

Tata Communications | BUY

Revenue growth in-line; but EBITDA impacted by one-offs

Tata Communications' (TCOM) consolidated revenue was a tad better than expected at INR 59.9bn (up 3.3% QoQ and 5.2% YoY) vs. JMFe/consensus of INR 59.6bn/INR 59.7bn. Data revenue was a little higher than JMFe at INR 51bn due to slightly better core connectivity revenue while digital portfolio revenue was in line. Further, the management indicated that order book growth normalised and funnel additions moderated QoQ in 4QFY25, but the overall funnel continues to be healthy across India and internationally. However, consolidated EBITDA was 6-8% lower than JMFe/cons at INR 11.2bn due to multiple one-offs; the management expects EBITDA margin to normalise in 1QFY26. Further, it has maintained its guidance on margins gradually inching up from the current ~20% to 23-25% by FY27, driven by operating leverage and synergy benefits from acquisitions. We maintain our BUY rating on TCOM (revised TP of INR 2,000/share) based on 11x FY27 EV/EBITDA multiple for the data segment, (vs. 5-year historical average of 10.4x) as we expect data segment EBITDA to grow at a robust CAGR of ~24% over FY25-28E.

- **Data revenue a tad better than JMFe at INR 51bn due to slightly higher core connectivity revenue, while digital portfolio revenue was in line:** Consolidated revenue was a tad better than expected at INR 59.9bn (up 3.3% QoQ and 5.2% YoY) vs. JMFe/consensus of INR 59.6bn/INR 59.7bn. Data revenue was slightly higher at INR 51bn (up 3.9% QoQ and 9.6% YoY) vs. JMFe of INR 50.6bn due to: **a)** slightly better-than-expected core connectivity revenue at INR 26.6bn (up 2.5% QoQ and up 3.2% YoY); and **b)** largely in-line digital portfolio revenue at INR 24.4bn (up 5.5% QoQ and up 17.5% YoY). Core connectivity revenue grew 2.5% QoQ while digital portfolio revenue grew 5.5% QoQ and 17.5% YoY, led by robust growth in cloud and cyber-security (up 18.9% QoQ and 28.8% YoY aided by deals signed in 1HFY25 translating into revenue in 4QFY25), media (up 13.9% QoQ and 13.9% YoY) and incubation portfolio (up 17.7% QoQ and 57.4% YoY). However, collaboration & CPaaS segment revenue was down 2.9% QoQ due to seasonality in the CPaaS business and a temporary customer-specific issue, though it was still up 8.8% YoY. Further, the management shared that no customer deal got cancelled due to the US tariff-led macro uncertainty, but few deals expected to be closed in 4QFY25 got rolled over to 1QFY26. Funnel additions have also moderated QoQ in 4QFY25 but overall funnel continues to be healthy across India and internationally.
- **Cons EBITDA 6-8% lower than JMFe/cons at INR 11.2bn due to multiple one-offs; management expects EBITDA margin to normalise in 1QFY26:** Reported EBITDA was 6-8% lower than JMFe/consensus at INR 11.2bn (down 5% QoQ but up 6.2% YoY) due to multiple one-offs: **a)** spillover of cable cuts-related expenditure (though cable cut issue was largely resolved in 3QFY25); **b)** marketing expenses incurred in respect of the newly launched Vayu cloud platform; **c)** temporary customer-specific issue in the collaboration and CPaaS segment. Further, it was impacted by: **a)** adverse revenue mix with higher growth in the low-margin digital portfolio and **b)** continued provisioning done against receivables in the SAARC region due to geopolitical factors. Hence, EBITDA margin declined to 18.7% in 4QFY25 (vs. 20.4% in 3QFY25). However, the management guided



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	2,000
Upside/(Downside)	26.3%
Previous Price Target	2,030
Change	-1.5%

Key Data – TCOM IN

Current Market Price	INR1,584
Market cap (bn)	INR451.6/US\$5.3
Free Float	40%
Shares in issue (mn)	285.0
Diluted share (mn)	285.0
3-mon avg daily val (mn)	INR717.7/US\$8.4
52-week range	2,175/1,291
Sensex/Nifty	80,116/24,329
INR/US\$	85.4

Price Performance

%	1M	6M	12M
Absolute	-1.6	-10.9	-9.2
Relative*	-4.2	-11.0	-16.3

* To the BSE Sensex

Financial Summary

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	2,07,847	2,31,086	2,43,880	2,69,958	3,02,315
Sales Growth (%)	16.5	11.2	5.5	10.7	12.0
EBITDA	43,172	45,690	53,654	61,550	71,951
EBITDA Margin (%)	20.8	19.8	22.0	22.8	23.8
Adjusted Net Profit	13,591	9,338	16,377	22,338	28,513
Diluted EPS (INR)	47.7	32.8	57.5	78.4	100.0
Diluted EPS Growth (%)	-21.0	-31.3	75.4	36.4	27.6
ROIC (%)	17.4	10.5	15.3	18.9	22.6
ROE (%)	82.3	38.8	46.5	47.5	45.5
P/E (x)	33.2	48.3	27.6	20.2	15.8
P/B (x)	25.3	14.9	11.2	8.4	6.3
EV/EBITDA (x)	12.6	12.1	10.2	8.7	7.2
Dividend Yield (%)	1.1	1.6	1.4	1.9	2.5

Source: Company data, JM Financial. Note: Valuations as of 23/Apr/2025

JM Financial Research is also available on:
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Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

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for EBITDA margin to return to normative levels (of 20.4% seen in 3QFY25) in 1QFY26 and also maintained its guidance on margins gradually inching up to 23-25% by FY27, driven by operating leverage and synergy benefits from acquisitions. Core business EBITDA margin (ex-Kaleyra and Switch) was already 23.3% in FY25. Further, PAT was significantly higher at INR 10.4bn vs. JMFc/consensus of INR 3.4bn /INR 3.1bn, due to **a)** exceptional gain of INR 6.6bn on sale of property situated at Ambattur, Chennai; and **b)** one-time gain of INR 3.1bn on sale of white-label ATM business subsidiary (TCPSL).

