



## Q1 FY14 Earnings Update

July 26<sup>th</sup>, 2013

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# Safe Harbor Statement

Some of the statements herein constitute “forward-looking statements” that do not directly or exclusively relate to historical facts. These forward-looking statements reflect our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside our control. Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Because actual results could differ materially from our intentions, plans, expectations, assumptions and beliefs about the future, you are urged to view all forward-looking statements contained herein with caution. Tata Communications does not undertake any obligation to update or revise forward looking statements, whether as a result of new information, future events or otherwise.



## Q1 FY14 Performance Overview

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# Highlights: Q1 FY14

## Consolidated financial highlights

- Consolidated Q1 revenues of Rs 44,980 million, up 9.5% y-o-y and 2.2% q-o-q
- Q1 Consolidated Operating EBITDA margins improved by 150 bps y-o-y and 340 bps q-o-q to 14.5% due to
  - Strong core business performance with EBITDA margins improving by 70 bps y-o-y and 220 bps q-o-q in spite of Rs 40 crore adverse impact on account of actuarial loss on Canada Pension fund during the quarter
  - Significant improvement in Start-up (primarily Neotel) profitability with EBITDA margins improving by 810 bps y-o-y and 1360 bps q-o-q to 21.0%
- Core business is PBT positive. Positive consolidated net profit is driven by exceptional item during the quarter
  - Q1 FY14 financial results include an exceptional item of Rs 2,162 million towards Input credits of prior period being recognised

# Highlights: Q1 FY14

## Segment highlights

- Voice (GVS) had a very strong Q1 FY14
  - Favorable market shift and pricing environment in India termination has resulted in better Net Revenue Per Minute (NRPM) during the quarter
  - ILD volumes continue to grow, Q1 ILD volume up 7% y-o-y to 13.9 bn minutes
- Data (GDS)
  - Q1 FY14 EBITDA margins recover 300 bps q-o-q to 16.7%, primarily driven by cost optimization and better operational efficiencies
  - Managed services maintain traction growing at 23% y-o-y during Q1
- Neotel continues to show very strong performance in a tough South African market
  - Q1 Revenues up 17.7% y-o-y and 5.6% q-o-q in local currency (ZAR) terms
  - Ongoing focus on managing costs and altering the mix of revenues towards recurring / annuity based revenues is continuing to drive significant margin expansion



## Other Key Highlights

### Launch of new service offerings

- [Indicash](#) – Tata Communications Payment Solutions Limited (TCPSSL) launches India's first ever white label ATM network
- [Jamvee™](#) - An easy-to-use, on-demand business video service for enterprises and professionals that brings together all video platforms, devices and operating systems
- [Voice Business Apps](#) – First carrier to launch such apps to drive efficiency of international voice business management
- [International HD voice termination service network](#) - Enables MNOs to route international HD calls via end-to-end IP, without transcoding, ensuring the full HD experience
- [Cloud-based broadcast-quality video transcoding and delivery service](#) - World's first such content transformation service

### Compliance with Minimum Public Shareholding norms

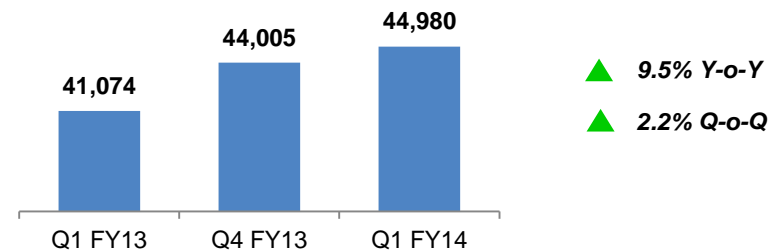
- Tata Sons (Promoter) has divested of 1.15% stake. Post completion of ADR delisting process, the company will be fully compliant of the requirement

# Consolidated Financial Performance – Q1 FY2014

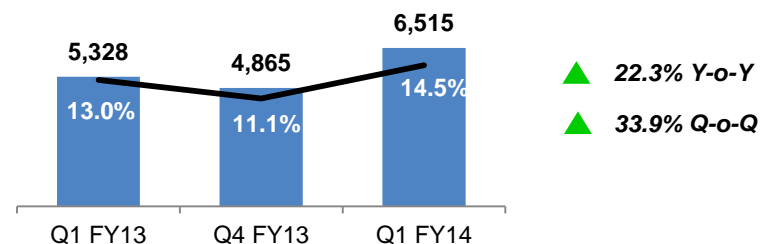
INR Mn

Q1 FY 2013	Particulars	Q4 FY 2013	Q1 FY 2014
41,074	Revenue from operations	44,005	44,980
5,328	Operating EBITDA	4,865	6,515
13.0%	<i>Operating EBITDA %</i>	11.1%	14.5%
37	Operating EBIT	593	1,478
0.1%	<i>Operating EBIT %</i>	1.3%	3.3%
(893)	Profit Before Tax and Exceptional Items	(872)	79
-	Exceptional Items	(1,833)	(2,162)
(893)	PBT	961	2,241
-2.1%	<i>PBT (% of total income)</i>	2.2%	5.0%
(1,429)	PAT	(52)	945
-3.4%	<i>PAT (% of total income)</i>	-0.1%	2.1%

