"SecureKloud Technologies Limited Q4 FY22 Earnings Conference Call"

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MODERATOR: **MR. VASTUPAL SHAH-KIRIN ADVISORS**

Moderator: Ladies and gentlemen, good morning and welcome to Q4 FY22 Results Conference Call of SecureKloud Technologies Limited hosted by Kirin Advisors. 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 touch tone phone. Please note that this conference is being recorded. And now hand the conference over to Mr. Vastupal Shah from Kirin Advisors. Thank you, and over to you, sir.

Vastupal Shah: Thank you. Good afternoon, everyone. I would like to welcome Mr. Suresh Venkatachari, Chairman and CEO of SecureKloud Technologies Limited; Mr. Ravi Chandran S, full-time Director of the company and Mr. Thyagarajan R, Chief Financial Officer of the company. Mr. Suresh, over to you, sir.

Suresh Venkatachari: Thank you, Mr. Shah. Good morning, everyone. Thank you all for joining us for the Q4 FY22 earnings call. I am happy to announce that Healthcare Triangle Inc., subsidiary of SecureKloud Technology has obtained HITRUST risk-based certification. It is a testimony to the industry best practice adapted by us for information risk management, compliances and reinforces our commitment on the highest level of security and data protection. This achievement places Healthcare Triangle in an elite group of organizations worldwide that have earned this certification. Roughly only about 100 plus companies have obtained this HITRUST certification. It's a very big milestone in our achievement.

We continue to build on our leadership position in the cloud transformation and are a part of many discussions and initiative with our clients, who are looking for the cloud transformation. We accelerated investment in the last few quarters to strengthen our platform offerings, enhancing our capabilities in our platforms to build our large deal capabilities, and also to acquire top talents across sales and marketing, general and administrative functions. With all the initiatives we see opportunities to engage more closely with the client and capitalize on their cloud and digital transformation journey. Looking ahead to the next phase to further enhance our market share

Moderator: Sorry sir. Sir, we are not able to hear you clearly. Your voice is sounding very muffled.

Suresh Venkatachari: Okay, hold on. Can you able to hear me now?

Moderator: Sir, this is better. Thank you.

Suresh Venkatachari: Looking ahead to the next phase to further enhance our market share on the cloud transformation curve, we plan to expand our capabilities and fully offer our platform and automation mode, which can increase our revenue share, and also decrease our economic surplus. On the note, let me invite Ravi and Thyagarajan to go over various aspects of our performance.

Ravi Chandran S: Thank you, Suresh. And good afternoon, everyone, and thank you for all joining this earning call. Growth for the year was broad based across Healthcare, Life Sciences and ICT. In the Life Sciences' space, clients are driving cloud, digital transformation of clinical trials to reduce cycle time and to accelerate their drug discovery time, in addition to significantly reducing the cost. Significant investment in our technology platform have enhanced our capabilities with respect to how we engage with our clients, and deliver our solution. By leveraging our technology, we believe we can generate more efficiencies in our operating model while improving our ability to help our customers deliver better health outcome for their customers at a lower cost.

Now, let me give you a sense of the kind of deals we are winning. We signed a multi-year blockchain deal on a SaaS based American multinational pharmaceutical company and after our investments in blockedge, this is one of the significant wins that we are quite pleased about. The next one is the major Georgia-based medical center, signing up for Cloud Support and disaster recovery. This customer is going to be using our readable.ai. to convert the document into electronic text. You remember, in the last two - three calls ago, we talked about how the readable.ai. is going to be used in the medical healthcare sector, Monumental being one of our major customers. And currently, as we speak, we are looking at anywhere close to about 2.5 million documents per year being scanned by Monumental Health using a readable.ai platform. And we already signed a deal with Floyd for about 4.5 million documents per year. And we are already talking to another major healthcare provider, and the deal size is likely to be anywhere between 2.5 million to 3 million documents per year. So, gives you see a sense of the readable.ai's capability in terms of scalability.

We are currently we are looking at close to upwards of 10 million documents per year in the pipeline. And this is just three to four hospitals in the U.S. Given that U.S. has close to about 7500 hospitals, it is not an underestimate to look at anywhere between 250 million to 300 million documents to be scanned using readable.ai. per year. So, we are very bullish about readable.ai's capabilities and the way that we are positioning it in the market for scanning the documents and then charging them by the document, we believe there is a huge potential out there.

