

# The New World of Communications

## FY11 Earnings & Strategy Update

May 30, 2011



# 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.

# Agenda

- **Introduction** Srini Addepalli, SVP Corporate Strategy
  
- **FY11 Financials** Sanjay Baweja, CFO
  
- **Strategy Update** Vinod Kumar, CEO & MD



The New World  
of Communications

# The New World of Communications

## Introduction to Tata Communications

**Srini Addepalli**



**DELIVER A  
NEW WORLD OF COMMUNICATIONS  
TO ADVANCE THE REACH AND  
LEADERSHIP OF OUR CUSTOMERS**



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# MOST TELECOM COMPANIES SERVE MILLIONS OF INDIVIDUAL CUSTOMERS

**Mobile  
Operators**

**Fixed Line  
Providers**

**ISPs/  
Broadband  
Providers**

**Mobile  
Operators**

**ISPs/  
Broadband  
Providers**

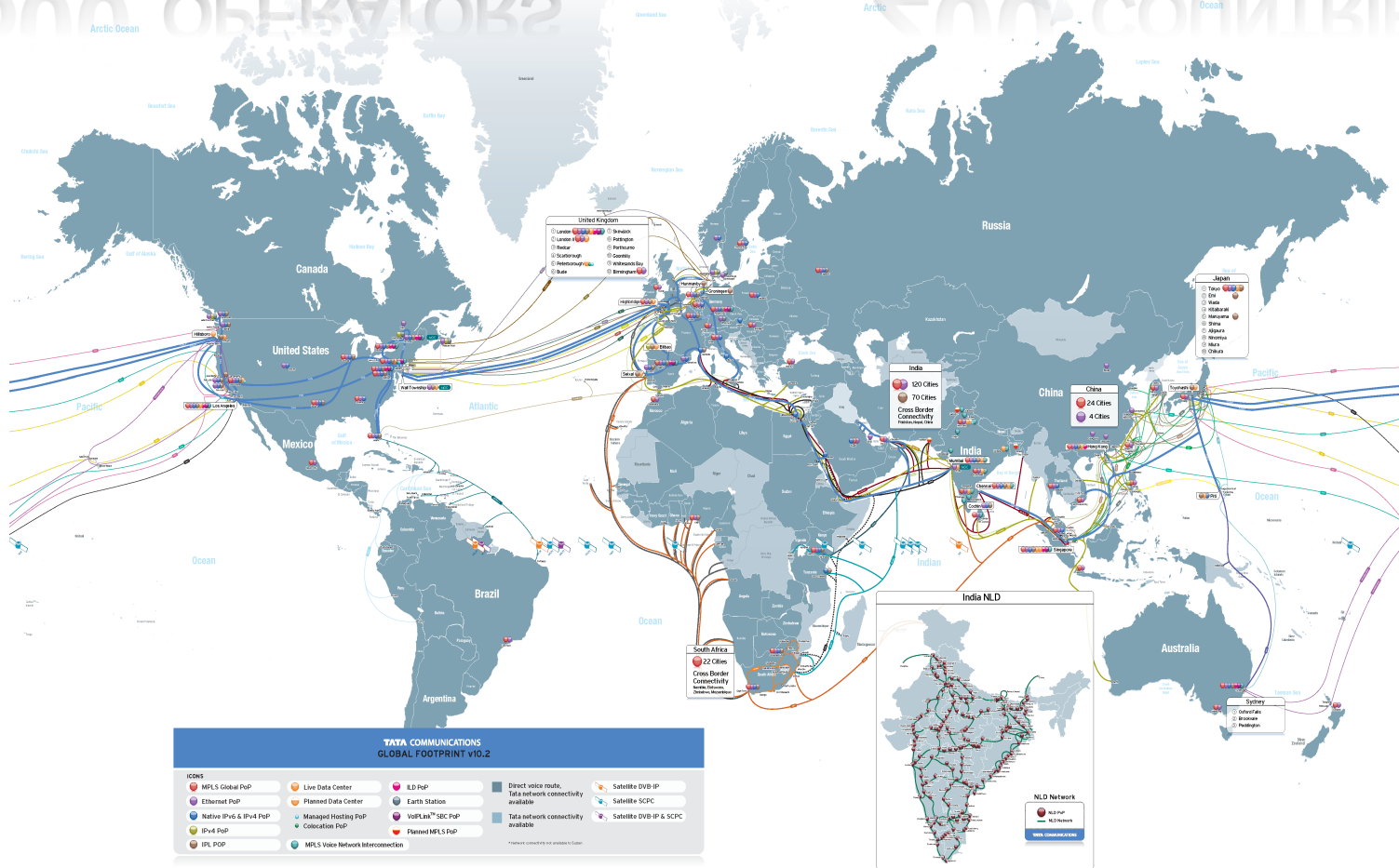
**Fixed Line  
Providers**

**ARE AMONGST OUR  
LARGEST CUSTOMERS**



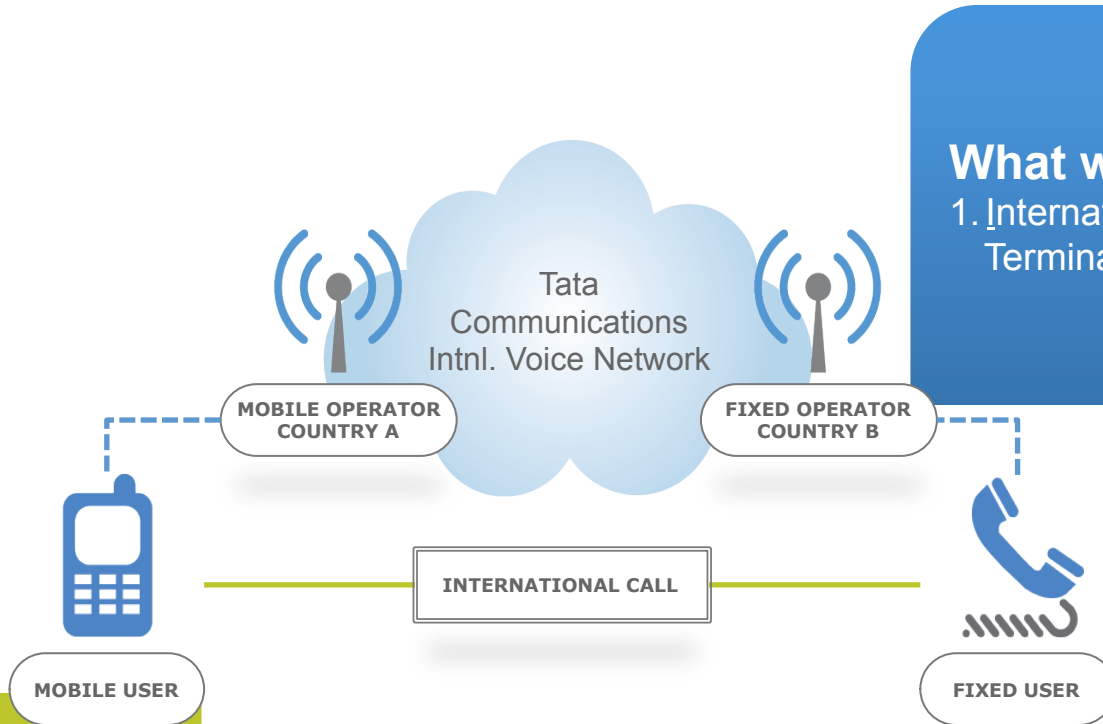
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# WE CONNECT MORE THAN 1,600 OPERATORS IN OVER 200 COUNTRIES





# Customer Segment | Service Providers



**What we do for them**  
1. International Voice Termination

**What we have**  
1. Global Voice Network

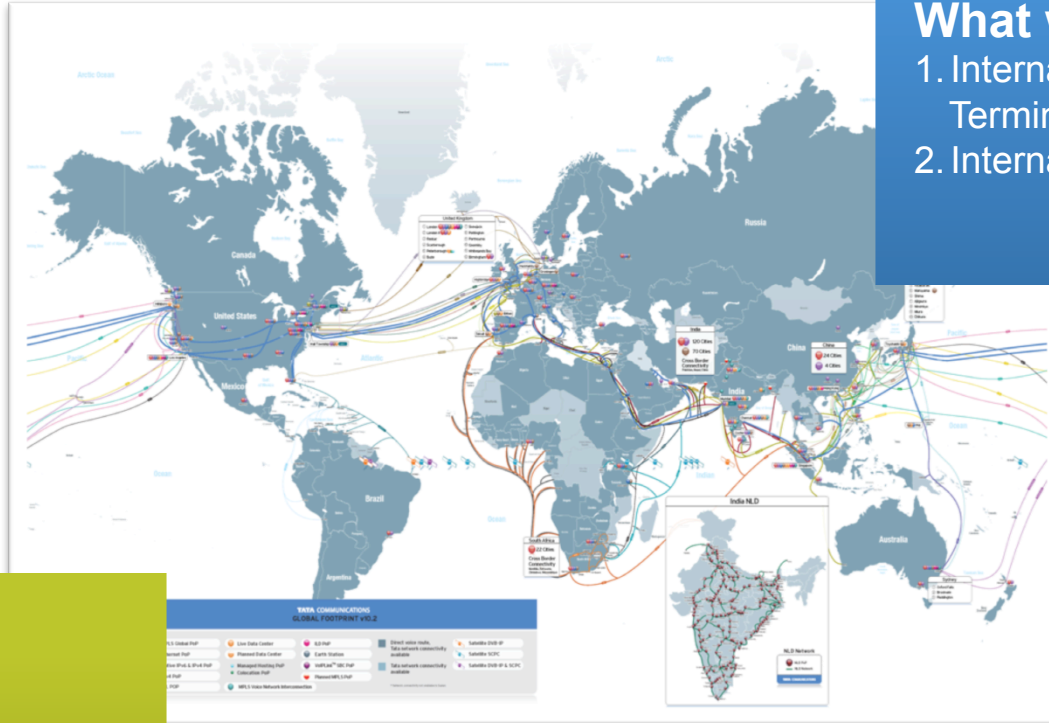
**OVER 40 BILLION MINUTES**  
**16% GLOBAL MKT SHARE**

