



July 15, 2024

DGM – Corporate Relations
BSE Ltd.
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001
Scrip Code: 500408

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

Dear Sir,

Sub.: Transcripts of the Investors' Conference Call for the quarter ended June 30, 2024

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, please find enclosed the transcript of the Investors' Conference Call for the quarter ended June 30, 2024, held on July 10, 2024.

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

This is for your information and records.

Thanking you,

Yours faithfully,
For Tata Elxsi Limited

Cauveri Sriram
Company Secretary & Compliance Officer

Encl: As above

engineering creativity

TATA ELXSI

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“Tata Elxsi Limited

Q1 FY ‘24-25’ Earnings Conference Call”

July 10, 2024

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

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

Moderator: Ladies and gentlemen, good day and welcome to the Tata Elxsi Q1 FY'24-25' Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star 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 very much. Good evening to all the participants on the call. Good morning for 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 cause further results 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. Cauveri Sriram, Company Secretary. We will start the call with a brief overview of the past quarter by Mr. Raghavan, followed by a Q&A session. We would appreciate your cooperation in restricting 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. A very good evening to all of you, and thanks for joining us today for the Q1 FY '25 Earnings Call. I hope that you and everybody in your family are safe and healthy. I'm happy to report that we have delivered a steady quarter of growth. It was a good quarter for us, especially with our transportation business unit picking up growth momentum. Our revenues from operations during the first quarter was INR926.5 crores, growing 2.4% quarter-on-quarter and 8.4% year-on-year in constant currency terms.

Our EBITDA for the quarter was INR252.3 crores, staying flat at 0.3% growth year-on-year. Our PBT for the quarter was INR252.4 crores as against INR262.4 crores in the previous quarter. We executed very well on operational excellence and fiscal discipline in this quarter towards bottom line performance despite the impact of an exceptional one-off expense in this quarter.

The company made a contribution to the Progressive Electoral Trust of INR19.78 crores for the quarter ended June 30, 2024, which is included in the other expenses. If not for this onetime expense, our EBITDA margin would have been 29.4% and our PBT margin would have been 28.4%. In terms of verticals, I'm happy to share with you that the transportation business reported a strong growth of 5.3% quarter-on-quarter and 20.3% year-on-year in constant currency terms. Our deep domain knowledge and strong focus on engaging with

leading OEMs and suppliers across the globe, positions us well to capture the growth opportunities in the coming quarters.

Given the current challenging environment for the media and communication industry, I believe we have done well by protecting our business and increasing our wallet share among our key customers, which has resulted in 0.5% quarter-on-quarter revenue growth in constant currency terms. Our commitment to strengthening client partnerships continues as we introduce new solutions aimed at enhancing growth and efficiency within the sector.

The acquisition of a strategic network transformation project from our top telecom operator in North America, facilitated by our NEURON platform is particularly gratifying. Our Healthcare & Life Sciences business reported a decline in top line by 4.3% quarter-on-quarter in constant currency terms, while a significant delay in the renewal of certain projects with a major client in the U.S. is primarily responsible for this revenue decline.

On the people front, we are doing well with our attrition rates declining further during the quarter. Since we normally do not add any freshers in the first quarter, the net employee numbers at the exit of Q1 FY '25 is a result of usual attrition plus some lateral hiring that was done on a need basis. We will add fresh engineers through the next 2 quarters as they graduate and become available.

We continue to invest in digital, AI and Gen AI technologies across our verticals, targeting efficiency and quality in product engineering as well as novel applications of Gen AI combined with domain and design expertise to solve complex business, product and engineering problems.

We are aiming to have 25% of our talent pool to be AI ready by December this year as we step into the second quarter of the financial year, with confidence of a healthy deal pipeline, continued growth in our transportation business and new customer wins and expansion of business with strategic customers across verticals. Thank you.

And with this, we would let the floor open, and we'll take questions from our investors.

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

Sulabh Govila: So, my first question is on the growth piece. So, I just wanted to understand on the health care customer, the moderation that we've seen in this particular quarter, is there something which is over in 1Q, and 2Q should normalize going forward? Or this will see some effects in the coming quarter as well?

Manoj Raghavan: Maybe this will have an effect in H1, and we hope to normalize that in H2.