- **Capex moderated QoQ to INR 6bn (vs. INR 7.5bn in 3QFY25); net debt also down QoQ to INR 94bn, aided by cash flows from the land sale and the TCPSL divestment:** Capex moderated QoQ to INR 6.0bn in 4QFY25 (vs. INR 7.5bn in 3QFY25); FY25 capex was at INR 23.3bn vs. INR 20.3bn in FY24. Net debt was also lower at INR 93.8bn at end-FY25 or net debt to EBITDA of 2.1x (vs. INR 105bn at end-3QFY25 or net debt to EBITDA of 2.2x and INR 91.3bn at end-FY24 or net debt to EBITDA of 2.2x), aided by cash flows from the land sale and the TCPSL divestment. Further, the management reiterated its ambition of bringing net debt to EBITDA down to under 2x.
- **Maintain BUY rating on TCOM with revised TP of INR 2,000:** We have cut our FY26-FY27 revenue/EBITDA estimates by up to 1%, factoring in the 4QFY25 results; hence our TP is marginally cut to INR 2,000 (from INR 2,030). We are building in a robust ~24% data segment EBITDA CAGR over FY25–28E driven by **a)** strong growth in digital portfolio, positioned strongly across key megatrends like cloud, AI, IoT etc.; **b)** overall EBITDA margin improving from current ~20% to ~23% by FY27 (lower end of management guidance of 23%-25%) as operating leverage and acquisition synergies are likely to be partly offset by adverse revenue mix. Hence, we reiterate our BUY rating on TCOM with a revised target price of INR 2,000/share, based on an 11x FY27 EV/EBITDA multiple for the data segment (vs. 5-year historical average of 10.4x). Key risks: **a)** weak global macro leading to deferment in discretionary tech spends; **b)** significant delay beyond FY27 to get to positive EBITDA margin in Digital portfolio segment; **c)** adverse AGR ruling.

4QFY25 concall takeaways

1) Macro environment: No deal cancellation due to US tariff-led macro uncertainty though funnel additions have moderated QoQ, normal order book growth continues

a) sales funnel continues to be healthy and diversified across India and internationally though funnel additions have moderated QoQ in 4QFY25;

b) the company does **not see any direct immediate implication of US tariff on order flow but there is some caution at the customer's end**; hence, though the company **hasn't seen any deal cancellation**, a few deals expected to be closed in 4QFY25 got rolled over to 1QFY26;

c) **order book growth remained at normalised levels in 2HFY25**, after witnessing robust growth in 1HFY25;

d) **TCOM won a large multi-fabric deal** with an integrated healthcare solutions provider in APAC and a network fabric deal with a high-tech telecom manufacturer in Europe in 4QFY25.

2) Margins: Decline in EBITDA margin from 20.4% in 3QFY25 to 18.7% in 4QFY25 was primarily due to one-offs; expects margin to normalise in 1QFY26: a) spillover of cable cuts-related expenditure (though cable cut issue was largely resolved in 3QFY25); b) marketing expenses incurred in respect of newly launched Vayu cloud platform; c) temporary customer-specific issue in collaboration and CPaaS segment.

Further, **margin was impacted by:** a) **adverse revenue mix** with higher growth in the low-margin digital portfolio and b) continued provisioning **done against receivables** in the SAARC region due to geopolitical factors (full year impact of same was 0.5% in FY25). The management guided for **EBITDA margin to return to normative levels (of 20.4% seen in 3QFY25) in 1QFY26**.

3) Management remains committed to EBITDA margin ambition of 23%-25% by FY27 (vs. 19.8% in FY25) once its organic growth initiatives and acquisitions (Kaleyra and Switch) in the digital portfolio segment results in significant operating leverage benefits. Core business EBITDA margin (ex-Kaleyra and Switch) was already 23.3% in FY25.

4) Decline in Collaboration and CPaaS revenue temporary: The management attributed 2.9% QoQ decline in Collaboration and CPaaS segment to a temporary customer-specific issue and to seasonality of the CPaaS business.

5) Justified acquisitions though agree margin improvement has been delayed: The management expressed satisfaction with the capabilities that have come with the acquisition of Kaleyra and Switch; it has helped them secure deals in media (world athletics deal, LATAM deal etc.) though the company said that margin did not improve as quickly as anticipated. The management said that it is cutting down on the low-margin business, which could improve Kaleyra's profitability.

6) Reiterated net debt to EBITDA target of under 2x, and FCF to be used to build war chest for organic & inorganic growth: Net debt was lower at INR 93.8bn at end-FY25 or net debt to EBITDA of 2.1x (vs. INR 105bn at end-3QFY25 or net debt to EBITDA of 2.2x; was at INR 91.3bn at end FY24 or net debt to EBITDA of 2.2x) aided by cash flows from the land sale and the TCPSL divestment. Further, the management reiterated its ambition of bringing net debt to EBITDA down to under 2x. It restated its dividend policy of paying 30-50% of consolidated profits and said excess FCF would be retained to build a war chest for funding growth organically and inorganically.

