



April 24, 2026

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001
Scrip Code: 500408

National Stock Exchange of India Limited
Exchange Plaza, Plot No. C-1, Block G
Bandra – Kurla Complex Bandra (East)
Mumbai – 400 051
Scrip Symbol: TATAELXSI

Dear Sirs/Madam,

Sub: Transcripts of the Investors' Conference Call for the quarter and year ended March 31, 2026

Pursuant to Regulation 30 of the 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, 2026, held on April 21, 2026.

The transcript of the earnings conference call will also be made available on the Company's website at www.tataelxsi.com.

This is for your information and records.

Thanking you,

Yours faithfully,
For Tata Elxsi Limited

Sneha V
Company Secretary & Compliance Officer

Encl: As above

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TATA ELXSI

“Tata Elxsi Limited
Q4 FY '26 Earnings Conference Call”
April 21, 2026

TATA ELXSI

**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. NEHA V. – COMPANY SECRETARY – TATA ELXSI
LIMITED**

MODERATOR: MR. SHASHANK GANESH – ERNST & YOUNG

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY '26 Earnings Conference Call of Tata Elxsi Limited. 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 the conference call, please signal an operator by pressing star and 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, sir.

Shashank Ganesh: Thank you very much. Good evening to all the participants on the call. Good morning if you're logging in 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, it must be viewed in conjunction with business risk that could cause actual result performance or achievements that differ from what is expressed or implied by such statements.

To take us 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. Neha V., 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 yourselves 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 respond to them if time permits. With that, I would like to hand over the call to Mr. Manoj Raghavan. Over to you, Manoj.

Manoj Raghavan: Thank you, Shashank. Very good evening to everybody who has joined us today. Welcome to the Q4 - '26 investor call. I hope that you and everybody in your family is safe and healthy. I am pleased to announce that we have delivered a healthy revenue of INR993.8 crores for the quarter, growing 0.9% quarter-on-quarter in constant currency terms.

In our transportation business, our revenues in Q4 FY '26 grew by 0.2% quarter-on-quarter in constant currency terms. We are delighted with two strategic wins, one in the APAC region from a new-age OEM and another from a next-generation mobility services company in the US, paving the path for business growth in coming quarters.

Our investment and efforts to pivot towards OEM business is delivering continued success, underscoring our strength in focused execution of chosen strategies. OEM customers now represent 77% of the revenue in this vertical. Our Healthcare and Life Sciences vertical grew by 13.1% quarter-on-quarter in constant currency terms, impacted by delays in deal awards that we were expecting and prepared for in the quarter.

However, during the quarter, we opened an offshore development center for the Japanese MedTech leader Terumo Corporation. This center brings together the power of design, engineering and digital to innovate their cardiac and vascular solutions.

I am happy to report that our Media and Communication business posted a 5.6% quarter-on-quarter revenue growth in constant currency terms. This growth was led by continued deal ramp-ups, a strategic deal for AdTech and a Tier 1 US Telco. In the quarter, we also won a multi-year large deal from a world-leading device OEM for its portfolio of video and broadband products.

For the quarter, our EBITDA margin stood at 24.6%, improving by 130 basis points sequentially. This reflects a continued focus on operational excellence and margin improvement. In FY '26, we significantly advanced our adoption of GenAI. This was supported by partnerships with AI companies, launch of our own automotive SDLC platform DevStudio.ai earlier in this quarter, curated tool stacks and agent inventory, investments in infrastructure, sandbox environments with IP protection and data privacy, and rigorous upskilling.

With these coordinated efforts, we are progressing steadily towards being an AI-native engineering organization, strengthening our differentiation and innovation quotient. I am pleased with our sustained and strong operational performance through segment-leading offshore delivery, continued transition to fixed-bid project ownerships, and the systematic and enterprise-wide adoption of AI-enabled efficiencies.

These levers strengthened execution discipline and productivity, driving consistent margin improvements throughout the year. As we enter the next financial year, we remain focused on scaling our differentiated design-led and AI-enabled offerings, strengthening operational leverage, and driving sustainable growth and healthy margins. Thank you and over to Shashank for the Q&A session.

Moderator: Thank you very much. We will now begin with the question and answer session. Our first question comes from the line of Sajal Kapoor from Antifragile Thinking. Please go ahead.

Sajal Kapoor: Yes, hi. Thanks for taking my questions. Sir, of the deals you have won recently, how much of the value is coming from existing customers expanding their engagements or wallet share versus entirely new logos, and how has this mix evolved over the last two or three years? That's my first question. Thank you.

