

# Q1 FY15 Earnings Update

August 4, 2014

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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 FY15 Performance Overview

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# Highlights: Q1 FY15

## Consolidated financial highlights

- **Q1 FY15 performance reflects healthy operational trends and continued momentum**
  - Consolidated Q1 revenues of Rs 51,117 million, up 14% y-o-y
  - Consolidated Q1 EBITDA up 9% y-o-y at Rs 7,127 million

Consolidated Operating EBITDA (normalized) – Rs million	Q1 FY14	Q4 FY14	Q1 FY15
Reported Consolidated EBITDA	6,516	7,798	7,127
Add: Actuarial impact of Canada pension fund	403	306	173
Normalize: Backdated revenues recognized in Neotel post billing dispute resolution	-	(600)	-
<b>Normalized Consolidated EBITDA</b>	<b>6,919</b>	<b>7,504</b>	<b>7,300</b>

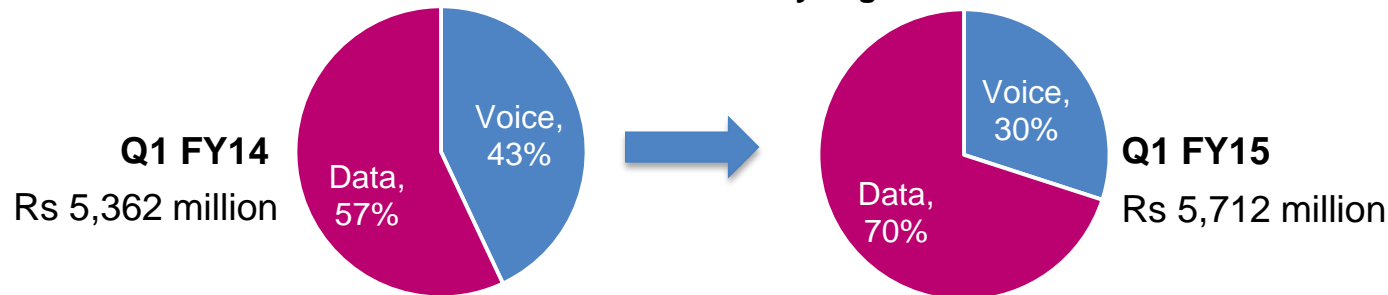
- **Consolidated PBT continues to be in healthy positive trajectory**
  - Q1 FY15 Consolidated PBT at Rs 479 million; six-times compared to Rs 79 million in Q1 FY14

# Highlights: Q1 FY15

## Core business performance highlights

- **Positive revenue and profitability momentum continues**
  - Core business Q1 revenues up 12% y-o-y, EBITDA up 7% y-o-y
- **Underlying structural core business EBITDA margins shows y-o-y improvement**
  - Normalizing Voice performance to back out temporary India termination pricing benefit in Q1 FY14, y-o-y core business EBITDA margins have improved driven by nearly 180 bps improvement in Data EBITDA margins y-o-y
- **Composition of growth is transforming in favor of our investment focus areas**

Core business EBITDA by segment



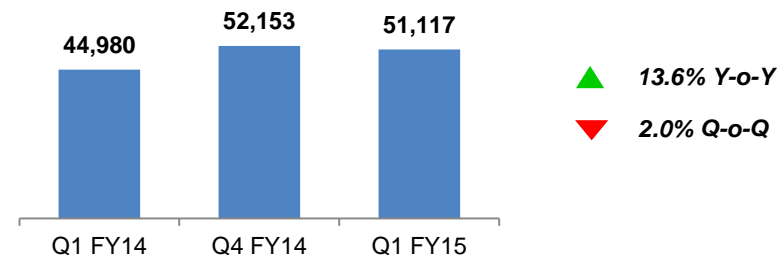
- **Core business PBT before exceptional items up three-times y-o-y**
  - Q1 FY15 PBT before exceptional items at Rs 516 million compared to Rs 177 million in Q1 FY14

# Consolidated Financial Performance – Q1 FY 2015

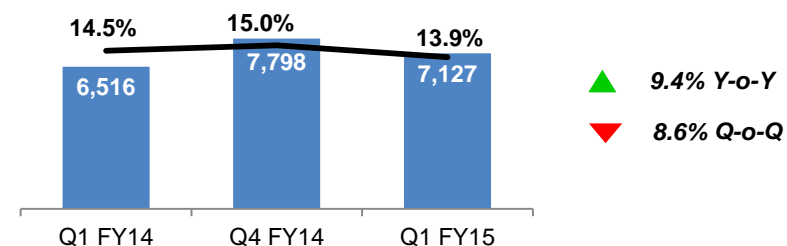
INR Mn

Q1 FY 2014	Particulars	Q4 FY 2014	Q1 FY 2015
44,980	Revenue from operations	52,153	51,117
6,516	Operating EBITDA	7,798	7,127
14.5%	<i>Operating EBITDA %</i>	15.0%	13.9%
1,478	Operating EBIT	2,555	1,826
3.3%	<i>Operating EBIT %</i>	4.9%	3.6%
79	Profit Before Tax and Exceptional Items	1,164	479
(2,162)	Exceptional Items – (Income) / Expense	1,500	-
2,241	PBT	(336)	479
5.0%	<i>PBT (% of total income)</i>	-0.6%	0.9%
945	PAT	(1,232)	(214)
2.1%	<i>PAT (% of total income)</i>	-2.3%	-0.4%

