Ref: SK/CHN/2022-23/E29

August 11, 2022

National Stock Exchange of India Limited Capital Market – Listing, Exchange Plaza, 5th Floor, Plot No. C/1 G Block, Bandra – Kurla Complex, Bandra (E), Mumbai 400 051	BSE Limited 25th Floor, Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai 400001
EQ-SECURKLOUD – ISIN – INE650K01021	Scrip code: 512161 – ISIN – INE650K01021

Dear Sir/ Madam,

Subject: Transcript of Q1 – FY 23 earnings/analyst call

Pursuant to Regulation 30 and 46 read with Clause 15 of Para A – Part A of Schedule III of the SEBI (LODR) Regulations, 2015, please find enclosed the transcript of analyst/investor call for the quarter ended June 30, 2022 held on August 08, 2022.

This is for your information and records.

Thanking you,

Yours Truly
For SecureKloud Technologies Limited

SECUREKLOUD TECHNOLOGIES LIMITED CHENNAI

Roshini Selvakumar
Company Secretary and Compliance Officer

“SecureKloud Technologies Limited Q1 FY-23 Earnings Conference Call”

August 08, 2022

MANAGEMENT: **MR. RAVICHANDRAN S. – WHOLE-TIME DIRECTOR, SECUREKLOUD TECHNOLOGIES LIMITED**
MR. THYAGARAJAN R. – WHOLE-TIME DIRECTOR AND CHIEF FINANCIAL OFFICER, SECUREKLOUD TECHNOLOGIES LIMITED

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

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY 2023 Earnings Conference Call of SecureKloud Technologies hosted by Kiran Advisors. As a reminder, all participants' 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. Please note that this conference is being recorded.

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

Vastupal Shah: Thank you. Good afternoon, everyone. Thank you all for joining the Conference Call of SecureKloud Technologies Limited. I would like to welcome Mr. Ravichandran S. – Whole-Time Director of the Company and Mr. Thyagarajan R. – Whole-Time Director and Chief Financial Officer of the Company. Thyagarajan sir, over to you.

Thyagarajan R.: Thank you, Vastupal. Good afternoon, friends thank you all for joining the Earnings Call for Q1 Financial Year 2023. Today, unfortunately Mr. Suresh Venkatachari is not able to join us due to medical reasons.

We are happy to announce that Healthcare Triangle, our stepdown subsidiary raised $6.5 million from a private placement with one of the largest Healthcare funds in US. Year has begun excellently well for us. From a revenue standpoint, we grew 3.6% sequentially and 22% year-on-year. Our services are continued to be differentiated with digital and cloud value proposition for our clients. Growth across the quarter has been broad based across all our business segments. Revenues for the quarter came in at INR 110 crores this, compared to INR 90 crores in Q1 FY 2022. Healthcare revenues increased 16 crores or 25% came in at INR 80 crores for FY 2023 Q1 and ICD revenues grew INR 4 crores, ICD came in at INR 30 crores for the quarter as compared to INR 26 crores. One of the key matrix that we measure every quarter is the recurring revenues. Recurring revenues for the quarter came in at 42.4%. There has been a steady growth in the recurring revenues through increase in our platform and managed service revenues which clearly demonstrate a consistent progress towards our long-term operating model and improving the margin over time.

Gross margins came in at 22.5% in Q1 compared to 22.2% in Q4. We expect the margins to improve as we acquire more customers on platforms and managed services. As spoken in the last quarter, we have taken several initiatives to improve the delivery efficiency and increase in offshore support through automation and through privileged management. So, our OpEx for the quarter came in at INR 124.5 crores compared to INR 127 crores in Q4, a reduction of about INR 2.5 crores. This is largely due reduction in R&D spends. I think one of the stated objectives in the previous call is we have peaked all our R&D investments on platforms. So going our R&D cost will go down both in dollar value as well in percentage terms. We continue to look for cost efficiencies much more aggressively. We are working on improving utilization, work on rationalizing some of the subcontractors cost etc. and importantly eliminate inefficiencies in the cost model.

During the quarter, we repaid the promoter loan of INR 9.4 crores our overall debt position as of June 30th stands at INR 102 crores. On that note, let me invite Ravi to go over the various aspects of our financial performance for the quarter.

Ravichandran S.: Thank you, Thyag and good afternoon, ladies and gentlemen and thank you all for joining the Q1 Earnings Call. It has been a satisfying quarter from revenue growth perspective. Our demand is continuing to look good and positioning of our capabilities is resonating well with our client in the digital transformation space. Clients are seeing benefits implementing public cloud transformation across the infrastructure in many of the large deals that we are working and we want to make sure that we can optimize the technology landscape that gives them a cost benefit. I would like to share highlights of key wins during this quarter. I am very pleased to say that we won seven new deals across all our business out of which six were new logos, four new logos from Healthcare, Life Sciences and two ICT business. We sign a deal for cloud migration and managed services with a leading American telecommunication company which is one of the significant deals that we are pleased to announce. The other new customers that we acquire in Healthcare and Life Sciences into Healthcare device manufacturing and drug discovery. The previous calls, we had mentioned about our investment in R&D to strengthen and enhance our platform offering to engage more closely with our existing customers and increase our market share. We are pleased to announce that we had launched 3 innovative platform-based service CloudEdge, DataEdge and Neutral Zone during the current quarter and we have also signed our first CloudEdge customer deal with social impact platform company. So, this clearly demonstrate our commitment in terms of the R&D that we had put together for these platforms, a clear indication that the traction in the market is obviously wanting to have platforms like this. CloudEdge is a fully managed and highly automated cloud foundation platform that facilitates enterprise to transform and manage the cloud infrastructure across any public cloud service provider. We believe that our highly secure fully automated API-driven platform, will continue to remain a key differentiated and help us grow business across multiple geographies. With that I would like to open the forum for Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. We have a question from the line of Aniket Dogra from Centrum Broking. Please go ahead, sir.