So, with that, let me hand over to Thyaga for his comments on financials

Thyagarajan R: Thank you, Ravi. Good morning, everyone. We have navigated another tough year, right in a very challenging environment. For FY22, our overall revenue was INR 379 crore, this was INR 350 crore in FY21. So, it translates to an 8% top line growth. Healthcare and Life Sciences reported INR 266 crore of revenue compared to INR 249 crore in FY21. ICT revenue was INR 113 crore, which reported a growth of 12% year-on-year.

One of the consistent objectives we have spoken about in the previous calls is our focus on continuing to grow the recurring revenues. I'm happy to share that over the last five, six quarters we've increased our recurring revenue share from 30% to nearly 41% this quarter. And it also kind of emphasizes the kinds of deals that we are seeing in the pipeline. Most of the deals we are seeing are all customers with multi-year deals. Ravi briefly spoke about readable.ai, these deals are all two - three-year deals with significant uptake on readable documentation.

In Q4, our revenues came in at INR 106.5 crore, compared to INR 95 crore in Q3. Healthcare and Life Sciences increased by INR 19 crore, and reported INR 81 crore compared to INR 61 crore in Q3. ICT revenue decreased by INR 8.4 crore, this was due to one-off revenue in Q3. The normalized revenue for Q4 was INR 25 crore compared to the INR 33 crore in Q3. Gross margins in Q4 came in at 22% compared to 26% in Q3. Gross margins were impacted in Q4, mainly due to high on-site delivery costs in our Healthcare business.

As a management, we have identified certain critical tasks and are taking steps to move some of the delivery activities to India and reduce the dependence on onsite delivery cost. We believe that our ideal delivery mix is going to be 60% of jobs delivered from U.S. and 40% from India. We believe over the next seven to eight quarters, we can move the gross margins from the current early 20%s to about 40%, with a significant share of margins coming from India. So, one of the first steps we are doing is, we have identified some tasks, given the jobs to the respective heads to manage the transition, and we will see the first actions coming in from Q2 of this year.

Operating expenses for the year was INR 462 crore. This was high due to the following reasons. R&D expenses doubled, R&D this year came in at INR 50 crore. We've spoken earlier as well. A lot of the money was spent towards taking most of the platforms to the marketplace and getting readable.ai ready to be taken to the market. R&D spends currently are 13% of revenue. We have plans to scale down our R&D significantly over the next two to three quarters. We believe that the right run rate for R&D from dollar value perspective will be around INR 5 crore quarterly, approximately 4% of our revenues for the year.

Our investment in S&M and GA doubled from INR 59 crore in FY21 to above INR 128 crore in FY22. Opex for the year included one-time IPO related expenses of about INR 16 crore and stock compensation of about INR 8 crore, which won't be there in FY23. During the year, we added about 250 employees, including some trainees in India. Most of them are Graduate Engineer Trainees. Our attrition is also quite high. We want to keep the curve moving and to keep replacing some of the high paying jobs with freshers, put them on training for a solid three to six months period and then put them on projects. So that is a strategy that we're adopting and making sure that that the resources are ready for getting deployed in the projects. During the year, we repaid the promoter loan of about INR 11 crore. Our overall debt position in the company is INR 91 crore.

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 the question-and-answer session. First question is from the line of Aniket D from Centrum Broking. Please go ahead.

Aniket D: Good morning team SecureKloud. I have first question for Mr. Thyagarajan. Good morning. Sir, you started your conversation with saying that it has been a challenging year for the company, but incidentally for the other IT companies it has been kind of the best year in probably the decade, for other Indian IT companies. So, it was kind of a very different remark you started with. Sir, my first question is on the financials. Why has this other financial liability increased from INR 26 crore to INR 51 crore? What is that actually?

Thyagarajan R: The other financial liability includes the contingent consideration, sir. If you recall, we did the acquisition of DevCool. It's got an upfront cash payment and deferred payouts. So, that is about INR 17 crore. So, that's one large amount that is sitting there. Second is that some amount of salary payable in the U.S. as of 31st of March which got paid I think on 1st of April. So, that is part of the other financial liabilities, sir.

