

Tata Communications

Estimate change	
TP change	
Rating change	

Bloomberg	TCOM IN
Equity Shares (m)	285
M.Cap.(INRb)/(USDb)	461.4 / 5
52-Week Range (INR)	2004 / 1291
1, 6, 12 Rel. Per (%)	-8/-9/-14
12M Avg Val (INR M)	952

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Net Sales	246.2	265.5	285.8
EBITDA	48.0	54.5	60.0
Adj. PAT	11.9	15.7	19.9
EBITDA Margin (%)	19.5	20.5	21.0
Adj. EPS (INR)	41.8	55.1	69.7
EPS Gr. (%)	45.4	31.8	26.4
BV/Sh. (INR)	119.0	153.5	199.8
Ratios			
Net D:E	2.9	1.9	1.2
RoE (%)	37.2	40.5	39.5
RoCE (%)	12.5	14.7	17.4
Payout (%)	47.8	40.8	39.5
Valuations			
EV/EBITDA (x)	11.7	10.0	8.8
P/E (x)	38.8	29.4	23.3
P/BV (x)	13.6	10.6	8.1
Div. Yield (%)	1.2	1.4	1.7
FCF Yield (%)	1.4	2.7	3.6

Shareholding Pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	58.9	58.9	58.9
DII	19.0	14.8	13.5
FII	13.6	17.2	18.1
Others	8.5	9.1	9.6

FII includes depository receipts

CMP: INR1,619

TP: INR1,790 (+11%)

Neutral

Steady 3Q, albeit slightly weaker than our expectations

- Tata Communications (TCOM) delivered a steady 3Q, with 9% YoY (~3.5% QoQ, in line) data revenue growth, driven by a recovery in core connectivity (+4% YoY) and sustained growth in the Digital portfolio (+15% YoY). However, adjusted for FX, the consolidated revenue growth was muted at 2.2% YoY.
- TCOM's consolidated EBITDA grew 7% YoY (5% QoQ), but came in ~3% below our estimate as margin expanded 60bp QoQ to 19.8% (35bp miss), as growth recovery in higher-margin core connectivity and seasonal strength in Kaleyra were offset by lower contribution from Voice and TCTS.
- The order book remains strong with healthy double-digit growth YoY (and QoQ), driven by large deal wins in core connectivity. The funnel remains robust with digital portfolio contribution at ~70%.
- TCOM announced Mr. Ganesh Lakshminarayanan (ex-CEO, Airtel Business – India) as the MD and CEO designate. He will assume the role of MD and CEO after the current MD's retirement in Apr'26.
- We model ~9% data revenue CAGR over FY25-28E, with data revenue reaching INR249b by FY28. We believe **the ambition of doubling data revenue (INR280b by FY28) remains a tall ask without further acquisitions.**
- We cut our FY26-28E EBITDA by 2-4%, driven by slower-than-expected margin recovery. We build in ~10% EBITDA CAGR over FY25-28, with margin expanding to ~21% by FY28 (lower than management guidance of 23-25%).
- We value TCOM's data business at 9.5x FY28E EV/EBITDA and the voice and other businesses at 5x EV/EBITDA to arrive at our revised **TP of INR1,790. We reiterate our Neutral rating.** Acceleration in data revenue growth, along with margin expansion, remains the key for re-rating.

Core-connectivity growth recovers; data margin continues to improve

- Consolidated gross revenue grew ~1.5% QoQ (7% YoY on a like-for-like basis) to INR61.9b (1.5% below our est. INR62.8b). However, adjusted for FX benefits, the growth was modest at ~0.5% QoQ (+2.2% YoY).
- Data revenue at INR53.6b (in line) grew 9% YoY (+3.5% QoQ), driven by ~15% YoY (~4% QoQ) growth in the digital portfolio and recovery in the core-connectivity revenue growth to ~4% YoY/(+2.5% QoQ).
- Consolidated net revenue (a proxy for gross margin) at INR34.8b continued to grow at a slower pace, rising ~4% YoY (+2% QoQ) due to continued weakness in net revenue growth for the digital portfolio (down 4% YoY vs. 15% YoY gross revenue growth).
- Consolidated adjusted EBITDA grew 5% QoQ (+7% YoY on a like-for-like basis) to INR12.3b (3% below our est. of INR12.7b) due to higher network costs (+4.5% QoQ, +13% YoY) and weaker performance in Voice and TCTS segments.
- Consolidated adjusted EBITDA margin expanded 60bp QoQ (though down ~15bp YoY on an LFL basis) to 19.8% (35bp) miss driven by growth recovery in higher-margin core connectivity and a seasonally strong quarter for Kaleyra.
- Reported consolidated PAT was 10% above our estimate at INR3.6b (-46% YoY, -2.1X QoQ), largely due to higher other income (INR2.6b, up 9x YoY, tax refunds).
- Net debt declined INR12b QoQ to INR101b with net debt to EBITDA moderating to 2.2x (vs. 2.1x in Mar'25).

- Committed capex surged to ~INR8b in 3Q (vs. INR6b in 2QFY26), while cash capex rose ~14% QoQ to INR5.8b (up ~18% YoY).
- Reported FCF improved to INR10.5b (vs. INR2.2b QoQ, INR8.2b YoY).
- Reported RoCE (annualized) dips further to 14.4% from 15.1% in 2QFY26.
- For 9MFY26, TCOM's revenue grew 7%, while EBITDA grew ~6% YoY as the margin contracted ~20bp YoY.

Key takeaways from the management commentary

- **Leadership transition:** The Board has approved the appointment of Mr. Ganesh Lakshminarayanan as CEO and MD designate, following the retirement of the current MD & CEO in Apr'26.
- **Order book and funnel:** The order book remains strong with healthy double-digit growth QoQ and YoY. The company won a large deal in core connectivity from one of the world's largest OTT content providers for a multi-continent subsea connectivity project. The funnel remains robust, with ~70% contribution from the digital portfolio.
- **Normalized revenue growth:** Adjusted for INR depreciation, the revenue growth was muted at 0.5% QoQ (+2.2% YoY).
- **Net revenue decline in the digital portfolio** was attributed to a couple of onerous deals in the CIS portfolio. The company took the hit in 3QFY26 and expects the trends to improve going ahead with a focus on growing the salience of higher margin non-SMS channels and AI integration with Kaleyra.
- **Margin** improvement was led by a recovery in core-connectivity growth and lower losses in digital. Management remains committed to 23-25% margin guidance over the medium term. The incremental margin drivers would be operating leverage, strategic bets (new product launches, more like SAAS), and moving away from SMS to channels such as Voice, RCS, etc. in CIS. Among the digital portfolio, management expects breakeven to be first hit in the CIS and Media verticals.

