

"Tata Elxsi Limited

Q2 FY 2025-'26 Earnings Conference Call"

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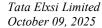
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Ms. Sneha V – Company Secretary – Tata Elxsi

LIMITED

MODERATOR: Mr. SHASHANK GANESH – ERNST & YOUNG





Moderator:

Ladies and gentlemen, good day, and welcome to the Tata Elxsi Limited Q2 FY '25, '26 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 the conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Shashank Ganesh from E&Y. Thank you, and over to you, sir.

Shashank Ganesh:

Thank you. 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 the business risk that could further result performance or achievements that differ significantly from what is expressed or implied by such forward-looking 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. Sneha V., Company Secretary.

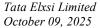
We will start the call with a brief overview of the quarter by Mr. Raghavan, followed by a Q&A session. We would appreciate your cooperation in restricting yourself to two questions to allow participants an opportunity to interact. If you have further questions, you may join the queue later and we will be happy to respond to them with 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. A very good evening to everybody who has joined us today for the Q2 FY '26 Investor Call. I hope all of you are doing fine. Before we begin today's investor call, I would like to take a moment to reflect on a profound loss that continues to be deeply felt across the Tata Elxsi family, the passing of Mr. Ratan Tata.

Today marks 1 year since we lost a visionary leader, whose legacy is woven into the very fabric of our company. His values, vision and quite strength continue to inspire us every day. As we move forward, we remain committed to honoring his legacy, not just in words, but through our work, our culture and our pursuit of excellence.

Coming to the Q2 performance. We reported an operating revenue of INR 918.1 crores with a growth of 2.9% in actual currencies and 1% in constant currencies quarter-on-quarter. During the quarter, we reported an EBITDA of INR 193.3 crores, corresponding to a margin of 21.1%. Our PBT stood at INR 214.7 crores at a margin of 22.2%. Our key markets continue to be volatile, but we delivered strong quarter-on-quarter growth across key overseas markets led by U.S. market, which grew 7.9% quarter-on-quarter.





Our Media & Communication business reported a smart 6.8% sequential growth, strengthened by ramp-ups of large deals, which we announced in the previous quarters and new deal wins. I'm pleased to share that the launch of MBC Now, Saudi Arabia headquartered content super aggregator catering to audiences across Middle East and Africa, is powered by our in-house developed OTT platform TEPlay. However, the industry environment continues to be volatile with business restructuring and M&A across leading operators and broadcasters.

Our transportation business that accounts for over 53% of our revenues registered a growth of 0.7% in the quarter gone by. We are happy to report a robust pipeline momentum that is driven by global OEM SDV programs and other large deal wins. This quarter, we opened the second engineering center in a partnership with Suzuki that focuses on cloud hardware and loop simulation setup, enabling faster SDV transition.

Our adjacency strategy is also showing good progress with customer additions and deal wins. In the Aerospace and Defense segment, we are happy to report a turnkey airport guidance systems development program from a U.S. headquartered aerospace supplier.

Our Healthcare and Life Sciences business reported a decline of 2.3% primarily due to the conclusion of some large regulatory and MDR programs. We are building a strong pipeline of new customers and large deals across key regions in the Healthcare and Life Sciences business, and I'm confident of sustained growth in the coming quarters.

I'm pleased with the launch of the Dedicated Technology Center for Bayer devices and Radiology. The center is designed to co-develop advanced radiology devices and technology that enable early and accurate diagnosis and treatment of critical illness.

Our system integration business recorded a growth of 20.5% over a previous quarter. We're also pleased to announce the award we won from Dell Technologies for the Best Infrastructure Solutions Group supplier category. Enterprises are investing in on-prem infrastructure as a pivot to AI data centers and edge computing for their AI-powered enterprise applications and workloads.

This award recognizes our differentiated next-gen capabilities for infrastructure design integration and run management as enterprises mainstream AI-led applications. We have delivered strong operational excellence and growth across customers, regions and industry verticals in this quarter, and we have created a strong foundation for sustainable growth. We look forward to carrying this momentum into the second half of the current financial year.

With this, we would like to open the session for Q&A. Yes, Shashank, please go ahead.

Moderator:

Thank you very much. Our first question comes from the line of Bhavik Mehta from JPMorgan. Please go ahead.