Aniket D: So, that means this is part of the DevCool acquisition costs which has to be paid, correct? If I understand right?

Thyagarajan R: Yes. It is in consideration, sir. So, depending on how the DevCool management team delivers. They have signed up on some revenue targets. So, depending on how they perform the contingent consideration will be paid over the next two years, sir.

Aniket D: Okay. So, sir, second question was, which you kind of mentioned during your talk regarding the intangibles, sir, the goodwill and intangibles increased on INR 30 crore to INR 66 crore and right of use asset which is also part of that increase from INR 50 lakh to INR 5.5 crore. So, this is the part which you mentioned about the platform's going into the marketplace. Is that part of that?

Thyagarajan R: No sir. This is part of the DevCool acquisition. If you remember, DevCool, when we acquired the asset, there was a lot of this customer related intangibles, which is classified here. We don't capitalize any platform related cost. All the platform related cost is reported as R&D. So, this is only the DevCool related items that is sitting in the other intangibles, sir.

Aniket D: And you plan to like, monitor, write it off at a certain percentage over the next few years or maybe a few quarters?

Thyagarajan R: Yes. Correct. So, just for instance, the INR 28 crore you mentioned about last year, moving up towards INR 66 crore, the INR 38 crore net increase, INR 45 crore is just from the DevCool acquisition. So that is what is contributing it. Yes, as a policy we've clearly stated, we will be writing it off over a period of time. And just to reiterate, again, we don't capitalize any platform related costs, that is what is shown in the P&L as R&D.

Aniket D: Alright. Sir, and I have a question which I had asked in the last conference call as well. So, it is very difficult to understand actually the P&L model because the salary cost is so ballooning right now at INR 400 crore annual salary costs and 800 employees. So, that comes to around INR 50 lakh per employee. So, is it like sustainable or how it is going to be forward because it's not possible to model such high salary costs to come out with any profitability estimate going forward, and it does not look like reducing anytime soon, neither is the revenue scaling up to such an extent that it can give some operating profit? So, just not able to understand, sir. If you can throw some light on the projection going forward?

Thyagarajan R: Okay, so let me address it in two ways. One is that you're right from a run rate perspective or salary costs looks like it is INR 400 crore. First and foremost, for instance, I briefly mentioned in the opening remarks, R&D last year was INR 50 crore, sir. So, this year, we've consciously taken efforts to scale it down. So, if you look at Q4, run rate would only come to INR 9 crore R&D. So, we think that our peak investments are all over in our platforms. So going forward, the R&D cost will go down. So, if you ask me, between FY22 and FY23, we think there'll be a reduction of both, $3.5 million to $4 million best case in R&D spends. We already identified some tasks that have to be performed from India. The results will start kicking in from July onwards, the full impact will come in September, but you will start seeing, first set of results from July results. So, that's point number one.

Second is, a lot of the deliveries is performed in U.S., as I mentioned to you, we had restrictions on various things, COVID impacted a lot of the delivery activities, it's a heavily on site oriented model. So, which is why, as an organization, we've taken efforts to identify tasks that will be performed from Chennai, given the environment that we operate, and we have taken an internal target to change the delivery model from being what it is today, to 60% delivery in U.S. and 40% delivery in Chennai, over the next seven to eight quarters. These are things that, will happen but over a period of time, which is why we hired people in India. All the junior folks we are talking about, got freshers, we understand the challenge the market is facing, we've got pressures, putting them on projects, getting them trained on the technology. All these will start showing results. But your point is noted that INR 400 crore run rate will eventually come down. One by rejigging the delivery model by making tasks delivered out of the shares services in Chennai. And second is, cut down on R&D. R&D spend is something that we've clearly articulated many times. That it's a pedal that we were pressing hard, and then now it's time to take the foot off the pedal. And that will alone bring down the overall cost, the labor rate cost significantly.

Aniket D: Sorry, sir, I didn't understand. Sir, if you're mentioning about the R&D costs, so the R&D costs will be the platform development costs, if I'm not wrong. Some software which you will have proprietary development, all those may be the R&D costs. So, R&D costs will be separate, and the salary costs will be separate, right? Or are you putting those people working in R&D department or developing the software. how do you bifurcate that? I'm not able to understand that.