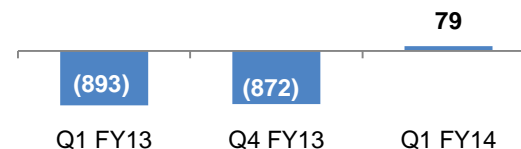
## Revenue from Operations



## Operating EBITDA and margins (% of gross revenue)



## Profit Before Tax (PBT) and Exceptional Items



# Financial Performance by Segment – Q1 FY 2014

INR Mn

	CORE			STARTUP			CONSOLIDATED		
	Q1 FY 2013	Q4 FY 2013	Q1 FY 2014	Q1 FY 2013	Q4 FY 2013	Q1 FY 2014	Q1 FY 2013	Q4 FY 2013	Q1 FY 2014
<b>Gross Revenues</b>	36,464	39,345	<b>40,188</b>	4,610	4,660	<b>4,791</b>	41,074	44,005	<b>44,980</b>
<b>Y-o-Y Growth</b>			<b>10.2%</b>			<b>3.9%</b>			<b>9.5%</b>
<b>Q-o-Q Growth</b>			<b>2.1%</b>			<b>2.8%</b>			<b>2.2%</b>
<b>EBITDA</b>	4,734	4,523	<b>5,508</b>	594	343	<b>1,007</b>	5,328	4,865	<b>6,515</b>
<b>Y-o-Y Growth</b>			<b>16.3%</b>			<b>70.1%</b>			<b>22.3%</b>
<b>Q-o-Q Growth</b>			<b>21.8%</b>			<b>193.7%</b>			<b>33.9%</b>
<b>EBIT</b>	241	795	<b>1,061</b>	(204)	(203)	<b>417</b>	37	593	<b>1,478</b>
<b>Profit Before Tax and Exceptional Items</b>	262	(4)	<b>323</b>	(1,154)	(867)	<b>(244)</b>	(893)	(872)	<b>79</b>
<b>PBT</b>	262	1,829	<b>2,485</b>	(1,154)	(867)	<b>(244)</b>	(893)	961	<b>2,241</b>
<b>PAT after Minority Interest</b>	(273)	744	<b>1,182</b>	(1,155)	(796)	<b>(236)</b>	(1,429)	(52)	<b>945</b>

Average Rs/\$ Exchange rate: Q1 FY13 at 53.98; Q4 FY13 at 54.19; Q1 FY14 at 55.83

Average Rs/ZAR Exchange rate: Q1 FY13 at 6.65; Q4 FY13 at 6.07; Q1 FY14 at 5.89

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# Core Business by Business Unit – Q1 FY 2014

INR Mn

	Global Voice Services (GVS)			Global Data Services (GDS)		
	Q1 FY 2013	Q4 FY 2013	Q1 FY 2014	Q1 FY 2013	Q4 FY 2013	Q1 FY 2014
<b>Gross Revenues</b>	20,485	21,882	<b>22,231</b>	15,980	17,463	<b>17,958</b>
Y-o-Y Growth			8.5%			12.4%
Q-o-Q Growth			1.6%			2.8%
<b>Net Revenue</b>	3,703	3,800	<b>4,134</b>	12,206	12,514	<b>12,970</b>
Y-o-Y Growth			11.6%			6.3%
Q-o-Q Growth			8.8%			3.6%
<b>EBITDA<sup>1</sup></b>	1,950	2,125	<b>2,515</b>	2,785	2,397	<b>2,994</b>
EBITDA Margin %	9.5%	9.7%	<b>11.3%</b>	17.4%	13.7%	<b>16.7%</b>

<sup>1</sup> Management estimates based on internal MIS and cost allocation assumptions

Average Rs/\$ Exchange rate: Q1 FY13 at 53.98; Q4 FY13 at 54.19; Q1 FY14 at 55.83

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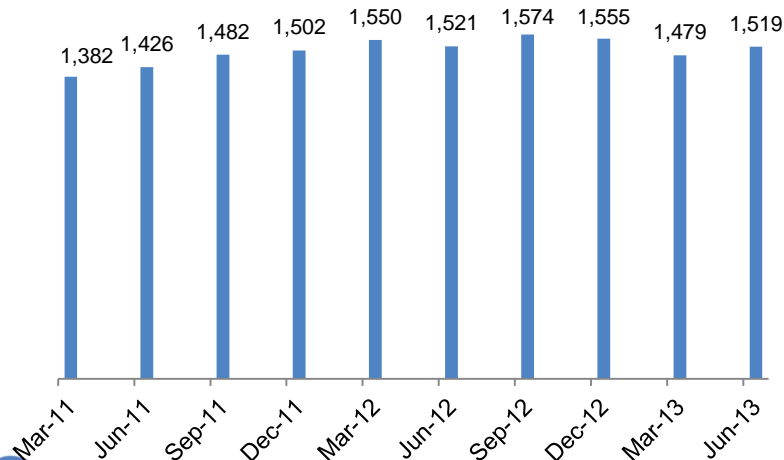
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# Debt Profile – Core Business

## Key Highlights

- Core business is operating at peak debt levels
- Consistent reduction in average cost of borrowing has driven lower interest expense
- Lower interest expense and capex intensity with improved operating performance have set stage for core business deleveraging
- Slight increase in Q1 FY14 net debt is driven by adverse fx translation and temporary working capital mismatch that has since corrected

