"Tata Elxsi Limited Q4 FY2023 & FY23 Earnings Conference Call"

May 18, 2023

TATA ELXSI



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DIRECTOR - TATA ELXSI LIMITED

MR. NITIN PAI - CMO & CHIEF STRATEGY OFFICER -

TATA ELXSI LIMITED

MR. GAURAV BAJAJ – CFO – TATA ELXSI LIMITED

Ms. Cauveri Sriram - Company Secretary - TATA

ELXSI LIMITED

ANALYST: MR. DIWAKAR PINGLE - ERNST & YOUNG LLP

Moderator:

Ladies and gentlemen good day and welcome to the Tata Elxsi Limited Q4 FY2023 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, please signal an operator by pressing "*" then "0" on your touchstone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Diwakar Pingle from EY. Thank you and over to you, Sir.

Diwakar Pingle:

Thank you very much Darwin. Good evening to all participants on the call. Good morning if you joining from western side. Before we proceed with the call, let me remind you the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties and other factors. Therefore, it must be viewed in conjunction with the businesses that would cause further results and its achievements that differ significantly from what is expressed or implied by such forward-looking statements.

To take us through the results and answer your questions today, we have the senior management of Tata Elxsi, represented by Mr. Manoj Raghavan - Managing Director & CEO; Mr. Nitin Pai – Chief Marketing & Chief Strategy Officer; Mr. Gaurav Bajaj - Chief Financial Officer; and Ms. Cauveri Sriram - Company Secretary.

We will start the call with a brief overview of the past quarter and the year by Mr. Raghavan, followed by a Q&A session. Having said that, I would like to hand over the call to Manoj - Over to you Manoj.

Manoj Raghavan:

Thank you, Diwakar. Good evening, everybody.

Thank you all for joining us today for the Q4 earnings call. By now you would have received a copy of the Q4 earnings release and fact sheet, both of which are available on our website.

As we are meeting at this fourth quarter earnings call, I am happy to report that for the full financial year 2023, we have delivered a strong performance with revenue growing by 27.3% and profit after tax growing by 37.4%. During the financial year, we crossed the 3000 Crores revenue milestone.

For the fourth quarter of the financial year 2023, our revenue from operations was Rs. 837.9 Crores which translates to quarter-on-quarter growth of 2.5% and year on year growth of 22.9%. In US dollar terms, the quarter-on-quarter growth was 2.9%.



Our EBITDA for the quarter was at 249.5 Crores, which translates to an EBITA margin of 29.8%. Our PAT for the quarter was at 201.5 Crores. In a year which had macroeconomic uncertainties and several challenges for the industry in general, we have been able to grow our revenues and protect our margins.

I am happy to report that the board of directors have recommended a final dividend of 606% for the financial year ending 31st March 2023. This represents a 42.6% increase over the previous year and corresponds to a payout ratio of 50% of our PAT.

Talking of our divisional performance for the quarter in constant currency terms our Embedded Product Design or EPD division grew 1.6% quarter on quarter and 13% year on year. The other two divisions IDV and SI had a remarkable growth during the financial year. IDV grew 52.8% year on year and our System Integration grew 77.6% year on year.

Talking of the verticals, we had a steady quarter of performance for all our three verticals but more importantly, our Healthcare and Media & Communication business both have returned to growth from last quarter, even if moderately. We are building a strong deal pipeline and hope to see large deal conversions picking up over this quarter and beyond.

Across the three verticals, our growth has been primarily volume led and we have witnessed strong growth with our large accounts. Across the key accounts, we have increased the wallet share against competition, underscoring our differentiated value proposition and offshore delivery capabilities.

I am personally excited with the opportunity ahead in the automotive and transportation business. The scale and rate of transformation that automotive industry needs to undertake changes driven by the regulatory, sustainability, and evolving customer, consumer preferences, and business models present extraordinary opportunity for Tata Elxsi. This transformation will demand deep domain knowledge, scale in software development, application of digital technologies like AI and IoT and more importantly design will take a center stage in creating consumer delight. I believe we are at the right place and bring the right capabilities and are engaging in the right conversations with global automotive leaders in their transformation journey.

Our strategic long-term deal with Alps Alpine in Japan to establish a global engineering center for developing next-gen mobility solutions in India and a multiyear SDV deal with a European OEM reflect this opportunity.

I do recognize that an offshore centric and ownership driven delivery model is not only harder to execute but also requires almost three times the number of resources to deploy as

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compared to onsite deployment for the same impact on top line. However, we strongly believe that this is the only way to create long-term and sustainable value and we are best positioned to deliver on this.

