

Tata Elxsi Ltd

Q4FY25



Tata Elxsi Ltd.

Strategic deal wins to partially mitigate near-term headwinds

CMP*	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 4,901	INR 5,093	3.9%	INR 304,881	HOLD	Internet Software & Services

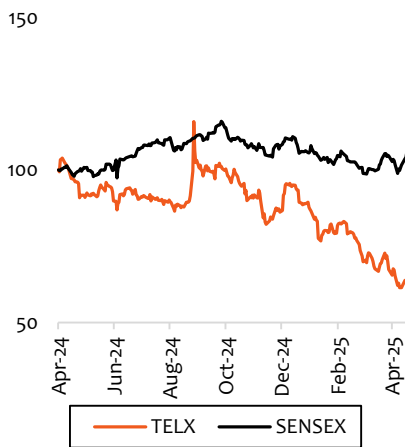
Result Highlights

- Tata Elxsi's Q4FY25 revenue and profit missed our expectations. Revenue stood at INR 9,083 Mn, reflecting a muted growth of 0.3% YoY (-3.3% QoQ), due to weakness in the transportation and media & communication verticals.
- EBIT reached INR 1,830 Mn, down 21.7% YoY (-17.1% QoQ), falling short of our estimates, resulting in a margin contraction of 565bps YoY (-335bps QoQ) to 20.1%. The margin performance was under stress due to weak top-line growth. PAT declined to INR 1,724 Mn, down 12.4% YoY (-13.4% QoQ), missing our estimates. PAT margin stood at 19.0%, down 276bps YoY (-221bps QoQ).
- We reduce our FY26E/FY27E EPS by 4.0% each to INR 142.3 / 169.8 respectively, factoring in persistent challenges in the automotive and media verticals, and macro-level risks stemming from tariff-related uncertainties. We value Tata Elxi at a lower P/E multiple of 30.0x (earlier: 33.0x) implying a target price of INR 5,093. That said, recent large multi-year deal wins, coupled with TELX's strategic pivot toward OEM-centric engagements and Software-Defined Vehicle (SDV) programs, are expected to provide revenue stability. We downgrade the stock to a "HOLD" from "REDUCE" and adopt a wait-and-watch approach, pending clearer signs of margin recovery and deal ramp-ups.**

MARKET DATA

Shares outs (Mn)	62
Mkt Cap (INR Mn)	304,881
52 Wk H/L (INR)	9,080/4,700
Volume Avg (3m K)	181
Face Value (INR)	10
Bloomberg Code	TELX IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	78,553
NIFTY	23,852

KEY FINANCIALS

INR Millions	FY23	FY24	FY25	FY26E	FY27E
Revenue	31,447	35,521	37,290	41,850	48,191
EBIT	8,799	9,470	8,681	10,290	12,485
PAT	7,552	7,922	7,849	8,861	10,574
EBITM (%)	28.0%	26.7%	23.3%	24.6%	25.9%
NPM (%)	24.0%	22.3%	21.0%	21.2%	21.9%

Source: Company, DevenChoksey Research

Weak exit amid vertical-specific pressures

- For Q4FY25, TELX reported revenue decline of 2.9% YoY and a 5.3% QoQ in CC (constant currency). The transportation segment (contributing 53.4% of revenue) declined by 9.7% QoQ (-0.1% YoY) in CC. The business segment faced headwinds during the quarter, as several OEMs and suppliers deferred the initiation of new programs amid geopolitical, business, and market uncertainties.
- Additionally, there were delays in the ramp-up of previously secured deals, which the company anticipates will commence from Q1FY26E.
- The media and communication segment (contributing 32.4% of revenue) declined by 6.3% QoQ (-7.6% YoY) CC, because of customer-specific challenges during the quarter, primarily due to client mergers and business restructuring activities.
- Additionally, the broader industry environment remained subdued, with continued caution in R&D investments and innovation spending.
- Healthcare and Life Sciences (contributing 13.0% of revenue) grew by 3.5% QoQ CC (-11.0% YoY) CC. The sequential growth in the vertical is led by traction in digital engineering, AI-powered diagnostics, and the addition of 13 new clients.
- For FY25, TELX's revenue grew by 3.1% YoY CC. Healthcare segment (contributing 12.3% of revenue) declined by 9.4% YoY CC for FY25, attributed to regulatory deferments (notably the MDR extension in the EU) and a client-specific program pause.
- Management highlighted that the segment has structurally shifted from a regulatory-heavy portfolio to core product innovation and digital transformation, reducing its cyclicality. With strong client additions, a rebalanced portfolio, and growing traction in connected care, Tata Elxsi reiterated its long-term ambition to scale healthcare to 20.0% of total revenues.