7) Reiterated asset monetisation in the non-core business is likely to continue; will maintain its 26% stake in STT's India data centre business: The management highlighted significant progress on multiple strategic initiatives: a) TCPSL divestment; b) large land parcel monetisation; c) improvement in the profitability of TCTSL by pulling out of an onerous contract; and d) dilution in stake in Netfoundry from 100% to 11.5%. Further, it shared that this strategic review would continue and there were more land parcels to monetise though it expressed difficulty in setting a timeline. It reiterated its **stance of maintaining 26% stake in STT's India data centre business** and said the company will participate in any capital-raise done by STT to maintain its stake.

4QFY25 result review

Exhibit 1. Consolidated quarterly snapshot

INR mn	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	QoQ (%)	YoY (%)
Revenue	47,714	48,725	55,878	56,917	56,334	57,279	57,981	59,904	3.3%	5.2%
Operating costs	37,473	38,571	44,347	46,354	45,092	45,985	46,171	48,683	5.4%	5.0%
-Netw ork Expenses	16,733	18,007	22,775	23,333	23,638	24,600	25,134	27,125	7.9%	16.3%
-Staff Expenses	10,435	10,723	11,363	11,755	11,446	11,748	11,240	11,361	1.1%	-3.4%
-Other costs	10,305	9,841	10,209	11,267	10,008	9,637	9,797	10,197	4.1%	-9.5%
Reported EBITDA	10,240	10,155	11,531	10,563	11,242	11,294	11,810	11,221	-5.0%	6.2%
Depreciation & Amortization	5,797	6,051	6,030	6,658	6,474	6,482	6,371	6,725	5.5%	1.0%
EBIT	4,443	4,103	5,501	3,905	4,768	4,812	5,438	4,496	-17.3%	15.1%
Net interest cost	1,310	1,374	1,845	1,882	1,722	1,894	1,869	1,824	-2.4%	-3.0%
Other Income	1,886	254	70	570	263	100	287	688		
Extraordinary	20	0	-1,855	-521	857	429	-149	8,890		
Profit Before Tax	5,039	2,983	1,871	2,072	4,167	3,447	3,707	12,249	230.4%	491.2%
Tax	1,306	779	1,135	-1,085	868	976	1,262	1,759		
PAT from discontinued operations			-334			-238	-207	-319		
Share in profit of associates	85	3	45	55	29	40	121	232		
Reported PAT	3,817	2,207	448	3,212	3,328	2,272	2,360	10,403	340.9%	223.9%
Reported EPS	13.4	7.7	1.6	11.3	11.7	8.0	8.3	36.5	340.9%	223.9%
Tax/PBT (%)	26%	26%	61%	-52%	21%	28%	34%	14%		
Reported EBITDA margin (%)	21.5%	20.8%	20.6%	18.6%	20.0%	19.7%	20.4%	18.7%		
Netw ork Opex (as % of revenue)	35.1%	37.0%	40.8%	41.0%	42.0%	42.9%	43.3%	45.3%		

Source: Company, JM Financial.

Exhibit 2. Net debt declined QoQ by INR 11bn to INR 94bn in 4QFY25; Net Debt to EBITDA stood at 2.1X at end 4QFY25

INR bn	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25		
Gross Debt	74	77	103	101	106	113	110	109		
Foreign Currency Loans	72	56	75	73	77	80	77	76		
INR Loans	2	21	29	28	30	33	33	33		
Cash & Cash Equivalent	14	7	10	10	10	8	5	15		
Net Debt	60	70	93	91	96	105	105	94		
Net Debt to EBITDA (X)	1.5	1.7	2.0	2.2	2.1	2.3	2.2	2.1		
Weighted Average Cost of Debt (%)	5.6%	5.6%	6.3%	5.9%	5.9%	5.8%	5.6%	5.3%		

Source: Company, JM Financial.

Exhibit 3. Segment-wise capex break-up and capex intensity

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	QoQ (%)	YoY (%)
Capex (INR Mn)										
Voice	7	68	22	51	6	26	31	28	-9.9%	-45.5%
Data	3,838	4,664	4,524	4,531	3,927	4,754	6,981	5,359	-23.2%	18.3%
Core Connectivity	3,120	3,405	3,064	3,112	2,073	3,415	3,750	2,774	-26.0%	-10.9%
Digital Portfolio	718	1,259	1,460	1,419	1,854	1,339	3,231	2,585	-20.0%	82.2%
Others	501	633	682	763	627	499	521	609	16.8%	-20.2%
Total	4,347	5,364	5,228	5,344	4,560	5,278	7,533	5,995	-20.4%	12.2%
Capex intensity (i.e. capax as % of gross revenue)										
Voice	0.2%	1.6%	0.5%	1.2%	0.2%	0.6%	0.7%	0.7%		
Data	9.8%	11.7%	9.8%	9.7%	8.4%	9.9%	14.2%	10.5%		
Core Connectivity	12.5%	13.4%	12.2%	12.1%	8.1%	13.1%	14.5%	10.4%		
Digital Portfolio	5.1%	8.7%	7.0%	6.8%	8.7%	6.1%	14.0%	10.6%		
Others	11.3%	13.9%	12.4%	12.5%	12.0%	10.5%	10.8%	11.7%		
Total	9.1%	11.0%	9.4%	9.4%	8.1%	9.2%	13.0%	10.0%		

Source: Company, JM Financial.

