

18 April 2024

India | Equity Research | Q4FY24 results review

## Tata Communications

Telecom

### Notwithstanding near-term challenges, TCom reiterates FY27 guidance

Tata Communications' (TCom) Q4FY24 print missed our estimate with organic digital revenue growth of just 5% YoY; acquisition margin dipped 10%ps QoQ to 2%. Company anticipates near-term challenges to revenue growth, but remains confident of achieving the guidance shared for FY27E – double data revenue to INR 280bn, consol. EBITDA margin in the range of 23-25% and RoE of >25%. TCom has invested in people and platform but sees gaps in awareness for its services which may need additional investment in marketing. It has significantly enhanced its offerings to become relevant to global customers and expects high-margin enterprise segment revenue to grow. We cut our FY25E/26E EPS by 18-24% factoring in lower margin expansion, but our target price reduces marginally to INR 1,870 (from INR 1,900) as we increase our FY26E P/E multiple to 30x (from 25x). Downgrade to **HOLD** (from Add).

### Data revenue (organic) up 4.8% YoY/0.4% QoQ

Including Switch and Kaleyra acquisition, data revenue rose 26.8% YoY/0.8% QoQ to INR 47bn in Q4FY24. Data net revenue was down 1.3% QoQ/ +8.8% YoY to INR 28bn. Switch & Kaleyra acquisition contributed INR 9.5bn to revenue. Underlying data revenue was impacted by macro headwinds, fatigue in service providers, OTT and cloud-providers' portfolio. However, enterprise segment revenue has grown healthy, which is a key focus area of the company. It has seen healthy growth in sales funnel, but orderbook has grown slower due to delay in decision making. TCom sees near-term challenges to revenue growth, but remains confident of achieving INR 280bn data revenue by FY27. It has significantly invested in product expansion, being relevant to customers, and foot-on-the-street. It still finds gap in awareness for company services which it plans to fix.

### Digital revenue (organic) up 4.7% YoY / down 3.1% QoQ

Including Switch and Kaleyra, revenue rose 71.5% YoY/ dipped 0.8% QoQ to INR 21bn. Net revenue improved 24.8% YoY/ down 6.7% QoQ to INR 7.4bn. Collaboration revenue increased 2.7x YoY / down 0.3% QoQ to INR 11bn on Kaleyra integration. Cloud, hosting and security grew 3% YoY / 0.7% QoQ to INR 3.7bn. Next-gen connectivity was up 28.4% YoY/down 2.4% QoQ to INR 2.5bn. Media services revenue grew 2.1x YoY / down 2.1% QoQ, (including Switch) to INR 3bn. Excluding acquisition, digital has seen deceleration in revenue growth which is the key reason for slowing data revenue.

### Financial Summary

Y/E March (INR mn)	FY23A	FY24P	FY25E	FY26E
Net Revenue	178,383	209,688	241,660	262,660
EBITDA	43,182	42,301	45,487	53,080
EBITDA Margin (%)	24.2	20.2	18.8	20.2
Net Profit	17,196	12,040	12,096	17,751
EPS (INR)	63.0	34.0	42.4	62.3
EPS % Chg YoY	16.5	(30.0)	0.5	46.8
P/E (x)	30.7	43.9	43.7	29.8
EV/EBITDA (x)	13.6	14.5	13.3	11.3
RoCE (%)	19.5	14.4	12.8	16.1
RoE (%)	140.6	68.2	50.2	52.3

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#### Market Data

Market Cap (INR)	528bn
Market Cap (USD)	6,327mn
Bloomberg Code	TCOM IN
Reuters Code	TATA.BO
52-week Range (INR)	2,085 /1,172
Free Float (%)	41.0
ADTV-3M (mn) (USD)	19.0

Price Performance (%)	3m	6m	12m
Absolute	4.8	3.8	52.9
Relative to Sensex	3.7	(6.6)	31.2

Earnings Revisions (%)	FY25E	FY26E
Revenue	(2.6)	(2.7)
EBITDA	(11.8)	(11.3)
EPS	(23.9)	(18.1)

#### Previous Reports

19-01-2024: [Q3FY24 results review](#)

21-10-2023: [Q2FY24 results review](#)

### Data EBITDA margin at 18.4%, down 240bp QoQ

Data business EBITDA was down 2.8% YoY/ 11% QoQ to INR 8.6bn. However, margin on underlying basis has improved by 20bp QoQ to 21.9%. The reported margin compression on QoQ basis has come from acquisition portfolio where EBITDA margin dropped by 10%ps QoQ to 2%, and EBITDA dipped 82.5% QoQ to INR 193mn. Acquisition EBITDA margin was impacted by 1) seasonality impact in Kaleyra where mix deteriorated in Q4FY24; 2) harmonisation of policies at Kaleyra aligning with TCom; and 3) one-off legal expenses at Kaleyra of USD 1mn. The company remains committed to turning around the business in FY25.

