



Q4 FY16 Earnings Update

27th May 2016

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Q4 and FY16 Performance Overview

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Financial Highlights (1/3)

Consolidated financial highlights

- **Performance reflects continued business momentum in line with strategic direction and investments**
 - Strong momentum in data both in traditional and growth services driving overall business
 - Consolidated FY16 revenues are up 3.2% Y-o-Y to Rs 205,548 mn and consolidated Q4 FY16 revenues are up 6.9% Y-o-Y to Rs 51,454 mn
 - Softness in Voice and start-up segment
- **Consolidated PBT for the year continues to be positive, despite absorbing exceptional items and one offs**
 - FY16 PBT at Rs 459.7 mn; Q4 FY16 PBT at Rs (1271.8) mn
 - Q4 PBT includes full impact of exceptional items
 - Normalized Core PBT (excluding one offs & exceptional items) continues to be in positive trajectory backed by strong operating performance in data segment

Financial Highlights (2/3)

Core financial highlights (1/2)

- Improving core business performance

Rs million	FY15	FY16
Reported Core EBITDA	24,245	26,823
Add: Actuarial impact of Canada pension fund	278	364
Normalized Core EBITDA	24,523	27,187
Normalized EBITDA as % of revenue from Ops	13.8%	14.6%

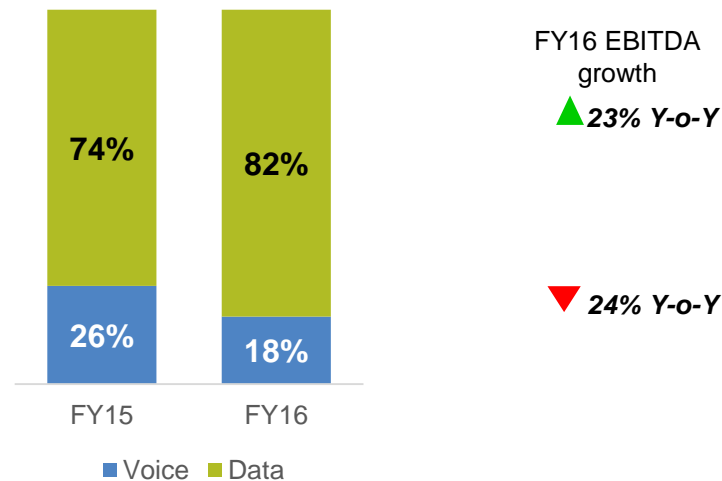
Reported Core Profit before tax and exceptional items	3,830	4,872
Add: Actuarial impact of Canada pension fund	278	364
Less: Other Income on Tax refund	1,309	451
Less: Other Op. Income towards export benefits	43	507
Normalized Core PBT	2,755	4,277

Improvement in Core EBITDA margins and PBT in spite of absorbing significant voice weakness

Financial Highlights (3/3)

Core financial highlights (2/2)

- **Composition of core business is steadily transforming in favor of data segment**
 - Quality of core business EBITDA is improving on the back of strong predictable performance from data segment
 - Strong and predictable data performance provides us ample headroom to absorb any volatility emerging from voice segment



Segment Highlights (1/2)

Data segment financial highlights – FY16

- **Data continues to register strong underlying growth**
 - FY16 revenues up 18% Y-o-Y; Q4 FY16 revenues up 23.5% Y-o-Y
 - Enterprise and Next-gen customers are leading growth. FY16 Enterprise revenues are up 23% Y-o-Y. Seeing early and promising signs of growth recovery in carrier / service provider segment
 - Broad based growth momentum across service lines with both traditional data portfolio and growth data portfolio doing well
 - Large wins in Transformation Services (TCTSL) driving healthy revenue and EBITDA growth
- **Progressing well on profitability and cash generation**
 - FY16 Data EBITDA up 23% Y-o-Y; Q4 FY16 EBITDA up 41% Y-o-Y. FY16 Data EBITDA margins at 21%.
 - Focus on White label ATMs in TCPSL is paying off; consistent improvement in transaction per White Label ATM.
 - FY16 Data FCF (EBITDA less Capex) positive

Segment Highlights (2/2)

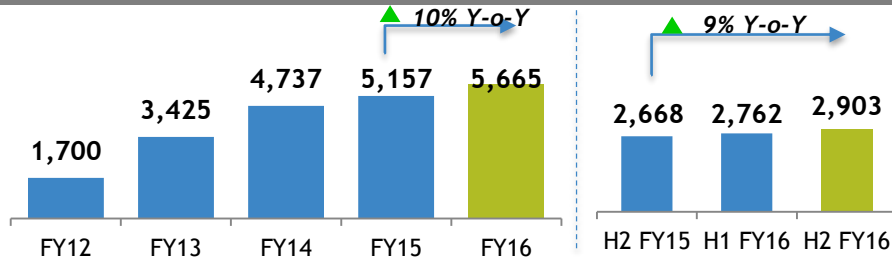
- **Weak voice segment driven by structural industry headwinds and competitive pressures**
 - Competitive pressure on volume and pricing remains
 - Structural industry level headwinds such as growing adoption of voice over internet protocol (VoIP) based over the top carriers (OTTs) is causing addressable market to shrink
 - FY16 revenues down 8.2%, Q4 FY16 revenues down 5.2 % Y-o-Y; lower volumes have impacted EBDITA margins for the year
 - Remain focused on driving cost and operating efficiencies coupled with fine tuning Go-to-Market approach
- **Start-up / Neotel**
 - Start-Up business performance in FY16 was weak given the depreciation in the local currency and slower momentum in project based revenues.
 - QoQ EBITDA down 69.4%: One time revenue & cost adjustments

PROGRESS ON TCPSL (PAYMENT SERVICES)

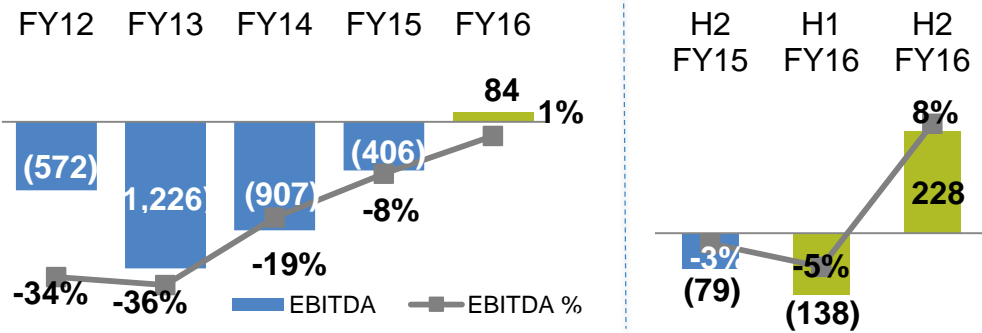
INR Million

TCPSL - Hitting operationally right milestones and making good progress on profitability roadmap

TCPSL Revenues



TCPSL EBITDA¹



- Efforts towards ATM portfolio rebalancing and rationalization is yielding consistent improvement across all operational parameters
- Witnessing consistent improvement in average daily transaction per indcash ATM (WLA) month after month
- Primary objective continues to be improvement in operating profitability
 - Opportunistically rationalizing BLA/MOF ATM portfolio with an eye on profitability
 - Minimal further net additions on BLA/MOF deployments
 - Sustained focus on cost, per unit cost economics and scale efficiencies
 - Leverage non-transaction based revenue streams
- Expect improvement trend in TCPSL EBITDA to sustain in FY17

