

# INVESTOR PRESENTATION

MAY 2017

## SAFE HARBOUR

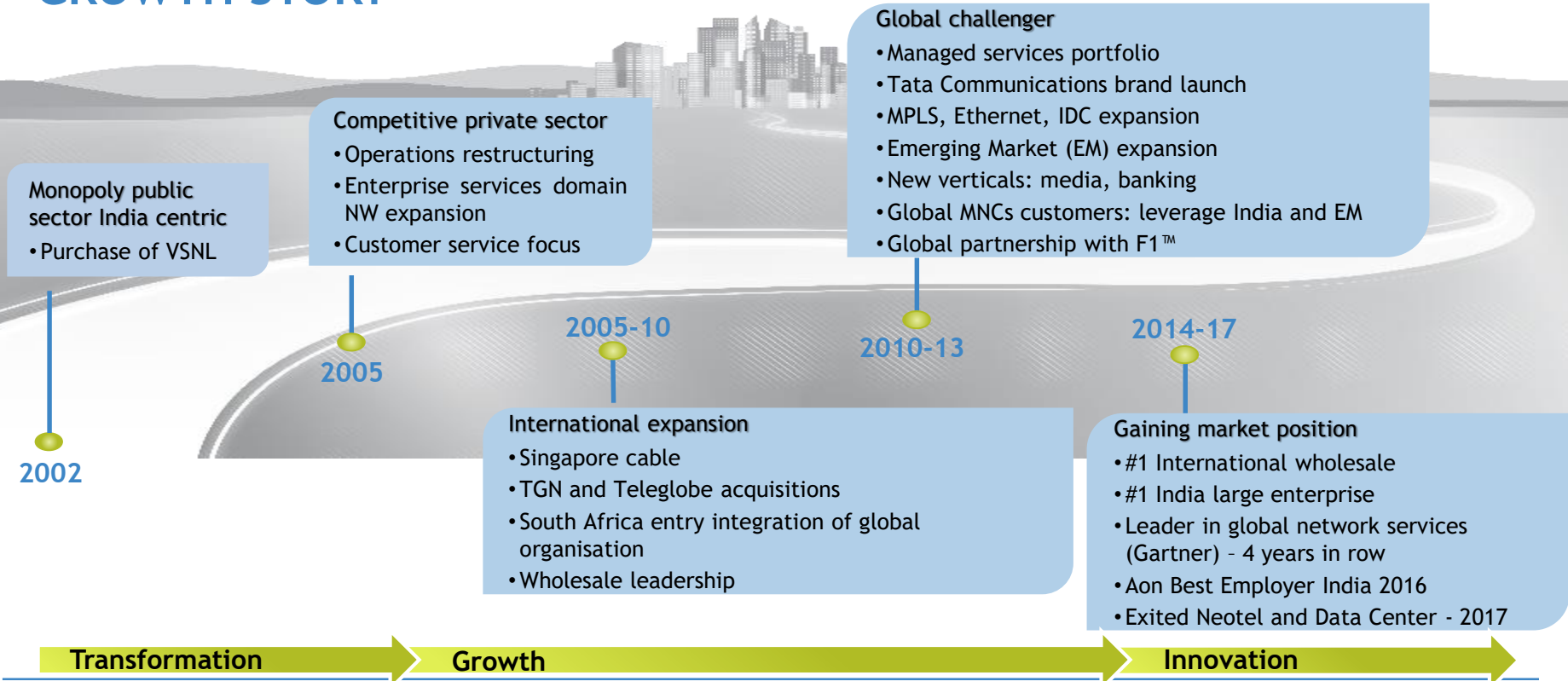
SOME OF THE STATEMENTS HEREIN CONSTITUTE “FORWARD-LOOKING STATEMENTS” THAT DO NOT DIRECTLY OR EXCLUSIVELY RELATE TO HISTORICAL FACTS. THESE FORWARD-LOOKING STATEMENTS REFLECT OUR INTENTIONS, PLANS, EXPECTATIONS, ASSUMPTIONS AND BELIEFS ABOUT FUTURE EVENTS AND ARE SUBJECT TO RISKS, UNCERTAINTIES AND OTHER 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

- Business Overview
- Competitive Situation
- Financial Performance
- Major Corporate Developments

# BUSINESS OVERVIEW

# GROWTH STORY





## WE ARE PART OF THE TATA GROUP



A global business group with products and services in over 100 countries

More than 140 years experience

Over 600,000 employees

Group revenue of \$108.78bn (32 percent India; 68 percent rest of the world)

A global leader in several sectors (including IT, banking, healthcare and manufacturing)



# WHO WE ARE

THROUGH OUR GLOBAL NETWORK, ONE OF THE WORLD'S LARGEST,  
WE ENABLE THE EMERGENCE OF A NEW WORLD OF COMMUNICATIONS™



# OUR 710,000KMS OF SUBSEA & TERRESTRIAL FIBRE NETWORK COULD CIRCUMVENT THE EQUATOR 17 TIMES

We enable over **5 billion** transactions per year



Over **12,000** petabits of internet traffic is carried on our internet backbone every month



We're **#1** in colocation in India. And a leading player in managed hosting and cloud services globally



We handle **1 in 10** of all international voice calls



We connect businesses to providers who account for almost **50%** of cloud computing



**20** terabits of international bandwidth lit capacity

**85 million** voice transactions handled every day

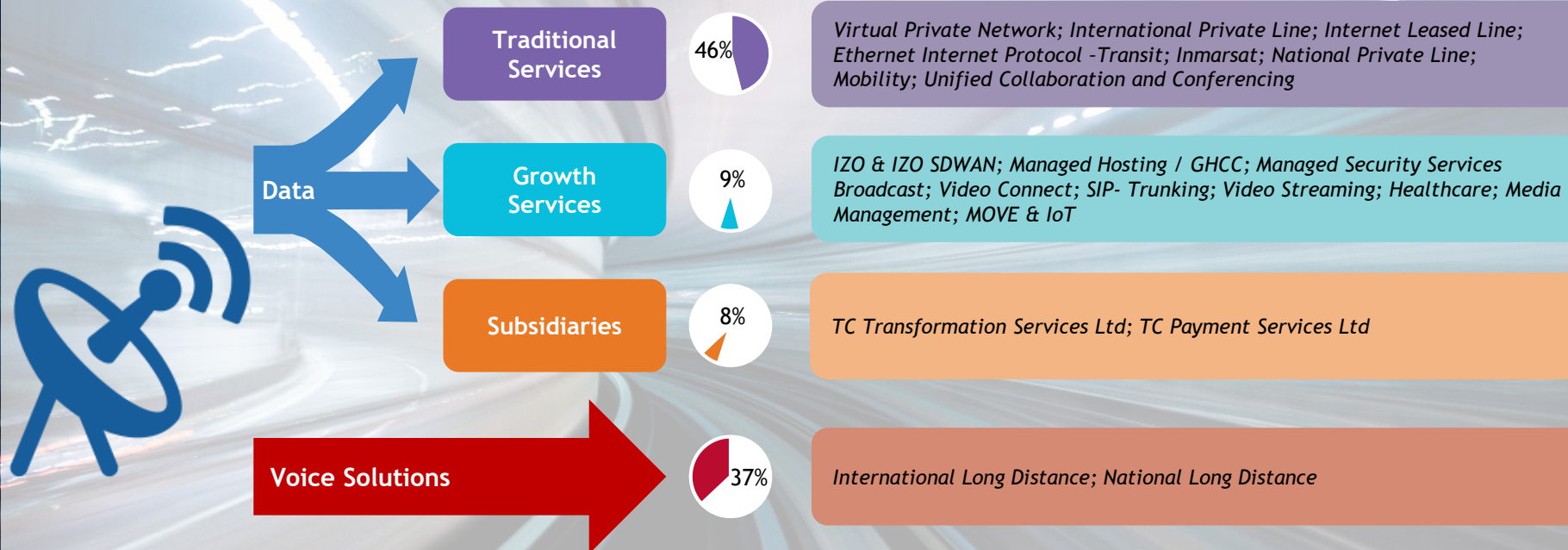




# PRODUCTS AND SERVICES

Provider of Enterprise & Wholesale Data Services and Wholesale Long Distance Voice Solutions

