"SecureKloud Technologies Limited Q2 FY22 Results Conference Call"

November 15, 2021

MANAGEMENT: **MR. SURESH VENKATACHARI - CEO OF SECUREKLOUD TECHNOLOGIES LIMITED**
MR. RAVICHANDRAN S - WHOLE TIME DIRECTOR, SECUREKLOUD TECHNOLOGIES LIMITED
MR. THYAGARAJAN R. - CHIEF FINANCIAL OFFICER, SECUREKLOUD TECHNOLOGIES LIMITED

MODERATOR: **MR. VASTUPAL SHAH – KIRIN ADVISORS PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY22 Results Conference Call of SecureKloud Technologies Limited hosted by Kirin Advisors Private Limited.

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 the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vastupal Shah from Kirin Advisors Private Limited. Thank you and over to you, sir.

Vastupal Shah: Good afternoon everyone. I would like to welcome Mr. Suresh Venkatachari - CEO of SecureKloud Technologies Limited, Mr. Ravichandran S - Whole Time Director of the Company, and Mr. Thyagarajan R. - Chief Financial Officer of the Company. Mr. Suresh, over to you, Sir.

Suresh Venkatachari: Good afternoon, everyone. Thank you all for joining us on the Q2 Earnings Calls. I would thank all our employees, investors, stakeholders and partners, who have been our pillar of support through these years.

As promised to our investor and stakeholders, we listed our step-down subsidiary Healthcare Triangle (HCTI) on NASDAQ. This is a path-breaking moment in our corporate journey, as we are one among the five to six technology companies from India to list in the U.S. markets and testimony to the dedication and commitment demonstrated by the employees, the management, the Board of Directors.

I am also happy to share that your company has advancement to Google Cloud Premier Partner status, based on its success in building, deploying, and managing Google Cloud solutions for the regulated healthcare and life sciences organizations and building massive data analytics platforms on Google Cloud's highly scalable and reliable infrastructure. Our healthcare solution offerings are listed on Google Cloud Marketplace and enable Healthcare Triangle to offer a practical and cost-effective way for healthcare and life sciences organizations to deliver on the data strategy with a state-of-the-art AI, ML Advanced Analytics. With our size, we are the only one Company which has premier partnerships with both Amazon Web Services and Google Cloud and also Microsoft as a Gold Cloud Platform.

Our client acquisitions were strong across all revenue segments in this quarter with a clear shift from one-time to recurring revenue model. We expect our revenue growth acceleration and profit margin expansion in the coming two to three quarters. Even though our revenues are flat between the last two quarters, we are witnessing a strong pipeline and have filed nearly over $8 million of annual revenues in Q3, which will be executed in the coming quarters. The revenue was flat mainly because we shifted from one-time to managed services and platform revenue model.

We continue to invest in ongoing talent development to build the workforce of the future, in research and innovation and intellectual property. Our aim is to build a sustainable and profitable business that will continue to create and deliver value for all our stakeholders in the long term. With our move to a simple customer centric operating model and as an organization, we can make substantial progress on our leadership transformation. I have maintained in our previous interaction, investing in high performance talent will be a critical success factor. We are invested in building a contemporary and diverse leadership team, including client-facing global account executives, and recently announced the hiring of VP for Client Success as well as VP for Cloud Technology delivery in the U.S. to be close to the customers.

Lastly, we have vaccinated 80% of our employees fully and 90% have received at least one dose. Fully vaccinated employees have started coming to work two to three times a week. We have invested in new corporate office in Chennai. And will be moving to the new location in the next couple of weeks. We are looking forward to start bringing all vaccinated employees back to the workplace towards the beginning of next calendar year.

On the note, let me hand over to Ravi, for his comments.

S. Ravi Chandran: Good afternoon, everyone. We laid out about 18 months ago the strategy of exclusive focus on platforms growing our recurring revenue and investing in high growth value-added business which is core to our philosophy. Today I am happy to share that we have been able to accomplish these by allowing our team to focus on our clients, simplify the operating model and reinforce our internal processes. We have redefined our ambition and focused on where we felt we wanted to work with our clients and be their partner in the transformation. And this is what we have been doing day after day successfully.

