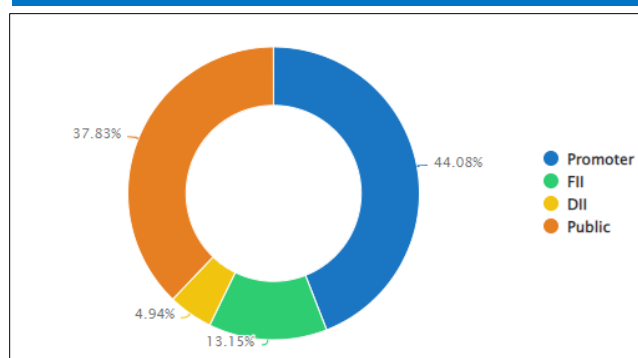


May 2022

VALUE PARAMETERS

Face Value (Rs.)	10.00
Mrk.Cap (Rs. in Cr.)	53,906
52-Week High/Low	9420/3532
EPS (TTM)	88.3
P/E Ratio (TTM)	98.0
Book Value per share (Rs)	257
Industry P/E	27.4
P/B Ratio (calc at CMP)	33.6
Dividend Yield (%)	0.27
Enterprise value (Rs in Cr)	53,080

SHAREHOLDING PATTERN



FINANCIAL PERFORMANCE

Standalone (Cr)	FY22	FY23E	FY24E
Sales (Rs. Cr)	2,470.80	3,210	4,111
Growth (%)	35%	30%	29%
EBITDA	766	918	1164
EBITDA margin	31%	29%	28%
PAT (Cr)	549.66	680	870
EPS (Rs)	88.26	109	140
RoE	34.33%	38%	39%
RoCE	47.15%	49%	49.8
P/E (x)	90.8	73	57
EV/EBITDA	66.76	52	41

Our Recommendation: Tata Elxsi business outlook look very robust with very strong financials with zero debt. We value the stock at 65x FY24 EPS. The company will continue to achieve stellar growth in coming quarters given strong order book and new deals in pipeline with efficient execution of contracts, justifying its expensive valuation. Thus, we recommend BUY in price range Rs. 8400-8500 with target price Rs 9450 (upside 12%).

Investment Rationale:

About Company: Tata Elxsi, Incorporated in 1989, is one of the world’s leading providers of design and technology services to various industries like Automobile, Media, Healthcare and more. The company provides all kind of services like research and strategy, software development, validation and development centres. The company has good expertise to enable brands differentiate as compared to its peers through IoT, Cloud, Virtual reality and Artificial intelligence.

Q4FY22 Results: The company reported strong performance in Q4FY22 driven by strong 38.4% YoY CC growth of EPD (Embedded product design) segment

- Revenue for the Tata Elxsi ltd. showed a significant increase of 31.3% YoY basis to Rs 681.74 crore compared to Rs 518.4 crore in the year ago quarter.
- On a sequential basis, revenue was up by 7.3% from Rs 635.41 crore recorded in the previous quarter (2021-12)
- PAT increased by 39.1% to 160 Cr as compared to Rs 115.17 Cr registered in the corresponding quarter of the previous fiscal year.
- EPS grew by 6.6% to Rs 25.69 from Rs 24.24 in Q3.
- Board recommended final dividend of 425% (Rs. 42.50 per equity share of par value of Rs 10 each).

Strong growth across all three verticals.

- Transportation vertical (contributing 41.5% of total revenue) registered a revenue growth of 7.7% QoQ and 37.9% YoY, aided by large deal wins across EV, autonomous and digital.
- Media and Communications vertical (contributing 43.7% of total revenue) delivers consistent and sustained growth of 7.3% QoQ and 33% YoY led by Design Digital and platform-led deals.
- Healthcare vertical (contributing 14.9% of total revenue) continues to grow strongly powered by digital and connected health, reporting 7.3% QoQ and 66.6% YoY growth in revenues.

Highlights for year ended March 2022:

- YoY revenue grew by 35.3% to Rs 2470.8 Cr.
- Net Profit grew by 49% to Rs 550 Cr.
- EBITDA margin remained 31%, recording 46.6% YoY growth.
- EPS for FY22 stood at Rs. 88.26, recording 49.3% growth.
- Closing headcount remained 9376, with 20.8% LTM attrition.

Risks:

- Increased high attrition rate in entire IT sector is the main concern. Increasing paycheck to retain talents could impact EBITDA margins.
- COVID situation could dampen demands in Transportation segment.
- Increased competition from peers.

