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Q4 & FY2017 Analyst and Investor Meet Transcript

MAIN SPEAKER:
Vinod Kumar, Managing Director and Group CEO
Pratibha K. Advani, Chief Financial Officer
Anthony Bartolo, Global Head of Mobility and Collaboration Enablement

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

https://www.tatacommunications.com/sites/default/files/FIN-analyst-presentation-PDF-20170504.pdf

Vipul Garg:

Good evening, everyone. On behalf of team of Tata Communications, I extend a very warm welcome. Thank you for taking time out to be with us, as we truly appreciate your interest in Tata Communications growth story. I am Vipul Garg, I head the Investor Relations. First of all, my apologies for a little delay. Our results just got released. A hard copy is being circulated to you. Let me begin by introducing members of management team. Joining us today, we have Mr. Vinod Kumar, who is our Managing Director and Group CEO, Pratibha Advani - Chief Financial Officer and Anthony Bartolo, who is our Global Head of Mobility and Collaboration Enablement.

I want to touch upon the safe harbor statement prior to moving ahead. I would like to remind everyone that anything we say today which reflects any outlook for the future or which we can be construed as a forward-looking statement must be viewed in conjunction with the risks and uncertainties we faced. A detailed statement and explanation of these risks is included but not limited to what we have outlined in our annual filings and the company does not undertake to update these forward-looking statements publicly.

Allow me to now walk you through the agenda of the day. Vinod will share his thoughts with you at the outset giving you an overarching market perspective, his vision for the company while touching upon the progress that we have been making. Vinod will be followed by Anthony, who will present updates on our cross-border mobility platform move and our IoT offerings. Pratibha will conclude with the highlights on the financial performance of the company thus far and the strategic imperatives that lie ahead. There will be a question and answer session after the management presentation where you will get to present queries to the management speakers. As Vinod needs to leave little early, I would request you to first ask business related questions and then Pratibha can take finance related questions.

For the benefit of everyone in the room as well as those joining us via webcast, I request everyone to kindly state your name and the name of your institution before posting the question during the Q&A session. There will be an opportunity for the webcast participants to ask questions as well. We intend to take some of these questions which are not already covered by the in-room audience towards the end of the event and if we cannot take your questions, we will definitely come back and respond to you over the event. After the Q&A session, we request your company over dinner, arrangements for dinner have been made in the lobby outside this room. With that, I would now like to invite Vinod to come over and share his views. Over to you, Vinod.

Vinod Kumar: Thanks Vipul and good evening, ladies and gentlemen. Thank you for joining us today. This as a precursor, I want to say that the tone of my presentation is going to be, maybe a little bit more operational than strategic and through some of what I will share I hope that the strategy for the business and where we are focused will come out very clearly but I am happy to answer any questions you may have on the strategy and direction if it does not come out here. We also have Anthony today with us and Anthony will take a deep look at what we are doing in the whole mobility space and I think it is quite important for you to understand the kind of ambitions we have and also the opportunity that lies in the whole, when I say mobility please think of it across mobility and IoT where there is a very compelling proposition that is evolving and hopefully Anthony's presentation will give you a sense of where we are going and then we will share more updates as the year unfolds.

So as I said, I really want to share with you where the entire organization and especially the leadership team are going to be laser focused in the coming year. I am first going to talk about the product focus. The key themes as far as our products and services are concerned and then talk about some of the other initiatives that we will be driving as well which will drive differentiation in the marketplace. First and foremost, on the traditional services and you see the results for last year you have seen there is good momentum in our connectivity services across the whole portfolio of connectivity, whether it would be point-to-point services like Private line or National Long Distance services or Ethernet services, as well as services like Internet Connectivity both in India as well as outside. We believe that the opportunity in the market for Tata Communications' exists.

We will continue outpacing the market growth, right. The market in this case is flat or growing at 0.5%, right and you know the numbers that we are growing at. And what that translates to is very clear indication of the operating leverage and the scale effects of that business. And we think from a market perspective in terms of the right to play that we have created as well as some of the activities around automation and more streamlined processes and the fact that we are keeping our headcount and other costs very tight in that space we will see that our business generating continued growth as well as operating leverage will shine through and hence, if you recall, I have given the 30% guidance on EBITDA margin for the traditional services. We believe that, that will, we will move towards that I am not going to call that out exactly when but that will be a key area of focus for us. So continue to outpace the market and ensure that we manage our cost, streamline our processes to get further operating leverage to shine through in our traditional services.

The second is the new services. We grew by about 18%, 19% last year. We believe that, that will accelerate, right and that will accelerate in and as the year progresses we should see more pace pick up and that is the whole portfolio around hosting, around security, around unified communication and SDWAN. In those four areas we see strong funnel. The value propositions over the course of the last financial year have actually been strengthened even more. So we have obviously worked with many customers, incorporated their feedback, strengthened the feature set and you will see as during the course of this year turning this portfolio steadily towards a positive EBITDA territory and that is the goal. And we see the opportunity there to step on the pedal in terms of year-on-year growth. And I call out greater than 25% growth here on a year-to-year basis. So, that is very important for the future foundation that we are building for the organization.

And then on the far right, I will jump to that and come back to digital transformation in a second is the next set of services some of what you will hear from Anthony today around mobility, around IoT, around expanding our security service set and our software defined wide area networking services. These are services where we will actually largely be investing this year. There will be some revenue that will come, but it is going to be a year of creating these services, marketing the services, getting the right to play, putting the right infrastructure in place and so on. Similar to what we did with new services last year, this will be a year of creation. And some of this like, the opportunity around IoT and mobility, we did not expect such an opportunity to present itself, let's say 24 months ago. But as we went into the market, we started creating services and testing our capabilities against competition and also leveraging some of the investments we have made, we have been emboldened by what we have seen and are going into it very aggressively and this is one of the questions even Pratibha asked me is on CAPEX, right? The question maybe, you do not have data centers, so why do you still spend 250 million on CAPEX? The thing is to create some of these capabilities to build a nationwide network in India to support IoT applications. We believe that our LoRa network will be a source of competitive advantage. Anthony will share some use cases around that. That does require some investment of CAPEX. It is not of the scale of building a cable system from one country to another but it is CAPEX nevertheless.

So we see an opportunity in these areas. They are not wild opportunities they are actually quite adjacent to what we do. It is addressing the same customer set, it is very much B2B is very much large enterprise with very much service providers but strengthening the larger relationship we have with them based on the engagement we already have established using the traditional services and new services. So that will be an area that we will be driving new product creation and market entry. And finally, the part I want to talk about is the whole digital transformation initiative. I mentioned this in the last analyst call.

We have been very focused as a company in the last few years at creating services for our customers. We have been at the same time, investing in some systems to be more efficient internally but we see an opportunity by making the right investments in the next-generation IT systems to radically improve our internal business velocity and to radically improve the customer experience and to move to a next-generation customer experience if you want to call it. I will give you an example of that. The world that we foresee in the future is one and it will take, it is not going to get there within one step but in a few years, the world that we foresee is customer applications, right. They will directly consume bandwidth as the need of the application varies or the user demand changes, right. So it will not be a conventional, the way it works right now is we are looking at the application, there is an IT department on the customer side who figures out trends and both in terms of usage, in terms of seasonality and so on and so forth and will design a network.

We actually believe that in a few years that that will become outmoded. The applications will be connected over interface with their network or any service they buy from us using APIs and it will just dynamically happen, right. Now, our current systems cannot support that, right. It is just we cannot deliver that kind of promise to customers. That is an example of what will happen with customers. Portals where they can actually go online and buy services and provision capacity, provision various features without having to go through a conventional path of solution architects and sales people, so on and so forth. That is external.

