



October 14, 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 Sirs,

**Sub.: Transcripts of the Investors' Conference Call for the quarter and six months ended September 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 and six months ended September 30, 2024, held on October 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

**TATA ELXSI**

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“Tata Elxsi Limited

Q2 FY '24-'25 Earnings Conference Call”

October 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 –  
TATA ELXSI LIMITED**

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

**Moderator:** Ladies and gentlemen, good day, and welcome to the Tata Elxsi Q2 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 joining us from the Western side. Before we proceed to the call, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties and other factors. Therefore, it must be viewed in conjunction with the business risk that would cause 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. Cauveri Sriram, Company Secretary. We will start the call with a brief overview of the past quarter by Mr. Raghavan, followed by a Q&A session.

We would appreciate your cooperation in restricting yourself to two questions to allow participants a chance 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. Good evening, everyone. Thank you for joining us today for our quarter 2 FY '25 Investor Call. Before we start discussing about the quarter 2 performance of the company, I'd like to take a moment to share the profound loss that the Tata Elxsi family feels in our hearts on losing Mr. Ratan Tata. He played a pivotal role in the founding of this company and had always encouraged the technology, innovation and design-led business approach that Tata Elxsi is now well known for. This memory will forever remain in our hearts, and his vision and legacy will continue to shape our future.

Coming to our second quarter performance, we are pleased to report a steady quarter with revenues from operations growing to INR955.1 crores, registering a quarter-on-quarter growth of 3.1%. In constant currency terms, the operating revenues stayed flat, registering a modest growth of 0.2% quarter-on-quarter.

Our Transportation business continues to power the growth for the company, registering a healthy revenue growth of 4.4% quarter-on-quarter in constant currency terms. Our strong ADAS, connected, electric and software-defined vehicle capabilities are helping us win large deals with global OEMs across the world, positioning us well for the continued transformation of the automotive industry. We won a landmark US\$50 million multiyear deal from a global

OEM headquartered in Europe, with encompasses SDV and multiple domains of automotive engineering. This strategic engagement will enable SDV platform development and the next generation of mobility for this world-leading brand.

During the quarter, we also announced a strategic engagement with Nidec Corporation, Japan, to support their group technology initiatives, especially for automotive market. We also launched a global next-gen mobility innovation center in Bangalore in partnerships with Emerson.

Our Media and Communication business declined by 2.2% quarter-on-quarter in constant currency terms, largely because of pending customer decisions and some large deals that we have been pitching for, and also natural completion of some of the projects that we have been working over the last several quarters. That said, we see green shoots for growth led by our network transformation offerings and the digital Gen AI-led innovation for the future of media.

I'm especially delighted with our world's first RDK broadband implementation for Qualcomm, which allows global telecom operators to adopt to this first of its kind solution to deliver high-speed home and enterprise broadband services with a 5G network. We also won a strategic AI Center of Excellence deal with a leading Middle East operator, which will support their company-wide transformation initiatives, including reimagining products, customer experience, operations, customer support and software development.

Healthcare and Life Sciences business reported a decline in top line by 11.2% quarter-on-quarter in constant currency terms. This is due to delay in renewal and start-up of new programs with our leading US-based customer. We have added some new customers, including a global renal care leader and a US headquartered healthtech AI leader, which should scale over the next few quarters.

Skandray, a leading global MedTech R&D and Manufacturing company specialising in diagnostic imaging, critical care and surgery/OT solutions, has chosen Tata Elxsi as a strategic partner for advanced surgical imaging core technology and software platform development. This underscores our unique ability to bring together design, cloud and AI to re-imagine healthcare diagnostics and patient care.

Also, we launched a state-of-the-art robotics innovation lab in Frankfurt in partnership with Denso Robotics and AATech, designed to revolutionize automation and robotics for various sectors, including precision surgery and health care. We are witnessing an unprecedented convergence of design, software and digital technologies such as AI in how enterprises are reimagining their product services and customer experience.

