

TATA Communications Collaboration Services Private Limited

September 12, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	50.00	CARE AA; Stable / CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of TATA Communications Collaboration Services Private Limited (TCCSPL) principally supported by its strong parentage of TATA Communications Limited (TCL, rated 'CARE AAA; Stable'). The rating also considers significant operational linkages with the TATA group companies, diverse geographical presence, robust capital structure with no long-term debt.

The aforementioned rating strengths are, however, tempered by the company's moderate scale of operations and foreign exchange fluctuation risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in revenue along with expansion in PBILDT margin above 30% on a sustained basis.

Negative factors

- Weakening of linkages with TCL or change in TCL's support stance towards TCCSPL.
- Significant decline in total operating income (TOI) and PBILDT margin leading to strain in liquidity
- Deterioration in the credit profile of parent, TCL

Analytical approach: Standalone, while factoring in financial and managerial linkages with TCL, integral to the operations of TCCSPL.

Outlook: Stable

TCCSPL is expected to sustain its strong credit profile owing strong linkages with TCL along with its 100% ownership.

Detailed description of the key rating drivers:

Key strengths

Support from a strong and resourceful promoter i.e., TCL

TCCSPL is a wholly owned subsidiary of TCL, which is a part of the over USD 100-billion TATA group, comprising over 100 operating companies in several business sectors, namely, communications and information technology, engineering, materials, services, steel, auto, financial services, energy, consumer products, and chemicals. The group has operations in more than 100 countries across six continents, and its companies export products and services to 85 countries. TCL is one of the largest and strategically important companies within the TATA group, being one of the oldest businesses.

The day-to-day operations of the company and key divisions at TCCSPL are managed by TCL. TCCSPL is expected to receive strong managerial and operational support from its parent. The company also leverages the expertise of its parent for expanding the IoT business and its board members are a part of the parent's key management.

Significant operational linkages with group companies

TCCSPL derives most of its revenues from the group companies which provides revenue visibility to a large extent. During FY24 ~85% of TCCSPL's revenue came from its group companies. The company's audio and voice services are linked to the network service offerings of the parent; thus, TCCSPL can continue to leverage the existing customer base of TCL for its IoT offerings. There is a back-to-back billing arrangement with its group companies for end users, which are third-party customers since the customer base and network services are interlinked with TCL.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Comfortable capital structure

The capital structure of the company remains robust with no long-term debt on the books, low interest rates by virtue of being a part of the TATA group, and sufficient accruals. Furthermore, being a part of TATA group, the company enjoys significant market standing as well as financial flexibility.

Geographically diverse presence

TCCSPL has its services established for its clients (mainly group companies) in India and US. With change in the revenue sharing for TCCSPL and the same being accounted for in overseas subsidiaries of TCL, the revenue from India increased to 82% in FY24 (PY: 77% [refers to the period April 1 to March 31]), while the balance was contributed by the overseas markets. Going forward, CARE Ratings is of the opinion that the IoT business will also follow the same trend.

Key weaknesses

Moderate scale of operations and profitability

TOI of the company grew by 7.46% to ₹98.72 crores in FY24 due to synergistic effect coupled with the growth in the IoT business. However, the PBILDT (Profit before interest, lease, depreciation and tax) reduced from ₹25.29 crores in FY23 to ₹20.79 crores in FY24 on account of significant increase in the network and transmission expenses. As per the management articulation, the impact on the profitability is due to the acquisition of the IoT business in FY23 and the time required for transition of the company from traditional business model to CPaaS business model.

Foreign exchange fluctuation risk

With the company's operations spread across various geographies, it is exposed to the foreign exchange fluctuation and translation risks. However, as the company's sales are in dollar and euro terms, it off-sets the foreign exchange risk to a large extent. The company manages its forex risk by entering derivatives on net exposures.

Liquidity: Adequate

The liquidity position of the company remains adequate with total cash and cash equivalents of ₹ Rs.5.19 crore as on March 31, 2024. Against this, the company has NIL debt repayment obligations except lease liabilities of ₹0.12 crore. Furthermore, TCCSPL also has fungible limits aggregating Rs.50 crore, the average utilisation for which remained 'Nil' during the 12-month period ending May 30, 2024. This provides additional liquidity buffer in the form of unutilised fungible in case of any unforeseen event. The company also enjoys significant financial flexibility by virtue of being 100% subsidiary of TCL.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Policy on default recognition](#)

[Rating Outlook and Credit Watch](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Factoring Linkages Parent Sub JV group](#)

[Financial Ratios- Non-Financial Sector](#)

[Service Sector companies](#)

[Policy On Short Term Instruments](#)

[Infrastructure sector ratings](#)

About the company and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic Industry
Telecommunication	Telecommunication	Telecom - Services	Other Telecom Services

TCCSPL (formerly known as Wirefree Internet Services Pvt. Ltd.) was incorporated in India on April 24, 2008. The name of the company was changed from Wirefree Internet Services Pvt. Ltd. to TCCSPL with effect from February 25, 2016. The company

provides telecommunication services, voice mail, audiotex services in India, including but not limited to cellular telephony, wireless and wireless services, cable television, internet and cable delivered multimedia; to build own and operate such networks and to undertake related management consultancy. The company holds licenses from the DoT for providing voice mail/audiotext services in Mumbai, New Delhi, Bangalore and Chennai for short distance charging areas (SDCAs).

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	120.52	91.86	98.72
PBILDT	30.56	25.29	20.79
PAT	17.22	12.31	2.75
Overall gearing (times)	0.00	0.00	0.00
Interest coverage (times)	392.77	243.89	104.58

A: Audited Note: these are latest available financial results

Note: The financials have been classified as per CARE Ratings' internal standards.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Annexure-2

Covenants of the rated instruments/facilities: Annexure-3

Complexity level of the various instruments rated for this company: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based/Non-fund-based-LT/ST		-	-	-	50.00	CARE AA; Stable / CARE A1+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based/Non-fund-based-LT/ST	LT/ST	50.00	CARE AA; Stable / CARE A1+	-	1)CARE AA; Stable / CARE A1+ (28-Sep-23)	1)CARE AA-; Positive / CARE A1+ (29-Mar-23) 2)CARE AA-; Positive (25-Jan-23) 3)CARE AA-(CE); Positive (29-Jul-22)	1)CARE AA-(CE); Stable (30-Sep-21)
2	Fund-based - LT-Proposed fund based limits	LT	-	-	-	-	-	1)Withdrawn (30-Sep-21)
3	Un Supported Rating-Un Supported Rating (Long Term)	LT	-	-	-	-	1)Withdrawn (25-Jan-23) 2)CARE A+ (29-Jul-22)	1)CARE A+ (30-Sep-21)

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not applicable**Annexure-4: Complexity level of the various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1.	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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