Aniket Dogra: Good afternoon, Gentlemen, I have few questions for Mr. Thyagarajan. On the presentation, if we can go to slide no.6, page no.6 on the presentation. Can you explain me the cost structure it states cost of sales of around INR 85.5 crores and selling and general administration expenses at INR 33 crores? On the exchange website the cost structure is not as detailed it just gives salary cost, employee cost, other expenses and other costs. So, I just want to understand the employee cost of INR 99 crores as to how it is bifurcated in this slide on page no.6.

Thyagarajan R.: Thanks, Aniket. Let me answer the first question, the employee cost for the quarter was INR 100 crores which is what we reported in the financial statements for Q1. The INR 100 crores if you look at it there are people who are delivery guys, there are people who work on R&D projects and there are people who are on SG&A like me, Ravi etc. So, they are spilt between in the presentation and in the income statement that you are referring to. The INR 85 crores has people who are directly working in projects, that cost will be there. So, there are two elements of cost in that one is the direct project related labor cost and there could also be project related expense like travel, cloud hosting cost etc. so some of the cost may be part of that. Second is the R&D cost which is again got labor and cloud hosting charges, what we call as other expenses. SG&A has got all the people relate cost, the marketing expenses, the commission for the sales guys, the audit related fees, the admin fees, rent, power etc. So, the overall cost structure for the company is if I look at it, INR 100 crores of employee related cost and INR 25 crores of other expenses which is spilt between these two lines.

Aniket Dogra: So, in the income statement on the exchange website, so that INR 100 crores is the total employee costs which can include some component of bonuses and some employee cost regarding selling and general administration expense and other R&D all those costs included, right?

Thyagarajan R.: Absolutely, right the INR 100 crores in the exchange website, the financial denotes the cost as per on the total overall cost whereas the presentation reflects the cost based on the nature of work the people do. So, somebody who is working on R&D projects we have classified as R&D, company folks working on Direct projects will be part of the cost of sales.

Aniket Dogra: Also, Mr. Thyagarajan, so now on the presentation when we see that around 42.5% of our total revenue is coming as recurring expense which is slowly and steadily growing up. Why is not the cost not reducing, so if you have INR 110 crores of revenue for the quarter and 42 is the recurring cost. So last five quarter if you see, last four quarters and this being the fifth quarter your cost of sales or employee cost is around 95% of total sales. So, when even though we are gradually increasing from 35% to 42.5% now, so why is not the cost not coming down.

Thyagarajan R.: So good question, so two things, our cost fee if you look at it one the objective that we clearly articulated in many calls, Aniket, is reduction on spends, we have front loaded some of the platform related cost. Ravi just briefly mentioned about some of the platforms that went live. So, most of the cost if you look at it, for instance we used to run at a quarterly run rate of INR 10 to INR 12 crores in R&D. So, couple of quarters back it was INR 9.5 crores. So, it has come down to about INR 6 crores. So gradually, as we keep adding more and more customers through the platform, the cost to deliver will come down, so that is how the margin improvement is happening but since most of the cost are front loaded you will have to believe that these costs are all peaked out. So, we have mentioned it in the past as well that all the platform related cost, all the sales and marketing related costs have all peaked out. So going forward most of the revenue that you get the gross margins will flow into PBT because all our costs are all fixed in nature. So, the incremental delivery cost is going to be there but whatever margins we get, the gross margins will all flow into PBT, Aniket. One other thing, we also do is we keep acquiring customers on long term projects because, cost of sales doesn't, sorry, we do not have cost of selling to the clients in years 2 and 3, right? Commission is paid only upfront in year 1. So that is why, the incremental revenues from the customers go directly into margins, that is one of the objectives. And second most important thing is as you speak most the delivery, we have also said that right, so because of COVID and other restrictions lot of the delivery was onsite, we had to rely on expensive 1099 contractors in US and 95% of the revenues come from US, where because of the travel restrictions and other things, cost delivery went up significantly but we are rationalizing through building more R&D in India through a mix of offshoring and getting more interns and trainees into projects and grooming them for bigger responsibilities as we get along. Two key things, one as we keep looking for efficiency one other thing is that we are already doing it, as moving R&D to India. So that will start reflecting in the R&D costs going down, every quarter from now and second thing is that enabling lot of delivery from India, manage support and all that from India, so that the margins go up over time, Aniket.

