"Quick Heal Technologies Limited Q4 FY2017 Earnings Conference Call"

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Moderator: Ladies and gentlemen, welcome to the Quick Heal Technologies Limited Q4 FY2017 earnings conference call, hosted by Edelweiss Investment Research. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference call is being recorded. I now hand the conference over to Mr. Debashish Mazumdar from Edelweiss Investment Research. Thank you and over to you Sir!

Debashish Mazumdar: Thank you very much. I welcome you all to the Q4 FY2017 Quick Heal Technologies conference call. 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, Mr. Rajesh Ghonasgi, Chief Financial Officer, and Mr. Vijay Mhaskar, Chief Operating Officer. With this, I will hand it over to the management for their initial remarks then we will go to the question and answer session.

Kailash Katkar: Good evening everyone. I am Kailash Katkar here. 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 Limited to discuss the fourth quarter and full financial year 2016-2017.

We at Quick Heal continue to focus our energy on constant product innovations. Our primary responsibility has been to continuously work on building awareness around cyber security and introduce cutting edge security solutions for consumers and enterprise. In our effort towards building safe and secure IT environment in India, we are now closely working with India's CERT-In on Government of India's 'Cyber Swachhta Kendra'.

We signed MoU with India's CERT-In also known as Computer Emergency Response Team of India. It is providing Bot removal tool to CERT-In and this tool is freely available on Cyber Swachhta Kendra portal. Users can freely download this tool for cleaning their computers and mobile.

Talking briefly about our performance during the fourth quarter, the business environment remained challenging post the demonetisation event. Historically, fourth quarter has been the strong quarter for us; however, this time the sales slowed down as our distributor and retailer operations were gradually stabilising post demonetisation. This leads to decline in retail segment revenue; however, we witness healthy growth in our enterprise and government and mobile segment. Our enterprise product sold under brand Seqrite, continued to gain increasing acceptance from corporate and government entities. This helped us maintain strong traction in new customer additions in enterprise and government segment.

Our overall active license grew by 7% year-on-year to over 7.8 million as on March 2017. For the full year, we recorded stable revenue on year-on-year basis and maintained strict control on operational cost leading to high cash profit generation.

Going forward we continue to maintain a positive outlook, backed by increasing need of robust IT security solutions in India. We remain committed on continuous efforts in research and development. We shall continue to deliver high quality IT security products and services and empowering features for our user to effectively deal with the evolving cyber security landscape in India globally.

Since Ramsomware is in the highlight for the last few days I would like our CTO, Sanjay Katkar to share his views on this recent threat and the response from Quick Heal. Over to Sanjay!

Sanjay Katkar: Thank you Kailash. Good evening. We have been seeing a record rise in enterprise threats regularly and in the last financial year we have seen a record growth in threats targeting enterprise especially SMB segment. The threat landscape has seen a record rise in Malware targeting enterprises that are more connected and having more connective devices from laptops and mobile. So according to our own quarterly threat report we have seen close to 300 million Malware samples being blocked by our software across our user base in just first three months of this year.

We have also seen 500% plus growth in number of Ransomware attacks and keeping this in mind, we have been working on a lot of features related to anti Ransomware in our products and other offerings from our R&D. So, with the situation like the current one where the newer attacks are more advanced and sophisticated, this should help us in increasing the cyber security awareness among the end users as well as enterprise users.

Also, on our promotions and communication front, we are leaving no stone unturned and focusing our efforts on more cyber security awareness among the end users as well as enterprise which should gradually reflect in our revenues.

I would like to update on the current threat situation of the Ransomware 'WannaCry', that is making news all over the globe. So, Quick Heal has released detection of Malware in its May 12 update itself and well before this Malware started hitting users. So, all users of

Quick Heal have been protected from the hard-hitting Ransomware and this has helped in confidence boosting of our channel partners and customers. Our support team is handling the situation well and helping our newer customers to take care of this Malware.

So, situations like this are definitely going to help us in cyber security awareness as I said. With this I would like to hand over the call to Mr. Vijay Mhaskar, Chief of Operations to talk briefly on our product developments.

Vijay Mhaskar: Thanks Sanjay. Good evening all. As Sanjay said, we have done a lot of investment on Research & Development and that had helped us to gain the top rankings in AV certifications and we have been in Top three to five in all the global certifications and continue to maintain and strengthen that. So that helps us both on the retail as well as on to the Seqrite brand of the enterprise front.

On the product development perspective on the enterprise front, we are releasing EPS Endpoint Security 7.2 this month with a lot of additional features. The whole endpoint security is driving a lot of growth for us and we want to frequently feature additions to respond to the customer demand.

We are also going to be releasing the MSSP version and the Cloud version later this year. This primarily for the customers who do not want to have the IT infrastructure on prime so they would be able to get the endpoint services through the Cloud.

We launched the mobile device management, MDM, that also is getting traction. We had a recent release of 1.3.9 and we have good larger setups now being done for this product and we are getting a lot of confidence and good response from this product.

Extending the product portfolio on the UTM, the release is planned in another couple of months, which will get us really good futuristic but more than that, a stable platform. So, we are upgrading the OS platform. We are also upgrading the user interface and the reporting capabilities of the product that should give us a lot better user experience for our existing customers as well as the new customers.

From the hardware perspective, we have launched the models up to 500 users now for UTM later this year. We will be extending that range further to increase our addressable market there. We talked about home networking solution in the last call. It completed the field trials and got very positive responses. So, we are getting ready now for launching the Beta testing of this product and hopefully doing a general availability of the product later this year but certainly something where we are going to break grounds on to the new front there.

With that, that was the product development front. I would like to really hand over this call to Abhijit Jorvekar, Head of Sales.

Abhijit Jorvekar: Good afternoon to everybody. This was a mixed quarter for us on the sales front. The major product which is the market leading product for us is retail, while the overall product acceptance does not have a challenge in market, we had some problems in meeting the numbers. There was a small degrowth YOY and reasons behind this was the demonetisation related effects continuing in the market and another the very important aspect was that we went very aggressive on sales. We could have had receivables related issues and another perspective was with GST coming in there was also some amount of resistance from stocking partners in stocking up in larger numbers at the end of this quarter.

