

Tata Communications

Refer to important disclosures at the end of this report

Margins outperform; revenue growth is the missing ingredient

- TCOM posted 1.1% QoQ/5.1% yoy revenue growth in Q1FY23, largely in line with estimates. However, lower other opex led to 9% yoy growth in EBITDA, with margins at 25%. Unusually high EBITDAM in the voice business also contributed to EBITDA growth.
- Growth in digital platforms was steady at 12.3% yoy, while core connectivity grew by 3.6%. This led to 7.6% yoy growth in the data segment. Collaboration was the only segment to see a yoy decline. Cloud hosting and Media services saw strong revenue growth.
- Net debt fell further to Rs61.3bn from Rs67.4bn in Q4FY22. Despite higher capex guidance for the year, capex declined 9% yoy/20% qoq. We believe that both capex and opex will see a gradual pick-up, which should support revenue recovery going ahead.
- We broadly maintain FY23-25 revenue and EBITDA estimates, given that capex and opex are likely to be back-ended. Maintain Buy with a revised TP of Rs1,210 (8x Sept'24E EBITDA) as we roll forward valuations to Sept'24E.

Revenue growth – the only missing ingredient: TCOM's revenue grew by 1.1% qoq and 5.1% yoy to Rs43.1bn, in line with estimates. The data segment saw steady growth of 7.6% yoy, led by 12.6% yoy growth in the digital platform and services (0.9% qoq). Unexpectedly, voice revenue grew by 4.6% qoq, with margins expanding to 11% from 7% in Q4. We believe that some sequential INR depreciation would have also partially supported revenue growth. Other operating expenses declined 4.4% qoq (7% below estimates), leading to 3% qoq growth in EBITDA. EBITDA margins stood at 25%, above our estimate of 23.3% and at the higher end of management's guidance. Finance costs decreased 11% qoq, thanks to the fall in net debt, as well as lower weighted average cost of debt. Depreciation also declined 8.8% qoq to Rs5.4bn. Other income remained elevated at Rs2.3bn, attributable to higher tax refunds for the second quarter in a row. ETR was lower at 22.9% vs. 38.6% in Q4FY22. These factors led to a 41% jump in RPAT qoq. FCF rose to Rs9.5bn from Rs7.5bn in Q4FY22 on account of lower capex, while net debt declined further to Rs61.3bn from Rs67.4bn.

Outlook: While, the management has been highlighting improving funnel rates, deal conversions and new product launches, double digit revenue growth timelines still remain elusive. We reiterate that for any meaningful re-rating of the stock, revenue pick-up and consistency in guidance are essential. A key positive is the healthy balance sheet, which has seen a sharp improvement in the last few years. The strong balance sheet should support in tapping both organic and inorganic opportunities. We believe that both capex and opex will see an acceleration ahead, in line with the company's guidance. FCF should also be limited in next three quarters. We have broadly maintained our revenue and EBITDA estimates for FY23-25, while the higher RPAT in FY23 is due to higher other income. **Key risks:** 1) increased losses in incubation services; 2) inability to close large deals; 3) continued delays in revenue recovery despite higher investments; and 4) higher competitive intensity.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Telecommunications \(Page 11\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Total Revenue	171,000	167,247	176,343	188,745	203,429
EBITDA	42,607	42,267	43,268	47,144	53,486
EBITDA Margin (%)	24.9	25.3	24.5	25.0	26.3
APAT	13,254	14,758	14,950	15,772	20,502
EPS (Rs)	46.5	51.8	52.5	55.3	71.9
EPS (% chg)	335.2	11.3	1.3	5.5	30.0
ROE (%)	(191.5)	383.6	87.4	51.3	50.0
P/E (x)	23.2	20.8	20.5	19.5	15.0
EV/EBITDA (x)	9.1	8.9	8.3	7.4	6.3
P/BV (x)	(2,957.4)	39.4	11.6	8.8	6.5

Source: Company, Emkay Research

CMP	Target Price
Rs 1,077 as of (July 21, 2022)	Rs 1,210 (▲) 12 months
Rating	Upside
BUY (■)	12.3 %