Bhavik Mehta:

So 3 questions. Firstly, on the auto or the transportation side, how is the demand trending over the past couple of months given that trade days have been finalized, so the uncertainty has



gone away. But how are you thinking about R&D spend coming back from the OEM side given the headwinds are away now? How should we think about the demand or the growth trajectory from here on for the auto vertical?

Second question is on the cybersecurity incident that happened with one of your top clients in the auto segment. If you can quantify what kind of headwinds on the revenues and margin you saw in 2Q? And what should we expect in 3Q as well given that they're going to gradually start the operations?

And lastly, just on margins, we have seen margins come off a lot over the past few quarters. But going ahead with the confidence and growth coming back, how should we think about the trajectory of margins over the next few quarters? Thank you.

Manoj Raghavan:

Sure. Thanks, Bhavik. So I'll try to answer these questions. So I think from an automotive customer landscape perspective as compared to maybe last couple of quarters, I think as we sit today, I feel a lot more confident about the spend coming back, right?

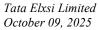
If you look at the deals that we're chasing, if you look at the funnel, if you look at the pipeline and also if you look at some of the deals that we closed and the ramp-ups that they're happening, I feel that H2 will be definitely much better than H1. And so I'm very positive on that from a trajectory perspective.

If you divide it a little bit between the various regions, if you look at Europe, I think we'll definitely grow, we see good traction happening there. Japan is very positive for us. We continue to grow. We continue to win new deals. We continue to expand our existing relationships with both the OEMs and suppliers.

India is also a pretty good market for us. We continue to do pretty well across all the customers that we have in India. U.S. is still a little muted for us, and that is something we hope that in the next half year, we will have a lot more clarity, but for us, at least the coming quarter will be a muted quarter. But we are hoping that changes from an automotive perspective. But from an adjacency perspective from aero and rail and off-road and so on, we do see a good traction building in the U.S. market. So overall, I would say, if you look at our transportation business across geographies, we believe that H2 will be better than H1.

From the cybersecurity issue that you talked about, yes, of course, we had some impact in some of the projects that we were supposed to start in September that had to be pushed out. I mean, rather than giving you a number and quantifying and so on, I would say that if that incident had not happened, we would have definitely shown CC positive growth. And that would give you an idea that, look, that instance did affect us a little bit.

From a margin perspective, I think we are definitely seeing a recovery. It's a slow recovery. I think as the top line grows and as the utilization picks up, as the revenue grows, we would see that margin gradually coming back. Our target from a H2 perspective, we definitely want to do much better than H1.





And I'm pretty confident that we will be able to achieve much better margins compared to H1. So we wouldn't want to quantify it at this point in time, from a management perspective, we are pretty confident to get back over a period of time.

So yes, we have improved our utilization from about 66% to above 70% in the last quarter. And we see an increasing trend of that. So, the first focus for us is to get to 75% utilization by the end of this financial year. And then next financial year to see how we can reach 80%.

That's a focus for us. And once we achieve those numbers, I'm pretty confident that our margins will get back to our earlier trajectory. So that's my answer to the three questions, Bhavik.

Moderator: Our next question comes from the line of Karan Uppal from Phillip Capital India.

Just one clarification on the auto commentary which you mentioned. You said that H2 will be better than H1 in the overall transportation business. But it will be driven by the adjacencies, but not the core auto business. Is that what you said?

No, no. I said only about the U.S. market. All other markets, we see good traction in the automotive sector as well.

Okay, okay. Got it. The second question is within the auto business, which are the areas where OEMs are keen to spend on and where are they holding back right now? And also, are you benefiting from the increasingly offshoring trend which we are witnessing across players for the automotive business?

I'll answer the second question first. I mean Tata Elxsi is known for offshoring, right? If you look at the percentage of revenues that comes from offshoring and so on as compared to all the other competitors, our ratios are far, far higher than anybody else.

So yes, it goes without doubt that any trend in offshoring, looking at best-cost countries and so on, Tata Elxsi is a preferred vendor because of the capability, the experience, the process know-how and 30-plus years of experience of doing this. So yes, without a doubt, I think we would definitely benefit from the offshoring trend. Areas of offshoring/demand that we see, The good part is, if you look at a lot of the large deals, new deals that we're talking about, it's all-around software-defined vehicles, the electrification side and so on EVs and so on.

We do see a lot of interest in AD/ADAS as well as the infotainment and cockpit and all of those areas. Interestingly, we also see a revival in the traditional powertrain ICE-related areas as well. So I think we are well placed to really capture all the areas that we are seeing traction in.