We hope that once the GST situation stabilizes, we will be back to normal and then trend would continue on that. There were also a lot of initiatives that we undertook, which we intended to do for a long time and now they have slowly started fructifying so that is about bringing some linearity in our business in terms of retail business so there are some platforms and strategies we are working on.

Enterprise, which is the next largest part of our business and caters to both SMEs, SMBs, large enterprises as well as education and government showed very good performance and we had a very nice double-digit growth rate around 40% and this was driven by acquisition of large number of new customers. We are acquiring roughly 17 new customers everyday or 70 new logos. Sectoral perspective also looks very good. We are addressing customers in all kinds of segments, services, education, government, manufacturing, BFSI, so that continues to be good and there are a lot of new named accounts that we have been acquiring.

As far as the other business, which has potential, Mobile we had some challenges but they are not related to market. We saw some challenges in the way we processed some parts of our claims on the mobile protection bundled with insurance, we believe that we have to improve this process; we undertook some major restructuring in that part of our business because of which we saw a small hit which we had to take in last quarter, but again overall demand for our product continues to be high and we see that we would be able to grow in future in this business as well.

At broad level this is about sales from my side. Thank you. I will hand over to the Mr. Rajesh Ghonasgi, our Chief Financial Officer.

Rajesh Ghonasgi: I will take you through four or five points. Number one, we have already talked about the fact that there was a final dip in the revenues, but in a bigger sense there was a lack of revenue in the last quarter and that being the largest quarter has affected us.

First of all, in terms of revenues, we continue to show the old Indian GAAP revenues because that is what we sell to our customer, whatever the customer pays and then based on Ind-AS rules we have backed out commissions and certain other related cost, which is there so you can work out an apple-to-apple change from last year's as well as looking at the new accounting standard, both details are given in reconciliation form.

EBITDA margin dipped from 33.7% to 30% and this is the counterpoint of our operating leverage because as revenue has not grown you can see it in following slides that costs have grown but the revenue was supposed to grow much faster and that did not happen and that has affected us. In terms of cash profit; cash profit has increased because a chunk of our costs is in depreciation form. It is non-cash. So, in that sense we actually have been adding cash and cash generation itself has not fallen behind.

That is of course also visible in the Q4 analysis because Q4 to Q4 seasonally we had a degrowth and that degrowth is visible in the margins. I will take you through the rest of the data, I think the important ones is, I will take you to slide #17 which talks about the people numbers. We will see that right throughout the last five quarters from March 2016 probably to March 2017 quarter, people numbers have been kept under control. You know that in the earlier years, we grew in size because we were developing new products and as the products have developed and started getting the stability, the people numbers themselves have stabilized.

You will find that the JVs that are there are basically seasonal changes wherein a small attrition had happened in one quarter it gets replaced the next quarter etc., and that is reflected in the cost analysis. I am not looking at FY2016 to FY2017 but if you look at Q4 2016 all the way to Q4 2017 you will find that the costs bearing seasonal variations have been flat. Whether we look at salaries and the pay hikes we gave, or some of the other costs, the real reason why there was an increase this quarter over last quarter was that we conducted some amount of advertising plus some other costs that would have marginally gone up or gone down. So, cost has been an extremely focused area of our work. People numbers are in control and the moment you have people numbers in control a lot of the establishment, salary and establishment costs are in control. That is not an issue that we look at negatively.

We had an impact this quarter because of the follow on of the demonetisation effect. Remember our dealer system works at the extreme retail end. It deals with customers who buy from a dealer, two steps down and then the money flows up. That cascades upwards and that cascade downwards got affected which can be seen also in our working capital analysis as compared to the same period last year, the same date last year. We will find that there is a 20-day increase in the DSO.

Not that it is worrying because to be very frank in April and May we have had collections, we have had movements happening, so relative to what was there outstanding at the end of March, fair amount of collection has happened, but we have to be very careful and that is why we said that we will not unnecessarily move revenue unless if that part of work is completely controlled and that is what you will see in this working capital chart.

Then I will take you to the consolidated results. You will see that Q4 is seasonal and I will take you through the annual numbers because you can see in the quarterly revenues we were down by about 20 Crores over last year. That in effect has flown through while our costs were stable on an annualized basis we can see the earlier three quarters of last year they were smaller in costs. We will find that we have about 2 Crores change in revenue, a negative change, but costs increase to reflect a higher capability and that is what is visible in the EBITDA dip here.

Of course, we have had other income, which is because the cash that we had and that is a separate matter. It is not a part of operations and we were more or less able to come to a very similar PAT ratio, but clearly our story still remains that costs are fixed and as revenues ramp up and a lot of the demonetisation wave goes away or the negative impact goes away, people are still going to start buying and when they do our costs are still going to be flat, and that is the story that we still have.

Coming to balance sheet, you can see that we have a fairly clean balance sheet. Investment in mutual funds is the cash that we generated over last few years. We have actually carried about 60 to 65 Crores. The amount you see in fixed deposit is the specific IPO money, which is going to be used for specific purposes. The bank balances, etc., are the operational cash at the end of the quarter or the month for payment of salaries, etc., so overall, we have increased the cash that we had and we increased the mutual fund size and that also shows you that despite the impact we have had in terms of revenue our cash generation capability has still remained strong.

One, some of the costs that increased are non-cash. Two, we are still able to move the cycle from production to dealers to customers and back to us in form of collection. In addition to that of course, I have got some standalone details, but the key point is that our operating leverage that exists still remains in force. Thank you.

Moderator: Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Giriraj Daga from KM Vesaria Family Trust. Please go ahead.

Giriraj Daga: Couple of questions; if you look at the number of active users in the retail segment that has gone up closer to 10% though if you look at the revenue part on the overall it has gone down by 7%. So how do we read that situation like this? Have we taken a conscious price cut or has the mix had changed? How will you describe that?

Rajesh Ghonasgi: One of the things that we found was that due to the demonetization effect, the lower end that is the cheaper products were hit much more than the upper end products so while our cheaper products have got affected in terms of volumes, our upper end of the products, the Total Security, the products that we call the premium products they have not necessarily gone down so there has been a small change in mix in this quarter where the cheaper products have dipped but the premium products have not dipped, which is the reason why while you see a dip in one sense in the volume on an annual basis, you will find that the revenue rates have gone up hence the revenue looks like it is slightly increased. AJ can you take this?

