

RESEARCH REPORT

TATA ELXSI LTD



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About

Tata Elxsi is amongst the world's leading providers of design and technology services across industries including Automotive, Media, Communications and Healthcare. Tata Elxsi provides integrated services from research and strategy, to electronics and mechanical design, software development, validation and deployment, and is supported by a network of design studios, global development centers and offices worldwide.

Revenue Breakup

Software Development and Services- 97.2%

Systems Integration and Support- 2.8%

Synopsis of Financials

- Profit After Tax (PAT) grew by 24.6% quarter-on-quarter to INR 229.4 crores, supported by R&D incentives and tax credits.
- Strong growth in revenue from India (31.2% year-on-year) and Japan/emerging markets (81.9% year-on-year).
- Attrition rate maintained at 12.5%, with plans to onboard freshers.
- Revenues from operations during Q1 FY '25 was INR 926.5 crores, growing 2.4% QoQ and 8.4% YoY in constant currency terms.
- EBITDA for the quarter was INR 252.3 crores, with a flat growth of 0.3% YoY.
- PBT for the quarter was INR 252.4 crores.
- EBITDA margin would have been 29.4% and PBT margin would have been 28.4% if not for a one-time expense.
- Contribution to the Progressive Electoral Trust of INR 19.78 crores for the quarter ended June 30, 2024.

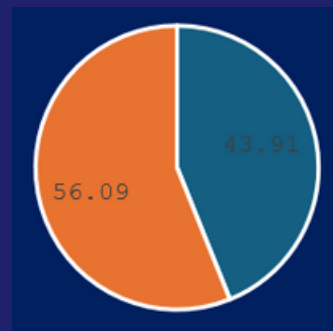
Stock data (as 4th Dec 2024)

Nifty Price	: 24,475
52 week High (in Rs.)	: 9,200
52 week Low (in Rs.)	: 6,285
Market Cap. (in Crore)	: ₹ 44,420 Cr.
NSE Code	: TATAELXSI



-NIFTY50
-TATAELXSI

Shareholding Pattern (March 2024)



-PUBLIC GROUP
-PROMOTER GROUP

Financial Summary

Particulars	Mar 2022	Mar 2023	Mar 2024
Sales	2,471	3,145	3,552
Sales Growth %	35.30%	27.28%	12.96%
Expenses	1,704	2,182	2,505
Operating Profit	767	962	1,047
OPM %	31%	31%	29%
Net Profit	550	755	792
EPS in Rs	88.26	121.26	127.21

Quarterly Results



Particular	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Sales	763	818	838	850	882	914	906
Expenses	537	571	588	599	618	644	645
Operating Profit	227	247	250	251	264	270	261
OPM %	30%	30%	30%	30%	30%	30%	29%
Other Income	19	19	26	22	31	35	34
Interest	4	4	4	4	6	6	5
Depreciation	22	21	21	21	25	25	28
Profit before tax	219	240	250	248	264	274	262
Tax %	20%	19%	19%	24%	24%	25%	25%
Net Profit	174	195	202	189	200	206	197

Source: Screener

Key Ratios

Ratio	Numerator	Denominator	As at March 31, 2024	As at March 31, 2023	Variance %
Current Ratio (in times)	Total current assets	Total current liabilities	5.69	4.83	18%
Debt-Equity Ratio (in times)	Total debt consist of Lease liabilities	Total equity	0.09	0.09	0%
Debt Service Coverage Ratio (in times)	Earning for Debt Service = Net Profit after taxes + Non-cash operating expenses + finance cost + Other non-cash adjustments	Debt service = Interest & lease payments	18.32	22.39	(18)%
Return on Equity Ratio (in%)	Net Profit for the year	Average total equity	34.51	40.97	(16)%
Trade Receivables turnover ratio (in times)	Revenue from operations	Average trade receivables	3.65	3.81	(4)%
Trade payables turnover ratio (in times)	Cost of materials consumed + Changes in inventories of stock-in-trade + Other expenses	Average trade payable	6.31	6.25	1%

Source: Annual Report

Yearly Results

Particulars	Mar 2022	Mar 2023	Mar 2024
Equity Capital	62	62	62
Reserves	1,539	2,023	2,443
Borrowings	138	185	225
Other Liabilities	430	493	457
Total Liabilities	2,169	2,764	3,187
Fixed Assets	272	334	396
CWIP	22	7	2
Investments	0	0	0
Other Assets	1,876	2,423	2,789
Total Assets	2,169	2,764	3,187

Synopsis Quater Results

Key Highlights

Quarterly Performance Overview:

- Revenues from operations for Q2 FY '25 reached INR 955.1 crores, a quarter-on-quarter growth of 3.1%.
- In constant currency terms, operating revenues remained flat with a modest growth of 0.2%.
- EBITDA margins expanded by 70 basis points to 27.9% for the quarter.

