

# Tata Communications

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	TCOM IN
Equity Shares (m)	285
M.Cap.(INRb)/(USDb)	451.6 / 5.3
52-Week Range (INR)	2175 / 1291
1, 6, 12 Rel. Per (%)	-6/-11/-18
12M Avg Val (INR M)	799

## Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Net Sales	229.9	251.2	270.7
EBITDA	44.5	51.5	58.1
Adj. PAT	8.2	15.0	19.9
EBITDA Margin (%)	19.4	20.5	21.5
Adj. EPS (INR)	28.7	52.6	69.7
EPS Gr. (%)	-32.0	82.9	32.5
BV/Sh. (INR)	106.0	131.8	178.5

## Ratios

Net D:E	3.5	2.5	1.5
RoE (%)	34.1	44.2	44.9
RoCE (%)	10.7	13.1	16.3
Payout (%)	69.2	40.0	38.9

## Valuations

EV/EBITDA (x)	12.5	10.6	9.1
P/E (x)	55.2	30.2	22.8
P/BV (x)	15.0	12.0	8.9
Div. Yield (%)	1.6	1.3	1.7
FCF Yield (%)	-0.4	2.6	3.5

## Shareholding Pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	58.9	58.9	58.9
DII	14.5	13.7	13.1
FII	17.0	17.8	18.2
Others	9.6	9.7	9.8

FII includes depository receipts

**CMP: INR1,584 TP: INR1,660 (+5%) Neutral**

## Weak margins take the sheen off growth recovery

- Tata Communications (TCOM)'s 4Q results were once again a mixed bag, as ~17% YoY revenue growth in the Digital portfolio was offset by a sharp ~125bp QoQ contraction in consolidated EBITDA margin.
- TCOM's consolidated EBITDA came in ~8% below our estimate on account of weaker gross margin and rising salience of the lower-margin digital business.
- Management indicated that following a strong 1HFY25, the order booking pace has normalized in 2H. Further, given the global macro uncertainties, there is an elevated level of caution among customers, which has led to a deferral of some deals from 4QFY25 to 1QFY26.
- Management remains committed to doubling data revenue to INR280b by FY27 and improving margins to 23-25% over the medium term.
- However, we build in ~9% data revenue CAGR over FY25-28, with data revenue reaching INR262b by FY28, and believe the ambition of doubling data revenue by FY27 would be a tall ask without further acquisition.
- We cut our FY26-27E EBITDA by 3-4% as we now assume a gradual margin expansion to 21.5% by FY27.
- We value TCOM's data business at 9x EV/EBITDA and voice & other businesses at 5x EV/EBITDA. Our SoTP-based TP remains unchanged at INR1,660 as our EBITDA cut is offset by the roll-forward of the valuation base to Jun'27 (from Mar'27). We reiterate our Neutral rating on the stock. Acceleration in data revenue growth along with margin expansion remains the key to re-rating.

## Growth recovers but weaker margins lead to an 8% miss on EBITDA

- TCOM's consolidated gross revenue was up ~4% QoQ (+6% YoY) to INR60b (in line). However, consolidated net revenue at INR33.3b was flat QoQ (+3% YoY) due to a weaker gross margin in the digital portfolio.
- Data revenue at INR51b (in line) grew 10% YoY (+4% QoQ), driven by ~17% YoY (~6% QoQ) growth in the digital portfolio and ~3% QoQ/YoY growth in Core connectivity.
- Consolidated adjusted EBITDA declined 3% QoQ (+4% YoY) to INR 11.2b (~8% miss) due to higher network costs (+8% QoQ), likely on account of higher costs on cable repairs and higher marketing expenses.
- Consolidated adjusted EBITDA margin contracted 125bp QoQ (-35bp YoY) to 18.7% (175bp miss) due to weaker gross margin (lower net revenue) and rising contribution of the lower-margin digital portfolio.
- Reported consolidated PAT, including discontinued operations, was INR10.4b driven by gains on the sale of land to STT Datacentres (INR6.6b). Further, TCOM booked gains of ~INR3.1b on the completion of the sale of TCPSL.
- Adjusted for the land sale and TCPSL divestment gains, PAT on a like-for-like basis was lower than our estimate due to lower EBITDA.
- Net debt moderated to INR94b (vs. INR105b QoQ), following the receipt of proceeds from the sale of land and TCPSL.
- TCOM delivered ~14% YoY growth in data revenue in FY25. This was driven by the full impact of Kaleyra consolidation, while EBITDA grew by a modest ~6% YoY as margin contracted another ~100bp YoY to 19.8% due to adverse mix and impact from consolidation of currently loss-making acquisitions.

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### Key takeaways from the management interaction

- **Order book and funnel additions:** The order book was relatively stronger in 1H, driven by a few large deals across sectors such as BFSI, OTT, World Athletics, etc., which led to high double-digit growth. However, the growth in order book normalized in 2H, with fewer large deal wins. Overall, the order book grew by double digits during FY25. Further, management indicated that the funnel continues to remain healthy with a good representation of deals across India and internationally.
- **Demand environment:** Given the global macro uncertainties, there is an elevated level of caution among customers. TCOM has faced deferrals in a few deals that were expected to close in 4QFY25 and have slipped to 1QFY26. However, the company is not seeing any knee-jerk reaction from the customers or deal cancellations and believes that the customers will continue to make investments.
- **Margin:** 4Q margins were hit by certain customer-specific issues, spillover costs from cable repairs, and higher marketing costs for new product launches. However, the core business's EBITDA margin (excl. subsidiaries and acquisitions) at 23.3% dipped marginally by 40bp YoY in FY25 and was within the management's guided range of 23-25%. The contraction in core margin was due to increased provisions for certain deals in the SAARC region (~50bp impact). Further, management remained committed to improving the margin to 23-25% over the medium term, driven by an uptick from the ongoing cost synergy programs in the acquisitions.
- **FX impact:** Adjusting for the rupee depreciation, consolidated revenue growth would have been ~2.3% QoQ and ~4% YoY, as compared to 3.3% sequential and ~6% YoY reported consolidated revenue growth.

### Valuation and view

- We currently model ~13% CAGR in digital revenue over FY25-28 and expect digital to account for ~54% of TCOM's data revenue by FY28 (vs. ~48% in 4QFY25). An acceleration in digital revenue remains key for re-rating.
- We raise our FY26-27E revenue by ~1-2%, but we believe TCOM's ambition of doubling data revenue by FY27 remains a tall ask without further acquisitions. Overall, we build in ~9% data revenue CAGR over FY25-28, with data revenue reaching INR262b by FY28 (vs. TCOM's ambition of INR280b by FY27).
- We lower our FY26-27E EBITDA by ~3-4% each as we build in a more gradual margin expansion. We now assume the FY27 EBITDA margin at ~21.5% and believe that margin expansion to 23-25% by FY27 could be challenging, given a rising share of inherently lower-margin businesses in TCOM's mix.
- We ascribe 9X EV/EBITDA to TCOM's data business and 5X EV/EBITDA to voice and other businesses. We ascribe an INR30b (or INR104/share) valuation to TCOM's 26% stake in STT data centers. Our SoTP-based TP remains unchanged at INR1,660 as our EBITDA cut is offset by the roll forward of the valuation base to Jun'27 (from Mar'27 earlier). The stock currently trades at 10.7x one-year forward EV/EBITDA (~5% premium to LT average). We **reiterate our Neutral rating** as we await acceleration in data revenue along with margin expansion.

