

## Tata Communications Limited – OFFER FOR SALE

16 - March - 2021

### OFFER BACKGROUND

The President of India, acting through and represented by the Department of Telecommunications, Ministry of Communications, Government of India, is one of the promoters of Tata Communications Ltd (the "Seller"). The Seller proposes to sell up to 2,85,00,000 Equity Shares of Tata Communications Ltd ("the Company"), (representing 10% of the total issued and paid up equity share capital of the Company) ("Base Offer Size") (held in dematerialized form in one or more demat accounts with the relevant depository participant), with an option to additionally sell 1,74,46,885 Equity Shares (representing 6.12% of the total issued, subscribed and fully paid up equity share capital of the Company) (the "Oversubscription Option" and in the event that the Oversubscription Option is exercised, the Equity Shares forming part of the Base Offer Size and the Oversubscription Option will represent 16.12% of outstanding Equity Shares of the Company, i.e. 4,59,46,885 Equity Shares,

### THE SYNOPSIS OF THE OFFER FOR SALE IS AS FOLLOWS:

Name of the Seller (Promoter /Promoter Group)	The President of India, acting through and represented by the Department of Telecommunications, Ministry of Communications, Government of India
Name of the company whose shares are proposed to be sold and ISIN	Tata Communications Limited
Name of the stock exchanges where orders shall be placed	NSE and BSE
Name of the designated stock exchange	BSE
<b>Date and time of opening and closing of the sale</b>	<b>Date: March 16, 2021 for Non-Retail; Open: 9.15am; Close: 3.30 pm</b> <b>Date : March 17, 2021 for retail; Open : 9:15am; Close : 3.30pm</b>
<b>Total number of equity shares being offered in the Sale</b>	Seller proposes to sell up to 2,85,00,000 Equity Shares of Tata Communications Ltd ("the Company"), (representing 10% of the total issued and paid up equity share capital of the Company) ("Base Offer Size") (held in dematerialized form in one or more demat accounts with the relevant depository participant), with an option to additionally sell 1,74,46,885 Equity Shares (representing 6.12% of the total issued, subscribed and fully paid up equity share capital of the Company) (the "Oversubscription Option")
Name of the broker(s)	ICICI Securities Limited and Goldman Sachs (India) Securities Private Limited
<b>Retail Discount</b>	<b>No discount</b>
<b>Floor Price</b>	<b>Rs. 1161</b>
<b>Allocation Methodology</b>	The <b>allocation shall be at or above the Floor Price on price priority method at multiple clearing prices</b> ("Clearing Prices") basis in accordance with the SEBI OFS Circulars.

### Stock Data

Latest Data as on 15 March, 2021	
Latest Equity(Subscribed)	285.00
Latest Reserve	285000000.00
Latest EPS -Unit Curr.	35.34
Latest Bookvalue -Unit Curr.	-19.23
Face Value	10.00
Stock Exchange	BSE
<b>Latest Market Price--Unit Curr.</b>	<b>1297.30</b>
Latest P/E Ratio	36.71
Latest P/BV	-ve
52 Week High -Unit Curr.	1365.00
52 Week High-Date	08/03/2021
52 Week Low -Unit Curr.	205.70
52 Week Low-Date	19/03/2020
<b>Market Capitalisation</b>	<b>36973.05</b>
Dividend Yield -%	0.31

### Price Chart



### AVERAGES – Turnover (NSE)

	Total Turnover	Avg. Turnover
Weekly	1615984128	4039960324
Fornightly	6416729088	7129699209
Monthly	11080465408	58318240019
Quarterly	22023968768	36104867261
Half Yearly	28211771392	227514288124
Yearly	43238936576	172955744250

### AVERAGES – VOLUME (NSE)

	Total Volume	Avg Volume	No. Of Days
Weekly	1235493	308873.3	4
Fornightly	5058012	562001.3	9
Monthly	9460459	497918.9	19
Quarterly	19806848	324702.4	61
Half Yearly	26279710	211933.1	124
Yearly	56768920	227075.7	250