## Revenue Mix



## C.7000 CUSTOMERS GLOBALLY

c. 2,000  
SERVICE  
PROVIDER  
CUSTOMERS  
GLOBALLY

60% of S&P 500

60% of the Fortune 500

69% of PWC 100

41% of FTSE 350

c. 5,000  
ENTERPRISE  
CUSTOMERS  
GLOBALLY

MANUFACTURING

E-COMMERCE

IT/ITES

SERVICES

TECHNOLOGY

BANKING/FINANCIAL

MEDIA/ENTERTAINMENT

HEALTHCARE/  
PHARMACEUTICAL

SERVICE PROVIDER

## OUR CUSTOMERS



## OUR STRATEGY

Cross-border mobility  
solutions for  
enterprises and IoT

Make the Internet  
fit and secure  
for business

Partner for service  
creation and  
go-to-market

Be a global leader in  
cloud enablement



World-class customer service



Delivering new services



Innovating



Empowering people



# ACCESS TO BOTH SERVICE PROVIDERS AND CUSTOMERS ACROSS DIVERSE SEGMENTS

## SERVICE PROVIDERS

- Enabling their enterprise customers
- Access to white-labelled services
- Co-creation of services

## GLOBAL ENTERPRISE

- End users of the platforms
- Cross leverage of cloud & network partnerships

## NEXTGEN

- Helping NextGens reach end customers
- Co-creation of services
- Joint GTM

## INDUSTRY VERTICALS (MEDIA, BFSI, HEALTHCARE)

- Specialist platforms for specific industries
- Facilitate growth in key markets

# CREATION AND JOINT GO TO MARKET THROUGH STRONG PARTNERSHIPS

Microsoft  
Google  
Salesforce  
Amazon

**CLOUD AND DATA CENTRE  
PARTNERSHIPS**

IZO partners across 70+  
countries

Private - Public  
Interconnects

NNIs

**NETWORK  
PLATFORMS**

Cisco  
Microsoft  
Zscaler

**CO-CREATION OF  
SERVICES**

## INVESTMENT IN START UPS AND TELECOM FOCUSED VC'S



Northgate Telecom  
Innovation Fund



Cloud SDN



Cloud-managed  
SD-WAN



Incident resolution  
(analytics) platform



Cloud app security



SDN/NFV



Artificial Intelligence  
and security



Mobile Virtual  
Network Enabler

# COMMITMENT TO R&D AND INNOVATION

## A LEADING GLOBAL COMMUNICATIONS SERVICES PROVIDER

**Corporate innovation programme:** We power the digital economy and help our customers and partners accelerate their growth by developing innovative business solutions.

### INTERNAL INNOVATION



Crowdsourcing ideas from 8,500 strong workforce & incubate internal start-ups for go to market

### EXTERNAL INNOVATION

Start-up scouting in partnership with innovation partners like Northgate and theme based hackathons to garner ideas for new business creation

#### Innovating together

- We collaborate with customers and partners to build sustainable innovation
- To meet the tech challenges faced by our partner, FORMULA 1®, we created a global platform for crowdsourcing solutions. We call it FCIP - Formula One Connectivity Innovation Prize

These lead to:

New business opportunities e.g. IoT in India

New product development in partnership with start-ups

Investments in disruptive technologies like Sentinent AI

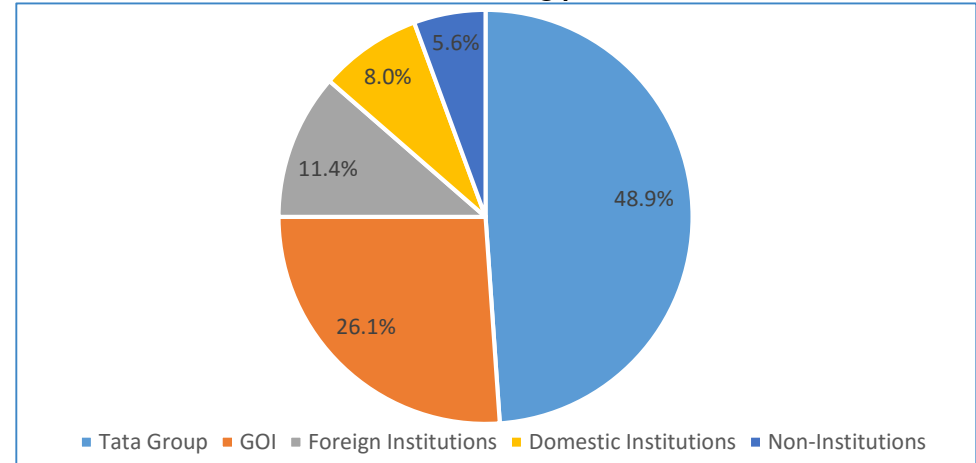


# SHAREHOLDER VALUE CREATION

FOCUS ON MAXIMIZING LONG TERM INTRINSIC VALUE FOR SHAREHOLDERS

- **Drive capital efficiency**
  - Recalibrate Investments
  - Co-create with partners
  - Strong discipline and governance around capital allocation and expenditure
- **Improve margin profile**
  - Improve operating efficiency and drive operating leverage
  - Accelerate growth in high margin data segment and new services
- **Invest for sustainable long-term growth**
  - Reshape portfolio
  - Invest in new services/ innovation to differentiate and accelerate growth
- **Create financial and strategic flexibility**
  - Key priority is to generate free cash flow and deleverage balance sheet
  - Pursuit of opportunities to unlock intrinsic value
  - Rationalize businesses with sub-par return profiles

**Shareholding pattern**



**As on March 31, 2017**

1. Tata group includes Panatone Finvest Ltd (30.10%), Tata Sons (14.07%), and Tata Power Ltd. (4.71%)

## SUCSESSES

### Tata Communications ranks #2 in the 'Transparency in Corporate Report'

Transparency International, a global civil society organization, conducted research into the public reporting practices of 100 emerging market companies based in 16 countries in 2016

### *Frost & Sullivan India ICT Awards:*

- Enterprise Telecom Service Provider of the Year
- Enterprise Data Service Provider of the Year
- Enterprise Ethernet Provider of the Year
- Third Party Datacentre Service Provider of the Year
- Enterprise VOIP Provider of the Year
- Hosted Contact Center Service Provider of the Year



GARTNER'S  
MAGIC  
QUADRANT

“Leader” in Gartner Magic Quadrant<sup>1</sup> for Network Services, Global **for the fourth consecutive year**