Sulabh Govila: Okay. Okay. Understood. So the related question to that is that last quarter, we had called out that we are sort of aiming to deliver revenue growth in FY '25 better than FY '24. So, given the

performance in 1Q as well as this health care customer moderation continuing in 2Q as well, does that outlook change? Or that sustains from here on as well?

Manoj Raghavan: No, we continue to stick with our guideline that we've talked about in the last quarter. We definitely want to exit this financial year with a better growth rate as compared to last financial year.

Sulabh Govila: Understood. And then with respect to the transportation vertical, just wanted to understand the strong growth that we've seen in this particular quarter. Is this broad-based? Or it's driven by the top client? In FY '24, we saw a strong contribution from the top client. So is that a trend that is continuing in 1Q as well? Or is there a change there?

Manoj Raghavan: No, it's a broad-based growth across multiple customers. Some of the deals that we had closed, their ramp-ups have actually started happening and all of those contributed to this performance.

Sulabh Govila: Okay. And the last bit is on the tax rate front. I just wanted to understand whatever we reported this quarter, is the tax rate we should assume going forward as well? And for how long will that continue?

Gaurav Bajaj: Sulabh, this is Gaurav. Yes, I think we indicated during the last couple of quarters that in this financial year, our tax rate will go up because we are coming out of the tax holiday in few of our SEZ unit. One more SEZ unit came out of 100% bracket to 50% bracket. So going forward in this financial year, it would be likely in this range only.

I think it will be very difficult to put any number beyond one year, because it also depends upon the various other regulations and disclosures or upcoming budget, we will see how to position it better for the company.

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

Manik Taneja: Manoj, just wanted to understand your thoughts on wage hike cycles for FY '25 and also the hiring plans because last quarter when you spoke, you said we'll have much more measured hiring in FY '25?

Manoj Raghavan: Yes. So the wage hikes will -- we are dividing the wage hikes into the junior staff and the senior staff. So the junior staff would get their wage hikes effective Q2 from July and the senior staff would get their wage hikes from Q3, that is October.

Manik Taneja: Sure. If I understand correctly, this is different compared to the usual policy. And if you could also give us some sense on the quantum of wage hikes and the likely impact on the margin that we should expect on a go-forward basis?

Manoj Raghavan: The average wage hikes would be in the range of 5% to 6%. But I think we are well covered with respect to margins and so on. We have enough levers to address that. So, I don't see too much of an impact on the wage hikes or on our margins.

- Manik Taneja:** Sure. And if I can prod you further, if you could talk about how the center that you've put up in Michigan last year, how is that playing out in terms of improving our positioning with global auto OEMs, it'd be great to get your perspective on that, Manoj?
- Manoj Raghavan:** Yes. So, all these proximity centers are important for us basically from a view of being closer to the customer, right? So, it also shows our intent and our commitment to those markets. So from that point of view, it is very important that we take some of these initiatives. It's not just in Michigan, it's across the globe. We have opened centers specifically focused on certain specific customers and so on. So I think all those investments are definitely helping us in playing a role in revival of some of the large engagements that they're seeing.
- Manik Taneja:** Okay. The last one, if I may, you've been talking about FY '25 being a better growth year than '24, but last year, transportation was a vertical which led growth while we saw challenges in media and communication as well as to some extent, even on the healthcare side. How should we be thinking about the growth mix across verticals from an FY '25 standpoint?
- Manoj Raghavan:** The same. I think from an FY '25 perspective, definitely, again, growth will be led by transportation. Our industrial design business is also showing accelerated growth. And actually, the initiative that we started in terms of design, digital and combining design with our embedded offerings is really, really resonating with the industry and we're seeing good traction. We are seeing green shoots in the media and communication space, a lot more discussion is happening, a lot more customer traction is there. There are significant consolidation opportunities that we are bidding for. So we are hopeful that we will see a turnaround in that particular business.
- Health care, as you know, is a relatively smaller business. We have to really work through this one particular engagement. And unfortunately for us, in the healthcare business, the number of customers is also not too many. So we have some pretty good logos, good customer base. Unfortunately, even if there are some issues in one or two of those customers also, we will get hit, right?
- So our aim is also to broad base our customer engagements in the healthcare space. And I think we will get there. And I'm not too worried about the situation because this is the ER&D business. We will always have one or two of these challenges. But I think it is very much contained and we should be able to recover and grow.
- Manik Taneja:** Manoj, if I can prod you a little bit further on this one, because you spoke about the focus on broadening our talent across some of these verticals. If I'm looking at your longer-term performance over the course of last couple of years' time, concentration has only gone up on account of the exposure to group companies, top two customer concentration has gone up. What will we have to do to essentially reduce the concentration at our end?
- Manoj Raghavan:** No. See, if you look at it from the size of our company, it is definitely going to be the top 10, top 20 customers will drive a lot of our revenues. There's no escaping that. There's no point to focus on a broad set of 100 customers and each of them not being significant enough.

