

Tata Elxsi**₹ 192****Engineering Creativity****Accumulate**

Sep 27, 2013

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

- ➔ Tata Elxsi achieved a turnover of Rs. 1722.01 mn for Q1FY14 as against Rs. 1435.24 millions in the corresponding quarter of the previous year. The company has reported an EBITDA of Rs. 218.21 mn and a net profit of Rs. 103.50 mn against Rs. 24.37 mn reported respectively in the corresponding quarter of the previous year. The company has reported an EPS of Rs. 3.32 for the 1st quarter as against an EPS of Rs. 0.78 in same quarter of previous year.
- ➔ Earning per share (EPS) of the company for the earnings for FY14E and FY15E is seen at Rs.9.21 and Rs.10.85 respectively. Net Sales and Operating Profit of the company are expected to grow at a CAGR of 13% and 5% over 2012 to 2015E respectively.
- ➔ Tata Elxsi has unveiled its latest system integration program for the deployment of the RDK platform from Comcast. Tata Elxsi will assist operators in determining specific requirements, integration, application development, pre/post testing and deployment in an efficient and cost effective manner as an RDK System Integrator.
- ➔ Tata Elxsi is among the foremost award winning company in the industrial design sector and was recently declared winner of the first Automotive Grade Linux (AGL) User Experience Contest in "Best User Experience" category.

Key Financials

Year Ended 31 st	Mar 11	Mar 12	Mar 13
Revenue (INR mn)	4,148.8	5,325.9	6,117.9
Rev. growth (%)	9.95	28.37	14.87
EBITDA (INR mn)	668.7	933.8	643.2
Net profit (INR mn)	317.3	339.5	209.9
Shares outstanding (mn)	31.1	31.1	31.1
EPS (INR)	10.2	10.9	6.7
EPS growth (%)	(33.77)	7.00	(38.17)
P/E (x)	24.9	18.0	28.4
RONW (%)	17.9	12.6	18.0
ROCE (%)	15.3	10.9	14.5

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Info Codes

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

Market Data

52 Wk Range (₹)	: 156 / 252
Shares in Issue (mn)	: 31.1
Mkt. Cap (₹ bn)	: 5.92
BSE 2 Wk Avg Vol	: 36000

Share Holding Pattern (%)

Promoters	: 45.11
DII's	: 8.91
FII's	: 2.34
Others	: 43.64

Investment Theme

Tata Elxi is a design company that blends technology, creativity and engineering to help customers transform ideas into world-class products & solutions. The industrial design industry in India is a sunrise sector, and is estimated to be US\$70-80 million. Net Sales and Operating Profit of the company are expected to grow at a CAGR of 13% & 5% over 2012 to 2015E respectively. It has also employed different ways of getting newer talent by nurturing startups through its incubation centre program, has signed on "Big V Telecom" for incub@TE through which it will do the same. It is also conducting different contests like the Ignite Design Contest to help it identify the upcoming talent. The company is working with leading design colleges by offering internships, conducting workshops, etc. to bridge the industry-academia gap and to directly identify talent at grassroots.

On a Talent Hunt!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 11	Mar 12	% Chg	Mar 13	% Chg
Total Sales + Excise	4110.2	5144.6	25.17	6046.9	17.54
Other Income	38.5	165.3	329.35	(88.4)	(153.48)
Change in Stocks	5.1	(5.5)	(207.84)	2.9	(152.73)
Raw Material Con.	276.7	273.7	(1.08)	297.4	8.66
Employee Exp.	2186.5	2807.4	28.40	3528.4	25.68
Indirect Taxes	10.6	10.1	(4.72)	14.5	43.56
Other Exp.	1131.0	1407.4	24.44	1615.4	14.78
Operating Exp.	3599.7	4504.1	25.12	5452.8	21.06
Operating Profit	510.5	640.5	25.47	594.1	(7.24)
Total Interest	23.1	28.0	21.21	45.3	61.79
Gross Profit	525.9	777.8	47.90	460.4	(40.81)
Net Dep.	214.8	287.0	33.61	134.1	(53.28)
Total Taxation	(6.2)	151.3	(2540.32)	116.4	(23.07)
Net Profit/Loss	317.3	339.5	7.00	209.9	(38.17)

4 Years Balance Sheet

(₹ mn)