Change in Estimates

EPS Chg FY23E/FY24E (%)	18.1/1.2
Target Price change (%)	4.7
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

	EPS Estimates	
	FY23E	FY24E
Emkay	52.5	55.3
Consensus	53.4	67.2
Mean Consensus TP (12M)	Rs 1,236	

Stock Details

Bloomberg Code	TCOM IN
Face Value (Rs)	10
Shares outstanding (mn)	285
52 Week H/L	1,592 / 856
M Cap (Rs bn/USD bn)	307 / 3.84
Daily Avg Volume (nos.)	708,323
Daily Avg Turnover (US\$ mn)	8.9

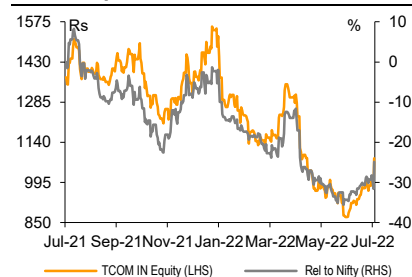
Shareholding Pattern Jun '22

Promoters	58.9%
FIIIs	17.9%
DIIIs	12.9%
Public and Others	10.3%

Price Performance

(%)	1M	3M	6M	12M
Absolute	22	(16)	(22)	(22)
Rel. to Nifty	15	(12)	(17)	(27)

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:

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Exhibit 1: Actual vs. Estimates (Q1FY23)

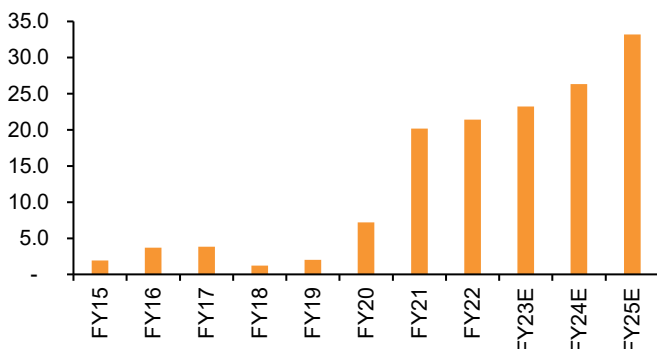
(Rs mn)	Actual	Estimate		% variation		Comment
		Estimate	Consensus	Emkay	Consensus	
Revenue	43,105	43,014	42,863	0%	1%	
EBITDA	10,770	10,033	10,296	7%	5%	Due to lower other operating expenses
<i>EBITDA Margin</i>	<i>25.0%</i>	<i>23.3%</i>	<i>24.0%</i>	<i>166 bps</i>	<i>97 bps</i>	
PAT	5,438	2,642	3,217	106%	69%	Due to higher EBITDA, lower depreciation, finance costs and tax

Source: Company, Emkay Research

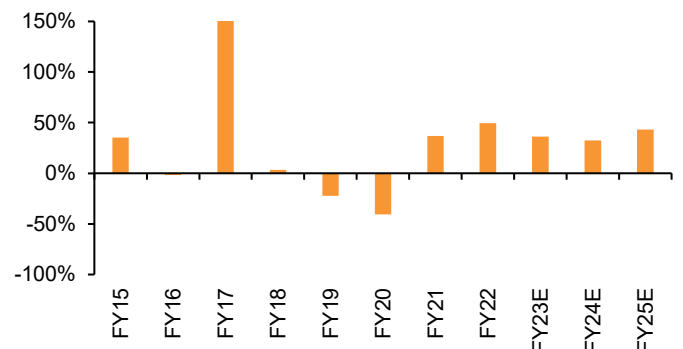
Exhibit 2: Summary of quarterly financials

