DECEMBER 22, 2016

CARE REAFFIRMS RATING OF 'CARE A1+' FOR THE SHORT TERM BANK FACILITIES AND'CARE AA+' TO THE NCD OF TATA COMMUNICATIONS LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Short-term Bank Facilities	1674 (Enhanced from 1510)	**CARE A1+ (A One Plus)**	Reaffirmed
Total Facilities	**1674** **(Rupees One Thousand Six Hundred and Seventy Four Crore only)**		
Non-Convertible Debentures	**155** **(Reduced from 210)** **(Rupees One Hundred and Fifty Five crore only)**	**CARE AA+ [Double A Plus]**	**Reaffirmed**

Rating Rationale

The reaffirmation of the ratings assigned to Tata Communications Limited (TCL) reflect continuance of revenue growth and improved operating margin in Data Management Service (DMS) business segment, and dominant position in the Global Voice Segment (GVS) and its established promoter group.

The reaffirmation of the ratings also factor in the stake sale in its data centre business in India and Singapore as well as its continued effort to close the sale of Neotel (Pty) Limited to Liquid Telecom TT, South Africa and factors in cash inflows expected to accrue to the company which are primarily to be utilized for the reduction of its consolidated debt.

Also, supporting the rating is TCL's 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 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.

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

Background

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

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

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, 2016, the Tata Group held 48.87% stake and GoI holds 26.12% stake.

During FY16 (refers to the period April 1 to March 31), the company posted total income of Rs.5,044.61 crore and PAT of Rs.113.20 crore on standalone basis as compared with Rs.4,750.18 crore and Rs.674.62 crore, respectively, for the previous year. In H1 FY17, the company reported a total income of Rs.2469.04 crore and a PAT of Rs.471.98 crore.

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For detailed rationale of TCL, please refer to www.careratings.com

Note: Mr Vittaldas Leeladhar, Non-Executive Director on the board of Tata Global Beverages Limited (a Tata group company), is one of CARE's Rating Committee Members. To comply with the regulations, the member has not participated in the rating process and in the rating committee meeting.

****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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