

FUNDAMENTAL ANALYSIS

VALUE INVESTING

GROWTH INVESTING

IoT Multibagger 2020

THIS COULD BECOME FUTURE **INFOSYS**

A technology company in forefront of IoT (Internet of Things)
High Growth Potential during 5G Boom

BUY THEM before the Valuations Change!

Introduction

Welcome Investor!

This stock is part of our **3 Year Subscription** package which is available at discount [here](#). The stock first appeared in our 2019 Free Service & Now being upgraded as Paid Multibagger based on the current price corrections & more clarity in technology opportunities.

Futurecaps is a SEBI Registered Research Analyst providing Trusted, Affordable Research service to Retail Investors. Our motto is to direct investors in the right directions. In the past our Value Growth Portfolio witnessed **500-1000%** returns on our recommendations.

We helped our Subscribers to Sell at the Peak of 2018 thereby saving crores of profits. All these with our Internal Tools.

So if you are a serious investor we recommend you to join our Subscription package with Essential Training which is selling at Discount [here](#).

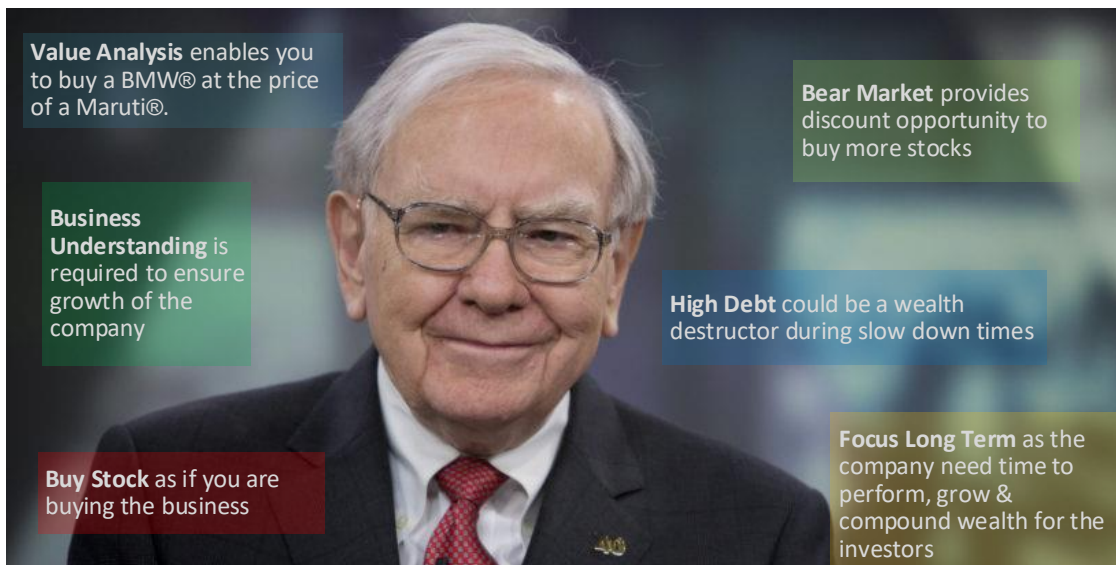
You can contact us on any queries at futurecapsadvisor@gmail.com

Futurecaps Advisor | **Research Analyst** | MBA | **Phd** | SEBI Registered

Investment Philosophies

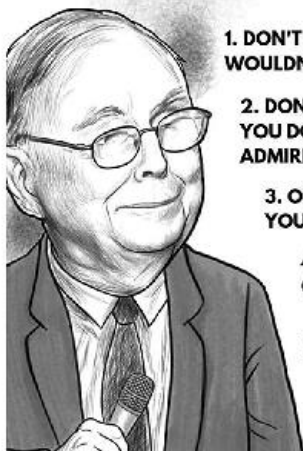
Futurecaps follows Warren Buffet style of Investing Principles. Although this company does not fall into all the Essential Checklist of a Value Multibagger we still believe it can deliver Multibagger returns for a long-term investor.

Here are the WARREN BUFFET rules we follow.



Here are the 5 BUSINESS RULES we follow from Charlie Munger we follow.