Aniket Dogra: Mr. Thyagarajan, if I come back to the slide no.6, again of what you said in terms efficiency of bringing the cost down from onsite to offshore on India platform in India, so cost will down significantly. So, which of the cost will come down? R&D expense is only INR 6 crores, so you mean to say that cost of sales from INR 85 crores that portion will come down significantly over coming quarters, you mean to say, or this INR 6 crores will come down further or SG&A, I presume that it is going to remain the same because it is not variable component. So, what can come down, I am just trying to understand like for example if we go to revenue run rate of may be INR 150 crores also in coming quarter. I just want to understand will the cost of employees go again up to INR 120 to INR 130 crores or it will remain at INR 99 crores or in fact come down more?

Thyagarajan R.: Okay good question, so let me articulate, break your question into two parts. So, first part is the cost that will go down as we keep offshoring is cost of sales because we will start delivering some projects from India. So, the INR 85 crores on absolute terms, dollar terms will go down. Second is R&D, so currently we spent about INR 6 crores R&D has got two components as I said one is a labor relate cost, second is an expense relate cost. So, the labor relate cost will go down, expense will still because we have to host the platform and tested so that will yet be there but the labor relate cost will go down. So, the mix of labor to expense is 80:20, 80 is the labor and 20 is the expense. So, we will yet have the 20 but the 80% of the cost will go down over time, that is point no.2. Point no.3 is SG&A also have some cost that are for instance marketing relate costs where we front loaded the cost, so there will be some efficiency from there. To answer your point, on the second question what if revenue goes to INR 150 crores, the cost will not go proportionate to the revenue or the same ratio. For instance, INR 40 crores of revenue, 20% of that comes on platform. For me delivering platform, the incremental cost is very minimal, so only 20% is only my incremental cost of delivering platforms, the 80% will come to gross profit. So, we can tell you from a rough thumb rule prospective on a $100 extra revenue my gross margins can be in the range of 35%-40% where SG&A will be flat or marginal.

Aniket Dogra: Just a follow up question on that now out of the total INR 100 crores as employee cost how much is US and how much is India. India will be very insignificant right?

Thyagarajan R.: India will be INR 10-11 crores. I think it is there INR 11 crores is India cost and INR 88 crores is US cost, Aniket.

Aniket Dogra: Okay some parts can shift to India.

Moderator: Thank you. We have our next question from the line of Harish Barai from Larsen and Toubro Limited.

Harish Barai: Thyaga, I just wanted to understand see on a quarterly basis, we keep posting about INR 10-15 crores of PAT losses by when do you think the company will get into a profitability mode and start generating cash because there is a limit up to which the cash can be burned at the rate at which we are continuing, I do not think, we can survive long enough. So would you want to add some color on that.

Thyagarajan R.: Our cash burn for the last quarter was about INR 13 crores Harish, so that came from INR 21 we reduced the cash burn about INR 7 to INR 8 crores in the last quarter, we are confident we will reduce another INR 7 to INR 8 crores this quarter. It is an extension of Aniket's question that at what point in time will turn profitable. If you look at the P&L, our P&L is very straightforward. So currently our gross margins are in the ratio of 22%. So, we believe that is we keep adding more managed services and platform which have a higher share of margins, even if it is 4-5 basis points increase in the margins that will flow directly into EBITDA. So, at what point it will break even INR 130 to INR 135 crores is when we will break even.

Harish Barai: Which can happen in the current year or is it something that will not happen.

Thyagarajan R.: See as we speak, we have visibility up to Q4 we will perhaps, let not be a forward-looking statement but I think in Q4 will be close to breaking even.

Harish Barai: And what is the visibility on growth like, you last quarter had given the order book details but we do not find it this time in the presentation. So is the business flowing in or is it stagnated for some reason.

Thyagarajan R.: No, we have not seen any stagnation in orders, Harish, so as we speak today, we have clear visibility for instance our run rate at INR 110 crores is INR 450 crores. So at the beginning of the year, we had given a guidance of 20% topline, we are there 18%-20% topline is what we had given. So, as we speak, we will get to that run rate of INR 115 to INR 120 crores as we move to the year end rate from an average perspective. So, I think, we are there from a revenue standpoint and as of now we have clear visibility to nearly 90% of the revenues for the year that is already in the bag. So, the focus is to get mix of revenues which gives us higher margins more recurring and platform customers on SaaS so that it not only improves the margin. It also kind of makes the revenue far more predictable ratio.

Harish Barai: And just one last question, this Healthcare Triangle dilution that happened at $1, we thought it was a bit of a surprise because just sometime back there was announcement that there will be share buyback and then we have issuance that was announced at $1, so it is all confusing, which way are we heading. We did the IPO at $4 and now a dilution at $1, so ultimately it leads to dilution for the parent Shareholders. We just wanted to have a better understanding around that.

Thyagarajan R.: I think you are right. So initially we did the IPO at $4 and then we announced a buyback. So, I think the intrinsic value is not 60 cent or 65 cents in US so it is much higher. So, which is why we announced the buyback and then immediately we got prestigious fund to invest in the company so they came in, one of the largest Healthcare funds in US. So, they came in and pick up sizable chunk of equity in the Company in Healthcare Triangle. Given the situation in US with stress on raising capital, we thought it was better to raise capital at this point in time given that we need money for growth but more importantly as I said, in the next couple of quarters, may be 2-3 quarters, we will start throwing cash in the balance sheet. So that is mainly to survive the next 8-9 months for growth and then the business starts throwing cash back into the balance sheet, Harish.