Equally, there is an emerging opportunity for applications around 5G that allows enterprises to harness the speed and reliability of this technology. We are seeing deals with operators and with enterprises to make this a reality.

Two of the large deals that we announced this quarter precisely address this opportunity. We have been selected by a leading Middle East telecom operator as a design led consultancy and development partner for next gen applications around 5G including healthcare, IOT, and connected digital services.

We also won a strategic deal with the world's leading telecommunications product company for 5G broadband software and solution deployment that will power the next gen consumer devices.

Our Healthcare and Life Sciences business was impacted by the extension of regulatory deadlines, which cut into our existing work and revenues but I am happy to see the business recovering from the setback within a quarter and building a strong pipeline of deals and penetration into new marquee customers.

So, we are seeing the success of our key strategies deployed over the last two years with strong synergies between the EPD, IDV and SI divisions playing out well, allowing us to address upstream and downstream product lifecycle requirements where we are seeing increase in duration and size of our deals leading from this up selling and cross selling. This is reflected in the strong performance of our IDV and the system integration business in FY2023.

On the attrition front our analyzed attrition for the fourth quarter stood at 17.3%, which is again one of the lowest among our peers in IT industry at large.

We enter the new financial year with the confidence of working with a marquee set of global customers, scaled delivery capability from talent investments that we have made over the year and a unique propulsion of *Design Digital* that is more relevant today than ever. So I strongly believe we are in good shape to move forward and I now hand over the floor to E&Y for the Q&A session. Over to you Diwakar!

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Bhavik Mehta from JP Morgan. Please go ahead.

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Bhavik Mehta:

Thank you. A couple of questions firstly on the transportation vertical, we saw a very sharp deceleration in growth on a sequential basis. Was it due to any project deferrals or ramp-downs which we saw during the quarter and what is the outlook going into 1Q as well in this vertical? The second question again is on the other two vertical which is Media and Healthcare, we saw some growth coming back in 4Q, but what is the outlook going forward. Do you expect growth to start accelerating from here on or do you expect it to remain maybe weak for a couple of more quarters before we start seeing green shoots over here? And lastly year just a bookkeeping question on the ESOP. The shareholders approved the ESOP scheme till March, so what is the outlay going to be and any impact on margins because of that?

Manoj Raghavan:

On the transportation business, we have won significant deals in the quarter. We have announced that. We strongly believe that moving forward we have a good deal pipeline and we are seeing customer confidence in the value proportion that Tata Elxsi has, so from transportation business I strongly believe that growth that we have shown over the year, we will be able to replicate that in the coming financial year. On the Media and Healthcare business, yes, we have seen some amount of green shoots and some amount of growth come back, it is still early days I would say, but from a midterm to long-term perspective I see no challenges for us and this business will definitely recover and more important as we see a lot more of these 5G opportunities and deals that are coming back, I strongly believe that towards the later half of Q1 and Q2, we will see the growth coming back into Tata Elxsi. On that front, we are pretty confident. Regarding ESOPs on a quarterly basis, we are looking at about 4.5 Crores or so of expenses that we would incur on the ESOP front.

Bhavik Mehta:

Okay that is helpful, but just on the transport, what was the reason for the weakness in 4Q because 3Q was a very strong growth of 7%. Now we saw only 1.5%, any colour on that will be helpful.

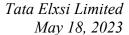
Manoj Raghavan:

It is very difficult for you to look at. It is a large business that we have, so you do not really look at it from a quarter-to-quarter basis in that sense. You look at it from a midterm to a long-term perspective. The fact that we have continued to grow and grow significantly over the year is what we need to look at, so I am not really that much bothered about this one quarter issue because we definitely see strong deal pipelines and so on. There have been some amounts of deferments in some of our customer places but that is fine and we strongly believe that growth will come back in Q1 and Q2.

Bhavik Mehta: Okay thank you that is it from my side.

Moderator: The next question is from the line of Vimal Gohil from Alchemy Capital Management.

Please go ahead.



Vimal Gohil:

Thank you for the opportunity. My questions on automotive growth has been answered. On cash flow despite our P&L going very strongly this year, operating cash has been slightly muted and that is largely driven by our sharp increase in receivable so how do you see that going forward?

Gaurav Bajaj:

This quarter if you see there is an impact on our trade receivable. This is primarily because we embark on the system transformation in the Q4, which kind of little bit rolled over the invoicing that has to be done to the customer, but I think that is only a short-term phenomenon. We believe that that cash flow will be back in and we will recoup those collection in the coming quarter, so that will get normalized over the next one quarter.