Thyagarajan R: Let me clarify. Since you started with the employee cost in the P&L, the employee cost also includes salary paid to folks who are working on R&D projects. It is all in the P&L. As I mentioned earlier. So, in the presentation, you will see the management reporting, which has the COGS separately, R&D separately and SG&A separately. All of that is a subset of the INR 100 crore quarterly run rate that you spoke about. So, R&D in the P&L is just sitting in the INR 100 crore. So, R&D is also a lot of 1099 contractors in the US which can be let go off any time. These are contract work and the R&D platform is ready now, so gradually, once the team in Chennai takes it over, you will see the reduction in onsite costs and getting replaced by offshore cost.

Aniket D: Sir, out of 800 employees, how many in Chennai and how many in U.S.? Geographical bifurcation?

Thyagarajan R: We have around 500 employees in Chennai and 300 in the USA.

Aniket D: Okay. So, if you're saying that 60:40, that means 60% development work will happen in U.S. and 40% in India and you have this exactly reversed ratio of employees in Chennai and in U.S. So, how do you mean…?

Thyagarajan R: So, 60% of delivery may not mean 60% of people in Chennai., Sir, what will happen is when I say 60% deliveries, it is from a cost perspective, because some activities yet have to be performed. For instance, if you go for a face-to-face demo in U.S. or requirement gathering etc., the activity has to be performed on site at the client location that can't be performed remotely. But some tasks can be performed remotely. What we have done is that, from an activity perspective, we have taken an initiative to move 40% of any job that is performed in a project to Chennai over a period of time, right. Though it necessarily doesn't mean 60% resources will be in U.S. 60:40 is a share of delivery that's delivered out of onsite location and offshore locations.

Aniket D: Sir, and till when can we see some traction on that happening?

Thyagarajan R: So, I think I've mentioned in my opening remarks that R&D, which is a big chunk of the cost from 13% of revenues what we saw last year will come down to about 4% to 5% in the next year. So that itself was about 7%, 8%. So, you can do the math, right. So, that's one. Second is the offshore-onsite mix, we'll see some action. So currently, our gross margins are 22%, and it's a stated objective, we will inch it up to about 30% in the next 12 to 15 months.

Aniket D: Okay. So, coming to your guidance in the presentation, you mentioned gross margin of 30% and revenue growth of around 18% for next financial year. So sir, pretty muted guidance for a small company of INR 400 crore, because TCS, Infosys, HCL Tech also have guided for not 18% but 12% to 14% revenue, dollar revenue growth for next year. So, sir, and you have only given some guidance on the gross margin level. So, do we expect this kind of INR 100 crore loss next year as well? This kind of huge loss, because there's no guidance on profitability. So, what are the steps taken to get some profitability back in the company?

Thyagarajan R: So, brilliant question. So let me answer it differently. So, 18% is a top line growth. So, if you look at our mix of revenues, our recurring revenues is approximately 40%, 60% is non-recurring revenues. So, our stated objective is we get to a level of about 70% over the next three to four years. So, which means that we have to convert some of the contracts from one-year contract into multi-year contracts, add some managed support from Chennai etc. So, those are initiatives that will kick off over time. That's point number one.

Point number two, which is why 60% of revenue every year has to be sold. I think we also mentioned we have a backlog of around $35 million or about INR 250 crore. So, these are multi-year contracts, majority of them are recurring in nature. But our objective is we have to get to a stage where 80% of revenue is already in the bag when you begin the year. So, I mean, you mentioned the example of Infosys and TCS, all of these guys have between 80% - 85% of revenues in the bag already when you begin the year, whereas for us, it's about 40% - 50%, which is why, there is a heavy dependence on selling every year.

So, one stated objective is, move the recurring revenue business from the current 40% towards 60% - 70%, over the next three to four years. Second objective is, move the gross margins from the current early 20%, to about 30% this year, and then eventually about 40% over the next seven to eight quarters. Right. So, to give a guidance on the number, I think we mentioned about INR 450 crore on top line, which is 18% of INR 380 crore. That, I think is a number that we can deliver from where we see the business today and 30% of gross margin, So that makes it about INR135 crore of gross profits. And R&D, which is the current run rate of about 13%, will come down to about 4% - 5%, sir. So, you can do the math there.

Aniket D: To 15%, right?