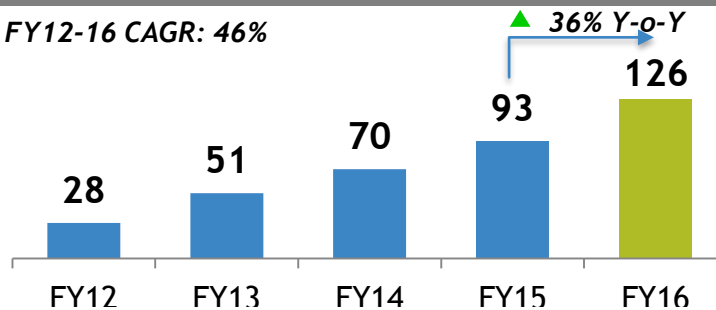
PROGRESS ON TCTS (TRANSFORMATION SERVICES)

USD Million

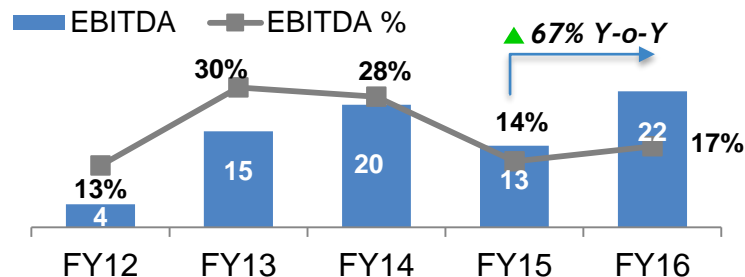
Strong revenue growth and improvement in operating margin profile

TCTS Revenues¹

FY12-16 CAGR: 46%



TCTS EBITDA¹



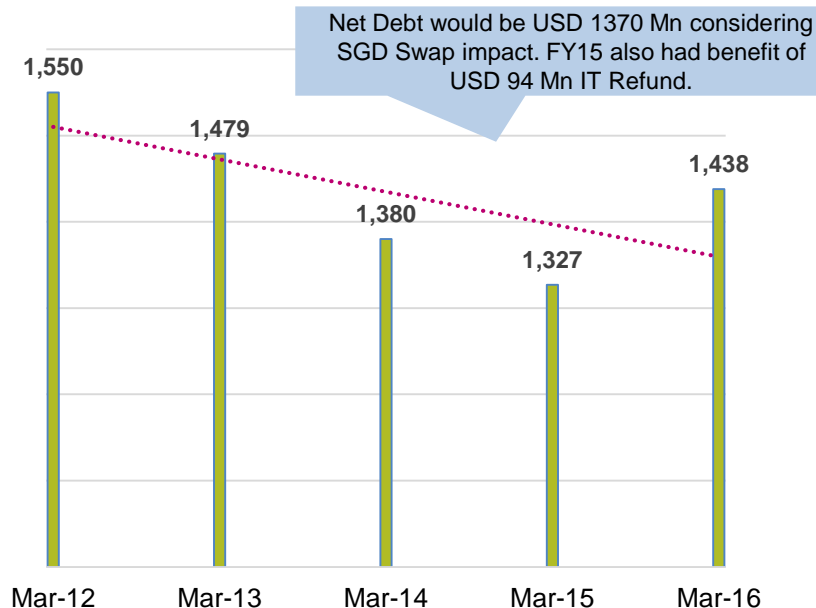
- **FY16 was a transformational year for TCTS business**
 - Landmark deal wins in newer areas (mobility, field support, India geography)
 - Expands our addressable opportunity and capabilities
 - There is 'cost of growth' of associated with these ramp-ups
- **Strong near term growth visibility**
 - Newer capabilities and sales coverage driving pipeline build-up
 - Building delivery capability to keep pace with funnel
- **Investments to support growth will continue**
 - Building bench, stepping up global sales and marketing, and investing towards newer capabilities
- **Expect sustained growth momentum and further improvement in profitability in FY17**
 - Maturity of operations on newer capabilities and operating & SG&A leverage to drive profitability
- **Capex light nature of TCTSL growth augurs well for us**
 - A very high ROCE scalable business

¹ Management estimates including group company and Tata Communications captive business on arms-length basis

Core business debt profile (1/2)

Core Business – Net Debt *

USD Millions



As on

*SGD 100 Mn Debt maturing in December 2016 is fully swapped into USD but appears at USD/SGD closing rates. As on 31st March 2016, considering closing rate of 1.3459 against hedge rate of 1.2564, net debt would be higher by \$5 mn if considered at the hedge rate.

Key highlights

- Cost of borrowing at 3.4% for FY16 & lowest ever at 3.14% for Q4
- Increase in FY16 net debt is due to change in business mix altering working capital cycle (driven by enterprise led data growth)
- Lower interest expense and moderate capex intensity with improved operating performance have set stage for core business deleveraging
- Increasing trend in US interest Rates expected to increase the average cost of borrowings in the medium term

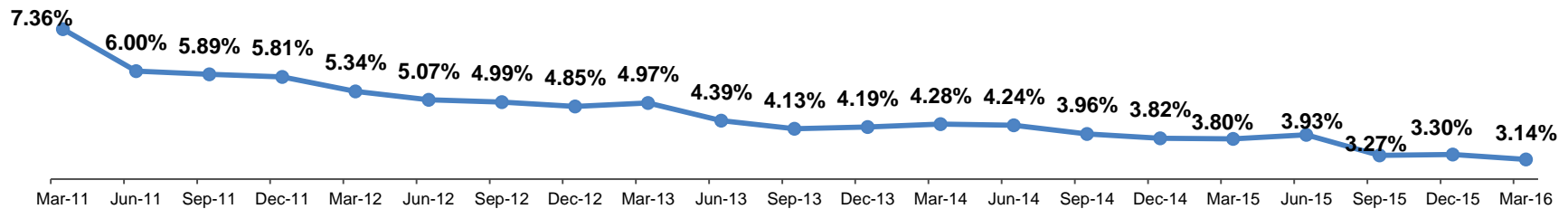
Core business debt profile (2/2)



Consistent reduction in average cost of borrowing has driven lower interest expense

- Replaced higher cost rupee debts with foreign currency borrowings, in-line with business currency mix
- Refinanced debt at competitive rates further driving reduction in average cost of loans

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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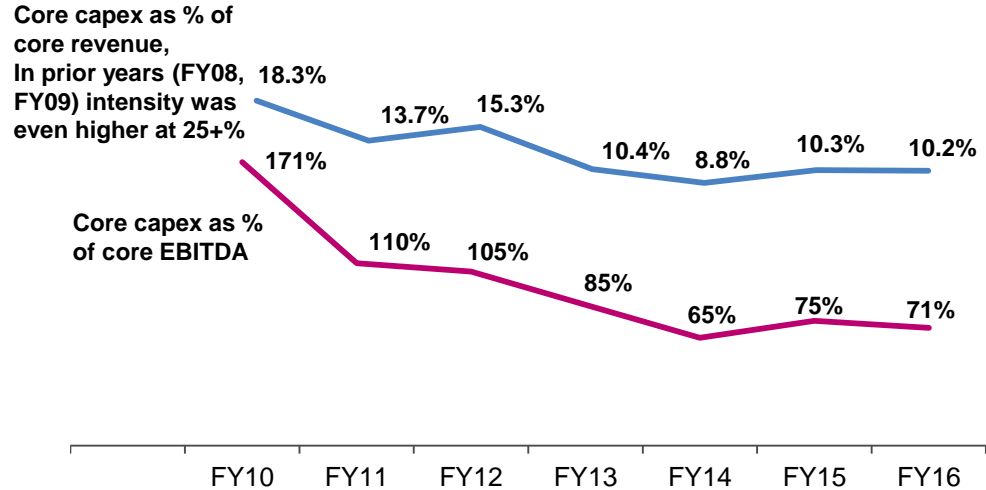
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Capital expenditure and cash generation

