

A close-up photograph of two hands, one from a darker-skinned person and one from a lighter-skinned person, holding a golden torch. The torch is held horizontally, with the flame end on the left. The background is dark and out of focus.

# INVESTOR PRESENTATION

4<sup>TH</sup> QUARTER - FY2019

## **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
- FINANCIAL OVERVIEW

# BUSINESS OVERVIEW



# DELIVERING A NEW WORLD OF COMMUNICATIONS™

POWERING THE PLATFORM ECONOMY, THE INTERNET AND GLOBALISATION

Over 25% of the world's internet traffic uses our network (Over **12,000** petabits)



We have the only wholly-owned subsea cable network that circles the globe



We're 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



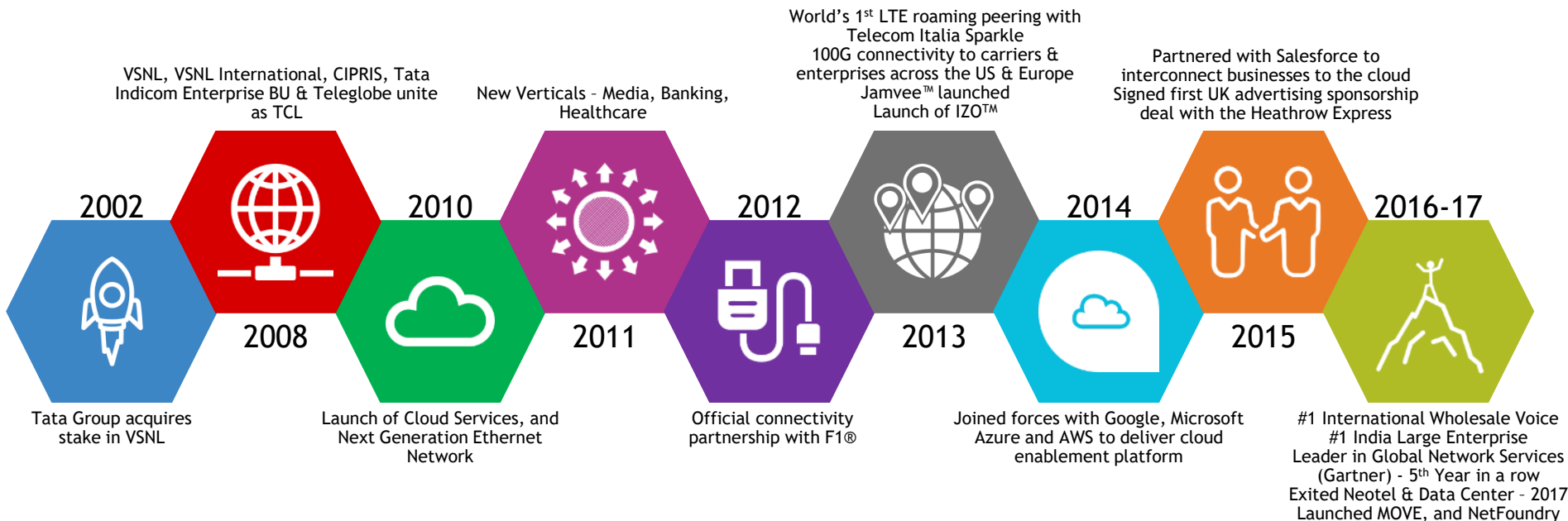
**20** terabits of international bandwidth lit capacity



