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BSE Code: 500408 **NSE Code:** TATAELXSI **Reuters Code:** TTEX.BO **Bloomberg Code:** TELX:IN

Incorporated in 1989, Tata Elxsi Ltd. operates in two broad business segments viz. – Software Development & Services and Systems Integration & Support. The company has a widespread overseas presence across Dubai, France, Germany, Japan, Malaysia, Singapore, South Africa, UAE, UK and USA.

Key Developments

Niche market presence for the EPD segment:

Software development and services is the core business of the company (contributes more than 90% to the overall revenue and 95% of EBIT). It consists of three distinct business divisions viz. – Embedded Product Design (EPD), Industrial Design (ID) and Visual Computing Labs (VCL). The company has niche presence in high margin EPD segment (contributes ~80% to overall revenue).

Industrial Design business:

Industrial design accounts for ~10% of the company's overall revenue. Tata Elxsi helps customers across industries (including automotive, consumer electronics, retail & consumer goods and healthcare) in developing endearing brands and products by providing complete product design service and technology. It has already supported launch of over fifty brands and products across the world.

Dividend payout stays healthy:

The dividend payout of the company has averaged 46% over the last 5 years.

Q2FY16 performance:

Tata Elxsi reported 28.1% YoY increase in its top-line to Rs. 264 Crores in Q2FY16 from Rs. 206 Crores in the corresponding quarter last year. Operating expenses of the company increased by 23.3% YoY to Rs. 202 Crores. EBITDA witnessed a growth of 46.6% YoY to Rs. 61 Crores from Rs. 42 Crores. EBITDA margin expanded by 295 bps to 23.2% in Q2FY16 from 20.3% in Q2FY15. PAT rose by 61.2% YoY to Rs. 38 Crores in Q2FY16 from Rs. 24 Crores in the year ago period. Also, PAT margin witnessed an expansion of 297 bps to 14.5% from 11.5% during the period under review.

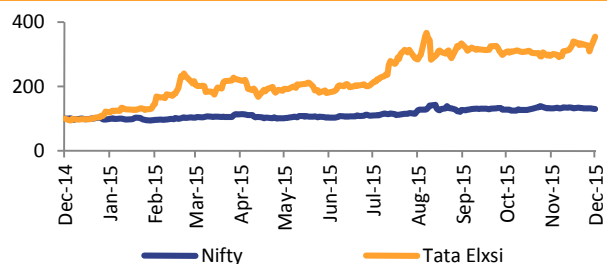
Market Data

CMP (Rs.)	2,212
Face Value	10.0
52 week H/L (Rs.)	2,330/596
Adj. all time High (Rs.)	2,330
Decline from 52WH (%)	5.1
Rise from 52WL (%)	271.1
Beta	1.0
Mkt. Cap (Rs.Cr)	6,888
Enterprise Value(Rs. Cr)	6,688

Fiscal Year Ended

	FY13	FY14	FY15
Total revenue (Rs.cr)	622	775	849
Net Profit (Rs.cr)	55	72	102
Share Capital (Rs.Cr)	31	31	31
EPS (Rs.)	12.6	23.2	32.8
P/E (x)	15.1	23.5	35.3
P/BV (x)	3.0	7.2	12.7
ROE (%)	28.5	33.5	39.3

One year Price Chart



Shareholding	Sep15	Jun15	Diff.
Promoters	44.9	44.9	0.0
DII	10.6	8.4	2.2
FII	3.3	3.9	(0.6)
Others	41.2	42.8	(1.6)

The company operates in two broad business segments viz. – Software Development & Services and Systems Integration & Support.

