

Tata Communications Ltd.

BUY

Sector: Telecom - Cellular & Fixed line

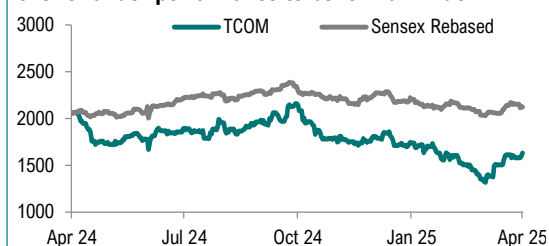
03rd April, 2025

						Target	Rs. 1,927
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs. 1,626
Mid cap	TATACOMM:IN	76,295	TATACOMM	500483	12 Months	Return	+19%

Date as of : 03-04-2025

Company Data			
Market Cap (Rs.cr)	46,491		
52 Week High — Low (Rs.)	2,175 - 1,293		
Enterprise Value (Rs. cr)	58,110		
Outstanding Shares (cr)	28.5		
Free Float (%)	41.1		
Dividend Yield (%)	1.0		
6m average volume (lakhs)	4.3		
Beta	1.14		
Face value (Rs.)	10		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	58.9	58.9	58.9
FII's	18.1	18.1	17.8
MFs/Institutions	13.2	13.5	13.7
Public	8.5	8.2	8.3
Others	1.4	1.4	1.4
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-6.1%	-21.7%	-20.6%
Absolute Sensex	-3.7%	-6.6%	3.3%
Relative Return	-2.4%	-15.0%	-23.9%

*over or under performance to benchmark index



Y.E March (cr)	FY25E	FY26E	FY27E
Sales	23,584	25,687	27,637
Growth (%)	13.5	8.9	7.6
EBITDA	4,667	5,690	6,564
EBITDA Margin (%)	19.8	22.2	23.8
PAT Adjusted	1,187	1,717	2,387
Growth (%)	62.0	44.7	39.0
Adjusted EPS	41.6	60.2	83.8
Growth (%)	62.0	44.7	39.0
P/E	38.3	26.4	19.0
P/B	18.1	12.5	8.6
EV/EBITDA	11.8	9.6	8.3
ROE (%)	42.7	47.3	45.0
D/E	4.3	3.0	2.1

Digital transformation drives expansion

Tata Communications operates in 190+ countries, serving 7,000+ clients, including 300+ Fortune 500 companies. It is a major global network services provider, offering software-defined networking solutions.

- In Q3FY25, Tata Communication Ltd revenue increased 3.8% YoY to Rs. 5,798cr, driven higher data-segment revenue.
- Data segment revenue grew 6.2% YoY to Rs. 4,903cr, aided by growth in core connectivity by 2.8% YoY to Rs. 2,590cr and digital portfolio by 10.2% YoY to Rs 2,313cr.
- Collaboration and Managed CPaaS rose 11.7% YoY to Rs. 1,177cr, aided by the launch of Kaleyra.Ai, which boosted enterprise customer adoption.
- Next Gen connectivity grew 9.2% to Rs. 248cr, supported by cloud adoption by customers, internet-based operations, and AI advancement.
- Cloud and Security fabric increased 12.5% YoY to Rs. 432cr, underpinned by the expansion of security portfolio.
- EBITDA increased 2.4% YoY to Rs. 1,181cr, driven by lower other expenses (-4% YoY) and employee benefits (-1.1% YoY). However, EBITDA margin declined 20bps YoY to 20.4%.
- Reported PAT expanded 424.0% YoY to Rs. 236cr, on higher topline.

Outlook & Valuation

Tata Communications has overcome international cable-cut challenges, completing repairs and rebuilding customer relationships. Despite economic uncertainty, the company is optimistic about digital growth and margin expansion. It will invest in innovative products, focusing on digital portfolio growth and targeting a 23-25% EBITDA margin to drive customer satisfaction and capitalise on emerging opportunities. Therefore, **we assign a Buy rating on the stock with a target price of Rs. 1,927, based on 23x FY27E adjusted EPS.**

Quarterly Financials Consol.