Exhibit 4. Segmental KPIs snapshot

INR mn	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	QoQ (%)	YoY (%)
Geography wise Data Revenue Mix										
India	48.7%	48.4%	43.9%	43.7%	43.5%	42.6%	40.7%	42.0%	128bps	-166bps
International	51.3%	51.6%	56.1%	56.3%	56.5%	57.4%	59.3%	58.0%	-128bps	166bps
Customer wise Data Revenue Mix										
Service provider	25.0%	24.6%	25.4%	25.2%	23.1%	22.6%	22.2%	20.1%	-216bps	-507bps
Enterprise	75.0%	75.4%	74.6%	74.8%	76.9%	77.4%	77.8%	79.9%	216bps	507bps
Customer wise Core Connectivity Revenue Mix										
Service provider	35.3%	34.6%	35.3%	34.0%	31.3%	29.6%	29.4%	28.6%	-73bps	-540bps
Enterprise	64.7%	65.4%	64.7%	66.0%	68.7%	70.4%	70.6%	71.4%	73bps	540bps

Source: Company, JM Financial.

Exhibit 5. Consolidated segmental performance quarterly snapshot

INR mn	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	QoQ (%)	YoY (%)
Gross Revenue										
Voice	4,183	4,287	4,231	4,290	4,227	4,255	4,105	3,741	-8.9%	-12.8%
Data	39,079	39,899	46,125	46,505	46,878	48,262	49,032	50,961	3.9%	9.6%
Core connectivity	24,974	25,389	25,188	25,737	25,502	26,134	25,903	26,562	2.5%	3.2%
Digital portfolio	14,105	14,510	20,937	20,768	21,377	22,128	23,130	24,399	5.5%	17.5%
Collaboration & CPaaS	4,388	4,063	10,536	10,509	10,447	11,140	11,773	11,437	-2.9%	8.8%
Cloud and cyber security	3,802	4,186	3,842	3,990	4,157	4,151	4,320	5,139	18.9%	28.8%
Next Gen Connectivity	1,835	2,016	2,276	2,088	2,078	2,172	2,485	2,581	3.9%	23.6%
Media Services	2,991	3,128	3,147	3,083	3,367	2,889	3,083	3,513	13.9%	13.9%
Incubation Services	1,089	1,117	1,136	1,098	1,328	1,775	1,468	1,729	17.7%	57.4%
Others	4,452	4,539	5,521	6,122	5,228	4,761	4,843	5,201	7.4%	-15.0%
Rentals	565	564	568	572	571	573	577	438	-24.2%	-23.5%
TCTSL	3,403	3,539	3,689	3,704	2,793	2,604	2,561	2,955	15.4%	-20.2%
TCR			1,265	1,380	1,454	1,584	1,705	1,808	6.0%	31.0%
Total	47,714	48,725	55,878	56,917	56,334	57,279	57,981	59,904	3.3%	5.2%
Net Revenue (Gross Profit)										
Voice	1,138	1,114	1,031	991	976	957	981	916	-6.6%	-7.5%
Data	27,154	27,125	28,921	28,469	29,022	29,399	29,453	29,102	-1.2%	2.2%
Core connectivity	20,064	20,334	20,434	20,589	20,669	21,142	20,902	21,008	0.5%	2.0%
Digital portfolio	7,090	6,791	8,487	7,881	8,353	8,257	8,551	8,093	-5.4%	2.7%
Others	958	1,062	2,146	2,710	2,642	2,838	2,908	3,287	13.0%	21.3%
Rentals	567	563	563	571	571	572	576	437	-24.2%	-23.5%
TCTSL	390	499	474	912	758	834	788	1,205	52.9%	32.1%
TCR			1,108	1,226	1,313	1,431	1,544	1,646	6.6%	34.2%
Total	29,249	29,301	32,098	32,170	32,640	33,194	33,342	33,305	-0.1%	3.5%
Gross Margin (%)										
Voice	27.2%	26.0%	24.4%	23.1%	23.1%	22.5%	23.9%	24.5%	59bps	139bps
Data	69.5%	68.0%	62.7%	61.2%	61.9%	60.9%	60.1%	57.1%	-296bps	-411bps
Core connectivity	80.3%	80.1%	81.1%	80.0%	81.0%	80.9%	80.7%	79.1%	-160bps	-90bps
Digital portfolio	50.3%	46.8%	40.5%	37.9%	39.1%	37.3%	37.0%	33.2%	-380bps	-478bps
Others	21.5%	23.4%	38.9%	44.3%	50.5%	59.6%	60.0%	63.2%	316bps	1894bps
Rentals	100%	100%	99%	100%	100%	100%	100%	100%	-5bps	-3bps
TCTSL	11%	14%	13%	25%	27%	32%	31%	41%	999bps	1614bps
TCR			88%	89%	90%	90%	91%	91%	48bps	214bps
Overall	61.3%	60.1%	57.4%	56.5%	57.9%	58.0%	57.5%	55.6%	-191bps	-92bps
EBITDA										
Voice	621	625	501	440	462	478	483	440	-9.0%	-0.2%
Data	9,530	9,374	9,851	8,821	9,237	8,957	9,413	8,910	-5.3%	1.0%
Others	89	155	1,179	1,302	1,543	1,860	1,913	1,871	-2.2%	43.7%
Rentals	343	447	356	334	324	352	364	207	-43.1%	-37.9%
TCTSL	-17	-42	13	152	229	312	215	350	62.4%	130.2%
TCR			810	1,013	1,115	1,196	1,334	1,314	-1.5%	NA
Total	10,240	10,155	11,531	10,563	11,242	11,294	11,810	11,221	-5.0%	6.2%
EBITDA Margin (%)										
Voice	14.8%	14.6%	11.8%	10.3%	10.9%	11.2%	11.8%	11.7%	-2bps	148bps
Data	24.4%	23.5%	21.4%	19.0%	19.7%	18.6%	19.2%	17.5%	-171bps	-148bps
Others	2.0%	3.4%	21.4%	21.3%	29.5%	39.1%	39.5%	36.0%	-354bps	1470bps
Rentals	61%	79%	63%	58%	57%	61%	63%	47%	-1576bps	-1096bps
TCTSL	-1%	-1%	0%	4%	8%	12%	8%	12%	342bps	773bps
TCR			64%	73%	77%	75%	78%	73%	-556bps	-77bps
Overall	21.5%	20.8%	20.6%	18.6%	20.0%	19.7%	20.4%	18.7%	-164bps	17bps
Gross revenue growth YoY (%)										
Voice	-25.4%	-18.2%	-16.4%	-7.2%	1.1%	-0.7%	-3.0%	-12.8%		
Data	17.0%	14.2%	28.4%	26.7%	20.0%	21.0%	6.3%	9.6%		
Core connectivity	8.1%	6.9%	4.3%	4.8%	2.1%	2.9%	2.8%	3.2%		
Digital portfolio	37.1%	29.7%	77.7%	71.2%	51.6%	52.5%	10.5%	17.5%		
Collaboration & CPaaS	19.4%	7.4%	162.6%	171.8%	138.1%	174.2%	11.7%	8.8%		
Cloud and cyber security	35.3%	40.8%	18.5%	12.0%	9.3%	-0.8%	12.5%	28.8%		
Next Gen Connectivity	21.2%	16.1%	23.9%	8.6%	13.3%	7.7%	9.2%	23.6%		
Media Services	113.5%	110.3%	114.4%	114.7%	12.6%	-7.6%	-2.0%	13.9%		
Incubation Services	22.4%	-7.7%	-6.9%	-18.0%	21.9%	58.9%	29.2%	57.4%		
Others	8.8%	9.6%	28.4%	40.4%	17.4%	4.9%	-12.3%	-15.0%		
Overall	10.7%	10.0%	23.4%	24.6%	18.1%	17.6%	3.8%	5.2%		
EBITDA growth YoY (%)										
Voice	0.1%	-38.1%	-42.4%	-51.6%	-25.5%	-23.5%	-3.6%	-0.2%		
Data	-1.7%	-6.9%	3.9%	0.0%	-3.1%	-4.5%	-4.4%	1.0%		
Others	-80.6%	-26.0%	174.2%	113.5%	1631.0%	1096.4%	62.3%	43.7%		
Overall	-4.9%	-10.1%	7.0%	2.1%	9.8%	11.2%	2.4%	6.2%		