With our strong AI capabilities and design digital capabilities, we are well positioned to demonstrate and create value, win new customers and engage deeper with our global customer base. Our operational and also delivery excellence, fiscal discipline and differentiated offerings have contributed to our EBITDA margins expanding by 70 basis points to 27.9% for the quarter.

Our PAT grew by 24.6% quarter-on-quarter to INR229.4 crores, with a superior bottom line performance further aided by R&D incentives and tax credits from previous years. Our strategic focus on expanding our business in Japan, emerging markets and capitalizing on the India opportunity is now starting to significantly contribute to our growth.

During the quarter, our revenues from India grew by 31.2% year-on-year, while Japan and emerging markets grew smartly at 81.9% year-on-year. On the people front, at 12.5%, our attrition remains under control as we prepare to onboard the next batch of freshers. We step into the third quarter of the financial year with the confidence of a healthy deal pipeline, continued growth in our transportation business, large deal wins and a recovery in our other key verticals.

I now open the floor for questions.

**Moderator:** Thank very much. We will now begin the question-and-answer session. Our first question is from the line of Bhavik Mehta from JP Morgan. Please go ahead.

**Bhavik Mehta:** Thank you. So a couple of questions. Firstly, on the transportation vertical, we have seen very strong growth in the last 2 quarters. But when the environment has a lot of global OEMs cutting back on EV target and given your deal pipeline and the deals already closed, how should we think about the growth in this vertical over the next couple of quarters going ahead?

**Manoj Raghavan:** Yes. What do you say is true. In general, the automotive industry, we see a lot of news out there. So the good part for us is there are deals that we have built and there are deals that we have won that we have to execute and ramp up. So while there is a sort of slowdown or softness in the automotive market in generally, I think as far as Tata Elxsi is concerned, because of some of the deal wins that we've had that we will ramp up and some of the deals that we have already bid for, we are still hopeful that we will have a decent growth in H2.

**Bhavik Mehta:** Okay. Got it. That's helpful. Secondly, on the health care side, are the headwinds from the U.S. client all behind now? And do we see growth coming back from 3Q? Or will it take some more time before this client comes back?

**Manoj Raghavan:** I strongly believe that we have bottomed out. I mean, even in our Q1, we did indicate that we have this softness in the market. We believe we have bottomed out in Q2 and Q3, we should see a growth. Again, there are good conversations happening with customers and with the one-off customer, there are some delayed decisions and we hope that we will recover in Q3.

**Bhavik Mehta:** Okay. Got it. And just last margin walk for this quarter?

**Manoj Raghavan:** I will ask Gaurav to take that question.

**Gaurav Bajaj:** Hi Bhavik, so our operating margin expanded by 70 basis points sequentially compared to the quarter 1. The major ups and downs for the margin walk - I think we have a cross-currency benefit of 160 basis points. Most of the major currencies moved favourably for us in this quarter. Our other expenses came down substantially during this quarter compared to the last

quarter. Last quarter, we had the one-time contribution. That has brought almost 130-basis-point uptick into the margins at the operating level.

We also mentioned last quarter that we would be doing the junior to mid-level salary hikes that we have done effective 1st July. That has an impact of 120 basis points. And our cost of other goods, which entails some of the lab setups, tools and other hardware that is required for some of the larger program starting during the quarter, that has an impact of 100 basis points. So that sums up to 70-basis-point increase in our operating margin on a quarter-to-quarter basis.

**Moderator:** Thank you. Our next question is from the line of Sukant Garg from Equible Research Private Limited. Please go ahead.

**Sukant Garg:** Hi. So I have 2 questions here. One is related to the health care segment. Is there any loss of customer in case of our revenues in the health care segment?

**Manoj Raghavan:** No, there is no loss of customer. We have had a delay in the start of new programs with existing customers.

