

Tata Elxsi Ltd.

BUY

Sector: IT ER&D

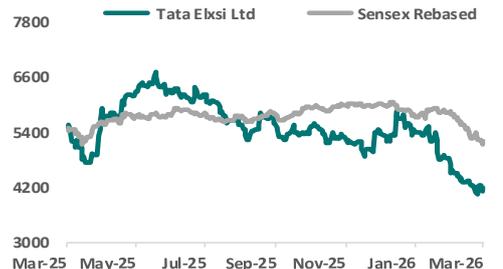
25th March 2026

Key Changes	Target	Rating	Earnings	Target	Rs. 5,135
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Small Cap	TELX:IN	75,273	TATAELXSI	500408	12 Months
				CMP	Rs. 4,213
				Return	+22%

Data as of: 25-03-2026, 16:00hrs

Company Data			
Market Cap (Rs. cr)	26,243		
52 Week High — Low (Rs.)	6,734 - 4,023		
Enterprise Value (Rs. cr)	25,476		
Outstanding Shares (Rs cr)	6.2		
Free Float (%)	55.1		
Dividend Yield (%)	1.8		
6m average volume (cr)	0.03		
Beta	1.2		
Face value (Rs)	10.0		
Shareholding (%)	Q1FY26	Q2FY26	Q3FY26
Promoters	43.9	43.9	43.9
FII's	12.73	12.5	8.6
MFs/Institutions	9.8	10.4	12.3
Public	33.6	33.2	35.2
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-23%	-24%	-24%
Absolute Sensex	-13%	-9%	-5%
Relative Return	-10%	-15%	-19%

***over or under performance to benchmark index**



Consolidated (Rs.cr)	FY26E	FY27E	FY28E
Sales	3,747	4,217	4,743
Growth (%)	0.5	12.5	12.5
EBITDA	836	999	1,233
Margin(%)	22	24	26
PAT Adj.	648	792	969
Growth (%)	-17	22	22
Adjusted EPS	104	127	156
Growth (%)	-17	22	22
P/E	47	39	31
P/B	10	9	7
EV/EBITDA	35	29	23
ROE (%)	22	24	25
Adj. D/E	0.1	0.1	0.1

Gradual Demand Recovery Ahead

Tata Elxsi (TELX) is a leading provider of IT ER&D (engineering, research and development) services. TELX has capabilities across Automotive, Broadcast & Communications, and Healthcare industries.

- Tata Elxsi posted a 2% YoY revenue decline in 9MFY26, while sequential recovery was visible with 3.9% growth, led by a 7.7% rebound in Transportation on SDV-driven OEM ramp-ups and normalization of key client engagements.
- In 9MFY26, most of the geographies posted YoY declines; however, sequential recovery was led by Europe (+5%) and North America (+13%) on broad-based traction across accounts and verticals, while India fell 9% due to weaker automotive supplier demand.
- EBITDA margin declined 534 bps YoY to 22% in 9MFY26, though it expanded 220 bps QoQ. The sequential improvement was driven by ~200 bps utilization-led operating leverage, ~80–85 bps cost discipline, and ~35 bps forex gains, partly offset by a ~110 bps wage hike impact.
- Anchor client recovery is expected over the next 1–2 quarters. While OEM decision-making remains cautious, strong value propositions and offshore execution continue to support deal wins and a gradual demand recovery.

Outlook & Valuation

We believe, Tata Elxsi is entering a recovery phase, driven by strong transportation growth from SDV-led deal ramp-ups, new OEM wins, & expansion into off-road segments. Continued investments in SDV, electrification, ADAS, & connected platforms support medium-term growth. Margins may face near-term pressure from wage hikes & Chinese competition, but rising utilization & operating leverage provide expansion potential without large-scale hiring. Slow OEM decision-making in Europe, the US, and Japan may delay deals, while Media & Communication and Healthcare are expected to recover gradually from Q4FY26. Despite macro and competitive pressures, Tata Elxsi's domain expertise, design-led approach, and offshore execution position it for steady recovery, **Hence, we value TELX at 33x FY28E EPS and recommend Buy rating with a target price of Rs.5,135 at CMP.**

Quarterly Financials Consol.

