



“8K Miles Software Services Limited
Q2 FY2021 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the 8K Miles Software Services Limited Q2 FY2021 Earnings Conference Call hosted by Kirin Advisors Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the 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. I would like to welcome Mr. Suresh Venkatachari – CEO of 8K Miles Software Services Limited; Mr. Ravichandran – Head of India Operations; and Mr. Thyagarajan Ramachandran – CFO of the Company. Mr. Suresh over to you!

Suresh Venkatachari: Thank you. Good afternoon shareholders and investors and everyone. I am happy to announce that the stock has been trading in NSE and BSE since September 7, 2020. Your stock was suspended for more than six months period due to delays in quarterly financial reporting in 2019; however, we have rectified the situation in the beginning of February 2020. Due to COVID the exchanges took a long time because they need to make a visit to the office and certain other compliance requirements. We have fully complied now and have resumed trading. This highlights our commitment to compliance and governance; in future we will ensure continued transparency, compliance and demonstrate good corporate governance so that we do not miss anything anymore in the future. With this commitment, we made certain structural changes to our senior management team. We have inducted Mr. S Ravichandran into Board of Directors, who is heading the Indian Operation, Sales and Marketing for the regional markets. We hired a new CFO, Mr. Thyagarajan and enhanced the finance team with big4 experienced accountants; we have a very solid finance team and they’ll continue to provide timely reporting, provide clarity to Investors on our reporting. In addition, we have hired additional support team in India, CHRO to improve our human capital growth and also a Chief Delivery Officer who comes from BFSI sector. We intend to grow in BFSI in addition to our healthcare market. We also invested in support functions to improve our governance. We emphasize that governance is very critical aspect right now as many of the investor had some concern about our company so we wanted to address that; you trust the company in terms of our technology and it has been proven; the steps we have taken will strengthen governance and compliance.

For some of you I just wanted to take a few minutes on what is our 8K Miles core expertise, we are a born in cloud company, we help large enterprises from a cloud transformation business; when we talk about cloud transformation moving infrastructure from the private cloud into public cloud and building on a cloud security compliance and also bring lot of data, data led management on the public cloud. We are one of the top AWS Premier Consulting Partner and also top 10 healthcare partners with AWS. Our relationship with AWS goes more than 12 years and we are one of the very key partners where we deliver world-class technology in the public cloud and also we are a third-party

audited next gen managed services provide. An independent magazine has rated us among the top 20 worldwide next generation managed services providers. Apart from AWS we have a extensive experience with Microsoft Azure and Google Cloud. Our relationship with Google is growing very significantly where we are launching our solution on Google market place also expanding into the go to market with Google.

In terms of our key offerings we are not just a services company we have build platform and technologies. The key technology what we developed is called CloudEZ, which allows a framework and automation platform, which helps companies to move from private cloud into public cloud very quickly, securely and also to provide monitoring and performance everything. On top of the CloudEZ we also built recently a platform called DataEZ data pipeline management software, which currently runs on AWS as well as Google and DataEZ we already owned a few customers and also we owned in this quarter a platform opportunity with that and we are also building a DocuRoute, which is a AI machine learning technology based on a Google technology for analyzing images and content management drives and also we have a secured cloud authentication and multifactor authentication too. So we cover this across predominantly in the Healthcare, Life Sciences, Aviation, Manufacturing, now we are investing heavily in the financial services and that is one of the reason our key resource hired a Chief Delivery Officer who is also come from a BSFI background significantly spend more than 20, 25 years outside India market, he joined in our Chennai operation. So we revolve around a mode of a Domain-centric automation and we are like a cloud experts. The very key is actually the big differentiator between us because we compete with large deals with major global systematic creator; however, we win this opportunity because the customers look at us as a niche cloud vendor because our platforms are supporting regulatory compliance like HIPAA, GxP, FIPS and now SOC as well as PCI and we have also as part of the SAML 2.0, which is identity and access technology where we are one of the co-authored actually and right now we are in the process of certification, which will help us going forward to host any application securely on our cloud EC platform itself, so that is the one of the very key accomplishment and I wanted to say that I think everyone of us experiences COVID has had a great impact in our business. On the Q1 we had impacted heavily because lot of hospitals were not able to do new EMR projects, but however we started seeing on the Q2 there is an improvement started coming in. We have owned multiple customers, which are going to be long-term contracts, so what we see is in the next two to three quarters we will stabilize and then we will see accelerated growth. As we see now the cloud digital transformation is at a very accelerated pace, various reports says the people used to take like 10 years of a cloud digital transformation now it is accelerated within two to three years so that positioned us in a very, very unique opportunity to grow our revenue and our profitability. We are investing heavily on sales and marketing and we hire sales people, so what we believe is it is a great opportunity for 8K Miles to create a more ODCs in India for our highly regulated customers, which could help our EBITDA margins grow significantly by reducing operating cost. With this I get Mr. Ravichandran to cover some of the business highlights and other key updates.

