



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141412

Q1 FY21 Result Update@ Dalal&Broacha

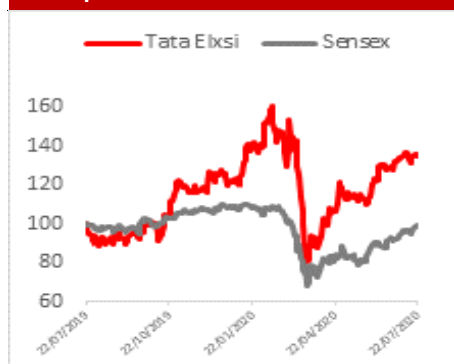
Buy on Dips

Current Price	915
Target Price	938
Upside	2.5%
52 Week Range	501/1099

Key Share Data

Market Cap (Rs.Bn)	56.97
Market Cap (US\$ Mn)	763.57
No of o/s shares (Mn)	62.28
Face Value	10
Monthly Avg. Vol (BSE+NSE) ('000)	600.33
BSE Code	500408
NSE Code	TATAELXSI
Bloomberg	TELX:IN

Price performance



% Shareholding	Jun-20	Mar-20
Promoters	44.53	44.53
Public	55.47	55.47
Others	0.00	0.00
Total	100	100

Tata Elxsi's Q1FY21 performance was a mixed bag with Revenue below our estimates and profitability above our estimates

- INR revenue came in at INR 4004.8 Mn, -14.5% qoq / +1.3% yoy and 9.6% below our estimates

- EBITDA was reported at INR 927 Mn, -14.6% qoq / 32.7% yoy and +14.8% vs our estimates

- EBITDA margins stood at 23.1%, vs 24.7% / 19.3% in Q4FY20 / Q1FY20 respectively and 330 bps above our estimates. Company reported robust EBITDA due 26% qoq reduction in Other Expenses (10% of topline) and 1% reduction in Employee Expenses (63% of topline)

- PAT came in at INR 688.7 Mn, -16.1% qoq / +37.4% yoy and 16.8% above our estimates

- EPS at INR 11.1 in Q1FY21 vs 13.2 / 7.8 in Q4FY20 / Q1FY20 respectively

Service-wise Analysis

EPD (90% of topline) reported a de-growth of 6% qoq and a growth of 13% yoy. **Industrial Design & Visualization (8% of topline)** reported a degrowth of 32% qoq and 10% yoy. **Systems Integration (3% of revenue)** reported de-growth of 9% qoq and growth of 3% yoy.

Industry-wise

Transportation (42% of revenue) was the worst hit industry segment with a 18% qoq degrowth and flat yoy. **Broadcast & Communications (45% of revenue)** and **Healthcare & Medical Devices (9% of revenue)** were resilient with a 21% yoy growth and 24% yoy growth respectively.

Concall KTAs

- Transportation segment continues to remain muted into Q2 as well. Expect some revival in deal signing in Q2 and bounce-back in Transportation from H2FY21 onwards
- Expect growth momentum in Healthcare and Medical Devices and Broadcast & Communications to continue going ahead
- Impact in JLR (top client) was 80% due to budget cuts and 20% due to off-shoring
- Signed 2 deals in Auto and Medical space
- Utilization rate stood at 70% during the quarter and has scope for improvement
- A new platform for remote operation and monitoring of assets in the Communications space has been deployed
- Complete WFH is not possible due to requirement of certain tools and devices
- Seeing traction in Electric Vehicles and Connected Cars space whereas Autonomous Driving segment has witnessed a fall in interest
- Off-road and Rail are currently 4-5% of Transportation and plan to scale it up to 15-20% of Transportation
- Deal closures times have elongated during COVID, see matters improving from H2FY21 onwards

Consolidated Financials (In INR Mn)

INR Mn	Net Sales	% Growth	EBITDA	Margin (%)	PAT	Margin (%)	EPS	Growth (%)	PE (x)	ROE (%)	ROCE (%)
FY18	13863	12.4%	3460	25.0%	2400	17.3%	38.5	39%	23.7x	35.1%	38.3%
FY19	15969	15.2%	4150	26.0%	2903	18.2%	46.6	21%	19.6x	32.9%	35.5%
FY20	16099	0.8%	3430	21.3%	2571	16.0%	41.3	-11%	22.2x	24.0%	27.7%
FY21E	16659	3.5%	3974	23.9%	2972	17.8%	47.7	16%	19.2x	23.3%	26.3%
FY22E	18460	10.8%	4417	23.9%	3245	17.6%	52.1	9%	17.6x	21.7%	24.0%