Business Segment Performance:

Transportation:

- Continued to drive growth with a revenue increase of 4.4% quarter-on-quarter in constant currency.
- Secured a landmark US\$50 million multi-year deal with a global OEM based in Europe, focusing on software-defined vehicles (SDV) and automotive engineering.
- Announced strategic engagement with Nidec Corporation for automotive technology initiatives.
- Launched a next-gen mobility innovation center in Bangalore in partnership with Emerson.

Media and Communication:

- Experienced a decline of 2.2% quarter-on-quarter in constant currency due to pending customer decisions and project completions.
- Notable developments include the world's first RDK broadband implementation for Qualcomm, enabling high-speed broadband services.
- Won a strategic AI Center of Excellence deal with a leading Middle Eastern operator.

Healthcare and Life Sciences:

- Reported a decline of 11.2% quarter-on-quarter in constant currency due to delays in program renewals with a major US client.
- Added new customers, including a global renal care leader and a US healthtech AI leader.
- Partnered with Skanray for advanced surgical imaging technology development.
- Launched a robotics innovation lab in Frankfurt with Denso Robotics and AATech.

Market Outlook and Challenges:

- Management expressed optimism about growth in H2 FY '25 despite a general slowdown in the automotive sector.
- Anticipated recovery in the healthcare segment with expectations of resumed project starts in Q3.
- Media and telecommunications sector characterized as facing significant challenges, with a focus on cost takeouts and consolidations.

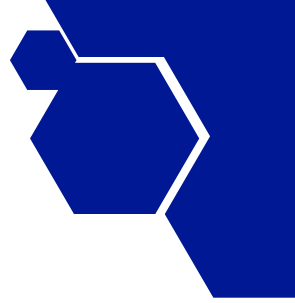
Headcount and Resource Management:

- Cautious approach to headcount additions; hiring will focus on specialized skills as needed.
- Freshers from campus recruitment expected to start in Q3 and Q4.
- Current utilization rate at 69.5%, indicating sufficient capacity to manage new projects without immediate headcount increases.

Strategic Focus:

- Continued emphasis on expanding business in Japan and emerging markets.
- Potential interest in entering new verticals, including defense and semiconductor sectors, to diversify revenue streams.
- Management remains committed to pursuing double-digit constant currency growth for FY '25 despite challenging market conditions.

Revenue Highlights



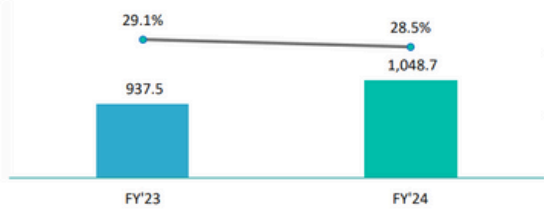
Revenue from Operations



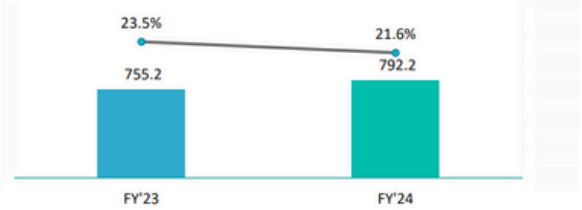
EBITDA & Margin (%)



PBT & Margin (%)



