



“Tata Elxsi Limited Q3 FY-17 Earnings Conference Call”

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MODERATOR: **MR. CHINTAN MODI – SR. MANAGER (INSTITUTIONAL RESEARCH), MOTILAL OSWAL SECURITIES LTD.**

Moderator: Ladies and gentlemen, good day and welcome to the Tata Elxsi Q3 FY17 Earnings Conference Call hosted by Motilal Oswal Securities. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Chintan Modi from Motilal Oswal Securities. Thank you and over to you, sir.

Chintan Modi: Good afternoon everyone. I welcome you to the Q3 FY17 conference call of Tata Elxsi. We have with us Mr. Madhukar Dev – MD and CEO of the company; Mr. Manoj Raghavan – EVP of the Embedded Product Design Division; and Mr. G. Vaidyanathan, the Chief IR Officer.

I now invite Mr. Madhukar Dev to take the call. Over to you, sir.

Madhukar Dev: Thank you. Good afternoon and welcome to this call. I will share with you some of the key highlights of the quarter and Manoj will elaborate more on the significant achievements during the quarter for the EPD division which is the main division of the company. It was on the whole, a quarter full of challenges and while we are not entirely satisfied with the results that we have got, we are happy that despite all the difficulties and challenges that we faced, we did manage to grow on the previous quarter, which had many more working days than the current quarter. And despite the fact that the exchange rate movements were all in an unfavorable direction except for the US dollar, which had a marginal favorable movement.

Despite that, as compared to the same quarter last year, we showed a growth of 13% which would have otherwise been over 18% and we absorbed a fair amount of cost in the quarter. The entire hiring of the fresh graduates which started during the previous quarter got completed and the expense for that was incurred in the current quarter. So despite all the challenges, I think we have done reasonably well and we continue to be one of the very few Indian companies which derives more than 60% of its revenue from offshore effort, which in the current circumstances is a very strong positive for the company, but the exchange rate is still a big challenge for us. I will request Manoj to add details of what we did in the EPD business.

Manoj Raghavan: Thank you, Madhukar. Good afternoon everybody. As Madhukar said, yes it was a challenging quarter. But from an EPD perspective, I would still say we have shown a steady growth. The challenges were primarily to do with the number of days and the leaves during the year end. But having said that from EPD perspective, the automotive business continues to grow. We have focused this quarter on building key partnerships in the ecosystem and you would have read a number of news releases that we have made. We have partnered with a company called Irdeto on the car security space. Then we had our first licensing for our V2X Emulator Solution in China along with our partner Spirent. So that was a pretty good deal for us.

And another important event that happened was opening up of an offshore dedicated center for Panasonic. That was in the home appliances space. The President of the Global Home

Appliances Company had come here and along with Madhukar Dev inaugurated the facility. So that hopefully will lead to growing business in the subsequent quarters. Of course, a lot of activities that we have done in the automotive space as far as building of IPs and technologies were showcased in the CES event, which was in the first week of January, including various activities that we have done on autonomous car, ADAS as well as e-cockpit and connected infotainment space,. These were all well received by the target audience. We are really banking on the investments that we have made for growing our revenues in the subsequent quarters. So these were some of the key activities that happened in the quarter.

Madhukar Dev: This is really the summary and highlights of the quarter. We will be very happy to attempt to answer questions now.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session.

We will take the first question from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Can you tell how much revenue we will anticipate from Kochi and Nagpur Metro separately?

Madhukar Dev: I think Kochi Metro was about Rs. 3.5 crores to Rs. 4 crores totally and Nagpur should, by the time we finish everything, be similar or a little more.

Ravi Naredi: We have made a Mumbai International Airport design and it was fantastic. We have not received any similar order so far. So will you tell anything about this?

