



Q3 FY18 Earnings Conference Call January 22, 2018, 15:00 hrs IST

Moderator: Good Day Ladies and Gentlemen and welcome to the Tata Elxsi Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. G. Vaidyanathan. Thank you and over to you, Sir.

G. Vaidyanathan: Good Afternoon to all. I on behalf of Tata Elxsi Limited, welcome you to the Q3 Earnings Con Call. We have with us Mr. Madhukar Dev – Managing Director and CEO; Mr. Manoj Raghavan – Executive Vice President (EPD); and Mr. Nitin Pai – Senior VP (Marketing). I will now request Mr. Madhukar Dev to give a brief on the financial results.

Madhukar Dev: Thank you. Good Afternoon, once again on behalf of Tata Elxsi, I welcome you all to this session. It has been a reasonably steady quarter. In fact, I think it was a bit better than the overall revenue number shows, primarily because the services segment had a growth of about 4% as compared to the preceding quarter and about 14% as compared to the same quarter last year, and as those of you who track the company know the number that we really monitor and want to boost is the services segment revenue. The

System Integration and related services business is largely a reselling operation where we source equipment and supply it to our customers and over the last several quarters, we have been trying to get our customers to buy directly from the suppliers and reduce our role to just installation and services. So that business had a very weak quarter which is understandable. Q3 is never a very strong quarter unless there is a left-over order from Q2. Our services segment did well and consequently the bottom line results are also quite satisfactory.

Now, what I will do is request my colleagues - first Manoj Raghavan to talk about our Embedded Product Design, the highlights for the quarter, and then Nitin Pai for covering the rest of the company. Over to you, Manoj.

Manoj Raghavan: Thank you, Madhukar. Good Afternoon to everybody, this is Manoj, I head the Embedded Product Design business for Tata Elxsi. Traditionally, we have been operating in a few segments like Automotive, Media, and Broadcast, Communication and the Medical industries. As Madhukar said, we have had a steady quarter as far EPD is concerned. In Automotive industry, primarily we focus on the OEMs - original equipment manufacturers, as well as Tier-1 companies. In both these segments, we have seen a good uptake in our services to be in a steady quarter. In the Media and Broadcast space, our primary markets are the Multiservice Operators and OEMs; however, we see emergence of new Media as well as OTT opportunities coming our way. In fact, there are two pretty decently sized opportunities in the OTT space that we have started, and hopefully in this quarter those services will be launched in the marketplace. So that is a good addition to our overall portfolio.

In the communication industry, we see a lot of traction in the Software Defined Networking space. Traditionally we were not working too much with the Telecom operators and the communication business primarily used to focus on the OEM space, but right now this SDN opportunity has given us a good opportunity to get into the telecom operator space. We are already working with a couple of telecom operators in the US and we see good traction in three to four other operators worldwide that we hope to

convert in the coming quarters. In the Medical space you would have seen a press release that we have made on the Hemex Health case, where we are developing a very India specific or a developing country specific sort of a lab-in-a-box product for malaria and sickle cell anemia disease. So this is an order which we are continuing to execute, and hopefully, in a couple of quarters that will be out in the market, so overall I would say pretty good quarter and a pretty steady quarter for us. Thank you and that is my update, and I would request Nitin to add to this.

Nitin Pai:

Thanks Manoj. Good Afternoon everybody. While Manoj has covered a large part of our business which is to do with Technology Services and Embedded Product Design, I thought I will touch a little bit upon what we have been doing in the Design space. As you all understand while the design business for us, yes, is a standalone business too, but it equally has a very important strategic and synergistic play with what we do in technology. So to that extent, I think we continue to see significant synergies and value from joint projects that we take up for customers both in Automotive as well as in the Broadcast space. In the Automotive space, of course, it typically tends to be HMI and User Experience, which is starting to become more and more important, especially as digital becomes the mainstay of how you interact with products and services.

Equally, in the broadcast space, as OTT picks up, so whether you look at typical OTT apps from broadcasters from Sony Liv or Viacom Voot or Zee or so where we have been participating with them, to what operators do, we have excellent synergy between what we do as design and technology. Our other areas like Product Design for packaging, for consumer electronics and consumer appliances continues to do well. So you will find that there are quite a few products that are launched in the market including Fun Foods chocolate spread, ceiling fans for Panasonic and so on and so forth, so that is business as usual. But I think what is becoming more and more important is the synergy with the technology space in terms of joint projects. Equally, a quick update on the digital side is the Kochi One app, which is the app that we designed and developed for the Kochi Metro

to provide consumers a unified integrated digital passenger experience is now launched and is now available on the App Store on smartphones.