Tata Elxsi Ltd: Business overview

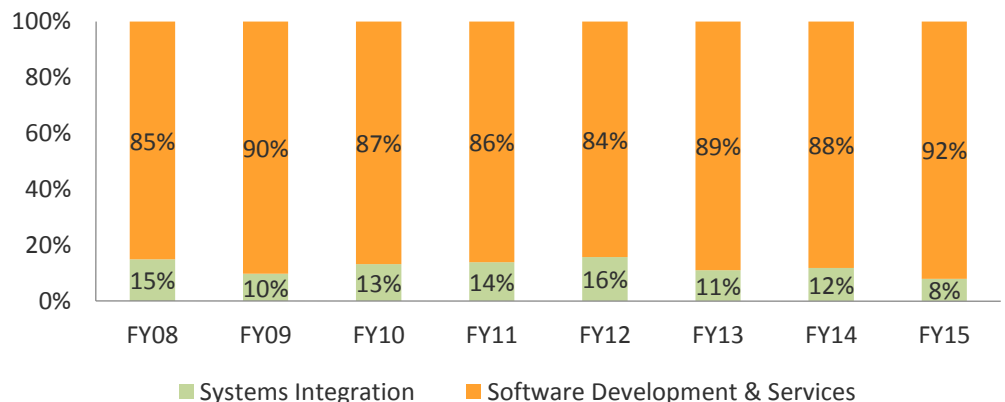
Incorporated in 1989, Tata Elxsi Ltd. is the product design arm of the Tata Group, headquartered at Bangalore. It provides technology consulting, product development and testing services to leading product companies, service providers and start-ups in India and overseas. The company operates in two broad business segments viz. – Software Development & Services and Systems Integration & Support.

Software Development & Services segment consists of three distinct business divisions viz. – Embedded Product Design (EPD), Industrial Design (ID) and Visual Computing Labs (VCL). The EPD division provides technology consulting, new product design, development, and testing services for the broadcast, consumer electronics, healthcare, telecom and transportation industries. Further, the ID division helps customers in developing endearing brands and products by using design and technology. This division services a broad spectrum of industries including automotive, consumer electronics, retail & consumer goods and healthcare. Finally, VCL division provides high-end Visual Effects and 3D Animation services for the media and entertainment industry, addressing content development for feature films, episodic television serials, advertising commercials and gaming.

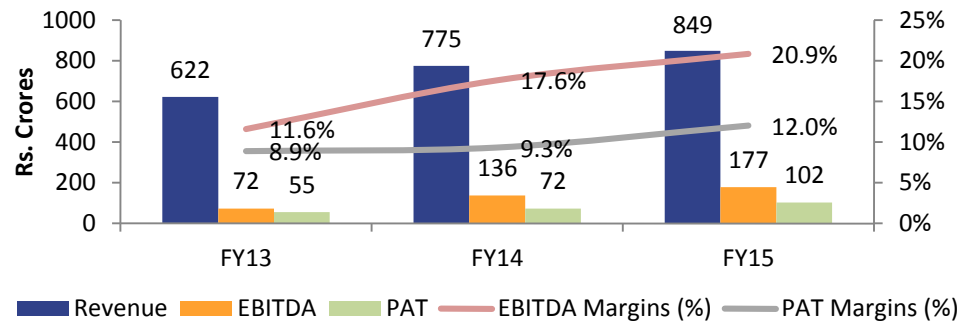
During FY15, the Software Development & Services segment contributed ~92% to the company’s overall revenue. The business segment grew by 15% YoY to Rs. 781.8 Crores in FY15. Segment profit increased by 28% YoY to Rs. 176.3 Crores during FY15. Systems Integration & Support segment consists of complete systems and solutions for High-Performance Computing, CAD/CAM/CAE/PLM, Broadcast, Virtual Reality, Storage, and Disaster Recovery. The segment reported turnover of Rs. 67.6 Crores and profit of Rs. 5.9 Crores in FY15. The company has one wholly-owned subsidiary – Tata Elxsi (Singapore) Pte. Ltd. Currently, it has a headcount of 4,500 people.

Tata Elxsi caters to a large number of sectors including – communications, consumer products, defence, healthcare, media & entertainment, semi-conductor and transportation. The company has a widespread overseas presence across Dubai, France, Germany, Japan, Malaysia, Singapore, South Africa, UAE, UK, and USA. Europe and US contributed majority of the revenues during FY15 (49% and 28% respectively), while India accounted for 20% and rest came from other markets.