Manoj Raghavan: Yes, I think if you look at it in any quarter, the new customers would contribute maybe 2% to 2.5% of the revenue. So a large portion of the revenues come from existing customers and the deals that we win with them. However, we also see a good new set of customers that are coming in. For example, this quarter we have announced a deal with Terumo, that's a new customer that set up an ODC with us in the Healthcare and Life Sciences space. Similarly, the deal that we announced in the automotive segment with the APAC customer, that is also a new customer for us. The deal that we announced in the Media and Communication space, the

multi-year deal, that's an existing customer of ours. So it's always a mix of existing as well as new customers.

Sajal Kapoor: Sure. And just to follow up, I mean, is there a pattern where the new logos typically take X number of years to scale up or is there no such pattern? I mean, it depends from customer to customer?

Manoj Raghavan: It depends on business to business, I would say. Usually, even if you win a deal, for it to make a significant impact, it takes anywhere between 9 months to 12 months for ramp-ups to actually happen and start delivering.

Sajal Kapoor: Sure, that's helpful. And my second and last question is, you have highlighted AI-led productivity and a shift towards fixed-bid and platform-based delivery. Are these changes starting to alter pricing power and contract structures, or are they mainly improving internal efficiency so far?

Manoj Raghavan: It's both. Definitely, we are using a lot of that for internal efficiencies. However, there are customers that are demanding better efficiencies, productivity and so on, which automatically leads to, if you're able to deliver that performance and productivity, then a better pricing power. So it's a combination of both.

Sajal Kapoor: Okay. Thank you. I'll rejoin the queue. Thank you.

Moderator: Thank you. Our next question comes from the line of Rishi Mody from RDM Advisory LLP. Please go ahead.

Rishi Mody: Yes, hi. So my first question is pertaining to the quarterly result. So healthcare, we've declined 13% Q-o-Q on constant currency in our revenue. Last quarter, you called out that probably Q3 was the bottom. Just wanted to get your view that do we see Q4 as now the bottom or is there something which has changed over the past three months for us there?

Manoj Raghavan: Yes, I think we were very optimistic that the healthcare business has reached the bottom and we will turn around. We were pretty confident because there were a few deals that we were bidding for, and we were pretty confident that we will be able to close those deals. Unfortunately for us, those deals have not closed, and that resulted in this situation that we've had. But, however, we still continue to carry those items in our high-probability funnel.

And in fact, a few of them actually we have closed in a couple of weeks in the new quarter, right? So I think I'm pretty hopeful that last quarter, Q4, was the bottom and we will be able to recover this. If we had closed these deals earlier in the quarter, then we would have had a fantastic exit to Q4 with all the three businesses really firing and so on. That is what we were all aiming for. But hopefully, it is just shifted by a quarter and we should be able to recover that position in Q1.

Rishi Mody: Got it. So say Q1 plus Q4 combined should have positive growth over Q2 and Q3 if that's how I have to look at it. Second, on the USA business, the media and communications industry, the

consolidation seems to have happened. Are we now going to go back on the higher growth trajectory here, or is there something which needs to be recalibrated in USA and the media and communication both, sorry?

Manoj Raghavan: No, so the media and communication business has smartly grown, especially for us in the US. But overall, the US business has declined a little bit. That is primarily because of the healthcare piece, because healthcare for us is largely US-focused.

Rishi Mody: Okay, got it. Finally, more on a structural question. You'd mentioned in the past that now incrementally we are doing fixed contracts, which may or may not be a trend that we are following, but also we are doing longer-tenure contracts, which are not as profitable in year 1 as, say, the earlier shorter-term contracts that we were doing.

But if you were to take, say, a two-year, three-year profitability combined, do we even out on our margins, or we'll take the hit on the margins, but we'll get higher absolute amounts? Is that the approach, or we have levers to get margins ramped up in year 2, year 3?

Manoj Raghavan: Yes, so obviously, when we look at a three-year or a five-year deal, right, the initial one year would have a lot of costs involved. There could be sometimes rebadging costs, there could be acquisition costs and all of that. But, however, when you look at a three-year or five-year, we definitely would be looking at seeing how we can improve our margins sequentially, quarter-on-quarter and year-on-year. That is the focus for us. So definitely, we would want to bring back, and especially now with using AI, GenAI and so on, we have many, many ways of really bringing out the margins in a positive way. So I think that's what we're focusing on.

Rishi Mody: All right. Finally, just a bookkeeping one, if I could get the utilization rate for the quarter?

Gaurav Bajaj: It is about 73%.

Rishi Mody: 73%. Got it. Thank you. That's it from my end.

Gaurav Bajaj: Thank you.

Moderator: Thank you. Our next question comes from the line of Moez Chandani from Ambit Capital. Please go ahead.