The design business continues to win awards. We are happy to see that recognition coming in nationally and globally, so as recent as in December, the design business was awarded two awards at the CII Design Excellence Award ceremony. One was for the best interaction design, this is really for the project that we did with SpinTales where we developed an Augmented Reality-based experience for kids, so that is now been recognized by CII. Equally, it was featured on NDTV Prime. On the other hand, as a category winner, Tata Elxsi was awarded the Best Visual Communication firm for 2017. So overall I think whether the EPD and the sectors within or design and the synergies between the design business and what we do as electronics, I think we are continuing to see excellent progress. That is a quick update from my side. Thank you.

G. Vaidyanathan: We would now be open to questions. If anyone has a question, the moderator will tell you the procedure and we will attempt to answer it.

Moderator: Thank you very much. We will now begin with the question and answer session. Anyone who wishes to ask a question may press * & 1 on touchtone telephone. If you want to remove yourself from the question queue, you may press * & 2. Participants are requested to use the handset mode while asking your question. Anyone who wishes to ask a question may press * & 1. The first question is from the line of Apurva Prasad from HDFC Securities. Please go ahead.

Apurva Prasad: Good afternoon and thanks for taking my question. My first question is on the EPD side of the business. Sir, if you can help us with the split of verticals, if you can split it between Auto, Media and Medical, and if you can talk about how the growth has been this quarter as well as nine months?

Madhukar Dev: In the past, we have mentioned that the Auto business gives us between 55% and 60% of EPD revenue that continues to be so. The next significant

segment is the Broadcast, which typically is around 30% of our revenue and the rest is Communications and Medical put together. There has been no significant change in the composition this quarter.

Apurva Prasad: You had earlier talked about slightly medium to longer term growth rate of about 20% for the company. So as I see it for the nine months we are probably falling short, I mean would you still hold on to that number say over the medium to slightly medium term?

Madhukar Dev: Yes, indeed. I personally think it is possible to do it and we are trying our very best to cross that 20% barrier and in every quarter we have some pluses and some negatives and in this particular quarter, we did have a number of negatives including the number of holidays and so on So if we were to normalize with respect to the unusual negatives, we still think that we can get to an annualized 20% in the medium term.

Apurva Prasad: Also if you could help us with the outlook of the top account, how is that looking?

Madhukar Dev: It is satisfactory, though we are looking to grow other accounts more aggressively than the Top accounts. In fact, if you see over the last few quarters, the contribution of our Top account has gradually come closer to 20% than 25% and the Top 5 to below 45% and the Top 10 to below 60%. So the diversity in our client concentration is certainly improving and we want to grow more accounts into more significant engagements. But there is nothing negative in the top few accounts, everything is under control.

Apurva Prasad: A few more data points, Sir. If you could help us with the head count and the utilization for Q3 as well as the previous quarter?

Madhukar Dev: We closed the December quarter with a head count of 5400, which was net increase of 300 over the previous quarter and we are continuing the hiring that we started in October. Utilization is currently at about 82% and I do not expect that to be moving up very much more.

Apurva Prasad: Sir, where would the active customer base stand as of now?

- Madhukar Dev:** Totally, about 150 active customers. So clearly there is bit of a tail as you would notice, but we think a good number of these are high potential customers for the future. They may take several quarters to become significant, but these are strategically important and that is why we have engaged with them.
- Moderator:** Thank you. The next question is from the line of Niket Shah from Motilal Oswal Securities Ltd. Please go ahead.
- Niket Shah:** Sir, just two questions from my end. First one in the Auto part of the business, if you can share that within the Auto piece, how much would be our share coming from Tier-1 and how much would be coming directly from OEMs now? I am just trying to understand because in the past we have seen more and more business coming directly from OEMs, so has that trend continued?
- Madhukar Dev:** Certainly, in the OEM engagement, each engagement is bigger and more significant than the suppliers, but if you look at our 60% of our EPD revenue coming from Auto which is normally the best case in a quarter, you find that almost half of it is from OEMs and the other half from the suppliers. Once in a while, it dips one way or the other, but it is more or less half and half.
- Niket Shah:** The second question was on the Broadcast part of the business. How much would be the share of OTT and this new media as a percentage of the total Broadcast revenue? So within broadcast how much would be the share of this OTT and new Media?
- Madhukar Dev:** Currently, it is a small percentage, it is about 10% but in next four or six quarters, we expect that to grow.
- Niket Shah:** Is it safe to assume that bulk of the growth in the broadcast space has come in because of OTT and new Media and the traditional one would not have seen significant growth?