Internally, the way we work is, obviously different layers of management, different delegations of power, various processes, so on and so forth. There is a big opportunity there to introduce much more automation to use things like robotic process automation as a first step then to move towards artificial intelligence to make the whole way we work within the company far more efficient, much faster. So, these are the things that we are going to start working on with the digital transformation project. And I would be firmly believe, as a leadership team that it is time now for us to invest in this because it will drive both our productivity, which will translate to more operating leverage and it will translate to customer experience, which will change our positioning in the market and you are going to hear me say this over and over again from being a traditional telco to being an OTT like player, to be more of a digital enablement player and not be shackled by the conventional ways of operating or thinking of telcos.

And some of this I have covered but just highlighting again the differentiating activities. We have a new go-to-market plan in place. James Walker came on as our Global Sales Head. We did a fairly large restructuring of the sales organization. The last wave of that actually got done a few weeks ago and he is firmly in this place with a new leadership team and the two things here that I will highlight is one, there is a lot more focussed resource applied to our new services. So we have more product specialists in the market who bring experience, relationships and deep know-how of unified comms, of security, of hosting and we are bringing people from different backgrounds, non-telco backgrounds. So, more people from the software industry, more people who come from the applications business and systems integration business. So that is one. So product specialization in the field rather than having generalist account managers.

The second is on a significant uplift of investment in partners. So we have always, we have driven a partner program for two years now. We have a partner framework in place, which has been created. But now we have putting many more people on the ground who will only work on recruiting and on boarding and leveraging partners to essentially get more feet on the street to sell the services that we have and we will not be dependent just on our direct sales effort, we will be using partners a lot more. So that is up and working and we need to make sure that it actually just it translates into results. The sales team has a fairly big year-on-year growth, growth target that they are working towards and we are confident that they will step up to it.

The revamped customer experience, what we are doing here is really sharpening our focus on the customers who give us the most revenue and the most margin. And we see some good opportunities there and we have done some structural changes, both in our customer experience organization but also linking our customer experience people with our account teams in order to have a joint story that is one of the things that customers have told us we need to improve upon. And the last is, as I underscored with the digital transformation, we think there is an opportunity for improving our internal business velocity which then clearly translates into both customer experience and productivity.

Now as I said, I hope my strategy is coming through on where we are emphasizing but I want to show, the message really I want to get across is, we really do not just believe in strategy that stays at an aspirational level, we really break it down to what we do and maybe for some of you it is too detailed but it is really end of the day about keeping people focused on the right things, keeping them trained and upgrade their skills which is a major program for us and driving collaboration across the organization.

I cannot share with you the specific goals because then that will turn into guidance but I want to share with you how we as an organization 10,500 people in Tata Communications get measured and how they get paid their bonus, right. The categories are basically broken up into growing revenue, profitably and there we and I will come to each of them separately. The second aspect is how do we shape the future, in other words create the right momentum so that we do not not only achieve this year's targets but also lay the foundation for the future, how do we become the Singapore Airlines of telecom, which will be the airline I am boarding tonight. But it is basically about giving a unique level of customer experience that is differentiating and how to create a great place to work.

And when we talk about growing revenue profitably, we are very clear that for us, we have to drive growth in the top line. So the whole organization, not the sales team alone is measured on our sales order booking right, that is one component. The second is on clearly on revenue target but we do not focus on gross revenue, we focus on net revenue. Because if we focus on gross revenue, that is easy just go sell services that make low margin like voice, if you want you can just drag the top line but we are really focused on what contributes towards de-fraying all our fixed and other operating expenses. And then, we are changing the language from just an EBITDA focus to working on free cash flow, right. So how we are working on improving our working capital, which means you need to have better collections, you got to handle your supply chain payments carefully so on and so forth. So we drive this and this is visible as I said to the whole organization.

Shaping the future is driven by two vectors, one is around the new services and the second is around revenue from partners. And between these two about 35% if I recall correctly of the annual bonus is tied to that and the reason for that is very simple, your interest really are also aligned beyond operating leverage from our traditional services to growing revenue from the new services and that is exactly where all 10,500 of us also were aligned. Our pocketbooks are affected by how we deliver value on that. If we miss it, we all we are impacted by it. Bringing the Singapore Airlines of Telecom, again that is we break it down into how fast can we generate a court to order. Because we think there is an opportunity there for us to improve our turnaround to customers and the other is how do we improve our order to cash, which is about how to implement faster. And finally, how do we improve our overall customer satisfaction.

If you notice here, generally speaking the feedback from customers on us is once we deliver a service, the service usually stays up and it is much better than competition. Where we need to do better is to do the turnaround on implementation and you have seen some of our implementation cycles in the past taking a bit long, partly it is the nature of the business because we are selling more complex services but partly it is because we think there is room to drive lot more automation and get speed. On creating a great place to work, the two dimensions that we look at. The good news here is, in the last I cannot disclose the names of the awards which will be out soon. In one of the awards, we were the top 25 employer in India and the other one is, we were voted as one of the best places to work among the larger list of companies, which is very important to attract the kind of talent that we are going after and we also had the first country outside India where we actually won an award for great place to work, which is quite important in our journey to be a global talent magnet. But the most important thing for you to note here is, we are driving the transformation of our skill set, skill set around our new services and skill set around solutions. So that is, so this is how we measure ourselves and hope that gives you some comfort.

In the next few slides, I promise I will not go through in detail. But I actually, we had a lot more here, then we took it off because it was getting to the point of confidential information which I have no problem analysts and our investors having but I do not want my competition to have. So, we have toned it down a little bit, Anthony will go through this and he will get a flavor of it. But we have and you can go through it at leisure in your spare time. But we want you to know that, with every one of our services we are not staying still. It is really about taking what we have and within Q1 and then 6 to 12 months, what we aim to deliver. This is what out translates into KRAs or Key Result Areas or KPIs for the people in the organization. And we have, we are going full throttle on every one of our services to keep creating value-added capability. And the way I will, way maybe you want to think about this is, when you go here, the product stories or strategies of people we compete within the market, I can tell you they do not have this level of granularity because they do not have this level of understanding of the customers or the market. And the team that we have, have deep expertise in the market in terms of new technology and also where the customers are going and that is reflected in the roadmap. I will just, one example, if you look at how we are changing from a Telco to an OTT player and how the kind of business we are moving into the very different.

We can look at what the kind of things we are calling out in IoT India. The last bit there and if you cannot read it from the back, I apologize. But we are not talking about just simple connectivity by getting into safety in the manufacturing environment on the shop floor as a service. We are getting into smart lighting offering it as a turnkey solution both for large campuses, industrial complexes and for smart cities, right. We are looking at smart water and all this will ride on an enabling network that will cover 60 cities by the end of this fiscal year. So it is and I do not think many other players are in this mode of thinking of the value add to the highest level on top of the network which is also important but we create more stickiness through all these services.

When we talk about Global Network Services and Anthony's counterpart Genius Wong, who you have interacted with before has a very aggressive rollout plan for our IZO Internet WAN that you have heard about IZO Internet WAN, our goal is to reach 130 countries by the end of this financial year, most of it with partners. We also have planned to continue increasing the coverage of our Internet backbone, and our Ethernet services and this will drive the growth of the traditional services. So it is not that we are stopping, we will continue to put money into reach increasing the reach and capillarity of our services. Some CAPEX will also go into strengthening the underlying cable system and that is going to allow us to offer some on-demand solutions that some of our competitors cannot actually provide. So even in traditional services, there is still a lot of innovation taking place in addition to some of the very glitzy things that we will talk about a lot.