## Net Debt (US\$ mn)



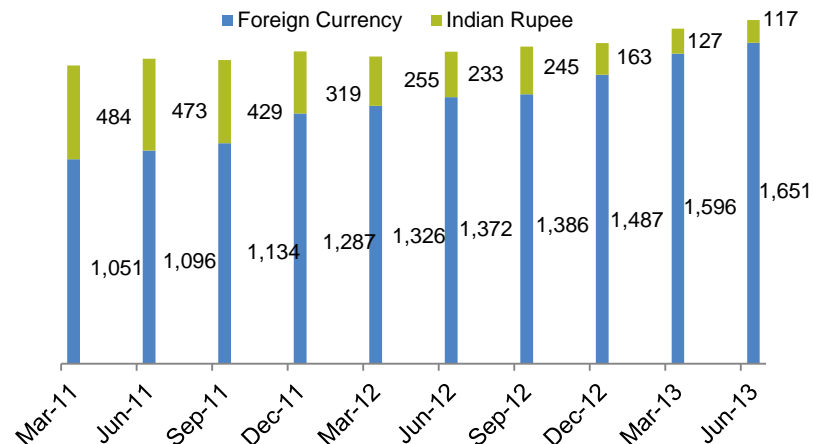
Data points in graphs pertains to respective quarter ending (i.e March-11, June-11 etc.). Please refer to our investor fact sheet for period ended closing exchange rates.

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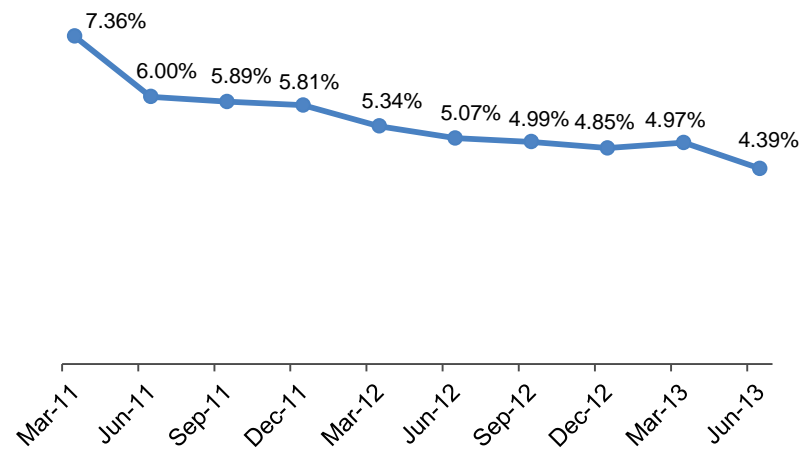
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## Gross Debt by Currency (US\$ mn)



## Average Cost of Loans



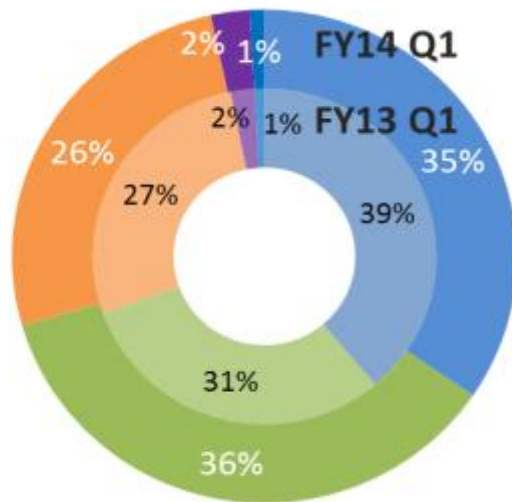


## Appendix 1 – Additional Slides

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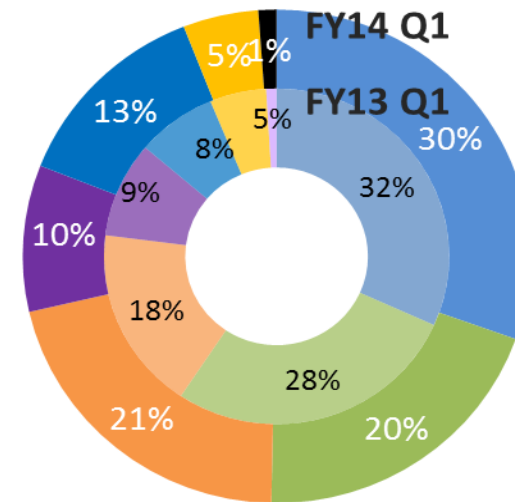
# GDMS | YoY Gross Revenue Product Mix

## Network Services



- Traditional N
- VPN Svcs
- Internet Tran
- Media Svcs
- Other

## Managed Services



- Data Center Svcs
- Mobility
- Banking Svcs
- Enterprise Voice
- Transformation Svcs
- Collaboration Svcs
- Other