Technology optimization has been an ongoing theme with many of our customers who are looking to free up resources and commit investment to support their digital transformation program. The scarcity of talent and the speed of transformation is fueling demand for over services across all industries. Our Cloud transformation adoption, business transformation continue to be the big drivers of growth. These multi-Cloud transformation journeys typically begin with cloud migration, application modernization and scale up to manage supporting. Through technology enabled business transformation, we have been playing an impactful role in helping enterprises realize their growth aspirations.

The demand environment is strong, and it is likely to continue to be strong in the short to medium term. I would like to share with you some of the key highlights this quarter. All of our existing customers renewed their yearly contract with some of them moving to multiyear contract. Our flagship, Readable.ai is continuing to gain traction in the market with one more customer signing up for a pilot.

Our Disaster Recovery as a Service and Meditech are gaining footholds with one of the customers signing up for a multiyear contract. Increased footprint in other verticals with a major U.S. logistics company signing up a multiyear Azure Managed Services contract. On the

Blockchain front we launched plug-and-play (BaaS) or Blockchain-as-a-Service platform on our Blockedge for automotive industry, the U.S. UK, Europe and India market. We partnered with MOBI a global automobile consortium for promoting and adopting our Blockedge as the preferred platform.

We are working on a track and trace pilot with one of the large pharma companies for ensuring supply chain efficiency, to stop counterfeit of drugs in the market. We are also working very closely with some of the statutory bodies and the Government in India both at the Centre and the State. And as we speak, we are part of a consortium for the Tamil Nadu Government for launching their patient population health record initiative.

From a partnership perspective, Suresh already talked about being a Premier Partner for GCP or Google. We have continued to have our Premier AWS status, Premier Partnership status renewed and our Gold partnership with Microsoft.

A leading Remote Patient Monitoring service provider leverage our DataEZ platform to offer continuous and personalized healthcare service to ageing population in the U.S. So, this is a very interesting service that we are providing through the leading hospital there. So, there is close to about 80 million people,in the age population category, and they need remote monitoring. And they are willing to spend some money while saving on travel and other things. So, we expect that market to be about $2 billion and even if the infrastructure spend on that is likely to be about 3% to 4%. We are looking at a very huge addressable market for our services.

There is a buoyancy in the job market in India as you are all aware, and we are witnessing companies hiring at exorbitant salary hikes. However, we are disciplined on our hiring front and continue to invest in customer facing high impacting roles.

With that, let me hand over to Thyagarajan for his comments on the financials. Over to you, Thyagarajan.

R. Thyagarajan: Good afternoon friends, we reported the revenues of Rs. 87 crores in the quarter. This was lower compared to what we reported in Q2 FY21. In terms of the segments Life Science revenues decreased by Rs. 8.8 crores or 17%. Life Science came in at Rs. 43 crores for Q2, as compared to Rs. 52 crores for the previous quarter in FY20. Healthcare revenues increased by Rs. 2.1 crores and ICD revenues increased by Rs. 4.7 crores.

The revenue drop as Suresh articulated earlier is mainly due to the shift in customers moving from a Software-as-a-Service one-time revenue to more of a recurring revenue, managed service and platform service. Our overall recurring revenues in the quarter came in at 39% as compared to 36.9% in Q1.

If you recall, four, five quarters back we as an aspiration took a target to get to the recurring revenues for about 73% in the next three to four years. We are on target, I am happy to share that, from early 20s about four or five quarters back we have moved to close to 40% now. Our belief is as we get more customers signing off on multiyear managed service contracts and platform contracts, our recurring revenues, as a percentage of overall revenues can inch up to about 70% over the next three to four years. This clearly shows that the growth has been encouraging and also demonstrates the progress that we are making towards achieving long term operating model.

In terms of the overall gross margins in Q2, our gross margins came in at 26.3%. This was majorly impacted due to high outsourcing costs in the U.S. Since the travel restrictions have continued through the year we anticipate the margins to be in the same range between 26% to 28% in the next quarter, which is the coming quarter, which is Q3. But over the next three to four quarters, we believe that the margins will inch up once we move more into the recurring and platform margins. So, our aspiration from a gross margin perspective is over the next three to four years, we will get close to about 50% gross margin for the overall business.