Madhukar Dev: I think we should be able to tell you in next quarter of some significant wins in the airport arena. And for the present, one interesting project that we are doing for an automotive OEM is the virtual reality bar at a forthcoming Motor Show for them. So some of the capabilities that we have acquired in all these projects are being put to use there and it will be absolutely cutting edge technology, being deployed in an international environment where lots of other people also use technologies which are similar. But I think what we will have on display will be a winning combination.

Ravi Naredi: Okay and sir lastly so many space activities are going on at ISRO. They are launching so many satellites also but we are not getting any order from them, after I think Brihaspati or Mangalyaan?

Madhukar Dev: Manoj, would you like to answer?

Manoj Raghavan: Yeah, so yes our sales team is continuously looking at opportunities from VSSC and ISRO. But you know a lot of them are based on tenders, so we have to be L1 in all those cases. So we are only picking and choosing opportunities where we feel it is really critical for us to build capability and so on. So there will be opportunities which will come up. But at this point of time we do not have anything significant to tell you.

- Moderator:** Thank you. The next question is from the line of Vimal Gohil from Union AMC. Please go ahead.
- Vimal Gohil:** Sir, my question is firstly on your revenue growth this quarter. Surely, I think it seems to have slowed down but do you see any structural reason for the slowdown? I mean the IT services part of most of the companies are facing a bit of a slowdown. But do you see any structural reason for us to get worried. How is the deal pipeline looking like on a year-on-year basis? Last quarter you had indicated that the deal pipeline looks extremely good and the growth rate should accelerate. So any update on that front, and I have a follow up?
- Madhukar Dev:** No alarming signals, no fundamental structural shortcomings and like I mentioned we get more than 60% of our revenue from offshore efforts. So we are not overly concerned about what is happening in the Visa and the work permit regimes in some of the countries. But the biggest challenge continues to be the exchange rate, because it has many dimensions at which it operates. The expense that we incurred in foreign currency, we book at the actual value when it is incurred. But the revenue that we generate and the foreign currency holdings that we keep have to be restated as on the last day of the quarter.
- So as you are aware the last day of December was a particularly bad rate for the GBP. And it is not only the GBP which is moving quite dramatically from day to day, though the impact is less, even the Euro had a negative movement of over 3% on an average between the last two quarters and the Yen even higher, more than 8%. So currency movement is the biggest challenge that we have at the moment. Market opportunities seem to be quite good. The ability to execute is better than it ever was, and our ability to attract new talent is again better than it ever was. So on all fronts barring the exchange rate; I think that we are in a good position.
- Vimal Gohil:** Sir, could you give us a numerical implication of the point that you made of there are no fresher hiring left? What implications does it have on our salary cost from next quarter onwards?
- Madhukar Dev:** I do not expect salary cost to rise to the same extent that we saw between the last three quarters Q1, Q2 and Q3. Now whatever hiring we are doing is against specific requirements and therefore the numbers that we will hire will be very few and therefore the impact on salary cost should not be very dramatic.
- Vimal Gohil:** And sir, if you can just give me what percentage of your US employees is locals and how many of the people are sent, on H1B?
- Madhukar Dev:** Our H1B is a very small number but Manoj can you give more details.
- Manoj Raghavan:** Our H1B numbers are pretty small. I think close to 60% or 65% of our hires are done locally there in the US.
- Vimal Gohil:** Right. Any specific numbers that you can share, sir?

Madhukar Dev: They are all fairly small numbers we are talking of.

Vimal Gohil: If I can take that offline?

Madhukar Dev: Yeah, we will dig out the exact number and I will be happy to answer that.

Vimal Gohil: Sure sir

Madhukar Dev: It is not a very large number.

Vimal Gohil: So, overall sir the bottom-line being that probably growth rate should accelerate and there has to be some kind of marginal improvement going forward, leaving the exchange rate aside?

Madhukar Dev: Yeah, if we can leave the exchange rate aside, yes.

Moderator: Thank you. The next question is from the line of Priyankar Sarkar from Motilal Oswal Asset Management. Please go ahead.