Rs mn	Q1FY22	Q2FY22	Q3FY22	Q4Y22	Q1Y23	YoY (%)	QoQ (%)
Total Sales	41,028	41,740	41,849	42,630	43,105	5.1	1.1
Network cost	15,619	15,670	15,302	15,404	15,580	(0.2)	1.1
as % of sales	38.1	37.5	36.6	36.1	36.1		
Employee Cost	8,097	7,285	7,338	7,684	8,067	(0.4)	5.0
as % of sales	19.7	17.5	17.5	18.0	18.7		
Other operating expenses	7,452	7,657	8,384	9,089	8,688	16.6	(4.4)
as % of sales	18.2	18.3	20.0	21.3	20.2		
Total Expenditure	31,167	30,612	31,024	32,177	32,335	3.7	0.5
EBITDA	9,861	11,129	10,825	10,453	10,770	9.2	3.0
Depreciation	5,333	5,416	5,425	5,887	5,369	0.7	(8.8)
EBIT	4,527	5,713	5,400	4,566	5,402	19.3	18.3
Other Income	134	364	188	2,635	2,340	1,652.7	(11.2)
Interest	962	908	835	898	799	(17.0)	(11.0)
PBT	3,699	5,169	4,754	6,304	6,943	87.7	10.1
Tax	793	1,038	958	2,433	1,591	100.8	(34.6)
PAT before MI	2,906	4,131	3,796	3,871	5,351	84.2	38.2
Minority interest	(1)	(4)	72	(12)	86		
PAT	2,905	4,126	3,867	3,859	5,438	87.2	40.9
Exceptional item	(56)	(127)	(85)	209	-		
PAT from continued operations	2,961	4,254	3,952	3,651	5,438	83.6	49.0
Margins (%)						(bps)	(bps)
EBIDTA	24.0	26.7	25.9	24.5	25.0	95	47
EBIT	11.0	13.7	12.9	10.7	12.5	150	182
EBT	9.0	12.4	11.4	14.8	16.1	709	132
PAT	7.1	9.9	9.2	9.1	12.6	553	356
Effective Tax rate	21.4	20.1	20.2	38.6	22.9	149	(1,567)

Source: Company, Emkay Research

Exhibit 3: RoIC expected to expand

Source: Company, Emkay Research

Exhibit 4: FCF/EBITDA is likely to remain range-bound

Source: Company, Emkay Research

Data segment

- Gross revenue grew by 1.2% qoq/7.6% yoy to Rs33.4bn. Q1FY23 data segment EBITDA grew 0.2% qoq to Rs9.7bn. EBITDA margin declined by 28bps qoq to 29% in Q1.

Exhibit 5: Financials of data segment

Rs mn	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ (%)
Gross revenues	31,045	31,399	32,330	33,014	33,397	7.6	1.2
Less: Direct Costs	9,117	8,997	8,979	9,511	9,347	2.5	(1.7)
Net revenues	21,928	22,402	23,351	23,504	24,051	9.7	2.3
Less: Operating Exp	12,606	11,908	12,940	13,831	14,358	13.9	3.8
EBITDA	9,322	10,494	10,411	9,673	9,693	4.0	0.2
EBITDA margin (%)	30.0%	33.4%	32.2%	29.3%	29.0%	-100 bps	-28 bps
Less: Depreciation	4,969	5,066	5,079	5,450	5,031	1.2	(7.7)
EBIT	4,353	5,428	5,332	4,223	4,662	7.1	10.4
EBIT margin (%)	14.0%	17.3%	16.5%	12.8%	14.0%	-6 bps	117 bps

Source: Company, Emkay Research

Core Connectivity

- Revenue increased 3.6% yoy/1% qoq to Rs23.1bn. EBITDA margins fell to 42.5% from 42.9% in Q4FY22.

Exhibit 6: Financials of core connectivity segment

Rs mn	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ (%)
Gross revenue	22,307	22,408	22,777	22,885	23,107	3.6	1.0
Net revenue	17,878	18,069	18,594	18,784	18,836	5.4	0.3
EBITDA	9,510	10,294	10,182	9,819	9,826	3.3	0.1
EBITDA margin	42.6%	45.9%	44.7%	42.9%	42.5%	-11 bps	-38 bps

Source: Company, Emkay Research

Digital Platforms and Services

- Revenue stood at Rs9.4bn, up 12.3% yoy and 0.9% qoq. **Despite a favorable base from last year, the Collaboration & CPaaS segment's revenues saw a decline yoy, as SIP trunking revenues remained weak. Media and Cloud hosting/Managed services recorded healthy revenue growth.**