In terms of the overall OPEX, we reported Rs. 106 crores of OPEX in the quarter. The OPEX was mainly high due to the following reasons one, we incrementally committed to close to Rs. 9 crores in R&D investments. The R&D investments were mainly committed to make our SaaS platform list on the AWS and Google Marketplace. We have kind of peaked out our R&D spends. We expect the R&D to go down both in dollar terms as well as in percentage. And over the next two to three quarters, we think the R&D from a percentage will get to about 9% to 10% of revenues.

In the quarter, we also additionally committed Rs. 1.5 crores towards building a solid sales pipeline. Suresh mentioned about it, right, we have already seen close to $8 million of new contract signed up in the quarter. And we anticipate revenue acceleration to happen in the next two to three quarters. As we continue to invest in sales and marketing.

There was also an additional one-time expense of Rs. 5 crores towards Stock-Based Compensation and ESOP and certain pre-IPO expenses in the step-down subsidiary HCTI. From an overall gross debt perspective, we were Rs. 140 crores in March ‘21 which has come to about Rs. 100 crores in October ‘21 on conversion of the notes we carried a debt of around Rs. 31 crores in March that has been converted, major portion of that has been converted to equity. We repaid Rs. 3 crores of the debt subsequent to customer, right. And also part paid one of the promoter loans in India. So, the cash provision of the company improved from Rs. 34 crores in March ‘21 to close to Rs. 70 crores in October ‘21. Therefore, the net debts got reduced from Rs. 105 crores in March to Rs. 30 crores, in October ‘21.

We are focused on repayment of the promoter loan. And we believe that over the next three to four quarters there will be a significant reduction in the overall interest cost of the company. With that I would like to open the floor for Q&A. Over to you, Vastupal.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the Question-and-Answer session. The first question is from the line of Aniket Dogra from Centrum Broking. Please go ahead.

Aniket Dogra: Suresh, sir, I have a question for you. About two quarters back in the call, we mentioned that, the hospital revenues will start coming from the 2nd Quarter onwards. But I think there has not been much significant progress on that. I was just wanting to know, when can we see some growth in revenue organically when can we see some growth in revenue coming, because expenditures are being remaining constant. We are not seeing revenue growth coming in to the company.

Suresh Venkatachari: So, as we explained in our earlier speech, right. So, the healthcare hospital has been increasing, we see a significant increase in this quarter actually, that is actually Q3. Until the 40 days, we have already clocked $8 million, out of that about close to $4.2 million revenue from healthcare new orders we have signed. And we are seeing traction coming in, in terms of revenue.

The reason, the flat revenue, as you mentioned is because we are shifting from one-time into more recurring revenue. If you really look at it on the Healthcare Triangle, it used to be like a 23% recurring revenue two years back and now we are across about 55% revenue in recurring revenue. So, which is basically multiyear contracts.

When you change your revenue model from one-time to recurring revenue, because one-time revenue, we sign a big order and executed on a time and material basis or a fixed price. When we do recurring revenue, the entire revenue sum up by over a period of time. But you will be seeing a growth. We also believe in the next two to three quarters, you will see a steep increase because we have already invested substantially. And with the listing is over now, it would help us to grow more organically, revenues actually.

Aniket Dogra: Another thing on the investments on the platform side, I presume like in the presentation, it was mentioned that now, the R&D expenses have been peaked now and we can see further reduction to around 8% to 9% of revenue kind of levels. So, that was mentioned in the presentation. So, when can we see this drop coming, would it be gradual or be from next quarter onward this 10% R&D.

Suresh Venkatachari: Yes, so that 8% to 10% will happen by, not later than I think by Q1, 2022. But you will see this from the peak, actually even this quarter, it would be reduced and also next quarter, it will substantially go down, because this is the peak because we have done all the platforms are now put in the marketplace. That's what you see that peak, it's basically a conversion of an entire into SaaS model.

Our goal is to be always kept under 8% to 9% of the revenue. So, which means actually two things you have to look at it 1) Our revenue will grow substantially higher compared to the current quarters. 2) And we will control the R&D expenditure between 8% to 10%, that's what even our next year Annual Operating Plan we are working on, because in the U.S., we do a Jan to December Annual Operating Plan for Healthcare Triangle and everything we are keeping in the bucket of 8% to 10%.