Moderator: Thank you. We have our next question from the line of Sandeep Mane an individual investor. Please go ahead.

Sandeep Mane: I have a few questions what will be the debt structure going forward?

Thyagarajan R.: We reported a debt of INR 100 crores net debt in June, subsequent to that we raised capital approximately INR 50 crores, so currently our gross debt is about INR 110 crores and cash of about INR 60 crores. So net debt of INR 50 crores, so from a company standpoint we are burning around INR 12 to INR 15 crores of cash, every quarter. So, if you take the cash out, so INR 25 crores. So Net debt by end of the year will be around INR 75 to INR 80 crores, all things remaining constant, Sandeep.

Sandeep Mane: One more question sir, what was the impact of high dollar price on business?

Thyagarajan R.: Average rate for the quarter was around 79, so we had some benefit from our cost. But we do not measure it that way because we are dollar accretive in nature because all the costs are in INR and we earn in dollars. So, dollar depreciating is actually beneficial for us. We have accounted it at 79 but we do not have a view on where the dollar is headed because foreign exchange is not something that we track.

Moderator: Thank you. We have our next question from the line of Mr. Apoorva Mehta an individual investor. Please go ahead. Since there is no response, we will move on to next question from Aniket Dogra from Centrum Broking.

Aniket Dogra: So instead of asking Mr. Suresh, can I ask you, the questions which I had. So. Mr. Thyagarajan, when Mr. Harish mentioned about dilution of share, I am really, absolutely stunned as to why the management despite having so much experience and so much business acumen and so much solid experience why have we not able to gauge like, what is our planning because we reduce the issue size thinking that we do not need so much capital for near-term and within six months of coming out with IPO, we not even eight months coming out with IPO we did a dilution and that too at such a low rate, so actually it raises quite a lot of questions on the mind of investors as to, is the management aware as to where they are headed and what is the strategy going forward and why are not they able to have some business vision as to where they are headed. So, it raises lot of questions, so if you like to comment on that?

Thyagarajan R.: Okay, let me address the second point, I think from a business standpoint the management is clear in terms of where we are headed, we have mentioned it many times in the past we want to be platform focused managed services company with significant focus on growing our annuity revenues that is something we stated but look at what happened in October. We cannot control the external geopolitical events that happened, Aniket. So, NASDAQ peaked out, almost all technologies stock peaked out in September and crashed inextricably in the next 3-4 months. We followed up a Ukraine-Russia war which was unexpected, then oil embargo and all right so. I think a lot of this is got to do with the geopolitical issues which is completely out of our control. From a business standpoint if you look at it, we kind of grown, yes, we clearly stated that one our objective is to keep investing in R&D and season marketing we got the people onboard. We are actively engaged in conversation with clients and many of these conversations are on our platforms as a go to market. From that standpoint, I think management is very clear where we are headed but these are geopolitical issues which nobody has got control over and given that we do not know how long these issues will last, we had to go and raise the capital because it was available and we kind of mobilized the capital. We do not know what will happen tomorrow, so even the issues that market is facing today we raise the capital but yes you know we are aware that you know there was a dilution but this is something that we could not avoided but more than anything this capital is required for growth and that is where we are heading, Aniket.

Aniket Dogra: So why did we cancel, why did we not take excess capital at $4 and why diluted now. why did not the large hedge fund which came in, why did not we buy from the market and why do a dilution, that is what is little difficult to understand. So, he bought above the market rate, the fund bought above the market rate, he could have easily bought it at market rate when there are so many sellers at 65 cents.

Thyagarajan R.: Buyback is actually happening at market rate only Aniket. So, the buyback if you look at, we are going to announce it to ICC. We had the Board meeting on Friday, the HCTI Board meeting, you will see the S-1 this evening. So, we clearly articulated what price we are buying because there the stock prices are at a price which does not reflect the value of the company. So, it is the case with most platform and technology company it is not that just us. So, some of the names from India, you know them, they all have fallen 80%, just like us. Valuation is something that we do not control. We definitely see a value in a stock which is much higher than. So, we announced the buyback and we are consciously buying and given the restrictions on, we cannot just go and buy, we cannot create the market to buy because we got to careful about the volumes that get traded every day. So, we are given all the restrictions on how do we trade the stock and we are doing it and we are doing what is right for the shareholders to make sure that intrinsic value is reflected in the share price appropriately.

Aniket Dogra: So, I hope like when the new institutional shareholder has come in Healthcare Triangle, the money that has come in the company after issuing shares, so, is that money used for buyback?

Thyagarajan R.: No, that money is not used for buyback, we are generating cash from operations in US company that is being used for buyback.

Aniket Dogra: So also, when you mention about new people coming onboard, there are other leaving also. So, your Chief Revenue Officer has left just after six months. So, what was the reason for him to leave so early and what was the reason to hire him at the first place? If people are leaving at six months, if key people are leaving so early and are there any large profile exit plan in future or that signifies lot of concerns regarding, how it is going to be in future.