## Consol. Quarterly Earnings

(INR b)

Y/E March	FY24				FY25				FY24	FY25	FY25E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Var (%)
<b>Revenue</b>	<b>47.7</b>	<b>48.7</b>	<b>56.3</b>	<b>56.9</b>	<b>55.9</b>	<b>56.4</b>	<b>57.7</b>	<b>59.9</b>	<b>209.7</b>	<b>229.9</b>	<b>59.7</b>	0
YoY Change (%)	10.7	10.0	24.4	24.6	17.2	15.8	2.4	5.2	17.5	9.7	0.0	
Total Expenditure	37.5	38.6	45.0	46.4	44.6	46.0	46.2	48.7	167.4	185.4	47.5	2
<b>EBITDA</b>	<b>10.2</b>	<b>10.2</b>	<b>11.3</b>	<b>10.6</b>	<b>11.4</b>	<b>10.4</b>	<b>11.5</b>	<b>11.2</b>	<b>42.3</b>	<b>44.5</b>	<b>12.2</b>	-8
YoY Change (%)	-4.9	-10.1	5.3	2.1	11.0	2.7	1.6	6.2	-2.0	5.3	0.0	
Depreciation	5.8	6.1	6.2	6.7	6.3	6.5	6.4	6.7	24.7	25.9	6.7	0
Interest	1.3	1.4	1.9	1.9	1.7	1.9	1.9	1.8	6.4	7.3	1.9	-3
Other Income	1.9	0.3	0.1	0.6	0.2	0.1	0.3	0.7	2.8	1.3	0.3	135
<b>PBT Before EO Expense</b>	<b>5.0</b>	<b>3.0</b>	<b>3.4</b>	<b>2.6</b>	<b>3.5</b>	<b>2.2</b>	<b>3.6</b>	<b>3.4</b>	<b>14.0</b>	<b>12.6</b>	<b>3.9</b>	-15
Exceptional (gain)/loss	0.0	0.0	1.9	0.5	-0.9	-1.3	-0.1	-5.8	2.4	-8.1	0.0	
<b>PBT</b>	<b>5.0</b>	<b>3.0</b>	<b>1.5</b>	<b>2.1</b>	<b>4.4</b>	<b>3.4</b>	<b>3.7</b>	<b>9.1</b>	<b>11.6</b>	<b>20.7</b>	<b>3.9</b>	131
Tax	1.3	0.8	1.1	-1.1	0.9	1.0	1.3	1.8	2.1	4.9	0.9	
Rate (%)	25.9	26.1	73.8	-52.4	19.7	28.3	34.0	19.2	18.4	23.5	22.5	
MI & P/L of Asso. Cos.	-0.1	0.0	0.0	-0.1	0.2	0.2	0.1	-3.0	-0.2	-2.5	-0.1	
<b>Reported PAT</b>	<b>3.8</b>	<b>2.2</b>	<b>0.4</b>	<b>3.2</b>	<b>3.3</b>	<b>2.3</b>	<b>2.4</b>	<b>10.4</b>	<b>9.7</b>	<b>18.4</b>	<b>3.2</b>	229
<b>Adj. PAT</b>	<b>3.8</b>	<b>2.2</b>	<b>2.3</b>	<b>3.7</b>	<b>2.5</b>	<b>1.0</b>	<b>2.2</b>	<b>4.6</b>	<b>12.0</b>	<b>10.3</b>	<b>3.2</b>	46
YoY Change (%)	-30.2	-51.5	-41.5	14.5	-34.9	-55.8	-3.5	24.0	-30.0	-14.5	0.0	

E: MOFSL Estimates

Consolidated performance	4QFY24	3QFY25	4QFY25	YoY	QoQ	4QFY25E	vs. est.
<b>Revenue</b>	<b>56,451</b>	<b>57,696</b>	<b>59,904</b>	<b>6.1</b>	<b>3.8</b>	<b>59,739</b>	<b>0.3</b>
Network costs	23,313	25,134	27,125	16.3	7.9	25,762	5.3
Staff cost	11,465	11,240	11,361	(0.9)	1.1	12,343	(8.0)
Operating and other expenses	10,913	9,797	10,197	(6.6)	4.1	9,394	8.6
Total expenditure	45,691	46,171	48,683	6.5	5.4	47,498	2.5
<b>EBITDA</b>	<b>10,760</b>	<b>11,524</b>	<b>11,221</b>	<b>4.3</b>	<b>(2.6)</b>	<b>12,241</b>	<b>(8.3)</b>
Depreciation and amortization	6,507	6,371	6,725	3.4	5.5	6,701	0.4
<b>EBIT</b>	<b>4,253</b>	<b>5,153</b>	<b>4,496</b>	<b>5.7</b>	<b>(12.8)</b>	<b>5,540</b>	<b>(18.8)</b>
Other income	528	287	688	30.3	139.5	293	134.8
Interest expense	1,858	1,869	1,824	(1.8)	(2.4)	1,885	(3.2)
<b>PBT</b>	<b>2,924</b>	<b>3,571</b>	<b>3,360</b>	<b>14.9</b>	<b>(5.9)</b>	<b>3,949</b>	<b>(14.9)</b>
Income tax	(1,085)	1,262	1,759	(262.1)	39.4	888	98.0
<b>PAT before exceptional items</b>	<b>4,008</b>	<b>2,309</b>	<b>1,601</b>	<b>(60.1)</b>	<b>(30.7)</b>	<b>3,060</b>	<b>(47.7)</b>
Exceptional items	(521)	136	5,778			—	
<b>PAT after exceptional items</b>	<b>3,487</b>	<b>2,445</b>	<b>7,379</b>	<b>111.6</b>	<b>201.7</b>	<b>3,060</b>	<b>141.1</b>
Minority interest	(3)	(208)	2,795	(82,309)	(1,446)	(20)	(14,076)
Share of associates/JVs	58	122	233	299	91	120	94
<b>Reported net income</b>	<b>3,542</b>	<b>2,360</b>	<b>10,407</b>	<b>193.8</b>	<b>341.0</b>	<b>3,160</b>	<b>229.3</b>
<b>Adjusted net income</b>	<b>4,063</b>	<b>2,224</b>	<b>4,629</b>	<b>13.9</b>	<b>108.2</b>	<b>3,160</b>	<b>46.5</b>
<b>Adjusted EPS (INR/share)</b>	<b>14.3</b>	<b>7.8</b>	<b>16.2</b>	<b>13.9</b>	<b>108.2</b>	<b>11.1</b>	<b>46.5</b>
<b>Margins (%)</b>							
<b>EBITDA</b>	<b>19.1</b>	<b>20.0</b>	<b>18.7</b>	<b>(33)bps</b>	<b>(124)bps</b>	<b>20.5</b>	<b>(176)bps</b>
EBIT	7.5	8.9	7.5	(3)bps	(143)bps	9.3	(177)bps
PBT	5.2	6.2	5.6	43 bps	(58)bps	6.6	(100)bps
Adjusted PAT	7.2	3.9	7.7	53 bps	387 bps	5.3	244 bps

E: MOFSL Estimates

### Segmental performance: 4Q data revenue up ~10% YoY, driven by ~17% YoY growth in Digital Portfolio

#### Data:

- Gross revenue at INR51b (+4% QoQ, **+10% YoY**) was broadly in line with our estimate.
- Core connectivity revenue grew 3% QoQ to INR26.6b (+3% YoY) on account of a modest recovery in the Enterprise business (+4% QoQ, +6% YoY).
- **Digital portfolio revenue was up 6% QoQ (+17% YoY)** to INR24.4b (~2% beat) driven by higher growth in Cloud (+29% YoY, 9% beat), Incubation (+50% YoY, 14% beat) and Media (+14% YoY, 12% beat). Next Gen connectivity grew 24% YoY (+4% QoQ, inline), while Collaboration and CPaaS grew 9% YoY (4% miss).
- However, net revenue at INR29.1b grew by a modest 2% YoY (-1% QoQ) as digital portfolio net revenue declined ~5% QoQ and was up modest ~2% YoY.
- Data EBITDA at INR8.9b (-5% QoQ, +4% YoY) was **~8% below our estimate**. **EBITDA margin declined 170bp QoQ** (-90bp YoY, 170bp miss) on account of lower gross margin and rising share of lower margin digital portfolio in data mix.