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## BEST EMPLOYERS

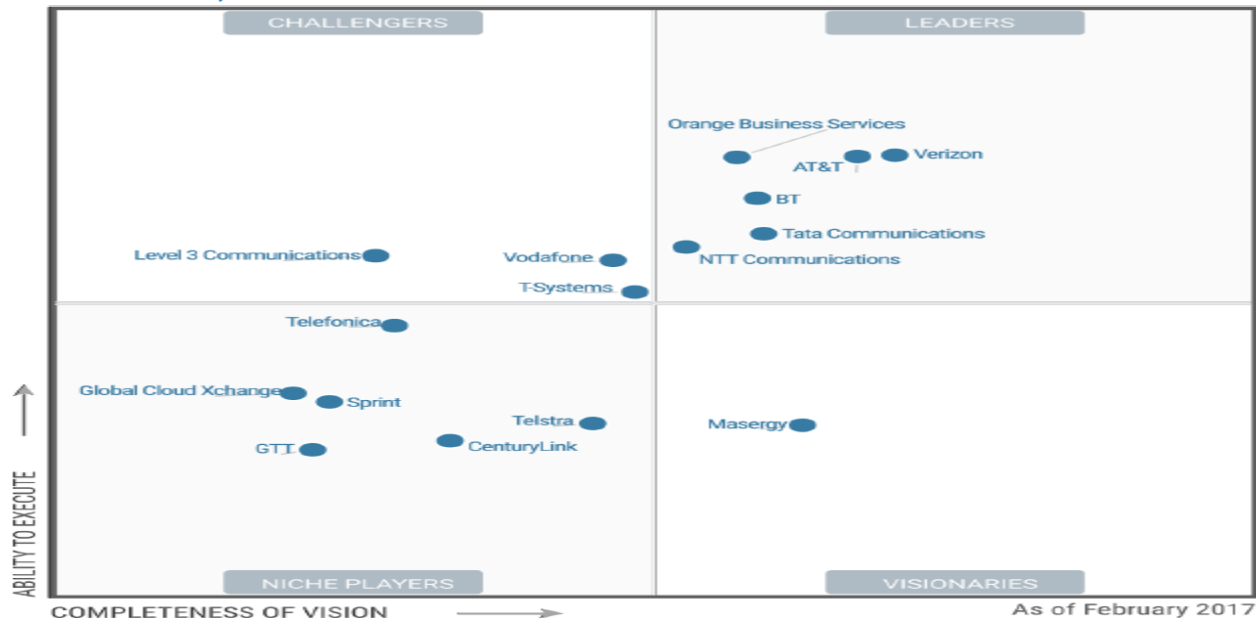
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Named an **Aon Best Employer India, 2<sup>nd</sup> year in row.**  
Recognised for **high employee engagement, compelling employer brand, effective leadership and a culture that enables high performance**

# COMPETITIVE LANDSCAPE



## POSITIONED IN THE LEADERS' QUADRANT IN GARTNER MAGIC QUADRANT FOR NETWORK SERVICES, GLOBAL



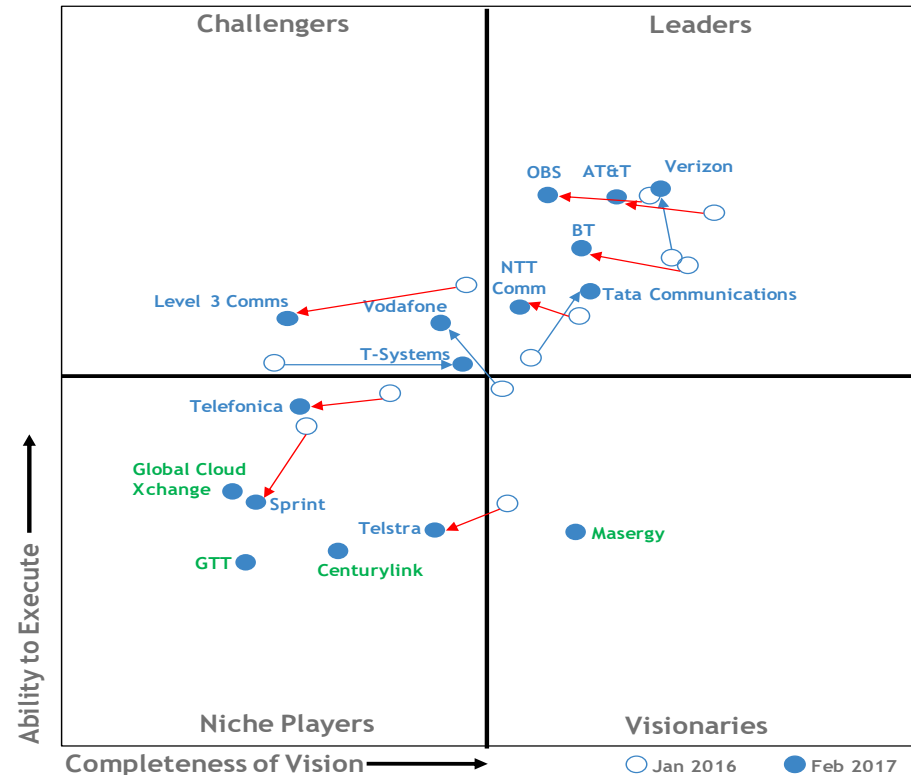
Source: Gartner, Inc "Magic Quadrant for Network Services, Global" Neil Rickard, Bjarne Munch, 13 February 2017.

This Magic Quadrant graphic was published by Gartner, Inc. as part of a larger research note and should be evaluated in the context of the entire report. The Gartner report is available upon request from Tata Communications. Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.



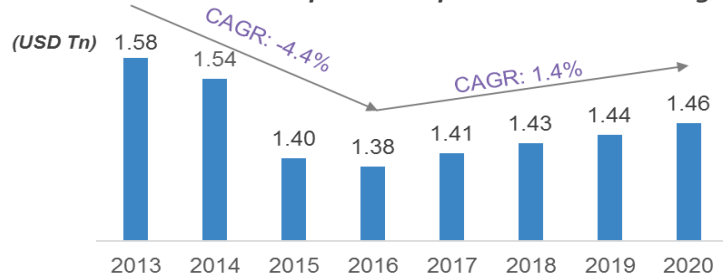
## WE HAVE FURTHER IMPROVED OUR POSITION IN GARTNER MQ

- TCL and Verizon are the only “Leaders” showing significant improvement
- TCL’s global SIP trunk offering, IZO internet WAN across 82 countries and plans for SD-WAN have been identified as key strengths
- Most established players have lost ground
  - Telstra has dropped from “visionary” to “Niche Player”
  - Others like Level 3 Comms, BT Global, OBS, AT&T, NTT have lost ground in “completeness of vision”
- 4 New players have entered the GMQ in “Niche Players” and “Visionary” quadrants. These need to be watched out for.



# TELECOM IS CONSOLIDATING / TRANSFORMING UNDER MARGIN PRESSURE & SEEKING NEW GROWTH OPPORTUNITIES

Communication services revenue has been declining in past but new services adoption is expected to revive the growth