Abhijit Jorvekar: What we have seen is one, the activation trend actually is not really a reflection on the revenues. One of the reasons is because this is a stock and sells products, which have got activated, are not necessarily low valued product. In fact, as Mr. Ghonasgi said good amount of higher value or premium products got activated during the duration. What we saw is on the sales front, instead of what was said about in the initial call, we saw some liquidity challenges still continuing in some parts of the market. To be very precise, we see those challenges continuing in the upcoming markets in Central India, some very typical parts of North India, where there was a strong cash economy and we still see those challenges continuing and so that kind of moved into the fourth quarter and we also saw some partners while we did not have bad debts arising out of demonetisation, we also saw some partners actually reducing their exposure to overall business, so that is something which has resulted in this, but to be precise, no. It is still the higher value products, which are getting activated, and the revenue impact has in fact been more on the lower price product than the higher priced product. We continue to remain having the same traction, which we have for premium products.

Giriraj Daga: Sir, just a follow up there. I am not able to understand; we had 288 Crores revenue from retail, which has gone down to 267 Crores so there was a 20% dip and what you are saying is that actually the volume impact has been on the lower segment, so the number of activation has gone up by 10%. So overall, I wanted to understand is that you are saying that is there a pressure in the market so just to understand in a simple layman understanding, once the customer has bought last year or may be if he is buying the new product, he is not taking the product or he is basically going for the cheaper product of competitors, so how do you see that? He is not coming into the market or is he not in the renewal part or is he not taking the product or is he going to the cheaper competitor products? How do you describe that?

Abhijit Jorvekar: One, while we had some challenges in measuring retention we are working on that how precise the retention happens, but we do not really see customers moving to a competition. Another very important aspect is, we also sell three-year licenses and we have continuously seen that our three-year licenses keep on growing YOY basis. Most of the loyal customers at some part of time move to a three-year license and once the customer moves to a three-year license, if you look at it from a commercial perspective, we do not get any revenue from that customer for the next two years. So that is also one more perspective we have on this, but very importantly, as I said, because it is a stock and sell product, we saw that lower end part of the product continued to have some kind of a drag. So, they continued to be stocks of lower price products in the market but the activations of the higher price products continued to remain strong. Your question is very valid and we are still trying to evaluate some part of the lower end of the market in terms of what could be the measures that we should be taking and the right measures would soon be taken so that the lower end of the market also remains active and remains good business for us.

Giriraj Daga: Okay, my second question is related to our mobile segment. Like if I see the numbers on year wise, we have grown from 6 Crores to 8.5 Crores, but if I look at the overall numbers, the number has gone down. You also touched upon in the initial remarks that there is some issue which we are sorting out. It is not related to market but there are some challenges which are there. So, would you explain in a more detailed way and I would like to understand with what is the thought process over the next three to four years in the mobile segment?

Abhijit Jorvekar: There have multiple perspectives to be considered. Our product is basically a combination of Seqrite product which is bundled with the insurance product because what we saw is there was better traction for insurance acceptance in market and that is what we were driving, and during some of our talks also we have mentioned that we have a dependency on third parties for the whole execution of the insurance process, we are not an insurance agency neither are we a registered agent of any insurance authority, so what we saw is that we had some challenges in the existing agency. Now, very important aspect to be communicated here is that there are multiple agents within the market. We were with a certain agency and we have certain challenges with the way the claims were being processed. It was not in a most economical way.

Rajesh Ghonasgi: I would like to tell you about this number of licenses. If you go to slide #15 the number of licenses sold have reduced, but if you look at the slide number 10, the number of active customers has increased. So, it is again what Abhijit Jorvekar has said that it is the stock held by the distributors and dealers who might have purchased in the last year and those are getting activated in this year and as Abhijit Jorvekar mentioned about we have a one-year license as well as a three-year license, so active licenses means the active customers as on date. So those are the reasons you really cannot figure out how many numbers of licenses are sold and how many are active. If you really want to compare that thing it becomes very difficult actually.

Giriraj Daga: If I may just follow up on the mobile market over the next three four years?

Abhijit Jorvekar: I got dropped out of the call. Should I continue or has anybody taken it up? There is another part to his question, should I answer that about the three-year spectrum. So instrumentally there is one more important aspect. So, you referred to the mobile being driven by the insurance part of the business, but we see with the current trends there is some good news from Gartner, which feel that the threats on the mobile phones would reach a level where monetisation of security on mobile phones might start making more sense around 2018-2019. So, we see an opportunity over there. So, the perspective on a three-year spectrum so maybe we can see more revenue coming out of pure security on mobile products may be by 2019 which is good products because in insurance we have an over rate but with pure security we will not have those drag on an overall bottomline on the business.

Giriraj Daga: Okay, just a bit of thought process there that like are you looking at the market elasticity on the demand side. Obviously, the number of 4G consumers have gone up drastically in the country over the last two years and the number of Internet usage has gone up completely. So, what I am saying is that assuming the albeit the thinking from the thought process that okay if we reduce the prices to be Rs.200 or Rs.300 may be we are able to garner a 1 Crore customers, just a thought process. Are they thinking if that elasticity demand is there from that side?

Abhijit Jorvekar: We have tried doing that in the past, and what we have seen is right now the challenges are also in terms of awareness and the level of the threat landscape which are used for the mobile phones so that is one thing, where this evolution is something which is very organic and dynamic and not really something we can control and as I said and that is the reason why I told you about the Gartner report which very specifically talks about more tthreats actually becoming more mature may be in two years' time wherein we see opportunity for doing pure place security business which is something the companies like us would really like to be in.

Giriraj Daga: Thanks. I have more questions. I will get back in the queue.

Moderator: Thank you. We will take the next question from the line of Dixit Doshi from the Whitestone Financial Advisors. Please go ahead.

Hardik Jain: This is Hardik Jain on behalf of Dixit. When we see in enterprise segment, in Q4 2016 we did sales of 15.5 Crores and licenses sold were 452,000 so the average realization per license was around Rs.345 per license. In Q4 2017 although the sales in terms of Rupees have grown up to 18 Crores to 19 Crores, but the number of licenses sold have reduced to 261,000 but average realization has become almost double or more than double. So, what could be the reason behind it?

