded nature makes growth relatively sticky compared to IT services

Providers participate across architecture, design, validation, certification, manufacturing transfer and field-performance feedback, building product-specific knowledge over multiple development cycles. Switching vendors could consequently disrupt product roadmaps and delay launches, supporting higher switching costs than in more standardised technology services. ER&D accounts could also begin with relatively small USD 0.25–4mn technical programs and expand into larger, multi-year work packages after a provider establishes technical credibility, creating a meaningful land-and-expand opportunity within existing clients.

LTTS well-positioned to participate across these structural growth vectors

LTTS's diversified presence across Mobility, Sustainability and Tech gives it exposure to multiple engineering spend pools rather than tying growth to a single end-market. Its strategic focus areas – including Software-Defined Mobility, Plant Buildout & Modernisation, Industrial Automation, MedTech, Software Platforms & Engineering Intelligence, and Next-Gen Compute & AI Infrastructure – also align with areas where engineering intensity is increasing. The company can therefore participate not only in underlying ER&D growth, but also in outsourcing-led share shifts and wallet-share expansion within existing accounts.

Exhibit 23: Relative attractiveness of ER&D and characteristics limiting deflation

Structural characteristic	Evidence/industry dynamic	Why it matters?
Low outsourcing penetration	Only 5–10% of engineering activities have moved offshore versus 45–55% of enterprise IT activities outsourced.	Provides a longer runway for incremental outsourcing.
Increasing engineering complexity	SDVs, semiconductors, AI-enabled products, MedTech, industrial automation and energy transition require increasingly specialised engineering.	Expands the addressable work pool and raises barriers to entry.
AI relatively less deflationary at spend level	AI automates engineering tasks, but productivity could be reinvested into product development, validation and additional iterations.	Unit effort could fall without an equivalent reduction in total engineering spend.
AI creates incremental ER&D demand	Semiconductors, edge AI, AI infrastructure and intelligent products require new hardware, embedded, software and systems engineering.	AI is simultaneously an automation tool and a new engineering demand driver.
High client-embed/switching costs	ER&D providers accumulate product knowledge across architecture, design, testing, certification and product generations.	Supports stronger client retention and continuity.
Land-and-expand model	Engagements could begin at USD 0.25–4mn and scale into larger, multi-year programs as technical credibility is established.	Existing accounts could compound as scope and lifetime account value expand.
Long product lifecycles	Engineering programs could extend across several product generations; product-development cycles could be long.	Makes successful relationships relatively durable and supports continuity of spend.

Source: Nasscom-Everest, JM Financial

Key Focus Areas

Performance versus stated targets

LTTS's track record of delivering against its initial revenue guidance has been mixed over the last five years, with outcomes reflecting both macro sensitivity and internal strategic actions. In FY22, the company guided for 13–15% USD revenue growth and outperformed with 19.5% growth. This momentum sustained in FY23, where LTTS guided for 13.5–15.5% cc YoY growth and delivered 15.8%. However, execution fell short in FY24: against a stated target of +20% cc YoY growth (+10% organic), the company delivered 17.9% cc growth and only 4.1% organic growth (JMFe). The miss was driven by macro headwinds, including telecom clients shifting to cash conservation, weak demand in Industrial Products (notably Building Automation) and delayed deal renewals in the Medical segment. In FY25, LTTS adopted a more conservative stance, guiding for 8–10% cc YoY growth and delivering 8.9%, in-line with guidance. For FY26, the company initially guided for double-digit cc growth at the time of Q4FY25 results and revised it down, reflecting a deliberate portfolio rationalisation under its "Lakshya" strategy aimed at improving revenue quality, margins and positioning towards Engineering Intelligence. FY26 total USD revenue consequently grew 4.9% YoY, while continuing operations rose 8.3% to USD 1.23bn. Overall, the outcomes in FY24 and the miss on initial guidance in FY26 underscore the risk of deviations from stated targets, driven by both external macro volatility and internal strategic recalibration, making this a key focus for investors.

Exhibit 24: Outlook stated versus performance delivered – FY22–26

	Outlook given at the start of the year	Revenue growth delivered
FY22	"Our guidance for FY22 is for a dollar revenue growth of 13-15%."	USD revenue growth – 19.5%
FY23	"We reaffirm our earlier guidance of reaching a USD 1Bn run rate by Q2/Q3 of FY23. Also, for FY23, we are guiding for an organic dollar revenue growth of 13.5-15.5%."	CC revenue growth – 15.8%
FY24	"For FY24 our guidance in USD constant currency terms is 20% plus. Within this, organic growth will be 10% plus, while the rest will come from SWC."	CC revenue growth – 17.9%, Organic growth at c. 4.1% (assuming c. INR11bn from SWC)
FY25	"Factoring the current economic scenario, our guidance for FY25 is for a USD constant currency revenue growth of 8-10%."	CC YoY growth – 8.9%
FY26	"We expect FY26 to be a better year than FY25, with double-digit revenue growth in USD CC terms for FY26."	Revenue grew 7.7% YoY cc excluding discontinued operations, and grew 4.7% YoY cc including discontinued operations

Source: Company, JM Financial

LTTS beat/met guidance in FY22, FY23 and FY25, but failed to meet guidance in FY24 and FY26. This indicates a degree of vulnerability of the business to external conditions.

M&A and capital allocation

LTTS's acquisition of Smart World & Communication (SWC) from its promoter and parent, Larsen & Toubro (L&T) raises some concerns regarding M&A and capital allocation. The company announced the acquisition on 12th Jan'23 for INR 8bn (subject to adjustments), with the stated rationale of taking SWC's Next-Gen Communications, Sustainable Spaces and Cybersecurity offerings global by leveraging LTTS's reach. The transaction closed effective 1st Apr'23. SWC had FY22 revenue of INR 10.98bn (including inter-segment revenue) and operated across Communications, Safe & Smart Solutions and Cybersecurity. While management subsequently cited successful internationalisation in Telco Infra and Cyber, it acknowledged that the Smart Cities business could not be scaled internationally as anticipated, given its exposure to local-government projects and local employment requirements.

The SWC asset also had operating characteristics that differed from LTTS's core ER&D business. Management acknowledged pronounced seasonality and higher working capital requirements. SWC revenue was weighted towards H2; in Q1FY26, the company cited Smart World seasonality as the predominant reason for LTTS's 2.9% QoQ USD-revenue decline and for negative INR 280mn FCF. During Q2FY26, management said overseas Smart World opportunities were closing more slowly than expected and that it was selective on projects given margin considerations. LTTS subsequently initiated a wider portfolio rationalisation, prioritising growth, profitability and forward-looking capabilities. On 25th Mar'26, it signed a slump-sale agreement to transfer the SWC unit to AMI Paradigm Solutions for headline cash consideration of INR 4.52bn, subject to working-capital, net-debt and other adjustments; the transfer completed on 1st Sep'26. SWC's FY26 revenue and PBT were INR 7.81bn and INR 0.69bn.

Revenue from the asset is likely to have degrown during this period and the company likely realised a loss on sale of the asset. Given this experience, M&A and capital allocation going forward would be a key focus area for investors. The company, as part of its stated Lakshya '31, targets to acquire in the MedTech domain, which falls under the Tech vertical. The nature of the acquisition and accretion of returns from this prospective acquisition would be key factors to monitor.

Exhibit 25: Key events with respect to the SWC acquisition

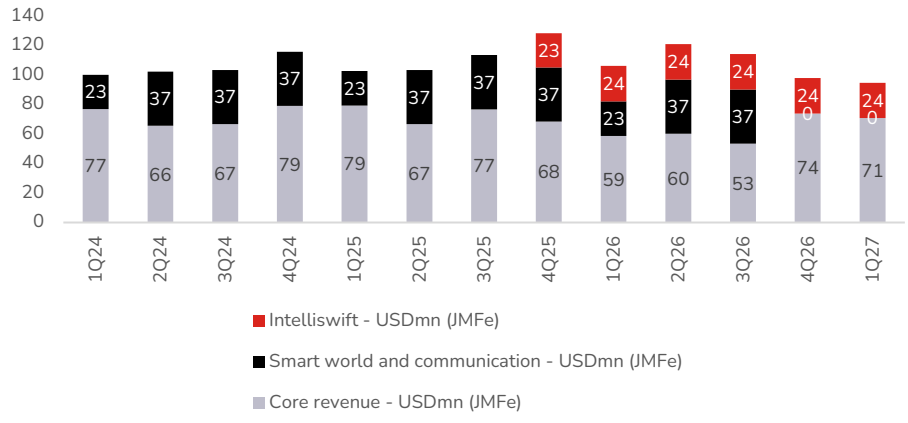
Date/Event	Deal details/Stated intent	Disclosed outcome/Current status
Jan–Apr'23 Acquisition	LTTS acquired SWC from its parent/promoter L&T for INR8bn; FY22 revenue ~INR11bn. Board approval: 12th Jan; shareholder approval: 14th Feb; effective completion: 1st Apr.	Stated rationale: enhance Next-Gen Communications, Sustainable Spaces and Cybersecurity capabilities and internationalise SWC offerings.
FY24–Q3FY26 Operating experience	SWC had H2-weighted revenue, lower margins and a working-capital-intensive model. Management cited SWC seasonality for LTTS's 2.9% QoQ USD-revenue decline and negative INR280mn FCF in Q1FY26.	Management said Telco Infra and Cyber capabilities had scaled internationally, but Smart Cities had not, given local government and local employment requirements.
Mar–Apr'26 Divestment announced	25th Mar: LTTS signed a BTA to sell the SWC unit to AMI Paradigm Solutions for INR4.5bn cash, subject to working-capital, net-debt and other adjustments.	FY26 discontinued SWC operations: revenue INR7.81bn; PBT INR0.69bn; operating cash flow negative INR2.14bn. LTTS retained selected capabilities.
Aug'26 Lakshya 31 M&A	13–15% five-year revenue CAGR aspiration is expected to be largely organic, with opportunistic tuck-in acquisitions; no large acquisition planned at the time of the Q4FY26 call.	NDR identifies targeted M&A in MedTech, Plant Engineering and Mobility; the 16–17% EBIT margin aspiration allows for some acquisition-related dilution.

Source: Company, JM Financial

Weakness in the Technology vertical

Technology vertical (encompassing Telecom & Hi-Tech, MedTech and Smart World) has demonstrated a concerning trend of softness, making it a key vertical to monitor for investors. The tech vertical's core revenue (JMFe), ex-acquisitions (Intelliswift and SWC), declined from c. USD 77mn in Q4FY23 to USD 59mn in Q3FY26, representing a decline of 24% over 11 quarters. Despite large deal wins and acquisitions done in this vertical, the vertical fails to grow meaningfully. In Q4FY26, LTTS divested the SWC asset, leading to further loss of share of the tech vertical in the overall business mix. The SWC vertical is likely to have seen a decline in revenue greater than that of the overall tech vertical post its integration. Recently, the tech vertical has faced multiple challenges. In FY24, telecom operators shifted to severe cash conversion mode resulting in delayed deal closures. US MedTech market saw cautious customer behaviour leading to delayed ramp-ups in programs, management has also acknowledged demand issues and business struggles with specific Semiconductor (Semcon) majors. Furthermore, the segment's profitability was dragged down by margin-dilutive "strategic support" discounts extended to select Tech customers between Q4FY25 to Q2FY26. In Q3FY26, the company is planning to restructure the vertical, proactively shut down its tech unit in Israel and completely exit legacy India-billed testing work for US clients. The challenges that the tech vertical is struggling with could be a dampener on growth going forward and is illustrative of structural challenges that could emanate in verticals. Currently, in Q1FY27, the company stated that there was weakness in the vertical due to a MedTech program reaching completion; the vertical is expected to return to growth in Q2FY27, following deal closures and expected ramp-ups.

Exhibit 26: Tech vertical revenue, including revenue from acquisitions (JMFe) – Q1FY24–Q1FY27

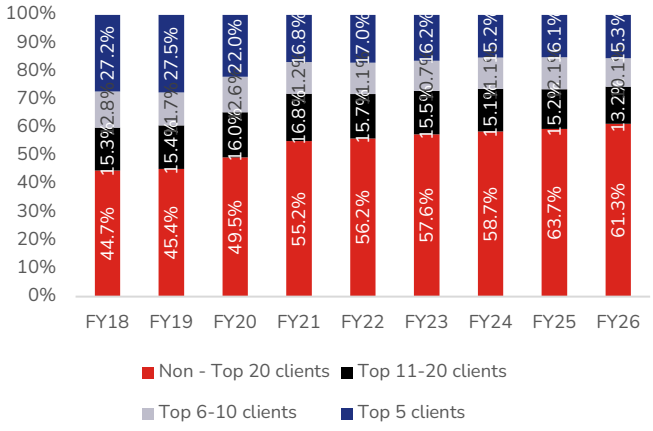


Note: SWC business considered discontinued from Q4FY26. For acquisitions have assumed revenue according to run rate at the time of acquisition. SWC had pronounced seasonality in 1Q. Source: Company, JM Financial estimates

Scaling of large clients limited; long tail of clients

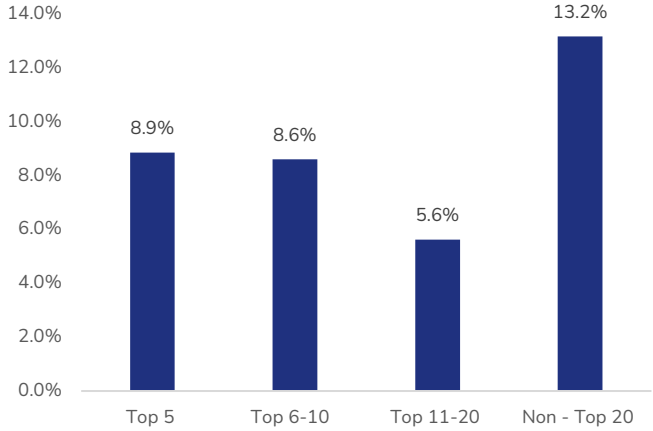
LTTS has seen challenges in scaling its top clients. Top 5 clients' revenue has grown at a 2% CAGR over FY20–25, much slower than the company average. It grew at ~9% CAGR between FY21–26—the apparent sharp acceleration in growth is due to a sharp reset in the base in FY21. Top-5 clients' revenue as a percentage of total revenue has declined from a high of 27.2% in FY18 to 15.3% in FY26. The next five clients' share has also decreased from ~13% in FY18 to ~10% in FY26. Slower scaling of top clients remains a key aspect to monitor for investors, as this could pose a bottleneck to growth. Issues at top clients or stagnation of revenue would require the company to win a large number of clients to make up for the lack of growth at top clients. LTTS has managed to do this to some level, with more than 100 clients added between FY20–25. This, however, might increase SG&A costs, increase management complexity and prove to be a headwind to margins.

Exhibit 27: Top clients' cohort share (%)



Source: Company, JM Financial

Exhibit 28: Top clients' cohort revenue CAGR (%)

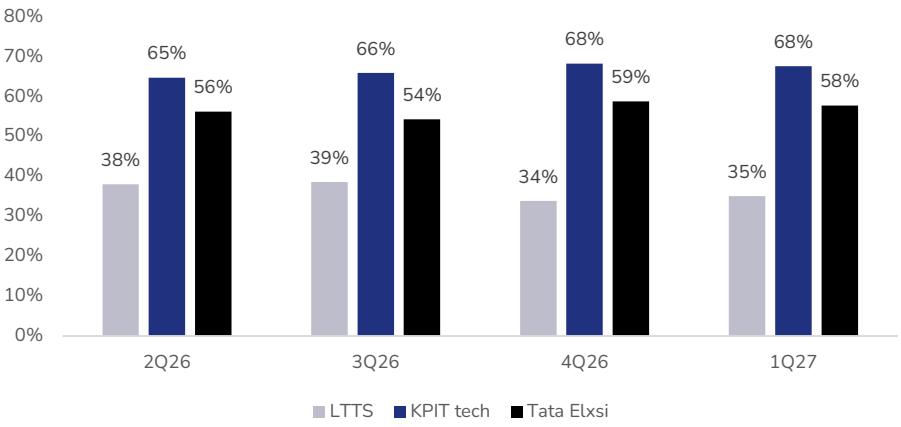


Source: Company, JM Financial

Low levels of fixed price projects a potential concern

LTTS has a lower portion of its revenues coming from fixed price projects as compared to its peers. The company, as of Q1FY27, had 35% of its revenue coming from fixed price projects (post divestment of SWC; FPP reduced by 4ppt between Q3FY26 to Q1FY27), with the rest coming from Time and material contracts. Peers such as KPIT and Tata Elxsi have a much higher portion of their revenue coming from FPP with KPIT at 68% in Q1FY27 and Tata Elxsi at 58%. The level of FPP (%) is a key aspect to monitor for investors as this might indicate that there is a large portion of revenue that is vulnerable to productivity pass backs to clients. This might also indicate that a large portion of revenue is yet to go through the transition towards FPP, which might prove to be a headwind going forward.

Exhibit 29: Fixed price projects as a % of revenue – LTTS, KPIT and Tata Elxsi



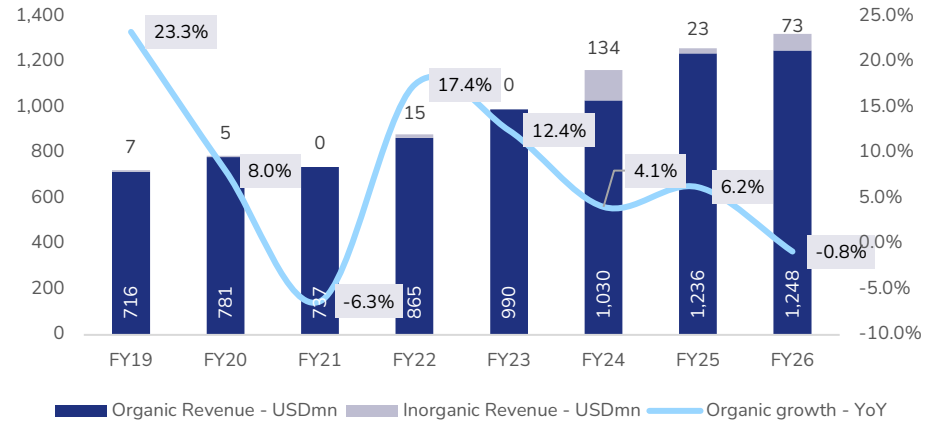
Source: Company, JM Financial

Financial Analysis

Revenue – historical analysis

LTTS's revenue trajectory has seen periods of strong growth interspersed with macro-led disruptions and strategic resets. The company delivered robust growth in FY22–23, supported by strong ER&D demand and capability-led acquisitions such as Graphene in semiconductor design and Orchestra in transportation engineering. SWC consolidation supported reported growth in FY24, although telecom spending cuts, industrial softness and delayed medical programmes constrained underlying performance. Growth subsequently moderated, with Intelliswift adding software and AI capabilities, but also diluting margins initially. In FY26, revenue (including discontinued operations) grew 4.9% to USD 1,321mn, while continuing operations grew 8.3%, supported by Intelliswift consolidation and Sustainability. However, Mobility weakness and portfolio pruning weighed on organic growth. LTTS completed its restructuring in Q4FY26, classifying SWC as discontinued operations and exiting other non-strategic businesses representing c. USD 19mn in annualised revenue. Continuing revenue declined 1.1% QoQ cc in Q4FY26 before recovering 1.5% in Q1FY27. Its growth profile thus reflects a shift towards a more focused, margin-accretive portfolio, with a sustained organic recovery now the key factor to monitor.

Exhibit 30: Historical analysis – Organic revenue, inorganic revenue, organic revenue growth

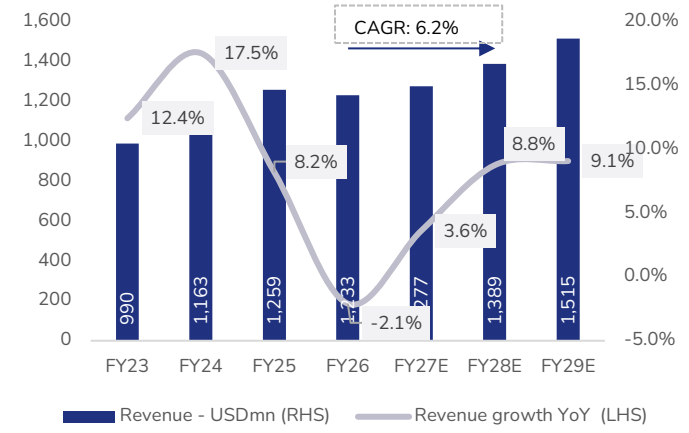


Note: Revenue here includes revenue from discontinued operations. Source: Company, JM Financial

Revenue forecast

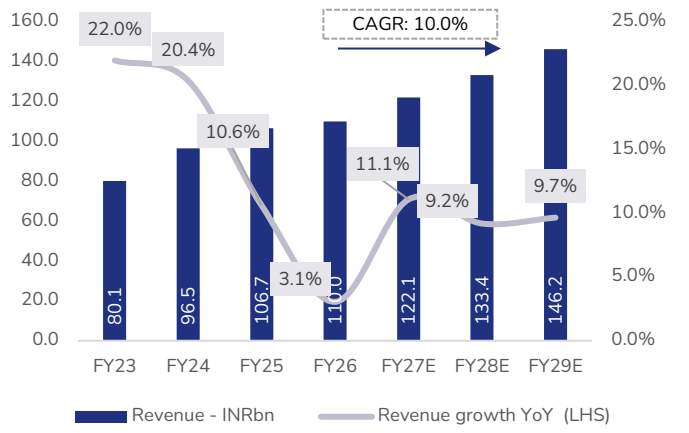
Following the FY26 strategic reset, we expect LTTS to return to gradual, profitable growth, supported by continued ER&D outsourcing, improving Mobility demand and its differentiated positioning in Sustainability. Large-deal ramp-ups and investments in Engineering Intelligence should strengthen this recovery, while Tech's return to growth remains important for broader participation across verticals. We forecast USD revenue CAGR of 6.2% over FY26–28E and INR revenue CAGR of ~10%, reaching USD 1,389mn and INR 133.4bn, respectively, in FY28E. We build in USD growth of 3.6%/8.8%/9.1% in FY27E/28E/29E, reflecting a measured near-term recovery followed by stronger execution of the deal pipeline. FY26 large-deal wins of USD 855mn, up 40% YoY, support visibility, although some closures shifted from Q1FY27 into early Q2FY27. Management expects sequential growth through FY27 and retains its Lakshya 31 aspiration of 13–15% revenue CAGR, including potential tuck-in acquisitions. Our estimates remain more measured, reflecting macro uncertainty, uneven discretionary demand and the time required for deal wins to translate into revenue.

Exhibit 31: Revenue (USDmn) and revenue growth – FY22–29E



Note: Revenue from continued operations in FY26. Source: Company, JM Financial estimates

Exhibit 32: Revenue (INRmn) and revenue growth – FY22–29E



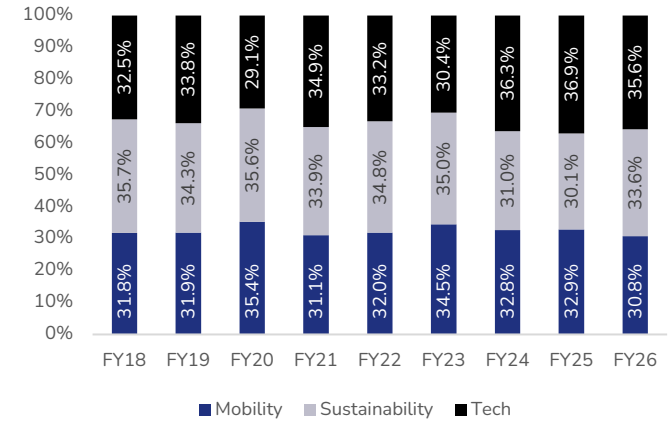
Note: Revenue from continued operations in FY26. Source: Company, JM Financial estimates

Verticals and geographies

LTTS remains diversified across Mobility, Sustainability and Tech, with each contributing c. 30% or more of revenue. Acquisitions have historically supported Tech's scale, but Sustainability increasingly leads organic growth, with revenue rising 12.8% in FY26 and 4.3% QoQ in Q1FY27. Healthy bookings, energy and plant-modernisation spending, industrial automation and data-centre investments should sustain momentum, supported by Engineering Intelligence offerings. Mobility is showing early signs of recovery, growing 2.3% QoQ in Q1FY27 after remaining broadly flat in Q4FY26, led by Aerospace, Rail, and Trucks & Off-Highway. North American automotive programmes and large-deal ramp-ups should support further improvement, although Europe remains challenging. Tech continues to recalibrate—revenue declined 6.3%/3.1% QoQ in Q4FY26/Q1FY27, reflecting portfolio exits followed by softer demand and MedTech programme timing. Management expects growth from Q2FY27, supported by semiconductor and telecom opportunities and AI-led Software & Platforms offerings that build on Intelliswift's capabilities.

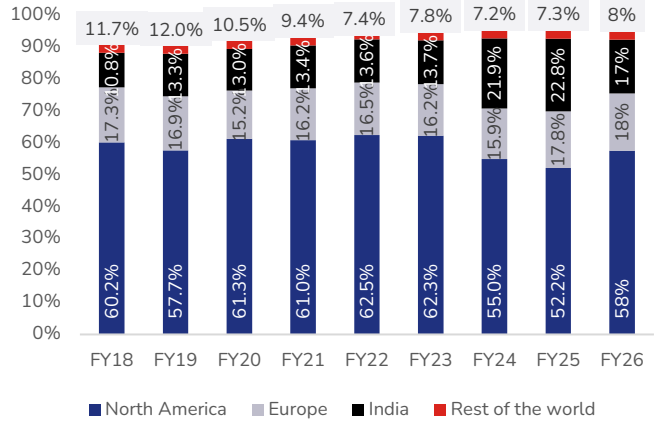
LTTS has a geographically diversified presence, although North America remains its largest market, contributing 60.4% of continuing revenue in Q1FY27, followed by Europe at 18%. SWC consolidation had increased India's contribution from FY24; its subsequent exit lowers India's weight and raises the relative overseas contribution. North America grew 12% in FY26 and 1.4% QoQ in Q1FY27, supported by automotive engineering activity and investments in energy, industrial infrastructure and data centres. Europe remains softer, declining 0.8% QoQ in Q1FY27, although OEM cost pressures create opportunities for vendor consolidation and offshore engineering. India grew modestly on a continuing-business basis in Q1FY27, while RoW grew 6% QoQ. Japan remains an opportunity as OEMs increasingly seek India-based engineering, product localisation and supply-chain optimisation. Geographic diversification provides multiple growth avenues, but recovery remains uneven across markets.

