NOVEMBER 03, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO BANK FACILITIES/ INSTRUMENTS OF TATA COMMUNICATIONS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Short term bank facilities	1,330 (Rupees One Thousand Three Hundred and Thirty crore Only)	**CARE A1+ [A One Plus]**	Reaffirmed
Proposed Short term debt	180 (Rupees One Hundred and Eighty Crore Only)	**CARE A1+ [A One Plus]**	Reaffirmed
Total Facilities	**1510 (Rupees One Thousand Five Hundred and Ten Crore Only)**		
Non-Convertible Debentures	210 (Rupees Two Hundred and Ten crore only)	**CARE AA+ [Double A Plus]**	Reaffirmed
Issuer Rating	-	**CARE AA+ (Is) [Double A Plus (Issuer Rating)]**	Reaffirmed

Rating Rationale

The reaffirmation of ratings assigned to Tata Communications Limited (TCL) reflect continuance of revenue growth and improved operating margin in Data Management Service (DMS) business segment, its established promoter group and dominant position in the Global Voice Segment (GVS); despite decrease in GVS segment revenues on account of usage of alternate technology and competitive pressure reducing its operating margin.

The reaffirmation of the ratings also factor in TCL vast global presence in diversified geographical area, its large cable network which has helped company to service its clients proficiently and its strong refinancing capability which has helped TCL to reduce its cost of borrowing.

The ratings take into account TCL's continued effort to close the transaction of sale of Neotel (Pty) Limited to Vodacom, South Africa and factors in cash inflows expected to accrue to the company and also the reduction of its consolidated debt.

The rating strengths are however constrained by TCLs limitation to raise equity, continued dependence on a large quantum of debt for its capex program, weak capital structure on account of past losses and moderate debt coverage indicators.

Ability of the company to reduce its debts levels to fund the future capex as envisaged, retain its clientele in GVS segment on profitable terms, timely realization of funds from the sale of Neotel business are the key rating sensitivities.

Background

TATA Communications Limited (TCL) was incorporated on March 19, 1986 as Videsh Sanchar Nigam Limited (VSNL), an entity wholly owned by the Government of India (GoI). GoI, vide its letter dated 27 March 1986, transferred all assets and liabilities of the Overseas Communications Service (OCS, part of the Department of Telecommunications, Ministry of Communications) to VSNL with effect from April 01, 1986. During 2002, Tata Group acquired 50% stake in the company and in the year 2008, the company changed its name from VSNL to TCL. As at March 31, 2014, the Tata Group held 48.87% stake and GoI held 26.12% stake.

In May 2014, the shareholders of Neotel (TCL-step down subsidiary) and Vodacom SA concluded an agreement on the commercial structure and terms to proceed for Vodacom to acquire 100 per cent of the shares of Neotel valued at an

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

enterprise value of ZAR 7.0 billion. The company has commenced the process to obtain the regulatory approvals and the competition commission approvals.
Net Debt attributable to Neotel as at June 30, 2015 was ZAR 4.4 billon.

During FY15 (refers to period April 1 to March 31), company posted Rs.4,750.18 crore of total income and Rs.674.62 crore of PAT on standalone basis. Income of the core business during FY15 stood at Rs.17,771.80 crore and reported loss of Rs.92.70 crore respectively.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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