Source: Company, Dalal&Broacha Research



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Q1FY21 Performance Review

YE March (Rs mn)	Q1 FY21	Q4 FY20	Q-o-Q change %	Q1 FY20	Y-o-Y change %	Q1 FY21 Est.	Deviation %
Revenues (\$)	53	62	(14.3%)	52	1.5%	54	(1.3%)
Revenues (INR)	4,005	4,389	(8.7%)	3,617	10.7%	4,067	(1.5%)
Cost of Raw Material	153	206	(25.5%)	153	0.4%	203	(24.7%)
Direct Costs	2,925	3,097	(5.6%)	2,766	5.7%	3,056	(4.3%)
EBITDA	927	1,086	(14.6%)	699	32.7%	807	14.8%
Depreciation & Amortisation	108	108	0.3%	104	3.6%	100	8.3%
EBIT	819	978	(16.3%)	594	37.8%	707	15.8%
Other Income, net	134	134	0.4%	121		81	65.4%
Interest Paid	14	14				0	
PreTax Income	953	1,112	(14.3%)	715	33.3%	789	20.9%
Adjusted Pretax Income	939	1,098	(14.4%)	715	31.4%	789	
Tax	251	277	(9.4%)	214	17.2%	199	
Share of Minority Interest							
Net Profit	689	821	(16.1%)	501	37.4%	590	16.8%
Adjusted Net Profit	689	821	(16.1%)	501	37.4%	590	16.8%
Diluted EPS (Rs)	11.1	13.2	(16.1%)	7.8		9.5	
Adjusted Diluted EPS	11.1	13.2	(16.1%)	7.8		9.5	16.8%
No. of Shares (mn) - Diluted	62	62		62		62	
Margin Analysis (%)			Change in bps	Change in bps			
EBIT Profit Margin (%)	20.4%	22.3%	(184)	16.4%	402	17.4%	305
EBITDA Margin (%)	23.1%	24.7%	(160)	19.3%	384	19.8%	330
Net Profit Margin (%)	17.2%	18.7%	(151)	13.9%	334	14.5%	269
Adjusted NPM (%)	17.2%	18.7%	(151)	13.9%	334	14.5%	269
Effective Tax rate (%)	26.3%	24.9%	142	29.9%	(362)	25.2%	109
Cost Analysis (%)			Change in bps	Change in bps			
Direct cost as % of Sales	3.8%	4.7%	(86)	4.2%	(39)	5.0%	(118)
SG&A as % of Sales	73.0%	70.6%	246	76.5%	(345)	75.2%	(212)

Source: Company, Dalal&Broacha Research

Industry-wise Revenue Mix	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	FY20	Q1 FY21
Transportation	47%	48%	49%	47%	48%	42%
Broadcast & Communication	41%	41%	39%	41%	41%	45%
Healthcare and Medical Device:	8%	7%	8%	8%	8%	9%
Others	4%	4%	4%	4%	4%	4%

- Transportation segment was down 18% qoq mainly led by drop in Top client (down 30% qoq)

- Broadcast and Comm reported a solid performance on the back of traction in telecom operators, OTT players and devices

- Healthcare and medical devices also reported a strong quarter with 2% qoq and 24% yoy growth

Industry Performance	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	FY20	Q1 FY21
Transportation	1,686	1,864	2,058	2,067	7,671	1,686
Q-o-Q	-22%	11%	10%	0.4%		-18%
Y-o-Y	-17%	-16%	-6%	-4%	-11%	0%
Broadcast & Comms	1,494	1,578	1,660	1,795	6,532	1,802
Q-o-Q	2%	6%	5%	8%		0%
Y-o-Y	8%	11%	12%	23%	14%	21%
Healthcare & Medical Devices	279	251	351	338	1,215	344
Q-o-Q	32%	-10%	40%	-4%		2%
Y-o-Y	128%	56%	92%	60%	80%	24%
Others	159	162	165	193	680	172
Q-o-Q	-27%	2%	2%	17%		-11%
Y-o-Y	-41%	-32%	-25%	-12%	-28%	8%



