"SecureKloud Technologies Limited Q3 FY22 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to SecureKloud Technologies Limited Q3 FY22 Results Conference Call hosted by Kirin Advisors. As a reminder, all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vastupal Shah from Kirin Advisors. Please go ahead.

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

Suresh Venkatachari: Thank you Mr. Shah. Good afternoon, everyone. Thank you all for joining us on the Q3 FY22 Earnings Call. I am grateful for the patience and commitment of our employees who tirelessly deliver high quality services, despite the continuing pandemic. Your company is very well positioned as a customer centric leading edge technology partner for large global pharma companies, healthcare providers, logistics, Telco manufacturing and software companies leveraged our platform and services in their digital transformation journey. Q3 has been a steady quarter for us. We witnessed continued momentum in booking and pipeline reflecting in our overall strength in the market. DataEz, CloudEz, Readable.ai and managed serviced continue to remain the key differentiator in this quarter. We had great client success in our platform business and our renewals have been solid.

Overall revenue growth has been steady across segments. Our partnership with the top cloud providers has enabled us to penetrate new accounts across multiple sectors with our cloud offerings. We recently announced acquisition of Devcool Inc, that specializes in EHR implementation and Managed Services to several large hospitals including the number one cancer research hospital and medical center. The acquisition will focus on accelerating adaption of cloud technologies in healthcare space and improve clinical, operational and financial performance. It provides us an opportunity to cross-sell/ up-sell CloudEz, DataEz and Readable.ai as a SaaS model to our existing customers of Devcool. We also anticipate adding large health systems and integrated delivery networks (IDN) to HCTI's client portfolio.

Looking ahead, we remained optimistic about the demand for our product and services in the marketplace and feel confident of our service offering and their client relevance. We continue to see strong momentum in our healthcare business coming out of the pandemic and remained very enthusiastic about the market opportunity while we continue to remain little cautious on the new version of the COVID.

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

Ravi Chandran S: Thank you Suresh and good afternoon, everyone. Hope you and your family are doing good, safe and healthy. I am happy to announce that we moved to a new corporate office in Chennai which is twice the size of what we had in the past and we are slowly welcoming all the vaccinated staff back to work.

Growth acceleration continued as we signed 7 new deals in this quarter and during the quarter, we signed a multiyear Readable.ai deal to automate, transform and host medical records on the Cloud. We successfully implemented Meditech as a Service (MaaS) for critical care hospital and the results have been very encouraging. The hospital now experiences accurate and robust data reporting, ensuring automation of billing and improvement in the regulatory reporting. In terms of demand, we continue to see good pipeline and there has been significant increase in the large deal pipeline. We are witnessing opportunities in digital transformation, data and analytics. We see this across all industries and large enterprises are accelerating their spends. Their trust in us is strong because of the superior service capabilities we have demonstrated. We are seeing tremendous expansion in all our large clients. We continue to add talent and invest in training to gear ourselves to address the current and future demand. Our customers like what we deliver, and our employees have been great brand ambassadors.

During the quarter, we hired a Chief Business Officer in Blockedge Technologies an industry expert in Blockchain who was associated with NISG as the Lead Consultant. In addition, we hired a VP for Cloud Service Delivery and VP for customer success in HCTI in the US.

We ended the quarter with 739 employees, with continued investment in frontline sales and marketing. In our last call, I had mentioned that we were preparing for a return to office with most of our employees by the start of this new year to our state-of-the-art new corporate office in Chennai. Owing to the current pandemic situation, we are recalibrating our timelines and we will be closely monitoring the evolving situation on the ground across our different occasions before announcing our new return to our policies and plans. With that, let me hand over to Thyagarajan for his comments on the financials.

Thyagarajan R: Thank you, Ravi. Good afternoon, everyone. I hope you and your families are staying safe. In Q3, we reported revenues of Rs. 95.5 crores as compared to Rs. 87.1 crores in Q2. The revenue growth was largely led by both the segments. Both Healthcare and LifeScience reported 3% increase in revenues and came in at Rs. 62 crores as compared to Rs. 59.5 crores in Q2 and ICT revenue increased by about Rs. 6 crores, ICT reported Rs. 34 crores revenue as compared to Rs. 27.7 crores in Q2.

