

Tata Communications

Refer to important disclosures at the end of this report

A mixed bag

- TCOM posted revenue growth of 1.9% qoq/4.7% yoy, largely in line with our estimates. However, higher opex led to a 6% miss on EBITDA. RPAT was down 7.6% qoq due to lower EBITDA, higher D&A and taxes, offset in part by higher other income.
- The recovery in the Data segment (up 2.1% qoq) continued, supported by robust growth in the digital platform (up 3.4% qoq). Core connectivity growth was at 0.5% qoq. All digital segments, except for Collaboration, grew in double-digits yoy in FY22.
- TCOM further cut its net debt by Rs4.4bn to Rs67.4bn from last quarter. With this, the last 2 years' cumulative reduction stands at Rs24.3bn. Topline recovery should continue to be gradual to reach double-digit yoy growth as the deal funnel is impacted by high attrition.
- We trim our revenue estimates marginally. We are cutting FY23-24E EBITDA by 4-8% due to higher-than-expected cost inflation. Maintain Buy with a revised Mar'24E SoTP-based TP of Rs1,650 (Rs1,800 earlier). Higher COE has led to a reduction in target multiple.

Sustains recovery momentum; costs rise above estimates: Revenue was up by 1.9% qoq and 4.7% yoy to Rs42.6bn. Steady growth of 3.4% in the digital platform and services segment drove 2.1% qoq growth in the overall data segment. Core connectivity growth of 0.5% qoq was impacted by decline in overseas revenues. Incubation services grew sharply at 49.1% qoq, albeit on a lower base. Voice revenue declined by 3.1% qoq to Rs5.4bn. Other operating expenses rose 8.4% qoq, primarily due to the back-ended nature of such expenses, which in turn resulted in a 3.4% qoq decline in EBITDA. RPAT was down 7.6% qoq due to lower EBITDA, higher D&A and taxes. It was partially offset by higher other income of Rs2.6bn from Rs188mn in Q3, boosted by tax refunds. FCF for Q4FY22 and FY22 stood at Rs6.1bn and Rs26.2bn, respectively. Net debt fell by Rs10.4bn in FY22 to Rs67.7bn. The company has declared a dividend of Rs20.7/share (Rs14 in FY21).

Outlook: Higher attrition levels have impacted the deal funnel in H2FY22. Management is hopeful of a recovery in the funnel rate in ensuing quarters with the ongoing hiring. The India business, with digital platforms, has been performing well. However, the decline in international revenues has impacted revenue growth. Though we estimate continued revenue recovery in coming quarters, higher-than-expected cost inflation should restrict margin expansion. In the past, management has also highlighted that it would pursue inorganic opportunities to accelerate revenue growth. And, given its strong balance sheet, we believe TCOM should aggressively pursue this. In our view, for any valuation re-rating, sustained double-digit revenue growth in digital segment is essential. Sharp cut in earnings is on account of EBITDA downgrade and higher dividend payout resulting to lower other income as well.

Key Risks: 1) increased losses in incubation services; 2) inability to close large deals; 3) continued delays in revenue recovery; and 4) higher competitive intensity.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Telecommunications \(Page 12\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Total Revenue	171,000	167,246	179,637	194,824	209,697
EBITDA	42,607	42,266	44,207	51,391	56,073
EBITDA Margin (%)	24.9	25.3	24.6	26.4	26.7
APAT	13,254	14,757	14,104	19,273	22,482
EPS (Rs)	46.5	51.8	49.5	67.6	78.9
EPS (% chg)	335.2	11.3	(4.4)	36.7	16.7
ROE (%)	NA	155.5	61.3	58.4	48.8
P/E (x)	26.5	23.8	24.9	18.2	15.6
EV/EBITDA (x)	10.2	9.9	9.2	7.6	6.7
P/BV (x)	NA	18.4	13.1	9.0	6.6

Source: Company, Emkay Research. eam.emkay@whitemarquesolutions.com use and downloaded at 04/25/2022 04:06 PM

CMP	Target Price
Rs 1,234 as of (April 22, 2022)	Rs 1,650 (▼) 12 months
Rating	Upside
BUY (■)	33.7 %

Change in Estimates

EPS Chg FY23E/FY24E (%)	(22.7)/(10)
Target Price change (%)	(8.3)
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

	EPS Estimates	
	FY23E	FY24E
Emkay	49.5	67.6
Consensus	63.4	76.3
Mean Consensus TP (12M)	Rs 1,490	

Stock Details

Bloomberg Code	TCOM IN
Face Value (Rs)	10
Shares outstanding (mn)	285
52 Week H/L	1,592 / 1,036
M Cap (Rs bn/USD bn)	352 / 4.60
Daily Avg Volume (nos.)	764,872
Daily Avg Turnover (US\$ mn)	12.5

Shareholding Pattern Mar '22

Promoters	58.9%
FIIIs	19.4%
DIIIs	11.5%
Public and Others	10.3%

Price Performance

(%)	1M	3M	6M	12M
Absolute	8	(10)	(11)	10
Rel. to Nifty	9	(8)	(6)	(8)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

