

Tata Comm OFS: Investors cheer govt's exit

Bids placed for 56 million shares
against 46 million on the block

ANEESH PHADNIS & SAMIE MODAK

Mumbai, 16 March

Around 46 million shares of Tata Communications were offered under an offer for sale (OFS) on Tuesday as the Union government began divesting its stake in the company.

The government owns a 26 per cent stake in Tata Communications (earlier known as Videsh Sanchar Nigam Limited) and its exit from the digital ecosystem provider, is being seen as positive for the company as it will lift overhang from the stock and give strategic flexibility to the management.

Investors placed bids for 56 million shares, the data provided by stock exchanges showed. The floor price for the OFS was fixed at ₹1,161. Most of the bids came in at ₹1,184.

After the OFS, the government holding in Tata Communications will decline from 26.12 per cent to 10 per cent. The government's remaining 10 per cent stake will be acquired by Tata Son's investment arm Panatone Finvest. The OFS will fetch the government about ₹5,500 crore, while the 10 per cent stake will fetch another ₹3,400 crore.

Currently, Panatone Finvest owns 34.8 per cent, while Tata Sons holds a 14.1 per cent stake in Tata Communications. Total holdings of the Tata group will increase to 58.9 per cent; the remaining will be with the public.

Shares of Tata Communications fell 6.5 per cent in secondary market trade and finished at ₹1,213 on Tuesday.

Over the past 12 months, however, the stock has gained over three times. Rising data consumption and work from home have been positive triggers for the company, which owns the largest and



HEALTHY RUN

Share price (₹)



most advanced subsea fibre network.

"The government's decision to sell its entire stake in Tata Communications is a step in the right direction for the company as it will bring flexibility in capital structure, result in quicker decision making, and thus make it easier to raise funds and invest

in new growth areas, such as Cloud," said a telecom sector expert.

Given the company's strength in digital solutions there are possibilities for strategic partnerships, too,

feel analysts. Last month, the company announced a tie-up with Google to drive cloud adoption in the country. The tie-up will enable Tata Communications to support organisations with services across infrastructure modernisation and data centre transformation, among others.

Public sector VSNL was privatised in 2002 by disinvesting 25 per cent shareholding, along with transfer of management control, to Panatone Finvest.

Subsequent to the strategic disinvestment, the name of the company was changed to Tata Communications.

The OFS can fetch the government about ₹5,500 crore, while the 10 per cent stake may fetch another ₹3,400 crore