Okay. Very clear. Another question is again on automotive. So beyond U.S. and Europe, I know that you have a good footprint in Japan. But are you looking at other markets like India,

Karan Uppal:

Manoj Raghavan:

Karan Uppal:

Manoj Raghavan:

Karan Uppal:





Korea, China as the growth markets? And one more clarification, how big is U.S. and Europe within automotive for you?

Manoj Raghavan:

Our major markets are definitely Europe, U.S., Japan and India. China is also an important market for us, and we are really evaluating what we need to do there. Our business is relatively small there at this point in time. But definitely, we are looking at that market to see what we need to do. From a percentage or from a market share perspective, I would say Europe is number one and U.S. is number two. Of course, Japan and India also we get a significant business from these markets. So that's the pecking order.

Moderator:

Our next question comes from the line of Manik Taneja from Axis Capital.

Manik Taneja:

Manoj, the first question is once again on the automotive side. Given what you are seeing on the ground in terms of pipeline and your customer discussions, do you think we probably see a significant pickup in growth over the course of the next 4 to 6 quarters? And if you could give us some sense on when we can get back to the kind of growth that the industry, including you, enjoyed between FY '22 and '24?

That's question number one. The second question is related to our margins. Could you help us understand the different moving parts on margins given currency and the point that you highlighted about our high offshore revenue mix as to what were the moving parts on margins? And how should we be thinking about wage hikes for the year? Those are my questions.

Gaurav Bajaj:

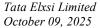
Manik, I will answer on the margin walk first. We got 90 basis point gain from the favorable currency movement, which is net of the cross-currency impact on the cost side also due to the higher salary cost converted into the actual INR reported. The 90-basis point of exchange gain got offset by the 40 basis points of the higher employee costs, which is due to the campus onboarding that we have done; the last batch that was remaining has been onboarded during the quarter and also some strengthening has happened onto the sales side.

Another 30-basis points was compensated with other expenses, which is typically towards the partnerships and AI-related infrastructure that we are building. So that gives you 20 basis-point uptick from the last quarter on operating margin. And if you see at the PBT (net income before tax) we have higher other income, which was on account of hedging gains and also the R&D credit that we get in the U.K. that added another 90 basis points. Hence, at the PBT level, you have a 110 basis-point sequential increase from the last quarter.

Manoj Raghavan:

From an automotive industry growth perspective over the next 4 to 6 quarters, what I would say is based on the discussions with customers and some of the ramp-ups that we are seeing in deals that we have closed and some of the large deals that we achieved, we believe that next year, we will be able to look at a double-digit growth from a transportation business perspective.

From a wage hike perspective, yes, I mean, we have already indicated that there will be a part of the team will be given hikes in Q3. So that is something that we will consider. We definitely





need to look at the impact that we talked about the cybersecurity incident. And we hear from our customer that their systems are up and everything is back to normal. So, we will wait till end of the month to take that decision. If things go well, yes, part of the teams will have a wage hike in October.

Manik Taneja:

Sure. And with regards to this top customer wherein you saw some delays in terms of projects during Q2. Are you beginning to see some normalcy emerge over there or probably this may remain some sort of near-term headwind?

Manoj Raghavan:

We are definitely seeing a lot more positive conversations and at least people are coming back for discussions and so on. So we were prepared for the worst, but I think things are definitely looking much better now.

Manik Taneja:

Sure. Thank you and all the best for the future.

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. The first question was on the media and communications side. So we've seen that segment being challenged for quite a few quarters now. But there's a strong growth pick up this time around. So do you think that we've sort of bottomed out in this segment or was this just a large deal ramping up and do you think growth will moderate for the next few quarters in that segment?

Manoj Raghavan:

I think it's true that we have the large deal that we've won, that ramp-ups have happened. So definitely, I believe that the growth will moderate in H2. This industry segment is still under a lot of stress with a lot of M&As and a lot of corporate action happening with our customers. So I believe we have to wait and watch, and we are not projecting a pretty large growth in the H2 for this business segment.

Moez Chandani:

Got it. Understood. My second question was on your attrition levels. So that's gone up for the third quarter in a row now. Now given that your demand environment is weak across the sector, where exactly is the challenge in terms of attrition and then do you think that will also impact your wage hike if this continues going up?

