



“SecureKloud Technologies Limited
Q1 FY2022 Results Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Conference Call of SecureKloud Technologies Limited (formerly known as 8K Miles Software Services Limited). They are announcing their Q1 FY2022 results. This call is 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. This conference call would be for duration of 60 minutes only. 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. Vastupal Shah from Kirin Advisors. Thank you and over to you Mr. Shah!

Vastupal Shah: Thank you. Good afternoon everyone. I would like to welcome Mr. Suresh Venkatachari, CEO of SecureKloud Technologies Limited, Mr. Ravichandran S, Whole Time Director, Mr. Thyagarajan, CFO of the company. Mr. Suresh, over to you Sir!

Suresh Venkatachari: Thank you. Good afternoon to everyone on the call. The pandemic has been once in a generation health crisis. As we begin to move from the second wave, our thoughts and prayers for everyone who suffered the effects of COVID. While the world is still coming to terms with the aftermath of the pandemic and witnessing the second and third waves in different countries, the agility and the responsiveness shown by people and the business has been stunning and a bright ray of hope. We look at it with optimism aided by the accelerated adoption of technology and spirit of innovation.

Moving on to the Q1 performance, we witnessed continuous strength in demand for core Cloud transformation services across all segments. However, the second wave disrupted a few initiatives and delayed booking closures. I would like to highlight that our strategy to grow recurring revenue and continued investment in our SaaS platforms will build a sustainable growth engine and help our customers migrate seamlessly into the Cloud.

Our deal pipeline continues to grow and conversion remains healthy in Q1. We won 31 new deals across all our businesses out of which seven were new logos: four new logos from healthcare and life sciences and three new logos from other verticals from SecureKloud India.

On the NASDAQ listing, as I mentioned in the last call, we have filed confidential S-1 and waiting for SEC comments. We will keep our investors and other stakeholders updated on the progress on this as we move forward. With that let me thank you and pass it on to Ravi for his update.

Ravichandran S: Thank you Suresh and good afternoon to all of you on the call. This quarter has been particularly encouraging for more than one reason. To begin with we saw addition of seven new customers as Suresh mentioned - four in healthcare and three in other industry verticals

and it has been exciting quarter because some of the positive things that we have been able to accomplish in this quarter. We acquired customers in logistics, telco and construction industries, which is something we are quite happy about because this expands our footprint in other industries as well. We have expanded the customer base in other geographies - one of the customers that we acquired is in Italy and the other in Australia.

We see more geographical expansion as we have signed up partners now to sell into Dubai and Japan and as we speak, we started seeing some strong traction in the UK and India market as well for our services and hopefully by next quarter we will be able to give you some positive news on those things.

The Telco business has a potential to grow to other geographies including USA as they have particularly large presence in the North American market. They also have a huge presence in India, where we have started working with them, and between US, Europe and India we believe that there is going to be a strong opportunity. I am happy to say that as we speak, I just got another request from them to participate in another opportunity in Europe. Things are looking encouraging in that front.

The logistic customer is particularly happy with our ability to address the security issues and signed up for additional services for multiple years which is again a good thing from our long-term sustainable revenue perspective.

One of the new customers in healthcare signed a multiyear contract for us to provide implementation and support services around their EHR system.

The other new customer that we have acquired in healthcare is very happy with the engagement so far and is already discussing multiyear contract for our DRaaS offering, which is basically Disaster Recovery as a Service and we see more and more of such requests coming our way and we believe that will enhance our recurring revenue portfolio.

Three of our customers from the past have returned to us because of their positive engagement with our teams, our strong relationship and reputation that we have built over the years, our depth of expertise shown and demonstrated and exceptional quality of service. Some of our existing healthcare customers have signed multiyear contracts for our DRaaS offering and managed services. All the new customers who signed up with us have consistently said that the reason they chose us as their partners is our established expertise, excellent reference from existing customers vouching for our quality, responsiveness and trustworthiness.

All our existing Pharma, Life Science, Manufacturing, Social Media, Aviation, Identity Access Management customers have renewed their contracts and the Pharma, Life Science

customers are also discussing about multiyear agreement to engage us for implementation and support services and include additional systems leveraging our CloudEz and DataEz platforms.

Overall, our platform based service offering like DRaaS, CloudEz and DataEz continue to offer compelling proposition to our customers ahead of our competition through ongoing investments in product development and enhancements.

Additionally with investments in our own salesforce and partner network, we are in a unique position to acquire new customers with our offerings and that has been demonstrated this quarter. With Cloud becoming a strategic priority for business, clients across industries are engaging with the system, in their digital transformation journey.

On the people front, we closed with total head count of 590 a net addition of 38 in Q1. We continue to invest in building the next generation workforce and training them in multiple new technologies. Our attrition is 15%, which is in par with the industry average; however, we are watching it very carefully as hiring picks up across the industry and there is a strong demand for quality, cloud trained digital talent. That is about it from my side from an update perspective. I will now pass it on to Thyagarajan for his update.