- Madhukar Dev:** No, I would not think so because the traditional MSO space is still a large space. We certainly have some very large customers there, but the opportunity to grow across different MSOs in different countries is a pretty significant one, so it is not yet exhausted, so we do not believe that the MSO space would go down.
- Niket Shah:** It did not go down, but just trying to understand for this quarter or for the nine-month this year, you would have still seen growth in the traditional Broadcast business?
- Madhukar Dev:** Yes, we would still have growth in the traditional Broadcast space.
- Niket Shah:** Final question, a very bookkeeping one. On the employee cost part of it in this quarter, we have seen slight decline in employee cost on a sequential basis. What would that be largely attributed to?
- Madhukar Dev:** Essentially, the replacement cost is a bit lower, and the attrition cost marginally.
- Niket Shah:** That trend should continue or it is like too tough too?
- Madhukar Dev:** Hopefully not.
- Moderator:** Thank you. The next question is from the line of Vimal Gohil from Union Mutual Fund. Please go ahead.
- Vimal Gohil:** Sir, my question is related to the Industrial Design. While the embedded product is doing extremely well, there has been some softness on the Industrial Design part of the business since last three quarters. Could you just give me some more color on the same?
- Madhukar Dev:** You are right, there has been some softness in that. You see the large engagements in design come from service design opportunities and the smaller ones are really product or packaging and such design opportunities. Now what has been happening is the mix which we had consciously built in favor of service or experience design has got altered

into being more product oriented. So which necessarily means that we are seeing a not so aggressive growth. We are trying to correct it and we have pipeline of reasonably good prospects for service design and I think over the next two quarters, we should see the balance being restored.

Vimal Gohil: You do see, the growth returning back to this particular service like in the next two quarters itself?

Madhukar Dev: Yes, indeed.

Vimal Gohil: Sir, the margin surprise was something which was good this quarter. At 27 this is probably an all-time high margin for you. One is would you attribute this to the mixed change in this business or is it something more structural in nature?

Madhukar Dev: It is just attributable to the mix change in the quarter, there is no major structural change.

Vimal Gohil: I think a 25% kind of a margin will be sustainable going forward?

Madhukar Dev: Yes, that is what we will work towards.

Moderator: Thank you. The next question is from the line of Rohan Advant from Multi-Act Equity. Please go ahead.

Rohan Advant: Sir, a couple of quarters back we had in a press release stated that we have licensed out our autonomous driving technology to one of the top five OEMs. So has that flown into the revenue this quarter or in the earlier quarters and what is the nature of this deal?

Nitin Pai: Rohan, the deal was a licensing deal, coupled with integration and support services. So to that extent, there is licensing as well as integration revenues that have been accruing from the time that we announced it, which was in May over the last two quarters as well as in the upcoming quarter and more. Now, it will of course have a finite time limit in terms of how many quarters you can accrue it for, but what we are hoping is that we

will continue to support the integration and the testing of the autonomous car for various geographies for that OEM. So as such, licensing plus integration revenues out of which is accrued and the previous quarters part of which will continue to be accrued in this coming quarter and beyond. But what we are hoping is that it does not stop with these two.

Rohan Advant: Does this have a margin impact on the higher side which would wane once these revenues do not accrue?

Madhukar Dev: This is a one-off deal, it cannot have a very significant impact on the margin.

Rohan Advant: My next question was on I think you have given the INR revenue growth, what would be our constant currency revenue growth this quarter?

Madhukar Dev: Not very different as compared to the preceding quarter. Overall revenue 1.2% up and as compared to the previous year's quarter for the services business about 14%.

Rohan Advant: Lastly, few data point of attrition rate if you could share?

Madhukar Dev: Yes, attrition rate in the quarter annualized was about 12%.

Moderator: Thank you. The next question is from the line of Mayank B from Dalal & Broacha. Please go ahead.

Mayank B: My first question was pertaining to the Autonomai platform. Post the success of licensing the platform to OEMs, what is the vision of the company? What are we looking at from here on in terms of approaching new customers and the step after this? I wanted to know that?

Madhukar Dev: I will first tell you the vision and then I will ask Nitin and Manoj to supplement what I am saying. We are at a point in time where we can get engagements based on the capability that we have. I think that will change in the next few years and we will get engagements based on the IPs that you have to license and the services that you build around them and we

are gearing ourselves for that change. Specifically, to your query on Autonomai, Manoj and Nitin will answer.

