TATA COMMUNICATIONS

FY2015 & Q1 FY2016

Analyst and Investor Meet

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MAIN SPEAKERS:

Vinod Kumar, Managing Director and Group CEO

Pratibha Advani, Chief Financial Officer

Sandeep Bhatnagar – CEO, Tata Communication Transformation Services Limited

For a copy of presentation made during the analyst meet please visit below link:

http://www.tatacommunications.com/sites/default/files/TataCommunications-Q1FY16Resultsand%20AnalystMeet_v10.pdf

Mahesh Pratap Singh: Good morning. And firstly on behalf of Tata Communication Team a very warm welcome. Thanks for being with us today, we sincerely appreciate your interest in Tata Communications. I am Mahesh Pratap Singh and I manage Investor Relations at Tata Communication.

Let me start by introducing our management team and speakers for today. We are joined by Vinod Kumar – Managing Director and Group CEO, Pratibha Advani – our Chief Financial Officer and Sandeep Bhatnagar – CEO of our subsidiary Tata Communication Transformation Services Limited.

Before we get started, I want to quickly cover safe harbor statement. I would like to remind everyone that everything we say today which reflects any outlook for the future must be viewed in conjunction with the risk and uncertainties we face. A detailed statement and explanation of these risks is included but not limited to what we have already outlined in our annual filings, annual report and periodic statements. These risks can result in actual results being very different than what is implied in these forward-looking statements. The Company does not undertake to update these forward-looking statements or risk factors publicly.

With that let me just quickly give you a sense of today's agenda. We will start by Vinod giving you a sense on business direction and business highlights. He will be followed by Sandeep Bhatnagar who will give you an overview of our TCTSL business. Sandeep will be followed by Pratibha who will walk you through FY15 and Q1 FY16 Earnings and give you an update on some of our key financial focus areas. Towards the end, Vinod will sum up with an update on our strategic direction. After presentation there will be an opportunity for you to get your questions answered.

Couple of request for Q&A session - as we are doing a live webcast of the event, firstly I request for the benefit of everyone if you can introduce yourself with your name and firm name before you ask question. Also just signal an operator for you to get a microphone for asking the question. For those of you who are joining us on webcast we intend to take some of the questions from webcast towards the end of Q&A session and will specifically focus on questions which are not already asked by in-room audience. In a remote possibility and rare situation if we cannot take your question we will definitely come back to you and address the question over the email.

Post the presentation and Q&A session we request your company for lunch, we realize it can be an early lunch based on how early we are starting but would really love to have your company for lunch and network around.

With that I would now like to invite Vinod to come over and share his views. Over to you, Vinod.

Vinod Kumar: Thank you Mahesh and Good morning to you all. It is good to finally be here to share with you the Q4 results and also the Q1. I would like to firstly apologize for the delay in announcing our results, as you know we were dealing with a fairly sensitive matter in one of our subsidiaries Neotel, our business in South Africa due to two irregularities that were reportable and they were raised by the auditor. The Neotel Board of which I am part of had to go through a fairly extensive process of conducting an investigation in to the irregularities which were reported and I think we have put the details out in our statement to the extent we can right now. What I can say is the Board through it's investigation which was conducted by an external independent legal firm that is specialist in investigative work did not find any activities of corruption or misconduct on top of senior management. However, we found that there was lapse in some of the adherence to the governance processes that were established there and the checks and balances were not fully abided by. Therefore the Board of Neotel took action against one of the employees, which is still underway right now, at the same time we are reviewing the processes to tighten them to make sure that in future cases where any third party is involved in a customer contracting situation that such risks do not reoccur. And at the same time we have been very transparent with the authorities and following the practices that we believe in at the Tata Group. We have been driving full disclosures to the authorities and we have passed in a way the action on to them to conduct further enquiry if they so choose to. We have been keeping our lenders and Vodacom informed throughout the process so it is quite transparent to them as well, I am talking about Neotel's lenders and Vodacom, and that is really where we are. While this was going through the auditors could not close their accounts and therefore we decided that it was prudent for us to, given the rest of the business, the core business where our focus is it is important for us to announce the results and comply with the regulatory requirements as far as our fillings are concerned, we decided to proceed and announce the results yesterday based on management estimates which have been signed off at a local level in Neotel. I am sure that some of you will have a question on how long it will take before the audited numbers get signed off in Neotel, I cannot put a specific date or timeline to it but I expect that within the next month, month and a half roughly, that is my personal estimate, we should be able to close the issue well within that. We are actively working on it and hopefully we will be able to close the issue out at a local level as well. So that is the background, unfortunately given the nature of the issue we could not be providing updates, it was awkward for us, believe me many of you approached us to ask for updates but we could not give you at the usual level of transparency that we maintain only because of the nature of the issue and the sensitivities associated with it.

But let's move on, we have a business that is growing and changing and evolving and I would like to share with you very quickly how we are making progress as a business with both our data business as well as other strategic business units that we have. My focus today is going to be in the beginning just a strategy update to give you some sense of the key trends in the business and then as Mahesh said I will hand off to Sandeep who will do a deep dive on TCTS which is business that is gaining prominence in our portfolio and is something that we are watching carefully and I am sure that you will be as well. And then Pratibha who took over as CFO, this is her first analyst meeting so please be kind to her, just for this one meeting. She will take you through the Q4 and Q1 results in a little bit more detail and granularity and I will come back and wrap up touching again on strategy and then be happy to spend roughly half the time we have this morning on Q&A.

So if you look at FY15 itself, here is a year where our data business compared to the previous year had strong growth. Voice business had some challenges and I think the voice challenges were shared with you through the year. Especially given that FY14 was such a strong year for the voice business because of the high India termination rates. But let's focus on data which is our strategic thrust and where we have shown a good improvement in gross revenues on a year-to-year basis, 10% improvement in gross revenues in a market which is otherwise growing globally given the space that we are competing in, in very low single-digits if at all for our competitors. EBITDA was up 16% on a year-to-year basis and even though we were investing in services as well as go-to-market activities, sales force as well as marketing and so on, we managed to achieve that EBITDA growth. EBIT positive is something that we have been very focused on and the business continues to be free cash flow positive.

Looking at the voice business, the voice business obviously had a decline in revenues, it was 16% decline to about Rs. 1,250 crores net revenues, EBITDA declined considerably by 23% year-on-year. The EBITDA decline as you know in the voice business is a combination of two things, one is India rates declined fairly substantially, our net revenue or net margin per minute dropped substantially on a year-to-year basis. It was also a difficult year in comparison because the prior fiscal year was as we shared with you was unusually high margins with the voice business, but relatively the drop seemed to be quite a steep one. The voice business continued however to play its role in terms of free cash flow and generated about $98 million of free cash flow during the financial year. The graph below gives you the detailed data EBITDA growth of 16%, voice EBITDA shrank 23% and that voice neutralized the growth in data making therefore the core EBITDA growth come out at 2.3% on a year-to-year basis.

When I step back and look at the business and do a bit of a critical analysis on what we did well and where we had challenges, I would say that the positioning that we have shared with you in the past of moving to the leadership quadrant in Gartner's assessment of global network service providers and being given that recognition again for the second year in a row was an important recognition from a market place. It is really showing up in our funnel and I have some information that I will share with you on that and also in terms of customer conversations and the kind of wins that we are being able to put up on the table. The momentum for us in our enterprise business and the next generation business continues to be very strong and I believe that that trend will continue for us. The enterprise business is the large enterprise business where we are focused on selling services to multinational companies and our portfolio is growing from just a traditional connectivity services to managed VPN solutions. That transition we have already made but now the growth really is coming in unified communications, discussions around hosting and virtualized environments, security services, CDN services and so on. Some of the detail has already been provided to you but I will be happy to provide a little bit more color in the context of customer wins but also answer any queries that you might have on where we see that shift taking place.

We launched several interesting services, very innovative services last year. IZO was launched in October in the second half and IZO is a classic example of the innovation we are driving both in service creation which is an internet based VPN solution that offers significant value to customers, but more importantly from your perspective it is a CAPEX light service, it uses the infrastructure that is deployed by business grade ISPs but Tier-II players around the world and therefore it does not require us to spend our own CAPEX to build out the service on a global basis. Where you will see a lot of traction and begin showing up in our numbers this year as this year unfolds is with our Unified Communication Collaboration services and our Global Hosted Contact Center services. Last year we did a lot of heavy lifting to put these services in place, so our video collaboration service Jamvee™, a hosted contact center was launched late last year and we started with a couple of key customers and that is really beginning to grow in terms of funnel and hopefully we will start seeing that in revenues very soon. Our Cloud Orchestration services, this again is about helping enterprises move to a 'public private hybrid' model so they do not have to use dedicated service, they can use the cloud infrastructure for certain application and combine it with dedicated servers and dedicated hosting for some of their more mission critical applications. We again in this area are seeing a very-very strong funnel.

We invested quite considerably last year to create our partner program or to make our partner program more robust I should say, because we really believe that in the future the growth of our services is going to come from heavy partnering both in terms of service creation but also in terms of service delivery and go-to-market. Our data center business and you will have questions on the data center business, I am sure I will talk about it but it is a business in our portfolio right now, we had some very strong wins last year and I will talk about one example very shortly. We are getting good traction with both the cloud providers and the e-commerce providers. Keep in mind that the data center business for us, it has multiple flavors to it, one is raw Collocation business which is about infrastructure, then there is a datacenter services business which has various shades of managing customers infrastructure inside the data center and then you have that moves up all the way to cloud based services, security services but also it pulls through network services along with it. And in TCPSL this is our payment solutions business, exited last year with positive EBITDA, we changed the commercial model there a little bit but it is a business that turned the corner in Q4 and we expect that it will continue to grow as this year unfolds. TCTS we are going to hear a lot about it from Sandeep, so I will save the thunder for him.

Our challenge is the voice business, there is a lot of irrational behavior in the voice business, our strategy has been to be very focused on every minute of traffic needing to be positive in margin and contribute to the bottom-line. We are very focused on cash flow generation, we have been cutting our CAPEX down there and reducing our OPEX. But the market volatility especially around India termination is something that we have to move with the market, we do not try to lead the market on prices. It has some near-term consequences but we would rather do that then create a landslide in the market because if we took very aggressive positioning on prices then we really create a bit of the meltdown in the market place. We believe that sanity will eventually prevail there and irrational players will realize that you cannot just gain market share in voice and hold onto it for the long-term unless you are doing the right thing.