Aniket Dogra: Can you please correct me if I am wrong, sir, so, what happens is that R&D expenses will gradually come down, revenues will gradually start going up and the margins will increase because there will not be much significant investment in R&D. So, cost structure will remain the same so if revenue goes up, market starts going up. Am I right? Am I thinking correctly?

Suresh Venkatachari: You have understood correctly.

Aniket Dogra: Can you throw some more light on your Blockchain business as in any new orders coming from that or any significant new orders from the other non-Blockchain business?

Suresh Venkatachari: So, on the Blockchain side we are already kind of part of a consortium with one of the automobile, MOBI. And we have started executing POCs. And we are also strengthening our Blockchain team. In fact, we will be making an announcement, we are hiring a senior leader to our Blockchain team. So, we are seeing a traction.

And as Ravi mentioned, there are also a lot of opportunities currently we are pursuing with both Indian and U.S. Government as well, on the Blockchain initiatives. So, Blockchain is the growth angle where we anticipate, it's going to be our next level of growth will happen. But again, Blockchain will not be bringing in significant revenue immediately right, because evenly if you really look at a lot of global Blockchain solutions company the revenues are less than $10 to $15 million revenue scale actually. But however, it will increase over a period of time in the Blockchain. But Blockchain will be a very anchor solution for our business and when we land in the government business, it will be very sizable contract very large contracts what we are envisioning in both in the U.S. as well as an Indian Government.

And non-Blockchain orders we got couple of orders this quarter actually. We are expanding lot of ICT opportunities and the Blockchain is really not only looking at healthcare, it is also looking at automobile supply chain industry.

Aniket Dogra: Still our TCV is around Rs. 350 crores approximately or it has reduced or something, total contract value?

Suresh Venkatachari: It has been increased, it is constantly increasing because the only thing is right, the contract value because we are recognizing over a period of time, it's recognizing over multiple quarters.

Aniket Dogra: So, it keeps on coming down, but it keeps on going up because new contracts keep coming in. So, it is around Rs. 350 crore to Rs 370 crore approximately.

Suresh Venkatachari: Yes, actually, if you really look at it this quarter, that's what we mentioned, right. Within the 40 days, we signed additional $8 million business, which is approximately close to Rs. 50 crores or Rs. 55 crores business, which will be recognized over multiple quarters.

Aniket Dogra: So, Mr. Thyagarajan another question for you. I have seen that in the balance sheet actually, goodwill still stands at around Rs. 128 crores. So, assuming that the policy of writing off goodwill is there, so, how many quarters it will take actually to write this down or because I think the investment in R&D is over, or not over exactly, I will say, but it has been peak. So, I presume that most of it will be written down over coming quarters. Am I correct? So, I was wondering that, what can we assume in terms of every quarter write-off on the goodwill side?

R Thyagarajan: So, two things, Aniket. One is the goodwill that is there in the balance sheet is goodwill that we acquired through acquisition of a couple of the subsidiaries Cornerstone and a few other subsidiaries in SecureKloud Inc. right, this has nothing to do with our R&D. So, all the platform development, R&D is actually charged to the P&L.

So, I thought you were asking, are we going to test for requirement, yes, goodwill testing will be done at the end of every year. So, since, majority of the goodwill that we are carrying, the book is relating to the HCTI's acquisition of Cornerstone, it will stand yet right now. So, there isn't going to be any impairment of goodwill anticipated in the next six to eight months. But, we will look at it maybe over the next, three to four quarters if there is a need for an impairment testing to be done. But what I can assure you is, it's not going to, it's a non-cash item, it's just a balance sheet moment, right, which will flow through the P&L, but yet, it's nothing to do with operations.

Aniket Dogra: Now that we are debt free, so any plans of giving dividend or any changes in the dividend policy?

R. Thyagarajan: I think, we have mentioned this many times, that first and foremost, we want to reduce the debt. We currently have close to Rs. 40 crore to Rs. 45 crores of the promoter debt in the India standalone balance sheet. Over the next three to four quarters, it is stated objective that we will reduce it completely. And you will already start seeing the interest cost coming down in the standalone P&L. You know the dividend if any can be declared only through the standalone profits.