Moez Chandani: Hi, good evening and thank you for taking my question. My first question was on the broader transportation segment. So last year's been turbulent for the entire segment, but looking at Q4, I think things were flattish. What's your outlook for the transportation segment going into FY27? And for the overall business, is the aspiration still double-digit growth for the financial year?

Manoj Raghavan: Yes, I think the good part for us is while, as you rightly said, the overall market outlook was sort of mixed throughout the last financial year, but we were still able to win some large deals and so on. In fact, even in Q4, we won some fantastic good opportunities for us, multimillion-dollar deals. So what we are confident is that, look, some of the new deals that we have won,

we will be able to scale in the next 6 to 12 months' time period. So that is what will help us really deliver growth in the automotive space.

Of course, on top of it, as we have been updating all the investors that we have been gradually moving to more and more of our business from the OEM side. I think today we are looking at about 77% of our revenues, 77% of the automotive revenues coming from OEM. So I think that pitch is also -- shift to OEM business is also helping us.

So I would say I'm still pretty optimistic about the overall automotive market. But, however, given the current geopolitical and all the war and all that, while we have the deals in hand and we will definitely look at ramping up and so on, there could be some amount of uncertainty. We are still talking to customers on that. Having said that, I think maybe we would look at a high-single digit exit, may not get into a double-digit for automotive.

Moez Chandani:

Understood. And the second question is on margins. Again, margins saw a very sharp improvement this quarter. What seems to be driving that, especially I think since utilization is still at about 73%, like you said? And then in terms of sustainability for this margin improvement going forward, what would your comments be?

Gaurav Bajaj:

Hi, this is Gaurav. Let me answer that question. I think we have been talking about the margin for the past few quarters and I think we have been mentioning that we are making constant effort to go back to our original margin band, which is about 27% to 28%. So I think the work has been happening towards that in terms of the operating model, operating efficiencies, and the leverage. It's not only about the utilization.

Of course, utilization was below 70% at one point of time. Now we are almost inching towards mid-70. So every 1% increase in utilization also helps at least 25 to 30 basis points on the margins. So that is helping, one.

Second, I think some of the fixed-price contracts, that increase that has happened, that is also comes sometimes with a better margins because you are able to have a better optimized and rationalized pyramid on those deals if you are able to deliver and execute on those contracts, the way you have contracted for.

I think third is that pyramid in terms of managing the pyramid and the further hiring. So that is well calibrated in terms of the future requirements, supply-demand state. So that is giving me almost 65 basis points kind of improvement on a quarter-on-quarter basis. And yes, I think there has been some currency tailwind, which is also helping margins for the current quarter.

So if I have to put in terms of the margin walk, probably 150-155 basis points is coming from the currency movements against most of the cross-currencies has improved compared to the INR. 65 basis points would have come from the operating efficiencies across different levers that is into play.

And also, we have done the salary increase for the rest of the staff for in the organization effective 1st January. So that would be 90 basis points kind of impact on the quarter. So that

sums up to almost 130 basis points improvement in the operating margin on a quarter-on-quarter basis.

Moez Chandani: Understood. And just one last question, if I can squeeze in. So media one of the concerns that were there last year in terms of consolidation, and again that a lot of deals were getting cut. So do you think that phase is behind us now? Or do you think looking at the very strong growth we've had in media, or do you think that the segment is still challenged from a growth perspective for the next few quarters?

Manoj Raghavan: I think, in general, I would say, we are still challenged, the entire media and telecom industry is challenged. But however what has happened for us over the last quarter and the financial year is we had won some large deals that, especially from some of the large customers, those ramp-ups have really started happening. And we've seen those ramp-ups happening in Q3 and Q4 as well.

On top of it, we won a large deal in Q4, which we would be literally taking over the engineering for one of our customers, all their legacy products, and so on. And that's a pretty significant deal for us. And that single deal actually also bumped up our overall growth in this segment.

Having said that, deals are still consolidation deals and cost-takeout deals that are there on the table. And we are still participating in those deals selectively. So overall, yes, I think we're still not out of the woods in this particular industry segment. However, because we have won a few good deals for us, we are able to show this growth.

Moez Chandani: Understood. Thank you so much for taking my questions.

Moderator: Thank you. Your next question comes from the line of Bhavik Mehta from JPMorgan. Please go ahead.

Bhavik Mehta: Hi, thank you. So just wanted to understand on GenAI, how are the client conversations evolving? Are you seeing clients asking for productivity pass-throughs or pricing discounts if they want you to implement more of GenAI into the projects? Or is it still at a very nascent stage where it's not part of the conversation in a big way so far? And different for the three different industries you cater to?

Manoj Raghavan: Yes, so I think from a Generative AI perspective, I think we are seeing a lot of conversations happening in the media and telecom space, not so much in automotive and healthcare. Yes, there are conversations happening and so on. Those are more in terms of, for example, in the automotive space, there's a lot of interest from OEMs and customers in terms of how do you manage for example, cybersecurity and confidentiality requirements and so on and so forth, right?