Naval Seth

naval.seth@emkayglobal.com
 +91 22 6624 2414

Pulkit Chawla

pulkit.chawla@emkayglobal.com
 +91 22 6642 4258

Exhibit 1: Actual vs. Estimate (Q4FY22)

Rs mn	Actual	Estimate		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenue	42,630	42,824	42,449	0%	0%	
EBITDA	10,453	11,080	11,074	-6%	-6%	Due to higher other operating expenses
EBITDA Margin	24.5%	25.9%	26.1%	-135 bps	-157 bps	
PAT	3,651	4,058	3,970	-10%	-8%	On lower EBITDA and higher taxes, partially offset by higher other income

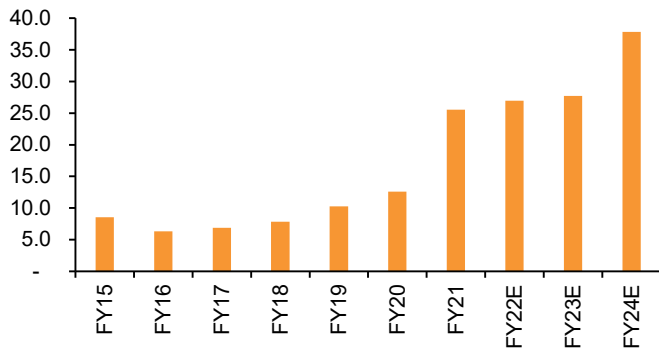
Source: Company, Emkay Research

Exhibit 2: Summary of quarterly financials

Rs mn	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4Y22	YoY (%)	QoQ (%)	FY21	FY22	YoY (%)
Total Sales	40,733	41,028	41,740	41,849	42,630	4.7	1.9	171,001	167,247	(2.2)
Network cost	14,615	15,619	15,670	15,302	15,404	5.4	0.7	64,740	61,995	(4.2)
as % of sales	35.9	38.1	37.5	36.6	36.1			37.9	37.1	
Employee Cost	7,547	8,097	7,285	7,338	7,684	1.8	4.7	30,491	30,403	(0.3)
as % of sales	18.5	19.7	17.5	17.5	18.0			17.8	18.2	
Other operating expenses	8,419	7,452	7,657	8,384	9,089	8.0	8.4	33,165	32,582	(1.8)
as % of sales	20.7	18.2	18.3	20.0	21.3			19.4	19.5	
Total Expenditure	30,581	31,167	30,612	31,024	32,177	5.2	3.7	128,395	124,980	(2.7)
EBITDA	10,152	9,861	11,129	10,825	10,453	3.0	(3.4)	42,606	42,267	(0.8)
Depreciation	5,950	5,333	5,416	5,425	5,887	(1.1)	8.5	23,139	22,061	(4.7)
EBIT	4,202	4,527	5,713	5,400	4,566	8.7	(15.4)	19,467	20,206	3.8
Other Income	577	134	364	188	2,635	356.7	1,301.7	1,568	3,321	111.8
Interest	931	962	908	835	898	(3.5)	7.6	4,202	3,603	(14.3)
PBT	3,848	3,699	5,169	4,754	6,304	63.8	32.6	16,833	19,924	18.4
Tax	872	793	1,038	958	2,433	178.9	153.9	3,549	5,221	47.1
PAT before MI	2,976	2,906	4,131	3,796	3,871	30.1	2.0	13,284	14,703	10.7
Minority interest	5	(1)	(4)	72	(12)			-30	55	(281.2)
PAT	2,981	2,905	4,126	3,867	3,859	29.5	(0.2)	13,254	14,758	11.4
Exceptional item	(12)	(56)	(127)	(85)	209			747	-60	
PAT from continued operations	2,992	2,961	4,254	3,952	3,651	22.0	(7.6)	12,506	14,818	18.5
Margins (%)						(bps)	(bps)			(bps)
EBIDTA	24.9	24.0	26.7	25.9	24.5	(40)	(135)	24.9	25.3	36
EBIT	10.3	11.0	13.7	12.9	10.7	40	(219)	11.4	12.1	70
EBT	9.4	9.0	12.4	11.4	14.8	534	343	9.8	11.9	207
PAT	7.3	7.1	9.9	9.2	9.1	174	(19)	7.8	8.8	107
Effective Tax rate	22.7	21.4	20.1	20.2	38.6	1,593	1,844	21.1	26.2	512