## Key Findings

- Tata Communications is an Indian telecommunications company and it is a digital ecosystem enabler that powers today's fast-growing digital economy. The company enables the digital transformation of enterprises globally, including 300 of the Fortune 500 – unlocking opportunities for businesses by enabling borderless growth, boosting product innovation and customer experience, improving productivity and efficiency, building agility and managing risk.
- Tata Communications announced its Q3 FY21, and on a consolidated basis, the company posted 428.1% jump in net profit to Rs 309.15 crore on a 0.1% decline in net sales to Rs 4,222.83 crore in Q3 FY21 over Q3 FY20. EBITDA was Rs 1,046 crore in the third quarter, an increase of 37.5% year-on-year (YoY) on the back of robust growth and margin expansion in data business and cost optimisation initiatives. Profit before tax in Q3 December 2020 stood at Rs 381.48 crore, up by 288.7% from Rs 98.15 crore in Q3 December 2019. Tax expense during the quarter increased by 86.5% YoY to Rs 99.14 crore.
- The company's net debt has come down on the back of strong free cash flow generation. Net Debt to EBITDA was at 1.9x as compared to 2.9x for same quarter last year. CAPEX for Q3 FY21 was Rs 339 crore as compared to Rs 490 crore in Q3 FY20.
- According to the management of the company, A.S Lakshminarayanan, MD and CEO, Tata Communications, said, 'Our disciplined execution has helped us deliver good results in a seasonally weak quarter. Our Secure Connected Digital Experience (SCDx) offering continues to be relevant as we reimagine the New World for our customers. At the same time, our investments in products and services are positioning us well in our customers' digital transformation journeys, an example being our investment in Oasis.'
- Kabir Ahmed Shakir, chief financial officer, Tata Communications, said, 'We continue to deliver on our goal of profitable growth. Both profitability and cash flow generation has improved significantly in the last few quarters on the back of cost efficiencies and improved business processes. This agility has given us headroom to compete more effectively in the market and cater to our customer's changing needs.'
- On the development front, Tata Communications acquires majority equity stake in Oasis. Oasis develops and provides advanced technologies and personalised services to enable the deployment of eSIM and SIM technologies. With this investment, eSIM technology will be fully integrated into Tata Communications MOVE, enabling an end-to-end embedded connectivity solution and strengthening Tata Communications MOVE as a single source platform for global enterprise mobility needs.
- Tata Communications will drive and accelerate product roadmap R&D with Oasis, leveraging and amplifying the growth in the mobility and IoT markets. Tata Communications MOVE enables enterprises and device manufacturers to capture, move and manage information worldwide through borderless, secure and scalable connectivity, with a network independent, platform approach. With this investment, the company will deliver an enhanced full-service enterprise mobility solution to customers through complete access and management of the eSIM and software layer.

## Risk

- Global slowdown
- Significant regulatory or economic developments.

## Conclusion

**The company sees great opportunities ahead, as organizations look to harness the power of technology to transform its business models and drive competitive differentiation and sustainable development.**

## View : Company Fundamentally good for long term purpose

**Size of offer for sale: Rs.3309 crore if oversubscribed Rs.5334 crore**

## Shareholding Pattern (%)

Description as on	31/12/2020	30/09/2020	30/06/2020
Total Foreign	17.65	17.81	17.46
Total Institutions	1.40	1.47	1.52
Total Govt Holding	0.00	0.00	0.27
Total Non Promoter Corporate Holding	0.00	0.36	0.30
Total Promoters	74.99	74.99	74.99
Total Public & Others	5.97	5.37	5.47

## Shareholding of securities of persons belonging to the category Public and holding more than 1% of the total number of shares

Description as on	31/12/2020	30/09/2020	30/06/2020
Baron Emerging Markets Fund	1.55	1.51	1.43
East Bridge Capital Master Fund I Ltd	7.20	7.22	7.45
Government Pension Fund Global	1.56	1.59	1.63
Jhunjhunwala Rekha Rakesh	1.12		
University Of Notre Dame Du Lac	1.13	1.12	1.15