Exhibit 7: Financials of digital platforms and services segment

Rs mn	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ (%)
Gross revenue	8,369	8,563	9,012	9,321	9,402	12.3	0.9
Net revenue	4,122	4,310	4,641	4,391	4,859	17.9	10.7
EBITDA	751	1,183	1,129	609	667	(11.2)	9.5
EBITDA margin	9.0%	13.8%	12.5%	6.5%	7.1%	-188 bps	56 bps

Source: Company, Emkay Research

Incubation Services

- Revenue grew by 9.9% qoq and 140.7% yoy to Rs0.89bn. EBITDA loss was Rs800mn vs. Rs756mn in Q4FY22.

Exhibit 8: Financials of Incubation services

Rs mn	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ (%)
Gross Revenue	369	429	542	808	888	140.7	9.9
Less: Direct Costs	321	406	426	480	533	65.9	10.9
Net revenues	48	23	116	328	355	642.3	8.3
Less: Opex	1,003	1,007	1,015	1,084	1,156	15.2	6.7
EBITDA	-955	-984	-899	-756	-800	(16.2)	5.9

Source: Company, Emkay Research

Subsidiaries**Transformation Services (TCTSL)**

- Revenue stood at Rs3.2bn, down 5% qoq, due to weak order execution. EBITDA was Rs156mn vs. Rs74mn in Q4FY22.

Exhibit 9: Tata Communications Transformation Services (TCTSL)

Rs mn	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ (%)
Gross Revenue	3303	3352	3127	3337	3170	-4.0	-5.0
Less: Direct Costs	3017	3157	2867	2732	2671	-11.5	-2.2
Net revenues	285	195	260	604	499	74.8	-17.4
Less: Opex	346	410	531	530	343	-0.7	-35.2
EBITDA	-60	-215	-271	74	156	-358.2	109.4
EBITDA margin (%)	-2%	-6%	-9%	2%	5%	674 bps	268 bps

Source: Company, Emkay Research

Payment Services (TCPSL)

- Topline grew by 3.4% qoq, while EBITDA stood at Rs10mn vs. Rs30mn in Q4FY22. Average daily transactions in Q1FY23 were 49 vs. 59 in Q1FY22. The business continued to be adversely affected by Covid, though the franchise model is making steady progress.

Exhibit 10: Tata Communication Payment Services Ltd (TCPSL)

Tata Communications Payment Solutions Ltd (TCPSL)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ (%)
Gross Revenue (Rs mn)	376	409	435	425	440	17.0	3.4
Total ATMs managed	6,322	6,663	7,036	7,633	7,925	25.4	3.8
White label ATMs	6,322	6,663	7,036	7,633	7,925	25.4	3.8
Total POS managed	2,019	1,637	165	-	-		

Source: Company, Emkay Research

Voice segment

- Gross revenue stood at Rs5.6bn, up 4.6% qoq. ILD minutes grew to 3.2bn in Q1FY23 from 3.1bn in Q4FY22. EBITDA stood at Rs617mn, with margins of 11% vs. 7% in Q4FY22. Voice EBITDA margin seen in Q1 was the highest in the past several years.

Exhibit 11: Voice segment performance

Voice (Rs mn)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ (%)	FY21	FY22	YoY (%)
Gross revenues	5,890	6,060	5,542	5,369	5,614	(4.7)	4.6	27,903	22,862	(18.1)
Less: Direct Costs	5,039	5,061	4,648	4,302	4,562	(9.5)	6.1	23,632	19,051	(19.4)
Net revenues	851	999	894	1,067	1,052	23.6	(1.5)	3,351	3,811	13.7
Less: Opex	592	543	467	693	434	(26.6)	(37.4)	2,549	2,295	(10.0)
EBITDA	259	456	427	374	617	138.2	65.1	802	1,516	89.1
EBITDA margin (%)	4.4%	7.5%	7.7%	7.0%	11.0%	659 bps	403 bps	2.9%	6.6%	376 bps
Less: Depreciation	106	107	103	174	93	(12.3)	(46.5)	361	489	35.6
EBIT	153	349	324	200	524	242.4	162.0	1,361	1,026	(24.6)
EBIT margin (%)	2.6%	5.8%	5.8%	3.7%	9.3%	674 bps	-212 bps	4.9%	4.5%	-39 bps