**Voice:** Voice revenue at INR3.7b, declined ~9% QoQ (and -13% YoY, 7% miss). Voice EBITDA declined 9% QoQ (flat YoY) to INR440m (7% miss), as the margin remained stable QoQ at 11.8% (in line).

#### Others:

- The Campaign Registry (TCR) revenue was up further ~6% QoQ to INR1.8b (3% miss), while EBITDA declined ~2% QoQ to INR1.3b (11% miss) as margins contracted to ~73% (vs. 78% QoQ).
- TCTSL revenue was up ~15% QoQ (-20% YoY on exit of unprofitable contract), while EBITDA was up sharper ~62% QoQ to ~INR350m as margin expanded ~340bp QoQ.
- Committed capex moderated to ~INR6 in 4Q (vs. INR7.5b in 3Q), while cash capex was up ~50% QoQ to INR7.4b
- Reported RoCE (annualized) declined further to 15.9% vs 16% in 3QFY25.

### FY25 performance: Consol. revenue/EBITDA up ~11%/6% YoY

- Consolidated gross revenue was up 11% YoY to INR231b, driven by growth in the digital portfolio and also a boost from the full-year consolidation of Switch and Kaleyra (consolidated from Oct'23).
- Data revenue was up ~14% YoY, driven by:
  - 29% YoY growth in the digital portfolio was led by the 12-13% YoY growth in Cloud and Next Gen connectivity and full-year consolidation of Kaleyra.
  - Core connectivity grew modest ~2.8% YoY due to the impact of cable cuts in the Red Sea.
- Consolidated EBITDA was up ~6% YoY to INR45.7b as the margin contracted further ~100bp YoY to 19.8% due to adverse mix and impact from the loss-making acquisitions.
- Data EBITDA at INR36.5b declined ~3% YoY as margins contracted further ~320bp YoY to 18.7%

**Exhibit 1: Segmental results**

	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	4QFY25	vs. est
<b>Segmental gross revenue (INR m)</b>							
<b>Gross revenue</b>	<b>56,917</b>	<b>57,981</b>	<b>59,903</b>	<b>5.2</b>	<b>3.3</b>	<b>59,739</b>	<b>0.3</b>
<b>Voice</b>	<b>4,290</b>	<b>4,105</b>	<b>3,741</b>	<b>(12.8)</b>	<b>(8.9)</b>	<b>4,022</b>	<b>(7.0)</b>
<b>Data</b>	<b>46,559</b>	<b>49,032</b>	<b>50,961</b>	<b>9.5</b>	<b>3.9</b>	<b>50,673</b>	<b>0.6</b>
Core connectivity	25,736	25,903	26,562	3.2	2.5	26,765	(0.8)
Digital portfolio	20,823	23,130	24,399	17.2	5.5	23,907	2.1
Digital platforms and services	19,670	21,661	22,670	15.3	4.7	22,395	1.2
Incubation services	1,153	1,468	1,729	50.0	17.7	1,512	14.3
<b>Others</b>	<b>6,069</b>	<b>4,843</b>	<b>5,201</b>	<b>(14.3)</b>	<b>7.4</b>	<b>5,045</b>	<b>3.1</b>
Rentals	568	577	438	(23.0)	(24.2)	560	(21.8)
TCTSL	3,704	2,561	2,955	(20.2)	15.4	2,625	12.6
TCR	1,380	1,705	1,808	31.0	6.0	1,860	(2.8)
<b>Segmental net revenue (INR m)</b>							
<b>Net revenue</b>	<b>32,378</b>	<b>33,342</b>	<b>33,305</b>	<b>2.9</b>	<b>(0.1)</b>	<b>34,530</b>	<b>(3.5)</b>
<b>Voice</b>	<b>991</b>	<b>981</b>	<b>916</b>	<b>(7.5)</b>	<b>(6.6)</b>	<b>968</b>	<b>(5.4)</b>
<b>Data</b>	<b>28,528</b>	<b>29,453</b>	<b>29,102</b>	<b>2.0</b>	<b>(1.2)</b>	<b>30,456</b>	<b>(4.4)</b>
Core connectivity	20,587	20,902	21,008	2.0	0.5	21,546	(2.5)
Digital portfolio	7,941	8,551	8,093	1.9	(5.4)	8,910	(9.2)
<b>Others</b>	<b>2,859</b>	<b>2,908</b>	<b>3,287</b>	<b>15.0</b>	<b>13.0</b>	<b>3,105</b>	<b>5.9</b>
Rentals	567	576	437	(23.0)	(24.2)	560	(22.0)
TCTSL	912	788	1,205	32.1	52.9	853	41.2
TCR	1,226	1,544	1,646	34.2	6.6	1,692	(2.8)
<b>Segmental EBITDA (INR m)</b>							
<b>EBITDA</b>	<b>10,563</b>	<b>11,810</b>	<b>11,221</b>	<b>6.2</b>	<b>(5.0)</b>	<b>12,241</b>	<b>(8.3)</b>
<b>Voice</b>	<b>440</b>	<b>483</b>	<b>440</b>	<b>(0.2)</b>	<b>(9.0)</b>	<b>474</b>	<b>(7.3)</b>
<b>Data</b>	<b>8,573</b>	<b>9,413</b>	<b>8,910</b>	<b>3.9</b>	<b>(5.3)</b>	<b>9,717</b>	<b>(8.3)</b>
<b>Others</b>	<b>1,550</b>	<b>1,914</b>	<b>1,871</b>	<b>20.7</b>	<b>(2.2)</b>	<b>2,050</b>	<b>(8.7)</b>
Rentals	329	364	207	(37.1)	(43.1)	350	(40.8)
TCTSL	152	215	350	130.2	62.4	230	51.7
TCR	1,013	1,334	1,314	29.7	(1.5)	1,469	(10.6)
<b>Segmental EBITDA margin (%)</b>							
<b>EBITDA margin</b>	<b>18.6</b>	<b>20.4</b>	<b>18.7</b>	<b>17 bps</b>	<b>(164)bps</b>	<b>20.5</b>	<b>(176)bps</b>
<b>Voice</b>	<b>10.3</b>	<b>11.8</b>	<b>11.7</b>	<b>148 bps</b>	<b>(2)bps</b>	<b>11.8</b>	<b>(4)bps</b>
<b>Data</b>	<b>18.4</b>	<b>19.2</b>	<b>17.5</b>	<b>(93)bps</b>	<b>(171)bps</b>	<b>19.2</b>	<b>(169)bps</b>
<b>Others</b>	<b>25.5</b>	<b>39.5</b>	<b>36.0</b>	<b>1,044 bps</b>	<b>(354)bps</b>	<b>40.6</b>	<b>(466)bps</b>
Rentals	58	63	47	(1,063)bps	(1,576)bps	63	(1,514)bps
TCTSL	4.1	8.4	11.8	773 bps	342 bps	8.8	305 bps
TCR	73.5	78.2	72.7	(77)bps	(556)bps	79.0	(632)bps