Vimal Gohil:

Just wanted your comments on this Alps Alpine initiative that we have taken. Could you just highlight something more on than that, what could be our revenue model and could we see some contribution coming from that? As you highlighted it is very, very significant offshore effort from our side, but just wanted to understand do we already have some clients here or is it still very early stages.

Manoj Raghavan:

We have set up a global delivery centre for them and it is a multiyear engagement. I would look at it anywhere from 5 to 10-year sort of road map that is the road map that we have at this point in time. The colour I would like to say especially with Japanese customers and the first couple of years of engagements are very, very critical, so we have been engaged with them for a few quarters right now before we got into this. Before we were impaneled as a global partner for them in some sense. The challenge for them if you look at it with outside of Japan and they had a large presence in China and because of the geopolitical issues and so on that we are seeing they definitely needed to find a partner in another country to derisk their China presence and that is where Tata Elxsi came in and since we already had a relationship with them, this really helped us.

Of course we delivered significantly on the existing projects that we are developing for them, so that really gave them the confidence to trust us as they are engineering part beyond China and this could be a significant long-term business that we would continue to grow over the subsequent years.

Vimal Gohil:

On margins, do you think we will be able to recoup, what you are effectively highlighting is about half a percentage of incremental impact because of margin of which is of ESOP so how do you plan to sort of offset that going ahead.

Manoj Raghavan:

We have different levers available including utilization. Yes, there will be cost that will be coming in because of wages and salary hikes and so on. For the year, we are pretty well



positioned to be in say a band of I would say from a PBT perspective between 28 to 29% so that is the band that we are targeting to operate in.

Vimal Goyal: Understood Sir. Thank you so much and wishing you all the very best.

Moderator: Thank you. The next question is from the line of Sulabh Govila from Morgan Stanley.

Please go ahead.

Sulabh Govila: Thanks for taking my question. I had a couple of questions. One is with respect to the

divergence in growth within the top ten client bucket and outside of that. Outside of top ten client bucket the growth was a bit soft so just trying to understand what you are hearing from clients with respect to the spending patterns and whether the growth that you're expecting in the coming year is going to be broad based or you expect the top ten clients to continue to do well for you. The second bit is on the margins, could you provide the margin walk for the quarter as well as could you talk about where we are on the investment journey that we started with respect to hiring middle level managers and developing on-site locations in Germany for example. Where are we in that process and how do we plan in the

coming to next year?

Manoj Raghavan:

I would say we definitely have been able to mine especially our large customers pretty well not just in the quarter but over the financial year I think we have done a commendable job in really increasing our wallet share and taking business away from competition and really growing in that accounts and if you are growing in the accounts as you may realize a lot of our businesses is offshore based, so we have been able to convince customers to move a lot of work offshore and that has really helped us. We will definitely continue to grow our top ten accounts even in the next financial year and so on. When I say top ten, it includes the top 20 customers that we are looking at. Overall if you look at it in the market, yes it is a difficult macroeconomic situation and you know the ER&D budgets are all discretionary, so we see some signs of it. There are some customers that continue to invest and grow and trust Tata Elxsi delivery capabilities and work with us and so on, but there are a few customers that have had some issues in terms of their own R&D initiatives either getting paused or put on a hold or for whatever reasons, right, so beyond the top 20 customers, we definitely have a set of accounts that we would really want to push into the top 10 and top 20, so we are focused on that and we really working on that select set of customers to see how we can move them to gain larger market share there and move them into a bigger bucket and so on. That is something that we continue to do, but at the same time if you look at the overall set large base of customers that we have, there could be a few customers that have some issues in their own business and so on; that is why I think there is a relative softness in the beyond the 20 bracket I would say, but that happens every quarter and I do not think it is a cause for concern. Definitely a large part of our growth will be pushed by



our top 20 customers at the same time, there is the next set of customers also that we are carefully curating and really working with in a very clear objectives of moving them from one bucket to another that is something that we continue to do. From all the initiatives that we have hiring managers, mid level managers and the offices in Germany and other places right. We have also investments in UK as well as in US and so on. Over the year those investments continue and those ramps ups are happening satisfactorily. In fact we have been able to deliver value for some of our customers including in Germany and UK based out of our delivery locations in that respective countries. It is still a work-in-progress and we would continue to execute on the strategies that we have laid out and we are as per our plan. I do not think we have a concern there. The SMEs, the mid level managers and so on that we continue to both internally ramp up resources as well as hire laterally so that efforts continue. Regarding the margin Gauray can you answer that?

