



April 21, 2025

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BSE Ltd.  
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Dalal Street  
Mumbai – 400 001  
**Scrip Code: 500408**

The Listing Department  
National Stock Exchange of India Ltd.  
Exchange Plaza, Plot No. C-1, Block G  
Bandra – Kurla Complex Bandra (East)  
Mumbai – 400 051  
**Scrip Code: TATAELXSI**

Dear Sirs / Madam,

**Sub.: Transcripts of the Investors' Conference Call for the quarter and year ended March 31, 2025**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, please find enclosed the transcript of the Investors' Conference Call for the quarter and year ended March 31, 2025, held on April 17, 2025.

The transcript of the earnings conference call can be accessed on the Company's website at:  
<https://www.tataelxsi.com/investors>

This is for your information and records.

Thanking you,

Yours faithfully,  
**For Tata Elxsi Limited**

**Cauveri Sriram**  
**Company Secretary & Compliance Officer**

Encl: As above

**TATA ELXSI**

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“Tata Elxsi Limited

Q4 FY '25 Earnings Conference Call”

April 17, 2025



**MANAGEMENT:** **MR. MANOJ RAGHAVAN – MANAGING DIRECTOR AND  
CHIEF EXECUTIVE OFFICER – TATA ELXSI LIMITED**  
**MR. NITIN PAI – CHIEF MARKETING AND CHIEF  
STRATEGY OFFICER – TATA ELXSI LIMITED**  
**MR. GAURAV BAJAJ – CHIEF FINANCIAL OFFICER –  
TATA ELXSI LIMITED**  
**MS. CAUVERI SRIRAM – COMPANY SECRETARY –  
TATA ELXSI LIMITED**

**MODERATOR:** **MR. SHASHANK GANESH – ERNST & YOUNG**

**Moderator:** Ladies and gentlemen, good day, and welcome to Tata Elxsi Limited Q4 FY '25 Earnings Conference Call. As a reminder, all participant 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 this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Shashank Ganesh from EY. Thank you, and over to you Mr. Ganesh.

**Shashank Ganesh:** Thank you very much. Good evening to all the participants on the call. Good morning if you're joining us from the Western side. Before we proceed to the call, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties and other factors, therefore, must be viewed in conjunction with the business risk that could cause the result performance or achievements that differ significantly from what is expressed or implied by such statements.

To take you through the results and answer your questions today, we have the senior management of Tata Elxsi represented by Mr. Manoj Raghavan, Managing Director and CEO; Mr. Nitin Pai, Chief Marketing and Chief Strategy Officer; Mr. Gaurav Bajaj, Chief Financial Officer; and Ms. Cauveri Sriram, Company Secretary. We will start the call with a brief overview of the past quarter by Mr. Raghavan followed by a Q&A session.

We would appreciate your cooperation in restricting yourself to two questions to allow participants an opportunity to interact. If you have any further questions, you may join the queue and we will be happy to take them forward.

With that, I would like to hand over the call to Mr. Manoj Raghavan. Over to you, Manoj.

**Manoj Raghavan:** Thank you, Shashank. Good evening, and good morning to everybody who's joining us on this earnings call today. For the fourth quarter of FY '25, we reported an operating revenue of INR 908.3 crores and a PBT margin at 23.3%. We ended the financial year with a revenue of INR 3,729 crores and a PBT margin of 26.3%.

The Board of Directors have recommended a final dividend of 750%, that is INR 75 per equity share of par value of INR10 each for the financial year ending 31st March 2025, subject to approval by the shareholders. Coming to the business. We reported a healthy quarter-on-quarter growth of 3.5% in constant currency terms in the quarter for Healthcare & Life Sciences segment.

We have established a strong foundation for continued growth in our Healthcare & Life Sciences business with addition of 13 new marquee customers in the year and expanded capabilities and platforms in new growth areas such as sustainability and AI-powered diagnostics and therapies.

Our automotive business witnessed challenges in the quarter as some OEMs and suppliers paused new program starts in the face of geopolitical and market uncertainties and are focused

on conserving cash. We also saw delays in ramp-ups planned for ongoing deals won in the previous quarters that we expect to resume starting Q1 '26.

We won a strategic EUR50 million multiyear SDV and software engineering deal with a Europe headquartered global car OEM. That will actually start ramping starting Q1 FY '26. We are transforming our customer base with a continued shift towards OEMs and SDV in automotive industry, providing us with a set of customers and a platform for our long-term growth.

Our Media and Communication business saw some customer-specific issues in the quarter due to M&As and business restructuring, while the overall industry continues to exercise caution in R&D spend and innovation. But I'm pleased to report a strategic multiyear product engineering consolidation deal of over USD100 million with a marquee operator in the media and communications vertical, which is the largest single deal in our company's history. We also won a strategic USD10 million consolidation deal with a global broadcaster for a streaming video platform engineering. Both these deals are with existing customers, and we won against some of the best global competition. This again lends a strong foundation for the coming year as we look to bring back growth in this segment.