**Exhibit 2: Revenue build-up for TCOM**

	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY	QoQ
<b>Data revenue – geographical mix</b>	<b>39.9</b>	<b>46.2</b>	<b>46.6</b>	<b>46.9</b>	<b>48.3</b>	<b>49.0</b>	<b>51.0</b>	<b>9.5</b>	<b>3.9</b>
India	19.4	19.4	19.3	20.4	20.5	20.6	21.4	10.8	7.2
Rest of World	20.6	26.8	27.2	26.6	27.8	28.5	29.6	8.5	1.7
<b>Gross revenue by currency</b>	<b>48.7</b>	<b>56.3</b>	<b>56.9</b>	<b>56.3</b>	<b>57.7</b>	<b>58.0</b>	<b>59.9</b>	<b>5.2</b>	<b>3.3</b>
INR	20.8	20.2	20.1	21.6	21.9	21.9	23.4	16.6	7.8
Others	27.9	36.1	36.8	34.7	35.8	36.1	36.5	(1.0)	0.7
<b>Data revenue customer mix</b>	<b>39.9</b>	<b>46.2</b>	<b>46.6</b>	<b>46.9</b>	<b>48.3</b>	<b>49.0</b>	<b>51.0</b>	<b>9.5</b>	<b>3.9</b>
Service Providers	8.8	8.8	8.6	10.7	11.4	11.8	10.2	19.6	(6.2)
Enterprise	31.1	37.4	38.0	36.3	36.9	37.2	40.7	7.2	6.8
<b>Data revenue segment mix</b>	<b>39.9</b>	<b>46.2</b>	<b>46.6</b>	<b>46.9</b>	<b>48.3</b>	<b>49.0</b>	<b>51.0</b>	<b>9.5</b>	<b>3.9</b>
Core-connectivity	25.4	25.2	25.7	25.5	26.1	25.9	26.6	3.2	2.5
Digital portfolio	14.6	21.0	20.8	21.4	22.2	23.1	24.4	17.2	5.5
Digital Platforms and Services	13.4	19.8	19.7	20.0	20.4	21.7	22.7	15.3	4.7
Incubation services	1.2	1.2	1.2	1.4	1.9	1.5	1.7	50.0	17.7
<b>Core connectivity customer mix</b>	<b>25.4</b>	<b>25.2</b>	<b>25.7</b>	<b>25.5</b>	<b>26.1</b>	<b>25.9</b>	<b>26.6</b>	<b>3.2</b>	<b>2.5</b>
Service Providers	7.9	8.0	7.8	8.0	8.2	8.7	7.6	(2.8)	0.0
Enterprise	17.5	17.2	17.9	17.5	17.9	17.3	19.0	5.9	3.6
<b>Digital Platforms and services segment mix</b>	<b>13.4</b>	<b>19.8</b>	<b>19.7</b>	<b>20.0</b>	<b>20.4</b>	<b>21.7</b>	<b>22.7</b>	<b>15.3</b>	<b>4.7</b>
Collaboration & CPaaS	4.1	10.5	10.5	10.4	11.1	11.8	11.4	8.8	(2.9)
Cloud, Hosting and Security	4.2	3.8	4.0	4.2	4.2	4.3	5.1	28.8	18.9
Next Gen Connectivity (IZO & SDWAN)	2.0	2.3	2.1	2.1	2.2	2.5	2.6	23.6	3.9
Media Services	3.1	3.1	3.1	3.4	2.9	3.1	3.5	13.9	13.9

Source: MOFSL, Company

**Exhibit 3: We ascribe a TP of INR1,660 to TCOM**

	June'27E EBITDA (INR b)	EV/EBITDA (X)	Enterprise Value	
			INR b	INR/share
<b>Data</b>	<b>55.3</b>	<b>9</b>	<b>497</b>	<b>1,745</b>
Voice and other businesses	4.3	5	22	77
Value of 26% stake in the data center			30	104
<b>Enterprise value</b>			<b>549</b>	<b>1,926</b>
Consolidated debt			89	312
Net equity value			460	1,614
<b>Rounded fair value, including dividend</b>				<b>1,660</b>
% Upside (Downside)				5%
CMP (INR)				1,587

Source: MOFSL, Company

**Exhibit 4: Summary of our estimate revisions**

	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>
<b>Global Voice revenue (INR b)</b>			
Old	15.0	13.4	-
Actual/New	14.9	13.3	12.0
Change (%)	<b>-0.7</b>	<b>-0.7</b>	-
<b>Global Data revenue (INR b)</b>			
Old	220.7	237.9	-
Actual/New	222.2	242.1	261.7
Change (%)	<b>0.7</b>	<b>1.8</b>	-
<b>Consolidated revenue (INR b)</b>			
Old	248.9	265.3	-
Actual/New	251.2	270.7	289.9
Change (%)	<b>0.9</b>	<b>2.0</b>	-
<b>Consolidated EBITDA (INR b)</b>			
Old	53.4	59.9	-
Actual/New	51.5	58.1	63.8
Change (%)	<b>-3.5</b>	<b>-3.0</b>	-
<b>Voice EBITDA (INR b)</b>			
Old	1.8	1.6	-
Actual/New	1.7	1.5	1.3
Change (%)	<b>-6.3</b>	<b>-6.2</b>	-
<b>Data EBITDA (INR b)</b>			
Old	49.3	55.9	-
Actual/New	47.3	53.8	59.5
Change (%)	<b>-3.9</b>	<b>-3.7</b>	-
<b>EBITDA margin (%)</b>			
Old	21.4	22.6	-
Actual/New	20.5	21.5	22.0
Change (%)	<b>-93bps</b>	<b>-111bps</b>	-
<b>PAT (INR m)</b>			
Old	16.1	21.3	-
Actual/New	15.0	19.9	24.1
Change (%)	<b>-6.8</b>	<b>-6.9</b>	-

Source: MOFSL, Company





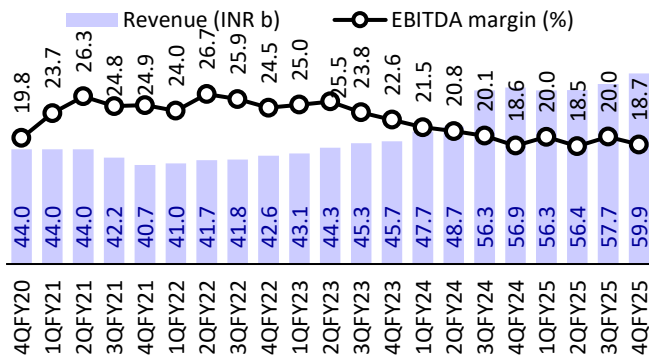
## Detailed takeaways from the management interaction