**85 million** voice transactions handled every day

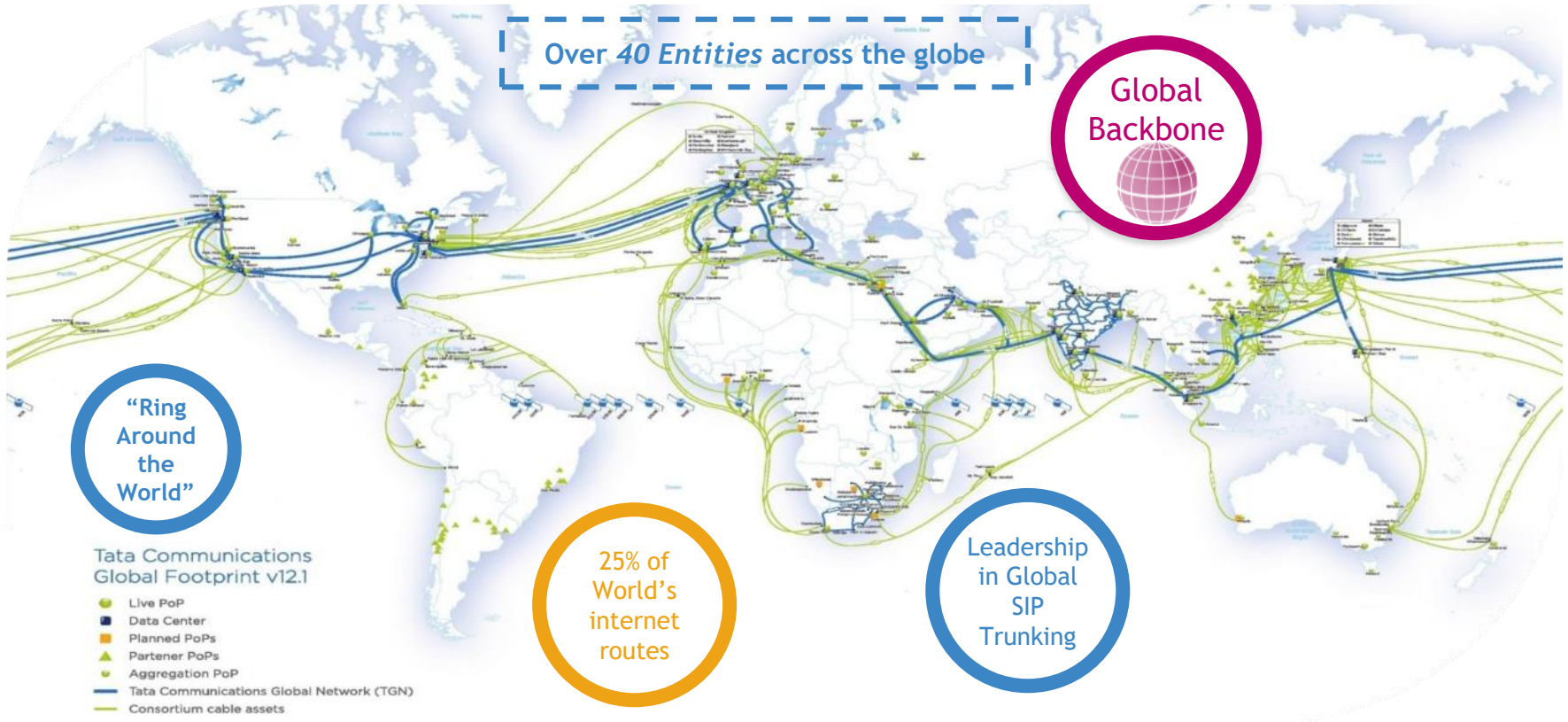
# GROWTH STORY

TRANSFORMING FROM AN INDIAN PSU TO A DIGITAL ENABLEMENT PLAYER



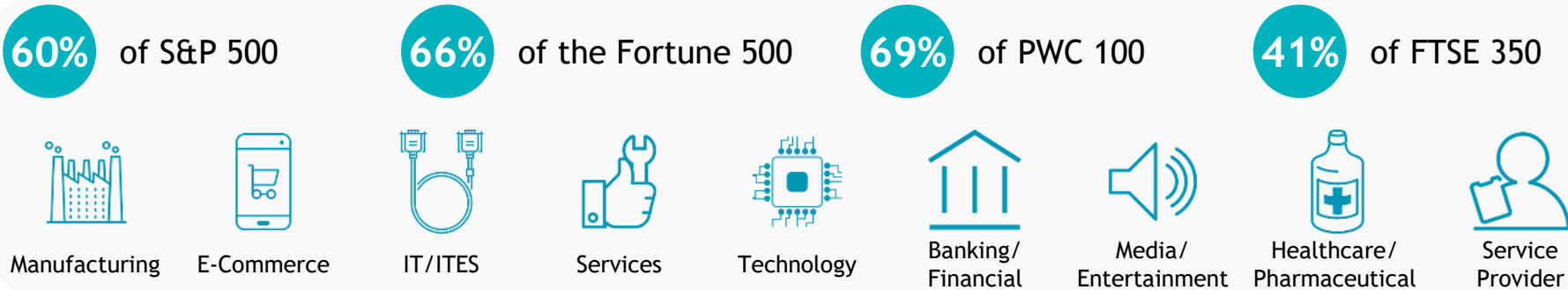


# GLOBAL REACH - PROVIDING CONNECTIVITY ACROSS THE WORLD



## OUR CUSTOMERS

~ 7,000 CUSTOMERS GLOBALLY: ~2,000 SERVICE PROVIDER CUSTOMERS & ~5,000 ENTERPRISE CUSTOMERS



### Some Key Customers

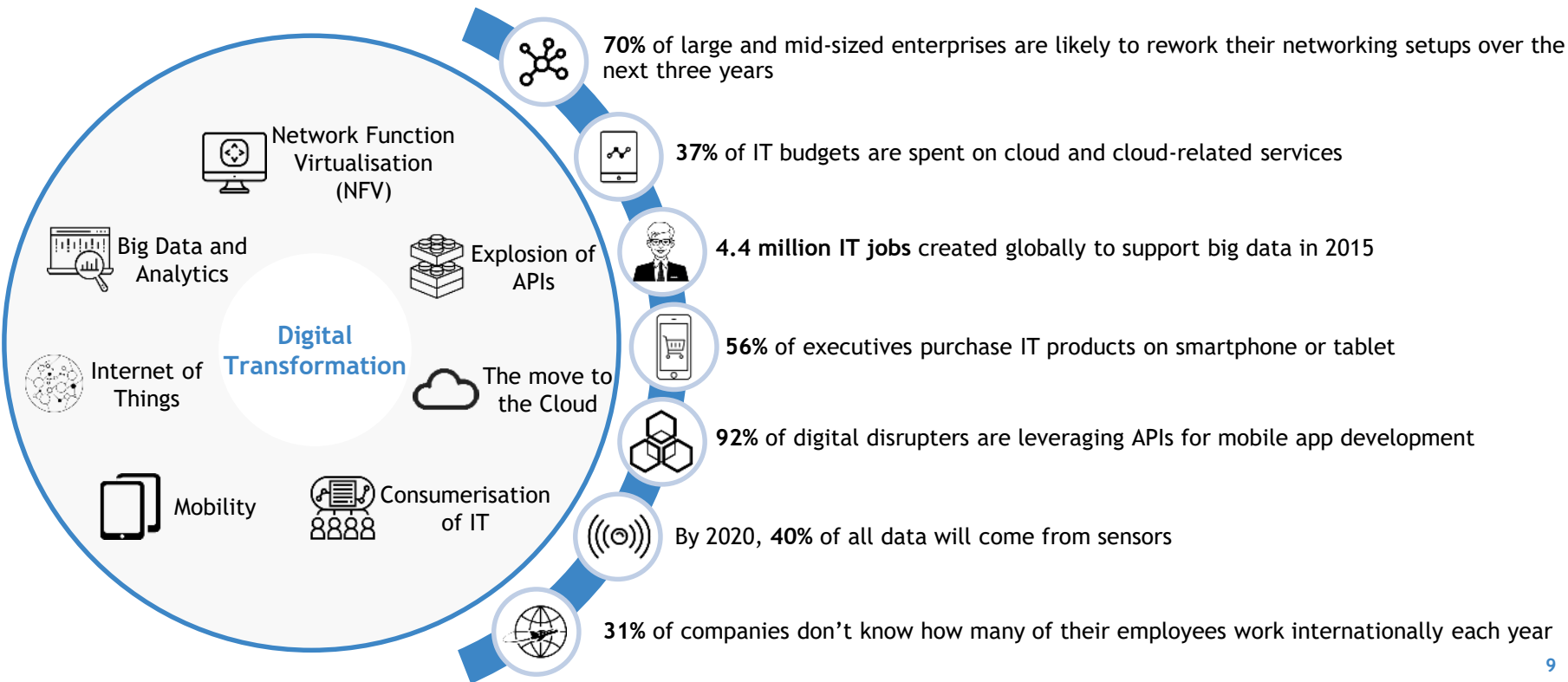


**TATA TECHNOLOGIES**



# MARKET OVERVIEW

TECHNOLOGY IS A GAME CHANGER



# BUSINESS THEMES SUPPORTING DIGITAL TRANSFORMATION

DIGITAL TYPICALLY DELIVERS VALUE ACROSS 4 IMPACT AREAS FOR BUSINESSES



## Borderless Growth

Driving their digital transformation on a global scale, organisations need best-in-class global infrastructure and tools. They will power organisations' expansion into new markets and geographies, and allow them to innovate through new products, services and business models to generate new revenue streams with agility.



## Productivity and Efficiency

Boosting productivity and drive efficiencies via digital, organisations need to pave the way for seamless multi-platform collaboration amongst their employees, partners and customers, and empower them with ubiquitous access to data and applications.



## Customer Experience and Engagement

Offering their digitally-savvy customers the seamless experiences they crave, organisations need to embrace an omni-channel approach, which enables them to enhance customer engagement, awareness and loyalty.



## Managing Business Risk

Managing business risk, organisations must secure their data and applications - which fuel their growth in today's digital economy - against external threats, and ensure reliability and near-zero business disruption.

# BUSINESS THEMES ENABLING DIGITAL TRANSFORMATION



# PRODUCTS AND SERVICES

PROVIDER OF ENTERPRISE & WHOLESALE DATA SERVICES & WHOLESALE LONG DISTANCE VOICE SOLUTIONS



## Data Services

Traditional Services

Virtual Private Network

Intl Private Line

Internet Leased Line

Mobility

Inmarsat

Ethernet

National Private Line

Internet Protocol - Transit

IZO & IZO SDWAN

Managed Hosting/ Cloud/GHCC

Managed Security Services

Broadcast

Video Connect

UCC/ SIP - Trunking

Video Streaming

Healthcare

Media Management

MOVE & IOT

Subsidiaries

TC Transformation Services Ltd

TC Payment Services Ltd

Voice Solutions

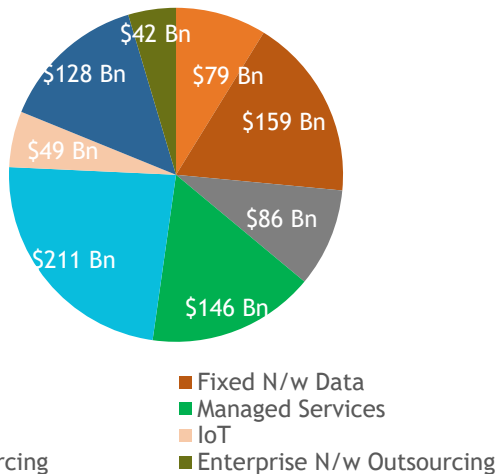
International Long Distance

National Long Distance

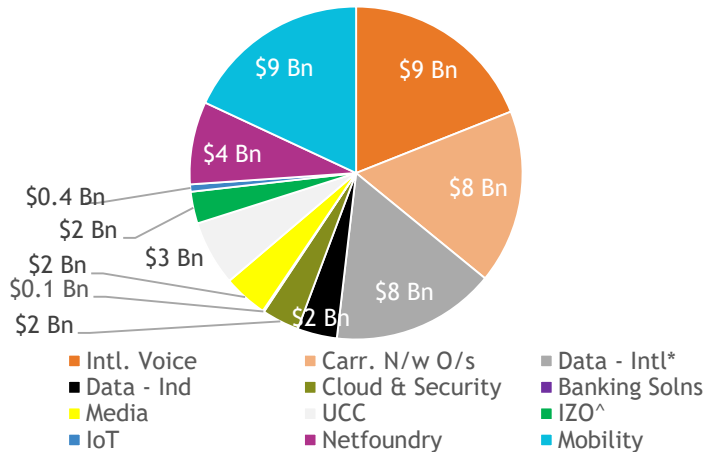
# WE ADDRESS ~\$49 BN OUT OF A \$898 MN TELECOM MARKET