Thyagarajan R:

Thank you Ravi. Good afternoon everyone. I hope you and your families are doing well during the pandemic.

Let me walk you through the Q1 financial. The revenue for the quarter was Rs.90.3 Crores. This was an 8.8% sequential growth over Q4 FY2021. The year-on-year growth was 2.5%. I am happy to share that all our verticals reported sequential growth led by Life Science, which reported double-digit growth of nearly 11%. Healthcare growth was around 10% and ICT reported 2.5%.

We closed the quarter with a strong order backlog in Life Sciences and Healthcare. The recurring revenues for the quarter came in at 36.9% and continues to grow sequentially led by an uptick in Life Science business. Growth in recurring revenues is one of the main levers that will continue to aid in the overall margin improvement plan.

The gross margins for the quarter came in at 26%. The margins were lower than last quarter mainly due to the following reasons. One revenue mix impact, a higher share of low margin revenue, the second is higher subcontracting cost and the third is salary revision, which was implemented from April 1, 2021.

We aim to offset the impact of this increase through a combination of operation programs like employee pyramid, automation and productivity improvements. The overall cost for the

quarter was higher mainly due to the impact of our continued investment in sales and marketing and R&D and the increments effective from April. In addition, cloud hosting cost was higher in Q1.

I am happy to also share with you that the board in its meeting today approved the capital raising plan of Rs.150 Crores approximately USD20 million in Blockedge Technologies Inc., which is a 100% subsidiary of your company. Currently, the product is seeing good traction in the pharma and auto industry. Our plan is, we take it to the shareholders for approval in the ensuing AGM which is on September 30, 2021.

With that I would like to open the call for question. Over to Tushar!

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Kranthi Bathini from WealthMills Securities Private Limited. Please go ahead.

Kranthi Bathini: I just want to know how things are panning out for SecureKloud. The numbers that we see the overall industry has been doing good, but your numbers are not that much encouraging? What is hindering you and what are your future plans to revive the growth prospects of the company and what are the products are in pipeline? This question is for Mr. Suresh Venkatachari, what is our plans? There is an announcement of US listing also? How are the things panning overall? The digital space and the cloud space are doing well; however, your revenues have been stagnating?

Suresh Venkatachari: Thank you for the question. I will be happy to answer. It is a very good question. We have invested in sales and marketing in the last two quarters substantially. Because of the pandemic, even when you have a new sales force, acquiring a new customer is a little bit of a longer duration than a regular sales cycle. Most of the people who are growing are growing so in the existing accounts. Getting new accounts during the pandemic is relatively slow because our sales people could not meet the customer in person and everything is over Zoom call or Microsoft Teams call. But given things are improving in the US as people are back to work - still the third wave is probably hitting the US too, but most of them are vaccinated. We are seeing traction in new client opportunities and have a healthy sales pipeline. We expect to see substantial growth in the next two quarters as we witness shift from a onetime revenue to more of a recurring revenue model. We are witnessing success in the DataEz and readable.ai. We are participating with AWS and presenting in the HIMMS, medical professional network for CIO'S. We anticipate to grow our business in next two quarters.

On NASDAQ listing, we received comments from SEC twice and responded to the same and are waiting for final SEC clearance. We cannot commit a specific timeline for listing, but it is going well and progressing in the right direction. We will soon be appointing an Independent Board of Directors in HTI. In terms of product and platforms, we made press releases like CloudEz and DataEz listing in AWS marketplace and readable.ai listing in Google marketplace, which will help us with additional partner led opportunities. I hope I answered your question.

Kranthi Bathini: Thank you and wish you all the best for the coming quarters and expecting some kind of momentum in terms of your business is concerned from SecureKloud? Of course, we have some improvement in terms of the cost deployments, in terms of regulatory filings and all. Hope this momentum will continue and it will reflect in the business numbers.

Suresh Venkatachari: Thanks a lot.

Moderator: Thank you. The next question is from the line of Nandlal Padhi, who is an Individual Investor. Please go ahead.

Nandlal Padhi: My question is almost same. The IT industry and cloud business is doing well as the world has gone online but it is not reflected in the revenue or profit?

Suresh Venkatachari: As I answered earlier, you will see the revenue growth coming in the next few quarters. In terms of profits, the reason why is because we added a significant amount of sales people in our company so that is the reason. Basically, we see a great opportunity which can be able to speed our growth in the sequential quarters you will be able to see that.

Nandlal Padhi: You should communicate and share business updates and other information.

Suresh Venkatachari: We always announce any major wins in the press release to the stock exchange and will continue to improve further.

Nandlal Padhi: Thank you.