Core Business Capex - Key Highlights

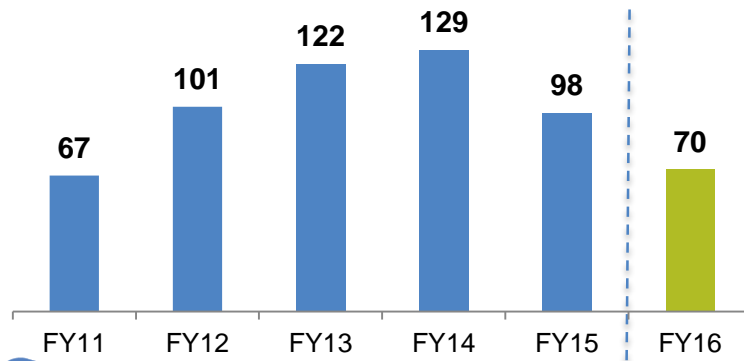
- Capex is closely aligned to market opportunity, strategic direction and has accelerated payback
- Current capex predominantly focused on strategic projects and Data growth
- Pursuing asset light, partnership driven growth strategy to minimize / substitute capex
- Recent uptick in capex is due to rapid growth in data center business, complex enterprise client deployments, new service creation and network investments
- Strong discipline and governance around capital allocation and expenditure
- Expect FY17 Core business capex to be about \$ 200 - 250 mn

Core Business Capex Intensity



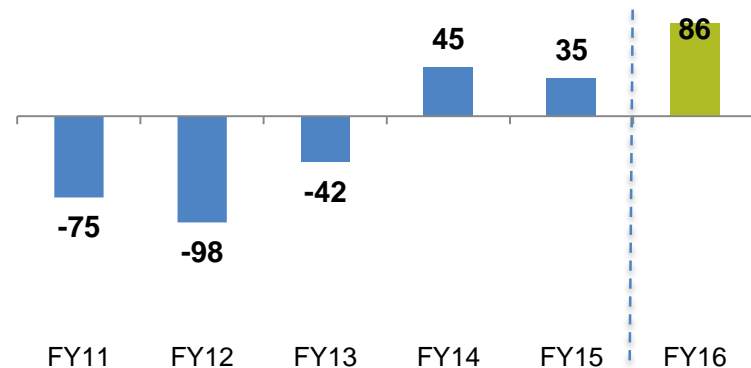
Voice Segment – Continues to generate free cash

GVS EBITDA less GVS Capex (\$ million)



Data Services – Positive FCF in spite of capex step-up

GDS EBITDA less capex for GDS and strategic projects (\$ million)



Note: FY14 and FY15 are like-to-like. FY13 and periods prior to that are not restated for recent sub-segment re-classifications.

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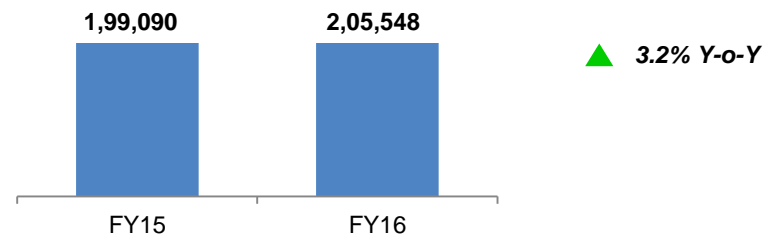
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Consolidated Financial Performance –FY 2016

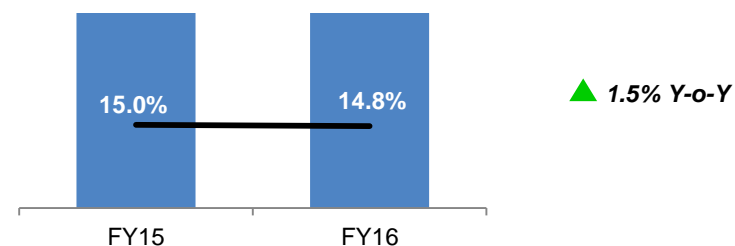
INR Mn

Particulars	FY2015	FY2016
Revenue from operations	1,99,090	2,05,548
Operating EBITDA	29,897	30,335
<i>Operating EBITDA %</i>	<i>15.0%</i>	<i>14.8%</i>
Operating EBIT	8,286	7,590
<i>Operating EBIT %</i>	<i>4.2%</i>	<i>3.7%</i>
<i>Exceptional Items (gain) / loss</i>	<i>1,052</i>	<i>2,586</i>
PBT	3,734	460
<i>PBT (% of total income)</i>	<i>1.8%</i>	<i>0.2%</i>
PAT	13	-2,118
<i>PAT (% of total income)</i>	<i>0.0%</i>	<i>-1.0%</i>

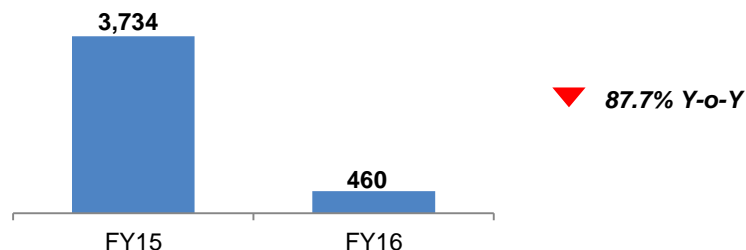
Revenue from Operations



Operating EBITDA and margins (% of Revenue from ops)



Profit Before Tax



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© 2015 Tata Communications Ltd. All rights reserved. TATA COMMUNICATIONS and FY16 and Q4 FY16 core and consolidated financials includes exceptional items (a) Employee cost optimization expenses amounting to Rs 1,028 mn (b) Loss of Rs 900 mn representing the impairment of Neotel goodwill and (c) loss of Rs 658 mn representing impairment of equity investments in Tata Teleservices Ltd. (TTSL)

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Financial Performance by Segment –FY 2016

INR Mn

	CORE		STARTUP		CONSOLIDATED	
	FY15	FY16	FY15	FY16	FY15	FY16
Gross Revenues	1,77,675	1,86,530	21,415	19,018	1,99,090	2,05,548
Y-o-Y Growth		5.0%		-11%		3.2%
EBITDA	24,245	26,823	5,652	3,512	29,897	30,335
Y-o-Y Growth		10.6%		-38%		1.5%
EBIT	4,859	6,385	3,427	1,205	8,286	7,590
Y-o-Y Growth		31.4%		-64.9%		91.6%
PBT	2,778	2,286	957	-1,826	3,734	460
PAT after Minority Interest	-942	-296	955	-1,822	13	-2,118

PAT (without exceptional Items)	110	2,290	955	-1,822	1,065	468
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FY15 Startup financials include an other income from profit on sale of customer premise equipment amounting to ZAR 126 million.