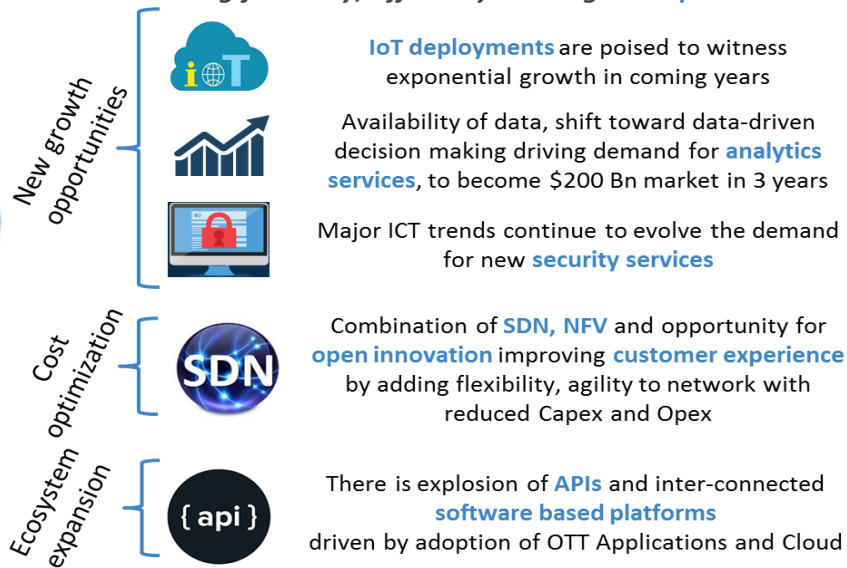


Industry is under consolidation through large M&A deals



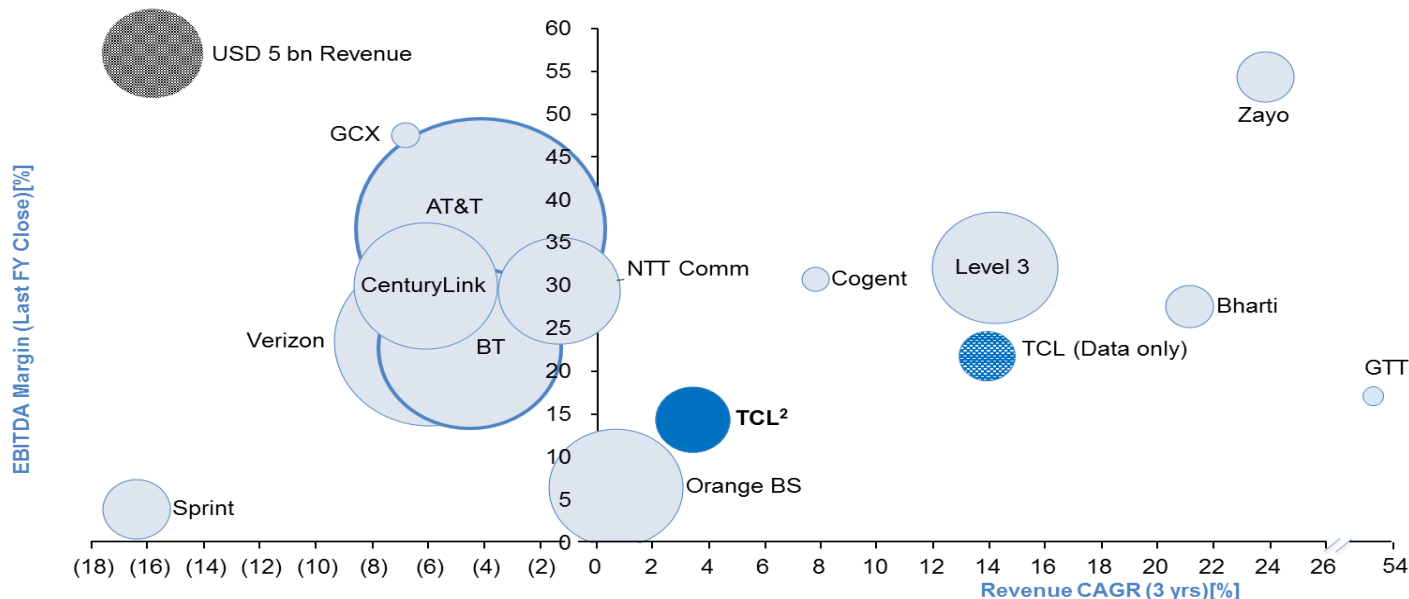
Source: Gartner, Industry reports

Telcos are responding by adding new growth businesses and presence in digital ecosystem for **new revenue opportunity**, and increasing flexibility, efficiency to bring **cost optimization**



# WE ARE GROWING FASTER THAN OUR PEERS BUT WITH LOWER MARGINS

NATURE OF VOICE PULLS DOWN OUR REVENUE GROWTH AND EBITDA MARGINS



Note: Above analysis considers only comparative revenues and EBITDA margins to TCL's business estimated from each company. Size of bubble denotes comparative revenues for each company.

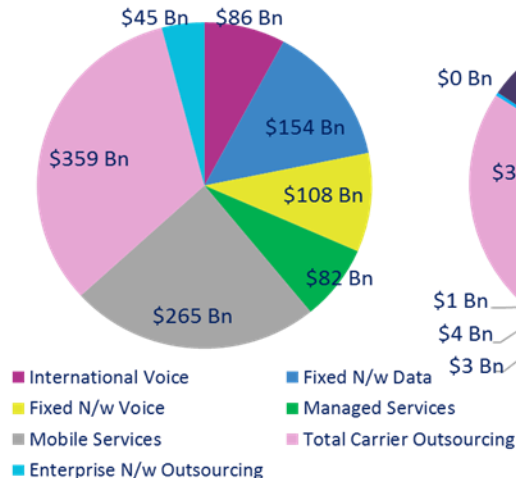
(1) AT&T, Verizon, Level 3, Orange, Colt, Sprint and CenturyLink, last FY close is December '15. For TCL, Bharti, BT, GCX and NTT Com., last FY close is March '16. For Zayo, last FY close is June '16

(2) TCL consolidated numbers excluding Neotel (Core)

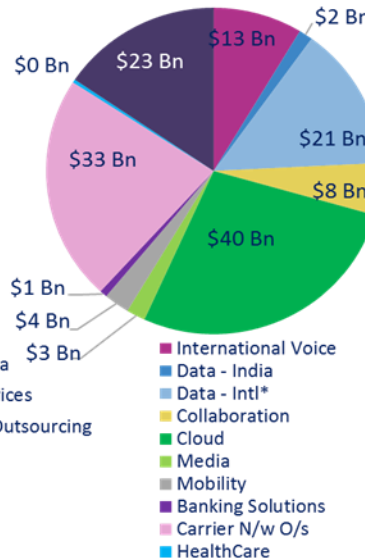
Source: Annual Reports & SEC 10K(s)

# WE ADDRESS A ~\$46BN MARKET OUT OF \$1.1TN TELECOM MARKET

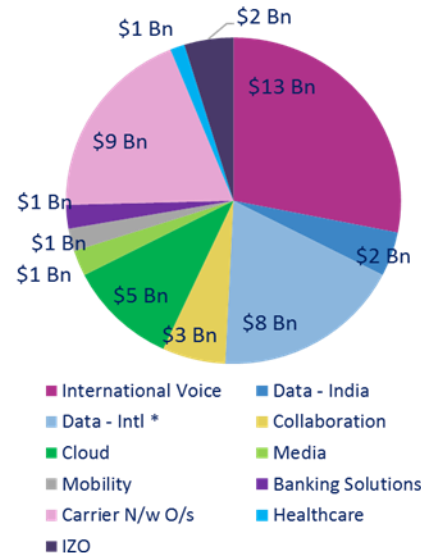
**Telecom: \$1,100 Bn**



**Addressable: \$146 Bn**



**SAM: \$46 Bn**



**for FY17**



**Available Market:**

Refers to the total market demand for a product or service in the world

**Addressable Market:**

Refers to the segment of the Available Market targeted by our products and services which is within our geographical reach