Priyankar Sarkar: Sir, just wanted to ask what is the revenue split by contract type between fixed price and time and material, and I have a follow up.

Madhukar Dev: Yeah, the fixed price contracts are approximately 35% of our revenue and it varies from 35% to 40% quarter to quarter and balance is time and material.

Priyankar Sarkar: Right sir, and what is the kind of pressure you are seeing in pricing or is there any pricing pressure in engineering services as a whole you are seeing?

Madhukar Dev: Pricing pressure, no. We are not seeing any pricing pressure in the services that we offer.

Priyankar Sarkar: Okay fair enough. And sir, what is the kind of automation platforms or anything on that front which you are doing in order to stay up to date with automation part?

Manoj Raghavan: Yeah, so automation is something pretty important. I am sure you would have read a lot of articles about Infosys and other companies spending a lot of money on automation. For us automation is important in both our main businesses - automotive as well as in the broadcast business. We have our own platform for automation that we license to customers. So it is a sort of value add, I mean we have already invested in those platforms, it is available and it is based on artificial intelligence, big data and so on. So those platforms are used to accelerate activities and reduce cost for our customers. So we have all those platforms available and it is being used by our customers.

Priyankar Sarkar: Right sir and whatever benefit you derive out of this automation, are you able to keep it with yourself or do you have to pass it on to the customers?

Manoj Raghavan: Part of it, we keep it with ourselves and the rest, we transfer to our customers.

- Madhukar Dev:** It often becomes the reason for the customer to engage us and we see it that way
- Priyankar Sarkar:** In the auto space who are the most likely competitors who you come across in the Indian space?
- Madhukar Dev:** Amongst the Indian companies?
- Priyankar Sarkar:** Yeah.
- Madhukar Dev:** KPIT is very much there.
- Manoj Raghavan:** KPIT. And depending on different areas that we work on, sometimes it is Capgemini and sometimes Wipro.
- Moderator:** Thank you. The next question is from the line of Rohan Advant from Multi Act. Please go ahead.
- Rohan Advant:** My first question is that currently across the IT industry, we are seeing offshore billing rates under pressure. However when we look at Tata Elxsi's margins, in spite of such significant adverse currency movements the margins have held up. So could you throw some light on how different are we in terms of the demand for skill sets versus the supply relative to IT industry that we are doing so well on the margin front?
- Madhukar Dev:** First I am not sure if we are doing so well on the margin front when compared to the IT industry. I still think they make better margins but the movement may be in adverse direction for them. In our case this is a highly specialized skill and the customers are more interested in making sure it is done right, done well and on time, than in saving a percent here or a 5% there. Because based on what we do, their own success with the product can have a huge impact on their finances. So that is the reason why we have not faced any pricing pressures and I do not think we will face any as long as we continue to keep doing specialized services and do not get into the commodity business.
- Rohan Advant:** So sir, if I mean GBP came from near 100 to 85 or 83, have we lost out on the margins relating to those or had some contracts been renegotiated to hold up our margins?
- Madhukar Dev:** Till now we have not renegotiated contracts. We sought some hike from some of the key customers. We are hoping to get some as we go along. There is a certain amount of natural hedge that we have with the GBP because above 40% to 45% of our expense is in GBP and the balance we try to cover through options that we buy. We do not cover the entire exposed amount. We have been covering a portion of it which we have been increasing as we are seeing more and more turbulence. So a bit of cost control, a bit of foreign exchange management and lot of offshore work is what is keeping us going.
- Rohan Advant:** When you say 40% to 45%, is that as a percentage of the GBP revenues?

Madhukar Dev: Yes.

Rohan Advant: Okay and what percent of our total revenues would be GBP currently?

Madhukar Dev: About 40%.

Rohan Advant: Okay so our net exposure would be 24% of revenues, right?

Madhukar Dev: That is right.

Rohan Advant: Okay sir and lastly on the Panasonic announcement that we have partnered with them to set a design division can you quantify the size of opportunity and you know the trajectory that this contract can give us?