**Sukant Garg:** Okay. And my next question is with regards to the transportation sector. So as we see the last quarter, the transportation sector has been growing pretty well and this quarter as well, there is a good growth. So how do you see this sector in the H2 or the next year FY '26. Is that the same level of growth that we're going to achieve or is it going to subside down?

**Manoj Raghavan:** It's very difficult to talk about FY '26, given the dynamics that is happening in the industry and the trends that we are seeing, right? But however, as I explained in the previous question, which Bhavik has asked, we are pretty confident for H2 because of the deals that we have already won and the ramp-ups that we have to do. And also some of the new deals that we have placed in the last quarter, and ongoing deals that we are chasing this quarter also. So we see a good deal pipeline. And I believe we can continue the growth in H2.

**Sukant Garg:** So do we also see a consolidation at headcount level? Or is it going to be bottomed out now, and we're going to increase the headcount from now on?

**Manoj Raghavan:** You're talking about headcount?

**Sukant Garg:** Yes.

**Manoj Raghavan:** So we will be very cautious in adding headcount. We will only add headcount where there is any specialized skills that we don't have to execute the projects that we have won. So having said that, we will add the freshers from the universities that we have hired for during the campus last year, they will start coming in during Q3 and Q4.

**Sukant Garg:** Is it majorly because of the consolidation of the projects that headcount has not been happening for their own existing projects that's been going on due to which the headcount is stagnant?

**Manoj Raghavan:** No. So the headcount, we have seen a drop in the headcount because we have stopped aggressively hiring. We used to hire anywhere between 500, 600 resources every quarter. That has dropped now this quarter. So we have taken a very, very careful view of adding more headcount at this point in time, this is from a lateral point of view. Having said that, from a fresher hiring perspective, we will continue to hire freshers in the H2.

**Sukant Garg:** No, I want to say that if we are adding new projects and if we are not adding the headcount, what you want to say is the headcount that we have is currently enough?

**Manoj Raghavan:** Yes, yes. We have billability. We have a utilization of around 69.5%. So we have enough headroom to manage the new projects with the headcount that is already available internally. We will still go ahead and hire only certain critical resources that we need to execute very, very specific projects and so on.

**Moderator:** Thank you. The next question is from the line of Salil Desai from Marcellus Investment Managers. Please go ahead.

**Salil Desai:** On the previous question, I want to kind of understand that a little better. The whole of last year or almost about 5 or 6 quarters now, we have added net headcount. And this quarter you are still cautious. So, is there any change in the way you're looking at the outlook for the last year's hiring pipeline as more than sufficient versus what growth expectations actually panned out? How should one see the change in view on headcount additions versus growth?

**Manoj Raghavan:** We have a healthy bench, at this point in time. Our utilization is only about 69% to 69.5%. So given the overall status that we have in two of our major businesses, media and communication as well as the healthcare and life sciences, we are a little cautious in adding more resources in those businesses. However, from a transportation and the industrial design business that we have, we are ramping up headcount and resources. So if you look at our overall level, you might see a flattening or you might even see a dip in the headcount, but that is also because the last financial year, in Q2, we have added freshers. We started the fresher hiring in Q2 itself. This financial year, we have pushed that to Q3.

**Salil Desai:** And how would you like to comment on say how the overall supply side situation is? So if tomorrow in healthcare things change and if you were to ramp up, what chances that could be constrained on finding the right people?

**Manoj Raghavan:** I think at this point in time, people is not a big challenge for the industry. So I think that's not going to be an issue doing at this point in time. We can never know after two quarters what is the situation. But I think for the next two quarters, the supply side should not be an issue.

**Salil Desai:** Thank you.

**Moderator:** The next question is from the line of Moez Chandani from Ambit.

**Moez Chandani:** My first question was, you previously said that you expected to close FY25 at a better growth rate than FY24. I want to check if that's still something that you expect to do for this financial year.