In cloud and data center services, again we are getting good traction both in India as well as in other markets with our hosting service and that is using our public private hybrid service but we are getting into analytics into AI as a service and so on and that reflected in our roadmap. One of the things to watch out for, we have had good growth on a year-to-year basis for our security services. We see that market expanding in just because of the cyber security threat levels increasing and the importance being placed on security overall increasing at a board level and at management levels. Therefore, we are going to put money into the security space. We will be building six security operation centers around the world in the next 18 months and we have a whole range of white label services that we are rolling out to go to a customer, to a large enterprise customer and say we can do anything you want in security. Today we have some services, some components but the proposition will become much more comprehensive when we are through with this financial year.

Now, the good news is, we do not have to go build everything ourselves. A lot of it is white label. So it is not as CAPEX intensive. The software of course, we have to build ourselves and there is some investment that goes into it but a lot of the technology we will be sourcing from our partners. I am not going to go through this slide but the message really for us here is, we have so many components right now in our portfolio, across network services, across cloud and hosting, security, unified comms and mobility, that now we are really in a position to go to a customer and talk about integrated business propositions. So, this is something we have been dreaming of frankly for the last five years. But till you had a product portfolio that is broad enough we always had to go talk about a technology or a product.

Now, we can actually go and say, if your agenda for an organization is about productivity or if it is about innovation or if it is global collaboration or whatever it may be, here are all the services that we can bring to help you achieve that business goal. So this is something that James and his organization are driving and you will see us. I hope we will get to the point when we can also share our results with you in the same way, where we just say against enabling collaboration this is what we do, against enabling the transformation from to a digital transformation, these are the revenues. We will get there. I am pretty confident.

On business transformation again, every company talks about business transformation. Everyone has a digital agenda. The main point I want to make here is that we have that agenda too but we also have very near-term deliverables. We have many tracks to the project, eight tracks to the project and we have time for full functionality. Some of these require fairly big transformation of the business that can take anywhere from one to three years. But against every one of those tracks, we also have results that we expect that need to show tangibly to the company within the first one year, right. So there are six-month, nine-month, one year kind of timeframes when you start seeing the first benefits and we will not be coming back and sharing this with you every time. But just to give you a flavor that it is not some dream that is up there. The dream is there but behind it is also a lot of detail and near-term results. This is quite important from our perspective as management to create a sustainable organization and to create sustainable profits.

It is very important to look at the overall, all the stakeholders that we serve and to also create many best practices. So an important agenda item for us as a leadership team is driving more participation from women in our talent pool and we started with 17% in 2014, we have reached 20% or little bit over 20% in 2017 and our goal is to get to 30%. The second half of last year close to 30% of the new hires we brought onboard were women and that is a remarkable improvement for us and we will continue to drive that till we get to our 30% goal overall. The thing that we cannot do is fire men to bring women in then the number would have been higher but maybe someday that will happen too.

But CSR, we have been increasing our spend in CSR. We believe this is extremely important and last year our outreach touched close to 50,000 people. And we have fairly large goals for this year. Third is around being conscious about the environment and making sure that we use more renewable energy. We touched close to 75 megawatts of renewable energy, largely solar but also some wind and we had a significant reduction of close to 800 metric tons in our CO2 emission. So on that point, we really believe that these things translate to the financial results of the organization. It is not something that will show up in every single quarter but on a trend basis this builds a better place to work.

It strengthens our talent pool. It makes an impact on the environment. It also reduces cost when you use alternative energy and when we impact the communities that we serve, we create a better employee/employer brand. My last thought is as this year unfolds, what we want to demonstrate to you as investors is two things. One is, we really are much more like, I have said this even in the press before that we are an outlier in telecom for multiple reasons. And our aim and it has nothing to do with telecom as an industry but our service portfolio the kind of conversations we are having with customers and what value we can add to them, around the world is becoming more and more like a next-generation services company like an OTT, like a digital enablement company. And we use all those terms, so telco everybody immediately thinks connectivity, right it is commodity, you will churn all the time. We are really working hard to change that paradigm and there is growing evidence of that.

One is, the portfolio of value-added services that we have is very strong and very real. It is not in power point presentations, it is not proof of concept, it is real customers using them and a growing number of customers. Things like cloud-based services, API enablement of our services, so applications can directly consume various network and unified comms and hosting services are very real we have in growing number of cases of that and hybrid solutions that leverage public and private, which again something we have spoken about in the past are becoming a way of life in our thinking and also becoming a way of life the customers that we serve.

More and more platforms are emerging, Anthony will emphasize that in his IoT and mobility solutions. And we have both enabling our customers to build platforms but most importantly, we are building platforms of our own and around which ecosystems are building. And this, right now, it may seem aspirational to you but the reason I want to put it out here is this is what we are driven by and we will demonstrate to you in the coming quarters of how this shift is actually taking place and is translating into the numbers. And the other is, if you look at the overall mix of services that Tata Communications provides, who we serve and where we serve. I think we are one of the safe havens in the tech and telecom space because we have globally diversified. We have a broad portfolio, but a cohesive portfolio, it is not all over the place and we are bold enough to invest in a pipeline of incubation projects, some of which are already beginning to translate into services and somebody was asking me this question earlier. Why do you go into new areas? In our business, we cannot stand still, we will get killed, if we do that. We have created a culture that is capable of doing it and that has the boldness to do it and we will continue building on that because that is how I think we can defy different wins. Because in today's world, there will always be some wind that blows, right and that comes and having a pipeline of innovation and remaining diversified and having a broad portfolio is the hedge against different risks and I think that will translate into what we do.

So, with that I am going to wrap up and hand over to Anthony to go deeper into the whole mobility space and talk about the grand vision we have for making everything born connected. Thank you.

Anthony Bartolo:

Thanks, Vinod. So I will spend the next 10 or 15 minutes or so sort of outlining our view and vision of what we see. But more importantly, show you some outcome based examples of what we are seeing in the mobility and the IoT spaces. Fundamentally it is a disruptive space. It is disrupting some key areas because it is after all a massively digital economy and it will disrupt the spaces such as value networks where an enterprise establishes and understands the value continuum that they have and unlocking that value continuum.

Operations, on the operational perspective being able to do things faster more efficiently and more responsibly and likewise the customer user experience. Extremely key, extremely valuable as an extension of any enterprises' brand but trying to get the customer intimacy. This is what mobility and IoT hold a lot of promise for, for a lot of enterprises in the enterprise mobility space and that is why it is extremely valuable. And if you just take a look at the numbers, the sheer numbers that we look at and see in this particular space these are 2021 numbers published by the GSMA which is the Global Mobile Alliance.

Basically, they are suggesting some 6.3 billion smartphones by 2021. Now understand, the smartphone was effectively the killer application for the mobility space. It became the platform for applications to be built on top of that and we are moving to a new era. We are seeing there is an expectation is going to be some seven devices per human by 2021, some 28 billion connected devices and that is where the IoT space really comes in. So by any metric, these numbers are actually quite significant, which leads to a very significant market one that we certainly want to participate in and we have the right to participate in.

This means a new era, not only of people but things that are actually born connected. Now if you think about that concept for a minute, a device or a thing can now be manufactured in one location and have connectivity effectively built in and it is not as simple as looking at some of these products and viewing them as being stationary products. They may end up stationary but in a lot of cases, they may be manufactured in a different location which they end up stationary. So having the ability to be manufactured in one location, be connected and when you moved into their stationary place actually have connectivity automatically built in is one area. Another area is some of these examples highlight where there are devices that are constantly moving, not only within a singular jurisdiction but as they move cross-border. And that is a really unique and a very difficult area for many people to address because no single MNO can actually resolve that issue when they have an license to operate in a particular jurisdiction.

