

SECUREKLOUD

“SecureKloud Technologies Limited Q3 FY2021 Results Conference Call”

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SECUREKLOUD



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Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2021 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 touchtone phone. I now hand the conference over to Mr. Sunil Mudgal from Kirin Advisors. Thank you and over to you Sir!

Sunil Mudgal: Thank you Amin. Good afternoon friends. I would like to welcome all the analyst and investors to the earning call. I also welcome Mr. Suresh Venkatachari, CEO, SecureKloud Technologies Limited, Mr. Ravi Chandran S, Whole Time Director, Mr. Thyagarajan R, CFO of the company. Now I would like to hand over the call to Mr. Suresh for opening comment. Over to you Sir.

Suresh Venkatachari: Thank you Sunil. Good afternoon to everyone. I trust you and your loved ones are safe and keeping well. The events of the past year have led to an unprecedented and never seen changes that has impacted everyone. There is a new normal that has emerged, and it is yet to stay. Technology continued to play a critical and enabling goal and is at the fourth front of disrupting, existing and creating new business models. The new normal necessities our businesses to be very agile, drive automation and yet continue to keep a sharp focus on the data security and seamless user experience. You are aware early last year, we undertook few strategic initiatives like platform focus, long term recurring revenues, profitable growth etc., that is resonating very well with our clients and helping us to explore and redefine new avenues and opportunities.

We will continue to calibrate the way we conduct our business, build on our core strength, and establish a stronger and more resilient organization. Our commitment to deliver superior customer experience, consistent and competitive profitable growth remains strong. I am pleased to announce that we have successfully re-branded ourselves as a SecureKloud that reflects our leadership position and strength in the cloud transformation business with the strong focus on security through a comprehensive suite of offerings covering cloud, Blockchain, IDAM and Data engineering space. The revamped brand identity is testament to the fact that we are the same trailblazing company as we were when we got into the cloud business 12 years ago. However, we are going to differentiate ourselves by an intrinsic ideology where we approach business objectives with an aura and energy of a start up with the stability of a large company, offering the best of both of the worlds to our customers, employees, and partners.

Andy Jassy of Amazon web services used to call us “Born in a Cloud company”, today SecureKloud actually re-branded and Andy Jassy also took over of the CEO of entire

Amazon business. It is a great moment as our partner who was really grown to attain those heights and we congratulate him also during this call. Our growth in the next 12 to 18 months will be on the cloud, Blockchain and Data engineering. I am confident that our strategy will open newer avenues in the long run and that reflects the true underlying value of the business. The proposed investment in convertible warrant at a premium to SEBI pricing, to reaffirm our faith in the business model that we have set out to build. I thank everyone again and now I leave the remarks to Ravi Chandran. Thanks Ravi.

S. Ravi Chandran:

Thanks Suresh. Good afternoon all and thank you for this opportunity to give you a very brief update on the business and operation. So Q3 have been mixed bag both in terms of initiatives with existing customers as well as new customers. , So with the existing customers, the growth has been more with respect to our new technology and framework like DataEz and AI based readable.ai. So the existing customers especially the top pharma companies place the trust on us in terms of wanting to expand their engagement with us through our DataEz platform and that is mainly to make their complexities of the data pipeline management simpler using an automated platform; and while we do that - and at least three of the major five pharma customers that we deal with they have now initiated engagement with us to use our DataEz platform for the data pipeline management.

The second thing that is happening and this is going back what Suresh said earlier is investing in new technologies, new platforms and framework; so we have a leading edge AI and ML based data engineering platform which is used to deliver a very successful POC for a major hospital in the US and we believe that this platform is going to be used and positioned very well across multiple hospitals that we already have as customers through our acquisition in the past year, and we are all excited about that in terms of using this as a vehicle for entering into these hospital, because the need is quite, quite acute in terms of their ability to analyze the data.

The third very important aspect that happened last quarter which I wanted to kind of give you a perspective on is that both of our DataEz, and CloudEz platform are going to be launched on AWS market place; this will have multiplier effect in terms of our sales as this has facility for people to download this and since we already have a brand using these platform to existing customers, so this brand will continue to be promoted and we believe this multiplier effect in terms of having additional customers using these platform is going to be moving up significantly.

Keeping focus on our new CCloudAuth platform which is a combination of both Identity Access Management and Multi Factor Authentication and that is continuing to have huge traction in the market place and we have won another major customer in the financial sector and I believe that with this we will continue to grow in the cloud of Identity Access Management space. Now the other update that I want to share and I am very happy about it

and it is quite exciting to share that with you is that we are building the Hightrust ODC for one of our major pharma customers and this is going to happen out of India, so that means that the pandemic is creating more and more opportunities for work to be relocated to India and that is growing significantly and as we speak we have been consistently adding about 35 people every quarter in the last three quarters in India.

So that said in terms of increased business, the couple of things that I want to share with you - one is because obviously we have invested in and we will begin to see the result of an increase to sales bandwidth in the US in the coming quarters that is something that has happened in the last couple of quarters and additionally we have also increased the sales and marketing functions, headcount in India to focus on Europe, APAC and India market in order to leverage both of our existing platforms as well as some of the newer platforms that we are talking about in the AI/ML space and in the Identity Access Management space and stuff like that and we believe that this investment in sales and marketing both in the US and in India, we will see us grow significantly.

Added to that we put in place a strategy that we will address Europe, APAC, and Indian market also through partners. As more and more of this is becoming productized and we will be able to leverage partners existing relationship in these markets, so with this I close my remarks in the business and operations update and Thyaga to take over. Over to you Thyaga.