Nitin Pai:

If you look at where we are with Autonomai, we are continuing to both showcase and market this across the world. We are finding traction with both suppliers who want Autonomai more, to be able to validate, as well as test and build certain of their components and modules for autonomous driving. OEMs would be our prime candidate, so that in terms of the passenger car market continues to be the key focus. But equally we are starting to look at where else Autonomai would make sense, because we do see also that there are niche markets, so whether you look at applications in agriculture, applications in fleet transportation and so on, we do believe that there are applications that go beyond the classical passenger car market, which of course as you would understand is also overheated in terms of the number of companies trying to build IP as well as targeting this space, so we are exploring both. One is continued traction in the predetermined area of passenger vehicles, and equally very specific targeted campaign to look at very niche markets including fleets, agriculture and others.

Manoj Raghavan:

In fact, this month we participated in the Consumer Electronics Show and we definitely showed our Autonomai solution in our booth. So we definitely believe that there is lot more market potential to this particular IP that we have, and hopefully, in the next few quarters, we will have a lot more license and revenues for it.

Mayank B:

Second and last question was, I just want one data point, the on-site and offshore effort mix. Not the revenue mix, but effort mix?

Madhukar Dev:

I do not have the effort mix readily, I can tell you the revenue-offshore is 61% in the last quarter.

Moderator:

Thank you. The next question is from the line of Naveen Bothra, an Individual Investor. Please go ahead.

- Naveen Bothra:** Congratulations to the management team for the excellent set of numbers. My first question is regarding this fixed-dose pen for which we have filed a patent, so if you can elaborate on this. The second question is regarding the IP licensing revenues, our software services has grown by 14% this quarter and system integration has declined. So in the software services revenues are there substantial licensing revenues included, if you can elaborate?
- Madhukar Dev:** The licensing revenues are included, but it is not very substantial, it is just about a few percentage points of the segment revenue. Now as regards the patent, could you clarify what your question was?
- Naveen Bothra:** About that fixed dose pen patent we have filed for around two months back. If you can elaborate is this on the design front or the complete whole product side patent we have filed for?
- Nitin Pai:** Let me explain that a little bit, just for the benefit of others who are on the call too. So as you understand when you look at drug delivery especially for products like insulin and so on, which require you to inject this into your body, there are two parts to it. One is the drug that you are injecting which has patent and the other is the device itself, which has patents coming from a completely different company. So globally what has happened traditionally is that the cost of such devices have been traditionally high because patents are owned by a few companies and they tend to demand fairly significant royalties. While drugs tend to go off the patent regime and therefore suddenly can be exposed to much lower cost. So what we have done a thorough landscaping and based on our understanding of the patent landscape there, we have now come up with a completely different mechanism for which we have filed a patent. So the patent is being filed on the mechanism because you cannot file on the entire device; the devices do already exist. So it is only about how the drug is delivered and what is the mechanism used, so we now have patents of our own that protect us for the uniqueness of what we have developed. What we are looking at is actually to be able to now license this from our side. The ability to license

the design with this innovation built in for which royalties and patents are owned by us.

Naveen Bothra: Products will be manufactured by others?

Nitin Pai: That is correct. So we have no intent to manufacture this and get into the market directly with our products, the idea is to now be able to offer an alternative to companies who are manufacturing this by saying you do not have to go to the companies who currently own the patent and charge you X, you can come to us and hopefully we will be much more cost effective.

Naveen Bothra: It will take another two to three quarters to get approved?

Nitin Pai: That is correct, it will take possibly longer than that, why because if you look at medical devices, typically your revenues and royalties will be linked to manufacturing and in the time they come into production. So for us to find the customer, for them to qualify through the FDA, and other regulations and then to come into production, takes a little while.

Naveen Bothra: That can be quite a substantial going forward to say one to three years' time frame, revenue from this mechanism patent we have filed for?

Nitin Pai: We are hoping for that, I think within that period we will also know in terms of the patent filing itself because it is not granted as yet. So we will also know how much of a firewall we are able to build for ourselves around the patents we have filed.

Moderator: Thank you. The next question is from the line of Nakul Bindal from Karvy Stock Broking. Please go ahead.

Nakul Bindal: Sir, can you give us some color on performance of the Falcon platform in Broadcast industry?