## BSE DATA

Date	High -Unit Curr	Low -Unit Curr
Weekly	1346.90	1265.00
Monthly	1365.00	1099.05
3 Month	1365.00	930.05
6 Month	1365.00	775.00
1 Year	1365.00	205.00

### Allocation methodology

A minimum of 25% of the equity shares being offered in the Sale shall be reserved for allocation to mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended ("Mutual Funds") and insurance companies registered with the Insurance Regulatory and Development Authority under the Insurance Regulatory and Development Authority Act, 1999, as amended ("Insurance Companies"), subject to receipt of valid bids/orders at the Clearing Prices.

In the event of any under subscription by Mutual Funds and Insurance Companies, the unsubscribed portion shall be available to the other bidders.

No single bidder other than Mutual Funds and Insurance Companies shall be allocated more than 25% of the size of the Sale.

### Oversubscription option

In case the Oversubscription Option is not exercised, the equity shares of the Company forming part of the Base Offer Size will hereinafter be referred to as "Offer Shares") through a separate, designated window of the BSE Limited (the "BSE") and the National Stock Exchange of India Limited ("NSE", and together with the BSE, the "Stock Exchanges"). The Offer shall be undertaken exclusively through the Seller's Brokers named below on a separate window provided by the Stock Exchanges for this purpose.

### Conditions for withdrawal of the Sale

The Seller reserves the right to not to proceed with the Sale at any time prior to the time of opening of the Sale on the Sale Date. In such a case, there shall be a cooling off period of 10 trading days from the date of withdrawal before an offer is made again. The Stock Exchanges shall suitably disseminate details of such withdrawal.

### Conditions for cancellation of the Sale

In the event (i) the aggregate number of orders received in the Sale at or above the Floor Price is less than the total number of Sale Shares or (ii) of any default in settlement obligations, the Seller reserves the right to either conclude the Sale to the extent of valid bids / orders or cancel the Sale in full. The decision to either accept or reject the Sale shall be at the sole discretion of the Seller.

### Conditions for participating in the Sale

Non-institutional buyers shall deposit 100% of the order value in cash up-front with the Clearing Corporation at the time of placing bids for the Sale.

In case of institutional investors who place orders with 100% of the order value deposited upfront, custodian confirmation shall be within trading hours.

In case of institutional investors who place orders without depositing 100% of the order value upfront, custodian confirmation shall be as per the existing rules for secondary market transactions.

The funds collected shall neither be utilized against any other obligation of the trading member nor co-mingled with other segments.

Modification or cancellation of orders would be allowed during the duration of the offer only for:

(i) Orders placed by institutional investors and by non-institutional investors, with 100% of the order value deposited upfront: Such orders can be modified or canceled at any time during the trading hours.

(ii) Orders placed by institutional investors without depositing 100 % of the order value upfront: Such orders cannot be modified or cancelled by the investors or stock brokers, except for making upward revision in the price or quantity.

The buyer shall also be liable to pay any other fees, as may be levied by the Stock Exchanges, including Securities Transaction Tax.

In case of any permitted modification or cancellation of the order / bid, the funds shall be released/ collected on a real-time basis by the clearing corporation.

In case of default in pay-in by any investor, 10% of the order value shall be charged as penalty from the investor and collected from the broker. This amount shall be credited to the Investor Protection Fund of the stock exchange.

