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With Stock Soaring 7-fold in Five Years, Elxsi is Real Star for Tatas

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Mumbai: From the stables of the Tata Group, a company that gave the highest return to shareholders is probably the least talked about. Tata Elxsi, the design company that is working on cars to artificial intelligence, has its stock price shot up more than seven-fold in the past five years, outpacing the Sensex by a huge margin. The benchmark added just over 44% in the period.

"Till a few years ago, our share price was at a level much lower than what it deserved to be. Consequently, our dividend yield was among the highest in the country. Thereafter, the share price has risen considerably," said managing director Madhukar Dev. The media-shy firm has been on the radar of group chairman Cyrus Mistry, who was on the company's board until 2009. Dev recalls Mistry as a man "passionate about technology, design" and who "remembers numbers".

Soon after he took over as chairman of India's oldest business house in late 2012, Mistry reviewed Tata Elxsi's performance and wanted to know what had gone wrong. "He gave directions that we should fix the problems so that the company thrives and prospers in the area that we are good at," said the MD. "At the moment, most problems are under control."

The company with a workforce of 4,500 is looking to build on artificial intelligence and design how a display on the dashboard of an SUV can alert the driver on the maximum depth of water that he is attempting to wade through. A team is also working on children's nightclothes or surroundings that can have their favourite comic character embedded with sensors so that when the child touches the character, a video featuring this character starts automatically on his TV.

Bengaluru-based Tata Elxsi, started in the 1990s, faced its major bump during the 2008 financial crunch. Christmas sales of all Japanese consumer companies in the US plunged post the Lehman crisis.

As a knee-jerk reaction, they cut R&D bud-

Ups And Downs



gets and scrapped new plans. The company saw 38% of its revenue erode in a week.

It took up work from barely-known startups in California to overcome this problem. The company then dabbled in animation, opened a studio in Hollywood but suffered losses for the next three years as well. The decision to contain the animation business and move back to the core strengths of design and electronics business in 2012 turned out to be the game changer.

In the fiscal year ended on March 31, 2016, its net profit jumped more than 50% from the year before to ₹154.81 crore. Revenue rose nearly 27% to ₹1,075.21 crore.

"Tata Elxsi has seen a transformational change in its business model — closing

ON GROWTH

Co's seen transformational change in its biz model — closing down loss-making segments & scaling down Systems Integration biz — over the last few years

SIDDHARTH KHEMKA
Senior VP, Centrum Wealth Research

down loss-making segments and scaling down Systems Integration business — over the last few years, which led to higher revenue growth along with improvement in margins," Siddharth Khemka, senior vice-president at Centrum Wealth Research, wrote in a report on the company this year. Within the software development and services segment, it focused on high growth areas like automotive, broadcasting and communication.

Business from the automotive sector, especially Jaguar Land Rover, and the bet on media and broadcast through designing of set-top boxes were the right calls it made. Half the revenue now come from its work in the automotive sector and of this, 24% is from JLR. Media and broadcast business is 25% and their revenue, which can grow up to 50%, said the company.

Rest of the revenue comes from areas such as wireless communication and consumer electronics.

Work in the media and broadcast segments was triggered by the analogue switch-off in Europe and the US — the company soon became a significant player in the design of set-top boxes.

"The business has since grown even further because, with the digital connect to everyone's home, the possible services that a cable or DTH operator can offer is ever increasing," Dev said.

Despite the high returns on stock, the company said it has spotted its challenges.