



“Tata Elxsi Limited Q4 FY17 Earnings Conference Call”

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**Moderator:** Good day, ladies and gentlemen and welcome to the Q4 FY '17 Earnings Conference Call of Tata Elxsi Limited. As a reminder, all participant lines will be in the listen-only mode and 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 \* then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. G. Vaidyanathan, Tata Elxsi Limited. Thank you and over to you, sir.

**G. Vaidyanathan:** Thank you. Good afternoon. I, on behalf of Tata Elxsi, welcome you all to this conference call. We have with us Mr. Madhukar Dev - Managing Director and CEO, Mr. Manoj Raghavan - Executive Vice President EPD, Nitin Pai - Senior Vice President, Marketing and myself G. Vaidyanathan - Chief Investor Relations Officer. We will begin the question-and-answer session. Anyone who wishes to ask a question may press \* and 1 on their touchtone phone. If you wish to remove yourself from the question queue, you may press \* and 2. Participants are requested to use handsets while asking a question. Before we start the question-and-answer, Mr. Madhukar Dev will give a brief on the earnings of Q4 and FY17. And over to Mr. Madhukar Dev.

**Madhukar Dev:** Thanks. Good afternoon. This is Madhukar Dev, welcome to this call. We'll be talking about the January-March 2017 quarter as well as the key highlights of the financial year ending March 2017. The January-March quarter was a fairly good quarter for us, it was in fact significantly better than what is reflected in the numbers, though the numbers themselves do show a 5% increase in revenue as compared to the previous quarter. As you're aware, there was an unfavorable change in the exchange rates towards the end of the quarter and that took away a substantial part of our revenue and profit for the quarter. But nonetheless, it was in terms of work volume a very satisfactory quarter; we grew nicely.

And in terms of the main highlights of the quarter before getting into the business-wise highlights which Manoj and Nitin will expand on, just a couple of them that I thought I'll touch upon. One was the Geneva Motor Show, where we worked for our customer, Tata Motors in setting up a Virtual Reality bar, which was designed by us, equipped by us, the content created by us, and operated by us. And this gave a unique Virtual Reality experience to the visitors at the Tata Motors stand at the Geneva Motor Show. What is very pleasing and gratifying is that apart from appreciation by our client and the visitors that we interacted with, I still come across people who were at the Geneva Motor Show and who remember that Virtual Reality experience and say it was absolutely top of the world kind of quality that was delivered there.

The second key highlight is the work that we did for this movie called Baahubali 2. We were one of the main VFX studios that was commissioned for doing this work and the work is very well appreciated, and the movie is a big hit. To us, these were the two significant highlights apart from business-wise highlights, for which I will now turn to Manoj Raghavan to talk about the highlights for EPD.

**Manoj Raghavan:** Good afternoon, this is Manoj Raghavan - Head of EPD. As Madhukar pointed out, it was a pretty good quarter for us with a steady growth. In the last call we talked about our CES

presentation that we have had. So we started off the quarter with a good set of leads from the CES show, there was significant interest shown in our e-cockpit solution that we had demoed in CES and I'm happy to tell you that we have converted couple of those into active opportunities and we are discussing a lot more cases on the e-cockpit today. So these cases would be a combination of licensing of our own solution for which we have IPs, as well as building services around them. Last quarter, there was a press release also about our setting up of an ODC for Panasonic in India. So this quarter has been a steady ramp up in that ODC and that has also moved along pretty nicely.

Again, coming back to the IP portfolio and the sort of solutions that we have, we had a major win with a major European operator for one of our automation tools. Again, this was discussed as part of our automation strategy in the last quarter, so I am happy to let you know that we have achieved a major milestone, where we are able to license our complete automation suite to this particular operator. And it's not just this particular operator, but we are discussing a few more cases for a similar opportunity where we will be licensing our tool. So from our broadcast business also, this activity definitely helps us.