Thyagarajan R.: On the specific point on the Chief Revenue Officer, I think people have their own career choices they make. So, we should not be able to comment on that. There are no large profile exits from our sales or delivery standpoint and more importantly we are performance driven company, Aniket. So, if people do not perform, in US you know how it works, if a sale guy does not perform for two quarters, third quarter is out. That is the culture, every company follows and we keep articulating that to our employees, performance space. The market is hot, so we cannot stop people from leaving but one thing is sure, from an organization standpoint, we inculcate a culture that people perform and people bear the fruits of performance.

Aniket Dogra: Yes, but then, we may have done some due diligence also as to why we are taking that person. We just cannot take anybody randomly also so there has to be some check and balances for the people because six months' salary at such high cost is gone and without much output also.

Thyagarajan R.: You are 100% right. It is a performance related issue Aniket, to keep it simple. So, the guy came with a very decent experience handled big Healthcare accounts in the US, one of the largest accounts in US but he could not fit into the organization culture. He had a performance related issue and we had to, looking at a larger organization, we had to disengage with that guy in seven months' time.

Aniket Dogra: So is there kind of non-compete clause because he knows now all the clients of the company and all these.

Thyagarajan R.: We have a non-compete clause with all the senior folks after leaving for one year they cannot compete and go to competition.

Aniket Dogra: What it is the status of the promoter loan at present INR 31 crores? How much is Ramani loan now pending and how much is Mr. Suresh's loan in the company?

Thyagarajan R.: There is no Suresh's loan in the company. Suresh has to subscribe for 12 crores worth of equity, Ramani's loan is around INR 31 crores which is pending, which is what you see in the June 30th Balance Sheet we would have reflected it in the net debt data INR 31 crores is promoters' loan i.e. Ramani's loan.

Aniket Dogra: Just one more last question on the status of the case in the Supreme Court regarding the Kumar Stock Broking and others. So, any update on that or is that long water under the bridge?

Thyagarajan R.: There is no update, there was a hearing that had to happen just before COVID and this has taken a backseat. This is not water under the bridge and the case is on. The quantum license was revoked and we have also stated that these guys were jailed and they were put in the prison in Chennai. But subsequent to that they came out on bail and due to COVID most of these cases have taken a backseat. We will pursue you at the appropriate time, Aniket.

Moderator: Thank you. We have the next question from the line of Supriya an individual investor. Please go ahead.

Supriya: So, what is the outlook you wanted to share for the current year as the numbers of the first quarter has been so impressive.

Thyagarajan R.: The outlook, we shared in the last year, we are gunning for a topline of 18%-20% growth from last year in the range of INR 450 to INR 460 crores, madam.

Supriya: Okay sir, and like the margin continue to be impressive.

Thyagarajan R.: I mentioned to the previous caller, currently our gross margins are in the early 20s so as we keep adding more and managed services and platform, the margins will improve. We expect to improve the margins in the next 3-4 quarters tremendously. I think we hit the bottom of the margin. So, it is going to improve over the next 3-4 quarters, madam.

Moderator: Thank you. We have the next question from the line of Harish Barai from Larsen and Toubro Limited.

Harish Barai: Just one query I had, what are the implications of the recent show cause notice that has been issued to Mr. Suresh and it has been put on the exchange also. So, what will be the implication of that on the company.

Thyagarajan R.: Harish, it is an interim show cum case notice order. The company believes that the order is unfair and arbitrary and it contains lot of inaccurate assessments of facts. We had a board meeting earlier, so the Board has decided to seek legal opinion on this matter. If there are any further developments on this case, we will communicate as the per the LODR requirements.

Harish Barai: Okay, so will Suresh be able to subscribe to the remaining warrants that are outstanding or that also gets canceled?

Thyagarajan R.: We are seeking legal opinion on that because the order is a bit unclear to us because it mentions on certain things and certain things are unclear, so we are seeking legal opinion. We will definitely come back as soon as possible.

Moderator: Thank you. We have our next question from the line of Apoorva Mehta an individual investor. Please go ahead.

Apoorva Mehta: I have few questions; my question is what is the service wise revenue breakup.

Thyagarajan R.: Service wise revenue breakup is there in the chart. 72% of the revenues is from Healthcare and Life Sciences and 28% is from ICT, sir. INR 80 crores is Healthcare and Life Sciences and INR 30 crores is ICT, sir.

Apoorva Mehta: And what is the vertical wise revenue?

Thyagarajan R.: So that is the vertical, right? Service line is below, we have shared it in the presentation. If you meant the service line, the market facing segment revenue is 72% Healthcare and Life Sciences and 28% ICT sir and the line of business is 64% software services and 28% managed services and 8% from platform.

Apoorva Mehta: And sir, how many employees sits in India and how many in the US.

Thyagarajan R.: As of today, we have around 300 employees in US and around 450 employees in India.

Apoorva Mehta: And impact on high inflation in your key market US and what is your expectation for the current financial year?

Thyagarajan R.: So, the inflation is obviously much higher than what everybody anticipated, we just gave a wage revision for people in India. So that is already there in the P&L. The INR 100 crores that I earlier spoke about also includes, three-month wage revision for folks which is as per the performance assessment cycle. Beyond that we do not expect the cost to go up significantly because most of the cost are all pumped into the P&L from an inflation standpoint. We do not expect it to go up significantly, sir.