Valuation and view

- We currently model ~15% CAGR in digital revenue over FY25-28 and expect digital to account for ~54% of TCOM's data revenue by FY28 (vs. ~50% currently). Acceleration in digital revenue remains key for re-rating.
- We cut our FY26-28 revenue estimates by ~1% each and believe TCOM's ambition of doubling data revenue by FY28 remains a tall ask without further acquisitions. Overall, we build in ~9% data revenue CAGR over FY25-28, with data revenue reaching INR249b by FY28 (vs. TCOM's ambition of INR280b).
- We cut our FY26-28 EBITDA estimates by 2-4% due to slower-than-expected margin recovery. We believe that margin expansion to 23-25% by FY28 could be challenging, given the rising share of inherently lower-margin businesses in TCOM's mix. We expect margins to reach ~21% by FY28 (vs. ~19.4% in 9MFY26).
- We continue to ascribe 9.5X FY28E EV/EBITDA to the data business and 5X EV/EBITDA to voice and other businesses. We ascribe an INR39b (or INR136/share) valuation to TCOM's 26% stake in STT data centers to arrive at our revised **TP of INR1,790 (earlier INR1,830)**.
- After a significant time correction (**no return since the 2023 analyst meet in Jun**), the stock now trades at ~10.5x one-year forward EV/EBITDA (on par with its long-term average).
- We **reiterate our Neutral rating** as we await sustained acceleration in data revenue growth and margin expansion before turning more constructive on TCOM.

Y/E March	Cons. quarterly earnings summary								(INR b)			
	FY25				FY26				FY25	FY26E	FY26E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	3QE	Var (%)		
Revenue	55.9	56.4	57.7	59.9	59.6	61.0	61.9	63.7	229.9	246.2	62.8	-2
YoY Change (%)	17.2	15.8	2.4	5.2	6.6	8.1	7.3	6.3	9.7	7.1		
Total Expenditure	44.6	46.0	46.2	48.7	48.2	49.3	49.6	51.1	185.4	198.2	50.2	-1
EBITDA	11.4	10.4	11.5	11.2	11.4	11.7	12.3	12.6	44.5	48.0	12.7	-3
YoY Change (%)	11.0	2.7	1.6	6.2	0.0	12.5	6.6	12.5	5.3	7.8		
EBITDA Margin (%)	20.3	18.5	20.0	18.7	19.1	19.2	19.8	19.4	19.5	20.2		
Depreciation	6.3	6.5	6.4	6.7	6.7	6.8	7.5	6.7	25.9	27.7	6.9	9
Interest	1.7	1.9	1.9	1.8	1.8	2.0	2.0	2.0	7.3	7.8	1.9	6
Other Income	0.2	0.1	0.3	0.7	0.2	-0.2	2.6	0.3	1.3	2.9	0.3	764
PBT Before EO Expense	3.5	2.2	3.6	3.4	3.1	2.8	5.3	4.2	12.6	15.4	4.2	27
Exceptional (gain)/loss	-0.9	-1.3	-0.1	-5.8	0.2	0.2	0.8	0.0	-8.1	1.2	0.0	
PBT	4.4	3.4	3.7	9.1	2.9	2.5	4.6	4.2	20.7	14.3	4.2	8
Tax	0.9	1.0	1.3	1.8	0.7	0.8	1.0	1.0	4.9	3.4	0.9	
Rate (%)	19.7	28.3	34.0	19.2	22.5	32.3	22.0	22.5	23.5	24.1	22.5	
MI & P/L of Asso. Cos.	0.2	0.2	0.1	-3.0	0.4	-0.1	-0.1	-0.1	-2.5	0.1	-0.1	
Reported PAT	3.3	2.3	2.4	10.4	1.9	1.8	3.7	3.3	18.4	10.7	3.3	10
Adj PAT	2.5	1.0	2.2	4.6	2.1	2.0	4.4	3.3	10.3	11.9	3.3	33
YoY Change (%)	-34.9	-55.8	-3.5	23.9	-14.9	108.5	98.8	-27.6	-14.5	15.7		

E: MOFSL Estimates

Exhibit 1: We ascribe a TP of INR1,790

	Dec'27E EBITDA (INR b)	EV/EBITDA (X)	Enterprise Value INR b	Enterprise Value INR/share
Data	55.5	9.5	527	1,850
Voice and other businesses	4.5	5	22	79
Value of 26% stake in the data center			39	136
Enterprise value	588	2,065		
Consolidated debt			84	295
Net equity value			504	1,770
Rounded fair value, including dividend				1,790
% Upside (Downside)				+10%
CMP (INR)				1,620

Source: MOFSL, Company

Segmental performance summary

Data segment: 3Q data revenue up ~9% YoY, driven by ~15% YoY growth in Digital Portfolio; data EBITDA margin expands ~30bp QoQ (though lower by ~30bp YoY)

- Gross revenue was up ~9% YoY to INR53.6b (+3.5% QoQ, in line).
- Core-connectivity revenue growth recovered to ~4% YoY to INR27b (~2.5% QoQ, ~1% above), driven by 12% YoY (+5% QoQ) growth in Enterprise, partly offset by 11% YoY (-4% QoQ) dip in service providers' revenue.
- **Digital portfolio revenue was up 15% YoY (~4.5% QoQ)** to INR26.4b (in line), driven by 17-19% YoY growth in Collaboration and CPaaS, Next Gen connectivity, and Cloud & Security portfolio. The growth moderated in media to 1% YoY, while incubation grew ~6% YoY.
- However, net revenue at INR34.8b grew modest 4% YoY (+2% QoQ) as digital portfolio net revenue declined ~4% YoY (vs. ~15% YoY growth in gross revenue).
- Data EBITDA came in at INR10.1b (+8% YoY, +5% QoQ, ~1% below) as **EBITDA margin expanded 30bp QoQ** (-30bp YoY, ~20bp miss) to 18.9%, driven by recovery in the higher-margin core-connectivity segment and seasonally stronger quarter in Kaleyra.

Voice: Revenue at INR3.7b, declined ~9% YoY (-8% QoQ, 7% miss). Voice EBITDA declined 34% YoY (-22% QoQ) to INR321m (27% miss), as margin declined ~155bp QoQ to 8.6% (230bp miss).