Our system integration and support business is pivoting to value-added services and innovation-led products such as experience centers. It worked with our design team to deliver the design and technology implementation to the prestigious Bharat Pavilion at the World Expo 2025 in Osaka, Japan, that was inaugurated earlier this month.

I'm delighted with the international recognition for our design digital proportions, with two IF award wins for 2025. We won the UX award for GameSense, our experiential solution that brings together UX design, AI and digital technologies to deliver enhanced fan engagement and monetization for global sports and live events. We also won an IF award for product design with our next-generation racing simulator gear design for Turtle Beach, a leader in gaming technologies.

Our design-led revenues have grown at over 25% in the year, clearly underscoring the strength of our design digital proposition. We are expanding our vertical presence with the addition of aerospace and defense, addressing emerging opportunities for space, unmanned aerial vehicles, software-defined systems and indigenization in the sector. We are pleased to have been associated with HAL (Hindustan Aeronauticals Limited) for the Combat Air Teaming System, (CATS) Warrior an unmanned autonomous combat air vehicle, which was displayed at the Aero Show in February 2025.

We have signed strategic partnerships with NAL and Garuda Aerospace and have been empanelled with 2 global aerospace majors and a new age eVTOL company. We continue to invest strongly in digital, AI, engineering technologies across the verticals targeting efficiency and quality in product engineering and novel applications of GenAI combined with domain and design expertise to solve complex business, product and engineering problems.

Over 70% of our talent base is now AI ready, and we have built a pool of over 500 specialists across domains and application areas. We enter the new financial year, the foundation for

stability and long-term growth led by the large deal wins, the continued confidence of our customers across the world and a strong deal pipeline and a differentiated design-led proportion for innovation and product engineering.

So thank you, and let's start the Q&A session.

**Moderator:** Thank you very much. The first question is from the line of Sulabh Govila from Morgan Stanley. Please go ahead.

**Sulabh Govila:** So the first question is on the large deals that you've announced. Just wanted to check, especially on the consolidation deals. What's the net new component there in the media vertical?

**Manoj Raghavan:** It's a multiyear deal. It's a 3-year deal. So the net new component would be approximately 25% to 30%.

**Sulabh Govila:** Okay. Understood. And then with respect to the auto vertical, given that there have been changes globally with respect to tariff announcement, etcetera. Some of our clients, especially the top client, have made some certain announcements with respect to certain strategic changes that they are considering. So just wanted to understand how does that have any bearing on the business that we do with them?

**Manoj Raghavan:** Yes. So I think it's not just us, but I'm sure many other companies are facing the same challenges with our OEM customers, especially in automotive industry due to all these geopolitical issues and the tariff issues. So actually, in this quarter, we have seen a number of projects that we are working on - especially with our top customer - witnessing pauses. We are hoping that over the next couple of quarters, we will have a lot more clarity on this.

At this point in time, it's too early for us to have that clarity. However, with the new large deal wins that we have announced today, we're really hopeful that those projects will ramp up and some of these weaknesses will get covered up. We are in discussions with our key customers to navigate this difficult scenario.

**Sulabh Govila:** Okay. Understood. Just a follow-up there, and this is maybe both for auto and the media vertical. And given that there are multiple moving parts here, with respect to the current quarter which we are currently in, how would you think about the visibility currently given that there were certain pauses which were there and some deals which will ramp up?

So on a net-net basis, how should we think about the visibility that we have? Do you think that we can improve from the fourth quarter that we had and get into the growth trajectory or that would be some time away?

**Manoj Raghavan:** The entire focus of the management team is to ensure that we grow back from Q4. I would say we have decent visibility and a lot of encouraging discussions with some of our key customers. We strongly believe that we will be able to grow back in Q1.

**Sulabh Govila:** Understood. And just one last question on the margins bit. The other expenses, they fell very sharply on a Q-on-Q basis. So just wanted to understand what led to that? And what should be a sustainable number going forward?

**Manoj Raghavan:** Yes, I will have Gaurav respond to that.

**Gaurav Bajaj:** Sulabh, I think this is a soft quarter and difficult times with uncertainty. So we have been very disciplined in terms of some of the discretionary spend that we have been doing. Along with some of the other expenses, non-people costs, we have been very cautious in terms of how much is to be spent and where it is to be spent. And most of that saving is coming from some of the third-party contractors, consultants, the travels and the visas and the office consolidation. So most of those savings are coming from those discretionary spend, which we believe can be avoided for the time being until the time we see the better growth on the top line.

I think we put those measures into consideration and executions even before this quarter. So those started to give us some better results in the quarter, and we continue to measure those as we move forward in the next quarter and the next financial year.

**Moderator:** Next question is from the line of Manik Taneja from Axis Capital. Please go ahead.

**Manik Taneja:** I actually wanted to clarify on a couple of things. Number 1 thing is that if I see your last 3 years' performance, you've had challenges in 2 of the 3 industry verticals, Automotive was the one which is driving growth. With some of these deal wins that you've announced in the current quarter, do you think we begin to essentially reverse the course of declines that we've seen in the other 2 industry segments. That's question number one.