SERVICEABLE ADDRESSABLE MARKET REPRESENTS PORTION OF THE TELECOM MARKET WHICH WE CAN CAPTURE

**Telecom:**  
**\$898Bn**



**SAM:**  
**\$49Bn**



Source: Gartner, F&S, Telegeography, CISCO-VNI, Internal Estimates

Notes: 1) Managed Services includes Media Services, 2) Data Intl Connectivity includes CDN and IPT

<b>US \$78 Bn</b> <b>in FY22</b>	<b>CAGR</b> <b>17%</b>
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# HELPING CONSUMERS REMAIN AGILE, ADAPTABLE, AND RESPONSIVE

POWERING THE DIGITAL ECONOMY AND HELPING OUR CUSTOMERS AND PARTNERS ACCELERATE THEIR GROWTH BY DEVELOPING INNOVATIVE BUSINESS SOLUTIONS

## Innovating Together



# INVESTING FOR THE FUTURE

## MOVE is 3 Products built on the Tata Global Network



### SIM CONNECT

Global Mobile Connectivity for Humans - Providing Global Visibility, Security and Control to MNCs



### IoT CONNECT

Global Connectivity for Machines and Things - Fully Programmable Global IoT connectivity and services



### MOBILE NETWORK ENABLEMENT

MNOs can leverage our MVNE “platform as a Service” and launch sophisticated local or global MVNOs rapidly

## BUILT ON GLOBAL INFRASTRUCTURE

SCALE AND REACH FOR BETTER QUALITY OF SERVICE



## Other Innovative Products in our Portfolio

### MOBILE CUSTOMER ENGAGEMENT



Mobile Messaging Exchange  
SMS Firewall  
API Suite

Mobile Local Number Services  
Sponsored Data Exchange



### LoRa LP-WAN (Low Power, Long Range Network)

IoT infrastructure and developer ecosystem in India

### ROAMING AND INTERCONNECT SERVICES



Business Intelligence  
WiFi+  
Steering and Routing

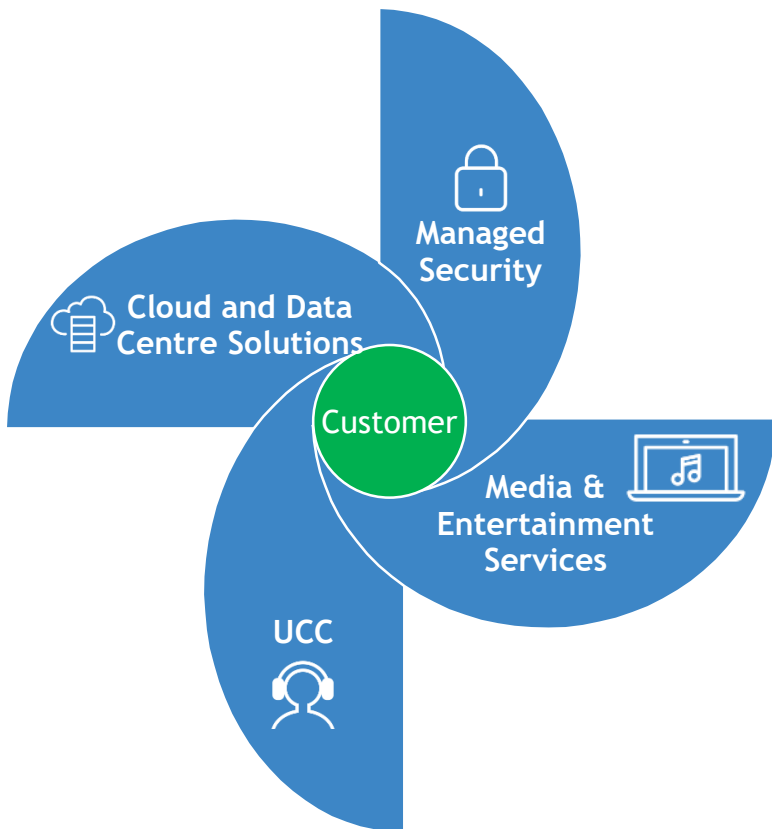
Clearing and Settlement  
VoLTE Interconnect, IPX+  
SS7 & Diameter Signalling



### Digital Transformation

Revamping systems and processes to enhance long term productivity and enrich customer experience

# LEVERAGING OUR POSITIONING



## Cloud and Data Centre Solutions

- Connecting businesses to 8 main cloud platforms in 20 locations across 3 continents
- Our data centres meet and exceed TIA 942 standards and offer 99.982% uptime
- 10,000+ installed racks, and more than 5,000 virtual instances

## Managed Security

- One of the largest cloud-based DDoS mitigation and scrubbing services with 17 scrubbing farms across the globe
- Provide 24x7x365 proactive monitoring of security devices for over 700 customers
- Acknowledged as a 'notable vendor' in Gartner's Magic Quadrant for MSSPs

## Media and Entertainment Services

- Global network that can transfer 1TB data/second for HD video without buffering
- Video network that reaches 300 media hotspots globally
- Offers OTT platform-as-a-service which enables delivery of live, linear, catch-up & VOD content

## Unified Communication and Collaboration (UCC)

- End-to-end global managed services and support
- Named Microsoft High Potential Partner for Skype for Business
- Cisco powered Cloud Contact Centre Solution Provider

# THIRD PARTY ENDORSEMENTS, AWARDS AND RECOGNITION

## CONTINUOUS IMPROVEMENT

### India's largest corporations: Tata Communications at #68

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



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

8 page feature story on the Leadership Profile of Tata Communications in the December edition of Fortune India

<http://fortuneindia.com/2016/december/the-importance-of-being-global-1.10468>

### Frost & Sullivan India ICT Awards:

- **Enterprise Data Service Provider** of the Year (4<sup>th</sup> Year in a row)
- **Enterprise Telecom Service Provider** of the Year - Large Enterprises (10<sup>th</sup> Year in a row)
- **IoT New Product/Service Innovation Award** (2<sup>nd</sup> Year in a row)
- **Third Party Managed Hybrid Cloud Provider of the Year** (First time winner)
- **SDWAN (Software-defined WAN) New Product/Service Innovation Award** (First time winner)
- **Conferencing Service Provider of the Year** (First time winner)

### Great Place to Work globally

Aon

BEST EMPLOYER

INDIA  
2018 | 2017 | 2016

HONG KONG  
2018 | 2017



INDIA  
2019 | 2018 | 2017 | 2016

HONG KONG  
2018 | 2019

CANADA  
2018

SINGAPORE  
2018 | 2017

GR. CHINA  
2018



TOP 100  
INDIA  
2018 | 2017

HONG KONG  
Best Small and Medium  
Workplaces (No 10)  
2019



INDIA  
2018 | 2017

# TATA COMMUNICATIONS POSITIONED AS A LEADER IN THE 2019 GARTNER MAGIC QUADRANT FOR NETWORK SERVICES, GLOBAL - 6 YEARS IN A ROW

## Ability to Execute

Gartner evaluates providers on the quality and efficacy of the processes, systems, methods or procedures that enable IT provider performance to be competitive, efficient and effective; and to positively impact revenue, retention and reputation within Gartner's view of the market. Our emphasis is on a vendor's service quality, pricing and track record. These elements are particularly important for global networks because the issues of infrastructure, language and culture are more challenging than if applicable to only one country.