Manoj Raghavan: Falcon is one of our IPs in the Media Broadcast industry and I am happy to tell you that in this last quarter we did license Falcon to a large European operator, successfully displacing the competition there and it is pretty early

stages there. The opportunity for us to grow within that particular account by licensing more racks is a possibility. Having said that, we see a good positive indication wherever we take the solution to different operators, we are able to present a compelling story to them. So in the broadcast space, we definitely hope Falcon will bring in more revenues in the subsequent quarters. We have a good positive feel and good set of customers we are going after.

Nakul Bindal: Sir, have we launched any new solution specific to the electric vehicles?

Madhukar Dev: We are working on a number of solutions in the area of electric vehicles. We still do not have any complete solution which can be licensed as is, but over the next few quarters we should have a handful of them.

Nakul Bindal: Sir, amongst the Indian companies, whom do you compete for business on a global scale?

Madhukar Dev: I have talked of this before, we are somewhat unique in that we offer a combination of design and technology services and that really differentiates us from everybody else not just in India, even globally. There are not too many companies who have an integrated design and technologies offering. But if you look at specific segments and what we do in a number of engagements, yes we do have Indian companies and international companies competing and depending on the segment, if you take Auto for example, we certainly see KPIT. If you look at Broadcast we do see the big boys there. So it is very hard to say that we are a one-on-one competition and so it depends on the engagement.

Nakul Bindal: Sir, given the cash pile that we possess, are there any acquisition prospects on the table as of now?

Madhukar Dev: There are prospects on the table and they have been for the last few quarters, but we do not have anything significant to report yet.

Moderator: Thank you. The next question is from the line of Ramesh Mantri from White Oak Capital. Please go ahead.

- Ramesh Mantri:** My first question is, you have articulated a vision to shift from capabilities to IP over time, so what is the timeframe and what is the target for IP revenues on whatever the timeframe target we have?
- Madhukar Dev:** I just wish to clarify what I meant to say was today when we go and sell services by demonstrating capability occasionally by doing a pilot proof of concept, we are able to win business. I am saying that in the future, in the next few years and I see a timeframe of two to three years, this will not be enough to win business. The customers will want something more. They will want us to bring a solution and then get services engagements around it, so that they have a shortened time to market. Towards that, we are building a portfolio of IPs so that we can win business on the strength of the IPs that we have, but the mainstay of revenues will continue to be services.
- Ramesh Mantri:** Other thing is from the space while you require unlike IT services, you require a lot of design thinking and domain knowledge. So how is the opportunity scalable in terms of clients and also human resources?
- Madhukar Dev:** Fortunately, we have a large number of fresh graduates by our standards every year and happily the quality of the fresh graduates that are available in the market now is significantly better than what used to be around say five years ago, so I do not see a shortage of raw talent. The challenge for us is to change this talent to a finished product which can be of significant use to our customers and us, and we have started a number of in-house programs to shorten this lead time, because the raw material that is available is very good quality. We do supplement this by bringing in laterals with specific domain experience and skills which are not so easy to learn on your own, but overall I do not see human resource becoming a bit big challenge in the next few years.
- Moderator:** Thank you. The next question is from the line of Apurva Prasad from HDFC Securities. Please go ahead.

Apurva Prasad: Sir, you just mentioned about the license revenue part, just curious to know where does it stand as of now, so if you put together Autonomai and Falcon?

Nitin Pai: It is about 5%, it is in that region, Apurva.

Apurva Prasad: Of the overall revenue?

Nitin Pai: That is correct, so as you understand it takes time to accelerate, we are building up a pipeline. So I only hope that it goes north from here.

Apurva Prasad: Just to build on that, what other elements in nonlinearity are we seeing really in the business?

Nitin Pai: I think there are two parts, one is that while these remain the two flagships in terms of what we are doing within Automotive and Broadcast, but within Automotive itself you will find that we do have reasonable pipeline of other products and solutions. So some of these you would find mentioned in our press release for a CES where we talked of VDrive which is a simulation software for autonomous driving; we have AUTOSAR stacks which are again becoming a standard for automotive companies across. Equally, we have V2X Emulator which is used to test V2X algorithms and deployments of V2X across the world. So we do have a reasonable portfolio that would definitely complement FalconEye and Autonomai, so we are not relying on these two alone. Equally, there is a conscious effort to see how we can grow the pipeline to address other areas too including Communications and Healthcare.

Apurva Prasad: Just on that, when you talk about pipeline how that would have moved let us say in the last nine months or the last one year?