Financials and Valuations

Financial Summary, standalone (Rs. Cr)

Y/E March	Q4FY22	Q4FY21	YoY growth (%)	Q3FY22	QoQ growth (%)
Net Revenues	682	518	31.61%	635	7.29%
EBITDA	221	164	34.91%	209	5.81%
PAT	160.0	115.0	39.14%	151.0	6.00%
EPS (Rs)	25.69	18.49	38.94%	24.24	5.98%

Income Statement, standalone (Rs. Cr)

Y/E March	FY18	FY19	FY20	FY21	FY22
Net Revenues	1,386.30	1,596.93	1,609.86	1,826.16	2,470.80
Expenditure	1,040.28	1,181.90	1,266.86	1,303.75	1,705.08
EBIDTA	346	415	343	522	766
<i>EBITDA Margin (%)</i>	25%	26%	21%	29%	31%
Depreciation	25	25	43	44	55
EBIT	321	390	300	478	710
Other Income	43.25	43.46	58.41	39.77	44.53
Interest	0.00	0.00	5.56	5.93	9.43
Exceptional items	0.00	0.00	0.00	0.00	0.00
PBT	363.91	433.39	352.44	511.87	745.48
Tax	123.87	143.43	96.34	143.75	195.82
PAT	240.04	289.96	256.10	368.12	549.66
Net Profit	240.04	289.97	256.10	368.12	549.67
Min Int.	0.00	0.00	0.00	0.00	0.00
Shares associates	0.00	0.00	0.00	0.00	0.00
Net Profit	240.04	289.97	256.10	368.12	549.67
EPS	38.54	46.56	41.12	59.11	88.26

Cash Flow Statement, standalone (Rs. Cr)

Y/E March	FY17	FY18	FY19	FY20	FY21
PBT	175	364	433	352	512
Adj for Expenses	113	4	2	13	37
Other adjustment	-47	-57	-77	-20	12
CF After WC	241	311	358	345	561
Tax	-96	-114	-143	-90	-124
CF from Op. Activity	144	197	215	256	437
CF from Inv. Activity	38	-247	-159	39	-438
CF from Fin. Activity	-52	-60	-83	-124	-126
Net Change	129	-110	-26	171	-127
Cash & Cash Eqvt	191	83	54	228	100

Balance Sheet, standalone (Rs. Cr)

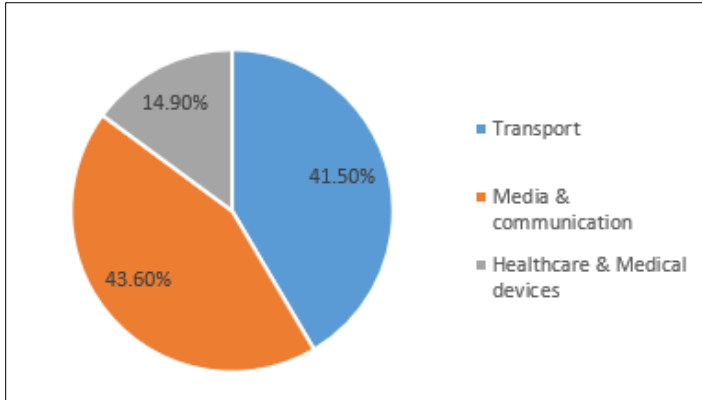
Y/E March	FY18	FY19	FY20	FY21	FY22
Equity Share Capital	62	62	62	62	62
Share Warrants	0	0	0	0	0
Reserves & Surplus	676	880	1,028	1,290	1,539
Total Shareholder's Fund	738	942	1,090	1,352	1,601
L.T. Borrowings	0	0	0	0	0
Deferred tax liability	-4	-6	-9	-10	-9
Other long-term L&P	19	12	82	100	158
Non-Current Liabilities	15	6	73	90	149
S.T. Borrowings	0	0	0	0	0
S.T Trade pay	45	56	47	56	84
Other S.T. Liab.	116	107	136	149	313
S.T. Provisions	27	26	34	59	13
Current Liabilities	188	189	217	264	410
Minority Interest	0	0	0	0	0
Total Equity & Liability	941	1,137	1,380	1,707	2,160
Fixed assets	96	102	148	177	169
L.T. Investments	0	0	0	0	0
L.T. Loans & Adv.	37	25	29	34	138
Other L.T. Assets	2	3	2	104	157
Non-Current Assets	135	130	179	315	464
S.T. Investments	0	0	0	0	0
Inventories	0	2	2	0	1
Sundry Debtors	307	357	392	402	673
Cash & Bank	394	516	664	860	965
Others	104	134	143	129	57
Current Assets	805	1,009	1,201	1,391	1,696
Misc. Exp. not W/O	0	0	0	0	0
Total Assets	941	1,137	1,380	1,707	2,160

