



Let's have a deeper look at one of our latest stock recommendations, a digital ecosystem enabler, part of a multi-billion-dollar conglomerate, the prestigious Tata Group

Tata Communications Ltd

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Overview:

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1) History and Introduction

- Tata Communications was incorporated on March 19, 1986, as Videsh Sanchar Nigam Limited (VSNL).
- In February 2002, the Government of India, as per their disinvestments plan, sold 25% of their holding in the company to the strategic partner.
- Consequently, the company was taken over under the administrative control of TATA.
- It partners with 300 out of Fortune 500 companies including a wide range of

communication, collaboration, cloud, mobility, connected solutions, network, and data center services.

<b>12,000+</b> employees worldwide	<b>37+</b> diverse nationalities
<b>200+</b> countries of operation	<b>~7,000+</b> customers (including 300 of the Fortune 500)
<b>50+</b> entities across the globe	<b>Top</b> percentile of NPS®

## 2) Leadership Stats

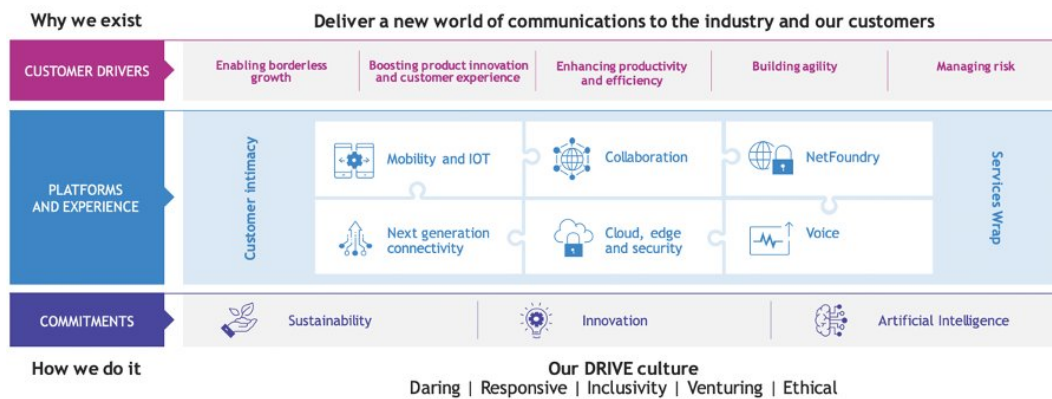
- Its global network includes one of the most advanced and largest submarine cable networks.
- It is in the Top 5 IP providers on 5 continents and offers public and private network connectivity to more than 240 countries and territories.
- It carries 30% of the global internet route, connects 4 of 5 global mobile subscribers and it is a number 1 wholesale voice provider.
- 30% of Global internet routes are carried by them
- They are #1 in Enterprise data and colocation services in India
- 60% of Cloud giants are connected to their businesses through Tata Comm
- 4 out of 5 Global mobile subscribers are connected through their network
- They are globally number 1 Wholesale voice provider submarine cable owner on-net mobile signaling

## 3) Business Verticals

- Company's business is divided into 3 segments:

1) Data Business (~75% of revenue): includes global point-to-point and multi-point core

networking services including WAN Ethernet, Global VPN, and International private lines spanning over 100 countries.



Its 2 major customer segments include:

- (a) Large enterprise customers, and
- (b) Telecom Service Providers.

- Digital Platforms provides Cloud Hosting, Security, SDWAN, UCaaS, SIP connect, Micro Teams Solution, Cisco powered solutions.



It also provides a Media ecosystem in all segments of media and entertainment, including gaming, sports, news, cable, OTT, and broadcasting.

2) Voice Business (15% of revenue): It is the world's largest wholesale voice provider, carrying over a billion minutes a week.

- Through its 1600+ telecom partnerships its network handles 1 out of every 10 international calls and connects more than 70% of the world's mobile carriers.

3) Others (10% of revenue):

It has an ATM network subsidiary in India (Tata Communications Payment Solutions Ltd)

And a network management outsourcing subsidiary that supports global service providers (Tata Communications Transformation Services Ltd.)

They also receive rental income from some of their land parcels and buildings, which are let out for various commercial purposes.

Key Clients:

Dabur, HCL, Federal Bank, Indiabulls, Aditya Birla, Spicejet, HP Petrofac, etc.

Govt Stake Sale:

In 2021, the Government of India divested its entire shareholding of 26.12% in the Company by an offer for sale of which 10% sold to Panatone Finvest (Promoter)

- Land Parcel

A surplus land parcel of 740 Acre was demerged into Hemisphere Properties India Limited, which is 50.12% owned by Gol and 23% by Tata Group.

The company had a total land parcel of ~1496 Acre, now it has left 756 Acre of land on the book.