Last quarter, we also had a good roadshow with many of our customers in Japan on the automotive side. We are really carrying a pretty good pipeline in Japan and hopefully this quarter onwards, we will be able to convert a lot of that into actual business. From the broadcast business side, one of our major customers actually has sort of close to doubled our business in the last quarter, so that also gives us a pretty good situation when you look at the financial year moving forward.

So overall, I would say both from the automotive business and the broadcast business, things are pretty steady. We have a lot of opportunities. We have a lot in the pipeline and we hope that we'll be able to convert them in this financial year; we will be able to show a similar growth track. Thanks.

**Nitin Pai:**

Good afternoon. This is Nitin Pai here. Just picking up from where Manoj left, while he covered some of the achievements as well as highlights of the quarter from the electronics side. When I look at design, I think it's been a particularly satisfying quarter from two fronts, one of being awarded and appreciated. So many of you may have read that we won the prestigious iF Design Award for our work on Kochi Metro. We did the complete passenger experience design for Kochi Metro. It is now awaiting a formal launch and is completely ready to start services. The iF Award is absolutely prestigious and among the most premium awards for design across the world. We started the quarter more or less with winning that award for our work there. Building upon that as well as the kind of work that we did with Mumbai terminal T2 for passenger experience, we were then awarded a contract by the Airports Authority of India. And this is very interesting because they have awarded the contract to us to help them establish the standards as well as develop the way finding and signage design for 10 airports to start with. These include airports such as Chennai, Calcutta, Goa, Pune etc. So we will not only revamp and redesign the entire way finding and information signage designed for these 10 airports, but we will also establish the standard for any airport that will be set up in India in the

future. So in many ways for us, I think it is satisfying to know that we are not only doing great work, it's not only being recognized and appreciated, but it's also setting the standards for what design can do for the country.

Further to this, of course, we had another prestigious project that we did with Hindustan Aeronautics Limited. HAL showcased their concept for the medium lift helicopter, they call it the Indian Multi-Role Helicopter, IMRH and this IMRH is now meant to do two things. One, it is meant to reduce dependency on imports, especially from Russia or other countries, for helicopters that the country needs both for defense as well as for commercial purposes. Two, it also provides an export market for HAL for both commercial as well as defense needs. We were given a 60-day target to come up with a design for the entire interiors of this helicopter. The version that we were working was a VIP version. So obviously, it needed to be kitted out to be of absolute international quality. And we did that in a record 60 days utilizing a variety of processes right from CNC machining to 3D printing, to even hand crafted interiors for seats and so on. So again, that helicopter was formally unveiled in the presence of Raksha Mantri Shri Manohar Parrikar, and was very, very well received and we believe that it also establishes our credentials for the ability to design and realize mockups and concepts for a whole range of transportation products, whether it is interiors of aircraft, interiors of trains, interiors of yachts and so on. So whether it is a bespoke requirement or a mass production requirement, we believe this kind of establishes Tata Elxsi's capability to bring design and technology together for such products.

And lastly, before signing off from my side. We also helped Indian brands grow. We supported Blue Star in the launch of their new range of water purifiers. Blue Star has traditionally been in the air conditioning business both for commercial as well as domestic use. The launch of a completely new range of water purifiers was the first for them and we have been very successful in supporting their needs right from design to branding and beyond. So that's all from my side.

- G. Vaidyanathan:** Ladies and gentlemen, we will wait for a moment while the question queue assembles.
- Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Aniket Pande from Elara Capital. Please go ahead.
- Aniket Pande:** I was having two, three questions sir. Sir, can you please provide us the revenue breakup for the segmentation of EPD and industrial designing?
- Madhukar Dev:** It's no different from what it has been right through the year. We do close to between 75% and 80% of our revenue with EPD and about 14% with ID.
- Aniket Pande:** And sir, in EPD, how much accounts to auto?
- Madhukar Dev:** About 60% of the EPD revenue would be auto.
- Aniket Pande:** And sir, can you please tell us what is your order book for the year and what is your TCV?