We are not restricted when it comes to cross-border mobility. We have a global network, a very strong and large IP network which we can take advantage of and that is what we are looking to address with our product portfolio. It is one of the advantages that we have. There is a journey and which our CIOs, which we talk to within enterprises that are actually taking place and then has been taking place now for the last three plus years. You will hear in the next three years or so digital transformation or business transformation as a buzz word.

You actually heard Vinod mentioned that that we have to do it internally ourselves. While there are thousands upon thousands of enterprises around the world during the very same thing, spending many millions of dollars improving their enterprises and when you break that down and when you speak to CIOs, what we are seeing is they are having conversation about doing a business transformation you ask them what is their business transformation and peel that onion for you. They will quickly say, I want to move to a mobility first or mobility will be at the central core of that business transformation and that means they are going to take applications that were once a desktop bound and pushing them over to mobile devices.

Now, sometimes at the exclusivity of the desktop, which means now that those applications now become mission-critical. They are absolutely business critical for their enterprise. So, if that mobile device by any measure becomes disconnected, you are severing your internal constituents from the very tools that they need to be productive. So, as a derivative effect of that it means that connectivity is going to be absolutely paramount, which is excellent for someone such as ourselves, Tata Communications who can provide that connectivity on a global basis.

It also means that CIOs are consuming that connectivity in a very different way. It is now through APIs and Vinod had mentioned APIs is an application programming interface. The ability for you to have an application core and provide that service either instantaneously or fit for purpose which is incredibly important. So what we are effectively doing with Tata Communications' MOVE is we are turning the 900 mobile networks that we are connected to through our deep partnership relationship effectively into an API globally. I know that is a very simplistic term but what we are doing is we are leveraging those relationships and our global IP network in a very significant way, so that we can provide our services on a global basis, in an application, in an API manner that is allowing APIs which are effectively an enabler not a final finished product.

But actually, they make it faster and easier for applications to be developed by providing the fundamental building blocks and that is what we will be doing in the mobility space. So what we are effectively doing is allowing for applications to be built, fit for purpose, pulling together both an API assets will be providing that is very rich, very deep, very global with tremendous reach, with other internal and external capabilities that enterprises use to put together in applications that they need, which is once again fit for purpose. So, if you are a device or a machine, you can simply call an API. If you are a person, the other way to leverage this is to use a global Tata sim card.

So, what Tata Communications' MOVE effectively does is create or build an ecosystem. It is an effectively an ecosystem platform that drives business decisions. So, we are using our core network and our relationships and brands which is at heart of providing connectivity, provide that connectivity everything from the shop floor to the top floor, giving us and our customers the ability to collect critical data at every level and every step of the way. At the same time, giving them the ability to analyze that data and then drive an action as a result and we close that loop.

So, we are basically maximizing net value of data and translating it into an actionable intelligence. And the result of that is it allows us to move into new areas that we have not participated in before. Cross border mobility is one of them. That represents about a $3.7 billion market for us. Enterprise mobility space represents about another $6.7 billion market and the data roaming space, which is today around a $6.9 billion market. So, these are significant markets that would not have otherwise had access to and that is what we have done through the introduction of MOVE.

It also allows us to reach a series of different customer verticals and this is why you hear IoT so often and so frequently around the world in many different commentaries and forums. It is because you can take a look at the many different industries that it fundamentally touches. The obvious ones are the automotive industries but movement of assets low-value and high-value assets all the way through to fixed assets which we know about but the healthcare and insurance space, all the way through the medical device providers and insurance companies in terms of understanding where some of these assets are, how they are used etc. So we are seeing a lot of innovation being unlocked in each of these particular verticals and they see the value of IoT providing sensors and capabilities to enable them to unlock some of the value in their value chains.

So the process, the progress that we have had to date has been quite significant. We have seen, we launched Tata Communications MOVE and I will break this up into two different areas. We have got Tata Communications MOVE, which is a global cross-border mobility play, right. So it happens in all geographies, it allows and facilitates cross-border mobility and IoT in all four corners of the globe. And then we have also deployed an India IoT platform, which is significant its coverage blanketing the Indian subcontinent with access that allows us to move all the way up and down the stack within an IoT framework and platform.

So, with Tata Communications MOVE globally, we have had some really good reviews that have come out of that. We have seen Mobile, very good attention at Mobile World Congress, probably the most attention we have ever received and been lauded as one of the products to watch going forward. We launched the product officially in the first instantiation of the product in March and have some very defined customer focus areas and so, we have had some really good place there and hopefully I will give you a few examples of where, in the coming slides.

The India IoT platform, once again in that area, we focus more than just on connectivity. We are moving up and down the stack all the way from the applications, through connectivity, through professional services, as well as down to the device level. It is a closed system in the early stages and we are seeing some really interesting feedback and attention from customers, we have got some 53 proof of concepts that are underway. It is based on a LoRa technology, it is a low power WAN technology and it is garnering a lot of attention right now. We have deployed in Delhi, Mumbai, Bangalore, Jamshedpur we expect to deploy 60 cities by the end of the fiscal year and the rest of India in the 2018 fiscal year. So, we are also spending a lot of time in the developer and partner ecosystems.

And ecosystem is an important aspect of any of the products that we deliver in this space. We think they are very large markets, I have articulated some of the sizes of the markets. We know that the only way you garner attention and space in those particular markets is to facilitate and drive an ecosystem. And there are some ready-made ecosystems here but there are also spaces where we will continue to foster those ecosystems and we work hand in hand with other providers and suppliers. Now, some of the areas and spaces, this is where I am trying to bring it down to some of the spaces where you will see the implementations of outcomes for us. So, we are seeing safety and management being a very key space. An early adopter of some of these technologies. We are seeing this in the India IoT space, in particular with worker safety and women's safety. The ability to provide people to give people an opportunity for emergency response or emergency calling through an activity or having a sensor in harsh environments, whether it is mining, whether it is a steel plant or dangerous environments, so that we can get early indications of an issue at hand.

Obviously, energy management from a conservation point of view is very high on many enterprises priority lists. And we are seeing a lot of monitors that are being put in place and we will talk about a few others and services management all the way through to street lights. In Jamshedpur, for instance we have put in a series of street lights that allow you to change the incremental steps up and down of lighting in 10% increments, therefore saving tremendous amount in energy as a result.

In the India IoT space that Vinod mentioned, once again, safety and asset tracking. So, I will go through a few examples, just to give you a flavor of what we are seeing and the attention we are seeing just in the short period of time that we have been deploying in this particular space of mining companies. LoRa is a technology that we use in India. It has the propagation capabilities of going underground as well and that is opened up opportunities in the mining industry, the ability to monitor mine conditions, such as air quality or temperature, humidity or water levels, as well as the ability to track key assets and inexpensive assets.

So, safety once again, on that theme is quite important as well as asset tracking as you will see. And that was in the domestic India environment. When we talk about Tata Communications MOVE, that is where we start looking at the cross-border mobility problem, it is a deep problem, it is a complex problem and no single mobile network operator can do it because they cannot crossover there from their jurisdiction. Being an international player as we are and leveraging our global network, we are able to introduce products such as Tata Communications MOVE which have products such as IoT Connect that allow us to connect things such as Smart Pallets.

Pallets are constantly being shipped around the world across many jurisdictions. The value of that pallet could be quite significant or it could be a perishable item where you are trying to find where it is actually located but also the condition that it may be in, has it been susceptible to high temperatures and humidity that may affect perishables. Has it received shocks through the pallet dropping or all being hit quite hard therefore damaging some content such as electronics, etc. These are the type of things that the sensors inside those pallets can facilitate and hence very important for people who actually own the cargo or about to receive the cargo. Because it may be conditional on that the receptor, the receiving of the cargo maybe conditional on the condition of the cargo actually arriving in at the end state.

