kotak Securities

Dated: 14 Jan 2026

Tata Elxsi (TELX) - SELL

Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.5793	**Rs.4200**

Rationale:

- TELX reported a strong quarter with healthy growth and a sharp margin expansion.
- The growth composition was somewhat mixed, concentrated in a few accounts that ramped up concurrently, while weakness persisted across the broader portfolio.
- Margin expansion by operating efficiencies, tight cost control & currency depreciation.
- Improved performance in FY27E (11.6% c/c revenue growth & 22.7% EBIT margins).
- We raise FY27-28E EPS by ~2-3%, & roll-forward. FV of Rs4,200 (Rs4,000 earlier).
- The stock trades at 44x FY27E PE, expensive, in our view. Maintain SELL.

Positives:

- TELX reported 3.2% c/c qoq revenue growth (our estimate: 2.8%).
- EBIT margin increased sharply (up 240 bps qoq) to 20.9% (our estimate: 19.6%).
- Transportation, Europe, and top 5 clients drive growth.

Negatives:

- Adj. net profit was down ~10% yoy; reported net profit was down 45.3% yoy.
- Another quarter of sharp reduction in employee headcount.
- Top 6-10 and ex-top 10 clients decline.
- Muted trends in automotive OEM R&D spends.
- We expect 4.8% c/c revenue decline in FY26E.

EBIT: Earnings Before Interest and Tax. EPS: Earnings Per Share. C/C: Constant Currency. OEM: Original Equipment Manufacturer. R&D: Research and Development. P/E: Price to Earnings.

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY – We expect the stock to deliver more than 15% returns over the next 12 months

ADD – We expect the stock to deliver 5% - 15% returns over the next 12 months

REDUCE – We expect the stock to deliver -5% - +5% returns over the next 12 months

SELL – We expect the stock to deliver < -5% returns over the next 12 months

NR – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.

SUBSCRIBE – We advise investor to subscribe to the IPO.

RS – **Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.

NA – **Not Available or Not Applicable.** The information is not available for display or is not applicable

NM – **Not Meaningful.** The information is not meaningful and is therefore excluded.

NOTE – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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