Recurring revenues were strong in the quarter. Recurring revenues came at 40.5% in Q3 compared to 39% in Q2. The growth in recurrent revenues reflects our continued focus on signing long-term multiyear deals. As Ravi mentioned, our pipeline is very strong today. Nearly 60% of the deals in our pipeline is manage support and platform deals which are multiyear and recurring deals. We expect that in the next 5 to 6 quarters, nearly 60% of our revenues will be recurring in nature. Gross margins came at 26.6% in Q3 compared to 26.3% in Q2. We expect the margin resilience to improve as we acquire customers on SaaS platform. We are also looking at pricing much more holistically today till another lever to improve our gross margins in future. Although pricing is not going to be easy, we are working with our sales team to sell on value and be a bit more innovative on some of our commercial contracts. This is a long haul, but we think this is the right time to start discussions with clients on pricing.

Our operating expenses for Q3 was Rs. 133 crores. This was higher compared to Q2 which came in at Rs. 107 crores. Opex was higher mainly due to Rs. 21 crores of onetime cost, which was mainly for the IPO and acquisition related expense of around Rs. 18 crores and onetime cloud hosting expense of nearly Rs. 3 crores. We continue to invest in our R&D platforms, and we made significant progress on our readiness to acquire customers on SaaS models. As mentioned in previous calls, we peaked out on our R&D investments, and we expect this to go down both in percentage as well as in dollar values in the next two quarters. During the quarter, we repaid Rs. 7 crores of debt and our overall net debt position of the company is Rs. 84 crores. With that, I would like to hand it over to Mr. Shah to open the floor for Q&A.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Mr. Ankit Dogra from Centrum Broking. Please go ahead.

Ankit Dogra: Sir, I have few questions, I will start with Mr. Thyagarajan first. Good afternoon Mr. Thyagarajan, I would first like to start with the salary cost, the salary cost is now almost equal to total revenue for the quarter, sir, isn't this just too much, because every quarter we are seeing the salary cost keep on increasing and if you compare with the IT services company which has maximum growth, it's close to 50% of its total revenue, sir, what is our feeling for the salary structure going forward?

Thyagarajan R: Over to the next question sir, I will address all the three of them together.

Ankit Dogra: The next question is, on the receivable status, which was not there in the presentation, if I may know what is the receivable in terms of base and in terms of total for December ending? My third question is on the debt side which you mentioned is about Rs. 84 crores (net debt), sir, if I may ask, is this after adjusting for the HTI IPO which happened? so are all that cash deployed now or what is the status on that cash position of the IPO?

Thyagarajan R: Let me go with the first question, you asked about salary, we mentioned it in the past as well that we are investing heavily on sales and marketing, we have got 12-member sales team in HCTI. So, two things we did, one, we kind of got the frontline sales organization in place and second, we invested in our Chief Revenue Officer who has joined us recently and we got VP of client success in healthcare, to head our Blockchain business in Asia Pacific, we hired a Chief Business Officer. In line with our thinking, we have made the right investments, I think the one difference between what you see in our P&L and that of others, we charge a lot of our R&D related people cost in the P&L, as supposed to some of the other companies that get into the balance sheet. I think we mentioned it in the past, earlier we used to charge it to the balance sheet and reported a lower people cost, but since we change the accounting policy, year and a half back, all the R&D related cost is in the P&L today. So, just to reiterate, the Rs. 90 crores that you have seen per quarter as a labor cost, should be the peak cost, I think, the sales team that you have in place and the investments that we have made should pave for the future. I think Ravi mentioned it briefly as well, our pipeline is healthy, so some of the deals that we are talking about are taking time because the nature of the B2B deals is like that. It typically takes 3 to 4 months for any of these deals to close. So, that is kind of taking time, but we are optimistic that over the next 2 to 3 quarters from a payroll cost to revenue perspective, this will go down in percentage. In absolute terms, I think we have kind of peaked down our payroll cost sir, that is point number one. Your second question was on what we have done with the IPO funds, I think we raised close to about $13 million in IPO and lot of the money, if you recall has been invested in acquisition of Devcool Inc., which is the healthcare IT company that we briefly spoke about, we paid $4.5 million towards acquisition and we also paid nearly Rs. 18 crores towards the IPO related expenses, the investment banker space plus lawyer space, etc., and the balance cash, close to Rs. 20 crores have been invested in working capital in the company. The remaining cash is what you see in the balance sheet today, sir.

