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■TATA ELXSI LIMITED (#TATAELXSI)

■Market Cap: 52,550 Cr

■One of the World’s leading provider of design and technology services across industries including Automotive, Broadcast & communications and Healthcare

■Business Analysis

A Thread ■



■BUSINESS

■Part of prestigious TATA Group

■Established in 1989, A forward looking IT business

■Company earns revenue primarily from providing information technology, engineering design, systems integration & support services, sale of licenses and maintenance of equipment

■The company operates in 2 segments

1. Software Development & Services

It is further sub divided into EPD and IDV.

■Embedded Product Design (EPD)
■Industrial Design & Visualisation (IDV) division

2. System Integration & Support (SIS)

Embedded Product Design (EPD)

The EPD division provides technology consulting, new product design, development, and testing services for Transportation, Media, Broadcast & Communication and Healthcare sectors

Industrial Design & Visualization (IDV) division

IDV services span across consumer research and strategy, branding and graphics, product design, service design, user experience design, transportation design, 3D-prototyping, visualization and manufacturing support

System Integration & Support

The System Integration & Support segment provides professional services for cloud and infrastructure management, Virtual Reality (VR), 3D Printing and Robotics

■MANAGEMENT

■Manoj Raghavan (MD & CEO) : 22 Years of experience (2.42 Yrs tenure)

■CEO compensation ($USD 578.96K) is below average for companies of similar size

■CEO compensation has increased by more than 20% in the past year



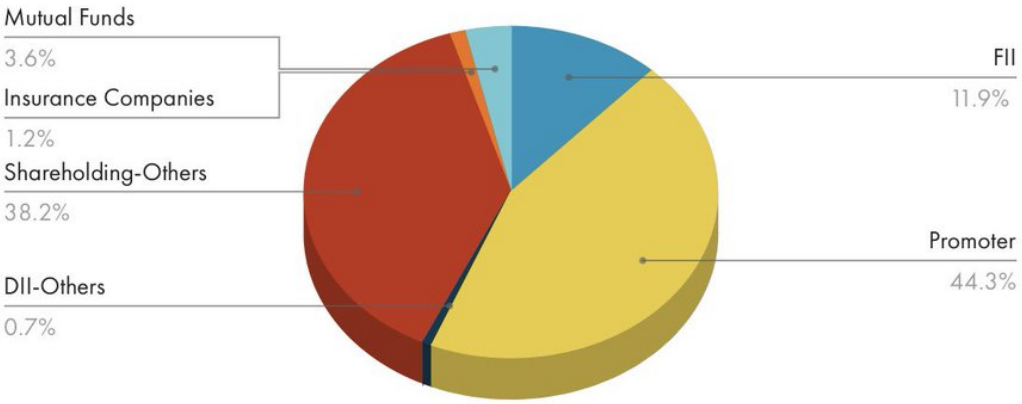
■SHAREHOLDING PATTERN

■Change in promoter holding (Vs last quarter): -0.21%

■Change in FII holding (Vs last quarter): -0.78%

■Change in DII holding (Vs last quarter): +0.59%

■Change in public holding (Vs last quarter): +0.41%



■CONTRIBUTION TO DIFFERENT INDUSTRIES

Company is mainly working for below industries

1. Automotive
2. Broadcast & Communications
3. Healthcare

Automotive

Tata Elxsi works with leading OEMs (original equipment manufacturer) and suppliers in the automotive and transportation industries for R&D, design and product engineering services from architecture to launch and beyond

Broadcast & Communications

It is engaged with broadcasters & operators to create solutions for smarter living, engaged entertainment and a digital future driven by IoT, analytics and artificial intelligence. At the device level, it have powered the next generation voice-based user interfaces and integration across platforms including Android, iOS, Web as well as Android TVs. It also works with leading telecom operators in their digital and network transformation journeys, supporting integration, workflow automation and roll-out of new services

Healthcare

In the Healthcare segment, it designs next-generation products in critical care, patient monitoring, and drug delivery. It is working on cloud-based platforms that help consolidate and provide valuable data for analytics on the digital side.