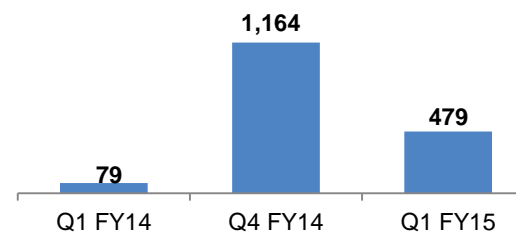
## Revenue from Operations



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



## Profit Before Tax and Exceptional Items



# Financial Performance by Segment – Q1 FY 2015

INR Mn

	CORE			STARTUP			CONSOLIDATED		
	Q1 FY 2014	Q4 FY 2014	Q1 FY 2015	Q1 FY 2014	Q4 FY 2014	Q1 FY 2015	Q1 FY 2014	Q4 FY 2014	Q1 FY 2015
<b>Gross Revenues</b>	40,188	45,793	<b>45,186</b>	4,791	6,360	<b>5,931</b>	44,980	52,153	<b>51,117</b>
<b>Y-o-Y Growth</b>			<b>12.4%</b>			<b>23.8%</b>			<b>13.6%</b>
<b>Q-o-Q Growth</b>			<b>-1.3%</b>			<b>-6.8%</b>			<b>-2.0%</b>
<b>EBITDA</b>	5,362	5,756	<b>5,712</b>	1,154	2,042	<b>1,415</b>	6,516	7,798	<b>7,127</b>
<b>Y-o-Y Growth</b>			<b>9.7%</b>			<b>22.7%</b>			<b>9.4%</b>
<b>Q-o-Q Growth</b>			<b>-1.5%</b>			<b>-30.7%</b>			<b>-8.6%</b>
<b>EBIT</b>	915	1,231	<b>1,041</b>	564	1,324	<b>785</b>	1,478	2,555	<b>1,826</b>
<b>Profit Before Tax and Exceptional Items</b>	177	651	<b>516</b>	(98)	513	<b>(37)</b>	79	1,164	<b>479</b>
<b>PBT</b>	2,339	(849)	<b>516</b>	(98)	513	<b>(37)</b>	2,241	(336)	<b>479</b>
<b>PAT after Minority Interest</b>	1,035	(1,746)	<b>(176)</b>	(90)	514	<b>(37)</b>	945	(1,232)	<b>(214)</b>

Average Rs/\$ Exchange rate: Q1 FY14 at 55.83; Q4 FY14 at 61.83; Q1 FY15 at 59.78  
 Average ZAR/\$ Exchange rate: Q1 FY14 at 9.48; Q4 FY14 at 10.87; Q1 FY15 at 10.54

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# Core Business by Business Unit – Q1 FY 2015

INR Mn

	Voice Solutions			Data Services		
	Q1 FY 2014	Q4 FY 2014	Q1 FY 2015	Q1 FY 2014	Q4 FY 2014	Q1 FY 2015
<b>Gross Revenues</b>	21,582	24,244	<b>23,407</b>	18,607	21,549	<b>21,780</b>
Y-o-Y Growth			8.5%			17.1%
Q-o-Q Growth			-3.5%			1.1%
<b>Net Revenue</b>	3,900	3,379	<b>3,381</b>	13,297	15,784	<b>15,490</b>
Y-o-Y Growth			-13.3%			16.5%
Q-o-Q Growth			0.1%			-1.9%
<b>EBITDA<sup>1</sup></b>	2,293	1,673	<b>1,728</b>	3,068	4,082	<b>3,985</b>
EBITDA Margin %	10.6%	6.9%	<b>7.4%</b>	16.5%	18.9%	<b>18.3%</b>
<b>EBIT<sup>1</sup></b>	1,734	1,253	<b>1,237</b>	(819)	(23)	<b>(196)</b>
EBIT Margins %	8.0%	5.2%	<b>5.3%</b>	-4.4%	-0.1%	<b>-0.9%</b>

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

Average Rs/\$ Exchange rate: Q1 FY14 at 55.83; Q4 FY14 at 61.83; Q1 FY15 at 59.78

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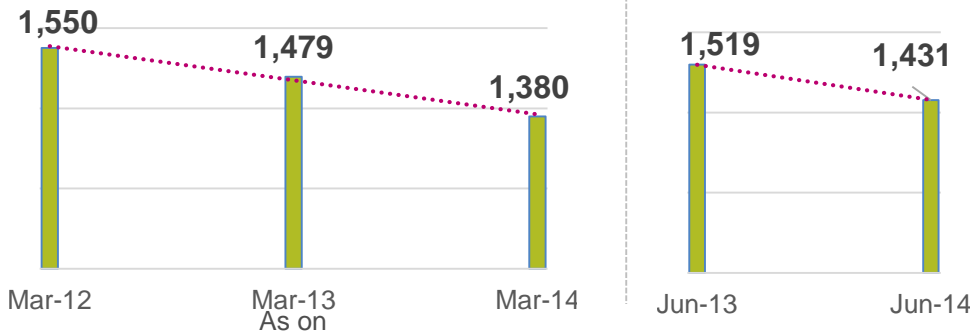