Note: Market share based on Tata Communications estimates of wholesale international voice traffic market

## Customer Segment | Service Providers

### What we do for them

1. International Voice Termination
2. International Backbone

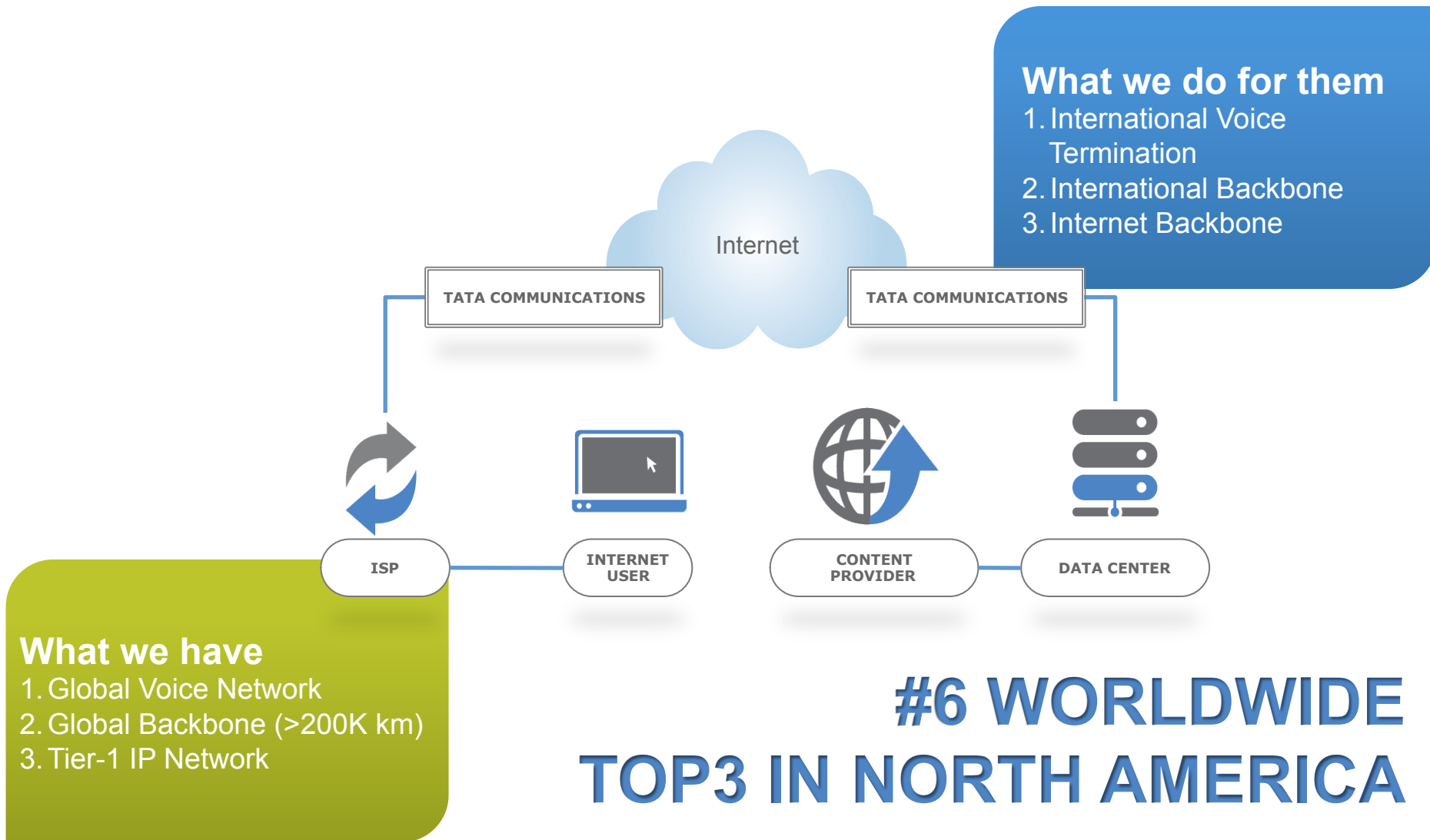


### What we have

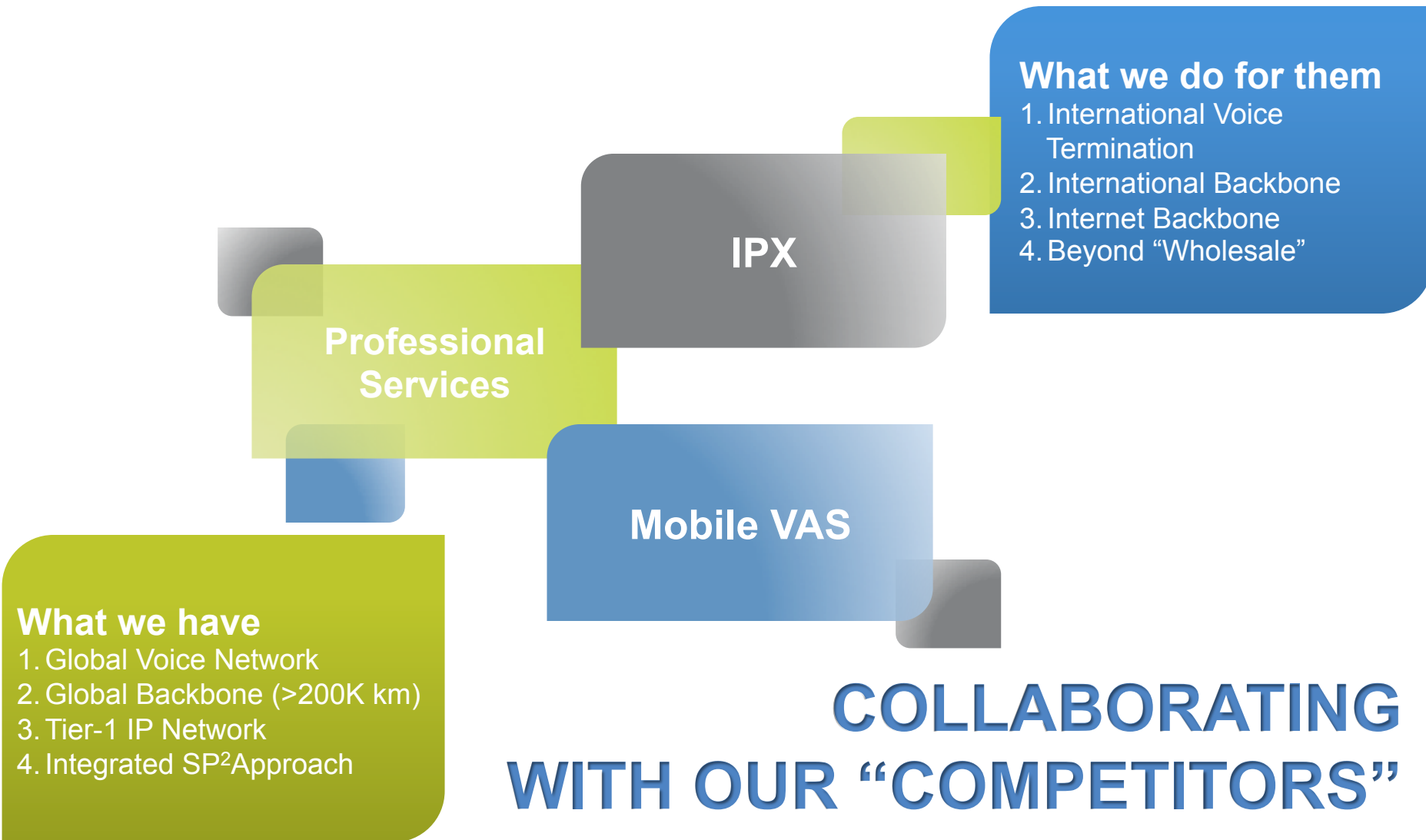
1. Global Voice Network
2. Global Backbone (>200K km)

# ONLY OWNED ROUND-THE-WORLD SUB-SEA NETWORK

## Customer Segment | Service Providers



# Customer Segment | Service Providers



# Over 50,000 BUSINESS CUSTOMER RELATIONSHIPS

Where	Who	Number of Customers
Global	Forbes 2000 MNCs	260
India, South Africa and Asia	Large corporates; Small & medium-sized businesses	3,000 47,000



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# Customer Segment | Enterprises



