

November 7, 2014

Tata Communications Ltd.

BSE Code: 500483 NSE Code: TATACOMM Reuters Code: TATA.NS Bloomberg Code: TCOM:IN

Tata Communications Ltd, (TCL) is a part of the \$100.09 bn Tata Companies. TCL encompasses one of the most advanced and largest submarine cable networks, a Tier-1 IP network, connectivity to more than 200 countries across 400 PoPs and more than one million square feet data center space. Tata Communications serves its customers from its offices in 80 cities in 40 countries worldwide. Tata Communications has a strategic investment in South African operator Neotel, providing the company with a strong anchor to build an African footprint.

Investor's Rationale

Muted growth in topline – TCL registered a muted 2.4% YoY growth in its topline to ₹50,715.9 mn in Q2FY15, driven by mixed performance across businesses. The revenue from data and managed services business represents 45% of its revenue, saw growth of 7.7% YoY to ₹22,363.8 mn and revenue from South African business grew by 7.7% at ₹6,210.2 mn. However, the revenue from voice solution fell by 3.6% at ₹23,101.3 mn.

Net profit grew impressively by 15.0% on lower interest costs – TCL reported a robust 15.1% YoY growth in its net profit to ₹923.9 mn in Q2FY15 as against ₹803.6 mn in Q2FY14 on the back of lower interest costs coupled with robust growth in other income. The interest cost during the quarter declined by 6.9% YoY at ₹1,870.8 mn in against ₹2,010 mn. Other income grew robustly by 315.5% YoY to ₹1,634.75 mn. Consequently, NPM expanded 16 bps YoY to 1.8% from 1.6%.

EBITDA margin contracted 193bps YoY on higher employee cost – EBITDA declined by 9.3% YoY to ₹7,586.6 mn against ₹8,363.8 mn, mainly due to increased employee cost and other expenses. Employee expenses grew by 19.7% YoY at ₹7,019.5 mn and other expenses also grew by 2.6% YoY at ₹8,458.8 mn. The network cost which constitute 57% of total expenses also grew by 1.8% at ₹27,561 mn. Accordingly, OPM contracted 193 bps YoY to 15.0% from 16.9%.

Focusing on long-term engagements with global enterprises – The company continues to focus towards product innovation and has recently launched IZO™ on 29th Oct-2014, a global network platform for enhanced hybrid cloud enablement, through partnerships with 20 service providers around the world. A game changing new network platform – IZO™ brings a new way of tackling the complications and challenges that businesses face in realising the potential of the cloud. Apart from this, TCL and PCCW Global join forces to expand global network capabilities for video and data. This will allow both companies to offer global enterprise customers enhanced network data services and the highest quality HD video conferencing.

Market Data

52-week High-Low (₹)	428.25/251.15	
Rise from 52WL (%)	66.1	
Correction from 52WH (%)	0.71	
Beta	1.32	
1 year Average Volume (mn)	2.62	
Stock Return (%)	3M-	20.55
	6M-	56.01
	1Y-	62.28
Market Cap (₹bn)	120.88	
Book Value (₹)	28.05	

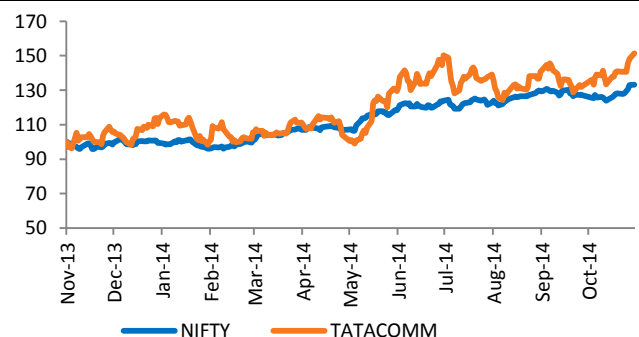
Shareholding Pattern

	Sep'14	Jun'14	Chg
Promoters (%)	74.99	74.99	0.00
FII (%)	7.08	7.87	(0.79)
DII (%)	11.67	11.68	(0.01)
Public & Others (%)	6.26	5.46	0.80

Quarterly Performance (Consolidated)

(₹mn)	Q2 FY'15	Q2 FY'14	Q1 FY'15	YoY Change(%)	QoQ Change (%)
Sales	50,715.9	49,526.1	51,117.2	2.4	(0.8)
Op. exp	43,129.3	41,162.3	43,989.8	4.8	(2.0)
EBITDA	7,586.6	8,363.8	7,127.4	(9.3)	6.4
OPM (%)	15.0	16.9	13.9	(193bps)	102bps
Net profit	923.9	803.6	(213.8)	15.0	-
NPM (%)	1.8	1.6	(0.4)	16bps	218bps
EPS (₹)	3.2	2.8	(0.8)	14.9	-

One Year Price Chart





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