### Network Service Portfolio

**Traditional Network Services:** IPL, NPL, IRUs

**VPN Services :** DGE and VPN

**Media Services:** Vconnect, Broadcast, CDN, Mosaic

**Internet Transit –** IP-T, ILL

**Other:** Inmarsat, GNS others

### Managed Services Portfolio:

**Data Center Services:** Colo, Hosting, Cloud (MSO)

**Collaboration Services:** Telepresence,

**Transformation Services:** TCTS

**Banking Services:** TCBIL

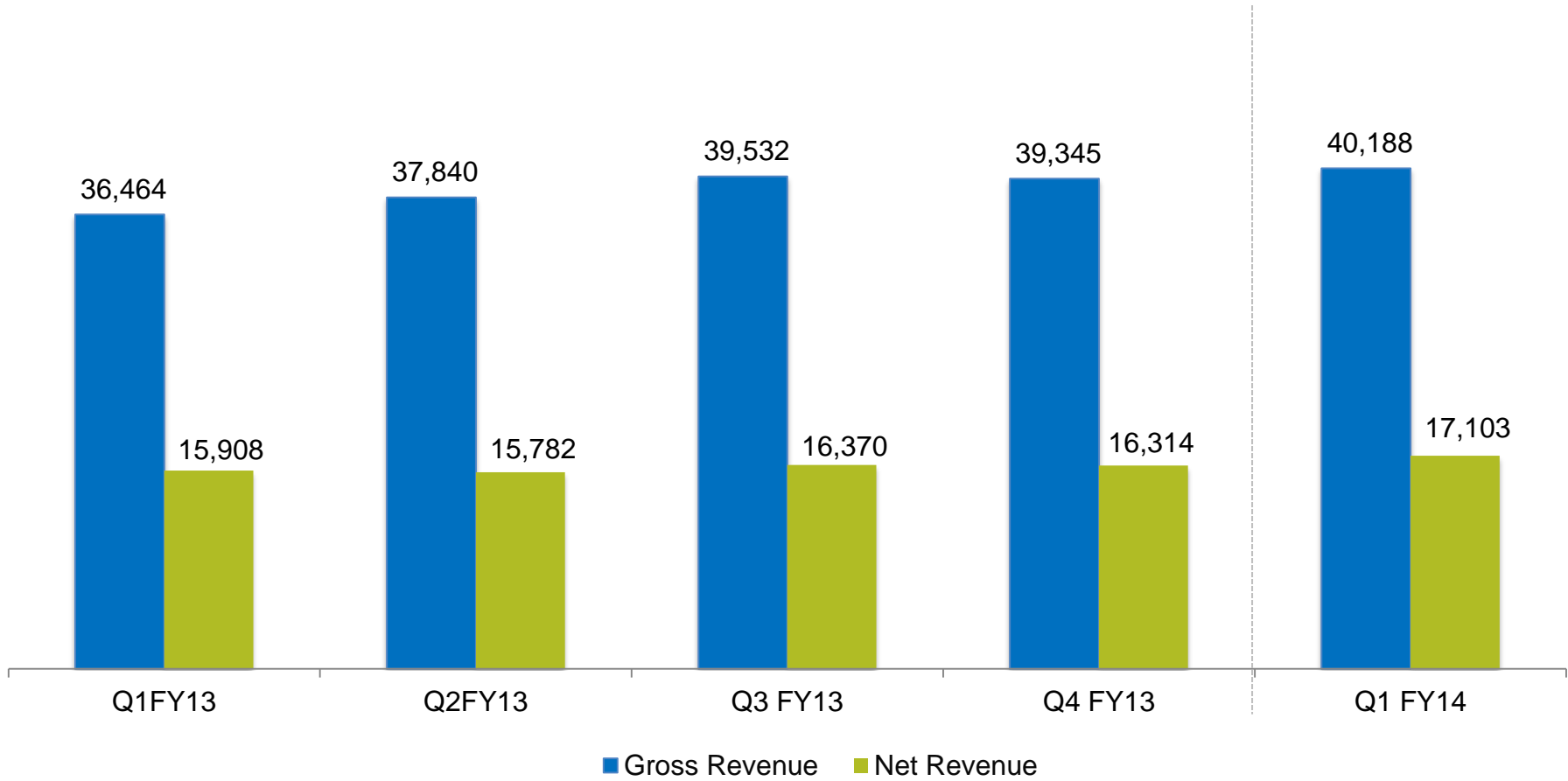
**Other:** MSS

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# Core Business Gross and Net Revenues