Exhibit 33: Verticals exposure (%) – FY18–26



Note: For FY17-FY24- industrial products + plant engineering is stated as sustainability, Transportation as mobility, Telecom & hi-tech and Medical devices as Tech.
Source: Company, JM Financial

Exhibit 34: Geography exposure (%) – FY18–26



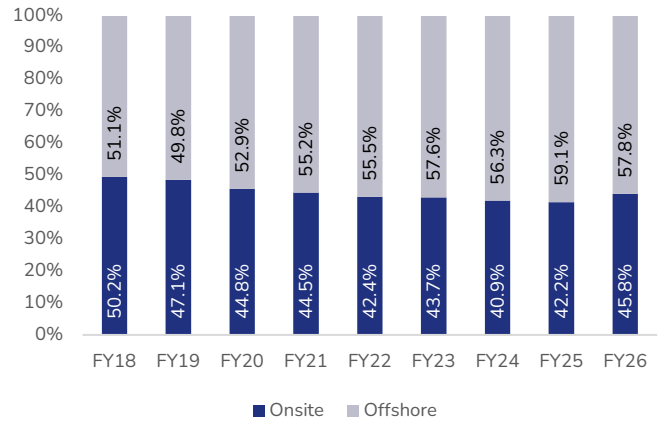
Source: Company, JM Financial

Onshore/offshore and top clients

LTTS's delivery mix continues to balance onsite client engagement with offshore execution. Onsite work supports proximity to customers and participation in complex engineering programmes, although its higher delivery cost requires careful margin management. The continuing-business offshore share increased from 52.4% in Q1FY26 to 53.5% in Q4FY26 and 53.9% in Q1FY27, indicating gradual progress. However, new programmes can initially require greater onsite deployment, as seen in Mobility's Q1FY27 margin moderation. We expect offshore delivery to increase as engagements mature and LTTS expands fixed-price and outcome-based work. This should support profitability alongside productivity improvements, although programme mix will influence the pace of change.

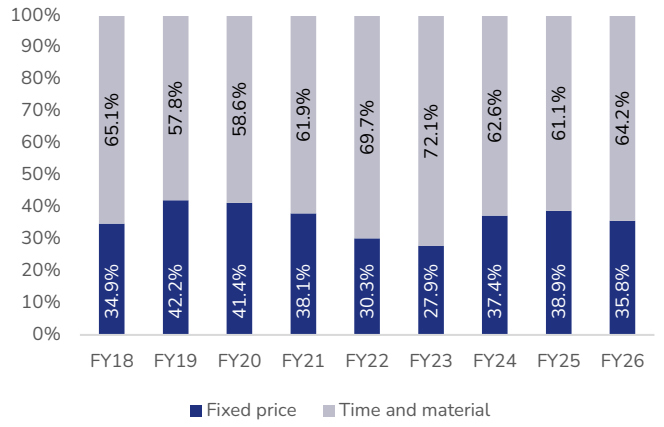
Fixed-price revenue has historically contributed c.30–40% of LTTS' business, leaving a substantial proportion dependent on T&M billing. Fixed-price share increased from 32.4% in Q1FY26 to 33.9% in Q4FY26 and 35.1% in Q1FY27, but T&M still accounts for 64.9% of revenue. This creates exposure to client demands for productivity pass-through, particularly as AI reduces effort in selected engineering activities. Management highlighted that most large deals now follow fixed-price or outcome-based models, with process transformation increasingly central to client requirements. We expect this mix to increase, allowing LTTS greater scope to monetise its expertise and retain delivery efficiencies, subject to contractual terms and execution. The transition should gradually reduce dependence on headcount-led revenue growth.

Exhibit 35: Onshore/offshore mix (%) – FY17–26



Source: Company JM Financial

Exhibit 36: Fixed price/time and material mix (%) – FY17–26

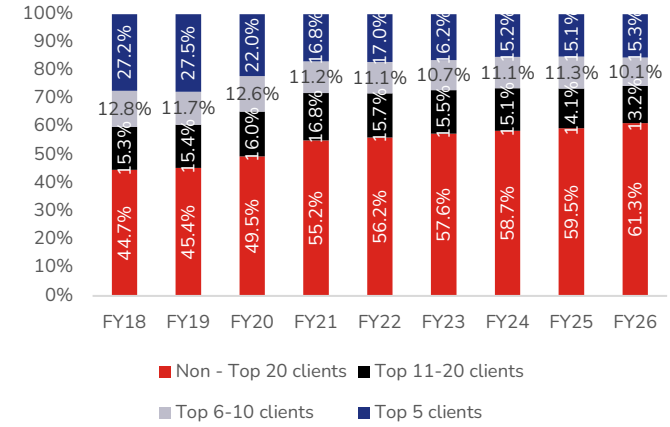


Source: Company, JM Financial

Top clients

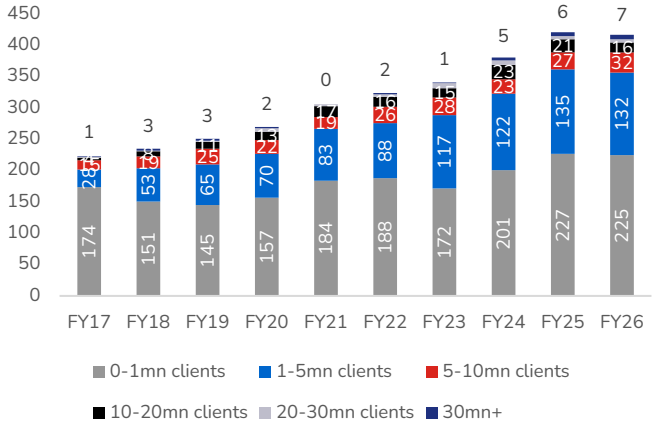
The company's diversified client base limits dependence on individual accounts, with the top five/top ten contributing 16%/26.8% of LTM revenue in Q1FY27 and clients outside the top 20 contributing 59.3%. Historically, declining concentration has also highlighted the challenge of scaling its largest relationships, despite a broad base of marquee customers. Recent disclosures show some progress: LTTS reported its first USD +50mn account in Sustainability in Q4FY26, while USD +20mn accounts increased from 12 to 13 and USD +10mn accounts from 28 to 29 in Q1FY27. However, USD +30mn accounts declined from seven to six, indicating uneven expansion across cohorts. Cross-selling software, Engineering Intelligence and domain capabilities into existing relationships remains a key growth lever. Sustained movement into larger revenue cohorts would strengthen confidence in LTTS's ability to translate client breadth into account scale.

Exhibit 37: Client concentration (%) – FY17–26



Source: Company, JM Financial

Exhibit 38: Client cohort (numbers) – FY17–26



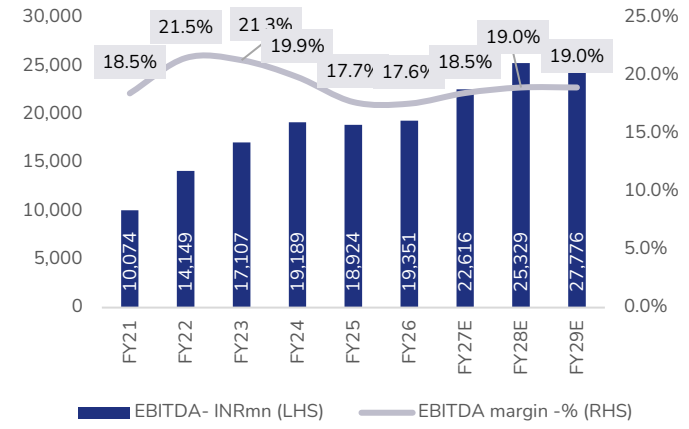
Source: Company, JM Financial

Margins

LTTS' EBIT margin moderated from 18.5% in FY23 to 17.1% in FY24 and 14.9% in FY25 as investments in capabilities, large-deal ramp-up costs and acquisition-related dilution weighed on profitability. Mobility weakness and strategic client investments added pressure in early FY26. However, portfolio rationalisation and operating improvements subsequently supported recovery, with continuing-operation EBIT margin reaching 15.2% in Q4FY26 and 15.7% in Q1FY27, compared with 14.5% for FY26. In Q4FY26, improved revenue quality and restructuring supported gross margin expansion across all three segments, while Intelliswift's profitability also improved. In Q1FY27, disciplined SG&A supported further EBIT-margin expansion despite softer gross margins. Sustainability remained the strongest contributor, with segment margin rising to 29.1%, while Mobility and Tech margins moderated to 15.6% and 11.5%, respectively, reflecting onsite ramp-up costs and revenue softness.

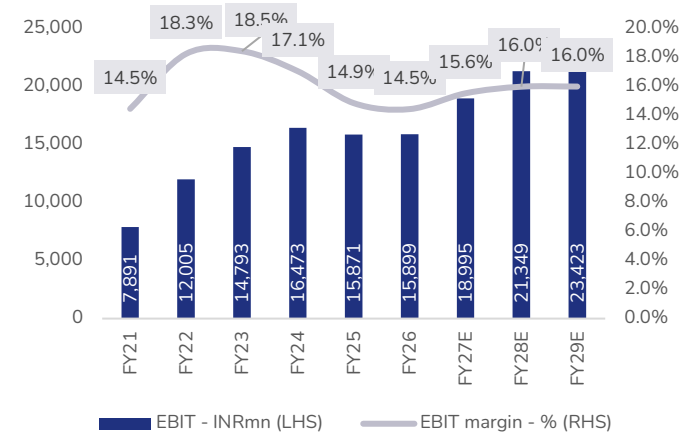
We expect a structural margin recovery, aided by the exit from low-margin work, a greater contribution from Sustainability, improving offshore delivery and operating leverage from deal ramp-ups. Better utilisation, delivery-pyramid optimisation and Engineering Intelligence-led productivity provide additional levers, while improved acquisition profitability should support Tech as growth resumes. Management reiterated their aspiration to reach mid-16% EBIT margin on or before Q4FY27 and maintain a 16–17% band under Lakshya 31. We forecast EBIT margin of 15.6%/16%/16% and EBITDA margin of 18.5%/19%/19% in FY27E/28E/29E. Wage revisions, transition costs, continued technology investments and potential tuck-in acquisition dilution remain offsets. Consequently, we expect margin expansion to contribute meaningfully to earnings growth initially, before stabilising from FY28E.

Exhibit 39: EBITDA (INRmn) and EBITDA margin – FY21–29E



Source: Company, JM Financial estimates

Exhibit 40: EBIT (INRmn) and EBIT margin – FY21–29E

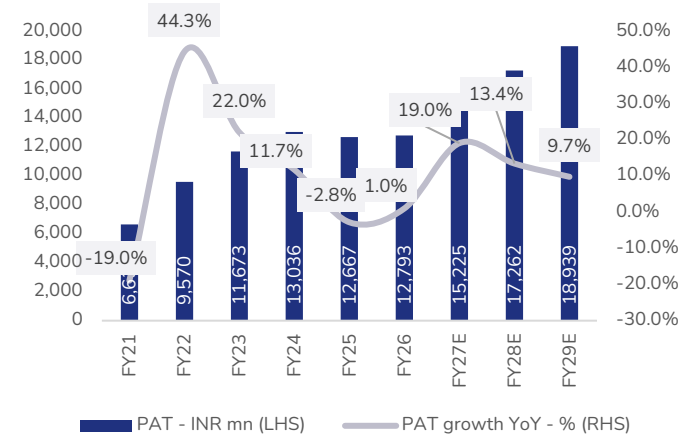


Source: Company, JM Financial estimates

PAT/EPS

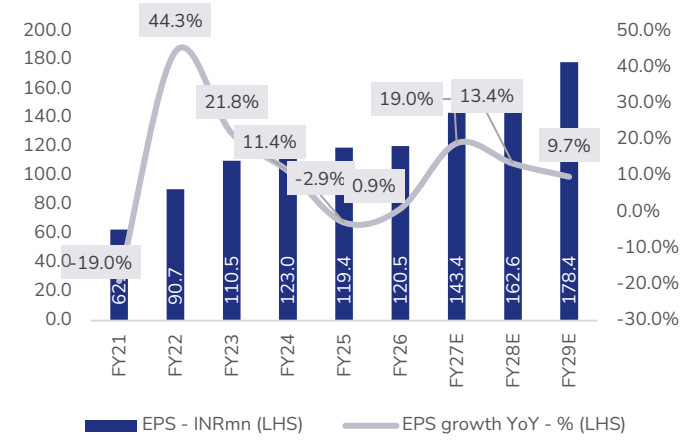
PAT growth has moderated since FY23 as slower revenue growth and margin compression constrained earnings. FY26 reported PAT rose only 1% to INR 12.8bn, with wage-code and restructuring charges also weighing on performance. The improvement in operating profitability is now beginning to support earnings—continuing-operation PAT grew 17.4% YoY in Q1FY27, although lower other income, primarily due to forex losses, restricted sequential growth to 1.5%. We expect INR depreciation, revenue recovery, improved business mix, better acquisition profitability and operating leverage to drive PAT growth ahead of revenue over FY27–28E. We forecast PAT growth of 19%/13.4%/9.7% in FY27E/28E/29E.We build ~16%CAGR over FY26–29E and FY28E PAT of INR 17.2bn; our EPS estimates stand at INR 143.4/162.6/178.4, respectively. Earnings growth should moderate towards revenue growth by FY29E as the benefit from margin expansion normalises.

Exhibit 41: PAT (INR mn), PAT growth YoY (%) – FY21–29E



Source: Company, JM Financial estimates

Exhibit 42: EPS (INRmn), EPS growth YoY (%) – FY21–29E



Source: Company, JM Financial estimates

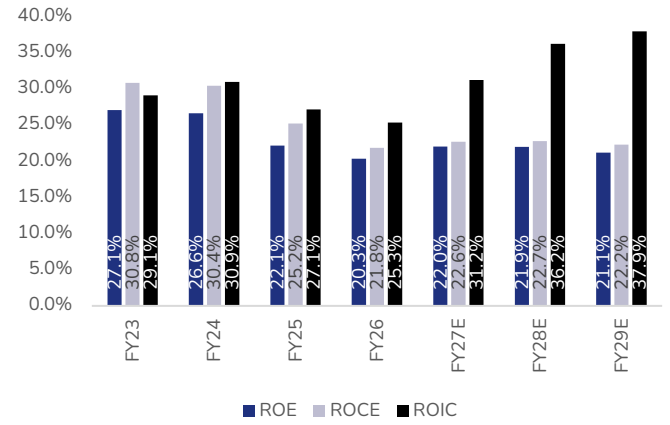
Return ratios and cash conversion

LTTS maintains healthy return ratios, although these have moderated alongside weaker profitability and expansion of the capital base. Our calculations show RoE/RoCE declining from 26.6%/30.4% in FY24 to 22.1%/25.2% in FY25 and 20.3%/21.8% in FY26. Improving margins should support operating returns, although we expect RoE and RoCE to remain broadly stable at 22–23% over FY27–29E. In contrast, our estimates imply RoIC improving from 25.3% in FY26 to 37.9% in FY29E, indicating a stronger recovery in operating capital efficiency than in headline return ratios.

Cash conversion remains healthy, with FCF/PAT moderating from 109% in FY25 to 100% in FY26, while conversion including acquisition outflows improved from 51% to 89%. Collection efficiency strengthened through Q4FY26–Q1FY27, with combined DSO declining from 93 days in Q3FY26 to 83/77 days in Q4FY26/Q1FY27. Continuing-operation FCF consequently reached 153% of net income

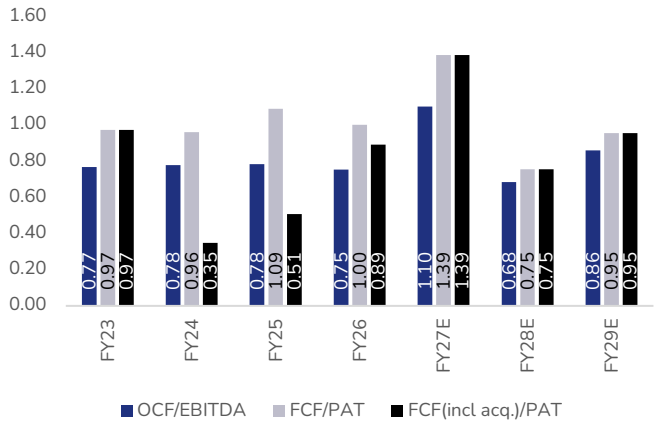
in Q1FY27. Management expects DSO of 80–85 days and annual FCF conversion of 90–95%. Our forecasts imply FCF/PAT of 139%/75%/95% in FY27E/28E/29E, supporting cash generation and flexibility for investments and shareholder distributions.

Exhibit 43: RoE/RoCE/RoIC – FY22–29E



Source: Company, JM Financial estimates

Exhibit 44: Cash conversion – OCF/EBITDA, FCF/PAT – FY22–29E

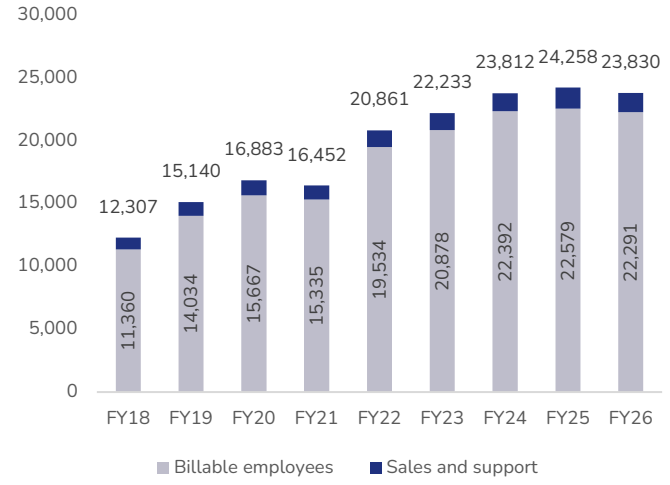


Source: Company, JM Financial estimates

Employees

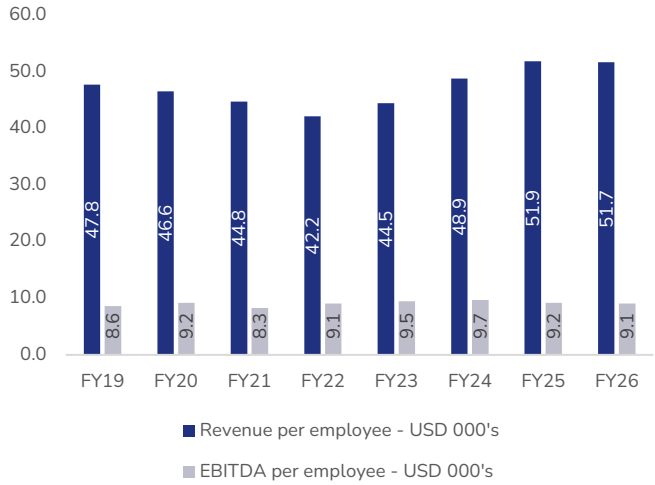
LTTS has historically scaled its workforce broadly in line with revenue, with annual revenue per employee averaging c. USD 45k through FY19–23. Revenue productivity subsequently improved to c. USD 49k in FY24 and c. USD 52k in FY25–26, suggesting some moderation in the dependence of growth on headcount additions. However, EBITDA per employee has remained broadly stable at c. USD 9–10k, indicating that higher revenue productivity has yet to translate into sustained improvement in employee-level profitability. LTTS added 522 employees sequentially in Q4FY26 to support awarded programme ramp-ups, taking headcount to 23,830; headcount remained broadly unchanged at 23,845 in Q1FY27 despite 1.5% QoQ cc revenue growth. Attrition also remained stable at 14.7%. Greater offshore delivery, AI-led productivity and a rising fixed-price/outcome-based mix should support further improvement, while recovering margins should help translate revenue productivity into higher EBITDA per employee. Sustained growth ahead of headcount additions remains a key monitorable.

Exhibit 45: Number of employees – FY18–FY26



Source: Company, JM Financial

Exhibit 46: Revenue/EBITDA per employee (USD 000's) – FY19–26



Note: Revenue excluding from discontinued operations. Source: Company, JM Financial

Appendix

Company offerings and services

Mobility vertical

LTTS' Mobility vertical is positioned as a full-stack ER&D partner to global automotive OEMs, Tier-1 suppliers, and transportation players, spanning automotive, trucks & off-highway, aerospace, and rail. The company delivers end-to-end engineering across the product lifecycle, including vehicle engineering, embedded and vehicle software, electrification (battery management and power electronics), ADAS/autonomous systems, connected mobility, and testing & validation. Its work is increasingly aligned to industry transitions such as software-defined vehicles (SDVs), electrification, and digital/AI-led mobility, with engagements ranging from platform development and system integration to large vendor-consolidation programs.

Exhibit 47: Offerings in the Mobility vertical

Sub-vertical	What LTTS does	Clients
Automotive	Automotive practice operates as an end-to-end ER&D partner for global automotive OEMs and Tier-1 suppliers, supporting the full vehicle lifecycle from concept design to validation and manufacturing. Its solution stack spans vehicle engineering, embedded and vehicle software, electrification (battery systems, power electronics), ADAS/autonomous systems, connected mobility and digital cockpit, with increasing focus on software-defined vehicle (SDV) architectures and AI-led engineering workflows.	Global automotive OEMs and Tier-1 suppliers through multi-year product development, platform engineering and vendor consolidation programs; LTTS works with 6 of the Top 10 global automotive majors.
Aerospace Engineering	Aerospace Engineering practice operates as an end-to-end ER&D partner to global aerospace OEMs, Tier-1 suppliers, and airlines, supporting the full aircraft lifecycle from design and development to testing, certification, manufacturing support, and in-service MRO. Its capabilities span aero structures, avionics and embedded systems, manufacturing engineering, and testing & certification, with a growing layer of digital solutions such as digital twin, predictive maintenance and AI-led analytics to improve fleet performance and operational efficiency.	Global aerospace OEMs, Tier-1 suppliers and airlines through long-term aircraft development, production support, certification and lifecycle management engagements.
Rail Transportation	Rail Transportation practice is positioned as an end-to-end engineering partner for rail OEMs, system integrators, and operators, supporting the development and modernisation of rail systems across rolling stock, signalling, electrification and infrastructure. The company provides services across the lifecycle including design, development, embedded and control systems, system integration, testing and validation, certification, manufacturing support, and lifecycle management, along with digital capabilities such as simulation, predictive maintenance, and data analytics to improve operational efficiency.	Rail OEMs, system integrators and operators globally across rolling stock development, signalling systems, infrastructure modernization and maintenance support.
Commercial & Recreational Vehicle	Commercial & Recreational Vehicles practice is positioned as an end-to-end engineering partner for commercial vehicle and recreational vehicle OEMs, supporting development across trucks, buses, off-highway, and recreational platforms. The company provides services across the lifecycle including vehicle engineering (body, chassis, systems), embedded and control software, electrification (electric and hybrid powertrains, battery systems), connected vehicle solutions (telematics, analytics), testing and validation, and manufacturing support, along with compliance and certification services.	Commercial vehicle OEMs and recreational vehicle manufacturers globally across vehicle development, electrification initiatives, platform engineering and lifecycle support.
Off-highway Vehicles	Trucks & Highway Vehicles practice is positioned as an engineering partner for truck and highway vehicle OEMs, supporting development of medium and heavy-duty truck platforms. The company provides services across the lifecycle including vehicle engineering (chassis, body, systems), embedded and control software, electrification (electric and hybrid powertrains, battery systems), connected vehicle solutions (telematics and fleet management), testing and validation, manufacturing support, and compliance and certification services.	Truck and off-highway vehicle OEMs/manufacturers globally across platform development, electrification, connected fleet solutions and lifecycle support; LTTS works with 7 of the Top 10 trucks and off-highway vehicle companies.