Aircraft maintenance, being able not only to be able to facilitate faster turnaround of aircraft and the replenishing of an aircraft during its arrival at an airport, not waiting for it to arrive at the gate but being able to pick up sensors throughout the aircraft for both maintenance, catering, etc. Fast turnaround times represent millions of dollars for the airline industry and once again, Tata Communications' MOVE has a play there. Likewise for fleet management, it is more than just managing where a device is at any point of time throughout the route. It is about optimizing the life of the asset, the life of the vehicle with sensors on the vehicle, the condition of tire wear, engine wear etc., the ability to understand if it is been in a particular accident in any particular period of time, if the air bag has gone off for instance being able to alert emergency services. These are all key aspects for fleet management companies.

And what you will notice as we go through these examples are there are mundane little things that maybe highlighted but what is happening is an enterprise is getting a view of their enterprise. They are breaking down the anatomy of their business to understand where they can get more efficient, where they can drive out cost and cost comes in multiple ways, cost can be maintenance but it can also be the cost of risk. Cost of risk is in the past, being restricted to very few people, actuarials for instance. And if you can really quantify that you can reduce your insurance for instance or you can decide to self-insure. There are so many different aspects embedded in the value chain that are getting unlocked through these sensors, being able to get that data, being able to analyze the data and take an actionable decision as a result of that. And then the smart recovery tags. I mean, we could all do this when we lose our luggage, when you are trying to find out from your Airline where your luggage maybe. But it is not just restricted to items such as luggage. It can go through all different aspects of industries, such as motor insurance companies, plant hire or farmers trying to understand where their high value cattle or agricultural assets maybe or vets being able to locate a particular animal that needs care etc.

So, these are very specific important and deep learning’s for each of these particular industries. And then there is the connected consumer devices. These are the many devices that you may be carrying today. Once again the prediction is, I think seven devices per human as I mentioned up at the front. So you can imagine, if these devices run or move, or can actually be built in connectivity right out of the manufacturing plant and wherever they go around the world, have connectivity. So that opens up a revenue stream for device manufacturers as well.

So what we are doing is, we are fundamentally taking now 900 MNO relationships, our deeper expertise in this particular space and we want to be known as the mobile enablement specialist in each of the categories of mobile customer engagements, virtual network enablers. So for instance, we have effectively built an MNO in the cloud. It is a virtualized MNO. So if you want to become an MVNO tomorrow, you can use any one of our components that sit in the cloud, consume them on a per seat basis anywhere in the world and turn up your MNO in less than four months. And that is something that, that we can do today and that would have been unheard of a year ago in the industry. And then obviously opening up the opportunity, the IoT and machine-to-machine spaces which are very large industries in their own right.

And the last slide for me is, why we differentiate it? We differentiate it because of intersections. If this slide was a build, I could sort of walk you through it, but I am going to give you, I am going to give it a try anyway and if you just follow the dots a little bit. We have got collaboration, mobility and IoT and we have got this huge global reach and platform. We live in each of those areas quite comfortably and quite successfully actually. And you can see that as shareholders and analyst, you have seen our track record in those particular spaces.

But it is where the intersections happen that we become quite unique. Where they crossover, the amount of competitors when the crossover happens actually decreased significantly. So I may have 10 or 12 competitors in the collaboration space and I may have a likewise in the mobility space but when the two intersect, that reduces down to four or five competitors. Now you intersect once again the global reach, that global platform, the amount of competitors that we see in that intersection point is actually quite few competitors. So, we actually excel in this particular space. So that is why we feel that we are differentiated, that is why our customers feel that we are differentiated and we will continue to take advantage of that differentiation.

So with that, thank you very much. I look forward to questions later on and I will hand it to the lovely Pratibha.

Pratibha Advani:

Good evening and at the outset, let me apologize that we have not been able to give you enough time to go through the financial performance. But Vinod had to rush back to Singapore and we had to prepone the meeting today, so that we do not miss on an opportunity to interact with Vinod. But Vipul and I are available. If you have any questions tomorrow, feel free to reach out to us and we will be happy to answer them.

This has been an exceptional year for us. We have had a couple of one-offs and to truly understand the financial performance, I have had to actually break out some of the one-offs and show them separately, so that you have a good understanding on how our operating performance is still very strong. During this year we have had, we have been able to successfully close out on the Neotel transaction. We have also been able to complete the stake sale for our Data Center business and that has given us a profit of Rs. 2,411 crores. However, some of that has got offset by the impairment that we have had to take on investments that we had done in the past, including investment in our Voice business. So we have taken an impairment of Rs. 170 crores pertaining to an investment in Bitgravity and our Voice business. We have also taken an impairment in Neotel and that is close to Rs. 446 crores during the year. In this quarter, as you all may have read that there was a High Court order for payment by Tata Sons to Docomo. As part of our contractual obligation, we had already made this payment earlier on in the year to Tata Sons. But we have had to take an impairment or actually make a provision on this contractual obligation and that is to the tune of Rs. 872 crores. So these are some of the one-offs that have hit our P&L and balance sheet this year.

Now, moving to our core operating performance and this is our Voice and our Data Services business. The first three columns actually shows the FY16 reported number, followed by the FY17 reported number and we have then normalized this because of two one-offs that have taken place in the year. One is, if you would recall, last quarter we had to take a provision on account of access charge and the second is the impact of demonetization on our payment services business. So, if you look at the gross revenue, then in FY16 our gross revenues were Rs. 18,653 crores. Our reported number this year will come in at Rs. 18,038 crores and that is a decline of 3.3%. This decline is primarily on account of the Data Center business, because we have only been able to take revenues for the part of the year. We had closed the India leg of the transaction in October and the Singapore leg of the transaction in February this year. However, if we now normalize this for the impact of the access charge and demonetization, so access charge has an impact of Rs. 59 crores on our revenue while demonetization has an impact of Rs. 69 crores to our revenue. If we normalize both these then our revenue de-growth is actually 2.6% coming in at Rs. 18,165 crores.

The next set of three columns is what we have done to help you understand a like-to-like comparison of the performance. We have actually carved out the datacenter business numbers, both out of FY16 and FY17. And also in the last column normalize for these two one-offs that I just shared with you. And if we then look at our FY17 excluded number without datacenter, that is a 2.1% de-growth. However, if we normalize this then the de-growth is 1.4% on account of the access charge as well as demonetization.

Moving to net revenues. Our FY17, and I am sorry but I am having to move across the columns so that you can have a full understanding of our performance. Our net revenue reported number for FY17 is coming at Rs. 8,774 crores and that is a 2% growth, and this net revenue growth is coming after taking into effect both those one-off events as well as the datacenter stake sale. So despite that we have grown in our net revenues by 2% and this has come on the back of the change in our portfolio mix which is in favor of data services. So, data services which are contributing 86% to our net revenues last year have expanded to 89% net revenues. Also interestingly our data portfolio is growing at a very healthy rate, so while our traditional services are still growing at 5%, 6%, our growth services are growing at 18% year-on-year, and this is really what is driving that growth. If we normalize this for the two one-off events, then the growth is 2.8%.

Moving to the three columns on the left hand side, which are excluded of the data center business. And if you look at the last column, our normalized excluded datacenter for comparison growth is actually 4.7%. So versus a reported of 2% if we normalize this then it is a 4.7% net revenue growth.

Moving to EBITDA, our reported EBITDA margins are coming in at 14.7% at Rs. 2,660 crores. So, while year-on-year there is a decline in reported numbers of 3.2%, however if we normalize this then it is a 4.5% growth year-on-year and the margins are expanding. Interestingly if you see, both our last year reported numbers FY16 and FY17 reported margins are still coming in at 14.7%. So despite the datacenter stake sale and decline in the voice business, we have been actually able to hold on to our reported margins year-on-year.