Gaurav Bajaj:

I will take your second question on the margin walk. If you see for the quarter our margin on the EBIT it was narrowly below what we delivered in the last quarter just 30 basis points that is primarily to do with the campus on boarding that we did during the quarter and also what Manoj also alluded to the fact that we continue to make the investment into the people, subject matter experts and augment our sales team across the location which is important for forward-looking strategy and technical capability that we want to continue to build upon, so we continue to invest in those parameters, so that is why the EBIT margins came 30 basis points lower compared to the last quarter. But if you see at the PBT level, PBT level our margin was 29% this quarter compared to 28.7% last quarter. In fact on the PBT we have delivered better and stronger growth and the margin this quarter that has to do with the higher other income due to the interest incomes and the R&D credit that we get from some of our onsite businesses and exchange gains that we have made during the quarter. If you see at PBT level we have done better than the last quarter and at the PAT level we had done 23.3% and that is almost 37.4% on a year-to-year basis. If you see on the full year basis, we have a 37.4% growth in our PAT.

Sulabh Govila:

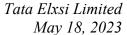
Understood Thanks for the comprehensive answer and thanks for taking my question.

Moderator:

Thank you. The next question is from the line of Utkarsh Katkoria from PGIM India Mutual Fund. Please go ahead.

Utkarsh Katkoria:

Good evening. Thank you for taking my question. I just wanted to understand in light of the Tata Technology IPO that is likely to hit the market, how do we compete for business say versus a Tata Technology, which is a part of the same group and what is our go-to-market strategy and how is that different say from Tata Technology or some of the other players in the sector.



Manoj Raghavan:

Tata Technology is a group company and as you know Tata Technology is a subsidiary of Tata Motors and they get a significant portion of their business from the group companies TML and JLR; a lot of their businesses is around definitely in mechanical engineering, the PLM. They do a lot of work on the ERP side and of course in a few verticals like automotive, aerospace, industrial and those are the verticals that they operate in whereas Tata Elxsi is primarily focused on the embedded engineering, hardware, and software, with strong focus on design. Literally speaking, we are two orthogonal entities; the service offerings are literally orthogonal. From Tata Elxsi perspective, we really do not see an impact of Tata Technology affecting our business, but they have a very, very strong portfolio of services that they deliver to their customers and we are literally a complimentary sort of offering that we have.

Nitin Pai:

Maybe I can just add a little bit. This is Nitin here. Tata Technology has been in business for many years now and they have been in the market for many years now, so in that sense, from a competition and the customer perspective, they are already there. They are already factored in. It is only for investors that there is a new factor because they are now coming up with an IPO rather than being a subsidiary that is not investable, right. In that sense, there is no change of status, worldview does not change for us at all.

Utkarsh Katkoria:

Right. So what I understand is that while they are heavy on automotive and we are also heavy on automotive, the kind of service offering they have are very different from what we are doing and when it comes to other segments, we have strength in healthcare and communication while they have more strength in aerospace industry.

Nitin Pai:

That is correct.

Utkarsh Katkoria:

Is there a time when both Tata Technology and Tata Elxsi together have gone to win a client who sort of bring some part of the business. Is there a combined go-to-market strategy ever or we operate completely in different space.

Manoj Raghavan:

No, we are two different companies so we operate independently, but at the same time we have had occasions where we have come together to deliver end-to-end service for a customer so that has also happened.

Utkarsh Katkoria:

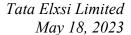
Okay. Thank you for that. Thank you so much.

Moderator:

Thank you. The next question is from the line of CA Garvit Goyal from Nvest Research. Please go ahead.

Garvit Goyal:

Just one question basically on the margin sustainability side. Do you think this level of EBITDA margins is sustainable going forward for the next two to three years?





Manoj Raghavan: It is very difficult to forecast 2 to 3 years and so on, but if you look at the next financial

year, we strongly believe that we can sustain this level of margins.

Garvit Goyal: Okay understood and what about the growth outlook for next year?

Manoj Raghavan: We are pretty bullish about the growth prospects that we have. Yes, there are still

macroeconomic uncertainties and challenges that are there in the industry, but I guess we will get out of it. It is a question of one-quarter or two quarter time frames. There are parts of our business that are already showing green shoots and that is what we will really focus

on and we really hope that we will be able to get back to a decent growth path.

Garvit Goyal: Okay understood. Thank you very much and all the best.

Moderator: Thank you. The next question comes from the line of Ajay Ajin from Astute Investment

Management. Please go ahead.

Ajay Ajin: My question is does AI and generative AI like chat GPT affects positively or negatively our

profitability and billable values going forward?