■WELL DIVERSIFIED REVENUE MIX (Q3 FY22)

■Geography

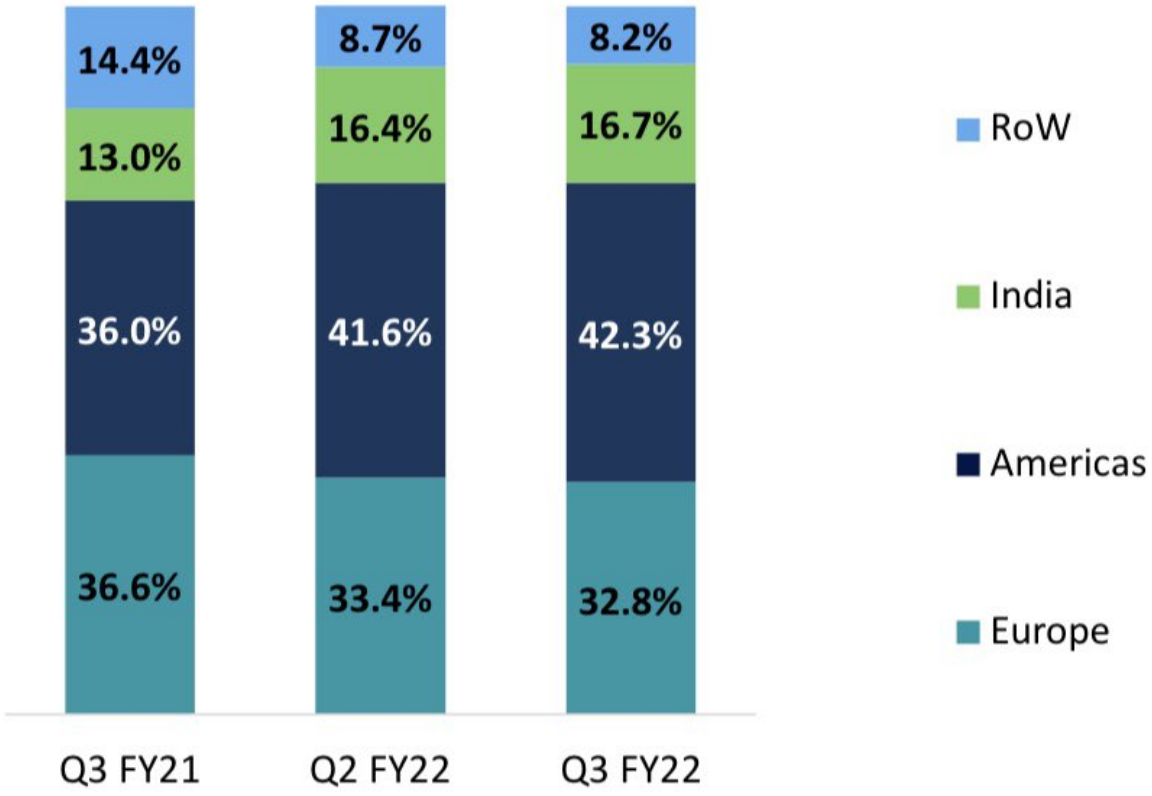
Americas: 42.3%, Europe: 32.8%, India: 16.7%, RoW: 8.2%

■Segment

Embedded Product Design: 88.9%
Industrial Design & Visualisation: 8.9%
System Integration & Support: 2.2%