Rs.cr	Q3FY26	Q3FY25	YoY Growth (%)	Q2FY26	QoQ Growth (%)	9MFY26	9MFY25	YoY Growth (%)
Sales	953	939	1.5	918	3.9	2,764	2,821	-2.0
EBITDA	222	247	-9.9	193	15.0	602	765	-21.3
Margin (%)	23.3	26.3	-295bps	21.1	225bps	22	27	-534bps
EBIT	199	221	-9.6	170	17.4	532	685	-22.4
PBT	146	256	-42.8	215	-31.9	557	807	-30.9
Rep. PAT	109	199	-45.3	155	-29.7	408	613	-33.4
Adj PAT	205	199	2.8	155	32.1	504	613	-17.8
Adj EPS (Rs)	32.8	32.0	2.8	24.9	32.1	81	98	-17.8



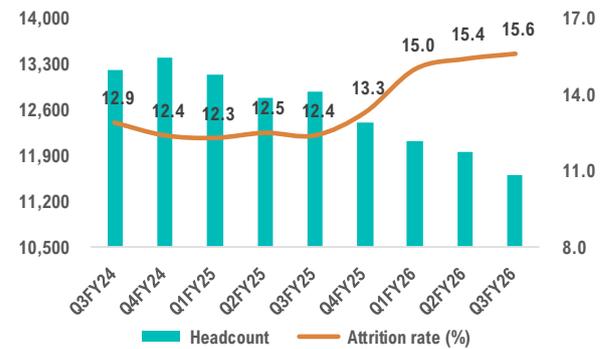
Key Highlights

- Transportation grew 7.7% QoQ and now contributes over 55% of revenue, driven by large deal ramp-ups and recovery in a strategic client. In contrast, the healthcare and Media & Communications verticals saw QoQ contractions of 3.6% and 0.3% in CC terms, driven by seasonal furloughs, deal delays, and regulatory program run-offs, though recovery is anticipated from Q4FY26 supported by deal wins, pipeline strength, and GenAI-led offerings.
- Headcount stood at 11,594, down 2.9% QoQ and 9.9% YoY, with attrition at 15.6% (+320 bps YoY). Management remains cautious on hiring, with utilization at ~75% and potential to reach 80–85% via automation, AI, and GenAI. Hiring will be selective, focusing on niche skills, as near-term growth is expected from productivity gains rather than headcount expansion.
- Automotive demand discussions have strengthened over the past 2–3 quarters, with new deals and customer additions underway. Over the next two quarters, the company expects clearer recovery across Transportation, Media & Communications, and Healthcare, supporting higher utilization, improved profitability, and sustained growth momentum.
- In non-passenger vehicle transportation (off-highway, construction equipment, railways), Tata Elxsi currently derives ~7–8% of revenue and continues to target 20% over the next 2–3 years. Management highlighted stronger customer logos and rising industry spend as key enablers for meaningful scale up in this segment.
- High growth areas such as electrification (EVs and hybrids), ADAS, and connected car platforms continue to see strong customer spending. Growth momentum is largely driven by the top 5–10 automotive accounts and is well distributed across geographies, reducing regional concentration risk and supporting sustained growth visibility.

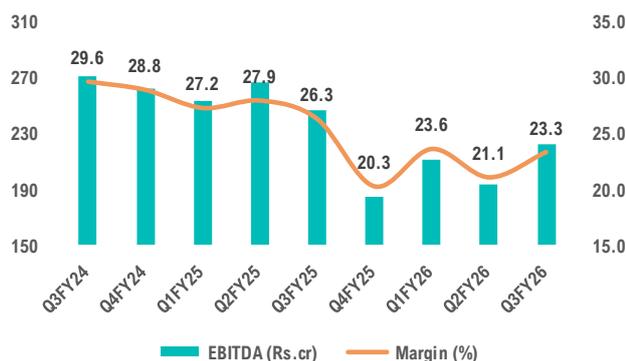
Revenue



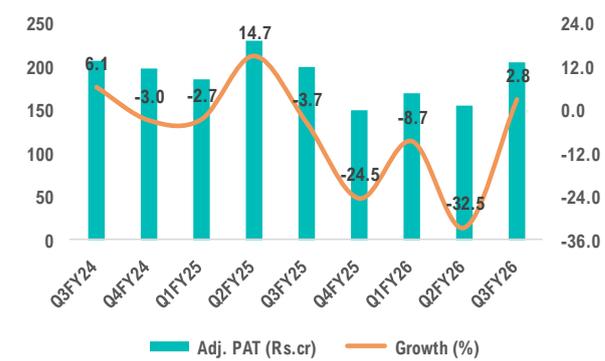
Headcount & Attrition rate



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY28E	FY26E	FY27E
Revenue	3,655	4,189	3,747	4,217	4,743	2.5	0.7
EBITDA	903	1,047	836	999	1,233	-7.5	-4.5
Margins (%)	24.7	25.0	22.3	23.7	26.0	-240bps	-130bps
Adj. PAT	717	835	648	792	969	-9.6	-5.1
EPS	116	135	104	127	156	-10.3	-5.8