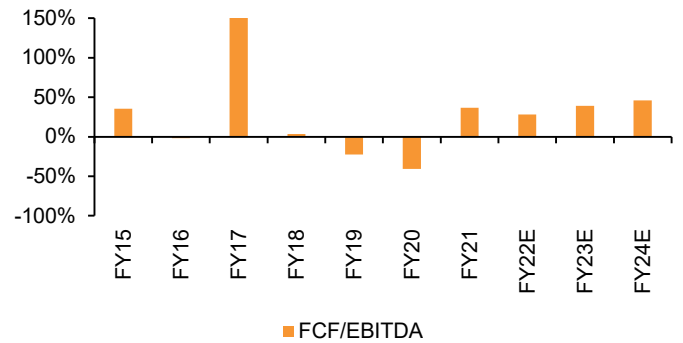
Source: Company, Emkay Research

Exhibit 3: ROIC expected to expand considerably



Source: Company, Emkay Research

Exhibit 4: Stable increase in FCF/EBITDA



Source: Company, Emkay Research

Data Segment

- Gross revenue grew by 2.1% qoq/6.9% yoy and stood at Rs33bn. For FY22, the data segment's revenue rose by 1.4% yoy, with recovery across segments. Q4FY22 data segment EBITDA declined 7.1% qoq to Rs9.7bn. For FY22, EBITDA grew by 0.4% yoy to Rs39.9bn. The EBITDA margin was down by 32bps yoy to 31.2% in FY22.

Exhibit 5: Financials of data segment

Data (Rs mn)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	YoY (%)	QoQ (%)	FY21	FY22	YoY (%)
Gross revenues	30,875	31,045	31,399	32,330	33,014	6.9	2.1	125,993	127,788	1.4
Less: Direct Costs	8,333	8,997	8,880	8,835	9,354	12.2	5.9	35,181	36,066	2.5
Net revenues	22,542	22,048	22,519	23,495	23,660	5.0	0.7	90,811	91,722	1.0
Less: Operating Exp	13,260	12,731	12,028	13,087	13,991	5.5	6.9	51,083	51,837	1.5
EBITDA	9,282	9,317	10,491	10,408	9,669	4.2	(7.1)	39,728	39,885	0.4
EBITDA margin (%)	30.1%	30.0%	33.4%	32.2%	29.3%	-78 bps	-290 bps	31.5%	31.2%	-32 bps
Less: Depreciation	5,567	5,011	5,107	5,118	5,487	(1.4)	7.2	21,436	20,724	(3.3)
EBIT	3,716	4,306	5,384	5,290	4,182	12.5	(20.9)	18,292	19,161	4.8
EBIT margin (%)	12.0%	13.9%	17.1%	16.4%	12.7%	63 bps	-369 bps	14.5%	15.0%	48 bps

Source: Company, Emkay Research

Core Connectivity

- Revenue increased 0.5% qoq to Rs22.9bn in Q4FY22. For FY22, revenue grew by 1.4% yoy to Rs90.4bn. EBITDA margin for core connectivity declined by 24bps in FY22 to 43.9%.

Exhibit 6: Financials of core connectivity segment

Core Connectivity (Rs mn)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	YoY (%)	QoQ (%)	FY21	FY22	YoY (%)
Gross revenue	22,378	22,307	22,408	22,777	22,885	2.3	0.5	89,147	90,377	1.4
Net revenue	18,577	17,878	18,078	18,600	18,794	1.2	1.0	73,108	73,349	0.3
EBITDA	9,789	9,510	10,287	10,129	9,750	(0.4)	(3.7)	39,352	39,676	0.8
EBITDA margin	43.7%	42.6%	45.9%	44.5%	42.6%	-114 bps	-186 bps	44.1%	43.9%	-24 bps

Source: Company, Emkay Research

Digital Platform and Services

- Revenue grew by 3.4% qoq and 14.6% yoy to Rs9.3bn in Q4FY22. The EBITDA margin fell from 13.2% in Q3FY22 to 7.4% in Q4FY22. For FY22, revenue was down 0.8% yoy to Rs35.3bn. EBITDA margin contracted by 107bps yoy in FY22.

Exhibit 7: Financials of Digital Platform and Services Segment

Digital Platform and Services	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	YoY (%)	QoQ (%)	FY21	FY22	YoY (%)
Gross revenue	8,132	8,369	8,563	9,012	9,321	14.6	3.4	35,564	35,264	(0.8)
Net revenue	3,936	4,122	4,419	4,776	4,538	15.3	(5.0)	17,337	17,855	3.0
EBITDA	560	751	1,215	1,194	686	22.4	(42.6)	4,258	3,846	(9.7)
EBITDA margin	6.9%	9.0%	14.2%	13.2%	7.4%	46 bps	-589 bps	12.0%	10.9%	-107 bps

Source: Company, Emkay Research

Incubation Services

- Incubation Services' revenue grew 49.1% qoq to Rs808mn in Q4. For FY22, the segment's revenues grew 67.6% to Rs2.1bn. EBITDA loss of the segment narrowed to Rs3.6bn in FY22 from Rs3.9bn in FY21.