So from our perspective, from the size of business that we have, we will continue to have a lot more focus on our top 20 customers because that is what will drive our growth. So we want to be a lot more relevant to these customers, build strategic relationships with these customers and grow with these customers. So that would be the focus. And I'm not overly concerned with that sort of a client concentration.

Moderator: The next question is from the line of Aayush Rastogi from B&K Securities. Please go ahead.

Aayush Rastogi: So just wanted to understand on the health care vertical side. So we are aiming to go ahead with 20% of the SDS revenue. How are we planning on that? ? Because if we see in the last 2 quarters, we are reporting a degrowth in this vertical. So can you just let us know what's the strategy behind that?

Nitin Pai: This is Nitin here. Maybe I'll take that question. I just want to clarify that the whole call out for a 40-40-20 mix was a strategy call, right, which is to do with how do you see ourselves in the long term? How do you see ourselves derisking?

The fact is that fundamentally in the ER&D business, you have industry cycles. Every industry will go through a cycle. Equally, you have geopolitical risk. You will have currency mix risk and so on. So the question was, how do you manage your portfolio well? But having said that, as much as all of you are fantastic portfolio managers, you would also appreciate the fact that you would leverage an opportunity when it presents itself. To that extent, automotive and transportation is the largest growth opportunity at this time and therefore we are not worried about it becoming 50% for example even as the percentage contribution of the other two shrink.

But having said that if I were to step back about 8, 10 quarters back all through COVID and a little beyond, automotive was the one that was delivering negative/flat growth, and it was media and communications and healthcare that were driving all the top line growth that we needed.

So to that extent, think of this as a larger broad guideline for the fact that we want derisking of industries, we want a little better mix of industries rather than overly concentrated industry presence. But having said that, the actual percentage of revenue contributions of any given industry at a given time would actually be dependent on the market opportunity. So please treat it as a guideline.

Aayush Rastogi: Thanks for the detailed answer. Just a second question on transportation. So transportation is doing phenomenally well. So is it totally driven by the top 20 clients and what kind of visibility are we gauging for the next set of, let's assume post-20 clients?

Nitin Pai: Yes. So maybe I'll take that question again. So if you look at the automotive industry you have to remember that we have a very large base of customers there. The base of customers comprises of OEMs, Tier 1 suppliers as well as some select tool software and Tier 2 suppliers within the same industry. So it's a broad-based portfolio. In fact, we have significant depth there.

Some of the challenges that we've had was also that not all segments of that particular industry are doing well. The OEMs are doing very well in terms of spend. Remember when I say I'm doing well, I mean it from a perspective of outsourcing and engineering. So we are in a process of also carefully pruning and curtailing the portfolio and looking at how do we consolidate and grow around the set rather than it being a question of whether you can derive revenues from a very large number.

So again this is a strategic call where the number of customers that we have is significantly higher in automotive and it's a choice for us to kind of figure out where we want the growth to come from.

Aayush Rastogi: Thank you so much.

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

Bhavik Mehta: Thank you. So a couple of questions. Firstly on the transportation vertical, the strong growth we saw this time was maybe driven by the ramp-up of some of the deals we had won earlier. But how should we think about the trajectory from a sequential growth momentum perspective going ahead? Do we expect a moderation to happen given that this was something which was bunched up this time around, but maybe we see some moderation going ahead. So any thoughts over there?

Manoj Raghavan: I think we see a good deal pipeline and a good momentum that is there. I mean if you ask me, I would assume that we will be able to show similar growth. I'm not sure that we will better the growth or it will be around the same growth. So I know it's coming off a quarter where we've shown very slow growth. So I think it's good that we bounced back immediately, and we were able to deliver this satisfying performance.

We hope to continue this growth. So we have that visibility. It's now up to us to convert that visibility into revenues and deliver that growth. So there are opportunities and there is that visibility that we have.