SHARE HOLDING PATTERN (%)

Particulars (%)	Mar-25	Dec-24	Sep-24
Promoters	43.9	43.9	43.9
FIIIs	12.7	13.3	13.7
DIIIs	8.5	7.5	7.4
Others	34.9	35.3	35.0
Total	100	100	100

*Based on the previous closing

Note: All the market data is as of previous closing

13.7%

Revenue CAGR between FY25 and FY27E

16.1%

Adj. PAT CAGR between FY25 and FY27E

Tata Elxsi Ltd.

- The Media & Communications vertical (contributing 32.5% of revenue) posted a 5.5% YoY CC decline, attributed to customer consolidation, M&A-linked disruption, and industry-wide caution in R&D spends.
- For the entire FY25, the transportation segment (contributing 54.2% of revenue) registered a growth of 11.8% YoY CC, driven by structural tailwinds in software-defined vehicles (SDVs), partnerships with European OEMs, and increased platform-led engineering deals.
- However, that being said the current automotive segment is currently operating in a structurally shifting landscape, as Chinese OEMs gain ground over traditional Western players, intensifying global competitive pressures. The surge in cost-competitive, innovation-driven Chinese EVs has eroded market share for European OEMs, particularly in key regions like China and emerging markets.
- This has forced Western OEMs to reprioritize investments, delay new program starts, and pause engineering ramp-ups, directly impacting vendors like Tata Elxsi.
- Compounding this is the recent wave of tariff escalations, particularly between the U.S. and China, which has added a new layer of uncertainty to global supply chains and sourcing decisions. These macroeconomic and trade headwinds have made clients more conservative in their discretionary R&D spends, especially for software-driven programs.

Key Concall Highlights:

TELX's emerging vertical: Focus on aerospace and defense - Tata Elxsi has entered the aerospace & defence vertical, focusing on unmanned aerial vehicles (UAVs), software-defined systems, and mission-critical embedded platforms.

- The company has partnered with HAL for the CATS Warrior UAV project, and tied up with CSIR-NAL, Garuda Aerospace, and Naval Group, while also being empaneled with two global aerospace majors and an eVTOL firm.
- The vertical is currently in the investment phase, with initial revenues expected in FY26E. This strategic move aims to tap into growing global and domestic demand, leveraging Tata Elxsi's strengths in product engineering, AI, and digital systems.

TELX adopts a calibrated hiring strategy to drive growth and margin

- The employee headcount declined by 464 employees sequentially to 12,414 (-985 YoY), while the attrition rate inched upwards by 90bps QoQ to 13.3%. The company maintained a disciplined hiring strategy in FY25, focusing on optimizing internal capacity amid a subdued demand environment.
- The company refrained from backfilling attrition and limited lateral hiring to critical roles, while onboarding of freshers is planned in a phased manner over Q1FY26E and Q2FY26E.
- The hiring outlook remains cautious in the near term, with growth to be primarily serviced through bench deployment and productivity gains. As large deals ramp from H1FY26E onwards, headcount growth will align with revenue visibility, preserving margin resilience and operational leverage.