So that's why we have built our own DevStudio.ai toolchain to address some of the concerns that customers keep asking us, right? So I think in both in automotive and healthcare, there are

those initial conversations happening. There is an interest to see how we can use some of these technologies for better efficiencies and so on.

Not so much conversations around cost and cost-takeout and so on at this point in time. But media and telecom, we see a lot more customers asking if can we use GenAI to overall what do you say, help in efficiencies at the same time also manage with their budget situation.

Bhavik Mehta: And any sense on what could drive this different customer behavior between, let's say, automotive and media? Is it because media is under more pressure right now and hence the clients are more desperate for cost efficiency versus the other two sectors?

Manoj Raghavan: Yes, I think automotive in some sense, it's still very regulated and automotive software development follows certain processes. And using a generic AI tool will not, it'll be very difficult for automotive companies to pass various regulatory requirements and so on, right? And that is why you need to build custom tools for automotive. Healthcare is also the same, right? It's more a very regulated industry.

Whereas media and telecom that sort of very, very strong regulatory requirement is not there in terms of, that if you if you do something, it's not going to cause an accident or kill somebody and so on.

Nitin Pai: Yes, and maybe I can just add to that. I think in general, the telecom industry, especially telcos, are actually at the forefront of deploying data centers, building the infrastructure and the connectivity that you need to deliver AI and GenAI. So to that extent, in many ways, I would say they are ahead of the curve, at least between industries.

Nitin Pai: In terms of being ready, in terms of being comfortable and already having sorted out some of the key questions around how do you deliver.

Bhavik Mehta: Got it. And just lastly, Gaurav, how should we think about the trajectory of margins from here on? Because it's been increasing since the last three quarters, which is good to see. Should we continue to expect similar kind of expansion even next year or do you think it could slow down a bit, given that most of the levers have been utilized in FY '26?

Gaurav Bajaj: So Bhavik, I think we will have a sustained effort in terms of improvising our margins from here. Probably it will not have a huge uptick on a quarter-on-quarter basis. Probably it would be more gradual increase or the improvement that will happen on a quarter-on-quarter basis. And also, it needs to be tightly aligned with the top-line growth.

So focus would be on the top-line as well as the bottom-line. But you know, some of the margin will come back as we see some of the growth coming back and most of our verticals start to deliver on the top-line. Having said that, of course, there could be a quarter where the margin can have a left or right shift depending upon some of the one-timers and other events.

For example, if whenever in the quarter we have to do salary hikes, there could be an impact in those quarters for the margins. But overall, if we have to see in the mid to long-term, probably

I think the idea is that if we can exit the next financial year somewhere near to 27% kind of a margin, not for the full year, but maybe for the exit of this financial year Q4.

Bhavik Mehta: And just a clarification, is 27% at the EBITDA level or the PBT level?

Gaurav Bajaj: I mean at the PBT level.

Bhavik Mehta: Okay, got it. Thank you.

Moderator: Thank you. The next question comes from the line of Abhishek Shindadkar from InCred Equities. Please go ahead.

Abhishek Shindadkar: Hi, sir. Thanks for the opportunity and congrats on a good quarter. Sorry, this could be a repeat, I joined a little late. But just wanted to understand the Healthcare & Life Sciences traction. The anticipation was that the deals won earlier could help traction in terms of growth for the current quarter. Was the -- did Healthcare perform as anticipated at the start of the quarter, or was there any mid-quarter or late-quarter challenges in terms of delay in decision-makings, so on and so forth?

Manoj Raghavan: Yes, I think I discussed that earlier in a question that came up earlier. Yes, we were hoping on a couple of deals because we were very close to signing those deals, and those were large deals that could have really helped us with improving the numbers. Unfortunately, both those deals did not come through in the quarter, and they have been pushed to Q1.

So I think it is more a shift of some deals. At the same time, there have been a few projects that have also closed. So a combination of that has created this situation for us. But I think I'm very confident and hopeful that we will be able to recover in Q1.

Abhishek Shindadkar: Understood. Sir, just a clarification. So this planned out or this happened more in March or was it a phenomenon starting January itself? Just trying to understand the behavior of the clients in this context?

Manoj Raghavan: In fact, these deals started in October itself. It was more, we were hoping that it will definitely close, but it took 6 months. And that was the delay. We were not expecting that it would take so much of time to close these deals.

Abhishek Shindadkar: Understood, sir. That's very helpful. And the second question, again, maybe a repetition, I just wanted to get clarification. So when there was a question about margins, our answer suggested that we are okay to let go margins in the interim to win larger deals. Is the understanding right?