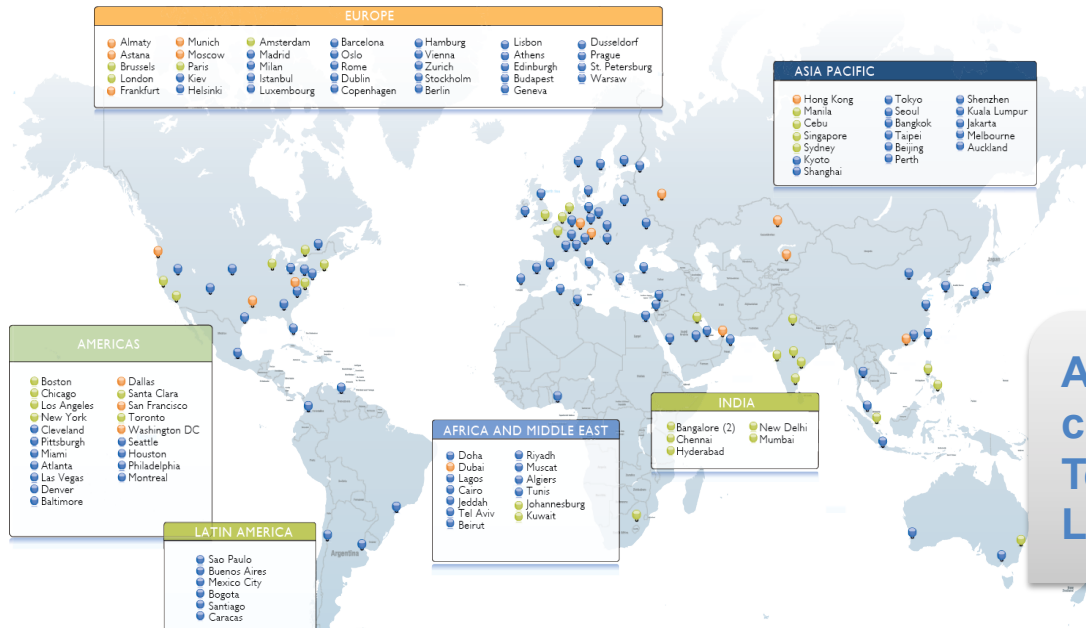
**What we do for them**  
1. Connectivity Services

Point-to-Point  
Wide Area Network /  
VPN  
Internet Leased  
Lines

**What we have**  
1. Over 400 PoPs globally

# CONNECTING THE NEW WORLD

## Customer Segment | Enterprises



### What we do for them

1. Connectivity Services
2. Collaboration Services

Audio, Web & Video conferencing  
Telepresence  
LiveBroadcast

### What we have

1. Over 400 PoPs globally
2. Unified Comms Platform

# 30+ PUBLIC TP ROOMS GLOBAL MEETING EXCHANGE

## Customer Segment | Enterprises



### What we do for them

1. Connectivity Services
2. Collaboration Services
3. Data Centre & Cloud Services

Co-Lo, Hosting & Storage, Security  
InstaCompute  
InstaApps

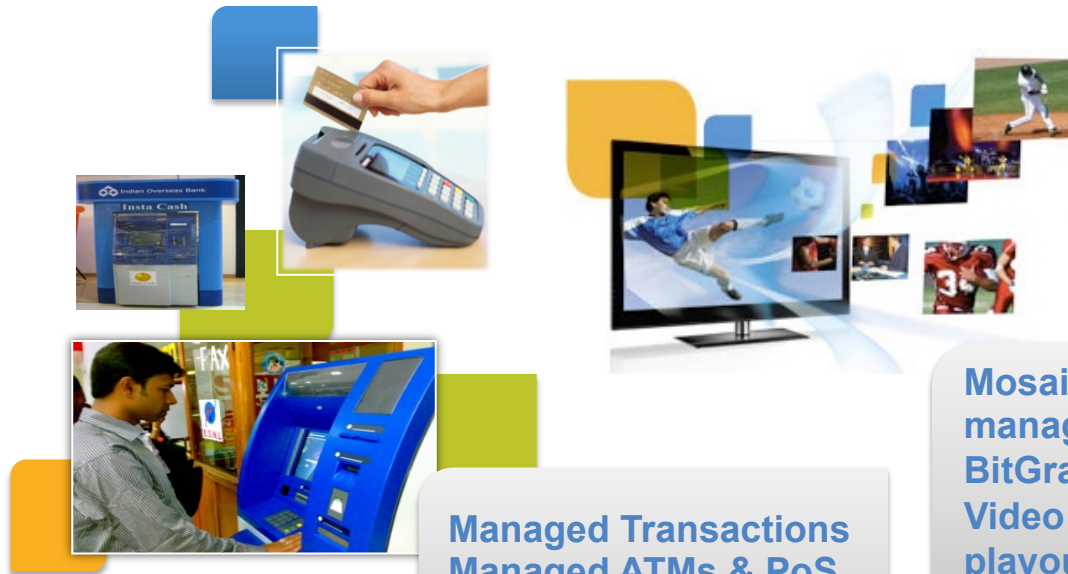
### What we have

1. Over 400 PoPs globally
2. Unified Comms Platform
3. 42 IDCs, Insta cloud platform

# OVER A MILLION SQFT SPACE BEST-IN-CLASS PARTNERS



## Customer Segment | Enterprises



### What we do for them

1. Connectivity Services
2. Collaboration Services
3. Data Centre & Cloud Services
4. Vertical Solutions

Managed Transactions  
Managed ATMs & PoS  
Managed Applications

Mosaic: Content management platform  
BitGravity CDN  
Video broadcast & playout

### What we have

1. Over 400 PoPs globally
2. Unified Comms Platform
3. 42 IDCs, Insta cloud platform
4. Industry-specific Platforms

# TELECOM + BUSINESS INTELLIGENCE

## In Summary | Business

### Service Providers

INDIA

GLOBAL

### Enterprises

INDIA

GLOBAL

Global Voice Solutions

International Voice

Connectivity

International Backbone

Collaboration

Global Data Solutions

Internet Backbone

Data Centre & Cloud

Beyond "Wholesale"

Vertical Solutions

South Africa

Neotel

## In Summary | Capabilities

### "Hardware"

- World's largest submarine cable network
- Tier-1 IP Backbone
- Global voice switching
- 400 IP, MPLS & Ethernet PoPs
- 42 Data Centres; 1mn sqft space

### "Software"

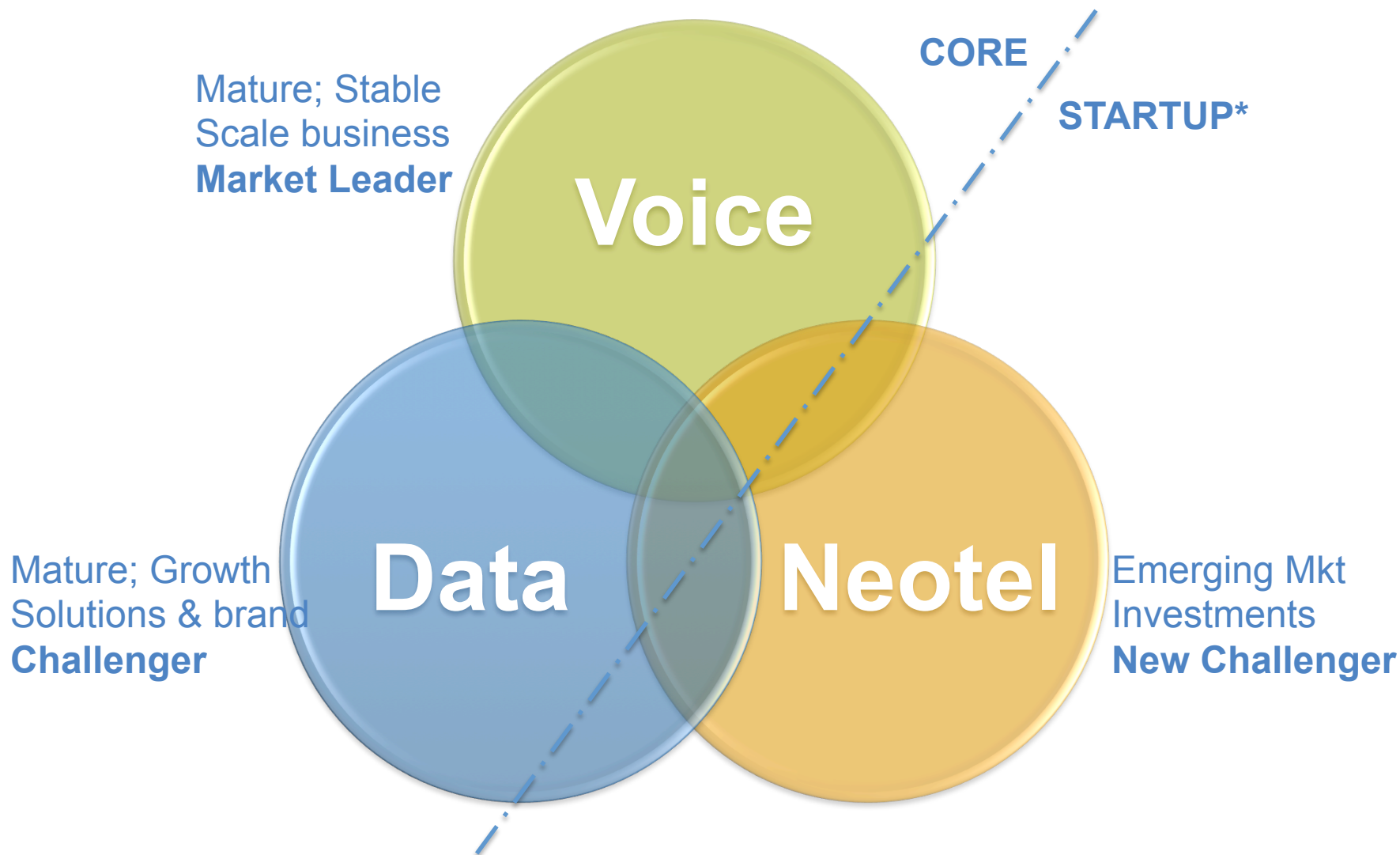
- Intelligent voice routing & IPX
- Integrated SP<sup>2</sup> approach
- Managed services & Cloud platforms
- Vertical-focused platforms
- Emerging markets expertise