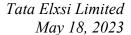
Nitin Pai: Maybe I will take that question. If you look at it the chat GPT has the greatest impact on

jobs that are automatable easily, so to that extent a lot of typically what would constitute shared services, creative services, and so on is where we believe the impact is a lot more direct from generative AI but when it comes to very domain focused problems and let me give you an example. When it comes to autonomous cars, for example, you have to train cars to be able to drive on roads and deal with scenarios that are completely complex and different. You cannot use a generative AI like chat GPT to train cars to drive on roads. You can ask to chat GPT about what is the best car to buy, but you cannot allow it to run the car that you want to buy. To that extent, the fact that we operate in domains, the problems that we address are very deep domain problems for example recommendation engines that go into OTT products that tell you what you like, what should you watch next so on. The AI that goes into cars that allows it to drive or the AI in healthcare that looks at radiology results, looks at precise image mapping and identifies the disease. You think about it, these are specific problems, these are not generalized problems so to that extent we see very little

impact from chat GPT or generative AI directly in our businesses, however, there are areas where we are actually starting to use it ourselves, right, and there are very interesting applications that we can use it beyond what we do today, so that would be our assessment at

this time.

Ajay Ajin: Would it be a cost-cutting area or improve your billable values in future?



Nitin Pai: No, for us, we see AI as something that enhances value all the time. Even in our own

domains and our own projects, we do not see standalone AI projects we see AI building into the projects that we deliver. To that extent, I think chat GPT is just another lever in the

armory.

Ajay Ajin: Yes, I agree but apart from that there is so many new AI solutions that are going to be

available soon, so I am asking my question in that context, not limited to chat GPT. Will AI

affect positively or negatively?

Nitin Pai: AI is a great positive is already a great positive for us. What we are saying it has always

been a great positive. It will continue to be a great positive and generative AI by itself does

not represent a threat.

Ajay Ajin: Okay thank you very much.

Moderator: Thank you. The next question is from the line of Akshay Ramnani from Axis Capital.

Please go ahead.

Akshay Ramnani: Hi thanks for taking my question. My first question is on employee cost so I am just trying

to understand it. It is up about 4.5% on a sequential basis. If I look at last quarter's headcount it was flat this quarter headcount is also up about. 2.2% and I am assuming we

did not have a wage hike this quarter so what explains this increase in employee cost?

Gaurav Bajaj: Hi Akshay this is Gaurav. Let me take that question. The employee cost increase as

mentioned earlier is because of one the headcount increase that we have done and also some of the onsite investment that we have done in the people, sales, subject matter expertise and also remember that while we have a benefit from the exchange on the revenue side but for the onsite headcount there is also cost impact that comes from the exchange movement

during the quarter compared to the last quarter plus we have certain new contribution plans

that we have started in the US geographies for which also cost got added in this quarter so

those three - four factors added to the cost when you compare from the last quarter.

Akshay Ramnani: Got that one and other expenses line item has been quite volatile over the past three

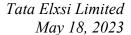
quarters. Any sense on what is the sustainable basis number there or is it expected to

volatile in the near term as we see it?

Gaurav Bajaj: If you see the last three quarters after Q4 and or Q1 of this financial year when the COVID-

related lockdown started to open, we have to open back to offices, travel started again so slowly that cost started to come back and as people started to come back we also need to set up the facilities then there are a certain increase in discretionary expenses, but on quarter to

quarter, there will always be even which will be very quarter specific which may not have





the cost in this quarter versus the last quarter, but most of the costs that were not there during the lockdown period is now back, so probably if you see the quarter-to-quarter average that would be the level of the other expenses that where we will operate now.

Akshay Ramnani: You mentioned Q2 to Q3 average is it?

Gaurav Bajaj: I am saying the last two-quarter averages if you see; do not take one quarter as a benchmark

or basis but take a couple of quarters to take an average as what percentage of our overall

operation where we will run those other expenses.

Akshay Ramnani: Got that and one question was to Manoj, if you can catch upon the hiring outlook

for next year and maybe based on the deal wins, which we have in hand how do you expect

the revenue to shape up over the next couple of quarters?

Manoj Raghavan: From a hiring perspective in this financial year, we would be adding almost I would say

2200 odd headcount that is the current plan that we have. Out of which almost 1800 or so would be the fresh grads that we would add and about 450 to 500 net laterals that we will add so that is the sort of headcount that we are looking. From a growth perspective, I have already answered. We definitely see in each of the businesses that we are, we see good confidence of opportunities coming back. There are large deals that we are signing and in

the process of signing. There are a lot of discussions happening with customers, and yes

there is a little bit of macroeconomic uncertainty. I would say let us wait for a quarter and see how it rolls out but we are sitting out here today and we are fairly confident of the way

forward.

Akshay Ramnani: Just one if I can squeeze on so offshore revenue has come off slightly in this quarter. Is it

just a quarter phenomenon or is there anything, any reversal we are seeing here?