The second question was with regards to margins. Once again, I would presume that some of the margin decline is on account of revenue weakness as you are now saying that we should probably be looking at stability to improvement in growth from Q4 levels. Does that mean that we should probably start to see an improvement in margins as well?

**Manoj Raghavan:** Yes, definitely, margins would improve with the growth in business. I think one of the key reasons for the margin decline has been the revenue degrowth. So very clearly, our focus is to bring back the revenue growth which will automatically bring back the margin growth.

Regarding in each of these industry verticals, we have announced large deal wins.

Our healthcare business continues to grow, and we really expect that to continue to grow strongly over the next financial year. We won some very, very good logos in the last financial year. And for us, the focus would be really to go deeply and mine those logos that we have won in the last financial year.

In the case of Automotive and Media and Communication, the good part is because of the large deal wins, we will have stability in our long-term businesses. It is very important to really protect the sort of downside for us. And so these large deal wins gives us that confidence.

Now we really need to go and see how we can mine these accounts and grow faster, right? So those are the activities that we will really focus. And so FY '26 will all be about growing back, getting that momentum back and really focusing on these key deal wins that we have and really scaling them and mining them faster and better.

**Manik Taneja:** Manoj, just a question with regards to whatever we've been hearing from some of your IT peers in the course of recent deals. Typically, you've seen first half being seasonally strong, second half because of the calendar effect and the usual seasonality tends to be weak. With the current backdrop, do you think you probably start slow and see an acceleration in sequential growth rates through the course of the year or do you think it is difficult to essentially building that kind of a trajectory at the current moment?

**Manoj Raghavan:** No, I think for us, these large deal wins would mean that we really need to start expanding the relationship right from Q1. Of course, Q1 and Q2 would be a bit slow because these are consolidation deals, we would need to take over from existing suppliers, and there will be some amount of investments that we would need to put in to really build that business.

But from Q2 onwards and subsequently, we expect the full value of the deal to come in play. So for us, we would really expect that, look, we will see an accelerated growth as we move into the financial year.

**Manik Taneja:** Sure. So the last clarification is, do we also envisage a change in our typical on-site offshore mix as we consolidate some of our competition as well as how should we be thinking about hiring now even we've been trying to essentially keep cost in control and then thereby through the course of this year, we've cut headcount.

**Manoj Raghavan:** Yes. From an on-site offshore mix, I don't think we will see too much of a change because some of these large consolidation deals have also been focused on servicing them from the best cost countries. Customers don't really want us to spend additional budgets by having people on site and so on.

So the signature of the deals that we see going forward are a lot more on to best-cost countries rather than high-cost countries. So that is the signature of the deals that we see, whatever deals that we are closing. So that aligns with our philosophy as well that we are traditionally strong at delivering offshore.

So we don't see a big change there in terms of either having a lot more resources on site and so on. There could be some temporary blip as we take over and transition work and so on. But in the midterm to long term, we will be at the sort of on-site offshore ratios that we see today.

**Manik Taneja:** Sure. And any questions or any response on the headcount metrics as to how should we see that play out, given you cut headcount in the course of the year focused on improving utilization, et cetera?

**Manoj Raghavan:** Yes. when I say cut headcount, we have natural attrition that we have not replaced because we have a very good quality bench that is available. And we have been very careful to add laterals.

Of course, we do add laterals also on a need basis, but we have been very, very selective in the type of people that we bring in. So I think we would continue to be cautious over the next 2 quarters, I would say. Having said that, we will have a few freshers coming in this quarter and next quarter. But from a lateral perspective, we will definitely be a lot more cautious, and it will all be based on the business growth that we see.

**Manik Taneja:** And there is enough kind of bench strength to improve utilization and service the so-called improvement in demand that you foresee over the next 3-to-6 months?

**Manoj Raghavan:** Yes, absolutely.

**Moderator:** Next question is from line of Ashwini Singh from Statpro Fintech. Please go ahead.

**Ashwini Singh:** As you would be well aware that there's a huge capex currently underway for semiconductor fabrication and assembly plants in India. The largest being from Tata Electronics, which is a promoter group entity. So I'd like to understand if there's any opportunity for Tata Elxsi because I understand that Tata Elxsi is a leader in semiconductor space design such as VLSI design, etcetera. So whether you are in talks of some of the semiconductor companies which are coming up? And if you look at some opportunities over there.

**Manoj Raghavan:** Yes. So of course, yes, we are in discussion with the companies that are planning to set up fabs and so on. Right now, they are in the factory setup stage and so on. So there are discussions ongoing with these customers from a viewpoint of our design offerings. Also, our manufacturing and Industry 4.0 offerings. We are having discussions with them.

It's pretty early from a chip design side because the focus right now is not really building new chips and so on. But however, those are discussions that we are having, but these are still early stages, I would say. We would definitely be interested to see how we can support the India semiconductor ecosystem moving forward.

**Ashwini Singh:** Sir, can you quantify what kind of opportunity size you're looking at like in the coming few years in this space?