**Global Talent Pool & Management Structure**



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# Business Portfolio



\* Startup includes consolidation of UTL into Tata Communications, in addition to Neotel

# The New World of Communications

## FY11 Earnings

**Sanjay Baweja**

Note:

1. Audited results as per Indian GAAP
2. Segment financials are management estimates, may vary from reported segment accounts
3. Neotel is consolidated at 43.16% line by line and effective 49.01% at PAT

# FY11 IGAAP Results, Audited

(Rs. in Lakhs)

	Particulars	Stand alone		Consol	
		For the year ended March 31,		For the year ended March 31,	
		2011	2010	2011	2010
1	<b>Revenues from Telecommunication and Other Services</b>	<b>340,900</b>	<b>321,804</b>	<b>1,193,199</b>	<b>1,102,556</b>
2	Expenditure				
	a. Network Costs	152,518	141,504	712,795	646,899
	b. Operating and Other Expenses	57,622	63,812	195,113	200,709
	c. Salaries and Related Costs	46,475	41,844	162,731	153,712
	d. Depreciation and Amortisation	59,689	57,473	154,830	151,080
	<b>Total Expenditure (2a to 2d)</b>	<b>316,304</b>	<b>304,633</b>	<b>1,225,469</b>	<b>1,152,400</b>
3	<b>Profit / (Loss) from Operations before Other Income, Interest and Exceptional Items (1 - 2)</b>	<b>24,596</b>	<b>17,171</b>	<b>(32,270)</b>	<b>(49,844)</b>
4	Other Income (net)	16,219	12,575	20,109	11,953
5	<b>Profit / (Loss) before Interest and Exceptional Items (3 + 4)</b>	<b>40,815</b>	<b>29,746</b>	<b>(12,161)</b>	<b>(37,891)</b>
6	Interest Cost (net)	18,287	20,641	51,764	52,056
7	<b>Profit / (Loss) after Interest but before Exceptional Items (5 - 6)</b>	<b>22,528</b>	<b>9,105</b>	<b>(63,925)</b>	<b>(89,947)</b>
8	Exceptional Items:				
	Expense / (Income)				
	a. Severance Cost			4,601	-
	b. Fixed Assets Written off			2,515	
	c. Interest on Income Tax Refund	(404)	(21,828)	(404)	(21,828)
9	<b>Profit / (Loss) from Ordinary Activities before Tax (7-8) (Refer note 3 and 4)</b>	<b>22,932</b>	<b>30,933</b>	<b>(70,637)</b>	<b>(68,119)</b>
10	Tax Expense	6,916	(17,385)	6,884	(14,239)
11	<b>Net Profit / (Loss) from Ordinary Activities after Tax (9 – 10)</b>	<b>16,016</b>	<b>48,318</b>	<b>(77,521)</b>	<b>(53,880)</b>
12	Extraordinary Items (net of Tax Expense)	-	-	-	-
13	<b>Net Profit / (Loss) from Ordinary Activities after Tax and Extraordinary Items (11 - 12)</b>	<b>16,016</b>	<b>48,318</b>	<b>(77,521)</b>	<b>(53,880)</b>
14	Minority Interest	-	-	10,562	8,860
15	Share in Loss of Associates	-	-	(18,460)	(14,754)
16	<b>Net Profit / (Loss) (13+14+15)</b>	<b>16,016</b>	<b>48,318</b>	<b>(85,419)</b>	<b>(59,774)</b>

# P&L: Core and Consolidated

USD Mn

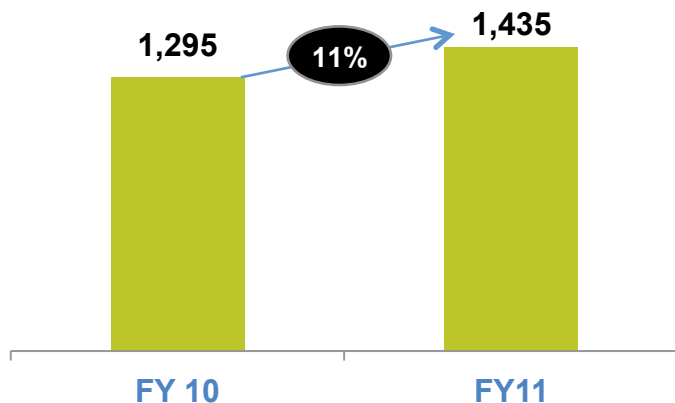
	CORE		STARTUP		CONSOLIDATED	
	FY10	FY11	FY10	FY11	FY10	FY11
<b>Gross Revenues</b>	2252	2499 11%	98	134	2351	2633
<b>EBITDA</b>	241	309 28%	-28	-41	213	269
<b>PBIT</b>	-56	-3	-49	-68	-105	-71
<b>PBT</b>	-59	-47	-84	-108	-144	-155
<b>PAT</b> after Minority Interest	-29	-65	-97	-123	-126	-188

Rs/\$ Exchange rate: FY10 at 47.48; FY11 at 45.57; Rand/\$: FY10 at 7.83; FY11 at 7.20