Bhavik Mehta: Okay. Got it. And secondly on the margin side any reason for pushing out the wage hike because typically, it happens over 1Q and 2Q, but this time we are doing it over 2Q and 3Q. So any particular reason and related question is how should we think about margins from a full year perspective? Are we looking at flattish or is there a scope for some expansion as well?

Manoj Raghavan: I think we will continue to be within the stated margin range...

Gaurav Bajaj: 28% to 29%.

Manoj Raghavan: Yes around 28%. Essentially the way to look at it is if you look at the entire financial year perspective, we hope to maintain last year's performance, maybe beat it a little bit and all of that depends on our revenue growth in the subsequent quarters and so on.

Yes, there are enough levers for us to manage that. I think in the previous year or the year before we've done exactly the same - July and October. So again we take a call depending on our wage budget perspective. We look at it and we model it, and we take a call. We typically want the people cost to be anywhere between 56% to 57% of our revenues. So we do a lot of modelling and then we take a call in terms of what is the right thing to do.

Bhavik Mehta: Okay. Got it. Just lastly outlook on media and telecom, are we seeing any green shoots?

Manoj Raghavan: We see some green shoots definitely. There are some large consolidation opportunities that we are bidding for and at the same time let me tell you that the industry is still under a lot of stress.

There is a lot of M&As happening. There is a lot of pressure to bring down the overall budgets and move work from high-cost countries to best-cost countries like India. So there are a lot of things happening in that industry, but we are on top of many of these and there are deals in the pipeline. So we feel a little bit more confident now.

Bhavik Mehta: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Urmil Shah from Ageas Federal Life Insurance. Please go ahead.

Urmil Shah: So my question was on the transportation verticals. In Q4 earning call we had said that the rampup of the large deal would be done in Q1. So when we are talking about similar sort of growth in the near term, are there more such deals or there are smaller deals which are expected to drive the growth and also in Q4 we had spoken about the OEM share now being 56%. So is that part of the pie expected by the growth in the vertical?

Manoj Raghavan: Answering the latter part of the question, yes, definitely, we see a lot more traction in the OEM space. And yes, when you look at our pipeline, it's a bucket of opportunities, right? Not everything is large opportunity, not everything is small opportunity. There's a bucket of opportunities that we are chasing. And I can tell you it's a pretty healthy bucket that we are chasing. And yes, I think we are confident that we will be able to show good growth again next quarter.

Urmil Shah: And in the last few quarters, the transportation vertical growth has relatively been inconsistent versus what we have done earlier. So this time, you are more confident that the growth should be more consistent at least over the next couple of quarters, right?

Manoj Raghavan: At this point in time, sitting today, that's the visibility that we have.

Moderator: The next question is from the line of Abhishek Shindadkar from InCred Capital. Please go ahead.

Abhishek Shindadkar: Thanks for the opportunity and congrats on a good quarter. Sir, two questions. This quarter, we saw an increase in the on-site mix presumably maybe because of the ramp-up. But any color in terms of what could the mix be or what is a sustainable level? And the second is on the

headcount, anything that you want to add in terms of the numbers of headcount that we have seen for the quarter? Is this a one-off or the mix could keep on changing as you highlighted as you hire the freshers?

Manoj Raghavan:

Yes, I think this quarter, we had a slight uptick in our on-site percentage, which is pretty normal, I would say, especially when you start up new engagements and so on. Customers would definitely want the initial phase typically to be on site. A sustainable level, I mean, from our perspective, it's definitely 25-75. And we will hover around that range only.

From a headcount perspective, so over the past four quarters, we have very, very diligently ramped up our resource pool in expectation of some of the large deals picking up. We see that some of these deals are really picking up now. So from that perspective, I think we are well placed. Further hiring would exactly be based on improving our utilization and utilizing the resources that we have already hired and so on.

When you look at a lateral hiring, it will be muted. However, it will be on a need basis. As and when we definitely need certain skills we'll go out and hire. But we won't be hiring in bulk, especially from a lateral perspective because we already have built a sizable bench, and we're pretty confident on the capabilities and skills that we have.

Fresher hiring, again, will be spread out over the next two or three quarters. And again, we will take a call based on the project ramp-ups and revenue uptick. So we will be a little cautious in adding costs, especially engineering headcount because we want to get back to our preferred margin, given that we had this one-time expense and so on. So we'll be a little cautious as compared to the last financial year. But having said that, we will keep our commitments in terms of the resources we have onboarded.

