

Quick Heal

Security Simplified

“Quick Heal Technologies Q2FY17 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Quick Heal Technologies Q2 FY2017 Conference Call, hosted by ICICI Securities. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Bhruvish Parsawala from ICICI Securities. Thank you and over to you Sir!

Bhruvish Parsawala: Thank you. Hello and good morning everybody. Thank you for joining us today for the Quick Heal Technologies Q2 FY2017 earnings conference call. With us today from the management side, we have Mr. Kailash Katkar, Managing Director and CEO, Mr. Sanjay Katkar, Managing Director and CTO, Mr. Abhijit Jorvekar, Executive Director and SVP Sales and Marketing, Mr. Rajesh Ghonasgi, Chief Financial Officer, and Mr. Vijay Mhaskar, Chief Operating Officer. So without further ado, I will now hand over the call to Mr. Rajesh Sir for his initial remark. Over to your Sir!

Rajesh Ghonasgi: Good afternoon. I will pass this on to Kailash to give his view of the quarter. I just wanted to say one thing that this discussion could lead to forward-looking statements and these forward-looking statements are estimates and not segment for the future. That is one. The other part is Abhijit Jorvekar; he is our Head of Sales. He keeps traveling. He has logged in from Nairobi, Kenya where he has gone to meet customers. So there might be if there is any issue with his connection we will just have to bear that while it gets reconnected. He is calling in from Nairobi. The rest of us are in Pune in our office. I will hand it over to Kailash.

Kailash Katkar: This is Kailash Katkar. Good morning everyone. On behalf of Board of Directors and the management of the company we extend a warm welcome to all of you to the conference call of the Quick Heal Technology to discuss the second quarter and first half of the financial year 2016-2017.

Before we discuss our financial performance for this second quarter, let me highlight the key developments, which took place in second quarter. We have appointed Mr. Vijay Mhaskar as the Chief Operating Officer. Mr. Mhaskar joined quick Heal in the month of September 2016. He has a vast experience working with Avaya, Symantech, and Microsystems. He has a diverse experience of over 20 years working in building and accelerate growth strategy in product development, product management, sales, marketing, and support services. He is a gold medalist in Electrical Engineering and Masters in Technology from IIT India Institute of Technology, Mumbai. At Quick Heal, he will be

majorly responsible for providing strategic input and direction for building the brand, culture, and overall business growth.

I would also like to highlight Quick Heal products and solutions have received certification from various international research institutions. I am proud of our team under the leadership of our CTO, Sanjay Katkar that lead the charge on product innovations, which help us to receive important certification. Sanjay will be covering more detail about the same in today's call.

As recently as yesterday the 2016 CII Industrial Intellectual Property Award panel recognized Quick Heal Technology Limited as a top trademark driven industry of the year small and medium enterprise. This is one more confirmation that we have taken the right path and dominate our industry.

Coming to the performance during the quarter, we performed well in retail segment with 22% year-on-year growth. Our enterprise and mobile segment also continued to have a strong growth. With our continuous investment in strengthening our product technology and distribution network we are hopeful of maintaining our leadership position across segment and market.

We shall continue to focus on optimizing our cost structure over current quarters and improve our operation margins going forward.

With this, I would now like to hand over the call to Sanjay Katkar, Chief Technology Officer to talk brief on our technology development, Sanjay.

Sanjay Katkar:

Good morning everybody. This is Sanjay here to update you on our R&D side of the development. So at Quick Heal R&D, we are successful in optimizing the R&D cost at the same time continued investment in development of new products and enchantment of existing products, which will give us the result in coming quarters. So R&D team also made great strides in improving our rating in global security solutions provider and vendor like in September 2016, AV test premier IT Security Testing Institute in Germany rated Quick Heal Total Security 2017 as one of the top 10 security solutions for windows home users.

Quick Heal Total Securities 2017 also achieved advanced plus rating by AV Comparatives yet another securities software testing lab from Germany. In August 2016, Quick Heal Enterprise Security Solution Seqrite Security achieved 100% deduction in real time test at AV Test India. So the solution was also rated high for its advanced behavior detection

technology and data loss prevention tools by SC Magazine US a leading journal for fiber security professionals in USA.

So you all may be aware of the growing rate of ransomware to business. So at Quick Heal R&D we released a special innovative anti- ransomware feature to all our users in the last quarter that very quickly countered the threat and I am happy to report that thousands of customers were protected from active ransomware threat attack with this feature and more and more customers are being protected on a daily basis.

So on enterprise front, we released Seqrite End Point Security ~~ies~~ 7.0 in the month of July 2016 and now EPS-7 is most able and supports 2000 endpoints network under a single control. ~~So we also introduced much-awaited feature of patch management in this release.~~ With this new release, we will now be able to address customer segment with larger network, which earlier we were not addressing. This will give further boost to our enterprise sales in the coming future.

In addition to our strong presence in customer space we are seeing good traction in the SME segment. ~~without offering.~~ Customers are expecting more functionality and our R&D team is engaged to deliver on these expectations. It is a constant endeavor to make sure we have enhanced the production functionality and make our solutions easier for the users to use. That is all from the R&D side. Now I would like to hand over the call to Mr. Abhijit Jorvekar, Executive Director and senior vice president Sales and Marketing.

Abhijit Jorvekar:

A very good morning. We will be looking at the way we have performed in various businesses. ~~The So I think the last the~~ major product continues to be the consumer products or retail products as we call them at Quick Heal. We saw major growth in them. So Rajesh would actually share the numbers, but the cyclical trend continues while we had a weak Q1, Q2 was good.

Very importantly I would like to stress upon the fact that the demand of Quick Heal products continues to be very strong in market and we continue to retain that leadership when we do not really see any major competitor coming close to us in any of the market with leadership.

Again the leadership in the premium part of the market that is the market, which is dominated by our Total Security, continues to be retained. We do not see any challenge in that right now. Acceptance is great. The rest of the products, which continue to operate in more end of the market have also done great.

The activation has been very robust and the trend clearly indicates that we are growing in terms of acceptance as well as activations and sales are also indicating so the patterns are pretty cyclic and they are repetitive in nature, which [we](#) can clearly see the trend the growth is happening both in terms of sales as well as activations.

Coming to the ~~rest of the products~~ government and enterprise business, Kailash mentioned a few minutes back that yes these two verticals ~~to~~ have displaced a significant growth, good double-digit growth in H1 as well as [second](#) quarter.