Source: Company, JM Financial

Assumptions and Estimates

Exhibit 6. TCOM – Key operational assumptions

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY25-28E CAGR (%)	Comments
Consolidated Financials (INR Bn)												
Revenue	164	171	171	167	178	208	231	244	270	302	9%	
YoY Growth (%)		3.9%	0.2%	-2.2%	6.7%	16.5%	11.2%	5.5%	10.7%	12.0%		
Reported EBITDA	25.3	32.9	42.6	42.3	43.2	43.2	45.7	53.7	61.6	72.0	16%	
Reported EBITDA Margin (%)	15.4%	19.3%	24.9%	25.3%	24.2%	20.8%	19.8%	22.0%	22.8%	23.8%		Assumed EBITDA margin to improve to 22.8% in FY27 vs company's ambition of 23-25% margin in FY27
YoY Growth (%)		25.0%	29.3%	1.4%	-4.2%	-14.2%	-4.8%	11.3%	3.6%	4.4%		
Cash EBITDA	25.3	29.6	38.8	38.8	39.9	39.6	42.0	49.9	57.7	68.0	17%	
Cash EBITDA Margin (%)	15.4%	17.4%	22.7%	23.2%	22.4%	19.0%	18.2%	20.4%	21.4%	22.5%		
YoY Growth (%)		12.6%	30.7%	2.2%	-3.6%	-14.8%	-4.7%	12.6%	4.5%	5.3%		
OCF	18.4	25.2	31.8	42.0	43.8	31.8	29.1	46.5	53.7	60.0	27%	
Cash Capex	17.3	16.6	13.5	16.5	14.9	20.3	13.4	23.2	24.3	25.5		
Cash Capex Intensity (% of Revenue)	11%	10%	8%	10%	8%	10%	6%	9%	9%	8%		
FCF	1.1	8.6	18.3	25.5	29.0	11.5	15.7	23.4	29.4	34.5	30%	
YoY Growth (%)		669%	112%	39.7%	13.5%	-60.4%	37%	48.4%	25.7%	17.4%		
Net Debt	84.9	91.5	77.5	67.2	57.1	91.3	93.8	86.2	73.5	57.3		
Net Debt/Reported EBITDA (x)	3.3	2.8	1.8	1.6	1.3	2.1	2.1	1.6	1.2	0.8		
Net Debt/Cash EBITDA (x)	3.3	3.1	2.0	1.7	1.4	2.3	2.2	1.7	1.3	0.8		
Segmental Revenue and EBITDA break-up												
1) Voice												
Revenue	38.7	33.8	27.9	22.9	20.5	17.0	16.3	15.4	14.6	13.8	-6%	
EBITDA	3.3	2.6	1.7	1.5	3.4	2.2	1.9	1.7	1.6	1.5	-7%	
EBITDA Margin (%)	8.6%	7.8%	6.2%	6.7%	16.6%	12.9%	11.4%	11.0%	11.0%	11.0%		
2) Data												
Revenue	111	119	126	128	141	172	195	214	241	273	12%	Assumed revenue of INR 241bn in FY27 vs company's ambition of INR 280bn in FY27 (of which 60% revenue expected from Digital portfolio)
EBITDA	26.5	34.4	43.6	43.5	42.6	37.6	36.5	48.8	57.7	70.1	24%	
EBITDA Margin (%)	23.9%	28.9%	34.6%	34.1%	30.2%	21.9%	18.7%	22.7%	24.0%	25.7%		
i) Core Connectivity												
Revenue	82.1	85.8	89.1	90.4	95.6	101	104	109	115	122	5%	
EBITDA	27.0	32.4	39.4	39.7	42.5	45.2	45.0	49.7	53.2	56.2	8%	
EBITDA Margin (%)	32.9%	37.7%	44.1%	43.9%	44.4%	44.7%	43.2%	45.4%	46.1%	46.2%		
ii) Digital Portfolio												
Revenue	28.5	32.9	36.8	37.4	45.4	70.3	91.0	105	125	151	18%	
EBITDA	-0.5	2.0	4.3	3.9	0.1	-7.7	-8.5	-1.0	4.5	13.9	NM	
EBITDA Margin (%)	-1.8%	6.0%	11.6%	10.3%	0.3%	-10.9%	-9.3%	-0.9%	3.6%	9.2%		