Nitin Pai: If you look at the last one year, you will find that we had just announced Autonomai during CS 2017, so that is precisely a year back. We already had announced V2X before that, we had FalconEye before that. So if I look at it, we moved into last year carrying FalconEye and V2X from before. We added Autonomai last year. VDrive and some of the other portfolios that we

are looking at in terms of automation is what we have added in the last 12 months. Equally, if you also look at the fixed dose pen, that is also an addition just in the last one quarter or so, coming in from the design side in terms of patents, patented licensing, and therefore, hopefully revenues.

Apurva Prasad: Just couple of data points I wanted, if you can help me with the geography mix of revenues as it stands now and also the fixed-price and T&M please?

Madhukar Dev: The geographical distribution is not very different from the earlier quarters. There is slight increase in the European share of the business which is about 44%, America is about 30%, and the rest is Japan and the rest of the world. In terms of fixed-price and time and material, it is about 40% is fixed price and 60% is time and material.

Apurva Prasad: Sir, within the Europe, how much would be GBP denominated?

Madhukar Dev: About half of it, half the European revenue would be GBP.

Moderator: Thank you. The next question is from the line of Suman Mitra, an Individual Investor. Please go ahead.

Suman Mitra: Sir, my question is in terms of the overall top line growth looks like over the last three quarters, it is in the range of around 10% to 11%, whereas just in the earlier question you said that your wish is to reach around 20%, so can we expect as investors in this year you will be ending in the range of 14% to 15% top line growth. We know that you do not give any guidance but just want to have an understanding of what kind of revenue figure top line growth we will be expecting in this whole year?

Madhukar Dev: The revenue that we really track is the segment revenue called software development and services. The other segment revenue is irrelevant, it depends on if the transaction is routed through us or not routed through us. In this segment software development and services, we have been clocking about 14% to 15% year-on-year over the last few quarters. Our immediate objective is to up this to about 20% year-on-year. It will not happen overnight, but I think we are moving in the right direction.

- Suman Mitra:** My second and last question, is that in the last one year, I remember I think last year or before that you mentioned that you started penetrating into the medical electronics space and you started one small client in USA and all the stuff, so what kind of opportunity, you just now mentioned that around rest of the 15% include medical electronics, but what kind of traction you are getting in that medical electronic space, which is obviously one of the most exciting areas in terms of embedded electronics?
- Manoj Raghavan:** This is a new area that we got in few quarters ago. So while it is a large opportunity space as we see for outsourcing companies in India, but our learning is that it is also a pretty slow market. Decision-making takes time and if there are any regulatory trends that come in and that is when we get an opportunity, so yes it has been pretty slow growth for us, but however, there is new regulation coming out in Europe called MDR and we have won a couple of projects for MDR and this regulation will come in effect sometime in between 2019 to 2022. So the next three to four years, we will see a lot of projects focused on MDR initiatives, so right now we are focused to see how we can capture a percentage of those opportunities and I think we are building up skills and capabilities for that. So yes, it has been a pretty slow, but I think we should be able to recover that in the subsequent quarters.
- Moderator:** Thank you. The next question is from the line of Manish Bhandari from Vallum Capital. Please go ahead.
- Manish Bhandari:** My question is regarding the revival in Europe and what kind of positive rub-off effect it could have on our businesses in next two or three years?
- Madhukar Dev:** Actually, we never saw a slowdown in our business in Europe and we have seen a positive trend led by the European car industry and the car suppliers and that they continue to have a very favorable outlook. I do not think there is a challenge there and I expect the positive outlook to continue for the next few years.

Manish Bhandari: Sir, my second question is Tata Motors chose Harman International for designing of their cars, so is there a way you would have bid for the project and if you could throw some light?

Madhukar Dev: You are referring to the infotainment system?

Manish Bhandari: That is right.

Madhukar Dev: We were also associated with that, with the integration and so on. We are not a supplier of systems, so Harman was selected the supplier, but we had a significant role to play in making that.

Nitin Pai: A complete validation of that unit. Equally some of the connected apps that you saw, you will actually find Tata Motors talking of Tata Elxsi having developed and deployed some of the apps that went into the ConnectNext infotainment system both for Tiago and the other cars.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. G. Vaidyanathan for closing comments.

G. Vaidyanathan: Thank you for joining the conference and we hope to have you in the future conference also. With this, we come to an end of this conference call. Thanks once again.

Madhukar Dev: Thank you so much.

Moderator: Thank you. On behalf of Tata Elxsi, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.