R. Thyagarajan:

Thank you Ravi. Good afternoon friends. It has been another good quarter in terms of our overall operational performance. We reported revenues of Rs.90.5 Crores in Q3 this was 1.7% higher than Q2. We continue to focus on improving our recurring revenues. The recurring revenues have come at 34.7% in the quarter, this is a 70-basis points higher than the last quarter, gross profit for the quarter was Rs.34.75 Crores, 6.8% higher than Q2, the gross profit margin was 38.4%, 1.9% higher than Q2. We continued to invest heavily in R&D with the focus on improving our platforms. The R&D spend for the quarter was Rs.7.6 Crores which is 8.4% of revenues, we reported an EBITDA of Rs.13.74 Crores in Q3, the EBITDA growth quarter-on-quarter was 8.8%, the margin came in at 15.2% which was 1% higher than the previous quarter.

Profit after tax for Q3 was Rs.5.14 Crores, 5.7% on revenues, the PAT was 32% higher than the previous quarter. While the PAT was higher by 32%, the earnings per share was 0.78 in Q3 which was 1.02 in Q2. The lower earnings were mainly on account of higher share of profits for the minority in SecureKloud Inc; as Ravi articulated our key focus areas are (i) Geographical expansion in APAC and Mainland Europe. (ii) Investment in sales and marketing in India will re-emphasize our focus within the market. Net-debt for Q3 was Rs.115 Crores, this was lower by Rs.12 Crores, we will continue to reduce our Debt as we

keep generating cash; we will over the next five to six quarters reduce the debt position in the company significantly. With this, we would like to open the floor for Q&A.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Jagdish an Individual Investor. Please go ahead.

Jagdish: My question is regarding employee expensive which got reduced from Rs.170 Crores to Rs.140 Crores in the last nine months, so what is the drastic reduction in that one. I assume we must have hired some employees on contract base, some compensation hike will be also there, considering all the that so why the employee expenses reduce so much there, could you please explain in detail, please?

R. Thyagarajan: This is Thyagarajan. The question was why the employee expense has gone down from Rs.174 Crores to Rs.144 Crores right, you are comparing nine months of FY2019 versus 2020 right. So we mentioned in this past as well. Earlier we used to do what is known as this passthrough third party revenue settlement, so as an organization we have decided to move away from that revenue because it is a low margin business, while we got topline, the margins were very little, so it came with a significantly high onsite cost, so early last year we decided to move away from that business that is the reason why you see a drop in the revenues and also drop in the employee, so this is part of the what is known as the inland trend over the contract of cost in US, since we moved away from that business, the revenue and the relating cost has gone down.

Jagdish: We can expect the similar expenses, hereafter right?

R. Thyagarajan: Let me reiterate. We have decided to move away from that business, which means that the earlier regime of going after low margin topline business is no longer a priority for the company, so what you are seeing today will be the going forward run rate employee related expenses quarter after quarter.

Jagdish: Other question regarding PAT margin, so which is about 5.7% right, which is not inline with the other peer's growth if you compare, so what actions you are taking to improve the PAT margin?

R. Thyagarajan: Good question. If you look at our EBITDA margins are comparable with some of the market players, we are currently around 15% EBITDA margins. We have reiterated many times in the past, moving forward the core focus for the organization is to move into a recurring revenue model and focus on platform which comes with a significantly high gross margins and since some of the S&M and GA expenses are largely fixed in nature, the incremental margins from platform business and long term recurring revenues flow into

EBITDA and that automatically flow into PAT and the second thing what I also briefly mentioned earlier is our focus is on reducing the debt, today we are setting on a net debt on Rs.115 Crores so over a period of next five to six quarters as a management we have taken a initiative to focus on reducing the debt. The moment that debt comes down at a corporate level, the interest cost will also go down that will start reflecting into the PAT directly.

Jagdish: And third question if you allow me to ask, so what is the update on the investment which we are proposing to US environment, may be not that we are selling any part of stakes, so we are trying to raise the amount, what is the status on that Sir?

R. Thyagarajan: Sir, you are not audible. I am assuming you asked as a board, the proposed investment in NASDAQ right?

Jagdish: Yes.

R. Thyagarajan: You are asking the state of or what is the question, can you please repeat the question again Jagdish?

Jagdish: We are asking about, we have plan about some stake sales to raise funds, so may be listing on the NASDAQ or another way of raising funds, what is the update on that, where are we on that front?

Suresh Venkatachari: We are successfully moving in the direction and we are anticipating to file confidential S1 in the next 30 to 45 days and we anticipate substantial fund raise exercise will happen in June to September 2021. We have received a very warm investment opportunity from various players and we are shifting us to for S1 filing very soon and we will be able to disclose those things once our confidential S1 get approved and other thing because we are bound by lot of APC regulation at this stage.

Jagdish: Okay and final question, what will be equity dilution from the preferential share issue?

R. Thyagarajan: So, the preferential share issue, the post diluted equity we have about 13%.

Jagdish: I will again join back the queue.

Moderator: Thank you. The next question is from the line of Amit Agarwal an Individual Investor. Please go ahead.

Amit Agarwal: Good afternoon Mr. Suresh. This is regarding my NASDAQ listing only. Has the bank been appointed for that, what is the expenditure of listing in NASDAQ and what amount has

been already spent on that for listing on NASDAQ and have we issued any professional share already?

Suresh Venkatachari: What we are doing in the healthcare triangle is we have already appointed the main banker, investment banker and we are preparing the confidential S1 filing statement, we have appointed necessary stock agents, stock transfer agent, IR, legal everything we appointed and we will be first filing the S1 document subsequent to the S1 document, we will be doing the road shows and we have been putting co underwriter for the deal and we have not issued any additional share, we have issued like pre-IPO financing, which is getting close now. So our intent is to raise between \$20 million to \$40 million during the IPO.