Q3 FY16 Startup financials include an one time depreciation impact of ZAR 52 mn, Q4 EBITDA down on account of lower project revenues of Zar 30mn and one time costs of Zar 60mn

Average Rs/\$ Exchange rate: FY15 at 61.13; FY16 at 65.44

Average Rs/ZAR Exchange rate: FY15 at 5.53; FY16 at 4.80

* PBT refers to PBT without exceptions

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Core Business by Business Unit – FY 2016

INR Mn

	Global Voice Services (GVS)		Global Data Services (GDS)	
	FY15	FY16	FY15	FY16
Gross Revenues	87,761	80,559	89,914	1,05,971
Y-o-Y Growth		-8.2%		17.9%
Net Revenue	12,445	10,893	63,901	75,083
Y-o-Y Growth		-12.5%		17.5%
EBITDA¹	6,360	4,822	17,886	22,001
EBITDA Margin %	7.2%	6.0%	19.9%	20.8%
EBIT¹	4,333	3,096	526	3,289
EBIT Margin %	4.9%	3.8%	0.6%	3.1%

¹ Management estimates based on internal MIS and cost allocation assumptions

Average Rs/\$ Exchange rate: FY15 at 61.13; FY16 at 65.44

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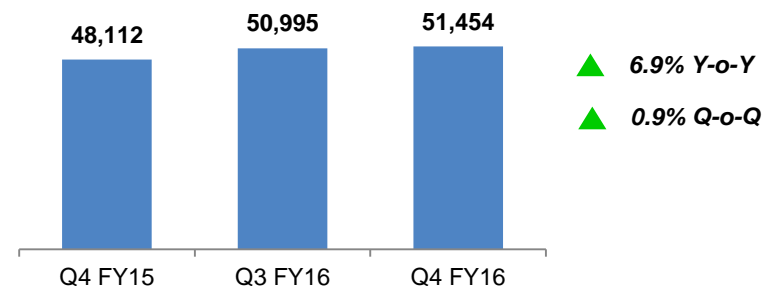
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Consolidated Financial Performance – Q4 FY 2016

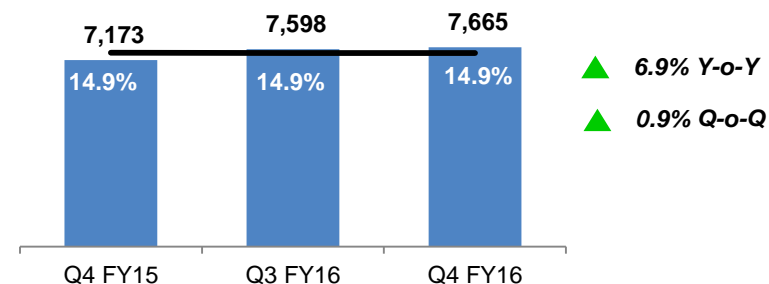
INR Mn

Q4 FY 2015	Particulars	Q3 FY 2016	Q4 FY 2016
48,112	Revenue from operations	50,995	51,454
7,173	Operating EBITDA	7,598	7,665
14.9%	<i>Operating EBITDA %</i>	14.9%	14.9%
1,556	Operating EBIT	1,691	2,113
3.2%	<i>Operating EBIT %</i>	3.3%	4.1%
431	PBT	69	1,314
0.9%	<i>PBT (% of total income)</i>	0.1%	2.6%
-1,783	PAT	219	-2,059
-3.7%	<i>PAT (% of total income)</i>	0.4%	-3.9%

Revenue from Operations



Operating EBITDA and margins (% of gross revenue)



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Financial Performance by Segment – Q4 FY 2016

INR Mn

	CORE			STARTUP			CONSOLIDATED		
	Q4 FY 2015	Q3 FY 2016	Q4 FY 2016	Q4 FY 2015	Q3 FY 2016	Q4 FY 2016	Q4 FY 2015	Q3 FY 2016	Q4 FY 2016
Gross Revenues	43,457	46,787	47,786	4,655	4,208	3,668	48,112	50,995	51,454
Y-o-Y Growth			10.0%			-21.2%			6.9%
Q-o-Q Growth			2.1%			-12.8%			0.9%
EBITDA	6,175	6,714	7,395	998	884	270	7,173	7,598	7,665
Y-o-Y Growth			19.7%			-72.9%			6.9%
Q-o-Q Growth			10.1%			-69.4%			0.9%
EBIT	1,120	1,525	2,381	436	165	-268	1,556	1,691	2,113
PBT	754	762	2,173	-323	-694	-859	431	69	1,314
PAT after Minority Interest	-1,459	910	-1,202	-323	-692	-857	-1,783	219	-2,059

QoQ EBITDA ~ down 69.4%: One time revenue & cost adjustments

Q3 FY16 Startup financials include an one time depreciation impact of ZAR 52 mn, Q4 EBITDA down on account of lower project revenues of Zar 30mn and one time costs of Zar 60mn

Average Rs/\$ Exchange rate: Q4 FY15 at 62.26; Q3 FY16 at 65.9 ; Q4 FY16 at 67.52

Average Rs/ZAR Exchange rate: Q4 FY15 at 5.31; Q3 FY16 at 4.67 ; Q4 FY16 at 4.26

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Core Business by Business Unit – Q4 FY 2016

INR Mn

	Voice Solutions			Data Services		
	Q4 FY 2015	Q3 FY 2016	Q4 FY 2016	Q4 FY 2015	Q3 FY 2016	Q4 FY 2016
Gross Revenues	20,555	19,826	19,491	22,902	26,961	28,295
Y-o-Y Growth			-5.2%			24%
Q-o-Q Growth			-1.7%			5%
Net Revenue	2,919	2,386	2,597	16,300	18,884	20,503
Y-o-Y Growth			-11%			26%
Q-o-Q Growth			9%			9%
EBITDA¹	1,611	862	946	4,564	5,853	6,449
EBITDA Margin %	7.8%	4.3%	4.9%	19.9%	21.7%	22.8%
Y-o-Y EBITDA Growth			-41%			41%
Q-o-Q EBITDA Growth			10%			10%
EBIT¹	1,132	414	632	-13	1,111	1,749
EBIT Margins %	5.5%	2.1%	3.2%	-0.1%	4.1%	6.2%

¹ Management estimates based on internal MIS and cost allocation assumptions

Average Rs/\$ Exchange rate: Q4 FY15 at 62.26; Q3 FY16 at 65.9 ; Q4 FY16 at 67.52

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Appendix 1 – Additional Slides

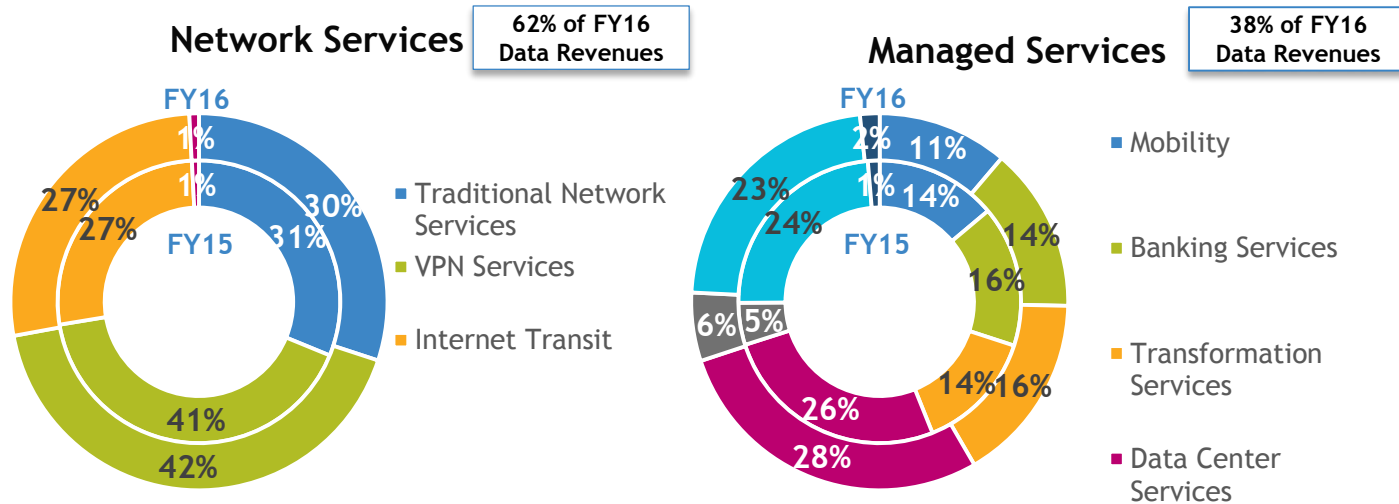
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GDMS | YoY Gross Revenue Product Mix FY16 over FY15