Manoj Raghavan:

I think attrition has gone up marginally. It's not very significant. We are aware of that. We're keeping a watch on it. I think it's also the fact that numbers in the denominator go down, so automatically the calculation goes up. So I think it's a factor of that. It's not a very significant thing for us. We will definitely be able to show much better numbers once the revenues pick up and I believe H2 will be better from an attrition point of view.

Moez Chandani:

Okay. Perfect. Thank you for taking my questions.

Moderator:

Thank you. Our next question comes from the line of Amit Chandra from HDFC Securities. Please go ahead.



Amit Chandra:

Hello. Thanks for the opportunity. My first question is on the transportation vertical. If you can elaborate more on the deal that we had with Suzuki, the SDV deal, what is the kind of revenue potential or what kind of efforts has been deployed on that deal? And in terms of the revenue potential when can we see the ramp-up happening there?

And are there other OEMs who are planning to set up similar SDV centers in India? And an extension to that is how do you see the OEMs, the vendor consolidation deals, a lot of OEMs, large deals are coming up for renewals, so how are we placed in terms of winning some of the vendor consolidation and the large deals which are coming up for renewals in the OEM space that is on the transportation vertical, if you can answer that?

Manoj Raghavan:

Sure. I think we've announced a deal with Suzuki last year based out of our center in Pune and that has ramped up pretty well for us. So the deal that we announced recently was a cloud-based hardware and simulation deal, which will be executed out of a center in Trivandrum. Both these deals are long-term, 5 to 10 years sort of deals.

The peak headcount will happen after six or eight quarters. So still, I would say, early days, and we would definitely see ramp-ups happening. And as is with many Japanese companies, they would really want to first try us and ensure that we deliver. They want to see success. They want to see actual outputs. I think we have crossed all that stage with Suzuki now and we have had fantastic relationships with the customers. So we're pretty confident that this ramp-up will happen and will continue. And it's a multiyear, multimillion dollar deal for us. So we are very gung-ho and we are very committed to this customer. And we are also committed because a lot of the work that we do will eventually hit Indian roads and it is Indian consumers that will benefit a lot from the actives that we do. So to that extent, we would be proud that some of the technology that we built are actually getting into cars that we launched in India. In fact, the new car that was launched - Victoris - had a lot of components that Tata Elxsi was involved in. I am very proud of the fact that we were involved in that launch.

So yes, coming to vendor consolidation. In the automotive industry, we don't see so much of vendor consolidation deals. So a lot of the OEMs are really looking for technology. And it's not as if there is some legacy stuff that they want to give to the cheapest vendor and so do vendor consolidation. Traditionally, Tata Elxsi, we've sort of not been very strong in those vendor consolidation deals and so on. So we do see a number of deals with OEMs today. We also announced the other deal with another Japanese OEM that's also ramping up pretty well. Of course, we have deals that we have announced with the European OEM that's also ramping up well.

We have announced deals with Mercedes-Benz that has been also ramping up pretty well. So I think there are a number of deals that we have announced and those are all working pretty good for us. So yes, I think we continue to have these deal pursuits. Even as we speak, there are a few deals that we are bidding for.





So I think we're in a good position with respect to capability, with respect to business models, with respect to address the needs of the customer and meet, I mean, deliver that incremental value that they need at the price points that the customer needs. So I think we're good.

Amit Chandra:

Okay. And also within the transportation vertical, obviously, OEM is the part where we are seeing a lot of traction. Within transportation, there were some issues, or some drags that you were seeing from the Tier 1 supplier ecosystem. So if you can give some color, whether it has stabilized or are we seeing some more issues there or most of the incremental growth is coming from the OEM side? Will this continue or has the Tier 1 has stabilized and will start to grow again?

Manoj Raghavan:

No. I would say in the last eight quarters, we have moved a lot of our business focus from the Tier 1s to the OEMs. So to that extent, definitely, the Tier 1 business has gone down. And that's the nature of the business, that's the industry. Tier 1s are definitely losing business with the OEMs. But for us, I think we still engage with some critical Tier 1s and we believe that those Tier 1s will continue to exist. So I think this quarter, we've stabilized with that maybe even slight growth in the Tier 1 business for us. So I think it's positive for us.

Amit Chandra:

Okay. And sir, the last question is on the communications vertical. Obviously, we have seen strong growth ramp up in terms of deal wins, a ramp-up of the large deal wins. But last quarter, we had a pricing reset with some volume commitments in terms of incremental volumes. So has the overall volume commitment in terms of what has been committed has been achieved or can still we see some more volume growth there?