Madhukar Dev: It is a bit hard to do that. It is a very significant movement. Just to give you an idea of the size of this division for Panasonic in terms of revenues, it is upwards of \$20 billion of revenue from this division that Panasonic gets. So it is up to us to demonstrate value and move at a speed that they are comfortable with, to be able to scale this up into something significant for them as well as for us.

Moderator: Thank you. The next question is from the line of Chintan Modi from Motilal Oswal Securities. Please go ahead.

Chintan Modi: Sir, just on the mix like auto, typically you know contributes around 45% of our revenue and broadcast is around doing 24-25%. Has this mix changed over a period of time or does it continue to remain the same?

Madhukar Dev: More or less the same.

Chintan Modi: Okay and have we seen any traction in the medical equipments part of the business?

Manoj Raghavan: We have not seen anything significant that we can report. Yes, we have opened up two new logos in US and hopefully we will bring a larger share of business in the next financial year. So we are still in the hunting stage for business.

Chintan Modi: And in terms of employees what would be our current number and what will be the utilization rate?

Madhukar Dev: The headcount at the end of the quarter was about 5,600 and utilization continues to be around 74- 75%.

Chintan Modi: How much we would have added in the last quarter?

Madhukar Dev: In terms of headcount?

- Chintan Modi:** Headcount, yeah.
- Madhukar Dev:** I do not have the figure readily but I think it is about 300.
- Chintan Modi:** Okay and as you said that this number will not go up significantly in the next quarter or at least in the foreseeable future for some time in next two, three quarters.
- Madhukar Dev:** It will go up only to the extent of actual hires for specific engagements. It will not be for building capacity like in the past two quarters.
- Chintan Modi:** Okay and any specific clients that we have added in last quarter?
- Madhukar Dev:** We have a few new clients but the engagements are all small. The big orders that we are getting are from our existing clients and we think that will remain so for the next couple of quarters. In fact our own plans are to target very high growth from existing clients, rather than reach out and add new clients. We are not stopping that, but new clients take a long time to scale up. So the immediate opportunity is better served by scaling up our engagements with the existing clients.
- Chintan Modi:** Okay and sir how much would, in terms of revenue contribution, how much would JLR be contributing now? Till last year it was around 20% is what I understand.
- Madhukar Dev:** Yeah, last quarter it was about 20% and I think this quarter was again 21%-22%, somewhere there.
- Chintan Modi:** Okay so there is no slowdown or any significant traction in JLR? I mean it continues to remain at similar level?
- Madhukar Dev:** It will continue at that level probably.
- Chintan Modi:** Okay and sir if we assume that currency remains at current levels, do you think that we can bounce back to higher level of growth rates which we have done in the past like till northwards of 20%?
- Madhukar Dev:** I think the currency has to be a bit kinder. And a few more percentage points up and then we will be back to 20 plus.
- Moderator:** Thank you. The next question is from the line of Bineeta Kumari from Narnolia Securities. Please go ahead.
- Bineeta Kumari:** Just two small questions. Can you give me top 5 customers' contribution in the revenue?
- Madhukar Dev:** Yeah, it is about 48%.
- Bineeta Kumari:** Okay and what is the onsite and offsite revenue mix?