Source: Company, JM Financial

Sustainability vertical

Exhibit 48: Offerings in the Sustainability vertical

	Sub-vertical	What LTTS does	Clients
Discrete manufacturing and industrial products	Building Technology & Smart Infrastructure	Building Technology & Smart Infrastructure practice is positioned as an engineering partner for building technology OEMs, infrastructure solution providers and facility stakeholders, supporting the development of smart, connected and energy-efficient buildings and infrastructure systems. The company provides services across the lifecycle including building automation and control systems (HVAC, lighting, energy management), IoT-enabled smart infrastructure, embedded and control software, digital engineering (digital twin, data analytics), testing and validation and manufacturing and lifecycle support, along with compliance and certification services.	Building technology OEMs, infrastructure solution providers and facility stakeholders globally across smart building systems, infrastructure modernisation and energy-efficiency programs; LTTS works with 6 of the Top 10 building tech organisations.
	Electrical Power & Controls	Electrical Power & Controls practice is positioned as an engineering partner for electrical equipment OEMs, power system providers and industrial automation companies, supporting the development of power systems, control systems and electrical products. The company provides services across the lifecycle including power systems engineering (generation, transmission, distribution), industrial control and automation systems, embedded and control software, digital energy solutions (smart grid, analytics, simulation), testing and validation, and product engineering with manufacturing and lifecycle support, along with compliance and certification services.	Electrical equipment OEMs, power system providers and industrial automation companies globally across product development, power/grid projects, automation implementations and lifecycle support; LTTS works with 8 of the Top 10 global automation conglomerates within this sub-segment.
	Industrial Machinery	Manufacturing & Material Handling practice is positioned as an engineering partner for industrial OEMs and material handling equipment providers, supporting the development of industrial equipment, manufacturing systems and material handling solutions. The company provides services across the lifecycle including industrial equipment engineering, material handling systems (conveyors, automated handling), industrial automation and control systems, embedded and control software, digital manufacturing solutions (digital twin, analytics), testing and validation, and manufacturing engineering with lifecycle support, along with compliance and certification services.	Industrial OEMs and material handling equipment providers globally across equipment development, automation and digital manufacturing initiatives, warehouse/logistics engineering and lifecycle support.
Process manufacturing	Oil & Gas	Oil & Gas practice is positioned as an engineering partner for Oil & Gas companies, EPC players and equipment providers, supporting operations across the upstream, midstream and downstream value chain. The company provides services across the lifecycle including engineering for exploration and production, pipeline and storage systems, refinery and plant engineering, automation and control systems, digital solutions (digital twin, data analytics), asset integrity and maintenance, testing and validation, and lifecycle support, along with compliance and certification services.	Oil & Gas companies, EPC firms and equipment providers globally across asset development, pipeline/infrastructure, refinery engineering, digital transformation and maintenance support; LTTS is engaged with 5 of the Top 5 global O&G majors.
	Chemicals	Chemicals (Plant Engineering) practice is positioned as an engineering partner for chemical companies and plant operators, supporting the development and optimisation of chemical plants and process industries. The company provides services across the lifecycle including process engineering and optimisation, plant design and engineering, automation and control systems, digital solutions (digital twin, data analytics), asset management and maintenance, testing and validation, and lifecycle support, along with compliance and certification services.	Chemical companies and plant operators globally across greenfield development, brownfield modernisation, process optimisation, digital transformation initiatives and lifecycle support.
	FMCG	FMCG (Plant Engineering) practice is positioned as an engineering partner for FMCG companies and manufacturers, supporting the development and optimisation of manufacturing plants and production systems. The company provides services across the lifecycle including process and manufacturing engineering, plant design and system integration, automation and control systems, digital solutions (digital twin, data analytics), asset management and maintenance, testing and validation, and lifecycle support, along with compliance and certification services.	FMCG companies and manufacturers globally across plant development, process optimisation, automation/digital manufacturing initiatives and lifecycle support; LTTS works with 7 of the Top 10 consumer goods manufacturers.

Source: Company, JM Financial

Tech vertical

Exhibit 49: Offerings in the Tech vertical

Sub-vertical		What LTTS does	Clients
Hi-Tech	Consumer Electronics	Consumer Electronics practice is positioned as an engineering partner for consumer electronics OEMs and product companies, supporting the development of connected and intelligent electronic devices. The company provides services across the lifecycle including product engineering (hardware and mechanical design), embedded and application software, IoT and connectivity solutions, system integration, testing and validation and manufacturing with lifecycle support, along with compliance and certification services.	Consumer electronics OEMs and product companies globally across product development, smart device/IoT initiatives, manufacturing support and lifecycle management; part of LTTS's Hi-Tech base serving 6 of the Top 10 media and consumer companies.
	Media & Entertainment	Media & Entertainment practice is positioned as an engineering and technology partner for media companies, broadcasters and content providers, supporting the development and delivery of digital media platforms and content ecosystems. The company provides services across the lifecycle including platform engineering (OTT and streaming platforms), content management and delivery solutions, software development, data and analytics solutions (including personalisation), testing and validation, and lifecycle support, along with compliance and quality assurance services.	Media companies, broadcasters and content providers globally across platform development, OTT initiatives, content management solutions and ongoing platform enhancements; part of LTTS's Hi-Tech base serving 6 of the Top 10 media and consumer companies.
	NexGen Communications	NexGen Communications practice is positioned as an engineering and technology partner for telecom operators, network equipment providers and communication technology companies, aiding the development of next-generation communication networks. The company provides services across the lifecycle including network engineering and design, 5G and next-generation network solutions, embedded and software engineering, network virtualization and cloud-native solutions, data and analytics for network optimisation, testing and validation, and deployment with lifecycle support, along with compliance and quality assurance services.	Telecom operators, network equipment providers and communication technology companies globally across network development, 5G transformation initiatives, virtualisation/cloud projects and lifecycle support.
	Semiconductors	Semiconductors practice is positioned as an engineering partner for semiconductor companies and ecosystem players, supporting the development of semiconductor products and chip design solutions. The company provides services across the lifecycle including chip design (ASIC/SoC, RTL), verification and validation, embedded and software engineering, testing and product engineering, digital solutions (AI-driven optimisation, simulation), and manufacturing with lifecycle support.	Semiconductor companies and ecosystem players globally across chip design, verification projects, product engineering initiatives and manufacturing support; LTTS works with 6 of the Top 10 semiconductor majors.
MedTech		Medical Devices practice is positioned as an engineering partner for medical device companies and healthcare OEMs, supporting the development of medical devices and healthcare technology solutions. The company provides services across the lifecycle including product engineering (hardware and system design), embedded and application software, digital health solutions (connected devices, data analytics), verification and validation, regulatory compliance and manufacturing with lifecycle support.	Medical device companies and healthcare OEMs globally across device development, digital health initiatives, compliance/validation projects and manufacturing/lifecycle management; LTTS is engaged with 10 of the Top 10 medical device manufacturers.
Public Infrastructure & Smart Cities		Public Infrastructure & Smart Cities practice is positioned as an engineering and technology partner for government bodies, infrastructure agencies and urban development stakeholders, supporting the development of smart and connected urban infrastructure systems. The company provides services across the lifecycle including smart city infrastructure engineering, IoT-enabled connected solutions, digital solutions (data analytics, AI, digital twin), transportation and mobility systems, utilities and energy management, safety and surveillance systems, testing and validation, and deployment with lifecycle support, along with compliance and certification services.	Government bodies, infrastructure agencies and urban stakeholders globally across smart city development, infrastructure modernisation, IoT/digital transformation initiatives and operations support.
Software and Platforms		Software & Platforms practice is positioned as an engineering and technology partner for enterprises and platform companies, supporting the development of software products and digital platforms. The company provides services across the lifecycle including platform and product engineering, cloud-native platform development, data and AI-driven solutions, embedded and software engineering, testing and validation, and deployment with lifecycle support, and has strengthened this vertical through the acquisition of Intelliswift (as indicated on the webpage), augmenting its software and platform engineering capabilities.	Enterprises and platform companies globally across platform development, product engineering, cloud/digital transformation projects and lifecycle support; Intelliswift adds relationships with 25+ Fortune 500 companies and 4 of the Top 5 hyperscalers.

Source: Company, JM Financial

Customer Case Studies

Exhibit 50: Customer case studies in the Mobility vertical

Capability/Sub-vertical	Client	Problem/Task	What LTTS did	Results/Unique Value Added
Automotive & Electric Vehicles				
Electric Vehicles – Weight Optimisation	Automotive OEM	Reduce overall EV weight without sacrificing quality or safety, to improve driving range.	Converted cast aluminium alloy parts (pump housing and support brackets) to plastic; material selected via Pugh matrix; redesigned parts for durability, safety, crash and NVH requirements	Component weight reduction for higher driving range; state-of-the-art material testing & teardown lab.
Test automation of automotive infotainment system	A leading North American automotive OEM	Testing of infotainment systems and providing a more personalised and dependable solution to end users.	Offered end-to-end testing services including everything from user interface to the integration of various parts with infotainment system. LTTS deployed its 'EvQUAL' tool as it can automate all applications – Desktop, Mobile, Web. Validation of output as displayed on infotainment system was done via EvQUAL.	77% of the complex scenarios were automated successfully; leverage of EvQUAL for controlling Desktop, Web, Mobile apps saved 30% effort in tooling set-up.
Body control modules for next-gen vehicles	Leading European OEM	Delay and high costs in development cycle of complex modules that controls and supervises functions of car body such as lights, windows, security and comfort control.	Developed customised body control module (BCM) software, and testing of BCM components. Quick analysis and fixing of system level application software component bugs.	Overall cost saving up to 50%, increased productivity due to test automation – reduced testing efforts by 40%. Eight man hours reduced to two man hours per module.
Off-Highway & Commercial Vehicles				
Off-Highway – High-Voltage Electrical Powertrain	Heavy construction & mining equipment OEM (undisclosed)	Develop a high-performance, high-voltage electrical powertrain for heavy construction and mining tasks	Designed 600–2800V powertrain architecture with unique converter topology enabling multi-power source integration; delivered modular, scalable architecture adaptable across product lines.	Decade-long multi-domain expertise in high-voltage architectures; MBSE expertise; reusable simulation models for cost-effective and rapid deployment.
Cockpit software development and testing for EU OEM	A major commercial vehicle manufacturer with a presence in over 100 countries	Develop next-gen digital cockpit platform and bring standardisation across vehicle segments by developing a centralised platform for in-vehicle infotainment and connectivity. The work had to be done with a quick time to market.	Crafted integrated solution that included an in-vehicle infotainment system, telematics control unit/connectivity, gateway unit, platform software and application software.	Delivered common modular and customisable infotainment and connected platform software and suite of applications. Faster time to market achieved through 70% test case automation and reusability.
Aerospace & Aviation				
Aerospace – Component Engineering Platform	Leading global aerospace and defence corporation (8–9mn component parts database)	Fragmented, manual processes for managing 8–9mn component parts caused high costs, compliance gaps, and legacy-system inefficiencies.	Deployed proprietary Component Engineering (CE) Platform with custom automation tools, a centralised project-management hub and proprietary manufacturer database; outcome-based delivery model.	+99.5% part-validation accuracy; 40% cost reduction; 1–2mn parts processed annually; 95% customer satisfaction score.
Aerospace – IFE Data Analytics	In-flight entertainment (IFE) platform provider	Replace manual data-scraping methodology with a scalable analytics solution for greater IFE maintenance data visibility.	Built scalable secure ETL pipeline to client's cloud infrastructure; established unified data platform with integrated dashboard consolidating multiple siloed sources as single source of truth for maintenance.	Optimised maintenance turnaround times and costs; deep domain expertise in aircraft maintenance, data analytics and data engineering.
Rail Transportation				
Rail – Cab Communication Interface	Leading North American rail component manufacturer	Develop a master-controller communication system with Ethernet gateway for safe data communication between rail vehicle control entities.	Designed and developed software and hardware for a Cab Communication Interface signalling system with full Ethernet gateway capability.	Reduced hardware dev cycle time by leveraging Virtual LAN – 30–35%, Overall cost reduction – 50%, reduced software development cycle time due to simulations – 30%, Ethernet Gateway and reading of 20 discrete train line signal saved hardware cost – 10–12%.
Marine & Connected Mobility				
Marine – Connected Telematics Platform	Marine engine/boating OEM	Connect marine engines to the cloud for real-time visibility, predictive maintenance and performance insights for boat owners and dealers.	Developed comprehensive telematics platform with real-time vessel security, flexible boat monitoring and tracking; unlocked new revenue streams via subscription services and advertisements.	100+ labs and 200+ plug-and-play solutions/accelerators; chip-to-cloud expertise; extensive ecosystem partner network.

Source: Company, JM Financial

Exhibit 51: Customer case studies in the Sustainability vertical

Capability/Sub-vertical	Client	Problem / Task	What LTTS did	Results/Unique Value Added
Energy & Clean Power				
Wind Energy – 3D Digital Twin	Leading global wind energy solutions company	Strengthen turbine performance across the full product lifecycle (design, development, testing, fabrication, manufacturing) using 3D Digital Twin models.	Created digital twin of wind turbine blades to identify and address potential failures; automated 3D model and mesh generation for FEA of complex fibre ply structures; streamlined logistics.	90% reduction in internal quality challenges; industry-leading Digital Twin and Digital Thread expertise.
Clean Energy – Zero-Emission Trucks	Leading global commercial vehicle OEM (electric & hydrogen trucks)	Develop zero-emission BEV and FCEV trucks meeting ISO 26262 and environmental regulations.	End-to-end development and testing for ISO 26262 safety compliance; supported environmental and powertrain engineering for BEV and FCEV variants.	Zero-emission trucks brought to market; all safety and environmental standards met; client reinforced leadership in sustainable commercial vehicles.
Smart Cities & Public Infrastructure				
Smart Cities – IoT Street Lighting	Leading lighting solutions provider (European market)	Develop a robust, secure, end-to-end IoT-based smart street lighting solution for Europe.	Integrated multiple sensors in single enclosure (-45°C to 70°C); implemented BLE and DALI communication; developed scalable, high-availability solution with energy-saving features (calendars, manual overrides, photocell synchronisation).	Proprietary DALI 103 stack owned by customer; speed detection algorithm for pedestrians, bicycles, and motor vehicles; complex algorithms for digital noise and light sensor data pre-processing.
Smart Campus – Intel i-BEMS	Intel Corporation — Smartest Office Campus, Petah Tikva, Israel (with Microsoft Azure)	Create the world's smartest office campus (11-story, 800,000 sq ft, 14,000+ sensors, 50TB data/day) bridging digital and physical space.	Deployed Azure-ready i-BEMS platform integrating IoT sensors, predictive analytics, digital signage, HVAC/lighting/energy management, and mobile app across 20+ building systems.	Forecasted savings of USD 645,000/year in energy costs; up to 40% reduction in energy bills; Net-zero energy generation management; benchmark for global smart campus solutions.
Industrial & Process – Sustainability				
Precision Farming – HMI Display System	OEM in construction & farming (Precision Farming Display System)	Develop a state-of-the-art HMI display system for precision farming integrating real-time field data in a rugged unit.	Designed and developed advanced HMI display integrating sensor data, GPS, and machine controls with rugged, precision-farming-capable hardware.	Fully functional precision-farming display delivered; improved operator productivity; client achieved competitive differentiation in smart-agriculture.
Oil & Gas – AI Predictive Maintenance	USD 50bn+ petrochemical giant	Reduce unscheduled asset downtime by modernising legacy systems and integrating advanced diagnostics.	Built AI advisory system with ML anomaly detection (live, historical, contextual data); deployed scalable cloud-native data pipeline; created action tracking workflow with sensor-based classifiers.	LTTS leveraged its industry leading AI based predictive maintenance solution -AHF framework and extensive experience across industrial and factory automation.
Greenfield Plant – CAPEX Optimisation	World's largest agribusiness and food company	Build one of Europe's largest greenfield edible oil plants cost-efficiently.	Complete ownership of front-end engineering, detail engineering, and construction management; innovative prefabrication design; virtual plant walkthrough for faster delivery.	Over EUR 50mn in CAPEX savings; end-to-end EPCM expertise across FMCG, Oil & Gas and Chemicals.
Production Digital Twins – Factories of the Future	Global manufacturer (deep design across product lifecycles)	Identify production bottlenecks, streamline resource allocation and maximise throughput across production facilities.	Built digital twin of production system; conducted in-depth time studies and line balancing; optimised via virtual scenario experimentation; ran 'what-if' use cases to evaluate throughput impacts.	3D model-based plant digital twins; proven track record of production line optimisation; multi-pronged methodology (time study, line balancing, simulation, process improvements).
Cybersecurity/IT-OT (Industrial)				
IT/OT Cybersecurity – Heavy Engineering	Multinational USD 27B heavy engineering conglomerate	Drive synergies across the plant's extensive IT/OT ecosystem with a robust, resilient cybersecurity framework.	Demarcated legacy IT and OT infrastructure; rapidly deployed cybersecurity integrated with PLM/ERP, asset monitoring, and private 5G; enabled secure remote OT access, threat detection, and real-time data flows.	One of the world's most cybersecure manufacturing facilities; up to 40% faster deployments; industry-leading in-house accelerators and SOC centre.
IT/OT Cybersecurity – Mobility Conglomerate	USD 6.5bn+ mobility conglomerate	Deliver comprehensive end-to-end cybersecurity addressing diverse IT and OT security requirements across a large manufacturing group.	Established Microsoft Sentinel-based SOC with 360° threat view; managed devices across 18+ technologies; implemented proactive threat hunting and R&D via next-gen lab.	Industry-leading cyber investigations, forensics and response capabilities.

Source: Company, JM Financial

Exhibit 52: Customer case studies in the technology vertical

Capability/Sub-vertical	Client	Problem/Task	What LTTS did	Results/Unique Value Added
Medical Devices & Life Sciences				
MedTech – AI Complaint Handling	USD 18B+ MedTech giant	Streamline and efficiently manage extensive complaint data through an AI-powered unified dashboard.	Developed AI-powered complaint handling on LTTS AiKno platform: multi-platform data collation, RCA analysis, severity-based categorisation, automated failure code selection; RPA bots automated data entry into TrackWise.	Extensive in-house AI solutions, labs and partner ecosystem.
MedTech – Digital Surgery IoT Platform	One of America's largest healthcare conglomerates	Create an end-to-end IoT solution providing a seamless, interconnected network supporting surgeons' workflows and patients' healthcare journeys.	Designed and developed unified, cloud-based surgical platform integrating diverse technologies and managing vast device data; equipped with enhanced edge security, regulatory compliance, and data integrity.	100% zero-eyes-on-glass solution; 30+ years of MedTech domain experience; deep digital transformation expertise.
MedTech – Angioplasty Inflation Device	Market leader in vascular access (medical device OEM)	Develop a next-generation angioplasty inflation device outperforming existing products, with ergonomic dual-hand use and competitive pricing.	Designed and developed compact, ergonomic inflation device with dual-handed form factor, transparent fluid path for easy de-bubbling, pressure measurement, and 40atm capability.	World's first angioplasty inflation device at 40atm; compact ergonomic design; delivered within competitive pricing target; reduced time-to-market.
Semiconductors & Chip Design				
Semiconductors – Custom ASIC Design	Industrial image processing and camera-solutions leader	Develop custom ASIC chips for industrial applications – expensive, time-consuming and resource-intensive.	Delivered end-to-end ASIC design meeting power, memory, performance, and sensor requirements; accelerated product timelines; met USB 3.0 Vision Standards; managed chip prototyping, post-validation packaging and after-foundry re-validation.	Industry-leading 40+ algorithms across 3 chip variants; chip-to-cloud capabilities; comprehensive in-house frameworks covering entire PDLC.
Semiconductors – Multimedia Chip Optimisation	Leading semiconductor manufacturer (multimedia chip solutions)	Optimise multimedia functionalities (HD video, audio, streaming, graphics) across diverse platforms.	Partnered to optimise multimedia capabilities across platforms – HD video playback, audio quality, streaming, gaming/VR – with quality, performance benchmarking, and security compliance.	Multimedia performance and quality significantly improved across all platforms; elevated end-user satisfaction; client strengthened leadership in the semiconductor industry.
Connectivity & Private 5G				
Private 5G – End-to-End Solution	Subsidiary of a USD 30bn+ company	Design and develop an end-to-end private 5G solution.	Designed and developed the world's first complete 'lift and shift' Private 5G solution with integrated power; consulting support for supplier selection via proprietary framework; implemented 2 PoCs at customer premises (Employee Safety Monitoring & SNMP Manager).	Comprehensive in-house PDLC frameworks; deep domain expertise in private 5G deployments.
Media, Entertainment & Consumer Electronics				
OTT – User Experience Engineering	Leading OTT provider (Indian OTT market)	Attract users in the highly competitive Indian OTT market with a seamless, personalised, omnichannel experience across web, mobile, and smart TV.	Engineered comprehensive client applications with highly personalised, responsive UI targeting omnichannel delivery across web, mobile, media streaming devices, and multiple smart TV platforms.	50+ mn active users attracted; ranked among top 5 entertainment apps in India; significant increase in app engagement.
Consumer Electronics – Wearable Testing & Certification	Leading technology company (wearable device launch)	Ensure product quality, functionality and regulatory compliance for a new wearable device launch.	Provided end-to-end testing and certification using proprietary EvQUAL platform (Remote Test Platform, Dashboard & Log Analyser) covering functional, compatibility and regulatory processes.	Wearable device successfully launched with full regulatory certification; faster time-to-market via automation-driven test framework.

Source: Company, JM Financial

Acquisitions

Exhibit 53: Acquisitions done by LTTS between 2017–25

Entity	Date announced	Date completed	Consideration paid including deferred	Description of the acquisition (company description)	Rationale for the acquisition	Financial information of the acquired entity	Price to sales
Escencia Technologies	4th May'17	1st Jun'17	USD 27mn (USD 9mn upfront, 6mn after 1 year + USD 12mn earn-out over 4 years)	Silicon Valley semiconductor design services firm providing hardware IP-core design services including ASIC/FPGA platforms and embedded systems across video/image processing, digital communication, security and networking. ~105 employees headquartered in San Jose.	Strengthen LTTS footprint in ASIC/VLSI/embedded design services and add semiconductor capability across verticals like Telecom, Hi-Tech and ISV product software.	Turnover – CY16: USD18.2mn, CY15: USD 11.3mn, CY14: USD 9.4mn.	1.48x
Graphene Semiconductor Services Pvt Ltd	6th Sep'18	15th Oct'18	INR 93 crore (INR 70 crore upfront + INR 23 crore earn-out over 3 years)	Semiconductor design consulting company specialising in SoC, ASIC/VLSI and embedded software services headquartered in Bengaluru with ~500 employees.	Expand semiconductor engineering capability and enable LTTS to offer end-to-end services to semiconductor and product OEM markets while cross-selling to Graphene's client base.	Revenue: FY18- INR 663mn; FY17- INR 475mn; FY16- INR 284mn; FY15- INR 170mn	1.4x
Orchestra Technology Inc.	16th Jul'20	2nd Oct'20	USD 25mn (USD 11mn upfront + USD 14mn earn-out over 3 years)	Telecom engineering services firm providing network engineering and operations for wireless ecosystems including 5G, IoT, RAN and core networks; headquartered in Dallas with ~80 employees.	Strengthen LTTS presence with telecom OEMs and service providers and support 5G rollout with network performance and engineering capabilities.	Revenue: CY19 USD 15.1mn; CY18 USD 9.8mn; CY17 USD 10.3mn	1.66x
Smart World and Communication Business of L&T	12th Jan'23	1st Apr'23	INR 8bn	Connected-intelligence solutions business operating across communications, smart cities, cybersecurity and digital infrastructure with ~700 employees.	Align with LTTS strategic bets in 5G, sustainability and digital products/AI and expand offerings across next-gen communications, sustainable spaces and cybersecurity.	FY22 revenue: INR 10.98bn	.73x
Intelliswift Software Pvt Ltd and Intelliswift Software Inc.	11th Nov'24	3rd Jan'25	Up to USD 110mn including upfront, deferred and retention payments	Global software engineering services company focused on software product development, platform engineering and AI with presence in US, India, Hungary, Canada, Singapore and Costa Rica.	Enhance LTTS AI and software capabilities in digital engineering and strengthen platform engineering and data/AI offerings.	Revenue: CY23 ~USD 96mn; CY22 ~USD 101mn; CY21 ~USD 80mn	1.15x
Smart World and Communication (SWC) Business – divestment	25th Mar'26	1st Sep'26	INR 4.52bn (consideration received)	Safe & Smart and Communications businesses sold to AMI Paradigm Solutions on slump-sale basis.	Portfolio rationalisation to focus on core Engineering Intelligence and higher-growth technology-led areas.	FY25 revenue: INR 10.28bn	0.44x

Source: Company, JM Financial

Management Overview

Exhibit 54: Key management personnel details

Key management personnel	Role	Profile
Mr Amit Chadha	CEO and Managing Director	• Responsible for business and technology leadership, market direction and strategic vision. • Over 25 years of experience in engineering services and engineering & IT outsourcing. • Before becoming CEO, he served as Deputy CEO and Whole-Time Director and earlier joined LTTS in 2009 as Business Head – Americas, later taking on wider global responsibilities and helping drive LTTS' growth and 2016 IPO. • Bachelor of Technology (electrical and electronics); completed the Advanced Management Program in Business Leadership from INSEAD, France, and the Global Business Leadership Executive Program with Harvard Business School Publishing.
Mr Rajeev Gupta	Executive Director and Chief Financial Officer	• Leads financial strategy, planning and analysis, investor relations, risk management and governance. • Over 30 years of finance experience, including two decades in the technology industry, with prior leadership roles at Birlasoft, Jardine Lloyd Thompson, Amazon, Capgemini and PwC. • Alumnus of the Institute of Chartered Accountants of India, Narsee Monjee, INSEAD and Columbia Business School.
Mr Ashish Khushu	Chief Technology Officer	• Responsible for the company's technology and innovation roadmap across IPs, products, platforms and solutions in Digital Engineering. • Over three decades of experience in technology-led businesses and has worked across high-performance computing, artificial intelligence, advanced mobility, enterprise technology infrastructure products and embedded engineering. • Represents LTTS on industry forums such as the CII R&D Committee and NASSCOM ER&D Committees. Educational details were not available in the provided material.
Mr Alind Saxena	Executive Director and President – Strategic Initiatives & Growth Markets	• Responsible for strategic partnerships, complex high-value deals, the large-deal pipeline and growth markets. • Joined LTTS as Chief Business Officer in 2010 and has over 30 years of leadership experience across automotive, aerospace, oil & gas, industrial products, telecom and medical devices. • IIT Kanpur graduate; completed leadership programs at INSEAD, Harvard Business School and London Business School.
Mr Shailendra Shrivastava	Chief Segment Officer – Mobility	• Previously, he served as Chief Segment Officer – Mobility and Chief Delivery Officer for Transportation. • Over a 30+ year career spanning six continents, he has built more than 30 offshore development centres, an industrial design centre and 10+ advanced labs, while driving solutions across autonomous and electric vehicles, digital cockpits, sensor fusion, AUTOSAR, V2X connectivity and automotive cybersecurity.
Mr Subrat Tripathy	Chief Growth Officer – Sustainability	• Leads growth across sustainability, including industrial and plant engineering, with focus areas spanning energy, physical AI, automation, plant and manufacturing modernisation. • Over 30 years of experience; associated with LTTS for more than 15 years, previously leading the plant engineering portfolio. • Bachelor of Technology (mechanical engineering); business leadership certifications from Ross School of Business, University of Michigan and INSEAD.
Mr Srinath Nagarur	Chief Growth Officer – Mobility & MedTech	• Drives growth across software-defined mobility as well as remote diagnostics, robotics and GenAI/agentic AI-led solutions in MedTech. • Over 27 years of global experience in engineering consulting and services and has previously led LTTS' Transportation business in North America and Industrial Products segment, with earlier roles spanning global sales, client partnerships and technology-led transformation.
Mr Mritunjay Kumar Singh	Chief Operating Officer	• Over 32 years of experience across manufacturing, software engineering and IT services. • Began his career at Tata Steel and subsequently held key roles at Kanbay, Infosys, Persistent Systems and AXISCADES, including CEO, COO and Board positions, leading large-scale transformations, strategic growth initiatives and operational turnarounds.