**Manoj Raghavan:** It's very, very early, I would say, to give what you say, a business value. However, we are in close discussions with a few of these customers to see how we can be relevant to their plans. I think it will take at least another couple of quarters before we can formally get back and say what sort of value proportion we have for these customers.

So however, today, we are engaging with them. We are supporting them where we have capabilities, especially from the design side and the manufacturing side. And those are areas that we are focused on. On the chip design side, we are on a wait and watch, right, to see what sort of opportunities evolve right for us.

**Moderator:** Next question is from the line of Hasmukh from Tata Mutual Fund. Please go ahead.



- Hasmukh:** Just have one question around FY '26 growth. So I do understand that you don't provide guidance, but considering the weaker exit and acceleration of growth from Q1 onwards, would it be fair to assume that you will be growing better than FY '25 in FY '26?
- Manoj Raghavan:** That is the clear focus of the management team, and we are a little more confident because of some of the deal wins that we have had in the last quarter, and we have entire 4 quarters now really to scale up some of these deal wins. So we're really hoping that we will be able to deliver better performance than FY '25.
- Hasmukh:** Okay. Got it. But just one follow-up here. So these large deal wins, are you witnessing any delay in ramp-up or those are, let's say, getting started on time probably as per you?
- Manoj Raghavan:** We have been in discussions over the last 4 quarters and finally the announcements are happening. And we are happy that we are seeing light at the end of the tunnel. So to that extent, I'm really happy that things are moving. So definitely, we really don't see too much of delays moving forward because the customers also have the need and the necessity to ramp up and move quickly. So this financial year, definitely, we will see a lot of revenue uptick coming in from these deals.
- Moderator:** Next question is from the line of Nitin from Green Capital. Please go ahead.
- Nitin:** My question pertains more as an investor. Now obviously, there are some risk mitigation strategies that the management would have liked to undergo in terms of trying to change the revenue mix, maybe reducing U.S. exposure and increasing exposure to rest of the world, China, Japan or increasing exposure to India or to EU?
- Just wanted to get a sense of what the initial chats or feedback have been from some of your larger clients in terms of IT spending and some risk mitigation strategies towards that? Would love to hear the management thoughts?
- Manoj Raghavan:** Sure. I think as you would have seen this, the geopolitical situation with the tariffs and so on and with the war going on, of course, we are seeing Europe and U.S. two large geographies, really showing a slowdown across both automotive and media and communication. So consciously, if you look at it, we have been really expanding beyond the 2 main markets. We're really looking at emerging markets, including India, Japan, the Middle East, Africa, LatAm and Southeast Asia. So we have consciously really expanded the bucket, expanded the markets that we would go into.
- And I think we have had decent successes, I would say. Japan business grew pretty well for us in the financial year. Similarly, our India business really accelerated in the financial year. And I think that gives us a lot of confidence that there are a lot more companies based in India now who really appreciate the design digital offerings. And we have some wonderful successes in the Indian automotive industry.
- We work with all the major players supporting them in a lot of the new product launches, a lot of the connectivity platforms that you see car companies launching in India have been powered

by Tata Elxsi's Tether platform. So there are a lot of interesting stuff that we are doing with India and India-based customers as well.

Of course, GCCs are a strategic play for us and we've also seen an increase in the GCC business, in our Automotive as well as in Media and Communication and the Healthcare space. So I think for us, India and the emerging markets will continue to be an important market for us in the coming financial year as well.

**Nitin:** Yes. So the follow-up to that is like I do see over the year in terms of revenue mix and the U.S. exposure has reduced from approximately 38% to 31%. India exposure has increased from approximately 16% to 19%, and rest of the world exposure has increased about 5.6% to 8.3%.

So I'm sure that there has already been a movement within the company to hedge a lot of exposure away from U.S. and maybe reduce Europe and get more specifically into LatAm, as you said, or Africa or Southeast Asia or more towards Japan or East Europe. So having said that, is it so easy for a company to change the revenue mix so quickly? Or does it take time?

And does it take like a quarter or two? Or will it be also clear with the situation maybe once the U.S. clients are clearer maybe after the quarter as to what specific tariffs and taxes are applying and how their spending is getting affected because not everyone will be painted with the same boat. Just some thoughts on that?

**Manoj Raghavan:** Yes. So these emerging markets that we talked about, it is not a 1-quarter play, right? We have been investing and actually building relationships, building local partnerships, building sales channels, over more than 4 to 6 quarters, I would say. And I think that is the derisking strategy that we planned even the previous financial year has actually helped us now. I mean nobody could have predicted the current geopolitical situation and the tariff issue that we are seeing.

But our strategy of expanding the universe of markets that we go after, right, has actually helped us in this particular situation. So it's not a knee jerk reaction only for the last one quarter. This has been planned out and it is that strategy of really looking out for newer markets has really helped us in this current difficult situation in both U.S. and Europe.

**Nitin:** Thanks, all the best of the management team go through this tough period, and I hope we come out of this much better as we go across the year.