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Service - Mix (%)	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	FY20	Q1 FY21
EPD	88%	87%	87%	87%	87%	90%
ID & Visualization	9%	10%	10%	10%	10%	8%
SI	3%	3%	3%	3%	3%	3%
Total	100%	100%	100%	100%		100%

- Sequential degrowth was largely led by ID & Visualization (down 30% qoq)

Services Mix (INR)	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	FY20	Q1 FY21
EPD	3,183	3,353	3,680	3,831	14,050	3,600
Q-o-Q (%)	-8%	5%	10%	4%		-6%
Y-o-Y (%)	1%	-4%	4%	10%	3%	13%
ID & Visualization	333	374	411	443	1,558	300
Q-o-Q (%)	-21%	12%	10%	8%		-32%
Y-o-Y (%)	-35%	-11%	4%	5%	-11%	-10%
SI	101	131	140	114	487	104
Q-o-Q (%)	-37%	30%	7%	-18%		-9%
Y-o-Y (%)	-41%	12%	4%	-30%	-17%	3%

- EPD also degrew by 6% qoq led by Transportation industry

Valuation & Outlook

Tata Elxsi is currently trading at 19.2x / 17.6x FY21e / FY22e EPS. As per management, JLR (top client) may still be under pressure in Q2 with recovery on the cards in Q3 onwards. Although Transportation saw a big dip in Q1FY21 along with muted commentary for Q2, growth in Broadcast & Comms and Healthcare and Medical was robust with a positive commentary going ahead. Management has successfully reduced reliance on Transportation by expanding Broadcast & Comms and Medical industry contribution. **Although we increase the Target Price to INR 938 (from INR 867), we maintain our BUY on dips recommendation as we keenly monitor the global automotive market for a revival before upgrading the stock to a solid BUY.**



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Profit & Loss A/c					
YE March (Rs. mn)	FY18	FY19	FY20	FY21E	FY22E
Total Revenue	13863	15969	16099	16659	18460
Less:					
Cost of Sales	773	989	811	608	664
Personnel Expenses	7515	8426	9509	10100	10884
Admin and Selling Expens:	2115	2404	2349	1977	2494
Total Operating Expenditure	10403	11819	12669	12686	14043
EBIDTA	3460	4150	3430	3974	4417
Less: Depreciation	254	251	434	450	499
EBIT	3207	3899	2996	3524	3918
Growth Y-o-Y (%)	31%	22%	-23%	18%	11%
Non-operating Income	432	435	584	559	508
Profit Before tax	3639	4334	3524	4069	4426
Tax	1239	1431	954	1098	1181
Net Profit	2400	2903	2571	2972	3245
Adjusted Profit	2400	2903	2571	2972	3245
Growth Y-o-Y (%)	39%	21%	-11%	16%	9%
EPS	38.5	46.6	41.3	47.7	52.1
Growth Y-o-Y (%)	-31%	21%	-11%	16%	9%
EBITDA Margin (%)	25%	26%	21%	24%	24%
EBIT Margin (%)	23%	24%	19%	21%	21%
PAT Margin (%)	17%	18%	16%	18%	18%

Valuation Ratios					
YE March (Rs. mn)	FY18	FY19	FY20	FY21E	FY22E
P/E (x)	23.7x	19.6x	22.2x	19.2x	17.6x
P/BV (x)	7.7x	6.0x	5.1x	4.3x	3.6x
EV/EBIDTA (x)	16.6x	13.3x	16.6x	13.5x	11.6x
EV/Sales	3.8x	3.3x	3.1x	2.9x	2.5x
Market Cap./ Sales (x)	4.1x	3.6x	3.5x	3.4x	3.1x
Dividend Yield (%)	1.2%	1.5%	1.3%	1.5%	1.6%