The first objective is one reduce the debt in addition to that, Ravi and team are already focusing on growing the India business. Ravi briefly spoke about Government opportunities in India. In addition to that, we are looking at geographical expansion in the Middle East and Asia Pacific market. So, this next two to three years, the plan is to grow India substantially from the current $5.5 million to $6 million of revenue, we think we can achieve $20 million to $30 million in the next two to three years. Once that is done, added to that the reduction of debt, India, we will start throwing a lot of cash back into the balance sheet. So, that will be the time to start paying dividend. I don't have a timeframe of it, but you are right the objective is one become debt free, reduce the interest costs that we are paying to banks and others right now, and then use the money to start repaying shareholders.

Aniket Dogra: Mr. Thyagarajan, if I am thinking correctly. What will be the inflection point of the recurring business and cash flows, because what I think is that, now that we are nearing 40%, what will be the threshold where the revenue start growing at a higher rate and company starts generating cash at what threshold will be that recurring revenue percentage?

R. Thyagarajan: So, I think, this question, let me break it into two parts, one, what is the mix of revenue because the recurring revenue, the revenue mix is also equally important. I think, see, if you look at the R&D spends why did we say we don't, we are not going to spend any incremental R&D going forward, Rs. 18 crores what is the maximum we have already committed. As the R&D and the platform start paying, platforms typically come with a significantly high gross margins. So, if you look at the margin mix, our software services typically are in the early 20s, managed services, early 30s and platform as of now is about 60%.

So, our objective is to drive platform revenues, because the current gross margin mix of 26.3% I spoke about earlier. We think, with the incremental, managed services and platform business, this can inch up to about 35% in the next three to four quarters, and then eventually get to about 50% in the next three to four years. So, you can work the math backwards, the gross margin mix of 50% and a standard OPEX of about 30% which is what software companies of our size and revenue and rate are at. So, we are estimating an EBITDA margin of around 20% and then with the very little debt in the books or practically zero debt, we will have a significant margin expansion going into PBT, and that is the time when we will start paying dividends. The inflection point for that would be anywhere between 18 to 24 months.

Moderator: Thank you. The next question is from the line of Milind Trivedi, an individual investor. Please go ahead.

Milind Trivedi: My question is with respect to, there was a mentioned in investor presentation that because of HCTI IPO the debt has been reduced by Rs. 100 crores. So, when I was going through the prospectus of IPO of HCTI, it was mentioned, it's a debt free company. So, I am just wondering, can we use a fundraise base for HCTI to pay the debt of SecureKloud, don't we require approval from their shareholders?

R. Thyagarajan: Just let me reiterate, HCTI is a debt free company, but HCTI receives services from SecureKloud Inc. and internally Indian employees are working on HCTI projects. So, the AR that India needs to receive has been received from HCTI, we work on a transfer price from India when engineering folks work on HCTI projects we bill them at cost plus margin. So, that AR is being settled like any other commercial transaction between two entities. So, this is an arm's length transaction that is perfectly allowed. The debt retirement has happened in the standalone India books whilst the AR which is in the standalone India books has been paid for a commercial entity. It's a perfectly accepted legal transactions.

Milind Trivedi: I have one concern or I would say since last two years though we have changed our revenue model. I can see the revenue has been flat, like if you see March ’20 and ‘21, we have seen around Rs. 350 crores of revenue. But our sales and marketing team has increased by, I think it’s almost doubled in March ‘21. So, that makes me to think that our products are not solving customer’s problems. So, is it kind of any insight can you provide, like have we done any market research so that, like we ensure we enhance work product that will solve customer’s problems. And how much, like confident our sales teams and management is there in future, there will be increase in the revenue?

Suresh Venkatachari: I think we explained to you very clearly, Milind, revenue shift from software services into a recurring revenue model. So, if you really look at it our overall SecureKloud recurring revenue is now around 40%, compared to 10%, few years back. So, when you recognize it is not about, see we are winning our business, if you really look at it, our segment of revenue, we are winning revenues in the managed services, and in the platform services, which are actually what we have invested in R&D and everything.

I understand your concern that the revenues are pretty flat, that's what we also mentioned. You will see the revenue growth, acceleration will be happening because when you change the revenue, actually, it will dip significantly from a one-time because one-time contracts will execute within a limited period of months whereas now the contracts are executed over a multiyear. So, it gives us a number one big advantage is the stickiness with the customer. It is no more like short term contracts.