Amit Agarwal: What is your billable? Are you talking about valid time June will be able to list it, but now you have given a timeframe of June to September?

Suresh Venkatachari: Can you repeat what is it?

Amit Agarwal: Earlier the timeframe give for listing on NASDAQ was by the month of June, now you are saying in the month of June to September, you have delayed it by four months?

Suresh Venkatachari: Everything is indicative timeframe, it is even June to September is indicative, subject to SECs approvals, timely approval, so everything is going on track because we need to file up to December audited statement in the US of healthcare triangle which is still not completed, getting completed at the PCAOB audit so lawyers are drafting, so we are expecting to file the confidential S1 in the next 30 to 45 days, subsequent to that it can be cut short to two months or it can go into four months, because all it depend on SEC process and also due to COVID there are some delays we are expecting there so that is the reason, but everything is going on schedule, the reason is why June to September is, if you do not hit by July 15, Labour day to August is a very slow month, there is no point opening up that is during the time then you will do it on Septembers, so that is the timeline. All the timeline is subject to SEC and I cannot even guarantee and also SEC does not allow me to guarantee any fixed timelines, it is all in proposed indicated timelines.

Amit Agarwal: Company turnover is pretty small, so is there any minimum requirement of turnover to be listed on the asset?

Suresh Venkatachari: Yes, we have already verified, our lawyers have already verified, and we have enough assets as well as what capital we are raising and the profitability, it is sufficient to meet the NASDAQ standards.

Amit Agarwal: Okay and my second question is regarding the margins again like our revenue per employee is almost doubled to revenue per employee is on profit basis, but gross margin is

comparable to 34% margin and we have been 38% margin, you told that you are investing a lot in new products, but it does not show on that turnover growth, because Infosys, TCS, FCL company after company are showing a better growth even in the year of COVID, but we have been struggling with the annual growth, you are talking of quarter to quarter sales, but the best decision is from quarter of this year sale corresponding year of last year where there is a degrowth of 20%. No other software company has shown degrowth?

R. Thyagarajan: Amit you were not audible, but I think you ask us why there is degrowth compared to last year and there is slow growth on revenue right, is that your question?

Amit Agarwal: Yes, but our margins are pretty hard compared, our revenue per employee pretty double the size of revenue per employee of Infosys, but the margin was still very less and gross margins are very less?

R. Thyagarajan: We spoken about this earlier as well. The Current delivery model is onsite driven especially in the healthcare related businesses. ~~The healthcare margins among if you break your margins down~~, The 38 that you are seeing on a blended margin, the healthcare margins could be in the early 20s so that is kind of pulling the margins down, because that is the predominantly onsite model, so what are the initiatives that we have taken from a margin improvement perspective, identify jobs that can be performed among the gamete of jobs that we do that can be performed from India and the core focus on driving platforms to improve the margin, because you are right that companies have similar kind of margin or even slightly lower margin, but our core focus is to keep driving the margin through a mix of one platform and second recurring revenues and on the topline growth, you cannot compare last year and this year for one simple reason. The hospital business for instance two years back we used to do quarterly run rate revenue of about \$4.5 million to \$5 million, it has kind of dropped because I think we will explain there is one large contract we lost because hospital went bust overnight and then addition to that COVID kind of impacted us through the year, our belief is that over the next couple of quarter, it will bounce back to the pre-COVID levels, so that is something that we are very confident, the traction on revenue which we were not seen today while the other businesses are growing, the healthcare is what is pulling us down that is also because of a unique problem that we have due to COVID, so this we reassessed our plans and we believe that over the next couple of quarters we will get back to the pre-COVID levels of \$4 million to \$4.5 million on the healthcare side.

Amit Agarwal: On an annual basis, \$4 million to \$4.5 million?

R. Thyagarajan: \$2 million to \$2.5 million, the healthcare business, but this was \$4 million to \$4.5 million about 18 months back and this got de-accelerated through the year because of COVID and

this over the next two, three quarters we should definitely get back to that level of revenue run rate.

Amit Agarwal: Once it comes back do you spend any amount of expenditure to create that revenue or total profit come into our company?

R. Thyagarajan: There will definitely be delivery cost, not all of that will go into profit delivery cost, but there will be any significant sales and marketing cost, because the teams are already in place, delivery cost needs to be incurred, so which is the point that I mentioned in the earlier point as well, some of the revenues that we lost, the delivery cost will still be there, the margins will flow mostly into PBT.

Amit Agarwal: My next question is a bit more complicated Sir, is the debt provided by the promoter will be converted into convertible debenture or we will bring fresh capital?

R. Thyagarajan: Please repeat that again Amit sorry?

Amit Agarwal: There has already been some debt from the promoters that is yourself, will it be let us say converted into convertible debenture or you will bring the fresh capital?

Suresh Venkatachari: Idea is to bring the fresh capital, but see what happen if you see on the debt side, I have given a debt of Rs.12 Crores, the rest of the debt is from Ramani, so what we are trying to do is I will bring additional capital for subscribing this and part of the fund raise we do used to retire the debt and also to invest in the platform over the period of time.

Amit Agarwal: Awkward question to ask, but you are saying all the properties in India have been already pledged with the banks to raise in debt from the bankers, how can you arrange this Rs.45 Crores in this one year? What is the source?

Suresh Venkatachari: I live in the US, I have the personal resources to bring in the money, so that is the plan.

Amit Agarwal: Suppose many investors claim raising of Rs.45 Crores that have been created in that debt last year?

Suresh Venkatachari: That is very incorrect statement I would say, do you know why the debt has been created for me in the company, because IFC has sold my stake because there has been illegally people stole my stock that reflected and then they sold my stock, I lost considerably, I was holding 55.5% in the company, right now I have only about under 38%, I lost significant amount of my share and I am working to arrange a capital to bring into fresh investment here, because currently my debt in the company is only Rs.12 Crores in the company right now.