Abhishek Shindadkar:

So just to clarify, the net reduction in the employee was more about prudence rather than an uptick in attrition. I mean I know the attrition number is flat quarter-on-quarter. But there is no change in the quarterly annualized attrition for us, right?

Manoj Raghavan:

Annualized attrition, actually, has come down. But yes, so typically what we do is, even though we have attrition every quarter, the number of resources we had is far higher. But in this quarter, we have not added any freshers because Q1, typically, we don't add too many freshers. Even if we add freshers, it's usually in the last week of the quarter and so on that people join. But this quarter, we have not added. So that is why I think net addition has come down. Having said that, again, I say, we will be cautious moving forward.

Abhishek Shindadkar:

Okay, sir. Thank you and that was very helpful. Best wishes for the year.

Moderator:

The next question is from the line of Rajesh from Zenith. Please go ahead.

Rajesh:

Yes. Good evening. My question is like you mentioned about one-time expense. I didn't get that. Can you please elaborate on that, please?

- Manoj Raghavan:** Yes. So the company made a contribution to the Progressive Electoral Trust of INR19.78 crores in the last quarter. So that is a one-time expense that we talked about.
- Rajesh:** Okay. And secondly, our revenue has grown but our profitability has been very constant for the last few quarters. So what can be done to increase the profitability in the company?
- Manoj Raghavan:** I'm not sure when you say that our profitability is down or...
- Rajesh:** No, I'm not saying it's down, just being very stagnant.
- Manoj Raghavan:** Yes. I mean we have peaked our efficiency right, EBITDA of 28% plus. Not too many companies in the industry have such EBITDA.
- Gaurav Bajaj:** And if you add that one-time expense, I think you can draw a better conclusion in terms of the absolute margin that we would have grown compared to the previous quarter.
- Rajesh:** And can we also expect some kind of a bonus in time to come or...?
- Manoj Raghavan:** Yes. I mean that is -- we've been discussing at the Board level as well. And we will inform the investors in market once we have an approval from our Board. These are items that we clearly discuss. At this point in time, we have nothing to share.
- Rajesh:** Thank you and all the best.
- Moderator:** The next question is from the line of Ashish Shriram Thavkar from JM Mutual Fund. Please go ahead.
- Ashish Shriram Thavkar:** Thanks for the opportunity. My question was related more so from the GCC angle. So given that every day we are seeing a lot of setups happening in India and the narrative that they want to do more and more innovation work by themselves, would you like to comment on how that event is going to pan out for a company like us? Is it something which is coming into play, or do you feel in the near term, there could be some hiccups?
- Manoj Raghavan:** GCCs are both an opportunity as well as a threat. It's not that every company would move all the work to their GCCs. Most of our customers have a balance between what they give to their own centers GCCs and what they outsource or work with strategic partners like us. So we have not seen a case where 100% they only work with their own centers, and they don't want to work with anybody else. GCC is in the same market. They also struggle to get resources, to train resources, to upskill them and keep them ready and so on.
- I think in most of our customer places even though they have GCCs, they also work with us. So we definitely bring in a certain set of capabilities built over 30-plus years of history that we have in doing ER&D business. There's not too many companies that have such a strong domain knowledge and deep history in this domain.
- What is a GCC? GCC is just built by hiring people. So GCCs take time. You need to build that culture. You need to build that bonding. You need to build a talent base. And so it's very easy

to look at GCCs and say they have set up a center and all the work will go there. Practically, that doesn't happen.

Nitin Pai: Yes. Maybe I can just add a little bit. This is Nitin. The risks are much higher when you're talking about typical back offices because what you're doing is you're outsourcing very classical IT work, BPO work and so on, where the risk of GCC is taking over what was otherwise done by IT companies is quite high. Engineering is a lot more difficult and a lot more involved. At the same time, I'll also say there was a positive here, which is the fact that GCCs also break down barriers within the organization that we are working with about moving work to India.

So in that sense, we also see a positive halo around the fact that look, the very fact that the leadership is endorsing a GCC also means that there is that much lesser barriers to outsourcing and offshoring.

Ashish Shriram Thavkar: And just to take that point forward you also said that in terms of the feedback that is available, you'll be cautious on adding the talent. So whatever we had on our bench and we feel that is sufficient to take care of the growth for the next year?