Others:

- The Campaign Registry (TCR) revenue grew ~7% YoY to INR2.2b (+7% QoQ, ~3.5% below). However, EBITDA grew 26% QoQ (though -16% YoY) to INR1.1b (7% miss) as margins improved to ~52% (vs. one-offs impacted ~44% QoQ, though lower than 78% YoY).
- TCTSL revenue declined ~26% YoY (-28% QoQ, ~29% miss), while EBITDA grew ~97% YoY (though down 21% QoQ) to ~INR425, with margins expanding ~185bp QoQ to 22.3%.

Consolidated performance	3QFY25	2QFY26	3QFY26	YoY	QoQ	3QFY26	vs. est.
Revenue	57,696	60,998	61,890	7.3	1.5	62,838	(1.5)
Network costs	25,134	27,154	28,363	12.8	4.5	27,832	1.9
Staff cost	11,240	12,696	12,115	7.8	(4.6)	12,757	(5.0)
Operating and other expenses	9,797	9,412	9,131	(6.8)	(3.0)	9,563	(4.5)
Total expenditure	46,171	49,261	49,609	7.4	0.7	50,152	(1.1)
EBITDA	11,524	11,736	12,281	6.6	4.6	12,685	(3.2)
Depreciation and amortization	6,371	6,788	7,513	17.9	10.7	6,864	9.4
EBIT	5,153	4,948	4,768	(7.5)	(3.6)	5,821	(18.1)
Other income	287	(172)	2,593	802.5	(1,604.0)	300	764.3
Interest expense	1,869	2,020	2,014	7.8	(0.3)	1,900	6.0
PBT	3,571	2,756	5,347	49.7	94.0	4,221	26.7
Income tax	1,262	821	1,008	(20.1)	22.7	950	6.1
PAT before exceptional items	2,309	1,935	4,339	87.9	124.2	3,271	32.6
Exceptional items	136	(210)	(768)			—	
PAT after exceptional items	2,445	1,725	3,571	46.0	107.0	3,271	9.2
Minority interest	(208)	(2)	11	(105)	(800)	(20)	(153)
Share of associates/JVs	122	107	71	(42)	(34)	70	2
Reported net income	2,360	1,831	3,653	54.8	99.5	3,321	10.0
Adjusted net income	2,224	2,041	4,421	98.8	116.6	3,321	33.1
Adjusted EPS (INR/share)	7.8	7.2	15.5	98.8	116.6	11.7	33.1
Margins (%)							
EBITDA	20.0	19.2	19.8	(13)bp	60 bp	20.2	(34)bp
EBIT	8.9	8.1	7.7	(123)bp	(41)bp	9.3	(156)bp
PBT	6.2	4.5	8.6	245 bp	412 bp	6.7	192 bp
Adjusted PAT	3.9	3.3	7.1	329 bp	380 bp	5.3	186 bp

E: MOFSL Estimates

Exhibit 2: Revenue build-up for TCOM

	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	YoY	QoQ
Data revenue – geographical mix	46.2	46.6	46.9	48.3	49.0	51.0	51.3	51.8	53.6	9.3	3.5
India	19.4	19.3	20.4	20.6	20.0	21.4	21.8	20.3	22.3	11.5	9.8
Rest of World	26.8	27.2	26.5	27.7	29.1	29.6	29.5	31.5	31.3	7.8	(0.6)
Gross revenue by currency	56.3	56.9	55.9	57.3	58.0	59.9	59.6	61.0	61.9	6.7	1.5
INR	20.2	20.1	22.0	22.0	21.8	23.4	23.5	25.0	24.0	10.4	(4.0)
Others	36.1	36.8	33.9	35.3	36.2	36.5	36.1	36.0	37.9	4.5	5.2
Data revenue customer mix	46.2	46.6	46.9	48.3	49.0	51.0	51.3	51.8	53.6	9.3	3.5
Service Providers	8.8	8.6	12.1	12.1	12.2	12.0	13.6	12.1	12.3	0.7	2.1
Enterprise	37.4	38.0	34.8	36.1	36.8	39.0	37.7	39.7	41.3	12.1	3.9
Data revenue segment mix	46.2	46.6	46.9	48.3	49.0	51.0	51.3	51.8	53.6	9.3	3.5
Core-connectivity	25.2	25.7	25.5	26.1	25.9	26.6	26.2	26.4	27.0	4.2	2.4
Digital portfolio	21.0	20.8	21.4	22.1	23.1	24.4	25.1	25.4	26.6	15.0	4.6
Digital Platforms and Services	19.8	19.7	20.0	20.4	21.7	22.7	23.6	23.8	25.0	15.6	5.2
Incubation services	1.2	1.2	1.3	1.8	1.5	1.7	1.5	1.6	1.5	5.5	(4.3)
Core connectivity customer mix	25.2	25.7	25.5	26.1	25.9	26.6	26.2	26.4	27.0	4.2	2.4
Service Providers	8.0	7.8	9.0	8.7	8.6	8.6	8.6	7.9	7.6	(11.0)	(3.6)
Enterprise	17.2	17.9	16.5	17.4	17.3	18.0	17.6	18.5	19.4	11.8	5.0
Digital Platforms and services segment mix	19.8	19.7	20.0	20.4	21.7	22.7	23.6	23.8	25.0	15.6	5.2
Collaboration & CPaaS	10.5	10.5	10.4	11.1	11.8	11.4	11.7	12.6	13.9	17.9	10.4
Cloud, Hosting and Security	3.8	4.0	4.2	4.2	4.3	5.1	5.3	4.7	5.1	18.9	9.4
Next Gen Connectivity (IZO & SDWAN)	2.3	2.1	2.1	2.2	2.5	2.6	2.7	2.8	2.9	17.0	3.9
Media Services	3.1	3.1	3.4	2.9	3.1	3.5	3.9	3.7	3.1	1.0	(16.6)