Exhibit 8: Financials of incubation services segment

Rs mn	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	YoY (%)	QoQ (%)	FY21	FY22	YoY (%)
Gross Revenue	366	369	429	542	808	120.9	49.1	1,281	2,148	67.6
Less: Direct Costs	337	321	406	426	480	42.3	12.7	915	1,633	78.5
Net revenues	28	48	23	116	328	1,054.5	182.8	367	515	40.4
Less: Opex	1,096	992	1,034	1,031	1,095	(0.1)	6.2	4,248	4,151	(2.3)
EBITDA	-1,067	-944	-1,011	-915	-767	(28.2)	(16.2)	(3,882)	(3,636)	(6.3)

Source: Company, Emkay Research

Subsidiaries**Transformation Services (TCTSL)**

- Revenue for TCTSL grew 6.7% qoq to Rs3.3bn in Q4FY22, while delivering a profit of Rs74mn at the EBITDA level. For FY22, gross revenue declined by 1% to Rs9.8bn, owing to the weakness in the international business.

Exhibit 9: Tata Communications Transformation Services

Rs mn	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	YoY (%)	QoQ (%)	FY21	FY22	YoY (%)
Gross Revenue	3410	3303	3352	3127	3337	-2.1	6.7	9,880	9,781	(1.0)
Less: Direct Costs	2780	3017	3157	2867	2732	-1.7	-4.7	8,670	9,041	4.3
Net revenues	630	285	195	260	604	-4.1	132.5	1,210	740	(38.8)
Less: Opex	460	346	410	531	530	15.2	-0.1	1,290	1,286	(0.3)
EBITDA	170	-60	-215	-271	74	-56.3	-127.5	(80)	(546)	582.3
EBITDA margin (%)	5%	-2%	-6%	-9%	2%	-276 bps	1,089 bps	-1%	-6%	-477 bps

Source: Company, Emkay Research

Payment Services (TCP SL)

- Topline declined 2.3% qoq to Rs425mn in Q4FY22. For FY22, revenue declined 23.5% to Rs1.6bn as the segment continued to be impacted by Covid. Average daily transactions for FY22 were 57 vs. 68 in FY21.

Exhibit 10: Tata Communications Payment Solutions (TCP SL)

Rs mn	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	YoY (%)	QoQ (%)	FY21	FY22	YoY (%)
Gross Revenue (Rs mn)	460	376	409	435	425	(7.5)	(2.3)	2,150	1,646	(23.5)
Total ATMs managed	6,184	6,322	6,663	7,036	7,633	23.4	8.5			
White label ATMs	6,184	6,322	6,663	7,036	7,633	23.4	8.5			
Total POS managed	2,076	2,019	1,637	165	-					

Source: Company, Emkay Research

Voice segment

- Gross revenue declined 3.1% qoq to Rs5.4bn in Q4FY22. ILD minutes declined from 3.5bn in Q3FY22 to 3.1bn in Q4FY22. EBITDA declined 12.2% qoq to Rs378mn in the quarter.

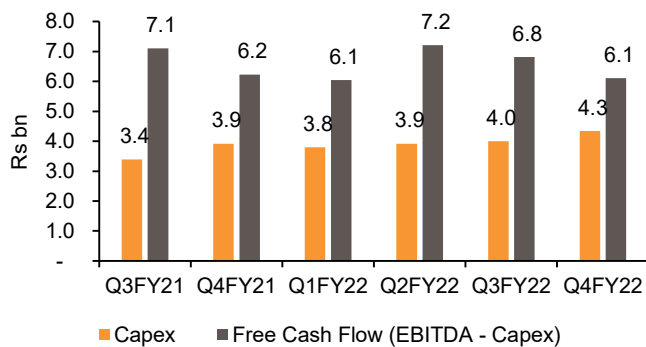
Exhibit 11: Performance of voice segment

Voice (Rs mn)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	YoY (%)	QoQ (%)	FY21	FY22	YoY (%)
Gross revenues	5,580	5,890	6,060	5,542	5,369	(3.8)	(3.1)	27,903	22,862	(18.1)
Less: Direct Costs	4,660	5,040	5,061	4,648	4,302	(7.7)	(7.4)	23,632	19,052	(19.4)
Net revenues	920	850	999	894	1,067	16.0	19.4	3,351	3,810	13.7
Less: Opex	560	590	540	464	689	23.1	48.7	2,549	2,283	(10.4)
EBITDA	360	260	459	430	378	4.9	(12.2)	802	1,526	90.4
EBITDA margin (%)	6.5%	4.4%	7.6%	7.8%	7.0%	58 bps	-73 bps	2.9%	6.7%	380 bps
Less: Depreciation	90	60	65	64	136	51.6	114.1	361	325	(9.9)
EBIT	270	200	394	366	241	(10.6)	(34.1)	1,361	1,201	(11.7)
EBIT margin (%)	4.8%	3.4%	6.5%	6.6%	4.5%	-34 bps	-212 bps	4.9%	5.3%	38 bps
Volumes (bn mins)										
ILD	3.8	4.1	3.7	3.5	3.1	(19.0)	(11.8)			
NLD	0.1	0.1	0.1	0.1	0.1	11.1	(4.9)			
Total	3.9	4.2	3.9	3.6	3.2	(18.3)	(11.6)			
Net realization per min (Rs/min)	0.2	0.2	0.3	0.2	0.3	41.9	35.0			
EBITDA per min (Rs/min)	0.1	0.1	0.1	0.1	0.1	28.4	(0.7)			