- R. Thyagarajan:** We raise the money, because promoter share that were pledged with the banks for the working capital facility in India and that...
- Suresh Venkatachari:** Cornerstone acquisition we have done, the acquisition what we did for IFCS.
- Amit Agarwal:** My last question is regarding how much employees are supposed to be adding for next 12 months including India as well as America in total, what is the plan?
- Suresh Venkatachari:** How many employees with the adding that is your question?
- Amit Agarwal:** Yes.
- Suresh Venkatachari:** India is going to be a very significant number, we even looking that number close to about 150 to 200 people next year which is FY2022 and it could even increase because what we are seeing the COVID is giving great opportunity in the pharma space where we could able to have people work remotely entirely, earlier we had a lot of issues and earlier then Ravi was presenting to you, he was mentioned about we are setting up high plus certified ODC here which will help us the pharma company to trust us in our ODC here in a data secure and reliant, so we anticipate the growth, so we have ambitious growth in 2022 and we believe with the HTI is going public also will accelerate our growth and our investment in the Blockchain technology and everything will repay the whole expense.
- Amit Agarwal:** Another question, Trump had gone from America and Biden is in, so do you think that we can start the body shopping or does that the business we had with?
- Suresh Venkatachari:** Can you speak slowly or clearly?
- Amit Agarwal:** My next question is Trump has gone and Biden is in, his H1B has been resolved, so can we start the body shop in business again which we have lost in the last two years?
- R. Thyagarajan:** I think I heard briefly you said Trump had gone up, you were not audible Sir, can you repeat it?
- Amit Agarwal:** Can we start the body shop business again which we give us pretty good revenue three years back?
- Suresh Venkatachari:** Our goal is in the long term is not to be in the body shop business, our goal is to be generating our data EC and all our platform like readable.ai to scale up and it is not because of the Trump gone that H1B rules are going to be relaxed even there is a heavy cost is increasing on the labour even before Trump resigned on the last date, he increased the wages of H1B employer significantly even the people are fighting in the court again second

time now, so body shopping is not a very sticky business even though it was a very highly revenue, we try to be more building a recurring revenue, we are trying to build our model like Veeva systems and others where even your revenues are smaller, but you can generate substantial profitability and more recurring revenue that will reflect in our market valuation.

Amit Agarwal: Thank you.

Moderator: Thank you. The next question is from the line of Sanjay an Individual Investor. Please go ahead.

Sanjay: I wanted to know before restructuring two, three years the company was doing turnover of Rs.1000 Crores and the PAT was around Rs.200 Crores with 30% gross margins, so when do you expect the company to do the same run rate again?

Suresh Venkatachari: We anticipate like in the next, our board is to go to the level with the more stickiness revenue, so we anticipate probably within the next 24 months, we should be able to grow in a similar level or even exceeding that numbers that is our goal what we are doing that is why we are investing in the sales and marketing and keeping our footprints and which is also a more sustainable way we can do in that. 2020 we did not lose revenue as a business what we plan because even though COVID was there that had an impact, but we maintained the level with our customers and everything, we anticipate as the COVID slowly goes away there will be a lot of opportunities where we are investing in sales and marketing and also with our platform, we should be able to bounceback to that level.

Sanjay: Okay and also margins in business we are doing in what the peers are doing, they have much higher margins than what we are doing right now, so when can we expect that to get back to normal levels like industry levels?

Suresh Venkatachari: Thyaga was mentioning very clearly earlier. The gross margin in the life sciences pharma we are enjoying a pretty high close to 45% to 48% today. In the hospital healthcare where we had impact, there are two reasons especially between April to September, there are a lot of people where on bench also and second thing is the hospitals were not adding any new projects, but those things are getting slowly resolved and because we back few orders from the beginning of January on renewal and cloud also had recovery additional things, but still I would say there is a little caution need to be there, because second wave are happening in US and they are still experiencing in a very significant compare like if you see in India, COVID people totally forget it when I see in the street, people are not even wearing a mask whereas in the US it still pretty much lockdown and hospitals are not able to do the new services, because even their regular process, they do a surgery which they make a lot of money, but now they are able to handle the COVID patients, that brings their revenue down, so the spending is also get impacted. We believe if the COVID slows down then we

will see tremendous acceleration that will also lead into better gross margin in the healthcare from our current nearly 20s probably to 30, 35, which will bring overall gross margin to a decent level. You want to add anything Thyaga.

R. Thyagarajan: One more point Sanjay you said Rs.1000 Crores and below margin, earlier in the year we announced our accounting policy during those days, there was lot of investments that was made on platform which we used to keep it in the balance sheet and charge of overtime as depreciation and amortization, so we changed accounting policy that is sitting in the P&L and R&D, so 5% to 6% on an average, when you compare last two years and now that 5% to 6% on revenue have gone into the P&L today, so those two years are not comparable, because the accounting policy have been changed. We believe that what we are doing is the right R&D because the benchmark with other companies Suresh mentioned about some other company is listed in NASDAQ, those companies report a significant amount of investments and platform in the P&L as R&D which is what we also things we will do and we will continue to do.

Sanjay: Thank you.

Moderator: Thank you. The next question is from the line of Ashok Agarwal an Individual Investor. Please go ahead.

Ashok Agarwal: Good afternoon. There are few questions already talked about low profitability of the company, so when I examined the financial details I see that our other expenses are very heavy, they are almost Rs.30 Crores per quarter, so what is your thought about that and if you can reduce other expenses then profitability can shoot up?