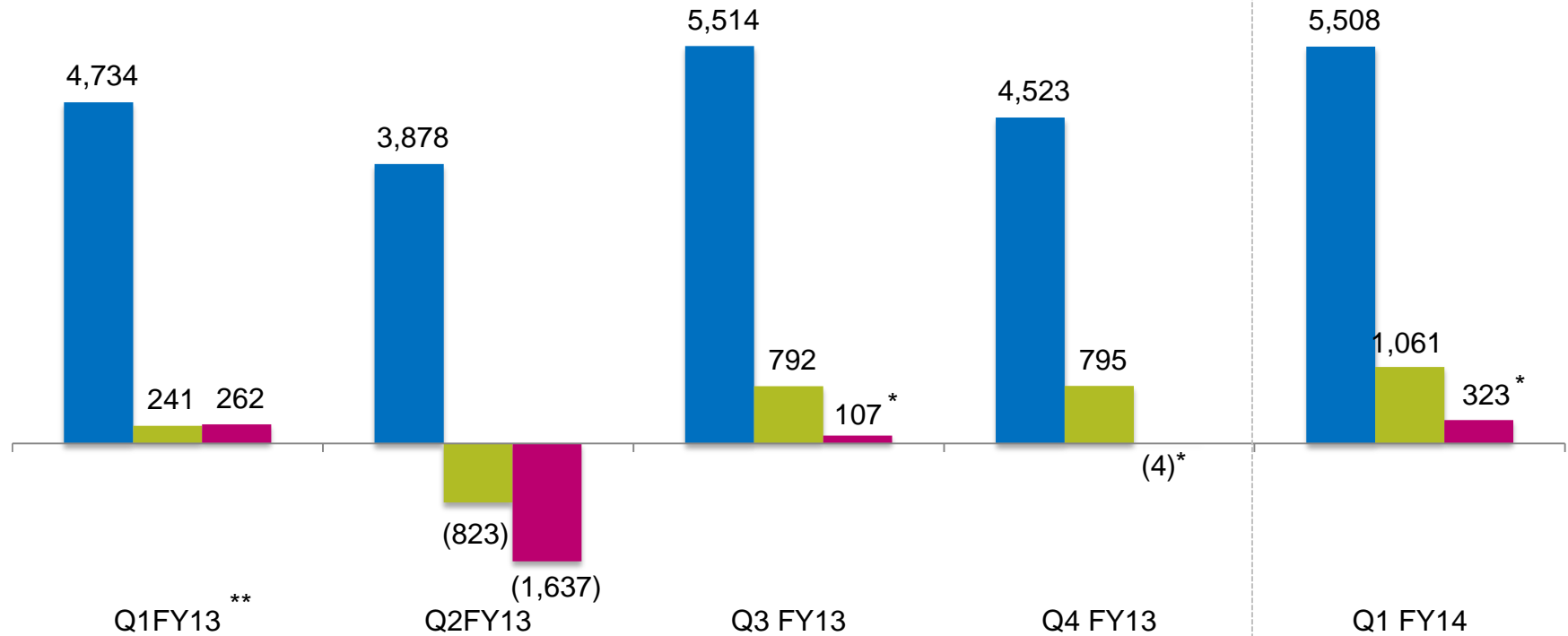
INR Mn



Average Rs/\$ Exchange rate: Q1 FY13 at 53.98; Q2 FY13 at 55.21; Q3 FY13 at 54.12; Q4 FY13 at 54.19; Q1 FY14 at 55.83

