

Tata Elxsi**₹ 214****Precisely.....!****Buy**

Aug 31, 2012

Company Background

Tata Elxsi was incorporated on 30th March, 1989 as a Public Limited Company. The Company was promoted as a joint venture between Tata Industries, Ltd. (TIL) and Tata Elxsi (Plc.), Ltd. (TEPL), Singapore. Tata Elxsi is a creatively design and technology company, and have serviced to a broad spectrum of industries. From Automotive to Aerospace, Enterprise to Consumer Electronics, Entertainment to FMCG, Media to Storage, Semicon to Telecom, the company provide customized design solutions to companies across the globe. It ensured cost-effective, time-to-market solutions through a highly motivated skilled workforce driven by strong design principles, highest levels of quality & ethical business practices. Tata Elxsi has strive to deliver solutions high on innovation, conscious of quality, time & cost & designed according to customer needs.

Key Highlights

- ➔ The Embedded Product Design Division delivered a complete Smart-phone design and prototype based on the latest Android platform for a leading OEM. This project encompassed the integrated design capabilities of Tata Elxsi, covering hardware, system software and innovative applications based on advanced sensors. The Industrial Design division also worked jointly to support.
- ➔ Among other projects, the Industrial Design Division also supported the design of a low-cost diagnostic device for affordable healthcare in emerging countries, & packaging design for the Danone range of dairy product in India.
- ➔ Visual Computing Labs (VCL) delivered major projects for animation and visual effects for Hollywood and Bollywood feature films in F.Y 2011-12, it made exciting forays into high-end photorealistic content development and visualization of campuses for corporate and virtual cars for advertising. It works with some leading international game developers for game art development.
- ➔ The Systems Integration Division successfully completed a landmark project for Mazagon Dock Limited, with the turnkey implementation of a state-of-the-art virtual reality facility for ship design.
- ➔ The Professional Services group inked a strategic deal with Lenovo as their Authorised Service Partner for India for their entire range of products.

Key Financials

Year Ended 31 st	Mar 10	Mar 11	Mar 12
Revenue (₹ mn)	3,773.2	4,148.8	5,325.8
Rev. growth (%)	(9.87)	9.95	28.37
EBITDA (₹ mn)	704.6	549.0	789.3
Net profit (₹ mn)	479.1	317.3	339.5
Shares outstanding (mn)	31.1	31.1	31.1
EPS (INR)	15.4	10.2	10.9
EPS growth (%)	(17.55)	(33.77)	7.00
P/E (x)	20.8	24.9	18.0
EV/ EBITDA	14.6	14.9	8.2
ROCE (%)	25.72	15.33	15.82

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Info Codes

Reuters	: TTEX.BO
Bloomberg	: TELX@IN
NSE	: TATAELXSI
BSE	: 500408

Market Data

52 Wk Range (₹)	: 254 / 167
Shares in Issue (mn)	: 31.1
Mkt. Cap (₹ bn)	: 6.67
BSE 2 Wk Avg Vol	: 9604

Share Holding Pattern (%)

Promoters	: 45.11
DII's	: 07.94
FII's	: 01.78
Others	: 45.17

Investment Theme

Tata Elxsi looks forward to continuing on its path of growth, building on the experience of dealing with difficult market conditions from the last year and earlier. As a technology-led design company, Tata Elxsi continue to leverage their mature design processes, technology, creative skills, and the talent base developed over the years to deliver value to their customers. It also continue to invest in skill development and take appropriate measures in retaining, developing, and attracting the best talent required to deliver higher value to their customers. The Company also believe that their ongoing investments in R&D and technology development, as well as exploration of new and adjacent markets will help de-risk any downturns in specific industries and markets, and lay the foundation for future business.

Multidisciplinary Design !

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 10	Mar 11	% Chg	Mar 12	% Chg
Total Sales + Excise	3763.7	4110.2	9.21	5144.6	25.17
Other Income	9.5	38.5	305.26	165.2	329.09
Change in Stocks	0.0	5.1	-	(5.5)	(207.84)
Raw Material Con.	221.0	276.7	25.20	275.8	(0.33)
Employee Exp.	1824.1	2186.5	19.87	2807.5	28.40
Indirect Taxes	8.1	10.6	30.86	10.2	(3.77)
Other Exp.	1015.4	1131.0	11.38	1421.5	25.69
Operating Exp.	3068.6	3599.7	17.31	4520.5	25.58
Operating Profit	695.1	510.5	(26.56)	624.1	22.25
Total Interest	105.9	23.1	(78.19)	28.0	21.21
Gross Profit	598.7	525.9	(12.16)	761.3	44.76
Net Dep.	80.4	52.3	(34.95)	180.7	245.51
Total Taxation	39.2	156.3	298.72	241.1	54.25
Net Profit/Loss	479.1	317.3	(33.77)	339.5	7.00

4 Years Balance Sheet

(₹ mn)