Because what I'm trying to understand is, we are also talking of a 27% PBT number for next year. And at the same time, we also made a comment about leaving margins on the table for growth. So I'm just trying to put a context to both these commentaries.

Manoj Raghavan: No, the 27% we talked about was the exit margin in Q4 this financial year. It's not the margin for the year, okay? So that is very clearly, and that is where we were aiming for, right? I think

today, we are upwards of 25.6 in Q4 last financial year, we want to take it to 27 in Q4 FY '27, right? So that's the indication that Gaurav talked about.

I don't think we made a statement that we are leaving money on the table or we want to -- it's not a generic strategy that look, from now on, we will drop rates and go out. Yes, there could be certain specific deals which are from existing customers, which are large deals, and we feel that we would not want to let competition in or we want to vacate that space.

Sure, for those cases, we'll definitely look at seeing how we can be competitive. But as a generic strategy, we still definitely want to improve our margins and we have not given any guideline to our sales team or to our finance team that we can drop our margins.

Abhishek Shindadkar: Super helpful, sir.

Nitin Pai: Yes, if I may just add a line. Also note that even in those deals, there is a path to improving margins. It's not that you would win it and it would stay where it is, right? The understanding is there are some deals, they constitute a small percentage of your incremental revenues every quarter.

Some of those deals may need that investment period ranging from a quarter to more, but the expectation is over the longer-term, especially because you're going for longer-term foundational revenue baselines, you would start to recover some of that margin back and hopefully you would improve well beyond too.

Abhishek Shindadkar: Perfectly understood, Nitin sir. Thank you for taking my questions and best wishes for the next year.

Nitin Pai: Thank you so much, Abhishek.

Moderator: Thank you. Your next question comes from the line of Prateek, an Individual Investor. Please go ahead.

Prateek: Yes. Can you please share the margin breakdown for this quarter once again in terms of what led to the 130 bps Q-o-Q increase?

Gaurav Bajaj: Sure, Prateek. I think I mentioned earlier also. But quickly, just to summarize, what we are saying is 155 basis points from the currency, 65 basis points from the operating leverage, and then we have a 90 basis points impact due to the salary hikes that have been done during the quarter. So that adds up to 130 basis points.

Prateek: Understood. That's it from my side. Thank you.

Moderator: Thank you. Your next follow-up question comes from the line of Rishi Mody from RDM Advisory LLP. Please go ahead. Rishi sir, your line is unmuted. Please proceed with your question.

Rishi Mody: Hi, can you hear me?

- Moderator:** Yes, sir. We can hear you now.
- Rishi Mody:** Yes, hi. So, Manoj, one fundamental question on how the market is behaving. How is competition behaving in terms of pricing aggressiveness, especially with AI benefits being priced into, say, contracts? Are you seeing rationality or irrationality in the market currently and how are we tackling this?
- Manoj Raghavan:** No, I don't think we have seen irrationality in general, right? Because see, ER&D is still a very, very specialized -- it is not that we can use AI or GenAI across the board, right? So having said that, yes, we have seen a few contracts where there has been competition that has priced very, very aggressively, and we are also a little bit surprised.
- We don't know whether it is because that they have used GenAI or they have assumed that GenAI will lead to certain productivity. See, GenAI, I don't think we can use GenAI as -- you can cut and paste in all situations, right? That is a very wrong way of looking at GenAI. And there are -- I know that there are a few competition who are pretty aggressive in using some of this.
- But even customers are very, very careful before they accept a complete GenAI-based solution and so on, right? So largely, I would say, we are not seeing irrationality that you indicated. There are a few cases here and there, but we are not sure whether it is GenAI or some other factor that are playing.
- Rishi Mody:** Got it. And are we being conservative, moderate, or aggressive in pricing and in efficiencies from AI in our bids?
- Manoj Raghavan:** No, so we are definitely looking at AI, and we have in all the projects that we are bidding for, there is a component of it which we attribute to AI and we track it. And we want to see how we can use that to really improve our efficiency, productivity, and ultimately, margins, right? So those are things that we are definitely tracking internally. So I wouldn't say that we are aggressively going overboard. At the same time, we are not conservative at all.
- Nitin Pai:** Yes, so Rishi, if I may, I think much more than cost, I think we are double-clicking on value. I think what GenAI does, coupled with domain expertise, is that I think it allows you to move up the time to market and quality factors as much as cost. And I think in the ER&D space, that is invaluable. At times, it's much more valuable than simply cost, because engineering cost is a fraction of your overall product and product development cost. So, I think the opportunity is actually in enhancing value rather than reducing cost.
- Rishi Mody:** Understood. So bigger contracts should, or at least execution speed for existing contracts is more likely to be the outcome for us rather than, say, cost efficiencies, which might be for other traditional IT services. Is that understanding, correct?
- Nitin Pai:** Yes, although I don't want to generalize that again. But all I'm saying is that the simple factor of only cost is not the only consideration.