Source: Company, JM Financial.

Exhibit 7. Consolidated revenue breakup for TCOM

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue break-up (INR Bn)										
Voice	38.7	33.8	27.9	22.9	20.5	17.0	16.3	15.4	14.6	13.8
Data - Core Connectivity	82.1	85.8	89.1	90.4	95.6	101.3	104.1	109.5	115.3	121.5
Data - Digital Portfolio	28.5	32.9	36.8	37.4	45.4	70.3	91.0	105.0	125.3	151.5
Others	15	18	17	17	17	19	20	14	15	16
Total	164	171	171	167	178	208	231	244	270	302
Revenue proportion (%)										
Voice	24%	20%	16%	14%	12%	8%	7%	6%	5%	5%
Data - Core Connectivity	50%	50%	52%	54%	54%	49%	45%	45%	43%	40%
Data - Digital Portfolio	17%	19%	22%	22%	25%	34%	39%	43%	46%	50%
Others	9%	11%	10%	10%	9%	9%	8%	6%	5%	5%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Revenue growth (%)										
Voice		-13%	-17%	-18%	-10%	-17%	-4%	-6%	-6%	-6%
Data - Core Connectivity		5%	4%	1%	6%	6%	3%	5%	5%	5%
Data - Digital Portfolio		16%	12%	1%	21%	55%	29%	15%	19%	21%
Others		20%	-6%	-3%	2%	14%	2%	-29%	5%	5%
Total		4%	0%	-2%	7%	17%	11%	6%	11%	12%

Source: Company, JM Financial.

Exhibit 8. Consolidated EBITDA breakup for TCOM

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
EBITDA break-up (INR Bn)										
Voice	3.3	2.6	1.7	1.5	3.4	2.2	1.9	1.7	1.6	1.5
Data - Core Connectivity	27.0	32.4	39.4	39.7	42.5	45.2	45.0	49.7	53.2	56.2
Data - Digital Portfolio	-0.5	2.0	4.3	3.9	0.1	-7.7	-8.5	-1.0	4.5	13.9
Others	-4.5	-4.1	-2.7	-2.8	-2.8	3.4	7.3	3.2	2.2	0.3
Total	25.3	32.9	42.6	42.3	43.2	43.2	45.7	53.7	61.6	72.0
EBITDA proportion (%)										
Voice	13%	8%	4%	4%	8%	5%	4%	3%	3%	2%
Data - Core Connectivity	107%	98%	92%	94%	98%	105%	99%	93%	86%	78%
Data - Digital Portfolio	-2%	6%	10%	9%	0%	-18%	-19%	-2%	7%	19%
Others	-18%	-12%	-6%	-7%	-7%	8%	16%	6%	4%	0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
EBITDA growth (%)										
Voice		-21%	-34%	-11%	122%	-36%	-15%	-9%	-6%	-5%
Data - Core Connectivity		20%	22%	1%	7%	7%	0%	11%	7%	6%
Data - Digital Portfolio		-486%	114%	-10%	-96%	-5382%	11%	-89%	-564%	210%
Others		-8%	-33%	2%	2%	-220%	114%	-57%	-29%	-86%
Total		30%	30%	-1%	2%	0%	6%	17%	15%	17%
EBITDA Margin (%)										
Voice	9%	8%	6%	7%	17%	13%	11%	11%	11%	11%
Data - Core Connectivity	33%	38%	44%	44%	44%	45%	43%	45%	46%	46%
Data - Digital Portfolio	-2%	6%	12%	10%	0%	-11%	-9%	-1%	4%	9%
Others	-30%	-23%	-16%	-17%	-17%	18%	37%	23%	15%	2%
Total	15%	19%	25%	25%	24%	21%	20%	22%	23%	24%

Source: Company, JM Financial.