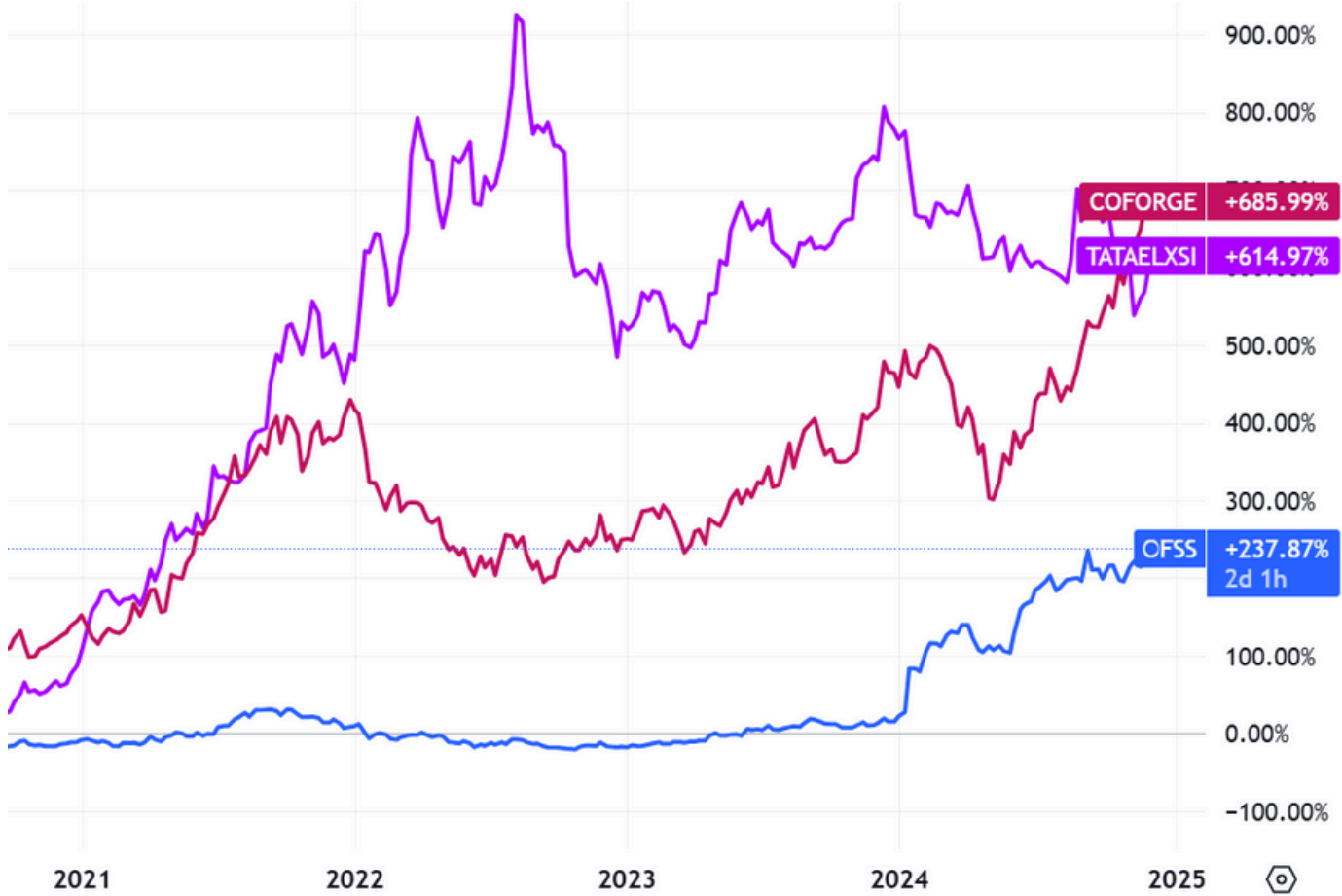
PAT & Margin (%)



Peer Comparison



Peer Stock Performance (5Y) Indexed



Source: Trading View

Peer Financial Performance

Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
Oracle Fin.Serv.	12425.60	43.21	107868.56	1.88	577.70	38.39	1673.90	15.88	39.54
Coforge	8745.00	74.15	58383.33	0.87	233.60	11.71	3062.30	34.54	28.60
Tata Elxsi	7132.05	54.32	44419.85	0.98	229.43	14.70	955.09	8.32	42.74

Source: Screener

Final Outlook

TATAELXSI: BUY | LTP: 7132

In FY 2024 Company reported 14.15% rise in its Net income, and Sales growth is Increase by 11.05% which show strong hold of TATA Elxsi in the market. The total current liability also declined by 6.82%. Company also reported highest ROCE than their competitors i.e. 42.74% . Peer comparison places Tata Elxsi in a strong position relative to other IT services firms, such as Infosys and Tech Mahindra, due to its niche focus on design-led engineering. Current market conditions show demand for digital transformation and engineering services, areas where Tata Elxsi excels . Tata Elxsi also show highest ROE than their peers i.e. 34.47%. According to me Due to its strong financial, raising growth i recommend to BUY the stock.

This rise was driven by exceptional financial performance, including record growth for the financial year 2021-22. The company reported a 35.3% year-on-year increase in operating revenue and a 49.3% increase in profits, marking its highest-ever annual growth. The company's strong Q4 results also contributed, with a 31.5% year-on-year growth in revenue, mainly powered by its key sectors like transportation, media and communications, and healthcare, all showing substantial growth.

I will give **Buy** recommendation for this stock.

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