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 Portfolio:

Banking Services: TCPSL

Transformation Services: TCTSL

Data Center Services: Colocation, Hosting, Cloud (IaaS)

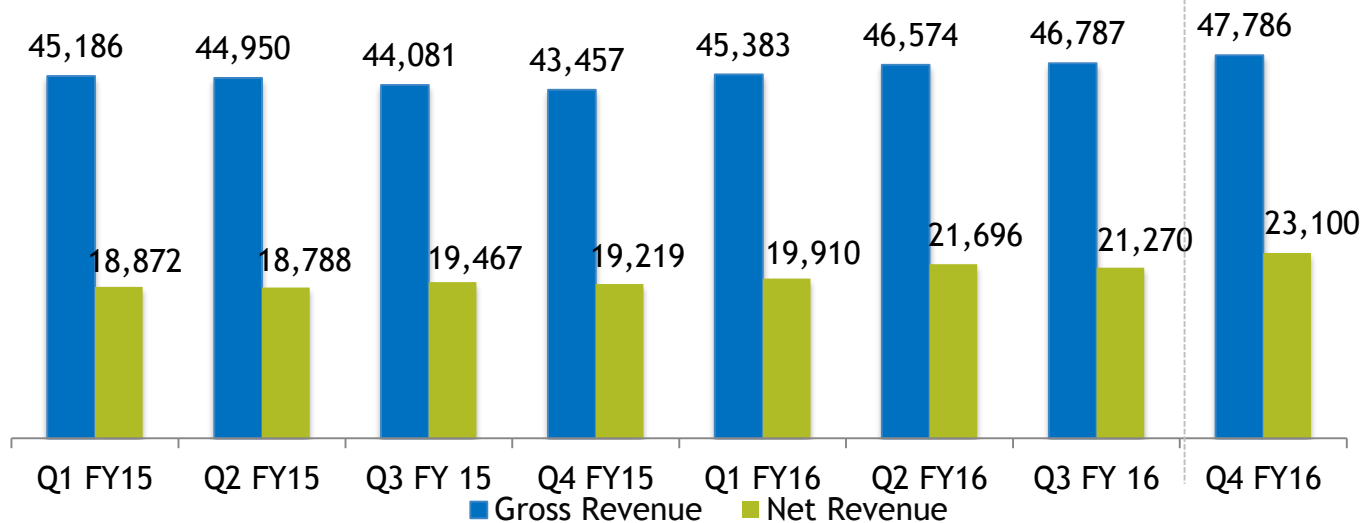
Media Services: Vconnect, Broadcast, CDN, Mosaic

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

Other: MSS, SaaS

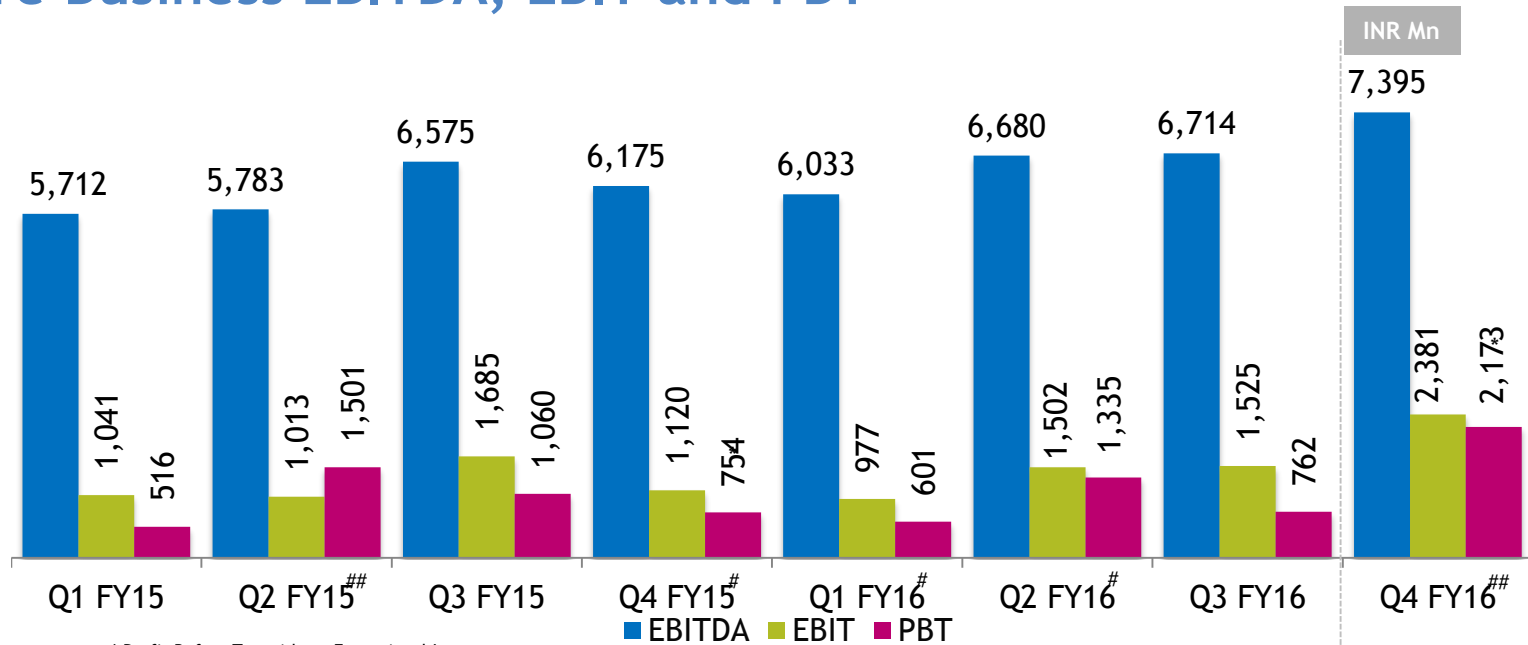
Core Business Gross and Net Revenues

INR Mn



Average Rs/\$ Exchange rate: Q1 FY15 at 59.78; Q2 FY15 at 60.58; Q3 FY15 at 61.91; Q4 FY15 at 62.26; Q1 FY16 at 63.43; Q2 FY16 at 64.91; Q3 FY16 at 65.90; Q4 F16 at 67.52