Suresh Venkatachari: Other expense large part of that is cloud related expenses, AWS cost right in the gap we showed it as part of the other expenses, so that proportion to revenue, you will find as the expense grow, the revenue will also grow that is the significant cost and our G&A expenses like the bank charges audit etc, one thing we can assure you, that cost is invested mainly for the revenues and the rest of the cost is fixed in nature, so as the revenue grows you will find margin attrition coming because of this cost.

Ashok Agarwal: Currently this quarter we have revenue of Rs.90 Crores, assuming the next quarter we have revenue of Rs.120 Crores, so Rs.30 Crores additional revenue comes in, so do you mean that our other expenses also shoot up in the same proportion?

R. Thyagarajan: No, it will not. Two things Sir. One, the other expense has got fixed component, almost all the components are fixed in nature. The ADBI component alone will grow, it will grow definitely faster, but not at the same rate as revenue, because that is the core of our business, when we sell cloud solution, we need to package it and sell it to the client, so that will grow,

but not at the same rate, the numbers that you mentioned 120 x 90, 30%, you will not see 30% increase, but definitely an increase in the other expenses line Sir.

Ashok Agarwal: What is the AWS expense in this quarter out of Rs.30 Crores if you can tell us little bit about that what does that amount basically?

R. Thyagarajan: About \$3 million let us say about Rs.22.5 Crores.

Ashok Agarwal: So that means AWS a major expense in other expense?

R. Thyagarajan: Yes Sir.

Ashok Agarwal: I have one more question if the time permits. Our US subsidiary which we are going for NASDAQ listing, so how much is our currently ownership of that our percentage holding?

Suresh Venkatachari: 85%, 8K software servicing which is now called SecureKloud Technology which own 85% of Healthcare Triangle Inc.

Ashok Agarwal: I cannot understand that?

Suresh Venkatachari: India company...

Ashok Agarwal: My question is whether the dilution offer, so how much is we currently owning in Healthcare Triangle now and how much we will own later further to the valuation at 25 million like that?

Suresh Venkatachari: Currently 85% we own, post dilution we do not know exactly, we have to wait until the valuation happens in the US, so I will not be in a position to comment right now.

Ashok Agarwal: Can we expect that it will remain above 50%?

Suresh Venkatachari: Our plan is the US subsidiary will be owning majority of the Healthcare Triangle that is our goal and when we do the pricing and comparable metrics with the other companies and the investor looks then we will able to do and I am not allowed to provide this information at this time.

Ashok Agarwal: Our aim is that it should remain subsidiary and does not become sort of...

Suresh Venkatachari: That is absolutely right that is our goal.

Ashok Agarwal: If it is less than 50% then it becomes associate company and then we...

- Suresh Venkatachari:** You are right, our goal is to have more than 51%.
- Ashok Agarwal:** My last question is the use of funds for which you are bringing in promoters Rs.45 Crores or like that and it has been stated that it is for the Blockchain technology may be you are investing into Blockchain, it is there in the presentation, so can you elaborate how does help the Blockchain, are you acquiring some company or?
- Suresh Venkatachari:** Because we have already invested in the technology to the platforms, so we are taking the platform more commercialized and also to the platform to work in a multiple industries including banking ,financial services and pharma, we already are in a one large pilot project with one of the major pharma consortium, so we have been investing in that, more is sales and marketing and an also customization to each industry that is the plan for the Blockchain and we anticipate the Blockchain will be growing very significantly if you see because still it is a very, very nascent and many companies are now trying to embrace this and it is frame like what we were in the cloud business, we started our cloud business in 2008 until 2015, the cloud was not really taken off, the same thing in the Blockchain exactly if you really saw 16, 17 is what the early nascent and now people are really putting application on that, so we anticipate that and you see a Bitcoin which is growing very rapidly, but anyway we are not in the Bitcoin business, but give you a thing Blockchain applications are really growing and what we see is like one of the consortium I told you which is we are making official release once the project becomes successful that is a very significant opportunity, we are already servicing currently about 8 or 9 pharma companies entire supply chains logistics and we will be playing the Blockchain and hosting those applications on that Blockchain under cloud.
- Ashok Agarwal:** Can we imply that by Blockchain technology you are meaning that you are existing platform cloud EC or data EC, there will be Blockchain enabled or there would be a separate platform in due course?
- Suresh Venkatachari:** One of the underlining layer is cloud still you host on the cloud, whether it is AWS cloud on Azure or Google cloud and on top of that you load some application it is called like Kubernetes and everything so Kubernetes to the cloud is what we can use of the cloud EC, but on the specific we go like smart contract, hyper luxury and various things are there Cobra and all, all those are Blockchain technologies on top of that. So that is a very special application to each integrated to your application level, but underline platform can be our cloud EC, because we have been able to lot of thing in the cloud EC which is like your manage support, monitoring and everything and all those things, hosting and everything.
- Ashok Agarwal:** Thank you very much.

Moderator: Thank you. The next question is from the line of Shankar Narayan an Individual Investor. Please go ahead.

Shankar Narayan: Good afternoon Sir. Couple of years back in your investor presentation, we used to gain normally \$3 million account \$5 million account, so that gives us some kind of revenue for the coming quarters but in the recent presentation it is not, can you give some visibility on that?

R. Thyagarajan: We can share that separately, you may please reach out to our company secretary, we will share that information separately.

Shankar Narayan: Thank you.

Moderator: Thank you. The next question is from the line of Rajesh an Individual Investor. Please go ahead.

Rajesh: I had couple of questions on the P&L. One is looking at the standalone statement for the operations which is running out of India, so when I look at the revenue and compare to cost I mean margins seems to be very low especially for operations run out of India, is there any particular reason for this, because offshore is where most companies gets high margins front?