# Core Business EBITDA, EBIT and PBT

INR Mn



\* Profit Before Tax and Exceptional Items

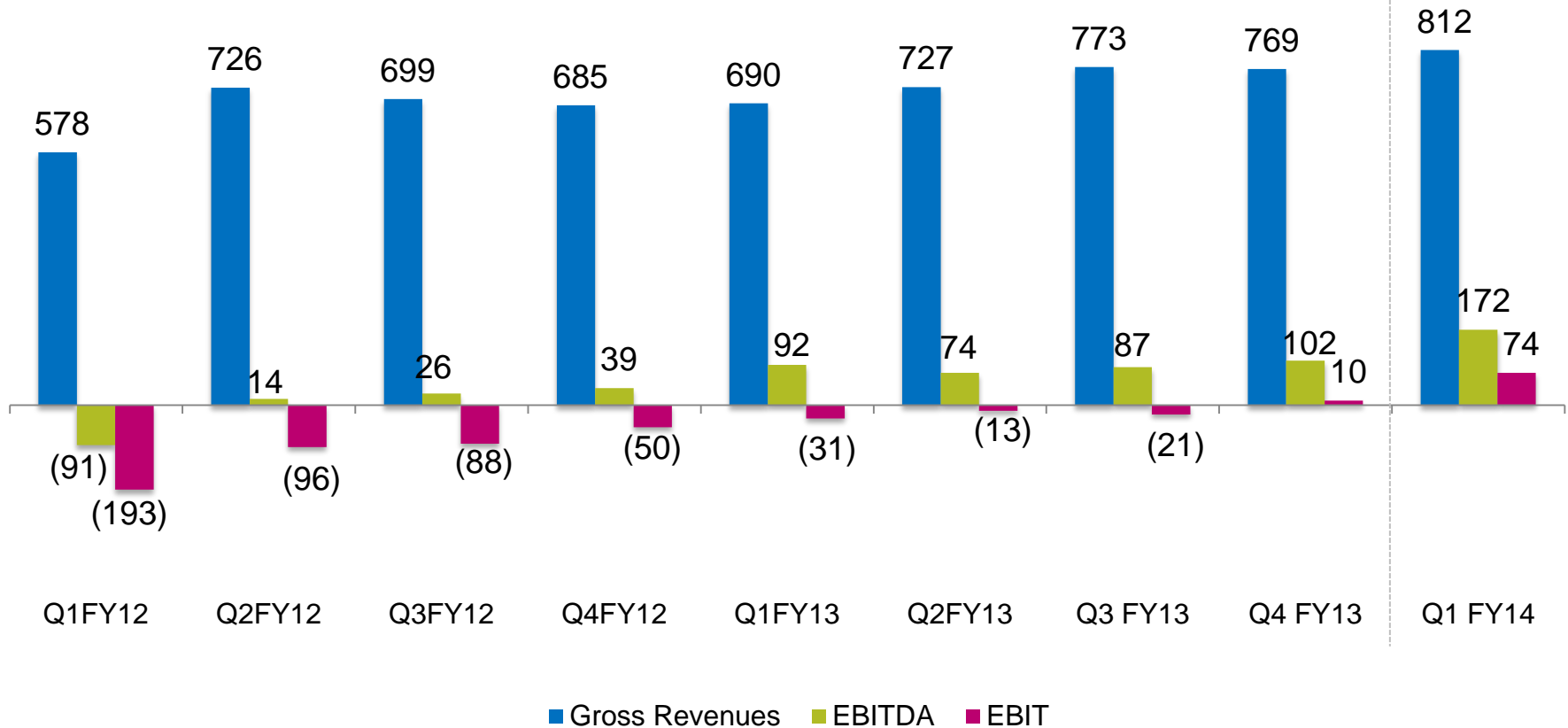
■ EBITDA ■ EBIT ■ PBT

Average Rs/\$ Exchange rate: Q1 FY13 at 53.98; Q2 FY13 at 55.21; Q3 FY13 at 54.12; Q4 FY13 at 54.19; Q1 FY14 at 55.83

\*\* Q1 FY13: PBT includes an amount of Rs. 1105 million being reversal of a provision made in earlier year consequent to a favorable order from TDSAT.

# Quarterly trends : Neotel

ZAR Mn



**Neotel EBITDA positive from Q2 FY12 onwards, turned EBIT positive in Q4 FY13**

Average ZAR/\$ Exchange rate: Q1 FY12 at 6.79, Q2 FY12 at 7.12; Q3 FY12 at 8.10; Q4 FY12 at 7.77; Q1 FY13 at 8.12; Q2 FY13 at 8.26; Q3 FY13 at 8.69; Q4 FY13 at 8.94; Q1 FY14 at 9.48

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## Appendix 2 – Introduction and Overview of Tata Communications

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# Company Overview

- Tata Communications Limited ('TCL') is a leading provider of wholesale long distance Global Voice Solutions & Global Enterprise Data Solutions
- Majority owned by the Tata Group, which is one of India's largest and most reputed multinational conglomerates
- Business consists of 3 segments: Global Voice Solutions ('GVS'), Global Data Solutions ('GDS') and Start-ups (primarily South Africa Operations – Neotel)
- Leader in enterprise data services & wholesale long distance voice services in India; and international voice services & wholesale connectivity globally
- Total 7,673 employees as of Jun'13. 925 employees in the South African operations and 6,748 in core business (GVS+GDS) and corporate

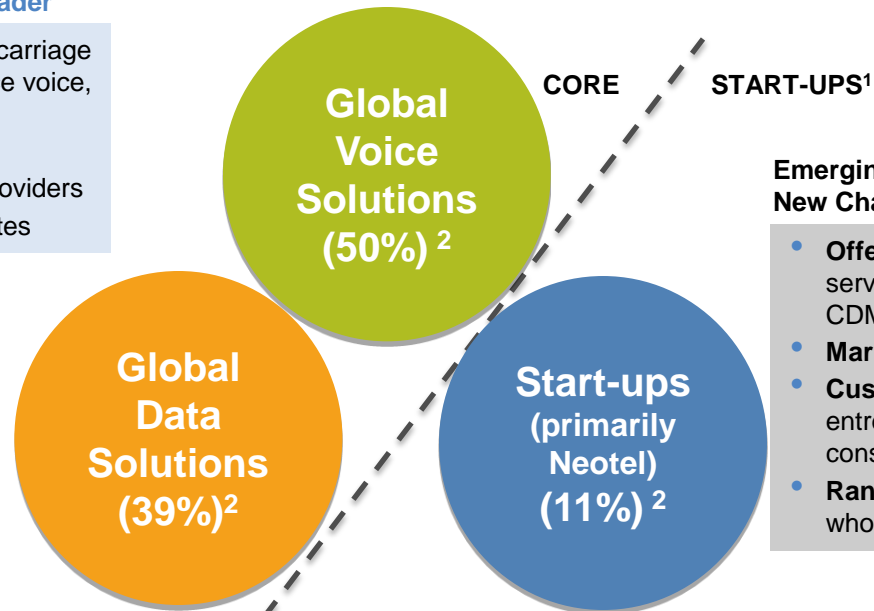
## Business Model

### Mature; Stable Scale Business – Market Leader

- **Offerings:** Wholesale international voice carriage and termination, India national long distance voice, outsourcing/white label
- **Market:** Global
- **Customers:** Global carriers and service providers
- **Ranking:** #1 in international voice by minutes

### Mature; Growth Solutions & Brand – India Leader and Global Challenger

- **Offerings:** Connectivity (focusing on leased circuit networking and IP transit services), data centers, managed services, outsourcing
- **Market:** Global
- **Customers:** Global carriers and enterprises, mid-market and SMB segment in India
- **Ranking:** #1 in India in enterprise data services by revenue



### Emerging Market Investment – New Challenger

- **Offerings:** All telecom services except mobile, first CDMA network in South Africa
- **Market:** South Africa
- **Customers:** Carriers, enterprises, SMB and consumers
- **Ranking:** #2 in enterprise and wholesale data in South Africa

