

## Novamesh Limited

September 29, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term / Short-term bank facilities	450.00 (Enhanced from 100.00)	CARE AA-; Stable / CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Novamesh Limited (NL) primarily reflects strong parentage from Tata Communications Limited (TCL, rated 'CARE AAA; Stable/ CARE A1+'). Ratings factor in transfer of select new-age digital services business of TCL to NL, a wholly owned subsidiary of TCL. The transfer was undertaken through a slump sale, effective April 01, 2024. This restructuring is expected to facilitate a more streamlined delivery of digital services and is aligned with TCL's strategic intent to deepen its presence in the digital platform and services (DPS) segment, with a focus on enhancing customer value and strengthening its market position in emerging digital service offerings.

Ratings also derive comfort from the presence of medium-to-long-term service contracts with reputed clientele, which provides revenue visibility in the medium term. The company reported total operating income (TOI) at ₹1,236.77 crore and operating profit margin at 8.76% for FY25 (refers to period from April 01 to March 31). CARE Ratings Limited (CareEdge Ratings) anticipates leverage and debt coverage to remain comfortable.

However, rating strengths are partially tempered by exposure to foreign exchange risk and competitive pressures from telecom and non-telecom players operating in similar service segments.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Sustained growth in turnover above ₹2,000 crore and operating margins above 17%.

#### Negative factors

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

**Analytical approach:** Standalone, factoring financial and managerial linkages with TCL, integral to operations of NL.

#### Outlook: Stable

The stable outlook reflects its strong credit profile owing to its strong parentage, operational and management linkages with TCL.

### Detailed description of key rating drivers:

#### Key strengths

##### Support from a strong and resourceful promoter, TCL

NL is a wholly owned subsidiary of TCL, which forms part of the over US\$100 billion Tata Group. The Tata Group comprises over 100 operating entities across diverse sectors such as communications and information technology, engineering, materials, services, steel, automobiles, financial services, energy, consumer products, and chemicals. The group has a global footprint with operations in over 100 countries across six continents and exports products and services to 85 countries. TCL is one of the largest and strategically significant entities within the Tata Group, being among its oldest businesses.

NL benefits from strong managerial and operational support from TCL, with its day-to-day operations overseen by an experienced team from the parent. The company's board comprises members from TCL's senior management, and key functional areas are also managed by TCL. As part of the Tata Group, NL enjoys considerable financial flexibility.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

**Presence of service contracts providing revenue visibility**

NL has novated existing service contracts from TCL, which are backed by a reputed clientele. These service contracts are of medium-to-long-term tenure, providing healthy revenue visibility. In the current fiscal, NL has entered a long-term agreement with one of the leading public sector banks in India, further strengthening its revenue visibility.

**Healthy operating income with moderate profitability**

The company reported a TOI of ₹1,236.77 crore in FY25, with operating profit margin and profit after tax (PAT) margin at 8.76% and 1.39%, respectively. As articulated by the management, operating margins are expected to improve in the medium term following stabilisation of operations. Going forward, improvement in scale of operations and sustenance of operating margins will remain key monitorable factors.

**Comfortable leverage and debt coverage ratios**

As on March 31, 2025, post hive-off of assets, the company had an outstanding debt of ₹258.72 crore, comprising ₹154.92 crore of unsecured loans from TCL and ₹103.80 crore of working capital borrowings. The capital structure remained comfortable with an overall gearing of 0.54x and total debt to PBILDT at 2.65x as on March 31, 2025. The company also demonstrated strong debt servicing capability, reflected in an interest coverage ratio of 17.99x in FY25. Per articulation of the management, the company intends to have capex plan in medium term and plans to avail working capital limits. CareEdge Ratings expects leverage and debt coverage ratios to remain key monitorable. The rating also factors TCL's commitment in extending need-based financial support to the entity.

**Key weaknesses****High competition**

The digital services segment in which NL operates is characterised by intense competition, with multiple telecom and non-telecom players offering a wide range of solutions at competitive pricing and varying levels of support. However, NL's enterprise-focused digital service offerings, supported by the established track record and brand strength of TCL, are expected to aid the company in effectively competing and scaling its presence within the segment.

**Exposure to foreign exchange risk**

The company has minimal exposure to international clientele; however, foreign exchange risk cannot be entirely eliminated. Therefore, company uses derivative financial instruments, such as forward contracts, to hedge its foreign currency exposure, which is also partly mitigated through natural hedging.

**Liquidity: Adequate**

The company reported adequate gross cash accruals (GCA) stood of ₹152 crore for FY25 against nil long-term repayments. Apart from this, the company's cash and liquid investments stood at ₹22.77 crore as on March 31, 2025. Company's average working capital utilisation stood at ~69% for 12 months ending June 2025. Apart from this, the company enjoys financial flexibility as wholly owned subsidiary of TCL.

**Assumptions/Covenants:** Not applicable

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

**Applicable criteria**

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Notching by Factoring Linkages in Ratings](#)

[Financial Ratios – Non financial Sector](#)

[Services Sector](#)

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## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Telecommunication	Telecommunication	Telecom - Services	Other Telecom Services

NL is a wholly owned subsidiary of TCL and is authorised to provide all types of information technology enabled and related services, among other things.

As part of internal restructuring, TCL has transferred select products and services to NL, including Managed Hosting Services, Managed Security Services, and Mobile Messaging Exchange among others, on April 01, 2024. This will enable a simplified approach of providing identified services in a more efficient manner to customers.

Brief Financials (₹ crore)	March 31, 2024 (A)*	March 31, 2025 (A)
Total operating income	NA	1,236.77
PBILDT	NA	108.28
PAT	NA	17.20
Overall gearing (times)	NA	0.54
Interest coverage (times)	NA	17.99

A: Audited; NA: Not available; Note: these are latest available financial results

\*As part of internal restructuring TCL has transferred select products and services to NL, its wholly owned subsidiary on April 01, 2024.

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** 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		-	-	-	450.00	CARE AA-; Stable / CARE A1+

### Annexure-2: Rating history for 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 2025-2026	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
1	Fund-based/Non-fund-based-LT/ST	LT/ST	450.00	CARE AA-; Stable / CARE A1+	1)CARE AA-; Stable / CARE A1+ (08-Sep-25)	1)CARE AA-; Stable / CARE A1+ (10-Jan-25)	-	-

LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of instruments rated**

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

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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