Source: Company, JM Financial

Exhibit 55: Board of directors details

Board of directors	Designation	Profile
Mr S. N. Subrahmanyan	Chairman Committees: Nomination & Remuneration Committee (Member)	• Chairman and Managing Director of Larsen & Toubro. • Chairperson of L&T Finance Holdings; Chairman of LTIMindtree and L&T Metro Rail (Hyderabad). • He joined L&T in 1984 as a project planning engineer and went on to hold roles of increasing responsibility across multiple business verticals before joining the L&T Board in 2011. • Bachelor of Technology (civil engineering), NIT Kurukshetra; a postgraduate degree in Business Management, Symbiosis Institute of Business Management, Pune; completed an Executive Management Program from London Business School.
Dr Keshab Panda	Non-Executive Director Committees: Stakeholders Relationship Committee (Member), Corporate Social Responsibility Committee (Member)	• Former CEO & Managing Director of the company. • Joined the L&T Group in 2009 as Chief Executive of L&T IES, became Chief Executive of LTTS in 2012 and was appointed CEO & Managing Director in 2016, leading LTTS through its IPO and public listing. • Before LTTS, he worked as a research scientist at ISRO, served as scientist/engineer at the Aeronautical Development Agency, and later held leadership roles including President – Americas at Mahindra Satyam and Head of Europe Operations at Satyam Computer Services. • Bachelor of Engineering in Aeronautical Engineering, Anna University; a postgraduate degree in Aerospace Engineering from IISc Bengaluru; a PhD from IIT Bombay in Aero Servo Elasticity; and an advanced management degree from the Aresty Institute of Executive Education, The Wharton School, University of Pennsylvania.
Ms Apurva Purohit	Independent Director Committees: Stakeholders Relationship Committee (Chairperson), Audit Committee (Member)	• Over three decades of experience in the corporate world, including building and scaling businesses, setting up new ventures and supervising turnarounds. • Independent Director at LTI Mindtree, Navin Fluorine International and Marico; Co-Founder of Aazol Ventures. • Bachelor of Science (Physics); PGDM from IIM Bangalore, where she is a Distinguished Alumni Awardee.
Mr R. Chandrasekaran	Independent Director Committees: Risk Management Committee (Chairman), Corporate Social Responsibility Committee (Member)	• Over 34 years of experience in information technology. • Retired as Executive Vice-Chairman of Cognizant India in 2019; a member of the founding team that helped scale Cognizant globally. • Bgean his career with Ashok Leyland, later joined TCS after completing his MBA, and held roles of increasing responsibility including assignments in the UK and the US. • Bachelor of Technology, Regional Engineering College, Trichy (now NIT Tiruchirappalli); Master of Business Administration, IIM Bangalore.
Mr Luis Miranda	Independent Director Committees: Audit Committee (Chairman), Stakeholders Relationship Committee (Member)	• Chairman of the Board, Co-Founder of the Indian School of Public Policy, Chairman of Centre for Civil Society and CORO, Co-Founder of Take Charge, Chairman of Manipal Cigna Health Insurance, Senior Advisor at Morgan Stanley and advisor to L&T SuFin. • Previously, he helped set up HDFC Bank and IDFC Private Equity and stepped down as CEO of IDFC Private Equity in 2010. • Master of Business Administration from the Booth School of Business at the University of Chicago. • A member of the Institute of Chartered Accountants of India.
Ms Aruna Sundararajan	Independent Director Committees: Stakeholders Relationship Committee (chairperson), Risk Management Committee (Member)	• Retired Indian Administrative Service officer. • Served as Secretary to the Government of India in the Ministries of Steel, IT and Telecom. • Retired as Chairperson of the Digital Communications Commission in July 2019. • During her public service career, she played a pioneering role in policies across telecom, hardware manufacturing, e-governance, digital payments, data protection, cyber security and tech start-ups. • Post retirement, she has served on the boards of companies such as Delhivery, Info Edge, NabFID and Cochin International Airport.
Mr Amitabh Kant	Independent Director Nomination & Remuneration Committee (Member)	• Governance reformer and public policy leader. • Served as India's G20 Sherpa during the country's 2022–23 Presidency. • Former CEO of NITI Aayog and Secretary, Department for Industrial Policy and Promotion. • His public-service career includes leadership of initiatives such as Startup India, Make in India, Incredible India and Ease of Doing Business reforms. • A 1980-batch IAS officer, Chevening Scholar and author.
Ms Sumithra Gomatam	Independent Director	• Over three decades of experience building and scaling IT and BPO businesses. • A Cognizant veteran of 24 years, she held multiple global leadership roles across industries, service lines and geographies; a member of the company's global Executive Committee. • Currently serves as Executive Chairperson of Omega Healthcare Management Services and Apexon. • Advisory council member of L&T EduTech. • Independent Director at Wheels India.

Source: Company, JM Financial

LTTS - Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E	FY25A	FY26A	FY27E	FY28E	FY29E
Net Sales	106,702	109,959	122,142	133,365	146,240
Sales Growth (%)	10.6	3.1	11.1	9.2	9.7
Other Operating Income	-	-	-	-	-
Total Revenue	**106,702**	**109,959**	**122,142**	**133,365**	**146,240**
Cost of Goods Sold/Op. Exp	75,984	76,413	83,625	90,699	99,452
Personnel Cost	-	-	-	-	-
Other Expenses	11,794	14,195	15,901	17,337	19,011
EBITDA	**18,924**	**19,351**	**22,616**	**25,329**	**27,776**
EBITDA Margin (%)	17.7	17.6	18.5	19.0	19.0
EBITDA Growth (%)	-1.4	2.3	16.9	12.0	9.7
Depn. & Amort.	3,053	3,452	3,621	3,979	4,354
EBIT	15,871	15,899	18,995	21,349	23,423
Other Income	2,100	2,212	1,538	2,000	2,194
Finance Cost	564	641	-	-	-
PBT before Excep. & Forex	17,407	17,470	20,533	23,350	25,616
Excep. & Forex Inc./Loss(-)	-	-	-	-	-
PBT	17,407	17,470	20,533	23,350	25,616
Taxes	4,771	4,445	5,336	6,068	6,657
Extraordinary Inc./Loss(-)	-	-213	48	-	-
Assoc. Profit/Min. Int.(-)	-31	19	20	20	20
Reported Net Profit	12,667	12,793	15,225	17,262	18,939
Adjusted Net Profit	**12,667**	**13,006**	**15,177**	**17,262**	**18,939**
Net Margin (%)	11.9	11.8	12.4	12.9	13.0
Diluted Share Cap. (mn)	106	106	106	106	106
Diluted EPS (INR)	**119.4**	**122.5**	**143.0**	**162.6**	**178.4**
Diluted EPS Growth (%)	-2.9	2.6	16.7	13.7	9.7
Total Dividend + Tax	5,833	6,156	6,582	7,007	7,431
Dividend Per Share (INR)	55.0	58.0	62.0	66.0	70.0

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E	FY25A	FY26A	FY27E	FY28E	FY29E
Shareholders Fund	60,975	64,922	73,523	83,784	95,299
Share Capital	212	212	212	212	212
Reserves & Surplus	60,588	64,515	73,116	83,377	94,892
Preference Share Capital	-	-	-	-	-
Minority Interest	175	195	195	195	195
Total Loans	-	-	-	-	-
Def. Tax Liab. / Assets (-)	-164	-907	-907	-907	-907
Other non-current liabilities / Lease Liabilities	5,560	14,252	15,046	15,495	16,010
Total - Equity & Liab.	**66,371**	**78,267**	**87,662**	**98,372**	**110,401**
Net Fixed Assets	17,529	17,609	17,644	18,045	18,379
Gross Fixed Assets	3,582	3,575	3,610	4,011	4,345
Intangible Assets	13,667	13,917	13,917	13,917	13,917
Less: Depn. & Amort.	-	-	-	-	-
Capital WIP	280	117	117	117	117
Investments	3,493	4,679	4,679	4,679	4,679
Current Assets	70,049	76,683	100,105	99,791	126,694
Inventories	39	58	58	58	58
Sundry Debtors	25,126	20,146	33,396	25,066	39,039
Cash & Bank Balances	15,658	16,505	31,810	38,288	49,454
Loans & Advances	-	-	-	-	-
Other Current Assets	29,226	39,974	34,841	36,379	38,143
Current Liab. & Prov.	29,900	25,715	39,934	29,235	45,509
Current Liabilities	21,631	22,258	28,555	17,206	32,733
Provisions & Others	8,269	3,457	11,378	12,029	12,776
Net Current Assets	34,741	38,078	55,943	66,025	76,306
Other Non Current Assets/ROU Assets	10,608	17,901	9,395	9,622	11,036
Total - Assets	**66,371**	**78,267**	**87,662**	**98,372**	**110,401**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E	FY25A	FY26A	FY27E	FY28E	FY29E
Profit before Tax	17,407	17,470	20,533	23,350	25,616
Depn. & Amort.	3,053	3,475	3,621	3,979	4,354
Net Interest Exp. / Inc. (-)	-110	-431	-	-	-
Inc (-) / Dec in WCap.	-223	-721	6,102	-3,906	537
Others	-388	-1,100	-20	-20	-20
Taxes Paid	-4,928	-4,113	-5,336	-6,068	-6,657
Operating Cash Flow	**14,811**	**14,580**	**24,899**	**17,335**	**23,830**
Capex	-1,018	-1,749	-3,812	-4,304	-5,755
Free Cash Flow	13,793	12,831	21,087	13,030	18,075
Inc (-) / Dec in Investments	2,534	-2,172	-	-	-
Others	-6,610	-507	-	-	-
Investing Cash Flow	**-5,094**	**-4,428**	**-3,812**	**-4,304**	**-5,755**
Inc / Dec (-) in Capital	-	-	-	-	-
Dividend + Tax thereon	-5,292	-5,928	-6,576	-7,000	-7,425
Inc / Dec (-) in Loans	-	-	-	-	-
Others	-1,890	-2,067	794	449	515
Financing Cash Flow	**-7,182**	**-7,995**	**-5,783**	**-6,552**	**-6,910**
Inc / Dec (-) in Cash	**2,535**	**2,157**	**15,305**	**6,479**	**11,166**
Opening Cash Balance	11,288	13,823	16,497	31,802	38,280
Closing Cash Balance	13,823	15,980	31,802	38,280	49,446

Source: Company, JM Financial

DuPont Analysis					
Y/E	FY25A	FY26A	FY27E	FY28E	FY29E
Net Margin (%)	11.9	11.8	12.4	12.9	13.0
Asset Turnover (x)	1.7	1.5	1.5	1.4	1.4
Leverage Factor (x)	1.1	1.2	1.2	1.2	1.2
RoE (%)	22.2	20.7	22.0	22.0	21.2

Source: Company, JM Financial

Key Ratios					
Y/E	FY25A	FY26A	FY27E	FY28E	FY29E
BV/Share (INR)	573.3	609.8	690.7	787.4	895.8
ROIC (%)	29.0	27.7	34.8	40.6	42.3
ROE (%)	22.2	20.7	22.0	22.0	21.2
Net Debt/Equity (x)	-0.3	-0.3	-0.4	-0.5	-0.5
P/E (x)	27.2	26.9	22.6	20.0	18.2
P/B (x)	5.7	5.3	4.7	4.1	3.6
EV/EBITDA (x)	17.4	17.0	13.8	12.1	10.6
EV/Sales (x)	3.1	3.0	2.6	2.3	2.0
Debtor days	86	67	100	69	97
Inventory days	0	0	0	0	0
Creditor days	67	38	89	43	86

Source: Company, JM Financial

Tata Elxsi | REDUCE

Strong positioning: Near-term concerns remain

Tata Elxsi (TELX) is an ER&D service provider focused on design-led innovation and digital engineering with three key verticals – Transportation, Media & Communications, and Healthcare & Life Sciences. We see growth supported by i) Tata Group parentage, ii) increasing focus on large, multi-year programmes, iii) expansion into adjacent engineering verticals, and iv) positioning as a design-led engineering partner. But near-term growth could remain muted amid macro uncertainty and softness in the automotive vertical. We estimate revenue (USD)/EBIT of 6.2%/10.5% CAGR over FY26–28E, with PAT compounding at 12.9%. Our FY27E/FY28E EPS are 13.9%/12.9% below consensus EPS. While we are constructive on the medium-term opportunity, near-term growth visibility remains weak. Valuation is at ~23x 1-year forward consensus EPS. We value the stock at 25x FY28E EPS. Initiate at REDUCE with a TP of INR 3,200 (~3% upside).

- **Key growth drivers:** i) Tata Group parentage provides TELX with brand credibility and ecosystem access; revenue from Tata Sons subsidiaries grew 24.6% over FY23–26 versus ~6% CAGR for overall TELX revenue. ii) TELX is shifting towards larger, multi-year programmes across transportation, media & communications and healthcare verticals. iii) The company is expanding beyond its core verticals into aerospace, defence and semiconductors, leveraging capabilities in embedded systems and autonomous technologies. iv) Its design-led positioning supports a premium engagement model and should aid margin resilience over the medium term.

- **Margin trajectory**: Tata Elxsi improved EBIT margin from 18.6% in FY20 to 28% in FY23, although it has since dropped to 20% in FY26. Still, it has additional margin levers – i) pyramid optimisation, ii) higher offshore mix, iii) higher utilisation and iv) operating leverage given decent growth. Wage hikes and scarcity of some specialised skill in niche areas will offset some of the benefits. Net-net, we are expecting some EBIT margin improvement in FY28E and FY29E.

- **Other key metrics**: i) Transportation remains TELX's largest vertical at ~54% of FY26 revenue; geographically, Europe remains the largest market at ~41%. ii) Delivery remains offshore-led, with offshore contribution at ~74% in FY26, while fixed-price contracts increased to ~56% of revenue. iii) Cash conversion remains strong, with OCF/EBITDA at ~0.78x. iv) Headcount declined from ~13.4k in FY24 to ~11.5k in FY26, while revenue per employee improved to ~USD 36.6k; however, EBITDA per employee remains below historical peaks.

- **Key focus areas:** i) Client concentration remains high, with the top 5 clients contributing ~47% of revenue in FY26. ii) Automotive demand remains volatile, with paused programme starts, delayed ramp-ups and cautious OEM spending amid geopolitical and tariff uncertainty. iii) Employee cost has risen as a share of revenue, reflecting wage inflation and lower operating leverage. iv) Unlike several ER&D peers, TELX has largely relied on organic capability building and client mining, with limited M&A-led expansion.

- **Initiate at REDUCE; TP of INR 3,200:** We value the stock at 25x FY28E EPS, largely in-line with the Indian ERD sector valuation of ~25x FY28E EPS, despite soft near-term growth visibility given strong execution in the past. We estimate revenue (USD)/EBIT CAGR of 6.2%/10.5% over FY26–28E. As a result, PAT would grow at 12.9% CAGR over FY26–28E. The stock is trading at ~23x 1-year forward consensus EPS versus 5-year average multiple of ~36x and ~1 SD below 5-year mean. Initiate coverage on Tata Elxsi at REDUCE with a TP of INR 3,200.

Recommendation and Price Target	
Current Reco.	REDUCE
Previous Reco.	N/A
Current Price Target (12M)	INR3,200
Upside/(Downside)	3.5%
Previous Price Target	N/A
Change	N/A

Key Data – TELX IN EQUITY	
Current Market Price	INR3,093
Market cap (bn)	INR192.7/US$2.0
Free Float (%)	48.3
Shares in issue (mn)	62.3
Diluted share (mn)	62
3-mon avg daily val (mn)	INR1,212.2/US$12.6
52-week range	INR5,950/3,046
Sensex/Nifty	73,068/22,776
INR/US$	96.4

Price Performance			
%	1M	6M	12M
Absolute	-13.1	-27.6	-42.7
Relative*	-9.0	-26.6	-35.8

*To the NSE Nifty 50

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Financial Summary					(INR mn)
Y/E	FY25A	FY26A	FY27E	FY28E	FY29E
Net Sales	37,290	37,574	41,961	45,768	51,449
Sales Growth (%)	5.0	0.8	11.7	9.1	12.4
EBITDA	9,927	8,468	8,936	10,214	11,983
EBITDA Margin (%)	26.6	22.5	21.3	22.3	23.3
Adjusted Net Profit	7,849	6,284	7,018	8,010	9,393
Diluted EPS (INR)	126.0	100.9	112.7	128.6	150.8
Diluted EPS Growth (%)	-0.9	-19.9	11.7	14.1	17.3
ROIC (%)	56.4	43.7	40.3	41.8	44.3
ROE (%)	29.3	21.3	23.1	26.3	30.9
P/E (x)	24.5	30.7	27.4	24.1	20.5
P/B (x)	6.7	6.3	6.3	6.3	6.3
EV/EBITDA (x)	17.8	20.8	19.9	17.5	15.1
Dividend Yield (x)	2.4	2.4	2.4	2.4	2.4

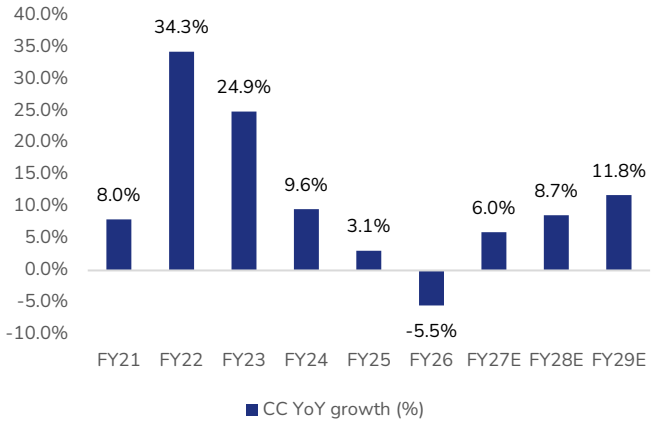
Source: Company data, JM Financial. Note: Valuations as of October 06, 2026

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

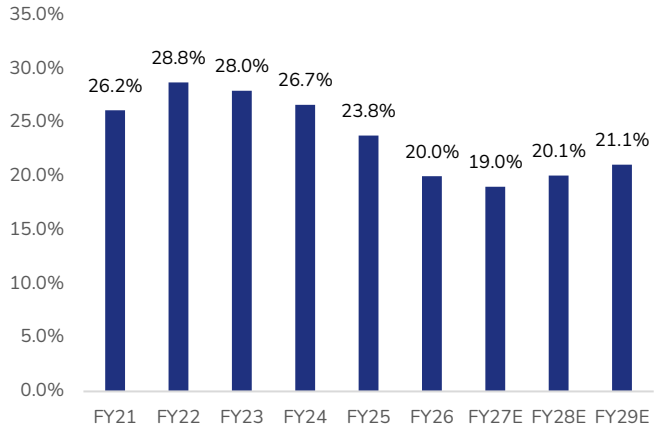
Focus Charts

Exhibit 1: TELX revenue growth cc YoY (FY21 to FY29E)



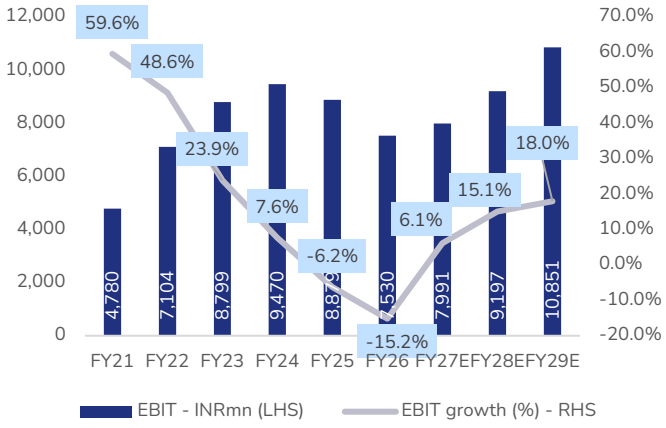
Source: Company, JM financial estimates

Exhibit 2: TELX EBIT margin trend (FY21 to FY29E)



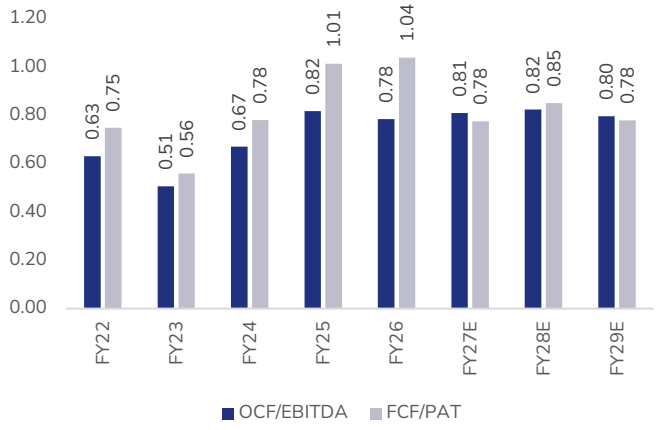
Source: Company, JM financial estimates

Exhibit 3: TELX EBIT growth trend (FY21 to FY29E)



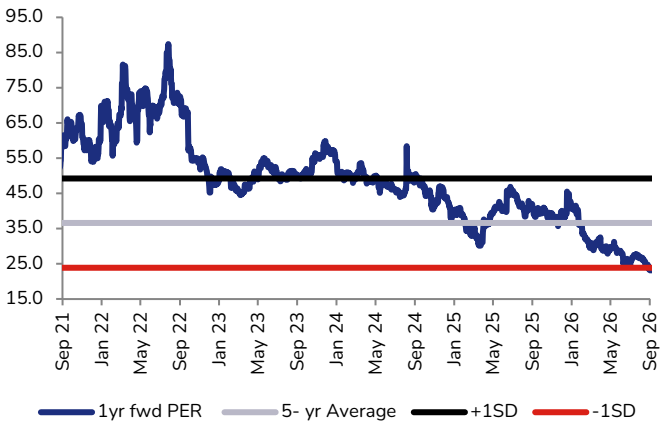
Source: Company, JM financial estimates

Exhibit 4: TELX cash flow conversion (FY22 to FY29E)



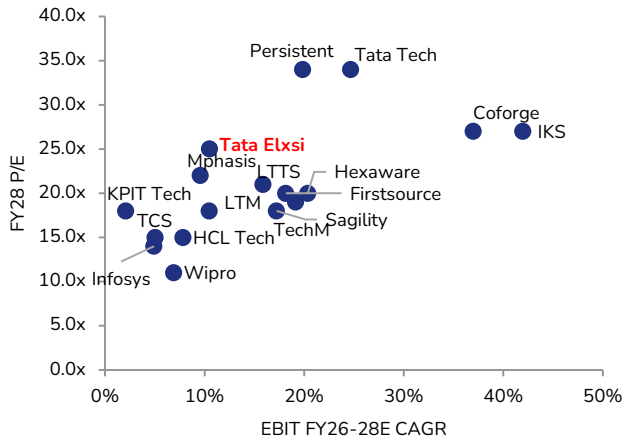
Source: Company, JM financial estimates

Exhibit 5: TELX 1Y forward consensus PER chart



Source: Bloomberg, JM financial

Exhibit 6: Peer comparison: EBIT CAGR FY26–FY28E versus FY28 P/E



Source: Company, JM financial estimates

Investment Thesis

Tata ecosystem provides strategic advantages

TELX benefits from the credibility and ecosystem access associated with being part of the Tata Group. The relationship extends beyond brand association, with Tata Group companies also forming a meaningful customer base: Revenue from Tata Sons subsidiaries increased from ~5% of revenue in FY21 to ~27% in FY26, significantly outpacing overall company growth. Within automotive, TELX has been a longstanding engineering partner to JLR since 2008, supporting product engineering, software development, validation and digital engineering across infotainment, connectivity, electrification and autonomous driving. We believe these relationships provide TELX with access to complex, long-duration engineering programmes.

Large deals improve growth visibility

TELX is increasingly moving beyond project-based work towards larger, multi-year engagements across its core verticals, including a EUR 50mn multi-year SDV engagement with a European automotive OEM and a USD 100mn+ product-engineering consolidation deal with a global media operator, the largest media deal in its history. Recent transportation growth has also been supported by ramp-ups of SDV-led OEM programmes, indicating that large deal wins are increasingly translating into revenue. We believe the combination of domain expertise, reusable IP and demonstrated ability to execute larger programmes should support deeper client relationships and better medium-term revenue visibility.

Geographic diversification broadens growth opportunities

TELX has progressively diversified its geographic footprint, reducing dependence on any single region while expanding across Europe, the Americas and Asia-Pacific. Europe remains its largest market at ~41% of FY26 revenue, while the Americas contributed ~31%; importantly, India and RoW have expanded faster, growing at ~9% CAGR over FY23–26 versus ~0.4% for Europe and the Americas. TELX has simultaneously increased investments in client-facing teams and engineering centres across key markets, with Japan emerging as a strategic focus area. We believe this broader geographic presence should help diversify demand exposure and provide additional growth avenues.

New adjacencies expand addressable market

Beyond its core automotive, media and healthcare businesses, TELX is expanding into adjacencies such as aerospace, defence and semiconductors. In aerospace and defence, the company has partnered with CSIR-NAL, Garuda Aerospace and HAL, alongside work on advanced airport guidance systems for a US aerospace supplier. In semiconductors, partnerships with Arm, Infineon, Synopsys and Qualcomm extend TELX's capabilities into processor-led automotive virtualisation, EV applications and cloud-native development. While these businesses remain relatively nascent compared with TELX's core verticals, we believe they broaden its addressable market and provide a pathway to redeploy existing ER&D capabilities into structurally growing engineering domains.