Ankit Dogra: Sir and the receivable status as of December?

Thyagarajan R: Regarding our receivables, we have Rs. 80 crores outstanding as of December 2021, our DSO is at a manageable 60 day level, sir. I don't think our DSO is a bit of a concern.

Ankit Dogra: I have another question for Mr. Suresh, so if I may continue or do you want me to come back in the line later?

Suresh Venkatachari: You can continue.

Ankit Dogra: Sir, couple of questions for you, sir, in the presentation it was mentioned about a multiyear platform deal for readable.ai, I just need few things on that, if you can just share some contours of the deal, like financials or something like that or the timeline or if you don't want to mantion the number, at least some data on how big the deal is?

Suresh Venkatachari: It is an excess of a million-dollar. Some of the contracts are 3 years deal and some contracts we sign for a 5-year deal right now, so it is a recurring and the key is actually it can also enhance our deal size because we are bringing the next version and other stuff which will also incrementally add to our revenue. But the key is we are seeing a good traction in multiple customers right now, both on the Readable.ai as well as our cloud hosting for those customers, Cloud Disaster Recovery. We are currently engaging about 4 or 5 customers, on the planning out stage, so this will give us a strong visibility, but our average term is between 3 to 5 years period.

Ankit Dogra: When you meant by recurring, that means this $1 million is like the full deal value or is some part of it recurring and the total life cycle of the contract will be $1 million?

Suresh Venkatachari: No, because it is between a million to $2 million deal, it is all fully recurring. It recognizes over 3 to 5 years period.

Ankit Dogra: Sir, another question, recently in the Indian union budget, Finance Minister talked about introduction of digital rupee on the Blockchain platform, in the last quarter you mentioned about working with the government on some contracts, so is this on the currency side that we are working?

Suresh Venkatachari: We have met different ministries to offer solutions that includes the Finance Ministry, but not specifically on the digital currency because at that point in time they were not decided, but we are looking at the healthcare opportunity in the Health Ministry, Land Registry, as well as in Finance Ministry. There are lot of opportunities coming in, but still, it is in a very pilot state, I would say, not many of the applications are full blown yet in the government side. The Finance Ministry is also looking at insurance side, so there are several opportunities, and our platform is getting fairly mature. We are adding customers in the Blockchain now, but these cycles are still very small, but I see a lot of traction in Blockchain opportunities in India and worldwide. I spoke to lot of analysts including Gartner analysts, everybody, including our competitors are facing the same challenges, but the market is very positive. I think it's great that India is moving towards the digital currency and now that they didn't ban any of these cryptocurrencies and are also endorsing that with the tax, it is going to be a real move in the Blockchain and Crypto market, so I think that will help SecureKloud to position its Blockedge services to n number of customers including government as well as commercial sector.

Ankit Dogra: Sir, when you scale up or whenever you get contracts on the government side, you will need to scale up, but will that again increase our cost structure or is our platform sufficient enough to handle that additional load?

Suresh Venkatachari: The platform is pretty scalable today, I think right. We are continuing to invest in the platform, but we have invested majority of us spend already, so as what Mr. Thyagarajan mentioned we have peaked our R&D spend and now currently leveraging. The biggest key advantage is our Blockedge platform, just to give a simple example, when you have a node, each point, and there is a pharma company which has a lot of distributors, may be like 10,000 distributors, so each of the distributor will be a node. With our Blockedge platform, we don't need to deploy people to manage those nodes, it is all done instantaneously, it has been off, so sales of significant amount of costs are those customers and also in terms of the entire process, so we don't anticipate, only your employee cost will grow now on the services side of the business. The services side of the business increase and then the employee cost, but if it is a platform related, the cost will be like negligible in terms of employee cost.

Ankit Dogra: Sir, if you see, sir, we saw in the presentation that revenue growth was 10% quarter-on-quarter, so on the dollar term, where majority of our billing happens, so is it safe to assume that there was no FOREX gain in that, and majority has been?

Suresh Venkatachari: It is all purely billing.

Ankit Dogra: That is a good point sir, last question from my side, sir, like we have seen that on the NASDAQ also the price has come down, there has been sell off in the technology shares, but are we doing something, taking some steps to get some institutional shareholders which are like long term in nature and avoid the volatility, something like that, are we working on some?