- Madhukar Dev:** Unfortunately, we don't share that. We are not in a position to answer that.
- Aniket Pande:** And sir like going forward like what is your strategy in coming next year, sir, on the margin front?
- Madhukar Dev:** We're not looking to do anything unusual on the margin front. What we would like to try out is and something that we've been trying for a while is to have deals which are structured a bit differently where we get part of our compensation through a payment for our effort and wherever possible, part through the success of the product that we help our customers build. So we continue to look for those kind of opportunities where there is an upside from success and there is a compensation for the effort. So that is something we'll continue to pursue.
- Moderator:** Thank you. The next question is from the line of Alok Dalal from One Thirty Capital. Please go ahead.
- Alok Dalal:** What was your constant currency revenue growth in the quarter?
- Madhukar Dev:** The revenue got depleted by about 4% because of the erosion of the currencies or appreciation of the rupee.
- Alok Dalal:** And was there any impact on the margin on this?
- Madhukar Dev:** Yes, there would be a commensurate impact on the margin too.
- Alok Dalal:** Can you give a rough sense of how many basis points
- Madhukar Dev:** Yes, about half of that.
- Alok Dalal:** Half of that, 2% impact. And could you just guide us in terms of your cash pile and the acquisition and sort of how that is progressing?
- Madhukar Dev:** Unfortunately, there has not been much progress on that front, while the cash pile is reasonably satisfactory. But we are pursuing a couple of investment options and I was hoping that by now, we would have concluded at least one of them, but it seems to be taking a bit longer, but nonetheless we are pursuing options, which are very interesting.
- Alok Dalal:** And in terms of the management change in terms of CFO. Can you share particular reasons why and sort of how you see the management going forward and the team going forward?
- Madhukar Dev:** Yes, it's actually very disappointing that Mr. Ramaseshan, who was our CFO has to leave the company. He had settled in very nicely, was making a strong contribution to our operations. He joined us a few years back. And I think it was just now that his contribution to the company was gaining significance. Unfortunately, he had some personal, family issues for which he needs to relocate out of Bangalore and we've not been able to figure out how he can function

as CFO, if he is not based in the headquarters, so he is moving out. We are in the process of identifying his successor. And once the Board approves, it will be announced to the public.

**Moderator:** Thank you. The next question is from the line of Niket Shah from Motilal Oswal Securities. Please go ahead.

**Niket Shah:** Madhukar, I just wanted to know in terms of auto and broadcast, would the growth rates have been similar this year because if I'm not wrong, broadcast for us has been slightly more lumpy unlike auto, which has been more structural growth. So how has this year been and what's your expectation from the next year?

**Madhukar Dev:** Yes. You're absolutely right. The growth in broadcast has not been consistent, it's in fits and starts. Auto has been a lot more predictable and we are hoping to change that in the next four to six quarters, because in broadcast now we have multiple offerings. So we think with a wider customer base, we'll be able to have steady progress in broadcast also.

**Niket Shah:** Sure. And just one question on the broadcast part of the business, I mean, we've seen applications like Hotstar and all becoming fairly popular and gaining a lot of traction within India and also in foreign countries. So how has been the pipeline and success around those offerings for us, I mean, in India we have like a monopoly situation, but what about US or Europe?

**Madhukar Dev:** I'll ask Manoj to address this, it's related to OTT as an offering.

**Manoj Raghavan:** Yes. So definitely OTT and related applications including test and validation has been gaining significance of late. The good part is we have our own intellectual properties and frameworks that help in test and validation of some of these OTT frameworks. So some of the wins that we had in the last quarter have been specifically to do with licensing of our framework that helps launch of these OTT services much faster. It's a pretty complex situation when you can view the programs in different devices, right, whether it's a laptop or a mobile device or a tablet or multiple form factors. So how do you ensure that the user experience is almost the same across various platforms, that's a huge challenge for many of these OTT service providers. So that's where some of the automation tools that we have, come into play. So it is a good opportunity for us to license our tool to help some of these operators manage such situations. So it's been positive for us I would say.