In the data segment, actually we see sluggishness in service provider/ wholesale segment that is relative to the enterprise business. In fact after two years of decline in the service provider business, marginal decline in revenues, last year we actually had flat revenues in the service provider business. We have put in a lot of effort especially through our partnering initiative to change the profile of our conversations with customers, make it more white label services rather than just selling them pipes and connectivity which we will do anyway but try and create more enterprise like service offerings in the service provider segment.

Another area which sometime during this year we'll start shedding more light on and maybe bring one of our leaders to provide you detail is on our media and entertainment portfolio. The media and entertainment segment is a segment that we have been investing in, creating services which are specific both for traditional media companies as well as for the new age OTT kind of media players and building those services in the cloud for them so that they do not have to build infrastructure themselves. These are areas where we are investing and the revenues will start beginning to show and it will really show up in our service provider segment because that is where we house it. But that segment last year showed flattening and we expect to see some low single-digit growth this year from our service provider segment and data.

When it comes to enterprise I can tell you that it is a double edged sword. Moving to large customers for complex solutions is great, it is exactly what we wanted to do, that is our strategy but at the same time because it is multi product, because it is multi location we are dealing with very large customers who are usually now not just buying one or two links, they are buying an entire global network from you or a large regional network with multiple services, our network services are also bundled with maybe a software migration that they are doing or a datacenter restructuring. So the ability to predict exactly when they are going to implement even after they place the order goes a little bit out of our hands. I am not saying we do not have visibility into it but the timelines get extended, also this we have to coordinate with multiple parties and so on. That is the sort of challenge that we have from a near-term perspective. From a medium to longer-term perspective the revenues are clearly more margin rich but most importantly they are very sticky, when you get embedded into complex implementations like that the contract term itself are three years, five years terms as you will see in some examples. And furthermore just the implementation you are so embedded in the organization that you will remain there for a long time. So that is a challenge but for me it is a good problem that we face.

The magic quadrant, you have seen this before so I am not going to dwell on it. I have touched on some of this, I think the key points, some data points related to our enterprise business, I will just speak a couple here, a three year CAGR in our international revenues is 25%, we expect that this trend will continue, the penetration that we are having now with Fortune 500 or I would say even Fortune 100 or Fortune 250 companies is really at the highest level that we have seen, now we need to close the funnel and translate those into revenues. Our funnel continues to grow it's 28% growth on a year-to-year basis. Some of the other things I will look at, if you see the statistic below, 35% year-on-year change in terms of longer term contracts, contracts which are more than two years, this shows the kind of services, it is not simple connectivity it is complex services and then the value of the contracts is also increasing. So in terms of our funnel frankly the emphasis for us with our sales team now is do better qualification, do not go chase every opportunity out there. I just spent time with my enterprise leadership team, two weekends ago and they were doing a workshop and the whole discussion was not about going and creating a larger funnel, it is really about being wise in choosing what opportunities in the funnel we want to go after. Fairly different conversation from what we used to have even a year ago.

I am going to quickly touch on a few customer examples or wins we have had recently. This is an $18 million total contract value, three year contracts over $6 million annually, from a French electrical installations and equipment company, very large name, known across Europe, also known globally in the relevant industry circles. What we were called in to do here was to really help in the transition of their IT setup from a very localized way of working to a more centralized way, more standards based where there would be more cost efficiency driven by the central CIO organization. They wanted a move from multiple service provides to one global provider and they had a very steep target in terms of cost reduction that they wanted to achieve because they wanted to convince their business units that by centralizing they would actually reduce cost. So we went in here with IZO solution for 300 global sites and we not only managed to help them achieve their cost reduction but in that process we also will give them more bandwidth than each of their local sites had. We were the only ones among all the competitors to be able to provide such a solution because all our competitors were going with the traditional MPLS solutions whereas we went in with a customized solution on the security services but using the concept of IZO. So these are the kind of customers that we will implement and we really expect to see in the next 12 to 18 months a tipping point where the market will wake up the power of internet based VPNs especially when provided by using a service like IZO. And the reasons why some of our competitors cannot easily replicate IZO but that maybe if time permits I can do that in the Q&A.

There is another example of a large global bank headquartered in the UK, they had about eight or nine different suppliers, they shrunk it down to three. We displaced many players who were there serving this customer for more than five years, we were the only new player introduced into the mix. Total contract value here again is about $27 million over a three year period and this was about global wide area network plus Collocation services in international datacenters that we have and also security services. So the service portfolio itself wasn't that complex over here but it was the competitive environment that we went in, we had no services with them till about two years ago, they tried us on a few small regional kind of offerings and from that took us straight to a global RFP which we succeeded in displacing very large incumbents.

This is an example of a large I would say top two global auto giant and we went in here American company and the competition here as again group of incumbents, many of them serving this customer for several years and we displaced in this particular case to be one of two backbone providers, we displaced a large US supplier across the world and European supplier in a couple of regions and the contract value here again is of similar size, about $25 million and this is a global deployment. In the past when I gave example they used to either be emerging market deployments or very specific deployments in Asia or Middle East, now we are increasingly bidding for these global networks.

Coming closer to home, very large ecommerce player in India awarded us a contract last year for $82 million, a total contract value of, about $16 million per year for Collocation services with a very complex requirement and really requiring global standards but for deployment in India. They taught us a lot also in the process of this implementation but we were the only player in the market who could fulfill the need they have within the timeframe they had and also give them expansion capability. So those are some specific examples, as you know we cannot share the names but these are real cases all under implementation that is the other thing. These kind of implementations take a little bit of time, the cases that I mentioned each of them are under various stages of implementation, they have not fully hit our revenue books as of now.

You look at the data business and I think if you look at total network services you will see 8% growth, 8% growth on a year-to-year basis, you will see our total data services on a reported headline basis at 10% growth. But if you further dissect that into the areas where we are seeing growth you will see that, Sandeep is going to talk about TCTS we have 30% year-on-year growth and we believe that that business is just being poised for further growth. Given the nature of services that we have, given the critical mass it has achieved and the kind of funnel that we have in that business, no pressure on you Sandeep. The unified communication collaboration portfolio grew by 14% last year, it is again a business where I continue to view that business as a business that is in gestation in a way because we are creating capabilities, the whole collaboration space specially with Skype for business which was earlier called Lync which is a Microsoft offering, Cisco repositioning it's WebEx services and so on is going through radical transformation. We are building service portfolio that is device agnostic and platform agnostic and access agnostic. What we have been building for the last two years and we still have some more R&D to finish that before and get fully rounded out is yet to show it's true colors, but in spite of that we could grow 14% last year, yes there was SG&A and R&D that is associated with it but we are going in to fairly large markets where we can both play as a wholesale provider to these large Microsoft's and Cisco's of the world but at the same time take services directly to enterprise customers. Our datacenter services grew by 11%, media services by 10%, although right now it is still quite small, TCPSL by 9%. Our traditional signaling business in the mobility area, while it is a high margin service, shrunk, just because it is a commodity service and it comes under lots of price pressure, not the same extent of volatility as voice but we have a very strong market position here of almost 40% market share but the price pressure causes the revenue to decline. And then other services like our managed security service, managed security actually doubled for us last year but when combined with other services in the software as a service and from the CDN grew by about 45%. So these are the services which we are investing in to create further growth and we expect to see acceleration which is also why when we look at sort of year-on-year numbers or quarter-on-quarter numbers the underlying momentum in terms of funnel and also where we have been investing the growth beginning to really show up gives us confidence in the data growth story.

I have spoken about quite a lot of this, this is a very verbose slide so I am going to sort of leave it up to you, but the key messages here are that from a FY15 perspective the pipeline composition is clearly transforming, I explained to you the nature of the deals. The momentum that we have here is good but at the same time the revenue transformation takes a little bit of time as I explained and that we are going through a period when there is a rebalancing, when CAPEX and OPEX are temporarily leading revenues, right, I would say more in the case of OPEX then CAPEX, I will talk about the Q4 CAPEX in Q1, we continue to maintain our previous guidelines in terms of CAPEX, in fact we came within the envelope that we had last year, CAPEX obviously will be a little bit lumpy depending on what is going on at the business but we are not changing our estimates in terms of what we expect to spend as CAPEX. From a medium-term and beyond perspective, I think the stickiness of the revenue will demonstrate the asset light or CAPEX light feature of some of the services will also begin to show up and then the order book that we have across our business in the data services will translate into revenues as these implementations kick in and as I said these are longer-term contracts and they will be there.

With this confidence we actually decided to further invest in our brand, as I have answered in previous analyst meetings one of our challenges is getting our name associated in the minds of customers with the services that we have. Even today we walk in to customers, we start talking about our portfolio and they will say but we do not know the Tata, outside India I am talking about that Tata is in the communication space and we know all these services. Therefore it is imperative for us to get in front of business customers and get our brand visible. We came across a great opportunity to rebrand Heathrow Express which used to be branded by Vodafone for a long time, when they were terminating that contract, it was highly contested but we went in at the right time and we picked up this unique brand property so if any of you happen to be in London you will see that the entire Heathrow Express, all seven trains both inside and outside are branded, everywhere you can look Tata Communication, 69% or 70% of the users of Heathrow Express are business travelers and we expect with this global branding opportunity it follows on what we did with F1. We are also beginning to get a little bit bolder in our message and our theme right now, really the marketing tag line is 'We're the connection' and it highlights the role that we play both in the wholesale space and the OTT space as well as with large enterprise customers.

While we do that and we build our services within the communication collaboration datacenter service space we are also looking beyond that. Last year we made an investment taking a 2.3% stake in an artificial intelligence company called 'Sentient' alongside some very successful VC firms who have a track record of picking winners. But we have made the investment in Sentient really for two reasons, one is obviously we expect to get a good return from it over a period of time but the principle driver was to see what they could do with our divisional intelligence, we believe that artificial intelligence and machine learning can be deployed quite extensively to create new service offerings but equally it can be deployed to improve our own productivity within the business. So we invested in Sentient, we are working with them both in service creation but also looking for example how can we make our network more secure, how can we do better IP routing in our internet backbone and so on. And so these are the kind of investments that we will selectively make going forward and we see opportunity, actually the need I would almost say that in mobility enablement, cloud enablement, and security to make such selective investments in order to add on to our service portfolio and create some new inflections.