# Core Business – Debt profile

Reduced capex intensity and improved Operating performance driving core business deleveraging

## Core Business – Net Debt

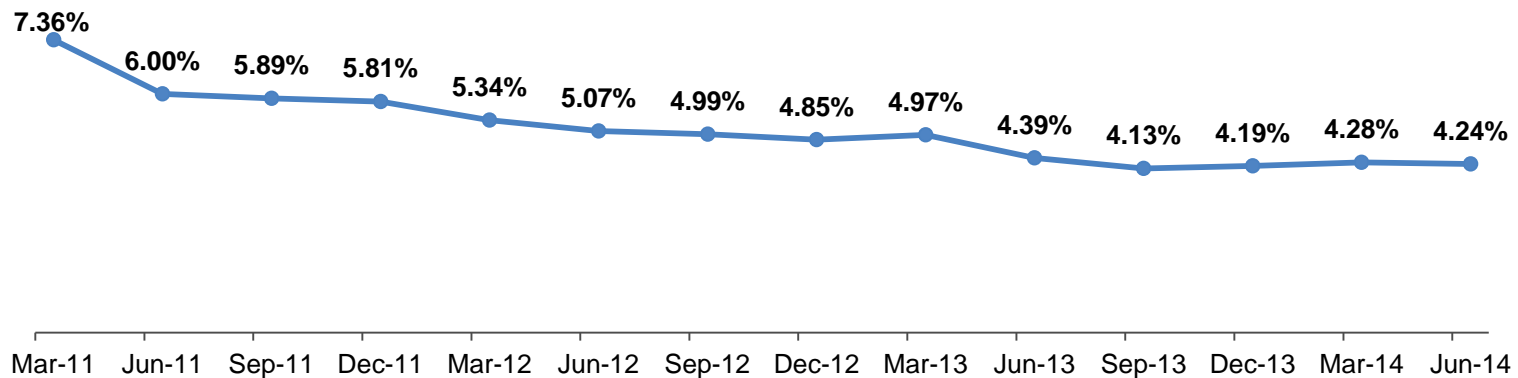
USD Millions



## 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 FY15 net debt position is due to temporary working capital mismatch

## Core Business - Average Cost of Loans



Data points in graphs pertains to respective quarter ending (i.e March-11, June-11 etc.).

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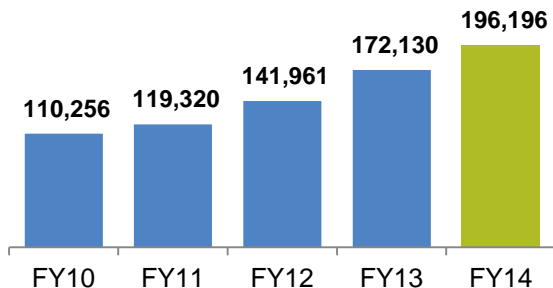
## Appendix 1 – Additional Slides

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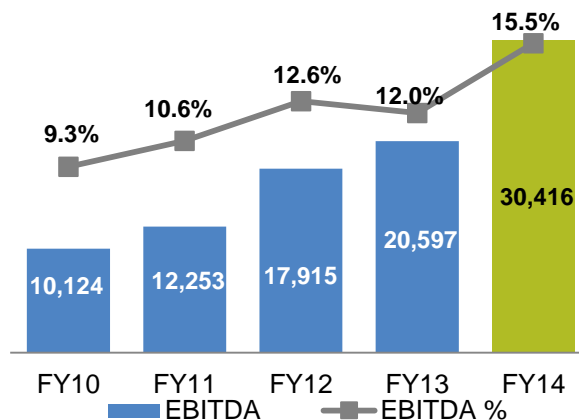
# Sustained profitable growth over the years

## Summary Financials

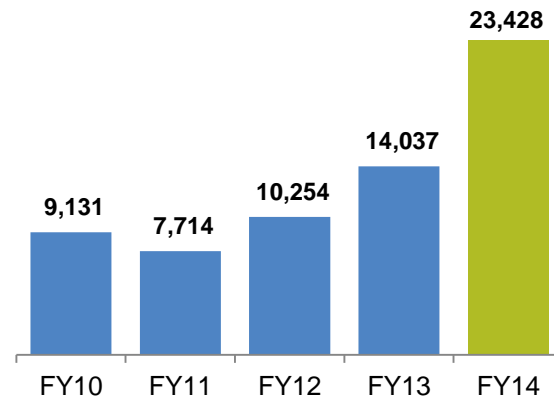
Consolidated Revenue from Operations (INR mn)



Consolidated EBITDA (INR mn)