Source: MOFSL, Company

Exhibit 3: Segmental results

	3QFY25	2QFY26	3QFY26	YoY (%)	QoQ (%)	3QFY26E	vs. est
Segmental gross revenue (INR m)							
Gross revenue	57,981	60,998	61,890	6.7	1.5	62,838	(1.5)
Voice	4,105	4,060	3,732	(9.1)	(8.1)	3,999	(6.7)
Data	49,032	51,789	53,588	9.3	3.5	53,410	0.3
Core connectivity	25,903	26,366	26,999	4.2	2.4	26,682	1.2
Digital portfolio	23,130	25,423	26,589	15.0	4.6	26,728	(0.5)
Digital platforms and services	21,661	23,805	25,041	15.6	5.2	25,045	(0.0)
Incubation services	1,468	1,618	1,549	5.5	(4.3)	1,683	(8.0)
Others	4,843	5,149	4,570	(5.6)	(11.3)	5,429	(15.8)
Rentals	577	486	492	(14.8)	1.3	500	(1.6)
TCTSL	2,561	2,640	1,908	(25.5)	(27.8)	2,680	(28.8)
TCR	1,705	2,023	2,170	27.3	7.3	2,249	(3.5)
Segmental net revenue (INR m)							
Net revenue	33,342	34,130	34,772	4.3	1.9	35,352	(1.6)
Voice	981	815	752	(23.4)	(7.8)	837	(10.2)
Data	29,453	30,001	30,687	4.2	2.3	30,740	(0.2)
Core connectivity	20,902	21,198	22,455	7.4	5.9	21,346	5.2
Digital portfolio	8,551	8,803	8,233	(3.7)	(6.5)	9,394	(12.4)
Others	2,908	3,313	3,332	14.6	0.6	3,775	(11.7)
Rentals	576	485	491	(14.8)	1.3	500	(1.8)
TCTSL	788	958	801	1.7	(16.4)	1,206	(33.6)
TCR	1,544	1,870	2,040	32.2	9.1	2,069	(1.4)
Segmental EBITDA (INR m)							
EBITDA	11,810	11,736	12,281	4.0	4.6	12,685	(3.2)
Voice	483	412	321	(33.5)	(22.0)	437	(26.5)
Data	9,413	9,643	10,133	7.7	5.1	10,212	(0.8)
Others	1,914	1,681	1,827	(4.5)	8.6	2,037	(10.3)
Rentals	364	250	282	(22.5)	13.0	263	7.6
TCTSL	215	540	425	97.3	(21.3)	576	(26.3)
TCR	1,334	892	1,119	(16.1)	25.5	1,198	(6.6)
Segmental EBITDA margin (%)							
EBITDA margin	20.4	19.2	19.8	(52.5)	60.3	20.2	(34.4)
Voice	11.8	10.2	8.6	(316)bp	(154)bp	10.9	(232)bp
Data	19.2	18.6	18.9	(29)bp	29 bp	19.1	(21)bp
Others	39.5	32.7	40.0	46 bp	732 bp	37.5	246 bp
Rentals	63	51	57	(570)bp	596 bp	53	491 bp
TCTSL	8.4	20.4	22.3	1,386 bp	183 bp	21.5	77 bp
TCR	78.2	44.1	51.6	(2,666)bp	750 bp	53.3	(168)bp

Exhibit 4: Summary of our estimate revisions

	FY26E	FY27E	FY28E
Voice revenue (INR b)			
Old	15.9	14.9	14.2
Actual/New	15.5	14.2	13.5
Change (%)	-2.8	-4.7	-4.5
Data revenue, incl. TCR (INR b)			
Old	219.7	239.7	259.9
Actual/New	220.2	240.6	261.1
Change (%)	0.2	0.4	0.5
Consolidated revenue (INR b)			
Old	247.6	268.1	288.2
Actual/New	246.2	265.5	285.8
Change (%)	-0.6	-1.0	-0.8
Consolidated EBITDA (INR b)			
Old	48.8	56.7	61.6
Actual/New	48.0	54.5	60.0
Change (%)	-1.6	-3.8	-2.6
Voice EBITDA (INR b)			
Old	1.7	1.6	1.5
Actual/New	1.5	1.2	1.1
Change (%)	-13.1	-25.5	-25.3
Data EBITDA, incl. TCR (INR b)			
Old	43.8	51.4	56.1
Actual/New	43.5	50.2	55.5
Change (%)	-0.7	-2.3	-1.1
EBITDA margin (%)			
Old	19.7	21.1	21.4
Actual/New	19.5	20.5	21.0
Change (%)	-20bp	-60bp	-38bp
PAT (INR m)			
Old	11.3	17.7	21.4
Actual/New	11.9	15.7	19.9
Change (%)	5.3	-11.1	-7.0

Source: MOFSL, Company



Detailed takeaways from the management commentary

- **Leadership transition:** The Board has approved the appointment of Mr. Ganesh Lakshminarayanan as CEO and MD designate, following the retirement of the current MD & CEO in Apr'26. Ganesh is currently the MD and Group Vice-President of ServiceNow India & SAARC. He was earlier the CEO of Airtel Business (India).
- **Order book and funnel:** The order book remains strong with healthy double-digit growth QoQ and YoY. The company won a large deal in core connectivity from one of the world's largest OTT content providers for a multi-continent subsea connectivity project. The funnel remains robust, with ~70% contribution from the digital portfolio. Management highlighted continued progress in the "deeper with fewer" strategy, with an increase in USD 1mn+ and USD 10mn+ customers.
- **Normalized revenue growth:** Adjusted for INR depreciation, the revenue growth was muted at 0.5% QoQ (+2% YoY).
- **Net revenue decline in the digital portfolio** was attributed to a couple of onerous deals in the CIS portfolio. The company took the hit in 3QFY26 and expects the trends to improve going ahead with a focus on growing the salience of higher margin non-SMS channels and AI integration with Kaleyra.
- **Margin improvement** was led by a recovery in core-connectivity growth and lower losses in digital. Management remains committed to 23-25% margin guidance over the medium term. The incremental margin drivers would be operating leverage, strategic bets (new product launches, more like SAAS), and moving away from SMS to channels such as Voice, RCS, etc. in CIS. Among the digital portfolio, management expects breakeven to be first hit in the CIS and Media verticals.
- **Higher depreciation:** The depreciation during 3Q was higher due to one of the deals being an IRU (indefensible right of use). The cost for the deal for the past three quarters was taken through the P&L as depreciation, and going ahead, the depreciation should normalize. Management didn't call out the EBITDA growth/margin, adjusted for the accounting treatment, as several deals in the past have been of the same nature.
- **Core connectivity:** The recovery in core-connectivity growth was driven by the implementation of a large hyperscaler connectivity deal announced earlier. The recent deal wins with large OTT providers provides growth visibility even though the hit from cable cuts persists. The net-to-gross ratio improvement to 83% (vs. 80% typically) was a factor of mix and operating leverage.
- **Digital portfolio:** The growth in digital portfolio remains broad based with 17-19% YoY growth in CIS, Cloud & Security, and NextGen Connectivity. The growth was driven by large deal wins and seasonally higher usage. Cloud business order-book, which was muted for the last 12-18 months, saw signs of a pick-up even as the growth was mainly driven by a large deal in security (India PSU bank). The growth in NextGen Connectivity was supported by large international deal wins in the UK/Europe.
- **Media:** The business witnessed growth moderation (on a high base due to the World Athletics deal). However, the company is working with several broadcasters to diversify from the event-led cyclical nature of sports federation deals.