R. Thyagarajan: Two reasons Sir. One, if you look at the margins. The margin in India continues to be in the early teens, so that is one reason. Second is, we have invested heavily in India in sales and marketing and GA over the last 12 months, so that is a conscious effort to one improve the governance and again new set of team etc, so that is showing up in the P&L, so that we are not able to elaborate in terms of how it would impact the overall number, but those are conscious call that we took early last year to invest in India, Ravi reiterated earlier, SecureKloud as an organization today is doing a geographical expansions, some of the geographies like Mainland Europe and Asia, on this business will flow into the SecureKloud India P&L directly, so it will be right under Ravi's leadership. So the focus for the next 12 months is to show geographical expansion and take our product and services to these markets, so that will start reflecting in the India standalone P&L. Your question is valid, but it is a cost plus model and the other thing that kind of impact the P&L from a standalone basis is the impact of the interest on loans and working capital which we do it in India, so we are conscious of that, we are trying to correct the business model in India, we can assure you that over the next 12 to 15 months, there will be significant change in the standalone financial business.

Rajesh: And one more question I had, historically in the financial statement in the last two years, 2018 and 2019 as well as 2020 I am talking about the forthcoming quarters, the current

quarter... basically when I look at the March quarter for the last two years and there has been a significant dip in the topline as well as bottomline as well, so just wanted to understand is something to do with the nature of business or way the cash flows or the revenue accrual happens and how are you foresee this in the coming year, in the next quarter, do we see a similar trend or will maintain the current growth quarter-on-quarter, growth and revenue?

Suresh Venkatachari: The last year is a very different situation, but this year we will anticipate the growth in similar fashion or may be little more.

R. Thyagarajan: Your specific point on why there is a revenue drop I think we have answered it earlier, we took a strategic division to shift away from some of the low margin businesses and that is why the P&L may not be strictly comparable, our cost have also gone down and our revenues have also gone down, but what you are seeing today is the run rate business and this is what our core focus is and we will grow this business going forward Sir.

Rajesh: Okay, the overall point I got, but I was talking specifically about this observation made for the last two years in the quarter ending March?

Suresh Venkatachari: For this year, quarter will be different definitely.

Rajesh: Thank you.

Moderator: Thank you. The next question is from the line of Milan Trivedi an Individual Investor. Please go ahead.

Milan Trivedi: My question is with respect to in last two years you had done certain written off because of we did not get money back from customer and we have done on certain realigning of assets, so how do we ensure that we will not have a situation in the future?

R. Thyagarajan: Two points Sir. Last year was a unique situation where you know one of our large clients went bust, we have addressed it earlier as well, so we lost significant amount of money with the one hospital client and the one more client with two of them went bust overnight that was unusual situation for us, whilst we overcome this what we do currently is we have a very strict policy in terms of providing for all the AR that is greater than 90 days, so our credit term is 60 days and we give a 30 days timeframe, so we do a review of all the AR beyond the collectable days and one thing we can assure you there is very good review of the entire systems and we are completely on top of the balance sheet as of today Sir.

- Milan Trivedi:** My next question is with respect to the business expansion, so we can see from the presentation that our 85% revenues is from top 20 customers, so can you throw some light that how you will be expanding our business, any strategy we have?
- Suresh Venkatachari:** There are two efforts what we are doing. We are very successfully today called the land and expand, we went to the customer, we are really growing our revenue, account managed from our customer success which is happening. The second thing we have also like a lot of customers which are in the smaller bucket now we are trying to accelerate, so basically what we are trying to do is our data EC going across all the mid size pharma, different pharma, so we can have our revenue can able to pull into more number of accounts and we also doing on a AWS manage market place, using AWS market place and Google also we are adding now at a platform where we can able to sell our cloud EC and data EC insight. So our goal is to basically increase the number of customers in the states so that our risk is let off and second is also opportunity to grow these also. So we have added sizable numbers of sales and marketing right now and also digital marketing has been in place. We have started to get a greater number of release are getting inbound is coming in not only the outbound in the AWS marketplace which will also mitigate our number of customers and percentage.
- Ravi Chandran:** This is Ravi adding to what Suresh said and we are also going with the partnership model for expansion in some select geographies, our multiplayer effect will be lot more.
- Milan Trivedi:** When you say partnership orders, the AWLs or Google partner or may be services company where they sell our Solutions?
- Ravi Chandran:** Additionally, we also have people who have had strong relationship with customers whom we believe we can leverage through our technology.
- Milan Trivedi:** One more last question from my side. This is with respect to the broker who sold your shares; is there any update or progress?
- Suresh Venkatachari:** I will update you. Thanks to COVID I got extension for time for a year because many courts were not opened for physical hearing. The case has been filed in both High Court of Chennai and Supreme Court and complaint has been filed with ED. SEBI is separately investigating the case. The two brokers Quantum Global Security Services Limited and Kumar share brokers Limited were defaulters, so we made every necessary steps to take this and rest of the things are in the court matter I cannot able to disclose, but even ED is also looking at now right now.
- Milan Trivedi:** Thank you.

Moderator: Thank you. The next question is from the line of Kranthi Bathini from WealthMills Securities. Please go ahead.

Kranthi Bathini: Congratulations. There is a tremendous improvement in the corporate governance and transparency with respect to SecureKloud is concerned. My question is to Mr. Suresh Venkatachari, Sir, this year maybe I know okay and how you want to envisage SecureKloud in next two, three years, how do you want to place, what is your vision towards the company?