Manoj Raghavan:

Yes. So I think the commitment - it's not that everything is fulfilled in one quarter, right? So whatever objectives we have said we have achieved. Of course, in the next half year also, we have to achieve certain volume commitments from our side. So we will work on that, right.

Moderator:

Our next question comes from the line of Ankur Pant from IIFL.

Ankur Pant:

So, my first question is on the automotive vertical. So, you've mentioned that Europe is holding up better. Europe, Asia is holding up better versus the U.S. So, what is the apprehension in terms of U.S. clients, which is holding them back, where as the European clients are able to spend more. So, what are you hearing in terms of client conversations?

Nitin Pai:

Yes. So, this is Nitin here, maybe I'll take that. First of all, I want to clarify that the U.S. is doing very well, and we believe we'll continue to do very well on the adjacency side where you're talking of off-road, commercial vehicles, aerospace and defense, where we're making some strategic forays.

On the OEM side, you remember, there are two sets there. One is a set of new age OEMs where there are a different set of challenges. And the traditional/legacy OEMs where the challenges are little different. So, to that extent, I think the withdrawal of EV incentives, the fact that the whole emission norms have been completely relaxed are kind of providing reprieve as well as a window of opportunity to continue to stay with ICE vehicles to stay with





limited EV conversion and so on and so forth. So that's causing a bit of a portfolio reset, both in terms of what you will engineer, what you will R&D, and what you will manufacture and deliver.

So, to that extent, that is a prime consideration with the legacy OEMs in terms of portfolio reset and product portfolio considerations. With the new age OEMs, you have to remember that there are just one or two who are winners, well funded and continuing to maybe grow. The other OEMs are still on the horizon. Some of them are just getting into production. Some of them are still in development stage. And again, the fact that many of them targeted the U.S. as a key market, mid- to luxury kind of segments, the withdrawal of incentives, a little bit of color that's hanging and cloud is hanging over EVs as viable vehicles for the U.S. market, I think is what is causing issues. So, to that extent, I think it's a little bit of a mixed bag, like I said.

Ankur Pant:

Sure. And in Europe, have they moved past the impact of tariffs that we're going to have, and profitability, competition from China? Have they moved past that and are ready to open their purses a lot more, or is that still lingering?

Manoj Raghavan:

So, I think that issue is actually causing them to look at best cost locations and open up a lot more outsourcing, right? Because they have to do more with less.

Ankur Pant:

Okay. And finally, a bookkeeping question. Your depreciation has been coming down over the last 3, 4 quarters, and the tax rate this quarter was significantly higher than what we generally see. So just wanted some clarity on the run rate for depreciation and the overall tax rate for the year? What should we assume?

Gaurav Bajaj:

Ankur, this is Gaurav. Let me answer that question. First, on your depreciation one. I think there is declining depreciation in our books due to no new capex being added/significant capex that has been added. I think we are well managed capacity that we can live with it for at least some period or may be few more quarters before we have to do another layer of infrastructure development or capacity in addition to the required structure today.

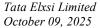
So hence, you will continue to see depreciation keep coming down slightly on a quarter-to-quarter basis for at least two more quarters. On your effective tax rate, I think in the current quarter, it slightly went up just because of there was higher other income, which is not tax exempted and a little bit of low SEZ revenue. Otherwise, what we believe is that for the full year our effective tax rate would be anything that would hover around 26% to 26.5%.

Moderator:

Our next question comes from Manik Taneja from Axis Capital.

Manik Taneja:

Just wanted to get your sense with regards to what you spoke about achieving or hoping for double-digit growth in the automotive segment in FY '27? If you could also give us some sense on the other two industry segments because over the course of last 2 or 3 years, we've had some challenges in those verticals.





Manoj Raghavan:

Yes, Manik. So as I said, I'm pretty confident both healthcare and automotive, we will be aiming for double-digit growth in FY '27, right? And Media & Communication, as I said, is still a little bit wait and watch. We would ideally also want Media & Communication to aspire to grow double digits next financial year. But at this point in time, given the visibility and so on, it's difficult to commit that, that is something that we can achieve. But we will relook at it in maybe Q3 and Q4 time frame.

Manik Taneja:

Sure. And if you could share some thoughts around how are we thinking about the customer concentration across our industry segments? Because that's also one of the challenges that we've faced historically.

