

Chairman's address at the Tata Elxsi AGM, 2011 22nd July 2011

Dear Shareholders,

It gives me great pleasure to welcome you all to the twenty-second Annual General Meeting of your Company.

The Annual Report for the year ended 31st March, 2011, along with the Directors' Report and audited Annual Accounts of the Company have been shared with you, and may I request that these be taken as read.

The year gone by has been a challenging one, but we find that the geographical markets that your Company operates in, and the key industries that we serve, are slowly recovering from the recent global economic downturn. Our target markets are starting to invest in the design and development of new products and are undertaking Research & Development activities.

Also, many of the initiatives taken by the Company over the past year for achieving sustainable growth have begun yielding positive results.

With these opening words, I would now like to present the salient features of your Company's performance for the financial year 2010-11.

Financial Highlights

Your Company reported a consolidated turnover of Rs. 419.77 Crs. for the year 2010-11 against Rs.389.12 Crs. in the previous year, registering an overall increase of 7.1%.

The Net profit for the year 2010-11 was Rs. 32.51 Crs., compared to Rs. 48.81 Crs. in the previous year.

While we have registered an increase in the turn-over, we have registered a decline in profits, mainly due to increased personnel costs and salary revisions for the personnel.

As a company in the Knowledge industry, offering design, creative and engineering services, our primary assets are our people. During the year we continued to invest in attracting, retaining and developing the best talent required to establish ourselves as leaders in our chosen business areas.

Your Company and the management team is very conscious of the need for managed growth to scale up revenues while maintaining a certain level of profitability, while protecting the interests and returns for its shareholders.

We expect that these efforts would help your Company lay the foundation for accelerated growth and customer engagements going forward.

Keeping this in mind, our Directors have recommended maintaining the dividend at 70% for 2010-11, representing a pay-out of 79.6%, for your consideration at this Meeting.

I would now like to share with you, a brief review of the two main segments of your company's business, namely the **Software Development & Services** segment and the **Systems Integration & Support** segment.

Software Development & Services

Revenues from the Software Development and Services business segment registered an increase of 6.3% from Rs.336.94 Cr. during FY10 to Rs.358.19 Cr. in FY11.

The Embedded Product Design division that operates within this segment contributes the largest share of revenues to the company.

Last year, this division identified key industry segments in the Embedded Electronics space with significant growth potential in the

medium and long term, aligned with its existing competencies and capabilities. Your Company also aligned its sales, marketing and engineering functions over the past year to enable a strong base of people, competencies and market focus in these select industries.

These moves would ensure that your company is recognized in the international market, which, in turn, could drive better penetration and market share.

Looking ahead, we expect to grow in these industry segments as the market recovers and product companies accelerate their product development and R&D spend.

Let me share how the Embedded Product Design division is addressing the opportunities in key industry verticals:

Your Company is working with leading product companies developing digital television products, set-top boxes and infrastructure equipment. We help them successfully develop and deploy these products in various geographies with conformance to local standards and service provider requirements.

Your Company is working with broadcast service providers around the world, helping them develop applications that enhance the consumer experience of their services.

Your Company is also engaged in providing software and hardware applications for manufacturers of consumer electronic devices such as digital still and video cameras, mobile phones and emerging product categories such as tablets, e-book readers etc.

In this context, I am pleased to report that your company has been ranked the Number One Outsourced Engineering and Design provider worldwide, for the consumer electronics market by a leading consulting firm, in their R&D Service Provider Rating 2011 survey.

According to the NASSCOM and Booz Global Engineering R&D 2009 Report, India will cater to 25% of the offshore Engineering Research and Development services market for consumer electronics by 2020.

The domestic market for consumer electronics, which is very small, is also expected to grow, helping to create significant opportunities for your Company.

Your Company is working with wire-line & wireless communications product companies to build new products based on upcoming standards, adding new features to existing products and supporting development, testing and productization of complete systems.

The global telecom market is witnessing rapid adoption and deployment of broadband wireless access, especially for Long Term Evolution standards – referred to as LTE.

The LTE infrastructure market is forecast to reach \$12.1 billion by 2015, with over 225 Million subscribers with most of them split between Asia-Pacific and Europe, the Middle East, and Africa & the U.S.

Your Company has invested in developing software IPR for LTE and this investment has delivered new customer wins and licensing deals with established telecom equipment vendors in FY 10-11.

I am pleased to let you know, that as per the Global R&D Service Provider Rating 2011 survey, your company is ranked among the top 3 Outsourced Engineering service providers globally for Communication stacks.

Leading industry events such as the Mobile World Congress in Barcelona and 4G World in Chicago saw our key customers demonstrate their LTE solutions based on our IPR, apart from our own direct participation and demonstrations in industry events during the year.

Your Company offers electronics, software development and full system services for the automotive industry. Focus areas in automotive electronics include Powertrain, Body Electronics, Safety, Security and In-vehicle Infotainment.

With increasing regulatory norms for emission control, passenger and road safety being implemented across the world, the demand for

intelligent electronics is expected to increase substantially. Your Company is engaging with leading OEMs and systems suppliers in the development of next-generation hybrid engine technologies, active and passive safety systems in the vehicle.