Strategic deal wins

- Tata Elxsi closed three strategic deals in Q4FY25, reinforcing its positioning across key verticals. The first is a €50.0 Mn multi-year SDV and engineering deal with a Europe-based global OEM, marking a significant win in the automotive segment and setting the stage for long-term annuity revenue.
- In media and communications, the company secured a USD 100+ Mn three-year consolidation deal with a marquee operator—its largest deal to date—displacing global competitors and reaffirming client trust.
- Additionally, it won a USD 10.0 Mn streaming platform engineering deal from a global broadcaster, expanding wallet share within an existing client. All deals are structured for offshore-heavy delivery, ensuring scalability, cost efficiency, and margin accretion as they ramp through FY26E.

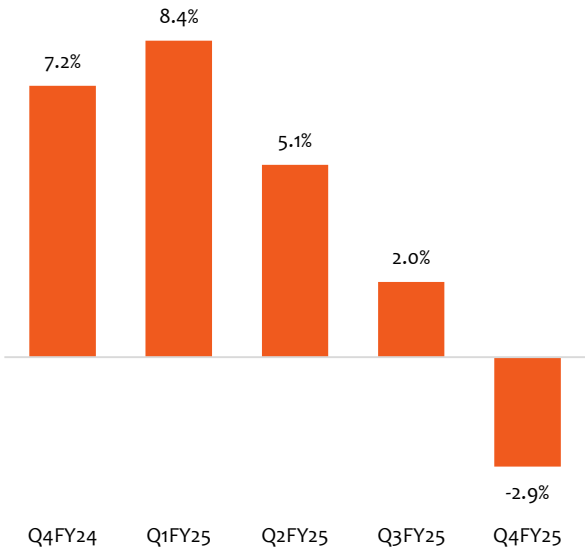
Margin recovery in focus, led by operating leverage and cost control

- Tata Elxsi's margins declined in FY25 due to revenue softness and underutilization, with Q4FY25 EBIT margin decline attributed to weak top-line growth.
- However, margin recovery is expected in FY26E as large deals ramp up, driving volume-led operating leverage. With utilization below 70.0% and tight control on discretionary spends, the company plans to scale without major cost additions.
- A cautious hiring approach and offshore-heavy delivery further support margin expansion, with management targeting a return to historical margin levels over the medium term.

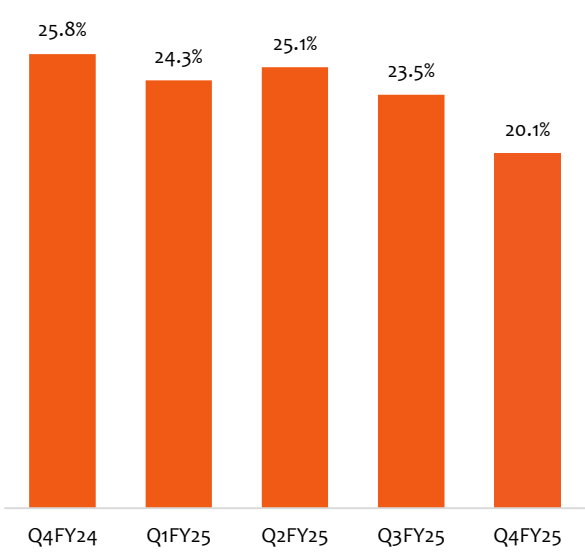
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STORY IN CHARTS

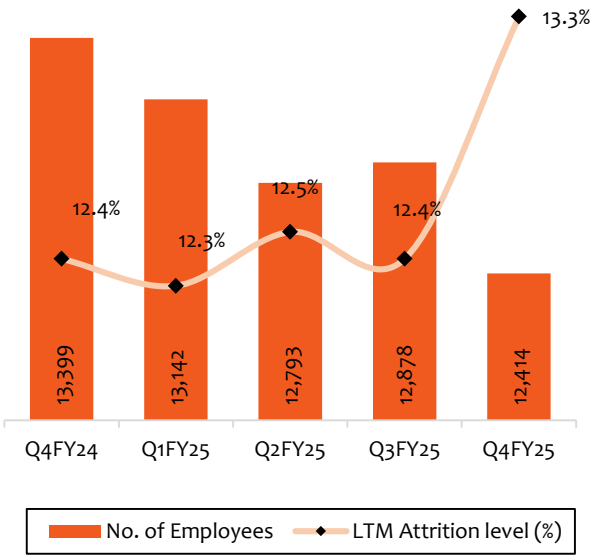
YoY CC Growth (%)