**Manoj Raghavan:** That's a very difficult question to answer at this point in time. If the Q2 performance was a notch better, we would have still been confident. Though we have a visibility and so on, the industry cycles are so unpredictable nowadays and the deals that we are going after that we hoped to close in 3 months is now getting pushed to 6 months. So that is a general slowness in the market. But having said that, we still hope to show superior growth in H2 to return back to the growth that used to happen maybe four quarters ago or six quarters ago. So at this point in time, I would say, our target is definitely to end the year with a double-digit constant currency growth. I know it is asking much and it is tough. But why I'm a little confident is the sort of deals that we are pursuing and the sort of pipeline that we are seeing. We definitely don't want to lower our goals, we still want to go after that double-digit growth, and we'll put all our best to see whether we can reach that.

**Moez Chandani:** How has growth been with our top client versus growth across the rest of the auto OEMs? And are we still seeing pressure on Tier 1 suppliers versus the auto OEMs that we have noted previously?

**Manoj Raghavan:** So yes, I think auto OEMs are definitely growing faster than the Tier 1s, which is positive. So not just the top OEM customer that we have, the other OEM customers have also shown growth in the quarter. Only a few Tier 1s are showing that growth. A lot of other Tier 1s are either remaining flat or there is some degrowth happening. But overall, at a portfolio level, the percentage of revenues from OEMs definitely has grown as compared to Tier 1s.

**Moez Chandani:** And just one last question on my side. Can I get a little more detail on the timelines for the large deal that we won this quarter? When do we start expecting it to contribute to revenues, and how long is the deal for?

**Manoj Raghavan:** It's a five-year deal, and the ramp-ups would start maybe middle of this quarter in a small way, but the major ramp-ups will start from January onwards.

**Moez Chandani:** Thank you so much and best of luck.

**Moderator:** The next question is from the line of Bhavik Mehta from JPMorgan.

**Bhavik Mehta:** Can you comment on the demand trends you're seeing in the media and telecommunications side because this vertical has been weak for quite a long time now. Are there any signs of this bottoming out at all or do you think these headwinds can continue for the next couple of quarters as well?

**Manoj Raghavan:** Yes, frankly, media and telecommunications is a bloodbath. You look at any company in this area, if you look at any competition, you look at overseas companies, all of us are seeing tightening of budgets, and huge amount of consolidations happening in this industry vertical, a lot of cost takeouts. The deals are primarily around cost takeouts and consolidations and so on.



So, I think while we are still staying afloat, we have invested in a set of products and solutions and IPs. We are really pushing some of those forward and really going to customers and saying “Hey, we can do things in a lot more efficient manner. We can help you take costs out.” So those are the value proportions that we are taking to customers.

I think, definitely, the confidence is there in terms of growing, but whether the growth will be significant or not, it's very difficult at this point in time because most of the deals comes with a huge amount of negotiations and cost takeout. We will grow, but will it be a significant growth or not, it is very difficult to say at this point in time over the next couple of quarters-H2.

**Bhavik Mehta:** Okay. Got it. And lastly, on the margin side, I think last time there was a target of maintaining the margins at FY24 level. So does that target still remain? Or will it come down given where Q2 has ended up?

**Gaurav Bajaj:** No. I think we continue to target our margin in the expected band that we had communicated earlier also. Of course, there would be one-off blips here and there. This quarter, there was a salary increase done for the junior to mid. But with H2, we expect it to be a better half compared to the H1. So we believe that we can improve on the margin from here on.

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

**Sulabh Govila:** So my first question is on the transportation vertical. So just wanted to understand the large SDV deal that we had won in Asia, which is providing some growth in this particular quarter, is this fully ramped up or it has tailwinds in the coming quarter as well?

**Nitin Pai:** Sulabh, I can take that. I think we have done a reasonable part of that ramp up, but we still have some room to go.

**Sulabh Govila:** And that would be fully done in 3Q or that will be an increasing momentum?

**Nitin Pai:** I think it will kind of peter out in about two quarters. So we should be done largely in Q3 with some amount of lift further in Q4.