If we now move to the columns without the datacenter business, and the normalized, then our EBITDA is coming in at Rs. 2,547 crores, and there is a 10.4% growth year-on-year, and the margins are coming in 14.5%. However, you see a significant margin expansion from FY16 from 12.9% to 14.5%.

Moving to EBIT. Our reported EBIT is coming in at Rs. 775 crores and this is a 2.2% YoY growth. However, if we normalize this then it is coming in at Rs. 964 crores and that is a significant growth of almost 30% year-on-year. And if we now look at the last column and if we normalize without a datacenter, then the EBITDA is coming in at Rs. 681 crores and a growth of 54% year-on-year versus comparative FY16 number without the datacenter business. Again, you can see, while the reported numbers may look muted, very clearly the intrinsic performance of the business is very, very strong. And our operating PBT, our reported number is Rs. 407 crores, but if we normalize this that is coming in at Rs. 616 crores. However, you will see that the numbers on the left hand side are lower, but if you look at the jump in the growth then in FY16, excluding the datacenter, our operating PBT was coming in at Rs. 27 crores, that has jumped up to Rs. 313 crores. So that is a 11x jump that you are seeing in our operating PBT growth. Our ROC has also improved, that has moved up from 8.2% last year to 8.6% in the current year.

I am actually going to focus on our data services performance. Voice, as I mentioned earlier has been declining and voice actually has declined by 17% year-on-year. Coming to our data services portfolio, and this is a same format that I have kept. Our reported gross revenues are coming in at Rs. 11,320 crores, that is a 6.8% YoY growth. However, if we normalize these revenues, for the two events that I mentioned, these are coming at Rs. 11,448 crores, and that is a 8% growth. This growth is primarily coming from traditional services portfolio that I mentioned earlier and our growth services. And you can see we have actually shared how some of these products are growing. So a point-to-point connectivity products actually growing double-digits. So IML is growing at 15%, Ethernet at 12%. And if you look at the growth services portfolio, Antony talked about his UCC world, SIP trunking there is growing at 20%, our security services are growing at 55% and our mobile new services are actually growing at 159%. So really these are what are contributing to the growth.

If you move to the columns on the left, and if you look at our normalized performance without the datacenter business, then our data services portfolio is growing at 11% year-on-year. So, from 6.8% when we normalized, I will do a like-to-like comparison without datacenter, it is a 11% year-on-year growth. So we are continuing to maintain the growth momentum in our data services portfolio, despite carving out of the datacenter business. Our net revenues against 11% are growing at 8.1% while the reported numbers coming in at 4.7%.

Moving to EBITDA. Our reported EBITDA has come in at Rs. 2,231 crores. And that is a marginal decline year-on-year, however if we normalize that then it is a 8.8% growth. But if you actually exclude the datacenter business for comparison and normalize that, then the EBITDA growth is 18.3%, that is a significant growth that we will continue to show in EBITDA, despite the datacenter business. And our EBITDA margins, although reported margins are coming in at 19.7%, if we normalize without the datacenter business, they would still be at 19.6%. But significantly margin expansion of 120 basis points you will see over FY16. While the operating PBT is not here, but I can share that. Our operating reported PBT is coming in at Rs. 64 crores, and if we normalize that that is coming at Rs. 272 crores for the data services business, so significant jump that you will see if we normalize it.

Moving to the capital expenditure. You can see that this is YoY coming down, this year our capitalized CAPEX is $224 million, lower than last year. We expect to maintain this kind of investment even in some of the services that Antony and Vinod were mentioning, that we are going to continue to invest to grow our business.

Our net debt to EBITDA has significantly come down and we have been able to bring this down by $288 million, this is on the back of the profit that we generated and also the money that we received, we received close to Rs. 2,900 crores from sale proceeds from our datacenter business. So that has helped us in bringing down our net debt. Our net debt to EBITDA has also significantly come down from 3.4x down to 2.8x, and our cost of funds is down to 3%. So, all our key metrics are on the right track.

I also want to share that we have generated significant free cash flows this year. Our free cash flows have actually gone up by 27% and this is after absorbing the interest and tax. And the free cash flows come in at Rs. 463 crores this year, so that is a significant jump.

In conclusion, I just want to add that our data services portfolio continues to grow at a healthy rate. Our net worth has turned positive this year, our consolidated net worth was negative next year on the back of the profits that we got from the datacenter business stake sale and the operating performance of the company has turned positive. We are generating healthy free cash flows. Thank you.

Vipul Garg: Thank you, Pratibha. We will now open the forum for Q&A.

Pranav Kshatriya, Edelweiss Capital: My question is, so firstly can you just elaborate what exactly are your investment in IoT are targeted for, what exactly does Tata Communication bring on the table and what part of the value chain does Tata Communication really address and what is the competence in that?

Anthony Bartolo: Sure. If you look at the India IoT piece, in the India IoT piece we have invested in coverage, so we have invested in coverage with LoRa coverage aspect, so that would provide a connectivity blanket. We will also invest in the professional services on application side, developing applications for the end user and we will also invest in, I think I have mentioned, the professional services. So it will be the full stack on the India IoT piece. So, connectivity, professional services, application layer delivering a full-service turnkey for some of our customers where they wish, or the customer may be able to choose any one of the combination of those capabilities in India IoT. On our cross border IoT, it will predominantly be global connectivity, leveraging our global IP network as well as our significant gateways and pops that are around the world. So that is where the primary investments will be.

Pranav Kshatriya: So will you be looking at targeting your existing set of customers or these will be primarily new set of customers which will be coming in?

Anthony Bartolo: It is a good question. It is both. Primarily what we are seeing is a new set of customers, Enterprise Mobility customers. So we are watching Enterprise Mobility customers have a deep look at where mobility will assist them and they normally would not have come to us. Some of them may have had network components or some of the other components, but we are also seeing net new customers. And by the way, partners and ecosystem players. So, bringing on partners, and I think Vinod had mentioned this as well, they are also a source of revenue stream for us and access the domains that we would not normally have had access to.

Pranav Kshatriya: My next question is with regards to cash flow, can you just break it down that how much was the cash from operations generated, how much was the investment in working capital and how much was the CAPEX?

Pratibha Advani: We generated $349 million cash from operations. Interest and finance charges is $37 million. CAPEX cash spend is $242 million. And we paid $22 million towards dividend.

Pranav Kshatriya: And last question, what is the plan going ahead for payment solutions? I mean, given that it does not seem to be anything, we were looking at private equity sort of coming in. At what stage you think you would like to monetize this business or look for a stake sale or something like that?

Vinod Kumar: I guess you are looking at private equity coming in, I do not think we have said that. For us we continue to look at options, I would rather put it that way. We realized that from an ROC perspective it will not fit within the expectations that we have. But at the same time, we have created quite valuable asset in that business relative to the other players in the market. And we have no distress to get out, but we would look for options. That business was impacted by demonetization, it had impact on EBITDA, it was positive EBITDA, we were expecting good run-rate, but demonetization took the wind out of the sales. We went from having close to Rs. 100 crores of cash a day to disburse down to Rs. 30 lakhs in the week of demonetization. That has gone up to about Rs. 60 crores of cash a day right now when it is increasing every week. Number of transactions went from north in the high-50s, I am looking at my team to make sure I am being factually correct about that, down to single-digit. And as of last month it has gone up to 52 transactions. So, it is actually bouncing back as we expected. Overall in the market cash as a percentage of micropayments in a way is still very much there, it is not going away and it is going to come back to where it was pre-demonetization. But at the same time we are looking at how we can streamline the operations, we have slowed down or brought to nearly nil the deployment of fresh ATMs and basically moving ATMs around where we get maximum transactions in optimizing the deployment locations. But, at the same time we are finding people around us in this business either weaken or showing signs of backing up, it will create some opportunities for the business either for us or to exit at the right time.