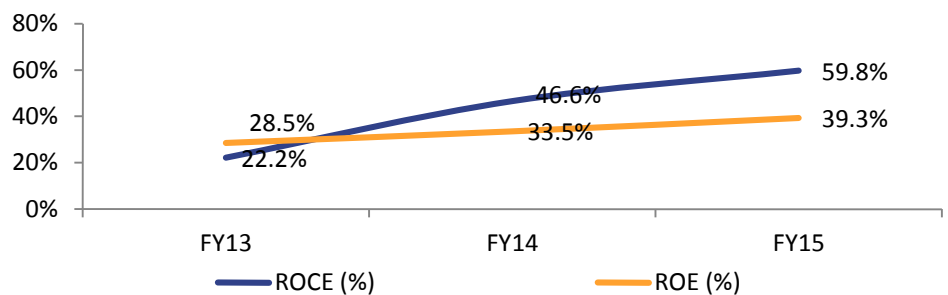
Revenue mix – largely skewed towards software



Financial snapshot of Tata Elxsi Ltd.



Return Ratios Trend



Transportation business continues to remain the driving force

Tata Elxsi offers electronics, software development and system design services for the automotive industry. Its' partnership with industry bodies such as AUTOSAR, Artop, and Genivi has led the company to provide design and development of next-Gen automotive electronics, pertaining to Powertrain and Hybrids, Body & Chassis, Safety & Security, and Infotainment & Telematics. The primary growth driver for Tata Elxsi in the Embedded Product Design (EPD) division (contributes ~80% to overall revenue) is the Transportation business.

Major clients in the transportation business

Tata Elxsi is engaged with many OEMs in India, Japan, Europe and the US. Its key clients include Ford, Jaguar Land Rover, Isuzu, Nissan, Tata Motors, Mahindra & Mahindra, Lear, Visteon, Delphi and Magna. Currently, the company is working with two OEMs and six to seven Tier 1 companies in India.

Broadcast and Consumer Electronics business

This business is another vital vertical in the EPD division. Tata Elxsi is a major provider of product engineering services for the Broadcast industry. It caters to requirements of prominent Multiple-System Operators (MSOs), Original Equipment Manufacturers (OEMs) and Original Design Manufacturers (ODMs) for connected devices, and Set-Top Box (STB), Smart TV. It is engaged with global broadcast service providers for development of value-added applications, and helps them in reducing engineering costs associated with development and deployment through cost-effective offshore services. Tata Elxsi has ~10% market share in the broadcast market.

Some of the major clients of Tata Elxsi are - Ford, Jaguar Land Rover, Nissan, Tata Motors, M&M, etc.

Tata Elxsi has ~10% market share in the broadcast market.

Working across the value chain of broadcast industry to develop new products and solutions



Systems Integration & Support business

Tata Elxsi is an early entrant in the system integration space in India. The company helps its customers in implementing complex design solutions across market segments such as Automotive, Aerospace, Entertainment, Manufacturing, Government and Education. It integrates complete systems and solutions for High-Performance Computing, CAD/CAM/CAE/PLM, Broadcast, Virtual Reality, Storage, and Disaster Recovery. It also provides Professional Services for maintenance and support of IT infrastructure in India and overseas. Revenue contribution from this segment is minimal (below 10% of the overall revenue) and software and support services accounts for major pie in this business mix.