Just touching on TCPSL, maybe Pratibha will touch on it a little bit. So good growth, 26% year-on-year growth in TCPSL. At the same time during the course of last year as we reported we work very hard on changing the composition of revenues. Some of the early contracts that we had with banks where we are doing manage ATMs for them, some of the contracts were not profitable. So during the course of last year and it took us till about 3Q of last year to clean out some of those and actually when the contracts came up for renewals give up on those contracts. So we had some revenue shrinkage actually in that. The Ministry of Finance ATMs, again we have a contractual obligation but the profitability of that is not that great so we were not looking at accelerating deployment there. The focus for us in the second half of last year continues to be on wise and selective deployment of Indicash ATMs. So we look at the number of ATMs that we deployed, our brown label and Ministry of Finance ATMs from March 2014 to June 2015 has actually declined by about 4500 ATMs. So we have been weeding those out and getting rid of unproductive or non-profitable contracts. Indicash ATMs however have grown from about 1,200 to 5500, but if you see the growth from March 2015 to June 2015 in the quarter we were a little bit muted, we added about 400 ATMs whereas we were adding 500, 600 ATMs before. And the reason for that is we now have a better sense of where the ATMs are working and we have a big program underway of redeploying ATMs. So within three to four months we are able to determine whether a site works or not. So we have ATMs now that we can deploy, we will continue to deploy about 300 to 400 ATMs per month but we for the next few months we have an opportunity to redeploy and as we do this we will continue to learn and keep improving. At the same time in this business we are focused on seeing what we can do to create other revenue streams using the data that we collect, using the sites that we already have and that is an activity that will when kicked off most of that revenue will flow straight to the bottom-line.

The EBITDA breakeven took place in Q4 of this year, keep in mind that we spent about $40 million or Rs. 235 crore of CAPEX in Q4 of last year to buy back some of the ATMs, to convert form a lease model to a model where we deployed CAPEX on our own. This was a legacy arrangement that we had with the lease company which we felt was not in the best interest both from an operational perspective and also from a margin perspective. Therefore we decided to convert and go to a CAPEX model in this case. Now this is slightly different from our CAPEX light approach that we generally talk about but that is at a portfolio level, you will have to allow us the freedom on business specific opportunities to spend CAPEX where we think it makes more financial sense. So this was the case we actually thought that the CAPEX model was better than an OPEX model for the business and therefore we decided to make that change and that is why when you are looking at the Q4 numbers by computing the delta I am sure between the nine months and one year you would have seen a bump up in the CAPEX. That is not an indication of just increasing our CAPEX overall, a lot of it was tied to this TCPSL spend that we incurred in Q4, otherwise our CAPEX will continue to run at the run rates that you have seen in the past.

In terms of new services I have spoken about it, we have seen revenue growth in new services but obviously our EBITDA from new services declined last year. This was entirely on account of investing in R&D, creating sales teams that can go out and sell these new services. Keep in mind that we are also going through a fairly big transformation of our sales capability. When we start going and selling solutions we have to invest in two kinds of resources, one is business development or solution engineering resources that understand security in detail or understand hosting in detail, while we continue to train our legacy sales guys there is also a need to offer in-depth expertise for which we have to add to the bench. And the second is service creation, as I said the services are still being created and being rounded out and therefore we invested quite heavily in terms of the kind of product management and engineering resources required to build these new services and bring them up to a critical mass. On new services we continue to remain very confident and bullish because we believe that the response from the market is good and also this is the only way for us to make the transition away from the traditional and legacy services. What it is also doing is when we sell for example unified communication services, nearly in every one of those cases we get pull through revenue where they buy traditional services along with it. So it helps to increase the longevity of stickiness of our traditional network services also.

So with this I am going to hand off to Sandeep to give you an overview of TCTS. Thank you.

Sandeep Bhatnagar: Thank you Vinod for passing the baton and the pressure to me, hopefully will live up that. So I have the honor of presenting the business of TCTS to you. The first slide talks about the journey of TCTS, we were born in 2006 when we decided to merge the networks we acquired over a period of time from 2002, 2004 and 2006 namely BSNL, Tyco Global and Tele Globe. The water was actually frozen when we were doing integration of networks in Canada and this experiences were basically helpful for us to create the concept of TCTS and that is when we were born in 2006 October. And the name was changed to TCTS from VJSL in 2006 December. So we are right now approaching our 10th year of existence of this business. And today what TCTS does is basically positioning itself as a complete network services provider, network management services to the telecom companies and service providers.

Now let's go a little deeper into the TCTS business, where does it stand today. So what is our addressable market? Today any customer which does his business on the networks is our potential customer, and who are the customers who are doing business on networks is namely telecom service providers, media and broadcasting services, over the top players and we are serving both the fixed line, the so called wireline service providers as well as wireless service providers. And what are the core value proposition? Now this value proposition basically emanates from more experiences of integrating those three networks which we acquired over a period of time and also managing the integrated network which we operate today across the globe. And as you all might know this network carries a significant amount of voice and data traffic of the world. So our value proposition for telcos which are struggling, how to handle revenue growth because in Europe and US you are talking about practically flat revenues. You have challenge also on the cost transformation because the investments required in new technologies of 2G to 3G, 3G to 4G and 4G to eventually 5G is becoming extremely heavy on the balance sheet and then most importantly the next challenge is to manage this wide complex deploy technology in terms of handling the process, handling the old technology, new evolving business and managing people from different business streams which are being handled through this. So we are trying to focus on revenue growth, cost optimization and also on the process improvisation for the telecom companies, that's our value proposition.

Now when we go to the telecom companies, we are positioning ourselves as a player which is telco itself and trying to share it's experiences in knowledge with the customers. We are not a classical IT outsourcing service provider, we are also not a telecom equipment manufacturer who have interest perhaps to push more and more equipment and gear and boxes to them. And we also bring in unlike the IT outsourcing companies the telecom domain perspective which we have learnt in a big way over the last eight or nine years by managing our own networks and the networks of few of our customers. So the advantage which customers see with us is that they are getting the telecom network management services from a company which is a telecom company itself.

The second point is that, having handled our own network over the years we have experienced ourselves with multiple technologies, with multiple vendors and different kind of tools which have evolved over a period of time. So here is a company which is trying to position itself with experience in legacy as well as new technology. Manufacturer A, B and C all kinds of technologies. And third most important point, the entire telecom scenario is also being run heavily with tools and automation now a days and we are positioning ourselves in that space as well.

So finally how are we aiming for the future? Our objective is that can we position ourselves in this heavily contested space with solid and dominant players as a challenger based on our telco heritage and based on our own experiences while managing the complex network of Tata Communication. And finally, to whichever customers we want to participate with we would like to be a partner of significance. You can see very well that we are very niche and a very narrow lane service provider in terms of managed services. So it is important for us that we position ourselves in the significance area for every customer.

A small look at our portfolio, if you look at the quadrangle or the square on the top left corner, that is our portfolio. So there we manage the complete network design planning, fulfillment, service provisioning, assurance etc, that is the top left light blue, Turquoise blue color and that is the major I would say thrust of our portfolio. The next is business excellence and that has been created by us based on our experience where we help telecom companies across the globe improvise their process, improvise their operational performance and also help them transform network from older technology, older vendors to the newer vendors and newer technologies leading to significant transformation of their business cycle including revenue enhancement and cost transformation.

If we go on the anti-clockwise direction, the third square is audit and consultancy which is a yellow and orange block, that is where we have positioned ourselves based on our experiences, we are not an official auditing and certifying company but based on our experiences and our own knowledge which we have acquired with different customers we have created benchmarks for performances. And that is what we are trying to tell our customers without diluting any competitive information that this is where you are doing right, this is where you are not doing right and if you want to look at different cost levers this is where we could act upon and this is where you could act upon.

Last but not the least, based on our experiences which we have in managing the enterprise operations, the fixed line operations and operations to launch new services for enterprise customers, we have helped several B2C mobile companies to launch their enterprise and fixed line business, we have almost about five cases where we have helped the B2C mobile wireless companies to launch the adjacent portfolio of enterprise business.

So these are our four portfolios and with this portfolio we are helping our customers to have a faster time to market, manage complexity and believe me for telecom companies complexity because they are offering services right from 2G to almost now 4G, we are helping them manage a very complex deployment of hardware and helping them extend the life, extract more juice out of these assets.

Last two points are also very important, the cost of operations. Telecom companies are struggling for margins and that is where we are positioning ourselves to help them save cost and which ultimately should lead to a final objective that how can they grab more customers, more mind share, more data share, move value share from their end customers, that is the proposition of TCTS to all of you.

Now let's look at the market which we are trying to address. So on the left side you have the total market, we have done the analysis of market through the available data sources like Ovum and IDC, Informa etc, and total market for network management services is close to about $88 billion and if we start making things easy for us, remove the restrictions of geography, regulation, accessibility, in some cases we do not have let's say the bundling possibilities. For example a network equipment manufacturer will pick up the deal and handle a five year contract which is having a managed services piece included, so we have kind of excluded from that space. So if we remove all that space, we still see a market of almost about $5.5 billion if I see the levels of 2014. It is a significant market which is available and this market is also seen to be growing at almost about 7.2% CAGR in the space from now to next two years. So there is headroom available. At the same time the industry is looking at new cost frontiers, new ways to enhance their service levels, new ways to enhance their productivity and that is where the deals of network managed services area getting unbundled. So there could be system deployments but managed services deals could be given to a different kind of player and worldwide this space is kind of fragmented, while you have the big fellows like Nokia, Ericson and Huawei at the same time you have several local players who are addressing the niche markets, niche needs and the regional players as well. So there is an opportunity for player like TCTS over there. And this market unfolding and the possible growth rate in the network management space in the next two years kind of creates an opportunity for TCTS as an organization.

Now let's look at the journey of TCTS in the last four years. We have delivered a CAGR of almost about 49% in the last four years, it is an high growth high return business so far and the business is clearly driven by little investment in CAPEX because we need office space, people competence wise and we are blessed as a brand, as a company and as a technology field that we are able to attract talent.

In the graph below which highlights about the profitability and the EBITDA part of it, we have seen a drop in the financial year 2015 but that was around two areas which was basically that we had made investments, now we see the market, now we see the possibility and now we have also started taking the steps which are required to address the market which I just spoke, we are making investments in our bench, in our capabilities, in our tools so that we can take the rightful share for TCTS; that’s why you had seen a small drop and there was also one of the bad debts which brought it down, hopefully not in the near future.

And last but not the least, going forward we expect that the way the market is unfolding we should be growing in about mid-20s as far as our revenue and profitability is concerned, that is what is the expectation while we leverage our base far more and optimize our efficiency and productivity for the deployed force on the ground.