Design-led offerings support differentiated positioning

TELX's design-led positioning differentiates its ER&D offering by combining experience design with product engineering and software capabilities across automotive, media & communications, healthcare and emerging adjacencies. This positioning is also reflected in a relatively stable revenue-per-employee profile despite offshore revenue contribution remaining at 73–75%, suggesting that growth is not solely dependent on onsite-led volume expansion. We believe TELX's ability to combine domain, design and engineering capabilities supports differentiation in complex ER&D engagements and provides a lever for deeper client relationships and improved revenue quality over time.

Deeper key-client relationships support growth

TELX's rising top-client concentration has largely been driven by faster growth within its largest strategic accounts rather than contraction of the broader client base. Over FY21–26, revenue from the top 5 clients grew at ~17.4% CAGR, materially ahead of overall revenue CAGR of ~11.4%, with their contribution increasing to ~47% in FY26. While concentration remains a risk, we believe sustained growth within key accounts demonstrates strong client stickiness and successful account mining, providing a meaningful growth lever as TELX expands the scope and scale of engagements with its largest customers.

Valuation and Risks

Initiate at REDUCE, TP of INR 3,200

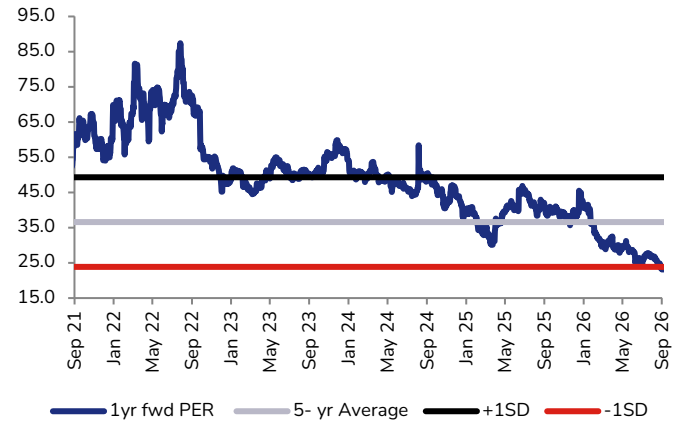
We value the stock at 25x FY28E EPS, largely in-line with the Indian ERD sector valuation of ~25x FY28E EPS, despite soft near-term growth visibility given strong execution in the past. We estimate revenue (USD)/EBIT would clock 6.2%/10.5% CAGR over FY26–28E. As a result, PAT would compound at 12.9% CAGR over FY26–28E. The stock is trading at ~23x 1-year forward consensus EPS versus 5-year average multiple of ~36x and ~1SD below 5-year mean. Our FY27 and FY28 EPS are 13.9%/12.9% below consensus EPS. While we remain constructive on the medium-term opportunity, near-term growth visibility remains weak. We initiate coverage on Tata Elxsi at REDUCE with a TP of INR 3,200.

Exhibit 7: JMFL target multiples and valuation of ER&D companies

Company	MCap (INR mn)	Target price	Target multiple	Revenue growth (cc YoY)			EPS growth			Consensus P/E		
				FY27	FY28	FY29	FY27	FY28	FY29	FY27	FY28	FY29
LTTS	346,669	3,575	22.0x	3.5%	8.8%	9.1%	19.0%	13.4%	9.7%	22.9x	20.0x	17.9x
Tata Elxsi	192,699	3,200	25.0x	6.0%	8.7%	11.8%	11.7%	14.1%	17.3%	25.2x	21.3x	NA
KPIT technologies	134,040	505	17.0x	-0.7%	6.7%	9.8%	-22.3%	35.2%	14.1%	22.2x	16.2x	13.7x
Tata Technologies	283,749	730	32.0x	21.7%	11.6%	10.5%	27.5%	14.6%	8.9%	35.4x	30.1x	26.8x
Average*			**24.9x**							**22.2x**	**23.4x**	**25.0x**

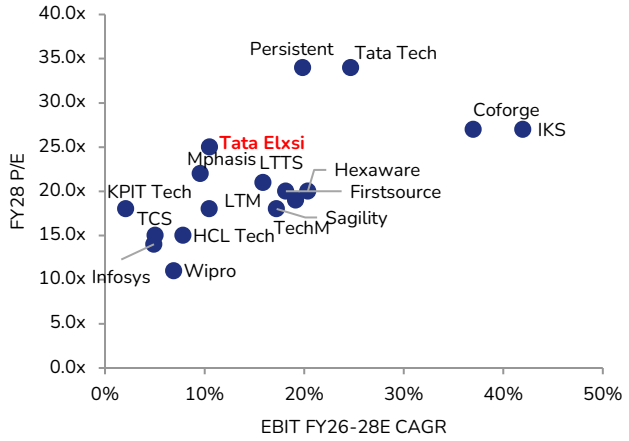
Note: Market cap weighted average for all P/E ratios. Source: Company, JM Financial estimates

Exhibit 8: TELX 1Y forward consensus PER chart



Source: Bloomberg, JM financial

Exhibit 9: Peer comparison: EBIT CAGR FY26–FY28E versus FY28 P/E



Source: Company, JM financial estimates

Key Risks

Vertical concentration and sensitivity to client R&D spending

Tata Elxsi remains materially exposed to Transportation and Media & Communication, which accounted for ~56% and ~32% of Software Development and Services revenue (~97% of total revenue), respectively, in FY26. Moderation in EV adoption, recalibration of OEM product strategies and pressure on automotive suppliers could delay engineering programmes or alter spending priorities. Meanwhile, consolidation and cautious technology investments in media could constrain demand. Prolonged weakness across these verticals could affect revenue growth, utilisation and operating margins.

Geopolitical uncertainty and changing regulatory requirements

Geopolitical tensions, tariff-driven trade barriers and localisation initiatives are prompting global enterprises to reassess supply chains, R&D investments and operating models. These developments could delay client decisions and increase demand for regional delivery capabilities, adding complexity to Tata Elxsi's engagements. Evolving automotive cybersecurity, data privacy and medical-device regulations also raise compliance requirements. Failure to adapt solutions and delivery processes to these changes could affect programme execution, increase costs and expose the company to regulatory or reputational risks.

GCC expansion and changing engineering sourcing models

The expansion of Global Capability Centres in India across automotive, telecom, media and medical devices could increase clients' internal engineering capabilities and influence outsourcing decisions. Simultaneously, nearshore hubs in Latin America and Eastern Europe are gaining prominence for talent acquisition and retention. As contracts shift towards system-level, end-to-end engineering capabilities and cost-efficient consumption models, Tata Elxsi needs to continually strengthen its offerings. Changes in sourcing preferences could affect deal conversion, competitive positioning and growth opportunities.

Rapid technology change and AI-led shifts in client requirements

The increasing adoption of AI, software-defined products and platform-based engineering is changing the capabilities clients expect from their technology partners. Tata Elxsi must continuously invest in AI/GenAI, embedded software and domain-specific platforms to maintain its relevance across key verticals. Failure to translate these investments into differentiated offerings could weaken its competitive position and limit participation in large programmes. Additionally, inadequate innovation or protection of intellectual property could erode differentiation and affect long-term value creation. The pace of technological change also creates a need for sustained reskilling and timely commercialisation of new capabilities.

Talent capability gaps, cybersecurity and data privacy risks

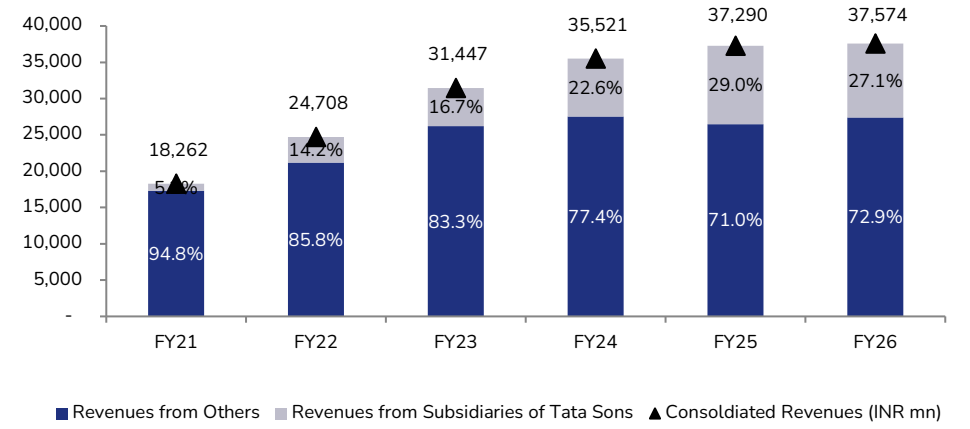
Tata Elxsi's ER&D business depends on retaining specialised talent and continuously upgrading high-end engineering and research capabilities. Skill gaps or weaker employee retention could affect delivery quality, execution capacity and organisational performance. The company also handles sensitive enterprise data, exposing it to cybersecurity and privacy risks. Cyber incidents or non-compliance with evolving data protection requirements could disrupt operations, compromise customer information and result in financial penalties, reputational damage or loss of client trust. Maintaining employee engagement, robust security controls and continuous capability development therefore remains critical to reliable delivery and customer retention.

Investment Argument

Tata parentage: Ecosystem and strategic advantages

TELX benefits from the credibility and ecosystem access that comes with being part of the Tata Group, one of India's most trusted global conglomerates. Incorporated in 1989, the company has evolved within the Tata ecosystem while building capabilities in design-led product engineering across industries such as automotive, media and healthcare. The group linkage also reflects in governance and leadership, with senior Tata Group executives associated with the company's board. For instance, Mr N Ganapathy Subramaniam, Chairman of TELX and former COO & Executive Director of TCS, has long been part of the Tata Group leadership ecosystem and also serves on the boards of other Tata companies such as Tata Communications and Tejas Networks.

Exhibit 10: TELX's revenue from subsidiaries of Tata Sons versus revenue from others (%)



Source: Company, JM Financial

TELX revenue grew at c. 6% CAGR over FY23–26, while revenue from Tata Sons subsidiaries grew at 24.6% over the same period

The Tata ecosystem has also translated into meaningful business relationships over time, particularly within automotive. TELX has been a longstanding engineering partner to JLR since 2008, supporting product engineering, software development, validation and digital engineering initiatives across infotainment, connectivity, electrification and autonomous driving. Revenues from subsidiaries of Tata Sons have increased steadily from ~5% in FY21 to ~27% in FY26, indicating deeper engagement within the group ecosystem. In our view, Tata Group parentage provides TELX with strong credibility and reference relationships, which help open doors with marquee global clients while the company continues to expand its presence beyond the group.

Large, multi-year deals strengthening growth visibility

TELX is increasingly moving beyond project-based work to large, multi-year programmes across transportation, media & communications and healthcare. Over the past few years, the company has secured several strategic engagements including a EUR 50mn multi-year SDV engineering programme with a European automotive OEM and a USD 100mn+ product engineering consolidation deal with a global media operator, the largest media deal in TELX's history. These deals typically span multiple engineering domains, reflecting TELX's positioning as a strategic engineering partner rather than a pure services vendor. Management has also indicated that recent transportation growth has been supported by ramp-ups in SDV-led OEM programmes won earlier, suggesting that large deal wins are beginning to translate into revenue visibility.

Exhibit 11: Recent large deals won by TELX across transportation, media & communication, and healthcare

Vertical	Client	Deal size	Deal tenure	Description
Transportation	European automotive leader	EUR 50mn	Multi-year	Deal encompasses SDV and multiple domains of automotive engineering
	Suzuki Motor Corp., Japan	Multi-mn USD	5–10 years	Partnering with Suzuki to establish multiple Offshore Development Centres (ODCs)
	Japan-headquartered OEM	NA	Multi-year	Advanced system design and simulation
	US-based off-highway OEM	Multi-mn USD	NA	Next-gen information and control system
	New-age APAC auto OEM	Multi-mn USD	Multi-year	Connected platform implementation for next-generation EV programmes
Media & Communication	US-headquartered MSO	Multi-mn USD	Long-term	Manage a portfolio of applications
	Global broadcaster	USD 10mn	NA	Consolidation deal – streaming video platform engineering
	Marquee media & communications operator	USD 100mn+	Multi-year	Product engineering consolidation deal – the largest in Tata Elxsi's history
	Major European telecom operator	NA	3 years	Three-year network transformation journey towards an autonomous network
Healthcare & Lifesciences	Top 5 US-based global medical devices company	Large deal	Multi-year	Develop a next-gen cloud-based connected care system
	Bayer Radiology	Multi-mn USD	At least 5 years	Launched a Global Technology Centre for Medical Devices to co-develop advanced radiology
	Global medtech leader	Multi-mn USD	Multi-year	Selected to deliver regulatory workflow transformation leveraging RegAI framework

Source: Company, JM Financial

A key differentiator underpinning these wins is TELX's deep capability in SDV and next-generation automotive engineering. The company works across several layers of vehicle architecture including ADAS, electrification, cockpit software, connectivity and cloud-native automotive platforms, allowing it to participate in complex multi-domain engineering programmes for global OEMs. As vehicles increasingly evolve into software-centric platforms, engineering complexity and software content per vehicle are rising materially, creating demand for specialised ER&D partners. TELX's domain expertise and longstanding relationships with automotive OEMs position it well to capture this shift.

Beyond domain expertise, it has also built a portfolio of proprietary platforms and engineering accelerators that help compress development timelines and improve client RoI. These tools allow it to move towards solution-led engineering engagements, strengthening its ability to win and scale complex multi-year programmes across industries. We believe this shift toward larger, long-duration engineering engagements, particularly in SDV and digital platform engineering, strengthens TELX's competitive positioning in the global ER&D services market.

Exhibit 12: TELX's platforms/tools across verticals supported large deal wins

Platform	Vertical	Key Functionality	Efficiency Metrics	Deal Win Instances
AVENIR	Transportation (SDV)	Cloud-agnostic suite for SDV development, validation, and deployment	Helps reduce development timelines by upto 40%	Deployment of AVENIR, across automotive, off-highway, and rail applications
NEURON	Telecom	Intent-driven autonomous network platform for 4G/5G and zero-touch automation	Reduces Mean Time to Repair (MTTR) by up to 75%; cuts OPEX by 30–40%	Selected by a major North American telecom operator to power network transformation and automate operations for a next-gen 5G network
RegAI	Healthcare	GenAI framework for automating regulatory workflows	Delivers up to 30% improvement in regulatory cycle time	Multi-million, multi-year deal with global MedTech leader leverages RegAI framework
TEcare	Healthcare	Digital therapeutics solution	Improves patient outcomes and enhances treatment adherence	Rolled out the India Neurodiversity Platform in partnership with Tata Power Trust, powered by TEcare, across multiple locations in India
TETHER	Transportation (Connected Vehicles)	Cloud-based IoT platform for connected vehicles	Boosts safety by 30%; improves efficiency by 25%	Selected to power next gen connected tractor for a global agri-machinery manufacturer, with initial deployments planned for Europe
TEPlay	Media (OTT)	White-label OTT platform	Reduces time-to-market, enhances user engagement, and optimises operational costs	Launch of MBC Now – Saudi-headquartered content aggregator, was powered by TEPlay
DevStudio.ai	Transportation (Automotive)	Multi-agentic GenAI suite acting as an AI co-engineer across the automotive SDLC through coding, testing and validation	Accelerates automotive software development cycles and improves engineering productivity	Launched in FY26 for OEMs, system suppliers and semiconductor companies; company indicated enterprise-wide GenAI adoption using DevStudio.ai
ViTEL	Healthcare (MedTech)	GenAI-powered Material Intelligence platform connecting products, parts, materials, chemicals, suppliers, regulations and evidence	Improves traceability, compliance visibility and evidence readiness	Selected by a leading global medtech company in Q1FY27 for country-of-origin compliance and scalable regulatory reporting

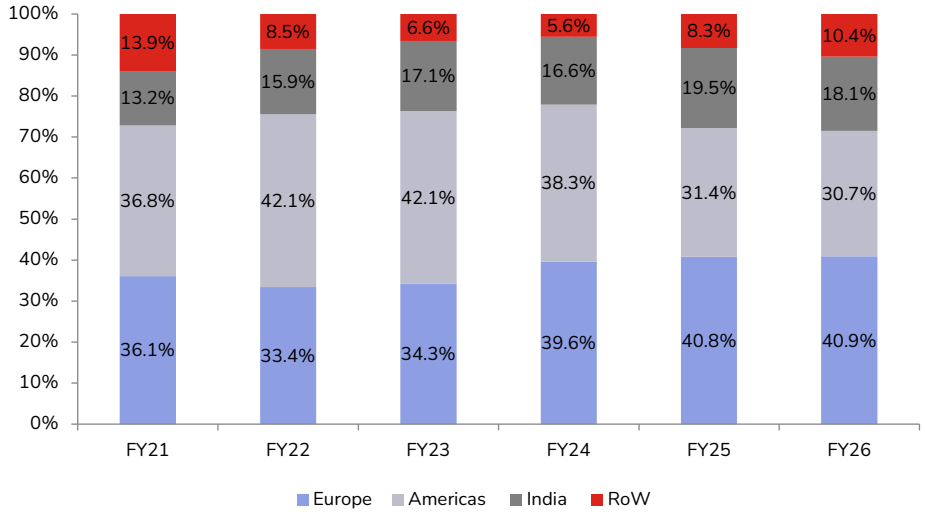
Source: Company, JM Financial

Expanding beyond core markets and into new adjacencies

TELX has been diversifying its geographic footprint, reducing reliance on any single region while expanding its presence across the APAC region. While the company continues to get ~70% of revenues from Europe and Americas, it is expanding in India and the Rest of the World, with ongoing investments in client-facing teams and engineering centres. In recent years, TELX has strengthened its presence in Japan, India and the broader South-east Asia region.

Recent engagements in Japan include partnerships with Suzuki Motor Corporation, where the company established an engineering centre focused on next-generation connected, EV and ADAS technologies, as well as a Global Development Centre with Nidec Corporation to support electrification and motor technology development for the automotive ecosystem.

Exhibit 13: TELX revenue distribution by geography (%)



Source: Company, JM Financial

Revenue from Europe and Americas grew at 0.4% CAGR over FY23–26, while revenue from India and RoW grew at 9.1% over the same period

Alongside geographic diversification, TELX is also expanding into new engineering adjacencies beyond its core verticals of transportation, media and healthcare, leveraging its capabilities in embedded systems, software engineering, electrification and autonomous technologies. During FY25, the company began securing engagements in aerospace, defence and semiconductor-related segments, reflecting a broader strategy to extend its ER&D capabilities into emerging domains.

In aerospace and advanced mobility, the company has partnered with CSIR–National Aerospace Laboratories (NAL) to jointly develop technologies for Unmanned Aerial Vehicles (UAVs) and Urban Air Mobility (UAM), focusing on areas such as autonomous systems, aerodynamic design and secure communication technologies. It has also signed an MoU with Garuda Aerospace to establish a Centre of Excellence for indigenised UAV design and development. Additionally, TELX has been involved in defence aerospace initiatives, including the successful handover of the HAL CATS Loyal Wingman prototype to Hindustan Aeronautics Limited.

TELX's semiconductor presence is emerging across two areas – i) early discussions with companies that are planning to set up fabrication and assembly plants from a viewpoint of TELX's design offerings, and ii) semiconductor ecosystem partnerships with ARM/Infineon/Synopsys/Qualcomm, to support TELX's current application areas.

Exhibit 14: Recent key developments across emerging verticals – Aerospace, defence, and semiconductors

Area	Key achievements/partnerships
Aerospace and Defence	- Handed over the HAL CATS Loyal Wingman prototype to Hindustan Aeronautics Limited (HAL) – a key milestone in its defence technology - Signed an MoU with CSIR National Aerospace Laboratories (CSIR-NAL) to establish strategic partnership targeting UAV and UAM development - Signed an MoU with Garuda Aerospace to Establish Centre of Excellence for Indigenised UAV Design and Development - Selected for design and development of advanced airport guidance systems for a US aerospace supplier
Semiconductors (partnerships with players)	- Collaborated with ARM, the global semiconductor design and software platform company, to offer advanced solutions on the latest processors - Signed an MoU with Infineon Technologies, a global leader in semiconductor solutions, to jointly develop application-ready EV solutions tailored to the Indian market - Signed an MoU with Synopsys, a leader in silicon to systems design solutions, to collaborate to deliver automotive virtualisation solutions - Announced plans to work with Qualcomm to develop and leverage virtual models of Snapdragon Digital Chassis solutions for cloud-native application development

Source: Company, JM Financial

Design-led offerings driving revenue profile

Tata Elxsi's positioning as a design-led engineering partner is reflected in its cross-vertical offerings spanning automotive, media, healthcare and emerging segments such as aerospace. The company's capabilities extend into product experience, UX/UI, HMI and digital platforms, enabling it to engage earlier in the product lifecycle. This is evidenced through design-led case studies across verticals, where engagements typically combine experience design, platform engineering and core development. Such integration allows Tata Elxsi to play a more strategic role in customer programmes, particularly in areas such as software-defined vehicles, OTT platforms and medical devices, where user experience and product differentiation are critical.

Exhibit 15: TELX's portfolio of design offerings across verticals

Vertical	Offering	Description
Automotive	Digital Cockpit & HMI Design	Design of in-vehicle interfaces including infotainment, instrument clusters, and driver interaction systems
	SDV Experience & Interface Design	User experience design for SDVs, including connected, autonomous and EV platforms
	ADAS Visualisation & Driver Interaction	Design of driver assistance interfaces and real-time visualisation for enhanced safety and usability
	Digital Twin & Simulation Design	Creation of immersive digital environments for vehicle development, testing and user interaction simulation
Media & Communication	OTT Platform UX & Interface Design	Design of user interfaces and experiences across OTT platforms (TV, mobile, web)
	Multi-device Experience Design	UX design across devices including smart TVs, mobile apps, and web platforms
	Content Discovery & Personalization UX	Design of AI-led recommendation and content navigation experiences
	UI Modernisation for Broadcasters	Redesign of legacy media platforms to enhance usability and engagement
Healthcare & Lifesciences	Medical Device UI/UX Design	Design of user interfaces for medical equipment ensuring usability, accuracy, and compliance
	Clinical Workflow & System Design	UX design for hospital systems to streamline clinician workflows and decision-making
	Connected Care Platform Design	Design of digital health platforms integrating devices, cloud, and patient interfaces
	AI-driven Diagnostics Interface Design	Design of interfaces for AI-enabled diagnostics and clinical decision support systems
Aerospace & Defence	UAV & UAM Interface Design	Design of control interfaces and user systems for drones and urban air mobility solutions
	Simulation & Training System Design	Development of immersive simulation environments for training and testing
	Mission-critical System UX Design	Design of interfaces for defence and aerospace systems requiring precision and reliability
Semiconductors	Chip-to-System Design Interfaces	Design of system-level interfaces and user interaction layers for semiconductor-driven products

Source: Company, JM Financial

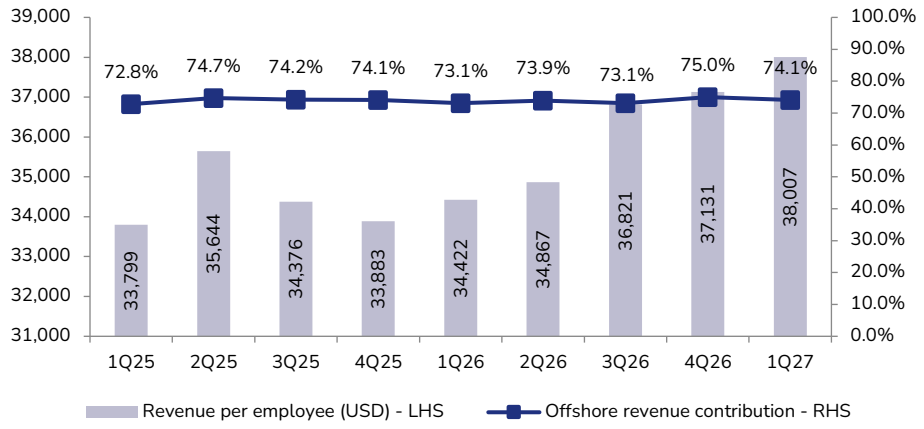
Exhibit 16: TELX's select user and product design case studies across verticals

Client/Engagement	Project Description
Tata Motors (EV cockpit design)	Award-winning digital cockpit design integrating HMI, UX and vehicle experience, supporting EV product differentiation
Automotive manufacturer (QA transformation)	UX-led transformation of manufacturing QA systems improving workflows and user interaction in production environments
DTH operator (Android TV platform)	Design and development of hybrid set-top box platform with enhanced UI/UX and connected entertainment experience
Performing arts OTT Platform	UX-led design of live streaming OTT platform enabling multi-device access and improved content discovery
Global medical device company (Injection pen)	Design and engineering of fixed-dose injection pen with focus on ergonomics, precision and patient usability
Healthcare imaging platform	Design of image archive console improving clinician workflow, usability and diagnostic efficiency
Off-highway equipment OEM (GenAI monitoring)	GenAI-based monitoring solution with UX-led dashboards for construction and mining equipment
Airline cabin VR experience	Interactive VR-based cabin walkthrough enabling immersive product visualisation and customer experience design

Source: Company, JM Financial

This design-centric positioning is translating into a strong revenue mix, as reflected in the steady improvement in revenue per employee despite a largely stable offshore revenue contribution over the past eight quarters. The divergence, in our view, indicates that growth is being driven not by volume expansion, but by higher value engagements and improved pricing realisation. In our view, this underscores Tata Elxsi's ability to sustain a premium engagement model, with design-led offerings acting as a key lever for margin resilience and long-term growth.