We have done really well. The products are adding features and adding more maturity and capability [and](#) [haves](#) helped the sales team to add some interesting customers. I would like to ~~may be~~ talk about that later, but so [far](#) we have added some interesting accounts especially adding customers in new verticals or new business areas and that has been an interesting thing.

Government vertical demonstrated very significant growth for us rather government business as part of this government enterprise part of our business and we hope to continue driving on that momentum. Acceptance is really great in government. We have talked about that in the past as well and it continues to be great.

Coming to mobile business, which we have been talking about a lot, again we saw very good double-digit growth in this part of our business as well and acceptance is growing. The maturity in terms of delivering the product, the whole solution in terms of security and insurance bundle that we sell in the market is really improving.

The good thing is people have started getting more confidence on the offering from people over there and in some of market we feel fairly strong trend towards getting into a leadership position, but it is still too early. It is a new product category, but as I said growth ~~is strong s are positive drawn~~ and we hope to see them continuing.

Besides this the rest of the business activities continue to remain positive. We see great traction. Seqrite brand acceptance continues to be good for us and overall awareness about Seqrite being the enterprise offering from Quick Heal also continues to be good. So that is from the sale department. I think I will hand over to Rajesh for the financials.

Rajesh Ghonasgi:

Good morning. Since you have the presentation with you, I think I will just go through some of the key highlights. As you recall we have indicted we always look at H1 rather than quarters and H2 rather in quarters. H1 has been a point where we have delivered we have talked about.

Just to take through the slide if you look at the EBITDA margins we move from 45.6% to 50.4%. Now this is a new metric in the sense that we are using Ind-AS revenues. If you look at the previous period or you look at the historical data that we had given at the time of our March 2016 report, we had used Indian GAAP and if I use Indian GAAP in view of Ind-AS because Ind-AS revenue tends to be understated then the EBITDA ratio moved from 38.2%~~19~~ for the quarter to 45.3%.

Similarly for PAT, it moved from 25.1%~~09~~ to 29.4%~~37~~ for the quarter. If you look at H1, in H1 our EBITDA margin moved from 32.7% comparable quarter to 32.7%, slightly it is like a marginal point higher and if I had converted the same into Ind GAAP it would have been 29.6% into 29.7% ~~or thereabouts~~.

So while Q1 might have looked daunting clearly our way of looking at H1 and H2 is the proper way of looking at it. That is very visible from this. Of course cash profit has always been our strength. We have generated cash and some of that is in the balance sheet. I will explain when I come to the balance sheet.

In terms of the revenue analysis, if you look at quarter to quarter our retail revenue share moved from 88.7% ~~18.7~~ the same quarter last year to 87.3%. In H1 ~~it moved from you will see that there is an~~ 86.4% to 82.4%. The dip is on account of the fact ~~that~~ H1 was not a strong quarter, but overall we have picked up at the end of H1 ~~we were able to show growth~~.

The second part of this is that across the quarter in Q1 our enterprise and government did extremely well and even the weighted average for six months you can see that we have moved from 12.3% to 15.7% and that is one of the biggest underpinnings of our strategy that while retail remains a strong player in producing the cash, enterprise and government moved from the single digits to a much stronger growth to higher double digits ~~and move going to the 20s and 30s~~.

So we are roughly half way to where we want to be in a couple of years at 15.7%. Mobile has grown, but we had much better growth in Q1 and mobile is on track by roughly 2% of revenues. There are other details on licenses sold. You may have queries. We will answer that.

I will come to the next ~~slide~~ on the employee breakup. We had stated that our intention is going to be highly efficient in cost. We have looked at all sorts of cost. You see the people numbers have been fairly stable.

In September 2015, we had 1328 people. By March 2016, we had increased to 1392 people. There have been marginal increases. There was a small dip a structural dip as in people coming and going. In June 2016, where we had 137800 people and we are at 14029 people. Just to give an explanation of the various changes. We have kept a very strong control on G&A. You will see that the costs are flat, the people are flat. The place where increases have happened are in S&M specifically to address certain gaps, certain people who had left and we had to get new people in enterprise as well as in mobile.

These are all revenue-earning people. Technology growth has happened from 541 to 548. This is a normal structural movement and there was a small dip in June 2016. We have replaced those people and technical support has increased primarily because to increase customer satisfaction we have opened centers in some other cities, which has led to this small increase overall. So overall you will see that the people numbers are flat. They are not going to go out of the roof so to say and this has its impact on the cost, which I will explain a little later.

In terms of working capital analysis our network developed every few days, it looks higher than the March 2016 number, but this is based on Ind-AS revenues. If I actually take ~~IND-AS~~ GAAP as March 2016 date, then the net working days will be 44. So it is just a matter of calibration on a one-to-one basis, I think our cash collection is in sync with what we were doing earlier and as you know we always have a situation where we have variation across quarters and the high volume quarters lead to a substantial cash flow in the quarter thereafter or immediately thereafter that, which has happened because we have been able to collect most of the outstanding from March and June 2016 as of October 2016.

We will come to the consolidated results. In terms of topline ~~H1~~ I will focus on H1. We went from Rs 134 Crores to Rs 154 Crores. I am using this because there is an explanation below giving you the gross revenue taxes, net, revenue, and dealer incentive, which is the way Ind-AS sees this, but you might want to also look at IND-GAAP because earlier ratio or earlier data could be IND-GAAP until the year gets over and the entire year Ind-AS and IND-GAAP data is available with you.

So we had 14% to 15% growth happening. Our gross margin improved marginally from 90.5% to 91.4%. Now this is pretty much a given fact that it will be in the 90s give or take a couple of percentage points and as long as we increase revenues, our percentage points of efficiency is going to be visible.

I will explain the operating cost in one of the next slides because one of the important things that we have stated is that we are going to look at costs. Our costs have already been

completely impacted in as of March last year and costs are stable and I will come to that separately. In terms of depreciation, we have moved from [Rs 11.3 Crores](#) to [Rs 15.2 Crores](#) and most of it because over a period last year we had capitalized certain offices. These were meant for use of our people. It was also an employee issue because we needed good offices to bring people into. In addition, as you know that we have capex plan for R&D and some of that expense has been incurred. It is not very large as of now. As we go along some of that will be visible in the next two quarters. That also has led to some higher depreciation, but in direct terms as against Q1, Q1 to Q2 there is not a major change.

Other income is higher primarily because we also have the IPO money plus we also generated cash. In fact I look at it. It is something like [Rs 35](#) to [Rs 40](#) Crores has been generated over the last quarter and has been spent net-net. So we will see that there is some change in the amounts invested from the IPO funds and yet after all of that our cash has gone up.