Core Business EBITDA, EBIT and PBT



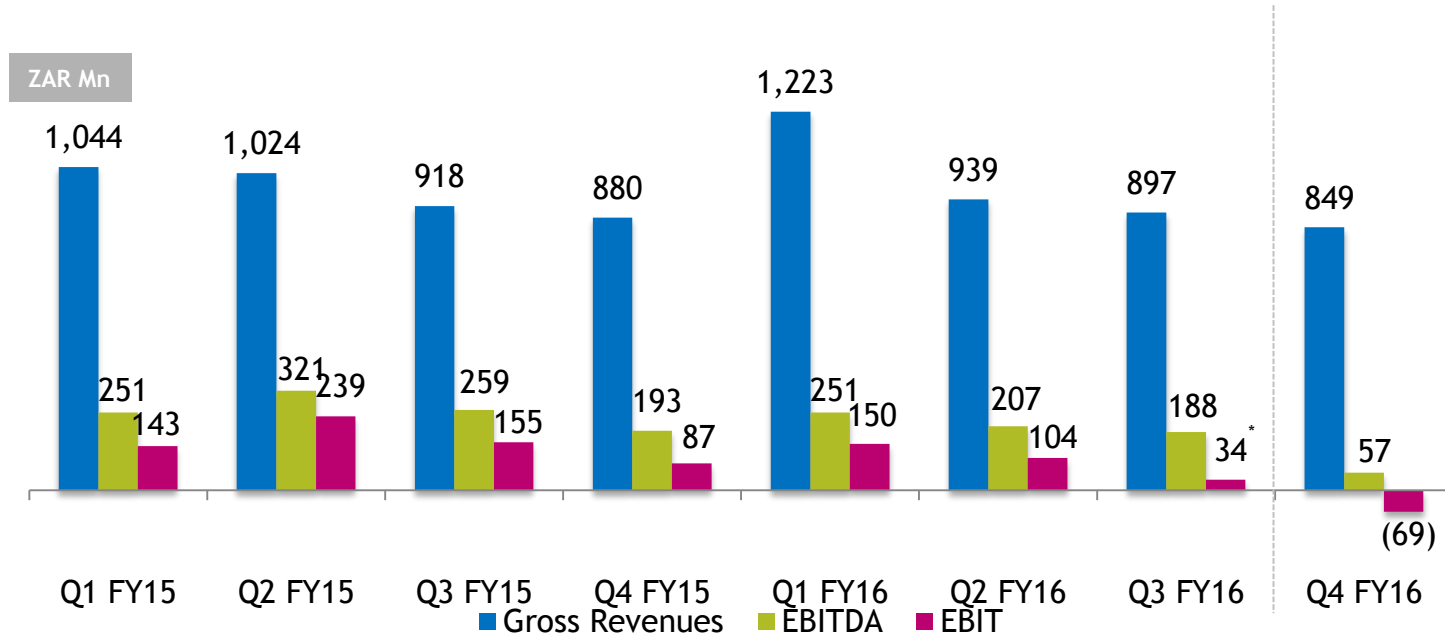
* Profit Before Tax without Exceptional Items

Q4 FY15, Q1 FY16 and Q2 FY16 PBT includes other operating Income of Rs 43 million, and Rs 264 million, Rs 243 million respectively, towards export benefits received

Q2 FY15 PBT includes interest on income tax refund of Rs 1,309 million and Q4 FY16 PBT includes interest on income tax refund of Rs 451 million

Average Rs/\$ Exchange rate: Q1 FY15 at 59.78; Q2 FY15 at 60.58; Q3 FY15 at 61.91; Q4 FY15 at 62.26; Q1 FY16 at 63.43; Q2 FY16 at 64.91; Q3 FY16 at 65.90; Q4 F16 at 67.52

QUARTERLY TRENDS : NEOTEL

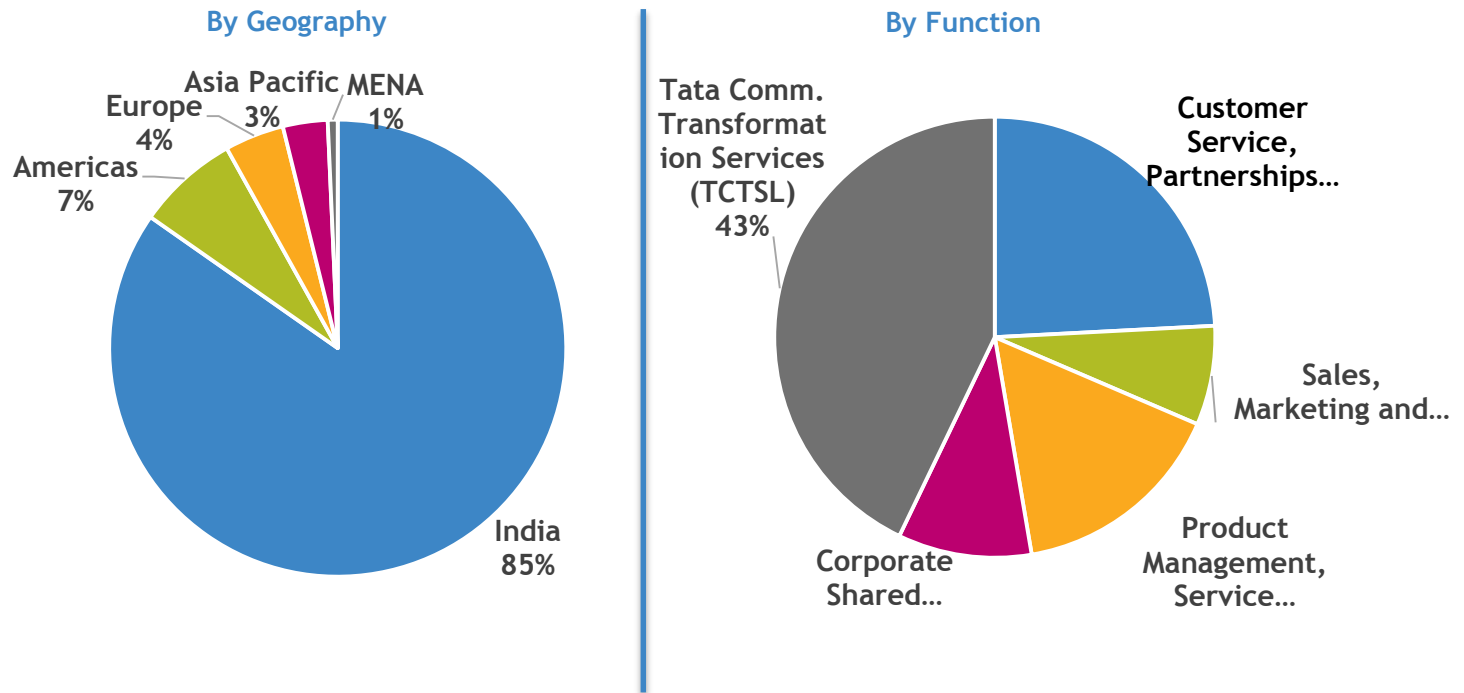


Q3 FY16 Startup financials include an one time depreciation impact of ZAR 52 mn, Q4 EBITDA down on account of lower project revenues of Zar 30mn and one time costs of Zar 60mn

Average Rs./ZAR Exchange rate: Q1 FY15 at 5.67; Q2 FY15 at 5.63; Q3 FY15 at 5.53; Q4 FY15 at 5.31; Q1 FY16 at 5.24; Q2 FY16 at 5.01; Q3 FY16 at 4.67; Q4 FY16 at 4.26