- **IoT and MoVE:** IoT witnessed growth (albeit on a low base). However, the priority for this segment is on reducing losses rather than driving growth.
- **TCR:** TCR margins recovered QoQ, but have been reset to mid-50s, following the change in the operating model.
- **TCTS:** The revenue decline was on account of the exit from the second onerous contract in the domestic market. The business is now largely international with a 20%+ EBITDA margin profile.
- **Kaleyra acquisition:** The Kaleyra acquisition helped the company in scaling up its capabilities in the CIS portfolio, while also providing good growth and a healthy margin in TCR. Management believes TCOM would have to spend more to scale the portfolio if it went ahead organically through DiGo. However, ~92% of the Kaleyra business was SMS led and was at lower profitability, which, over time, the company is looking to curtail.
- **Strategic initiatives and AI bets:** During the quarter, the company acquired a majority stake in Commotion Inc., an AI-native enterprise SaaS platform. Management highlighted accelerated AI integration across products and processes, with Commotion capabilities integrated with Kaleyra channels, cloud infrastructure, and security. The company aims to position itself as a full-stack AI platform provider. Several strategic bets, including AI Cloud, AI Studio, Voice AI, and Edge Distribution Platform, are either launched, under pilot, or slated for rollout in the coming months.
- **Exceptional items and accounting:** Other income witnessed a significant bump-up, driven by interest income on tax refunds. The boost to PAT was partially offset by a one-time provision of INR610m towards the new labor code implementation.

Story in charts

Exhibit 5: Consol revenue grew 1.5% QoQ (+7% YoY); Adj. EBITDA margin expanded ~60bp QoQ

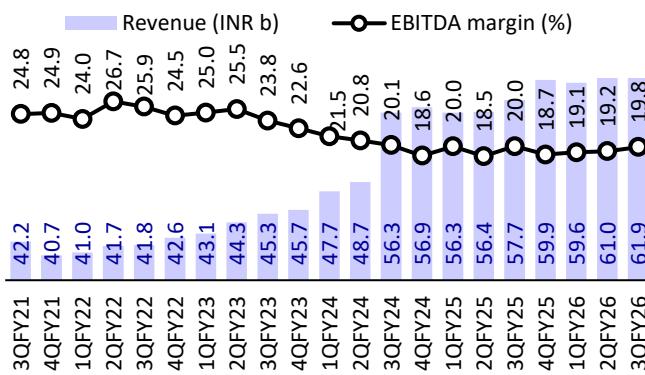


Exhibit 7: Voice revenue down 8% QoQ; margin contracted ~155bp QoQ

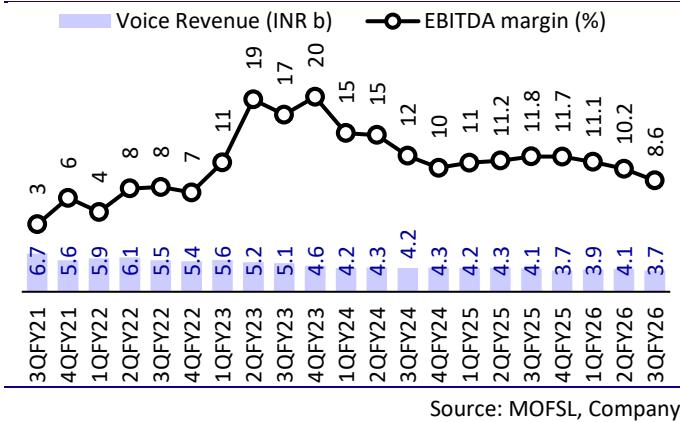
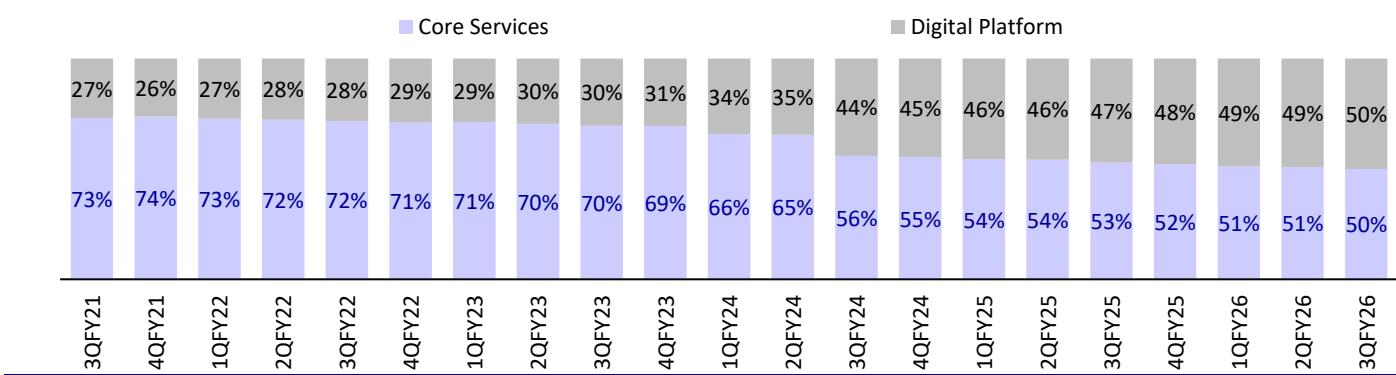


Exhibit 9: Share of digital portfolio in the data revenue mix inched up to ~50% in 3QFY26