The exceptional item I have kept it separate primarily because it is on account of vigilant, which was an investment, which did not run through the course. It is not an operating expansion since we have shown this one is separately. If I look at the bottom line of [Rs 29.4](#), if I just take for the net of tax exceptional time it will be around [Rs 31.5](#) Crores. So that gives you the H1 data and of course Q1 has been extremely good. The ratios all look good. Primary that has over ridden the negative from Q1, but as we said we look H1 and H2 rather than Q1 and Q2. So that is where is this data is.

Now I will take you to the cost breakup. That is on slide 15. If you look at the cost breakup, we have given you three quarters. Only the main quarter last year the current quarter, if you see last Q2 last year and our cost was [Rs 39.25](#) ~~just short of 40 Crores let us 40 Crores~~. It is [Rs 44.25](#) ~~let us say 44.25 Crores in Q2 and~~ that is not a very large change considering the fact that we are moving a year and the reason for this changes by that time March ended we have stabilized a number of people. This is largely the salary hike that we gave in April 2016.

If you look at the Q1 numbers it was [Rs 46.3](#) versus [Rs 44.2](#) and some of the dips on an account of certain line items, which have gone down and I explain that. We will see salaries in all these cases are fairly stable. In the case of these four technical service charges are extremely stable. Technology subscription charges have gone up marginally from [Rs 1.2](#) to 1.6 Crores. R&D selling and marketing salaries have gone up, but that is because this quarter as we have up the revenues a large part of our sales team would have got eligible for incentives, so at least incentives has been clubbed into salaries. That is the employee incentives. Sales promotion has got done a bit, but one of the reasons why this is why

because part of sales promotion has actually been passed on as incentives with reflected in delay incentives. Travelling and conveyance is in control and technical support charges have gone up primarily because we have increased the number of locations where we have technology support call centers to address customer satisfaction. If you look at M&A there is small increase in the salaries. Our other expenses have gone down. Much of it is on account of the fact that certain expenses that we had in Q1 were onetime expenses seems like legal costs have gone down.

Overall we are confident that around [Rs 45](#) to [46 Crores](#) to [47 Crores](#) may be at max is going to be a stable fixed cost number that you will see and that is one thing that we have been able to achieve. We have also given a standalone results, but because the standalone results is what we give the stock exchanges. The consolidated results is based on all the information from our subsidiaries also and by the way we have audited except that because of cost considerations we did not have the consolidation audit done year, so all the numbers are affectively audited.

I take you to the consolidated results balance sheets you will see that it is perfectly clean. The big difference is in terms of investments, we have [Rs 144 Crores](#) in investments and these investments are basically liquid mutual funds. We do not take any risk no equity risk, nothing. These are as safe as possible fund.

Cash and cash equivalent show you substantial amount of [Rs 223 Crores](#). Out of these [Rs 205](#) or [206 Crores](#) is in FDs because safety rules mandate us to place money in FDs. In accounting terms it comes into cash and cash equivalent. The balance amount is basically salary and incentive to be paid to employees kept on the last day of the month of September. So that is the two numbers. These are two major numbers that we can talk about because if I go to the same number for June 2016, I will just read the number. It is right here with me. We had [Rs 133 Crores](#) in current investments. It is [Rs 144 Crores](#). In cash and bank balances, we had [Rs 39 Crores](#), which is [Rs 222 Crores](#). If I see the net amount, it is actually overall increase cash on increased by about [Rs 40 Crores](#) and then have been reinvested in the IPO in the utilization of IPO proceeds.

That is in a major sense is our financial performances. I am sure you will have questions and now with this done maybe we can move on to the Q&A session. I will hand it back to Bhrugesh.

Moderator:

Thank you. We will now begin the question and answer session. We have the first question from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

- Dixit Doshi:** Good morning Sir and congratulations for a great result. Sir in the first half we have sold around say, 454000 in enterprise and government segment. Can you give us the breakup of what would be the government and what would be the enterprise in this?
- Rajesh Ghonasgi:** The presentation says there is 15.7% of the revenues came from enterprise and government. We do not break this number out normally because two are taken together.
- Dixit Doshi:** Okay, but major part would be the government. Is that assumption right?
- Rajesh Ghonasgi:** No actually both of them have done well say about two thirds one third. Government has done actually very well in Q1.
- Dixit Doshi:** So two-third will be government and one third would be enterprise?
- Rajesh Ghonasgi:** Let me do one thing this data is there. I will provide this separately because this can help you. I will do one thing. We will make a lot of questions and we will put a Q&A question and list let us say a day from now on the website.
- Dixit Doshi:** What would be just to give us an idea what is the average order size of this enterprise order size for this Seqrite size segment say around 400 to 500 licenses per order or how is that?
- Sanjay Katkar:** If you are talking about average since we were into enterprise segment for a long time and initially we were having products up to 200 users available. Now recently in the first quarter when R&D team has released advance version, which can cater up to 2500 licenses now we started getting bigger customers with a bigger ticket. So average is more about because since we have more customers between 200 and 500, so I would say the average would be somewhere around 450 to 500 users.
- Dixit Doshi:** Great and you have given the data for the number of licenses sold in H1. Can you give us the data for the activation the actual number of users registered on our platform in retail as well as Seqrite?
- Rajesh Ghonasgi:** No we cannot give that actually.
- Dixit Doshi:** The registration numbers would be lesser than the licenses sold or higher than the licenses sold?
- Rajesh Ghonasgi:** Yes it will be less.
- Dixit Doshi:** It will be less. That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Debashish Majumdar from Edelweiss Capital. Please go ahead.

Debashish Majumdar: Good morning to the management team. Am I audible?

Rajesh Ghonasgi: Yes you are.

Debashish Majumdar: I just wanted to check what is the midterm margin you have segment wise. So what is the midterm margin or EBIT margin you have in retail the same number if you can provide for enterprise and mobile. The idea is to get some sense that what is the money we are investing [or](#) getting out from retail and going forward when going business best stabilized what would be the overall limit we have?

Rajesh Ghonasgi: Let me give you a qualitative as a matter of policy we do not give the date out. Part of it is to do it competitiveness and competition information number one and number two as you know very clearly retail is a very strong base for us and both these enterprise and government entities do not substantiate. If you see in revenue terms for example we have reached [Rs.27 Crores](#) so they are not pulling their weight in a very direct sense. They are not a burden on us in financial terms. Of course investment will be made. We want to make sure that we expanded. There is going to be investment whether in sales or whether in R&D, but that is going to highly selective and it is going to driven, but currently enterprise and government are pulling their weight.