Moderator: Thank you. We have our next question from the line of Milan Trivedi an individual investor. Please go ahead.

Milan Trivedi: My first question is wanted to know the strategy behind Healthcare Triangle set office in the Singapore because according to me one of our objectives, we are offshoring the work from US to India but now once we go to HCTI office is being set up in Singapore so the cost would be high. Basically, my understanding was it would have been into India then we would have met the objective, like we want to decrease the cost and so this kind of contradicting we are setting an office in Singapore but major chunk of work, we are moving from US to India.

Thyagarajan R.: Sir just to reiterate the HCTI recent announcement on Singapore launch – It is through a partner. It is a sales office. We are not going to be adding too much of a cost there. From a market standpoint APAC Healthcare market is about $100 billion, US is $300 billion and it is very mature market. So, one another thing which we are doing is we have stated that geographically expansion is one of our objectives. As you know, we got 95% of revenues from US, we think that there is a market for our products and services and Singapore being one of the Core Technology markets, we are kind of using one of the large partner there, a partner with solid experience in these markets, the retailer of Healthcare Services for a large pharma company. We are using their expertise. So, it is going to be a JV, sir. We do not anticipate too much of cost from this JV but we would expect revenues flow once our services are out in the market, and as Ravi articulated the support cost will be done over at Chennai, so which is much cheaper than doing it out of US, sir. While the billing may be lower as you know Singapore has got a lower billing than US but the cost is going to be much lower because we will be delivering it out of Chennai.

Milan Trivedi: My next question is now it has been more than six months for DevCool acquisition when we acquired the company. We saw that DevCool has $20 million revenues, now it has been six months that we acquired a company but our revenue figures are not that much in line to what we have seen the news earlier. Now we want to know that within these six months how many of the DevCool customers we are moving to our platform-based products?

Thyagarajan R.: DevCool as you know, has a run rate of 5.5 million dollars quarterly sir, when we acquired them, we were close to about $20 million dollars, little less than $20 million. So, in six to eight months, they have reported 10% growth in topline so DevCool is a healthcare model where they work with hospital across the US on Epic implementation and support. So, they are on target to meet their plans for the year. If you look at it, two things one DevCool we have an opportunity to sell some of our platform called readabl.ai. We are already in discussion with many of DevCool's hospital where we will take readabl to automate some of the process. Readabl is document management platform, so currently it is implemented in two of our customers and we are already in discussion with six other hospitals in testing the products. So DevCool gives an us opportunity to go and upsell or our readabl products so currently we are in discussion with DevCool's customers as well but you will slowly start seeing action from that standpoint that we will have incremental revenues coming from DevCool customers also once we start cross-selling our platforms to DevCool customer base.

Milan Trivedi: So as of now we were not able to move anyone one of them to platform base. We are not able sell any our SecureKloud or HCTI products to them.

Thyagarajan R.: Not as yet. There are discussions that are happening. Just to give you a number, we got higher share of business from DevCool from a manage support standpoint in the year which is also a stated objective for us but platforms not yet because all our platforms both CloudEz and DataEz and readabl can be deployed in DevCool. There are testing that is going on but hopefully, in the next 6-8 months, we will start seeing more traction from a revenue standpoint by cross-selling some of our solutions to DevCool customers.

Milan Trivedi: Okay, one more question that I have is now Suresh Venkatachari, when he is acquiring the warrants. So how that money is being used. We see our R&D expense is going down. I was thinking that money may be used to do buyback or it will be used clear some debt. Just want to, can you throw some light on that.

Thyagarajan R.: You are right. We use R&D from our internal generate cashflows, sir. So, Suresh's subscription of warrants in the past we used that money for development work for a platform and also used the money for retiring some of the loans. That is something, that we have already done. So, if you recall Ramani had a loan of INR 55 crores we brought is down to about INR 31 crores in the last 18 months. So, our objective is over the next 2-3 quarters retire as much as possible all the debts and then be debt free just have the working capital debt in the books which is anyway marked against our AR and all the non-working capital rate debt to be retired over time.

Milan Trivedi: Okay but if you the presentation, we have paid some debt but now we have increased the working capital debt so the net effect is same.

Thyagarajan R.: Working capital debt good for the business because you know we increasing this again sir as the AR goes up, we pledge the AR, factor AR and borrow the money so that is report has working capital debt but I think more importantly to look at it over the last 4-6 quarters the promoter debt would have come down even our convertible loan that got converted in the equity and promoter debt has come down from INR 52 to INR 31 crores now. So that is something that we consciously keep retiring as we have cash in the business.

Milan Trivedi: One more question I have, so this is with respect on the same line on the forensic audit part, like six months' back when I raised the question, Company would make all efforts to close that as early as possible but looks like it is still open. So, any visibility that how much time it will take to get it to the closure?

Thyagarajan R.: So, you know, as I said earlier to one of the previous callers, where as the interim model that has already been passed and the show cause notice is already there. So, the company is taking all necessary legal action to bring the issue to an end sir. So, I do not know, I do not have a time limit but you know making no mistake, our objective is to come out clean from this issue as soon as possible.