## Completeness of Vision

Gartner evaluates providers on their ability to convincingly articulate logical statements. This includes current and future market direction, innovation, customer needs and competitive forces, and how well they map to Gartner's view of the market. Visionary providers should have a clearly articulated strategy in evolving areas of enterprise networking, including, but not limited to, networking for cloud services, SD-WAN, SDN, NFV and vCPE. The portfolio should be broad enough to satisfy the evolving requirements of most enterprises, not just a specific vertical industry or customer size..

Figure 1. Magic Quadrant for Network Services, Global



Source: Gartner (February 2019)

Latest reprint link: <http://www.gartner.com/reprints/tata-communications-international-pte--l?id=1-6AM1UID&ct=190228&st=sb>

Source: Gartner, Inc. "Magic Quadrant for Network Services, Global" by Neil Rickard, Bjarne Munch, Danellie Young, February 25, 2019

This graphic was published by Gartner, Inc. as part of a larger research document and should be evaluated in the context of the entire document. The Gartner document 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 or other designation. 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.

# 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

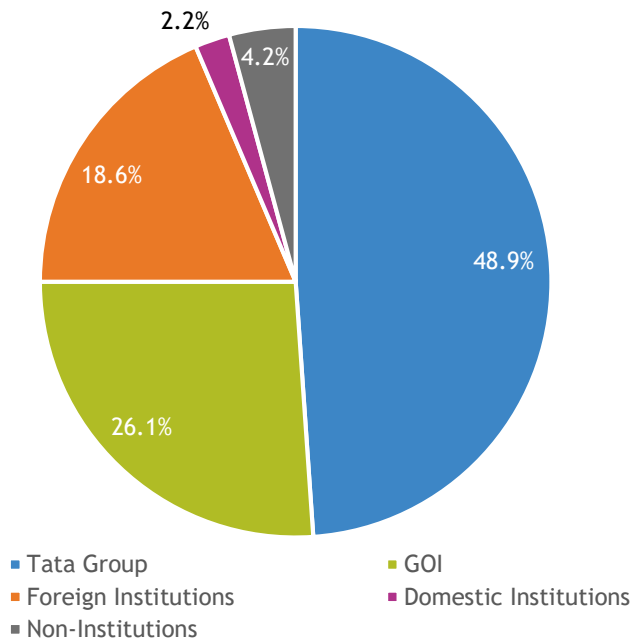
- Improve operating efficiency and drive operating leverage
- Accelerate growth in high margin data segment and new services

## Invest for Sustainable Long-Term Growth

- Reshape portfolio
- Invest in new services/ innovation to differentiate and accelerate growth

## Create Financial & 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



As of 31<sup>st</sup> March 2019



# CORPORATE SOCIAL RESPONSIBILITY

## TECHNOLOGY DRIVING SOCIAL CHANGE

“By financially including women around the globe, we take an important step towards poverty alleviation, equality and economic prosperity.”

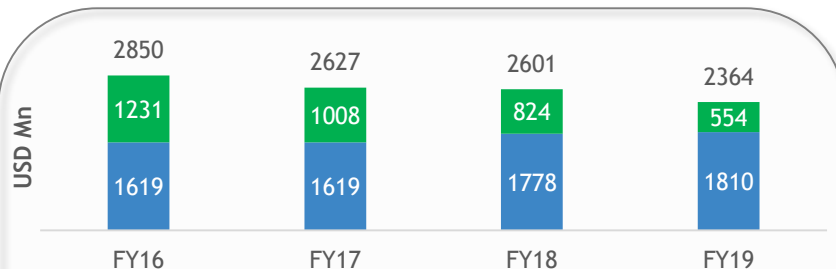
**Walt Macnee, Vice Chairman, Mastercard**

- Tata Communications and MasterCard joined forces to empower 100 million women in the developing world. Working with a unique network of partners, we aim to bring our shared vision to life through access to transformative mobile platforms across a range of financial, health and education applications and service
- We're committed to improving the quality of life of communities through programmes such as health, education and vocational training
- Sustainability is built into our business processes
- We have impacted more than 150,000 lives in the last 3 years through 14 CSR programs.
- Employees have contributed 70,000 hours globally in the last 3 years towards community action.
- In FY18, 98% of our employees have undergone 69,081 days of skill development training through 805 workshops
- Further, our employee engagement score remains very high at 81% in 2018. This helps us stay very high up in the top quartile of the Aon Hewitt global telecom database

# FINANCIAL PERFORMANCE

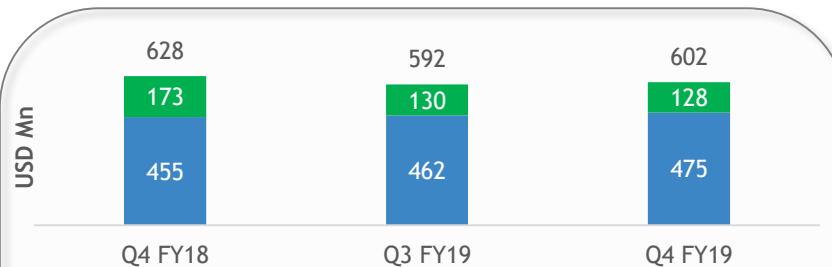


# PERFORMANCE HIGHLIGHTS | CORE - GROSS REVENUE



Y-o-Y

Growth %	FY16	FY17	FY18	FY19
Data	↑ 10.1%	↑ 0.0%	↑ 9.8%	↑ 1.8%
Voice	↓ (14.2%)	↓ (18.2%)	↓ (18.2%)	↓ (32.8%)
Core	↓ (1.9%)	↓ (7.8%)	↓ (1.0%)	↓ (9.1%)

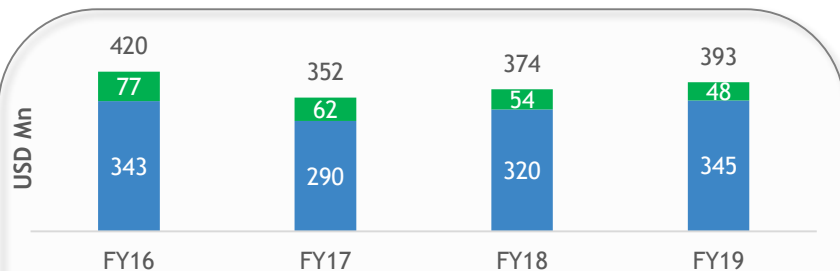


Q-o-Q

Growth %	YoY	QoQ
Data	↑ 4.3%	↑ 2.7%
Voice	↓ (26.2%)	↓ (1.9%)
Core	↓ (4.1%)	↑ 1.7%

- In INR terms; full year core revenue witnessed decline of 1.7% YoY, primarily due to de-growth in Voice business
- The pressure on voice business continues in-line with global trends; this quarter Voice revenue declined by 32.8% over previous year
- Data business witnessed strong growth this quarter. In INR; full year revenue came in at INR 12,655 crore and grew by 10.4% YoY; led by strong growth in Growth Services and revenue uptick in Innovation Services

# PERFORMANCE HIGHLIGHTS | CORE - EBITDA



Y-o-Y

Margin %

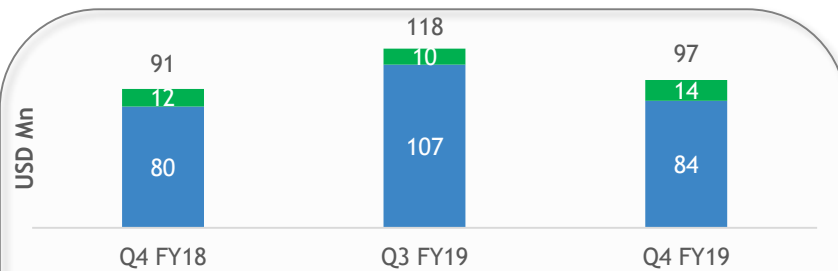
FY16

FY17

FY18

FY19

● Data	↑ 21.2%	↓ 17.9%	↑ 18%	↑ 19.0%
● Voice	↑ 6.3%	↓ 6.1%	↑ 6.5%	↑ 8.7%
● Core	↑ 14.7%	↓ 13.4%	↑ 14.4%	↑ 16.6%