Debashish Majumdar: Okay, so it is fair to assume that enterprise and government is at breakeven level and mobile is still going to be breakeven or in this year or next year?

Rajesh Ghonasgi: See to answer your question is like before we get listed to the public the company was already having lot of products ready and big customer base. So that was a major of retail customers. So definitely when you look at retail development we have 20 years not only experience, but the code already developed for the retail, but looking into technology and all these things every six months there is a drastic change in technology and expectations from the customers even into retail as well as into enterprise. So if I have to tell you that I have put a bit less effort when it comes to retail additional feature development, but very big efforts into enterprise of features development and when I say enterprise features development these products are applicable to both enterprise as well as the government okay. So again if you are talking about a mobile, see mobile product is ready and as I continuously keep on telling you that every six months there is a lot of change in technology, so we have to keep our product upgrade and we have to spend that much amount into mobile product development as so, but if you look from a market point of view,

the product is ready, but the market is yet not ready to buy the product. If you look at the user base of smartphone user base, I believe not even 1% of smartphone user base is opting for the mobile security. So I definitely see a great opportunity in the future because someday the mobile users will start realizing the security is an important part of it and then the sale will go up in mobile security also.

Abhijit Jorvekar: In enterprise I would like to add here is that we just do not have only product there are multiple products like out of that EPS is in the seventh version it is almost more than six to seven years that we launched first version. So that is doing pretty well and the product that we launched in the last two to three years or may be three to four years, so every product there are different products like UTM and then there is a MDM then there is Seqrite Cloud. So each product that we release later it takes some time for them to get stabilized and get market acceptance and bring customers onboard to the level where it comes to breakeven so as we keep on releasing more products and as we go into more later versions of those products they will definitely start adding revenue or may be going into breakeven and then crossing in adding profits to the team.

Rajesh Ghonasgi: So when Sanjay was addressing into the speech about certifications received for Total Security in Germany, which made product come in to our top 10, so this is a recent development, which happened in last quarter and this certification was received in last quarter, so that itself shows that there is a continuous development even into the retail products.

Debashish Majumdar: So in consolidation can we assume that for the full year we can easily touch 40% to 45% kind of an EBITDA margin in FY2017?

Rajesh Ghonasgi: I do not think I can give a commitment on that.

Debashish Majumdar: I am not asking for a commitment. I am just asking for guidance?

Rajesh Ghonasgi: Look anything could happen and since we are looking at something based on potential growth and potential mix. Our view is we will be able to be able to perform recently in the relation to what we did last year. I cannot give any more data primarily because it is not as in numbers primarily because it is a policy of the board not to give any such numbers, but I will not even go into the ratios. What I can say that we will be able to mirror a performance that we discussed immediately after the last year's results.

Debashish Majumdar: One last question, if I see retail mobile and enterprise the average realization that means whatever the revenue you are declaring divided by new license sales we can see a visible

improvement in average realization for license across the three segments. So is it right metric to look or we should not look at this metric at all?

Rajesh Ghonasgi: Abhijit Jorvekar Sir would like to take this.

Abhijit Jorvekar: Yes I mean this whole cyclicity perceptiveness of business is very crucial to understand our area because those products are stock and sell kind of products a lot depends on the stocks, which are made in the market. Sometimes in a certain quarter we might sell more lower value products because there might be some higher stock of the higher priced product and vice versa so the cyclicity is something which actually determines it and not very controllable, but overall what we focus is on driving numbers ensuring that we have good balance if it is higher value than lower value products so that we have proper control over market and are able to actually meet the requirements in market so that is perspective we tried to have and keep.

Debashish Majumdar: Sir is it showing we are getting some price power pricing power from the market because of our better quality product. Is it showing that or I am reading it wrongly?

Abhijit Jorvekar: I would say see we continue to be very strong in the premium segment in the market in terms of the consumer business. So that continues. The activation is one part of a product continue to remain very strong and continue to have growth so I would say the process is our plan is always to keep things balanced because being strong in one part of market and getting the other part of markets go and it is not the right strategy for the company like us. You need to be in control of large chunk of market to retain our leadership for the coming time.

Debashish Majumdar: One last question Sir you have cash pile of around [Rs 250](#) to 300 Crores in your books any plan around that disrupting as dividend or some acquisition or something?

Rajesh Ghonasgi: Let me give you an answer to the first part. I will just give you the numbers. If you look at the balance sheet, we have around [Rs 223](#) Crores sitting in cash and cash equivalents of which around [Rs 206](#) Crores is in FDs and this IPO money and this is IPO prospectus even utilization. Much of it is to do with brand building and new products. Some of the stuffs that Sanjay talked about new products that is there. A lot of brand building and this is not over one year. It is over three years, so that part will continue. The other part the investment whether the balance [Rs 20](#) Crores is actually salary amounts in our bank accounts on the 30th which would have got dispersed either on 30th evening or third of October. The [Rs 144](#) Crores sitting in investments is largely safe liquid funds. We do not take any risk. Now that has gone up and one-way or the other this will go up. How do we use it is something that

the board will decide. We have already stated that there is a policy, which says that it is for the board to decide. We will look at either as dividends, which will probably do in the next quarter when the nine months are over. We decided to look at eight months as a cycle because of the fact that there is a variation of the revenues, but that is one point we will look at. In the future again how much dividend to give the board will look at the amount of cash on hand how much we can give and of course we will look at growth opportunities. It could be in any form. It could be technology acquisition. We are open to that, but we are going to be very, very careful so all this money could either be a used for growth, which we will do very carefully or at the right time, the board will determine how much to return back to the shares holders and we will go by either one of those.

Abhijit Jorvekar: Okay that is it from [my](#) side. Thank you very much for answering my questions.

Moderator: Thank you. The next question is from the line of Jitendra Chimni. He is an individual investor. Please go ahead.

Jitendra Chimni: Good morning everyone. First congratulations on a great quarter. I have a few questions. I look at your results for this quarter and the previous quarter and then also the two quarters before that. There seems to be very unpredictability in your revenue. One quarter you are profitable and another quarter you lose money. You want to explain some of that.