TCom maintained its EBITDA margin guidance at 23-25% for its consolidated business by FY27E. It sees various levers driving margin expansion – 1) lower inflation in other expenses where the company has already invested upfront. A significant portion of net revenue may flow to EBITDA. 2) Turnaround in Kaleyra and Switch to profit in near-term which may add to margin including the benefits of synergies. 3) TCom has significantly invested in people and platform, and it anticipates these investments to drive strong revenue in the next couple of quarters. The drag on margin can come from net revenue where margins are likely to deteriorate from change in product mix.

We believe peak of investments in business in the form of increase in foot-on-the-street (employee cost), and product launches should be behind, cooling cost inflation; war-on-waste may help improve productivity.

### Acquisitions – margin drop unexpected

Revenue from acquisition grew 3.1% QoQ, largely driven by higher days of integration for Kaleyra (four more days in Q4FY24). Kaleyra revenue has seasonality impact, and has inferior mix in Q4FY23 vs festive quarter of Q3FY24. This has hurt by net revenue which dropped 16.5% QoQ to INR 2.7bn. Other expense increased 17.6% QoQ to INR 2.5bn due to integration cost, one-time harmonisation of policies and higher days. EBITDA from acquisition dipped 82.5% QoQ to INR 193mn, and margin dipped from 12.1% in Q3FY24 to 2% in Q4FY24. Net loss came in at INR 883mn in Q4FY24 compared to just INR 75mn in Q3FY24.

### Net debt rose from acquisition

TCom's capex stood at INR 5.1bn in Q4FY24 (9% of revenue), and INR 19.5bn (9.3% of revenue) in FY24. It expects to step-up capex to USD 300mn in FY25. Net debt decreased by INR 1.8bn QoQ to INR 91bn in Q4FY24, and the company believes its leverage will be first to show improvement followed by margin and return ratios. It expects to bring down net debt to EBITDA below 2x (from 2.2x in FY24) in FY25, which is the stated guidance on capital structure.

### Downgrade to HOLD (from Add)

We have cut our EPS estimates by 18-24% over FY25-26E as we factor in lower EBITDA margin with increased losses in digital services. We estimate gradual improvement in margin for digital portfolio with segment turning profitable only in FY28E. TCom has reiterated its guidance of data revenue of INR 280bn for FY27E and consolidated EBITDA margin in the range of 23-25%. We are forecasting data revenue of INR 246bn and consolidated EBITDA margin of 21.5% in FY27E, which is lower than TCom's guidance. We believe macro headwinds may push company's targets by a year to FY28.

We have cut the target price only marginally to INR 1,870 (from INR 1,900) as we increase our FY26E PE multiple to 30x (earlier 25x). We have assigned higher multiple due to low base impact. Our implied FY26E EV/EBITDA (Ind AS adj) multiple is reasonable at 12.1x of our target price. We downgrade our rating to **HOLD** (from **Add**) due to near-term macro headwinds, and limited upside to valuation rerating.

## Risks

**Downside risks:** **1)** Slower-than-expected execution in digital services revenue; **2)** continuous investments putting pressure on margins; and **3)** delay in turnaround of acquisition portfolio.

**Upside risks:** **1)** Faster-than-expected growth in digital services and margin profile; **2)** quicker turnaround on acquisition business; and **3)** company achieving guidance within the targeted timeframe.

## Conference call highlights

- **Enterprise business** - revenue has grown organically in double digit which remains the key focus area for the company. Enterprise business orderbook remains healthy which provides visibility of continued growth in the segment. India enterprise business has grown at ~13% YoY while overall India business has struggled to grow in mid-single digit.
- **Usage based revenue** – TCom's new acquisitions Switch and Kaleyra have higher contribution of usage-based revenue, and therefore, higher seasonality and cyclicity vs existing business. Usage-based revenue also does not reflect in orderbook which means company's revenue should grow faster than orderbook.
- **Cloud business** – Company has not shared details on the planned launch of AI based cloud services where it has done partnership with NVIDIA. It expects to launch its product in FY25, and sees significant demand for these services.