Abhijit Jorvekar: Again, there are two major reasons. One is we sold a good number of multiyear licenses or three-year licenses. So, revenue per license definitely is higher over there. Another thing is thatif you look at the growth overall, in terms of revenue, we saw that education, as a sector did get affected because of the demonetisation and it kind of spilled over in the fourth quarter in terms of the by trends. Education prices, if you look at the overall revenue we get the license is lowest, so education was not very robust in the fourth quarter as well and there was good amount of three-year license and then yes, we were selling more higher value licenses, we were selling more licenses for our top end product with DLT and other last leading features. So, these are the reasons why we see this challenge.

Hardik Jain: So, when you sell a one-year license and when you sell a three-year license, the difference in the yield per license is so much that the yield becomes more than double?

Abhijit Jorvekar: Yes, three-year licenses even in case of retail we follow a simple principle of three-year license which tends to be twice the price of a one-year license.

Hardik Jain: Okay when you sell a three-year license, the number of licenses are considered one or three?

Abhijit Jorvekar: It is not to say the license, but the license duration is for three years. So, the updates and upgrades would continue for three years.

Hardik Jain: The activations that you saw in this quarter were slower than the sales that we have seen or were they better than the sales?

Abhijit Jorvekar: In case of enterprise because this is not a stock and sell product, the trends are stable so here there is no discrepancy like retain that, so the activations were lower.

Hardik Jain: That is it from my side.

Moderator: Thank you. We will take the next question from the line of Madhu Babu from Prabhudas Lilladher. Please go ahead.

Madhu Babu: Sir, can we say that retail will come back to growth next year? Can you give us a growth target for each of the segment, retail, enterprise and mobile for next year?

Abhijit Jorvekar: One hurdle we see right now in the immediate upcoming quarter is the GST implementation, so yes we see again first quarter being challenging and in the current quarter one reason is as we said the major part of business is in pockets and retail and because there is not still enough clarity on the percentage which GST will be rolled out, so we see some challenges in people stocking up at the close of the quarter, so once that is over we do not see a challenge, but we are not looking at retail being a blockbuster for us. It will continue to have a stable growth rate which could be single digit or may be a low double-digit growth rate, so that is about retail, but I think Rajesh Sir has already summed it up rightly because it is a stable business and the size itself makes it good business for us. Enterprise will and can continue to remain a stable business and grow at good rates, which we see currently. One is we are also adding new products. We are adding or targeting customer categories with the new introduction, so we would be introducing products, which can target up to 5000 network users. So, we would be addressing some more additional part of the market, which is currently not addressable. We are adding new teams so we have done a strong presales team and we are scaling it up a bit. So, we see that part of our business grow. Government also was very robust for us and to a certain extent Make In India has helped us and we see that trend continuing. So this part of business, yes, it will continue growing at same rate. Mobile we see coming back but as I said, we have because mobile is getting sold not because of Seqrite but more because of insurance part of it, it is a business which we are like keeping control right now because we do not want insurance to become a hurdle in any kind of customer perception of our product, but yes the growth rate continues to be decent over there and that is about the three major product categories we have.

Madhu Babu: Sir, earlier you said enterprise would grow 50%. So do we maintain that? Secondly our R&D is around 63 Crores per year. So, I mean how would you compare with the global peers in the enterprise segment especially if you want to bill good products for the enterprise the bigger players must be having a very big muscle like Symantec and all those. So your views on that will help?

Vijay Mhaskar: Enterprise definitely we have made the right investment in the technologies, the talent, the people and the leadership. So, we are well placed to drive the roadmap. We have a strong roadmap for the next couple of years with the features set and we are actually taking on with the top competition on this one. So, we are very confident with the current investment levels. We can maintain a very good roadmap for enterprise. We are also prepared to additionally invest in case if we see additional opportunities but we will be prepared to invest more and add more in case we can add up more revenue opportunities, but at this point, we are at a comfortable level that we have invested.

Madhu Babu: Okay, actually your R&D head count has come down by almost 10% year-on-year and I have just seen the absolute figure like 65 Crores per year whereas the Symantec and US based antivirus company security companies whether they must be having a much higher R&D commitment for enterprise products.

Vijay Mhaskar: So, if you look at the portfolio wise, we are comparable because obviously the other companies that you are talking about have larger portfolio of security products and therefore the larger R&D. If you just look at the Endpoint Security MDM, and UTM, then it is comparable. As far as 10% drop that you have talked about as Rajesh mentioned it is more about seasonality, seasonal activation and we back filling it, but there is no intended reduction in R&D expenditure, but we want to keep it flat and as I said if the for the right opportunities we will invest more.

Madhu Babu: Last one from my side. The cash is around 400 Crores which is from IPO time so how is the capital allocation whether any progress that we have to invest somewhere?

Kailash Katkar: Let me take that. In terms of the two bits of information that are there on the balance sheet, I am referring to slide 23. See the total investment in FDs is very specifically allocated which means over the next two years it will get used on the terms of the use of content we have given and this is all budgeted. Some of it is a part of the regular expense budget and we expect it as users' regular profits will then get generated and will remain. Now number one, we look at alternatives. Alternatives could be a proper acquisition. It is not something we are going to rush into. We constantly have an eye open on anything that can add value faster than what we would develop if we were doing it internally so that is number one. The second part is as you have seen we would like to reward our shareholders so we have decided that since there is lot of permanent dip, it is not a seasonal variation that has happened we are trying to keep and we are going to keep the dividend flow in sync with last year and as we grow we could also look at increasing that so that the money flows from here in the company's results to shareholders and then they can determine what to do with it. We are already invested in physical real estate. Our growth space is in place so you will not have cost increase on the net count, but we would look at developing new products, the good opportunity is that Vijay talked about and two, of course, we will keep a very keen eye out on potential technologies, it makes to be purchased from outside rather than develop because it is cheaper to do that.

Madhu Babu: Thanks. I will come for a follow up.

Moderator: Thank you. We will take the next question from the line of Saurabh Jain from Astute Investment. Please go ahead.

Saurabh Jain: Good evening Sir. Just a couple of questions; just the first question is actually an observation. Initially the source of a virus could be say a floppy or CD or DVD then USB stick and overtime you know the source of the virus is only the Internet primarily but the browser as well as the operating system overtime have become much more secure as well as the architecture of the computers. So, do you think the need for an external antivirus itself overtime has actually reduced drastically for any users?