- **Order book and funnel additions:** The order book was relatively stronger in 1H, driven by a few large deals across sectors such as BFSI, OTT, World Athletics, etc., which led to high double-digit growth. However, the growth in order-book normalized in 2H, with fewer large deal wins. Overall, the order book grew by double digits during FY25. Further, management indicated that the funnel continues to remain strong with a healthy representation of deals across India and internationally.
- **Demand environment:** Given the global macro uncertainties, there is an elevated level of caution among customers. TCOM has faced deferrals in a few deals which were expected to close in 4QFY25 and have slipped to 1QFY26. However, the company is not seeing any knee-jerk reaction from the customers or deal cancellations and believes the customers would continue to make investments.
- **Digital portfolio growth drivers:** The strong ~29% YoY growth in Cloud and Security was primarily driven by the execution of a large deal win from 1HFY25. Further, the company has launched a next-generation cloud fabric, Tata Communications Vayu, to address the challenges of rising cloud costs, multi-cloud expertise, etc. The growth in Incubation was driven by new vehicle additions on the platform. Management noted that ~3% QoQ dip in Collaboration and CPaaS revenue in 4Q was due to the temporary customer-specific issues and also the seasonality of customer interaction business in 4Q.
- **Margin:** 4Q margins were hit by certain customer-specific issues, spillover costs from cable repairs, and higher marketing costs for new product launches. However, the core business EBITDA margin (excl. subsidiaries and acquisitions) at 23.3%, declined marginal 40bp YoY in FY25 and was within the management's guided range of 23-25%. The decline in core margin was on account of increased provisions for certain deals in the SAARC region (~50bp impact). Further, management remained committed to improving the margin to 23-25% over the medium term, driven by an uptick from ongoing cost synergy programs in the acquisitions.
- **FX impact:** Adjusting for the rupee depreciation, consolidated revenue growth would have been ~2.3% QoQ and ~4% YoY, as compared to 3.3% sequential and ~6% YoY reported consolidated revenue growth.
- **Weakness in net revenue:** The impact was primarily due to a one-time customer-specific issue and a fixed-cost deal not materializing. Additionally, the impact of cable outages also affected the high-margin core connectivity segment. Management indicated that these factors were temporary and net to gross ratio should improve from 1QFY26.
- **Acquisition:** Improved capabilities on the back of Switch and Kaleyra purchase, have helped TCOM in winning certain large deals and improved its relevance to the customers. However, cost synergy and margin improvement have been slower than expected, but the company is taking steps to rationalize lower-margin segments in Kaleyra and improve overall profitability.
- **Leverage:** Net debt moderated to INR93.7b during the quarter with net debt to EBITDA ratio at 2.06x. The reduction was driven mainly by proceeds from the land sale and the divestment of TCPSL. The company aims to keep the net debt-to-EBITDA ratio below 2x, with expectations to reach the level within the next two quarters.

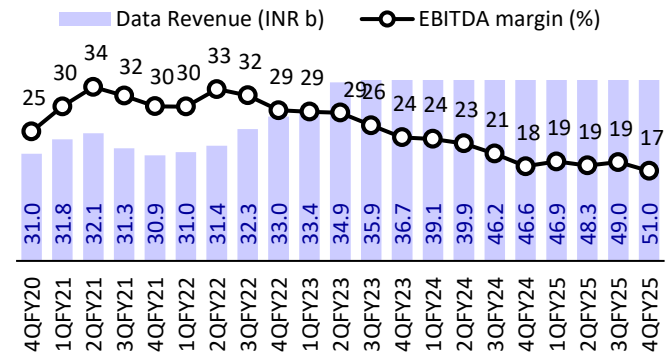


## Story in charts

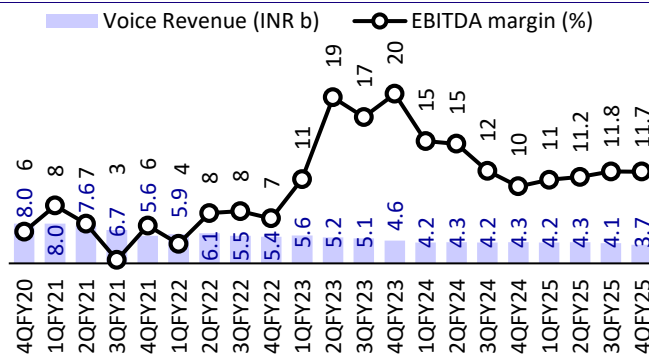
**Exhibit 5: Consol. revenue rose 4% QoQ (+6% YoY), Adj. EBITDA margin contracted ~125bp QoQ**