**Niket Shah:** Sure. And any new client wins in that you would have had in auto and broadcast this year?

**Madhukar Dev:** We totally had 36 new customers in the year and majority would be in transport and broadcast.

**Niket Shah:** Okay, 36 new customers. And what would be the share of JLR this year, for the full FY17?

**Madhukar Dev:** About 22% of our revenue.

**Nikit Shah:** And just final two questions. One on the employee count part of it? What is the hiring program and what number of employees have you ended this year with?

**Madhukar Dev:** We ended with number of around 5,500. And currently, we are hiring only against specific requirements, maybe after a few months, we'll take a fixed number of fresh graduates again, and train them to be ready for growth in the future. But at the moment we are hiring only when there is a requirement.

**Nikit Shah:** Sure. And the last question on the industrial design part of it to Nitin. If I'm not wrong, you had merged both of these entities, which is VFX and industrial design, so that you can kind of bring out the synergies in terms of profitability and in terms of business as well. Have most of those benefits being extracted or do you think there is a long way to go?

**Nitin Pai:** I believe that the synergies that we wanted have been extracted. And if you look at programs like, what Madhukar referred to with Tata Motors at Geneva, such projects would have been realized only through a combination of content coming together with user experience design and technology that backs it up, in terms of VR and AR. So in that sense, it has been fusion of all the businesses of Tata Elxsi rather than just ID and VCL and that's a happy confluence. On the other hand, if you look at it, we have been selective about taking projects that are purely in the entertainment space and therefore Baahubali 2 is a good example of a project, where it was evaluated for its own profitability, ability to execute and ability to do a great job. And therefore selectively, we have been taking up projects that are still to do with the entertainment business, just that we've been very careful in selecting those projects and diverting a large part of the capacity and capability into doing a one plus one, which is greater than two, right, pairing it with design and technology.

**Nikit Shah:** Sure. Got it. And what would be our hedging strategy now? And what should be the utilization rate that we would have operated this year with?

**Madhukar Dev:** The utilization rate for the year was in the mid-70s. And in terms of hedging, excluding the natural hedge we take options at a premium and we continue to do that. The scale of purchase of options keeps changing depending on how volatile the market is. We largely follow the exactly the same strategy. We don't do any derivatives. We don't do any esoteric deals at all.

**Nikit Shah:** Sir, one final question, if I may squeeze again. You mentioned in your initial remarks that you're obviously looking at model, where you have a certain fixed fee as well as certain variable part of the component depending on the success of the product. Assuming that becomes larger, I don't know how big is it today as a percentage of revenue, but assuming that becomes larger, do you think over a period of time we can move our EBITDA margin range from 20% to 23% range to about 25%?

**Madhukar Dev:** That would be one of the objectives of pursuing that to push it by another percentage point or two. But let's see when we realize it in ample measure to reflect in the P&L.