Kailash Katkar: No I would like to answer this. That is not the case. When you see as you rightly pointed newer ways of the source of infection is that Internet is the primary source of infection, but at the same time the way the speed at which the machine can get infected is changed drastically. Now since computers are connected always to the internal as well as external network there are more chances of getting it infected because the software we use daily, the browser even though they are getting improved on security terms but the vulnerability is that gets disclosed gradually as we see because it is very difficult to create a security thoroughly because the number of lines of codes that goes beyond those technology like a browser or an operating system is huge. It is in millions and it is very difficult to maintain the sanity to book free code and it gets hacked. That is why the situation that we are seeing currently, which has the whole globe is now being seeing as the Ransomware attack so this situation will never end. It will always grow and so there is no end for security software. I will say it will always grow further instead of reducing.

Saurabh Jain: For example, like in the case of browser, we all used to use many different browsers a few years back, but I think now as default most of the people would be using may be one or two browsers. So that is all the more reason that the browser companies or say Google which owns Chrome would be trying and making the whole architecture more and more secure and that is why you know a lot of websites which we actually open up if there are some issues we block it and there are no pop ups which happens?

Kailash Katkar: If you look at the trend in the previous few years, the browser security has been improving but at the same time the number of vulnerabilities are disclosed on that browser every year which are growing up actually. So, this is because the numbers of hackers that are targeting those browsers are going up because if certain things become dominant like now if you just said that Chrome is one of the most used browsers then that is the most targeted browser as well. So, this is the fact. The number of vulnerability is that new OACs every year so that is the difference. It is not like it is going down. The trend is upwards and it is not stopping actually.

Saurabh Jain: Does the operating system also generally have some security built into it?

Kailash Katkar: Yes, it does have because they have to make sure that the users are secured but at the same time security is not their primary function and as you see the threats are too dynamic, say for example, if Windows releases Windows 10 or Windows 10.2 on a certain date they are not used to releasing updates because that is an operating system and they will just release the operating system and then they will release the updates only when they are improvements or certain security features but if you see we are handling threats day in and day out, so we see more than say current situation is like we see more than 4.5 lakh new unique threats appearing daily and such a level of threat handling, such a level of threats needs specialized team and specialized focus only on threats so that is the job that is left towards on all the security companies and that is where we play into, and that is why security is something that cannot go out of data analytics.

Saurabh Jain: The second question is you know that you have talked about IoT and home automation. So what is the work that we are doing in that space and I remember that smart analyze which we had actually brought. That was what we were dependent on but for IoT and home automation are we dependent on some other company or actually we are trying to develop in-house capabilities also for that?

Kailash Katkar: We have a department called as IoT Security that works on the IoT related research and innovation in the security front and point that you raised about SMARTALISE, it is not like we bought that. We invested into them and for that the purpose they are into home automation, which is not our domain but since they are into home automation they deal with fit IoT related devices, which are hackable and that is where this security comes into picture and we realize that customers are looking for secure home automation, something which is unique, which is not just a generic home automation and that is the market that is going to be in the future and so we wanted to be part of that organization to make sure that we are able to design the innovative security aspect at the time of design itself. So that is one aspect of getting associated with them, but at the same time, our IoT security team is working on lot of initiatives that are focused on IoT devices and that also include home automation devices. So, our own products related to home automation, I mean the home security or the security of the network in the home will be released in the next two quarters. We are about to do the pilot test and then we will plan the release as we give the results.

Saurabh Jain: Can you given us any example of what kind of applications of IoTs you are working on?

Vijay Mhaskar: To given an example, you can see at any home nowadays, we have multiple devices that are connected to Internet. Earlier it used to be only PC but now we see most of the smart phones, tablets, PCs, even Dish TV and likes of smart cameras and microwave, fridge. Nowadays even ACs have internet connection and all these devices cannot have antivirus installed into it. So we really need a network device that can secure all these devices behind a firewall inside a home so that is where we are playing our role and we are trying to bring in the product that can help handle this security threat on these devices.

Saurabh Jain: Sir how does that work?

Abhijit Jorvekar: It will be Gateway kind of security inside a home. You can compare that with the UTM in an enterprise.

Saurabh Jain: Just the last question, regarding our collaboration with CERT, what is the kind of profitability which might be there?

Kailash Katkar: In direct terms there is no revenue involved here. We are able to reach out to the customers who are really infected and not having any security and government has taken that initiative to provide free tools for such customers to get rid of the infection and we feel that we can fill in this gap and reach out to the customers who are having problem and clean the network. So that is where customer will have our brand while cleaning the system and he might think of using our brand when even for security protection. So this will increase the security awareness as well as brand perception about our product and our brand and we will be able to reach out to the right customers.

Saurabh Jain: But we will not be getting any revenue from the government for this?

Kailash Katkar: No revenues are involved.

Saurabh Jain: That is it from my side. Thanks.

Moderator: Thank you. We will take the next question from the line of Amish Kanani from JM Financial. Please go ahead.

Amish Kanani: Sir, there was a reference about GST impact along with demonetisation. So I was wondering whether is it possible to quantify which one was more powerful in Q4 and with respect to sales in March and/or April whether that impact is weaned in case of demonetization? Also as we enter the GST regime how do you see the story that unorganised sector will not grow at the cost of organised sector and if it can impact our SME target customers?

Kailash Katkar: The fourth quarter was impacted by both GST as well as demonetization. What we saw is because we follow a stock and sell business, there was certain amount of inherent risk to distribution business and we realized that we had to control it. Further, with respect to GST, there was no clarity on the input tax and the way the tax benefits would get carried off. Now coming to your question on the unorganised sector not really having a strong play in overall economy, so while there could be at this side to the story there is the other side to the story, which says that, a larger number of businesses would henceforth be more automated because the data flow will need to be seamless in terms of the way input credit would be cleaned by any party and there would be need of lot of automation to drive this. So along with people selling the necessary automation platforms it will also require level of security so that will definitely create an opportunity. So we see there is a balance in the outcome of these things.

Vijay Mhaskar: Let me add a little bit here. First of all fourth quarter, I do not think GST per se was an issue. It was more of a demonetisation because retail got impacted. GST is a matter of one single transition. Actually we are not looking it as a permanent problem, so in that sense one of the reasons why dealers could have pulled back is simply because the rates were not clear. We do not know, the dealers do not know the rates and that could actually impact because if it is 12% the problem could actually be far behind us. But if it is 18% then there could be a problem for dealers to manage. However, let me be very specific that our dealers are fairly organised and so I do not think the dealers are going to get affected. Our SME customers are also fairly organised because they are spending money on information technology which means that they are sophisticated enough to buy complex technology. The only thing is they need to be clear of what the tax will be so that they can work out their financial impact.