**Exhibit 6: Data revenue rose ~10% YoY, margin contracted 170bp QoQ**

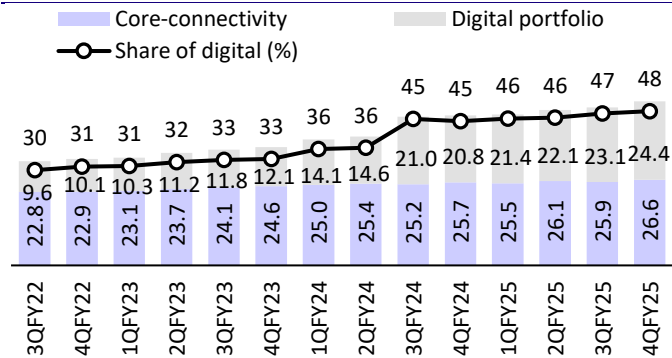


**Exhibit 7: Voice revenue declined 13% YoY, margin remained stable QoQ**



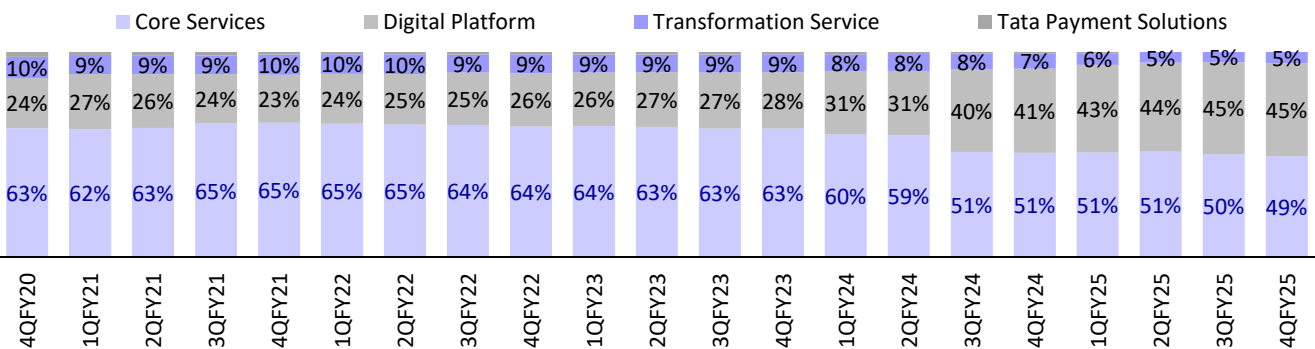
Source: MOFSL, Company

**Exhibit 8: Digital portfolio revenue increased ~17% YoY**



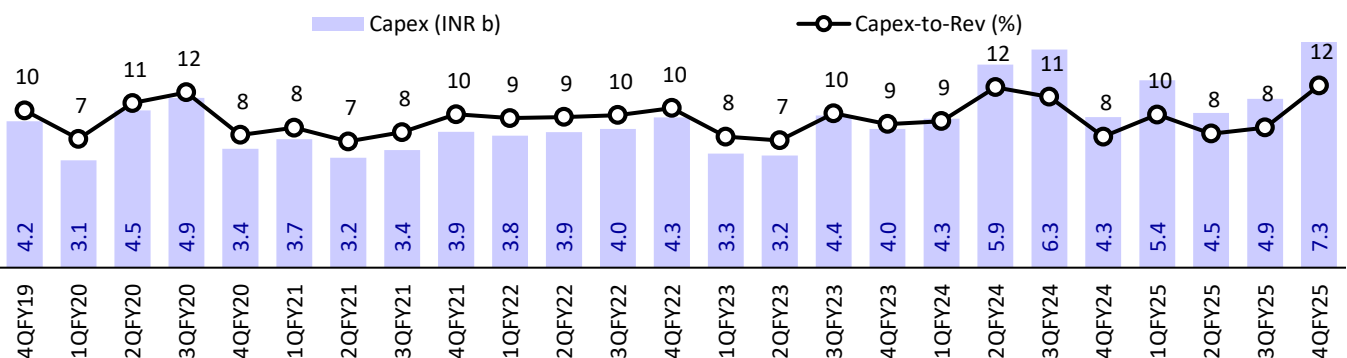
Source: MOFSL, Company

**Exhibit 9: Share of the digital portfolio in the data revenue mix inched up to ~48% in 4Q**



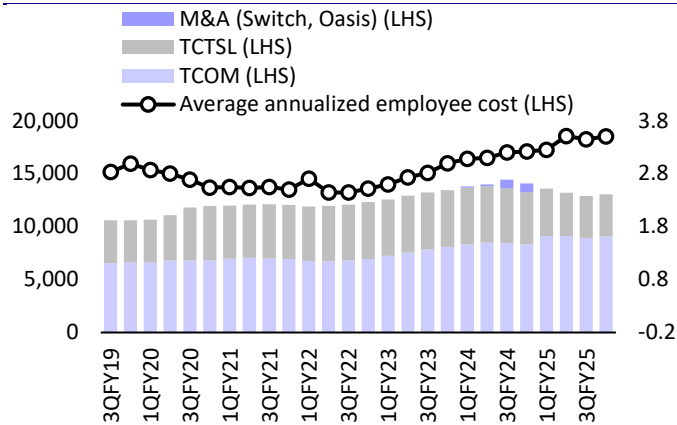
\*Revised as per the new reporting structure; Source: MOFSL, Company