The next slide talks about customer footprint, we as I said we are a very niche player, telecom network management services, we are not an IT outsourcing company, we are not a telecom equipment manufacturing company, we are positioning ourselves with the specific focus that we are a telecom company ourselves and with that we are targeting select customers and we have right now about close to two dozen customers where we have done significant important work by trying to position ourselves as a partner of significance. And there are some examples and we have had good long-term contracts with some of these customers and they have given us a good satisfaction rating as well in the past.

With that I think I would like to end my presentation and like to invite Pratibha. Thank you very much for your attention.

Pratibha Advani: Good morning to all of you and thank you for taking out the time to be with us this morning despite your busy schedules. Vinod mentioned that our tagline is ‘We're the connection', so while he has shared the business performance with you, I am going to now join the dots vis-à-vis our financial performance.

My presentation is going to cover the earnings for FY15 followed with Q1 FY16 performance and some other financial highlights. If you see it has been a relatively stable year for us, while the revenues have grown 1.5%, our EBITDA has been a little soft and this softness has been on two accounts, one, voice which Vinod alluded to earlier has been challenging. We have also seen softness in our performance in the start-up business where we had some one-off benefit in the previous year. The PBT if we look at without the exceptional items, that has grown significantly and during the course of my presentation I will share with you the one-offs.

We now move to the performance by segment, so this is the core business performance and the start up. The core business is relatively stable, it is actually a story of two halves, data and voice, while data has done significantly well with a 10% growth year-on-year, voice has been a challenge for us. Also as I mentioned earlier, startup which is primarily Neotel continues to be steady, revenues were marginally lower and that has actually translated to lower EBITDA growth that is after we knockoff the one-off impact that we had in FY14.

I will now cover the core business in more detail. So the voice operating environment has been a bit challenging for us and we have faced pressure both on pricing as well as volume and that is what has led to a net revenue decline in voice by 16%. Data on the other hand as I mentioned has had a strong double-digit growth of 10% and that is what has led to margin growth. However, if you actually look at the two years the margins have been more or less stable in data and that is on two accounts, as Vinod mentioned that we had seen some large deals that come in, these are far more complex solutions which require upfront investment and the very fact that we have been investing in R&D. So that is really what has led to stable data margins.

Certain other key aspects that have got reflected in our financials for FY15, the Board of Directors have proposed a dividend of Rs.5.50 per share versus Rs.4.50 last year, so that is up by 22%. We have also had embarked on a program for monetization of our non-core assets. During the course of the year we sold a property in Matunga that gave us a benefit of Rs.855 million, this has been offset by impairment in our startup business Neotel where we had to impair the investment which impacted our profits by Rs. 190 crore and this is on account, primarily on account of the FX impact where the ZAR depreciated substantially during the year.

I will now cover the Q1 performance. So we have had a strong quarter Y-o-Y we have grown by 1.3%, Q-o-Q 7.7% and EBITDA has grown sequentially both Y-o-Y and Q-o-Q. While the margins have declined, this is primarily on two accounts, the investments that we have done in the brand building and marketing and wage hike, so these are really the two reasons which have led to decline in margins. However, I would like to add that we would continue to see data margins at the current levels because we want to go ahead and invest back into growth, in to new services and into brand building.

If we further look at the segment, core business has demonstrated a good Q-o-Q revenue growth, the decline as I mentioned has been on account of the wage hike and the marketing and brand building investment. We are also seeing strong growth in the startup business and this has grown both sequentially and top-line as well as EBITDA and some of the one-off impact that we saw in the earlier quarter that has got negated in the quarter. Our PBT has grown considerably and if you recall I had mentioned that we had one-off during the previous quarter, so there has been a positive swing in PBT.

Further slice and dice of the core business, we continue to see pressure on voice, however Q-o-Q that as stabilized while data has grown by 14% Y-o-Y and Q-o-Q there is a growth of 8.4%. While you know voice business is structurally on a decline, we are still hopeful that some of the recent heightened competitive intensity that Vinod has mentioned on India termination rates in the short-term will actually be a short-term phenomenon and overtime some of this pressure will ease.

Data again, the performance is on the back of large contracts and while we had won these in the previous year they have moved from funnel to revenue during the course of the current year. So you will continue to see some lumpiness in our data performance as we win new contracts, so the good part is that they will create stickiness in the long run and over a period of time we expect this to ease out.

So if you look at the trend, our core business deleveraging continues and that has been a key priority for the Company. While if you look at the core business net debt both March for FY14 and '15 has come down and the trend continues in June, however Q-o-Q there is a short spike and that is on account of the working capital cycle. This is a seasonal phenomenon and during the course of the year this will get evened out and we are also confident that with improved business performance and moderating some of the CAPEX intensity we will lend ourselves to deleverage in the future.

We continue to enjoy confidence of the debt markets and this is reflected as you can see in a rate of interest which has been coming down over the years, it has gone up this quarter but this is on account of an arrangement fee and amortized portion that we have push forward and during the course of the year this will get evened out. We actually expect to close the year by 10 to 15 bps lower.

So if you look at our GVS as we continue to generate healthy free cash flow, last year we generated $98 million, during the course of the year we do expect that we should generate free cash flow between $80 million to $90 million. Our data business is also generating free cash flow so both have been performing well. If you look at the CAPEX intensity that has been coming down both as a percentage of core EBITDA as well as revenue. Vinod did mention that we have changed the operating model in TCPSL and that has led to a short spike that you see towards the end. We feel that the new model will give us more operating leverage to be able to maneuver ourselves and drive efficiency in that business.

I am now going to request Vinod to take us through the strategy.

Vinod Kumar: Thanks Pratibha. I am not going to go through the qualitative stuff on strategy anymore and bore you with it. But just give you some data points on our portfolio as well as give some views on where we think the mix of the business will go, a little bit of an indication on margin although Pratibha has also shared some insights there. We have been doing portfolio analysis and getting more rigorous with this for a while and this is an important input to deciding our strategy but also just looking at where we should be investing for future growth. So when we look at our portfolio, we took all our services and mapped it, these are service clusters if you speak so, so traditional connectivity services, voice, so on and so forth and then our market share versus how the market is growing and then the size of the bubble essentially indicates how large that service or that service cluster contributes now from a gross revenue perspective. So the blue bubbles that you see are mature businesses, so you have for example the traditional international connectivity, wholesale voice business which is today about 45% of our gross revenues, it used to be if you remember close to 70% of our gross revenues as recently as two years ago. In fact in the last two quarters data has overtaken voice in terms of gross revenues and typically that was not the case, so you can see how data is beginning to grow. But coming to the slide, wholesale voice is a large bubble there but in terms of market growth it is 0% or slightly declining, it is negative 2% growth in terms of market. Our market share however is close to 19%, but it is not an area where we can look to for future growth. Similarly you have your traditional connectivity international which is just a private line business, traditional connectivity in India which is a private line business and traditional mobility which is the signaling services. This is in our portfolio with high end market share in some of these services but industry is not growing which is the reason why we are so heavily focused and have been for the last couple of years on building our portfolio to make sure that there are enough services that have good growth potential in the market place and our goal obviously is in all the cases, both the traditional services as well as the new services to outpace the market in terms of growth which we have been doing so far. So this is one cut and you will see we don't plan to go through this in detail here.

The another one is how can we take the services and also add to it, some of them are tweaking the services, some of it is working through partners, in some cases creating totally new services and expand the addressable market from what used to be a $34 billion addressable market in 2014. And when we are looking at addressable market here we have been looking at it shaving off any opportunity or geography or service segment where we cannot compete and looking at really having a tightly focused addressable market. Applying the same logic going forward, though the addition of services partly there is growth coming from if you look at the $34 billion international voice will actually have declined by 2 billion over the next four years, carrier network outsourcing has an opportunity to expand and what Sandeep showed you is an opportunity to go even beyond that by looking at the services on the periphery of it, Data international will grow by about $2 billion, data India would grow by about $400 million, the cloud services, I am not talking about datacenter infrastructure here but cloud services, here again we really look at the cloud services which are related to private cloud services, so we are not looking at the large public cloud services or areas that only the large IT vendors like IBM can compete in, we are looking at addressable market that telcos have a right to play in, that will grow by about $2 billion, banking solutions by a $ billion, big growth that we see in UCC which is Unified Communication Collaboration including hosted contact center services that will expand by $3 billion, mobility will expand by $3 billion. Now frankly we think there is opportunity for the services that we are planning to launch to cater to an even larger addressable market. In fact just the data roaming services market for enterprise customers is a $7 billion opportunity where we are thinking of ways on to tap into it. Here we are just talking about offering wholesale services and playing in the mobility space where we leverage our IP network to a big extent that will expand by $3 billion. Media solutions as the whole landscape of media and the way digital content is going to get delivered to the home and to mobile phone change, there is a huge opportunity there which is about $3 billion over the next four year. IZO which is our internet VPN solution allows us now to go into markets where we do not necessarily have infrastructure, so previously our internet VPN market was limited by where we had infrastructures, now we are able to go if we chose to even after domestic VPN services so on and so forth. If you add on we see through the expansion of our service portfolio our addressable market grows by about $16 billion. So we definitely have headroom to grow with the services that we have. But we obviously have to be selective on where we go, where we invest, both are CAPEX as well as our OPEX and human resources and management attention.

For us driving capital efficiency is extremely important so we have been recalibrating our investments and I will talk about the data center business in that context, we focus heavily on co-creation of partners so we are using other people's CAPEX to create services, our focus is more on integrating capabilities and creating an intelligent player on top of it rather than go deploy a lot of local CAPEX, it does not mean we are going to stop investing in CAPEX. So we are in the telecom business which tends to be CAPEX heavy, we are looking at how we can move towards a CAPEX light model in the context of the industry. The discipline that we have around deploying CAPEX and monitoring how we are doing on that continues and will only strengthen.

Investing in the long-term growth portfolio, the shape of the portfolio is extremely important, there will be period of time when we will see opportunities to gain market share or to cement our position in a certain area which we will seize and invest and we have to do this in the backdrop that the traditional businesses will face growth challenges at an industry level. I believe that we will continue to see growth in some of these traditional services but they will be low single-digit growth. But in some of the new services we will see an opportunity to grow as I showed in the mix like UCC growing by14%, media growing by 10% and opportunity to accelerate growth.