**Serviceable Addressable Market (SAM):**

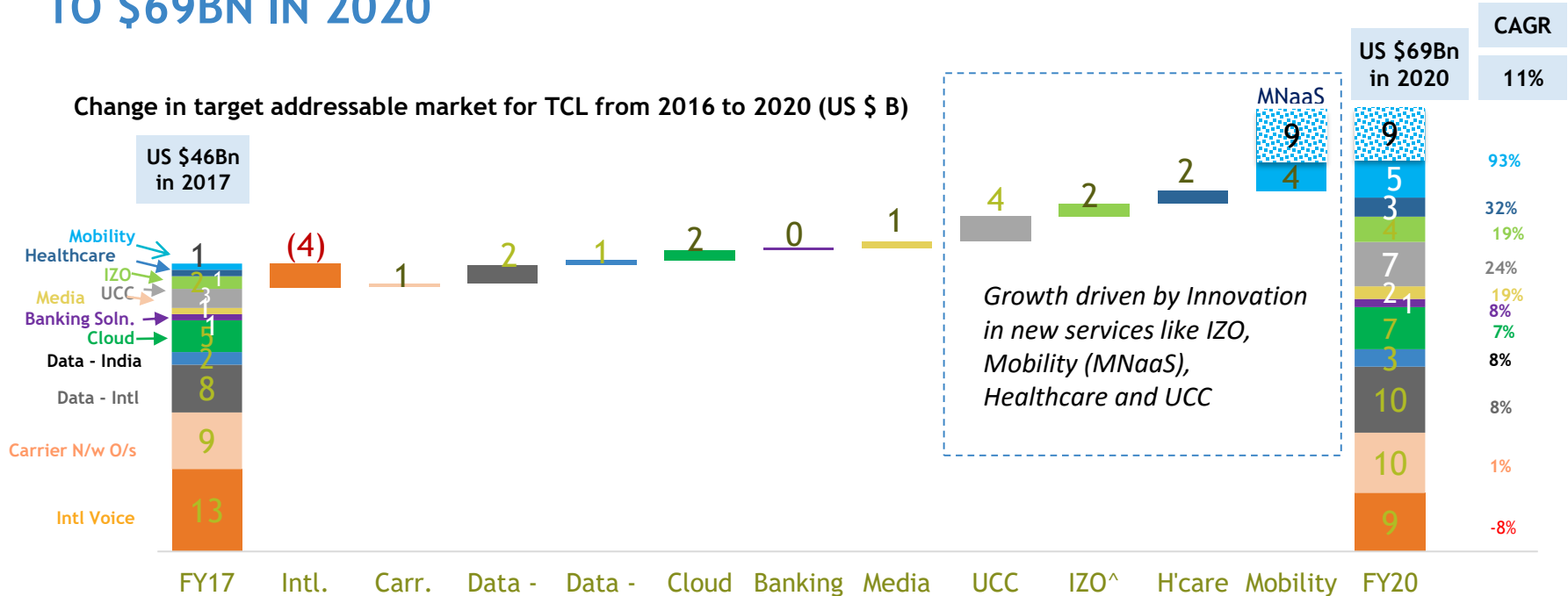
Refers to the portion of Addressable Market which we can capture

Source: Gartner, F&S, Telegeography, CISCO-VNI, Internal Estimates  
 \*Managed Services includes Media Services  
 \* Data Intl Connectivity includes CDN and IPT;



# OUR TARGET ADDRESSABLE MARKET IS EXPANDING FROM \$46BN IN 2017 TO \$69BN IN 2020

Change in target addressable market for TCL from 2016 to 2020 (US \$ B)

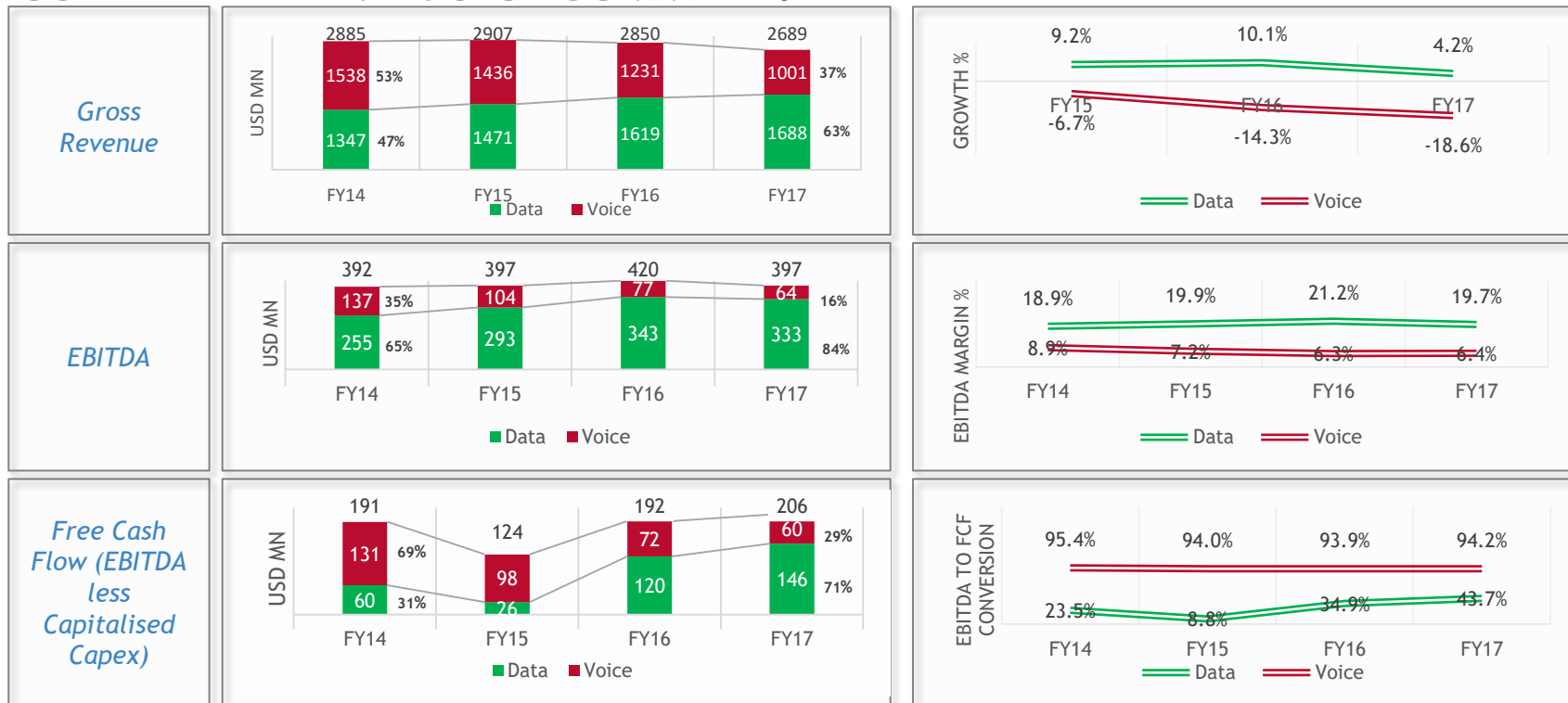


\*Data - Intl Connectivity includes ILL, VPN, Ethernet, CDN, IPT

^IZO includes market for Enterprise Internet (excl. India) + Domestic VPN (excl. India)