Manoj Raghavan: No, I won't say that. And it's not that we are choking off or stopping hiring. We will still continue to hire on a need basis. It's not that we have all the capabilities ready for a large deal that comes up or ramp up and so on. At any point in time, if any deal comes up - 70%, 80%, 90% we will have the capability. We may still need to go out and add a few people depending on the technology areas and so on. But we will be cautious is the thing. It's not that I'll go out and add 1,000 people without that visibility. I'm not going to do that because I already have that bench.

Ashish Shriram Thavkar: Yes. That's helpful. Thank you so much.

Moderator: Thank you. The next question is from the line of Abhinav Ganeshan from SBI Pension Funds. Please go ahead.

Abhinav Ganeshan: I had just 2 questions. If I look at your client concentration in top 5 and top 10 versus Q1 FY '24. In top 5, we have seen a concentration go up by almost 500 basis points and top 10 by 600-plus basis points. So would this be explained by the larger clients growing faster? Or how does this add up if you could give some color?

Manoj Raghavan: We can't say that it is only due to one customer growing or it's a mix - Top 10 customers also have a mix of customers not just only from the automotive industry, from the media industry as well as the healthcare industry. So there's a mix of customer base in the top 10. And I would say we have seen broad-based growth.

Our strategy has been to really mine these accounts deeper go for new buying centers, build strategic relationships, build deeper relationships with these customers so that we can have a longer-term business with them. I think that is a strategy that we laid out not just for the top 10

customers but for the top 20 customers also. And that is where we are seeing this positive business growth and positive outcomes. I think we are comfortable with that situation.

Abhinav Ganeshan: Fair enough, sir. Just a follow-up on that. When I'm looking at your geo mix also, when I look at it same time last year, America's contribution was around 40%, which has dropped down to 33% and Europe has gone up from 37% to 42%. I'm just trying to understand whether European OEM & transportation businesses have been doing better for us compared to say the U.S. telecom and U.S. health care. Is the understanding is correct?

Manoj Raghavan: Yes. So the transportation business for us is largely driven through Europe, whereas our media and telecom and health care both are largely dependent on the U.S. market. And if you look at it both those segments have not been growing aggressively. And that is how our US share is also dipping slightly.

Abhinav Ganeshan: Fair enough, sir. Thank you for the great understanding. All the best to you, sir.

Moderator: Thank you. The next question is from the line of Manik Taneja from Axis Capital. Please go ahead.

Manik Taneja: Manoj, just wanted to get your sense with regards to what we've seen in the recent months or quarters is that the number of traditional IT companies have made substantial acquisitions on the automotive ER&D space, how does that change the competitive intensity for you? If you could share your thoughts on that.

Manoj Raghavan: True, yes. We have seen the likes of HCL, Infosys and so on make large acquisitions. So far, we have not seen an immediate impact in any of our customer base. Also, we understand that a lot of the companies that they've acquired are a lot more in the traditional mechanical engineering space - not too much of focus of capabilities in new age; whether it is digital space or the connected car space or the electrification space. We don't see any of them. So we are watching the space carefully. But at this point of time, we don't see too much of an impact on our current customers.

Manik Taneja: Sure. Thank you.

Moderator: The next question is from the line of Ashwini Kumar Singh from Statpro Fintech Pvt. Ltd. Please go ahead.

Ashwini Kumar Singh: Sir, my question is that in the previous con call, we said that almost 25% of the workforce will be AI-ready by quarter 2 or quarter 3 of the current financial year. So I would like to understand, are we on that path or not? And which particular sectors are you looking at in the AI segment? And how it can add to the top line of the company?

Manoj Raghavan: Yes. So we are aggressively working on that, Ashwini. And the target is to have about 25% of our staff trained in these technologies by December. And we have more than 100 POCs across segments, right, automotive, media and communication, healthcare as well as there's some

very interesting design POCs as well. So it's broad-based across the organization that we are going ahead.

We are having some very interesting conversations with customers. So it's early days. And it's not just us, but even for our customers, it's early days. So, we're trying to really together figure out the impact of these technologies and what benefits we can bring. So, we are pretty excited on this, and that's something that we'll continue to focus on.

Ashwini Kumar Singh: And are we doing something in the semiconductor space?

Manoj Raghavan: We don't directly do the semiconductor chip design. But however, in each of our industry verticals, because we are in an embedded space, we definitely need to partner with the major chip companies to build solutions on top of the chips, right? So, whether it's on the firmware layer or the application layer. So, in each vertical, we have partnerships with the semiconductor companies. So, I think that's our focus and that's our strategy.