- Madhukar Dev:** The offshore revenue is in excess of 60% let us say 61-62% somewhere there and the rest is onsite.
- Moderator:** Thank you. The next question is from the line of Alekh Dalal from 130 Capital. Please go ahead.
- Alekh Dalal:** As you mentioned you have added staff to this quarter's expense base. So was that basically unutilized staff and did that impact your margin in this quarter and to what extent?
- Madhukar Dev:** Yes, this is our fresh graduate hiring program that we do every year and it will be a while before they start earning revenue. So it is not just the expense on their compensation, but on training them where we spend a considerable amount of effort and money. So that is the main increase that you see in personnel related expense between Q2 and Q3.
- Alekh Dalal:** Got it and in terms of you know the M&A strategy you talked about looking at more acquisitions, can you update us on the status of that and sort of where we are on that?
- Madhukar Dev:** We have made progress but we still do not have a deal to announce. Hopefully in the very near future, we will be able to make some announcement. But we made considerable progress on what we were pursuing a quarter ago.
- Alekh Dalal:** And this is in what discipline, in what area?
- Madhukar Dev:** I may not be able to reveal that, but it will be in areas that add to the importance of our offering to our customers. So it is not scale, it is skills which are complementary to what we have, but the combination becomes a very potent offering.
- Moderator:** Thank you. The next question is from the line of Samarth Shah from KR Choksey Shares and Securities. Please go ahead.
- Samarth Shah:** I wanted to ask one question. Looking at electric vehicles the way Tony Seba sees it, do you see the same here?
- Madhukar Dev:** Who will see it?
- Samarth Shah:** Tony Seba, okay. I wanted to ask do you have any client additions in EV segment?
- Manoj Raghavan:** Yes, we have one Tier-1 based in Japan.
- Samarth Shah:** Tier-1 based in Japan, and nothing in US?
- Manoj Raghavan:** No.
- Samarth Shah:** Are you looking forward in that direction?

- Manoj Raghavan:** Yes, we have existing customers in the US that we will be growing in the hybrid and EV space.
- Samarth Shah:** Wonderful, and one more question about a difference that you had spoken in the last to last quarter. Have you made any partnerships with the other firms in India to go ahead with a licensing?
- Madhukar Dev:** Nothing very significant. Off and on some small things we do together, but nothing very significant.
- Samarth Shah:** Because this drone technology, the mining technology about the scanning of mines it must be really great impetus to the revenue. So are you looking forward in that direction?
- Madhukar Dev:** Mining technology?
- Samarth Shah:** Drone based technology?
- Madhukar Dev:** No.
- Samarth Shah:** So lot of investments have been put up by government in that segment, so are you looking up to that?
- Madhukar Dev:** We are integrating drones and there are solutions that we are offering but not developing drones as such.
- Samarth Shah:** Okay and about one statistical question. So we have been seeing the European disintegration happening of late and with the share of Europe is going up in our company, but what we are seeing is the growth rate reduced from 41% in 2013 to nearly 18% in the last year. So has there been a loss of clients or replenishing in that area. Are we losing some clients there?
- Madhukar Dev:** No, not in Europe no. I am not sure what numbers you are referring to, but we will have that checked. Maybe you could send a detailed mail to Mr. Vaidyanathan with the specifics of what numbers you are referring to and we will get back.
- Moderator:** Thank you. The next question is from the line of Apurva Prasad from HDFC Securities. Please go ahead.
- Apurva Prasad:** Sir firstly, I want to understand what is really giving us growth visibility? You know when we are looking at closer to 20% type of growth, I mean I understand that our project duration is about two quarters or so an average. So is it that the annuity component has really started going up and what is really giving us that growth visibility, if you can help me with that, sir?
- Madhukar Dev:** We first do not really have a clear visibility but what we are trying to do is do two things. One is expand our portfolio of offerings, which we do almost continuously and put together some of the skills that we have to create a combined service offering which can be of higher impact

than the standalone offerings were. And really for the next few quarters we will be concentrating on our existing customers, because we think there is enough opportunity in some of the big accounts to grow quite significantly.

So all that put together, gives us the confidence that if we do most things right, we should be able to get back to a growth of about 20%. Even in the current circumstances, the growth as compared to a year ago is 13% and if you were to look at volume growth it is upwards of 18%. So we are not too far off from where we want to get to.

Apurva Prasad: Right so if you can break down the annuity component currently?

Madhukar Dev: I am afraid I will not be able to do that.

Apurva Prasad: Okay. Also what would be our onsite and offshore by employees?