Manoj Raghavan:

Yes. So, I think both in automotive and health care, I think we have gone a long way. We have multiple now customers that are really touching that multimillion-dollar sort of mark. So I think next financial year, both in automotive and healthcare, we'll have a very, very good spread of revenues, especially with some of the new deals that we have won and ramp-ups happening and so on.

In the media and communication industry, definitely, we have a number of accounts, but we're not seeing that sort of growth happening. And that's why we're waiting and watching, right, before we commit that, we will be able to deliver.

Moderator:

Our next question comes from Mihir Manohar from Trust Mutual Fund.

Mihir Manohar:

Sir, you mentioned on the revival specifically European auto side. I just wanted to understand when we see the Germany car production data or exports data or the registration data, that number is not looking that encouraging. So, what is driving the revival in auto spend specifically in Europe? Is it a revival of the older programs which are already there or what is the status in development of the newer programs? Some color on that will be helpful.

Manoj Raghavan:

Yes. So, we're not looking at current vehicle data or sales data and so on. While I understand that is important, these are all programs that will come out, I mean, in the next 2 years, next 3 years' time frame. And of course, all the German OEMs realize that, look, to compete with competition from China and elsewhere, they definitely need to up their game, build more features and compete aggressively with what the Chinese OEMs are able to bring in.

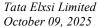
But at the same time, with a much, much lower total cost of ownership. So, if they don't invest now, I think their future will be bleak. So that is why most of these companies have restarted those investments.

Mihir Manohar:

Okay, understood. So, this is largely revival of the older programs which are there, right?

Manoj Raghavan:

Both - not just older programs, even new programs.





Mihir Manohar: Okay. Understood. And also, you can provide color on the industry side, I mean there were

talks about the emission norms in Europe getting loosened, and so consequently, the new

models getting pushed out. Some color around that will be helpful.

Manoj Raghavan: There has been some talk. Of course, we know in the U.S. that it has been relaxed and so on.

But I think Europe - they are focused on the emission norms, right? I think a 55% reduction in carbon emission as compared to 1990 levels and so on, I think that is a norm that they have put

in place by 2030 or so. So I think that continues. I don't think they have relaxed that.

Moderator: Our next question comes from Karan Uppal from PhillipCapital India. Please go ahead.

Karan Uppal: Just one question on the Bayer deal, which we have announced. So if you can give some sense

on the size of the deal, and would this provide some catalyst for the growth revival in the Medical Devices segment in coming quarters? And also, which players did we compete with to

win this business?

Manoj Raghavan: No, absolutely. I think this is a marquee deal for us. It is, again, a start of a multiyear

relationship, at least a 5-year relationship. We competed with the best of the companies in India, and they did evaluate seriously a number of our competition, and they've selected us. So this is definitely a multi-year deal and a multi-million dollar deal. This will give stability to our

business definitely at least for the next 3 years, if not more.

Moderator: Our next question comes from Hitesh Sharma from Goldman Sachs. Please go ahead.

Hitesh Sharma: See, I see your main clients are from Europe and America and Japan and India, whereas the

competition is coming up from China. Maximum EVs are being built like big, big giga

factories are coming up in China. So how you are going to compete with the Chinese?

Manoj Raghavan: So we are not competing with the Chinese. Our customers are competing with the Chinese,

right? So number one. And in most countries like Germany, for example, the auto industry is the backbone of the economy there. And I don't think the German government or anybody there will allow that industry to go down without aggressively pushing and giving enough incentives and benefits and really ensuring that the German companies are able to compete. So I think it's out of our remit to commit on who would win – would Chinese companies win or

would European or U.S. companies, how they compete and so on, right? So as long as those

companies exist and they need to compete with China, we would benefit.

Hitesh Sharma: But that will hold true for the similar companies in China supporting Chinese manufacturers.

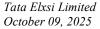
What is your percentage of market share or business from China?

Manoj Raghavan: We don't do much. We have very miniscule presence in China. The China market is very, very

different. And they definitely do a lot of collaboration internally. I've really not seen anybody

from outside coming in and winning a large market share in China.

Moderator: Our next question comes from Tanmay Chaudhary from Ventura Securities. Please go ahead.





Tanmay Chaudhary:

My question was on the health care part only. Like in the last financial year, the most confidence that we have was in this particular sector. But going forward in the last 2 quarters, not performing well. So what the exact uncertainty playing out there? And are we still aspiring for those high double-digit revenue mix on this particular sector?