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

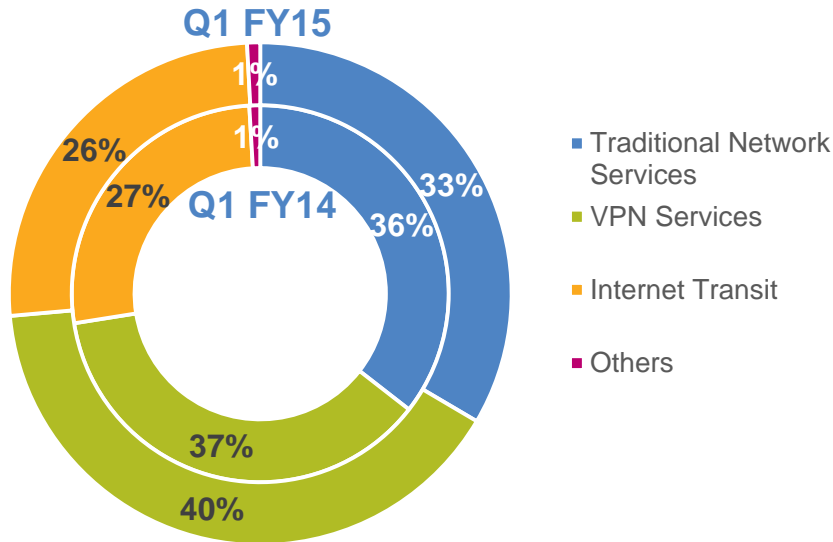


<sup>1</sup>Cash Profit computed as (Net Profit/Loss + Depreciation and Amortisation & Impairment)

- Revenue growth momentum continues, outpacing industry and peers growth rates
- 620 bps EBITDA margin improvement over last 4-years, while continuing to step up investments in transforming the business and expanding in to attractive value chain adjacencies
- Onset of operating leverage and strong cost discipline driving significant cost efficiencies across all elements of the cost structure
- Significant build-up in cash profits

# GDMS | YoY Gross Revenue Product Mix

## Network Services



### Network Service Portfolio

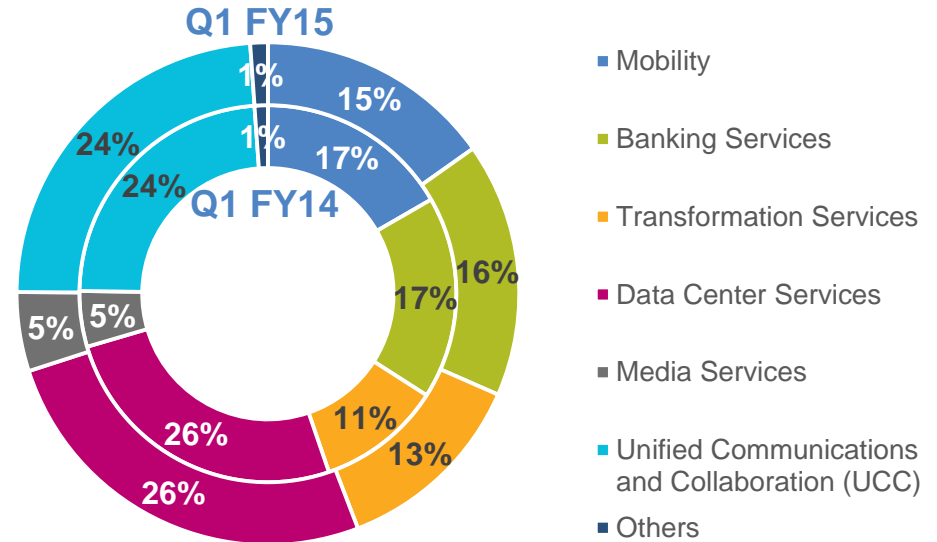
**Traditional Network Services:** IPL, NPL, IRUs

**VPN Services :** DGE and VPN

**Internet Transit –** IP-T, ILL

**Other:** Inmarsat, GNS others

## Managed Services



### Managed Services Portfolio:

**Banking Services:** TCPSL

**Transformation Services:** TCTSL

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

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

**Unified Communications and Collaboration (UCC):** SIP trunking, Unified Conferencing, Telepresence, Jamvee, Hosted Contact Centre