Suresh Venkatachari: Very good question actually, thanks for asking. See, if you really see between November and now, it is one of the probably worst decades for the small microcap companies and again all the tech companies got a beating. That is the outer macro side, but on the specific to HCTI, because we went IPO only in October and our first full year financial year is reporting before may be end of February or early March, then subsequent to that research report will come because the big institutions will cover only after the research report coming in, so we are working with the multiple research institutions right now in terms of providing the research coverage, so once the research coverage, then it will enhance and we are in talk to lot of midsize to large institutions and I believe may be after few months, there will be a trigger and because also the most important thing is after end of April 13, our banker terms over who took us in ICU and there are several players are showing interest in terms of supporting its EPI for the next level of growth. So, we are not looking for any further dilution right now, but the banking support in terms of research coverage and subsequent thing, so those are the things what we are really looking there and there will be a definite enhancement in the sharp price as well as growth of the company will reflect in the market.

Moderator: Thank you. The next question is from the line of Harish Barai from Larsen & Toubro. Please go ahead.

Harish Barai: I have just one question Suresh, in the beginning of the year, you gave a guidance of 12% to 14% revenue growth, when we look at the 9-month numbers, are we revising the guidance, or the guidance is still intact?

Suresh Venkatachari: There has been slight changes, one of the things is that we had stopped recognizing passthrough revenues. We provide Cloud hosting services to large pharma customers where our margin is only about 7% through AWS hosting and others. In June 2021 we revised our revenue recognition pattern with regard to cloud hosting services and started recognizing only the margin of 7%. That is one of the reasons you are seeing that growth has reduced, however, if you really look at it, this quarter we were able to achieve the target and next quarter again we are anticipating the revenue to grow bigger. Going forward, in the FY 23 I think there will be a substantial jump in revenue. We are correctly having close to $90 million in topline and out of that I think 60 to 70% is in the managed services and the platform opportunities, so that is a very encouraging sign for us, and we believe this will accelerate our revenue growth.

Moderator: Thank you. The next question is from the line of Amit Aggarwal from M/S Leeway Infotech Pvt Ltd. Please go ahead.

Amit Aggarwal: My question is regarding the turnover for the company for this quarter, does it include any portion of Devcool revenues?

Suresh Venkatachari: Yes, it is included.

Amit Aggarwal: So, does that means year-on-year we had a degrowth from the quarter revenue, right?

Suresh Venkatachari: As I had mentioned to Harish earlier, we had not considered close to 6 months Cloud Hosting revenue of Rs. 35 to 40 crores in our topline due to change in the revenue recognition policy from the month of July 2021, and now we consider only the margin. So, that is the only difference here, but in terms of deals, I don't think we have any degrowth. In terms of bigger customers, our managed services and our platform has witnessed growth because if you see our recurring revenues continues to grow.

Amit Aggarwal: And the current headcount does it include the headcount of Devcool or just our headcount?

Suresh Venkatachari: No, 90 people from Devcool have been included in the headcount.

Amit Aggarwal: 90, right?

Suresh Venkatachari: Yes, 90.

Amit Aggarwal: Yes, because I was looking at the SEZ filing of Devcool. It is a very low margin business. What is the rest of the expenses in 100 crore turnovers annually, like, it is a very low margin business again, just like the one we had taken over?

Suresh Venkatachari: No, it's because it is purely a services business, Devcool has key advantages in terms of the business. Today, Devcool works with a large IDS, large university medical centers like UC Irvine, SF and also the number one Cancer Research Institute of America, which is a City of Hope. So, it has great client, and provides the EPIC base implementation service and managed service. Their managed service has a better margin, whereas implementation service is largely people driven which has lower margin compared to HCTI's own business, however, what we see within the last two months itself, is that at least to two customers we are now talking about, our CloudEz and DataEz opportunities. So, once we deployed that we would see the revenue acceleration. HCTI historically works with all the regional hospitals, regional hospital's budgets are very smaller compared to the larger hospital and Devcool has a vendorship with UC Health System for about $70 million, only 4 vendors are selected, and one is Devcool. So, what we see is, if we are able to convert those customers into Cloud and our DataEz and managed services, our margins can enhance from the current levels, because their margins are only around 20%, so we can take that gross margin level significantly to 30%, then we will see a good growth. It is a very good acquisition for us in terms of the customer where we can cross-sell, up-sell purely because EPIC base customers are easier to sell Cloud hosting, because they spend like $200 million in electronic health record implementation compared to Meditech implementation where $10 million to $15 million is the contract size, so there is an opportunity for us. That is the rationale for us to do that.