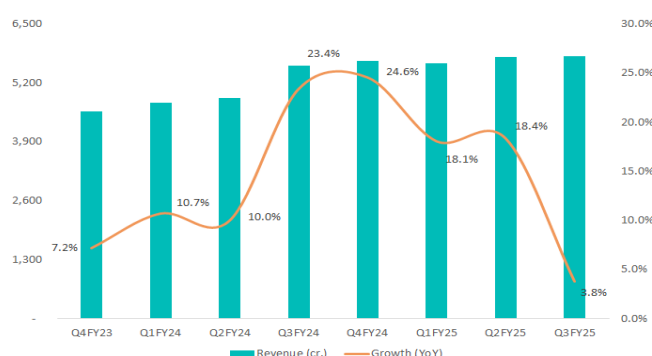
Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	5,798	5,588	3.8	5,728	1.2	17,118	15,140	13.1
EBITDA	1,181	1,153	2.4	1,129	4.6	3,422	3,193	7.2
Margin (%)	20.4	20.6	-20bps	19.7	70bps	20.0	21.1	-110bps
EBIT	544	550	-1.1	481	13.0	1,502	1,405	6.9
PBT	383	192	99.6	349	9.8	1,151	1,003	14.7
Rep. PAT	236	45	424.0	227	3.9	796	648	22.9
Adj PAT	272	264	3.0	208	30.5	751	953	-21.2
Adj. EPS (Rs)	9.5	9.3	3.0	7.3	30.5	26.3	33.4	-21.2



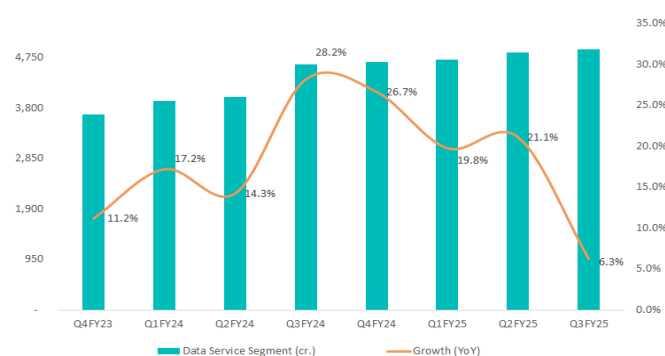
Key Concall highlights

- In Q3FY25, Tata Communications expanded its collaboration with Jaguar Land Rover (JLR) to support the development of JLR's forthcoming medium-sized SUV, built on the innovative Electric Vehicle Modular Architecture (EVA) platform. The next-generation vehicle will utilise Tata Communications' cutting-edge MOVE platform to enable advanced data communication capabilities.
- In Q3, the company signed a share-purchase agreement with TSI India, paving the way for the sale of its entire stake in TCPSL.
- On the company's order book and funnel side, the company's pipeline remains strong, with a 50% YoY increase in large-deal additions, indicating that the company is effectively executing its strategy and meeting customer requirements.
- The company's Q3 results showcased robust growth in India, driven by its hosted SASE offerings as well as significant international expansion through the acquisition of new clients, including prominent national brands. Notably, the company secured major contracts with a leading retail bank and a global retail chain in the UK and Ireland, supporting its digital transformation and innovation initiatives and enhancing its competitive positioning.
- The company has landed a major multimillion-dollar deal with a top Latin American media technology firm, underscoring its ability to deliver high-impact solutions.

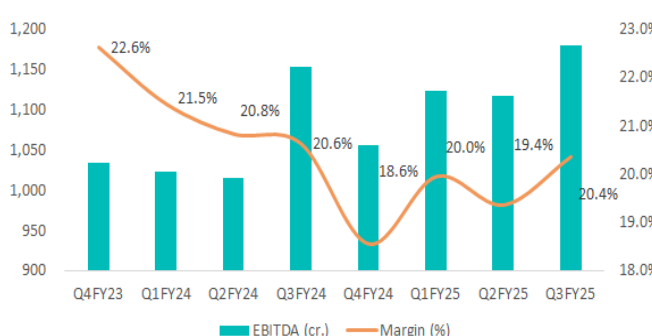
Revenue



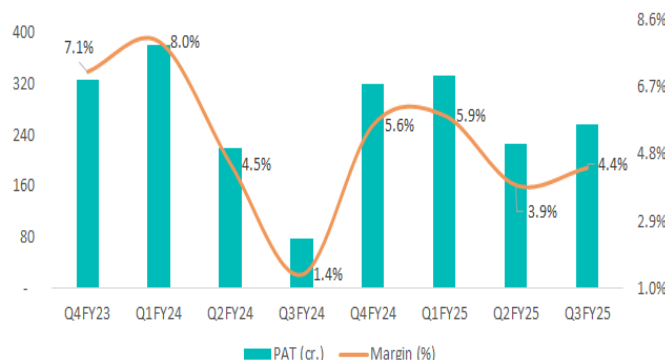
Data Service Segment



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Revenue	-	-	23,584	25,687	27,637	-	-
EBITDA	-	-	4,667	5,690	6,564	-	-
Margins (%)	-	-	19.8	22.2	23.8	-	-
Adj. PAT	-	-	1,187	1,717	2,387	-	-
EPS	-	-	41.6	60.2	83.8	-	-