*Revised in line with the new reporting structure; Source: MOFSL, Company

Exhibit 6: Data revenue rose ~3.5% QoQ (+9% YoY); margin expanded ~30bp QoQ

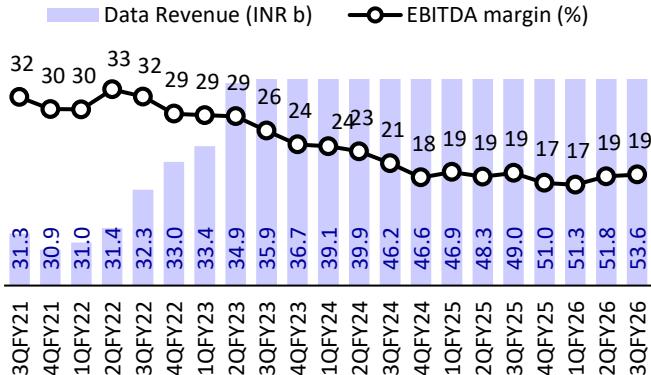
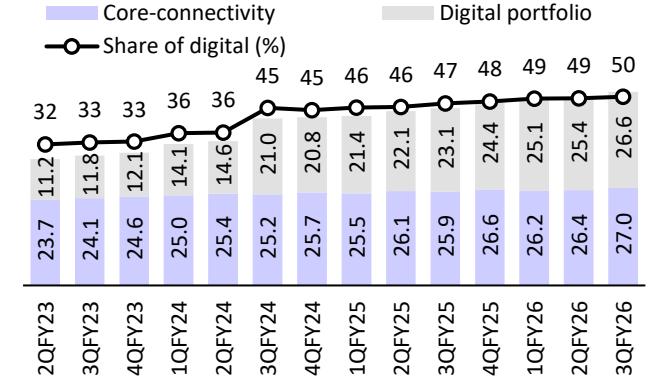
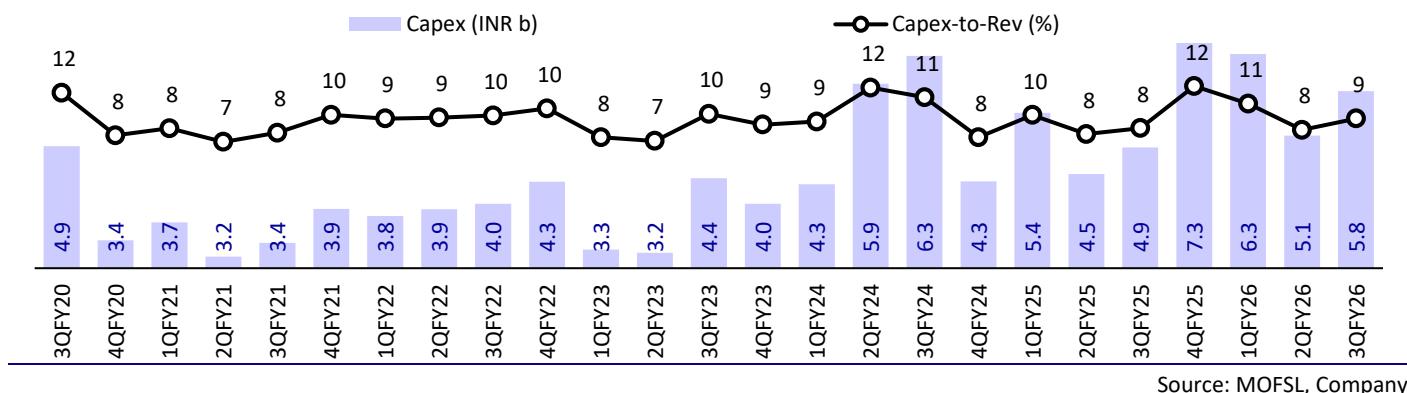


Exhibit 8: Digital portfolio revenue up ~4.6% QoQ (+15% YoY)



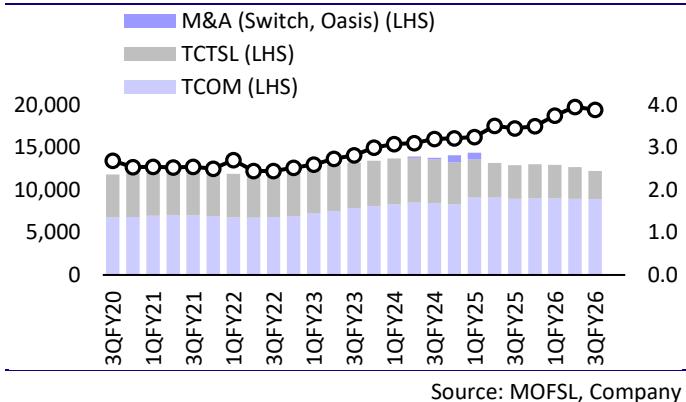
Source: MOFSL, Company

Exhibit 10: Quarterly cash capex increased ~14% QoQ to INR5.8b



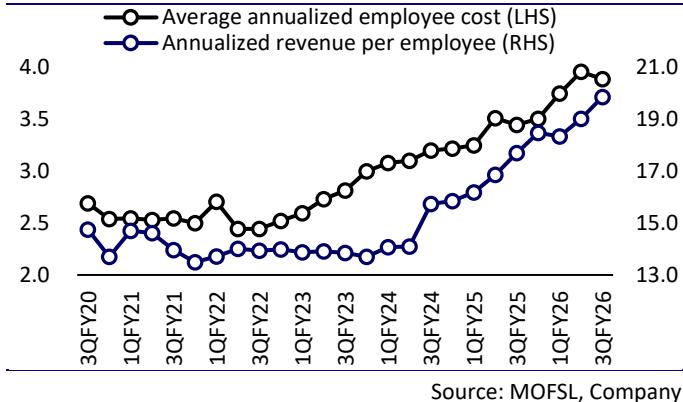
Source: MOFSL, Company

Exhibit 11: TCOM's FTE base declined ~486 in 3QFY26, and the average cost per employee dipped ~1.8% QoQ



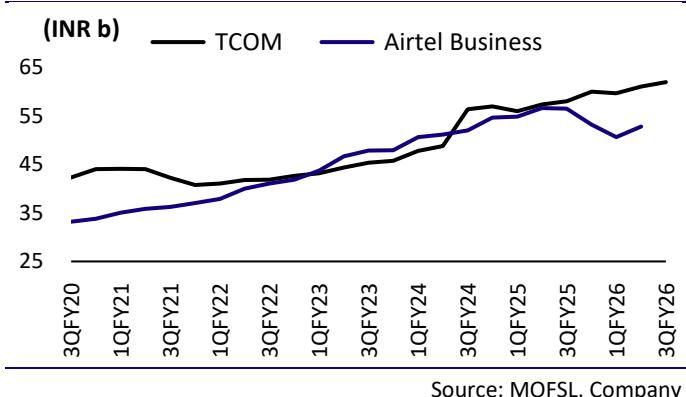
Source: MOFSL, Company

Exhibit 12: TCOM's annual cost per employee stood at INR3.9m; revenue per employee rose ~4% QoQ