Amish Kanani: What is the current rate that our dealers are paying because I believe there was some case, which is pending also, and if you can update us on that?

Rajesh Ghonasgi: Our dealers do not pay the tax. The tax is paid by us and it is unbilled in our price. So the enterprise license has service tax plus VAT because Maharasthra, Karnataka, Gujarat state governments still ask for it. That ranges between 20% and 21%. So from 20% to 21% is the price that any customer sees on his invoice, if it was 12% it would be pretty good position for us. In terms of retail that is more open ended and the total amount clearly if it is 12% it will impact the dealers far, far better than 18% and we do not know, the dealers do not know the rate and that really is the crux. By the way we talked to the service tax matter if you have seen our report form A we had one more year of evaluation done by the commissioner and we gave a huge amount of data, actual, factual and legal technical proof proving that this is not taxable; however, since already an order was passed I think until the CESTAT deals are going to follow the old order. So that is there in the form A. I am personally of the firm opinion based on the legal opinion as well as facts as well as law itself that our product was taxable in excise and an excise exemplary cannot be taxed under service tax.

Amish Kanani: Okay. Thanks a lot.

Moderator: Thank you. We will take the follow up question from the line of Giriraj Daga from KM Vesaria Family Trust. Please go ahead.

Giriraj Daga: Sir a couple of questions. How do you see your market share in all the three segments as of now?

Vijay Mhaskar: We continue to be market leaders. There is no major competition nationwide as of now. We see presence of some of the smaller players and we have seen is they are mostly playing on price but the price at which they are selling in market we see sustainability challenges for them because security as a business there has to be enough sustainability in post sales supposed infrastructure which is required to be maintained by the player on an ongoing basis. So I said we do not see any major player having a pan India presence in India so I mean domestically thereare players in pockets here and there, that is the current scenario and we continue to be a market leader in most of the markets.

Giriraj Daga: So what would be the number, any rough number of market share estimates.

Vijay Mhaskar: It is tough because in recent past it has been tough but one is the primary drivers are not very clear. Further there is large unorganised part of the market where people use free software and so on which we have been talking about historically. So around 30% is the ballpark, which we still see because, we are the most widely distributed, most widely available software.

Giriraj Daga: How about enterprise?

Vijay Mhaskar: Enterprise there is still some way to go. We have a long presence in the lower part of business. Here we cannot put a number on what will be the percentage because I mean the data on this like we have some historical data and certain amount of overlap between our home product sales and SOHO sales. So we have a good place at a very lower end part of the business but as far as the enterprise or the higher end of the enterprise is concerned there is still a lot of space left for us to explore and I think Mr. Kailash mentioned at the start of the call that we are introducing new products and that there are new areas that we intend to target with the new initiatives we have in the enterprise segment.

Giriraj Daga: Any broad estimate on how many number of mobiles use antivirus services?

Vijay Mhaskar: These are not available.

Giriraj Daga: My second question is like we booked three-year license revenue at one go, right?

Vijay Mhaskar: Yes, that is right.

Giriraj Daga: Okay and what was this year's capex and next year target capex?

Rajesh Ghonasgi: This year's capex is all visible. There is a capital work-in-progress, which are basically offices that we had bought last year we built, much of the required capex including the special quality, QA software and the related equipment have already been bought. Now going forward it is largely going to be replacement of computers etc., so it is not going to be in the same range that you see capitalized. It will be much, much lower.

Giriraj Daga: Would like to give some number like maintenance capex?

Rajesh Ghonasgi: No, I am talking of next three years. So we believe that it is going to be replacement capex as in old machines being cycled out and new machines being added, new employees etc., as new employee join.

Giriraj Daga: Correct, but the number can be what?

Rajesh Ghonasgi: It would be roughly 20 Crores every year and not more than that.

Giriraj Daga: We have cut down our R&D team so what is the thought process going for next year and what is the number of additions we are looking in the R&D and sales team?

Vijay Mhaskar: As Rajesh mentioned earlier in the call this is just seasonality on the headcount and seasonal attrition. There was no intended cut down, so we are holding it flat right now and as we drive this product roadmap, if we have additional opportunities for revenue then we will invest more but at this point the team level, the investment level and the number of people that we have we are very comfortable for the next couple of years.

Giriraj Daga: Thanks a lot and all the best.

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

Dixit Doshi: Sir, what would be the average number of licenses sold per client in the enterprise? So what kind of installations per client we have done. It is in the range of 200 to 300 licenses or even more than that on an average?

Abhijit Jorvekar: The majority of the customers you know around like 50 to 100 users if you recall in one of the answers I gave you we have a strong presence in the segment it is just above SOHO. The data historically has been a strong area for us and a majority of customers are there around 100 users so that is slowly spilling closer to 150 users but right now it is still around 100 users.

Dixit Doshi: So in the enterprise wherever you are going the new clients that you are acquiring so what is your experience like were they using some other software earlier? Was there any other software at all or they were using pirated licenses earlier, which they want to replace to the officials, official copy or whatever you know. So what is your experience while dealing with such kind of organizations?

Kailash Katkar: It was primarily in the metros you would see the MNCs and in the Tier 2 and Tier 3 cities the local ones that is where we basically at the renewal time we get in there and we provide a value to the customers. I think for the reason for customer to switch is primarily value and also support. We are very unique in our customer support with 36 branches having local support and obviously relationships. So we have maintained our customer relationships really well and strong support. Pricing is not necessarily always the reason for switch. It is the value and the customer support.

Dixit Doshi: But the customer support in the enterprise segment is typically provided by the system integrators, is it Quick Heal that directly supports this base of customers?

Kailash Katkar: The first line support is done by the partners, but we have in each of all the branches even enterprise support who can go on site if necessary and help on installation or addressing any issues.

Dixit Doshi: Since the demonetisation was one of the problems that we faced this quarter so as a percentage the sales that was done through our website has it increased?

Kailash Katkar: Slightly.

Dixit Doshi: That is it from my side. Thank you.