Q-o-Q

Margin %

Q4FY18

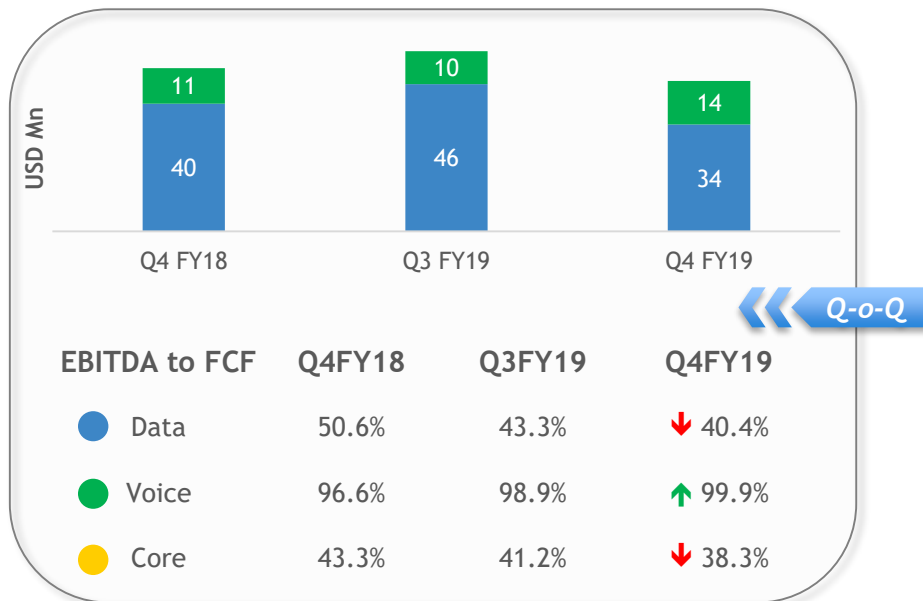
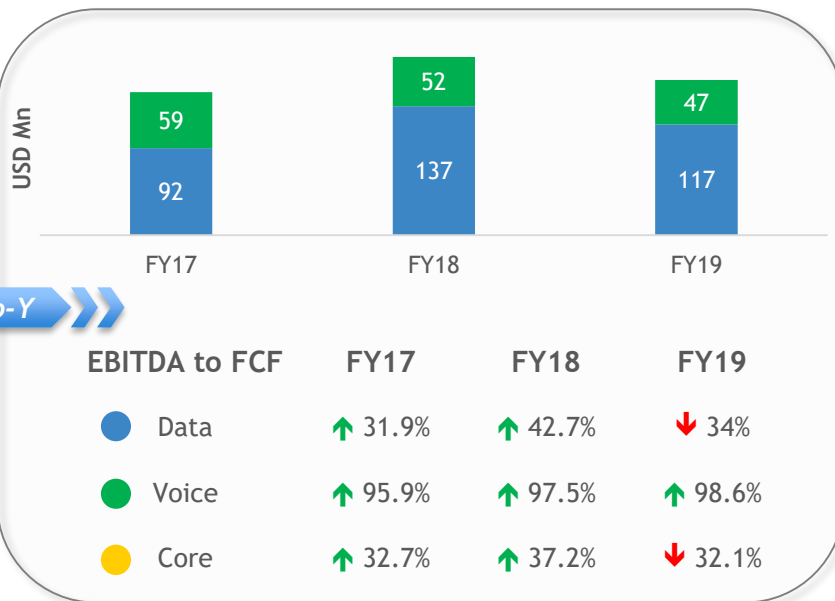
Q3FY19

Q4FY19

● Data	17.5%	23.2%	↓ 17.6%
● Voice	6.7%	8.0%	↑ 10.7%
● Core	14.5%	19.9%	↓ 16.1%

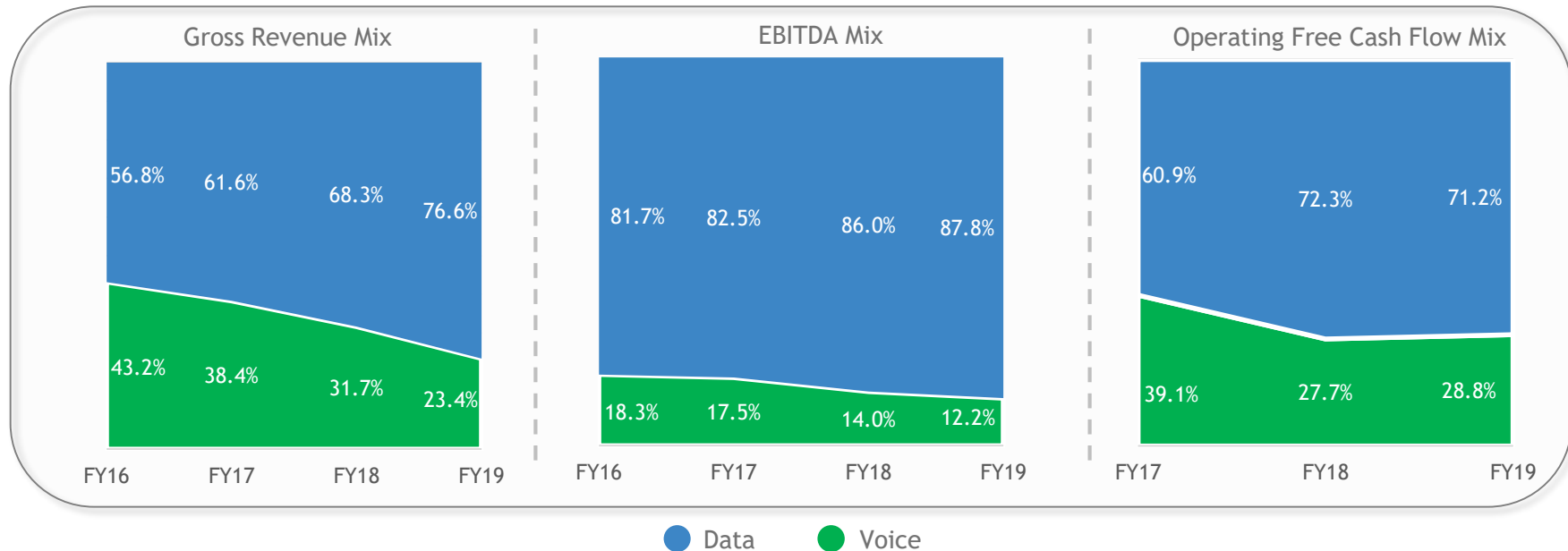
- Core EBITDA margins have expanded 220 bps on a full year basis
- With scale, we have been able to achieve profitability in Growth Services portfolio; EBITDA loss for year has come down significantly from USD 39.9 Mn in FY18 to USD 7.4 Mn in FY19.
- Voice EBITDA margins maintained at 8.7% for the full year. Expect the margins to remain in the range of 6 - 6.5% in long term

# PERFORMANCE HIGHLIGHTS | CORE - OPERATING FCF



- The underlying business levers are in place and the free cash flow growth momentum will continue as we grow scale
- The Voice business continues to generate healthy cashflow in the range of 35 MN-45 MN annually

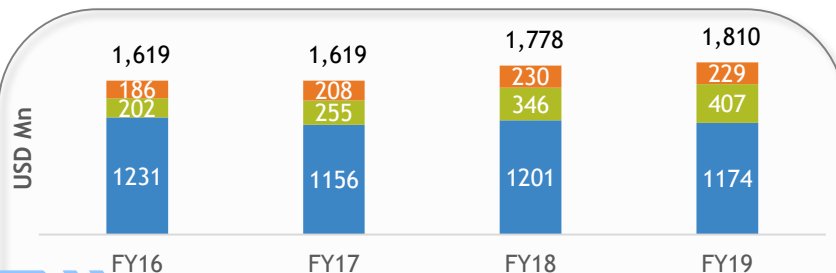
# PERFORMANCE HIGHLIGHTS | PORTFOLIO MIX