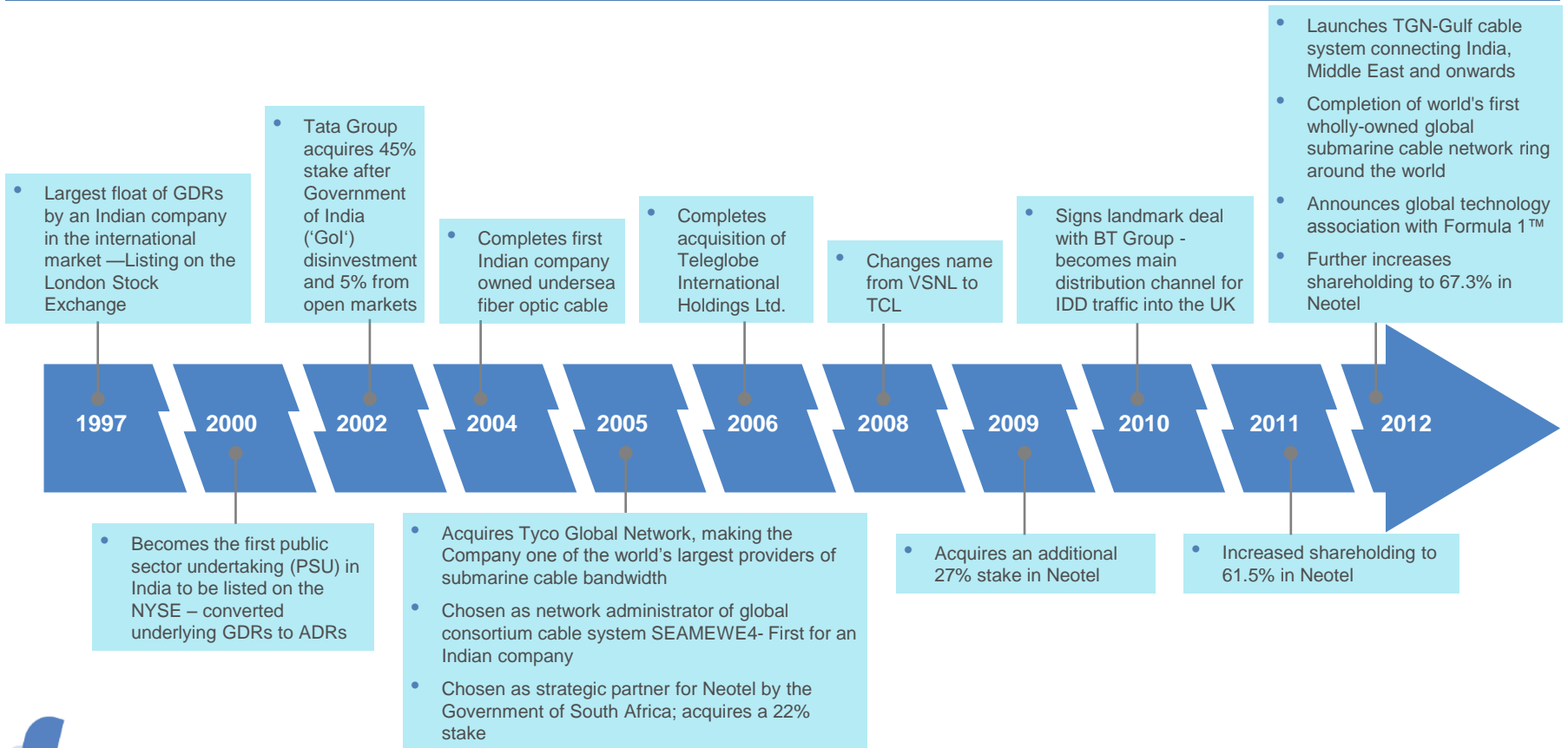
<sup>1</sup> Start-ups also includes United Telecom Limited (UTL) Nepal (26.66% shareholding) besides Neotel (67.32% shareholding)

<sup>2</sup> (%) of total gross revenues for year ending Mar'13

# Growth Path

- Formerly known as Videsh Sanchar Nigam Limited ('VSNL'), TCL has since restructured itself from a pure long distance service provider in India into one of the leading integrated communication solutions providers in the world post acquisition of majority stake by the Tata Group in 2002
- TCL has achieved this transformation through a series of organic and inorganic growth strategies, while maintaining its focus on ILD voice services

## Timeline



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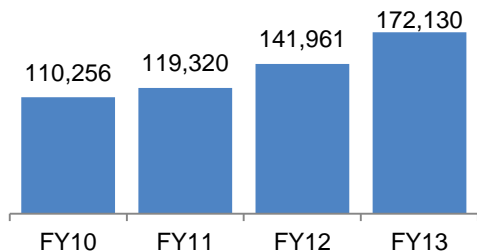
# Factsheet