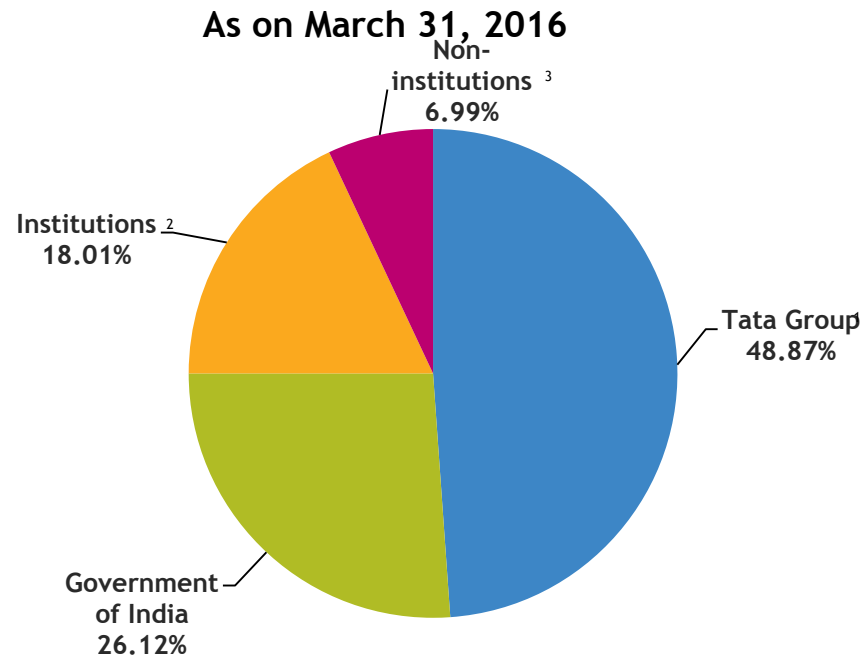
HEADCOUNT SPLIT BY GEOGRAPHY AND FUNCTION

9,706* Employees in Core business as on March 31, 2016



* In addition to this, the company has 1,004 employees in its South Africa Operations (Neotel)

SHAREHOLDING PATTERN



1. Tata group includes Panatone Finvest Ltd (30.10%), Tata Sons (14.07%), and Tata Power Ltd. (4.71%)
2. Institutions include Mutual funds (6.24%), Foreign portfolio investors (3.32%), Financial institutions / Banks (4.57%), Insurance companies (0.56%), and others (3.33%)
3. Non-institutions include individuals (4.23%), NBFC registered with RBI (0.1%) and others (2.75%)

Any discrepancies in numbers between totals and sums of the amounts listed are due to rounding off.

APPENDIX 2 - INTRODUCTION AND OVERVIEW OF TATA COMMUNICATIONS



COMPANY OVERVIEW

- Tata Communications Limited ('TCL') is a leading provider of enterprise & wholesale Data Services and wholesale long distance Voice Solutions
- 48.9% owned by the Tata Group, which is one of India's largest and most reputed multinational conglomerates
- Business consists of 3 segments: Voice Solutions, Data Services and Start-ups (primarily South Africa Operations - Neotel)
- Leader in enterprise data services & wholesale long distance voice services in India; and international voice services, wholesale connectivity and mobile signaling globally
- Total 10,710 employees as of Mar'16. 1,004 employees in the South African operations and 9,706 in core business (Data+Voice)

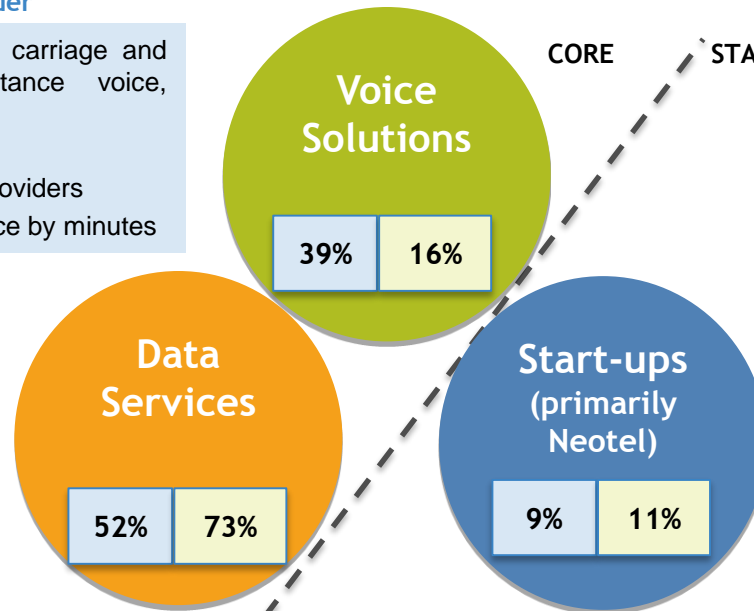
Business Model

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 wholesale 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)

- **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

% of gross Revenue ²	% of EBITDA ²
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¹ Start-ups also includes United Telecom Limited (UTL) Nepal (26.66% shareholding) besides Neotel (67.32% shareholding)

² for the year ended Mar'16 (FY16)

TATA COMMUNICATIONS' TRANSFORMATION AND GROWTH

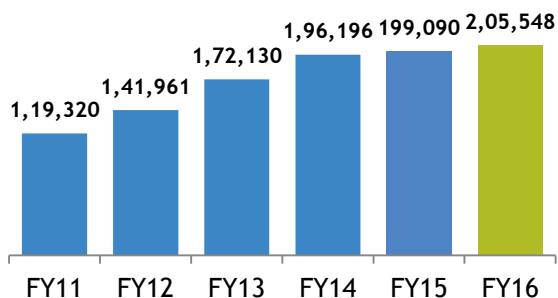


Gartner, Inc "Magic Quadrant for Network Services, Global" Neil Rickard, Bjarne Munch, 14 January 2016. Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organisation 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.

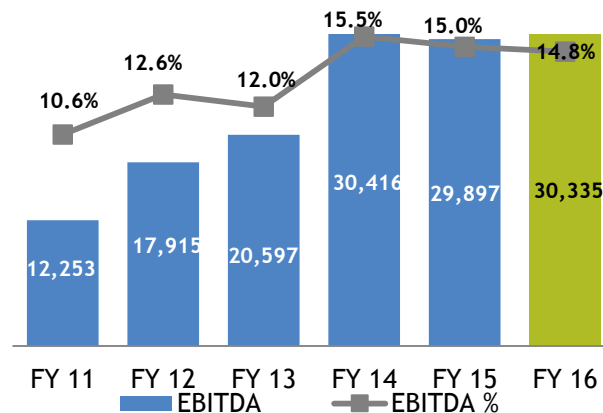
SUSTAINED PROFITABLE GROWTH OVER THE YEARS

Summary Financials

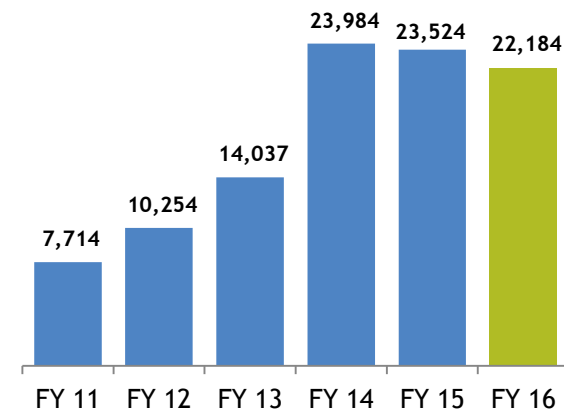
Consolidated Revenue from Operations (INR mn)