Volumes (bn mins)

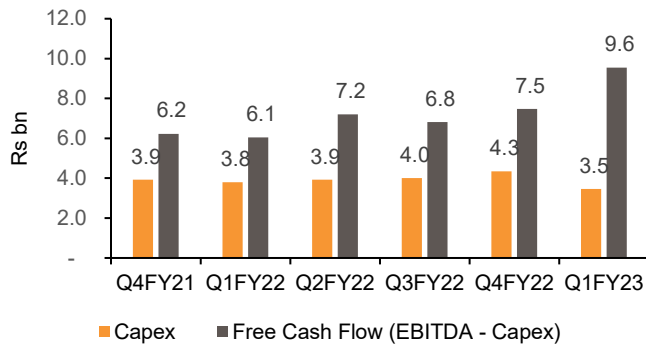
ILD	4.1	3.7	3.5	3.1	3.2	(21.3)	4.9
NLD	0.1	0.1	0.1	0.1	0.1	(9.2)	(18.2)
Total	4.2	3.9	3.6	3.2	3.3	(21.0)	4.1
Net realization per min (Rs/min)	0.2	0.3	0.2	0.3	0.3	56.4	(5.4)
EBITDA per min (Rs/min)	0.1	0.1	0.1	0.1	0.2	201.5	58.6

Source: Company, Emkay Research

Cash generation, capex and debt profile

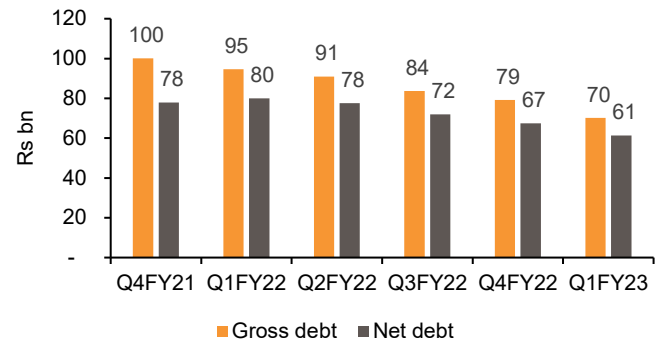
- FCF for the quarter was Rs9.6bn vs. Rs7.5bn in Q4FY22. Capex was Rs3.5bn vs. Rs4.3bn in Q4FY22.
- Net debt stood at Rs61.3bn vs. Rs67.4bn in Q4FY22.
- The weighted average cost of debt fell to 2.7% from 3.3% in Q4FY22.

Exhibit 12: Strong cash generation; capex falls



Source: Company, Emkay Research

Exhibit 13: Net debt trends lower again



Source: Company, Emkay Research

Revision in estimates

Our FY23-25 revenue and EBITDA estimates are largely unchanged, while higher other income has resulted in 18% higher RPAT for FY23.

Exhibit 14: Changes in estimates

Particulars (Rs mn)	FY23E			FY24E			FY25E		
	Old	Revised	% Change	Old	Revised	% Change	Old	Revised	% Change
Revenue	175,850	176,343	0.3%	188,381	188,745	0.2%	203,378	203,429	0.0%
EBITDA	42,819	43,268	1.0%	47,135	47,144	0.0%	53,555	53,486	-0.1%
EBITDA Margin %	24.3	24.5	24 bps	25.0	25.0	-2 bps	26.3	26.3	-1 bps
APAT	12,663	14,950	18.1%	15,583	15,772	1.2%	20,303	20,502	1.0%
EPS	44.4	52.5	18.1%	54.7	55.3	1.2%	71.2	71.9	1.0%