- Nikit Shah:** Sure. But that's possible within auto as well as in broadcast?
- Madhukar Dev:** Yes.
- Moderator:** Thank you. The next question is from the line of Rohan Advant from Multi-Act Equity. Please go ahead.
- Rohan Advant:** Sir firstly, if we could have the revenue from top 10 customers and the visibility you have through them for the next couple of quarters. During the last call you had mentioned that these top 10 could go up from 60% to 75% in the next few quarters. And also in the opening remarks it was said that one broadcast customer has doubled up the business. So, if you could quantify what percent of revenues came from that customer?
- Madhukar Dev:** First our top 10 customers give us close to about 60% of our revenue. It varies from quarter-to-quarter, at some quarters it maybe 64, some quarters 58, but approximately 60%. We don't expect that to go up very dramatically and certainly we don't want it to go to 75%. And in terms of the broadcast customer, there would be a number of them who would be new customers in one year and would more than double in the following year. So unless Nitin and Manoj can add to it, I don't think it's a significant customer that has doubled in the last one year.
- Rohan Advant:** Sir, and my next question was, in context of a company called Altran Technologies, which as you would know is among the largest embedded systems company in the world. They now have 4,500 engineers in the global delivery centers from around 700 two years ago. So they are talking a lot about significant R&D offshoring trend. So can I read something into it from a Tata Elxsi point of view or are we and Altran in completely different domains. So are you seeing a newer trend towards more offshoring of R&D and how it augurs for us over the next three years?
- Madhukar Dev:** If you see our growth over the last four, five years, it's been driven primarily by the fact that more and more of R&D is being offshored. And we are one of those companies that does more work offshore than onsite. And well I'm not familiar with Altran and their numbers etc. But I would not be surprised if they are growing rapidly because they may have few captive accounts and for them it will make sense to offshore to India to save costs. Well, I'm not too familiar so I can't comment, but certainly we think the opportunity in the market right now is very positive.
- Nitin Pai:** Just one word is that, and again, like Madhukar said, we cannot profess to know very much about Altran. One thing that we know is that they've been well established, they have been incumbent and have quite a few of the large customers in Europe. But their model has traditionally been time and material, deploying staff into these customer accounts. To my mind, a lot of their strategy at this time is to ward off the pressure that comes from offshore service providers who have mature practices like ourselves by acquiring companies in India.

So if you look at it, it seems that very little that they're doing is organic, a lot of it is inorganic acquisition of low cost capability. Now where that journey takes them is a question mark.

**Rohan Advant:** Yes. Understood. Yes, sir and regarding the Panasonic center that we've started, could you quantify this opportunity, not immediately, because I think it would gradually scale up, but say in FY19, FY20, what percent of our revenues could come from this opportunity?

**Madhukar Dev:** I would not hazard a guess right now, it's early days. We think it's very high potential and it all depends on a number of factors, some within our control, some not in our control. I would wait for a couple of quarters before being able to project what we think it will be in FY18 or FY19. But so far it's been good. We've had one review in the last month and everything seems to be going well.

**Rohan Advant:** Okay. Sir, and lastly, on the margin front, just wanted to have some color regarding any pricing pressure on billing rates or have we been able to renegotiate any contracts given the currency pressure?

**Madhukar Dev:** Off and on we are able to get some relief from some customers, but equally some of that relief gets taken away through volume discounts and other measures. So, I don't expect any significant change in either direction.

**Moderator:** Thank you. The next question is from the line of Priyankar Sarkar from Motilal Oswal Asset Management. Please go ahead.

**Priyankar Sarkar:** Sir, I just wanted to know that what is the constant currency growth in the full year FY17?

**Madhukar Dev:** It would be about 21%.

**Priyankar Sarkar:** And sir, what would be the impact on margins due to the currency depreciation?

**Madhukar Dev:** It's very hard to quantify, but we think we would have lost about two percentage points.

**Priyankar Sarkar:** And sir, I just wanted to figure out, what is the IP revenue that we get or is it too negligible as of now?

**Madhukar Dev:** Yes, standalone, it is negligible and I suspect it will remain so. But what is gaining significance is engagements, which are IP led with a lot of service revenue clubbed with it. Like Manoj mentioned the automation IP that we have, Nitin mentioned the e-cockpit, so these are all IP-led engagements, where the service component ends up being larger than the IP.