Madhukar Dev: You can derive it, typically the offshore realization is about 40% of the onsite and our offshore revenue is upwards of 60%.

Apurva Prasad: Right and sir how much would our top 10 be contributing?

Madhukar Dev: Under 60%. We think in the next few quarters we should be able to pull this up to 75% plus.

Apurva Prasad: Okay and sir what will be the composition within the top ten in terms of verticals, how would this stack up between auto and broadcast?

Madhukar Dev: Out of the top ten, six would be transport and four would be broadcast.

Moderator: Thank you. The next question is from the line of Mukul Garg from Haitong Securities. Please go ahead.

Mukul Garg: Madhukar, I have just one question. There is a lot of noise these days around increased protectionism around the world, especially in auto sector. So have you heard anything from your discussions with your clients in terms of whether they are concerned about launch of new products or you know expansion or giving increasing orders to offshore players?

Madhukar Dev: No, we have so far not heard any such concerns from any of our customers. Whatever tariffs or barriers any country brings in, the auto makers would find ways of still increasing the market share in the target markets. So that is probably the reason why we have not heard anything so far.

Mukul Garg: Okay and now just to add to this, in case there is lot of pressure especially in US to do offshore work, would you consider increasing your presence in the local market - in terms of your expansion in terms of number of employees you are hiring there or do you think services will not be impacted that much?

- Madhukar Dev:** See the availability of manpower for the kind of services we provide is not very abundant locally. So whether we do work offshore or we send people from here, the choice is really between these two options and if there is a clamp down on work visas etc., obviously we will have to do more work offshore. But it is not as if there are enough people available to do the kind of work that we do and that they are being laid off and being replaced by low cost options from India. That is not the case in our business.
- Mukul Garg:** So that scenario might actually be beneficial for you?
- Madhukar Dev:** Yes.
- Moderator:** Thank you. The next question is from the line of Sagar Lele from Motilal Oswal Securities. Please go ahead.
- Sagar Lele:** Would you be able to provide a breakup in your automotive segment in terms of how much work comes from power train, or safety, infotainment, or standardization? A brief or a large indicative breakup would be okay?
- Madhukar Dev:** I am afraid we will not be able to give you that.
- Sagar Lele:** Or at least probably give us an indication of which would be the dominant portion?
- Madhukar Dev:** It keeps changing. For example, ADAS today is a growing segment, a little while ago, infotainment seemed to be the big one, and going forward, we think anything to do with driver assistance will be the high growth area.
- Sagar Lele:** Alright, also there have been reports recently of you testing some autonomous cars. Is this work being done for an existing client or are you looking at monetizing certain parts of this project in the future?
- Madhukar Dev:** Yes, this is our own R&D program under which we are building autonomous driving capability on existing cars. What we are trying to do is, we have been testing these vehicles in controlled environment. We started out with a pre-programmed trajectory. Then we started reading road signs, identifying obstructions and things like that in a controlled environment. Now what we want to do is actually try it on the roads to see the real environment and to what extent the algorithms that we have built into our solution are able to handle the reality as it exists on Indian roads. So it is an ongoing effort and this is more to build skill and demonstrate our capability to build a solution, rather than to license any element of this technology at this stage.
- Moderator:** Thank you. The next question is from the line of Tushar Bohra from Reliance Capital. Please go ahead.
- Tushar Bohra:** A couple of questions. First a follow up on the previous participant's question on driverless cars. So I just want to understand what is the approach we are really taking here? Is it like an

AI driven approach or are we mapping each object or each obstacle and building the algorithm?

Madhukar Dev: It is an AI based approach and part of that includes learning and mapping obstacles and road signs and we have multiple sensor technologies and we want to make sure that we can optimize the cost of sensing these, because if money was not a constraint, you could have the most perfect recognition system implemented. It will cost maybe several times the cost of a car, but in reality you have to use a lot of low cost sensing technologies and very sparingly use very rugged and reliable precision recognition technology. So that is the kind of work we have done.