Manoj Raghavan:

Yes. As I said, right, I think definitely next financial year, we would see those double-digit growth. In fact, we have won some new deals, new customers. And that gives us a lot of confidence that H2 will definitely be much better than H1. So yes, I think, yes, we have a few projects from customers that were rolling off, and there was not a continuity in some of those projects. There was some amount of uncertainty there. I think we are over all of that now, and we're really looking at new customers, new businesses, and that gives us confidence that H2 will be better. And next financial year definitely will be better. We want to strengthen the team, both from a delivery standpoint as well as from a sales standpoint.

There are a lot of things that we have worked on behind the scenes over the last couple of quarters, and that also gives us a lot of confidence that we are attacking the right problem. We are addressing the right challenges that the customer has. We are really looking at a holistic value proportion to the customer rather than point engagement. So a number of things that are different in the way we are addressing the market, and that gives us the confidence that next financial year will be different for us in the health care space.

Tanmay Chaudhary:

Okay. Sir, are we also looking for other geographies like from US or in this particular sector?

Manoj Raghavan:

This business is primarily US driven, right? And a little bit Europe, so US is the main geography for the Healthcare business.

Tanmay Chaudhary:

Okay. Thank you, sir.

Moderator:

Thank you. Our next question comes from the line of Shivlala Khandelwal, an Individual Investor.

Shivlala Khandelwal:

Are we now exploring anything regarding this semiconductor industry?

Nitin Pai:

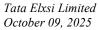
Yes. Hi, Shivlala. This is Nitin here. Not directly because we, of course, work with a whole set of semiconductor platforms and partners. We are largely focused on the software that needs to go on top of semiconductors in order to power applications. So you'll find key announcements that we made, whether it's with Infineon, whether it's with Qualcomm and so and so forth and across segments. On chip design itself, we do not have any significant presence and not an intent either.

Shivlala Khandelwal:

But is it going to contribute significantly in future to our top line or something like that?

Nitin Pai:

Software part, yes, it continues to. And we believe that much more than contributing directly to topline. It's a very, very important enabler because the work that you do, the partnerships that you carry with the folks like Qualcomm, I think, start to power some of the key





engagements that you have with OEMs who are adopting these platforms. So, I think it's as much a joint go-to-market and enabler as much as it is a direct revenue.

Shivlala Khandelwal: Okay. Thanks a lot.

Nitin Pai: Thank you so much, Shivlala.

Moderator: Thank you. Our next question comes from Pritesh from PL Capital. Please go ahead.

Pritesh: Yeah. Thanks for the opportunity. Just on this quarter, automotive side of the growth, I just

wanted to quantify the impact coming from the Jaguar top account. If you were to eliminate another cyber impact coming through that account, what has been the growth for automotive in

Q2, if I were to evaluate it?

Manoj Raghavan: Yes. We already discussed about it, right? Instead of a negative or a flat or a 0.5% constant

currency negative, we would have definitely gone into a positive zone.

Pritesh: Okay. Okay. And do you expect the growth to accelerate from here in quarter 3, quarter 4,

given the kind of commentary that you made on automotive side ramping up on majority of

deals and again, positive commentary about it on the automotive?

Manoj Raghavan: Yes, yes, absolutely.

Pritesh: And lastly, we saw a significant jump on the fixed price contract by 200 basis points. Anything

to read there? Is it more to deal with the ramp-up that we see on the automotive side?

Manoj Raghavan: Yes, I don't think we need to read too much into it. We've had a few deals that had come our

way, which were fixed bid engagements, including in our system integration business, which showed a good increase in revenue uptick. I think a few of those deals came through. And I think that helped us in the quarter. If you look at it from a next H2 perspective, we don't see a

big change in the ratios.

Pritesh: Okay. Thank you so much.

Manoj Raghavan: Thank you.

Moderator: Thank you. Our next question comes from Rohit Jain from Tara Capital Partners. Please go

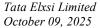
ahead.

Rohit Jain: Yeah, hi. Thanks for the opportunity. So, just wanted to get some sense for the coming

quarters. Now obviously, on the positive side, you said that automotive and health care are

going to see continued traction.

But then on the other hand, the media vertical is going to see a slowdown, given that this quarter had higher growth because of one deal ramp up and then it is also a furlough quarter.





So net-net, how should we think about the growth in the coming quarters at a company consolidated level?

Manoj Raghavan: I've talked about it earlier as well. We are definitely confident that our growth in H2 will be far

better than the H1.