Thyagarajan R: So is it not going to be INR 100 crore loss, because losses, as I said was largely contributed because of three or four things, R&D was INR 50 crore in that. So, if you scale it down, from INR50 crore to about half of that, that already goes back into the P&L. Second is a one-time cost of IPO and the related ESOP related costs and all that, is about INR 25 crore - INR 30 crore.

So, in the P&L, the INR 100 crore loss you're talking about, actually includes nearly INR 50 crore of cost, which is one-time cost of INR25 crore of IPO and ESOP related costs, and additional R&D, which we kind of came to the call and mentioned that this year we are going to spend money heavily on R&D. So, R&D will come down, the one-time will cost will not be there. So, from a normalized basis, as the revenue grows from the INR 380 crore today to INR 450 crore - INR 460 crore next year, and the margins improve, that will start flowing into the P&L directly, sir.

And from an overall SG&A perspective, we are going to be flat right. From a run rate perspective, if anything, our SG&A will only go down going forward. R&D will go down. Delivery is obviously project related. We peaked out on investments in R&D, peaked out on SG&A, So, any incremental gross profits you make will go directly into the EBITDA, sir.

Aniket D: So if I'm understanding, 20%, you plan to go to 30%, which will not happen over next quarter, at least. It will happen over 15 months, like you said. So, assuming like 3% incremental margin addition, gross margin addition for one quarter assuming, okay, now, assuming that R&D expense will go down by 5% for the year or maybe 1%. So, it's like only 5%, incremental profitability growth, assuming other things like debt won't increase or there is no further acquisition or anything like that. So, it's not much right. So, any other things which we are looking at or any other?

Thyagarajan R: Okay. So, R&D from a dollar value perspective, 4% to 5% of revenue is a stated objective, which means that, our R&D spend for this year is going to be perhaps half of what we spent last year. That's point number one. So that pretty much, cash goes back in the P&L. That's point number one.

Point number two, gross margins, the current 22%, we already started taking initiatives. So, we're saying the impact of this in the year could be anywhere between 7% to 8%, which is the guidance that we are giving. So, 8% plus 5% - 13% is already there in the P&L. So, all that we have to do is, we have to go and execute it day in and day out. And the other two levers that I spoke about were, keep moving more clients into multi-year contracts, so that, revenue predictability increases, and also sales and marketing cost goes down in the years two and three. So, these are three or four initiatives, which will clearly drive the operational performance to the levels that we anticipate next year delivery.

Aniket D: Okay. So, one suggestion actually, I had, like, sir now you have so many acquisitions, so many different segments, actually, of businesses. Sir, why don't you give a segment-wise results as in Life Sciences or Healthcare and the other segments which you are operating in. Why don't we get some clarity on that because that will help us to understand like, which business is doing better, and some write up or some guidance on each business, like the contract value as per each business, something like that. That will be helpful.

Thyagarajan R: If you notice the slide nine of the presentation, sir, first time we've given the revenue mix by service line. This is something that we report in U.S. for the last two - three quarters. But one investor like you mentioned at the last quarter that why don’t you give this, perhaps it was you sir, I don't recall. So, we gave the revenue mix, but going forward will also give an operational performance where we can look at a segmental reporting if required. That is something that can be done. sir. So, we already do it for U.S, reporting, we can replicate it in India as well.

Aniket D: Thank you. If there is any further question, I'll come back in queue. Thank you.

Thyagarajan R: Thank you, sir.

Moderator: Thank you. The next question from the line of Mr. Milan Trivedi from SecureKloud. Please go ahead. Mr. Trivedi, your line is open.

Milan Trivedi: Yes. Hello, am I audible?

Thyagarajan R: Yes sir. Yes, you are audible.

Milan Trivedi: Yes. Sir, thank you for declaring the result and considering one of the concerns that we raised, if you can declare the result early and not at the last day. I see there is lot of improvement. Thank you for consideration and congratulations for the same. My question is, now we have spending in making our platform services to be ready for SaaS? So how much percent is our platform ready to be to be a truly SaaS? That is first questions.

The second question is, how much is attrition for the current financial year?

Thyagarajan R: Sir, I don't know if I heard the second question right, but I will let Ravi or Suresh answer the first one. So, I think the first question if I remember right, was how much is your platform ready? Is that what you said, right?