- Rishi Mody:** Got it. Thank you. This is helpful. That's it from my end. We can move on to the next one.
- Nitin Pai:** Thanks Rishi.
- Moderator:** Thank you. Our next question comes from the line of Amit Chandra from HDFC Securities. Please go ahead.
- Amit Chandra:** Hi, thanks for the opportunity. My question is on the transportation vertical. Obviously, we have seen a good recovery there. And now it's stabilized also. And you mentioned in the PPT that 77% is from the OEMs. So, if you can share some more light in terms of how the Tier 1 portfolio has been doing and how most of the recovery is from the OEM portfolio, and how the Tier 1 portfolio has stabilized.
- And also, in terms of the overall spending or the recovery that we have seen from transportation, is it only from the top client recovery and the ramp-up of deals that we have won, or is it higher spending across the OEMs, both in the US and the European geography? So how is the mix, and what is the confidence that we move to a double-digit growth there in the transportation vertical?
- Manoj Raghavan:** Yes, so definitely recovery is broad-based, I would say. It's not just as you said; OEMs contribute more than 77% today. And these OEMs are primarily, of course, spread across, right? It's not just US and Europe that we are talking of. We are also talking about India; we are talking about Japan.
- And we are also talking to some Chinese OEMs and so on, still early days. But I think those are the -- so essentially, for us, it's a global market and we are not really constrained to only one geography. Tier 1 portfolio, I would say, continues to shrink. Tier 1s, I mean, if you look at it, are having a tough time given that OEMs are taking more and more responsibilities and so on.
- However, we are deeply entrenched with a few Tier 1s and that business definitely continues. Yes, so deal sizes also with Tier 1s are smaller and so on, right? So, for us, growth will continue to come from the OEMs.
- Amit Chandra:** Okay. And as you mentioned from the AI side that the adoption of AI, especially in transportation OEMs, is less versus the other verticals, but are we also seeing -- in terms of the impact of renewals when the contracts come for renewals -- AI-led deflationary impact or higher discounts that the OEM clients are asking in terms of the AI benefits? Or obviously in terms of the higher spend related to AI, it's not seen, but are we seeing the impact on the cost side or in terms of higher discounts in terms of renewals?
- Manoj Raghavan:** I think it's very, very early days, right? So, it's not as if we have contract renewals coming every now and then and so on. At least those contracts that have come up for renewals, we have not seen the impact of AI.

But having said that, I think it's very difficult to predict 6 months to 12 months down the line what will be the change in the buying behavior of OEMs. Today, I think AI or GenAI is not the most important thing that OEMs focus on.

Thing that OEMs focus on. It's more on value and how are we able to support them with the various projects that they have. And it's about the people that you have and how you are able to deliver value to them, right? So, that's the more focus, not so much on AI and GenAI at this point. But as I said, 6 months, 9 months, 12 months later, it's very difficult to predict what sort of demands will come in.

Amit Chandra: Okay. And so, on the margins part, obviously, we have not been adding headcount and we have enough capacity. So, till what growth rate or till what kind of growth you think that the existing capacity is sufficient or we need to add capacity maybe in the next one or two quarters?

Manoj Raghavan: Yes, we are at 73% utilization. So, I think we can go all the way up to 80% or slightly more than 80%, right? It's not that we're not adding people. We're adding people wherever we need them. But we're not aggressively adding headcount, right? We are really metering the headcount additions and so on. Only when there is a real requirement do we go out and hire, right? So, yes, I think we can, once the utilization touches 80% or 82%, that is when I think we will be looking at adding more in larger numbers, right?

Amit Chandra: Okay. Okay, sir. Thank you and all the best.

Moderator: Thank you. The next question comes from the line of Ankur Pant from IIFL. Please go ahead.

Ankur Pant: Hi. Thank you for taking my question. My question is around the fact that last quarter for FY '27, we were aspiring for a double-digit growth for the business overall for FY '27 and led by transportation and healthcare verticals. Now, this quarter, healthcare has been a bit of a disappointment. And last quarter, if I remember correctly, we were expecting growth in transportation in Q4. We've come out at flattish. So, just comparing your expectations for FY '27, how was it last quarter? And what would be the aspiration as we start FY '27?

Manoj Raghavan: Yes, I think a lot of things have happened in the quarter, right? Geopolitical situation has changed. Customer spend when we started, when we last quarter, when we talked about it, we had high hopes that, of course, transportation would continue the growth momentum as well as, Healthcare and Life Sciences will be able to get back to growth. And I've explained the reasons why Healthcare and Life Sciences. I think automotive, we have governed the circumstances, governed the challenges and so on.