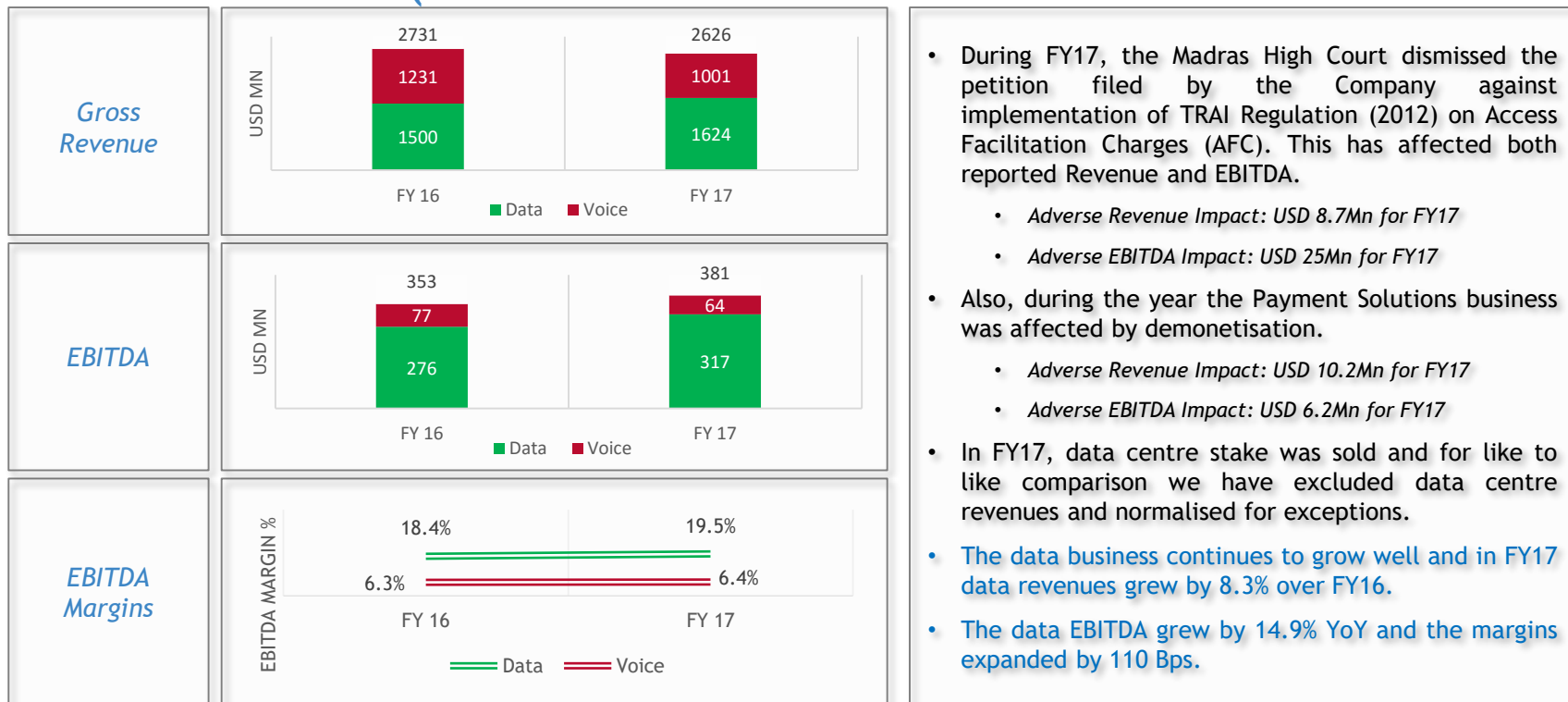
# FINANCIAL PERFORMANCE

## CORE - DATA AND VOICE SUMMARY: FY14 - FY17\*



Note: USD-INR: FY14 60.48, FY15: 61.13, FY16: 65.44, FY17: 67.08; \*FY17 figures are not comparable due to data centre stake sale during FY17 which affected Revenue and EBITDA.

## CORE - FULL YEAR (EXCLUDING DATA CENTER & NORMALISED FOR EXCEPTIONS)



- During FY17, the Madras High Court dismissed the petition filed by the Company against implementation of TRAI Regulation (2012) on Access Facilitation Charges (AFC). This has affected both reported Revenue and EBITDA.

- Adverse Revenue Impact: USD 8.7Mn for FY17

- Adverse EBITDA Impact: USD 25Mn for FY17

- Also, during the year the Payment Solutions business was affected by demonetisation.

- Adverse Revenue Impact: USD 10.2Mn for FY17

- Adverse EBITDA Impact: USD 6.2Mn for FY17

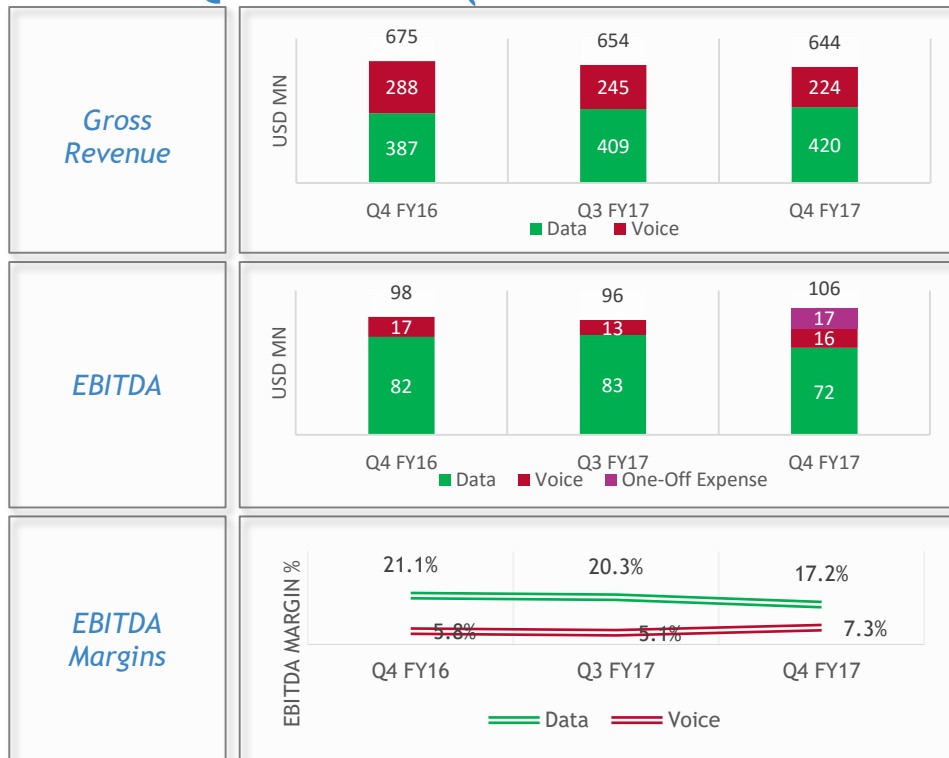
- In FY17, data centre stake was sold and for like to like comparison we have excluded data centre revenues and normalised for exceptions.

- The data business continues to grow well and in FY17 data revenues grew by 8.3% over FY16.

- The data EBITDA grew by 14.9% YoY and the margins expanded by 110 Bps.

Note: USD INR FY16: 65.44, FY17: 67.08; the financial performance is excluding data centre and normalised for access charges and demonetisation impact.

## CORE - QUARTERLY (EXCLUDING DATA CENTER & NORMALISED FOR EXCEPTIONS)



- During FY17, the Madras High Court dismissed the petition filed by the Company against implementation of TRAI Regulation (2012) on Access Facilitation Charges (AFC). This has affected both reported Revenue and EBITDA.

- Adverse Revenue Impact: USD 1.8Mn for Q4FY17
- Adverse EBITDA Impact: USD 3.4Mn for Q4FY17

- Also, during the year the Payment Solutions business was affected by demonetisation.