Key Ratios

Y/E March	FY2018	FY2019	FY2020	FY2021	FY2022
Per Share Data (Rs)					
EPS	38.54	46.56	41.12	59.11	88.26
BV/Share	118.56	151.38	175.03	217.12	257
DPS	11	13.5	16.5	48	42.5
Dividend Payout (%)	29%	29%	40%	81%	48%
Valuation Ratios					
P/E (x)	25.56	20.69	15.31	45.57	90.8
P/BV (x)	8.31	6.36	3.6	12.4	34.39
EV/EBITDA (x)	15.74	12.62	9.07	30.67	66.76
Return Ratios (%)					
ROE	32.53%	30.78%	23.50%	27.23%	34.33%
ROCE	49.31%	46.01%	32.84%	38.30%	47.15%
Leverage Ratio (x)					
Current Ratio	4.28	5.34	5.53	5.27	4.14
Quick Ratio	4.28	5.33	5.53	5.27	4.13
Net Debt/Equity	0	0	0	0	0

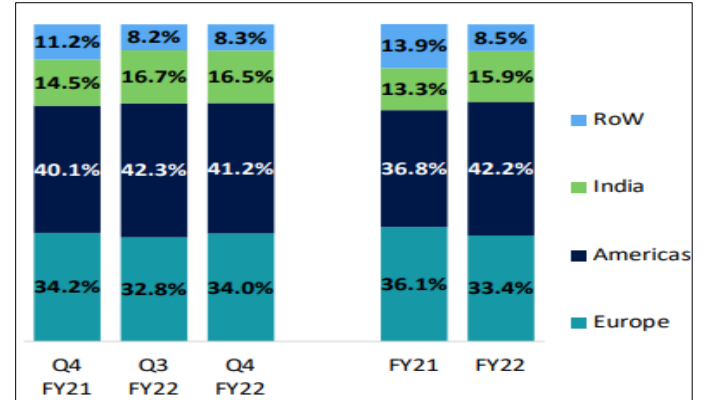
Financial story in charts

Revenue by segment mix



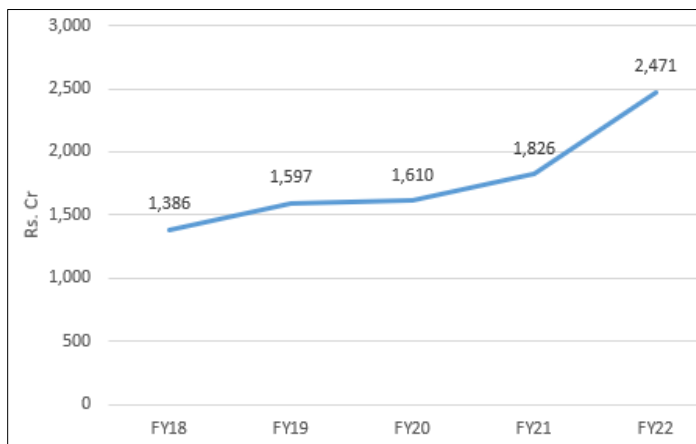
Media and Communications vertical (contributing 43.7% of total revenue) delivers consistent and sustained growth of 7.3% QoQ and 33% YoY led by Design Digital and platform-led deals.

Revenue by geography



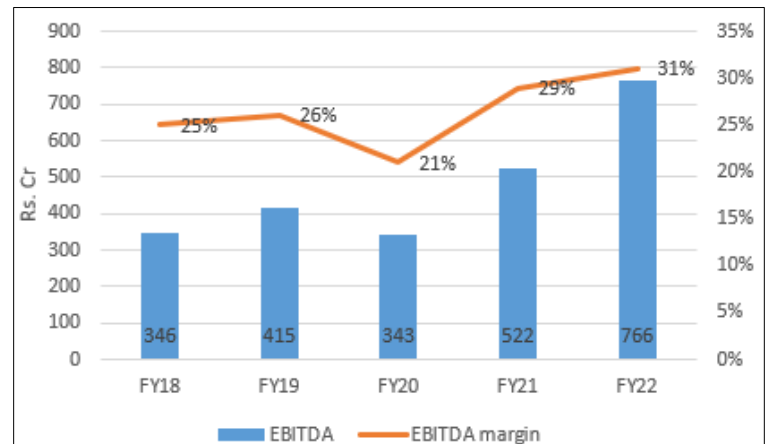
Americas and Europe have been consistent biggest revenue contributor.