Operational Performance – Q3 FY22

Revenue By Geography

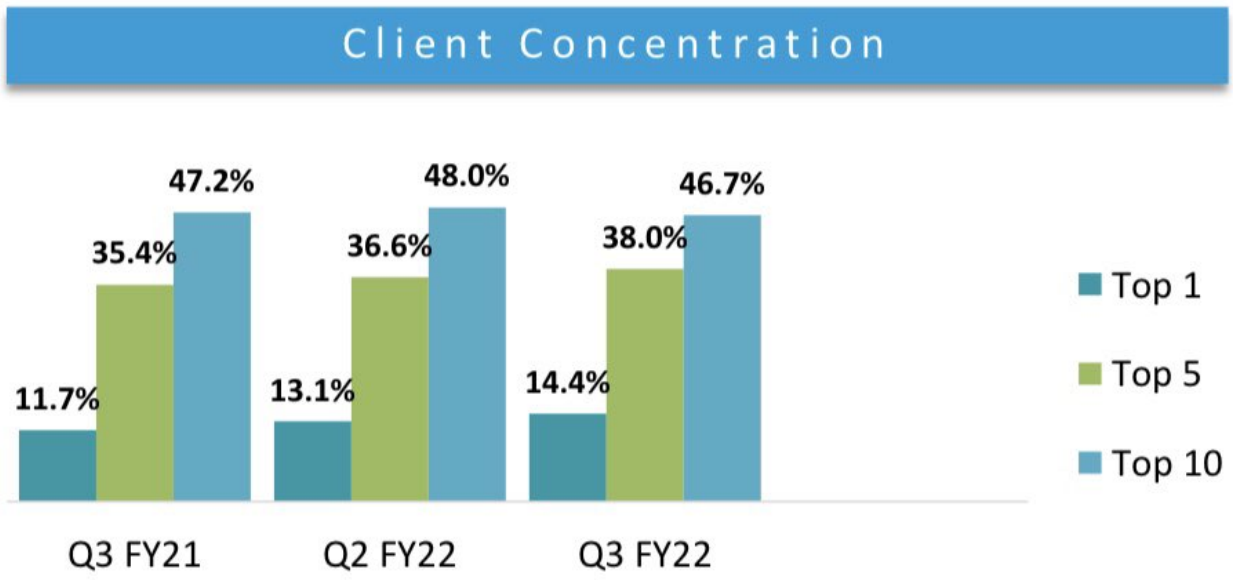


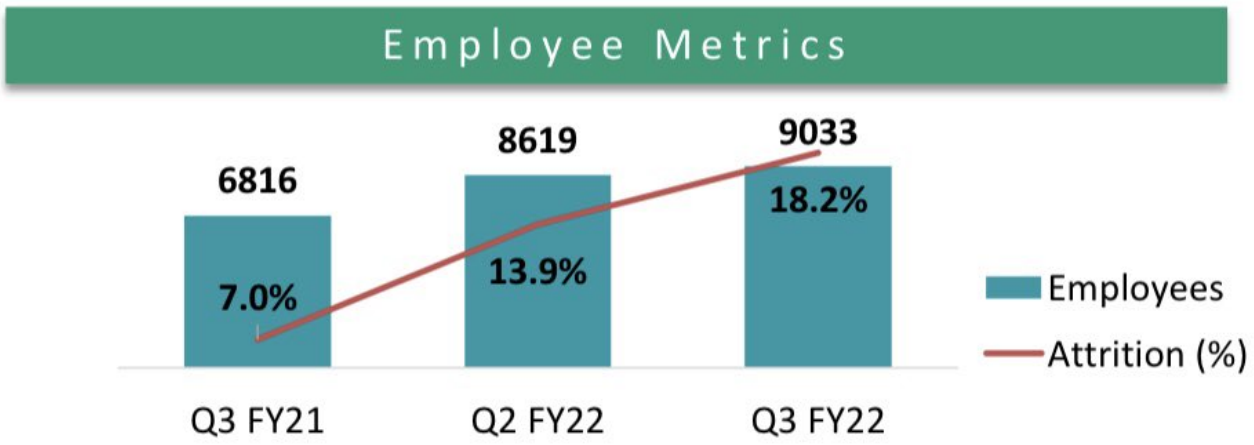
■Client concentration & Employee Metrics

■People addition in Q3 FY22: 414

■Employee utilisation rate ~83%

■Attrition Rate: 18.2% (LTM)





■QUARTERLY RESULTS (Q3 FY22)