Source: Company, Emkay Research

Exhibit 15: Key revenue assumptions

Particulars (Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Voice Segment	53,113	38,703	33,763	27,903	22,862	20,413	18,179	16,192
Data Segment	113,394	125,243	135,311	141,433	142,552	154,096	168,765	185,437
Others	916	1,304	1,609	1,660	1,832	1,834	1,800	1,800
Total revenue	167,423	165,250	170,683	170,995	167,246	176,343	188,745	203,429

Source: Company, Emkay Research

Valuation

Exhibit 16: SoTP-based valuation

Particulars	Sep'24
Voice Segment	
EBITDA (Rs mn)	1,070
EV/EBITDA (x)	2.0
Enterprise value (Rs mn)	2,140
Data Segment	
EBITDA (Rs mn)	49,245
EV/EBITDA (x)	8.0
Enterprise value (Rs mn)	393,959
Total Enterprise Value (Rs mn)	396,099
Net debt (Rs mn)	53,104
Implied market cap (Rs mn)	342,995
Value from core business (Rs/share)	1,203
Add: 26% stake in data center (Rs/share)	63
Less: Potential AGR liability (Rs/share)	56
Target price (Rs/share)	1,210

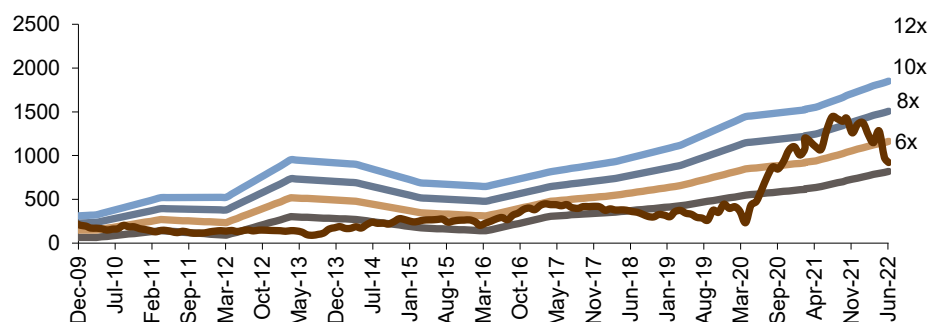
Source: Emkay Research

Exhibit 17: Land details post demerger with HPIL- Land valuation is not accounted in our TP

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

- Order booking, which grew in double-digits, was spread across segments (both India and overseas). This was driven by team enhancements done last year and product acceptance.
 - **National Health Authority order:** Due to the strong relationship and the past track record for Health Card, the company has won a fresh order from the National Health Authority. The scope of the new order is higher than the past one, and it also includes cloud security.
- Fixed-fee data revenues grew in double-digits yoy, with international markets beginning to see traction. Funnel additions have been healthy across the segment.
- Net revenue growth was higher than gross revenue growth due to an improved product mix.
- Lead times for network equipment supplies remain at significantly higher levels.
- **The Collaboration and CPaaS segment's** revenue decline was due to a dip in usage-based revenues.
- **TCTS:** Revenues were impacted by slower order execution. The focus on profitable execution led to strong operating performance.
- Costs should see an increase in the ensuing quarters with increased investments. Management has maintained its EBITDA margin guidance of 23-25%, and costs should be back-ended.
- Capex should increase in the coming quarters as Q1 was impacted by supply-side challenges.
- **Land sale:** Two properties have been held for sale and received sale consideration in Q2FY23, while the remaining properties will take more time.

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Total Revenue	171,000	167,247	176,343	188,745	203,429
Expenditure	128,393	124,980	133,075	141,601	149,943
EBITDA	42,607	42,267	43,268	47,144	53,486
Depreciation	23,139	22,061	23,537	24,656	25,582
EBIT	19,468	20,206	19,731	22,488	27,904
Other Income	1,568	3,321	2,940	971	1,349
Interest expenses	4,202	3,603	3,490	3,311	3,061
PBT	16,834	19,924	19,181	20,149	26,192
Tax	3,549	5,221	4,284	4,433	5,762
Extraordinary Items	(747)	60	0	0	0
Minority Int./Income from Assoc.	9	13	13	13	17
Reported Net Income	12,507	14,818	14,950	15,772	20,502
Adjusted PAT	13,254	14,758	14,950	15,772	20,502