Tushar Sarda, AthenaInvest : You have CAPEX of $240 million, but your traditional data service business has not grown, so I assume this is for the new business, is that correct?

Vinod Kumar: Our traditional data services has grown even last year.

Tushar Sarda: Only 3% - 4%, right?

Vinod Kumar: That is not bad given the size of the business it is.

Tushar Sarda: You would not need substantial CAPEX, what I meant was for that kind of growth you would not need CAPEX.

Vinod Kumar: It would not need the same kind of CAPEX as it needed in the past, but I have said this repeatedly and I want to be consistent and frank with all of you that we will spend $250 million of CAPEX and that does not have to go into traditional datacenters, traditional data business or datacenters. Things like what we are creating for mobility and IoT do require investments. They are not single big ticket items like building a cable system, but they do require some investments. So a certain level of CAPEX investment will be maintained. You go across the portfolio, some of it also goes into traditional services, because we have to, for example, during the course of the last financial year we have increased the footprint of our national coverage in India to close to 2,000 towns. We added nearly 1,000 towns, it serves both traditional and the new services.

Tushar Sarda: Yes, I understand that. You have actually broken CAPEX into sustenance and growth. But your new services turnover is $240 or $250 million and you are spending $240 million CAPEX, it just does not make sense to me. And the EBITDA margin on new services is negative 15%. What is the path going forward in terms of making it profitable?

Vinod Kumar: You have hit the nail on the head, the new services have to accelerate in terms of their top-line and that is the way in which we would be able to head towards positive EBITDA for the growth services. And the investments that we have made there need to pay off and that is what we are focused on.

Tushar Sarda: Yes, but CAPEX of $240 million every year to generate $240 million top-line, is that going to be turnover to asset ratio?

Vinod Kumar: No, the $240 million of CAPEX does not go only into new services as I said, it goes both into feeding the traditional services and the new services. And the point really is that our growth service bucket has to expand significantly and that is what we would see in the coming quarters.

Tushar Sarda: So what is the turnover to asset ratio we expect in the new services?

Vinod Kumar: We will get you that answer.

Girish Raj, Quest Investments: Based on the segmental information given in the annual report, the standalone business data segment EBITDA margin would be around 41%, this is FY16 I am talking about. The moment we look at ex-India, the EBITDA margin would come down to 10%. So the question is, if you knock off this datacenter business these numbers would come down. Now the question is, can the EBITDA margin for ex-India come up 240% approximately and is there a strategy to bring it to that level or what is the thought process?

Vinod Kumar: For us, frankly, to just carved look at the standalone business and we really look at it on a blended basis, standalone views is an accounting view, it is one view of the business. Because services get sold on the overall global network, even if it is being sold from India so you can have international customers who are dwelling in India and that will show up in standalone books. That is one thing to keep in mind, so I actually cannot comment on the 40% margin if it is reflective of anything the ways our service gets consumed. It is better for me to talk about this, traditional services overall across our countries, growth services across countries. Having said that, we need to see more growth from our international customers in order to improve the overall EBITDA mix, that we are focused on and that is why we are recruiting more partners and pushing into international territories, not necessarily with direct but heavily with partners. That is the answer I can give you, I am not sure if Pratibha has any other financial or numerical insight she wants to give.

Pratibha Advani: If you look at our India standalone balance sheet, that is really not a correct reflection because it does have some transfer pricing impact. But I will be happy to work with you on the numbers and get back to you.

Vinod Kumar: But I may not call it 40% EBITDA, because the interview is not really, just that is one perspective, it is not reflective of the full business.

Girish Raj: The second question is on TCTSL, what is our strategy to scale up both India and the global?

Vinod Kumar: So TCTS, to scale up two things, one is to do more non-India business and the way we want you to do that is through mobile and we have a good funnel of business that we are pursuing around the world on mobile on the back of two large mobile deals we did in India in the last 12 months. I cannot name the companies here but it is in the public domain. And that is opening up opportunities in UK, in France, in Spain as well as some opportunities in the US. So, growth in international, growth in mobile is where the TCTS team is focused, their funnel is strong in both those areas.

Girish Raj: We have had some 5% revenue from South Africa, is that a risk that we may lose that business from TCTS?

Vinod Kumar: The TCTS business from South Africa…It is a separate decision of course for Neotel and their current owners to make, but we add a lot of value to that business and we do not see that as risk per say.

Girish Raj: Any outlook on the growth that we are giving on TCTS and the margin decline in FY17, what kind of margins are we expecting?

Vinod Kumar: We do not give guidance at the TCTS level, but I can say that the in FY17, and as I have shared before we had deliberate account entry strategies that require us to do more work in India, it is capability development in the mobile space, the right to play was in India so we chose those opportunities. But going forward you will see the margins improve because it would be more international, it would be more mobile operators that we serve.

Amruta Pabalkar, Morgan Stanley: Amongst your growth services what are the key products in your view, are you confident about it add to your top-line over next 12 months? Secondly, amongst the growth services that you have spoken, like SD-WAN do you see that as a risk or cannibalizing your existing traditional basket like MPLS? So how do we look at overall data basked growth over next 12 months and maybe over next three to four years?

Vinod Kumar: Sorry, could you repeat that last question, what growth?

Amruta Pabalkar: Of the data basket as a whole, because your growth services kind of cannibalize your existing traditional portfolio, like you gave an example of SD-WAN is it kind of impacting maybe your traditional MPLS kind of a system which is where you are seeing traction in SD-WAN?

Vinod Kumar: Okay. So, let me use this opportunity to put a lot of pressure on my colleague sitting right next to me. But in the growth services bucket where we see based on funnel and on where our proposition is very strong, SIP Trunking is very strong the mobile news services, I am not talking about the innovation services move and IoT which will come later, but the services we have around MMX, we see strong growth opportunity there. And in hosting we have a good funnel, we see growth there. Security, you saw the growth rate last year, we think we can keep growing in the security space, especially with the new portfolio. And the hybrid VAN, let me call it that, we see growth in that. All four or five of those services are market ready right now during the course of last year we have been adding capability, we are adding new geographies which will continue but we have enough coverage funneled strong, and you would see that in the numbers in the coming year. Cannibalization wise, our base in MPLS while it is growing in a global context, it is actually not large enough for us to be at risk of cannibalization. What we are finding is customers buying combinations of IZO WAN service and MPLS service, and that initially we launched IZO WAN which is a standalone service, now we can actually offer an integrated one. So, at least for the next two years I do not see any cannibalization risk there, and frankly we can go after much bigger market and more used cases with the capability that we have right now. And then the growth targets on the traditional services on the back principally of MPLS and on internet connectivity in markets like India I see as continuing to maintain about a 5% growth rate for the next three years, and then the growth services I have already called out that even next year we need to plan to exceed more than 25% growth.

Amruta Pabalkar: So, overall how do we look at the data basket growth in a scenario that you can kind of pan out? And what do you think can be achievable over the next 12 months or may be next three years?

Vinod Kumar: Overall data growth on a blended basis, the double-digit growth for the next two years is what we should be able to do, if you compute the two baskets and their relative sizes.

Amruta Pabalkar: Can we see that the peak losses in the growth services are behind us or when do you see the turnaround?