Amit Aggarwal: Sir, besides employee cost what are the other cost because the turnover is Rs. 100 crores, but the net profit they were doing, was very less, Rs. 7 crores to Rs. 8 crores. So, what are the other expense besides employee cost?

Suresh Venkatachari: No, it is only purely employment cost and certain infrastructure sharing cost and administrative expenses. But going forward those expenses will all be eliminated and as we already have infrastructure built, we might not require their infrastructure and we would also save the operational expenditure.

Amit Aggarwal: And I was looking for a bit some research on and googling it on the net and found that the promoter company has one more company HiPaaS, which was demerged this year, so is that our competitor right now or how is it going?

Suresh Venkatachari: So, let me tell you, he has a platform called HiPaaS, so it is one of the kind of managed service platform, so it has nothing to do with Devcool which is EPIC implementation business and as part of the contract he has signed, he cannot compete with us actually on any of the EPIC implementation job or support managed services and if he has to even work the HiPaaS to any of the customer, he has to run through us only and sufficient margin will be built for HCTI. That business is a very small business. That is what the promotor Sandeep is focusing on, and he also continues to serve HCTI as a consultant for 2 years and has also signed a noncompete and no solicitation of employees or customers with us.

Amit Aggarwal: And I looking at the headcount, how much is permanent employees and how much is contractors out of 700 plus?

Suresh Venkatachari: They have multiple category which we call W2 hourly, 1099 contractors and fulltime employees. Full time employees are in-house employee who is less than 10 people and then W2 hourly is about 50 employees, the rest are 1099 contractors. 1099 contractors, you don't have any liability, basically once the project finishes you can let them go. Even in case of W2 hourly, the advantage is, you need not pay for nonbillable hours, you only pay for the hourly where they are billable. Like in HCTI, majority of our employee are in W2 category, so what this means to you is that whether they are billing or nonbillable, we still need to pay, but in case of Devcool, because they are an implementation services company, they were using both W2 hourly and 1099 contractors.

Amit Aggarwal: How many net addition we are going to make in this Jan-March quarter in the headcount?

Suresh Venkatachari: We are not adding bench people significantly, we are only adding people, when a project need happens on the services we do. On our platform delivery, we don't need any people. We have already our platform and we also have enough support team available right now.

Amit Aggarwal: My last question is regarding the Readable.ai, right now how many hospitals are using the software and how many in the process to deploy that software?

Suresh Venkatachari: About 4 is full blown/ deployed and there are about multiple deals today, I would say in the pipeline. Actually about 5 customers today are looking at multiple things on Readable.ai combined with our Cloud Disaster Recovery. There are two pieces, one is, posting them on Cloud Disaster Recovery and also Readable.ai, it is about 5 customers which are under multiyear contracts. But the challenge is that the scaling up of profitability happens in the later years, may be the first year is where we have to eat up some of the cost in setting up, but next 3 to 4 years will be a profitability for us actually.

Amit Aggarwal: Are these customers from other services or they are specially for Readable.ai like how does it go?

Suresh Venkatachari: It is a mix, because Readable.ai currently works with EPIC. So, now, we are going to change Readable.ai to also work with Meditech. So, we see that it will open up about another 2,300 hospital opportunity for us and what we are doing is we are talking to Meditech and see whether they can do OEM of our platform, that will help us to scale up of our revenue.

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

Milan Trivedi: My first question is, by when we will see that SecureKloud Technologies will be debt free? And will we able to meet our goal by FY25, like will we have Rs. 1,300 crores revenue, so that means is it 30% year-on-year growth? And the last question what I have is, like what is the KRA for sales team for HCTI and SecureKloud for FY 23?