**Moderator:** Next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.

**Amit Chandra:** So my question is related to the large deals in the Media and Communication verticals that you have announced. So if you can throw some more light in terms of what is the tenure of the deal? And in terms of margin, is the margin similar to the company average or generally the larger deals have a bit lower margins at the beginning. So is it similar to that? And is there any like rebadging also involved in this?

**Manoj Raghavan:** Yes. So this is an existing customer, as I talked about. It's a 3-year deal. Of course, since it's a consolidation deal, it is a deal that has been won over all the major global competition.

I would say it's a very prestigious deal for us and the confidence that the customer has placed on us I think that is something that we really are very, very happy to see.

So yes, as I said, since it's a consolidation deal, we had to be competitive from a pricing perspective. So it definitely, I would say, comes at a competitive rate. But a good part for us is it gives us that stability over 3 years. It is up to us now to see how we can leverage this deal and extract the margins and there are a lot of things that opportunities are there, including AI, GenAI and so on, how we will leverage this to improve our margins.

There is no rebadging in this particular deal. So to that extent, we don't take any unnecessary risk with local and on-site that we had to rebadge some high-cost resources and so on. So we don't have any of those challenges.

**Gaurav Bajaj:**

And Amit, just to add to that point, I think large deals also come with a billable deployment opportunity for us. And with the quality of the bench available with us, that will definitely help us on our margins to move upwards from what we have seen in this quarter. That's what we said. I think the margin is a direct function of the top line growth. So our focus is to get the growth back and the margin, you will see automatically start to get back to the normal levels.

**Amit Chandra:**

Okay. And also on the Auto OEM 50 million deal, So these 2 deals, we have won in an environment when there is a lot of uncertainty in the macros. So these we think that these 2 deals have been committed by the clients despite of the tariff scenario and despite of the ongoing challenge or these factors like did not impact or maybe these are committed much earlier than the uncertainty started?

**Manoj Raghavan:**

No, as I discussed in an earlier question, right, these are not new deals that come up just in the last quarter. Both these deals have been worked on over multiple quarters. So it is whether the current geopolitical issues and tariffs had influenced this decision, I mean, I wouldn't say that. The customers had to do a lot of internal negotiations to work around, there were worker council related issues. There are a lot of regulations that they have to be careful before they take these decisions because these decisions also involves moving a lot of work from high-cost locations to best-cost locations like India. So there are a lot of sensitivities involved when a customer announces such deals. So naturally it took a long time before they got all those internal approvals and so on. And that is a deal cycle nowadays, especially when you look at large deals.

**Amit Chandra:**

Okay. And lastly, in terms of the deal to revenue conversion cycle. So anything has changed in the last 2 weeks in terms of the revenue conversion or everything is on track?

**Manoj Raghavan:**

No, I would say everything is on track. We've not seen any undue or any negative things over the last 2 weeks to make us cautious.

**Moderator:**

Next question is from of Debashish Mazumdar from Svan Investments. Please go ahead.

**Debashish Mazumdar:**

So I have just only one question. If I remember the way you and some of your competition were describing the OEM situation last quarter and last-to-last quarter, it was like there was a lot of

pressure in the OEM's own business, some of those pressures are structural like not shifting to the Chinese and putting pressure on European OEMs and stuff like that?

In this quarter discussion as of now, it is more seems to be related to tariff-related uncertainty and seems to be those OEM limited uncertainties are behind us. Is my understanding correct? Or is it that in your base already or new order wins or new deal wins are giving us this kind of confidence?

**Nitin Pai:**

Yes. So Debashish if I may, and this is Nitin here. I think the points that we made earlier stay because there's nothing that has changed in terms of China still being a very, very credible threat to business. And China as a market is coming under pressure for a large part of the OEMs since global OEMs have traditionally have a large part of their revenues coming from that market, right? So that doesn't go away. That still stays true.

I think what tariffs have provided is an additional layer of complexity and uncertainty. And that is where we have seen even further delays in terms of either decision-making or pauses in terms of ramp-ups that we've seen in deals that we already won. So that is the pain. Why? Because we've built capacity, we have built bench, we have targeted it for the kind of business that we already won and seen. And that unfortunately has come under a pause simply because of this uncertainty and therefore customer-related indecisiveness on starts and stops.

The deal wins, I think, however, in response to the previous question, are made in good cognizance of all the uncertainties and the tariffs and so on. And therefore, we don't see an issue in those starting off ramping up and going according to plan. In fact, some of the older deals are also hopefully coming back for ramp-ups.

So just to address your point, again, tariffs bring another layer of complexity. It's not that the previous issues go away, they stay. But even as the OEMs are just starting to get their heads around those problems, I think tariffs have brought in another headache. So just look at it that way.

**Debashish Mazumdar:**

So then are you saying that your FY '26 will be possibly better than FY '25? It is just because of the deal wins that you have done already or the pipeline that you are currently have a visibility. Is my understanding correct?

**Nitin Pai:**

Debashish. In general, I would say, look at it this way; The fact that we have a fantastic customer base. We have been in this business for a long time. So customers continue. It's just a matter of whether all business renews, extends and you have new project starts.