5 BUSINESS RULES BY CHARLIE MUNGER



1. DON'T SELL ANYTHING YOU WOULDN'T BUY YOURSELF
2. DON'T LISTEN TO PEOPLE YOU DON'T RESPECT AND ADMIRE
3. ONLY WORK WITH PEOPLE YOU ENJOY
4. KNOW THE EDGE OF YOUR COMPETENCY
5. SPEND EACH DAY TRYING TO BE A LITTLE WISER

As you know, all the Paid Multibaggers will be Invested by Futurecaps Advisor Team. We recommend them to Subscribers aligning with the SEBI mandated days.

IoT MULTIBAGGER 2020

THIS COMPANY COULD BECOME FUTURE TCS

TATA ELXSI

<i>NSE Code</i>	TATAELXSI.NS
<i>BSE Code</i>	500408
<i>CMP</i>	820.00
<i>MAX BUY Price</i>	1100.00
<i>Capitalization</i>	5000 Cr.
<i>Date of Report</i>	June 2020
<i>Company URL</i>	http://www.tataelxsi.com/



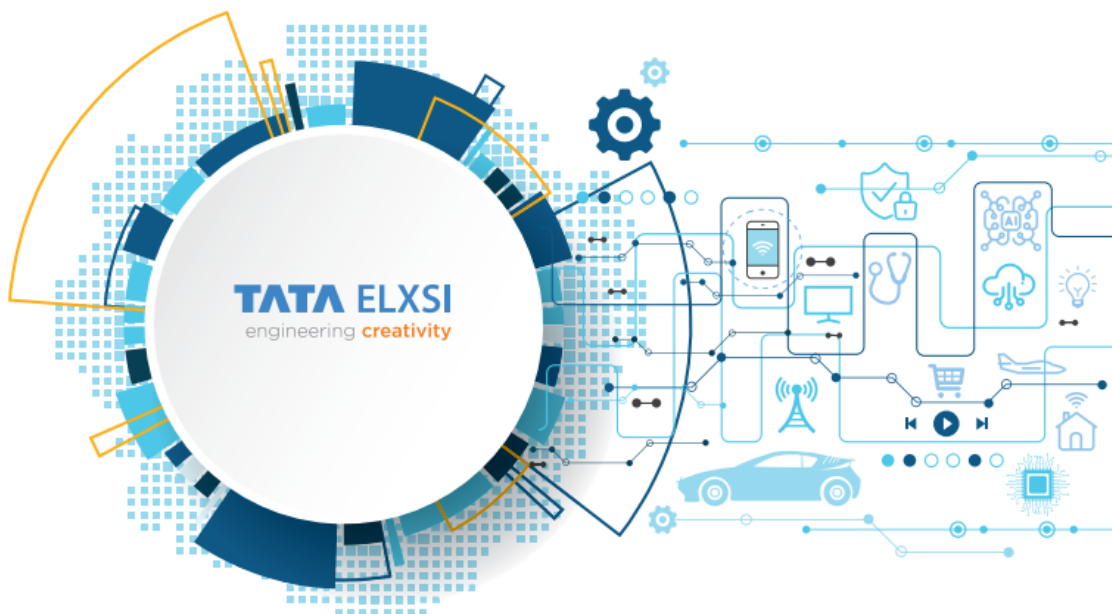
INTRODUCTION

Tata Elxsi provides product design and engineering services to the consumer electronics, communications & transportation industries and systems integration and support services for enterprise customers. It also provides digital content creation for media and entertainment industry.

Company is Core Technology oriented & should benefit from upcoming IoT trends, Robotics, 3D printing, Autonomous Vehicles, Nanotechnology, AI, Automation, ML etc.

Tata Elxsi implements and integrates complete systems and solutions for specialized applications such as High-Performance Computing, Computer Aided Design, and Virtual Reality.

Globally, telecom operators are moving towards virtualization and creating Software Defined Networks (SDN) to reduce capital & operating expenditures. Tata Elxsi has a comprehensive portfolio of SDN and virtualization services. In the past year Tata Elxsi has been chosen by Airtel as Technology Partner. The company has developed and integrated key software components to ensure that the Android TV application suite provides a seamless user experience whether the viewer accesses online or offline content. Tata Elxsi has also partnered with Zee Entertainment multi-platform front-end application development of its new digital entertainment platform.