Suresh Venkatachari: Very good question, I will say some and Thyagarajan can add on. So, our goal is that by the next 3 to 4 quarters, to only keep debt on our working capital lines. That is what we are really looking at. We had considerably reduced our debt to Rs. 86 crores and out of Rs. 86 crores, approximately about Rs. 50 crores are in our line of credits and others, like our working capital line. So, may be Thyagarajan can add on later and your second question by FY 25, our goal is for HCTI alone to build at least close to Rs. 700 to Rs. 750 crores of business and the rest of our business we anticipate another 35% to 40%, so we would be able to definitely reach to Rs. 1300 crores, which is the goal, that we are internally thinking. We are seeing a solid pipeline coming right now and especially for our platform, we have two important goals, one is for the topline, but however, more than topline we are really looking at our bottom line and profitability to scale as the platforms and recurring revenue as Thyagarajan said, our goal is to get about 60% of our revenue from the recurring revenue, so if these two metrics happen, then the Rs. 1300 crores goal is clearly achievable for us. The last question on the KRA, we added significant number of people in the HCTI side and some even in the Blockchain side and SecureKloud, we are still having very few number of people, but we added couple of people right now. So, the goal for each one is actually to grow. The KRA includes bring in new customers for us and then transition of the existing ones to be our client partners, who can grow and each sales guys have a specific target in the range of $2 million to $5 million individually. So, we have currently had 12 sales members in HCTI and about 4 to 5 people in SecureKloud and couple of them in Blockedge. Blockedge is probably still evolving, smaller deal is happening, so what we see is, if we combine, we will be able to achieve our overall revenue goals for FY 23 as well as FY 24. FY 23 is definitely looking to grow between 25 to 30% minimum sequentially year-on-year. Thyagarajan, you can complete on the debt.

Thyagarajan R: Sir, the question on debt, currently our gross debt is approximately Rs. 100 crores. Out of that our working capital debt is about Rs. 55 crores, the promoter's loan of Rs. 45 loans, as Suresh articulated, we will repay it in the next 3 to 4 quarters. The objective is, as we have reiterated many times in the past, we want to become debt free, just maintain the working capital which is obviously required for running the business at the same level, $7 to $7.5 million and repay all the loans, so first and foremost it has already started reflecting on the P&L. Our interest cost for instance used to be Rs. 12-Rs. 13 crores last year have already come down to about run rate of Rs. 9 crores this year, so that is clearly reflecting on the P&L. The other objective on gross margins on the current 26.5-27% level we believe that with recurring revenues and more focus on platform over the next 6 quarters, we should hit about 40% of gross margins. If that happen, we will be significantly debt free over a period of time and there will be sufficient operational cash flow which will be funded back into repaying some of these working capital debts overtime, sir.

Participant: One more follow-up question I have, recently SecureKloud has partnered with Cognicx is any project in the pipeline, like by when can we see the revenue start generating from that partnership?

Suresh Venkatachari: We are following up a few proposals with our partners in Dubai and Middle East, we should have something by way of closures in the next 2 to 3 quarters.

Moderator: Thank you very much. Next question is from the line of Rajesh, an Individual Investor. Please go ahead.

Rajesh: I have a few questions to the management, solutions on the first proportion of the business, one, could you give us some color on what is the overall percentage share of revenues coming from the solutions that is CloudEz, DataEz, Readable.ai and Blockedge and all put together, what percentage of revenues is currently coming from these solutions?

Suresh Venkatachari: On our recurring revenue of 40%, currently, majority comes from all platforms driven model. Earlier we are selling our platform on a solution delivery model, now, we have changed completely into SaaS model, the 40% include some managed services, may be Thyagarajan can correct, may be 14-15% is the platform.

Thyagarajan R: Yes, 12% to 13% is the platform revenue sir, but you know as we mentioned earlier, most of them are on SaaS billing. The readable.ai deals, the four deals Suresh spoke about, these are all multiyear deals on SaaS billing. Till last year, we used to sell them as a solution which is nothing but your fixed price billing, since we moved the shift to SaaS this year, the revenue catchup will be slow, but overtime I think this is the right thing to do as we mentioned many times in the past the incremental delivery cost of these customers is 0. So, once the platform is ready the marginal cost is very little and most of the billing moves into gross margins, so that is the focus for us going forward, sir.

Rajesh: So, is it possible for you to share that information on a quarterly basis that what is the percentage revenue coming from SaaS and what are the margins on those?