**Exhibit 10: Quarterly cash capex increased ~50% QoQ to INR7.3b**



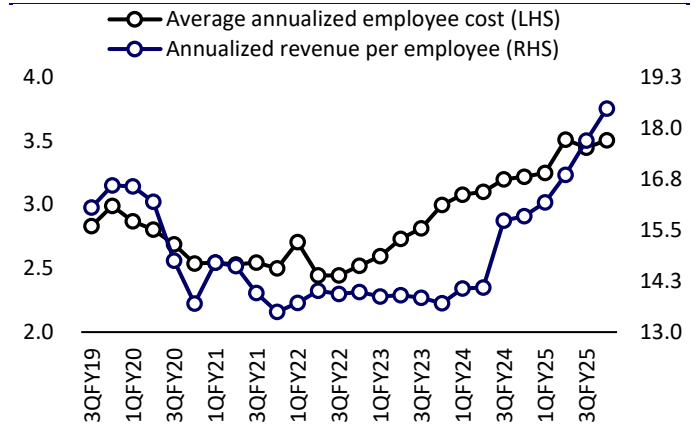
Source: MOFSL, Company

**Exhibit 11: TCOM's average cost per employee increased 1.7% QoQ, headcount rose by 136 FTEs QoQ**



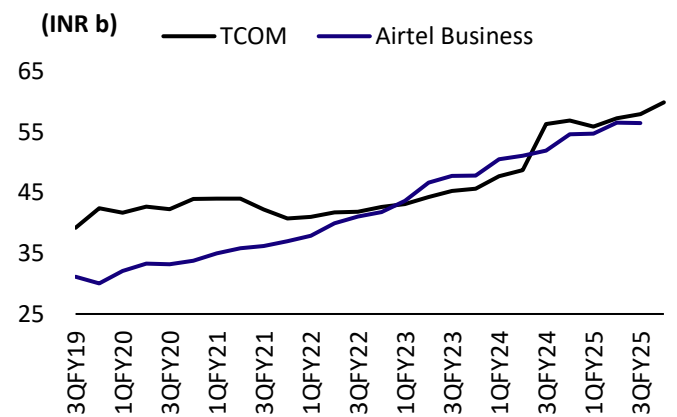
Source: MOFSL, Company

**Exhibit 12: TCOM's annual cost per employee increased to INR3.5m, revenue per employee up ~4% QoQ (INR 18.5m)**



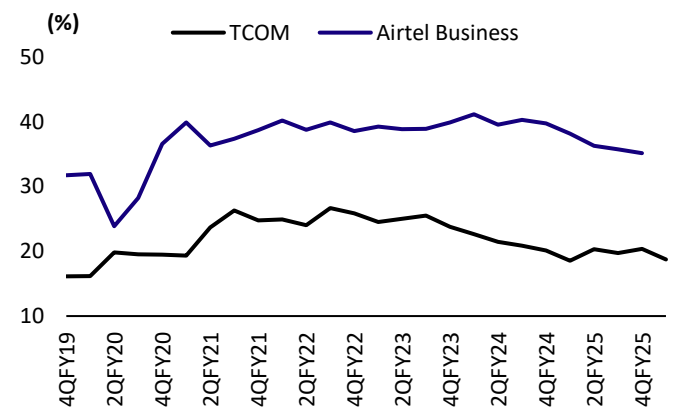
Source: MOFSL, Company

**Exhibit 13: With Kaleyra acquisition, TCOM's gross revenue surpassed Bharti's Enterprise business...**



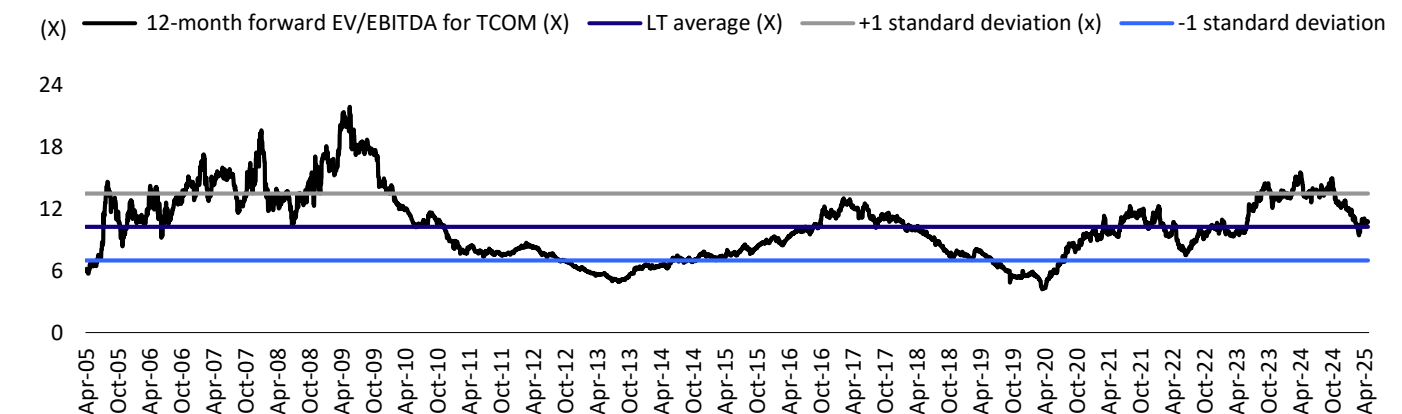
Source: MOFSL, Company

**Exhibit 14: ...but Bharti's Enterprise business EBITDA margin is significantly ahead of TCOM's**



Source: MOFSL, Company

**Exhibit 15: TCOM trades at 10.7x EV/EBITDA, at ~5% premium to its long-term average 12-month forward EV/EBITDA**



Source: MOFSL, Company

## Financials and valuations

Consolidated - Income Statement							(INRb)		
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Total Income from Operations</b>	<b>170.7</b>	<b>171.0</b>	<b>167.2</b>	<b>178.4</b>	<b>209.7</b>	<b>229.9</b>	<b>251.2</b>	<b>270.7</b>	<b>289.9</b>
Change (%)	3.3	0.2	-2.2	6.7	17.5	9.7	9.2	7.8	7.1
Network Cost	67.8	63.3	62.0	63.8	80.9	100.5	92.9	98.8	105.1
Staff Cost	30.4	30.5	30.4	36.0	44.5	45.6	52.5	56.0	60.0
Operating & Other Expense	39.6	34.6	32.6	35.5	42.0	39.3	54.2	57.7	61.0
<b>Total Expenditure</b>	<b>137.8</b>	<b>128.4</b>	<b>125.0</b>	<b>135.2</b>	<b>167.4</b>	<b>185.4</b>	<b>199.6</b>	<b>212.6</b>	<b>226.1</b>
% of Sales	80.7	75.1	74.7	75.8	79.8	80.6	79.5	78.5	78.0
<b>EBITDA</b>	<b>32.9</b>	<b>42.6</b>	<b>42.3</b>	<b>43.2</b>	<b>42.3</b>	<b>44.5</b>	<b>51.5</b>	<b>58.1</b>	<b>63.8</b>
Margin (%)	19.3	24.9	25.3	24.2	20.2	19.4	20.5	21.5	22.0
Depreciation	23.6	23.1	22.0	22.6	24.7	25.9	27.4	28.9	30.4
<b>EBIT</b>	<b>9.3</b>	<b>19.5</b>	<b>20.2</b>	<b>20.6</b>	<b>17.6</b>	<b>18.6</b>	<b>24.1</b>	<b>29.2</b>	<b>33.4</b>
Int. and Finance Charges	4.7	4.2	3.6	4.3	6.4	7.3	6.7	5.6	4.6
Other Income	0.7	1.6	3.3	3.6	2.8	1.3	1.3	1.3	1.6
<b>PBT bef. EO Exp.</b>	<b>5.3</b>	<b>16.8</b>	<b>19.9</b>	<b>19.9</b>	<b>14.0</b>	<b>12.6</b>	<b>18.7</b>	<b>24.9</b>	<b>30.3</b>
EO Items	-3.9	-0.7	0.1	0.8	-2.4	8.1	0.0	0.0	0.0
<b>PBT after EO Exp.</b>	<b>1.4</b>	<b>16.1</b>	<b>20.0</b>	<b>20.6</b>	<b>11.6</b>	<b>20.7</b>	<b>18.7</b>	<b>24.9</b>	<b>30.3</b>
Total Tax	2.3	3.5	5.2	3.0	2.1	4.9	4.2	5.6	6.8
Tax Rate (%)	162	22	26	14	18	24	23	23	23
Minority Interest	0.0	0.0	0.0	-0.3	-0.2	-0.4	-0.5	-0.6	-0.6
<b>Reported PAT</b>	<b>-0.9</b>	<b>12.5</b>	<b>14.8</b>	<b>18.0</b>	<b>9.7</b>	<b>16.3</b>	<b>15.0</b>	<b>19.9</b>	<b>24.1</b>
<b>Adjusted PAT</b>	<b>3.0</b>	<b>13.3</b>	<b>14.8</b>	<b>17.2</b>	<b>12.0</b>	<b>8.2</b>	<b>15.0</b>	<b>19.9</b>	<b>24.1</b>
Change (%)	-582.2	340.2	11.5	16.4	-30.0	-32.0	82.9	32.5	21.3
Margin (%)	1.8	7.8	8.8	9.6	5.7	3.6	6.0	7.3	8.3

Consolidated - Balance Sheet							(INRb)		
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Total Reserves	-15.6	-1.7	6.4	12.3	15.0	27.4	34.7	48.0	63.8
<b>Net Worth</b>	<b>-12.8</b>	<b>1.2</b>	<b>9.3</b>	<b>15.2</b>	<b>17.9</b>	<b>30.2</b>	<b>37.6</b>	<b>50.9</b>	<b>66.7</b>
Minority Interest	0.0	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0
Total Loans	81.6	98.0	79.0	75.3	101.2	108.8	93.8	78.8	63.8
Lease Liabilities	39.9	14.4	12.2	10.4	11.5	14.8	14.8	14.8	14.8
Deferred Tax Liabilities	-2.5	-2.8	-1.9	-3.2	-5.2	-11.6	-11.6	-11.6	-11.6
<b>Capital Employed</b>	<b>106.3</b>	<b>111.0</b>	<b>98.9</b>	<b>98.0</b>	<b>125.3</b>	<b>142.2</b>	<b>134.5</b>	<b>132.8</b>	<b>133.6</b>
Gross Block	129.1	151.3	170.4	190.3	226.9	0.0	0.0	0.0	0.0
Less: Accum. Deprn.	28.6	51.7	73.8	96.4	121.1	0.0	0.0	0.0	0.0
<b>Net Fixed Assets</b>	<b>100.5</b>	<b>99.6</b>	<b>96.6</b>	<b>93.9</b>	<b>105.8</b>	<b>119.9</b>	<b>116.6</b>	<b>113.4</b>	<b>110.2</b>
Right to Use Assets	16.0	13.3	11.5	10.0	11.0	0.0	0.0	0.0	0.0
Goodwill on Consolidation	0.9	1.1	1.1	1.2	17.8	19.3	19.3	19.3	19.3
Capital WIP	4.5	6.1	8.7	11.5	13.3	11.0	11.0	11.0	11.0
<b>Total Investments</b>	<b>15.6</b>	<b>22.3</b>	<b>15.7</b>	<b>19.5</b>	<b>16.1</b>	<b>18.0</b>	<b>18.0</b>	<b>18.0</b>	<b>18.0</b>
<b>Curr. Assets, Loans &amp; Adv.</b>	<b>72.0</b>	<b>67.8</b>	<b>61.0</b>	<b>66.0</b>	<b>74.4</b>	<b>77.7</b>	<b>78.6</b>	<b>85.4</b>	<b>94.8</b>
Inventory	0.7	0.3	0.4	1.6	0.8	1.6	1.6	1.6	1.6
Account Receivables	32.3	26.1	25.8	27.4	37.6	40.1	42.4	44.9	47.3
Cash and Bank Balance	9.1	9.3	7.4	10.6	8.4	17.6	15.2	17.9	23.4
Loans and Advances	29.9	32.1	27.3	26.4	27.6	18.5	19.5	21.0	22.5
<b>Curr. Liability &amp; Prov.</b>	<b>103.2</b>	<b>99.3</b>	<b>95.6</b>	<b>103.9</b>	<b>113.1</b>	<b>103.7</b>	<b>108.9</b>	<b>114.3</b>	<b>119.7</b>
Account Payables	38.4	32.4	30.1	32.8	36.6	35.7	37.6	40.5	43.4
Other Current Liabilities	57.3	60.0	57.9	62.7	67.3	58.7	60.5	62.2	63.9
Provisions	7.5	6.9	7.7	8.5	9.3	9.4	10.8	11.5	12.4
<b>Net Current Assets</b>	<b>-31.2</b>	<b>-31.5</b>	<b>-34.6</b>	<b>-37.9</b>	<b>-38.7</b>	<b>-26.0</b>	<b>-30.3</b>	<b>-28.9</b>	<b>-24.9</b>
<b>Appl. of Funds</b>	<b>106.3</b>	<b>111.0</b>	<b>98.9</b>	<b>98.0</b>	<b>125.3</b>	<b>142.2</b>	<b>134.5</b>	<b>132.8</b>	<b>133.6</b>