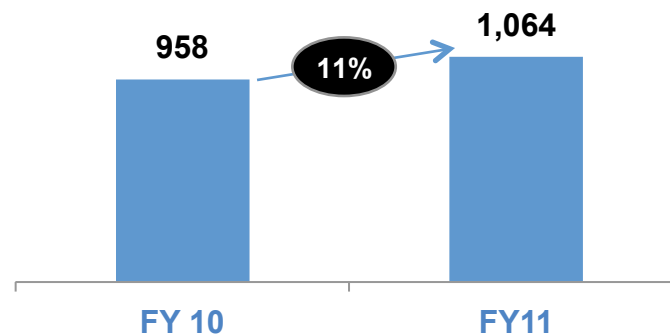
## FY11 Gross Revenues by Business

USD Mn

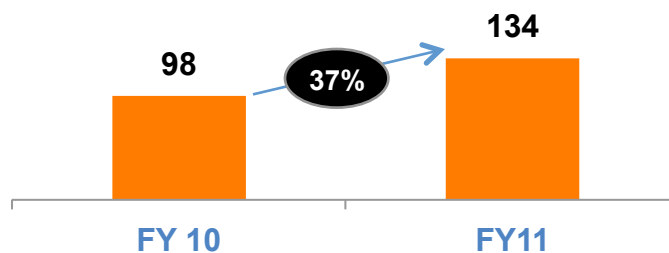
### Global Voice



### Global Data



### Neotel

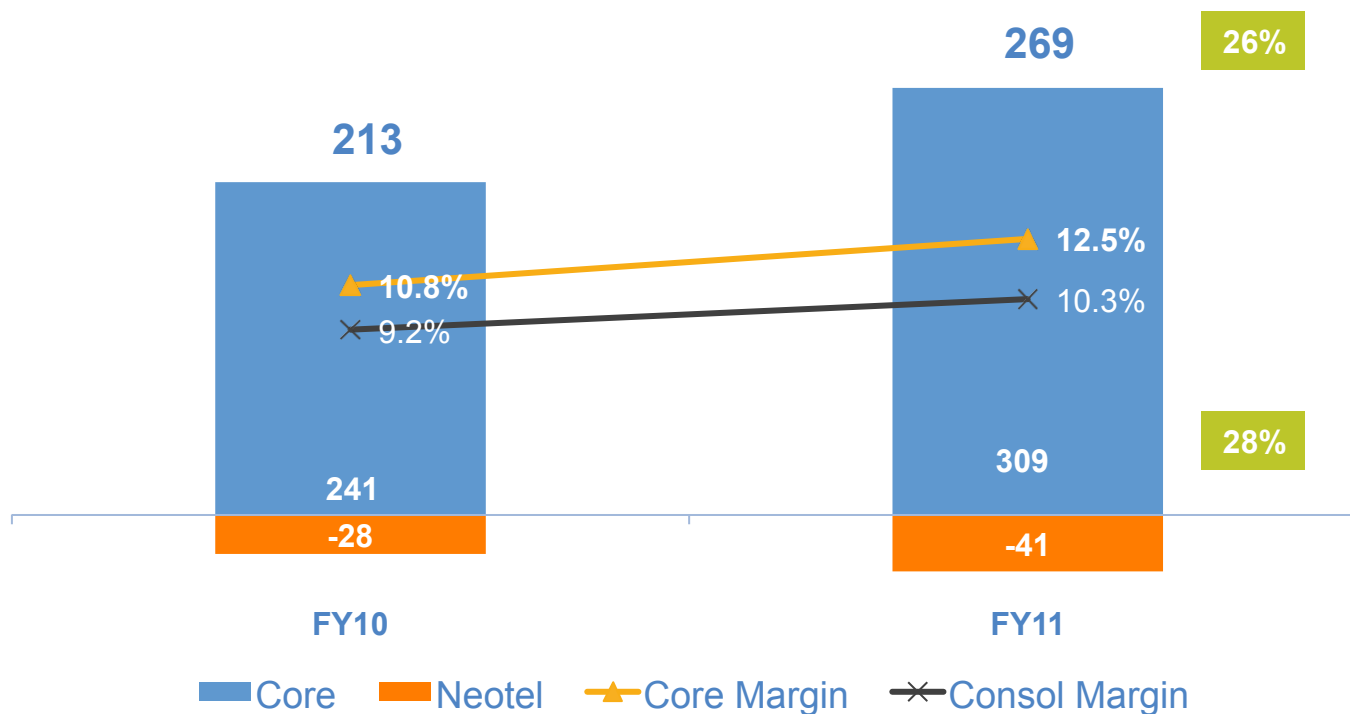




# Operating Profits

USD Mn

## EBITDA and Margin



Neotel EBITDA is only the portion that is consolidated into Tata Communications

# Consolidated Quarterly Performance

USD Mn

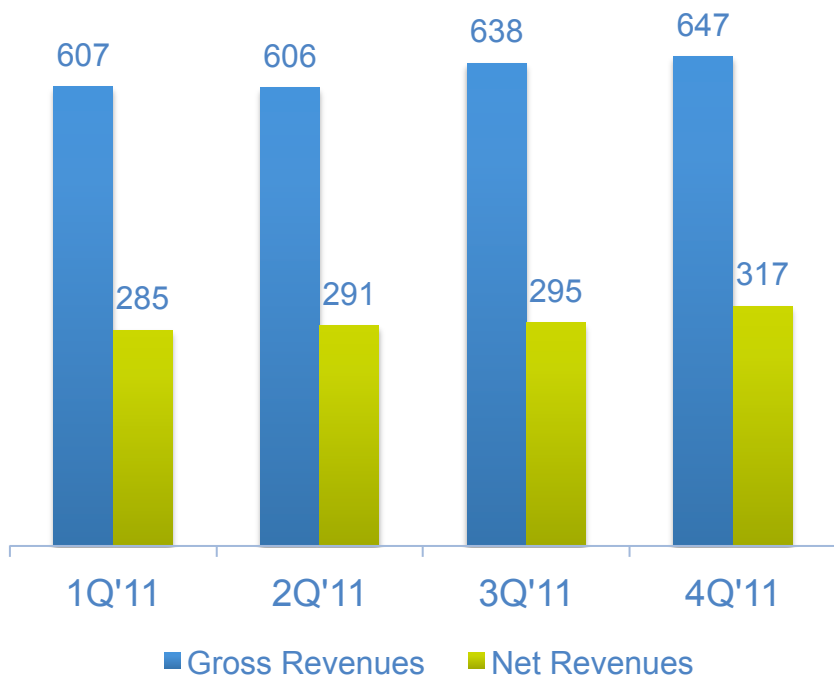
	4Q'10	3Q'11	4Q'11	YoY	QoQ
<b>Gross Revenues</b>	651	675	<b>682</b>	<b>5%</b>	<b>1%</b>
<b>EBITDA</b>	13	69	<b>78</b>	<b>505%</b>	<b>13%</b>
<b>EBIT</b>	-86	-17	<b>-8</b>		
<b>PBT</b>	-74	-35	<b>-30</b>		
<b>PAT</b> after minority	-88	-44	<b>-36</b>		

Rs/\$ Exchange rate: 4Q'11 at 45.29; 4Q'10 at 45.94; 3Q'11 at 44.87

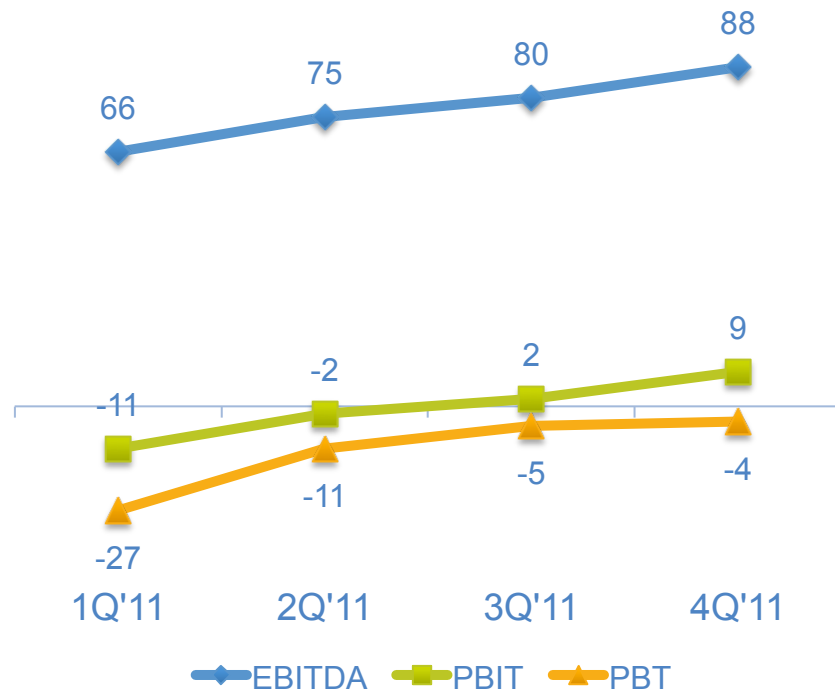
# Core Business Quarterly Performance

USD Mn

**Quarterly Revenues**



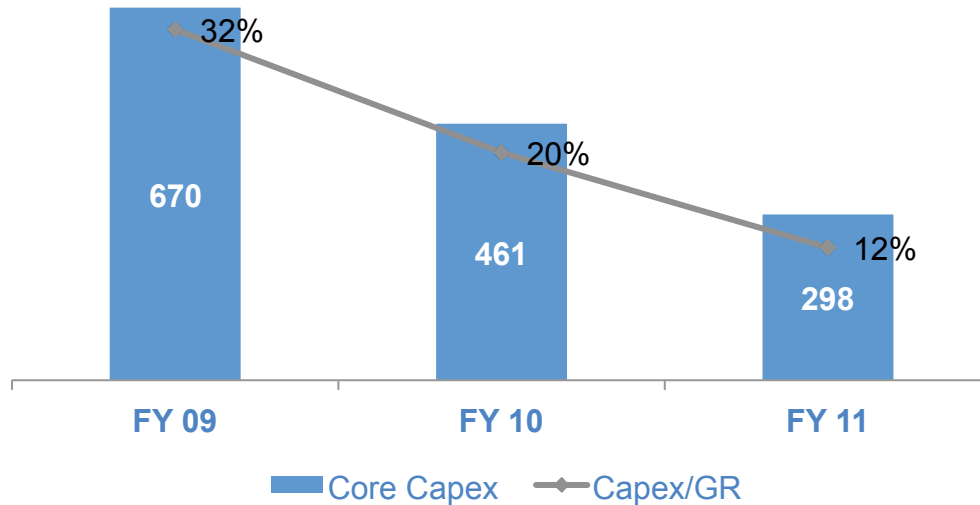
**Quarterly Profits**



# Core Capex

USD Mn

## Capex & Capex Intensity



## Investment Areas

- **Strategic Infrastructure:** Submarine Cables & Data Centres
- **Network Expansion:** IP, MPLS & Ethernet
- **New Services:** Managed Services, Cloud

**Investment in Neotel (till FY11): ~\$250mn**

**FY12 Capex forecast: \$400-450mn**

# Core Balance Sheet

USD Mn

		As on March 31, 2010	As on March 31, 2011	YoY Change
Gross Debt		1377	1550	173
Net Debt		1224	1382	158

(Consolidated excluding Neotel)