Rajesh Ghonasgi: See we are a technology product company and we also look at ourselves as an FMCG company. We use technology product quality processors and we also use FMCG delivery marketing and brand building channels. In a very direct sense I would say that we could create market for Seqrite product companies. Seqrite product software, which is the reason why we are a large part it is called base as far as retail is concerned. Now when we went public this is the first thing that we realized we have to explain that there is variability. ~~Q1, Q2, Q3, and Q4 give different sign.~~ We had published data in March 2016 results about how Q1, Q2, Q3, and Q4. Q1 follows Q4, which is a bumper quarter and normally like FMCG you have large stocking happening. By the way our revenue recognition is absolutely on the dot because S&Y had audited it. It is based on risk reward, the risk of having passed on so there is no number there that could be questionable, but in Q4 and Q2 there tends to be [stockpiling](#) and Q1 and Q3 there tends to be moving the inventory from the stockiest down the sales channels to the customer. Because of this you also find that there is a different cycle time to advertising. We tend to focus on the full part in Q1 and Q3. Now this is the way the industry has been. This is the way our competition also works and which is one of the reasons why we normally have been looking at H1 and H2 rather Q1, Q2, Q3, and Q4. If you look at the Q1 results we will find that this question came out. There could be a gain happening in the Q1 quarter. This is the first time that actually we

showed a marginal loss in the last quarter. Now this is the way the industry is and I as a finance guy I always look ~~at~~ the last 12 months numbers and I look at H1 and H2 and that gives me a picture of where we are and the distribution of how we do in Q1 versus Q2 versus Q3 versus Q4 is available on our website. I can actually have it added to this presentation because obviously it is an important point for you. I have just told you about the historically I have seen the numbers. Maybe Abhijit Jorvekar our head of sales can explain the quantitative reason why this happens and why we are also fairly confident that movement will happen you have heard us talk about in Q1 and able to deliver that in Q2 and we look at as H1. So Abhijit can you.

Kailash Katkar:

I just wanted to add to Rajesh that this is happening with majority all product companies. When it comes to products Q1, Q2, Q3, and Q4 has a specific way of responding to the market. This is totally driven by the market actually not by the company. Abhijit will be able to add more ~~in this actually~~.

Abhijit Jorvekar:

So one is the cyclicity part, which is historical for us. We have been seeing this for a very long time and Rajesh said we prefer measuring it on a half yearly basis, ~~H1 and H2 versus H1 and H2~~. So it makes more sense to measure it that way. That is one thing and the other indicators or pointers that we use to ensure the health of the business ~~is the activations, whereas the activation okay~~. Now again as far as the other part of our business is the enterprise and government it has relatively lesser of this ~~ese~~ cyclicity. I would say lesser, but not completely out because even certain pockets tend to be stronger but in case of retail this is very, very strong, ~~as displayed of character, as~~ we said ~~stocking happens in and same stocks getting up in the last quarter that is~~ Q4 and then liquidation ~~happens in quarter in~~ Q1 and then Q2 again being a quarter where we sell. So we do not really see ourselves getting out from this cycle as far as retail part of our business is concerned, but I think we have been saying that one reason why we have been working a lot on the other parts of our business is because we believe that would ~~find out~~ bring some smoothness over a period of time to a very high cyclicity.

Jitendra Chimni:

I appreciate that and I understand that, but I think there seems to be phenomenon that is very particular to the India product companies. So while the global product companies do see such the cycles unfortunately India seems to be seeing way more cyclicity just by the nature of it. So may be some things specific to India, I do not know, but is there something that you are doing to address that to get the revenue to be more predictable in terms of moving towards more subscription model or something to that end?

Rajesh Ghonasgi:

One is the subscription model we have not really seen a major trend to go subscription models. We tried in the past working with service providers, ~~but lot of models, which has~~

~~been very successful in India.~~ I have seen ~~a~~ telcos have not been very successful in providing any kind of VAS platforms barring certain other products categories ~~even there is not very strong in India. We see a better, stronger product mix actually giving us that clout over a period of time.~~ So just to give you an example Q3 tends to be a weak quarter for the antivirus business or the traditional product, the consumer business, but what we saw is mobile ~~than~~ has a different behavior. Mobile tends to grow in third quarter, which tends to be a weak quarter otherwise. So adding new product will actually help us to get over or smoothen the edges a bit.

Jitendra Chimni:

Right now we understand it looks a bit to sharp for people who see from an external perspective, but yes the new products adding that will definitely help us in smoothening the curve, not completely get out of them but smoothen them a bit, especially when we go from a really negative number to a positive number again to a negative number. It is fairly does reflect well. When you start looking at confidence in the company, etc., it does not make investors feel right.

Abhijit Jorvekar:

Jitendra I will add something to this. As far as ~~nature of~~ the nature of the beast in India this is true for non-IT companies also, ~~so by the rates Mahindra and Mahindra let us say car manufactures or agriculture tool manufactures, etc., w~~ What we have done is number one you have heard how we are trying to put in new products, which will dampen the movement because enterprise and government and mobiles have different cycle times. The other part is that we have also learnt gradually to profit from this. There is a huge strategy where you enter the market you stock it up in effect you flood up all the possible shelf spaces. We are basically then able to make use of this situation to drive our revenues, which is one of the reasons why we tend to look at H1 rather than H2 rather than Q1, etc., ~~but they created the market.~~ We have learnt from this. We are trying to use this to beat competition. We understand your worry about the fact that there is going to be a variation and of course other products will help us create demand in quarters where retail has a dip and vice versa and smoothen it a bit. More than smoothen it a bit we have taken in some of this out all together.

Jitendra Chimni:

I also understand the fact that India is still evolving as a product market so I completely understand and the fact that you and a few other companies actually are emphasizing on the space, I think it is kudos to all of you, but there are challenges for the product business, as we know. ~~So going along with that so from the company's standpoint what are the main focus is right antivirus and malware has been there for a long time, w~~ Why is this kind let us call it the commodity business? where do you actually see differentiation, where do you see margin expansion, and where do you really see cookies being the big competitor?

Sanjay Katkar:

As you rightly said about the antimalware industry is being primarily commoditized and so as you have been seeing we have been focusing more on enterprise products [and we](#) are coming out with more products for enterprise not only single product, but multiple products and different levels from gateways to endpoints [and anyone](#) now ~~IoT~~ security and we are investing in new products to make sure we are there with new layers of protection for different layers of threats that we are seeing everyday today, so the point here I am trying to make is we will be innovating and coming out with new products completely new and for us it will be a risk at the same time a new opportunity to tap ~~at the same time there will be risk that we have to take and face~~ the market for those products, so we will be seeing some good new products releases next year, which we are currently developing.