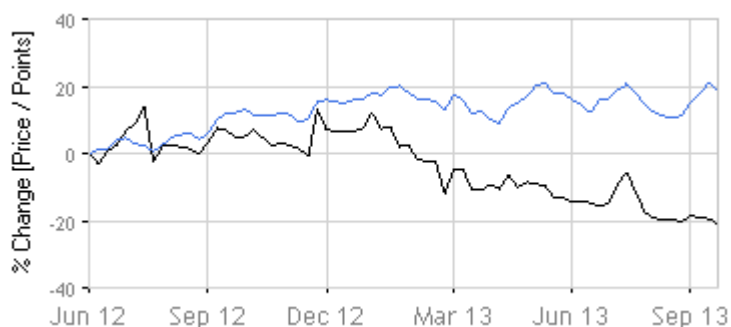
Balance Sheet as on 31 st	Mar 10	Mar 11	Mar 12	Mar 13
SOURCES OF FUNDS	2,079.5	2,058.9	2,232.3	2,503.6
Equity Share capital	311.4	311.4	311.4	311.4
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	1,428.4	1,493.2	1,579.3	1,607.1
Long Term Loans	0.0	0.0	0.0	0.0
Short Term Loans	339.7	254.3	341.6	585.1
USES OF FUNDS	2,079.5	2,058.9	2,232.3	2,503.6
Gross Block	1,500.6	1,675.4	1,962.8	2,189.8
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	600.5	767.8	964.1	1,198.5
Net Block	900.1	907.6	998.7	991.3
Capital Work in Progress	4.1	118.4	104.6	212.6
Investments	2.9	2.9	13.5	2.9
Current Assets	2,087.6	2,310.3	2,453.9	2,676.9
Less : Current Liabilities	915.2	1,280.3	1,338.4	1,380.1
Total Net Current Assets	1,172.4	1,030.0	1,115.5	1,296.8
Misc. Expenses not written	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	2.9	2.9	13.5	2.9
Mkt Val. Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	133.2	229.4	432.4	330.1
Dividend (%)	70	70	70	50

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 12	Dec 12	Mar 13	Jun 13
Net Sales	1,515.30	1,521.30	1,576.30	1,722.00
Cost Of Sales	1,343.60	1,364.40	1,393.30	1,589.60
Operating Profit	171.70	156.90	183.00	132.40
Recurring Income	25.00	35.60	7.80	85.80
Adjusted PBDIT	196.70	192.50	190.80	218.20
Financial Expenses	9.70	12.50	9.70	7.70
Depreciation	62.10	61.50	58.80	57.60
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	124.90	118.50	122.30	152.90
Tax Charges	11.70	38.20	45.20	49.40
Adjusted PAT	113.20	80.30	77.10	103.50
Non Recurring Items	(85.10)	0.00	0.00	0.00
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	28.10	80.30	77.10	103.50

52 Week Index Relative Percentage Appreciation



TATAELXSI vs SENSEX

Business Segments

- ➔ **The Embedded Product Design division** provides technology consulting, new product development, system integration, and testing services for the broadcast, industrial and consumer electronics, transportation, wireless communications, and convergence industries. It also creates and licenses intellectual property and software components, helping customers create product differentiation and reduce development costs and time to market.
- ➔ **The Industrial Design division** helps customers develop winning brands and products by using design as a strategic tool for business success. Its expertise extends across consumer insight, branding, product design, packaging design, transportation design, visual design, design engineering, and manufacturing support. This division has worked with prestigious FMCG brands in packaging design. It has developed award-winning designs in the food, beverage, personal and home care segments, for leading brands in India and Overseas.
- ➔ **Visual Computing Labs** offers Animation, Visual Effects (VFX), and 3D stereoscopic content for feature films, episodic television and advertising. It also offers custom content development for visualization and product marketing, and is a leading provider of engineering and animation services for mobile, online and console games. VCL has worked with leading international studios like FOX, Disney, Sony and Columbia Pictures, Industrial Light & Magic, MGM, on some of their features including Jack The Giant Slayer, Gullivers Travels, The Darkest Hour, Terminator 4, Ironman, Indiana Jones, Spiderman 3, Into the blue, Ghost Rider, XXX 2 etc. VCL continues to execute visual effects for a number of Bollywood films like Ra-One, New York, Prince, Rab Ne Bana Di Jodi, Drona, Bachna Ae Haseeno, Jodhaa Akbar, Taare Zameen Par, Dhoom 2, Rang De Basanti and many more. VCL has also worked on numerous television commercials for leading brands.

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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