Milan Trivedi: And one more last question from my side, Mr. Ravi Chandran mentioned that we got the first customer for CloudEdge. So, what would the bill size with a medium-sized customer or just a small customer.

Ravichandran S.: It is a medium-sized customer, the moment we just started so the annuity revenue is still not known at the moment. So, we are doing the first initial deployment and transformation. So, in the coming quarter, we will have better clarity in terms of what is the deal size because we are trying to push for a longer duration annuity based managed services contract with them.

Milan Trivedi: And the follow up question on that now we are looking for expansion in India. So, what is market size for all of the three product that we have launched in last quarter. How much is the market size in India if you can, throw some light on that.

Ravichandran S: I do not believe that anybody has done any detailed research in terms of the market size in India but from the queries that we get from India, we see a significant increase is the number of customers from medium to large enterprises wanting an automated platform for their transformation journey. So, we believe that even if we get a small percentage of that, we believe that we will grow significantly in India.

Thyagarajan R.: Not just India, let me add, I briefly mentioned APAC as a market if you look at it. This is Gartner data. APAC market is about $100 billion in Healthcare spends. So that is a big market and that gives us the opportunity to go and sell our solution there. We clearly articulate this in the past as well that you know our plans are deliver from India and look for adjacencies in the geography, so that we have one the benefit of working from India related time. So, people can manage all the 24 x 7 support. It is easy to attract talent to work 24 x 7 in this market and more importantly cost structure gives us more margin from these deals. So as Ravi rightly mentioned right now thework of implementation that is going on and once that is done, once the managed service kicks in, we can give in more data but right now we are not able to diagnose that at this point.

Milan Trivedi: But the Epic HCTI basically the product that we launched from SecureKloud , I was assuming that would target for the non-health care customers but you mentioned is Healthcare customer market size. I just want to know the product that we launched for the HCTI basically non-healthcare; they store the domains. So is there any market size that we have anticipated and then we thought we will target Indian market.

Ravi Chandran S.: As I mentioned, at the moment that information that specific to India for a non-healthcare. I do not think there is any research available to be able to get the data. However, we will be more than happy to try and dig around to find that market information and circulate it later if that is required. But more importantly, I think what is relevant from business standpoint is the kind of enquiries that we are getting and both from the medium to large enterprises were seeking services based on platform that is increasing significantly which gives us a kind of an idea as to the market size is revolving and it is going to be significant that we want to play that market and the one that CloudEdge customer is based out of North America. So, we believe that market is even larger than just a healthcare. Yes, the answer to the question is as much likely to be larger than the Healthcare domain, at the moment we do not have information to say how much more is going to be.

Moderator: Thank you. We have the next question from the line of Krishna an individual investor. Please go ahead.

Krishna: I would like to know, where we are going to stand after two years of profit wise or company growth wise. I am seeing losses in the last 2-3 quarters.

Thyagarajan R.: I did mention that the loses are mainly because of investment in some of the R&D related activities. If you look at it from a gross margin standpoint, we were earlier in the 27%-28% but because of a mix impact because acquired DevCool which has got a lot more software services business, the margins came down. So, one of the first subjective is for us to get to about 30%-35% gross margin which I think we will get there in the next 5-6 quarters and we have kind of rationalized on the R&D spends most of the platforms in the market right now. So, the incremental cost of managing the platform is very little. That is going to give us efficiency and more importantly SG&A cost are front-loaded so any revenues will go into profitability. There is a same point we mentioned earlier, so we are tracking for turn around both from a profitability standpoint may be by end of this quarter we should be close to turn around in the business, sir.

Moderator: Thank you. We have our next question from the line of Aniket Dogra from Centrum Broking. Please go ahead.

Aniket Dogra: Sir just forgot to mention in the last question, when are we starting the buyback in the HCTI?

Thyagarajan R.: The buyback is already happening Aniket, I think I mentioned to Harish that you will see the S-1 later in the day, we have done close to 60,000 shares that we bought back in US so the moment, there are certain restrictions on how much can we buy. We cannot buy I think more than 25% of the daily equity. We cannot create the market for the day. So, we are careful about given the restrictions on how we buyback, we are managing that but I think we have already bought close to 60,000 shares from the market.

Aniket Dogra: So approximately, what is your average buying price at what rate approximately you have bought the shares at, is it less than $1.

Thyagarajan R.: No, I think this even less than that, it is 80 cents in that range.

Aniket Dogra: 80 cents, okay so this just a hypothetical question I want to ask you but still hold some meaning because Mr. Ramani was the ex-CFO of the Company, and we are still paying back so much of his loan. Is there a way to convince him and try to convert his debt into equity at the time company needs so much capital and so much capital can be used for the business, it will be a kind of a win-win situation instead of taking interest from the Company being our ex-CFO why cannot we or the management try to convince him to convert his debt into equity? There will be cost saving for the Company and there will be significant value addition for his equity also going forward?

