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Tata Elxsi Ltd.

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Tata Elxsi Ltd. (TEL) is a design company that blends technology, creativity and engineering to help customers transform ideas into world-class products and solutions. A part of the \$100 billion Tata group, Tata Elxsi addresses the communications, consumer products, defence, healthcare, media & entertainment, semiconductor and transportation sectors. This is supported by a network of design studios, development centres and offices worldwide. Key services include embedded product design, industrial design, animation & visual effects and systems integration.

Investor's Rationale

Sturdy growth in software development revenue boosted the topline by 28% YoY – TEL recorded a robust growth of ~28% in its consolidated topline during Q3FY'14 at ₹2,001.2 mn driven by continued growth across services and geographies. System Integration & Support services and Software development business grew by 40% and 30% at ₹156.1 mn and ₹1,829.8 mn respectively. The company's international revenues have grown QoQ inspite of the negative currency impact as compared to the previous quarter.

Net profit rose 147% on strong topline – TEL reported a strong growth in its bottomline by 147% YoY at ₹215.7 mn mainly assisted by the strong sales growth. However, the sharp rise in taxation by 187% YoY to ₹111.7 mn and depreciation by 51% YoY to ₹92.6 mn restricted the growth in the bottomline. Consequently, NPM expanded 538bps YoY to 10.8% from 5.5%.

EBITDA margin expanded 1,124bps due to operational efficiency – EBITDA expanded 164 bps YoY to 435.5% against the 165% year earlier, mainly due to operational efficiency which minimizes the impact of INR appreciation and rise in financial cost. Employee cost grew by 16% at ₹1,043.5 mn and other expenses grew by 5.1% at ₹387.9 mn. Accordingly, OPM expanded by 1124bps YoY to 21.8% from 10.5%.

Continue to focus on global market and product innovation - The company will continue to focus on scaling its electronic design and ID businesses, building domain-centric capabilities and integrated offerings in select verticals, including broadcast and media, transportation, communications, semiconductor and medical electronics. To make its presence in global market, the company has showcased a range of innovative solutions at the International CES 2014 in Las Vegas, the premier show for technologies and innovations in consumer electronics. This includes solutions and capability demonstrators for next generation in-vehicle infotainment and prototype concepts for security in connected cars, a move to sustain its revenue base.

Market Data

Rating	BUY
CMP (₹)	415
Target Price	500
Stop Loss	365
Duration	Short-term
52-week High-Low (₹)	428/157
Rise from 52WL (%)	164
Correction from 52WH (%)	3.03
Beta	0.41
1 year Average Volume (mn)	0.36
	3M-
Stock Return (%)	93.8
	6M-
	127
	1Y-
	89.5
Market Cap (₹bn)	12.64
Book Value (₹)	62.68

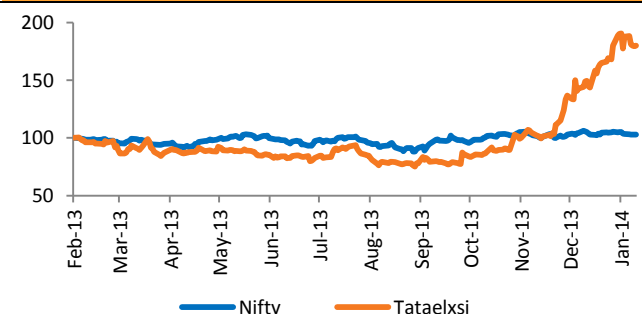
Shareholding Pattern

	Dec'13	Sep'13	Chg
Promoters (%)	45.11	45.11	0.00
FII (%)	2.26	4.08	(1.82)
DII (%)	5.13	7.27	(2.14)
Public & Others (%)	47.5	43.54	3.96

Quarterly Performance (Consolidated)

(₹Mn)	Q3 FY'14	Q3 FY'13	Q2 FY'14	YoY Change(%)	QoQ Change (%)
Sales	2,001.2	1,566.7	1,899.6	28	5.3
Op. exp	1,565.7	1,401.9	1,575.3	12	(0.6)
EBITDA	435.5	164.8	324.3	164.3	34.3
OPM (%)	21.8	10.5	17.1	1124bps	469bps
Net profit	215.7	87.4	199.3	146.8	8.2
NPM (%)	10.8	5.5	10.1	538bps	69bps
EPS (₹)	6.9	2.8	6.4	146.3	8.1

One Year Price Chart





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