Jitendra Chimni:

So Sanjay ~~while~~ you said that you are expanding to new products or enterprise, but [even in](#) an enterprise also there ~~are~~ segments right so if you stay with the antivirus and malware segment you are going to be lost meaning that other people are going to be ahead of you. The question is how are [we](#) really differentiating and what are you really doing, I saw something in your presentation that you have got four patents in the US and three patents being filed in India, but from comparatively speaking that is a very small amount and the reason I say that is a very small amount when I look at a G&A expense right increase year over year we have got a 30% increase [in](#) G&A year over year and less than 5% increase in R&D. I really do not understand how your guys are looking to run the business.

Rajesh Ghonasgi:

Let me come into this Jitendra. Jitendra, I do not know whether we have met during the IPO process.

Jitendra Chimni:

No we have not met.

Rajesh Ghonasgi:

So I will put this way, G&A has gone up because we have build offices to populate our ~~R~~I&D centers, which now has ~~54850~~ people. I will go back two and half years when 150 people were in R&D. R&D have more than tripled in size. ~~It has quadrupled in size as of last year.~~ We are at a stage where R&D grew something like 29% year on year for the last three years. This year you are seeing stability and this has been you asked about how it is going to happen in the future and how are we are going to convert this into margins. This is the whole story. Over the last years, from 2012 to 2015, we have invested in R&D. You know investment in R&D is not a sure short effort. You add people. You add resources. You add space and all of that happens. So if you see the financials as of 2012 and 2013 we actually dipped in margin substantially, we went from an EBITDA of around 50% plus to 30% and our whole emphasis has been that now that we have got so many people the products have been build, the products already stabilized we now have a situation where we drive the revenues through sales of those products and that is where the margin

improvement will come in because if I say that R&D cost is going to keep on going up there will be a whole bunch of the rest of the guys on a call they will say that Rajesh exactly opposite of what you stated. The R&D costs have gone up substantially over a three-year period ending with March 2016. Currently, we are harvesting the results of that. The products are in the field. Some of those may take time to stabilize and you have seen EPS ~~and~~ enterprise product has stabilized. It has delivered results. So we expect that as it happens we will keep control on costs and yet be able to get the benefit of these revenues over the few years.

Jitendra Chimni:

I think that is the beauty of the industry that you are all in and products that you are building so the operating leverage kicks in ~~leading to as with care so this~~ exponential growth in margin when you get the revenue up so given that as we look at the mobile side, the mobile side has not grown that much. Are you looking to sell through carriers or are you selling directly to customers what will be your strategy on that front?

Rajesh Ghonasgi:

AJ sir can you take care?

Abhijit Jorvekar:

On the mobile fronts ~~see again here as~~ we talked earlier as well the carriers in India have not been very successful in providing VAS services ~~or~~ any third party products. We have not seen a great traction. We have talked with them. Beside~~s~~ this we have also worked with ISC in the past and that was not a great experience we had, but we have not given up on that. We will definitely continue exploring ~~of~~ opportunities based on the relationship strategy ~~and mutually beneficial. What we are seeing is the numbers that carry bring on table are smitten vis à vis w~~ ~~That we are able to do directly in market and~~ the profit sharing models in that ~~part~~ care of business are not really great as of now. That does not mean that we have given up on that model. That is one thing. The other is where we have worked with device vendors that is also one more area where if you continue to explore we have been doing this ever since we launched the mobile products, but again same thing we are waiting for the right opportunities to get into that. In the past possibilities that we had explored ~~were very I would say lock sided for us. It~~ did not really give us a great business model and neither did we see a great good potential or monetization of opportunities over there. So yes ~~we there~~ are going with device manufactures, going with service providers, ICVs, telcos we are continuing to be on radar, but we are waiting for the right opportunity, right players, and right money as well so that how it would be.

Moderator:

Sorry to interrupt. Sir due to time constraint we will have to move to the next question. You may come back in the queue for further questions. Thank you.

Jitendra Chimni:

Thank you.

Moderator: Thank you. The next question is from the line of Deep Thakkar from Growth Avenues. Please go ahead.

Deep Thakkar: Congratulations to the management for the outstanding quarter and I have a few questions. Basically your ~~are~~ receivables ~~are~~ the highest in the industry. It stands at 298 days. So what is the reason for such high receivables?

Rajesh Ghonasgi: Receivable days are actually 79 based on Ind-AS. It is around 66 based on Indian GA~~AP~~ so I do not know how the number that you came out with. ~~I do not whether I missed something because if you look at it our outstanding are not larger than the revenues for the quarter right. So~~ We have given that on slide 30 ~~so depending on which pay you look at it~~ we are at around 66 days and I think 66 days is best way of looking at it because what the dealer pays or what our customers pays is the invoice value not net of dealer discounts so 66 days is the more pertinent number. Now we gave credit between 0 to 60 days. 0 to 45 ~~days~~ is the standard, ~~60~~ and not everybody pays on the due date so there is a small spillover up to 66 days, but we have been able to collect. We in fact had the best collection profile for the industry. If you see our debtors movements that detail of course does not come to you show that all of our March outstanding have been cleared. June has also been cleared as of end of September. So we are very confident that we are not sitting issues, problems of that kind.

Deep Thakkar: One more question I have. You have increased ~~you~~ other income by a substantial amount. What is the reason for the other income increase?

Rajesh Ghonasgi: See the other income is pretty much simple math. Our IPO funds, I will put it in average of around Rs 215 Crores was there from first of July or from April to September or July to September so on the same period last year this amount has been put in FDs as mandated by SEBI so that FD interest gets accrued or gets collected. To be very frank, the differential beyond the number amount of cash in hand is on account of FD interest.

Deep Thakkar: So that is the major part of the other income ~~FD income~~. One more thing I wanted to ask that the government has introduced the digital India and e-Governance scheme. Do you see a lot of growth happening in the coming years in those initiatives?

Rajesh Ghonasgi: AJ Sir can you answer that?

Abhijit Jorvekar: ~~Right now what we see is risk d~~Definitely we see a percentage coming out of that, but we do not see very specific concrete steps happening right now for security ~~Seqrite~~ companies like us right now. We are talking with certain consultants, who are part of these projects,

but overall there is stronger awareness on ~~security~~ ~~Secrite~~ that is one thing and because of digital India as well as the smart city projects there is a lot of conceptualization happening. I think there is a lot of work with the consultants right now and so we are in touch with them and trying to identify what kind of a percentage could be there so definitely this will ~~definitely~~ lead to ~~higher near of situated products and that is definitely where we see~~ opportunity.