Suresh Venkatachari: Thank you. I think we shaped up, if you ask me, I am extremely confident and bullish with this. We were actually going in a great time, but the two years were very badly for us I would say my stocks and everything, but we retained the entire focus, the first thing what I did is I strengthen my backend team in India in terms of finance, compliance and governance, in addition to that I also hired chief delivery officer who has managed more than like 1200 people in Capgemini to add into the pool and also Mr. Ravi Chandran was also now because promoter as whole time director to look up the operation teams, because one of the major challenge for us when we grow this having without sufficient backend infrastructure which can able to support the growth that is number one. Number two, in terms of our technology and innovation we are always compared very superior, this I am not just boosting, it is a real fact, we won many pharma customer against all the global GFI including the major players in India. However, why we are not able to repetitive our grow in a very aggressive fashion, because our investment in sales and marketing was very limited, but we took a conscious decision in spite of COVID we have hired lot of sales and marketing and improve the digital marketing and build a very niche solutions and also leveraging like Ravi said like the market place so these are all started to play in a very nice way, in fact I want to share you, yesterday I was talking to one of the advisor in the healthcare industry. He remark saying that we have one of the best opportunity and how we can able to ramp up, so what we are doing is we are encouraging additional source the share we can able to get more number of customers, so I believe the opportunity what we have in front of us is tremendous, it is another hand double or triple our growth as we today, we are all determine to grow this because my vision was to create a billion dollar enterprise for 8K Miles then now SecureKloud. I believe I will leave and achieve that even within Healthcare Triangle and also more so with SecureKloud with the Blockchain. I believe there is a significant opportunity and I think we are putting all right steps, I will be able to demonstrate success in probably 12 to 18 months' time where you can able to see the growth from what we are today to the next time, but we have build very strong, fundamental, the strong layers and supporting, so I think we are really poised for a good growth.

Kranthi Bathini: Great to hear Sir. I want to know what is the rationale behind, the warrant of 50 Crores and how you are going to use these proceeds?

Suresh Venkatachari: I lost significant amount of shares in the company, which I had earlier mentioned and also as mentioned several times that I am going to invest in the company, so to reaffirm my commitment, this is the company where I invested my time and energy and everything, I show my commitment back to the company, so that is what I am doing, that shows my commitment personally in the company and I believe the story like lot of investors trust the company. The second thing is the money will be used for growth because for Healthcare Triangle we are raising a capital separately which will grow by itself with IPO, for secure purpose we will use this capital for expanding our Blockchain business which we see sizable amount of growth in the Blockchain and BFSI sector and second thing is also we have got some high cost debt we are currently having in India because that is affecting our PAT and everything, so we will retire part of that and part of the investment in the growth of the company.

Kranthi Bathini: This is my final question, just an advise, arrange frequent con-calls and just update investor fraternity just to know the updates of course there is a tremendous improvement in the transparency and the way you are doing compliance when compared to past three years, we have been tracking and if are travelling to Mumbai please let us know we will meet and understand better in person about the company prospects?

Suresh Venkatachari: Definitely, if you can able to send us an e-mail to our company secretary your number, we will definitely meet and explain to you in more detail. Thank you so much for your appreciation.

Kranthi Bathini: Thank you.

Moderator: Thank you. The next question is from the line of Ankit Dogara an Individual Investor. Please go ahead.

Ankit Dogara: Good afternoon gentlemen. I have one question. We have been investing in the sales and marketing functions actually by adding more sales and marketing employees, we just wanted to understand with how much deferment does the revenue starts coming in post these hiring and one more question for that will be is there a kind of break even point let us say now are recurring revenues about 35% and we are adding more sales and marketing employees, so will there be a break even point where we might see huge growth in revenues without much increase in employee cost?

Suresh Venkatachari: That is what we are aiming. I want to give you example, so probably you can understand. One of the product like data EC which we have financial model what we put in right in the next 24 to 36 months, it will be a very significant acceleration in our business, what it means is it translate our recurring revenue will go even higher of 65% and also it generates about close to 70%, 75% margin from the current level, so those because of course we will

have services cost also, but what happens is if the data EC can able to generate 75% margin and your services are doing around 35%, 40% you are crossing anywhere 55% and plus, so you will see the disproportion happens after I would say next 18 to 24 months. When you hire sales and marketing we cannot be a very short period, we have to give at least six to nine months period before those start pulling in, so what we are seeing is the trend as per we hire the sales and marketing, we are seeing a lot of trends in terms of new number of opportunities are getting created, so that is because we are hiring all the talented people who have good relationship with their past accounts, because the cold calling does not work in this COVID time or even the recovery time also because people are not meeting face to face, we need a relationship person who was already established in the past, so we are bringing tremendous people who can able to bring lot of impact and I believe we will see the growth trend where everybody can able to measure in fact in the next two quarters I would say you will start seeing the growth and you will see the full result in terms of thing is it would take at least four to six quarters before you see and within the next two to three years you will see significant margin and that will really model of earlier I also mentioned like Veeva kind of thing, we are really modeling now ourself. We are not modeling ourselves to services company, we are modeling to a platform companies, so that will reflect and show our profitability under high revenue growth.

- Ankit Dogara:** Thank you Sir. Just one more question, can you throw some light on the total TCV of the company, total contract value which we are having right now?
- R. Thyagarajan i:** Total TCV as of today is about \$30 million Sir.
- Ankit Dogara:** One last thing I was just wanted to clarify, you have already clarified to one of the callers, the dilution posts this preferential allotment will be 13% maximum dilution at Rs.45 Crores?
- R. Thyagarajan i:** 13%.
- Ankit Dogara:** 13, right?
- Suresh Venkatachari:** Yes.
- Ankit Dogara:** Thank you gentlemen.
- Moderator:** Thank you. The next question is from the line of Jagdish an Individual Investor. Please go ahead.