So on one hand, there are a set of customers like Tier 1s, where we continue to see pressure on their business. Over the last 2 years, we are very strongly and smartly pivoted to OEMs, and they are now 70-plus percent of our revenues. So that gives you one level of stability and foundation for growth.

Two is we locked into LTV programs with a large number of these customers. LTV programs by nature are long term. They are not projects, projects in that sense. So that gives you stability from an annuity perspective.

Third, I think the large deals provide additional layer of confidence, which is that even as some project ramp down, Tier 1s kind of slow down a little more, you have now these new OEM wins that are starting to layer on new revenue and growth. So that itself is not the answer to growth, but it provides confidence for growth.

**Debashish Mazumdar:** Okay. Okay. Understood. And one last question over the period of last 2 years, at least we have seen a significant pressure on our margin performance. Do you think that where we are standing today is this kind of bottom and is a very high possibility that we will turn back from here? Or in our model for the next 2 to 3 years should we built in a comparatively lower margin for Tata Elxsi as compared to what we have seen in the past?

**Gaurav Bajaj:** Debashish, this is Gaurav. I think we are very confident that in our operating model and all the operating KPIs that is there in the organization that we will bounce back on the margin. I think it is only the equation of the revenue and the growth coming back. We tend to believe that we will start to see the margin level start to improve as the growth comes back in the coming quarter.

We don't see any significant change in the signature of how we have been doing our business, whether that's on-site offshore mix or T&M versus fixed price. So all those KPIs remains very robust. We have a good bench available. utilization today is slightly lower to 70%. So we have a good way forward to improve our utilization, and that automatically helps in terms of improving our margin without doing much of the hiring that would be required for some of the large deal that has been won.

And our SG&A is also quite controlled, and that will not go up linearly in terms of the revenue growth. So all those levers are available for the company to improve on margins. While I cannot comment in the short to midterm, whether we will get back to our normal margins, definitely, there is a path and there is a very focused approach from our side to get back to our normal levels of margins where we used to operate about 1.5 to 2 years back.

**Debashish Mazumdar:** So just a small follow-up. So when you are saying normal margin level, EBIT like 20% to 30% kind of margin is the normal margin in your mind? Or is there something...

**Gaurav Bajaj:** Since you brought the point of margins 2 years back, so I'm just circling it back to the margins level that we used to see about 1.5 to 2 years back.

**Moderator:** Next question is from the line of Mayur from Mahesh Kumar & Company. Please go ahead.

**Mayur:** This quarter, after a long time, we have seen a growth in the Healthcare vertical. So if you can throw some more light on it, how is the growth looking at and the deal pipeline that you see forward? Last 1 or 2 years were difficult for this segment, but now we have seen a pickup after a long time. So do you think that this kind of growth can be maintained in the times to come?

**Nitin Pai:**

Mayur, this is Nitin here. Maybe I'll take that question. If you look at what hurt us for the last 5, 6 quarters in our healthcare business, there are 2 fundamental causes. One was something called medical device regulations, which is a large part of what we were doing in our regulatory services for the health care business. So that was set for a certain timeline to complete that was supposed to be a big volume of work that would continue. That suddenly disappeared because the implementation timelines were relaxed by another 3, 4 years. So customers suddenly have a choice of saying, look, let's not do anything right now? Or maybe I will insource some of this. So I have the luxury of time and so on, right? So that kind of put us on a revenue cliff, which is not expected. So that is part number one.

Part 2 was we had a very specific client issue, somewhere in the middle of the year, where the customer had a standard renewal coming up for a very large program that we were working on for them. This very prestigious, very next-gen program that was put on hold because of certain signatures that they saw and that was not resumed. So we actually have climbed over 2 big holes that we have fallen into. One, a few quarters back, one a lot more recent in the last 2-3 quarters. I think the positive signs there are the fantastic addition of customers.

So that's the part number one, which is how do you derisk your customer base? Because remember, there's a small business, not too many customers in the portfolio, each customer being deeply mined, but also, of course, creating a risk of a single customer failure. I think we have de-risked to the largest extent.

Two is, I think our portfolio has shifted significantly in the year to core product engineering, innovation and AI. And that takes away the risk of regulatory. So I think in that sense, I would say, truly, as we stand today and as we look at the year ahead and the years ahead, the health care business is in good health.

**Mayur:**

So we had an ambition of 20% of our revenues coming from this vertical. So when do you see that happening? Or do you have any visibility that maybe 2, 3 years down the line, that can be a possibility?

**Nitin Pai:**

Yes. So I think that will be a good time frame because please note, we want the Media and Communication, Automotive businesses to grow too.

**Mayur:**

Sure. And my next question pertains to the Automotive vertical. So we have been talking of large deals coming in Media vertical but what is the pipeline of large deals coming in the Automotive vertical as we have witnessed slowdown in Europe and all those markets. So there is after a certain time, there is companies always look for cost cutting. And do you see those opportunities coming to us for the next year or so where we can transform the company from a certain level to the next level in the Automotive vertical?