Deep Thakkar: Thank you so much.

Moderator: Thank you. The next question is from the line of Avinash Sharma from Dalal & Broacha. Please go ahead.

Avinash Sharma: Congratulations for good set of numbers. Sir, just one question on the enterprise segment, you mentioned that our average user base is around 450 to 500, so just wanted to understand on the kind of fresh licenses which we are winning are they more skewed towards the higher number of users like 1500 to 2000 because that would give a good idea on where we are going moving forward?

Abhijit Jorvekar: What we see is one the profitability tends to be higher when the users tend to be around 250 and 300 user mark. The instance we move to a very large accounts, we see the per license revenues tend to dip a bit, so we incidentally as an organization also focus more on the SME part of business. That is one thing. I would like to state. Yes, we see higher revenues over there in that 250 and 300 up to 250 in fact starting from 50 and 75 users to 250 and 300 user kind of segment. One is the technology adoption there is growing. Earlier there were around more elementary products. They are buying products with more features and the overall value proposition that it will bring in terms of tech support is more valuable to these guys, so they are ready to pay a bigger premium to us.

Avinash Sharma: This number what you are mentioning, this is kind of runrate?

Abhijit Jorvekar: Yes.

Avinash Sharma: Would it be possible to give us the breakup of the current?

Abhijit Jorvekar: No.

Avinash Sharma: That would not be possible.

Abhijit Jorvekar: No.

Avinash Sharma: Thank you.

Moderator: Thank you. The next question is from the line of Bhaskar Chowdhury from Entrust. Please go ahead.

Bhaskar Chowdhury: Actually this might be a repeat from the earlier calls, and your IPO presentation. Would you [tell us ~~just lie out the runway on~~](#) how the IPO proceeds will be used over what timeframe and also how they will move through the financial statements? Thanks.

Rajesh Ghonasgi: [Rs 230 ~~odd~~ Crores cash](#) in hand and out of this [Rs 40](#) Crores is going to be used for capex. These are identified items for capex. This capex is directly related to development. Basically the major chunk of capex was to buy software, which will enable us to create virtual capability to test ourselves in huge node system. For example if you want to test a 5000, 10000, 25000 nodes, you cannot put up 20000 machines. So that is one. That is the major part because that is directly related to R&D product development. Some of it is to do with offices. We need to make offices great etc., ~~and we need to make offices great etc.~~, and we have to use the funds. [Rs 111](#) Crores is going to be used over the next three years [on advertising and sales promotion](#). By the way the timeline is three years. It is from the time of the IPO, so let us say 2016, 2017, 2018 and 2019, then would be February 2019 from now onwards. Advertising and sales promotions which as we explained in Q1 and Q2, Q3 happen to be the large part of our work that part is going to be used over the next three years, you will see something happening there. Then we had also ~~something~~ some allocation for our office premises in Kolkata, Pune, and New Delhi, which are in progress that is around [Rs 28](#) Crores and this, is primarily because while we built, we have built a great brand. You also need to have offices and moving from offices where employee acquisition will be easier, will like to come into great offices. It is a one-time cost. Balances is the GCP, General corporate purposes, which largely again would be developmental cost. It is not normal operational cost. So the total usage will be around, [Rs 111](#) Crores for advertising and sales promotion over the next three years of which a small part has been done, we will see some of it happening in this quarter. Capital expenditure of around [Rs 42](#) Crores, which is directly to do with R&D capability or improving the capability of the product then offices where our sales and other staffs could walk in and some of these places, by the way we created customer support centers this quarter and the general corporate purposes which is around [Rs 54](#) Crores which covers anything other than this. Currently we spend about [Rs 26](#) Crores of the funds, [Rs 206](#) Crores is on hand right now.

Bhaskar Chowdhury: The [Rs 26](#) Crores that you spent has primarily moved through the P&L?

Rajesh Ghonasgi: It has not moved to P&L. It has been in fact the large amount of expense has been for the R&D wanted to acquire that virtual software and infrastructure which would enable testing and all these products we are talking about EPS, MDM, that is mobile device management and UTM, universal threat module and a software in huge node situations. The kind where you talk and we talked of 2000 user node, we are talking of 10x and 20x and 30x those numbers. This software enables that without actually putting up that size of a network.

Bhaskar Chowdhury: Where is it captured on the balance sheet because we see property plant, and equipment is the one that has increased and other intangibles have decreased year-on-year if you look at the September figures? So where do I see that on the balance sheet?

Rajesh Ghonasgi: It is in the asset figure. It would be in the advances. See it is like this capital work-in-progress could also be under increasing advances. ~~also, Let us do one thing; this data is pretty much in the public domain. We could put this on the website if you want. As part of the IPO we placed Axis 30 as the certifying authority, we get a certificate. At the end of the year anyway we are going to send it to shareholders.~~ I will just check and put this on this part of the table on our website. That data is visible to you.

Bhaskar Chowdhury: Thank you.

Moderator: Thank you. The next question is from the line of Parimal Mithani from Credential Investment. Please go ahead.

Parimal Mithani: Congratulations for the wonderful numbers. I have a couple of queries. There is a decrease in your retail sales from quarter-to-quarter, is this going to be a trend?

Rajesh Ghonasgi: Can I just rephrase your question? Your question was there is a reduction in revenue quarter-on-quarter for retail?

Parimal Mithani: On the retail side Sir?

Rajesh Ghonasgi: We did not have a drop. In fact we had a substantial increase. Are you talking of year-on-year because even year-on-year we had an increase.

Parimal Mithani: If we see in the presentation, as a percentage of revenue?

Rajesh Ghonasgi: Let me just paraphrase and I will just repeat the numbers. I will go to Q2 last year and Q2 this year so the same seasonal numbers, retail was 88.7% last year versus 87.3% so that is one point you are talking of the ratio coming down. If I look at H1 retail was 86.4% and

coming down to 82.4%. ~~Now number one is over H1 there has been an increase of 9%. If you look at the table above, our real intent enterprise and government and mobile growth were flat but retail relatively becomes a smaller part of the pie. That is what is happening here.~~ Now if you look at the second line item, above 9%, you will see that enterprise and government have grown 46% year-on-year on H1 to H1 basis and 33% on quarter-to-quarter and year-on-year basis. Now this is an important change because as Sanjay explained our enterprise product EPS has stabilized because stability has occurred, its revenue predictability has improved and we have been able to sell much more and as it happens there relative size of the retail slice should come down. In fact we want to do that, it is a strategic intent because otherwise we will constantly have this variation of Q1, Q2, and Q3 and Q4 when enterprise grows let us say 30% or 35% of revenues, retail would not regrow, but we will a) have shifted part of the pressure from retail to enterprise government, enterprise ~~give~~ has reached a size where it is now virtually pulling its own way and most importantly it will also take away the quarter variations because enterprise and government are not in the same cyclicity of retail, so this is a situation where retail has gone down relatively in size but in absolute numbers it has grown, ~~and by the way that is a strategic intent that enterprise and government should grow fast, should growth to 30% plus, points of our price rise and hence add value that over the last two years you see this has not happened because the cost on R&D and the cost and supporting enterprise and retail has been a drag on the bottomline.~~

Parimal Mithani: Next question is, is it safe to assume that the growth in enterprise and the government will be at the same as we are maintaining the Q2 going forward?