I think we have done reasonably well to exit, flat or, small growth, right? So, today, I mean, sitting today, looking at what is happening around the world and the conversations we are having with customers and so on. I think for us overall, we might be looking at a single digit, higher single digit growth for the financial year. We may not look at a double-digit growth.

Ankur Pant: And that, and the verticals that would lead it would again be transportation now?

Manoj Raghavan: Transportation, yes. I mean, we ideally would want all the three businesses to grow, right? We've had a very difficult, I would say, 12 months where multiple businesses went into a downswing at different quarters and so on. But from now on, we are really hoping that all the three businesses will start showing growth.

Ankur Pant: Yes. And the other question is now, given the tough geopolitical issues that we have had in this quarter, did we see clients now pushing back on the signing of deals or decision-making cycles getting slightly elongated, which may again mean that the recovery that we were expecting may also get pushed back by a quarter or two? Are you seeing signs of that as well in this quarter?

Manoj Raghavan: We are seeing both sides, right? We have also announced deals that we have won in the quarter. We also know that there are cases where the deals have been pushed off. So, there is no one answer to your question, right? It is, both are happening.

Ankur Pant: Sure, but the expectation of recovery that you had, is that still, I mean, are you still hopeful of the same trajectory or does that get pushed off a little bit, seeing what is happening around?

Manoj Raghavan: Which is where we -- when we look, when we started -- when we came in the last quarter, we were hoping for a double-digit growth aspirations for the quarter. But looking at the situation today, maybe, I would be a little more conservative and say maybe a higher single digit is what we should look at.

This could change in the next three to six months, right, when we look at the deal momentum and so on. Sitting today, the visibility that we have, conversations that we are having and the deals we have closed and the deals that we are pursuing, this is what we feel.

Moderator: Our next question comes from the line of Mayur Matani from Mahesh Kumar & Company.

Mayur Matani: My question is regarding, pertaining to the fixed-price contracts that we have. So, over a period of time, we have seen that our fixed-price contracts have now increased quite a lot. And I believe that fixed-price contracts have a better margin trajectory. So, with regards to signing more OEM deals, how do you see that trajectory going forward on a sustainable basis? Is there a further scope to increase the fixed-price contracts?

Manoj Raghavan: No. So, yes, some of the deals, large deals that we have closed are on fixed-price contracts. The challenge is that if you do not execute on those fixed-price contracts correctly, then it could also lead to revenue leakages and profitability dip. So, it is not advisable that we continue to shift more and more of our business to fixed price.

So, I think that is a careful decision that we need to take because the entire processes in the organization, the SMEs that we have -- the architects that we have. Any deal that we pick, we also need to be able to execute it, deliver on time with the margins. Only then we can show the margins.

So, it is in some sense a double-edged sword. So, we will be a little careful in terms of how this goes. It is not our objective suddenly to move to a 70% or an 80% fixed price. That will be putting too much of risk on us.

Mayur Matani: With regards to your transportation verticals, we have been talking that whenever there is a slowdown that structurally you see that some of the orders or some of the projects, new projects might get offshored. So, are you seeing that traction or there is indecisiveness from the customer's side currently?

Manoj Raghavan: No, we are seeing a lot of that. Especially when there is a need in the customer space that they have to continue their engineering activities and there's a slowdown. The only option for such customers is to see, hey, can they do more with less? With less of a budget, can they do more? And that is where best-cost countries like us and companies like us come into play.

So yes, I think we continue to see such customers who are looking at which is the right organization that can deliver outcomes without too much of oversight. Because if you are doing offshore, it means a lot of the work the OEM has to hand over.

And they should have the confidence that Tata Elxsi is a company that can take up this complex work and deliver outcome remotely. And that is the track record that we have. And that is why customers trust us with a lot more offshore delivery.

Mayur Matani: We have been speaking about it quite a lot. But over the past one or two years, I think that has not reflected in the overall revenues. So when do you think that change might happen? Or is it due to the fact that the profitability of the legacy players are impacted? That is why we are not getting that kind of business?

Manoj Raghavan: So if you look at it, the industry went through massive -- what do you say, situation over the last I would say 12 to 18 months. So it is not as if such deals have not happened. Such deals are happening. Some of them are ramping up as per plan. Some of those ramp-ups are still slow. So it's a work in progress. So we are seeing the shift happening.

Mayur Matani: Okay. And last question with regards to the -- yes, sorry, please continue.