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

Milan Trivedi: Good afternoon Sir. I have one question. In the investor presentation, we see that the top 10 customer revenue increased to 74.4% so though we initiated more logos but our dependency on the existing customers is more so ideally when we have new logo the graph should come down? We should have lesser dependency on the existing customers? The total revenue should be in downward, but in the presentation, it shows as upward?

- Suresh Venkatachari:** So, Thyagarajan you want to answer, or I answer first.
- Thyagarajan R:** With the new logos we have acquired in the last two quarters, and seven new logos added in the current quarter both in India and US, we will start seeing revenue uptick in the next couple of quarters. We have a tail list of customers, but the majority of revenues come from the top five to 10 customers. I think Ravi also briefly articulated when he spoke that the expansion plan in Europe, Middle East, and Japan which is aimed at reducing the dependency on some of the large customers we have currently. There is traction on the ground, but it will start reflecting in the next couple of quarters Sir.
- Milan Trivedi:** Thank you. I have one more question so this with respect to like the SEBI has directed forensic audit for the SecureKloud and after that there was a couple of interactions between SEBI and the company so can you please update on that? Is it any observation from SEBI has been identified on that?
- Thyagarajan R:** You may be aware that this pertains to an audit observation made by Deloitte. The company appointed an independent firm to do the special audit an independent report was submitted to the audit committee, which was also shared with SEBI. They have come back to us on some queries which we have responded. As of now there is no other progress. We will not be able to divulge anything beyond this, but I can assure you this issue is on track. Make no mistake we are taking every effort to make sure that the SEBI issue closed at the earliest.
- Milan Trivedi:** Last question. This is about the announcement of investment in subsidiary for product Blockedge so that is subsidiary will be based in India or it will be in US based?
- Suresh Venkatachari:** It is a US based subsidiary Sir. It is 100% owned by the Indian company. We have got an approval today morning from the board to raise up to USD20 million this Rs.150 Crores Sir. I think I mentioned in the earlier that we will give to the shareholders for the approval on September 30, 2021 when we have the AGM.
- Milan Trivedi:** Thank you.
- Moderator:** Thank you. The next question is from the line of Jignesh Desai an Individual Investor. Please go ahead. We move to the next question from the line of Rajesh an Individual Investor. Please go ahead.
- Rajesh:** My question is basically on Blockedge. So, I see that you are piloting this Blockedge in a couple of customers can you give us some idea on the number and the size of the deals? What will be the typical sizes of a deal of a Blockedge implementation and how many of them do you see materializing soon?

Suresh Venkatachari: Currently, it is all in a very initial stage. We anticipate this kind of deals can initially bring in somewhere around like Rs. 3 Crores to Rs. 6 Crores revenue, but it will be more of an annuity revenue coming in. Going forward we are also joining in some of the consortiums right now. Currently Blockedge is marketed by only through SecureKloud and Healthcare Triangle sales team. The idea of funds being raised is also to have an individual sales team for Blockedge. Today, our Blockedge has many aspects which can be used. It is built on our Cloud foundation after the security layer, and it can be able to put either an Ethereum or Hyperledger or Coda. We are building Coda inside but currently it supports both Ethereum or Hyperledger so anybody who has an application which can be able to immediately come into the blockchain network through our Blockedge and also we have built a used case accelerator called Glue which can able to build very quickly new application developer in there. We are seeing the traction across in different verticals. We are even seeing opportunities like land registry, government sectors, even in the US government we are perusing and both also in India also we are perusing some of the opportunities right now but however see today the technology has been already built. A very solid technology foundation has been built, the sales and marketing, which we did to be invested where we see another good growth right. Our foundation can be used across any applications, so we anticipate with our dedicated Salesforce our revenue could be able to increase substantially and our business model what we are really looking at right it is not from a traditional software services kind of a business. It is more of a kind of a Platform as a Service business so that the value of the enterprise, which will be very significant.

Rajesh: Thank you for the detailed explanation. I had one other question. For the Healthcare Triangle listing on NASDAQ, so I do not know whether I missed it but could you please give an idea of what would be the size of the offering and also is there some kind of guideline as to what would be the maximum amount of dilution of SecureKloud holding in the Healthcare Triangle in the listed entity? Is there some minimum or maximum amount of dilution or holding post the listing?

Suresh Venkatachari: We are anticipating raising around USD 25 million but we do not know the exact dilution as the pricing has not been done. The pricing you are not allowed to do until the SEC clears the comment right. So, our banker has seen everything, so we do not know the valuation yet. We do not know the dilution as of today. We will know in the next in probably couple of months closer to the listing.

Rajesh: Sure, but from your internal as a kind of guideline or as a limit is there some?

Suresh Venkatachari: We absolutely cannot give and as per the SEC also you are not allowed to even make a valuation or pricing at this stage actually. You are not allowed actually.