While we do this I believe in our portfolio today already seeing the scale effect of CAPEX. We are seeing signs of the scale effect of OPEX, especially if you take out our investments and we do not report it that way to you but when we do some internal analysis we take out the investments that we are making in new services which will generate revenue this year, show that in one bucket, show the cost that go into new services that will only show any revenue in 18 to 24 months and if you break it down into those three buckets you will how in our traditional services or services that are quite mature, the OPEX scale really beginning to play out. However we are choosing to invest back and creating new services and therefore when you are blended together the margin profile can move around a little bit.

In am sure there is a question that you are going to ask, so let me preempt it and give you the answer to the extent I can on data margins. So in Q3 of last year we had certain one-offs and so on, we hit 21% and even at that time I cautioned saying probably more like 20% is the range that you need to be looking at. In Q4 and Q1 we have seen the margin to be in around 19%, 19.9% and 19.1% for very specific reasons that we can explain in terms of headcount addition, the salary increase is kicking-in in Q1, also increasing the bench that we have, we added about 600 people during that period, roughly two-thirds of those are in TCTS creating the bench for Sandeep to go and deploy based on the funnel of opportunities that we will close and the rest largely going into front end market facing resources and product development resources. All are corporate overheads and so on, continue to remain flat and declining but where we will see growth in the future we are adding service creation and go to market resources. And the margin that I would look on the data business and you will see us restored back to that fairly quickly is the 20% range. So I am not going to commit to hitting 21 within this year but 20 is what we told your before and we continue to maintain that that will be the case.

We are focused on free cash flow generation, so we are looking at each of the business, we are driving our leaders to not just look at the EBITDA level but really look at EBITDA minus CAPEX and we will continue looking for unlocking value, we are looking at unlocking value from monetizable real-estate where we think the market opportunity is right, but those would be selective, frankly we do not need to that in any panic basis, we will do only where the opportunity is right and we believe that this cash that can be taken. And the focus on reducing debt from a medium to long-term continues to remain. We have no intention of increasing our debt, the only target is to reduce the debt. Maximizing shareholder return by improving the ROCE for our core business continues to be my number one priority as the CEO of the business, it is also what I am accountable for to the Tata Group and to my other shareholders and that we have plans on how to steadily improve that through a combination of these four factors described above.

Let me just digress here for one second and talk about the datacenter business. While we see the datacenter business as a growth opportunity, we also started looking at the datacenter business carved out into separate elements. As the statement that I have put out is as much as I am going to say on the process, we have a process underway but it is an exploratory process, we have a responsibility to look at our portfolio, look to see whether there is a way to realize value which is in the best long-term interest of the Company. But I will talk about the dynamics of the datacenter business more than what we have put out in the release, so you have some insights into our thinking in this area. So the datacenter business needs to be viewed separately as the Collocation business and as a datacenter services business. Where we see the opportunity for us to really grow where the market is transforming, we can go in and offer services like our cloud orchestration services that help enterprises shift from dedicated server environment to hosting environment that leverages both the public cloud capabilities as well as private cloud technology is where we want to play. The datacenter Collocation business while it is a growing market it is a business actually which is very CAPEX heavy, this CAPEX intensive business and the CAPEX is also the returns on it are long payback period and the IRRs are a bit of a stretch. So one of my commitments to you is look to make the business less CAPEX intensive and also to be very prudent and deploy CAPEX where the gestation period between spend and revenue is short and also where we can get the right kind of return in order to hit the ROCE goals that each of us have. So we have analyzed this business in depth and we also see the market in terms of valuation quite robust, therefore we feel that we need to look at the datacenter business separately from the Colo business as well as the datacenter services business. So that is some of the thinking, I won't say anymore on that.

The second part is when you look at the Colo business again there are different contributors to it, there is land and building, there is the M&E part which is all the power and air conditioning and other equipment that is provided and then there is a the racks and the revenue mix of it. So we actually than further strip down that business to see which of those contributors actually make the best return. And we are doing this kind of analysis. There are other things from an industry perspective is the people buying colocation right now, right. Now as enterprise customers are shifting to more cloud base services the largest buyers of data centers are wholesale customers who are buying very large footprints. They buy very large footprints they also have significant negotiating power and the yield on a per rack basis actually goes down and they have complex requirements in terms of scalability, redundancy so on and so forth. Therefore, we decided to do the analysis on the data center business and see if it is something that we should continue to be heavily invested or find other models where we can allocate the CAPEX as well. One thing I will say though is any structure that we come up with the data center business having data centers closely integrated with our network so we can offer a joint proposition to our customers will always be maintained and many of the partners that we in conversations with on the data center business through this process also want us to be in that role because of the kind of capabilities that we bring especially in the Indian market where we can bring land we can bring the data center infrastructure network all together. So we are very mindful of the dynamics of the market. We are very mindful of what proposition we need to maintain as far as the customers are concerned and at the same time we have an eye on the capital that is being spent, what is the kind of return potential on this capital both from the data center perspective and how it fits within our overall spend.

I have told you as much as I can about the data center process that we are in. I can assure you also I will not say anymore regardless of the questions that you ask. So please forgive me for that. But that is between the statement that we made publically and I have shared I hope it gives you a fairly good insight into our thinking what is driving the process that we are engaged in and also what basis we will use to make our decision.

Way ahead for us I think I have covered most of this, for us India volatility from the last six weeks or so we have seen some of it stabilize but I am not going to hold my breath on it is not very rational players out there as Pratibha said we think we can generate $80 million to $90 million of free cash flow from this business. We are also placing a lot of emphasis on our non-India portfolio we have some good activities going on there. And that is from the voice business. Data business is really about continuing to make sure that our new services get out and we go beyond the proof of concepts and the early trails to more ramped up services with customers and clear the funnel that we have in the backlog of orders that we have in our traditional and network services business. We have a good order book that we are implementing. We will start seeing that translate into revenues and then you will see in H2 onwards the economies of scale beginning to pick-up. So we continue to work on a transformational agenda. I urge you to look at the business from on a year-to-year trend basis. Of course we all be looking at especially my team and I on a detail basis on a month-to-month and quarter basis but it is important to also look at the trends that we are driving successfully. We believe the markets that we targeting are expanding because of the services that we are creating. Our investments in brand and so on begin to are beginning to yield result with size of the funnel the kind of conversations and we believe it is a good sign for us and we are committed to improving the core business ROCE and I am not going to put a number out there but we believe that the trend will remain very healthy and positive.

That is it from me. Thank you, Pratibha and I will be happy to take any questions that you might have.

Sandip Agarwal, Edelweiss Securities: Sandip Agarwal, Edelweiss. I have three questions. First question is on the growth side. If you see voice is declining quite sharply and we probably have not anticipated this kind of decline, while data is growing but it is still not compensating. So what is your view on the net growth and how we are looking at it from next two year's perspective so, if you can throw some light on that?

Secondly, I have a question on the dividend payout, with $1.3 billion - $1.4 billion kind of debt in our books and considering we have lost some money on exceptional items in the last two quarters why we have gone ahead with the dividend recommendation?

And thirdly, the trend of depreciation, how you see for the next two years it is looking quite sharp. So I agree that on quarter-on-quarter basis it has not moved much but how it will trend going forward? Thank you.

Vinod Kumar: So firstly on the voice business. As I said, it is a little steeper then what we had expected and our guidance right now if you look at $80 million to $90 million for this year in terms of free cash flow. We are looking at the voice business in the larger scheme of things I think from a longer-term perspective voice is a business in transition. It is nothing new that we are seeing some of the steepness is because of their irrationality reducing in the market but it is something that we will factor in and not going to predict a certain uptick in the voice business. In terms of year-on-year growth we believe that we will be able to maintain the kind of growth rates that we have shown. The data margins will improve with time, it is going to come from data not from voice.

In terms of depreciation, I think you have to look at you can compute it yourself, our CAPEX spend will be in the $300 million to $350 million per year with some ups and downs on a year basis but not wild swings off that. And depending on what we do on the data center business it might come down slightly but I am not going to commit to that right now.

Question on dividend frankly I think we are damned, we do, we damned if we do not. So half of this room probably says thank you for the dividend and other say why are you giving dividend of this magnitude. So at the Board we debated it and we felt that you should take it as an indication of the confidence that we have in our strategy and what we see coming forward this year. That clearly was the debate in the Board yesterday. I cannot go into the depth of that debate but I would look at it as a positive sign and a sign of assurance rather than a negative one.

Piyush Choudhary, CIMB: Hi, this is Piyush, CIMB. Firstly thanks for the extensive presentation which you have given and the details. I have three questions, on the enterprise side in third quarter we know you had mentioned the growth outlook for around 20% to 25%. Now since last six months you have had many client wins and contract wins so is there a change in your growth outlook for our enterprise segment, that is first.

Secondly, on the TCTSL business you mentioned 600 additions on the bench. So on what base have we added, what was the employee base earlier on which this funnel has been created?

And thirdly, on the TCPSL the ATM business, how is the white label business shaping in terms of number of transactions. Any update over there in terms of the white label business will be very helpful. Thanks.

Vinod Kumar: Okay. Maybe Sandeep, why not you answer TCTSL?

Sandeep Bhatnagar: So there were significant wins we had in customers in UK and also in India and we added almost about 1,200 people who were all in the billable positions. And first time we also decided to create a bench also because if you see the industry, industry is working with almost about 18% to 20% bench and we were almost working with nil bench. We were just trying to wait for the contracts and then do the transitions but we decided proactively that we will create at least in the last financial year a 4% bench then we will review it so that we can keep our cost in control. So whatever bench we have created has been productively deployed now. We do not see any reason for adding it to our productive unbillable cost. We moved from 1,800 to 3,000 people in the last financial year.

Vinod Kumar: To answer your question on data growth. Enterprise grew 19% year-on-year last year to the previous financial year within that international grew much faster so the number you are referring to about 25% was international revenues from international enterprise customers. So we expect that would be the trend for this year also. We will be able to maintain that for the enterprise at about 19%-20%. In terms of TCPSL, the average number of transactions per day, Ilango or someone will have to keep me honest here, is about 55-57 transactions per day. We started last year at about 40 transactions per day. We need to get to about 70 transactions per day to breakeven that at a single ATM basis, but we see that this is trending there.

Piyush Choudhary: And just a follow-up on enterprise. So the outlook after the contract wins is also around 20% growth outlook because these were the large wins which you have done and you launched IZO in October. So I thought sales funnel for that IZO product would also…

Vinod Kumar: No, I would like to maintain it at 19% to 20% growth rate for the enterprise business.