Exhibit 9. Change in estimates and TP

	New	Old	Divergence
TP (INR)	2,000	2,030	-1.4%
Rating	BUY	BUY	
Revenue (INR bn)			
FY26	243.9	244.6	-0.3%
FY27	270.0	272.4	-0.9%
EBITDA (INR bn)			
FY26	53.7	53.8	-0.3%
FY27	61.6	62.1	-0.9%
PAT (INR bn)			
FY26	16.4	16.6	-1.1%
FY27	22.3	22.8	-2.2%
EPS (INR)			
FY26	57.5	58.1	-1.1%
FY27	78.4	80.1	-2.2%

Source: JM Financial

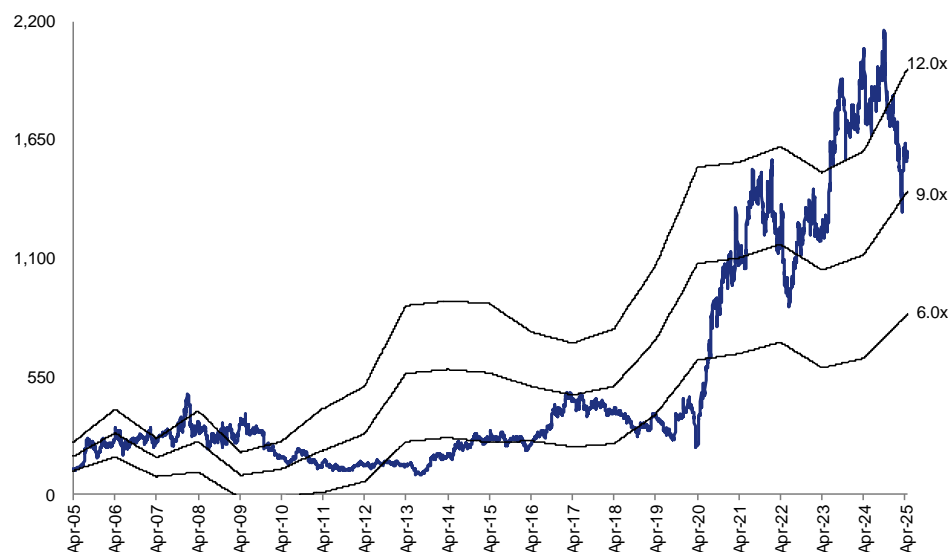
Valuation

Exhibit 10. TCOM's SOTP valuation of INR 2,000/share

	FY27E Reported EBITDA (INR Bn)	EV/EBITDA multiple (x)	Enterprise Value (INR Bn)	Per Share Value (INR)
Data Business	57.7	11.0	635	2,227
Voice and Other Business	9.7	1.0	10	34
Value of Investment in Data Center Business (26% Stake)	9.1	16.0	38	132
Total Firm Value			682	2,393
Less: Net debt			74	258
Less: AGR Contingent Liability (Assumed 50% Probability of actualisation)			39	136
Equity value			570	2,000

Source: Company, JM Financial.

Exhibit 11. TCOM one-year forward EV/EBITDA chart



Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	2,07,847	2,31,086	2,43,880	2,69,958	3,02,315
Sales Growth	16.5%	11.2%	5.5%	10.7%	12.0%
Other Operating Income	0	0	0	0	0
Total Revenue	2,07,847	2,31,086	2,43,880	2,69,958	3,02,315
Cost of Goods Sold/Op. Exp	80,787	1,00,478	1,02,430	1,10,683	1,20,926
Personnel Cost	43,428	45,573	48,776	53,992	60,463
Other Expenses	40,459	39,345	39,021	43,733	48,975
EBITDA	43,172	45,690	53,654	61,550	71,951
EBITDA Margin	20.8%	19.8%	22.0%	22.8%	23.8%
EBITDA Growth	0.0%	5.8%	17.4%	14.7%	16.9%
Depn. & Amort.	23,974	25,921	27,452	28,544	30,114
EBIT	19,199	19,769	26,201	33,007	41,837
Other Income	2,641	1,303	1,190	1,141	1,093
Finance Cost	6,301	7,291	6,948	6,011	5,027
PBT before Excep. & Forex	15,539	13,782	20,444	28,136	37,904
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	15,539	13,782	20,444	28,136	37,904
Taxes	2,135	4,865	4,395	6,190	9,855
Extraordinary Inc./Loss(-)	-2,357	10,027	0	0	0
Assoc. Profit/Min. Int.(-)	-188	-421	-329	-392	-464
Reported Net Profit	11,235	19,365	16,377	22,338	28,513
Adjusted Net Profit	13,591	9,338	16,377	22,338	28,513
Net Margin	6.5%	4.0%	6.7%	8.3%	9.4%
Diluted Share Cap. (mn)	285.0	285.0	285.0	285.0	285.0
Diluted EPS (INR)	47.7	32.8	57.5	78.4	100.0
Diluted EPS Growth	-21.0%	-31.3%	75.4%	36.4%	27.6%
Total Dividend + Tax	4,760	7,125	6,354	8,667	11,063
Dividend Per Share (INR)	16.7	25.0	22.3	30.4	38.8