**Nitin Pai:**

Yes. So maybe I can take that again, Mayur. Definitely, yes, because I think 2 or 3 things are very true. One is that, unfortunately, you cannot relax on innovation and innovation fundamentally depends on software and digital and AI. The fact that for these skills, there is no better place to come to than India simply because you do not have the talent base and the talent base is going to be very expensive anywhere else in the world.

And if you're already under pressure on your revenues and your bottom line and yet you have to execute on your strategic R&D agenda and innovation agenda, we believe India is well placed and Tata Elxsi is best placed. And so that, I think, is the fundamental point that we're making about how we see long-term sustainability and growth in our business right?

Of course, we will see issues at times. There will be quarters where there'll be either customer-specific issues or structural issues like that is suddenly being announced that shape the world and cause them to pause for a bit. But in the medium and long term, we are very, very bullish on how we see automotive and our competitive advantage that we have in the automotive business.

**Mayur:**

Okay. So earlier, we used to talk that the automotive verticals can grow up to 20% to 25% CAGR on a sustainable basis, but that has not happened. So what factors would contribute to that do you think? Because near term, I agree that there are a lot of challenges and all. But the 20% growth in the automotive vertical and with the kind of advantage that India has, that has not come to us. So some of our listed competitors have delivered a higher growth in the automotive segment. So just wanted to have your view on that.

**Nitin Pai:**

Yes. So Mayur, there would not be a black and white answer to that. I think there are 2 parts to this. One, you will see that a large part of competition growth would also have inorganic components. You have to note that we are very, very organic in the way we do business.

Two is, their margin profiles are substantially different. We'll have to understand that the quality of the business and the nature of the business is different. We are very clear that while we want growth, we also want margins, right? So therefore, we're not constraining ourselves, but we are ensuring that what we do is at a certain level of quality and a certain signature of business. So look at it as constraints, but you'll have to remember that both inorganic and the nature and quality of revenues are not options that we have exercised at this time.

**Mayur:**

Okay. And last question, what is the timeline which we have because earlier we used to have a short duration deal? Has that changed over the last year or so? And last question is with regards to the payout. So we have a large cash balance on our books. So probably we can think to look at increasing the payouts in the times to come.

**Manoj Raghavan:**

Sure. So our nature of deals, of course, moved to larger multiyear sort of deals especially with some of the deal announcements that we've made. I think those are all trended in a positive direction for us. Definitely, we'll take your point on payouts and so on. If you have noticed, we have increased the dividend payout from 700% to 750%. And so yes, we will take that note of that, Mayur.

**Moderator:**

Next question is from the line of Apurva Prasad from Franklin Templeton. Please go ahead.

**Apurva Prasad:**

Yes. Question that I have is on the automotive side. Actually, it's even beyond auto. How would the annuity mix have changed, let's say, over the past years and now across different verticals and generally, what is being done to increase the annuity mix.

**Manoj Raghavan:** I think at least Apurva from the top 10 customers, if you look at it, a lot of the top 10 customers are I mean, we have moved from project-based engagements to an annuity-based engagement. While in ER&D, some of these net-based projects definitely will span multiple years, 18 months, 24 months and so on. But having said that, the current situation in the market and so on, sometimes customers also take decisions of cutting off some of the long-term deals and so on, right?

In general, though, the annuity profile has increased, but there's always a risk that we carry that, look, even though there is a confirmed business that we have for 2 years or 3 years, a lot of it is also dependent on the macroeconomic situation and the financial situation of our key customers, our key automotive customers, right? So in general, I would say, yes, the annuity business, I would say the component has definitely increased for us. But at the same time, it doesn't mean that, look, there are no risks.

**Apurva Prasad:** Where would that number be Manoj now?

**Manoj Raghavan:** We should be around, I would say, around 45% to 50%, Apurva.

**Apurva Prasad:** Also on the GEC support or the GCC support, broadly trying to understand how is the current mix business around services around that. And I mean, if more such deals happen, is there a margin implication over the medium term?

**Manoj Raghavan:** Yes. So I think we are very, very careful and strategic about the type of deals that we do even with GCCs and so on. Given the fact that we have a large bench, and we have resources that we can deploy, so at times, we do take those strategic calls, right, especially if you have a junior resource pool, we are not so focused on the margin profile in some of those deals.

But having said that, we also limit the number of such deals that we go after. If you look at our India business, it's not only GCCs, right, we also work with some of the OEMs and other product companies that are based out of India. And I think the margin profiles are pretty good. to that extent I think we've managed the overall portfolio Apurva. We are not going completely into the low-cost sort of deals.

**Apurva Prasad:** Got that. And that said, how are you thinking of, let's say, medium-term sustainable growth levels for the company?

**Manoj Raghavan:** I think from a medium term, I think we are in a very, very good position, right? The short term, yes, we will continue to see some of these challenges and so on. But from a medium-term perspective, in all the 3 verticals I believe we represent the best offshoring or best cost destination for a lot of our customers, right? It is not just only best location for just manpower augmentation and so on.