Operating revenue on YoY basis



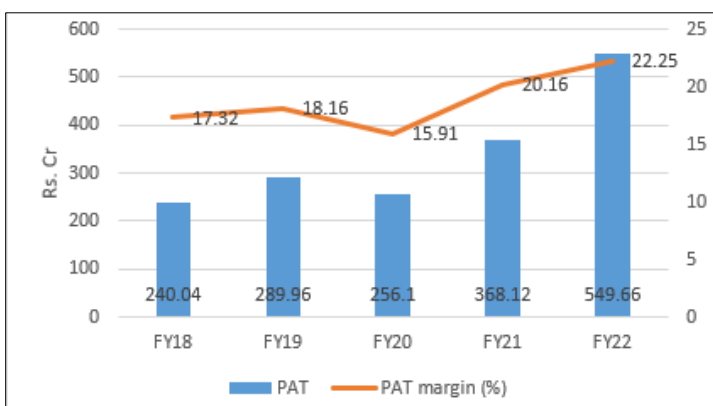
Revenue has been growing consistently on YoY basis and reported 35% growth rate from FY21 to FY22.

Operating revenue on YoY basis



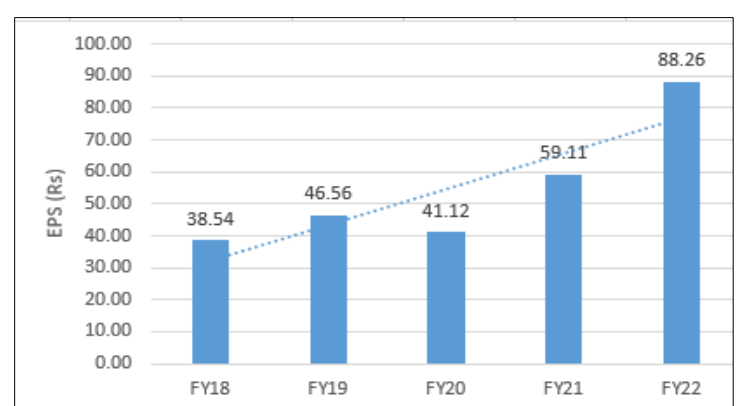
EBITDA margin improving consistently, recording 31% in FY22

PAT & PAT margin



PAT rose by 49.3% from FY21 to FY22 with improved PAT margin of 22.25%.

Earning Per Share



EPS improved remarkably from FY21 to FY22 with 49.31% growth.

VP – Head Research - Dr. Ravi Singh
Mob: +919810313561
Email ID: ravi.singh@shareindia.com

Disclosure:

We, research team at Share India Securities Ltd. (SISL), authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SISL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

We state that Research Analyst or his/her relative or SISL may have any financial interest in the subject company. Also Research Analyst or his relative or SISL or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report.

Further, Research Analyst or his relative or SISL or its associate a) does not have any material conflict of interest at the time of publication of the research report; b) has not managed or co-managed public offering of securities for the subject company in the past twelve months; c) has not received any compensation for investment banking or merchant banking or brokerage services or for any other product/s or service/s or for any other reason whatsoever from the subject company in the past twelve months; d) has not received any compensation or other benefits from the subject company or third party in connection with the research report; e) has not served as an officer, director or employee of the subject company; and f) has not been engaged in market making activity for the subject company.

SISL is a SEBI Registered Research Analyst having registration no. INH100005011.

Disclaimer:

This report has been prepared by SISL and is meant for sole use by the recipient and not for circulation. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable.

Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject SISL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purposes without prior written approval of SISL.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk.

It should not be considered to be taken as an offer to sell or a solicitation to buy any security. SISL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

SISL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

SISL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

SISL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

SISL is a Member of National Stock Exchange of India Limited (NSE), BSE Ltd (Bombay Stock Exchange), Multi Commodity Exchange of India Limited (MCX), National Commodity and Derivatives Exchange Limited (NCDEX), Indian Commodity Exchange Limited (ICEX) and has Depository Participant affiliation with Central Depositories Services (India) Limited (CDSL). It is a SEBI registered Portfolio Manager and SEBI registered Research Analyst [SEBI Reg. No.: INB/F/E 231079832, INB/F/E 011079838, IN-DP-32-2015, AMFI Reg. No. ARN: 78041, SEBI Research Analyst Reg. No.: INH100005011, CIN - L67120GJ1994PLC115132].