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)	6,425	23,567	32,214	44,166
Net worth	1,154	9,275	26,417	35,064	47,016
Minority Interest	282	285	272	259	241
Loan Funds	113,936	91,215	71,215	66,215	61,215
Net deferred tax liability	(2,824)	(1,868)	(1,868)	(1,868)	(1,868)
Total Liabilities	112,548	98,907	96,037	99,670	106,604
Net block	114,034	109,164	107,626	101,471	95,888
Investment	22,334	15,652	15,652	15,652	15,652
Current Assets	66,469	59,447	60,728	68,283	82,151
Cash & bank balance	9,270	7,436	5,287	8,425	17,927
Other Current Assets	28,420	23,491	23,005	24,623	26,539
Current liabilities & Provision	97,639	95,557	96,693	94,459	95,810
Net current assets	(31,169)	(36,110)	(35,965)	(26,176)	(13,660)
Misc. exp	1,258	1,478	0	0	0
Total Assets	112,548	98,907	96,037	99,670	106,604

Cash Flow

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT (Ex-Other income) (NI+Dep)	15,266	16,604	16,241	19,177	24,843
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(7,823)	4,062	(2,293)	(6,651)	(3,014)
Operating Cashflow	27,751	40,724	37,659	33,763	43,053
Capital expenditure	(12,095)	(19,823)	(22,000)	(18,500)	(20,000)
Free Cash Flow	15,656	20,901	15,659	15,263	23,053
Investments	(6,703)	6,681	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(17,230)	(9,820)	(19,060)	(17,529)	(18,651)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(10,199)	(22,721)	(20,000)	(5,000)	(5,000)
Dividend paid (incl tax)	(1,140)	(3,990)	(6,270)	(7,125)	(8,550)
Other Financing Cash Flow	5,206	(2,425)	11,566	2,571	2,034
Financing Cashflow	(10,335)	(32,738)	(18,194)	(12,865)	(14,576)
Net chg in cash	186	(1,834)	405	3,369	9,825
Opening cash position	9,084	9,270	7,436	5,287	8,425
Closing cash position	9,270	7,436	7,841	8,656	18,250

Source: Company, Emkay Research

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Key Ratios

Profitability (%)	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin	24.9	25.3	24.5	25.0	26.3
EBIT Margin	11.4	12.1	11.2	11.9	13.7
Effective Tax Rate	21.1	26.2	22.3	22.0	22.0
Net Margin	7.8	8.8	8.4	8.3	10.0
ROCE	19.2	22.5	23.4	24.0	28.4
ROE	(191.5)	383.6	87.4	51.3	50.0
RoIC	20.2	21.4	23.2	26.3	33.2

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	46.5	51.8	52.5	55.3	71.9
CEPS	127.7	129.2	135.0	141.9	161.7
BVPS	(0.4)	27.4	92.7	123.0	165.0
DPS	4.0	14.0	22.0	25.0	30.0

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	23.2	20.8	20.5	19.5	15.0
P/CEPS	8.4	8.3	8.0	7.6	6.7
P/BV	(2,957.4)	39.4	11.6	8.8	6.5
EV / Sales	2.3	2.2	2.0	1.8	1.6
EV / EBITDA	9.1	8.9	8.3	7.4	6.3
Dividend Yield (%)	0.4	1.3	2.0	2.3	2.8

Gearing Ratio (x)	FY21	FY22	FY23E	FY24E	FY25E
Net Debt/ Equity	(793.2)	8.7	1.9	1.2	0.6
Net Debt/EBIDTA	1.9	1.6	1.2	0.9	0.5
Working Cap Cycle (days)	(86.3)	(95.0)	(85.4)	(66.9)	(56.7)

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	0.2	(2.2)	5.4	7.0	7.8
EBITDA	29.5	(0.8)	2.4	9.0	13.5
EBIT	109.1	3.8	(2.4)	14.0	24.1
PAT	0.0	18.5	0.9	5.5	30.0