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	13,182	23,808	20,444	28,136	37,904
Depn. & Amort.	24,697	26,283	27,452	28,544	30,114
Net Interest Exp. / Inc. (-)	9,211	9,203	6,948	6,011	5,027
Inc (-) / Dec in WCap.	-11,004	-10,113	-3,057	-2,066	-2,557
Others	-517	-10,692	-1,190	-1,141	-1,093
Taxes Paid	-3,749	-9,381	-4,066	-5,798	-9,391
Operating Cash Flow	31,820	29,108	46,530	53,687	60,003
Capex	-20,327	-13,358	-23,159	-24,317	-25,532
Free Cash Flow	11,493	15,750	23,371	29,370	34,470
Inc (-) / Dec in Investments	-6,388	-8,630	0	0	0
Others	275	201	1,190	1,141	1,093
Investing Cash Flow	-26,440	-21,788	-21,969	-23,176	-24,439
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	0	0	0	0	0
Inc / Dec (-) in Loans	6,680	5,040	-5,000	-10,000	-10,000
Others	-14,262	-14,911	-16,951	-17,855	-19,330
Financing Cash Flow	-7,581	-9,871	-21,951	-27,855	-29,330
Inc / Dec (-) in Cash	-2,201	-2,550	2,611	2,655	6,233
Opening Cash Balance	10,626	8,425	5,874	8,485	11,140
Closing Cash Balance	8,425	5,874	8,485	11,140	17,373

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	17,864	30,212	40,235	53,906	71,356
Share Capital	2,850	2,850	2,850	2,850	2,850
Reserves & Surplus	15,014	27,362	37,385	51,056	68,506
Preference Share Capital	0	0	0	0	0
Minority Interest	39	31	31	31	31
Total Loans	1,01,178	1,08,801	1,03,801	93,801	83,801
Def. Tax Liab. / Assets (-)	0	0	0	0	0
Total - Equity & Liab.	1,19,081	1,39,043	1,44,066	1,47,737	1,55,187
Net Fixed Assets	1,47,944	1,50,189	1,49,544	1,48,494	1,47,153
Gross Fixed Assets	1,16,837	1,19,864	1,19,219	1,18,169	1,16,829
Intangible Assets	17,837	19,325	19,325	19,325	19,325
Less: Depn. & Amort.	0	0	0	0	0
Capital WIP	13,270	10,999	10,999	10,999	10,999
Investments	0	0	0	0	0
Current Assets	97,669	1,15,657	1,23,065	1,34,947	1,52,628
Inventories	835	1,578	1,666	1,844	2,065
Sundry Debtors	37,584	40,061	42,947	48,279	54,894
Cash & Bank Balances	8,425	5,874	8,485	11,140	17,373
Loans & Advances	0	0	0	0	0
Other Current Assets	50,826	68,144	69,967	73,684	78,296
Current Liab. & Prov.	1,26,533	1,26,803	1,28,542	1,35,704	1,44,594
Current Liabilities	49,975	51,872	52,511	54,917	57,903
Provisions & Others	76,557	74,931	76,031	80,787	86,690
Net Current Assets	-28,864	-11,145	-5,478	-756	8,034
Total - Assets	1,19,081	1,39,043	1,44,066	1,47,737	1,55,187

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	6.5%	4.0%	6.7%	8.3%	9.4%
Asset Turnover (x)	1.8	1.6	1.5	1.7	1.8
Leverage Factor (x)	7.1	6.0	4.5	3.4	2.7
RoE	82.3%	38.8%	46.5%	47.5%	45.5%

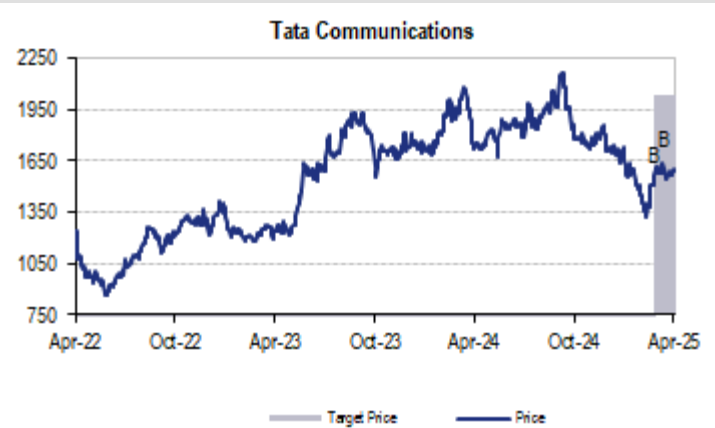
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	62.7	106.0	141.2	189.1	250.4
ROIC	17.4%	10.5%	15.3%	18.9%	22.6%
ROE	82.3%	38.8%	46.5%	47.5%	45.5%
Net Debt/Equity (x)	5.2	3.4	2.4	1.5	0.9
P/E (x)	33.2	48.3	27.6	20.2	15.8
P/B (x)	25.3	14.9	11.2	8.4	6.3
EV/EBITDA (x)	12.6	12.1	10.2	8.7	7.2
EV/Sales (x)	2.6	2.4	2.2	2.0	1.7
Debtor days	66	63	64	65	66
Inventory days	1	2	2	2	2
Creditor days	81	70	70	68	66

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
18-Mar-25	Buy	2,030	
4-Apr-25	Buy	2,030	0.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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