Suresh Venkatachari: We may not be able to give the margins on each of them sir, because these might go into our competitors hands, but we definitely give certain revenue related information as a part of our quarterly filing in US. We can share that from next quarter, sir.

Rajesh: And I have a couple of questions again, one is because I think the attractiveness and the potential for the SecureKloud lies in this solution, so I would just like to understand this R&D cost a little more, because as you said it will stop from the last quarter, but still it looks like a significant percentage of revenue, so what exactly is the cost, is it expenses being undergone in this current quarter or are things being built or new solutions being built?

Suresh Venkatachari: So, let me tell you, because all these are Cloud based, you have to have a continuous innovation, it is not like the old age product you leave it and go in case of DataEz, we have now enhanced it with genomics capability. For CloudEz, we have improved it with a lot of new services from AWS, Azure, and Google and again in case of Blockedge we used to support earlier Hyperledger and Ethereum, and now we are enhancing into corda and also, we are enhancing the Blockedge applications. So those were the things that happened. On the strategy side, last quarter was in peak because we were enabling everything into marketplace. Our goal over a period of time like Thyagarajan mentioned earlier, is to be keep our R&D costs between 7% to 8% of our revenue and then expanded.

Rajesh: And I had one last question on the marketplace, from what I could see online, I think on the Amazon marketplace, we have DataEz listed and on Google market place, I think it is Readable.ai, so are these only two solutions listed in these two market places and is there a plan to enhance, to add further?

Suresh Venkatachari: CloudEz and DataEz are in Amazon and Readable.ai in the Google marketplace and what we are trying to do is actually to move Readable.ai also in Amazon marketplace and vice versa for CloudEz. Basically, what happened was that CloudEz and DataEz was initially build with Amazon’s proprietary technology, so it was launched in Amazon, but all these platforms are truly Multicloud platforms, so we are enhancing that into other area. Even in case of Readable.ai, one of our next goal is for Readable.ai to be listed on EPICs App, because it integrates with the EPIC right now. EPIC has a number of hospitals, so if you put that on EPIC marketplace, it will also be able to reach more number of customer very easily. In the Same way we are now enhancing with the Meditech so that it can go into Meditech OEM or other market because Meditech doesn’t have a marketplace on its own, so they have to sell through their sales people. So, these are the things we do in terms of bringing the new additions. On the Blockedge, we are not putting on any marketplace, but we are joining with a lot of consortiums, we are helping, powering consortium as tech partners. Blockedge joined one of the automotive consortium called MOBI very recently and we are getting a lot of traction. MOBI has about close to 40-50 auto manufacturers, so we could become a potential technology partner for leveraging Blockedge to manage their supply chain or logistic side.

Rajesh: One last question I had on, I was just looking upon AWS marketplace on the DataEz, I could see that as of now, there don't seem to be any reviews, so how successful or how useful is the listing on AWS market place or is it too early to take a call?

Suresh Venkatachari: It is a good question, so listing on these is for branding because the application cost you like $29,000-$30,000 a month, so people are not going to marketplace to subscribe for that. If you subscribe for sales force kind of an application of $60, then you go and subscribe online, this is a large scale application, but what happen is listing on the marketplace helps our customer to do some test drive and then we go to the B2B, our enterprise sales reps sells the SaaS solutions to the customers. So what happens by listing in the Amazon market place, is that Amazon sellers when they have an opportunity coming in relating to DataEz or Data pipeline solution, they will immediately refer to us. So, that is how you are seeing here. If it is a very simple use case, like an easy application there will be user reviews, but in case of DataEz if you really see, today the Fortune 500 Pharma, I would say at least the top 4 or 5 are using our DataEz and now we are targeting into midsize biotech pharma and if we are able to put some of the specific use cases, thenwe will put those use case also in addition to DataEz in the market place, so that they are able to conceive that online.

Moderator: Thank you. The next question is from the line of Harish Barai from Larsen & Toubro. Please go ahead.

Harish Barai: One quick follow-up, you are in the right business, there are lot of demand tailwind, and your revenue base is so low, I am just wondering why can't revenues grow double every 2 years for the next 10-15 years, am I missing something in this?