- There has been a significant shift in the mix of our business, with Data dominating both in terms of Revenue, EBITDA and Free Cash Flow, and the declining dependence on Voice can be clearly seen above
- Traditional Connectivity services is our mainstay, and represents a majority portion of both our Revenue and EBITDA
- However, our investment in Growth & Innovation Services will drive the business in the future

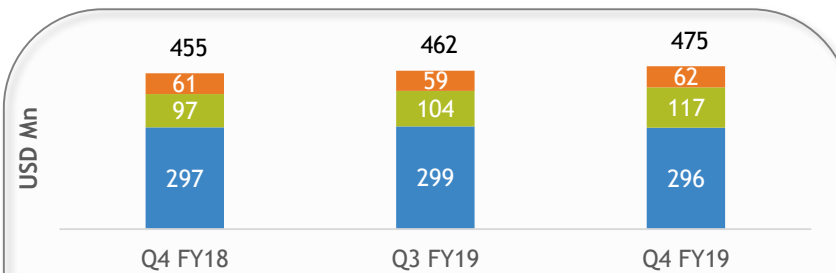


# PERFORMANCE HIGHLIGHTS | DATA - GROSS REVENUE



Y-o-Y

Growth %	FY16	FY17	FY18	FY19
Traditional	6.1%	↓ (6.1)%	↑ 3.9 %	↓ (2.2%)
Growth & Innov	31.2%	↑ 26.3%	↑ 35.7%	↑ 17.6%
Subs & Rentals	18.7%	↑ 11.6%	↑ 10.9%	↓ (0.8%)

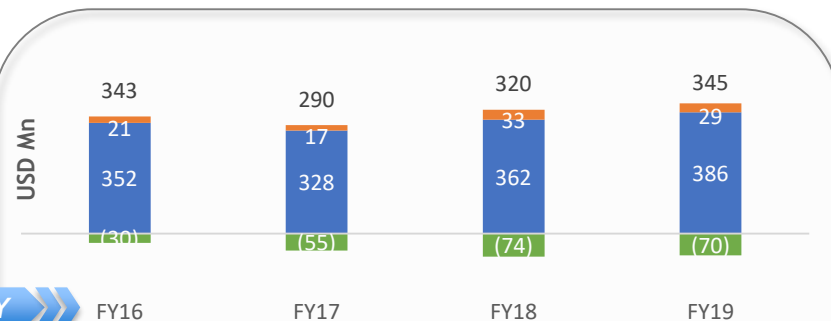


Q-o-Q

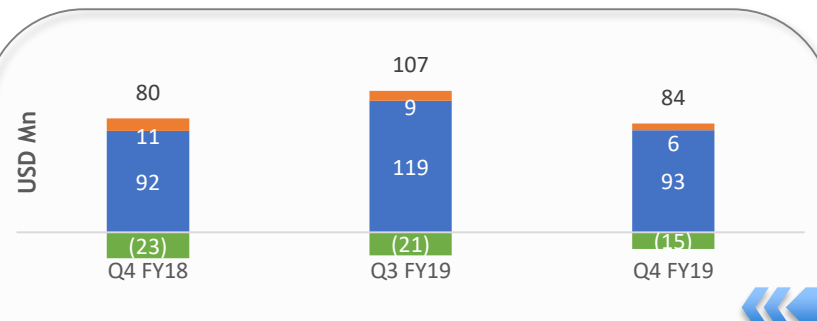
Growth %	YoY	QoQ
Traditional	↓ (0.1%)	↓ (1.1%)
Growth & Innov	↑ 20.2%	↑ 12.6%
Subs & Rentals	↑ 0.8%	↑ 4.9%

- Traditional services declined 2.2% on a full year basis due to operator consolidation in India and pricing pressure; on constant currency this portfolio grew by 2% on full year basis.
- Growth services witnessed a growth of 15.1% YoY. Within this portfolio, IZO services grew by 111% , Mobility by 60% and Media by 393%.
- Rental income from leasing which was part of Other Income is now business income and recorded as a separate segment under 'Data'

# PERFORMANCE HIGHLIGHTS | DATA - EBITDA



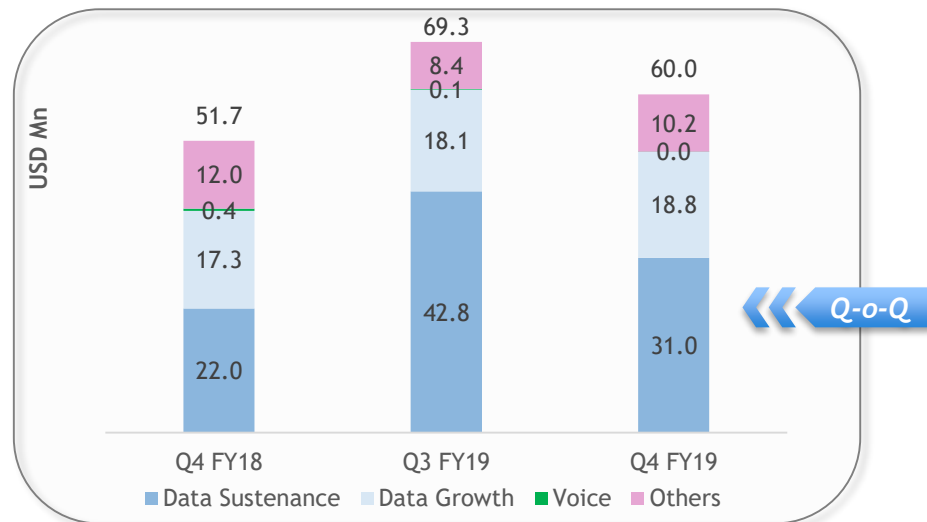
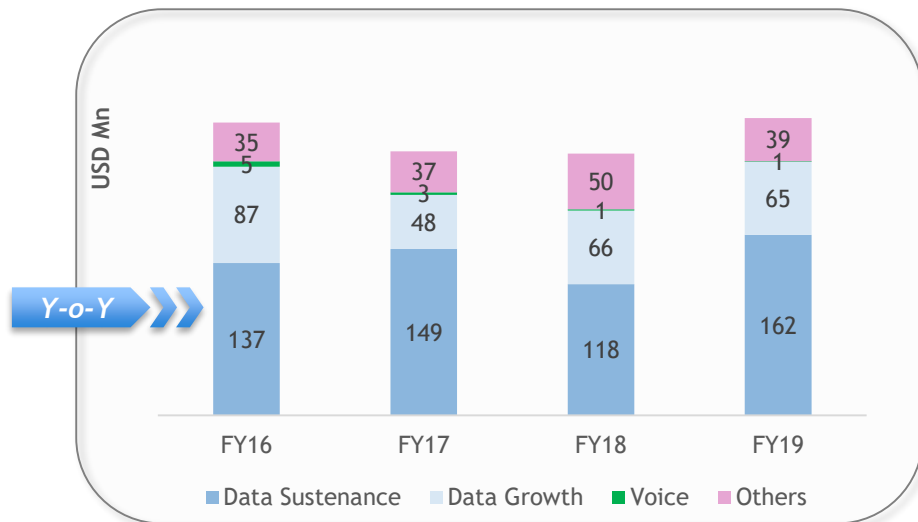
Margin %	FY16	FY17	FY18	FY19
Traditional	28.6%	↓ 28.3%	↑ 30.1%	↑ 32.9%
Growth & Inno	(14.8%)	↓ (21.4%)	↓ (21.4%)	↑ (17.2%)
Subs & rentals	11%	↓ 8.3%	↑ 14.1%	↓ 12.5%



Margin %	Q4FY18	Q3FY19	Q4FY19
Traditional	31.0%	↑ 39.8%	↓ 31.3%
Growth & Inno	(24.1%)	↑ (20.0%)	↑ (12.8%)
Subs & rentals	18.4%	↓ 15.2%	↓ 9.5%

- For Growth Services, EBITDA loss decreased to USD 7 Mn in FY19 as compared to loss of USD 40 Mn in FY18 due to strong performance by IZO, Media and Mobility services
- For Traditional Services, EBITDA for the year came in at USD 386 Mn witnessing a growth of 6.7% YoY with a margin of 32.9%. translating into an expansion of 280 BPS over last year. We continue to focus on cost productivity in this portfolio.