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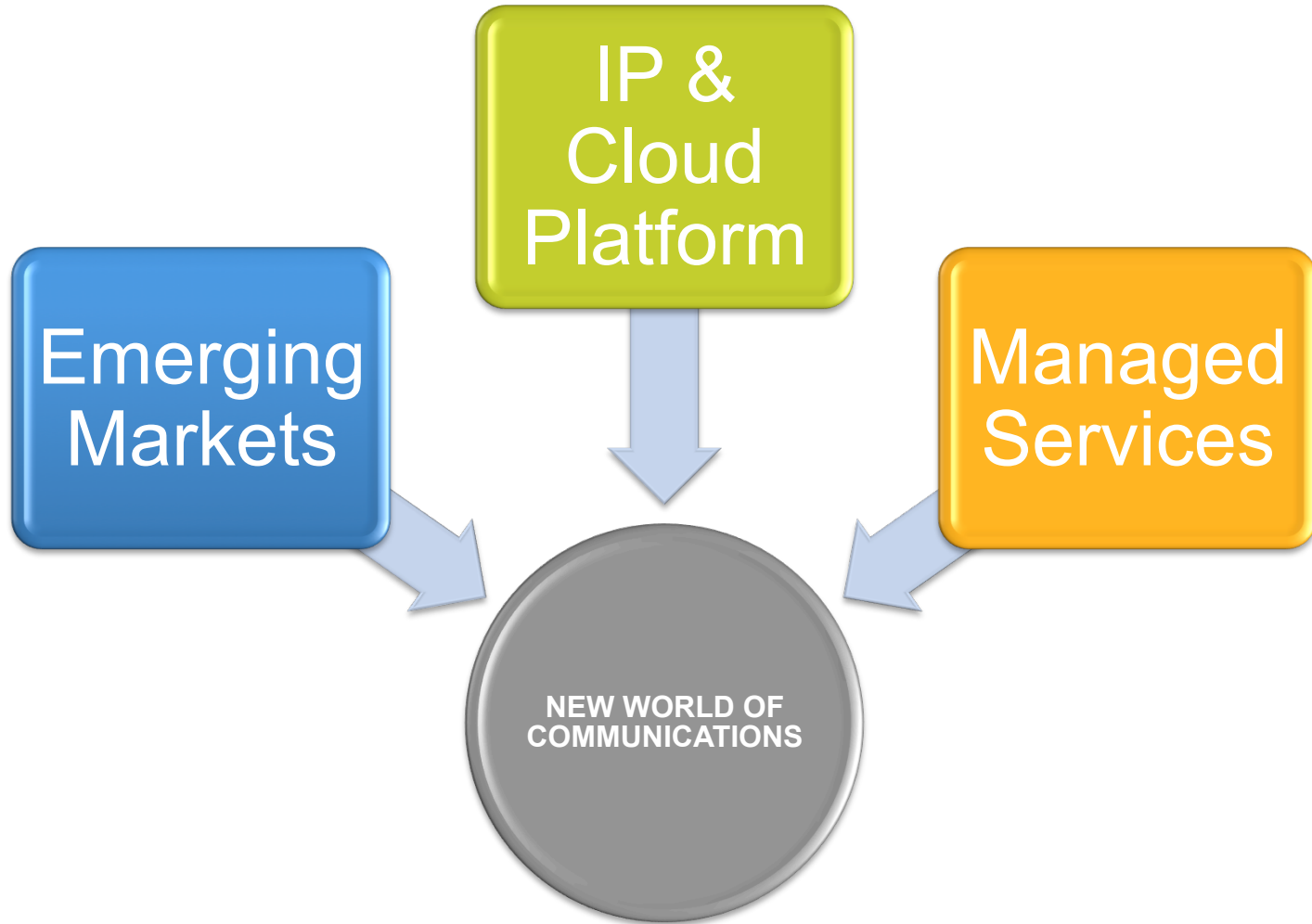
## Business & Strategy Update

Vinod Kumar



TATA COMMUNICATIONS SERVES  
BUSINESSES GLOBALLY WITH  
**NETWORK, MANAGED  
AND CLOUD SERVICES**

# Business Strategy





# Global Voice Highlights

## Market Leadership

- # 1 Wholesale International provider

## Stable Cash Flows

- Strong operating margins and marginal incremental capex

## Sustainable Business Model

- Driving large strategic partnerships/outsourcing relationships
- Leading the shift to VoIP & other IP models

**40** Billion Minutes  
of International  
Voice Traffic  
up 25%

**80%** VoIP  
+10%

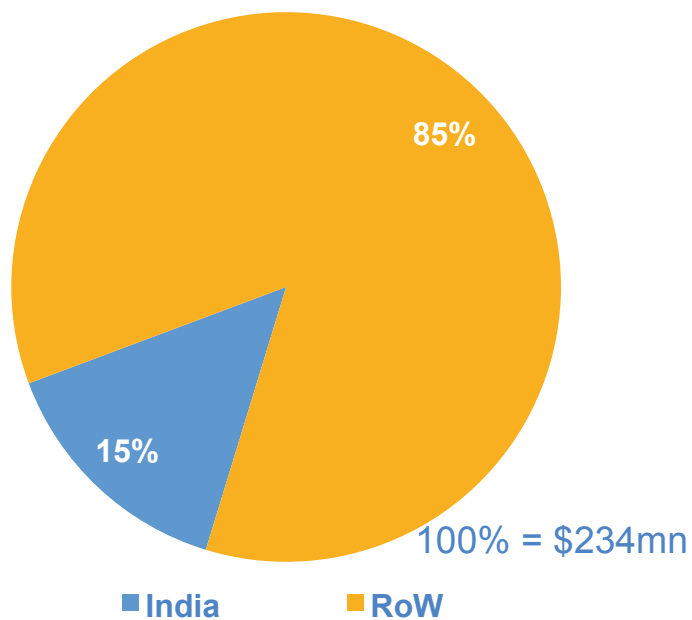
**21%\*** Long-term  
deals  
+6%

\*On a run-rate basis

# Global Voice Metrics

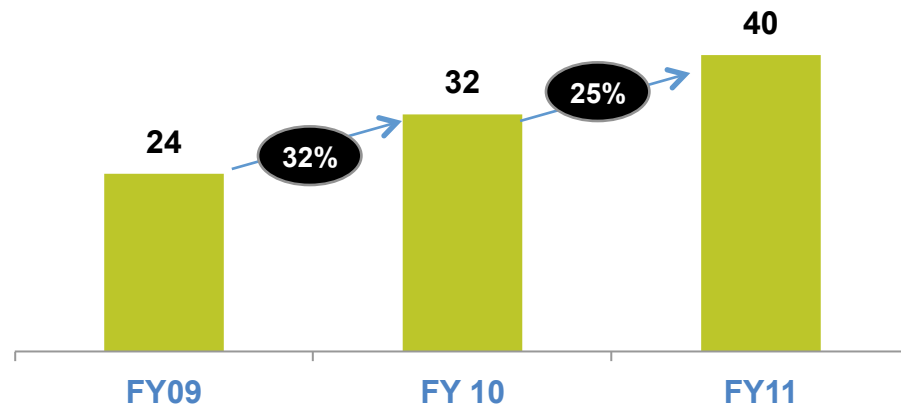
USD Mn

Net Revenues by Region

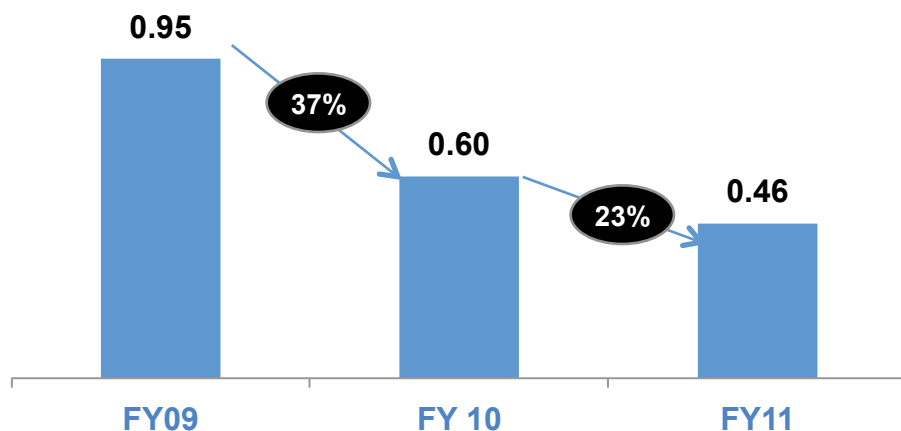


\*India includes NLD voice; RoW includes value-added services

International Voice Traffic (Bn Minutes)



Voice Net Revenue Per Minute (US cents)



Includes ILD and India NLD voice

## Global Data Highlights

### Leadership in India

- Volume growth : Price pressure
- Investing in expanding access and product set

### Visionary in Global

- Recognized for network reach, particularly in emerging markets
- Telepresence & Data centre services gaining traction

### The Cloud Opportunity

- Launched in India & Asia

**Frost & Sullivan 2011 India IT & Telecom Excellence Awards**

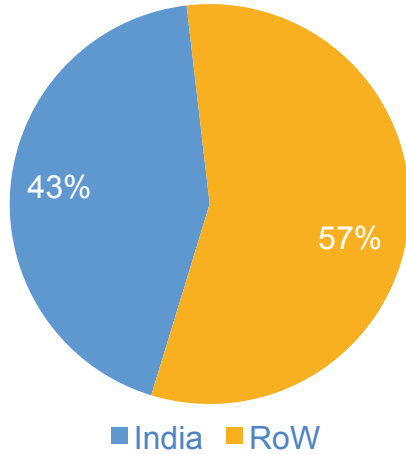
**Tata Communications is Enterprise Data - Service Provider of the Year**

**Gartner's Magic Quadrant for Global Network Service Providers (2011)**

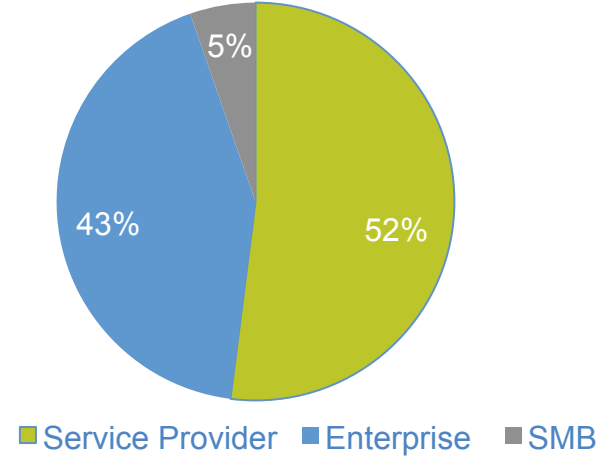
**Tata Communications is positioned in the Visionaries Quadrant**