Another growing segment is In-vehicle Infotainment, with audio, video and connectivity being enabled within the car. Your Company's capabilities in multimedia and communication are very relevant to the requirements for infotainment electronics development.

Your company is also targeting the aerospace industry utilizing skills and capabilities from the automotive and communications segments, and has engaged with some leading aerospace companies recently.

The Industrial Design division continues to help customers develop winning brands and products by using design as a strategic tool for business success. Its expertise extends across consumer insight, branding, industrial design, visual design, merchandising, design engineering and manufacturing support.

One of the highlights for this division during the year was the launch of a new premium brand of health care products, where the design team played a major role including brand strategy, brand identity, product design and providing continuous marketing support. This launch took place in major cities in India.

This division is also working with leading international customers to help them launch their products in India through research & design support.

During FY 2010-11 the Industrial Design division has begun to receive royalties from a project for designing a range of products for a leading ceramics company. While it is not a large amount, it is a significant milestone in our efforts to generate licensing and IP revenues from design, and build non-linear revenue streams, that are not linked only to resource deployment and head-count.

The division is also pursuing signage design opportunities for Mass transit, Airports, Infrastructure projects among others.

The Bangalore metro project is scheduled to be launched shortly, and the signage designed by our team will be visible across all stations that are ready in the first phase of the project.

Products designed by the Industrial Design division have won several prestigious awards. The 'Pure-it Marvella' designed by this division helped Unilever win the Product of the Year award and 'Spinz Talc' from Cavin Care won the coveted WorldStar Packaging Award

Visual Computing Labs

During the year our Santa Monica studio operations - run by experienced Hollywood veterans – have been stabilized. Revenue contribution from the Santa Monica studio has grown substantially, and in FY 2010-11 its contribution was 60% of VCL's gross revenues, compared to only 5% in FY 2009-10.

This is a significant milestone in VCL becoming an international player for its services.

In the last year, VCL worked on 3D-Stereoscopic films or 3D films, providing conversion services for prominent Hollywood projects.

This has increased our confidence to service the growing 3D-Stereoscopic conversion market, and VCL is now setting up a dedicated facility to address this area.

Over the past two years VCL has been successfully developing its custom content delivery service, using its core competencies to address the needs of corporate clients such as TATA Motors, TCS, and Tata Power.

For example, VCL introduced an "e-puppet", a virtual host at a successful automobile launch of TATA Motors. The 'Magic Iris ePuppet' is an interactive animated model of the Magic Iris vehicle that reflects the actions and emotions of the user, who is behind the scenes.

This innovative 'ePuppet' showcased various product features in a live interaction with the audience, where it talked, moved and answered questions about itself.

Some key awards won by this division during the year were Best Animated Ad Film – for Honeyloops, Kelloggs – at the FICCI BAF Awards 2010, and Best Special/Visual Effects for Television at the Indian Telly Awards 2010

Now, for an update on the **Systems Integration business** of your Company-

The Systems Integration business has improved its turnover and profits during the year, while focusing on a solution-centric approach, which includes more of software and services work.

It also focused on growing the 'professional services' business which offers storage, network and infrastructure management services for the Indian and overseas markets, to enable better margins.

On a consolidated basis, this business segment registered an increase of 12.6% from Rs.51.23 Cr. during FY10 to Rs.57.71 Cr. in FY11.

The profit of this segment in FY11 was Rs.6.77 Cr. as against Rs.4.06 Cr. in the previous year, registering an increase of 66.7% over the previous year.

This division has won prestigious orders in India, one of them from the Council of Scientific and Industrial Research (CSIR) to supply and maintain their storage and back up facilities across 35 labs across the country, and another to set up a Virtual Reality facility for Mazagon Docks, Mumbai which will help in designing new ships.

The various steps taken over the last one year in terms of strategic market focus, talent retention and capability building have been directed towards establishing the base to deliver balanced growth.

As the market and business conditions improve, we expect that these efforts will help your Company work towards accelerated growth and customer engagements going forward.

Let me also provide a brief summary of social and welfare initiatives activities your company continues to be involved in.

Your Company's in-house voluntary fund SAFE – (Social Activity Forum of Elxsians) has had an active year, and has done commendable work at Karunashrya (Hospice for Advanced Stage Cancer Patients) by sponsoring free medicines and food.

The SAFE 'school adoption' program has been well appreciated too, and we intend to extend the program to other schools in future as well.

Before concluding my address, let me express my appreciation to one of our most experienced Board Members. Mr. H.H. Malgham.

Mr. Malgham who is an Independent Director of your Company, will be retiring at the conclusion of the AGM, on and from 23 July 2011, and on attaining the age of 75 years, as per Tata Group guidelines.

He has been associated with the company since 2001, and served as Chairman of the Audit, Nomination, Ethics, Legal and Remuneration Committees and as a Member of the Executive and Investor Grievance Committees during this period.

The Board would like to place on record their deep appreciation for the valuable contributions made by Mr. Malgham, though his advice and guidance, during his tenure on the Company's board. .

In closing, I would, on behalf of the Board, like to thank you, our esteemed shareholders, business partners and all employees of Tata Elxsi Limited, for your continuing confidence and support.

Thank you.