## Q4FY24 result: Other highlights

### Data business

- **Data revenue** rose 26.8% YoY / 0.8% QoQ to INR 47bn and net revenue 8.8% YoY / down 1.3% QoQ to INR 28bn (after deducting direct cost). The Switch & Kaleyra acquisitions contributed INR 9.5bn. Data revenue benefited from the merger: 1) The Switch Enterprises wef May 1, '23 of INR ~1.5mn; and 2) Kaleyra wef Oct 5, '23 of ~INR 8bn. Adjusted for the merger, data revenue has grown 0.4% QoQ / 4.8% YoY to INR 38.4bn. Segmental EBITDA was down 2.8% YoY / 11% QoQ to INR 8.6bn. EBITDA margin came in at 18.4% in Q4FY24, down 240bp QoQ; however, underlying data business EBITDA margin improved 20bp QoQ to 21.9%.
- **Data revenue by geography:** Data revenue in India grew 5.8% YoY / down 0.3% QoQ to INR 19.3bn. International revenue grew 1.6% QoQ / 47.8% YoY to INR 27bn (adjusted for merger, it was up 3.8% YoY).
- **Data revenue by customer:** Enterprise revenue grew 1.7% QoQ / 37.7% YoY to INR 38bn; and service providers' revenue declined 2.8% QoQ / 6% YoY to INR 8.6bn.
- **Data revenue by services:** Core connectivity revenue grew 2.2% QoQ / 4.7% YoY to INR 25.7bn. **Within core connectivity**, enterprise rose 8.3% YoY / 3.9% QoQ to 17.9bn, while service providers' revenue dipped 2.5% YoY / 1.6% QoQ to 7.8bn.
- **Digital platform and services'** revenue dipped 0.8% QoQ (+71.5% YoY) to INR 21bn. Adjusted for the merger, revenue was down 3.1% QoQ / (+4.7% YoY). Net revenue decreased 6.7%QoQ (+24.8%YoY) to INR 7.4bn.
- **Within digital services**, collaboration dipped 0.3% QoQ (+2.7x YoY), partly helped by Kaleyra integration. Next Gen dropped 2.4% QoQ / +28.4% YoY. Cloud, hosting & security were up 0.7% QoQ / 3% YoY. Media revenue dipped 2.1% QoQ (+2.1x YoY) on The Switch merger.

- **Transformation services:** TCTS' revenue increased 0.4% QoQ / 8.3% YoY to INR 3.7bn; EBITDA stood at INR 152mn (vs INR 13mn in Q3FY24).
- **ATM business:** Revenue in ATM business fell 9.3% YoY / +3.7% QoQ to INR 417mn, and segmental EBITDA stood at INR 55mn.
- **TCR (Campaign Registry):** Revenue grew 9.1% QoQ to INR 1.4bn; EBITDA grew 25% QoQ to INR 1bn. EBITDA margin stood at 73.5%.
- **Capex** for the quarter stood at INR 5.1bn (9% of revenue), and INR 19.5bn (9.3% of revenue) for FY24.
- **Net debt** reduced by INR 1.8bn QoQ to INR 91.3bn.

### Voice business

- Revenue was down 7.2% YoY / +1.4% QoQ to INR 4.3bn. Net revenue fell 18.8% YoY / 3.9% QoQ to INR 991mn.
- EBITDA stood at INR 440mn, down 51.6% YoY / 12.1% QoQ; EBITDA margin stood at 10.3%.

### Exhibit 1: Q4FY24 result review (consolidated)

INR mn	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	QoQ (%)	YoY (%)
<b>Revenue</b>	<b>45,687</b>	<b>47,714</b>	<b>48,725</b>	<b>56,333</b>	<b>56,917</b>	<b>1.0</b>	<b>24.6</b>
Personnel cost	9,996	10,435	10,723	11,617	11,755	1.2	17.6
% of revenue	21.9	21.9	22.0	20.6	20.7		
Network Costs	16,387	16,733	18,007	22,792	23,333	2.4	42.4
% of revenue	35.9	35.1	37.0	40.5	41.0		
Operating & other Expenses	8,962	10,305	9,841	10,580	11,267	6.5	25.7
% of revenue	19.6	21.6	20.2	18.8	19.8		
<b>EBITDA</b>	<b>10,342</b>	<b>10,240</b>	<b>10,155</b>	<b>11,343</b>	<b>10,563</b>	<b>(6.9)</b>	<b>2.1</b>
EBITDA margin (%)	22.6	21.5	20.8	20.1	18.6		
Depreciation and amortisation	6,185	5,797	6,051	6,190	6,658	7.6	7.7
<b>EBIT</b>	<b>4,157</b>	<b>4,443</b>	<b>4,103</b>	<b>5,153</b>	<b>3,905</b>	<b>(24.2)</b>	<b>(6.1)</b>
Interest	1,321	1,310	1,374	1,876	1,882	0.3	42.4
Other income	618	1,886	254	115	570	396.5	(7.8)
<b>PBT</b>	<b>3,454</b>	<b>5,019</b>	<b>2,983</b>	<b>3,393</b>	<b>2,593</b>	<b>(23.6)</b>	<b>(24.9)</b>
Exceptional items	-	20	-	(1,855)	(521)		
Provision for tax	281	1,306	779	1,135	(1,085)		
Minority interest	87	85	3	45	55		
<b>Net income (reported)</b>	<b>3,260</b>	<b>3,817</b>	<b>2,207</b>	<b>448</b>	<b>3,212</b>	<b>616.8</b>	<b>(1.5)</b>
<b>EPS (INR)</b>	<b>11.4</b>	<b>13.4</b>	<b>7.7</b>	<b>1.6</b>	<b>11.3</b>		