Moderator: Thank you. We will take the next question from the line of Shihan Shah from Magnum Equities. Please go ahead.

Shihan Shah: Sir what kind of orders or opportunities you are expecting from the Government of India?

Kailash Katkar: From the Government of India we have it is not just there are various departments and we see even standalone where there is no network connectivity which we standalone. We have seen a good demand for UTM, annual endpoints securities. So across the whole portfolio we see a demand.

Shihan Shah: Thank you.

Moderator: Thank you. We will take the next question from the Debashish Mazumdar from Edelweiss Investment Research. Please go ahead.

Debashish Mazumdar: Most of my questions have been answered. Two last questions from my side. One is although we have discussed this thing in a brief we have seen a significant improvement in realization especially in the enterprise and mobile segment. We have explained because of product mix change and all, so what is the sustainability of this realization going forward? That is my first question. Second question is although in R&D and advertisement we are seeing stabilization of expenses. The GNA expenses in this year altogether have increased significantly where we see this number going forward?

Vijay Mhaskar: On the first on enterprise and mobility certainly at least for the enterprise we certainly see a good demand and good opportunity and good addressable market. As Abhijit mentioned earlier in the call we are also targeting more than 500 users. Our current product sales are

2500 users one instance. So enterprise from the market perspective demand, addressable market and our roadmap alignment to that is pretty good. So we are very optimistic on that front.

Rajesh Ghonasgi: Going forward on an annual-to-annual basis, our intention is not to allow G&A to increase and I would not take the current fiscal year as the benchmark. I would rather go to last year and see the number and that number is where we would like to be.

Debashish Mazumdar: On a consolidated basis at what level of EBITDA margin would we be comfortable at because this year this has impacted because of slowdown in overall sales that I understand. What is the level of EBITDA margin we are comfortable at in a long-term basis?

Rajesh Ghonasgi: Long-term basis somewhere around 32%.

Debashish Mazumdar: 32%, but Sir earlier numbers are much higher than that I mean even in FY2016 we have done 34%.

Kailash Katkar: I understand but those given days we had only one product that was only the retail product. Now we are into multiple products. We are developing so many products, enterprise products, gateway level products, mobile products, so the number of products have increased and initial stage of all these products will have more expenses and it is not about high sales, sales is all about customer awareness and customer intention to buy this security products for this thing. Retail, we are stabilized. We are in this market for last 22 years. So this product has automatically become the acceptance for the customers. For mobile also, we have products ready for sale, people are buying products, but if you look at the percentage, more people are not like the expectations is something every mobile user should go for mobile security and all the things, but people are not going for it. So some kind of awareness is required and again we are putting a lot of effort to do the awareness and if you could see the last two to three days, this Ransomware attack, these kinds of things happen then automatic what you say the awareness of the security becomes more important for any user and that given time people start go and buy the products actually.

Debashish Mazumdar: Thank you very much for answering my question and wish you a best of luck.

Moderator: Thank you. We will take the next question from the line of Parimal Mithani, an Individual Investor. Please go ahead.

Parimal Mithani: Good evening Sir. This is with regard to your active license. You mentioned active user base of 7.8 million and last year it was 7.3 million and you have sold 62 lakh licenses last year and Sir is it safe to assume that only 57 lakhs licenses were reduced as of last year to this day?

Kailash Katkar: As I told when it comes to retail products, it is a stock and sale product. So any given time at the end of the year, whatever we sold till March 31 is not necessarily active to the customer. It might be on shelf with any distributor or retail. So we really do not try to compare how many number of licenses we have sold and how many number of license are active. We just try to maintain the retail shops should be full of products available there, so that any given time, any consumer, any customer goes to the retail shop and to buy antivirus software, the product should be easily available. This year because of demonetisation, the payment collection from the retailer to the distributor, there was lot of challenges and that is the reason distributor could not able to buy more products, but the product movement was going on that is the reason you see the sale in number of licenses, but the active user base has grown by 7%.

Parimal Mithani: A follow up to the same question, I wanted to know what is the percentage of renewal of this 7.8 million in terms of percentage number, can you give us?

Rajesh Ghonasgi: I think Abhijit will able to answer this. Abhijit, are you there?

Abhijit Jorvekar: Currently the retention rates are typically in the range of around between 18% and 20%, so this is what I think we had one question, which I had some queries on these lines. So these retentions that we are referring to are specifically the people who buy a renewal code or measured in available automation that these are people who have renewed a license or one of the processes which indicates renewal, so there are people who might be buying a product again absolutely fresh product are reinstalling and we are building a process even to identify that in future, so this is the current status.

Parimal Mithani: If I want to clarify, last year what was the renewal rate?

Abhijit Jorvekar: It was around same percentage, it was still around 17% to 18%.

Parimal Mithani: It has been constant for the last two to three, four years?

Abhijit Jorvekar: It is growing but not at a very significant rate, percentage point or two, it is not like a very major growth every year, because renewal as a process, you may have to build up significant amount of back office activity around that, so that is one thing. As I said we have retention, which happens where people re-use or re-buy our fresh product, so we have ability even to map that, and based on that take business calls.

Parimal Mithani: Secondly in this demonetisation phase, were your competitor able to do better numbers or what are the industry growth during this phase?

Abhijit Jorvekar: Overall, if you look at it most of our competitors also suffered. We saw some of the very smaller competition getting into a highly deep discounting kind of activity and they did kind of build up numbers but as I said the overall nature of that activity was not something we believe sustainable for any business. None of the major competitors, we saw growing in that part of year.

Parimal Mithani: The enterprise business saw a 1% degrowth, so what was the reason for this degrowth? Was it because of customers not renewing your products or what was it?

Abhijit Jorvekar: What we saw, we had some around this quarter, we had some challenges in few places in closing business but some of that business incidentally has closed in this current quarter, so there was a bit of lag in some of the quarters like education, some of the lower end of businesses, certain business like certain sectors which we were bit slow on buying, so that is what has resulted in this, but we do not see the trend continuing and with introduction of new product categories, we see this we will be able to get over this.

Parimal Mithani: One more question, in terms of enterprise, which were the areas, which saw good growth?

Abhijit Jorvekar: Manufacturing continues to be strong for us. BFSI continues to be strong. We made some acquisition in services parts of business, so that is one area where we have historically not been strong, so that one area which we see which is opening for us slowly.