Manoj Raghavan: It is not significant.

Gaurav Bajaj: Yes, it is very marginal that kind of a movement between on-site and offshore depending

upon the project completion in a quarter will always be there, but if you see that range of

movement quarter to quarter that is very insignificant.

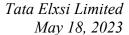
Akshay Ramnani: Got that. Thank you.

Moderator: Thank you. The next question is from the line of Urmil Shah from Ageas Federal Life

Insurance. Please go ahead.

Urmil Shah: Good evening gentlemen. Thanks for taking my question. My question is a follow-up on the

transportation business; just to understand you mentioned that there were a few discussions





that happened in the case of a select client, was it towards the fact of the quarter or it was more than that one project got completed and the ramp-up of the follow-up time. Secondly as regards geography performance, the US has been relatively softer in this quarter, was it to do more with the auto business or it was broadly across the vertical lastly as regards the top five clients in the auto segment how has the performance been specifically for the transportation segment amongst the large players.

Nitin Pai: Maybe I can take that on behalf of Manoj this is Nitin here. With respect to auto and the

revenue ramp up over the last quarter, it is a combination of factors. To some extent like Manoj said there are projects that have ended and the renewals and extensions have taken a little time in some cases. In some cases including Alps Alpine and so on you will find that that whole announcement was made on March 23^{rd} almost the last week of the quarter, right, because the inauguration was done on that time and we have started to build up that entire center starting from then. So we would have ideally liked to have had that announcement made in the first week of January and then got to building the business and ramping up revenues right from there. To that extent I think nothing to worry it is simply a combination of factors, but the path ahead is clear. Moving to your second point in terms of US, for us US is far more secular. In fact, Europe is typically auto dominated while US is a lot more media and healthcare, so to that extent that more or less explains the softness and that all and was there anything else that you had.

Urmil Shah: The top client or the transport vertical.

Nitin Pai: They are doing extraordinarily well.

Manoj Raghavan: We do not see an issue there in the top five customers there.

Urmil Shah: Which quarter should see a ramp up of the deal?

Manoj Raghavan: It will happen over this financial year right from Q1 to Q4, so it is not going to be a step

change right from Q1; it will be a gradual ramp up that will happen.

Moderator: The next question is from the line of Ajay Garj an individual investor. Please go ahead.

Ajay Garj: I believe all the questions have already been answered by the previous speaker. There are

no further questions from my side.

Moderator: The next question is from the line of Tushar Bohra from MK Ventures. Please go ahead.

Tushar Bohra: Thanks for the opportunity. First I would like to understand some of the initiatives beyond

your top three segments, automotive, media, and healthcare. You have been ramping up on



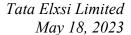
initiatives in defense, aerospace, and maybe a few other industries or segments. Could you give more qualitative comments and inputs around that? In a related question, we are seeing a revival of manufacturing domestically lot of interesting opportunities coming up in EMS, the semiconductor space, and so on. Does Tata Elxsi have a play in any of these areas, areas like defense offset for example, or defense-related stuff in India. Is there anything interesting things you would like to highlight? And lastly, I want to understand on the IT front if there are any notable wins or any interesting qualitative comments on your IP side.

Manoj Raghavan:

Apart from the three main verticals that we have, we have really been focusing on our design business and within the design business really focusing on of course consumer electronics, manufacturing is an area that we have been investing in and you rightly said in India we see a lot of opportunities in the manufacturing space especially with our Industry4.0 and IOT solutions that we have. So we are building that muscle and we have some interesting deals over the last financial year, right and that progresses pretty satisfactory as I would say. We are really not working from a defense perspective, but we really work with you know organizations like ISRO or VSCC. I am happy to let you know that we have been involved in the Gaganyaan project and we have done some very fantastic work there. I am not sure whether we have already published it in our websites and so on, at an appropriate time we will definitely talk about that. It is a cutting-edge work that we have done. We are very proud of the type of work that we have done for ISRO. On the IP front is there anything that you want to specifically talk about.

Nitin Pai:

Tushar, to that extent there is nothing new to report in terms of a portfolio. We are building some and we have some very interesting IP that we are investing in especially that leverage is AI significantly whether it is to be able to do predictive maintenance and prognostics relating to automotive or otherwise, relating to battery technologies and being able to predict state of charge and advanced algorithms that power EV experiences. We are investing in AdTech especially the recommendation engines and related content moderation and so on because you see lot of opportunities around how do you manage and automate the management of content that is being published on social media or in streaming video and so on. In that sense, there is very selective and very careful investment that we are making to develop some more or augment our existing platforms and products with AI based capabilities. There are some wins. In fact I would say there is very good traction that we are seeing especially with our IoT platforms, connected car platform. We are seeing some good traction with TEplay which is our white label OTT platform, especially in emerging markets. I am hoping that we can make some of these announcements and actually see that also reflecting a little non-linearly in our revenues in the quarters to come.