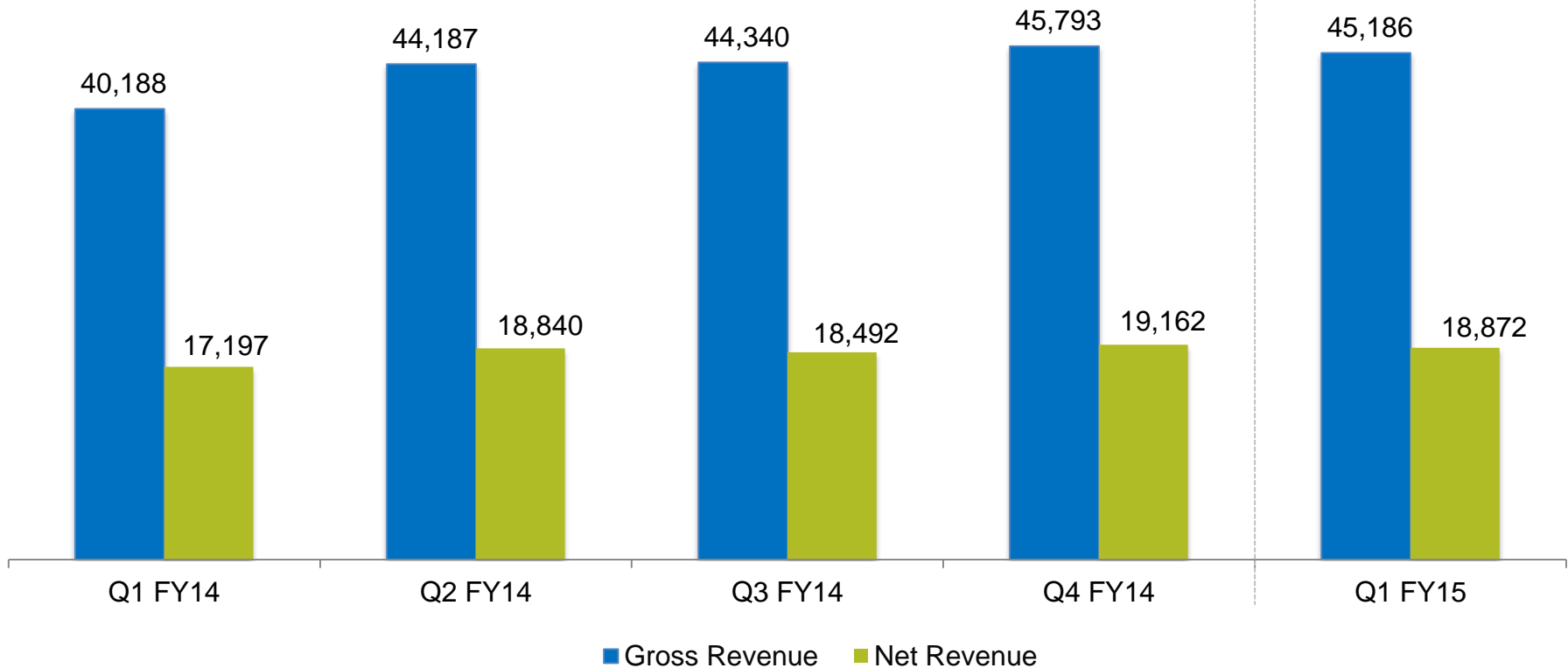
**Other:** MSS, SaaS

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# Core Business Gross and Net Revenues

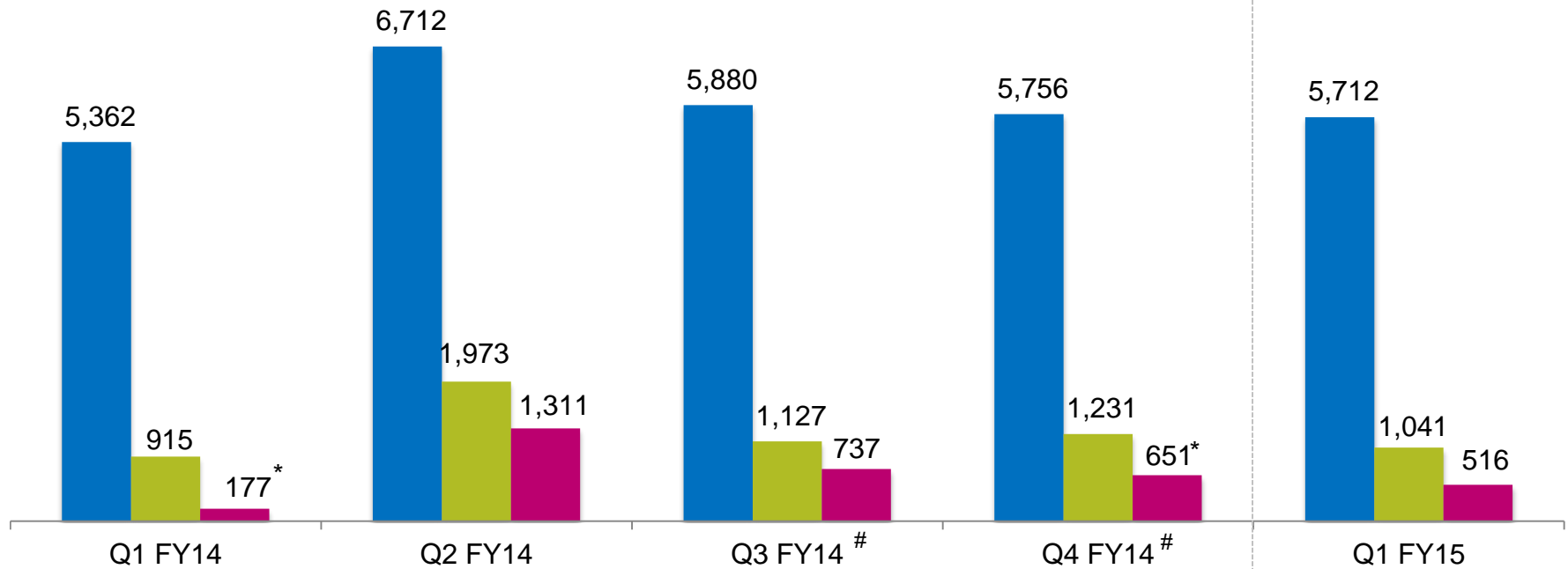
INR Mn



Average Rs/\$ Exchange rate: Q1 FY14 at 55.83; Q2 FY14 at 62.21; Q3 FY14 at 62.06; Q4 FY14 at 61.83; Q1 FY15 at 59.78