Ashwini Kumar Singh: So, the revenue for these should be flowing from the next financial years?

Manoj Raghavan: I mean, revenues are already there. We have revenues coming in from semiconductor companies as we speak.

Moderator: The next question is from the line of Moez Chandani from Ambit. Please go ahead.

Moez Chandani: I wanted to understand your outlook on utilization. Given that headcount has declined, do you see the utilization levels right now have peaked? Or do you think that there's still more leeway for increasing your utilization? And could that have an impact on margins as well?

Manoj Raghavan: Absolutely. I mean, utilization has not peaked at all, right? We have a long way to go. And that is where we are confident that we have enough levers to manage the margins. So yes, so that will be the focus in the coming 3 quarters in the years, right? We really need to ramp up our utilization. So, as the deals pick up, definitely, utilization will also increase.

Moderator: The next question is from the line of Chirag Kachhadiya from Ashika Institutional Equities. Please go ahead.

Chirag Kachhadiya: Sir, I have one question on media and communication vertical. So, what's the behaviour of clients who experience for this vertical during the quarter? And what's the outlook going forward? Because in previous one of the calls, we mentioned that by end of the years, we were expecting that this vertical to bottom out. So, is it still intact? Or any behavioural change you witnessed even in the 1Q as well?

Manoj Raghavan: I explained about it in a few questions before. I believe that, look, we have bottomed out and there are some green shoots, some good opportunities that we are chasing. Yes, it's still a tough market. There are still a lot of M&As going on, a lot of focus on cost reduction. There are a lot of layoffs happening at our customer places.

There's a lot of push towards best cost locations and offshoring and so on and so forth, right? So, having said that, there are some good large consolidation opportunities and large deals that we are seeing. Of course, it will take 1 quarters or 2 quarters to fructify and move forward. But I think we are seeing some positive revivals.

Plus there are some good deal wins, especially with the NEURON platform that we have launched. So, we are really looking at opportunities in 5G and 6G space as well as we speak. So, these are all opportunities for us that can really help this vertical to grow in this financial years.

Chirag Kachhadiya: Okay, all the very best.

Manoj Raghavan: Thank you.

Moderator: Thank you. The next question is from the line of Apurva Prasad from HDFC Securities. Please go ahead.

Apurva Prasad: Manoj, could you give out how much would be the OEM mix with the Transportation in the current quarter?

Manoj Raghavan: 66%.

Apurva Prasad: 66%. Got that. And on the Healthcare & Life Sciences segment, this delay in renewal, what would you attribute that to by the large customer that you mentioned earlier?

Nitin Pai: Yes, Apurva, I'll take that. In this particular case, I think it's simply business challenges at the customer side. They have had some growth challenges on their own top line and so on. So, there are very specific, I think, CFO-led initiatives to calm down on cost, which is affecting our R&D programs. So, we expect that to be short term. But having said that, we are keeping a close watch.

Apurva Prasad: And would you expect a similar decline next quarter? I'm asking this because I believe last years, you added some marquee names in the vertical. And I think that goes along with the ODC setup. So, would that sort of offset the impact that you're seeing from this? Or this could likely continue for a quarter more?

Nitin Pai: To that extent, ramp-ups that we do in other deals, we cannot fully make up for what we have here. There is an expectation that some, if not all of the renewals should come through. And I think that is what we're aiming for. It cannot be 100% pullback of everything, which is okay.

As long as we have partial, we should be able to fill up with what we're doing with other customers, some of the great logos that you won because there's a growth path there, even though typically, healthcare is a little bit of a conservative industry, it doesn't kick in too early too quickly but there's a good pipeline there.

There's a good visibility there. But it is important that, yes, we recover some of the renewals and get them going, even if not all. So, that is the only place where there's some dependency, Apurva, to that extent.

Apurva Prasad: Thank you.

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

Manoj Raghavan: Thank you, everybody, for attending the investor conference. We really look forward to talking to you again the next quarter. And as a management team, we're really focused and keen to continue this growth path and continue on the recovery at least in some of the verticals like Media and Communication. We are fairly confident that we have a good sort of pipeline and fairly confident that we'll end the financial years positively. So, that's something that as a management team, we're really focused and committed. So, thank you again, and look forward to talking to you again next quarter. Bye.

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