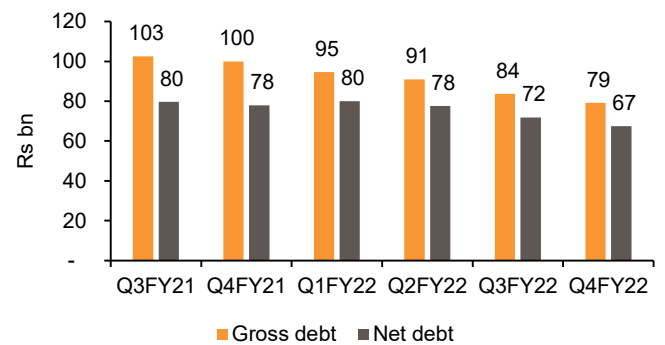
Source: Company, Emkay Research

Cash generation, capex and debt profile

- FCF for the quarter stood at Rs6.1bn vs. Rs6.8bn in the last quarter. Capex was Rs4.3bn vs. Rs4bn in Q3FY22.
 - Data FCF stood at Rs5.9bn vs. Rs7.4bn in Q3.
 - Voice FCF was Rs370mn vs. Rs420mn in the previous quarter.
- Core Business Net Debt stood at Rs67.4bn vs. Rs71.9bn in the prior quarter.
 - The weighted average cost of debt increased to 3.3% from 2.7% in Q3.

Exhibit 12: Capex and FCF stable in Q4

Source: Company, Emkay Research

Exhibit 13: Net debt continues to trend lower

Source: Company, Emkay Research

Estimate revision

We have marginally trimmed our revenue estimates, while our FY23-24E EBITDA is cut by 4-8% due to higher-than-expected cost inflation. The management has stated margin guidance for FY23 is at the lower end of medium term guidance of 23-25%. However, over the last two years, under the new management, the company has outperformed on the margin guidance. Sharp cut in earnings is on account of; 1) EBITDA downgrade, 2) higher dividend payout resulting to lower other income as well and 3) higher interest rate and D&A. We have also revised capex estimates to Rs22bn for FY23 vs Rs18.5bn earlier as company is front loading the spends to accelerate revenue growth.

Exhibit 14: Change in estimates (Introducing FY25E estimates)

Particulars (Rs mn)	FY23E			FY24E			FY25E
	Old	Revised	% Change	Old	Revised	% Change	Introduced
Revenue	181,644	179,637	-1.1%	196,952	194,824	-1.1%	209,697
EBITDA	48,244	44,207	-8.4%	53,262	51,391	-3.5%	56,073
EBITDA Margin %	26.6	24.6	-173 bps	27.0	26.4	-22 bps	26.7
APAT	18,256	14,104	-22.7%	21,418	19,273	-10.0%	22,482
EPS	64.1	49.5	-22.7%	75.2	67.6	-10.0%	78.9

Source: Company, Emkay Research

Exhibit 15: Key Revenue Assumptions

Particulars (Rs mn)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Voice Segment	38,703	33,763	27,903	22,862	19,927	17,747	15,807
Data Segment	125,243	135,311	141,433	142,552	157,910	175,278	192,090
Others	1,304	1,609	1,660	1,832	1,800	1,800	1,800
Total revenue	165,250	170,683	170,995	167,246	179,637	194,824	209,697

Source: Company, Emkay Research

Valuation

Exhibit 16: SoTP based valuation

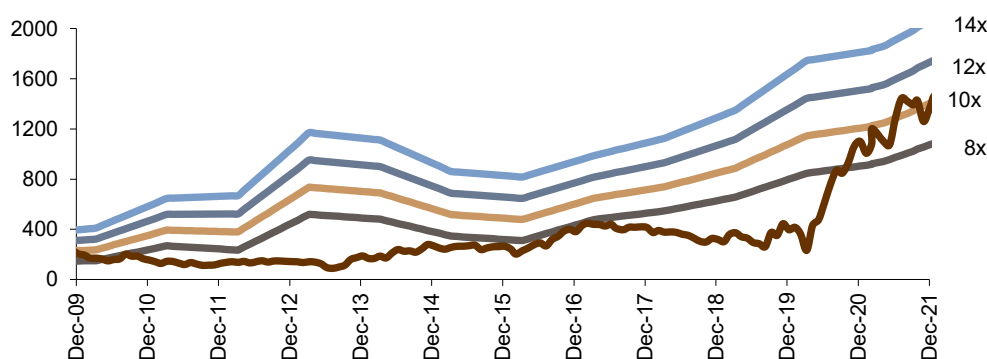
Particulars	Mar'24
Voice Segment	
EBITDA (Rs mn)	1,109
EV/EBITDA (x)	2.0
Enterprise value (Rs mn)	2,218
Data Segment	
EBITDA (Rs mn)	49,165
EV/EBITDA (x)	10.5
Enterprise value (Rs mn)	513,778
Total Enterprise Value (Rs mn)	515,996
Net debt (Rs mn)	60,177
Implied market cap (Rs mn)	455,819
Value from core business (Rs/share)	1,641
Add: 26% stake in data centre (Rs/share)	63
Less: Potential AGR liability (Rs/share)	56
Target price (Rs/share)	1,650