Vinay Jaising: Hi, thank you. Vinay Jaising, Morgan Stanley. I have three questions. You mentioned 20% data margins for this year and better data margin in the long-term. So whatever you feel you can give us an answer for let's say three years forward - four years forward, where would we see data margins settling down, that is my first question.

Second, you spoke about the Matunga, Mumbai property sale this year. We know you have 750 or x odd acres in the Tata Comm not the Hemisphere. You know the Tata Comm platform. How much of that as a percent of this overall amount you have in terms of whatever you can tell us again an acreage of whatever are you looking at delisting, demerging, selling out to customers in the future to deleverage the balance sheet if you can tell us that.

And third, if you look at your CAPEX, your CAPEX of $300 million last year, you had a strong component of that going into $186 million going into subsea and data centers the thought process you told us on data centers was it is CAPEX intensive. So assuming, if you can just tell us how much of that was there in the last year we can take that out for the future assuming you are not spending much in data centers in the future. Thank you.

Vinod Kumar: Okay. As usual, Vinay all deep questions but the data margins as I said as the portfolio stabilizes over the next three year to four year period I see the opportunity for us to get 30% margin on data especially as a UCC services, security, all these services where frankly our offerings are software based. Right, so it is not like you have to add big infrastructure to support them that is really what we are building towards.

On land, it is very difficult to say to be because we do not have a target which is even based on our value to deleverage the balance sheet because where we see opportunities and I literally I will call them low hanging fruit. We take them off because it just brings some cash back into the business and helps us reduce our debt. We are not operating today with a specific targeting saying this much we will deleverage using sale of assets i.e. sale of land. I believe that the business is going to generate cash that will allow us to bring our debt level down and as I said within a three year period my goal is to bring debt to about 2x of EBITDA and I believe that we can do that without monetizing any land, I prefer answering in that way because we honestly do not have a target on how much of the land should be sold? It also gets into the different views on that whether we should do it as it is an appreciating asset so on and so forth. So I do not factor that into my plants other than siege what opportunities come my way and there are few specific ones we work on but in the overall context they are frankly quite small. Neither in terms of value nor in terms of acreage will it move the needle very much what we may consider disposing in the near-term. In terms of CAPEX, I would say sorry, $80 million to $90 million is roughly half of between data center and network. However, I would just say that at this caution you will say do not build into your models that we are getting out of the data center business we also want to see how the process plays out and there are strategic asks we have. We are not looking at selling the business and getting on. Our goal is still to remain and it is still to have a lot of integration with our network capability and so on. So we will only look at monetizing that if we get those conditions fulfilled and in the meanwhile we have business that is growing. We will continue investing in adding capability but if you want to play some scenario analysis let's say the $190 million splits roughly 55% for network and 45% for data center.

Vinay Jaising: Sir, just slipping in one more question. You mentioned impairment in Neotel does that reduce the value of what once Vodacom buys stuff would happen to Tata Comm?

Vinod Kumar: No.

Vinay Jaising: So there is no relation between how Neotel is doing and the price at which you have frozen it last year?

Vinod Kumar: There is some impact that will be there because of the cash balances but it is not going to make a big difference.

Piyush Choudhary, CIMB: Yes, two more questions. Firstly, any update which you would like to share on Hemisphere in the land demerger process which we would like to hear? Secondly, on Neotel, can you share what is the net debt over there at the end of June?

Vinod Kumar: Neotel, gross debt top of our head is Zar 5.5 billion or so. With respect to Hemisphere the only news I have is that they have appointed a consultant now to advise them on the process. On Hemisphere that is probably the only update that I have right now. I can say that DoT is probably studying it more and they have the committees that are formed and so on; going ahead the activity seems to be picking-up in Hemisphere. It is more ground work activity, the Managing Director of Hemisphere is now active in driving some of these things. So I would take that for what it’s worth.

Vinod Kumar: Neotel net debt is $440 million.

Mahesh Pratap Singh: $440 million right, Zar 4.4 billion.

Piyush Choudhary, CIMB: Okay, thank you. And if I may slip in another question, the CAPEX guidance of $300 to $350 million which you are saying is $350 million -is that a structural shift or it is more one one-time where you are seeing a lot of data center deployment during the year and it is more bunched up during fiscal ’16 and the envelope may come down to $300 million.

Vinod Kumar: So you are asking me whether it is $300 or $350 million. I am saying its is $300 to $350 million.

Piyush Choudhary, CIMB: No, I am asking more of a sustainable trend like you are looking at fiscal ’16 or ’17 is there a $50 million kind of element which is more one time more data center deployment during the year which is happening and the envelope may still come down to $250 to $300 million which you were guiding until last year.

Vinod Kumar: I frankly prefer keeping the range between $300 to $350 million. $300 million would probably be a normal run rate and once in a while it will bump to $350 million, I do not want to take it down to $250 to $300 million. Also I have to look at the context of the industry and the

CAPEX to EBITDA and CAPEX to gross revenue; we will do better than industry terms of the CAPEX to revenue ratio.

Pranav Kshatriya: Hi, this is Pranav from Edelweiss Securities. I have three questions. Firstly on TCPSL what is the EBITDA run rate for Q1, I mean is it profitable EBITDA level? A related question is if TCPSL has become EBITDA positive why it is not getting reflected in the data margins. I assume that there will be a something like 100 basis points to 150 basis points in fact of TCPSL losses in the previous quarters.

Second question is on the voice how much has been the impact of increase in termination charges for India on the voice business, I mean is it one of the reason why the cash flow from voice business declining? And related question, I think last time when you met the run rate from voice business was $90 million to $100 million or I think you have reset it to $80 to $90 million.

And last question on data revenue for Q4 FY-15. There was a substantial I mean not substantial but there was degrowth in data revenue was there any one particular reason to it? That is it.

Vinod Kumar: You say in Q4 over the Q3 there was a drop in data revenue.

Pranav Kshatriya: Yes, even on Y-o-Y basis it was only 6.3% and that actually pulled down the year-on-year revenue growth for data business to only 10% earlier run rate was around 13%-14% for nine months. So what is the reason for shortfall in Q4 revenues?

Vinod Kumar: Okay. There is a broad range of questions, let me handle voice one first. Yes, the voice we were earlier working with $90 to $100 million but I think a safer range to work off is $80 to $90 million right now for voice only because of the volatility that we are seeing and we will update that as we learn more about the market. It is not based on any predicable trend we just have some reckless players who are moving things around there. What was your question on India termination? Rates have declined year-on-year by about 35%.

Pranav Kshatriya: Yes, the termination cost has been increased by TRAI…

Vinod Kumar: Yes, but that is pass through, we do not benefit from that. The movement has been more on the price side. So we didn't benefit from that increasing. For us that is a cost that we pass through. But from a price perspective we saw a shrinkage of about 30%-35% on India termination. Then your question on EBIT run-rate for Q1, can you just repeat that again please?

Pranav Kshatriya: Yes, I was asking about TCPSL EBITDA for Q1 and why it does not translate into higher EBITDA margin for the data business because EBIT is EBITDA positive that should at least bump up by 100 basis points.

Vinod Kumar: Yes, as I said we had an increase in cost in Q1 due to the headcount increase but also salary increments kicked-in in Q1. Then the other is, there are some project related revenues for some of the implementations in data although the revenues have increased the margin percentage on those were lower but those will get rationalized as the projects get implemented. Q3 to Q4 drop in data was we had one large customer implementation with sizeable one-off revenue in Q3 which caused a bump and that is why you saw the revenue drop on Q3 to Q4 basis.

Unidentified Participant 1: Thank you for the presentation, a complex company for us to understand so it is very clear today. I just have one question on the undersea cables that we own. Obviously it is a very strategic valuable asset. So you could tell us a little bit more about it what exactly that is for us and how unique it is and where does that put us in terms of comparative positioning and whether anybody else would want to do this?

Vinod Kumar: So the undersea cables are corner stone for the strategy in a way so, we went through the period of significantly investing and creating that capability but now we have enough critical mass both in terms volume as well as reach. We still see it being a bedrock for us. And we see us augmenting it selectively like we did with the Brazil expansion. We look at those kind of projects rather than building brand new cables on our own which won't happen, we will do it more on consortiums, we will do smaller routes and so on. In terms of design capacity we probably have the significant room to add capacity to the existing assets. The combination of fiber pairs which are unlit but also technology improving so that we can get more bandwidth out of the same fiber that we have. So the strategic role that subsea plays will remain for quite some time, I would say the next decade at least, to play out to be important. But how I realize value from that is what keeps evolving. So it used to be a pure IP network, now it is the net services that is right on top of it. Even our video offering you can argue in a way, based on the strength of our network offering because if we did not have the kind of network that we have with our IP reach we would not be able to offer the quality of the video that we can for our video collaboration service. So the strategic importance of the subsea network remains however, it has reached a size that it does not require the same level of feeding of CAPEX that had needed say five years ago.

Unidentified Participant 1: No, the point more is at who else does it, okay.

Vinod Kumar: There is nobody else who has the breadth and reach and also has the ring around the world that is fully owned and managed by us but there are other players that have more regional capabilities so, I would say there is nobody who has that global footprint that we have.

Unidentified Participant 1: So it is fair to assume with the trends of data across the world in YouTube and video you are the global player and will benefit usually.

Vinod Kumar: That is an important element but it is not the only one to be fair. It is also the access networks that play an important part, the subsea that we have is mostly for cross broder but at the end of the day the traffic has to come from the users' handheld device -mostly a mobile device or sometime to an aggregation point and that part is also an important piece which is why we are looking at how we can create mobility services that are based on other people's infrastructure that will complement well with the IP network that we have. See more than the subsea network where I think the big strategic capability for us lies; is our internet backbone network where we carry 9% and growing -of the world's internet traffic and 24% of the internet routes where we have direct access to. That in turn depends on our underlying IP network but from a customer perspective the differentiator really is the IP network, that's what they see rather than the underlying subsea network. So that combination makes us very unique we have a player like Level-3 of example that is strong in IP network in U.S. and Europe not so much in Asia but they do not have any underlying subsea network, right. We have players like say Reliance for example has some they are one of the larger players in the subsea but they do not have the IP network, the global network any where near what we have, right. So I look at it as a combination of subsea plus the IP network.

Ramesh Damani: Sir, I am puzzled, because in the whole presentation you did not mention it even one time. Is it not like the prized asset that you should be explaining and sweating and telling us what more that provides for your business?