Ravichandran:

Thank you Suresh and good afternoon to all of you. I will take a few minutes to kind of very quickly run through the business highlights. This quarter as Suresh had indicated in his opening remarks we have had some difficulties with the hospitals; however, the healthcare and pharma and life science business has grown and we won some of the major deals, which I will very quickly run through. We won four hospital deals where we had to implement the EMR solution and optimize and run the managed services on top and then we won a major large US pharma client to deploy DataEZ platform. Suresh talked about DataEZ being a platform that sits on top of our CloudEZ platform, which allows complete data pipeline management for large enterprises, which has both structured and unstructured data, so this is a platform sale if you will serve like it is going to be providing us with a continuous revenue stream and we also won a major DataEZ project, which is to handle close to 70000 users in a data pipeline management scenario, so all these are good things that happened on the healthcare and life sciences vertical in this quarter. We are also slowly expanding into other verticals and you will find that we improved our footprint in the existing customers in the avionics in terms of the business that we are giving and also on the recurring revenue, which comes by the way of managed services as and when we complete a project and we won and executed a project for attaining SOC and HIPAA compliant certification for one of the customers, so these are some of the very quick highlight on the business side updates in terms of the wins.

A couple of other things that I want to cover one is in terms of marketing and branding we all know that we launched HTI so in continuation of launching so we needed to kind of start branding it so we launched the new HTI website and we have started a campaign for brand building with respect to HTI and also for the lead generation with respect to running camp programs in terms of outbound marketing campaigns so all this we expect is going to start giving us the necessary leads in terms of providing much bigger sales opportunity. On the partnership I am happy to say that Microsoft Gold partnership is something that we attained for HTI in the US, which is a good thing to have and also we continue and enhance our partnership with AWS with more and more offerings and if you look at one of the things that happened significantly in this quarter is that we manage the DataEZ platform that we talked about is going to be hosted on the AWS market place what it means is that customers who come into the AWS market place can pretty much start using it and we start getting that as a recurring revenue.

Our partnership with Google is expanding into the healthcare solutions that we have built over AWS and Azure and these solutions including DocuRoute that Suresh talked about very briefly in his opening remarks is something that we believe is going to be a game changer in the healthcare industry, so these are some of the very quick business updates for this quarter. I also wanted to kind of very briefly cover a couple of other points. One is in terms of we are investing in the sales and marketing, we believe that this COVID has provided us opportunity in terms of the one the business that is wanting to move to the cloud and Suresh talked about it that the whole cycle is becoming shorter the adoption cycle for cloud is becoming shorter and also more and more work is getting

shifted to India, so we are getting prepared for that and in terms of sales and marketing investment we have hired people in the US, we have hired people in India in terms of presale, in terms of inside sales, in terms of partnership management and in terms of sales, so we believe that in terms of reaching out to the market we will have both the direct sales as well as partnership centric model to reach more customers because that way our spend on sales will bring more customer acquisitions and revenue for us, and also equally important we believe that to stay competitive we do need to invest in the technology, which we are doing not only we are investing in the current technology in the past six months we have actually invested and built products like DocuRoute, which currently is going to be partnering with Google to launch that and we are also enhanced our offering in the identity access management area we call it Cloud Art, which has both the IAM and multifactor authentication both of them we believe are going to be a very, very key component in our customer acquisition strategy and the reason why it is important to build on these things to actually we find that some of our existing customers they do want these solutions and at the moment we find that we only do one part of the business and while we leave some of our partners to go and get the other parts of the business so we believe that investing in those complimentary technology will help us in getting those parts of the customer business to us, so typically these are some of the things that we wanted to talk about and I would hand over to our CFO, Mr. Thyagarajan who will walk you through the financial statement. Thank you.