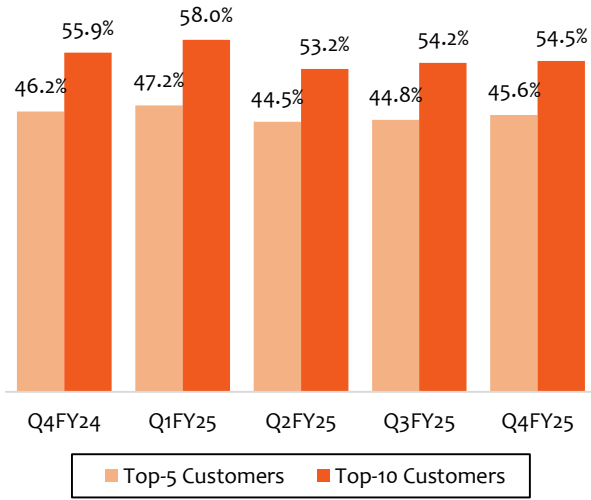
EBIT Margin (%)



Employee count drops sequentially while attrition rate inches up



Revenue contribution from top 5 and top 10 customers slightly up sequentially



Source: Company, DevenChoksey Research

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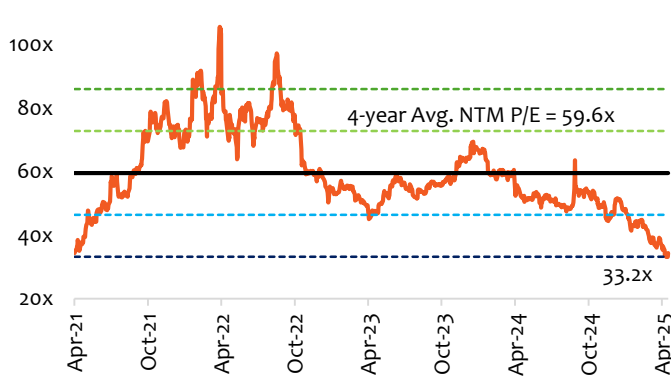
Valuation and view:

Tata Elxsi's Q4FY25 performance was below expectations, with weakness across transportation—impacted by OEM-led program deferrals—and media, which remained under pressure from client restructuring and cautious R&D spending. The healthcare segment, however, showed sequential recovery, supported by traction in digital engineering and recent client additions.

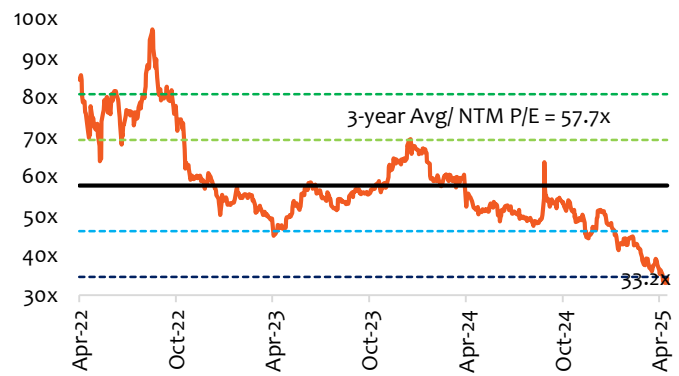
Strategically, the company secured three large multi-year deals, including a €50 Mn SDV engagement and a \$100+ Mn, three-year consolidation contract in media, which are expected to drive annuity revenue from FY26E. It also marked its entry into the aerospace and defense vertical, with initial revenue contributions anticipated in FY26E.