Tushar Bohra:

Thanks just a quick follow up on the question. By when do you think your non-top three segment performance will be reasonably large enough to report as separate segments and on the design side work that we are doing in these new areas you mentioned manufacturing, industrials and so on, does it translate to work on the embedded side and longer-term commitments or does it remain at design level kind of an engagement get in, get out quickly.

Manoj Raghavan:

That is the change that we have brought about over the last four to six quarters right where we strongly we have been pushing design as an entry strategy, but definitely our focus is to look at the downstream activities including software, hardware development and end to end product maintenance and the lifecycle of the product so that is how we have been and what we have also done to is strongly integrate the design capabilities in our sales kit right so that the sales team that goes ahead talks from design perspective. So that has actually helped us mine our existing customers and also open new logos for us so that is a very strategic move that we have done and definitely in the quarters to come that is something will help move both top line and bottom line for the company.

Moderator: Thank you. The next question is from the line of Rajesh from Zenith Financial Services.

Please go ahead.

Rajesh: Good evening. Thanks for the opportunity. I just wanted to check like do we have the

capabilities or do we have any plans to work on something like geospatial technology

because somebody mentioned about aerospace and defense sector.

Manoj Raghavan: No. We currently we are not focusing on that.

Rajesh: We do not have any plans in time to come.

Manoj Raghavan: No. It is a very, very niche area. At this point in time we are not even thinking about it.

Rajesh: Apart from the three segments you just mentioned that you are also working on some other

manufacturing and other segments, so when can we see appreciable reporting of revenues

from the other segments?

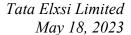
Manoj Raghavan: Whenever we reach a size that we believe we can report and we can sustain that particular

thing, right. So that is when we will talk about it. We do not want to pressure ourselves by

giving you a number or a timeframe today. Whenever we are confident we will come out.

Rajesh: Somebody is taking a long-term view say three to five years, so can we see that change

happening.





Manoj Raghavan: Definitely in that time frame you will be able to see.

Rajesh: Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Sanjaya Satapathy from Ampersand

Capital Investment Advisors LLP. Please go ahead.

Sanjaya Satapathy: Thanks a lot for the opportunity. You mentioned that you are fairly confident of the

transport vertical growth, which will be something similar to that 25-30% kind of growth that you have seen in recent years, but at the same time there was a bit of slowdown in Q4. I mean you have tried to explain it but just want to understand that when will we start seeing

actualization in that vertical for revenue.

Manoj Raghavan: You will definitely start seeing that. As we close the deals and there are definitely large

deals at this point in time that we are bidding. We have been shortlisted and so on, right. So it is a question of when the paperwork is done and when we will be able to get into a billing situation and so on. We were expecting some of the deals to close maybe early part of Q4 and some of those have got deferred. We are in active pursuits in many opportunities I would say, the funnel is pretty strong, but yes there has been some delays due to the market situations and so on. I am really not that concerned about it and we will definitely recover

moving forward.

Nitin Pai: Sanjay, to simply put we should pick up speed.

Sanjaya Satapathy: Understood and considering that you have already managed to get a lot of orders, so

basically FY2024 could be a year in which there will be more balanced growth is that what

you will say.

Manoj Raghavan: That is what we are hoping for. Especially we want all the engines to start firing, right. Yes

we have had some weaknesses in the last financial year in few of our verticals and over the last few quarters we have been working hard to really put in steps to really get back to a

growth path and I hope we will see those results in subsequent quarters.

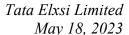
Sanjaya Satapathy: Thanks a lot.

Moderator: The next question comes from the line of Karan Uppal from Phillip Capital India. Please go

ahead.

Karan Uppal: Yes, thanks for the opportunity. Firstly, on transport vertical so on the SDV related deals

any sense of the range of the deal size because one of your competitor has announced two deals, which are in the range of \$150 to \$250 million, so anything which you can give a



sense on and secondly you have about transport and broadcast, but on healthcare any outlook which you can provide for FY2024.

Manoj Raghavan:

On the deal sizes, yes. The deal that we have also closed are multimillion dollar deals, so definitely yes the opportunity exists and if you look at it we bring very, very strong domain capabilities in this area especially on Cloud and DevOps and IoT and so on right and this entire what you say software-defined capabilities that they built over for many quarters right. So we are pretty confident on the deals that we have picked up right at the right margin levels for us right. Think that is something that we will be very, very careful and again most of the deals that we have picked up are offshore related right which means we are not really looking at onsite-lead business most of are deals are offshore lead so yes it will take a little while to show in terms of revenue growth and so on, but I think we are on a very, very good wicket and very good path to take the growth forward.