Exhibit 17: TELX's revenue per employee (USD) and offshore revenue contribution (%)



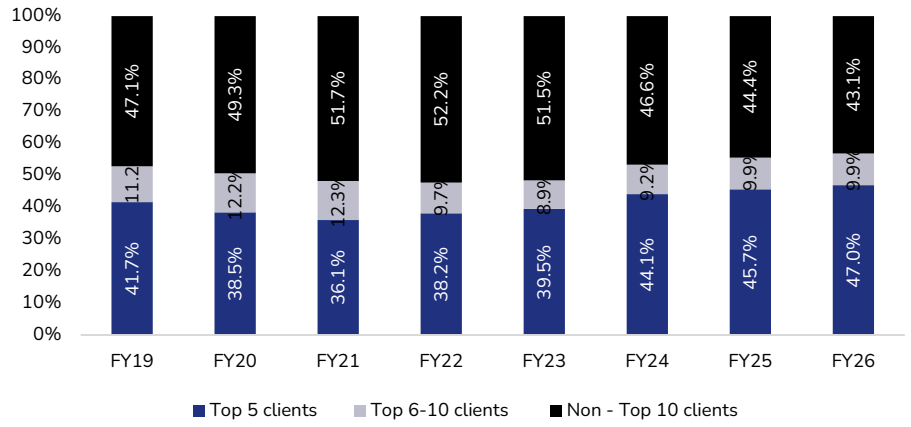
Source: Company, JM Financial

Key Focus Areas

High top-client concentration

Tata Elxsi's revenue profile remains meaningfully concentrated, with the top 5 clients consistently contributing ~45% of revenue. While the top 5 contribution has seen some expansion, the top 6–10 client bucket has slightly reduced from ~12% in FY19–21 to ~9% in FY22–26, indicating that incremental concentration has largely been driven by scaling within the largest accounts. The broader top 10 client contribution (~55%) continues to highlight a high dependence on a set of large clients.

Exhibit 18: TELX's revenue split, by top clients (%)

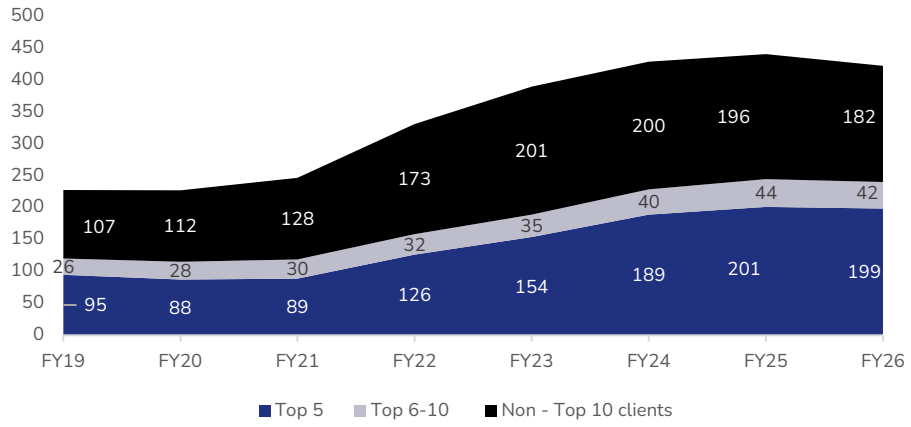


In FY26, top 10 clients contributed 55%+ to TELX's revenue

Source: Company, JM Financial

That said, the concentration seems to be a function of strong growth and deepening engagement within key accounts, rather than incremental dependence. Revenue from the top 5 clients has grown significantly over FY21–26, translating into a c. 17% CAGR, materially ahead of the top 6–10 bucket (~6.7%) and non-top 10 bucket (~7.4%). This divergence suggests that TELX is increasingly scaling within its largest relationships through larger, multi-year and platform-led engagements, particularly in transportation and media, while the mid-tier client segment has grown at a more measured pace.

Exhibit 19: TELX's revenue growth and composition, by top clients (USD mn)



Over FY21–26, top 5 clients have grown at a CAGR of 17.4%, while total revenue has grown at a CAGR of 11.4%

Source: Company, JM Financial

Weak macro environment for automotive

Automotive demand has remained volatile over the past few quarters, with management highlighting paused programme starts, delays in ramp-ups and a state of flux driven by geopolitical uncertainty, tariffs and cautious OEM spending. While the environment has slightly stabilised, decision-making cycles remain elongated and recovery has been largely execution-led (deal ramp-ups) rather than through broad-based demand revival. In response, Tata Elxsi has structurally repositioned its automotive business toward OEM-led engagements, with management indicating that 70%+ of transportation revenue now come directly from OEMs, alongside a continued shift toward SDVs, electrification and ADAS-led programmes. The company has also focused on large, multi-year deals, with ramp-up of previously won SDV programmes driving recovery in recent quarters. However, conversion of such wins into meaningful growth has been gradual, with earlier quarters impacted by delays in ramp-ups and elongated execution timelines. As a result, while deal wins provide medium-term visibility, near-term performance remains dependent on the pace of ramp-ups and client-side execution schedules.

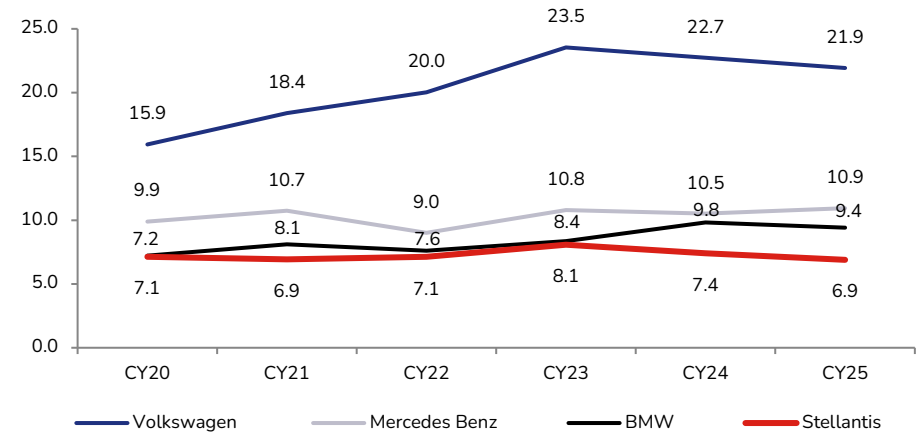
Additionally, the company is attempting to diversify geographically and expand into newer pockets of demand, including Japan and select non-traditional markets. While this provides incremental growth avenues, it is still in the early stages and yet to fully offset weakness in core markets such as Europe and the US. The ongoing push toward cost optimisation is supporting offshoring-led demand, but overall, macro uncertainty, elongated deal cycles, and dependence on large programme ramp-ups continue to weigh on near-term growth visibility.

Exhibit 20: TELX's commentary on demand uncertainty and strategies to mitigate the same in recent quarters

Quarter	Demand commentary	Strategy commentary
Q4FY25	Some OEMs and suppliers paused new programme starts in the face of geopolitical and market uncertainties and are focused on conserving cash	We are transforming our customer base with a continued shift towards OEMs and SDV in automotive industry, providing us with a set of customers and a platform for our long-term growth
	We have seen a number of projects witnessing pauses due to all these geopolitical issues and the tariff issues	We are in discussions with our key customers to navigate this difficult scenario
Q1FY26	Automotive industry is still in the state of flux with the China business and tariff-related uncertainties, casting a cloud on R&D strategy and spend, while the Tier 1 supplier business continues to be challenged	We had announced large deals in the previous quarter in SDV vehicle engineering, these are now ramping up, and we have the necessary capacity and capability to service them and grow over the next few quarters
	This quarter was challenging across key regions with geopolitical uncertainty, impacting R&D spend and deal closures across geographies	We are in discussions for some large strategic deals with OEMs, including some new logos in Japan, U.S. and Europe
		Almost 72% to 75% of our revenue now come from OEM, the Tier 1s have sort of reduced
Q2FY26	Our key markets continue to be volatile	Japan is very positive for us, we continue to win new deals...expand our existing relationships with both OEMs and suppliers
	US is still a little muted for us, at least the coming quarter will be a muted quarter, withdrawal of EV incentives - causing a bit of a portfolio reset	A lot of the large deals are around software-defined vehicles, electrification, AD/ADAS, infotainment and cockpit
Q3FY26	Macro level, headwinds are still there, from an industry perspective	We've also really opened up some off-road and adjacency businesses for us
	Decision-making times are still a little bit slow; customers are making very careful calculated additions	We are de-risking and diversifying our overall portfolio...not overly dependent on a particular geography or customer
Q4FY26	We are still challenged, the entire media and telecom industry is challenged, deals are still consolidation deals and cost-takeout deals	What we have really done well over the last six quarters is the building of confidence that we can win, and execute very, very well on large consolidation deals
	Given the current geopolitical and all the war and all that, while we have the deals in hand and we will definitely look at ramping up and so on, there could be some amount of uncertainty	We are doing some very, very good work with the defence organisations in India, with HAL, with the Aeronautical Development Agency, some large deals that we are bidding for
Q1FY27	Continental Europe is wait and watch, though there are opportunities that we are bidding for; given the uncertainty in the market we're not sure on the pace	All the other adjacencies and the efforts that we're putting in other markets including Asia, I think we've seen some pretty very good deals closed
	I think the overriding problem is and point is the spend that is being earmarked for AI unfortunately is also kind of curtailing R&D spend	We continue to invest through scaling our newly launched platforms, reimagining our offerings with AI, GenAI and taking centre stage in medtech and healthcare events, setting ourselves to capture emerging opportunities

Source: Company, JM Financial

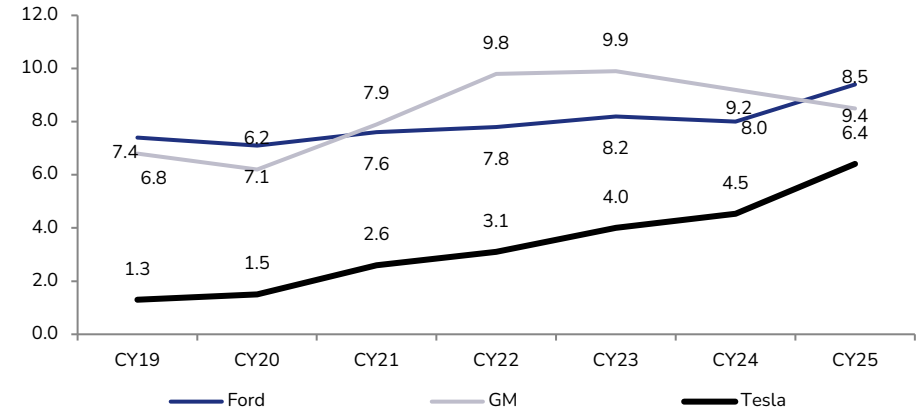
Exhibit 21: R&D spend of major European OEMs (USD bn)



Source: Company, JM Financial

R&D spend of many European OEMs declined in CY25

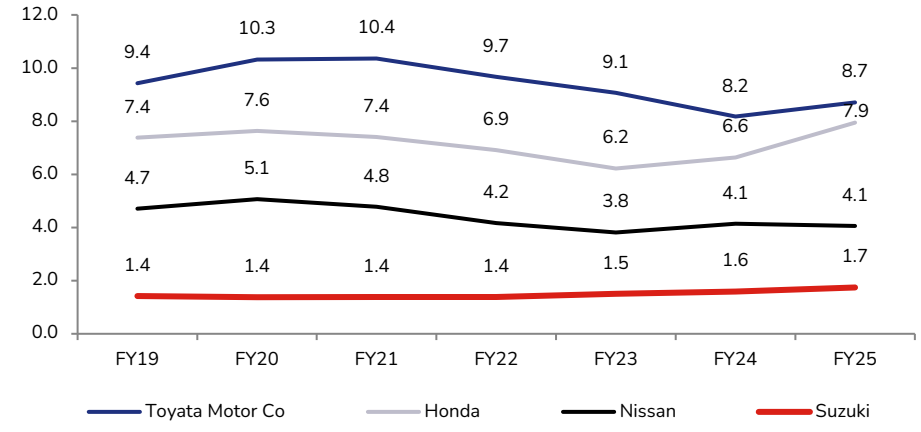
Exhibit 22: R&D spend of major US OEMs (USD bn)



Source: Company, JM Financial

R&D spend of many key US and Japanese OEMs increased in CY25 and FY25, respectively

Exhibit 23: R&D spend of major Japanese OEMs (USD bn)



Source: Company, JM Financial

Significant dependence on large deals and accounts

TELX's growth profile continues to exhibit lumpiness driven by dependence on a limited number of large clients and deal ramp-up cycles, with management repeatedly highlighting instances of project pauses, renewal delays, and ramp-up slippages across quarters. In the past few years, growth was impacted by delay in renewal of projects with a major US client, pending customer decisions on large deals, and completion of certain programmes, budget holds and slower-than-expected ramp-ups. Importantly, management has explicitly acknowledged that issues in one or two customers have in the past materially impacted the performance of Healthcare & Lifesciences vertical, underscoring the sensitivity to client-specific developments.

This dynamic has persisted into FY26 as well, with large customer-related pauses, delays in project starts and elongated deal cycles impacting near-term growth visibility. Additionally, deal conversion timelines have stretched, and revenue conversion remains dependent on timely ramp-up of previously won large programmes. Vertical performance has also reflected this concentration, with media impacted by deal award delays and restructuring at large clients, and healthcare seeing declines linked to a few key customers and programme roll-offs. While the increasing share of large, multi-year engagements enhances medium-term visibility and strategic positioning, it also implies that quarterly growth will remain sensitive to deal timing, client budgets and execution schedules.

Exhibit 24: TELX's comments regarding impact on performance due to issues in large deals across verticals in recent quarters

Quarter	Comments on client/deal issues
Q1FY25	A significant delay in the renewal of certain projects with a major client in the US is primarily responsible for this revenue decline (in healthcare).
	Even if there are some issues in one or two of those customers also, we will get hit (in healthcare).
Q2FY25	Media and Communication business declined – largely because of pending customer decisions and some large deals that we have been pitching for, and also natural completion of some of the projects.
	The deals that we are going after, that we hoped to close in three months is now getting pushed to six months.
Q3FY25	We definitely have taken a hit in the transportation business from our customers in Europe because of the market conditions and some of the projects being deferred.
	We have won certain large deals, and those ramp-ups have happened, but those ramp-ups have not happened to the extent that we would have wanted (in transportation).
Q4FY25	We also saw delays in ramp-ups planned for ongoing deals won in the previous quarters that we expect to resume starting Q1FY26.
	Media and Communication business saw some customer-specific issues in the quarter due to M&As and business restructuring.
Q1FY26	Regarding healthcare, these are primarily US customers, two large customers of ours, wherein some of the new projects that we are expecting to ramp up in the quarter, that was put on pause primarily because of lack of clarity.
	The situation at JLR is a little fluid, right, given their own sales and other related issues that they have.
Q2FY26	Top client cybersecurity incident – we had some impact in some of the projects that we were supposed to start in September that had to be pushed out.
	I would say that if that incident had not happened, we would have definitely shown CC positive growth.
Q3FY26	Media & Communication decline – largely due to some seasonal furloughs in the last one to two weeks of December and delays in some deal awards and paperwork.
	Our Healthcare and Life Sciences business has bottomed out in the quarter with the runoff from the end of some large regulatory programmes.
Q4FY26	Our Healthcare and Life Sciences vertical de-grew by 13.1% QoQ in cc terms, impacted by delays in deal awards that we were expecting and prepared for, unfortunately, both those deals did not come through in the quarter, and they have been pushed to Q1.
	In healthcare, it is more a shift of some deals. At the same time, there have been a few projects that have also closed. So a combination of that has created this situation for us.
Q1FY27	In healthcare, the anticipated momentum was staggered by delayed deal awards from some of our key customers.
	In OEMs, there are large deals that we've already closed. Those ramp-ups are going a little slow there, as a result of which we have not been able to achieve what we expected to achieve in Q1.

Source: Company, JM Financial

Rising staff cost weighs on margins amid subdued growth

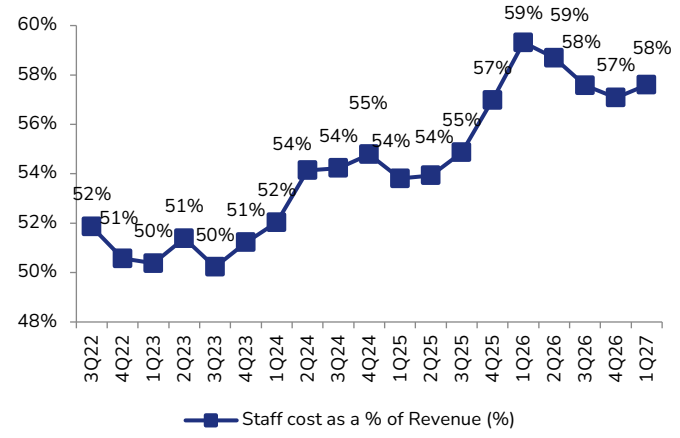
Employee cost as a share of revenue has trended gradually upwards over the past quarters, reflecting a combination of wage inflation and lower operating leverage in a muted demand environment. Staff cost has expanded from ~50% in FY22 to ~60% in recent quarters, while cost per employee has also increased, indicating a structural rise in talent costs rather than a one-off spike. This has coincided with a period of subdued revenue growth and delayed deal ramp-ups, limiting the company's ability to absorb these costs through scale.

Management commentary suggests that this is partly a function of capacity built ahead of growth, with the company maintaining a quality bench and readiness for large deal ramp-ups. Additionally,

selective lateral hiring and capability investments in areas such as SDV, ADAS and digital platforms have contributed to higher per-employee costs.

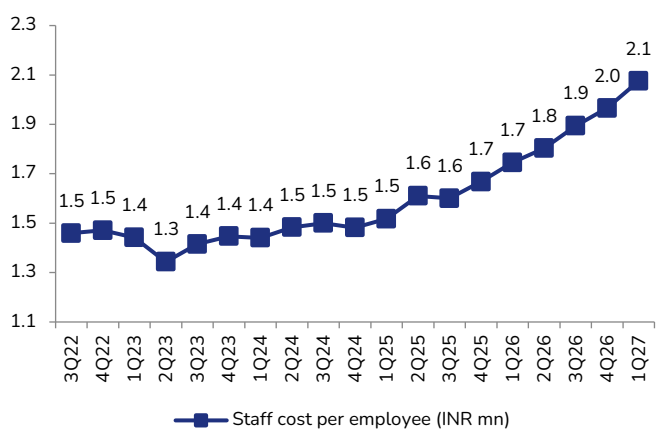
Management has indicated a more calibrated and careful hiring approach with tighter control on additions; it also highlighted utilisation improvement as a key lever and since FY24 has moved utilisation from mid-60s toward ~75%, with a goal to reach ~80% utilisation in the near-term. As deal ramp-ups accelerate (particularly in large OEM-led programmes) and revenue growth normalises, operating leverage should improve, aiding margin recovery.

Exhibit 25: TELX staff cost as a % of revenue (%)



Source: Company, JM Financial

Exhibit 26: TELX staff cost per employee (INR mn)



Note: Cost per employee annualised. Source: Company, JM Financial

Limited inorganic expansion compared to peers

Unlike peers in the ER&D space who have actively pursued inorganic expansion to build capabilities and scale, TELX has largely refrained from acquisitions, relying instead on organic capability building and client mining. Competitors such as Cognizant, Infosys, HCL Tech, Wipro and KPIT have executed multiple acquisitions across automotive engineering, embedded software, semiconductor and digital engineering capabilities, often at meaningful scale. Management commentary suggests a clear preference for organic scaling, with focus on building capabilities internally and expanding within key accounts, rather than pursuing M&A-led growth.

In our view, the absence of inorganic growth has resulted in a more focused, design-led positioning, but also places greater dependence on deal wins and execution of large programmes for growth. As the ER&D industry evolves toward platform-led and end-to-end offerings, the company's ability to build or access new capabilities organically versus via acquisitions will remain key to watch.

Exhibit 27: Key acquisitions done by TELX's peers in recent years

Date*	Acquirer	Target Company	Deal value	Strategic rationale
Sep-25	Tata Technologies	ES-Tec GmbH	EUR 75mn	Strengthens automotive ER&D in ADAS, connected, digital engineering
Aug-25	Wipro	HARMAN -DTS business unit	USD 375mn	Expands embedded, device engineering and ER&D scale
May-25	KPIT Technologies	Caresoft Global - Engineering Solutions business	USD 191mn	Adds cost engineering, benchmarking, teardown & manufacturing engineering
Nov-24	L&T Technology Services	Intelliswift	USD 110mn	Enhances digital engineering, platform engineering, data & AI
Jun-24	Cognizant	Belcan	USD 1,300mn	Expands ER&D in aerospace, defence, industrial & automotive
May-24	Infosys	InSemi	~USD 34mn	Adds semiconductor design & embedded engineering capabilities
Apr-24	Infosys	In-tech	EUR 450mn	Strengthens automotive, e-mobility, autonomous, rail ER&D
Aug-23	Alten	Accord Global Technology Solutions	Undisclosed	Adds embedded, digital engineering across aerospace/defence/auto
Aug-23	Bertrandt	Concept AG	EUR 9mn	Expand range of services to include organisational and process consulting, especially in the field of production
Jul-23	HCL Technologies	ASAP Group	USD 280mn	Strengthens automotive ER&D (ADAS, e-mobility, connectivity)
Jan-23	Cognizant	Mobica	Undisclosed	Enhances IoT, embedded software, automotive engineering

Note: *Date of announcement, Source: Company press releases, JM Financial

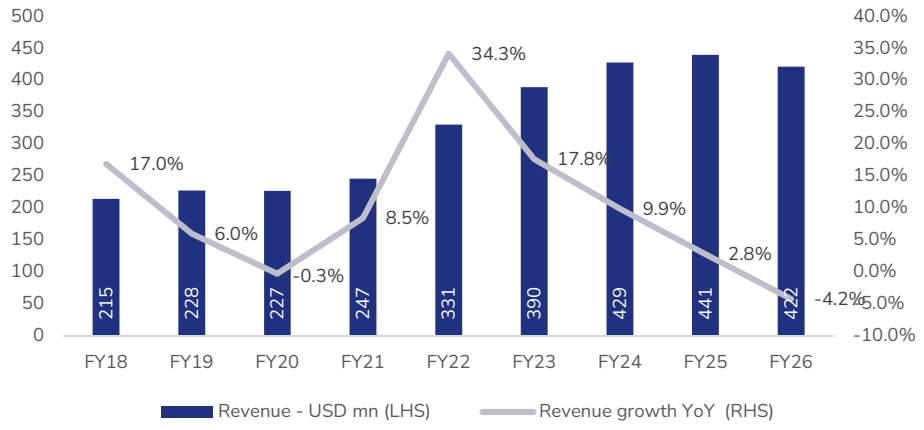
Financial Analysis

Revenue – historical analysis

TELX's revenue trajectory over the past few years has reflected strong growth phases followed by a sharp moderation, largely driven by changes in the automotive demand environment and deal execution cycles. The company saw a sharp dip in growth through FY19–20, before witnessing a sharp acceleration through FY21–FY22 supported by strong traction in automotive (SDV, electrification, ADAS) and media verticals along with ramp-up of large programmes. Growth remained healthy in FY23 (c. 18%), albeit moderating from peak levels, as the company benefited from continued deal ramp-ups and strong execution in key accounts. However, from FY24, growth slowed meaningfully to ~10% in FY24, ~3% in FY25, and further down to ~(4%) in FY26, impacted by paused programme starts, delays in ramp-ups and a more cautious spending environment among global OEMs, and weakness in the Media vertical. The slowdown also reflects elongated decision-making cycles and weaker discretionary demand.

Overall, Tata Elxsi's growth profile highlights a transition from a high-growth, demand-led phase (FY22–23) to a more subdued, execution-dependent phase (FY24–26), with near-term performance increasingly contingent on timely ramp-up of large SDV-led programmes and stabilisation in automotive demand.

Exhibit 28: TELX's annual revenue (USD mn) and revenue growth (%) – FY18–26



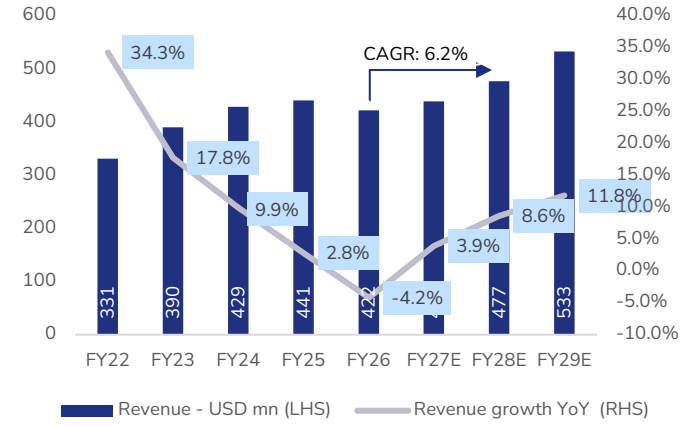
Source: Company, JM Financial

Revenue – forecast

TELX's revenue outlook reflects a gradual recovery following a sharp slowdown in FY26, with growth expected to remain muted in the near term before improving over the medium term. After moderating to (5.5%) cc YoY in FY26, revenue growth is expected to turn positive but remain subdued in FY27E (~6% cc YoY), reflecting continued delays in deal ramp-ups, cautious spending and lingering macro uncertainties in the automotive and media industries.

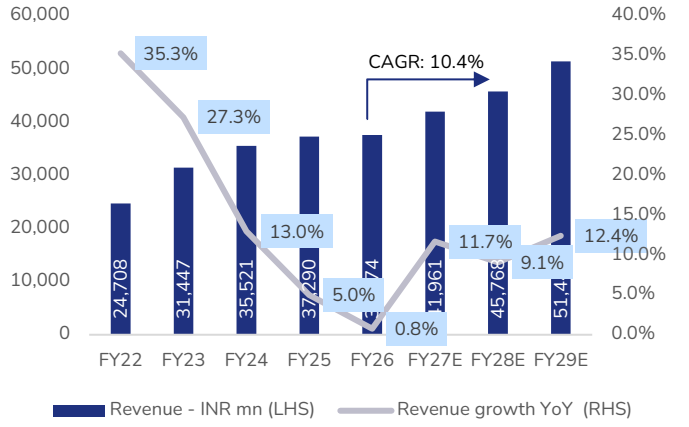
From FY28, growth is expected to recover to ~8.7% cc YoY in FY28E and ~11.8% cc YoY in FY29E, driven by ramp-up of large SDV-led deals, improved execution of existing programmes and gradual normalisation in demand across key verticals. The recovery is also supported by OEM-led engagements, increasing outsourcing traction and geographic diversification (including Japan). Overall, the growth trajectory indicates a shift from near-term weakness driven by execution delays to a more gradual, ramp-up-led recovery, with visibility improving as large deals scale up.