Amid persistent global headwinds—ranging from geopolitical risks to evolving trade and tariff dynamics—project ramp-up delays and discretionary spend rationalization by clients continue to weigh on near-term growth visibility. Factoring in these recent developments, we reduce our FY26E/FY27E EPS by 4.0% each to INR 142.3/ INR 169.8 respectively. We value Tata Elxi at a lower P/E multiple of 30.0x (earlier: 33.0x), implying a target price of INR 5,093. Although, the ramp-up of recent large deals and Tata Elxsi's strategic pivot toward OEMs and SDV-focused engagements is likely to support revenue stability ahead, we believe the stock is fairly valued. Accordingly, we downgrade our rating to "HOLD" from "REDUCE" and maintain a cautious stance pending greater visibility on margin normalization and macro recovery.

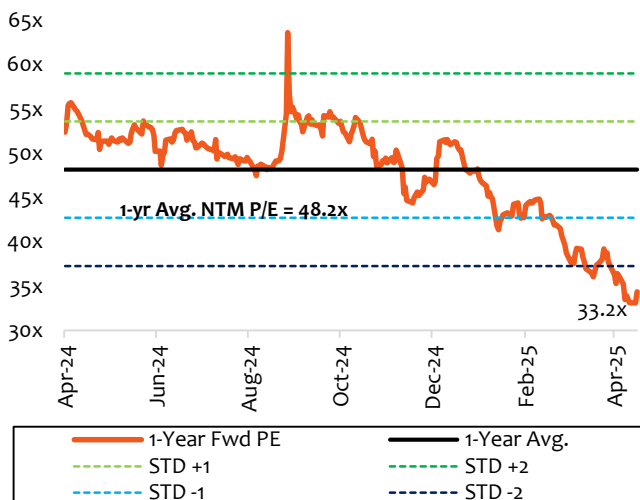
NTM P/E Chart (4-year Avg)



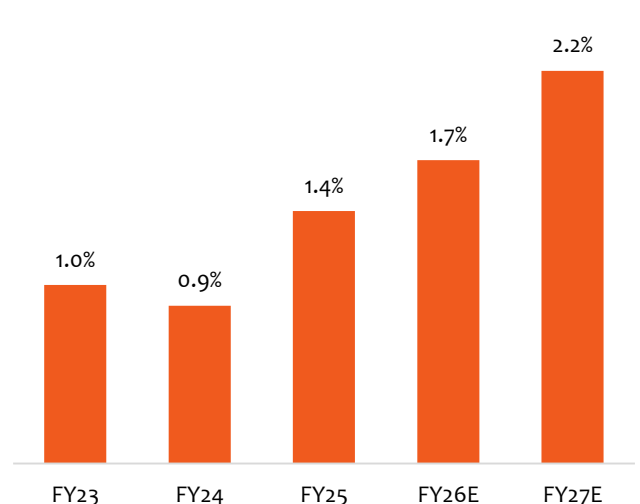
NTM P/E Chart (3-year Avg)



NTM P/E Chart (1-year)



Dividend Yield (%)