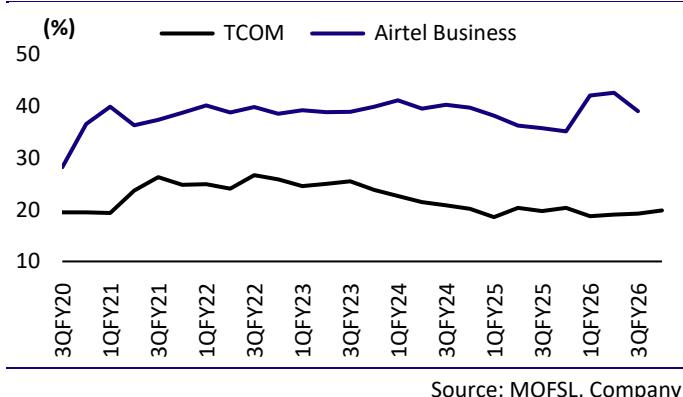
Source: MOFSL, Company

Exhibit 13: After the Kaleyra acquisition, TCOM's gross revenue surpassed Bharti's enterprise revenue



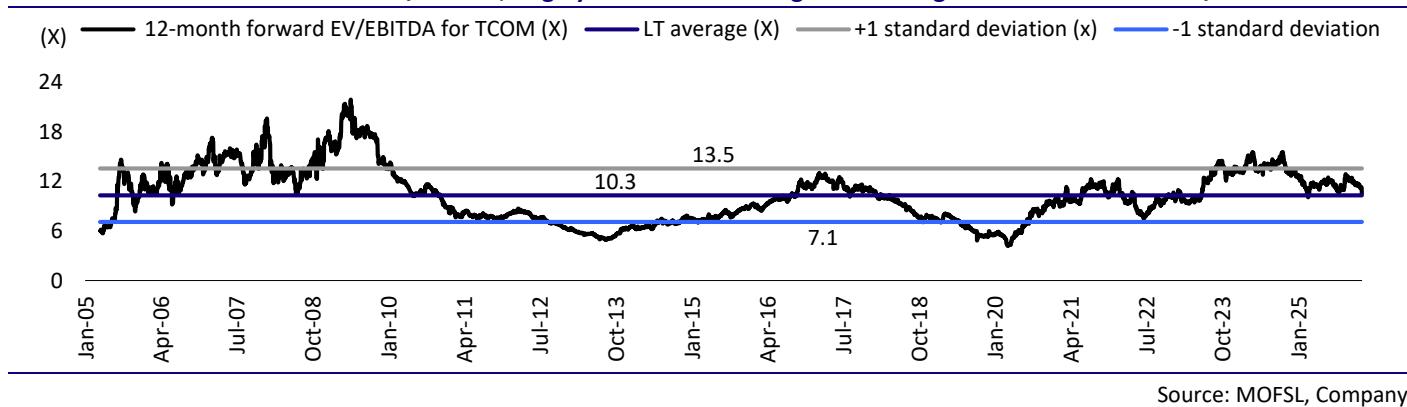
Source: MOFSL, Company

Exhibit 14: However, Bharti's enterprise business EBITDA margin is significantly ahead of TCOM's



Source: MOFSL, Company

Exhibit 15: TCOM trades at 10.5x EV/EBITDA, largely in line with its long-term average 12-month forward EV/EBITDA



Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement									(INRb)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	170.7	171.0	167.2	178.4	209.7	229.9	246.2	265.5	285.8
Change (%)	3.3	0.2	-2.2	6.7	17.5	9.7	7.1	7.9	7.7
Network Cost	67.8	63.3	62.0	63.8	80.9	100.5	107.1	114.8	122.9
Staff Cost	30.4	30.5	30.4	36.0	44.5	45.6	48.5	51.8	55.2
Operating & Other Expense	39.6	34.6	32.6	35.5	42.0	39.3	42.6	44.3	47.8
Total Expenditure	137.8	128.4	125.0	135.2	167.4	185.4	198.2	210.9	225.8
% of Sales	80.7	75.1	74.7	75.8	79.8	80.6	80.5	79.5	79.0
EBITDA	32.9	42.6	42.3	43.2	42.3	44.5	48.0	54.5	60.0
Margin (%)	19.3	24.9	25.3	24.2	20.2	19.4	19.5	20.5	21.0
Depreciation	23.6	23.1	22.0	22.6	24.7	25.9	27.7	28.9	30.3
EBIT	9.3	19.5	20.2	20.6	17.6	18.6	20.3	25.6	29.6
Int. and Finance Charges	4.7	4.2	3.6	4.3	6.4	7.3	7.8	6.6	5.3
Other Income	0.7	1.6	3.3	3.6	2.8	1.3	2.9	0.9	1.0
PBT bef. EO Exp.	5.3	16.8	19.9	19.9	14.0	12.6	15.4	20.0	25.3
EO Items	-3.9	-0.7	0.1	0.8	-2.4	8.1	1.2	0.0	0.0
PBT after EO Exp.	1.4	16.1	20.0	20.6	11.6	20.7	16.6	20.0	25.3
Total Tax	2.3	3.5	5.2	3.0	2.1	4.9	3.4	4.5	5.7
Tax Rate (%)	162	22	26	14	18	24	21	23	23
Minority Interest	0.0	0.0	0.0	-0.3	-0.2	-0.4	0.1	-0.2	-0.3
Reported PAT	-0.9	12.5	14.8	18.0	9.7	16.3	13.1	15.7	19.9
Adjusted PAT	3.0	13.3	14.8	17.2	12.0	8.2	11.9	15.7	19.9
Change (%)	-582.2	340.2	11.5	16.4	-30.0	-32.0	45.4	31.8	26.4
Margin (%)	1.8	7.8	8.8	9.6	5.7	3.6	4.8	5.9	6.9