The second thing, it's a multiyear contract where we are able to upsell and cross-sell. So, that is what it is happening now in our overall growth plans. We are beginning to see good traction, and we would able to see our revenue growth in the next two to three quarters as we mentioned. And that is our benchmark what we have kept. We have hired a good number of sales people over the last 18 months. Obviously, the sales people, it's a lot of trial and error, you would see it is not all the salespeople will produce the best results. But however, we are training them and putting them into because some of them are producing exceptional results, some of them are in the difficult, basically they are trying to understand our offering and solution and sell. So, we are constantly improving our sales and marketing.

And recently we partnered with AWS and IDG on a DataEZ campaign. So, we generated about 270 leads out of that from Europe or North America, which is a new opportunities for us potentially for a DataEZ opportunity. So, the conversion will take a time. And it's the enterprise sales cycles are typically between six to nine months or 12 months; it is not a smaller sales cycle. And as we now deploy our platforms in the marketplace, the sales cycle will be considerably reduced maybe a three months period so because they can able to subscribe automatically. So, with that I think, Milind things will improve. We understand your concern, we appreciate your concern. And you will see an improvement happen over a period of time. Thank you.

Milind Trivedi: And last question I have is, what will we be like what is our revenue split in the geographical wise, so how much is coming from U.S.? How much from APEC and how much for India ?

Suresh Venkatachari: Currently our revenues are majority 90% of the revenue coming from the U.S., because of the COVID we couldn't able to expand significantly in other markets. Now the COVID is getting controlled, we will be expanding into APEC as well as in Europe market. In Europe, we are working out a couple of major deals, opportunities along with the AWS on Meditech right now.

Moderator: Thank you. The next question is from the line of Amit Agarwal, an individual investor. Please go ahead.

Amit Agarwal: So, because the NASDAQ IPO hasn't gone too well, initially, we were thinking of reason Rs. 350 crore and we ended up raising Rs. 100 crores. So, what is the future expectation for the further private placement from Blockedge ?

Suresh Venkatachari: Okay, so let me let me clarify on the Healthcare Triangle. Yes, we were originally planning to raise about $20 to $25 million, which includes paying off convertible notes. But actually, what we do this because our convertible shareholders are converted to equity, we have done about a $13 million, we still have a $2 million Greenshoe, $15 million plus about $4 million, $19 million overall we have got. So, that is sufficient because we do not want to do a dilution at this early stage. So, that's the reason we have reduced that actually. And we will raise the money further if required, because there is a lot of, being a different NASDAQ, which is very, very big advantageous stuff, ability to for us to do a further fundraise or debt combination, it is much more easier in the U.S. market at a very cost effective. So, we want to have a lesser dilution, that's the reason we have done.

Coming to Blockedge, we are in the process of raising capital for Blockedge actually separately. Blockedge is a Blockchain is one of the very hot market at this time and it has the potential even to scale to a billion-dollar opportunity market size, right everywhere you are seeing there is large traction. And our platforms are very key further and we are seeing a good amount of customer opportunities, the dialogues what we do, it is not that we have win major contracts, but some of the POCs, Proof of Concept happening, pilots happening and lot of inquiries are coming in where we see a huge traction is happening. And with the sufficient funds raise in the private market now, if we get a convertible note model we are going to raise initially for the Blockedge and later go into the IPO model. So, really looking at Blockedge will accelerate and again Healthcare Triangle will accelerate and you will see traction --

Amit Agarwal: That’s okay, but do you expect anything in the immediate future. Like the shareholders have already given approval for the further raising of the money in the new companies, Blockedge and SecureKloud USA.

Suresh Venkatachari: Correct, you will be seeing some action in the Blockedge soon. Yes, that's right. We are working on it right now.

Amit Agarwal: The next three months do you hope to do some closing of the placement.

Suresh Venkatachari: I cannot commit the timeframe, but we are now restructuring the capital structure and putting the term sheet documents and everything.

Amit Agarwal: My second question is regarding; my observation has been that the all the peer companies have apply for patents or they are already holding some patents for their products. But our company keeps, there is no mention about the patents we hold or we are applying for any patents.