- Adverse Revenue Impact: USD 5.4Mn for Q4FY17
- Adverse EBITDA Impact: USD 2.8Mn for Q4FY17

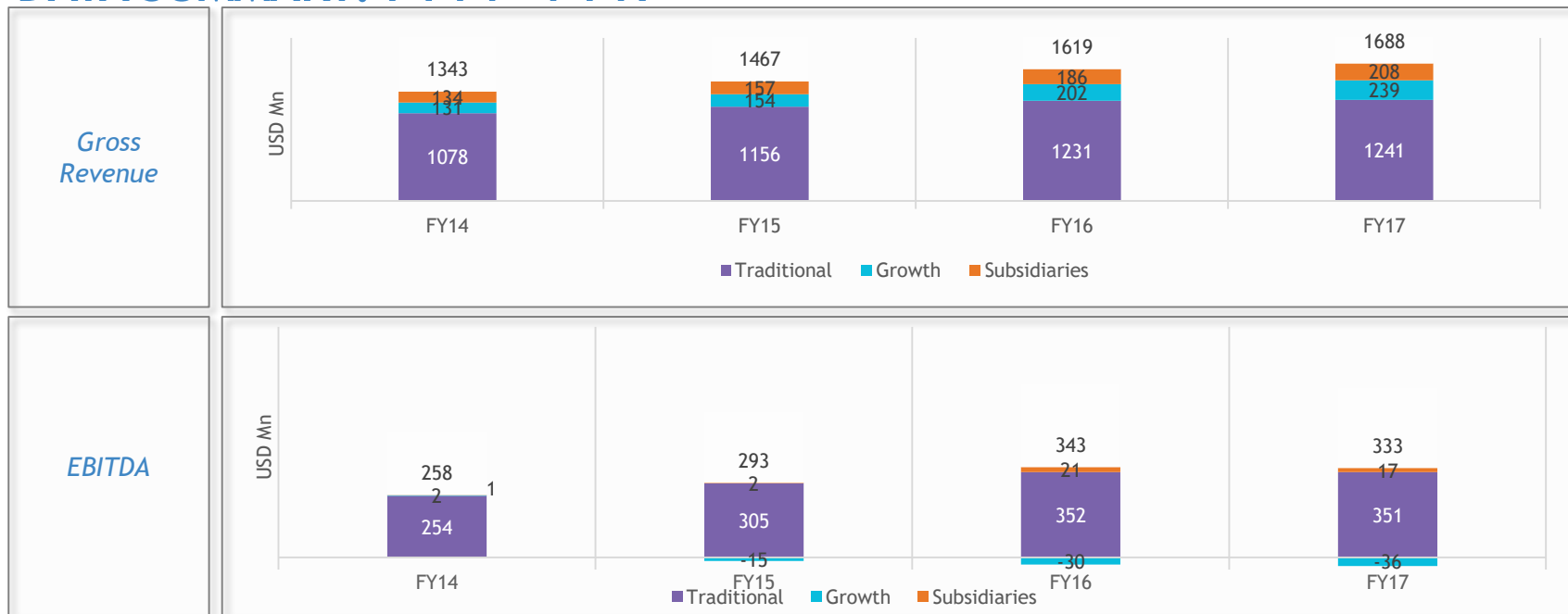
- In Q4; EBITDA and margins were impacted by one-off costs. The one-off costs (USD 17 Mn) during the quarter were on account of cable repair, employee related expenses and legal & professional fee.

- Accounting for one-off costs; the Q4 core EBITDA would have been USD 106Mn, a growth of 10.4% QoQ.
- The Q4 Data EBITDA would have grown by 7.2% QoQ and the data margins would have expanded by 90 Bps.

Note: The financial performance is excluding data centre and normalised for access charges and demonetisation impact. Q4FY17 has one-off expense of \$17 Mn



## DATA SUMMARY: FY14 - FY17\*



**Traditional Connectivity Products / Services** include Network Services (NPL, IPL, Ethernet, ILL, IP-T, VPN, CDN, Inmarsat), Mobile Core, IDC & UCC (Unified Conf., SAAS) ; **Growth Products / Services** include Network Service (IZO), IDC (Managed Hosting), Media (Broadcast, V Connect), UCC (SIP-T, VS & IPT, GHCC), Mobile New Services and Healthcare; **Subsidiaries** include Tata Communications Payment Solutions Ltd (TCPSTL) and Tata Communications Transformation Services Limited (TCTSL)

Note: USD-INR: FY14 60.48, FY15: 61.13, FY16: 65.44, FY17: 67.08; \*FY17 figures are not comparable due to data centre stake sale during FY17 which affected Revenue and EBITDA.

## PERFORMANCE HIGHLIGHTS | CORE SEGMENTATION (Y-O-Y)

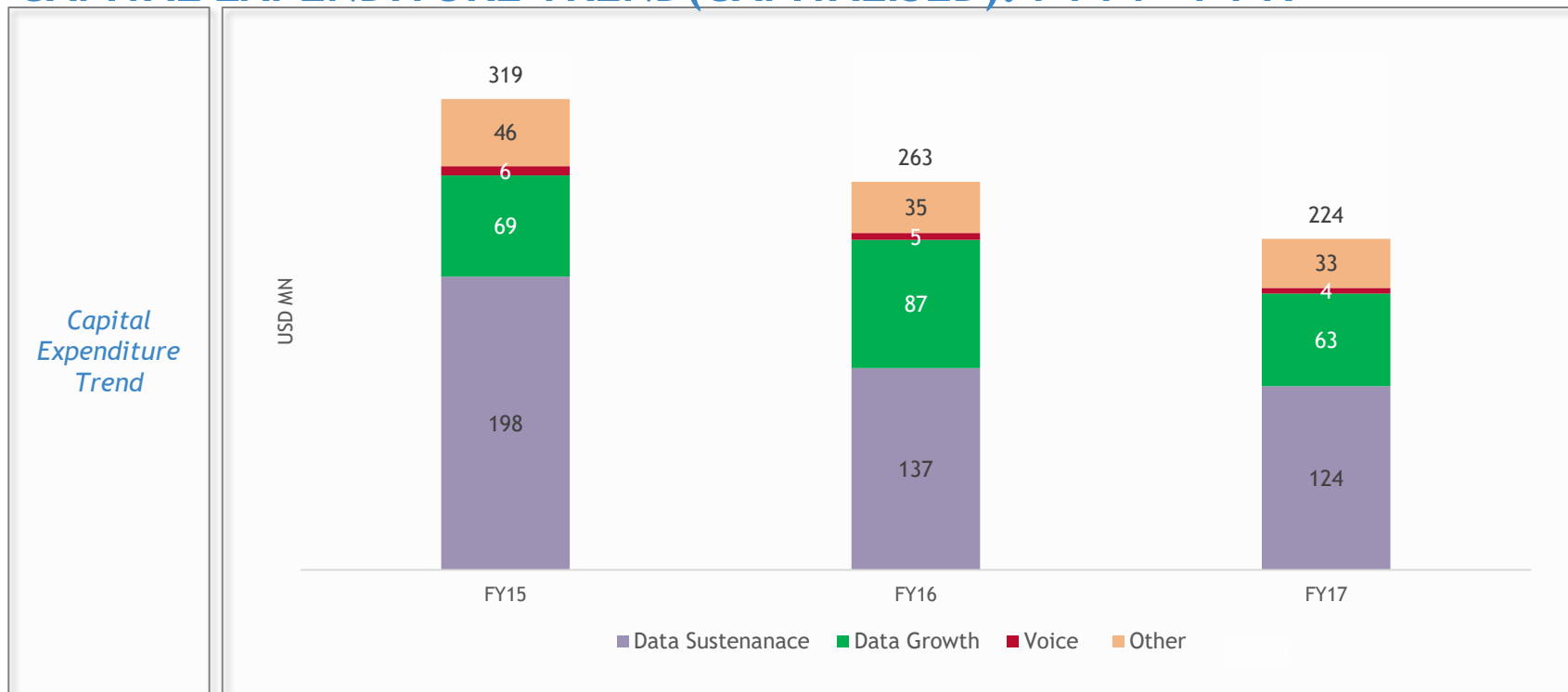
DATA SERVICES SAW IMPROVEMENT ON THE BACK OF GROWTH IN ALL THREE SEGMENTS

Y-o-Y	Data									Voice		USD Mn	
	Particulars	Traditional Services			Growth Services			Subsidiaries			Growth		
				Growth			Growth			Growth			
		FY16	FY17	%	FY16	FY17	%	FY16	FY17	%	FY16	FY17	%
GR	1230.7	1240.9	0.8%	202.1	239.2	18.4%	186.3	207.9	11.6%	1231.3	1001.5	(18.7%)	
NR	985.7	992.7	0.7%	115.1	130.4	13.3%	47.2	49.9	5.8%	166.4	135.0	(18.9%)	
EBITDA	352.2	350.9	(0.4%)	(29.9)	(35.5)		20.5	17.2	(15.8%)	77.0	64.0	(16.9%)	
Margin	28.6%	28.3%		(14.8%)	(14.8%)		11.0%	8.3%		6.3%	6.4%		

- Business aligned to high growth Data Services business.
  - FY17 reported Data revenue grew by 6.8% YoY; despite exclusion of Data Center, impact of access charges and demonetisation.
  - Excluding Data Center and normalising for access charges and demonetisation impact; in FY17 Data revenues grew by 8.3%.
  - Traditional services grew by 5%; Growth services grew by 18% and Transformation services grew by 24% YoY.