Consolidated Financials

Profit & Loss

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales	17,838	20,785	23,584	25,687	27,637
% change	6.7	16.5	13.5	8.9	7.6
EBITDA	4,318	4,317	4,667	5,690	6,564
% change	2.2	1.7	6.3	21.9	15.4
Depreciation	2,262	2,470	2,879	2,994	3,036
EBIT	2,056	1,920	1,789	2,696	3,528
Interest	432	630	728	811	863
Other Income	474	48	380	319	399
PBT	2,097	1,338	1,440	2,204	3,065
% change	4.5	-36.2	7.6	53.0	39.0
Tax	297	214	317	485	674
Tax Rate (%)	14.1	16.0	22.0	22.0	22.0
Reported PAT	1,801	970	1,074	1,719	2,390
PAT att. to common shareholders	1,796	968	1,073	1,717	2,387
Adj.*	76	-236	114	-	-
Adj. PAT	1,872	733	1,187	1,717	2,387
% change	25.9	-60.9	62.0	44.7	39.0
No. of shares (cr)	28.5	28.5	28.5	28.5	28.5
Adj EPS (Rs.)	65.7	25.7	41.6	60.2	83.8
% change	25.9	-60.9	62.0	44.7	39.0
DPS (Rs.)	21.0	16.7	16.9	21.1	25.1

Cashflow

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Depn.	4,063	3,439	3,953	4,713	5,426
Non-cash adj.	377	395	-97	-280	-865
Other adjustments					
Changes in W.C	-56	-653	-164	-156	-129
C.F. Operation	4,384	3,182	3,692	4,276	4,432
Capital exp.	-1,442	-2,073	-2,830	-3,082	-3,316
Change in inv.	-453	-539	-	-	-
Other invest.CF	53	-32	-	-	-
C.F - Investment	-1,842	-2,644	-2,830	-3,082	-3,316
Issue of equity	-	-	-	-	-
Issue/repay debt	-946	668	700	100	120
Dividends paid	-593	-601	-396	-601	-716
Other finance.CF	-701	-880	-626	-145	-113
C.F - Finance	-2,241	-813	-322	-646	-710
Chg. in cash	302	-275	540	548	406
Closing Cash	1,004	732	1,272	1,820	2,226

Balance Sheet

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	1,004	732	1,272	1,820	2,226
Accts. Receivable	2,735	3,758	4,127	4,508	4,892
Inventories	160	84	95	95	95
Other Cur. Assets	1,912	1,425	1,536	1,848	2,879
Investments	1,588	1,845	1,845	1,845	1,845
Gross Fixed Assets	12,717	12,584	15,414	18,496	21,813
Net Fixed Assets	8,457	8,533	8,485	8,574	8,854
CWIP	1,003	1,177	1,177	1,177	1,177
Intangible Assets	1,791	4,699	5,252	5,915	6,314
Def. Tax -Net	355	717	951	1,455	2,023
Other Assets	1,548	1,592	1,592	2,079	2,760
Total Assets	20,553	24,561	26,331	29,316	33,064
Current Liabilities	7,261	8,299	8,655	9,719	10,883
Provisions	688	750	750	750	750
Debt Funds	7,533	10,118	10,818	10,918	11,038
Other Liabilities	3,522	3,605	3,591	4,293	5,083
Equity Capital	285	285	285	285	285
Res. & Surplus	1,233	1,501	2,229	3,347	5,022
Shareholder Funds	1,518	1,786	2,514	3,632	5,307
Minority Interest	30	4	4	4	4
Total Liabilities	20,553	24,561	26,331	29,316	33,064
BVPS	53	63	88	127	186