Nitin Pai:

Karan, you second question was on healthcare and the fact that we have not made much commentary. I would simply put it this way. If you look at it, it has been on a great path and suddenly in a quarter you had set back of one part of the business just vanishing or rather diluting because of the regulatory deadlines change. Especially, what had happened was somewhere we were supposed to be delivered in four quarters was now allowed to be delivered over 16 quarters, which means that the TCV has not changed but our entire business is now going to be spread over 16 quarters. The healthcare business has done extraordinarily well in my opinion, not only to recover, but also to find different customers, different work within existing customers that has nothing do with regulatory that allows you to recover, so for me the great plus point, the 1+% percent return back to growth quarter on quarter from the previous quarter which essentially sets the pace for new customer additions and new business. In that sense, we are very, very both happy as well as bullish on healthcare. Maybe while we are quarter more of speed that needs to pick up, but long term there is no issue.

Manoj Raghavan:

It is a long lead time business. It takes lead time to really convert so I think we are working hard on that.

Karan Uppal:

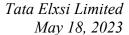
Just to understand you are saying that healthcare might grow lower than the company average while transport may grow than the company average, based on whatever comments you have made, that is what I can conclude, maybe you can correct me.

Manoj Raghavan:

No we are not making those statements. You are putting words into our mouth.

Karan Uppal:

Okay and thanks all the best for FY2024.





Moderator: Thank you. The next question is from the line of Urmil Shah from Ageas Federal Life

Insurance. Please go ahead.

Urmil Shah: Thanks for the follow-up. Just on the supply side front Manoj, you had mentioned that at

least on the auto front in previous quarters had there been more billable headcount, the growth could have been better, so going into FY2024 is the supply side easing and that

could also be a lever for margin.

Manoj Raghavan: Definitely, I would say supply side is easing out a little bit as compared to maybe a couple

of quarters, we are in a better position. We have actually built-up bench strength right, which is significant and we have been investing in people over the last, I would say three to four quarters and even from a headcount perspective we have been investing so I believe we have a healthy bench available today and we will be able to use that bench to really deliver the growth that we are planning. From a supply side at critical resources, SMEs and so on definitely if we had more resources we will be very happy but having said that we are in a

better situation as compared to a couple of quarters ago.

Urmil Shah: Sure and as regard to wage hike for this year, we should be following the normal cycle.

Manoj Raghavan: Yes.

Urmil Shah: Yes. Alright. Thank you and all the best.

Moderator: We have the next question from the line of Vimal Gohil from Alchemy Capital

Management Pvt. Ltd. Please go ahead.

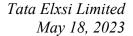
Vimal Goyal: Thanks again. Gentlemen, just one question on Media and Comm around 5G, could you just

maybe highlight whether are you seeing this demand from 5G coming in from existing customers because a couple of your top five customers are moving to this or are you seeing some of the newer customers embracing newer solutions around 5G and what sort of work

are we exactly doing, thanks.

Nitin Pai: Hi, Vimal this is Nitin here. I will take that. The two deals that we announced are actually

two new customers for us, so you will find that in the deal that we announced. You will find that there is a Middle East telecom operator who has deployed 5G and is now looking at monetization opportunities both B2B as well as B2C and for us, that is a fantastic intersection because we are saying look your opportunities are going to be with what can you do with logistics, connected cars, connected fleet, what can you do with connected and digital health? What can you do with media? For us we are coming on top of 5G and what ties the industries that we are in and applications there from a monetization perspective, so that is the telecom opportunity where we are on the side of the operator and looking at how





to make money from 5G. The other deal if you look at it that we announced was with an absolutely world-leading telecom product company to build products that would go into the consumer homes for broadband and fixed wireless access. It is 5G and talking to the world it will possibly be Wi-Fi and so on talking to the home, so for us these are completely new deals, completely cutting-edge work and we believe this can be replicated very, very well across both new customers as well as existing customers.

So that extent our conversation is going on. There is someone amount of work going on in the existing customers and I think these deals represent great opportunities to replicate.

Vimal Goyal: Understood. Thanks Nitin.

Moderator: Thank you. As there are no further questions I would now like to hand the conference over

to the management for closing comments. Over to you Sir!

Manoj Raghavan: Thank you everyone and we look forward to seeing you again in beginning of Q2 and we

definitely hope that we will be able to deliver better results to you in this quarter moving

forward. Thank you so much and have a good day.

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.

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