Source: I-Sec research, Company data

**Exhibit 2: Segmental performance – data EBITDA was down 2.8% YoY / 11% QoQ**

INR mn	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	QoQ (%)	YoY (%)
<b>Revenue</b>							
Voice	4,620	4,183	4,287	4,231	4,290	1.4	(7.2)
Data	36,710	39,121	39,945	46,180	46,559	0.8	26.8
Subsidiaries	3,880	3,848	3,934	5,356	5,501	2.7	41.8
Real Estate	480	561	559	565	568	0.6	18.4
<b>Core business</b>	<b>45,690</b>	<b>47,714</b>	<b>48,725</b>	<b>56,333</b>	<b>56,917</b>	<b>1.0</b>	<b>24.6</b>
<b>Net Revenue</b>							
Voice	1,220	1,138	1,114	1,031	991	(3.9)	(18.8)
Data	25,750	26,945	26,684	28,403	28,026	(1.3)	8.8
Subsidiaries	850	513	612	1,712	2,292	33.9	169.7
Real Estate	470	564	558	561	567	1.1	20.7
<b>Core business</b>	<b>28,290</b>	<b>29,160</b>	<b>28,967</b>	<b>31,707</b>	<b>31,876</b>	<b>0.5</b>	<b>12.7</b>
<b>EBITDA</b>							
Voice	910	621	625	501	440	(12.1)	(51.6)
Data	8,820	9,285	9,130	9,628	8,573	(11.0)	(2.8)
Subsidiaries	340	(5)	(43)	861	1,220		258.8
Real Estate	270	339	443	354	329	(6.8)	22.0
<b>Core business</b>	<b>10,340</b>	<b>10,240</b>	<b>10,154</b>	<b>11,343</b>	<b>10,563</b>	<b>(6.9)</b>	<b>2.2</b>
<b>EBITDA margin (%)</b>							
Voice	19.7	14.8	14.6	11.8	10.3		
Data	24.0	23.7	22.9	20.8	18.4		
Subsidiaries	8.8	(0.1)	(1.1)	16.1	22.2		
Real Estate	56.3	60.5	79.2	62.6	58.0		
<b>Core business</b>	<b>22.6</b>	<b>21.5</b>	<b>20.8</b>	<b>20.1</b>	<b>18.6</b>		