Exhibit 29: Revenue (USD mn) and revenue growth (%) – FY22–29E



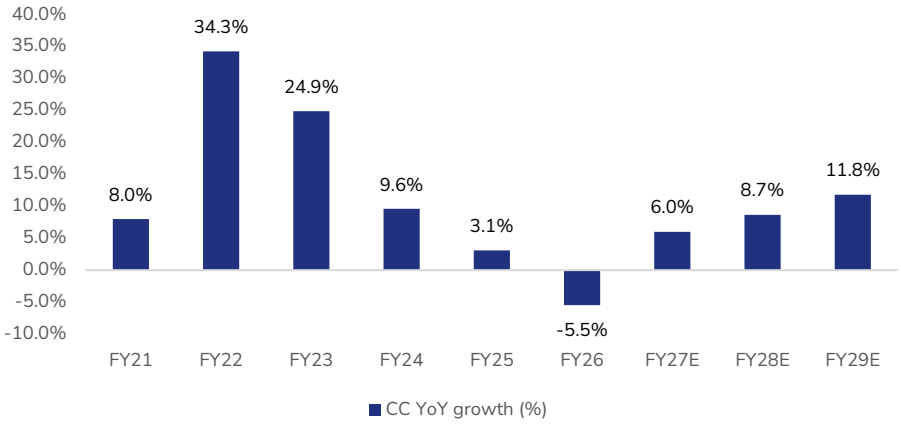
Source: Company, JM Financial estimates

Exhibit 30: Revenue (INR mn) and revenue growth (%) – FY22–29E



Source: Company, JM Financial estimates

Exhibit 31: YoY Revenue growth in CC terms (%) – FY21–29E



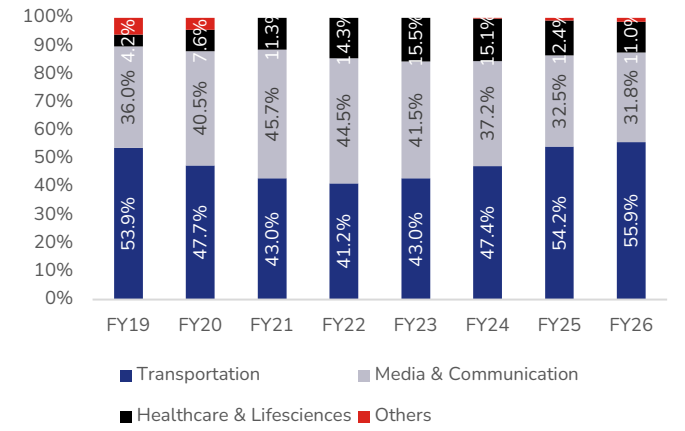
Source: Company, JM Financial estimates

Verticals and geographies

TELX's revenue mix remains skewed toward the transportation vertical, which has consistently accounted for the largest share of revenue; it moderated from ~54% in FY19 to 41–43% over FY21–FY23 and then returned to ~54% in FY25 and further to ~56% in FY26. The recent increase reflects stronger traction in automotive programmes and ramp-up of large deals, particularly in areas such as SDV, electrification and ADAS. In contrast, media & communications, which had scaled up to ~45% in FY21-22, has seen a decline to ~32% in FY26, indicating relatively weaker growth and lower contribution from the segment. Healthcare & Life Sciences has been stable at 11–15%, while contribution from other segments continue to be marginal.

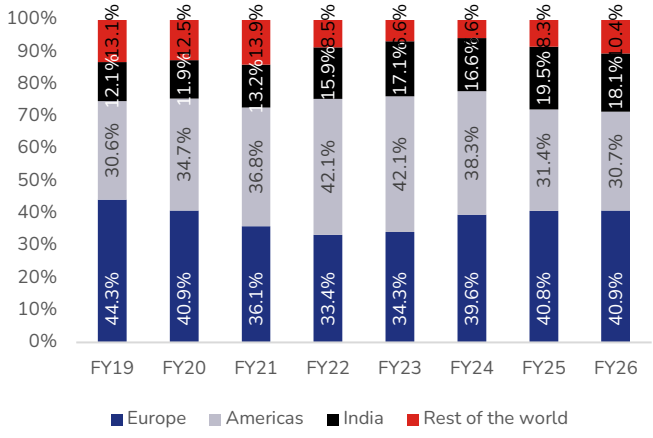
Geographically, TELX's revenue mix has undergone a noticeable shift, with Europe's share increasing from ~34% in FY22–23 to ~41% in FY26 (similar to FY19–20 levels), while that of the Americas has decreased from ~42% to ~31% over the same period (FY26 level similar to FY19). Over FY19–26, contribution from India has increased from ~12% to ~18%. Rest of the World contribution has reached ~10% in FY26 from ~6% in FY23–24 and ~8% in FY25.

Exhibit 32: Verticals exposure (%) – FY19–26



Note: Till FY24, the vertical split is for EPD segment, FY25 onwards it is for entire SDS.
Source: Company, JM Financial

Exhibit 33: Geographies exposure (%) – FY19–26



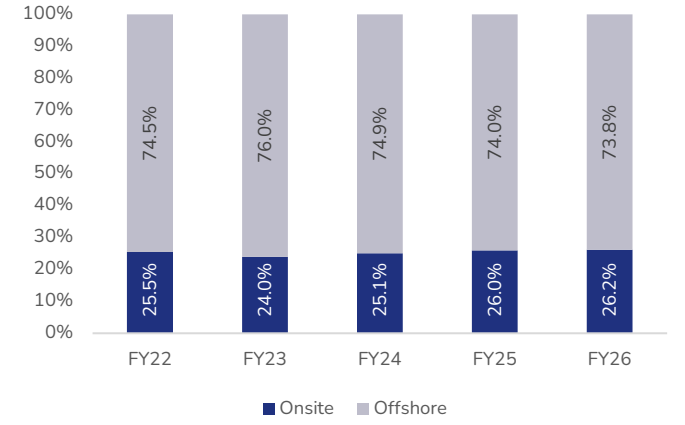
Source: Company, JM Financial

Delivery location and contract type

TELX's delivery mix remains heavily skewed toward offshore, with offshore revenue contribution consistently at 74–76% over FY22–26. This reflects the company's offshore-led delivery model, which supports margins and enables scalability, particularly in large engineering programmes. The mix has been largely stable over the past few years, indicating limited structural shift in the delivery model, with execution expected to continue to be anchored in offshore centres.

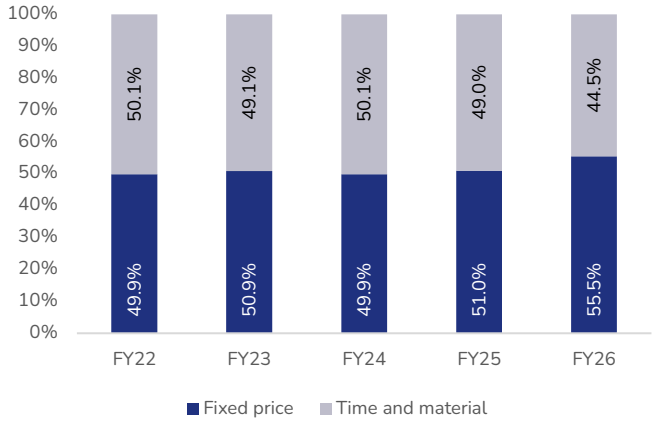
From a contract perspective, the company maintains a balanced mix between fixed-price and time & material (T&M) engagements. The relatively higher share of fixed-price contracts (versus Indian ER&D peers) suggests greater ownership of deliverables and outcome-based engagements, particularly in large, design-led and platform-driven programmes.

Exhibit 34: On-site/Offshore mix (%) – FY22–26



Source: Company, JM Financial

Exhibit 35: Fixed price/Time and material mix (%) – FY22–26

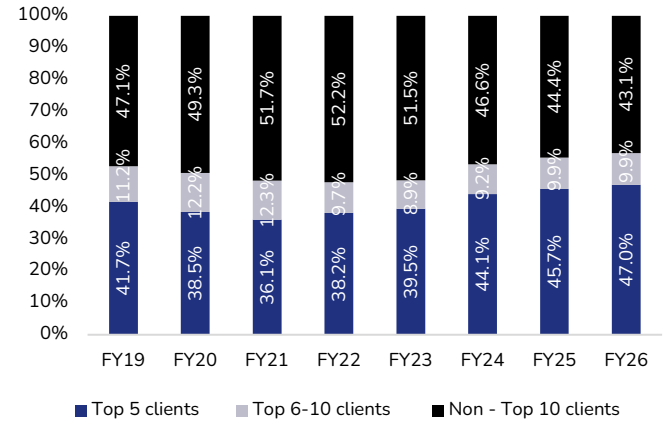


Source: Company, JM Financial

Top clients

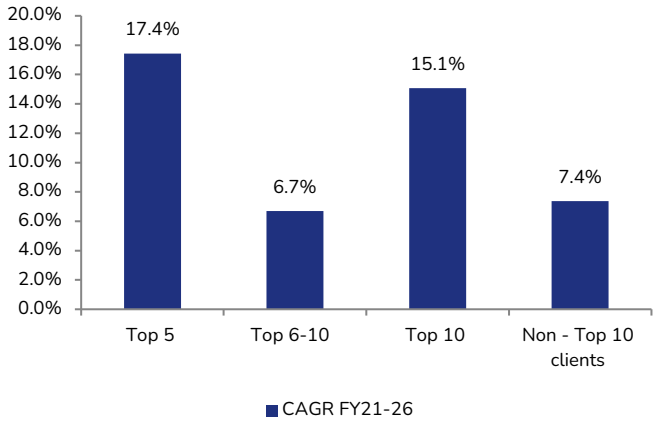
TELX remains highly concentrated in its top accounts, with contribution from the top 5 clients increasing from ~39% in FY19–23 to ~46% in FY24–26. Including the top 6–10 clients, concentration remains elevated at ~55%, indicating a significant dependence on a limited set of large customers. This level of concentration is meaningfully higher than peers and exposes the company to client-specific risks, including programme delays, ramp-up slippages and discretionary spending cuts. At the same time, there is strong growth within key accounts, with the top 5 clients growing at ~17% CAGR over FY21–26, materially ahead of both top 6–10 (6.7%) and non-top 10 clients (7.4%).

Exhibit 36: Client concentration (%) – FY19–26



Source: Company, JM Financial

Exhibit 37: Top-client revenue CAGR (%) – FY21–26

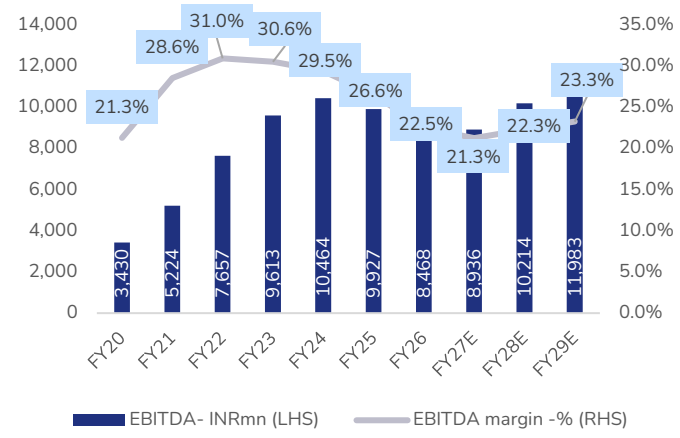


Source: Company, JM Financial

Margins

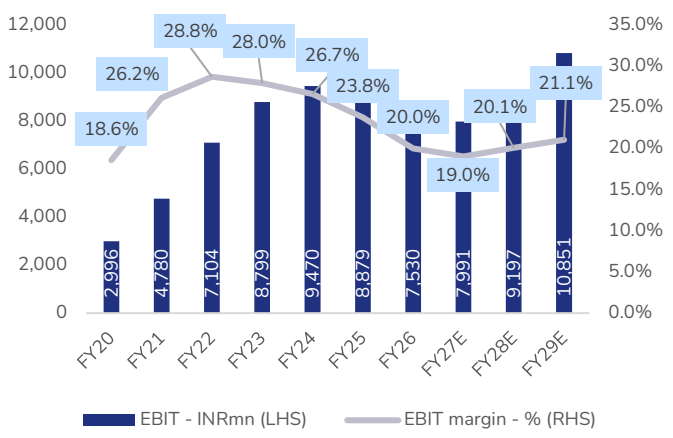
Tata Elxsi's margins have moderated from the peak in FY22–24, with EBITDA margin declining from ~31% in FY22 to 26.6% in FY25 and further to 22.5% in FY26, reflecting softer growth, lower utilisation and continued investments in talent and capabilities. The decline also reflects the company maintaining delivery capacity ahead of anticipated deal ramp-ups, limiting operating leverage during a period of muted growth. We expect margins to gradually recover to ~22.3%/23.3% in FY28E/FY29E, supported by improving utilisation, operating leverage from growth and productivity initiatives, offset by continued investments in AI-led capabilities and specialised talent. Margins are likely to remain below historical peaks over the medium term as the company continues to invest for growth.

Exhibit 38: EBITDA (INR mn) and EBITDA margin (%) – FY20–29E



Source: Company, JM Financial

Exhibit 39: EBIT (INR mn) and EBIT margin (%) – FY20–29E

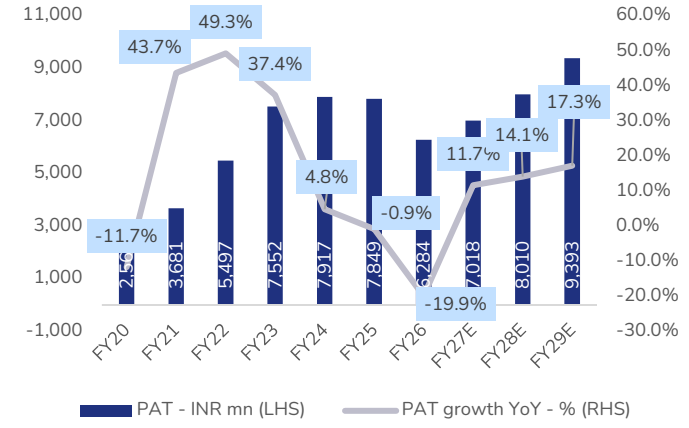


Source: Company, JM Financial

PAT and EPS

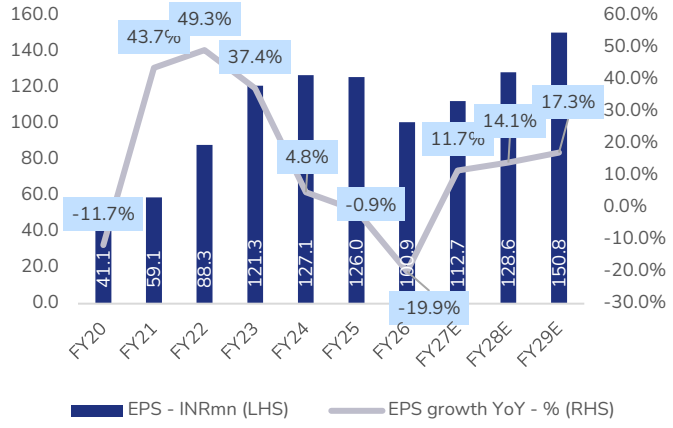
Tata Elxsi's PAT growth moderated sharply after the strong FY21–23 period, with PAT growth slowing to 4.8% in FY24, declining 0.9% in FY25 and further falling 19.9% in FY26, reflecting muted revenue growth and margin compression. The decline in FY26 was sharper than the revenue moderation, reflecting negative operating leverage as the company continued to carry delivery capacity and invest in capabilities despite softer growth. We expect earnings growth to recover from FY27E as revenue growth improves and margins gradually stabilise, driving PAT/EPS CAGR of ~12.9% over FY26–28E. Earnings growth over the forecast period is likely to remain largely revenue-led rather than driven by significant margin expansion.

Exhibit 40: PAT (INR mn) and PAT growth (%) – FY20–29E



Source: Company, JM Financial

Exhibit 41: EPS (INR) and EPS growth (%) – FY20–29E

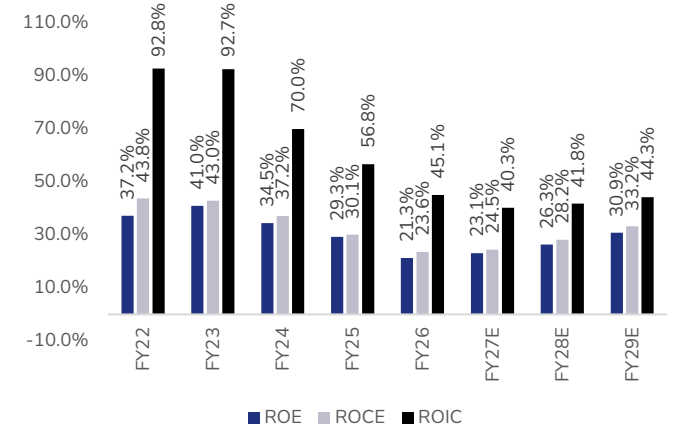


Source: Company, JM Financial

Return ratios and cash conversion

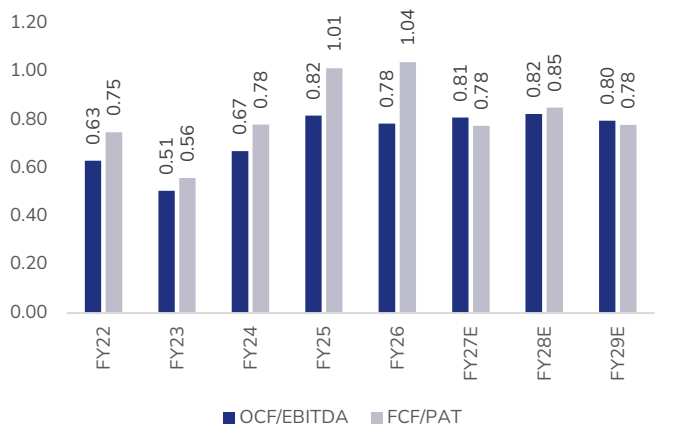
Tata Elxsi has historically maintained strong return ratios, though these moderated in FY25–FY26, largely reflecting the decline in profitability and weaker operating leverage. We expect return ratios to be stable over FY27–29E. Cash conversion has remained healthy despite earnings pressure, with OCF/EBITDA improving from ~0.67x in FY24 to ~0.78x in FY26, while FCF/PAT remained above 1x in FY25–26. We expect cash conversion to remain healthy over the forecast period, supported by the company's asset-light business model and limited capex intensity.

Exhibit 42: RoE/RoCE/RoIC (%) – FY22–FY29E



Source: Company, JM Financial estimates

Exhibit 43: Cash conversion: OCF/EBITDA, FCF/PAT – FY22–29E

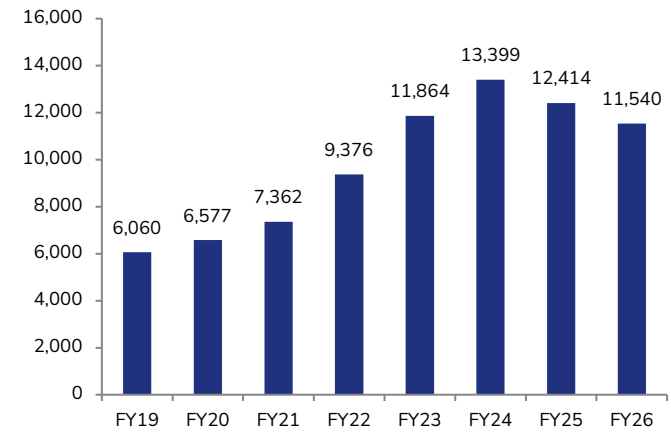


Source: Company, JM Financial estimates

Employees

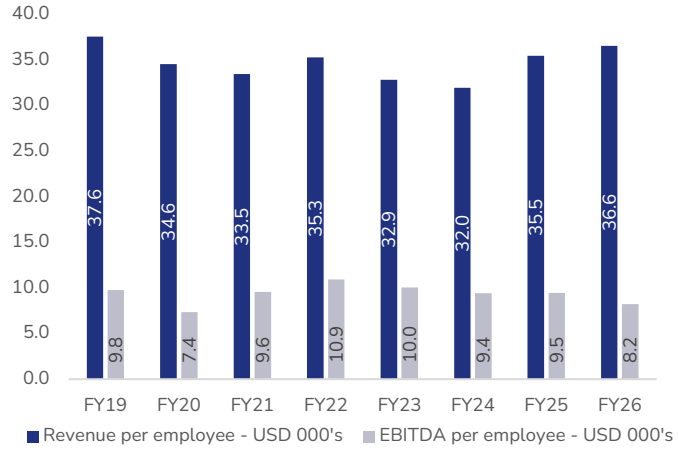
TELX's headcount rose significantly over FY19–24, from ~6,000 to ~13,500 in FY24, reflecting capacity build-up to support strong deal wins. However, it fell in FY25 to ~12,400, and went down further to ~11,540 in FY26, marking continuous dips after several years of hiring. This moderation in headcount also led to an increase in revenue per employee for FY25 and FY26, but it was not able to support EBITDA per employee during the same period.

Exhibit 44: Number of employees – FY19–26



Source: Company, JM Financial

Exhibit 45: Revenue and EBITDA per employee (USD 000's) – FY19–26



Source: Company, JM Financial

Appendix

About the company

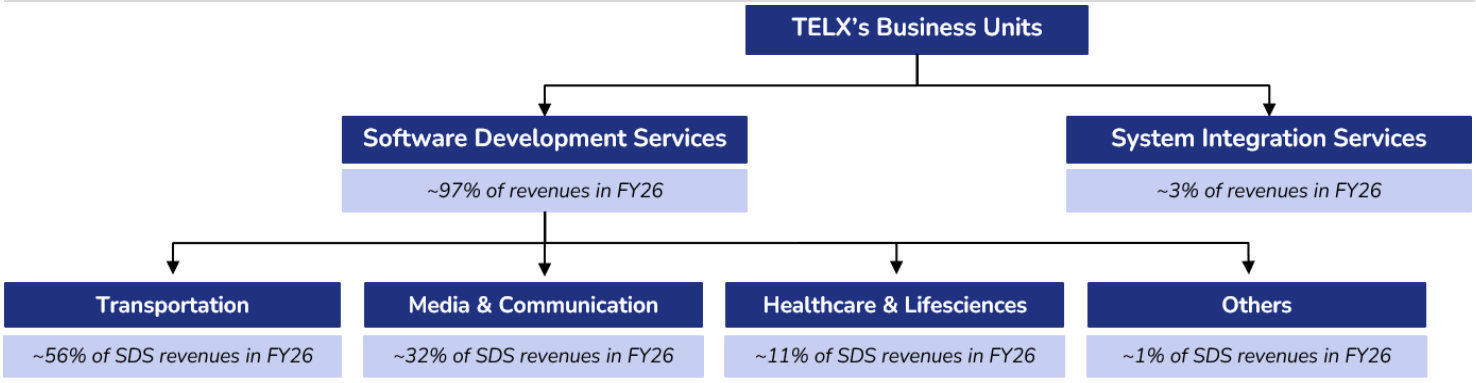
Tata Elxsi is a global design and technology services provider focused on design-led innovation and digital engineering. The company operates at the intersection of design, engineering and digital technologies, offering end-to-end services across the product lifecycle – from concept and ideation to development, validation and deployment. Its core offerings span engineering services, design services and digital transformation solutions, with strong capabilities in areas such as embedded product design, software engineering, cloud, data analytics and artificial intelligence.

The company primarily operates across three key verticals – transportation, media & communications, and healthcare & life sciences. In transportation, it works with global OEMs and suppliers across SDVs, ADAS, electrification, connected platforms and digital cockpit systems. In media & communications, the company provides solutions across OTT platforms, network engineering, and video delivery ecosystems, while in healthcare it focuses on medical devices, regulatory engineering and digital health platforms.

Geographically, the company derives a significant share of its revenue from Europe and North America, while also expanding its presence in India, Japan and other emerging markets. Delivery is enabled through a global delivery model with offshore-led execution, supported by engineering centres, design studios and domain-specific labs.