The processes that we have put in place, the ability to take outcome-based deals, the internal processes that we have to deliver on the margins, they are all fantastic, I would say, capabilities that we have built in. So I think from the midterm to long term, we are very confident of our business model and the team that we have and the capabilities that we have built.



- Moderator:** Next question is from line of Chirag from Ashika Group. Please go ahead.
- Chirag:** So my question is on pricing. As the environment is very uncertain and even our clients also know that the tariff incident is there and that cycle will remain challenging and it will just delay decision making. How the pricing dynamics working in such environment? Is it weaker than what we used to have in quarters back also?
- Manoj Raghavan:** I would say for the next gen sort of capabilities that we have, the digital skills, the GenAI skills and so on, I think we still are able to work on a pretty good pricing and really maintain our margins and so on. However, and as I said, in case of some large consolidation deals, whether there's immense competition 12, 15 companies bidding for a deal and so on.
- Yes, there will be some amount of margin pressures. So I think that is something that we will manage. So overall, I think especially for the areas that we are focused on and the capabilities that we have built, I think we still are able to extract a good pricing for us.
- Chirag:** And if I look at your annual growth in CC terms, can you guys provide like what percentage of growth has come in because of the price increase or exchange also.
- Gaurav Bajaj:** This is Gaurav. In terms of the price increases, consolidation, it's a mix back over the year. I mean there are cases where we have received the price increases also. But at the same time, there are new projects, large consolidation deals where we also need to pitch the competitive rate. So put up a number as a sub-segment of our constant currency growth over the year would be a difficult thing but there are good rate increases that we have received in some of the customers during the year.
- While we cannot quote the numbers here, whenever we see an opportunity, we go back to the customer as for those rate differentiation and the premium pricing for those. This will depend upon the differentiated scale value propositions and the kind of the work we do with the customers going up the value chain.
- Moderator:** We take the next follow-up question from the line of Debashish Mazumdar from Svan Investments. Please go ahead.
- Debashish Mazumdar:** Thanks for the follow-up opportunity. Sir, while we talked about the expectation of FY '26 being better than FY '25, which verticals would drive the growth here among media communication, and transportation, health care specifically. So what I'm trying to understand is as we sit right now, what sort of visibility in terms of the pipeline and the deals in hand, what would drive the growth in the next near term or the next year?
- Manoj Raghavan:** I think growth definitely will come in both from our Transportation and the Healthcare & Life Sciences business. Media and Communication business, of course, also would grow. But the confidence level is higher for me from the Transportation and Healthcare & Life Sciences business.

- Debashish Mazumdar:** Understood. And one last question quickly. So in the investor deck, you have talked about a new vertical, which you are making investments that you are trying to scale up. Where are we in that investment cycle or the skill development, capability development on there? And when do you expect it to become a sizable part so that you start to report it separately, and it starts to add to the total number?
- Manoj Raghavan:** I think we have been building the aero and defense vertical, I would say, over the last couple of years now. We've built a very good technical team, capable team, so we would definitely hope that in this financial year, we will really be able to report revenues. The good part is we have had some empanelment already among some major customers, and we really hope to convert some of that into revenues and win some large deals and make those announcements in this financial year.
- Moderator:** Next question is from line of Ajaya Jain from Astute Investments. Please go ahead.
- Ajaya Jain:** I have one question. Is China a competitor in our international offerings?
- Manoj Raghavan:** No. I mean the Chinese companies are pretty strong in the domestic market. But given the current situation between China and U.S. and China and Europe and so on, at least in the major markets, we don't see them as competition. There used to be some amount of competition in the Japan market.
- But again, because of geopolitical issues between them, we see a lot of Japanese companies also planning a move from China to India and so on. So I don't see them too much as a challenge in the international market. But definitely, in the Chinese local Chinese market, they are very, very competitive.
- Ajaya Jain:** And just a follow-up on that, will China start looking more at these kind of projects overseas because of tariffs that have come in?
- Nitin Pai:** Sorry, this is Nitin here Ajaya, could you clarify?
- Ajaya Jain:** No, because of these tariffs. Services are not subject to tariff, right? So will that change their approach to international business?
- Manoj Raghavan:** No, I don't think so.
- Nitin Pai:** Maybe I'll put aside differently. Services are never subject to tariffs.
- Manoj Raghavan:** Yes. Irrespective of that, they could have always competed with us in U.S. and Europe and in other countries. We really don't see too much of them in the market that we serve.
- Moderator:** I now hand the conference over to Mr. Manoj Raghavan for closing comments.
- Manoj Raghavan:** Yes. Thank you, Shashank, and it was wonderful to have you all in the call. Of course, the industry has been going through some tough situations. But I'm pretty confident with the deal

wins that we have had I think for us, as an organization, we strongly believe that FY '26 will definitely be a much better financial year as compared to FY '25.

I hope to continue to see you in the next meet in beginning of Q2. Hopefully, we will come with a good set of numbers. So thank you so much for the support once again. Look forward to talking to you again next quarter. Bye-bye.

**Moderator:**

Thank you very much. On behalf of Tata Elxsi Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.