#### 4) Strategic overview

The following 6 are the key pillars that will significantly contribute to their growth in revenue:

- 1) Mobility & IoT,
- 2) Collaboration,
- 3) Next Generation Connectivity,
- 4) Cloud,
- 5) Edge & Security,
- 6) Voice and NetFoundry

We facilitate businesses to pursue digital transformation through navigating new and emerging technologies, to transition seamlessly into a more intelligent future.

##### Platform economy

**7 of 10**

Most valuable companies based on platforms

(Source: *Bloomberg and Google*)

##### Managed services

**11.2%**

Growth of global managed services between 2021 and 2026

(Source: *Mordor Intelligence*)

##### Enterprise mobility

**5.8 billion**

Mobile subscriptions by 2025

(Source: *GSMA Intelligence*)

##### Internet of Things (IoT)

**73.1 ZB**

Data will be generated globally, by 55.7 billion IoT devices by 2025

(Source: *IDC*)

##### Cloud computing

**45%**

Of the IT spending will shift to the cloud by 2024

(Source: *Gartner*)

##### Hybrid SDN

**60%**

Of enterprises will have implemented SD-WAN by 2024

(Source: *Gartner*)

##### Cybersecurity awareness

**10.1%**

CAGR (2020-25) for End-user spend for information security & risk mgmt

(Source: *Gartner*)

##### Artificial Intelligence (AI)

**30%**

of organizations planned to increase AI investments in 2020

(Source: *Gartner*)

Growing data business:

The data business is expected to benefit from increasing offtake of data and TCLs position as world's leading provider of wholesale data and mobile signaling services.

This Growth has helped partially offset the decline in revenue from the voice segment.

India IoT:

Their Internet of Things has been focused on the Indian market and is now poised to explore international opportunities.

They are playing a pivotal role in the digital transformation of Enterprises and the smart utility of the Government's Smart City programs.

NetFoundry

The platform eliminates the complexity and cost of traditional business networking.

It spurs innovation by enabling customers to programmatically embed private networking into their applications and solutions, with application providers, cloud and system integrators.

Media And Entertainment Services

Their world-leading Video Connect Network and cloud-based Media Ecosystem enables the entire content pipeline from origination to distribution and connects content producers with technology providers, distributors, and consumers.

Tata Communications has supported global distribution of:

- Over 9,000 live events
- 700 TV channels
- 60,000 hours of live events
- Reaching 2 billion+ sports fans across various broadcast platforms

5) Financial Highlights

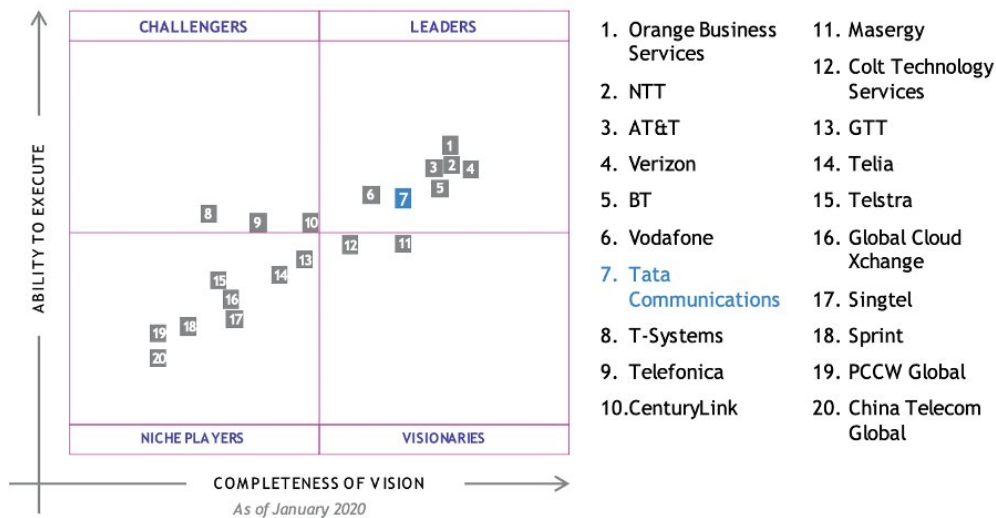
- Consistent strong growth in Data Business despite industry challenges
- Data business growth is compensating for the decline in Voice business

- Shift towards more profitable data business leading to EBITDA growth and margin expansion
- Voice business continues to generate healthy cash flow despite a decline in revenue
- Financial risk profile is backed by healthy cash accrual, significant cash, and the absence of any large, debt-funded capital expenditure (capex).

6) Conclusion:

Given the strong demand, new customer acquisitions, a strong balance sheet, and improvement in profitability we see a steady earnings expansion in upcoming quarters leading to brighter days for the company making it a stable business for your long-term portfolio.

- Tata Communications has been Positioned as a Leader in the 2020 Gartner Magic Quadrant for Network Services, Global - for 7 years in a row



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