Milan Trivedi: Yes. Yes.

Thyagarajan R: And what was the question, sir?

Milan Trivedi: The second question is, how much is the employee attrition in the financial year?

Thyagarajan R: Employee attrition is 30%, sir. Yes. 30% is attrition, sir. Let Ravi or Suresh answer the first question?

Suresh Venkatachari: So, the platform is fully ready. If you really look at it, our platform revenue is contributing more of a SaaS model now. Earlier it was on a solution model. So, we have declared 3% of our revenue from the platform, and even our Managed Services are driven by platform mainly, which is 27% of the revenue. So, combined with this about 30% of revenue coming through platform, but split across Managed Services and platform. Going forward, our platform we anticipate to increase to at least to 12% to 15% in our revenue on the platforms this coming year.

Milan Trivedi: Okay, one more follow-up question on that. Any deal that we got, like, generally how much will be the customization we would be doing?

Suresh Venkatachari: Okay. So, for platform there is no customization except onboarding. So, onboarding in our DataEz and CloudEz is simple, You can deploy them directly right now, which is on AWS and Google marketplace. But if you need to integrate your DataEz with your source system, that is different. That will be charged on a time and material basis to the customer.

Milan Trivedi: Okay. Thank you. Thank you, sir.

Suresh Venkatachari: Thank you.

Moderator: Thank you. The next question is on the Mr. Javeri from Crown Capital. Please go ahead.

Javeri: Hi. Good afternoon. Thank you for taking my question. Most of my questions are answered. So, I just wanted to clarify just a small doubt. So, our cost of sales that we put in our presentation that's around INR 285 crore. That is pure employee cost, right?

Suresh Venkatachari: No, let me clarify that. That includes lot of cloud consumption cost. So, it is not directly employee cost. The INR 285 crore is inclusive of people and the cloud hosting charges for the customers.

Javeri: So, could you just give a brief or an estimation of how much cloud consumption costs would that be?

Suresh Venkatachari: Overall, we put up to $2.5 million to $3 million dollars for the year, sir.

Javeri: Okay. Okay. That would be included in cost of sales? And R&D would be nearly everything is employees.

Suresh Venkatachari: Yes. R&D is predominant. 80% - 85% is an employee cost and maybe around 15% is from the cloud related cost.

Thyagarajan R: Yes. I mean, I was about to say that, yes, R&D also has some cloud related costs, because testing and all that has to be performed on the cloud.

Suresh Venkatachari: Even the whole development and everything, all is on the cloud right, all our applications are cloud driven.

Javeri: Okay. Yes, that answers my question. Thank you so much. All the best for the future.

Suresh Venkatachari: Thank you so much.

Javeri: Yes. Thank you.

Moderator: Thank you. The next question is from the line of Apoorva Mehta, Angel Investor. Please go ahead.

Apoorva Mehta: Yes, hello.

Suresh Venkatachari: Hi.

Apoorva Mehta: Yes. My question is what is the debt amount that has been repaid during the year and what will be the bifurcation of the same?

Thyagarajan R: Okay. So, we repaid around INR 11 crore of debt, sir. If you look at the presentation, from an overall gross debt of INR 140 crore, we came down to about INR107 crore. It has two components. One is a convertible note, which is the pre-IPO money that we raised from investors in HCTI. So, that whole amount got converted to equity. And we repaid a part of the promoter loan, about INR 11 crore of loan was repaid. So, the current gross debt is about INR 107 crore, sir. Our net debt is about INR 91 crore.

Apoorva Mehta: What will be the interest cost of debt?

Thyagarajan R: So, the annual interest cost is around INR 8 crore on the overall debt.

Apoorva Mehta: Okay. Yes, that is all for my side. Thanks.

Suresh Venkatachari: Thank you.

Apoorva Mehta: Yes.

Moderator: Thank you. The next question is in the line of Aniket D from Centrum broking. Please go ahead.

Aniket D: Good afternoon, gentleman, Suresh sir, my question is to you this time. Sir, I just want to ask you, what is the kind of questions or resistance which you get from investors when either in U.S. or in India, as in when you talk to investors, what are the kinds of questions or why are they hesitant to buy our stock actually? Any particular reason they give? or why are we not able to attract the investor?