Quarterly (Rs mn)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Revenue	41,028	41,740	41,849	42,630	43,105
EBITDA	9,861	11,129	10,825	10,453	10,770
EBITDA Margin (%)	24.0	26.7	25.9	24.5	25.0
PAT	2,961	4,254	3,952	3,651	5,438
EPS (Rs)	10.4	14.9	13.9	12.8	19.1

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
Promoters	58.9	58.9	58.9	58.9	58.9
FIs	24.0	23.5	21.6	19.4	17.9
DIs	7.4	7.6	8.8	11.5	12.9
Public and Others	9.8	10.1	10.7	10.3	10.3

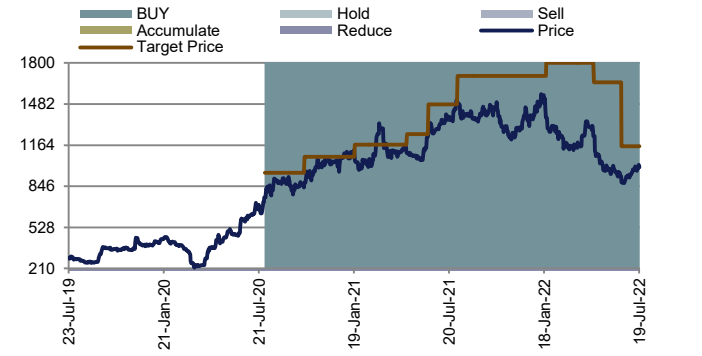
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
15-Jun-22	875	1,155	12m	Buy	Naval Seth
23-Apr-22	1,234	1,650	12m	Buy	Naval Seth
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

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Sector

Consumer Durables, Media & Entertainment, SMID and Telecom

Analyst bio

Naval holds an MBA in Finance and has more than 14 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	2.04	2.04	0%	0	100.00	
Bharti Airtel	1.66	1.72	3%	5	83.91	0
Indus Towers	0.18	0.19	2%	0	9.19	0
Tata Communications	0.12	0.12	3%	0	5.92	0
Vodafone Idea	0.08	0.02	-77%	-6	0.91	0
Cash	0.00	0.00	NA	0	0.07	0

Source: Emkay Research

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

Sector portfolio NAV

	Base					Latest
	1-Apr-19	19-Jul-21	19-Jan-22	20-Apr-22	20-Jun-22	20-Jul-22
EAP - Telecommunications	100.0	147.1	190.2	191.2	164.4	172.9
BSE200 Neutral Weighted Portfolio (ETF)	100.0	119.0	154.1	154.2	132.3	139.5

*Performance measurement base date 1st April 2019

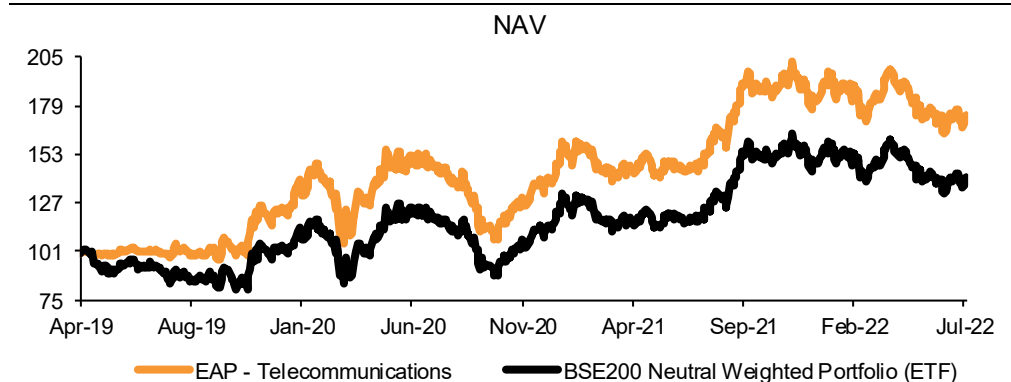
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Telecommunications	5.2%	-9.6%	-9.1%	17.5%
BSE200 Neutral Weighted Portfolio (ETF)	5.4%	-9.6%	-9.5%	17.2%

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: 22 Jul 2022 00:05:52 (SGT)

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