**Priyankar Sarkar:** And sir, what is the split of revenue between offshore and onsite?

**Madhukar Dev:** We get about 62% of our revenue from offshore work and about 38% from onsite deployment.

- Priyankar Sarkar:** And do you see any sign of slowdown especially in the EPD and the Industrial Design segment or I mean anything alarming over there?
- Madhukar Dev:** No, I don't think we are seeing any signs of slowdown. Obviously customers are a little more cautious given the large-scale changes we have seen in the world. But I think the changes will only give us more opportunity to grow rather than slow us down. There may be an odd quarter or two, where we may not see a very high growth, but by and large, I think it's all very positive at the moment.
- Priyankar Sarkar:** Sir what were the component of fixed price contract type?
- Madhukar Dev:** About 35% are fixed price and 65% are efforts based.
- Priyankar Sarkar:** Okay. And sir, last quarter you had mentioned that you've got two new logos in the medical equipment space, has there been any scale-up in that front, any update on that?
- Manoj Raghavan:** Yes. So I think we have executed the first projects in both cases. In Q4 we've not had a significant growth, but we hope that in the coming quarters this will help us to grow. So it's been positive and both the customers have been happy with the work that we have done and nothing significant to report other than that.
- Moderator:** Thank you. The next question is from the line of Bharat Seth from Quest Investments. Please go ahead.
- Bharat Seth:** Sir I mean, Manoj and Nitin, I mean, elaborated so many opportunities, so how much traction that we are getting in each of these sections? And second thing, geographically how our revenues are distributed?
- Madhukar Dev:** Yes. For the year that ended, we got 44% of our revenues from Europe; 40% from the US; and the rest were from India and the rest of Asia.
- Bharat Seth:** Now on each of the segment, how big is the opportunity that we are seeing and now with the success of Baahubali on VFX are we looking, I mean from either international front or domestic front on bigger scales?
- Madhukar Dev:** We are certainly looking, but we have been very cautious. We don't want to take up VFX projects where we don't see the end of the project or don't get paid or don't get paid properly. So we are actually scouting around and looking for opportunities in the US market right now. But we don't expect the VCL, the animation business to ever be dominated by entertainment. Now, entertainment will be one of the markets that we'll address.
- Bharat Seth:** So how much was the revenue contribution from VFX?
- Madhukar Dev:** For the entertainment market?

- Bharat Seth:** Both, entertainment as well as total VFX, which we earlier were recognizing and which has been merged with ID?
- Madhukar Dev:** Yes. It has been merged with ID and which is about 14% of our revenue. A very approximate guess would be about 40% of that 14% would be the old VCL revenue and less than half of that would be the entertainment market. These are very rough estimates.
- Bharat Seth:** And how big now the opportunity, are we looking in Japanese market, I mean in your opening remark, I mean Manoj had stated that we are looking at a traction in Japanese market?
- Manoj Raghavan:** Yes. So at one point of time, we used to get a significant piece of our business from Japan. So we made some changes including in the leadership there. We've also had some relationship that we've started up with another company that helps us penetrate the market. And last quarter we had a roadshow there, where some of the solutions that we have shown were deeply appreciated by the folks who saw it. So based on all of these, definitely we will see a growth in the Japan market, it will be a significant growth, even though the Japan market is a small market for us now and hence we definitely look at significant growth there. And the fact that we won a large opportunity with Panasonic itself is a good sign that the revised strategy of looking at Japan is working well for us.
- Bharat Seth:** So that is on say our broadcasting side, correct?
- Manoj Raghavan:** It is on both the transportation, which is automotive as well as broadcast side.
- Bharat Seth:** So on transport.
- Manoj Raghavan:** But when you look at broadcast, it's not so much the broadcasters, but it's more the consumer electronic companies in Japan.
- Bharat Seth:** On automotive side, how big an opportunity are we seeing and where do we see them in the Japanese market
- Manoj Raghavan:** Yes. It is a huge market because most Japanese companies - because of the situation in Japan, they are looking to bid for deals overseas. So most of the large Tier 1s in Japan are looking at bidding for OEM deals in Europe or US. Traditionally, a lot of their business used to come from Japanese OEMs, but right now because of the way the market is, they are going out and that creates opportunities for companies like us because many of these large Tier 1s do not have the experience of working overseas or have limited experience of working especially with overseas standards and so on. So that's an opportunity that we are looking to exploit.
- Bharat Seth:** And recently, we said that we've forayed, I mean, a few years back in healthcare, but so far, I mean, so now how do we see healthcare business in our company?
- Manoj Raghavan:** The medical business, what we realized it's a little slow business, but what we know is that once we're able to get a few significant customers, they would stay with us for a long time. So