Rohit Jain: And how should we think about margins given that there is a tailwind from better growth, but

then there are headwinds from maybe the VFX not being as supportive or not contributing as

much as it did this quarter and then there is also a wage hike?

Manoj Raghavan: No. So, I think incrementally, right, as the revenues pick up, automatically, the margin profile

will also pick up. Our utilization, as I said, we have touched 70%. The focus is to see how to get to 75% by end of the financial year. If we achieve that, right, those objectives, we will be able to manage the headwinds like wage hike and all of that, right, and still show margin

recovery.

Rohit Jain: So, when you say still show margin recovery, that is versus H1 or that is versus the average of

last year, the full last year margin?

Manoj Raghavan: Versus H1.

Rohit Jain: Versus H1. Okay. Thank you. Thanks a lot.

Moderator: Our next question comes from Karthik Vaidyanathan, an Investor. Please go ahead.

Karthik Vaidyanathan: Yeah, thanks for the opportunity. I have a couple of questions. I think first is I wanted to know

if you are involved with any hyperscaler data centers. Do you work with companies like NVIDIA to integrate some of the AI-based solutions? Any light you can through on that would

be nice?

Nitin Pai: Yeah, maybe I can take that. Yes, we do. In fact, I'm not boasting about it, but we do have our

own mini-NVIDIA data center that we set up ourselves for our own AI experimentation and workloads. If you look at the work that we're doing and the award that we announced with Dell, you'll automatically know that there it has also to do with infrastructure that will go into on-prem data centers and large part of them are targeting AI workloads. So, now the short

answer is, yes.

Karthik Vaidyanathan: Okay. And what are those use cases? Is it on the ADAS side or the health care side? basically

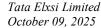
there is about efficiency, reducing the headcount, because you are able to take up the task? Can throw light on that. Are there some new use cases that these AI services that are giving you that you're getting much more efficient? Any light on that those use cases would be useful. Just

to understand the long-term vision here, right? That's the question on that.

Nitin Pai: Sure. So, Karthik, maybe I'll try and keep it simple. I think you're looking at it in two parts.

One is how can we operate and deliver better, which is essentially to do with what gains does

AI and GenAI provide for productivity, for quality and therefore resultant cost benefit.





The other part is what does it do to innovation and features, right? So if you look at ADAS, if you look at the predictive analytical capabilities of radiology or MRIs and so on and so forth, they're always innovation of features because it is not doing what is already being done, it is actually driving something that has not existed before, right?

Karthik Vaidyanathan: Okay.

Nitin Pai: And not all of that is GenAI. Please note a lot of that is AI and not GenAI, that continues the

journey that we strongly drive because ultimately, we are a product engineering company. And this is intimately connected to how products can function better and can deliver more features of value. I think this is a journey that we are taking very carefully in consultation and in conjunction with customers where you really get benefits of GenAI and productivity. And how much of that is clear of any infringement, liability and risk. So there, I think the journey is definite, but careful and calibrated. The first one, in innovation and features is all out, and that's a journey that we've been on for actually about 14, 15 years now given we announced

our own autonomous journey starting 2014.

Karthik Vaidyanathan: Okay. Okay. Yeah, that adds. Thanks for adding more. Just one additional question related to

what I just asked, right? Because you mentioned radiology, I just thought. There's also these use cases where breast cancers, whether they are benign or malignant. Those are health care-related stuff. Are you also working in those spaces? Because that is also AI not GenAI just

regular AI, just looking at patterns and trying to identify on the health care side.

Nitin Pai: Absolutely.

Karthik Vaidyanathan: Because that's a very strong use case, right?

Nitin Pai: Correct.

Karthik Vaidyanathan: I Just wanted to know, if you have excellent products where you can, you know, scan images

just like that. And at least if you can identify these patterns that can go a long way in terms of

studying them.

Nitin Pai: I think that's the direction health care is taking, which is how do you detect earlier, and how do

you detect better. I think we are on both paths.

Karthik Vaidyanathan: Okay. Yeah. Very good to know. And good luck and wishing you all the best.

Nitin Pai: Yeah. Thank you.

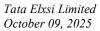
Moderator: Thank you. As there are no further questions from the participants, I now hand the conference

over to the management for closing comments.

Manoj Raghavan: Yes. Thank you, Shashank, and thank you all for the patience and all the questions. We look

forward to a much better H2 and look forward to talking to you again for the Q3 conference.

Thank you very much. Take care. Bye-bye.





Moderator:

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