**Sulabh Govila:** Okay. Understood. And with respect to the Healthcare vertical, I understood that we mentioned that it has sort of bottomed out. But I just wanted to understand, in this key customer where we were trying for renewals and new project starts, so do we now have the green light for these renewals and project starts or that is still pending?

**Manoj Raghavan:** We will have some partial restart this quarter. So to that extent, we have seen some visibility. And we hope by Q4, we'll be back to the full plan.

**Sulabh Govila:** Okay. So does that mean that whatever revenue decline we've seen in the past two quarters, that will fully come back in a couple of quarters?

**Manoj Raghavan:** That is the focus and that is the intent that we have.

**Sulabh Govila:** Okay. Understood. And the last bit is on this media and telecom side, the new program that you launched on taking the capability from media site to telecom on this RDK Broadband implementation. So just wanted to understand how big you think this opportunity is for you and how big can this become as a percentage of revenue or of this vertical as a whole? How should one think about that?

**Nitin Pai:** Yes. Maybe I can take that. I think we see it in two contexts. One is that telcos have typically stayed shy of broadband and so on. And the only options have been either certain open standards or very proprietary devices that come from incumbent device suppliers that telcos had to adopt. I think for the first time, this offers a clear path where it's an open standard that is global adoption and somebody like Qualcomm backing it up.

We are going to see significant movement of operators to adopt this kind of technology, but try to understand, this is all going to be capex linked. So to that extent, I think you will see it play out over the next two years, to be clear. I think the big opportunity for us is not only to support that adoption and I think the biggest gain for us would be really our entry into telcos using this bench. So in that sense, for us, it's a very strategic long-term play rather than anything that we see in the very short term.

**Sulabh Govila:** Okay. Understood. And is there a particular billing model or monetization in this, which is involved? How should one think about that?

**Nitin Pai:** No. At this time, it is still clear product engineering, right? So there is no fancy model that comes in.

**Manoj Raghavan:** It will be outcome-based or it would be time & material, it's a standard model.

**Moderator:** Thank you. The next question is from the line of Kamlesh Kumar, who is an Individual Investor. Please go ahead.

**Kamlesh Kumar:** First of all, I convey my condolence from Mr. Ratan Tata's demise, it is loss for not only Tata Elxsi or group companies but also the entire Indian population; such a great leader. Okay. Coming back to the question. I was just going through the presentation; I saw that there's major revenue coming from Europe and US, which is close to 70%. And considering the job loss data, which is released today, the drop of claims that are released today, there is an increase of around 20,000. So do you foresee any impact due to any slowdown in Europe or America on Tata Elxsi outcomes in Q3 and Q4?

**Nitin Pai:** Maybe I can take that. If you understand our company profile, I think we excel in offshore delivery. So to that extent, we typically engage with customers with the promise of fantastic engineering delivered with talent that can scale from India. So our on-site revenues are fairly minimal, and they're predominantly driven to support projects that we already won because the model of delivery also is a little bit of ownership driven. So to that extent, Europe and US job loss data does not have as much of a consequence. It should be a bit of a tailwind because that means that there are more jobs coming our way.