our aim is to definitely build capabilities and look at these key logos to win and then exploit those relationships and grow it in the large engagements. So we have some good visibility on the type of accounts and the names of these logos that we need to target, so I believe we need to give more time for that business.

**Bharat Seth:** Thanks. I mean, but in that whole journey where do you say, we have reached to what level, to your satisfaction level in the scale of 1 to 10, have we reached midway or a 70% when we can see a substantial growth from healthcare?

**Manoj Raghavan:** Yes, I don't think we've reached even the midway stage right now.

**Bharat Seth:** Okay, sure. And Mr. Dev, would you like to give some color on next year, how do we like to see the kind of a growth?

**Madhukar Dev:** It's a bit early to share that. Let's see how the quarter goes and we will talk again at the end of the quarter.

**Moderator:** Thank you. The next question is from the line of Avinash Sharma from Dalal & Broacha. Please go ahead.

**Avinash Sharma:** Just one question sir related to the margins. I had a question about controlling the offshore-onsite mix. Is there a possibility that once our clients, you know, the tenure of our relationships with the clients as and when it keeps maturing, we can have a higher percentage of offshore going forward

**Madhukar Dev:** We have a very high percentage of offshore today, with 60% of our revenue being offshore. So in terms of effort, it's much higher.

**Avinash Sharma:** And the Airport Authority of India, the contract which I think Mr. Nitin spoke off, how big could that opportunity be in terms of numbers, any idea what we could get from a one to two-year perspective?

**Madhukar Dev:** I don't think any of us know the exact number because I think the engagement will be based per airport and we have been empaneled to do 10. So I won't be able to share a number yet. Let's execute one or two then we can project.

**Avinash Sharma:** And sir, the volume of growth for this particular quarter would be how much for year-on-year?

**Madhukar Dev:** Volume growth would have been about 8% as compared to Q3 of FY17.

**Avinash Sharma:** 8%, okay according to Q3. Okay.

**Moderator:** Thank you. The next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.

- Tushar Sarda:** Yes. Thank you for the opportunity. I wanted to know if your broadcast and media business is similar to what Tata Communication does, and do you compete with them?
- Madhukar Dev:** No. Our broadcast business has got nothing to do with selling capacity or connectivity or any of that. We work in two areas in broadcast, one is equipment - equipment could be at the end of the consumer or at the end of the operator. So we help in designing the equipment. And the other is in rolling out services from the operator to the consumer, so we add new services and new features. And Tata Communications to the best of my knowledge caters to providing connectivity
- Tushar Sarda:** No, they do solutions also, that's what I am asking, especially, things like OTT and all which you mentioned but you don't compete with them in the market, we don't see that?
- Madhukar Dev:** See, we don't host OTT. We help implement OTT. We are an integrator of OTT Technologies, which helps a network to roll out an OTT service. We don't host them, you know, we don't have any of the capacity, neither servers nor bandwidth.
- Nitin Pai:** Yes. Just to add to what Madhukar said, I think Tata Communication is leveraging the fact that it has a certain amount of infrastructure already set up in terms of data centers and so on and the fiber optic connectivity between continents, and therefore, is using this along with additional solutions to provide a hosted service for OTT, if customers want to go the hosted way.
- Tushar Sarda:** So you don't compete with them or collaborate with them in anyway?
- Nitin Pai:** No.
- Tushar Sarda:** You don't even collaborate with them?
- Nitin Pai:** There is no direct competition in any case.
- Tushar Sarda:** Or collaboration opportunity?
- Nitin Pai:** Collaboration opportunity only based on customers.
- Tushar Sarda:** Is there a collaboration opportunity or not there?
- Nitin Pai:** That would be really customer led because it has to be the end customer who requires Tata Communications to host the service and Tata Elxsi to deliver a custom user experience or anything else.
- Moderator:** Thank you. The next question is from the line of Apurva Prasad from HDFC Securities. Please go ahead.