Nitin Pai: If I may just add, I'm just adding a little perspective. I think you have to remember all our revenues and growth or lack of it is organic. A lot of the growth that we have seen across many of the peers that we see in the industry has been actually coming from inorganic. Real organic growth has been lacking. If you ask me, not very different. I think what is different for us is the fact that you will see that consistent offshore track delivery.

Nobody else carries that kind of an offshoring capability. Two is you are seeing that gradual but consistent shift to fixed price. Rightly, like Manoj said, the intent is not to simply improve margins; it is to make sure that we can continue to deliver greater and greater value. But the most important point I think everybody has to remember is ER&D is not very large deals locked in for five years and so on.

It is a set of projects that continue to run off. So every quarter, you will lose 10% to 15% revenues; you have to make it up with new contracts. So that is the challenge. It is not the proposition or the value that we carry; it is the ability for you to continuously refill that funnel, right?

Mayur Matani:

Right. Okay, thanks a lot. And last question is with regards to the media vertical. So we have been telling that media is still not out of the woods. So do you think that in the media vertical, if we are able to manage the revenues over a three-to-five-year horizon, do you see that trajectory changing? Or what circumstances may bring the revenue in the media and telecom vertical back?

Nitin Pai:

Yes, so if I may, again, I think two, three things. One is that we have seen a plus, minus, plus, minus. So there are some quarters of growth, there are some quarters of degrowth. So the media and telecom vertical for us has been very volatile. And overall, it has not delivered growth. And that is fundamentally reflecting the state of industry, which is whether it is the telecom operators or whether it is the large media streaming companies and content studios.

They have all been under tremendous pressure for top-line growth. And therefore, a lot of the focus has been bottom line. And bottom line means then it's more of an efficiency and cost takeout game rather than an innovation game. So to that extent, I think what we have really done very, very well if you ask me over the last six quarters is the building of confidence both in ourselves as in customers that we can execute. We can win, and execute very, very well on large consolidation deals. So remember that we have typically not played that game too much. We've always been about do the new and less about consolidate. We will take over what you are doing, we'll make sure that efficiencies are delivered.

So it has been always less of that, more of do the new. I think that muscle that we have built, whether it is in automotive, whether it is in media and communications. I think is the biggest single factor that you are able to go there and win \$100 million deals that you are able to go there and win \$50 million deals.

I think that creates that muscle and discipline to say, look, can we build a foundation of revenues that even if there is some volatility, you can stay protected? And hopefully, there is growth in certain quarters, there is growth in certain areas. But the real big answer will be that innovation has to come back to the industry for true big upticks. And you will see moderate growth in our view.

Manoj Raghavan:

And also, the industry is also going through a lot of mergers and acquisitions. M&A is happening. So that is also sort of what happens when two media companies come together -- there is duplication of engineering.

So there is a lot of resources available and there is no need to really depend on an external supplier to come in and support them and so on. So those things are also happening.

Mayur Matani:

Right. Thanks, thanks a lot. And one last question, if I may. We were looking at some new verticals, so if you can share something on it?

Manoj Raghavan: So I think we were focusing on, for example, the aerospace and defense is one vertical that we are looking at. And we have some very exciting things happening there. But it is very difficult to -- I mean, unless these result in some large revenues and so on, it is very difficult to practically tell you what is happening.

We are doing some very, very good work with the defense organizations in India, with HAL, with the Aeronautical Development Agency, some large deals that we are bidding for. We are also working with some global players there. So I think till we reach a size, I think we will continue to invest there.

We continue to build capabilities and also win those initial projects and trial projects and so on; we will keep you updated there. We have also started focusing on the battery energy storage. That is a big opportunity because of all the data centers that are being built, especially because of AI and GenAI, a lot of power is needed, right? And for that, battery energy storage is in huge demand in the market.

And that is something that we have picked up and that is something that we would -- and of course, even for EV, you know, powering up EV in remote locations and so on, you need that battery energy storage. So that is something we have incubated, and I think the coming financial year, we hope that that will be a reasonably sized vertical for us.

So we will make those announcements at the appropriate time. We've also started focusing a little bit on the manufacturing side. We've built certain capabilities, we've won some initial customers. That is another area we continue to invest. Again, so all those three areas we continue to build that muscle, build that strength, do those initial projects, build those capabilities. And we are hoping that look, next four to six quarters at least one or two of these will start showing results.

Mayur Matani: Sure. Thanks. Thanks a lot.

Nitin Pai: Thank you.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Manoj Raghavan: Thank you. Thank you to all the investors for the call today. I think we are still optimistic that FY'27 will be a growth year for us. And as I said, the growth has to be led uniformly across the three verticals. And that would be the focus for us as we enter into the new financial year. Thank you so much for your time today.

Moderator: Thank you. On behalf of Tata Elxsi Limited, that concludes this conference. Thank you all for joining us. And you may now disconnect your lines.