# Core Business EBITDA, EBIT and PBT

INR Mn



\* Profit Before Tax and Exceptional Items

■ EBITDA ■ EBIT ■ PBT

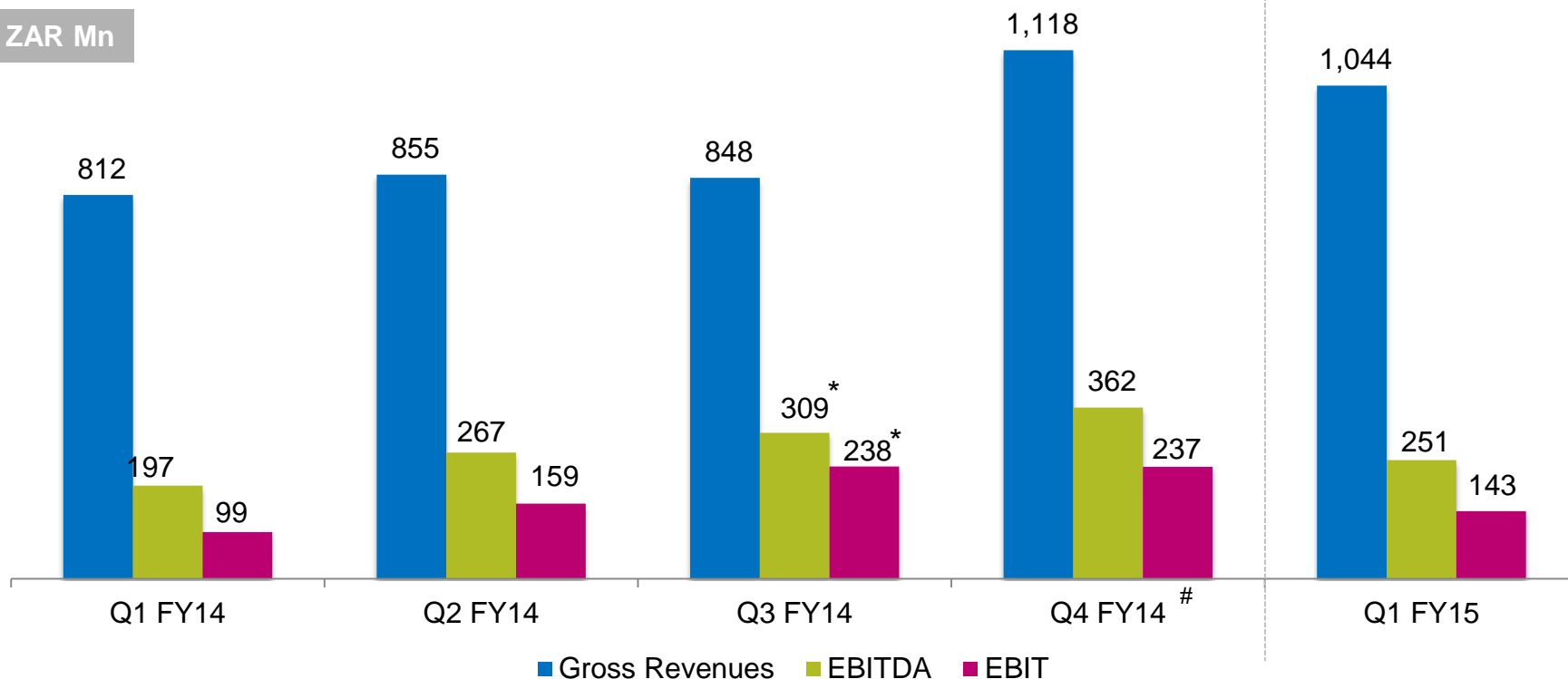
# Q3 FY14 and Q4 FY14 PBT includes other operating Income of Rs 424 million and Rs 40 million respectively, towards export benefits received

Average Rs/\$ Exchange rate: Q1 FY14 at 55.83; Q2 FY14 at 62.21; Q3 FY14 at 62.06; Q4 FY14 at 61.83; Q1 FY15 at 59.78

# Quarterly trends : Neotel

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

ZAR Mn



# Q4 FY14 includes Rs 60 crore backdated revenues being recognized post billing dispute resolution

\* Q3 FY14 EBITDA includes network cost write back in respect of earlier years amounting to Rs 337 million. EBIT is higher due to retrospective depreciation adjustment for nine month period (9M FY14) on account of increase in useful life of assets

Average ZAR/\$ Exchange rate: Q1 FY14 at 9.48; Q2 FY14 at 10.00; Q3 FY14 at 10.15; Q4 FY14 at 10.87; Q1 FY15 at 10.54