## QUARTERLY PERFORMANCE

	Qtr Ending Dec.20	Qtr Ending Dec.19	VAR %
Total Income	4222.83	4228.72	0
OPM (%)	24.5	17.99	
OP	1034.67	760.81	36
Other income	8.22	13.97	-41
PBIDT	1042.89	774.78	35
Net Finance Charges	104.43	116.12	-10
PBDT	938.46	658.66	42
Depreciation	556.98	560.51	-1
PBT before EO	381.48	98.15	289
EO	-8.46	0	
PBT after EO	389.94	98.15	297
Tax expense	71.13	40.55	75
PAT	318.81	57.6	453
Minority Interest	0.26	0.31	-16
Share of Profit of Associates	-0.94	1.25	-175
Profit after Minority Interest and Share of profit of Associates	309.15	58.54	428

## Financial Overview

(Rs. In Crore)

	202003	201903	201803	201703	201603
Equity Paid Up	285	285	285	285	285
Networth	-1278.36	-181.81	499.32	1591.9	-363.36
Capital Employed	14977.61	13633.41	13343.97	15017.94	18709.74
Total Debt	12413.49	9934.94	8926.97	9213.6	14230.86
Gross Block (Excl. Reval. Res.)	35438.63	31151.95	28818.98	27092.26	31536.95
Net Working Capital ( Incl. Def. Tax)	-1618.92	-1512.33	-1355.6	-1610.45	-506.8
Current Assets ( Incl. Def. Tax)	5665.99	4935.82	5066.95	4455.53	6111.29
Current Liabilities and Provisions ( Incl. Def. Tax)	7284.91	6448.15	6422.55	6065.98	6618.09
Total Assets/Liabilities (excl Reval & W.off)	22262.52	20081.56	19766.52	21083.92	25327.83
Gross Sales	17067.99	16524.95	16771.69	17619.73	18148.58
Net Sales	17067.99	16524.95	16771.69	17619.73	18148.58
Other Income	69.68	62.5	259.66	2357.15	396.64
Value Of Output	17067.99	16524.95	16771.69	17619.73	18148.58
Cost of Production	14378.73	13818.62	14359.6	15120.82	15612.8
Selling Cost	201.95	227.58	234.75	243.65	213.16
PBIDT	2968.12	2807.35	2296.36	3699.72	2516.66
PBDT	2497.38	2410.8	1951.91	3332.53	2107.6
PBIT	610.4	739.75	390.06	1833.95	652.37
PBT	139.66	343.2	45.61	1466.76	243.31
PAT after Minority Interest & P/L Asso.Co.	-85.96	-82.37	-328.6	1232.87	8.68
Adjusted PAT	-613.25	-82.68	-3318.54	2089.99	22.19
CP	2271.76	1985.23	1577.7	3098.64	1872.97
Revenue earnings in forex	554.33	546.55	728.24	898.45	768.66
Revenue expenses in forex	701.71	991.27	465.3	623.11	514.18
Capital earnings in forex	0	0	0	0	0
Capital expenses in forex	0	0	0	0	0
Book Value (Unit Curr)	-44.85	-6.38	17.52	55.86	-12.75
Book Value (Adj.) (Unit Curr)	-44.85	-6.38	17.52	55.86	-12.75
Market Capitalisation	6646.2	17508.98	17702.78	20585.55	10857.08
Financial Years High & Low Prices					
High Date (BSE)	2-Apr-19	9-Apr-18	9-Jun-17	17-Mar-17	15-Apr-15
High Price (BSE)	626.65	670.9	774.35	784	504.9
Low Date (BSE)	19-Mar-20	26-Oct-18	10-Aug-17	1-Apr-16	29-Feb-16
Low Price (BSE)	205.7	435.95	570.45	373.3	325.7
Year End Price Date (BSE)	31-Mar-20	29-Mar-19	28-Mar-18	31-Mar-17	31-Mar-16
Year End Price (BSE)	233.2	614.35	621.15	722.3	380.95
High Date (NSE)	2-Apr-19	9-Apr-18	9-Jun-17	17-Mar-17	15-Apr-15
High Price (NSE)	627.7	671	776	783.9	505.8
Low Date (NSE)	19-Mar-20	26-Oct-18	10-Aug-17	1-Apr-16	29-Feb-16
Low Price (NSE)	200	435.7	570.45	372.8	325
Year End Price Date (NSE)	31-Mar-20	29-Mar-19	28-Mar-18	31-Mar-17	31-Mar-16
Year End Price (NSE)	233.15	612.75	620.15	722.05	377.6
CEPS (annualised) (Unit Curr)	79.67	75	56.03	108.64	65.78
EPS (ann.) after Minority Interest (Unit Curr)	0	0	0	43.26	0.3
EPS(ann.)afterMinorityInterest(Adjusted)(UnitCurr)	0	0	0	43.26	0.3