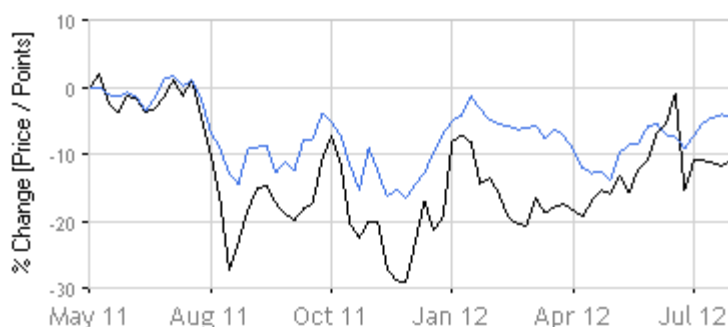
Balance Sheet as on 31 st	Mar 09	Mar 10	Mar 11	Mar 12
SOURCES OF FUNDS	1,646.5	2,079.5	2,058.9	2,232.3
Equity Share capital	311.4	311.4	311.4	311.4
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	1,204.3	1,428.4	1,493.2	1,579.3
Secured Loans	130.8	50.6	254.3	276.6
Unsecured Loans	0.0	289.1	0.0	65.0
USES OF FUNDS	1,646.5	2,079.5	2,058.9	2,232.3
Gross Block	1,674.5	1,500.6	1,675.4	1,962.8
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	701.5	600.5	767.8	964.1
Net Block	973.0	900.1	907.6	998.7
Capital Work in Progress	10.6	4.1	118.4	104.6
Investments	2.9	2.9	2.9	13.5
Current Assets	1,596.3	2,087.6	2,310.3	2,453.9
Less : Current Liabilities	936.3	915.2	1,280.3	1,338.4
Total Net Current Assets	660.0	1,172.4	1,030.0	1,115.5
Misc. Expenses not written	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	2.9	2.9	2.9	13.5
Mkt Val. Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	210.3	133.2	229.4	432.4
Dividend (%)	70	70	70	70

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 11	Dec 11	Mar 12	Jun 12
Net Sales	1,296.60	1,378.80	1,435.80	1,435.20
Cost Of Sales	1,098.00	1,180.30	1,273.40	1,317.00
Operating Profit	198.60	198.50	162.40	118.20
Recurring Income	32.20	25.30	0.00	54.50
Adjusted PBDIT	230.80	223.80	162.40	172.70
Financial Expenses	5.60	4.70	8.20	7.10
Depreciation	50.60	50.80	52.50	54.80
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	174.60	168.30	101.70	110.80
Tax Charges	53.80	53.20	36.00	12.60
Adjusted PAT	120.80	115.10	65.70	98.20
Non Recurring Items	0.00	0.00	0.00	0.00
Other Non Cash Adjust	0.00	0.00	0.00	73.80
Net Profit	120.80	115.10	65.70	24.40

52 Week Index Relative Percentage Appreciation



Tata Elxsi vs SENSEX

Points to Ponder

Tata Elxsi entered into a Joint Venture Agreement with M/s A Squared Entertainment, LLC, USA (A2E) on September 30, 2011 to create, develop, and distribute original brands, including animated entertainment, digital gaming, and originally designed consumer products. The new Company, M/s A Squared Elxsi Entertainment (A2E2), LLC, has been incorporated at Delaware, USA. During the year, A2E2 completed its first IP "Martha & Friends", an animated series featuring a 10-year old Martha Stewart. The Company contributed significantly to the development of this IP. Other forthcoming projects of the joint venture include "Secret Millionaire's Club", an animated series featuring billionaire Warren Buffett. During the year, the Joint Venture has incurred significant efforts, because of projects under development and expects to monetize those brands / IPs developed in the next fiscal year. Both partners of the JV-Tata Elxsi and A2E2, will be assigned equity capital in the new company.

Risks Associated

Apart from the recessionary trends in Europe, the outlook for Japan is still weak, and has potential implications for business from the semiconductor, consumer electronics, and automotive industries. The company is taking adequate steps to overcome these risks, by focusing on key customers in these geographies, to ensure revenue protection and diversifying into new geographies.

Tata Elxsi In a Nutshell

TATA Elxsi is a global technology services and product design company, and the embedded product design arm of the \$ 70 bn TATA group. With operations in US, Europe and Asia, TATA Elxsi is a strategic partner to the world's leading equipment makers and service providers. Leveraging over 20 years of exclusive focus on wireless and communications technologies and embedded product development, TATA Elxsi enables customers with stacks, integrated solutions, and a world-class engineering team to help customers deploy carrier-class LTE, WiMAX and Femtocell products – helping reduce time-to-market, costs and risk. Seamlessly integrating precision and ingenuity, Tata Elxsi's abilities stem from their creative leadership in hard-core technology and strength in design. Augmenting these capabilities is their expertise across their practice areas to provide point services and end-to-end solutions across the product lifecycle. TATA Elxsi's engineering expertise and services span the entire communications ecosystem including system architecture, development and testing, product maintenance and test automation, for devices and infrastructure. Tata Elxsi's proven expertise in wireless baseband, and experience of delivering products in telecom, defense, public safety and test and measurement markets, provides equipment manufacturers with unparalleled efficiency in the development of next generation wireless products. An in-depth understanding of consumers and rapidly changing market dynamics, backed by a multi-disciplinary design team, enables to service a broad spectrum of industries including Automotive, Communications, Consumer Products, Health and Retail.

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Rating Interpretation

Buy	: Expected to appreciate 20% or more over 12-months	Reduce	: Expected to depreciate up to 10% over 12-months
Accumulate	: Expected to appreciate 10% to 20% over 12-months	Sell	: Expected to depreciate 10% or more over 12-months
Trade Buy	: Expected to appreciate more than 10% over 45-days	Trade Sell	: Expected to depreciate more than 10% over 45-days

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