Dated: 22 Jan 2026

Tata Communications (TCOM) - SELL

Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.1619	**Rs.1575**

Rationale:

- Q3FY26 EBITDA was below estimates, led by lower revenue growth in the data segment, partially offset by lower costs.
- Improvement in overall/digital margins is an incremental positive, but management refrained from providing a timeline for the digital portfolio breakeven.
- Its order book is robust, with signs of an uptick in the key cloud segment.
- We expect a slower ramp-up in the digital segment to delay management's targets on FY28 revenue/margins.
- Continued business uncertainty in the external environment poses an additional risk.
- We trim earnings estimates & revise the FV to Rs1,575 (from Rs1,800), factoring in lower growth & a more gradual margin recovery in the digital segment. Retain SELL.

Positives:

- TCOM also won a large strategic deal for managed SASE with a PSU bank in India.
- CC revenue growth improved to 2.4% qoq (4.2% yoy) on the OTT contract impact.
- The quarter was very good from an order book point of view.

Negatives:

- EBITDA was up 6.6% yoy & 5.6% qoq; below estimates on lower revenues & higher network costs, partially offset by lower employee/other costs.
- Q3FY26: TCOM missed estimates, led by lower revenues.

EBITDA: Earnings Before Interest, Tax, Depreciation and Amortization. EPS: Earnings Per Share. C/C: Core Connectivity. OTT: Over-The-Top.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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