(Rs. In Crore)

	202003	201903	201803	201703	201603
Dividend (annualised%)	40	45	45	60	43
Payout (%)	-173.28	35.99	-9.74	11.57	1790.92
Cash Flow From Operating Activities	2524.76	1844.33	1712.81	2393.5	2362.69
Cash Flow From Investing Activities	-1521.49	-2283.95	-500.08	939.87	-2313.36
Cash Flow From Financing Activities	-942.33	-27.7	-959.11	-3275.72	-8.58
Rate of Growth (%)					
ROG-Net Worth (%)	603.13	-136.41	-68.63	-538.11	-213.03
ROG-Capital Employed (%)	9.86	2.17	-11.15	-19.73	4.1
ROG-Gross Block (%)	13.76	8.1	6.37	-14.09	3.93
ROG-Gross Sales (%)	3.29	-1.47	-4.81	-2.91	-8.86
ROG-Net Sales (%)	3.29	-1.47	-4.81	-2.91	-8.86
ROG-Cost of Production (%)	4.05	-3.77	-5.03	-3.15	-8.28
ROG-Total Assets (%)	10.86	1.59	-6.25	-16.76	2.09
ROG-PBIDT (%)	5.73	22.25	-37.93	47.01	-23.4
ROG-PBDT (%)	3.59	23.51	-41.43	58.12	-16.84
ROG-PBIT (%)	-17.49	89.65	-78.73	181.12	-41.97
ROG-PBT (%)	-59.31	652.47	-96.89	502.84	-34.84
ROG-PAT (%)	-224.51	-122.59	-125.14	11662.72	254.58
ROG-CP (%)	14.43	25.83	-49.08	65.44	-13.38
ROG-Revenue earnings in forex (%)	1.42	-24.95	-18.94	16.89	-25.28
ROG-Revenue expenses in forex (%)	-29.21	113.04	-25.33	21.19	25.67
ROG-Market Capitalisation (%)	-62.04	-1.09	-14	89.6	-9.46
Key Ratios					
Debt-Equity Ratio	0	59.41	8.67	19.08	0
Long Term Debt-Equity Ratio	0	45.16	6.57	15.21	0
Current Ratio	0.52	0.58	0.56	0.61	0.55
Turnover Ratios					
Fixed Assets Ratio	0.51	0.55	0.6	0.6	0.59
Inventory Ratio	228.26	319.11	726.2	789.77	700.45
Debtors Ratio	5.51	5.58	6.05	6.28	6.59
Total Asset Turnover Ratio	1.19	1.22	1.18	1.04	0.99
Interest Cover Ratio	2.1	1.87	2.22	7.86	2.36
PBIDTM (%)	19.61	16.99	15.93	26.96	15.6
PBITM (%)	5.79	4.48	4.56	16.37	5.33
PBDTM (%)	16.85	14.59	13.87	24.88	13.34
CPM (%)	10.21	12.93	-8.31	22.44	10.4
APATM (%)	-3.6	0.42	-19.67	11.85	0.13
ROCE (%)	0	4.65	0	13.44	4.14
RONW (%)	0	2.72	0	40.02	0.48
Debtors Velocity (Days)	69	66	64	54	61
Creditors Velocity (Days)	105	105	99	96	94
Inventory Velocity (Days)	2	2	1	1	1
Assets Utilisation Ratio (times)					
Value of Output/Total Assets	0.81	0.81	0.8	0.74	0.76
Value of Output/Gross Block	0.51	0.53	0.57	0.55	0.61

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