Vinod Kumar: No, I think where we are now we would not just turn EBITDA positive next quarter, it is not practical. But you will see it trending towards positive in the next four quarters.

Antonio Bartolo: I am just going to stick my neck out a little bit more on the UC services. One thing Vinod mentioned, SIP Trunking what falls in my portfolio has significant growth drivers for us over the next year or so. We are seeing the excellent funnel there if that converts I think it will pull through our SIP portfolio as well and vice versa.

Aliasgar Shakir, Motilal Oswal Financial Services: I was just curious to understand if you could just give a little bit understanding in terms of next two years, what sort of size this business can probably grow, in the longer-term? And in terms of the value chain where are we, it is just completely enterprise-driven business or does this also open consumer-facing business fortunately because some of the products did look like they were consumer-facing, but on the value chain part.

Vinod Kumar: I do not think we can give out numbers on what opportunity we are chasing at this point, but it is significant that we have made it a big focus are and we are applying a lot of resource to it, especially because the strategy is really not just about connectivity, in India we are really going from sensor to software, the whole stack, because we do not see anybody having a right to play such a strong right to play that we need to concede that space. But we are not going after consumer or anything, we are really going after B2B. And there may be some consumer touching applications but it will be through our B2B ecosystem.

Aliasgar Shakir: And just one more clarification, you mentioned while presenting that your traditional business you were targeting about 30% margins, I mean I presume previously overall data segment we were sort of targeting 30% margins, so if you could just help out with it.

Vinod Kumar: No, I think for us we have said that the traditional data services will get to 30% and eventually as the growth services pick up and gain critical mass, we know we will get to EBITDA positive. Once we get there we will talk about getting to 30% and all that, I do not want to commit to a time frame on the growth services to get to 30%.

Nishit Rathi, Chanakya Wealth Creation: Just wanted your views on the one-offs that have hit us this quarter. One was the AFA, I believe there is again a provision of Rs. 86 crores which have come on the AFS incremental provision and there is a $17 million other one-offs. So can you just throw some light on that?

Pratibha Advani: Our total AFA impact is Rs. 59 crores on the revenue and Rs. 169 crores impact is flowing through to EBITDA, that is because the cost line is reimbursement that we take because there is a reversal of that.

Nishit Rathi: So, we saw around Rs. 80 crores last quarter, just continued again in this quarter. Is that a continuing thing that we are going to see going forward or are we done with this?

Pratibha Advani: You will see this but obviously the amounts are now going to come down. This year we had to take the entire past period impact as well.

Nishit Rathi: What kind of numbers can we expect going forward?

Pratibha Advani: Should be in the range of about $5 million to $7 million.

Nishit Rathi: $5 million to $7 million for the full year?

Pratibha Advani: For the full year.

Nishit Rathi: And the $17 million one-off that has come in in the last quarter on employees and legal charges and something also?

Pratibha Advani: These are your one-off expenses is where one-off on account of cable repair and employee expenses and legal and professional, pertaining to the M&A fees for Neotel, but these will go away in the future quarters, these are just one-offs.

Nishit Rathi: So, what would be the true EBITDA number ex of all these things which can be on a recurring basis out there, the right number to look at like for the quarter and could be taken as a base on which we can build on for the next year?

Pratibha Advani: We should be able to hold on to the core EBITDA number of 14.5%, unless we see a sudden decline in the voice business. Mind you, Vinod did touch upon the fact that we are investing in transforming internal processes and system, so that would require investments. While as the revenue would grow, the EBITDA expansion would come in, but some of that would get absorbed in the transformation cost as we deliver.

Nishit Rathi: And just one question on the VPN service, is there some light you can throw on that, what kind of growth can we expect in that line of business out there?

Vinod Kumar: For VPN services, I think we can maintain where we are now and actually even accelerate with the internet, I am just talking traditional VPN, we will get 7% or 8% growth last year, we will maintain that going into the coming year as well. But then you have the internet based VPN and SD-WAN which is on top of that.

Vipul Garg: We will take one question from the webcast. Debashish Majumdar from Edelweiss asks, considering the consistent de-growth in voice business and the rise in momentum of de-growth, at what level do you feel the segment to settle down?

Vinod Kumar: I wish I could predict that. Given the dependence on India termination has decreased considerably for us and we have a little bit, I am talking about voice business now. We have better visibility around international termination, the international traffic. So I would say where we were at Q4 levels we should be able to maintain close to that, I am not saying just the flat, taking any one-offs adjustments we have in terms of volumes for the coming year. That will translate to how much of free cash flow, $45 million - $50 million of free cash flow for the voice business is what we have set as our goal.

Rusmik Oza, Kotak PCG: Two questions, one is, too many write offs have been coming in the accounts for last couple of quarters. Do we expect that to continue in FY18 or we should be done with all the write-offs? That is one question. Second is, any update or development on our land monetization, if you can just throw some light on that?

Pratibha Advani: On the write-offs, we have done all the goodwill impairments in books, but there could be some impact pertaining to our investments in companies which we cannot predict at this point, it depends on the fair market valuation that we do of those investments. So difficult for me to predict and tell you whether we will be doing write-offs in future.

Vinod Kumar: And on land where we are is both shareholders are working on the details of the demerger scheme which would be coming to the board in the coming months. We are treating this as a matter of priority but the demerger scheme details have to be worked out so there are lawyers working from both the Panatone side and the government side to come up with the right scheme which will come to the board for approval and then go to the courts. So that is where we are, so there is a lot of activity going on related to getting the scheme ready, that is where we are right now.

Rusmik Oza: Consolidated net debt?

Vinod Kumar: Consolidated net debt is $11.50 million.

Nimit Tanna, Chanakya Wealth Creation: Just a quick clarification, because Pratibha we just got the numbers right away. So you all have this core EBITDA in your table, 4.2.2, it says excluding datacenter and AFA at Rs. 600 crores. Now, if I were just to do a quick math, I just want to try and understand what normalized EBITDA is, if I take this Rs. 600 crores, I add back the $17 million, and then I adjust primarily and annually, I work out with a Rs. 700 crores exit normalized EBITDA for the quarter, is that correct broadly?

Pratibha Advani: You are talking about the data?

Nimit Tanna: No, this is core. So you have a table called 4.2.2 in the fact sheet. So that excluded excess provision and demonetization, so just want to understand what it is? So this is Rs. 600 crores, on that I am going to add the $17 million which is a one-off which is roughly Rs. 110 crores, so I come to Rs. 600 crores plus Rs. 110 crores, Rs. 710 crores. I then adjust for the recurring asset charges of $5 million to $6 million a year which is around $1 million a quarter. So, I exit at Rs. 700 crores roughly. So Rs. 700 crores is my exit then obviously we grow on that. Is that a fair calculation?

Pratibha Advani: That is right.

Rajen Shah, Tradebulls: The cost of debt which was mentioned on the presentation was about 3.5%. But the finance charges on the results sheet is showing about Rs. 691 crores. How do we arrive at that figure of Rs. 691 crores?

Pratibha Advani: So that is the exit debt rate, we also have to pay arrangement fee for prepayment of some of the debt. So that is included in the finance charges.

Rajen Shah: But that is significant because the debt based on the cost of the funds which you mentioned on the slide is about 3.5%, it comes to about hardly Rs. 300 crores.

Pratibha Advani: Yes, but you are looking at 1.1% as the exit and the average, you have to look at the average debt, I mean the debt started out at 1.4% it actually went up during the course of the year when we had to pay $159 million to Tata Sons. So it had gone up and then it has come down. You are only computing at the end state here.

Vipul Garg: I think there are no more questions. With that we conclude today's session. Thank you so much for joining us and apologize once again for the late start and the late declaration of results. Thank you so much. See you next year.

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