Business mix and offerings

Exhibit 46: TELX's business mix



Source: Company, JM Financial

Exhibit 47: TELX's offerings across verticals

Vertical	Sub-Vertical	Clients
Transportation	Automotive	Automotive OEMs and Tier-1 suppliers
	Off-highway	Construction & mining equipment OEMs; agricultural equipment manufacturers; industrial vehicle players
	Rail	Rail OEMs; rail system integrators; transportation authorities
	Aerospace	Aerospace OEMs; avionics players; aerospace suppliers
	Defence	Defence organisations; defence OEMs; government agencies
	Mobility/New mobility	EV startups; shared mobility platforms; autonomous mobility players
Media & Communication	OTT/Video platforms	Broadcasters; OTT platforms; content providers
	Telecom/Network	Telecom operators; network equipment providers; ISPs
	Digital platforms/Experience	Media companies; digital service providers; platform companies
Healthcare & Lifesciences	Medical devices/MedTech	Medical device OEMs; diagnostics companies; imaging players
	Healthcare providers	Hospitals; care providers; health systems
	Pharma/Life sciences	Pharmaceutical companies; biotech firms; life sciences organisations
	Digital Health	Health-tech platforms; remote care providers; digital therapeutics companies

Source: Company, JM Financial

Platforms and tools

Exhibit 48: TELX's key IP and solution assets across different segments

Platform/Tool	Segment served	Description
AVENIR	Transportation – Automotive / Off-highway / Rail	Cloud-native Software-Defined Vehicle (SDV) suite supporting development, validation and deployment; enables modular software-first vehicle engineering and virtualised/cloud-based workflows.
TETHER AUTO	Transportation – Automotive / Connected Mobility	Cloud-native, vendor-agnostic connected vehicle platform enabling vehicle-to-cloud connectivity, diagnostics, OTA updates and digital services.
MOBIUS+	Transportation – EV / Battery ecosystem	Battery lifecycle and traceability platform combining lifecycle data, monitoring, analytics and compliance across sourcing, manufacturing, use and end-of-life.
DevStudio.ai	Transportation – Automotive / Semiconductor	Multi-agentic GenAI engineering platform designed to accelerate the automotive software development lifecycle; supports ASPICE-aligned engineering workflows and cloud/on-premises deployment.
AutonomAI	Transportation – Automotive / Autonomous Mobility	AI-driven autonomous-driving technology platform aimed at accelerating development of self-driving capabilities, including simulation/testing and safety-compliance support.
Robo-Taxi Platform	Transportation – Autonomous Mobility	End-to-end Level-4 autonomous ride-hailing solution integrating autonomous-driving stack, simulation/validation, reusable algorithms and synthetic data.
RegCognit	Transportation – Automotive	GenAI-based automotive regulatory-compliance analysis tool that automates analysis and documentation around regulatory requirements.
AutoInsight	Transportation – Automotive	AI-powered conversational vehicle diagnostics/prognostics tool for predictive and intelligent troubleshooting.
DriveSage	Transportation – AD/ADAS	Synthetic-data generation platform for autonomous-driving and ADAS model training and validation.
TEDAX	Transportation – Aerospace / Automotive; cross-industry	AI/GenAI-driven big-data analytics platform that unifies data and automates analytics and insight workflows; includes predictive-maintenance applications.
NEURON	Media & Communications – Telecom	AI/ML-led autonomous network and telco-cloud platform covering lifecycle automation, observability, multi-domain network operations, service/inventory management and closed-loop automation.
QoEtient	Media & Communications – OTT / Video / Telecom	No-code video Quality-of-Experience testing and monitoring platform covering app, network, video and player metrics across devices and networks.
AIVA	Media & Communications – Broadcast / OTT	AI-powered video analytics and content-intelligence platform for automated tagging, metadata enrichment, audience segmentation and highlight generation.
iCX	Media & Communications – Pay TV / Broadband / OTT	Intelligent customer-experience/CPE-management platform combining telemetry and real-time analytics to monitor devices, diagnose issues and improve customer-service operations.
uLike	Media & Communications – OTT / Streaming	AI-powered content recommendation engine providing personalised and cross-platform recommendations based on viewer behaviour and preferences.
TEPlay	Media & Communications – OTT / Video	Secure, scalable end-to-end OTT/video-delivery platform designed to enable personalised streaming experiences.
TEcare	Healthcare & Life Sciences – Digital Health / Digital Therapeutics	Digital-health/digital-therapeutics platform supporting connected care, screening, therapy and patient-management use cases.
AnaTEL	Healthcare & Life Sciences – MedTech / SaMD	AI-native software-development platform for healthcare and MedTech, co-developed with OpenAna; autonomous agents span requirements, architecture, development, verification/validation and deployment.
ViTEL	Healthcare & Life Sciences – MedTech / Materials & Compliance	AI-led material-intelligence solution for MedTech, linking product/material/supplier information with regulatory and compliance requirements.
RegAI	Healthcare & Life Sciences – MedTech / Regulatory Affairs	GenAI-powered regulatory intelligence and workflow automation platform for medical-device companies. It supports regulatory workflows by automating activities such as regulatory intelligence, document/content processing and compliance-related tasks, helping reduce manual effort and accelerate regulatory processes.

Source: Company, JM Financial

Case studies

Exhibit 49: Customer case studies in the Transportation vertical

Capability/Sub-vertical	Client	Problem / Task	What Tata Elxsi Did	Results / Unique Value Added
Automotive – Digital Cockpit / HMI	Tata Motors	Create a next-generation HMI for EVs that could also adapt to ICE vehicles; modernise the UI, reduce screen clutter, balance advanced functionality with driver safety, and support different powertrains/body styles.	Applied human-centred design, consumer research and HMI expertise to develop the Gen 3 digital cockpit; integrated ADAS-related interactions, charging/sustainability analytics, simplified UI, brand identity and personalisation.	2mn+ vehicles onboarded across PV/CV/EV; 4.4/5 rating (88%) from a leading Indian automotive publication; won German Design Award 2024.
Automotive – Powertrain Analytics & Prognostics	European automotive OEM	Modernise data-driven engineering across ICE, hybrid and EV platforms; improve use of real-world operating data, prognostics/diagnostics and visibility across vehicle programmes.	Built a centralised vehicle-program analytics tool; applied large-scale descriptive analytics across vehicle fleets; developed subsystem prognostics, EV charging/communication analytics and region-specific powertrain evaluations using cloud/data/ML stack.	Up to 30% warranty-cost reduction; 3x faster identification of recurring charging issues; up to 30% faster durability/reliability risk detection; up to 75% reduction in manual data-processing effort.
Automotive – Software-Defined Vehicle Engineering	Mercedes-Benz Research and Development India	Scale vehicle software engineering and SDV development as vehicle architectures become increasingly software-led and require integration across autonomous, electric and connected technologies.	Selected as a strategic partner for vehicle software engineering and SDV development; brings capabilities across autonomous/electric/connected vehicles, AI, AVENIR SDV suite, AUTONOMAI ADAS suite, labs and Mobility Innovation Centres.	Strategic relationship with MBRDI expanded after more than a decade of partnership; engagement positions Tata Elxsi to support further scaling of SDV engineering.
Off-Highway – Connected Tractor Platform	Global agricultural OEM	Create a scalable connected-vehicle foundation for current/future tractor services, integrating TCUs, field-management and enterprise systems while supporting OTA updates, security, multilingual deployment and future AI use cases.	Implemented a cloud connected-tractor platform powered by TETHERAuto; integrated device onboarding, data ingestion/visualisation, OEM/dealer/distributor portals, field-management apps, SIM/PKI systems and FOTA; added multi-tenancy and production hardening.	50,000+ tractors and counting; deployed at scale in 8 months; ~30% savings through platform reusability; improved vehicle visibility and service/dealer workflows.
Off-Highway – HILS Validation	Japanese forklift OEM	Scale HILS validation across a growing portfolio of electric/autonomous forklifts; support multiple controller/vehicle variants without duplicative test frameworks and improve automated test coverage.	Expanded HILS infrastructure across variants/controllers; restructured requirements across 12 functional groups; developed master functional/diagnostic tests; automated execution, model updates and CANopen models; added AI-based test generation.	8-week ramp-up; 30% reusability in HILS expansion; supports 5 forklift variants and counting; faster development and more predictable validation.
Rail – Vision-based Asset Inspection	Leading rail operator	Automate inspection of heterogeneous wayside rail assets across a large network while maintaining safety and handling varied environmental conditions.	Developed image-analytics solution using AI/ML for defect detection/classification/segmentation; algorithms identify broken, missing or misaligned parts and critical dimensional gaps and can integrate with backend work-order systems.	15+ wayside asset types covered; 25% reusable algorithms; high degree of inspection automation enabling predictive health monitoring and end-to-end maintenance workflow automation.
Rail – Full-scale CAB Simulator	Prominent European rail OEM	Build a full-scale static driving-train simulator for route-specific pilot training while meeting structural, safety, weight, transport and OEM-parts integration requirements.	Owned system requirements through final integration; optimised roof/floor structures, performed FEA and shipment/durability simulations, integrated OEM subsystems and engineered the simulator for manufacturability and modular assembly.	25% weight reduction and 20% cost reduction; enabled immersive route-specific training; successful delivery led to follow-on desktop and handheld simulator work.
Aerospace & Defence – UCAV Aerostructure	Hindustan Aeronautics Limited (HAL)	Design and fabricate the CATS Warrior loyal-wingman demonstrator within an aggressive 14-week schedule while meeting dimensional, symmetry, weight, fuel-system and structural requirements.	Designed and engineered the airframe assembly, fuel-storage system and landing gear; performed material selection, stress analysis, detailed design, fabrication, validation and system integration including engine ground runs.	1,200+ airframe components engineered; full-scale demonstrator delivered in 14 weeks and unveiled at Aero India 2025; Tata Elxsi subsequently entrusted with fuselage assembly jigs for flying prototypes.

Source: Company, JM Financial

Exhibit 50: Customer case studies in Media & Communications vertical

Capability/Sub-vertical	Client	Problem / Task	What Tata Elxsi Did	Results / Unique Value Added
OTT / Hybrid TV	Bharti Airtel – Airtel Xstream	Combine linear DTH and OTT into one device, enable seamless switching between online/offline content and simplify content discovery without multiple devices.	Led end-to-end strategic design and engineering of an Android TV-based hybrid STB; created unified launcher, voice navigation, universal search, recommendations, parental controls and multi-language support.	India's first hybrid DTH set-top box; brought OTT together with 500+ satellite TV channels; Airtel had ~17mn DTH customers in 2022.
Telecom – Fixed Network Automation	VodafoneZiggo	Build scalable, cost-efficient and high-speed fixed networks while simplifying infrastructure/network/CPE/service/security orchestration for digital consumers.	Acted as technology and system-integration partner across infrastructure, network, CPE, services and security orchestration to automate and scale the fixed-network environment.	Network serving 7mn subscribers with zero congestion; 71Mbps average download speed cited as best in the Netherlands; won Umlaut Group's 2022 Best Fixed Network award.
Telecom – 5G Applications & Integration	Boost Mobile, USA	Scale a cloud-first 5G network while reducing deployment cost, accelerating time-to-market and simplifying complex integrations without compromising performance.	Set up the xG-Force 5G Applications Lab in Bengaluru with ecosystem partners; integrated AI-led platforms including NEURON and TETHER to validate and accelerate cross-industry 5G use cases.	40–60% faster time-to-market; up to 40% reduction in deployment costs/OPEX; solution described as 2x more efficient than traditional approaches.
Media – Ad Sales Transformation	DStv Media Sales / MultiChoice Group	Digitise fragmented advertising operations and integrate linear and digital TV inventory to improve visibility, fill rates and operational efficiency.	Designed and implemented an integrated ad-sales transformation covering automated workflows and a unified view of advertising inventory across linear and digital channels.	15% increase in ad sales; 40+ workflows automated; 15 clients onboarded.
Media – AI-led OTT, AdTech & Automation	Leading African media & entertainment provider	Secure premium OTT content, maximise ad monetisation, automate workflows and improve customer engagement at scale.	Delivered AI-led digital-transformation solutions spanning OTT platform scale/security, AdTech optimisation, workflow automation and customer insight/engagement.	Enabled 3mn+ concurrent viewers for FIFA 2022 live streaming; 70% improvement in ad-inventory fill rate; 90% reduction in customer complaints.
Media – GenAI Metadata Tagging	Indian broadcast / audience measurement industry body	Automate tagging and categorisation of large volumes of news broadcasts; manual tagging was slow, error-prone and difficult to scale, while the client wanted an on-premises solution.	Developed an on-premises GenAI platform that identifies stories, sub-stories and anchors; automated metadata tagging with models retrained on incremental data and designed the platform for multiple media use cases.	200x faster metadata tagging; 90% metadata-generation accuracy; processing time of ~0.3–0.5x video duration.
Media – Sports Streaming Experience	Leading African media conglomerate	Reimagine sports streaming as fans shift from passive viewing toward immersive, interactive and personalised experiences across digital platforms.	Used AI-first and human-centred design to redesign the sports-viewing experience and integrate multiple sports experiences/features for a scalable multi-territory rollout.	Rolled out across 50+ territories; 50% increase in engagement; 14 sports integrations.

Source: Company, JM Financial

Exhibit 51: Customer case studies in Healthcare & Lifesciences vertical

Capability/Sub-vertical	Client	Problem / Task	What Tata Elxsi Did	Results / Unique Value Added
Digital Health – Remote Patient Monitoring	Global telehealth / RPM provider	Build an integrated care-management ecosystem spanning front end, back end and cloud; integrate 500+ point-of-care devices, secure patient data and support mobile care delivery.	Established a Digital Health CoE; co-developed the integrated care platform, Android/iOS apps, smart hub devices, data warehousing/analytics, chatbots and virtual assistants; standardised connectivity and DevOps.	9+ products/platforms/apps developed; 846+ features rolled out; 50+ critical updates enabled for market release.
Digital Health – FHIR Interoperability	Leading US-based renal medical device company	Centralise fragmented patient and therapy data from medical devices and third-party applications to improve remote monitoring and care delivery.	Developed a centralised information system accepting FHIR-formatted data, integrating medical devices and third-party applications through standards-based APIs.	8+ device types integrated; 15+ FHIR resources supported; 5+ third-party applications integrated.
Diagnostics – Portable Point-of-Care Device	Hemex Health	Create an affordable, portable and easy-to-use diagnostic platform for malaria, sickle-cell disease and related blood disorders, and commercialise it across emerging markets.	Developed proof-of-concept through commercialisation: product engineering, manufacturing/assembly/test design, clinical validation, EU IVDR compliance and manufacturing-vendor ecosystem setup.	300k+ tests since launch, 2,500+ lives saved and presence in 25+ countries (current case-study headline metrics).
Regulatory / Sustainability – PFAS Compliance	US-headquartered global medtech leader	Prepare a large global device portfolio for emerging PFAS restrictions while maintaining product continuity and coordinating a complex supplier base.	Assessed BOMs/safety data and suppliers; created centralised database; automated document screening and impact reports using GenAI; monitored regulations, coordinated testing labs and evaluated alternatives.	~4,000 components and 1,300+ suppliers evaluated; 450+ reports generated; 40% reduction in manual effort; 3-year and 5-year PFAS mitigation roadmap developed.
Medical Device Engineering – Value Engineering	Blood coagulation analyser OEM	Upgrade a blood-coagulation analyser to reduce cost, weight and footprint while maintaining regulatory compliance across multiple Asian and European markets.	Re-engineered mechanical, hardware and firmware design; developed prototypes; performed V&V; created compliance-oriented DHF/technical files and supported CE certification.	25% reduction in BOM cost; 35% reduction in weight; 40% reduction in product size; enabled commercialisation in ASEAN and EU markets.
Regulatory – EU MDR / Biocompatibility	German medical device manufacturer	Meet stricter EU MDR and ISO 10993 biocompatibility requirements across a broad device portfolio while controlling testing cost and avoiding regulatory delays.	Performed risk assessments, raw-material evaluation, biological evaluation plans/reports, toxicological risk assessments, supplier/lab coordination and notified-body deficiency support.	340+ BEP/BERs and 130+ TRAs submitted; 3,700+ process aids evaluated; 97% reduction in biocompatibility test samples; successful first-time regulatory submissions.
Regulatory – Global QARA / EU MDR	Leading US medical device manufacturer	Transition a global medical-device portfolio from MDD to EU MDR despite stringent requirements, tight timelines, notified-body constraints and extensive remediation needs.	Built roadmap and gap assessment; remediated DHFs/technical files; supported clinical evaluations, post-market surveillance, literature/data review and regulatory submissions through a global engineering network.	160+ DHF/technical files remediated; 120+ technical files submitted to notified body; 40+ products certified.

Source: Company, JM Financial

Management profiles

Exhibit 52: Board of directors details

Name	Designation	Profile
N Ganapathy Subramaniam	Chairman – Non-Independent Non-Executive Director	• 40+ years of experience in TCS and the Indian IT industry; retired from TCS in May'24 as COO & Executive Director • Experience spans technology, operations, product development, business transformation and large-scale technology programmes across banking, telecom and public services • Currently also chairs Tejas Networks and Tata Communications and is associated with India's indigenous telecom initiatives, including the Bharat 6G Alliance and TSDSI
Prof Anurag Kumar	Independent Non-Executive Director	• Former Director of IISc Bengaluru (2014–20) and currently an Indian National Science Academy Distinguished Professor continuing his academic work at IISc • Worked at AT&T Bell Laboratories before joining IISc, has published 200+ peer-reviewed papers in communications networking and distributed systems • Bachelor of Technology from IIT Kanpur and PhD from Cornell University and a Fellow of IEEE, INSA, INAE, IASc and TWAS
Ms Ashu Suyash	Independent Non-Executive Director	• 30+ years of experience in financial services and global information services, spanning banking, capital markets, investment & wealth management, ratings, research and analytics • Founded Colossa Ventures after serving as MD & CEO of CRISIL and a member of S&P Global's Global Operating Committee • Was CEO of L&T Investment Management and Country Head & MD of Fidelity's Indian mutual-fund business; started her career at Citibank • Chartered Accountant and a Bachelor of Commerce from the University of Mumbai
Mr Soumitra Bhattacharya	Independent Non-Executive Director	• 41 years of corporate experience, including 28+ years with the Bosch Group; served as MD of Bosch Ltd. and Regional President of Bosch Group in India before retiring in Jun'23 • Earlier roles – Tata Steel, INDAL and being among the early members of Tanishq; currently Chairman of Bosch Ltd., CEO & Director of IFQM and Chairman of CII Institute of Quality. • Chartered Accountant and a Bachelor of Commerce in Accounting & Finance from Kanpur Vishwavidyalaya.
Mr Ankur Verma	Non-Independent Non-Executive Director	• Group Chief Strategy Officer at Tata Sons, responsible for strategy, corporate finance and M&A; ~25 years of experience in investment banking, capital markets and corporate strategy • Prior roles include MD in Bank of America Merrill Lynch's Investment Banking Division and Group Manager & Head – Business Planning at Infosys Technologies. • Bachelor of Engineering (Mechanical) and PGDM from IIM Calcutta.
Mr Manoj Raghavan	Managing Director & CEO	• Managing Director & CEO of Tata Elxsi with 27+ years of industry experience. Prior to becoming CEO & MD, he was EVP and Head of the Embedded Product Design division, with responsibility for sales, delivery and P&L. • He joined Tata Elxsi in 1997 to establish and grow its Japan operations and subsequently developed the company's business across South Korea, Taiwan, Singapore and China. • Bachelor of Technology from IIT Madras, an MBA from IIFT, New Delhi, and has completed the Advanced Management Program at Harvard Business School.

Source: Company, JM Financial

Exhibit 53: Key management personnel details

Name	Designation	Profile
Mr Manoj Raghavan	Managing Director & CEO	• Managing Director & CEO of Tata Elxsi with 27+ years of industry experience; before becoming CEO & MD, he was EVP and Head of the Embedded Product Design division, with responsibility for sales, delivery and P&L • Joined Tata Elxsi in 1997 to establish and grow its Japan operations and subsequently developed the company's business across South Korea, Taiwan, Singapore and China. • Bachelor of Technology from IIT Madras and an MBA from IIFT, New Delhi; completed the Advanced Management Programme at Harvard Business School.
Mr Nalin Rana	Chief Financial Officer	• CFO of Tata Elxsi from 30th May'26, succeeding Mr Gaurav Bajaj; has 17 years of experience in strategic finance, business planning, corporate strategy and investment banking • Joined the Tata Group in 2021 and, prior to Tata Elxsi, was a senior leader in the Group CFO and Group Strategy Office of Tata Sons; Earlier, he was Executive Director in Standard Chartered Bank's investment-banking team and advised Indian and global clients on M&A and fund-raising transactions • Post-graduate management degree from IIM Indore and a Bachelor of Technology in Electrical Engineering from NIT Silchar
Ms Sneha V	Company Secretary & Compliance Officer	• Qualified company secretary and law graduate with 8+ years of experience across corporate governance, regulatory compliance and strategic legal advisory • Prior to joining Tata Elxsi, she worked at Tejas Networks and was involved in corporate initiatives including IPOs, preferential allotments, M&A and secretarial compliances

Source: Company, JM Financial

TELX - Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E	FY25A	FY26A	FY27E	FY28E	FY29E
Net Sales	37,290	37,574	41,961	45,768	51,449
Sales Growth (%)	5.0	0.8	11.7	9.1	12.4
Other Operating Income	-	-	-	-	-
Total Revenue	**37,290**	**37,574**	**41,961**	**45,768**	**51,449**
Cost of Goods Sold/Op. Exp	22,862	24,599	27,636	29,834	33,138
Personnel Cost	-	-	-	-	-
Other Expenses	4,501	4,506	5,389	5,721	6,328
EBITDA	**9,927**	**8,468**	**8,936**	**10,214**	**11,983**
EBITDA Margin (%)	26.6	22.5	21.3	22.3	23.3
EBITDA Growth (%)	-5.1	-14.7	5.5	14.3	17.3
Depn. & Amort.	1,049	938	945	1,017	1,132
EBIT	8,879	7,530	7,991	9,197	10,851
Other Income	1,595	883	1,685	1,831	2,058
Finance Cost	190	162	125	130	130
PBT before Excep. & Forex	10,284	8,251	9,551	10,898	12,779
Excep. & Forex Inc./Loss(-)	-	-	-	-	-
PBT	10,284	8,251	9,551	10,898	12,779
Taxes	2,435	1,967	2,534	2,888	3,387
Extraordinary Inc./Loss(-)	-	-	-	-	-
Assoc. Profit/Min. Int.(-)	-	-	-	-	-
Reported Net Profit	7,849	6,284	7,018	8,010	9,393
Adjusted Net Profit	**7,849**	**6,284**	**7,018**	**8,010**	**9,393**
Net Margin (%)	21.0	16.7	16.7	17.5	18.3
Diluted Share Cap. (mn)	62	62	62	62	62
Diluted EPS (INR)	**126.0**	**100.9**	**112.7**	**128.6**	**150.8**
Diluted EPS Growth (%)	-0.9	-19.9	11.7	14.1	17.3
Total Dividend + Tax	4,671	4,671	4,671	4,671	4,671
Dividend Per Share (INR)	75.0	75.0	75.0	75.0	75.0

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E	FY25A	FY26A	FY27E	FY28E	FY29E
Shareholders Fund	28,600	30,413	30,413	30,413	30,413
Share Capital	623	623	623	623	623
Reserves & Surplus	27,977	29,790	29,790	29,790	29,790
Preference Share Capital	-	-	-	-	-
Minority Interest	-	-	-	-	-
Total Loans	-	-	-	-	-
Def. Tax Liab. / Assets (-)	-714	-1,359	-1,359	-1,359	-1,359
Other non-current liabilities / Lease Liabilities	2,490	2,228	2,228	2,228	2,228
Total - Equity & Liab.	**30,376**	**31,282**	**31,282**	**31,282**	**31,282**
Net Fixed Assets	1,646	1,321	1,469	1,598	1,790
Gross Fixed Assets	1,557	1,271	1,419	1,548	1,740
Intangible Assets	88	50	50	50	50
Less: Depn. & Amort.	-	-	-	-	-
Capital WIP	-	-	-	-	-
Investments	-	-	-	-	-
Current Assets	33,498	36,946	37,458	37,903	38,567
Inventories	-	-	-	-	-
Sundry Debtors	9,715	10,794	12,054	13,148	14,779
Cash & Bank Balances	16,064	16,686	14,987	13,512	11,312
Loans & Advances	37	41	41	41	41
Other Current Assets	7,681	9,424	10,376	11,202	12,435
Current Liab. & Prov.	4,767	6,984	7,645	8,219	9,075
Current Liabilities	6,753	8,468	9,308	10,037	11,125
Provisions & Others	-1,986	-1,483	-1,662	-1,818	-2,050
Net Current Assets	23,208	22,697	21,849	21,113	20,015
Other Non Current Assets/ROU Assets	5,523	7,264	7,964	8,571	9,477
Total - Assets	**30,376**	**31,282**	**31,282**	**31,282**	**31,282**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E	FY25A	FY26A	FY27E	FY28E	FY29E
Profit before Tax	10,284	8,251	9,551	10,898	12,779
Depn. & Amort.	1,049	938	945	1,017	1,132
Net Interest Exp. / Inc. (-)	-975	-1,212	125	130	130
Inc (-) / Dec in WCap.	-242	674	-851	-739	-1,102
Others	244	229	-	-	-
Taxes Paid	-2,239	-2,240	-2,534	-2,888	-3,387
Operating Cash Flow	**8,120**	**6,640**	**7,236**	**8,418**	**9,552**
Capex	-162	-103	-1,793	-1,597	-2,230
Free Cash Flow	7,958	6,536	5,443	6,820	7,322
Inc (-) / Dec in Investments	-2,921	-622	-	-	-
Others	-	-	-	-	-
Investing Cash Flow	**-3,083**	**-725**	**-1,793**	**-1,597**	**-2,230**
Inc / Dec (-) in Capital	-	-	-	-	-
Dividend + Tax thereon	-4,972	-5,330	-4,671	-4,671	-4,671
Inc / Dec (-) in Loans	-	-	-	-	-
Others	-14	-18	-125	-130	-130
Financing Cash Flow	**-4,986**	**-5,348**	**-4,795**	**-4,801**	**-4,801**
Inc / Dec (-) in Cash	**51**	**567**	**647**	**2,019**	**2,521**
Opening Cash Balance	1,332	1,353	1,945	2,593	4,612
Closing Cash Balance	1,353	1,945	2,593	4,612	7,133

Source: Company, JM Financial

DuPont Analysis					
Y/E	FY25A	FY26A	FY27E	FY28E	FY29E
Net Margin (%)	21.0	16.7	16.7	17.5	18.3
Asset Turnover (x)	1.3	1.2	1.3	1.4	1.6
Leverage Factor (x)	1.1	1.1	1.1	1.1	1.1
RoE (%)	29.3	21.3	23.1	26.3	30.9

Source: Company, JM Financial

Key Ratios					
Y/E	FY25A	FY26A	FY27E	FY28E	FY29E
BV/Share (INR)	459.2	488.3	488.4	488.3	488.3
ROIC (%)	56.4	43.7	40.3	41.8	44.3
ROE (%)	29.3	21.3	23.1	26.3	30.9
Net Debt/Equity (x)	-0.6	-0.5	-0.5	-0.4	-0.4
P/E (x)	24.5	30.7	27.4	24.1	20.5
P/B (x)	6.7	6.3	6.3	6.3	6.3
EV/EBITDA (x)	17.8	20.8	19.9	17.5	15.1
EV/Sales (x)	4.7	4.7	4.2	3.9	3.5
Debtor days	95	105	105	105	105
Inventory days	-	-	-	-	-
Creditor days	16	15	15	15	15

Source: Company, JM Financial

APPENDIX I

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Rating	**Meaning**
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ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

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