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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
- Core business consists of 2 segments: Voice Solutions and Data Services
- Leader in enterprise data services & wholesale long distance voice services in India; and international voice services & wholesale connectivity globally
- Total 8,119 employees as of Jun'14. 929 employees in the South African operations and 7,190 in core business (Voice + Data) and corporate

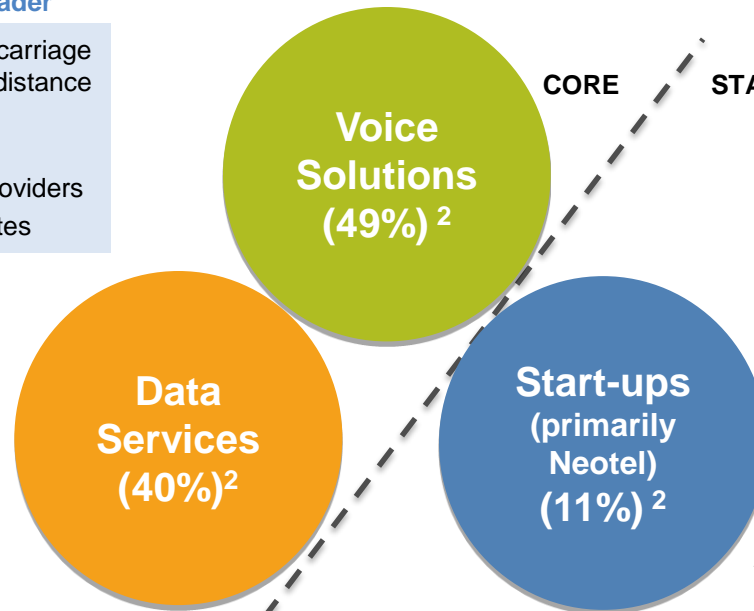
## Business Model

### 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, and mid-market segment in India
- **Ranking:** #1 in India in enterprise data services by revenue



### South Africa Investment (Neotel) – Concluded\* commercial discussions to sell to Vodacom

- **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

\* Subject to regulatory and competition authority approvals

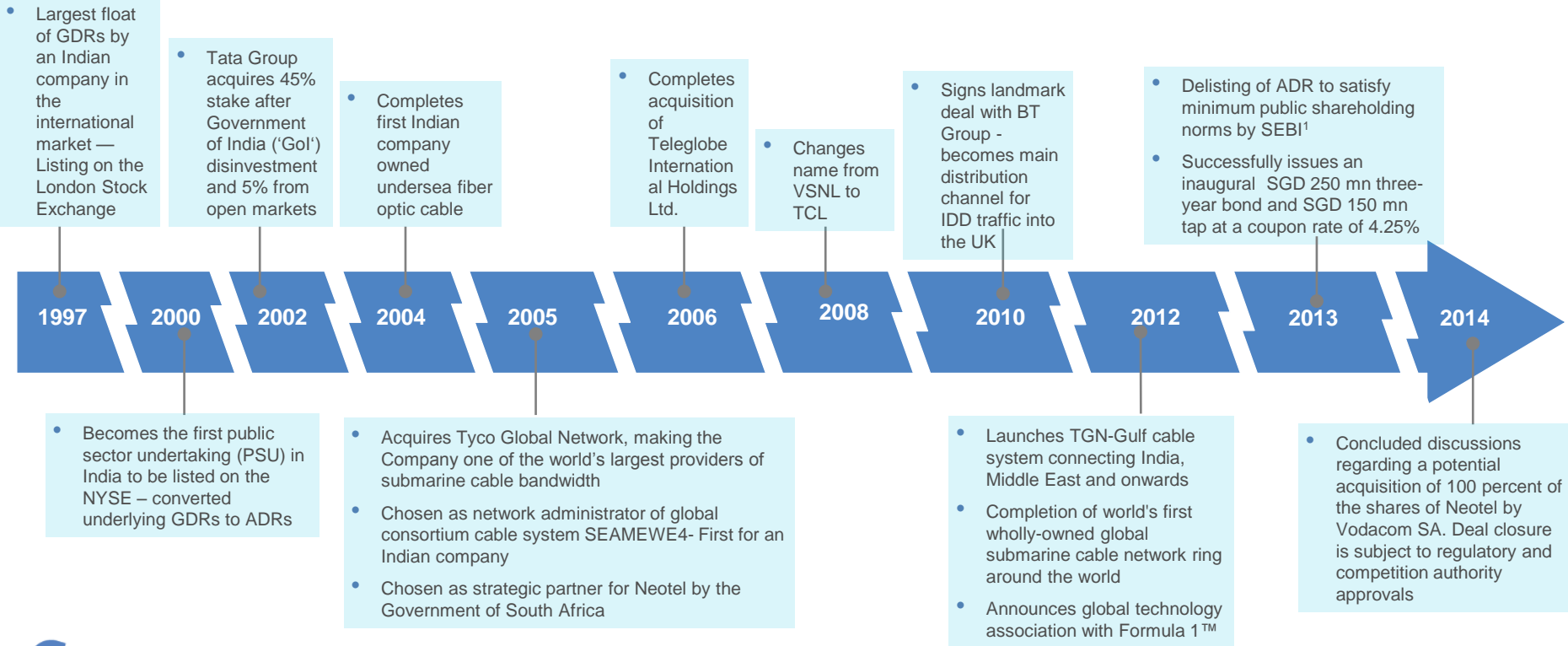
<sup>1</sup> Start-ups also includes United Telecom Limited (UTL) Nepal (26.66% shareholding) besides Neotel (67.32% shareholding)

