

TATA COMMUNICATIONS

Equity Research Report



RATING				
Business	★	★	★	★
Financials	★	★	★	★
Valuation	★	★	★	★
Management	★	★	★	★



COMMUNICATIONS

Sector: Telecommunications

Ranking 1 to 5, denoting lowest and 5 highest

Date: 04/07/2025

Rating: Buy

Buy Range: 1760-1790

Target: 1st @1952, 2nd @2147

Gain: 20%

Particulars		
Stock Info		
Market Cap (₹ in cr)	51631	
52-Weeks High/Low	2175/1291	
Avg Volume (Mn)	0.398	
No. of eq shares (cr)	28.5	
Face Value	10	
Bse Code	500483	
Nse Code	TATACOMM	
Free Float (cr)	11.73	
Source : NSE/BSE		
Particulars		
	2024	2025
P/E (x)	59.19	39
EPS (x)	10	6.52
ROCE (%)	10	6.52
PBIT Margin	16.13	12.09
P/B(x)	5.8	4.3
EV/EBITDA(x)	25.65	25.71
Debt/Equity Ratio	0.27	0.31
Return on Equity	6.45	10.05
Net Profit Ratio	7.99	14.43
Source : Company		
Particulars		
	2024-2025	(TTM)
Promoters	58.86	58.86
Mutual Funds/AIF	11.91	11.91
Insurance co.	2.17	2.17
Other DIIs	0.43	0.43
Govt of India	0	0
FII	16.99	16.99
Retails and Others	9.63	9.63
Total	100	100
Source : NSE/BSE		
Particulars		
	TTM	
P/E	30.3	
Net Profit Margin	14.43	
Operating Profit Margin	12.09	
ROCE (%)	6.52	
P/B(x)	4.3	
EV/EBITDA(x)	25.71	
Source : Company		
% of Total Shareholdings		
Retails and Others	58.86	
Govt of India	11.91	
Other DIIs	2.17	
Mutual Funds/AIF	9.63	
Promoters	30.3	

Tata Communications: TCL is a part of the Tata Group, is a global digital ecosystem enabler offering communication and technology solutions across 190+ countries. Headquartered in Mumbai, the company has evolved from a traditional enterprise connectivity provider into a full-spectrum digital services player, with offerings across network services, cloud, cybersecurity, unified communications, IoT, and CPaaS. Backed by one of the world's largest subsea cable networks and Tier-IV data centers, TCL serves over 7,000 enterprise clients worldwide across sectors like banking, healthcare, and media. It has adopted a "Digital Fabric" strategy, integrating platforms such as Kaleyra (CPaaS).

Key Highlights:

❖ Financial Performance & Growth:

The Company reported strong growth with FY24 revenue up 17.5% to ₹20,969 Cr, and data services up 21.9%. Q4 PAT surged 223% YoY to ₹1,040 Cr. EBITDA improved across quarters, and a ₹25/share dividend signals strong financial health.

❖ Digital Portfolio Pivot:

The Company is undergoing a strategic shift from a traditional connectivity provider to a digital ecosystem enabler. Its digital services now contribute nearly 50% of total data revenue, having grown over 51% YoY in FY24. This share continues to increase each quarter, supported by platforms in cloud, security, IoT, and communications. The company has laid out a bold vision—by FY28, digital is expected to contribute 65% of data revenue, growing at a CAGR of 26%+. Although the digital portfolio is currently operating at a loss (~₹890 crore EBITDA loss in FY25), management expects a turnaround in profitability, targeting an EBITDA of ₹1,500 crore from digital services in the medium term. This transition is central to Tata Communications' re-rating potential.

❖ Strategic Shift & Efficiency:

The company is pivoting to a digital-first model through cloud, security, CPaaS, and edge services. Monetizing non-core assets and focusing on high-return platforms improves capital efficiency and supports long-term profitability.

❖ Leadership Position & Competitive Edge:

The Company maintains a leadership position in the global enterprise network segment, backed by a robust Tier-IV data centre footprint across 44 locations worldwide. It is recognized as a "Leader" in Gartner's Magic Quadrant for Network Services and is the preferred connectivity and digital solutions partner for major global clients such as World Athletics and Singapore Airlines. The company's strength lies in its hybrid capabilities—combining connectivity with emerging tech layers—which provides an edge over traditional telecom peers and pure-play SaaS companies. Strong brand equity, wide global reach, and continuous innovation enhance its competitive moat.

KEY RISK:

❖ Digital Segment Profitability Risk:

Despite high growth, the digital services portfolio (especially CPaaS, cloud, IoT) is still loss-making at the EBITDA level. Delays in achieving breakeven may drag overall margins and returns.

❖ High Capex Requirements:

The aggressive capex (~\$300 million/year) for digital infrastructure, subsea cables, and data centers may stretch free cash flows and impact return ratios if monetization is slower than expected.

Customer Concentration & Churn Risk:

A significant portion of enterprise revenue comes from large global clients. Loss of key clients or lower wallet share due to competition or tech disruption could impact topline stability. Additionally, heavy dependence on a few high-value accounts increases revenue concentration risk.

RATING SCALE: DEFINITION OF RATINGS

- **BUY** –We expect the stock to deliver more than 10%-20% returns over the next 9 months.
- **ACCUMULATE** –We expect the stock to deliver 5% -12% returns over the next 9 months.
- **REDUCE** –We expect the stock to deliver 0% -5% returns over the next 9 months.
- **SELL** –We expect the stock to deliver negative returns over the next 9 months.
- **NR** –Not Rated. Fin2Research is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
- **RS** –Rating Suspended. Fin2Research has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
- **NA** –Not Available or Not Applicable. The information is not available for display or is not applicable.
- **NM** –Not Meaningful. The information is not meaningful and is therefore excluded.
- **NOTE** –Our target prices are with a 9-month perspective. Returns stated in the rating scale are our internal benchmark.

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