Source: Bloomberg, Company, DevenChoksey Research,

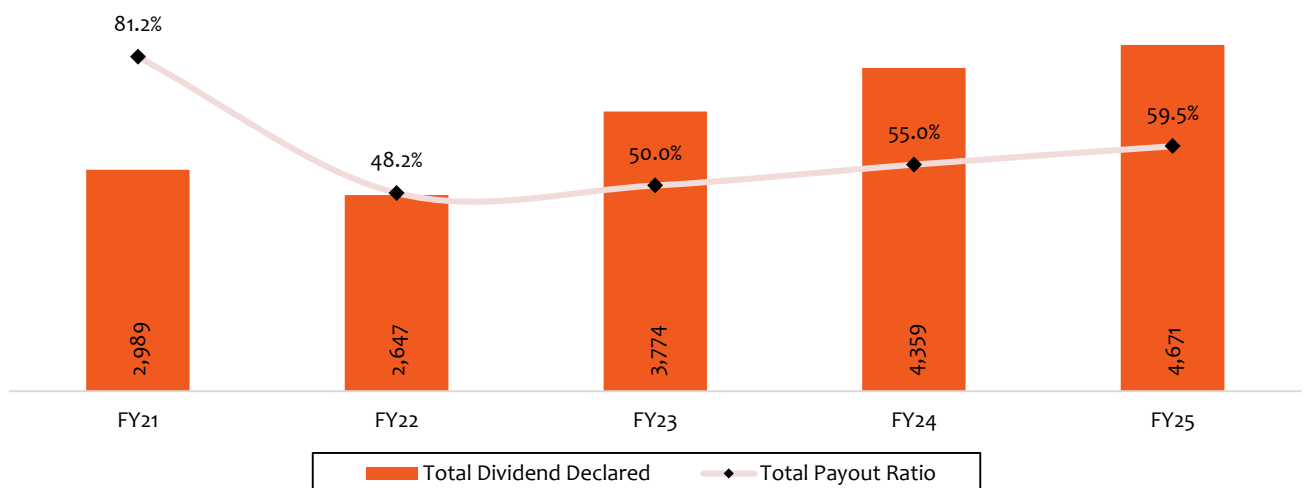
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RESULT SNAPSHOT

Particulars (Mn)	Q4FY25	Q3FY25	Q4FY24	QoQ	YoY	FY25	FY24	Y-o-Y
Revenues	9,083	9,392	9,059	(3.3%)	0.3%	37,290	35,521	5.0%
Cost of materials consumed	742	560	419	32.4%	77.1%	2,387	1,941	23.0%
Changes in inventories of stock-in-trade	0	0	-11	NA	(100.0%)	11	-7	(253.6%)
Employee benefits expense	5,176	5,152	4,964	0.5%	4.3%	20,464	19,119	7.0%
Other expenses	1,089	1,213	1,075	(10.2%)	1.3%	4,699	4,005	17.3%
Total Expenses	7,007	6,926	6,447	1.2%	8.7%	27,561	25,057	10.0%
EBITDA	2,077	2,466	2,613	(15.8%)	(20.5%)	9,729	10,464	(7.0%)
EBITDA margin (%)	22.9%	26.3%	28.8%	-340bps	-598bps	26.1%	29.5%	-337bps
Depreciation and amortisation expenses	247	260	276	(4.9%)	(10.5%)	1,049	994	5.5%
EBIT	1,830	2,206	2,337	(17.1%)	(21.7%)	8,681	9,470	(8.3%)
EBIT margin (%)	20.1%	23.5%	25.8%	-335bps	-565bps	23.3%	26.7%	-338bps
Finance cost	46	47	50	(1.3%)	(7.7%)	190	203	(6.3%)
Other Income	431	399	337	8.1%	27.9%	1,793	1,220	47.0%
Profit before tax	2,214	2,558	2,624	(13.4%)	(15.6%)	10,284	10,486.76	(1.9%)
Tax expense	490	568	655	(13.7%)	(25.1%)	2,435	2,564	(5.1%)
Net profit	1,724	1,990	1,969	(13.4%)	(12.4%)	7,849	7,922	(0.9%)
Net profit (%)	19.0%	21.2%	21.7%	-221bps	-276bps	21.0%	22.3%	-125bps
Diluted EPS (INR)	27.68	31.94	31.61	(13.3%)	(12.4%)	126.01	127.18	(0.9%)

Source: Company, DevenChoksey Research

Total Shareholder Payout (INR Mn) and Payout Ratio (%)