Vinod Kumar: Okay, this again is damned if I do and damned if I don't, in the sense that we have done it a lot in the past and we have really spoken about the subsea network investment that we have and the ring around the world. We even used to have specific slides on that, it is only for that reason that we did not mention it but instead chose to shed light on the newer things we are doing. If I would go make a customer presentation for example we would start with talking about the data network, the IP network, the number of routes we have, percentage of traffic we carry, the number of Points of Presence we have and so on here we just…

Ramesh Damani: Studies I read suggest the data is doubling every year almost that is being created in the world so what are the implications of that for your network?

Vinod Kumar: The implication for us obviously, we are well position we are carrying a lot of it because it is the reach that we have and the fact that for cross boarder connectivity subsea network are the only way to carry data at these speeds and these volumes so that would be the biggest aspect. The other is as the internet is growing, the position of the internet is very steadily shifting from a consumer platform to also an enterprise business platform. So that is big shift that we are betting on and the services we are creating are around that. And why we say we are different from others even when we carry internet traffic is because a large part of our internet backbone is on infrastructure that we own. Therefore, we are able to hop off "the public network" onto a Tata Communications managed internet faster than others, others relay entirely on the public internet, pure public internet they cannot control the routing or the security how that traffic moves. In our case because of the subsea network because of the number of IP POPs that we have on our (AS) 6453 which is our internet backbone we can go onto a controlled environment very quickly. Those are the benefits that we take to customer that allows us to create services that others cannot create.

Ramesh Damani: Okay, let me just ask a final follow-up question Sir. I keep reading the press that people like Google or Facebook are creating their own networks because they do not want to rely on a public network and you are one of the few people who have global network available. I mean do you view this as prized asset at some point that can have extra ordinary value because say for example you can sell it off or spin it off. Does that create some extra ordinary value because you are the only player in the world to have this going across?

Vinod Kumar: It is prized as in firstly, the players that you mentioned many of them are our customers in fact many of them figure in our top 10 customer list of enterprise. So we are very much part of this strategy to build out global infrastructure; even they cannot build out what they have which makes us a very desired supplier to them and from our perspective we look at also how we can take some of their OTT offerings and take those to our enterprise customers and so on that is a different part of our strategy. It is a prized asset for the reason that you mentioned and also because the electronics that keeps getting launched allows us to extract more bandwidth from the same fiber. So when we build most of these networks it used to be 10 wave gig wavelengths. Now we run 400 gig wavelengths on the same fiber so without having built a new cable we are able to get 40 times the capacity. So the thing to also keep in mind there is quite high entry barrier for someone who wants to come because they now have to build something afresh and at completely different cost structure then what we have, given that we have the asset for a while and where the cost of laying the fiber is still as expensive as it used to be but we can turn-up more bandwidth.

Mayur Parkeria: This is Mayur from Wealth Managers. My question is indirectly related these prized assets but I will focus more on the monetization. Can you throw a light on how do we see the ROCE over the next two years to three years. You have given an indication about the net debt which you would like to see over the next two so, similarly how do we see the ROCE over the next let's say two years to three years where we are currently and how do we see it in the next three or four…

Vinod Kumar: Slippery slope question but I will answer it. So the ROCE targets that we are working towards from a three year to four year perspective I am not going to give you a two year to three year view or guidance is in the 12% to 15% range we will start trending towards that and upwards within a three-year timeframe.

Mayur Parkeria: And though you have always let us focus on the EBITDA and free cash flow it is equally important for us to see the actually bottom-line in terms of profit figure being positive rather than being negative. As an analyst we do understand that EBITDA and cash flow is important but it also equally important to understand that the bottom-line remains positive. So at what level of EBITDA margin will we see consistently positive quarterly numbers or positive yearly trends of profits which we can sustainably look for Tata Communications?

Vinod Kumar: I can assure you that I am not stopping looking at the EBITDA and free cash flow we are very focused on getting the business to the ROCE levels are 15% and up. Just giving you an indicative range our EBITDA has to be about 16%-17% I would say for us to be able consistently profitable at the PBT level.

Mayur Parkeria: The last one on the TCPSL you mentioned you will need to go to 70 transactions to move to the breakeven level so what is the sustainable ROCE for a TCPSL and for reaching that sustainable ROCE level what kind of transactions will you have to move to beyond 70? That is my last question, thank you.

Vinod Kumar: I do not know the answer to that question of the top of my head. I am not going to hazard a guess on just on TCPSL. I do not know if Pratibha or anyone have that, you may want to share. Let me get back to you on that, I am not going to pull a number out of the hat to answer on TCPSL.

Mayur Parkeria: So, aren't we looking at a target ROCE level..?

Vinod Kumar: No, we are looking at it. I do not know the transaction count that will get to that ROCE. So I guess it would be 100 to 110 but we will come back to you on that.

Rushabh Sheth: Hello, this is Rushabh Sheth from Karma Capital. Just one question from my side what is the status now finally for the Neotel deal? Is it waiting just this matter to settle or is it any approvals still needed for the Neotel?

Vinod Kumar: No, this matter is different from the approval process; you are talking about the sale to Vodacom?

Rushabh Sheth: Yes.

Vinod Kumar: Okay, sale to Vodacom is in the public news. You would have seen that the competition commission is going to meet in November to give the final ruling. All indications so far both from ICASA's approval which is the telecom regulator, we have it, with some conditions that Vodacom has accepted. Competition Commission discussions have also been going and they gave an in-principle approval but the process requires it go to the tribunal and the date that's been now set is in November.

Rushabh Sheth: So it's only post that the deal….

Vinod Kumar: But frankly this is from a regulatory perspective this is the most positive news that we have got in terms of clarity or direction over the last couple of months and it gives both Vodacom and us the confidence that it is moving in the right direction from ICASA which is a telecom regulator and competition commission. But the reason why it is going to tribunal, is that as always the competitors raise objections and which in turn always get heard at the tribunal and then we move forward.

Rushabh Sheth: But November is final date or you can see any delays there? I am just asking.

Vinod Kumar: No, the date of November is fixed, how the ruling translates after that I cannot put a date to it but the November date is fixed. We were actually fighting for a date earlier because we could we still do not understand why it has to take between now and November for the tribunal to meet but apparently they have a high case load, the counselors are not available so on and so forth and that is the date they have fixed.

Amruta Pabalkar: Hi, this is Amruta Pabalkar from Morgan Stanley. I have question on the new business like IZO. Can you give us some ballpark number on what it contributes to your revenues and to your EBITDA, since the initiative was taken up in the last year? When can we really expect to see these incremental revenues getting translated into incremental EBITDAs. And why do we have to hover between that range of 20% and not really move 21%-22% even in the short term. And when you said 30% EBITDA margin level would be a stable, over what time frame do you expect that? And secondly, my question is on the tax rate, when do we turn to normalcy and how would be transition towards it?

Vinod Kumar: Sorry, what was the last question, on the?

Amruta Pabalkar: Tax rate.

Vinod Kumar: Okay. For new services firstly, I still maintain the 30% over the three year period. I would like to set something and see if we can beat it rather than pressure to give to an answer that you want to immediately hear or giving you what is the safe view based on what I see. Now new services like IZO are on track based on the business plan that we had. Now will IZO show up in a big number and are we going to report it separately in one year to two years the answer is no. But what you need to look at is our VPN revenues for example as a whole and IZO is part of VPN how quickly is that growing? So our VPN revenues are growing by 15 odd percent per year in a market which is frankly flat and as services like IZO help us create that capability. IZO in terms of revenue itself this year will be \$10 million - \$15 million revenue but that is not the point you know is really what potential it creates for us in the future because a lot of what we will do with services like IZO this year it will be proof of concept to customer, it is getting them to move off a technology or a way of doing things for a long time and moving to something which is completely new. So we have test parts of their network, they will do some proof of concept limited trials, before they go full-fledged. But what it does is it pulls through along with it more MPLS revenues, more direct internet access revenues and so on. So and I do not look at IZO as the only new services there is a basket of services that we are looking at. And that new service portfolio which we showed in one of the slides will continue to grow and that will grow by about 20%-25% this year. I would not call IZO out as one service but a basket of new services that includes UCC, IZO, the Hosted Contact Centre services, some of our mobility services those are beginning to accelerate. And those are all CAPEX light services.

Vinay Jaising: Vinay Jaising here from Morgan Stanley. Sir before you go to the tax question the reason we are asking this question. I think a lot of us have asked again and again on margins -if you look at the last three quarters or four quarters your incremental revenue growth and your incremental network and transmission expense specially in the last two quarters have been one-on-one that means whatever you have grown on revenues you have grown on network and transmission expenses. That is where we are a bit confused. Obviously the October quarter and December quarter were softer and back to Rs. 27 billion – Rs. 28 billion expenditure for the quarter so that is where we are trying to get confused is it a cyclical thing or is it just that you have started new businesses and these are cost which in a matter of time will become margins?

Pratibha K. Advani: The network cost are high because of higher access cost so, if you recall Vinod in his slide has shown that our VPN has been growing by a healthy 21%-22% and that has led to investment in the access cost. And on your question on tax you know the tax rate is a function of the profit that we make across the parent company as well as the subsidiary. While the parent company is making profit and that stacks at 34% some of the subsidiaries are making losses. Now we do not get the benefit of those losses in the parent tax rate and that is why you see the spike in our tax rate.

Vinod Kumar: To answer your question on when that will normalize it is a fair one it is a bit taught to predict because which subsidiary and when you are operating with global services business and you have transfer pricing sometimes you have cost and revenues that show up in different places and you have local taxes that go up. I would say to reach like a normalcy we need to have a large number of subsidiaries especially the international one turn profitable. So that is a 18 month to 24 month horizon you should be looking at when you would not get these sort of numbers. I know exactly what troubles you but it is just because of the nature of the business we do and where costs and revenues get booked and the transfer pricing regime that applies to us.

On access cost, they are a factor but it is actually also the investment that we have made in creating new services that is putting the pressure on the margin. The access costs related to VPN are going to continue remaining and that is a direct cost that shows up against the revenue. But for us the margins squeeze in those 2 quarters have been just purely because of the investments we have made in marketing, in terms of product management resources, in terms of market facing, sales people that are showing up and putting pressure inspite of the revenue growth.

Krishna Sanghavi: I am Krishna Sanghavi from Canara Robeco Asset Management. Do you see the Neotel issue identified recently in fact in the transaction with Vodacom again or some sort of delay there?

Vinod Kumar: No, I do not see this per se affecting the transaction with Vodacom or causing any delay. Based on what we know right now will have to see how some of it unfolds but we have kept Vodacom informed throughout the process and they have continued with the process even continued with filing and so on so it is not something that is a surprise to them.