Company is into 2 activities mainly:

- Technology Services
- Product Engineering
- 3D Prototyping
- Computer Aided Design
- Virtual Reality
- Experience Briefing Services



Internet of Things

The Internet of things is a system of interrelated computing devices, mechanical and digital machines provided with unique identifiers and the ability to transfer data over a network without requiring human-to-human or human-to-computer interaction.

Tata Elxsi is a key player into IoT (Internet of Things), ML (Machine Learning), AI (Artificial Intelligence), AEV (Autonomous Electrical Vehicles) segments.

Autonomous Electric Vehicles

Auto-sector is witnessing a growing trend towards Electrical Vehicles with Autonomous support. Already Tesla in USA have implemented automated driving. In the next 10 years the same technology will appear in India & other countries.

Tata Elxsi have R&D developing software for AEV sector. Software has the advantage of Replicating easily & Monetising exponentially once a Well-tested one is ready. The company should definitely benefit from this AEV growth.

5G

5G is not an evolutionary upgrade of the previous generation of cellular, but it is a revolutionary technology envisioned that will eliminate the bounds of access, bandwidth, performance, and latency limitations on connectivity worldwide. 5G has the potential to enable fundamentally new applications, industries, and business models and dramatically improve quality of life around the world via unprecedented use cases that require high data-rate instantaneous communications, low latency, and massive connectivity for new applications for mobile, eHealth, autonomous vehicles, smart cities, smart homes, and the IoT.

Tata Elxsi will benefit from the 5G growth coupled with IoT, AEV, ML & AI segments.

GROWTH FACTORS

The company currently generates 85% Revenue through Global Clients.

Following are the growth factors for the company.

IoT Market The world's IoT Market is expected to grow more than 20% per annum for the next 10 years. This can benefit Tata Elxsi being a front runner & established work force can benefit from this.

Autonomous Electric Vehicles market is expected to grow around 20% for the next 10 years. This would encash the Legacy of current investments of the company.

Tata Elxsi have a client arena of BMW, Hyundai, Ford in the Auto sector.

Artificial Intelligence, Machine Learning, Product Prototyping are witnessing more growth due to the Introduction & Adaptation of affordable Cloud Services by Microsoft, Amazon & Google.

Company have clients Orient, Panasonic, Crispello in this arena.

5G Growth 5G expansion which is taking place globally will help the company to generate more revenue through product streams of IoT, AEV etc.

Digital India Rapid Adaptation of Digital India programmes & Availability of Reliance Jio will help the company to acquire more & more customers within India. The company currently generates 15% of Revenue from Indian customers.

All these factors boost the growth potential of the company.

Competitors

Tata Elxsi has following Competitors who do similar business in the IoT space in large scale manner.

- Hexaware Technologies | Good Valuation | Less IoT exposure
- Cyient Ltd. | Moderate Valuation | Less IoT exposure

SWOT Analysis

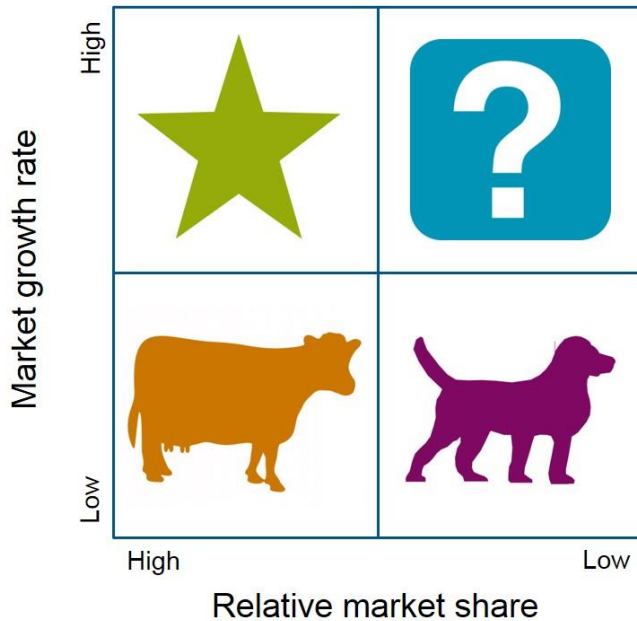
SWOT (Strength-Weakness-Opportunity-Threat) Analysis:



STRENGTH Legacy Products R&D Product Engineering IoT, AI, ML Experience	WEAKNESS Employee Attrition Customer Realization in IoT
OPPPORTUNITY Patent Creation Global Expansion Tie-up with AEV manufacturers Digital India	THREAT New Players entering Segment Delay in 5G Government Regulations Export Restrictions Merger Risks

BCG Matrix

BCG (Boston Consulting Group) Matrix is **Question Mark (?)** since the Sector has high growth potential & the company is having a low share currently.



P&L

In the past the company witnessed 100% above growth in Revenue, Net Profit & EPS in past 5 years. The current year results including QR is also growing at 10% above rate.

Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019	TTM
849	1,075	1,237	1,386	1,597	1,610
672	827	964	1,038	1,181	1,267
177	248	274	348	416	343
21%	23%	22%	25%	26%	21%
4	12	18	42	43	58
1	1	1	1	1	6
25	23	27	25	25	43
156	236	264	364	433	352
34%	34%	34%	34%	33%	
103	155	175	240	290	256
15.42	23.43	26.63	38.54	46.56	41.12

CHECKLIST

Following are the Core Checklist to ensure Value & Growth Parameters.

Parameter	Description	Legend
Revenue Growth	Yes, But Moderate	Okay
Profit Growth	Yes, But Moderate	Okay
Profit Margin	Above 15%	Okay
EPS Growth	Yes	Good
Trailing Growth	Yes	Good
PE Ratio	20	Okay
PB Ratio	5. Moderately high.	Okay
PEG Ratio	0.6	Good
DE Ratio	0.05	Good
Current Ratio	6	Good
Quick Ratio	6	Good
ROE	35%	Good
ROCE	51%	Good
Reserves	Increasing	Good
Cash Flow	Negative	Okay

Paying Tax	Yes	Good
Paying Dividends	Yes.	Good
Power of Brand	Good	Good
Future Sector Growth	Yes	Good
Expected Company Growth Rate	15%	Okay
Expansion Plans	Low, Depends on Opportunity growth	Okay
Promoter Holdings	45%, No change	Okay
Corporate Governance	Yes	Good
Fraud Reported	No	Good
Celebrity Investors	Yes	Good
Trading at Discount	Yes	Good

RISKS

Following are the Risks associated with the investment:

- Global Recession strengthening due to current Corona problems can worsen the Growth of the company
- Conspiracies & Delay in 5G Adaption in India & USA would affect the Profitability of the company
- Global trade risk in US & Export Regulations for Asian countries through Trump Regulations can impact the Sales of the company
- Rupee Fluctuations can affect the Top-line & Bottom-line of the company

SUMMARY

Given the Facts & Analysis we recommend Tata Elxsi as a **Multibagger** in the order of 10-bagger plus returns for a 10-year holding period. It can also grow tremendously like 50-bagger like TCS if the 5G & IoT expansion gains double digit growth in the future.

Intrinsic Value stands at Rs. 600 due to the Flat Growth of past.

Buying Price recommended range is below Rs. 1000.

Hope you liked this stock!

Please note we advisor team also invested in it & continuously buying every quarter.

Disclaimer

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- **Warren Buffett** kind of Multibagger with 20% EPS Growth, 20% Net Profit Margin & Zero Debt. The business is so unique that repeating customers are waiting for their service. Clearly it can give **300-500%** returns in next 5 years.
- **Future Bajaj Finance** one future finance company having 20% EPS Growth trading at 90% discount. Already celebrity investor & promoters buying the same at current price. This company can give **500-1000%** returns in next 5 years.
- **Future SBI** one recession proof company with 50% Increase in Sales during this Corona times. The Intrinsic Value discount is at whopping 90%! You can easily get 100% returns in next 2 years.

All our Adviser Team are Invested in these & Scooping lower prices through SIP every month!

BEAR MARKET IS GOLD MINE

Happy Investing Folks!

Hope you will be our Customer soon!!

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