Consolidated Financials

PROFIT & LOSS

Y.E March (Rs.cr)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	3,552	3,729	3,747	4,217	4,743
% change	13%	5%	0%	13%	12%
EBITDA	1,046	973	836	999	1,233
% change	9%	-7%	-14%	20%	23%
Depreciation	99	105	112	121	140
EBIT	947	868	723	878	1,093
Interest	20	19	29	30	25
Other Income	122	179	172	202	217
PBT	1,049	1,028	867	1,050	1,286
% change	14%	-2%	-16%	21%	22%
Tax	256	243	218	258	316
Tax Rate (%)	24%	24%	25%	25%	25%
Reported PAT	792	785	648	792	969
Adj*	0	0	0	0	0
Adj PAT	792	785	648	792	969
% change	7%	-1%	-17%	22%	22%
No. of shares (cr)	6.2	6.2	6.2	6.2	6.2
Adj EPS (Rs.)	128	126	104	127	156
% change	7%	-1%	-17%	22%	22%
DPS (Rs.)	61	61	61	61	61

CASH FLOW

Y.E March (Rs.cr)	FY24A	FY25A	FY26E	FY27E	FY28E
Net inc. + Deprn.	892	890	760	913	1,109
Non-cash adj.	20	19	29	30	25
Changes in W.C	-203	-249	-144	-190	-188
C.F. Operation	709	660	646	753	946
Capital exp.	-106	-16	-123	-123	-123
Change in inv.	0	0	0	0	0
Other invest.CF	0	0	0	0	0
C.F – Investment	-106	-16	-123	-123	-123
Issue of equity	20	0	0	0	0
Issue/repay debt	42	-32	30	30	30
Dividends paid	-377	-377	-377	-377	-377
Other finance.CF	-36	-72	-29	-30	-25
C.F – Finance	-351	-481	-376	-377	-373
Chg. in cash	252	164	146	253	451
Closing cash	385	548	694	947	1,398

BALANCE SHEET

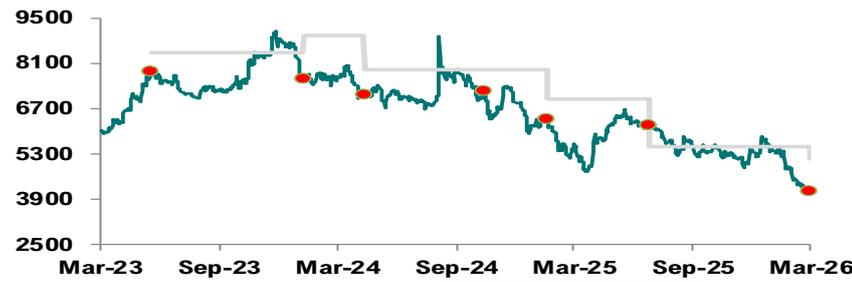
Y.E March (Rs.cr)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash	1,392	1,606	1,752	2,005	2,456
Accounts Receivable	972	972	975	1,098	1,234
Inventories	1	0	0	0	0
Other Cur. Assets	172	220	485	531	586
Investments	0	0	0	0	0
Gross Fixed Assets	642	663	783	903	1,023
Net Fixed Assets	383	309	317	316	296
CWIP	2	2	2	2	3
Intangible Assets	13.44	8.85	11.35	13.85	16.35
Def. Tax (Net)	56	71	83	95	107
Other Assets	196	397	399	449	505
Total Assets	3,187	3,585	4,025	4,511	5,204
Current Liabilities	365	428	567	600	663
Provisions	93	106	106	113	121
Debt Funds	224	192	222	252	282
Other Liabilities	0	0	0	0	0
Equity Capital	62	62	62	62	62
Reserves & Surplus	2,443	2,797	3,068	3,483	4,074
Shareholder's Fund	2,505	2,859	3,130	3,545	4,138
Total Liabilities	3,187	3,585	4,025	4,511	5,204
BVPS (Rs.)	400	458	501	567	662

RATIOS

Y.E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profitab. & Return					
EBITDA margin (%)	29.5	26.1	22.3	23.7	26.0
EBIT margin (%)	26.7	23.3	19.3	20.8	23.1
Net profit mgn.(%)	22.3	21.0	17.3	18.8	20.4
ROE (%)	34.5	29.3	21.7	23.7	25.2
ROCE (%)	24.6	20.9	15.8	17.3	18.3
W.C & Liquidity					
Receivables (days)	94.3	95.1	94.8	89.7	89.7
Inventory (days)	0.1	0.1	0.0	0.0	0.0
Payables (days)	9.7	10.2	12.3	11.8	12.0
Current ratio (x)	5.7	5.3	4.7	5.0	5.4
Quick ratio (x)	5.3	4.9	4.0	4.3	4.6
Turnover & Leverage					
Gross asset T.O (x)	6.1	5.7	5.2	5.0	4.9
Total asset T.O (x)	1.2	1.1	1.0	1.0	1.0
Int. coverage ratio (x)	46.7	45.7	24.9	29.3	43.5
Adj. debt/equity (x)	0.1	0.1	0.1	0.1	0.1
Valuation					
EV/Sales (x)	8.3	7.8	7.7	6.8	6.0
EV/EBITDA (x)	28.0	29.9	34.7	28.8	23.0
P/E (x)	38.3	38.9	47.1	38.5	31.5
P/BV (x)	12.2	10.7	9.7	8.6	7.4