Suresh Venkatachari: In the U.S. we participated in about four conferences since IPO. Two conferences were being on a Zoom call, right and the first physical conference happened in March in Florida, Miami for a Wall Street Conference. Last week, we participated in Mobile Con conference. We have not done any non-deal roadshow since our IPO. So, the main interaction with the investors in the last two events, a lot of them like our story very much, but most of them have never heard about Healthcare Triangle in the past. So, what we are doing is we are now working with multiple banks to cover our research coverage, because that will help them to understand the Healthcare Triangle business. So, it improves the stock buy.

And also, currently the market condition, unfortunately, since our IPO, we went in a little bad time, I would say, the micro-cap market got predominantly hit, and with the Russia - Ukraine war, all of those things have fueled some kind of price. It is not only our stock but most of the stock including micro-cap stock, all got beaten. But however, the interesting thing is because our banking contract with the previous investment bank finished on April 13. Now about four or five banks have been showing a keen interest to cover up and also to work on in future at the appropriate time to write further equity rights on the Healthcare Triangle, either through debt or convertible notes or direct investment.

So, there are definitely a lot of interest in the company. And we have started the public PR - IR activity. So, we intend to participate at least next three or four conferences, because meeting an investor face to face gives a lot of comfort for them, rather than Zoom calls. So that all will help. So that's the summary.

Aniket D: Okay. Sir, now if you see around, I think the U.S. market cap has now fallen to $30 million, if I'm right, which is I think less than the annual revenue also. So maybe in the long term, it makes the stock very attractive in the U.S. So just was wondering as to what is the hesitancy of investors to actually buy a stock which is less than one-time revenue also, forget profitability, sir?

Suresh Venkatachari: So, Aniket, it is a very good question. So, every investor or investment bank is telling the same story. We are underpriced and our current run rate we really look at around the Healthcare Triangle around $55 million. So, people are really looking at, we are lower price and compared to the multiples, there is a real upscale is there. I think, I believe now, any activity in the market is not really helping, because currently the whole market is getting beaten. Even the large company gets beaten. The smaller company got much, much beaten. So, I think if the Russia Ukraine war stabilizes, the interest rate stabilises, it will drive very well.

But as far as a company perspective, all we need is only a couple of key investors to come and take the stock because our float is not very diluted. So, if a couple of investors come, the stock will run by itself. So, we are working on several mechanism which I can't disclose in public forum. So, we are taking the necessary steps and you will see some kind of an activity and also the four banks which I talked, two of them are leading size bank, midsize market bank, and they are arranging non-deal roadshows and also research people to cover our stock. So, we are having extensive series of conversation is happening. So, all those things will see improvement, and probably, I would not say that it's going to happen next month. It will take another two to four months. You will see significant improvement in our stock. And there are a lot of big investors are looking at our stock and everybody wants to see at least one to two quarters before they jump into investment.

So that's the summary because in the U.S., we only filed one annual return and the first quarter results are going to be filed only in May.

Aniket D: Alright. Sir, I was just wondering that suppose if in U.S. actually if we are able to make some cash from operations, so, or net cash from operation or some free cash flow, because if the stock is so underpriced, actually are undervalued, then if we have some cash from operations, instead of any growth opportunity, we could look at a buyback or something like that, because that will really help to increase the EPS as well whenever it comes.

Suresh Venkatachari: I know. I totally understand, and that's what I said, the company is looking at various options and I'm in a quiet period in the U.S. also, because of the financial reserves, so I can't disclose the things in public. You will hear the news at due course of time. Various things have been taken care, actually. I really appreciate your comments. It is really very genuine and thank you so much.

Aniket D: Okay, thank you, sir. Thank you for your time. Thank you.

Suresh Venkatachari: Thank you.

Moderator: Thank you. There are no further questions from the participants. I now hand the conference over to Mr. Vastupal Shah for his closing comments.

Vastupal Shah: Thank you, management of SecureKloud Technologies and investors for joining the conference call of the company. If you have any further queries you can write at Vastupal @Kirinadvisors.com. And once more any thanks to everyone for joining the conference call.

Suresh Venkatachari: Thank you very much.

Thyagarajan R: Thank you, all.

Ravi Chandran S: Thank you.

Moderator: Ladies and gentlemen, on behalf of Kirin Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.