Suresh Venkatachari: SecureKloud currently has a patent, actually, we have a patent on our MISP platform, which is the integration between all the multi-identity domain platform we have. But we are the pipelines to build, see basically the platform, any patent would take about at least three to five years for adding the things. So, we are constantly looking at different solutions to be patented. For the Blockchain we are currently considering one kind of work patent actually. And again on the DataEZ we are looking at another patent. So, these are two patents we are currently in the progress.

Amit Agarwal: But right now we are not holding any patent right from, right.

Suresh Venkatachari: No we have only one pattern currently under SecureKloud.

Amit Agarwal: And my last question is regarding Blockchain. As of now how many deals we have, and what is ticket size of each Blockchain project right now?

Suresh Venkatachari: We have about currently three to four POCs are going on, which could be a very large transaction driven model currently. We do not have any large contracts at this stage.

Amit Agarwal: Not even minor ones, the small one which we are already executing?

Suresh Venkatachari: No, of course small contacts we have a revenue stream coming in, right we are close to about $2 million revenue stream in the Blockedge.

Amit Agarwal: Per quarter or that is in the annual thing?

Suresh Venkatachari: Annual.

Amit Agarwal: My last question is regarding Readable.ai, how many clients we have in that project and what is the ticket size for the particular product?

Suresh Venkatachari: Basically it is the volume transaction, see typical small customers will have over 20,000 records and large customers will have over 200,000 patient records coming in a month. It's based on the volume and pricing, I can't disclose the pricing on openly in the customer here. So, we have about a three customers and about nine pilots.

Amit Agarwal: So, like, do you think it is a viable product?

Suresh Venkatachari: Yes, it is, it can scale right now, it started scaling up because Readable.ai is now fully deployed in Google and it is started working, very well. And we integrated with multiple EHRs right now. So, it is enhancing, the opportunities are enhancing. The volumes are coming and a very important thing, I do not know, Readable.ai today address from a normal valuable thing of about 70% odd percentage accuracy to now over 90% to 95% accuracy model what we are arriving. And it is supporting various different formats. And what happened is we are also learning, deploying a different hospital to hospital, the model for enhancing significantly, actually our model gets matured the data model. What we mean is that it's all driven by Artificial Intelligence, Machine Learning technology, right as the model gets matured, system learns by itself. So, then we can able to handle even a very large group medical records. And if you really look at it still a significant amount of patient records are coming in a piece of paper today. And we are seeing the Readable.ai application can be even deployed in other industries also that there is a lot of manual paperwork is there actually. We are seeing an opportunity. But as the model reach the different things it learns by itself and do. So, we are seeing a lot of inquiry coming in Readable.ai right now.

Amit Agarwal: My question is regarding if the client is interested in the Readable.ai, do we need our people to execute the product for the client or we can just download the product and technical terms be like, because anything, which is automatic and scalable, otherwise we need our team to push the sales?

Suresh Venkatachari: No, there is a two things you have to understand, Readable.ai does not require people to be there integrating like typical software services. Somebody has to do Readable.ai. You need about a 90% of your people time you need in it. In the Readable.ai you need only 10% of people intervention is needed to setup initially.

Amit Agarwal: Still you needed 10%, and some people do the final placement.

Suresh Venkatachari: The reason is very simple, you need only 10% of people you need that without that you can't do because all HIPAA regulations and everything it goes through. So, you need to ensure that there is no data is compromised for you and the customers. So, that is one only you do set it up, but the entire data model it's all Artificial Intelligence Machine Learning.

Amit Agarwal: But are you right now targeting the USA market only or are we targeting the entire world like because then you need people to execute the production Australia, Europe.

Suresh Venkatachari: We are currently only looking at the U.S. market at this stage. This platform is ready but we are only U.S. market has significant amount of hospitals, see we have as of now have about 2400 hospitals in Meditech implemented and about 500 to 600 hospitals in the EPIC chain are in funnel. So, we can able to have a huge opportunity in the U.S. itself which can process huge volume. And we are looking at some Canadian Government because Canadian Government is runs health institutions where we are also looking at opportunities for Readable.ai.

Participant: What is the breakup of total employers, how many are placed in India and how many are placed in USA right now?

R. Thyagarajan: Okay, so we have around 330 employees in India.

Participant: And the rest in America?

R. Thyagarajan: Yes.

Moderator: Thank you. The next question is on the line of Harsh Barai an individual investor. Please go ahead.