Source: I-Sec research, Company data

**Exhibit 3: Underlying and acquisition performance**

INR mn	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	QoQ (%)	YoY (%)
<b>Underlying performance</b>							
Data revenue	36,703	38,153	38,402	38,311	38,449	0.4	4.8
<b>Total revenue</b>	<b>45,687</b>	<b>46,746</b>	<b>47,182</b>	<b>47,199</b>	<b>47,428</b>	<b>0.5</b>	<b>3.8</b>
Net revenue	28,290	28,702	28,350	28,470	29,172	2.5	3.1
<b>EBITDA</b>	<b>10,342</b>	<b>10,344</b>	<b>10,221</b>	<b>10,242</b>	<b>10,370</b>	<b>1.3</b>	<b>0.3</b>
EBITDA margin (%)	22.6	22.1	21.7	21.7	21.9		
Depreciation	6,185	5,604	5,738	5,684	5,769	1.5	(6.7)
<b>EBIT</b>	<b>4,157</b>	<b>4,740</b>	<b>4,483</b>	<b>4,557</b>	<b>4,601</b>	<b>1.0</b>	<b>10.7</b>
Finance cost	1,321	1,307	1,373	1,519	1,585	4.3	20.0
PBT	3,454	5,341	3,365	1,346	3,081		
Tax	280	1,306	775	869	(958)		
<b>PAT</b>	<b>3,260</b>	<b>4,119</b>	<b>2,593</b>	<b>523</b>	<b>4,095</b>		
<b>Acquisition performance</b>							
Data revenue		968	1,543	7,869	8,109	3.1	
<b>Total revenue</b>		<b>968</b>	<b>1,543</b>	<b>9,134</b>	<b>9,489</b>	<b>3.9</b>	
Net revenue		458	618	3,237	2,704	(16.5)	
<b>EBITDA</b>		<b>(104)</b>	<b>(67)</b>	<b>1,102</b>	<b>193</b>	<b>(82.5)</b>	
EBITDA margin (%)		(10.7)	(4.3)	12.1	2.0		
Depreciation		193	313	506	889	75.9	
<b>EBIT</b>		<b>(297)</b>	<b>(380)</b>	<b>596</b>	<b>(696)</b>		
Finance cost		4	2	356	296		
PBT		(302)	(382)	191	(1,009)		
Tax		-	4	266	(126)		
<b>PAT</b>		<b>(302)</b>	<b>(386)</b>	<b>(75)</b>	<b>(883)</b>		

Source: I-Sec research, Company data

**Exhibit 4: India revenue grew 5.8% YoY**

Data by geography - INR mn	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	QoQ (%)	YoY (%)
<b>Revenue</b>							
India	18,277	19,066	19,352	19,380	19,331	(0.3)	5.8
International	18,423	20,055	20,593	26,801	27,228	1.6	47.8
<b>Total</b>	<b>36,700</b>	<b>39,121</b>	<b>39,945</b>	<b>46,180</b>	<b>46,559</b>	<b>0.8</b>	<b>26.9</b>
<b>Mix (%)</b>							
India	49.8	48.7	48.4	42.0	41.5		
International	50.2	51.3	51.6	58.0	58.5		

Source: I-Sec research, Company data

**Exhibit 5: Enterprise revenue grew 37.7% YoY**

INR mn	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	QoQ (%)	YoY (%)
<b>GDS revenue - by customer INR</b>							
Service provider	9,102	8,848	8,803	8,806	8,560	(2.8)	(6.0)
Enterprise segment	27,598	30,273	31,142	37,374	37,999	1.7	37.7
<b>Total</b>	<b>36,710</b>	<b>39,121</b>	<b>39,945</b>	<b>46,180</b>	<b>46,559</b>	<b>0.8</b>	<b>26.8</b>
<b>Mix (%)</b>							
Service provider	24.8	22.6	22.0	19.1	18.4		
Enterprise segment	75.2	77.4	78.0	80.9	81.6		

Source: I-Sec research, Company data

**Exhibit 6: Digital platform & services revenue rose 26.8% YoY, excluding merger it was up 4.7% YoY**

Data by Services - INR mn	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	QoQ (%)	YoY (%)
<b>Gross revenue</b>							
Core connectivity	24,570	24,974	25,377	25,186	25,736	2.2	4.7
Digital platforms & services	12,140	14,148	14,569	20,994	20,823	(0.8)	71.5
<b>Total</b>	<b>36,710</b>	<b>39,121</b>	<b>39,945</b>	<b>46,180</b>	<b>46,559</b>	<b>0.8</b>	<b>26.8</b>
<b>Direct cost</b>							
Core connectivity	4,780	4,910	5,054	4,754	5,149	8.3	7.7
Digital platforms & services	6,180	7,266	8,207	13,024	13,384	2.8	116.6
<b>Total</b>	<b>10,960</b>	<b>12,176</b>	<b>13,261</b>	<b>17,777</b>	<b>18,533</b>	<b>4.2</b>	<b>69.1</b>
<b>Net revenue</b>							
Core connectivity	19,790	20,063	20,322	20,433	20,587	0.8	4.0
Digital platforms & services	5,960	6,882	6,362	7,970	7,439	(6.7)	24.8
<b>Total</b>	<b>25,750</b>	<b>26,945</b>	<b>26,684</b>	<b>28,403</b>	<b>28,026</b>	<b>(1.3)</b>	<b>8.8</b>