Consolidated - Balance Sheet									(INRb)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Total Reserves	-15.6	-1.7	6.4	12.3	15.0	27.4	31.1	40.9	54.1
Net Worth	-12.8	1.2	9.3	15.2	17.9	30.2	33.9	43.7	56.9
Minority Interest	0.0	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0
Total Loans	81.6	98.0	79.0	75.3	101.2	108.8	93.8	78.8	63.8
Lease Liabilities	39.9	14.4	12.2	10.4	11.5	14.8	14.8	14.8	14.8
Deferred Tax Liabilities	-2.5	-2.8	-1.9	-3.2	-5.2	-11.6	-11.6	-11.6	-11.6
Capital Employed	106.3	111.0	98.9	98.0	125.3	142.2	130.9	125.7	123.9
Net Fixed Assets	100.5	99.6	96.6	93.9	105.8	119.9	116.8	113.8	110.3
Goodwill on Consolidation	0.9	1.1	1.1	1.2	17.8	19.3	19.3	19.3	19.3
Capital WIP	4.5	6.1	8.7	11.5	13.3	11.0	11.0	11.0	11.0
Total Investments	15.6	22.3	15.7	19.5	16.1	18.0	18.0	18.0	18.0
Curr. Assets, Loans & Adv.	72.0	67.8	61.0	66.0	74.4	77.7	72.7	75.8	83.0
Inventory	0.7	0.3	0.4	1.6	0.8	1.6	1.6	1.6	1.6
Account Receivables	32.3	26.1	25.8	27.4	37.6	40.1	41.5	44.1	46.7
Cash and Bank Balance	9.1	9.3	7.4	10.6	8.4	17.6	10.5	9.5	12.6
Loans and Advances	29.9	32.1	27.3	26.4	27.6	18.5	19.1	20.6	22.2
Curr. Liability & Prov.	103.2	99.3	95.6	103.9	113.1	103.7	106.9	112.2	117.7
Account Payables	38.4	32.4	30.1	32.8	36.6	35.7	36.9	39.8	42.8
Other Current Liabilities	57.3	60.0	57.9	62.7	67.3	58.7	60.1	61.8	63.5
Provisions	7.5	6.9	7.7	8.5	9.3	9.4	10.0	10.7	11.4
Net Current Assets	-31.2	-31.5	-34.6	-37.9	-38.7	-26.0	-34.2	-36.4	-34.7
Appl. of Funds	106.3	111.0	98.9	98.0	125.3	142.2	130.9	125.7	123.9

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)									
EPS	10.6	46.5	51.8	60.3	42.3	28.7	41.8	55.1	69.7
Cash EPS	93.3	127.7	129.2	139.7	128.9	119.7	138.9	156.5	176.1
BV/Share	-44.9	4.1	32.5	53.3	62.7	106.0	119.0	153.5	199.8
DPS	4.0	14.0	20.7	21.0	16.7	25.0	20.0	22.5	27.5
Payout (%)	37.9	30.1	39.9	34.8	39.5	69.2	47.8	40.8	39.5
Valuation (x)									
P/E	153.3	34.8	31.3	26.8	38.3	56.4	38.8	29.4	23.3
Cash P/E	17.4	12.7	12.5	11.6	12.6	13.5	11.7	10.3	9.2
P/BV	-36.1	399.9	49.8	30.4	25.8	15.3	13.6	10.6	8.1
EV/Sales	3.3	3.2	3.2	2.9	2.6	2.5	2.3	2.1	1.8
EV/EBITDA	17.0	12.7	12.5	12.0	13.0	12.7	11.7	10.0	8.8
Dividend Yield (%)	0.2	0.9	1.3	1.3	1.0	1.5	1.2	1.4	1.7
FCF Per Share	36.5	64.5	89.7	103.2	39.0	25.0	69.8	89.1	101.0
Return Ratios (%)									
RoE	-41.2	-227.9	283.3	140.6	72.9	34.1	37.2	40.5	39.5
RoCE	-5.8	14.8	16.3	20.6	14.4	10.7	12.5	14.7	17.4
RoIC	-7.5	20.2	21.3	28.5	20.0	15.6	17.2	22.3	27.1
Working Capital Ratios									
Fixed Asset Turnover (x)	1.3	1.1	1.0	0.9	0.9	NA	NA	NA	NA
Asset Turnover (x)	1.6	1.5	1.7	1.8	1.7	1.6	1.9	2.1	2.3
Inventory (Days)	2	1	1	3	1	3	2	2	2
Debtor (Days)	69	56	56	56	65	64	62	61	60
Creditor (Days)	82	69	66	67	64	57	55	55	55
Leverage Ratio (x)									
Current Ratio	0.7	0.7	0.6	0.6	0.7	0.7	0.7	0.7	0.7
Interest Cover Ratio	2.0	4.6	5.6	4.8	2.7	2.6	2.6	3.9	5.5
Net Debt/Equity	-7.6	69.9	7.3	3.7	4.9	3.5	2.9	1.9	1.2

Consolidated - Cash Flow

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	(INRb)
OP/(Loss) before Tax	-0.8	12.5	20.0	20.6	11.6	20.7	16.6	20.0	25.3	
Depreciation	23.6	23.1	22.0	22.6	24.7	25.9	27.7	28.9	30.3	
Interest & Finance Charges	4.7	4.2	3.6	4.3	8.3	6.0	4.9	5.6	4.3	
Direct Taxes Paid	-2.8	-5.0	0.9	-2.0	-2.2	-8.4	-3.4	-4.5	-5.7	
(Inc)/Dec in WC	-2.5	-5.5	-4.7	-0.6	-11.0	-10.1	1.1	1.2	1.3	
CF from Operations	22.1	29.4	41.8	45.0	31.4	34.1	46.9	51.3	55.6	
Others	3.1	2.4	0.2	-1.1	0.5	-5.0	-2.4	0.0	0.0	
CF from Operating incl EO	25.2	31.8	42.0	43.8	31.8	29.1	44.5	51.3	55.6	
(Inc)/Dec in FA	-14.9	-13.4	-16.5	-14.4	-20.7	-22.0	-24.6	-25.9	-26.9	
Free Cash Flow	10.4	18.4	25.6	29.4	11.1	7.1	19.9	25.4	28.8	
(Pur)/Sale of Investments	-0.5	-6.9	9.4	-3.2	-3.6	0.0	0.0	0.0	0.0	
Others	0.0	0.3	-1.9	-0.8	-2.1	0.2	2.9	0.9	1.0	
CF from Investments	-15.3	-20.0	-8.9	-18.4	-26.4	-21.8	-21.7	-25.0	-25.9	
Issue of Shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Inc/(Dec) in Debt	-4.0	-8.4	-27.8	-13.0	3.2	1.1	-15.0	-15.0	-15.0	
Interest Paid	-3.9	-2.5	-2.5	-3.5	-5.3	-5.6	-7.8	-6.6	-5.3	
Dividend Paid	-1.5	-1.1	-4.0	-5.9	-6.0	-4.8	-7.1	-5.7	-6.4	
Others	0.0	0.5	-0.6	0.1	-0.1	0.0	0.0	0.0	0.0	
CF from Fin. Activity	-9.4	-11.6	-34.9	-22.2	-8.2	-9.4	-29.9	-27.2	-26.8	
Inc/Dec of Cash	0.6	0.2	-1.8	3.2	-2.8	-2.0	-7.1	-0.9	3.0	
Opening Balance	8.5	9.1	9.3	7.4	10.6	11.5	17.6	10.5	9.5	
Closing Balance	9.1	9.3	7.4	10.6	8.4	17.6	10.5	9.5	12.6	

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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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