Abhijit Jorvekar: Overall trend is positive. The acceptance for productivity is good. We hope to continue growing at good rate in enterprise and government.

Parimal Mithani: Is it safe to assume we will be maintaining double-digit growth in enterprise and government going forward henceforth from this?

Abhijit Jorvekar: We intent to do that. It totally depends on market. We have focus towards the enterprise and growing our enterprise in double-digit.

Rajesh Ghonasgi: Let us look at the qualitative, the EPS has stabilized. I think we also have an excellent sales team and sales channel, so much of the building blocks, which we were building over the last two years, are now in place. They might have not been there in place over the last two years running up to the IPO because we are building. A lot of these right stuff is in place.

Parimal Mithani: Sir in your earlier statements in your opening remarks you mentioned that you have done AV test for Quick Heal and for Seqrite endpoint, which has increased your reach from 500 to 2000 user base. Can you elaborate the nature of the market size for this?

Sanjay Katkar: I did not get your question exactly.

Kailash Katkar: Those ~~ugh the~~ tests are not for the scalability, those tests are for detections and for effectiveness against the threat which are actually bimonthly test so it is regular that we submit our products and the mention was that we achieved our ratings which mentions us above the top ten products in consumer security as well as the enterprise security and the product features that we release in EPS 7 which now has more scalable model, ~~where has more than 2000 machines used like up to 2500 machines~~ so our aim is to bring onboard or take onboard more customers with given network, which we were not doing earlier, but at the same time such customers are not so frequent that we will add too much of them but since we were not having products we were not being approached. We will start approaching in the market. We have already started approaching and as the word spreads as the enterprise and system integrators learn out of that then it will start moving into the bigger enterprises. So the market size of larger enterprise is definitely more but SME is I will say huge than that because SME growth in India ~~is growing is too high~~ which compared to enterprise ~~is not as big as SME~~, so our SME growth will be in double-digit for the coming quarters again instead of very large enterprise I will say.

Parimal Mithani: Sir who would you be competing in this space, in the network system integration space?

Kailash Katkar: Mostly the competition is Symantech and Capital Associate.

Parimal Mithani: Thank you.

Moderator: Thank you. We have a follow up question from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: Sir, in enterprise we sell mostly through the system integrators or we directly deal with the SME or the corporates.

Kailash Katkar: Through system integrators.

Dixit Doshi: Sir the receivable days typically in enterprise would be more than the retail ~~distributors that you give to the distributors in this retail?~~

- Rajesh Ghonasgi:** Actually it is more or less the similar.
- Kailash Katkar:** Actually it is you are right, but that is the reason we go through the system integrator so that we dictate our terms and conditions while selling the products.
- Dixit Doshi:** And you have to receive money from the system integrator and not directly from the customers?
- Kailash Katkar:** Not directly from the customer.
- Dixit Doshi:** Sir, how many system integrators we are working with as of today?
- Kailash Katkar:** We are working somewhere around 2000. Enterprise channel partners we have around 2000 channel partners.
- Abhijit Jorvekar:** It is slightly more than that now. We keep on adding, so Kailash is pretty much close to the number 2500 to 2700 odd numbers currently.
- Dixit Doshi:** And the geographies of the system integrators typically would be in and around Maharashtra or we are doing pan India basis?
- Abhijit Jorvekar:** Across India and majority big cities.
- Dixit Doshi:** Sir, one observation that we have sold 2% more licenses in H1 in retail segment and revenue has grown by 9% so, I think we took some rate rise or we have increased our prices in this H1 for retail?
- Abhijit Jorvekar:** Actually there has been a combination of both. We did have a small rate rise actually. It was very small, not to bring this kind of growth but as we mentioned even earlier during this communication that the cyclicalities in certain context we do end up selling more of higher valued product. So similar thing happened in Q2, we sold more of higher value products because you see the products with strongest traction market is our value products that it is typically the Total Security range of products we have in our retail offering.
- Dixit Doshi:** Sir in government orders we go through this system integrators?
- Abhijit Jorvekar:** Yes.
- Dixit Doshi:** Thank you.

Moderator: Thank you. The next question is the last question from the line of Ashok Damani from Ramesh Damani Finance. Please go ahead.

Ashok Damani: Good afternoon. Sir, I was reading Amazon is going to get into this Cloud Security and they are announcing something I think in a couple of weeks, do we have any idea of that and how will that affect us positively or negatively going forward?

Abhijit Jorvekar: Amazon is particularly focused on Cloud Services and so for us we are not in that domain. We do not have any business right now in that domain. So it is not going to impact us immediately and ~~they~~ primarily the services are for their AWS customers which is there bigger use of that and so I do not think it should be affecting us because the services that they are adding to their Cloud security is those which only a Cloud or may be you can say a company dealing in Cloud, Server, ~~Forms~~ can add, so something which we will never be entering the segment.

Ashok Damani: Thank you.

Moderator: Thank you. Due to time constraints I would like to hand the conference over to Mr. Rajesh Ghonasgi for closing comments.

Rajesh Ghonasgi: Thank you all for coming on the call on a working Tuesday. I am certain you would have more questions, some of you may have questions coming out, or we might have not answered all your questions because we had time constraint. I am available on my email and if you can connect with us, [on](#) the back of our presentation my email is given as also the email of Nilesh Dalvi who is from Dickenson ~~so just fire off your email~~. We will answer you immediately. There were some other questions that you had asked relating to information and to the extent we can what we will do is we will upload it on the website so it is accessible to all. Thank you for coming on and have a great day ahead.

Moderator: Thank you. On behalf of ICICI Securities that concludes this conference call. Thank you for joining us. You may now disconnect your lines. Thank you.