Source: Emkay Research

Exhibit 17: Land details post-merger with HPIL

Location	Total land in B/S (Acre)	Land with HPIL post demerger (Acre)	Land with TCOM post demerger (Acre)
Dighi – Pune, Maharashtra	678.1	524	154.1
Chattarpur, Delhi	162.4	58	104.4
GK-I, Delhi	119.1	69.5	49.6
Halisahar, W.B.	81.7	35.2	46.5
Padianallur, Chennai, TN	53	53	0
Mumbai	10.2	0	10.2
Rest of Western India	241.1	0	241.1
North and East India	123.6	0	123.6
South India	27.2	0	27.2
Total	1496.4	739.7	756.7

Source: Company, Emkay Research

Exhibit 18: 1-year forward EV/EBITDA valuation band


Source: Bloomberg, Emkay Research

Con-call highlights

- According to management, win rates are improving, and about 50% of incremental funnel was seen for the Digital platform and services business. The deal funnel in the MOVE business has doubled yoy. Though Q3 funnel was impacted by attrition, incremental hiring is gradually improving the run-rate. Revenue conversion from funnel to order booking continues to remain slow with the order book remaining flat. In Q1FY23, the order book should see an improvement. High attrition in the overseas business impacted growth in H2FY22.
- **Core connectivity:** Management highlighted that customer engagement is increasing. India growth was in mid-high single digits, while international revenue has seen a decline due to VPN reductions and price erosion.
- **Digital platforms:** Usage-based revenues (30-35% of Digital platform revenues) had some impact, while fixed fee revenues have increased by 22% yoy. Management said it is working to restrict the decline in usage-based revenues via new customer additions.
 - **Cloud security and hosting:** The company is in the process of enhancing the product portfolio for the Cloud segment. The security business in India has done well, while international business' decline is due to high attrition. The international security business is more of network security related and the built-up funnel is strong, which should lead to recovery in the future.
 - The company is also reinforcing its partnerships with SI players to scale up revenues going forward.
- **Incubation services:** Although net foundry acceleration has been lower than expected, the IoT segment is growing at faster pace.
- The company has launched a franchisee model in the ATM business. However, its financial contribution remains limited.
- **EBITDA margin guidance:** Management maintained its earlier stated EBITDA margin guidance of 23-25%. For FY23, margin delivery would be at the lower-mid level of the guided range. The rise in business travel and focus on arresting attrition with elevated hiring targets should keep margins under check in the near term.
- **Capex:** FY23 capex guidance is US\$300-325mn. Capex was lower in FY22 due to supply-side challenges.
- **Dividend payout:** A dividend policy has been formulated with 30-50% payout ratio, going forward.

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Total Revenue	171,000	167,246	179,637	194,824	209,697
Expenditure	128,393	124,980	135,429	143,434	153,624
EBITDA	42,607	42,266	44,207	51,391	56,073
Depreciation	23,139	22,061	23,525	24,606	25,624
EBIT	19,468	20,205	20,682	26,784	30,450
Other Income	1,568	3,321	876	1,240	1,526
Interest expenses	4,202	3,603	3,540	3,402	3,255
PBT	16,834	19,923	18,018	24,622	28,721
Tax	3,549	5,221	3,964	5,417	6,319
Extraordinary Items	(747)	60	0	0	0
Minority Int./Income from Assoc.	9	13	12	16	19
Reported Net Income	12,507	14,816	14,104	19,273	22,482
Adjusted PAT	13,254	14,757	14,104	19,273	22,482

Balance Sheet

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	2,850	2,850	2,850	2,850	2,850
Reserves & surplus	(1,696)	16,234	24,068	36,216	50,148
Net worth	1,154	19,084	26,918	39,066	52,998
Minority Interest	282	284	272	256	237
Loan Funds	113,936	92,326	82,326	77,326	72,326
Net deferred tax liability	(2,824)	(1,824)	(1,824)	(1,824)	(1,824)
Total Liabilities	112,548	109,871	107,692	114,824	123,736
Net block	114,034	109,513	107,988	101,881	96,258
Investment	22,334	15,654	15,654	15,654	15,654
Current Assets	66,469	60,683	67,303	83,560	99,350
Cash & bank balance	9,270	9,324	10,398	21,909	33,184
Other Current Assets	28,420	23,448	23,389	25,366	27,303
Current liabilities & Provision	97,639	84,700	91,973	94,993	96,246
Net current assets	(31,169)	(24,017)	(24,670)	(11,433)	3,104
Misc. exp	1,258	0	0	0	0
Total Assets	112,548	109,871	107,692	114,824	123,736