Ratios

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	24.2	20.8	19.8	22.2	23.8
EBIT margin (%)	11.5	9.2	7.6	10.5	12.8
Net profit mgn.(%)	10.1	4.7	4.6	6.7	8.6
ROE (%)	118.6	54.3	42.7	47.3	45.0
ROCE (%)	22.6	16.1	13.4	18.5	21.6
W.C & Liquidity					
Receivables (days)	56.0	66.0	63.9	64.1	64.6
Inventory (days)	9.2	3.8	3.8	3.6	3.4
Payables (days)	187.6	165.2	153.3	154.0	155.1
Current ratio (x)	0.6	0.4	0.5	0.5	0.6
Quick ratio (x)	0.5	0.3	0.4	0.4	0.4
Turnover & Leverage					
Gross asset T.O (x)	1.4	1.6	1.7	1.5	1.4
Total asset T.O (x)	0.9	0.9	0.9	0.9	0.9
Int. covge. ratio (x)	4.8	3.0	2.5	3.3	4.1
Adj. debt/equity (x)	4.9	5.7	4.3	3.0	2.1
Valuation					
EV/Sales (x)	2.4	3.2	2.3	2.1	2.0
EV/EBITDA (x)	9.7	15.5	11.8	9.6	8.3
P/E (x)	18.9	78.2	38.3	26.4	19.0
P/BV (x)	23.4	32.1	18.1	12.5	8.6



Recommendation Summary (last 3 years)



Dates	Rating	Target
03.Apr.25	BUY	1,927




Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:  Upgrade  No Change  Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

DISCLAIMER & DISCLOSURES

Certification: I, Saji John, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Investments Limited, hereinafter referred to as GIL.

For general disclosures and disclaimer: Please Visit: [General Disclosures -FRD\(GIL\).pdf](#)

CRISIL has provided research support in preparation of this research report and the investment rational contained herein along with financial forecast. The target price and recommendation provided in the report are strictly GIL's views and are NOT PROVIDED by CRISIL. Further, CRISIL expresses no opinion on valuation and the associated recommendations. CRISIL has no financial liability whatsoever, to the subscribers / users of this report.

Regulatory Disclosures:

Group companies/ Fellow subsidiaries of Geojit Investments Ltd (GIL) are Geojit Financial Services Limited (GFSL), Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Fintech Private Ltd, Geojit IFSC Ltd (a company incorporated under IFSC Regulations), Qurum Business Group Geojit Securities LLC (a subsidiary of holding company in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture of holding company in UAE engaged in Financial Services), and BBK Geojit Consultancy and Information KSC (C) (a joint venture in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), GIL affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above-mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

GIL confirms that:

- (i) It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein, at the time of publication of the research report.
- (ii) It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein, at the end of the month immediately preceding the date of publication of the research report.

Further, the Analyst confirms that:

- (i) He, his associates and his relatives shall take reasonable care to ensure that they do not have any financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company, at the time of publication of the research report.
- (ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered, at the end of the month immediately preceding the date of publication of the research report.

2. Disclosures regarding Compensation:

During the past 12 months, GIL or its Associates:

- (a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company. e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by GIL regarding the compensation paid to its Research Analyst:

GIL hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company: It is affirmed that I, Saji John, Research Analyst (s) of GIL have not served as an officer, director or employee of the subject company.

5. Disclosure regarding Market Making activity: Neither GIL/its Analysts have engaged in market making activities for the subject company.

6. Disclosure regarding conflict of interests: GIL shall abide by the applicable regulations/ circulars/ directions specified by SEBI and Research Analyst Administration and Supervisory Body (RAASB) from time to time in relation to disclosure and mitigation of any actual or potential conflict of interest. GIL will endeavour to promptly inform the client of any conflict of interest that may affect the services being rendered to the client.

7. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

8. Clients are required to keep contact details, including email id and mobile number/s updated with the GIL at all times.

9. In the course of providing research services by GIL, GIL cannot execute/carry out any trade (purchase/sell transaction) on behalf of, the client. Thus, the clients are advised not to permit GIL to execute any trade on their behalf.

10. GIL will never ask for the client's login credentials and OTPs for the client's Trading Account Demat Account and Bank Account. The Clients are advised not to share such information with anyone including GIL.

11. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Investments Ltd. Registered Office: 7th Floor 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website : www.geojit.com/GIL . For investor queries: customer@geojit.com

GRIEVANCES

Step 1: The client should first contact the RA using the details on its website or following

contact details: Compliance officer: Ms. Indu K. Address: 7th Floor, 34/659-P, Civil Line Road, Padivattom, Ernakulam.; Phone: +91 484-2901367; Email: compliance@geojit.com. For Grievances:grievances@geojit.com. **Step 2:** If the resolution is unsatisfactory, the client can also lodge grievances through SEBI's SCORES platform at www.scores.sebi.gov.in **Step 3:** The client may also consider the Online Dispute Resolution (ODR) through the Smart ODR portal at <https://smartodr.in>

Corporate Identity Number: U66110KL2023PLC080586, SEBI Stock Broker Registration No: INH000019567; Depository Participant : IN-DP-781-2024.