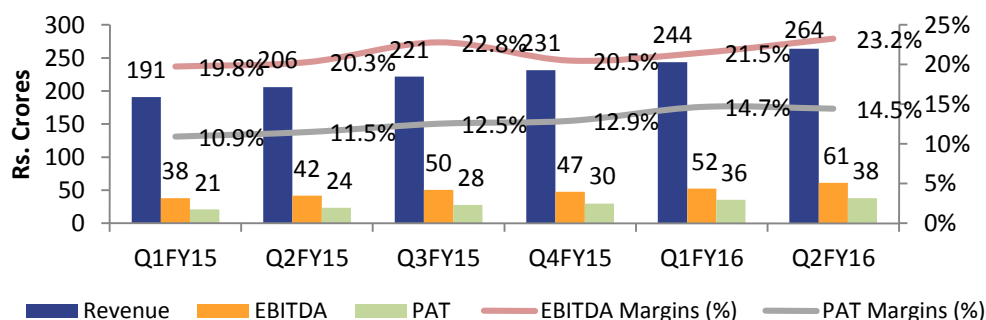
Q2FY16 performance

Tata Elxsi reported 28.1% YoY increase in its top-line to Rs. 264 Crores in Q2FY16 from Rs. 206 Crores in the corresponding quarter last year. However, the revenue growth sequentially was 8.3%. Software Development & Services segment grew by 31.2% YoY (10% QoQ) to Rs. 248 Crores. Operating expenses of the company increased by 23.3% YoY to Rs. 202 Crores. The major escalation was in employee expenses which rose by 26.0% YoY (11% QoQ) to Rs. 144 Crores in Q2FY16. EBITDA witnessed a growth of 46.6% YoY to Rs. 61 Crores from Rs. 42 Crores. EBITDA margin expanded by 295 bps to 23.2% in Q2FY16 from 20.3% in Q2FY15. PAT rose by 61.2% YoY to Rs. 38 Crores in Q2FY16 from Rs. 24 Crores in the year ago period. Also, PAT margin witnessed an expansion of 297 bps to 14.5% from 11.5% during the period under review.

Capacity utilization during the quarter was ~75%. Geographically, Tata Elxsi generates ~45% revenue from Europe, 35% from US and the rest from India and Asia during the quarter.

Revenue growth of 28% YoY was backed by 31% YoY growth in Software Development & Services segment.

Quarterly performance trend



Balance Sheet (Consolidated)

(Rs.Cr)	FY13	FY14	FY15
Share Capital	31	31	31
Reserve and surplus	164	205	252
Net Worth	195	236	283
Total Debt	59	-	-
Other non-current liabilities	24	18	16
Total Equity & Liabilities	278	254	299
Fixed Assets	120	109	101
Investments	-	-	-
Net current assets	88	98	157
Other non-current assets	69	47	41
Total Assets	278	254	299

Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY13	FY14	FY15
Net profit/loss before tax& extraordinary items	33	112	155
Net cashflow from operating activities	-	126	143
Net cash used in investing activities	-	(24)	(33)
Net cash used from financing activities	(3)	(74)	(28)
Net inc/dec in cash and cash equivalents	(4)	28	82

Financial performance snapshot

Net sales of the company stood at Rs. 849 Crores in FY15, a growth of 9.6% as compared to Rs. 775 Crores in FY14. The operating expenses of the company increased by 5.3% YoY to Rs. 672 Crores from Rs. 638 Crores during the year. The company's EBITDA grew by 29.9% YoY to Rs. 177 Crores in FY15 from Rs. 136 Crores in FY14. EBITDA margin expanded by 326 bps to 20.9% in FY15 from 17.6% in FY14. Net profit increased by 41.2% to Rs. 102 Crores in FY15 from Rs. 72 Crores in FY14. The NPM margin expanded by 269 bps to 12.0% from 9.3% during the above period.

Profit & Loss Account (Consolidated)

(Rs.Cr)	FY13	FY14	FY15
Net revenue	622	775	849
Expenses	550	638	672
EBITDA	72	136	177
Depreciation	24	35	26
EBIT	48	101	152
Interest cost	4	2	-
Other Income	5	13	3
Profit Before Tax	49	112	155
Tax	11	40	53
Profit After Tax	38	72	102
Minority Interest	-	-	-
P/L from Associates	1	-	-
Reported PAT	38	72	102
E/o income / (Expense)	16	-	-
Net Profit	55	72	102

Key Ratios (Consolidated)

	FY13	FY14	FY15
EBITDA Margin (%)	11.6	17.6	20.9
EBIT Margin (%)	7.8	13.1	17.9
NPM (%)	6.3	9.3	12.0
ROCE (%)	22.2	46.6	59.8
ROE (%)	28.5	33.5	39.3
EPS (Rs.)	12.6	23.2	32.8
P/E (x)	15.1	23.5	35.3
BVPS(Rs.)	62.7	75.7	91.0
P/BVPS (x)	3.0	7.2	12.7
EV/EBITDA (x)	9.0	12.2	19.6



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