Rajesh: So, in theory there is no limit on the extent of dilution which could happen? It could substantially 30%?

Suresh Venkatachari: We do not know. I cannot be able to comment but our quantum of fund we decide to raise to around USD25 million even though we have a capacity to raise more money but we want to have a lesser dilution at this stage so that is our focus.

Rajesh: Thank you.

Moderator: Thank you. We have the next question from the line of Jignesh Desai an Individual Investor. Please go ahead.

Jignesh Desai: Thank you so much. My question again is on blockchain? I have got most of it jest from what we spoke in the last question? Two questions, which I have is if we have a platform as a service on blockchain can we know the clients we have on board because now that you are looking at a kind of skyrocket growth in blockchain and while overall if you see from the blockchain and cryptocurrency point of view there are a lot of decentralized DX and D5 platforms who are in valuation in terms of starting USD100 million to USD500 million so kind of clients we are perusing and we have onboard one for Blockchain as a Service and two if we have an advisory board can we have the names or can we know them for Blockchain particularly?

Suresh Venkatachari: Let me answer your question one by one. The first one is, we cannot name a client because of the contract but it is actually one of the very, very top five global pharma. I want to tell you this the pharma industry is in a race to complete by end of next 2023 there is something called track and trace by FDA where they need to find out even each drug when they get expiry date and everything all those things and they have adapted a Blockchain as a technology. So we are working with one of the very leading pharma right now to implement. If that becomes a fully successful, then it opens up our door for big sized pharma companies using Our pharma infrastructure.

We are in the cryptocurrency area and anybody who build those can utilize. The cryptocurrency is also getting more attraction. We are hearing rumors that Walmart is going accept Cryptocurrency and many others like Amazon and other people are going to accept as well. Everybody needs to have a kind of a blockchain infrastructure to move to. I want to just highlight the blockchain potential. Say a big pharma company which has 25,000 to 30,000 suppliers and other network. Blockedge will help all the small network players who are not able to have their own infrastructure. Our Blockedge can be used to host and bring them into the blockchain network and that could be a very high potential growth so what we are focusing right now on the consortiums. Consortiums are where the big pharma companies join and drive the blockchain initiative. The same thing we are now joining into

different consortia like pharma and automotive. We are trying to get into mobile consortiums so that we become a vendor partner so that every partner can leverage our technology to go. In terms of advisory network for Blockedge, we are in the very early stage of seeking industry top professional including people from IBM Blockchain, but the current plan is our first announcement will come on the advisory and board of directors for the Healthcare Triangle which will be from the industry top professionals. You will be hearing very soon. Then the later part will be the Blockchain and our focus is is to make our platform accepted in a couple of big consortiums so that will open up our road for many numbers of customers. While you read the Blockchain technology adapting, I wanted to give you a cautionary approach. It is still in a very, very early stage but it will explode because as many players have now started trusting this. So, we are in the right opportunity space, but we have still a long road before we can see huge traction, but our platform is as a service will bring a continuous SaaS revenue model which will create a high value enterprise.

Jignesh Desai:

I think that was a pretty good explanation. This is what I wanted to hear. It seems pretty good potential. The only thing which I would request and put forward is that while we look forward to the skyrocket growth in Blockchain and Blockedge also it would also be run through a complete light minded team that any given point in time post HC right? If it is the team members, let us know that will be great. It is a team effort which is required to get this on a holistic way because there is a lot and it would not even save even good growth. There is an immense potential the way Blockchain is being adopted in the market across the globe and most of the corporations I think we are looking forward to anywhere 20x to 50x kind of an adoption rate.

Suresh Venkatachari:

You are right Jignesh exactly. I think you have very good knowledge and I think that is what we are following and we are also now participating in various events actually to get our product exposed also so it will give a tremendous growth.

Jignesh Desai:

We are looking forward.

Ravichandran S:

One thing I wanted to add Suresh. We are also discussing internally about fusing the readable.ai and Blockedge because that will become a very powerful story to go into insurance sector and other paper based industries.

Jignesh Desai:

That is just an excellent point which you brought up I think readable.ai, mix of it. It is a combo of Blockchain. Any kind of industry which wants to be paperless and wants to go on cloud and then can get to the global at given point in time from just a click of a button, I think that is very understandable. You already have clients on board. Lot of Blockchains has built a platform but do not have clients. You are sitting on clients. You have built a platform. From day one you are on board in the market.

Suresh Venkatachari: That is correct. Thank you.

Jignesh Desai: Thank you so much. That is from me.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Shah for closing comments.

Vastupal Shah: Thank you everyone for joining the conference call of SecureKloud Technologies Limited. If you have any queries you can write us at vastupal@kirinadvisors.com and once more many thanks everyone for joining us.

Moderator: Thank you very much members of the management. Ladies and gentlemen with this we conclude the conference call. Thank you for joining us. You may now disconnect your lines.