## Financials and valuations

Ratios									
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Basic (INR)</b>									
<b>EPS</b>	<b>10.6</b>	<b>46.5</b>	<b>51.8</b>	<b>60.3</b>	<b>42.3</b>	<b>28.7</b>	<b>52.6</b>	<b>69.7</b>	<b>84.5</b>
Cash EPS	93.3	127.7	129.2	139.7	128.9	119.7	148.8	171.0	191.3
BV/Share	-44.9	4.1	32.5	53.3	62.7	106.0	131.8	178.5	233.9
DPS	4.0	14.0	20.7	21.0	16.7	25.0	21.0	27.1	31.1
Payout (%)	37.9	30.1	39.9	34.8	39.5	69.2	40.0	38.9	36.8
<b>Valuation (x)</b>									
P/E	150.2	34.1	30.6	26.3	37.5	55.2	30.2	22.8	18.8
Cash P/E	17.0	12.4	12.3	11.4	12.3	13.3	10.7	9.3	8.3
P/BV	-35.4	391.7	48.8	29.8	25.3	15.0	12.0	8.9	6.8
EV/Sales	3.2	3.1	3.1	2.8	2.6	2.4	2.2	2.0	1.8
EV/EBITDA	16.7	12.5	12.3	11.8	12.8	12.5	10.6	9.1	8.0
Dividend Yield (%)	0.3	0.9	1.3	1.3	1.1	1.6	1.3	1.7	2.0
FCF Per Share	36.5	64.5	89.7	103.2	39.0	42.5	88.1	98.6	109.6
<b>Return Ratios (%)</b>									
RoE	-41.2	-227.9	283.3	140.6	72.9	34.1	44.2	44.9	41.0
RoCE	-5.8	14.8	16.3	20.6	14.4	10.7	13.1	16.3	18.7
RoIC	-7.5	20.2	21.3	28.5	20.0	15.6	20.1	25.7	30.9
<b>Working Capital Ratios</b>									
Fixed Asset Turnover (x)	1.3	1.1	1.0	0.9	0.9	NA	NA	NA	NA
Asset Turnover (x)	1.6	1.5	1.7	1.8	1.7	1.6	1.9	2.0	2.2
Inventory (Days)	2	1	1	3	1	3	2	2	2
Debtor (Days)	69	56	56	56	65	64	62	61	60
Creditor (Days)	82	69	66	67	64	57	55	55	55
<b>Leverage Ratio (x)</b>									
Current Ratio	0.7	0.7	0.6	0.6	0.7	0.7	0.7	0.7	0.8
Interest Cover Ratio	2.0	4.6	5.6	4.8	2.7	2.6	3.6	5.2	7.2
Net Debt/Equity	-7.6	69.9	7.3	3.7	4.9	3.5	2.5	1.5	0.8
<b>Consolidated - Cash Flow (INRb)</b>									
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	-0.8	12.5	20.0	20.6	11.6	20.7	18.7	24.9	30.3
Depreciation	23.6	23.1	22.0	22.6	24.7	25.9	27.4	28.9	30.4
Interest & Finance Charges	4.7	4.2	3.6	4.3	8.3	6.0	5.4	4.3	3.1
Direct Taxes Paid	-2.8	-5.0	0.9	-2.0	-2.2	-8.4	-4.2	-5.6	-6.8
(Inc)/Dec in WC	-2.5	-5.5	-4.7	-0.6	-11.0	-10.1	1.9	1.3	1.5
<b>CF from Operations</b>	<b>22.1</b>	<b>29.4</b>	<b>41.8</b>	<b>45.0</b>	<b>31.4</b>	<b>34.1</b>	<b>49.2</b>	<b>53.8</b>	<b>58.5</b>
Others	3.1	2.4	0.2	-1.1	0.5	-5.0	0.0	0.0	0.0
<b>CF from Operating incl EO</b>	<b>25.2</b>	<b>31.8</b>	<b>42.0</b>	<b>43.8</b>	<b>31.8</b>	<b>29.1</b>	<b>49.2</b>	<b>53.8</b>	<b>58.5</b>
(Inc)/Dec in FA	-14.9	-13.4	-16.5	-14.4	-20.7	-22.0	-24.1	-25.7	-27.3
<b>Free Cash Flow</b>	<b>10.4</b>	<b>18.4</b>	<b>25.6</b>	<b>29.4</b>	<b>11.1</b>	<b>7.1</b>	<b>25.1</b>	<b>28.1</b>	<b>31.2</b>
(Pur)/Sale of Investments	-0.5	-6.9	9.4	-3.2	-3.6	0.0	0.0	0.0	0.0
Others	0.0	0.3	-1.9	-0.8	-2.1	0.2	1.3	1.3	1.6
<b>CF from Investments</b>	<b>-15.3</b>	<b>-20.0</b>	<b>-8.9</b>	<b>-18.4</b>	<b>-26.4</b>	<b>-21.8</b>	<b>-22.8</b>	<b>-24.4</b>	<b>-25.7</b>
Issue of Shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inc/(Dec) in Debt	-4.0	-8.4	-27.8	-13.0	3.2	1.1	-15.0	-15.0	-15.0
Interest Paid	-3.9	-2.5	-2.5	-3.5	-5.3	-5.6	-6.7	-5.6	-4.6
Dividend Paid	-1.5	-1.1	-4.0	-5.9	-6.0	-4.8	-7.1	-6.0	-7.7
Others	0.0	0.5	-0.6	0.1	-0.1	0.0	0.0	0.0	0.0
<b>CF from Fin. Activity</b>	<b>-9.4</b>	<b>-11.6</b>	<b>-34.9</b>	<b>-22.2</b>	<b>-8.2</b>	<b>-9.4</b>	<b>-28.8</b>	<b>-26.6</b>	<b>-27.4</b>
<b>Inc/Dec of Cash</b>	<b>0.6</b>	<b>0.2</b>	<b>-1.8</b>	<b>3.2</b>	<b>-2.8</b>	<b>-2.0</b>	<b>-2.4</b>	<b>2.8</b>	<b>5.4</b>
Opening Balance	8.5	9.1	9.3	7.4	10.6	11.5	17.6	15.2	17.9
<b>Closing Balance</b>	<b>9.1</b>	<b>9.3</b>	<b>7.4</b>	<b>10.6</b>	<b>8.4</b>	<b>17.6</b>	<b>15.2</b>	<b>17.9</b>	<b>23.4</b>

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