Cash Flow

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT (Ex-Other income) (NI+Dep)	15,266	16,602	17,142	23,382	27,195
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(7,823)	(6,097)	1,726	(1,727)	(3,261)
Operating Cashflow	27,751	32,040	39,343	42,136	44,826
Capital expenditure	(12,095)	(20,170)	(22,000)	(18,500)	(20,000)
Free Cash Flow	15,656	11,870	17,343	23,636	24,826
Investments	(6,703)	6,680	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(17,230)	(10,169)	(21,124)	(17,260)	(18,474)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(10,199)	(21,610)	(10,000)	(5,000)	(5,000)
Dividend paid (incl tax)	(1,140)	(5,900)	(6,270)	(7,125)	(8,550)
Other Financing Cash Flow	5,206	9,295	2,664	2,162	1,728
Financing Cashflow	(10,335)	(21,817)	(17,146)	(13,365)	(15,076)
Net chg in cash	186	54	1,073	11,511	11,276
Opening cash position	9,084	9,270	9,324	10,398	21,909
Closing cash position	9,270	9,324	10,398	21,909	33,184

Source: Company, Emkay Research

This report is intended for team.emkay@whitemarquesolutions.com use and downloaded at 04/25/2022 04:06 PM

Emkay Research is also available on www.emkayglobal.com and Bloomberg EMKAY<GO>. Please refer to the last page of the report on Restrictions on Distribution. In Singapore, this research report or research analyses may only be distributed to Institutional Investors, Expert Investors or Accredited Investors as defined in the Securities and Futures Act, Chapter 289 of Singapore.

Key Ratios

Profitability (%)	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin	24.9	25.3	24.6	26.4	26.7
EBIT Margin	11.4	12.1	11.5	13.7	14.5
Effective Tax Rate	21.1	26.2	22.0	22.0	22.0
Net Margin	7.8	8.8	7.8	9.9	10.7
ROCE	19.2	21.3	19.8	25.2	26.8
ROE	NA	155.5	61.3	58.4	48.8
RoIC	25.6	27.0	27.7	37.9	45.2

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	46.5	51.8	49.5	67.6	78.9
CEPS	127.7	129.2	132.0	154.0	168.8
BVPS	(0.4)	67.0	94.4	137.1	186.0
DPS	4.0	20.7	22.0	25.0	30.0

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	26.5	23.8	24.9	18.2	15.6
P/CEPS	9.7	9.6	9.3	8.0	7.3
P/BV	NA	18.4	13.1	9.0	6.6
EV / Sales	2.5	2.5	2.3	2.0	1.8
EV / EBITDA	10.2	9.9	9.2	7.6	6.7
Dividend Yield (%)	0.3	1.7	1.8	2.0	2.4

Gearing Ratio (x)	FY21	FY22	FY23E	FY24E	FY25E
Net Debt/ Equity	(793.2)	3.5	2.1	1.0	0.4
Net Debt/EBIDTA	1.9	1.6	1.3	0.8	0.4
Working Cap Cycle (days)	(86.3)	(72.8)	(71.3)	(62.5)	(52.4)

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	0.2	(2.2)	7.4	8.5	7.6
EBITDA	29.5	(0.8)	4.6	16.2	9.1
EBIT	109.1	3.8	2.4	29.5	13.7
PAT	0.0	18.5	(4.8)	36.7	16.7

Quarterly (Rs mn)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Revenue	40,733	41,028	41,740	41,849	42,630
EBITDA	10,152	9,861	11,129	10,825	10,453
EBITDA Margin (%)	24.9	24.0	26.7	25.9	24.5
PAT	2,992	2,961	4,254	3,952	3,651
EPS (Rs)	10.5	10.4	14.9	13.9	12.8

Source: Company, Emkay Research

Shareholding Pattern (%)	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Promoters	58.9	58.9	58.9	58.9	58.9
FIIIs	24.4	24.0	23.5	21.6	19.4
DIIIs	7.5	7.4	7.6	8.8	11.5
Public and Others	9.2	9.8	10.1	10.7	10.3

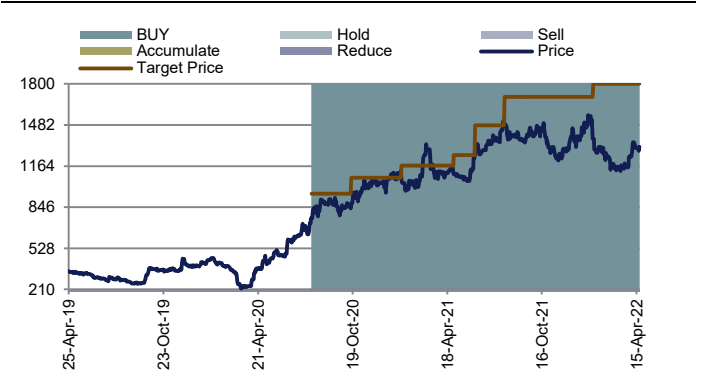
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
22-Jan-22	1,374	1,800	12m	Buy	Naval Seth
21-Oct-21	1,427	1,700	12m	Buy	Naval Seth
5-Aug-21	1,497	1,700	12m	Buy	Naval Seth
10-Jun-21	1,259	1,480	12m	Buy	Naval Seth
30-Apr-21	1,100	1,250	12m	Buy	Naval Seth
20-Jan-21	1,051	1,167	12m	Buy	Naval Seth
16-Oct-20	876	1,073	12m	Buy	Naval Seth
1-Aug-20	760	950	12m	Buy	Naval Seth