<sup>2</sup> (%) of total gross revenues for year ending Mar'14

# 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



# Our Vision and Strategy



# Global management team



**Vinod Kumar**  
MD and Group CEO  
(Singapore and India)



**Sanjay Baweja**  
CFO  
(India)



**Michel Guyot**  
President – Voice  
Solutions  
(Canada)



**Allan Chan**  
President, Global Carrier  
Solution  
(USA)



**Sumeet Walia**  
Head Global Enterprise  
Solutions  
(India)



**Sunil Joshi**  
MD & CEO of Neotel  
(South Africa)



**John Hayduk**  
President, Product Mgmt.  
and Service Development  
(USA)



**Rangu Salgame**  
CEO – Growth  
Ventures  
(India)



**Madhusudhan MR**  
Chief Network Officer & Head  
Customer Service and Ops.  
(India)



**Aadesh Goyal**  
Global Head, Human  
Resources  
(India)



**John Freeman**  
General Counsel  
(Singapore)



**Tri Pham**  
Chief Strategy Officer  
(Singapore)



**Sunil Rawal**  
Global Head Business  
Excellence, CQO  
(India)



**Julie Woods-Moss**  
Chief Marketing Officer  
(UK)



**Genius Wong**  
SVP Global Network  
Services  
(Hong Kong)

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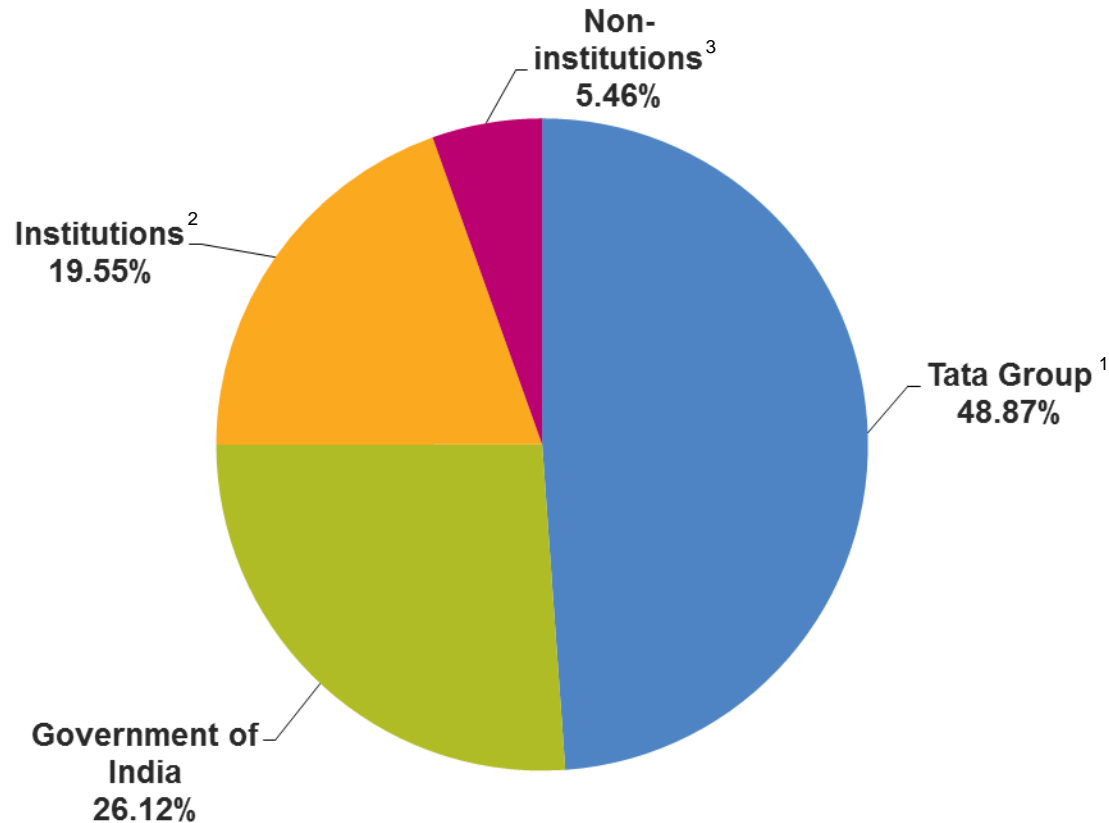
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(Country) represents where each executive is located.

# Shareholding pattern

As on June 30, 2014



1. Tata group includes Panatone Finvest Ltd (31.10%), Tata Sons (13.06%), and Tata Power Ltd. (4.71%)
2. Institutions include Mutual funds (2.59%), Financial institutions (6.58%), Insurance companies (2.51%) and Foreign Institutional Investors (7.87%)
3. Non-institutions include individuals (4.01%), Bodies corporate (1.32%) and others (0.13%)

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