Recommendation Summary (Last 3 years)



Investment Rating Criteria

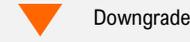
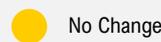
Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

DISCLAIMER & DISCLOSURES

Certification: I, Arun Kailasan, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Investments Limited, hereinafter referred to as GIL.

For general disclosures and disclaimer: Please [Click here](#).

Regulatory Disclosures:

Geojit Investments Limited is a wholly owned subsidiary of Geojit Financial Services Limited. Group companies/ Fellow subsidiaries of Geojit Investments Ltd (GIL) are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Fintech Private Ltd, Geojit IFSC Ltd (a company incorporated under IFSC Regulations), Qurum Business Group Geojit Securities LLC (a subsidiary of holding company in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture of holding company in UAE engaged in Financial Services), BBK Geojit Consultancy and Information KSC (C) (a joint venture in Kuwait-engaged in Financial services) and Aloula Geojit Capital Company (a joint venture in Saudi Arabia under liquidation).

Geojit Investments Limited is an investment services company with memberships in National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) and National Commodity & Derivatives Exchange (NCDEX). GIL offers advanced trading and investing platforms, and in-depth research reports & recommendations on equities, commodities, currencies and bonds. As a depository participant of NSDL and CDSL, GIL offers comprehensive investment related services like de-materialization, transmission and, hassle free distribution of benefits from corporate actions. In the context of the SEBI Regulations on Research Analysts (2014), GIL affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports/research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities. In compliance with the above-mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

GIL confirms that:

(i)It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein, at the time of publication of the research report.

(ii)It/its associates have no actual/beneficial ownership of 1% or more in relation to the subject company (ies) covered herein, at the end of the month immediately preceding the date of publication of the research report.

Further, the Analyst confirms that:

(i) He, his associates and his relatives shall take reasonable care to ensure that they do not have any financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company, at the time of publication of the research report.

(ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered, at the end of the month immediately preceding the date of publication of the research report.

2. Disclosures regarding Compensation:

During the past 12 months, GIL or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company. e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by GIL regarding the compensation paid to its Research Analyst:

GIL hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. **Disclosure regarding the Research Analyst's connection with the subject company:** It is affirmed that I, Arun Kailasan, Research Analyst (s) of GIL have not served as an officer, director or employee of the subject company.

5. **Disclosure regarding Market Making activity:** Neither GIL/its Analysts have engaged in market making activities for the subject company.

6. **Disclosure regarding conflict of interests:** GIL shall abide by the applicable regulations/ circulars/ directions specified by SEBI and Research Analyst Administration and Supervisory Body (RAASB) from time to time in relation to disclosure and mitigation of any actual or potential conflict of interest. GIL will endeavour to promptly inform the client of any conflict of interest that may affect the services being rendered to the client.

7. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

8. Clients are required to keep contact details, including email id and mobile number/s updated with the GIL at all times.

9. In the course of providing research services by GIL, GIL cannot execute/carry out any trade (purchase/sell transaction) on behalf of, the client. Thus, the clients are advised not to permit GIL to execute any trade on their behalf.

10. GIL will never ask for the client's login credentials and OTPs for the client's Trading Account Demat Account and Bank Account. The Clients are advised not to share such information with anyone including GIL.

11. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

12. Disclosures regarding Artificial Intelligence tools.

Neither Geojit Investments Limited nor its Analysts have utilized any AI tools in the preparation of the research reports.

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Investments Ltd. Registered Office: 7th Floor 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website : www.geojit.com/GIL . For investor queries: customeercare@geojit.com

GRIEVANCES

Step 1: The client should first contact the RA using the details on its website or following

contact details: Compliance officer: Ms. Indu K. Address: 7th Floor, 34/659-P, Civil Line Road, Padivattom, Ernakulam.; Phone: +91 484-2901367; Email: compliance@geojit.com. For Grievances: grievances@geojit.com. **Step 2:** If the resolution is unsatisfactory, the client can also lodge grievances through SEBI's SCORES platform at www.scores.sebi.gov.in **Step 3:** The client may also consider the Online Dispute Resolution (ODR) through the Smart ODR portal at <https://smartodr.in>

Corporate Identity Number: U66110KL2023PLC080586, Research Entity SEBI Reg No: INH000019567 ; Depository Participant : IN-DP-781-2024.