Rajiv Sharma: Sir, this is Rajiv from HSBC. Three questions from my side. First is your data center revenue and EBITDA for the first quarter if you can share that.

Second is why IZO cannot be replicated, it is mere software and it is giving you better than industry growth on the VPN side so if you can help us understand why it cannot be replicated by competition and take away your advantage?

And the third is when you say 30% margins on data do you factor in 15%-20% price decline which the industry takes every year?

Vinod Kumar: Answer is yes, absolutely we assume that the prices will come under pressure they always have been and we will. When you say IZO and you just say it is merely software it is not merely software there is a lot of complexity associated with it but it is also beyond that. I do not want to make this deep engineering discussion. But the way we have our IP network designed it has a common architecture and common platform and common routing methodology around the world. That allows us to offer deterministic routing on the internet whereas most of our competitors firstly, they do not operate globally on the internet background and even those who do have different architectures in different regions, right so it is not a straight forward for them to replicate IZO -they would use other mechanisms and other ways to compete it does not mean IZO would not have competition and we will be the only doing it. But it is not a simple thing for players to replicate.

Last aspect is to give you a little bit more ammunition; we work with partners around the world who are our ISP customers already. So we have a set of relationships that we are leveraging to create IZO; so we have launched it with 34 countries and we have just recently reached about 50 countries and our goal is to get 100 countries by the end of 2016. So we are expanding very rapidly through partners. A lot of these partners are existing partners where we have relationships that we can take to the next level rather than start from scratch. So these are the reasons why we believe IZO has some competitive advantages for us that cannot be easily replicated. I would not say it can never be replicated but cannot be easily done.

In terms of data center revenue, it is at Rs. 436 crore and has about 27% EBITDA, those are full year FY-15 revenues for India Data center.

Reena Verma Bhasin: Hello this is Reena Verma Bhasin from Arpwood Capital Just have two small questions and as always thank you very much for today's insights. My first question is you seem to be leaning very heavily on margin expansion in data to deliver your 12% ROCE target. Are there any benchmark businesses globally where enterprise margins are in 40's because your 30% is revenue from operations and revenue from operations so, on net revenue basis you should be even higher probably more like 40%. Are there any enterprise businesses that you can point to which deliver that kind of margin? And my second question is on TCTS, can you just help us understand the framework within which you resolve the conflict of interest with other companies with the Tata fold where you might run into conflict of interest?

Vinod Kumar: You are being very diplomatic.

Reena Verma Bhasin: Thank you. I am learning.

Vinod Kumar: Okay. I will let Sandeep, add to that but frankly we work not just with our sister companies in the Tata Group but with other system integrators also. See TCTS has a proposition, Sandeep explained it in more detail, the way I look at it is we are really taking an inherent cost structure advantage of having an offshore delivery centers in India combined with on-roll that many other players have. We are taking telecom domain expertise which we build in TCTS. And third is the fact that TCL is an operator and understands not at the theoretical level but at the very practical level what is it to run a network operation center, how do you feel the operations. So when Sandeep and his team go in front of a customer and we compete with other players, either they maybe the equipment manufacturers or traditional IT Systems Integrators what they cannot compete with us on is on that process knowledge that comes from being a telecom operator ourselves and the fact that all the technologies they are talking about we have been rolling out in TCL ourselves and learning about the transitions and the challenges. So that is really the cornerstone of the TCTS strategy.

Therefore now talking relationship and stepping on bounds of other we focus on telecom, media companies and communication operations requirements. We do not go and tell them we do software development, application integration, system integration, we just focus on network operations, they may be fixed line networks, mobile networks and therefore they find for example TCS finds us complementary so we go together with them for bids rather than go bid for the same thing. So we will never claim or have no intention in our strategy to be an SI or to do application development. Even applications related to comms we would not develop; we will operate and that is our scope.

Reena Verma Bhasin: So today, TCS does not have a business with revenues from that gap, on network services and managed services for telecom networks?

Vinod Kumar: When it comes to very complex ones they do not do it they will actually bring TCTS in.

Sandeep Bhatnagar: Yes, that is right. We collaborate very well and we have already done it in few accounts across the globe so when it comes to the IT, BPO and the telecom, IT software itself it is TCS which takes the lead for the telecom network management we complement very well with them we go behind them or around them and sometimes when we see an opportunity in starting of telecom networks first and then the IT we also bring them in front of us. So it is a perfect collaboration rather than any conflict of interest whatsoever.

Vinod Kumar: On your first question in terms of those we can look at unfortunately you would not find people reporting their enterprise business separately. But if you look at sort of more mature players like Verizon or AT&T and you take their numbers and analyze it deeply you will find that you will get a comparable close enough, it won't be apples-to-apples but you can compare with them and other company where if you look at their reports OBS Orange Business Services you will see the 30% to 40% margin from enterprise, that is possible.

Reena Verma Bhasin: I will take a look based on your suggestion but my worry is that pure or largely enterprise-oriented business versus a conglomerate full service provider the CAPEX intensity that is key to ROCE targets that might be very-very different.

Vinod Kumar: Yes, it is too high. I am saying there is no simple report where they will publish on a standalone basis, a lot of it is shared CAPEX, a lot of it is allocated therefore, it is tough to peel enterprise out separately.

Reena Verma Bhasin: No, sir my question is using a 30% to 40% margin and tying it to a 12% ROCE for a heavily enterprise focused business I think that is the challenge. The challenge is not achieving one of the two like you can either have no CAPEX or you can have very high margins but having combination of low CAPEX and high margins is very difficult.

Vinod Kumar: Yes, which is what we are working on now, if you take IZO, if you take our Unified Communications and Collaboration services you look at hosted contact center, if you look at our cloud services that are rolling out all of those are quite low in terms of CAPEX intensity. Now we have to continue feeding our network infrastructure because that gives us the reach and is a platform on top of which all these services sit, right which is why I maintain that $300 million - $350 million CAPEX that we got to maintain but the new services are not CAPEX intensive services and in our portfolio we have services like TCTS which do not take any CAPEX and it has very direct correlation between the manpower and revenues and profitability. So we are adding those as well. So we have to look at the combination. If we were to just stick with pure play traditional network services I think what you are saying becomes a very big challenge.

Mahesh Pratap Singh: I am going to squeeze in few question from the webcast which has come in. There is a question on the competitive landscape which talks about specifically to India with Reliance Jio launch and CAPEX being put in. Do you see this as a risk or as an opportunity and what implication does it have on the India data business?

Vinod Kumar: Well in the near-to-medium term I see it has an opportunity because we have a lot of infrastructure especially on international side that we can leverage and offer services. In the medium-to long-term it is risk that we have to look out for. From what we hear and I am going with the same information that you have, they are more consumer-oriented and maybe small enterprise-oriented. If they move into large enterprise we will have to deal with that. However, large enterprise environments for network services and for these managed services are extremely complex and there are not too many examples of players who are able to straddle both and do it. The demand of large enterprise to go serve an ICICI Bank or HDFC or Larsen & Toubro or Citigroup or Morgan Stanley or Coke or Pepsi, different ball came all together you cannot take a consumer focused organization and try to go and meet their needs. So it is something that watch but I see it more as opportunity them threat in the short-to medium-term.

Mahesh Pratap Singh: There are two questions on voice. There was one which said heard frequent reference to market irrationality, is it possible to elaborate that perhaps with examples. Also do you see any near-term trigger for this irrationality to cease?

Vinod Kumar: People will put a contract on my life if I put names out, also especially being in Mumbai you have to be careful. No, I would not put names to players in the market but there are players who come under top-line pressure and who are relatively new to the wholesale voice business and frankly they call the market wrong and realize that pricing is a slippery slope in the voice business.

Mahesh Pratap Singh: There is another question on the slide on market opportunity. The biggest incremental addressable market was media which was incremental $3 billion and mobile which was incremental $3 billion. Can you elaborate a bit on those opportunities?

Vinod Kumar: Yes, with mobility essentially if you look at large enterprise customers there is a greater adoption of mobile we all have tablets and smartphones and we are working remotely however the cost associated with those are also big concern for any enterprise, that is one. So there is an opportunity there we believe to create some disruptive offerings. The second is in terms of security associated with these devices when they use network services because it is now is going over the public internet so we see CIOs constantly engaging us on security services for mobile applications used in enterprises. So these two are two big opportunities that we see there are adjacent to what we do that we can potentially enter in the mobility space. It is not consumer mobility or for us to become a mobile operator ourselves. It is taking mobility services, mobility enablement services to large enterprises.

Mahesh Pratap Singh: And lastly there is follow-up on TCPSL which says with banks driving digital spends and focus on non-cash payment channels do you see risk to transaction volume?

Vinod Kumar: We do not see cash going away, we see cash very much being part of the system but obviously mobile, wallets, mobile commerce and so on will continue to be on the rise. It hence, when Sanjeev made his presentation I think two quarters ago he said that we look at TCPSL business as a digital payment business, that will over time bring cash and non-cash together. But also where we are expanding our ATM footprint is in Tier-III and Tier-IV towns in India and in those towns there is a lot of economic activity and we look at the TCPSL or Indicash ATM presence as a digital presence so we are looking to see what are the services we can render using that footprint and creating revenue streams from that. So the question is very valid we cannot just rest on a pure ATM based revenue model we need to add other revenue streams to the ATM business.

Mahesh Pratap Singh: So that was it. If there are no more questions from in-room audience, I would hand it back to Vinod for closing remarks.

Vinod Kumar: Okay, thank you very much for your time and joining us. I can assure you Pratibha will be answering more questions next time, this is her honeymoon period. She has done a remarkable job of diarying, writing and getting into the depth of the business.

I have explained the strategy, I would urge you to look at the trends in the business we continue to with confident with the strategy that we are executing based on a market response in the funnel that we have that we are working on closing, the take-up of new services is very evident but the volumes will pick-up overtime.

And in terms of the margin growth both near-term to 20% and medium-term to long-term to 30% on the data business we are sure of. The voice which still is 45% of our gross revenues but on a net revenue basis it is not a large contributor. From free cash flow perspective it was $100 million versus $35 million for data but you will see that shift very quickly and I think some of the concerns that we have and you have on the near-term impact of voice will become less of factor as we move forward. In the meanwhile we continue to look at rationalizing the portfolio, looking at where we should be spending CAPEX to make sure the ROCE expectations that we all have, are met. So we are focused on all the right things as a management team and look forward to continuing to dialogue with you in the next quarter's call. Thank you.

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