Thyagarajan R.: There is a restriction on conversion because at the time of taking the loan it was meant to repaid and it was not taken as a convertible loan, so we are informed from our legal experts that there is a restriction on conversion to equity. I think more importantly the cash has already come and we have invested in the business. Our objective as you stated above, if you look at it last four quarters, we have already repaid the INR 20 to INR 21 crores of Mr. Ramani’s loan so we will continue to keep repaying that and our objective is to repay all the loans and barring the working capital loans there will not be any other loan in the balance sheet, Aniket over the next 3-4 quarters.

Aniket Dogra: That is okay, but from time to time we keep having this working capital loan also. So even if you exclude INR 70 crores there will still be about INR 30 crore loan, right? Working capital on the net debt if you exclude all these Ramani loan also and everything. So, what will be the working capital loan if you exclude this promoter loan also from the Company?

Thyagarajan R.: At a gross level, it will be around 80 crores right now but you know obviously there is cash in the balance sheet, so the net debt will be around 30 crores if you exclude the promoter's loan.

Moderator: Thank you. We have our next question from the line of Rajesh Shah an individual investor. Please go ahead.

Rajesh Shah: Mr. Thyagarajan, I have 2-3 questions for you; one is with respect to DevCool acquisitions. We raised the money through the IPO process for the HCTI and in a matter of few weeks, we went for the DevCool acquisition. So do not you think we could have waited for sometime and we could use that cash much better way. For example, to clear off all the debts because as yet we are not seeing any revenue accretion for the Company from DevCool. So, in a sense we have wasted a lot of money that we raised through the IPO process also and the same tine we are reducing continuous cash flow from our company to again repay the debt. So, it is like loss-loss situation on both ends.

Thyagarajan R.: Okay, first statement is not completely right. So first let me clarify, we also mentioned this in the past that we did an accounting change from a cloud hosting cost standpoint. So earlier in the last year, the revenues included approximately a $3.5 to $4 million of cloud hosting which came in about 7%-8% margin. So, the cost also included that we kind of changed the reporting to include only the margins in the P&L. DevCool from an acquisition standpoint when we acquired the company it was close to $20 million, acquired it at a very decent price and then they were decently profitable and more importantly it was strategic because DevCool had access to some of the large epic clients and gave access to one of the biggest hospitals in the US. So, from a strategic perspective DevCool acquisition is actually the right strategy and I just mentioned that we are already in discussion with them for cross-selling some of our platforms. From that perspective there is no second thoughts that you know it was one of the decent acquisitions that we have done and in fact in the first year of operation they will do much better than what they committed to us at the time of signing the share purchase agreement, that is point no.1. Point no.2, is that it came at a fairly decent price so the price that we paid was and 60% of the money was paid upfront and 40% was linked to deferred payout on performance, so they got to perform so it kind of works as a win-win for us that they perform only, then we pay the money. So as of now they are in the year one of operations they have done and perhaps going to meet their numbers or marginally exceed that numbers. So that is one other thing and as I said as a strategy it was a major acquisition because it gave us entry into an rpic space, for example controls 2600 hospitals across US, Mr. Rajesh. So that has got the biggest from the EHR vendors they are the biggest in terms of size. So, we did not have access to Epics and now we got complete access to Epic. So, yes, it is a big partnership for us it is going to take a year or two to see the full fruits of the acquisition because right now in the P&L what you are seeing is only DevCool, DevCool related revenues. So, once we start selling our platforms to them whist the revenue goes up the margins will go up significantly.

Rajesh Shah: Secondly, my question was with respect to the transparency issue earlier also that was there with the Company. The thing is like you said the Chief Revenue Officer resigned currently. Okay, so it was not intimated to the BSE Exchange or the NSE Exchange also, so why that way, sir?

Thyagarajan R.: I do not think there is requirement to because he is employed by the subsidiary company, sir. There is no requirement to announce that to stock exchange but having said that I mentioned we are a performance driven culture we want to inculcate that across the organization. So, it was clear case of performance issue and we had to disengage with their source immediately, sir.

Rajesh Shah: The idea was when we recruited him, we had initiated like we had informed the exchange that we are recruiting a person who was with ex-Infosys and all and he used a manage a big account of $400 million etc. So since that same very person is exiting do not you think it is a big deal for the Company also as well as for the shareholders.

Thyagarajan R.: Since it was a performance based issue, Mr. Rajesh, we found it perhaps right not to announce it and may be, it was not requirement of LODR to make the announcement so.

Rajesh Shah: My third question is a really tough question for you, sir. I happen to read the SEBI report and, in that report, while I was reading, I went across that revenue were overstated by almost 85% and expenses were overstated by 95%. So how do Shareholders can now feel the genuinity as to what the numbers are going on or the current workings of the Company due to which all the share price fell down, the cases went on and the Company went into all SEBI case, forensic report etc. So how do we as a Shareholder feels genuinely that currently the numbers, the expenses numbers etc. are being stated are genuine?

Thyagarajan R.: I mentioned this earlier, sir. So, since you mentioned the point of the interim order which has come from SEBI. It contains lot of inaccurate assessment, sir. I mentioned it earlier as well. So, it is premature to conclude anything based on the facts. We are seeking legal opinion; we will come back to you at the appropriate time with further details on this. I may not be able to divulge anything beyond this at this point in time, sir.

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

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

Moderator: Thank you. On behalf of Kirin Advisors that concludes this conference. Thanking for joining us and you may now disconnect your lines.