- Moderator:** Thank you. The next question is from the line of Rajesh from Zenith. Please go ahead.
- Rajesh:** First of all congratulations for a good set of numbers in this challenging environment, and I must appreciate and thank all the management team over here for the continuous effort. My question would be, do you foresee any opportunities in the defence and semiconductor sector? And do we have the capabilities or are we trying to build any capabilities in that area?
- Manoj Raghavan:** Yes. I think both the defence and the semiconductor industry are of interest to us. So we've been working with the various DRDO labs, ISRO, and defence establishments on projects from time to time. Given the focus of the Indian government on a lot of new projects, especially in defence from India and India-based companies and so on. So we believe it's a good opportunity, especially with the capabilities that we have in imaging, in hardware designs, and in wireless technologies. Most of the defence electronics that come out are a combination of many of these technologies. So we are actively looking at opportunities that come this way. And I think that is definitely an area of focus for us.
- Similarly, on the semiconductor side, there are a lot of investments coming in fabs and foundries and so that is another area we would definitely look at. Currently, we are engaged primarily in helping semiconductor companies more on the software application side. But having said that, that is an opportunity for us to really look at chip design.
- For many years, we've had that semiconductor. We had a unit that that focused on chip design, and we've actually taped out chips SoCs for our customers, maybe 10 years ago. So definitely, we know the domain. We know the field. Definitely an opportunity for us to really get back and see what sort of investments we should be making in rebuilding some of the capabilities that we've sort of led go right at that point in time. So yes, I think both of these are of interest.
- Rajesh:** Opportunity size is very huge, I think, as I understand.
- Manoj Raghavan:** Yes, it is. I mean each of these come with their own complications, right? These are really high-tech areas, right? They're not run-of-the-mill projects and so on. So we really need to have that capability to really enter the field and stay in the field. So that's something that we are evaluating from a future perspective.
- Moderator:** Thank you. Next question is from the line of Vinesh Vala from HDFC Securities. Please go ahead.
- Vinesh Vala:** You said that we are expecting to bottom out in Q3 for the health care vertical. Am I right?
- Manoj Raghavan:** Yes. That's correct.
- Vinesh Vala:** Okay. Sir, another question I had was regarding OEMs growing faster than Tier 1. So what would be the percentage of OEMs of the total transportation?
- Manoj Raghavan:** This quarter, we have touched 68% from an OEM perspective of our overall transportation revenue.

- Vinesh Vala:** So it's 68%. And we expect that to increase going ahead?
- Manoj Raghavan:** Some of the large deals that we have won are all OEM deals. So yes, over a period of time, yes, next couple of quarters, we expect the OEM business to grow.
- Nitin Pai:** Vinesh - the bottoming out was referring to Q2, not Q3. Just to clarify for health care.
- Moderator:** Thank you. The next question is from the line of Niket from MO Asset Management Company. Please go ahead.
- Niket:** Thanks for the opportunity. I just had 2 questions. One, if you can just give some color on how the JLR ramp-up has been happening? And what do you expect for the H2 of this year?
- Manoj Raghavan:** JLR has been a steady customer of ours and a lot of new age capabilities that we built based on the work that we have been doing with JLR, including software-defined vehicles and the complete EV powertrain area - we have a very, very strong lock-in with JLR. So that's been a fantastic journey for us. Having said that, we all know JLR is also going through its own issues. Their sales are going down. So while JLR continues to be an important customer, we definitely have built other OEM customers. And the H2 growth for us will definitely come. Of course, JLR will continue to grow, but there will be faster growth in other OEMs.
- Niket:** Got it. And the second question was, if you look at the business model of Tata Elxsi, obviously, auto has been a consistent good driver for you, with a bit of volatility on Healthcare and Media and Entertainment. Do you think that while these are 3 major verticals that you continue to run, of which 2 continue to remain fairly volatile, you would need 1 or 2 new verticals to come and ensure that the growth is much more, I would say, structural rather than a bit cyclical at least on a couple of those segments that I mentioned about. So how would you look at newer verticals being added or any M&A kind of opportunity within the existing verticals to ensure that the growth is slightly higher than what you are currently?
- Manoj Raghavan:** No. I agree. It's not as if transportation was always firing, right? During COVID, if you look at it, transportation segment actually went down and it was the Media and Communications and Healthcare that actually grew at that point in time. So I think we are very much aware, but I think that is also the strength of this sort of 3 verticals that we have, right? It's sort of orthogonal and having said that, we are looking at newer areas, newer industry verticals to get in. There are many options that we have been evaluating. So yes, I think, hopefully, from our next financial year strategy perspective, definitely, there's a focus in building newer verticals. We will announce that at the appropriate time.
- Niket:** Got it. Perfect, thank you so much and I'll come back in queue.
- Moderator:** Thank you. The next question is from the line of Manik Taneja from Axis Capital. Please go ahead.
- Manik Taneja:** Hi, thank you for the opportunity. I actually wanted your inputs on a couple of things. Number one thing is we see headcount come off in the current quarter. If I recall correctly, last quarter

while you've been talking about budget investments from a headcount standpoint this year, you have been talking about hiring pressures in the current quarter, and thereby expect the headcount to go up. If you could talk about the plan on that front?