Source: I-Sec research, Company data

**Exhibit 7: Within digital services, revenue growth decelerated organically across sub-segments**

Data by Services - INR mn	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	QoQ (%)	YoY (%)
<b>Core connectivity</b>							
Service Provider	8,034	7,895	7,895	7,962	7,832	(1.6)	(2.5)
Enterprise	16,536	17,078	17,481	17,224	17,904	3.9	8.3
<b>Digital platforms &amp; services</b>							
Collaboration & CPaaS	3,866	4,388	4,063	10,536	10,509	(0.3)	171.8
Cloud, Hosting and Security	3,564	3,487	3,705	3,646	3,670	0.7	3.0
Next Gen Connectivity	1,922	2,213	2,555	2,530	2,468	(2.4)	28.4
Media Services	1,436	2,928	3,070	3,089	3,023	(2.1)	110.4
Incubation	1,340	1,132	1,175	1,193	1,153	(3.4)	(14.0)

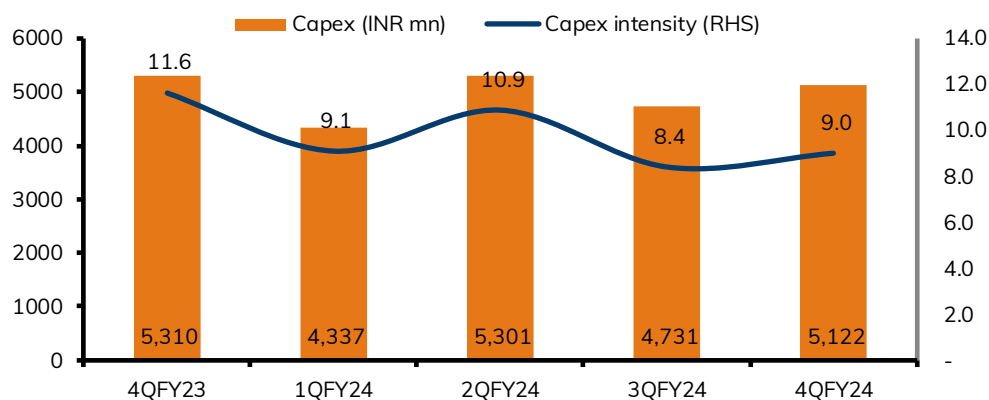
Source: I-Sec research, Company data



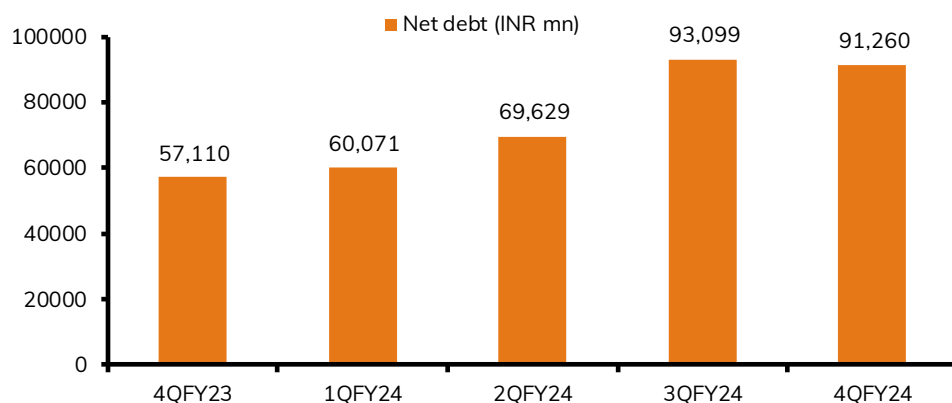
**Exhibit 8: Subsidiaries have shown remarkable improvement**

INR mn	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	QoQ (%)	YoY (%)
<b>TCTS (Transformation services)</b>							
Gross Revenue	3,420	3,403	3,539	3,689	3,704	0.4	8.3
Net Revenue	570	390	499	474	912	92.3	60.0
EBITDA	130	(17)	(42)	13	152	1,101.3	16.8
EBITDA (%)	3.8	(0.5)	(1.2)	0.3	4.1		
<b>TCPS (ATM business)</b>							
Gross Revenue	460	446	395	403	417	3.7	(9.3)
Net Revenue	280	123	113	130	154	18.4	(45.1)
EBITDA	210	12	(0)	38	55	45.3	(73.8)
EBITDA (%)	45.7	2.8	(0.1)	9.4	13.2		
<b>TCR</b>							
Gross Revenue				1,265	1,380	9.1	
Net Revenue				1,108	1,226	10.7	
EBITDA				810	1,013	25.1	
EBITDA (%)				64.1	73.5		
<b>Real estate</b>							
Gross Revenue	480	561	559	565	568	0.6	18.4
EBITDA	270	339	443	354	329	(6.8)	22.0
EBITDA (%)	56.3	60.5	79.2	62.6	58.0		