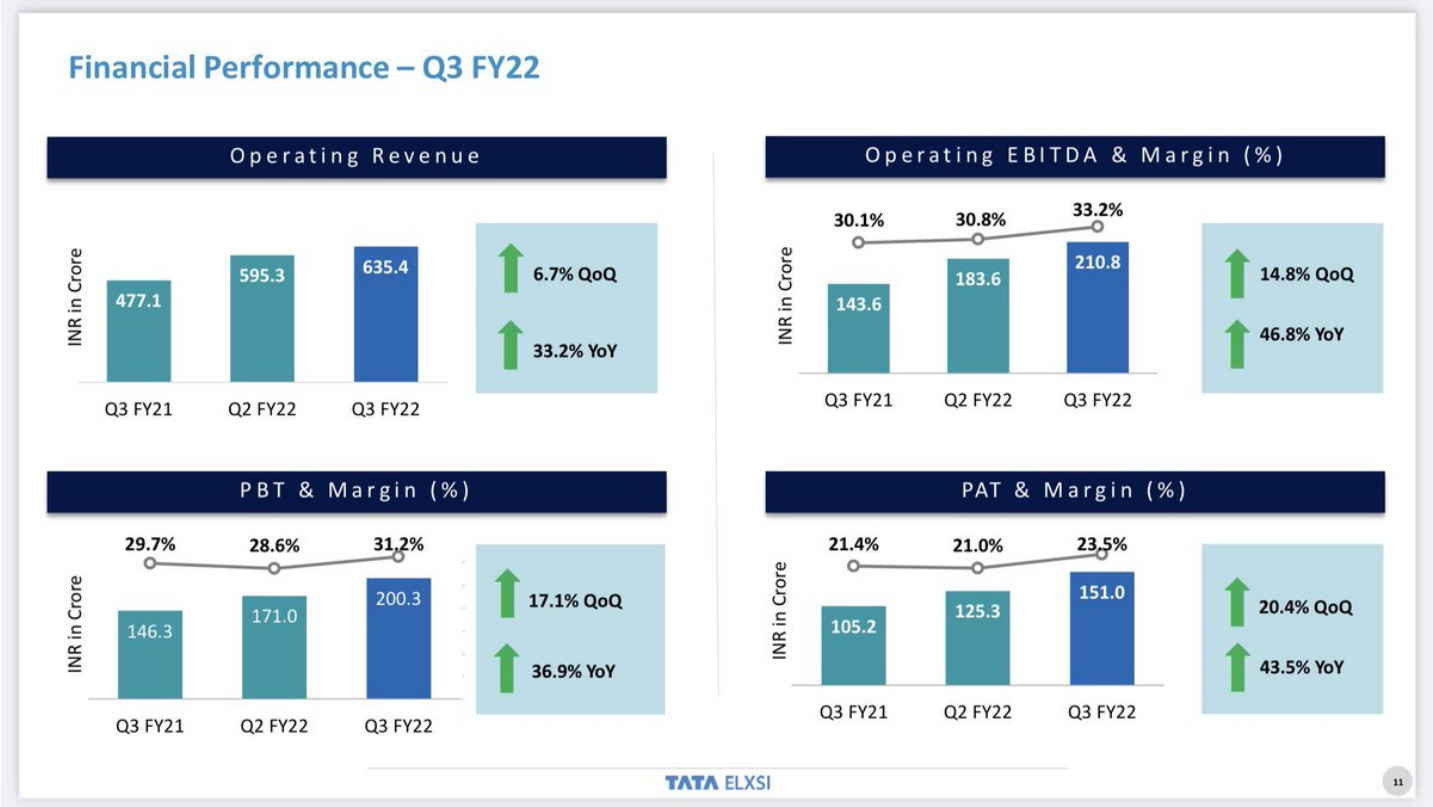
■Sales Growth: 33.2% YoY - Good YoY Sales Growth

■Profit: 43.5% YoY - Good YoY Profit Growth

■Consistent growth in margins

■Strong order book and a healthy deal pipeline

■The company is debt free since long



■FINANCIALS (5 Year CAGR)

■Sales Growth: 11.2%

■EBITDA Growth: 16.2%

■PAT Growth: 18.9%

■ROCE: 42.5% (FY21)

■ROE: 30.2%

Working capital days of the company in FY21 stood at ~65 days

Free cash flow per share increased to 62 Rs in FY 21

Overall, Numbers look good.

■STRENGTHS

■Diversified geographical presence
■Established market position
■Healthy financial operations
■Major contributor to the transformation to Electric Vehicle
■Company consistently making profits
■Debt free since long
■Brokers upgraded recommendation

■WEAKNESS

■Trading at Premium Valuation
■Promoter and FII reduced the holding in Q3 FY22
■Good competition from KPIT and LTTS
■~88% revenue from one segment, Embedded Product Design

■VALUATION

■Price to Earnings (PE): 104 (Above it's median PE 27.6)
■Price to book value: 40.7
■PEG Ratio: 5.53

Although there is bright growth prospect, at current levels stock is trading at premium valuation (Overvalued).

■CHART (Weekly Timeframe)