And also, with regards to JLR, if I see your Annual Report, the approval that one has taken in terms of labour party transaction limit that suggests that JLR will essentially grow in excess of 50% this year. Are we on track with some of the challenges that you spoke about in case of JLR in the near term? And also, how should we be thinking about the ramp up on the auto OEM deals given the way head count actually has been trending?

**Manoj Raghavan:**

Yes. So coming to your question regarding freshers, no, we have not added any freshers in this quarter and in Q2. The fresher addition will happen in Q3. So that is about the freshers. From a JLR perspective, what we have taken the omnibus approval that we have taken INR1,000 crores. We looked at it from a 2 year perspective, so that we don't need to go again and again to the investors for approval. The intent was never to say that JLR will be INR1,000 crores in this financial year. So I think JLR has been growing pretty well for us. But still there's a long way to go to achieve INR1,000 crores number that you're talking. That will be a good target for us eventually. Was there any other question?

**Manik Taneja:**

Sir, my question was with regards to how should be thinking about the growth trajectory given the headcount has been coming off in the last couple of quarters? And the last question from my end. You had spoken about FY '25 and how you expected to have better growth year than FY '24. Clarification on that is, are we looking at this from a constant currency growth, rupee number or a dollar number? Because if I do some math, the ask rate for second half is extremely high to be on constant currency?

**Manoj Raghavan:**

So I think we've discussed that in a previous question as well. Yes, so when we looked at the end of Q1, we were pretty confident in terms of being able to better our growth in the last financial year. However, with H1 gone, while the intent is still there to see if we can get to a double-digit constant currency growth, I know the ask is huge. But the good part is that we have won certain deals, and we'll have to ramp up them over the next half year. On top of it, there are other deals that we are bidding for, that also gives us a good feel that, look it is possible. Having said that, I know it's an extremely difficult task. But we don't want to change our goals, short-term goals now. We will take a look at it at the end of Q3 and see where we stand.

**Manik Taneja:**

Manoj, I know I'm pushing you, but given the speed of news flow from global auto OEMs in the recent months, and each of them essentially are seeing their own specific volume-related challenges or uptick on the EV side, do you think given the tailwinds that this industry has enjoyed in the last 3-4 years, we could probably go through a phase of slow decision making and reprioritization trend and there by some pressure for the auto R&D segment?

**Manoj Raghavan:**

It is true. I think this question was also asked earlier. So it is true that the general auto industry is going through slowdown. EV sales are not picking up, all of that is true. But having said that, there are deals that we have already closed that ramp-ups are happening. So the

confidence comes from the fact that, look there is a visibility that we have. And we are also looking at new deals, if I look at the pipeline that we have. And the good part is some of these deals are not necessarily from US or Europe OEMs, there are substantial deals in Asia and Japan and so on.

Where we see that some of these OEMs have been late to the party. And so they are in a hurry to catch up. So we would definitely see some of these deals closing. And again, we don't need 20 deals to close in our favour, right? All we need is 1 or 2 large deals every quarter. So I think we are there. We are seeing some of those deals. And even if the industry is going through a lot of turmoil and so on, all we need is those 1 or 2 deals that will really help us and keep us afloat.

**Manik Taneja:** Thank you and all the best to the team.

**Manoj Raghavan:** Thank you, Manik.

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

**Manoj Raghavan:** Wonderful. Thank you so much for all the questions. We will get back again end of Q3. And hopefully, we will have a better growth story at that point in time. And thank you so much, and good night. Good evening. Take care.

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

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**Note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.**