Consolidated EBITDA (INR mn)



Consolidated Cash Profit¹ (INR mn)



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

- Sustained revenue growth momentum - Data segment continues to grow in double digits outpacing industry and peers growth rates
- FY16 performance adversely impacted by weak Neotel performance and challenging operating environment in wholesale voice business
- Operating leverage and strong cost discipline driving significant cost efficiencies across all elements of the cost structure, including re-alignment of skills
- Data and core business EBITDA margin improvement over last 4-years, while continuing to step up investments in transforming the business and expanding it to attractive value chain adjacencies
- Continue to generate significant cash profits

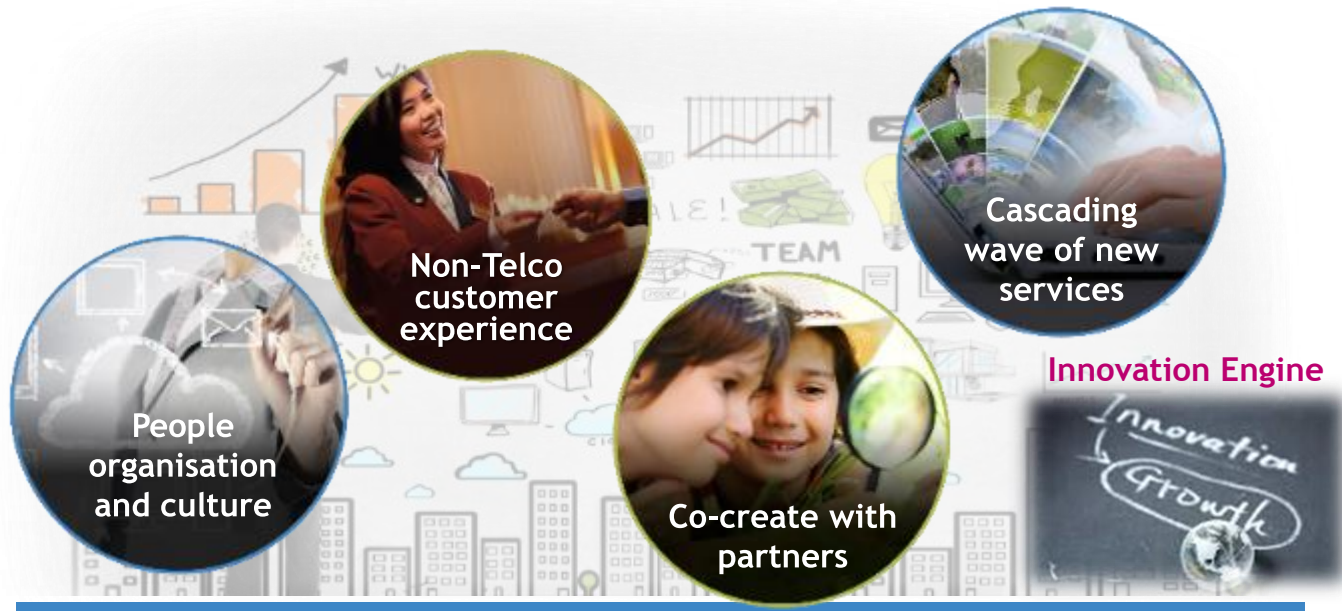
WE ARE CREATING NEW, STRATEGIC PIVOTS



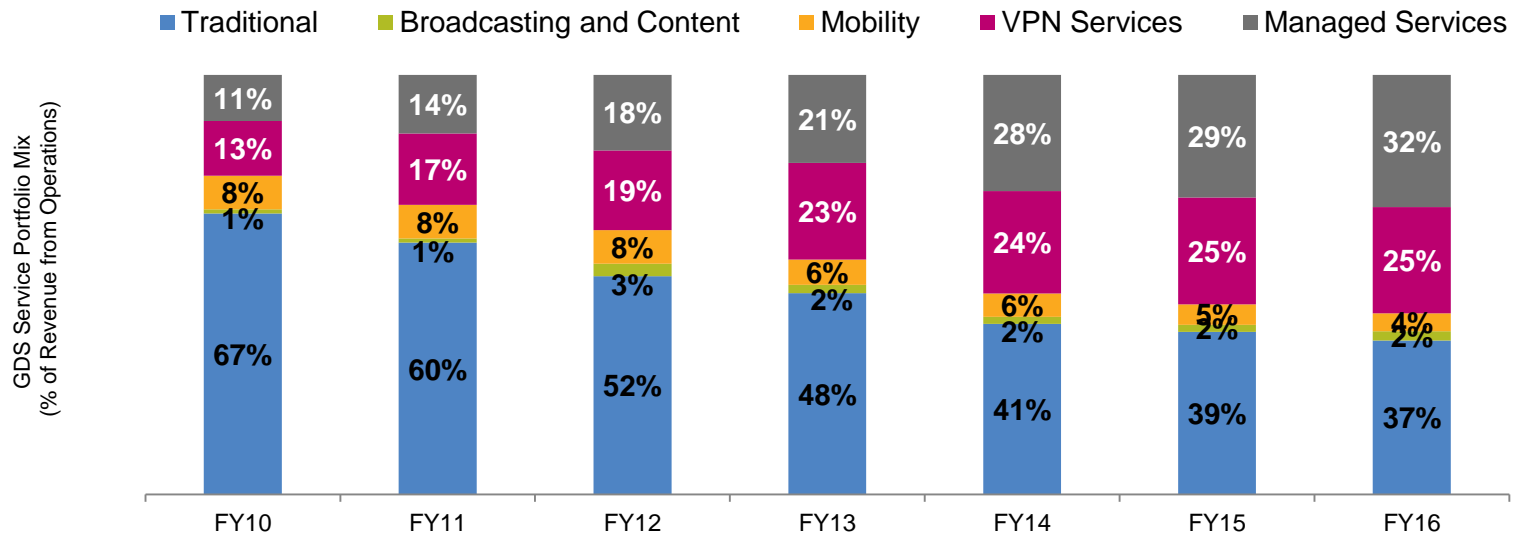
Develop 'Sharing Economies' ecosystem in ICT space

Create public - private / hybrid model

TATA COMMUNICATIONS - STRATEGY EVOLUTION



DATA PORTFOLIO CONTINUES TO EVOLVE BEYOND TRADITIONAL SERVICES



Service Portfolio Traditional Services: IPL, NPL, IP-T, IRUs, ILL, DIA **Managed Services:** Data Center Services, Unified Communications and Collaboration Services (UCC), Transformation Services (TCTSL), Payment Services (TCPSL), **Mobility :** Signalling services, **VPN Services :** MPLS,VNO, Ethernet

WE WILL CONTINUE TO ACCELERATE OUR SUCCESS

- We have **global scale** and **reach**
- We are **building our brand** and **gaining Industry recognition**
- We are becoming embedded in the **Silicon Valley innovation ecosystem**
- We are the only **enterprise global leader** with a dedicated team **engaging the platform ecosystem**
- We are **fast, flexible** and **responsive**
 - our **challenger mindset** with **partnering DNA** makes us an ideal partner



We are at a strategic inflection point



Vision

deliver **A New World of Communications**
to advance the reach and leadership of
our customers and partners

Raison d'être: power the internet economy and globalisation



THANK YOU

<http://tatacommunications-newworld.com> | www.youtube.com/user/tatacomms

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