- Jagdish:** Thanks for the opportunity again. What is the status of the receivables, how much receivables we have recovered in last nine months and what is the current status on that front, what are the actions that we are taking to recover them?
- R. Thyagarajan:** If you are talking specifically about the receivables in India Sir, we have taken steps already I think pointed in the earlier call as well that as of now we have collected majority of the old outstanding by end of March, so there is about \$2 million of outstanding which is more than 365 days as of today and we are confident that we will collect in the next six weeks by before end of March we will collect all the old outstanding and once we get that we have 90 days credit over the next two to three quarters we will collect the majority outstanding and then we will be current on account from Q3 of the following year Sir.
- Jagdish:** I got your point if you can mention what is the outstanding number if you are allowed to mention that?
- R. Thyagarajan:** Rs.45 Crores in the outstanding.
- Jagdish:** And then one more thing, we had promoting and investing Rs.45 Crores, so do we require any another set of investment from promoter because we are doing for platform, so R&D cost will be recurring in nature, so without revenue also we make a spend amount, so how we are going to generate that amount?
- Suresh Venkatachari:** Currently R&D cost is including HTI and Healthcare Triangle is growing, and it is fully profitable EBITDA company and also we are raising capital in NASDAQ, so we are not anticipating any further capital raise at the stage in India.
- Jagdish:** Any delay in NASDAQ or any delay in raising the funds that will impact the growth?
- Suresh Venkatachari:** Any delay may anticipate that you were thinking, but I think we had a very strong procedure and the steps what we have taken which we have hard underwriter currently and second thing is we already have IPO financing, debt financing in the US, so we believe even we do not need to be raise in the dilute even if there is a delay with our growth currently, we can able to raise the working capital in the US itself to support instead of if there is any delay in our growth plants.
- Jagdish:** Another question is how many new clients you have added this quarter and what is the competition, competition intense, how we are differentiate from competition?
- Suresh Venkatachari:** I think that is our very unique in the business, our value differentiator is we are one of the companies which has a strong domain with the technology. We are one of the top, look at our credentials even we are a small company we are small to mid size company, we have a

strong partnership with AWS, we are one of the top 70 premier partner out of 70000 partner globally and in the healthcare sector, we are the top 10 partners for AWS and Google is also the partner as well as the client and we are launching services and solutions together and we have invested in the platform that is the clear differentiator today. Earlier I was answering to one person in the call is we have won against major global GFI in several contracts because of our platform, we are now making our investment in digital marketing, sales and marketing which will help us our growth.

Jagdish: And one more thing that client concentration, top 10 is about 70% and top 20% is about 20% ?

Suresh Venkatachari: We answered for one more gentleman the same question Jagdish, we are looking to grow and build into the next wave, so we are launching our solution through market places, multiple market place and that will speed our growth and also we will reduce the client concentration that the growth over the next 12 to 18 months how we can able to reduce that.

Jagdish: Last from my side.

Suresh Venkatachari: How many more questions you have?

Jagdish: Only one question.

Suresh Venkatachari: We have to give opportunity to others Jagdish.

R. Thyagarajan: If you do not mind you can write to our company secretary, we are happy to respond to all questions, please give an opportunity to others to speak.

Moderator: Thank you. The next question is from the line of Amit Agarwal an Individual Investor. Please go ahead.

Amit Agarwal: Thanks for giving the chance again. My question is regarding the Meditech partnership you have announced in the presentation, how much is the value of the project from the partnership?

Suresh Venkatachari: The Meditech we are already doing a business from there always around close to \$4 million to \$6 million level right now, we anticipate with our, we are now started hosting the cloud on the Meditech so that will help us to grow much significant, because we conventionally do electronics health record implementation, our electronic health record is lying in two major EHR, one is Meditech, another is called Epic, what we are looking at Meditech is not only providing the implementation or optimization services, we are enhancing into manage services and also hosting the cloud and technology, so those are addition. We anticipate this

can have the great potential because to give example Meditech has about 3000 customers in the US, so we have opportunity to leverage a greater number of customers hosting the cloud and data recovery.

Amit Agarwal: Are you the exclusive partner or there are other software providers who are partners to Meditech, or we are the only one?

Suresh Venkatachari: No, Meditech has several partners, we are considered one of the top 10 partners for Meditech today. Meditech is a Europe software company, I would say from Indian company very fewer, may be couple of companies are only in the Meditech space.

Amit Agarwal: How many?

Suresh Venkatachari: It will one or two only from Indian company, the rest from the US company.

Amit Agarwal: Thank you. That is, it.

Moderator: Thank you. The next question is from the line of Harish Darai from L&T Limited. Please go ahead.

Harish Darai: Hello Suresh and team congratulations. One question, do you see enough business visibility to become a billion-dollar company let us say in the next 5 to 10 years?

Suresh Venkatachari: It is a good question. I believe yes, what business we are because we compare ourselves model with another competitor. We do foresee there is clear visibility and opportunity and in terms of number one is the creating a market cap evaluation if you see in many companies in our space thing is they are between around 8x to even 20x enterprise sales, but as a business itself we anticipate, we are really looking at our healthcare business itself can grow in the next four to five years between about \$115 million which we will grow and SecureKloud will grow by itself substantially, so we believe that will create a tremendous validation for both SecureKloud and Healthcare Triangle.

Harish Darai: Congratulations and all the best.

Suresh Venkatachari: Thank you.

Moderator: Thank you. Ladies and gentlemen that will be the last question for today. I now hand the conference over to the management for their closing remarks. Thank you and over to you Sir.

Suresh Venkatachari: Thanks investors, I really appreciate the interaction and I think it help us to give a clear communication and be transparent to you. We will improve as some of the investor

suggestion, we will continue to improve our compliance and governance and adhere strictly and also, we will anticipate we will be growing substantially in the years and we need your support. Thank you so much.

Moderator:

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