Parimal Mithani: Thank you Sir.

Moderator: Thank you. Ladies and gentlemen, we will take the question from the line of Rohit Balakrishnan from Rare Enterprises. Please go ahead.

Rohit Balakrishnan: Would it be possible to understand the margins by various segments, by retail, enterprise and government at this point of time, would it be possible at an EBITDA level?

Rajesh Ghonasgi: Retail as you see it is a large weight despite it is reduction in this quarter. Retail gives us a total gross margins in excess of 90%. The reason is variable costs are pretty much under control and it is volume based. Secondly, even though government, enterprise and education fall under the same category, they are sold completely differently and it is actually license negotiation, it is not buying of a physical product. So the cost of delivery to enterprise customer is actually lower. The enterprise customer price per license is also lower, but the volumes that they demand are far higher, so we find that both enterprise, government and education as a group and retail, both give us nearly 90% or more gross margins. The rest of the cost are fixed as you saw R&D cost we sliced the R&D into enterprise etc., that is the different matter, but the cost are fairly fixed. The only place where is a difference in mobile margin, because we consider the insurance that we pay. The insurance that we pay out on account of mobile insurance. It is a direct input cost. So there the margins are around 65% to 70% between 60% and 70% depending upon what price point you are looking at and some quarters, two quarter ago we actually had higher demand for upper end phones, post demonetisation finally we found that particular set of licenses plus insurance actually got a huge demand. So largely speaking between range of 60% and 70% for mobile and rest of it is at 90%.

Rohit Balakrishnan: First of all thank you for that answer. I understand that most of the margins at a gross level are pretty much similar to both retail and enterprise, but if you would think about the sales and hence the cost sales for both the channel would be very different. So how would these numbers look at it an EBITDA level may be not today, but at a steady state level?

Rajesh Ghonasgi: I will tell you since you are in the buildup phase for the last two years with enterprise and government they were not EBITDA positive. Retail is a substantial EBITDA. I mean it is one of the biggest components that we have and now enterprise government at that EBITDA level come to breakeven plus because their size has grown. So from a drag it is a much better position right now and going forward we expect that it will add positive EBITDA over the next three to four years.

Rohit Balakrishnan: Okay, just a quick followup to an earlier question somebody had asked the response from the management was that the EBITDA margin it is around 32%. We are already at 30%, so just wanted to reconcile given we have been talking about operating leverage being a large part of the increasing the profits going forward. So we are almost pretty much at what we are targeting, right, so just wanted to understand and reconcile that?

Rajesh Ghonasgi: We are looking at an average of a year. We are looking at the early to mid 30s. One of the reasons why we are you saying is we also want to invest in new products and investing in new products is something that is a part of our DNA. We need to keep on doing that. So while you know technically speaking products has stabilized EBITDA will go up, but we also reinvest in new products. How much we reinvest will come out from EBITDA, what we are saying is that we will come to around early 30s and we will look at the additional amount of EBITDA that we generate, we will look at reinvesting and hence creating a growth cycle.

Rohit Balakrishnan: Any sense on what kind of investments you are looking at, so you have invested about Rs.63 Crores in R&D, I am assuming most of your investments would be in that bucket going forward as well?

Rajesh Ghonasgi: Because the R&D is the product development wing, so I would definitely focus on developing more products, so may be in future also if I plan for some new product I might add required number of developers for that product development and we may keep on adding more and more products and more and more acquisitions may be software acquisition, some of the acquisitions from different countries and try to build the products around that acquired software and get it to the market actually.

Rohit Balakrishnan: I understand, but just in terms of right now 20% spent on R&D?

Rajesh Ghonasgi: It is not planned that tomorrow I am going to add 50 people and I am going to come out with some product. It is all about most important pass is that you have to come out with some ideas about a new product and the you new to do the research on market whether that product will be accepted and all, we have to do lot of analysis, talk to different analysis from IDC Gartner and all to find out the market price and everything and then based on that we take a call that yes we wanted to jump into this product and then we wanted to add this product and if I am going to do something that we are not just going to wait for quarterly report and quarterly audit, we might declare that in between also.

Rohit Balakrishnan: I understand just as a thinking in terms of, given your – I understand it is it not decided or it is not a specific number, but just as a thought process at this percentage revenue is typically what we would like to look at?

Rajesh Ghonasgi: I really do not have that experience of thinking like a finance. I am a techie person, I think like a techie.

Rohit Balakrishnan: Sure Sir. That is it from my side. Thank you.

Moderator: Thank you. We take the next question from the line of Parimal Mithani, an Individual Investor. Please go ahead.

Parimal Mithani: Sir I wanted to know regarding the impairment it is just one time or we are going to have more impairment costs going forward?

Rajesh Ghonasgi: That is an accounting question I will answer. The impairment was in relation to an investment we had done in a company called Wigilant where we were helping them grow, security system for mobile networks, unfortunately about a year plus ago when there was a severe pressure in terms of valuation, they wanted financing and we said this is as much as we can do, we could not get financing because the market was in a difficult condition, we just took a hard decision then. The only other investment that we have is Smartalyse, which is more directly linked to our business, and we do not expect impairments as such to come through.

Parimal Mithani: Sir you had an impairment regarding one of your subsidiaries also right in this quarter?

Rajesh Ghonasgi: Yes but then that is the standalone. In consolidated, it does not show up at all because you already booked the losses. It is very simple since they were making losses, in the consolidated over the last three years all of that has been consolidated and shown which means the loss driven factor. Because of Ind-AS rules in the individual standalone balance sheet we have to show that. Now if you see the accounting entries you will find that that has no impact in consolidated because the so-called bad news has come in now has already been factored in quarter on quarter on quarter.

Parimal Mithani: Thank you Sir.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management of Quick Heal Technologies for closing comments.

Vijay Mhaskar: Thanks. This is Vijay. Thanks for joining. It was good interaction. As we said we are seeing stabilizing retail and getting into the growth again, single digit growth, strong enterprise and government and mobile should pick up in next couple of years as the demand picks upon mobility we should have a good place there. UTM again should be picking up in later this year and we are investing into couple of more products that that we will be launching, so overall a promising outlook. Thank you all.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Edelweiss Investment Research that concludes this conference. Thank you for joining us. You may now disconnect your lines.