Source: Bloomberg, Company, DevenChoksey Research,

Tata Elxsi Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Millions	FY24	FY25	FY26E	FY27E
Revenue	35,521	37,290	41,850	48,191
Total Operating expenses	25,057	27,561	30,164	34,105
EBITDA	10,464	9,729	11,686	14,086
Depreciation	994	1,049	1,397	1,602
EBIT	9,470	8,681	10,290	12,485
Finance Cost & Extra Ordinary- Expense	203	190	207	229
Other income, net	1,220	1,793	1,972	2,130
Pre-tax Income	10,487	10,284	12,055	14,386
Income tax expense	2,564	2,435	3,195	3,812
Net profit	7,922	7,849	8,861	10,574
Diluted EPS (INR)	127.2	126.0	142.3	169.8
Shares in Mn	62.3	62.3	62.3	62.3

Exhibit 3: Cash Flow Statement

INR Millions	FY24	FY25	FY26E	FY27E
CFFO	7,012	8,120	6,872	8,139
CFFI	-2,701	-3,083	-451	-1,143
CFFF	-4,278	-4,986	-5,379	-6,350
Net Inc/Dec	33	51	1,041	646
Opening Cash	1,339	1,332	1,353	2,394
Exchange Rate Difference	-39	-31	0	0
Closing Cash	1,332	1,353	2,394	3,040

Exhibit 4: Key Ratios

Key Ratios	FY24	FY25	FY26E	FY27E
EBIT Margin (%)	26.7%	23.3%	24.6%	25.9%
Tax rate (%)	24.5%	25.0%	26.5%	26.5%
Net Profit Margin (%)	22.3%	21.0%	21.2%	21.9%
RoE (%)	31.6%	27.4%	27.6%	29.1%
RoCE (%)	34.5%	28.4%	29.8%	32.0%
P/E (x)	38.5	38.9	34.4	28.9

Source: Bloomberg, Company, DevenChoksey Research,

Exhibit 2: Balance Sheet

INR Millions	FY24	FY25	FY26E	FY27E
Equity				
Equity Share Capital	623	623	623	623
Other Equity	24,434	27,977	31,521	35,751
Total Equity	25,057	28,600	32,144	36,373
Deferred Tax Liability,(Net)	0	0	0	0
Lease Liability	1,812	1,393	1,719	1,905
Long term Provision	542	568	641	729
Total non-current liabilities	2,354	1,961	2,360	2,634
Trade Payables	856	1,230	1,120	1,143
Lease Liability	428	530	347	385
Other Current Liabilities	2,790	3,045	4,000	4,474
Short term Provisions	385	492	455	518
Total Current Liabilities	4,459	5,297	5,922	6,519
Total liabilities	31,870	35,857	40,426	45,526
Property Plants and Equipment's	1,923	1,541	1,755	2,104
Right of use of Assets	1,903	1,551	1,737	1,924
CWIP	22	16	16	16
Intangible Assets	134	88	716	1,852
Other current assets	2,521	4,686	5,171	5,847
Total Non-Current Assets	6,503	7,882	9,395	11,742
Current Assets				
Trade Receivables	9,716	9,715	11,447	13,181
Cash & equivalent	1,332	1,353	2,394	3,040
Bank Balance	12,239	14,711	14,711	14,711
Other current assets	2,080	2,196	2,479	2,852
Total Current Assets	25,367	27,975	31,031	33,785
Total Assets	31,870	35,857	40,426	45,526

Tata Elxsi Ltd.

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Date	CMP (INR)	TP (INR)	Recommendation
21-Apr-25	4,901	5,093	HOLD
13-Jan-25	6,001	5,853	REDUCE
12-Oct-24	7,675	7,359	REDUCE
11-Jul-24	6,957	7,150	HOLD
25-Apr-24	7,030	7,536	ACCUMULATE
24-Jan-24	7,768	8,390	ACCUMULATE

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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DRChoksey FinServ Private Limited

CIN Number -U67100MH2020PTC352816

Registered Office and Corporate Office:

5th Floor Abhishek Building, Behind Monginis Cake Factory, Off New Link Road, Andheri West, Mumbai-400058

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