Tushar Bohra: So should I take it as something similar or rather in between what Nvidia is trying as an approach and maybe what Google is trying.. Something in between the two?

Madhukar Dev: I would not be able to comment on what either of the two approaches is but we are using technologies from Nvidia also in whatever we are doing.

Tushar Bohra: Fair enough sir and this is in collaboration with any other companies or this is completely ours?

Madhukar Dev: No, this is our own R&D effort.

Tushar Bohra: Great. Second sir in general, are we collaborating on any of our work pieces with any of the other Tata group companies? Not as a client perspective, I know we do work with JLR, but maybe like Tata technologies or TCS, are we collaborating with them on any projects?

Madhukar Dev: It depends. If there is a specific client engagement where our skills are required along with theirs, we do collaborate but there are few such projects, not too many ever.

Tushar Bohra: Okay and in terms of the JV outlined with Panasonic, exactly what stage it is, sir? When will this start to really give us revenues?

Madhukar Dev: First, this is not a joint venture, this is a joint overseas development center and it has already started out. It will take a few months to scale up and we already have some of their people and some of our people working in the center.

Tushar Bohra: Right, and what is the in terms of, of course the broad involvement related points you have mentioned in the press release, but to be more specific exactly what will be the role Tata Elxsi will play in this development?

Madhukar Dev: You want to add, Manoj?

Manoj Raghavan: Yeah, it is more to do with home appliances division of Panasonic. So there are lot of AI based activities that we will be doing for the home appliances division. We are planning to launch a number of new devices which use artificial intelligence - whether it is dish washers,

microwave ovens, air coolers and so on. So we will be working along with Panasonic on developing some of the prototypes of some of these products, maybe do trials and then help them launch those products globally.

Tushar Bohra: Great, so sir then this is essentially not like a project kind of activity, it will be more of long term in nature, as in it will be a continuous piece of revenues for us?

Manoj Raghavan: Continuous piece but each of these activities would be project based but yes there is a roadmap.

Moderator: Thank you. The next question is from the line of Samarth Shah from KR Choksey Shares and Securities. Please go ahead.

Samarth Shah: I wanted to ask about IPR monetization. Is there anything moving in there?

Madhukar Dev: Manoj mentioned at the beginning that our V2X emulator made our first license in the quarter. We made some progress but it is still a very small portion of what we earn.

Samarth Shah: Sir, this overseas or Indian based license?

Madhukar Dev: It is overseas.

Samarth Shah: Would you be able to say which markets?

Madhukar Dev: China market.

Samarth Shah: But there is lot of issues in China and do you see it forming a part of revenues in FY18, FY19 like some percentage of revenues?

Madhukar Dev: China, could you elaborate please?

Samarth Shah: Sorry?

Madhukar Dev: Lot of issues in China, could you please elaborate?

Samarth Shah: About IPR. For example JLR is facing a lot of issues related to IPR protection in China.

Madhukar Dev: This is a license to a government agency of China.

Samarth Shah: Okay sounds great and about forming a part of revenues say in FY18 or FY19 do you think it will be part of revenues?

Madhukar Dev: This particular IP or IPs in general?

Samarth Shah: In general, so we have been talking about IPs since last three quarters.

Madhukar Dev: We have been talking for several years off and on. We do get opportunities to license some of the IPs. What we are now trying to do is move away from small component IPs to solution IPs and this V2X is a solution. So as we develop more and more solutions IPs, the share of revenue will steadily start rising.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for closing comments.

Madhukar Dev: From our side, nothing much. Just thank you so much for your interest in the company and at some stage, we will organize an investor day, may be after our Q4 results. We invite all of you to come here and have a look at what we do at Tata Elxsi. Thank you.

Moderator: Thank you. Ladies and gentlemen, with that we conclude today's conference. Thank you for joining us and you may now disconnect your lines.