Cash Flow Statement					
YE March	FY18	FY19	FY20	FY21E	FY22E
PAT	2,400	2,903	2,571	2,972	3,245
Less: Non Operating Income	(432)	(435)	(584)	(559)	(508)
Add: Depreciation	254	251	434	450	499
Tax Adjustment					
Operating Profit before WC Changes	2,221	2,719	2,476	2,876	3,236
(Inc)/Dec in Current Assets	(966)	(798)	119	(5)	(342)
Inc/(Dec) in Current Liabilities	511	(8)	170	52	259
Changes in Working Capital	(455)	(823)	288	46	(85)
Net Cash Generated From Operations	1,766	1,896	2,765	2,923	3,151
Cash Flow from Investing Activities					
(Inc)/Dec in Fixed Assets	870	(258)	(350)	(350)	(350)
(Inc)/Dec in Investment (Strategic)	227	(9)	(30)	(30)	(30)
Add: Non Operating Income Income	432	435	584	559	508
Net Cash Flow from Investing Activities	1,298	216	174	149	98
Cash Flow from Financing Activities					
Inc/(Dec) in Total Loans	(3)	(51)	(41)	13	7
Dividend Paid	685	841	745	861	940
Net Cash Flow from Financing Activities	(737)	(1,142)	(842)	(862)	(933)
Net Inc/(Dec) in cash equivalents	2,327	970	2,097	2,210	2,316
Opening Balance	2,515	3,943	5,158	7,270	9,495
Closing Balance Cash	4,842	4,914	7,255	9,480	11,811

Free Cash Flow Statement					
YE March	FY18	FY19	FY20	FY21E	FY22E
EBITDA	3,460	4,150	3,430	3,974	4,417
Add: Depreciation Tax Shield	86	83	117	121	133
Working Capital Changes	(172)	(414)	288	46	(85)
Less: Inc in FC Investment	870	(258)	(350)	(350)	(350)
Taxes Paid	(1,251)	(1,431)	(954)	(1,098)	(1,181)
Total Free Cash Flows	2994	2130	2532	2694	2934

Balance Sheet					
YE March(Rs. mn)	FY18	FY19	FY20	FY21E	FY22E
Liabilities					
Equity Capital	623	623	623	623	623
Reserves & Surplus	6761	8805	10631	12742	15047
Equity	7384	9428	11254	13365	15669
Net Worth	7384	9428	11254	13365	15669
Total Loans	97	124	83	95	103
Capital Employed	7572	9565	11350	13473	15786
Assets					
Gross Block	1213	1471	1821	2171	2521
Less: Depreciation	396	599	1033	1483	1982
Net Block	817	872	788	688	539
Capital WIP	21	4	19	34	49
Investments	142	151	181	211	241
Intangible Assets	126	139	139	139	139
Others - A	292	186	186	186	186
Current Assets					
Sundry Debtors	3067	3565	3440	3423	3692
Cash and Bank Balance	3943	5158	7270	9495	11826
Loans and Advances	8	8	8	8	9
Other Current Assets	1032	1332	1337	1360	1432
Total Current Assets	8051	10080	12074	14304	16979
Less:Current Liabilities & Provisions					
Sundry Creditors	450	555	625	660	769
Provisions	69	84	95	110	118
Other Current Liabilities	1358	1230	1318	1320	1461
Total Current Liabilities & Provision	1877	1869	2039	2090	2349
Miscellaneous Assets					
Capital Applied	7572	9565	11350	13473	15786

Key Ratios					
YE March (Rs. mn)	FY18	FY19	FY20	FY21E	FY22E
Key Operating Ratios					
EBIT Margin (%)	23.1%	24.4%	18.6%	21.2%	21.2%
Tax / PBT (%)	34.0%	33.0%	27.1%	27.0%	26.7%
Net Profit Margin (%)	17.3%	18.2%	16.0%	17.8%	17.6%
RoE (%)	35.1%	32.9%	24.0%	23.3%	21.7%
RoCE (%)	38.3%	35.5%	27.7%	26.3%	24.0%
Current Ratio (x)	4.3x	5.4x	5.9x	6.8x	7.2x
Dividend Payout (%)	28.5%	29.0%	29.0%	29.0%	29.0%
Book Value Per Share (118.6	151.4	180.7	214.6	251.6

Growth Indicators %					
Growth in Gross Block	-41.8%	21.3%	23.8%	19.2%	16.1%
Sales Growth (%)	12.4%	15.2%	0.8%	3.5%	10.8%
EBITDA Growth (%)	30.8%	21.6%	-23.2%	17.6%	11.2%
Net Profit Growth (%)	38.5%	20.9%	-11.4%	15.6%	9.2%
Diluted EPS Growth (%)	-30.7%	20.9%	-11.4%	15.6%	9.2%



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