Note: Based on USD Numbers; ; USD-INR: FY16: 65.44, FY17: 67.08

## CAPITAL EXPENDITURE TREND(CAPITALISED): FY14 - FY17



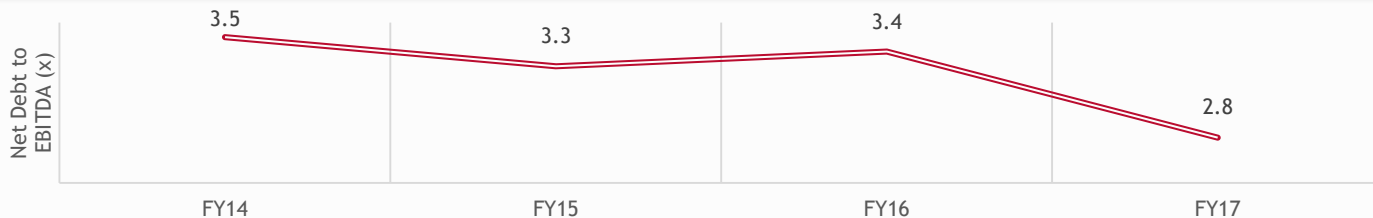
Note: USD-INR: FY14 60.48, FY15: 61.13, FY16: 65.44, FY17: 67.08

## NET DEBT: FY14 - FY17

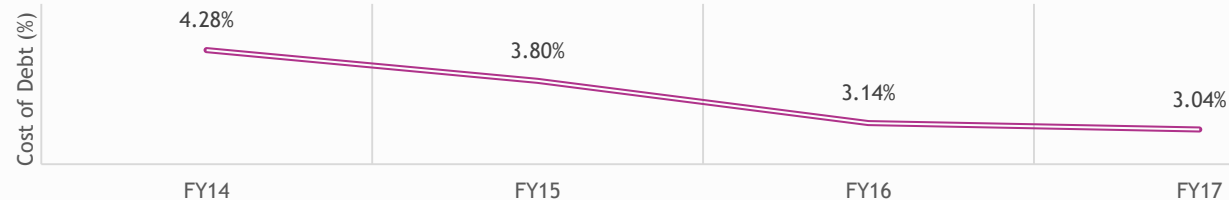
*Net Debt*



*Net Debt to EBITDA*



*Cost Of Debt (%)*



Note: USD-INR: FY14 60.48, FY15: 61.13, FY16: 65.44, FY17: 67.08; USD 159mn was paid to Tata Sons in Q2 FY17 for meeting Docomo obligation as per inter se agreement.

## DATA SERVICES - TRANSFORMATION SERVICES



Note: Numbers have been rounded off



## DATA SERVICES - PAYMENT SOLUTIONS



Note: Numbers have been rounded off

# CORPORATE DEVELOPMENTS



## TATA TELE SERVICES LIMITED (TTSL) UPDATE

- In 2008-09, when NTT Docomo of Japan had invested in TTSL to acquire a 20% stake, Tata Communications sold a part of its holding at INR 116.09/share making a profit of INR 346.65crs
  - At the same time Docomo reserved a right of sale option, entitling it to sell its entire holding in 2014 at a minimum pre-determined price of INR 58.05/share if certain performance parameters were not met by TTSL
  - At the time of selling its holding to Docomo, TCL and TTSL's other selling shareholders agreed to indemnification on a proportionate basis, in case Docomo ever exercised its sale option
- Subsequently in July 2014, Docomo decided to exercise its sale option. With Docomo deciding to divest its entire shareholding in TTSL and no buyer being found, TCL and the other selling shareholders were obliged to proportionately acquire the stake from Docomo at the higher of fair value or 50% of the subscription purchase price. However, RBI did not permit the acquisition at the pre-determined price but rather only at fair value
- Docomo then filed an arbitration request in London against Tata Sons and in June this year, Tata Sons informed TCL that the Arbitral Tribunal had issued a final award in the matter
  - It required Tata Sons to pay Docomo damages of USD 1,172mn upon tender of shares held by Docomo in TTSL, together with interest, arbitration costs and legal costs. However, Tata Sons has been advised that payment of these sums would require prior RBI and other regulatory approvals
  - Tata Sons communicated to TCL that, as a measure of relief to Tata Companies, it has voluntarily approved to take over any obligations of TCL arising out of Docomo's holding of any rights shares issued by TTSL in 2011 and legal costs arising out of the arbitration award
  - As per Tata Sons' advice TCL remitted approximately INR 1,058crs (USD 159 million) towards TCL's obligations under the sale agreement in Q2 FY17.
  - During the current year, NTT Docomo Inc had filed a petition with the Delhi High Court for implementation of the arbitration award (damages along with cost and interest) by the London Court of International Arbitration.
  - During the current quarter, based on the High Court order dated April 28, 2017, the Company has made a provision of INR 872 Crore towards the contractual obligation under the inter se agreement as the difference between the fair market value of the shares to be acquired and the advance paid to Tata Sons for shares of Tata Teleservices.

## TATA COMMUNICATIONS

# KEY TAKE AWAY

- ❑ Favourable sectoral trends - riding on global data growth; we continue to deliver industry leading growth.
- ❑ Investments in new services to increase Total Addressable market
  - ❑ Launched Wi-Fi+, a new Wi-Fi® cloud communication solution, which enables mobile network operators' customers to access the internet for calling, messaging, and data applications.
  - ❑ Launched IZO SDWAN.
  - ❑ Acquired stake in Teleena and launched 'MOVE' a platform to enable cross border mobility for humans and machines.
- ❑ Increased sales push through internal reorganisation and partnerships.
  - ❑ Partnership with Skylab, HP Enterprise, Hitachi Sunway, Emirates Data Clearing.
- ❑ Successful closure of Neotel and Data centre stake sale
- ❑ FY17 reported Data revenue grew by 6.8% YoY; despite exclusion of Data Center, AFA and demonetisation impact.
- ❑ Excluding Data Center and normalising for access charges and demonetisation impact; in FY17 Data revenues grew by 11.0%.
- ❑ Traditional services' normalised revenue grew by 5%; Growth services grew by 18% and Transformation services grew by 24% YoY.
- ❑ RoCE Expansion continues - Core RoCE at 8.6% for FY17 as compared to 8.1% for FY16.
- ❑ Free Cash flow for FY17 after capex, interest and tax was at INR 463 Crore (USD 69 Mn); witnessing a growth of 27% YoY.
- ❑ Core Net Debt at USD 1.15 bn reduction of USD 288 Mn over last quarter. Net Debt to EBITDA at 2.8x.
- ❑ Proposed Dividend of INR 6 per share which is 60% of the face value of each share.
- ❑ Positive steps taken by Government towards demerger of surplus land.

# THANK YOU

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