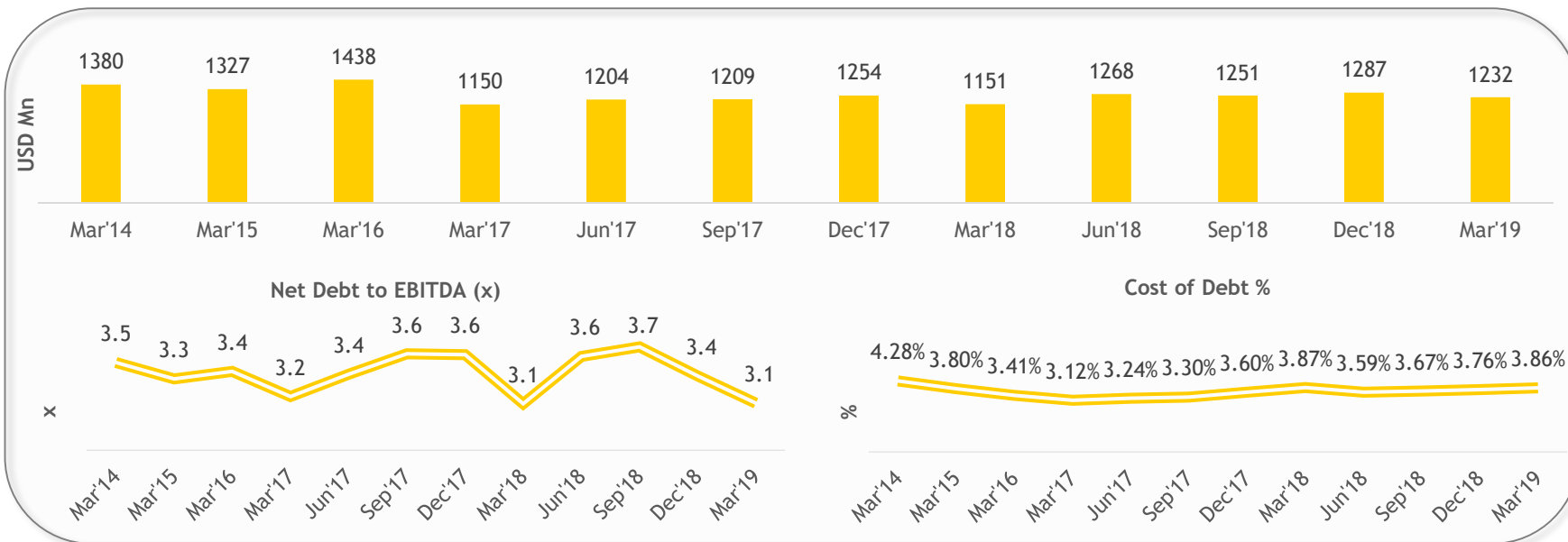
# PERFORMANCE HIGHLIGHTS | CAPITAL EXPENDITURE



● Data Sustenance ● Data Growth ● Voice ● Others

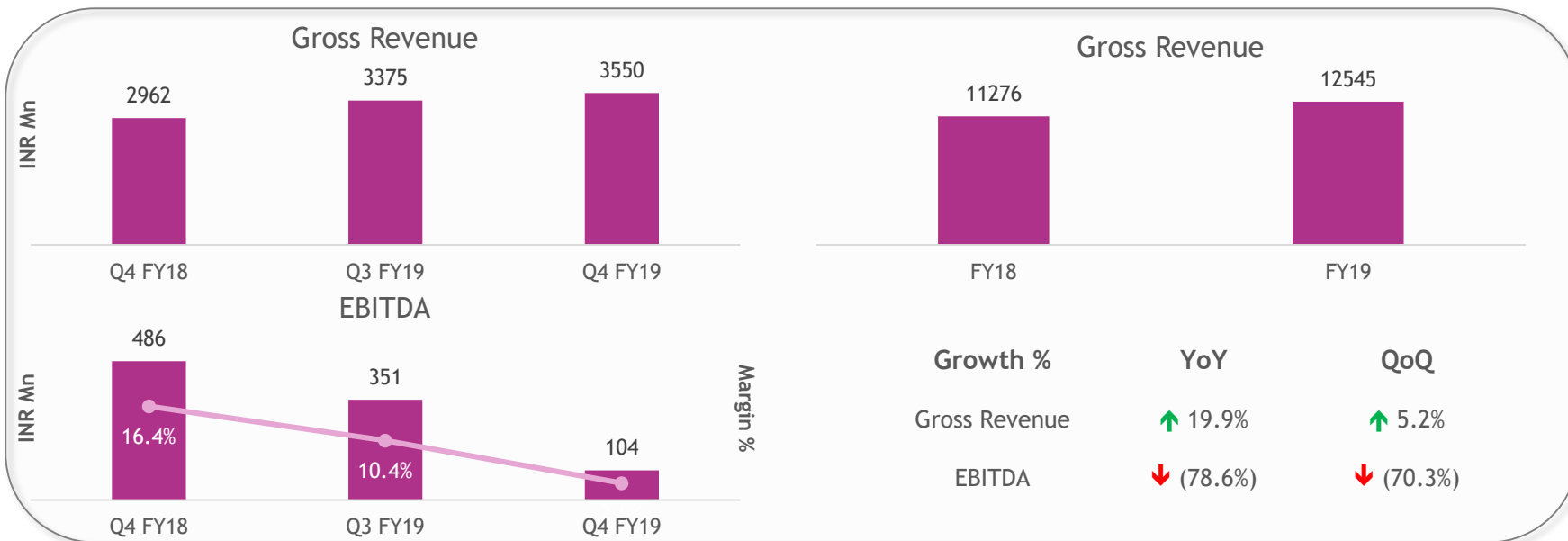
- FY19 capex was at USD 267 Mn, compared to USD 235 MN in FY18; capex was higher due to additional investment towards India access expansion
- Around 85% of the Capex is spent on Data Business
- Capex spent on Others include sustenance capex towards network engineering, IT, customer service operations etc