Source: I-Sec research, Company data

**Exhibit 9: Capex intensity stood at 9% of revenue**

Source: I-Sec research, Company data

**Exhibit 10: Net debt down by INR 1.8bn QoQ**

Source: I-Sec research, Company data

**Exhibit 11: Earnings revision**

INR mn	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
<b>Segment revenue</b>						
Voice	15,254	13,481	15,154	13,393	0.7	0.7
Data (incl subsidiary)	2,01,696	2,23,152	2,11,939	2,37,030	(4.8)	(5.9)
<b>Segment EBITDA</b>						
Voice	1,068	944	1,061	937	0.7	0.7
Data (incl subsidiary)	37,723	44,723	47,128	53,714	(20.0)	(16.7)
<b>Consolidated</b>						
Revenue	2,41,660	2,62,660	2,48,001	2,69,893	(2.6)	(2.7)
EBITDA	45,487	53,080	51,570	59,866	(11.8)	(11.3)
EBITDA margin (%)	18.8	20.2	20.8	22.2		
PAT	12,096	17,751	15,892	21,683	(23.9)	(18.1)
EPS (INR)	42	62	56	76	(23.9)	(18.1)

Source: I-Sec research, Company data

**Exhibit 12: Shareholding pattern**

%	Sep'23	Dec'23	Mar'24
Promoters	58.9	58.9	58.9
Institutional investors	31.1	31.3	31.4
MFs and other	10.1	9.7	10.3
Banks/ FIs	0.4	0.8	0.1
Insurance Cos.	2.5	1.6	2.3
FIIIs	18.1	19.2	18.8
Others	10.0	9.8	9.7

Source: Bloomberg, I-Sec research

**Exhibit 13: Price chart**

Source: Bloomberg, I-Sec research



## Financial Summary

### Exhibit 14: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24P	FY25E	FY26E
Net Sales	178,383	209,688	241,660	262,660
<b>Operating Expenses</b>	<b>135,200</b>	<b>167,387</b>	<b>196,173</b>	<b>209,581</b>
EBITDA	43,182	42,301	45,487	53,080
<b>EBITDA Margin (%)</b>	<b>2,420.8</b>	<b>2,017.3</b>	<b>1,882.3</b>	<b>2,020.8</b>
Depreciation & Amortization	22,618	24,697	26,486	26,721
EBIT	20,564	17,604	19,001	26,358
Interest expenditure	4,325	6,442	6,934	6,155
Other Non-operating Income	3,632	2,825	2,652	2,736
Recurring PBT	20,635	11,631	14,719	22,939
<b>Profit / (Loss) from Associates</b>	-	-	-	-
<b>Less: Taxes</b>	<b>2,966</b>	<b>2,135</b>	<b>3,130</b>	<b>5,795</b>
PAT	17,668	9,496	11,589	17,144
Less: Minority Interest	(291)	(188)	(507)	(607)
Extraordinarys (Net)	-	-	-	-
Net Income (Reported)	17,960	9,683	12,096	17,751
<b>Net Income (Adjusted)</b>	<b>17,196</b>	<b>12,040</b>	<b>12,096</b>	<b>17,751</b>

Source Company data, I-Sec research

### Exhibit 15: Balance sheet

(INR mn, year ending March)

	FY23A	FY24P	FY25E	FY26E
Total Current Assets	65,993	67,557	81,497	91,759
of which cash & cash eqv.	10,626	1,497	4,702	7,571
Total Current Liabilities & Provisions	103,941	107,726	119,807	125,496
<b>Net Current Assets</b>	<b>(37,948)</b>	<b>(40,170)</b>	<b>(38,310)</b>	<b>(33,737)</b>
Investments	19,506	19,506	19,506	19,506
Net Fixed Assets	105,358	132,503	133,609	135,725
ROU Assets	9,968	9,968	9,968	9,968
Capital Work-in-Progress	11,481	11,481	11,481	11,481
Total Intangible Assets	1,151	1,151	1,151	1,151
Other assets	-	-	-	-
Deferred Tax Assets	3,552	3,552	3,552	3,552
<b>Total Assets</b>	<b>101,585</b>	<b>126,509</b>	<b>129,474</b>	<b>136,164</b>
<b>Liabilities</b>				
<b>Borrowings</b>	<b>75,335</b>	<b>95,335</b>	<b>90,335</b>	<b>85,335</b>
<b>Deferred Tax Liability</b>	<b>333</b>	<b>333</b>	<b>333</b>	<b>333</b>
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Equity Share Capital	2,850	2,850	2,850	2,850
Reserves & Surplus	12,333	17,256	25,221	36,911
<b>Total Net Worth</b>	<b>15,183</b>	<b>20,106</b>	<b>28,071</b>	<b>39,761</b>
Minority Interest	303	303	303	303
<b>Total Liabilities</b>	<b>101,585</b>	<b>126,509</b>	<b>129,474</b>	<b>136,164</b>