# Global Data Revenue Mix

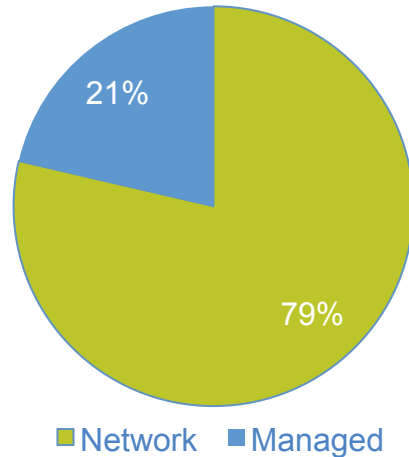
By Geography



By Segment



By Service



## Global Data Metrics

Several new, large customers

Hannover Re



PSA Peugeot Citroen

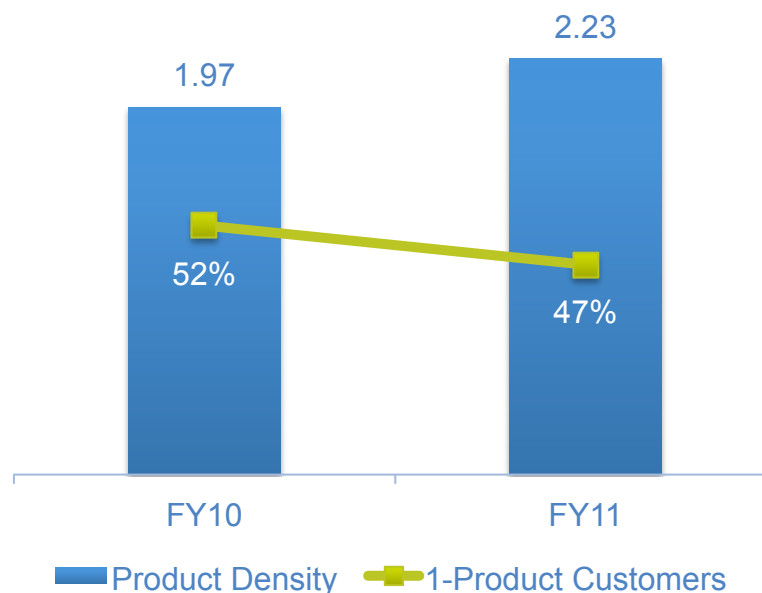


Lille

Videotron



### Product Density\*



\* Average number of products used by customers who were TC customers in FY10 and FY11

# Industry Awards

# 2011

## Best Long Distance Operator (India)

*Tele.net Telecom Operator Awards*

## Best Wholesale International

*Telecom Asia Awards*

## APAC Service Provider of the Year 2011 (Ethernet and Telepresence)

*Cisco Partner Summit*



# 2010

## Global Wholesale Telecommunications Award

*Capacity Awards | Best Global Offering*

## Top ILD Operator Awards

*Voice & Data Magazine Award | Ninth consecutive win since 2001 (India)*

## Telepresence Managed Service Provider of the Year 2010

*European CEO Awards*

## Best APAC Wholesale Ethernet Service

*MEF Carrier Ethernet Service Provider Awards*

## Best Service Provider of the Year

*MEF Carrier Ethernet Service Provider Awards*

## Most Innovative Business Video Project

*(for Tata Communications' Global Telepresence Exchange and Public Rooms)*

*Cisco Networkers Innovation Awards*

## Srinath N voted 16<sup>th</sup> most influential person in the telecoms industry in 2010

*Global Telecoms Business Power 100*

## Srini A voted one of the top 40 most influential people under 40 years old in the telecoms industry, in 2010

*Global Telecoms Business 40 Under 40*

## Industry Recognition

# 2011

### Gartner's Magic Quadrant for Global Network Service Provider<sup>1</sup>

*Tata Communications is positioned in the Visionaries Quadrant*

### Current Analysis Global WAN update

*Rated as 'Threatening' in the Global Data WAN segment*

### Frost & Sullivan 2011 India IT & Telecom Excellence Awards

*Hosted Contact Center Service Provider of the Year*

*Enterprise Data - Service Provider of the Year*

**Current Analysis**  
*Outsmart Your Competitors*

F R O S T & S U L L I V A N

# 2010

### Frost & Sullivan Hosted Contact Center Services Market Leadership

### Gartner's MarketScope for Managed Security Services in Asia / Pacific<sup>2</sup>

*Tata Communications is rated Positive in this MarketScope*

### Gartner's MarketScope for Managed Security Services in Europe<sup>3</sup>

*Tata Communications is included in this MarketScope*

### Gartner's Magic Quadrant for Asia/Pacific Network Service Providers<sup>4</sup>

*Tata Communications is positioned in the Visionaries Quadrant*

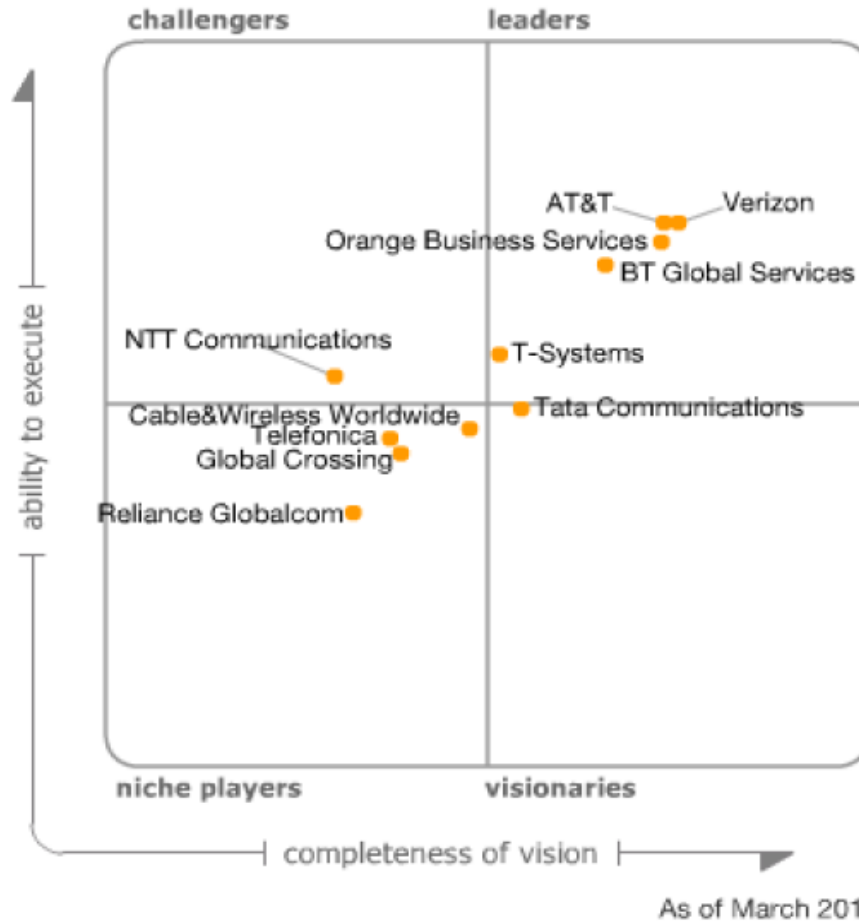
### Gartner's Magic Quadrant for Global Network Service Provider<sup>5</sup>

*Tata Communications is positioned in the Niche Players Quadrant*

#### Source

1. Gartner, Inc "Magic Quadrant for Global Network Service Providers" by Neil Rickard, Robert F. Mason, March 31, 2011
2. Gartner, Inc "MarketScope for Managed Security Services in Asia/Pacific" by Andrew Walls, September 17, 2010
3. Gartner, Inc "MarketScope for Managed Security Services in Europe" by Carsten Casper, Tom Scholtz, September 30, 2010
4. Gartner, Inc "Magic Quadrant for Asia/Pacific Network Service Providers" by To Chee Eng, Bjarne Munch, Vincent Fu, June 28, 2010
5. Gartner, Inc "Magic Quadrant for Global Network Service Providers" by Neil Rickard, Robert F. Mason, March 8, 2010

# Gartner Magic Quadrant for Global Network Service Providers



Source: Gartner Inc. "Magic Quadrant for Global Network Service Providers" by Neil Rickard, Robert F. Mason, March 31, 2011

The Magic Quadrant is copyrighted March 2011 by Gartner, Inc. and is reused with permission. The Magic Quadrant is a graphical representation of a marketplace at and for a specific time period. It depicts Gartner's analysis of how certain vendors measure against criteria for that marketplace, as defined by Gartner. Gartner does not endorse any vendor, product or service depicted in the Magic Quadrant, and does not advise technology users to select only those vendors placed in the "Leaders" quadrant. The Magic Quadrant is intended solely as a research tool, and is not meant to be a specific guide to action. Gartner disclaims all warranties, express or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.