## Key Highlights

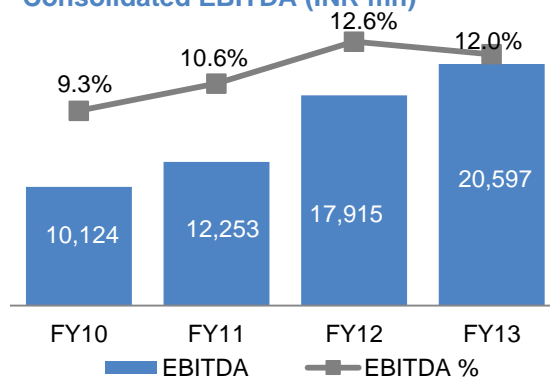
<b>Industry leadership</b>	<ul style="list-style-type: none"> <li>#1 international voice carrier by minutes</li> <li>#1 submarine cable owner by length</li> <li>#1 in enterprise data in India by revenue</li> <li>#2 network operator in South Africa</li> </ul>	<b>Customers</b>	<ul style="list-style-type: none"> <li>3,000 large corporates including 260 Forbes 2,000 MNCs</li> <li>1,600 carriers and 700 mobile operators</li> </ul>
<b>Global Infrastructure</b>	<ul style="list-style-type: none"> <li>Over 200,000 kms of owned fiber</li> <li>400 Points of Presence</li> <li>Over 20% of the world's lit international capacity</li> <li>42 data centres with more than 10,000 racks and 1 mn square feet of space</li> </ul>	<b>Key Performance Indicators</b>	<ul style="list-style-type: none"> <li>19% market share in international wholesale voice minutes</li> <li>World's largest and only round-the-world sub-sea cable network. Tata Communications' network carries nearly 10% of global internet traffic</li> <li>Only global tier 1 ISP with a top five position in all continents – leading international internet backbone</li> </ul>

## Summary Financials

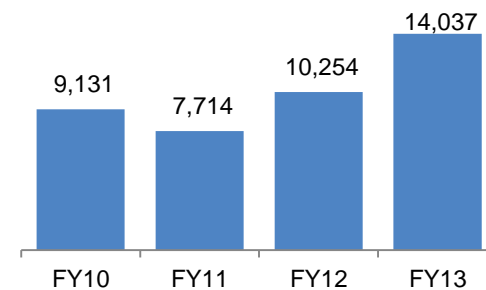
Consolidated Gross Revenues (INR mn)



Consolidated EBITDA (INR mn)



Consolidated Cash Profit<sup>1</sup> (INR mn)



<sup>1</sup>Cash Profit computed as (Net Profit/Loss + Depreciation and Amortisation)

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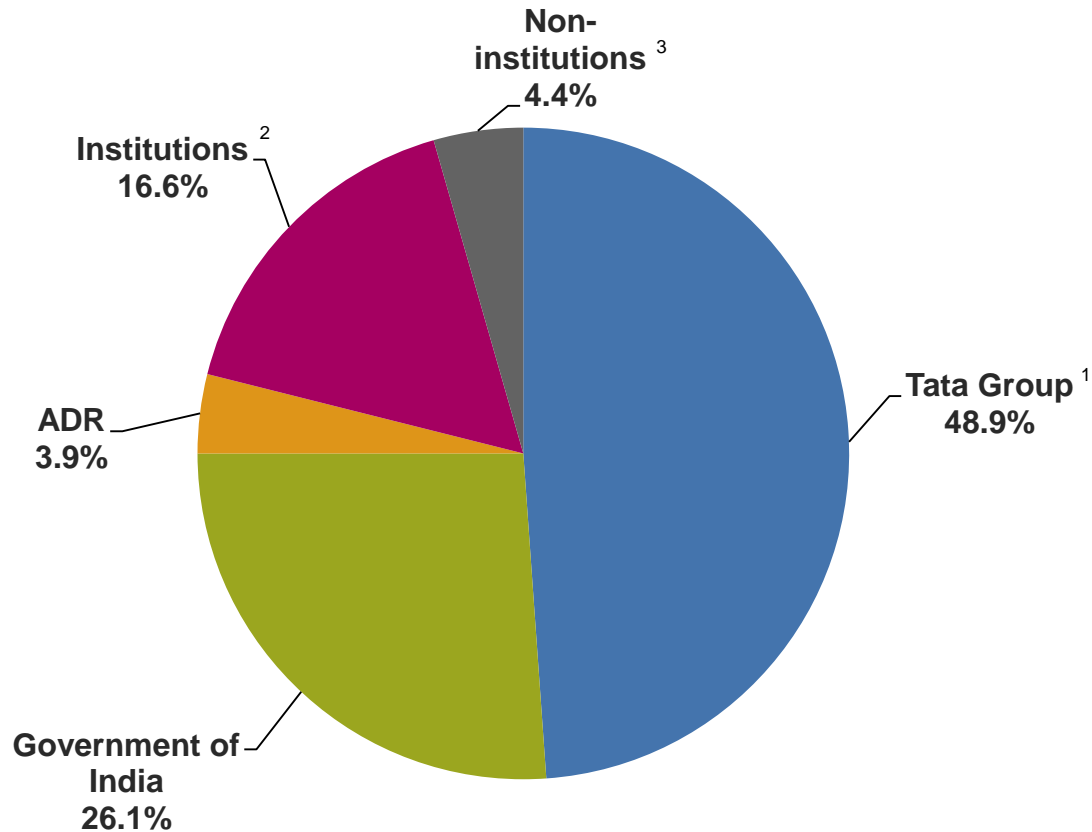
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# Our Vision and Strategy



# Shareholding pattern

As on July 5<sup>th</sup>, 2013



1. Tata group includes Panatone Finvest Ltd (31.10%), Tata Sons (13.07%), and Tata Power Ltd. (4.71%)
2. Institutions include Mutual funds (1.48%), Financial institutions (5.97%), Insurance companies (4.66%) and Foreign Institutional Investors (4.53%)
3. Non-institutions include individuals (3.42%), Bodies corporate (0.90%) and others (0.13%)

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