Source Company data, I-Sec research

### Exhibit 16: Quarterly trend

(INR mn, year ending March)

	Jun-23	Sep-23	Dec-23	Mar-24
Net Sales	47,714	48,725	56,333	56,917
% growth (YOY)	10.7	10.0	24.4	24.6
EBITDA	10,240	10,155	11,343	10,563
Margin %	21.5	20.8	20.1	18.6
Other Income	1,886	254	115	570
Extra ordinarys	20	-	(1,855)	(521)
Adjusted Net Profit	3,817	2,207	2,303	3,733

Source Company data, I-Sec research

### Exhibit 17: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24P	FY25E	FY26E
<b>Operating Cashflow</b>	<b>44,395</b>	<b>37,997</b>	<b>42,865</b>	<b>47,892</b>
Working Capital Changes	(552)	(6,908)	1,346	(1,704)
Capital Commitments	(15,755)	(49,150)	(24,900)	(26,145)
<b>Free Cashflow</b>	<b>28,088</b>	<b>(18,061)</b>	<b>19,311</b>	<b>20,042</b>
<b>Other investing cashflow</b>	<b>(2,661)</b>	<b>2,825</b>	<b>2,652</b>	<b>2,736</b>
Cashflow from Investing Activities	(2,580)	2,825	2,652	2,736
Issue of Share Capital	-	-	-	-
Interest Cost	(3,487)	(6,442)	(6,934)	(6,155)
Inc (Dec) in Borrowings	(9,464)	20,000	(5,000)	(5,000)
Dividend paid	(5,930)	(4,760)	(4,131)	(6,062)
Others	-	-	-	-
Cash flow from Financing Activities	(22,408)	6,107	(18,757)	(19,909)
<b>Chg. in Cash &amp; Bank balance</b>	<b>3,100</b>	<b>(9,129)</b>	<b>3,205</b>	<b>2,869</b>
Closing cash & balance	10,045	4,513	7,755	10,223

Source Company data, I-Sec research

### Exhibit 18: Key ratios

(Year ending March)

	FY23A	FY24P	FY25E	FY26E
<b>Per Share Data (INR)</b>				
Reported EPS	60.3	42.2	42.4	62.3
Adjusted EPS (Diluted)	63.0	34.0	42.4	62.3
Cash EPS	130.8	109.0	123.8	144.4
Dividend per share (DPS)	21.0	16.7	14.5	21.3
Book Value per share (BV)	53.3	70.5	98.5	139.5
Dividend Payout (%)	34.8	39.5	34.2	34.2
<b>Growth (%)</b>				
Net Sales	6.7	17.5	15.2	8.7
EBITDA	2.2	(2.0)	7.5	16.7
EPS (INR)	16.5	(30.0)	0.5	46.8
<b>Valuation Ratios (x)</b>				
P/E	30.7	43.9	43.7	29.8
P/CEPS	14.2	17.0	15.0	12.8
P/BV	34.8	26.3	18.8	13.3
EV / EBITDA	13.6	14.5	13.3	11.3
EV / Sales	3.3	2.9	2.5	2.3
Dividend Yield (%)	1.1	0.9	0.8	1.1
<b>Operating Ratios</b>				
Gross Profit Margins (%)	-	-	-	-
EBITDA Margins (%)	24.2	20.2	18.8	20.2
Effective Tax Rate (%)	14.9	15.3	21.3	25.3
Net Profit Margins (%)	9.6	5.7	5.0	6.8
NWC / Total Assets (%)	(37.4)	(31.8)	(29.6)	(24.8)
Net Debt / Equity (x)	3.8	4.3	2.8	1.8
Net Debt / EBITDA (x)	1.3	2.0	1.7	1.3
<b>Profitability Ratios</b>				
RoCE (%)	19.5	14.4	12.8	16.1
RoE (%)	140.6	68.2	50.2	52.3
RoIC (%)	27.5	19.6	17.8	24.3
Fixed Asset Turnover (x)	0.5	0.5	0.6	0.6
Inventory Turnover Days	3.3	3.3	3.3	3.3
Receivables Days	56.0	65.0	66.0	67.0
Payables Days	67.1	61.1	59.1	57.1

Source Company data, I-Sec research

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