## Neotel Highlights

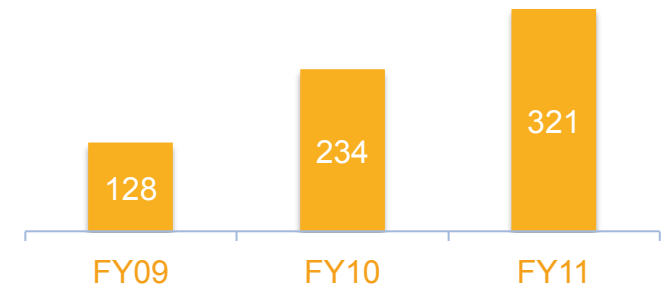
### Revenue growth momentum

- Large (\$6Bn) and growing addressable market
- Neotel positioned as South Africa's leading converged services provider
- Seamlessly connecting South Africa to the world through its domestic infrastructure and Tata Communications' global capability

### Focus on achieving operating break-even

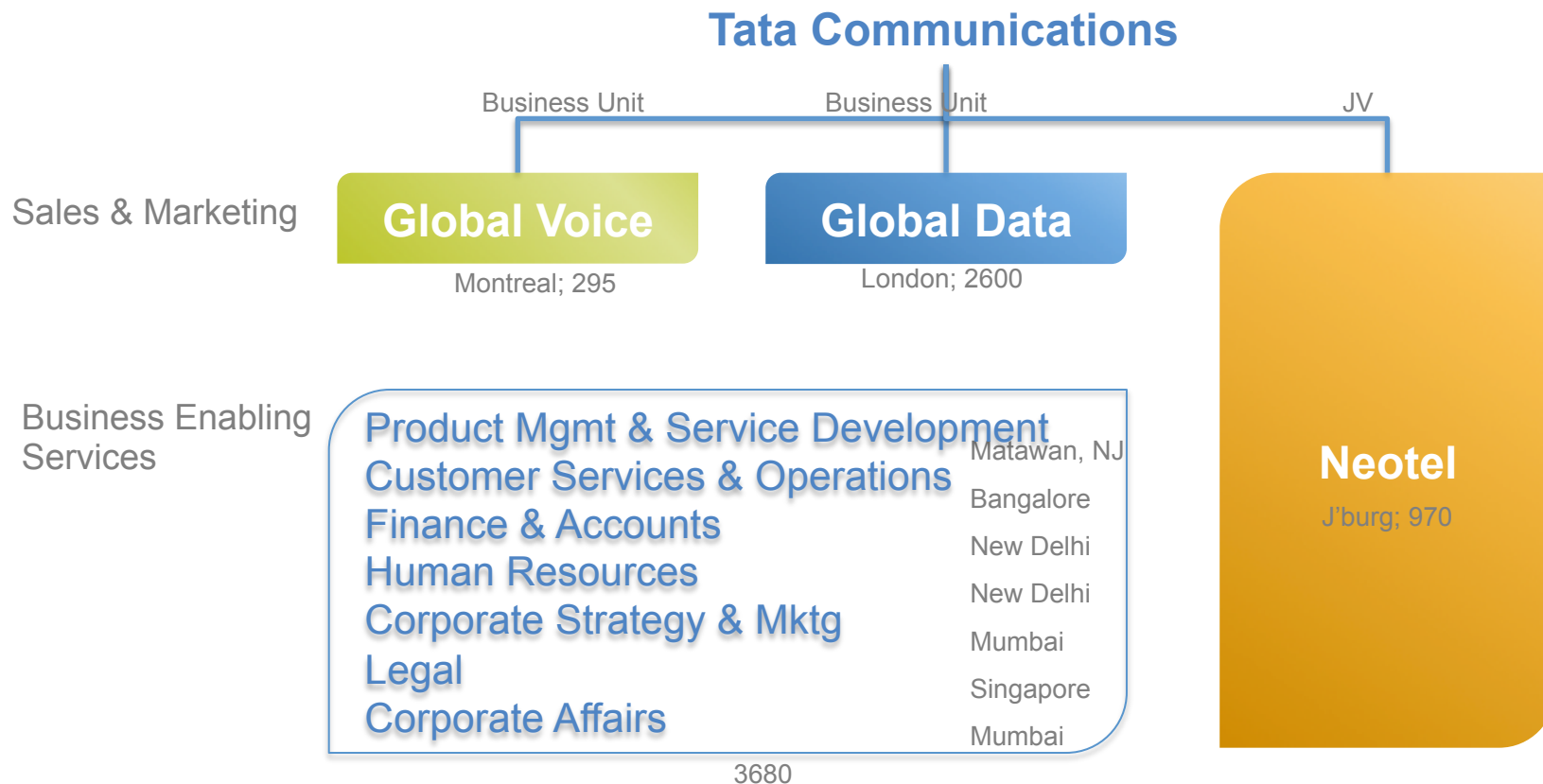
- Restructured to align organization to its growth strategy and recruiting for next-gen skills
- Improving asset utilization and productivity

### Neotel Revenues (\$Mn)



Note: Revenues for 100% of Neotel

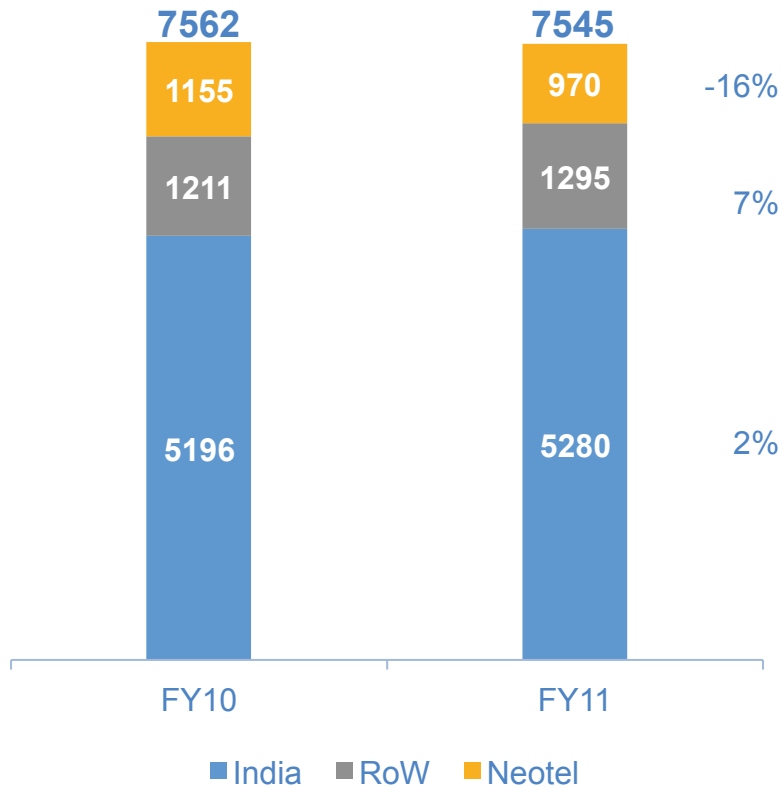
# Organization



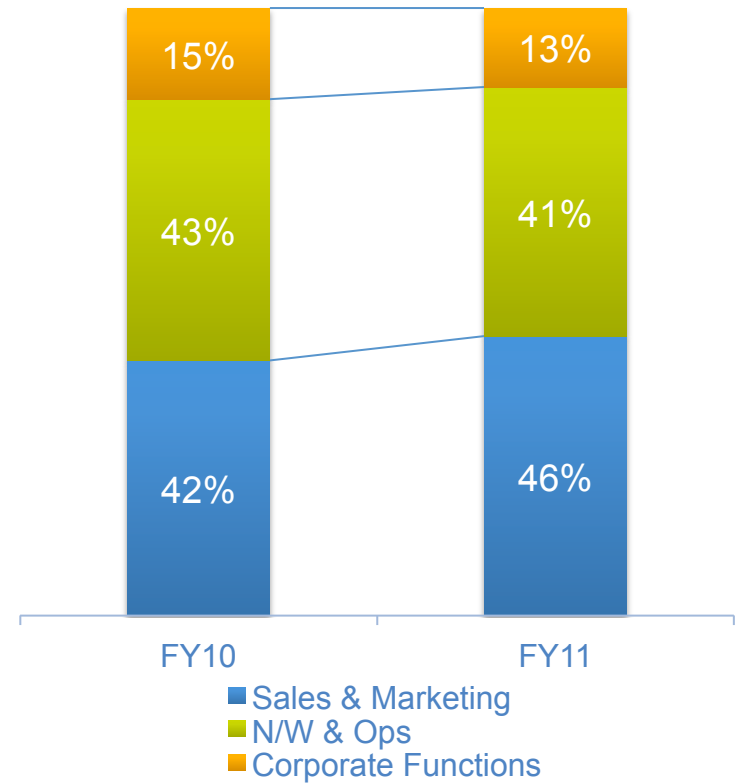
City names are locations of heads of respective groups; numbers are employees in each group

# Employee Metrics

**Employee Base**



**Employees by Function**



\* Excluding Neotel

# FY12 Key Imperatives

**Become Profitable**

**Achieve Leadership in our Home Markets**

**Become the SQ of Telecom Customer Experience**

**Develop the Talent Engine**

# Sum of Several Exciting Parts

## Core Business

- **Global growth in Internet & Cloud services**

## Neotel

- **Africa & Emerging Markets opportunity**

## Stake in Tata Teleservices

- **India mobile/broadband story**

# The New World of Communications

Questions