- Apurva Prasad:** Sir, you'd earlier mentioned about growth rates of about 20% plus going forward, we did 21% constant currency this year. I mean, can we expect similar growth rates going forward and how confident are you about that?
- Madhukar Dev:** Yes, we don't see a reason to downscale our ambition. We think there's an opportunity and there will be challenges along the way in one form or the other, we will pursue a similar growth.
- Apurva Prasad:** Right. So also I think you added about 36 new accounts for the year. So where would our total count stand now?
- Madhukar Dev:** Around 200 active customers.
- Apurva Prasad:** Sir, the revenue contribution of the Transportation segment and the Broadcast segment for FY17?
- Madhukar Dev:** Yes. Approximately 60% of EPD, which is 80% of the company, which is about 48% to 50% of the company's revenue, comes from transportation.
- Apurva Prasad:** And sir for broadcast?
- Madhukar Dev:** Broadcast would be around half of that - about 25%.
- Apurva Prasad:** And sir, how would the growth rates be different for these two segments for FY17?
- Madhukar Dev:** The transportation growth rate was about 35% for the year and broadcast was below 20.
- Moderator:** Thank you. The next question is from the line of Rohan Advant from Multi-Act Equity. Please go ahead.
- Rohan Advant:** Yes. Sir, just one follow-up. I wanted to understand the implications of the following emerging landscapes on Tata Elxsi a) the pickup of Android Auto and Apple CarPlay; and b) the growth of electric vehicles. So are these two emerging landscapes positive, negative or neutral for Tata Elxsi?
- Madhukar Dev:** Nitin will answer, but I can't imagine them being negative in anyway.
- Nitin Pai:** So I think, Madhukar said it right, it is not negative because these represent changes that are going to be happening inside the car. These demand that automakers now provide for connectivity to mobile phones, irrespective of whether it's Android, Apple or otherwise. So we have already been working, in fact, we've already executed multiple projects for customers helping them integrate Android Auto Support and Apple CarPlay support into cars that are meant for model years 2017 onwards. So on one hand, we already have executed projects. Further to that, you may also be aware that Google is coming up with an Android version that are specific to cars. It's not just connectivity, but it's almost an operating system for cars. So we

also are discussing and working on early access to such operating systems, so that we can support customers going forward. So we believe it's an opportunity and we have already engaged with customers on this.

**Rohan Advant:** Okay. Sir and on electric vehicles?

**Nitin Pai:** On electric vehicles, again, I think the opportunity comes from the fact that electric vehicles for the first time in the powertrain space represent a large opportunity for software. If we look at powertrain or engine, traditionally, they are very mechanical in nature. There has been software and electronics, but that was very tightly coupled and controlled by the suppliers who worked for this space. So there are very few suppliers in the world who bring capabilities on engines and they tightly held the electronics together along with the engine technology. Electric vehicles de-couples the source of power from the software that is needed to drive that vehicle. So, I think it's been an interesting journey in terms of representing a good opportunity for us, whether it's in terms of battery management systems, whether in terms of optimizing strategies for deciding when you want to switch over from electric to gasoline or vice versa in the case of hybrids. I think it represents a great opportunity.

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

**G. Vaidyanathan:** We wish to thank you all for joining the conference call. We hope to meet you all again for the Q1 conference call and we'll have it in July. Thanks again for joining the conference. With this, we conclude the Q&A session. Thank you.

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