Harsh Barai: I just wanted to understand one thing, these platforms and products that we have the CloudEZ the DataEZ the Readable.ai, Blockchain etc. how is it different from what our competitors offer? And is it possible for us to get, multiple $5 million $10 million contracts so that the concerns that we have on revenue visibility goes away and the business starts throwing a lot of cash flows.

Suresh Venkatachari: So, each platforms are very different, you asked a very large question Harish, actually. Readable,ai is all volume based, if the hospital handles 200,000 or 300,000 records monthly it will be like, you are processing about 3.6 million records. So, this can even grow, even if we charge, I can't disclose the charge right now, it can be able to bring a multi-million dollar opportunity.

Similarly, DataEZ pipelines which are very strong. When we built a DataEZ for customers, our average contract was around $2 to $3 million what we do, but when we do annuity recurring revenue stream, it will go from anywhere from $300,000 to $650,000 annually from a customer, because they will be signing up for multi-year and this is for only one data pipeline and they start adding additional data pipeline, they will be spending money. So, the growth factor will come in over a period of time as the adoptions getting higher. Software services, see if we are only focusing on software services consulting today, our revenue could be much higher, but that will be only leading 25% gross margin and obviously you have pressure on people cost, because people cost is increasing significantly. As you know, every market is adding that, but the platform our dependency on people will be lesser compared to the software services. So, we will see the more bigger contracts coming in. But again, DataEZ or CloudEZ all our subscription model is what we are pushing it.

Harsh Barai: I am just trying to get to one point, is it possible for our company to grow from like, say, let's say $40 million to $300 million in four years, five years, is it possible? Is it scalable? Or is it something that will happen in its own manner, I mean, at a certain rate,

Suresh Venkatachari: Basically, you will see growth, maybe three, four quarters from now, because that's where the peak of the adaption of SaaS platform will go fully. Right now, you are seeing very moderate growth actually or moderate, because we changed model. But yes, our goal is substantially higher, we are not giving a full guidance right now, but we will be giving guidance for NASDAQ in some point in time soon. So, will be able to see what we are seeing, but if you really look at it, our pipeline of orders is very high. So, the conversion rate has to be increased as the other conversion rate increase, then the overall revenue will simply grow.

Harsh Barai: So, basically, you are saying that we differentiate ourselves with the competitors in a major way, is it correct my understanding.

Suresh Venkatachari: Correct.

Moderator: Thank you. The next question is from the line of Aniket Dogra, from Centrum Broking. Please go ahead.

Aniket Dogra: My question was regarding acquisition, is there any acquisition in the pipeline, because I think one or two quarters back we discussed about some acquisition which you are looking at, but since then there has been no announcement or nothing regarding the acquisition also. So, is there anything we are looking at present and what will be the size of the acquisition, if at all there is anything approximately in the pipeline

Suresh Venkatachari: We do not have any firmed-up acquisition at this stage which we have disclosed right. If we have anything we will be disclosing to the exchange actually. Yes, we have acquisition in the cart. That's what even our Healthcare Triangle IPO we had mentioned, the use of proceed is toward acquisition. We are looking at actively looking at a lot of opportunities, we want to see which is our right fit where we can be able to really cross sell and upscale our platforms to those customers, then we will make the acquisition happens. We will keep you posted on that.

Aniket Dogra: And like you mentioned in the previous participant's answer that acquisition or additional fundraise will be through debt funding, right. So, additional fundraising, if any required for any anything that will be more of debt raising, right.

Suresh Venkatachari: So, we look at, there's a lot of options open as we listed in NASDAQ company. We consider both debt, if our valuation is at the high price.

Aniket Dogra: Understood.

Moderator: Thank you. The next question is from the line of Milind Trivedi an individual investor. Please go ahead.

Milind Trivedi: Thank you for giving me a chance again. Just one question, post HCTI IPO like how much is the holding of SecureKloud in that subsidiary?

Suresh Venkatachari: Post IPO SecureKloud Inc. hold 73% HCTI.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now have the conference over to Mr. Vastupal Shah for his closing comments.

Vastupal Shah: Thank you everyone, thanks for joining the investor call and we appreciate your time. Thank you.

Moderator: Thank you, ladies and gentlemen on behalf of Kirin Advisors Private Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.