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Telecommunications



Analyst: Naval Seth

Contact Details

naval.seth@emkayglobal.com
+91 22 6624 2414

Sector

Consumer Durables, Media & Entertainment, SMID and Telecom

Analyst bio

Naval holds an MBA in Finance and has more than 13 years of experience in equity research. His team currently covers 19 stocks spread across three different sectors.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight based on Current NAV	Change vs last published EAP (bps)
Telecommunications	2.12	2.12	0%	0	100.00	
Bharti Airtel	1.73	1.78	3%	5	83.79	0
Indus Towers	0.17	0.17	2%	0	8.15	0
Tata Communications	0.15	0.15	3%	0	7.05	0
Vodafone Idea	0.08	0.02	-74%	-6	0.94	0
Cash	0.00	0.00	NA	0	0.06	0

Source: Emkay Research

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	20-Apr-21	21-Oct-21	21-Jan-22	21-Mar-22	21-Apr-22
EAP - Telecommunications	100.0	144.8	188.8	185.8	182.5	189.8
BSE200 Neutral Weighted Portfolio (ETF)	100.0	116.8	152.4	150.6	147.4	153.1

*Performance measurement base date 1st April 2019

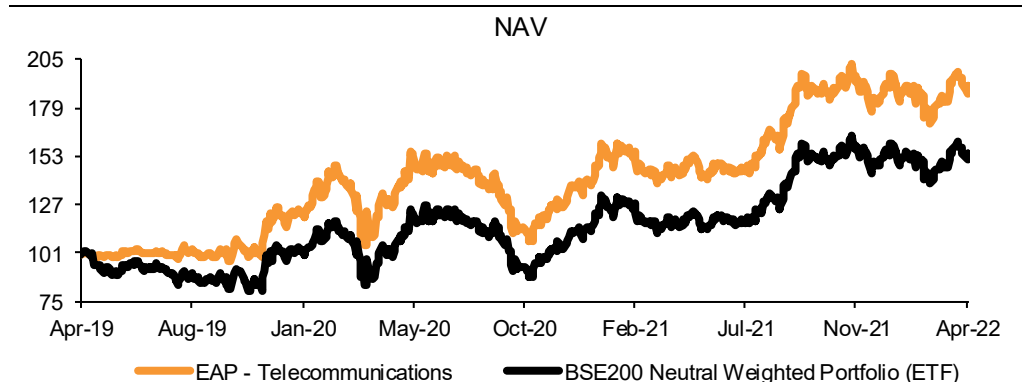
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Telecommunications	4.0%	2.1%	0.5%	31.0%
BSE200 Neutral Weighted Portfolio (ETF)	3.9%	1.7%	0.5%	31.2%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 23 Apr 2022 17:55:30 (SGT)

Dissemination Date: 23 Apr 2022 17:56:30 (SGT)

Sources for all charts and tables are Emkay Research unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). EGFSL along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.emkayglobal.com

EGFSL is registered as Research Analyst with SEBI bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years, except that NSE had disabled EGFSL from trading on October 05, October 08 and October 09, 2012 for a manifest error resulting into a bonafide erroneous trade on October 05, 2012. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject EGFSL or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

- This publication has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research publication relating to any issuer.
- Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets

Disclaimer for U.S. persons only: This research report is a product of Emkay Global Financial Services Limited (Emkay), which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors.

ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

1. EGFSL, its subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of April 23, 2022
2. EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Research Report
- Disclosure of previous investment recommendation produced:**
3. EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
4. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have any material conflict of interest in the securities recommended in this report as of April 23, 2022.
5. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the April 23, 2022
6. EGFSL, its subsidiaries and/or other affiliates and Research Analyst have not received any compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
7. EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst have not received any compensation or other benefits from securities recommended in this report (subject company) or third party in connection with the research report.
8. Securities recommended in this report (Subject Company) has not been client of EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst during twelve months preceding the April 23, 2022

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	This report is not for distribution into Australia.
Hong Kong	This report is not for distribution into Hong Kong.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	This report is not for distribution into Malaysia.
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 16800306E) or DBSVS (Company Regn. No. 1860024G) both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an agreement under Regulation 32C of the financial Advisers Regulations. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.
United Kingdom	This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom. In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.
Dubai International Financial Centre	This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608-610, 6 th Floor, Gate Precinct Building 5, PO Box 506538, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
United Arab Emirates	This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.
United States	DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com