Suresh Venkatachari: No, you are not missing, your question is very valid, but however you need to understand that the last 2 years were very challenging years for everybody. You were able to grow on your existing customers and getting new customers, without face to face meeting was a big challenge for every IT company and hopefully, in March 22 we are participating in a live conference a part of CHIMES where lot of healthcare CIOs are coming in. So, it requires like a lot of face to face show and we invested in sales people in the last 15 months, I would say, close to 15 months we invested in sales folks, significantly from 4 member team and these people are big sellers from different companies, they came here. The biggest challenge for them is not meeting the client, even though there are existing client Rolodex not meeting clients because still US is not fully back to work. So, that is the big challenge, but post COVID, as situation recovers, I think, the people are going to more conferences and we could be able to see. Until such time, I need to really have my guidance between 25 to 30% growth only at this stage.

Moderator: Thank you. The next question is a follow-up from the line of Ankit Dogra from Centrum Broking. Please go ahead.

Ankit Dogra: Suresh sir, just one general question, sir, we have seen that in this quarter, Indian IT companies reported a very strong quarter with very strong guidance, but some big companies in NASDAQ missed their guidance and by a very big margin and NASDAQ has seen tremendous sell off, sir, can you throw some light on what is happening in the tech side and is this going to be the new reset or the new normal. The extensive multiples which we were seeing in the tech side, will it come down or how can we assume the multiples to be going forward and what is your general science on what is happening?

Suresh Venkatachari: On one side, definitely your observations are right and everywhere there is tech sell off happening in the US market, but however, what we see with our clients, the big pharma companies and healthcare is that huge spends are happening right now and I see there is nothing to be really concerned about and most of them are having a newer budget and which is also shifting lot of vendors to us also. I see the traction, but in terms of valuation, of course definitely that has brought down significantly because in the last two years, I think for a lot of companies, the valuation is over priced, so that will put it to ease I believe, but when I am talking to lot of analysts including Gartner and others, they are seeing some recovery later part early spring and summer, they are seeing some potential growth, for instance Facebook sell off is another major event which pushed lot of other stocks down the index now, but that is totally different issue compared to the traditional reason, but some of the other business has reported heavy profit actually, even in the US, if you really see the earnings during the last week. So, a mixed market signal coming in, but as provider for like majority in the US we provide on the healthcare IT services. Hospitals have significant investment coming in because hospitals are coming out of the COVID now, so they have hold a lot of this trend in the last two years on the new IT, so new age IT and they are seeing the Cloud and Data, this is one big opportunity which is really very encouraging for me, the Devcool acquisition, people thought it is a low margin and all also, the question came earlier also from our investor angle, but if you really look at it, Devcool has n number of a good customer and we now can able to see cloud opportunities. That is the one encouraging happening and again pharma is doing relatively dull actually and they are coming with a lot innovation, so I see these two industries are really good, but again overall I don't see nothing to be a major concern, but these all started with the micro and big market crash and then now the heavy weight has some share, but I think it will recover. That is what I feel.

Ankit Dogra: One last question to Mr. Thyagarajan, sir, now on the presentation it has been mentioned that our R&D has fallen from 21% to 13% of revenue, so what is the status on the intangible side and the goodwill side on the balance sheet, is this still very heavy or sir, if you can give?

Thyagarajan R: If you recall, partly the goodwill is on account of the acquisition that we did with Cornerstone in 2017 and the recent Devcool acquisition has also added some goodwill in the balance sheet. There is also customer relationship which we have valued through a professional valuer and both of these will show up in the March 22 balance sheet, but having said that there is no other intangible other than these two in the books and these are something that we have already mentioned in the past, that all the intangibles in the balance sheet have been written off and what you see is actually customer relationship and some IT assets which we are amortizing as per the policy.

Moderator: Thank you very much. As there are no further questions, I now hand the conference over to the Mr. Vastupal Shah for closing comments. Over to you, sir.

Vastupal Shah: Thank you everyone for joining the conference call of SecureKloud Technologies. If you have any queries, you can write us at vastupal@kirinadvisors.com. Once more, many thanks to the management team and participants. Thank you.

Suresh Venkatachari: Thank you so much for joining the call today and it is lot of encouraging, very good questions and thank you again.

Moderator: Thank you very much members of management. Ladies and gentlemen, on behalf of Kirin Advisors, that concludes today's call. We thank you all for joining us and you may now disconnect your lines.