# PERFORMANCE HIGHLIGHTS | NET DEBT



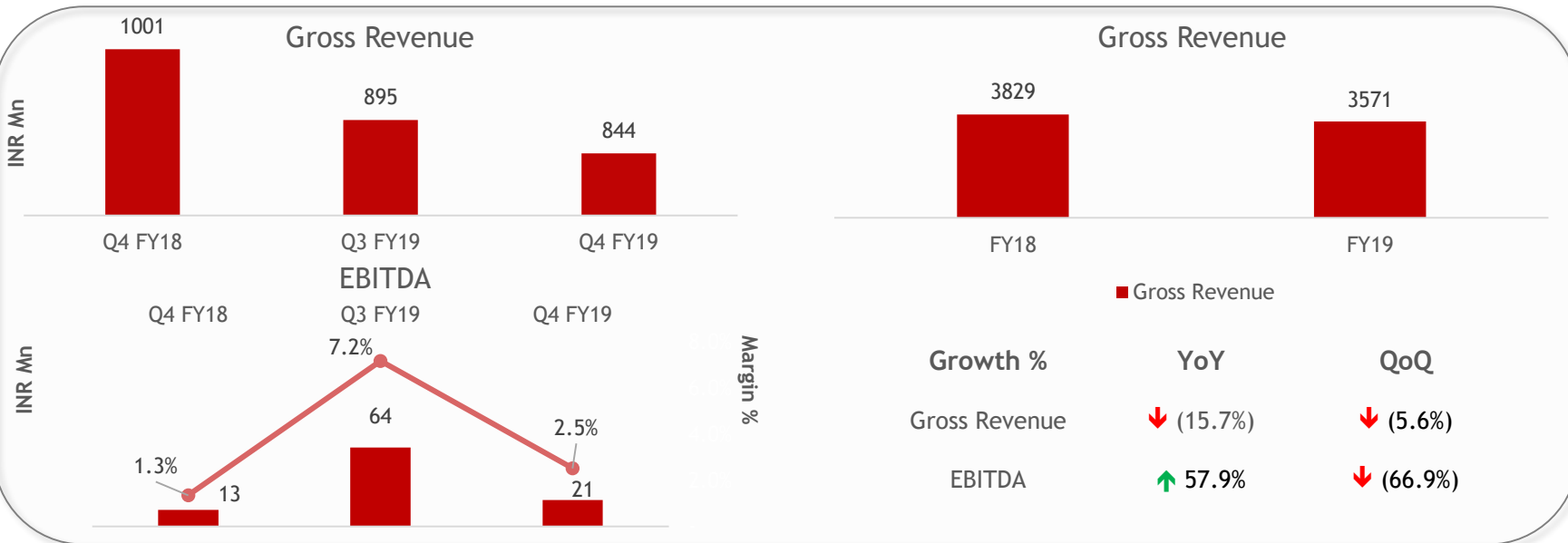
- Net debt was at USD 1,232 Mn a decrease of USD 55 Mn over last quarter due to stronger working capital management
- Average cost of borrowing is at 3.86%; this has marginally increased due to average LIBOR movement from 2.35% in Q3 to 2.50% in Q4

# PERFORMANCE HIGHLIGHTS | TCTSL - STANDALONE



- Transformation services revenue witnessed a growth of 11.3% on a full year basis due to execution of deals in the pipeline
- EBITDA declined 34.4% on a full year basis due to customer exit, timing mismatch between loss of revenue and cost realignment and shift in revenue in favour of domestic business
- As part of our long-term strategy, in the later part of the year, we took up a few deals at lower margin to showcase our capabilities

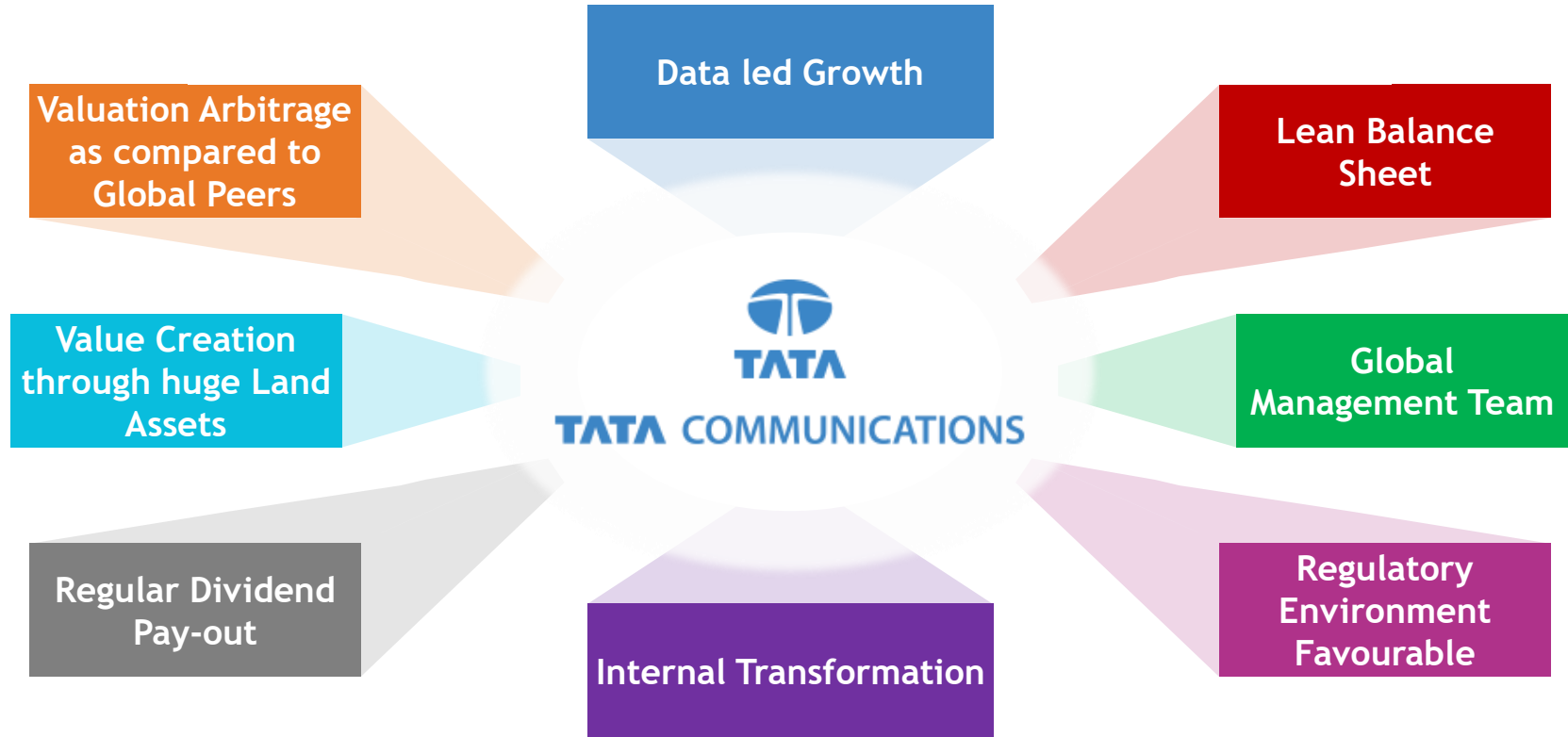
# PERFORMANCE HIGHLIGHTS | TCPSL - STANDALONE



- Our payment solutions business de-grew 6.7% on a full year basis. However, Avg. txn. Per day went up from 80 in FY18 to 90 in FY19.
- We optimised our portfolio by closing 3395 less profitable ATMs, leading to an EBITDA of INR 5.2 crores. EBITDA was down this quarter, as we witnessed lower average transactions per day from 92 in Q3 to 88 in Q4.



# INVESTMENT THESIS



## KEY TAKE AWAY

- ❑ Riding on global data growth
- ❑ Digital Transformation and Cloud adoption to drive the business growth
- ❑ Transformation driving demand for SD WAN and network virtualisation services
- ❑ Positioned for the first time by Gartner in its 2017 Magic Quadrant for Managed Hybrid Cloud Hosting, Asia/Pacific as a niche player
- ❑ Positioned as “Leader” in Gartner magic quadrant for network services, global for 6th consecutive year.
- ❑ Working very closely with our large customers, we have identified 672 customers as deep engagement customers. These customers constitute 80% of our revenues
- ❑ Revamped GTM strategy has started to show positive results with an improvement both in funnel adds as well as in closed sales. Product penetration ratio (which is the number of products sold to each customer) of Top 300 customer has improved from 5.20 in Q4 FY18 to 5.25 in Q4 FY19.
- ❑ Growth services continued to witness strong momentum with a full year YoY growth of 15.1% and turned EBITDA positive in Q4
- ❑ IZO services grew by 111%, Media services grew by 393% and Mobility grew by 60% YoY
- ❑ FY19 Proposed dividend of INR 4.5/share which is 45% of face value of each share
- ❑ Demerger of surplus land approved by shareholders and NCLT, we are waiting for MCA approval post which scheme will become effective - After the transfer of surplus land, the company still holds close to 850 acres of land across various states, and the demerger will enable evaluation of options to monetise this land at a later stage
- ❑ Awarded as one of the ‘Best Companies to Work For®’ in Hong Kong, 2018, as per the Great Place to Work® Trust Index© and Culture Audit© 2017 - 2018.

# THANK YOU

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