Thyagarajan R:

Thank you Ravi. Good afternoon everyone, thank you for joining us today. I hope all of you all are doing well, staying safe and healthy. Q2 from an operational standpoint has been very encouraging, we reported operational revenues of Rs 89 Crores with 1% quarter-on-quarter growth. The recurring revenues continue to show an upward momentum, we reported sequential growth of 1.5% in our recurring revenues largely on the back of solid performance from our life science and pharma business. Gross margin for the quarter came in at 36.5% as compared to 30% in Q1. We have been taking structural initiatives to improve our gross margins through improving the offshore Onsite mix; our gross margins have improved in the quarter. We believe that over the period of next three, four years we have room for improving the gross margins. The pandemic has given us an opportunity to demonstrate to our clients that projects can be delivered remotely by leveraging our technological superiority. We also believe that with our continued focus on the quality of the revenue coupled with efficiencies will further improve our margins over time. EBITDA for the quarter came in at Rs 12.6 Crores compared to Rs 3.9 Crores in Q1, the improvement in EBITDA was largely due to a flow through of the gross margins; we cut down on some discretionary spends like Travel, GA etc. As we get into the year we continue to look for opportunities to optimize cost and fast track investments for the future growth. While this quarter our R&D has been lower, we will continue with the philosophy to invest on R&D. As Ravi and Suresh articulated, sales is key for us, we are hiring sales across the company and we believe that over the next three, four quarters it will pay off. 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. The first question is from the line of Kranti Bathani from Wealth Mills Securities. Please go ahead.
- Kranti Bathani:** Just want to know first thing is how the next couple of quarters are looking for the company and can you just give a brief on the geographical revenue?
- Suresh Venkatachari:** Sure. The next two quarters we anticipate the revenue will be stable; we will see accelerated revenue from the beginning of next financial year as we have invested in sales and marketing, which will yield results and in terms of the revenue spread our predominant revenue over 80%, 85% comes from the US market then the rest is come from India, which is actually we are delivering for a European based pharma customer and US based manufacturing company.
- Kranti Bathani:** The second question is one of the key concerns from clients the promoter holding is kept on if you observe last couple of years it is coming down this is one key concern from the investor fraternity and also at present also there is nearly 14% is pledged so how you can address this question Sir to the investors?
- Suresh Venkatachari:** The key is actually I have not sold any shares from the time I actually become a part of 8K Miles when I got my shares and then I subscribe for additional preferential share I have not sold any shares historically; however, we had a issue in 2018 when few brokers illegally sold my stock where I lost very significant amount of my stock. I filed a police case against them and got the CEO of the security brokerage firm arrested. The case is pending in the High Court and Supreme Court; I am hopeful that I can get back those shares. As a promoter I am really looking at options to increase my stake by subscribing to new preferential share or through acquisition from the market. Currently I cannot do because of the suspension of the securities and the consequent lock-in of my shares. Once the freeze is released, I am really looking to increase my equity in the company.
- Kranti Bathani:** The IFCIs stake?
- Suresh Venkatachari:** I had given my personal shares as guarantee for a working capital facility with IFCI; when the share price dropped, IFCI sold the pledged shares. The current pledge with Indian bank is given for a working capital and this is backed by our AR. In addition, I have given my personal property as security to Indian Bank.
- Kranti Bathani:** Thank you that clarifies many doubts of the investors. We request Suresh Venkatachari and the team to conduct these kind of regular investor concalls that clarifies many concerns and many news that comes on the market because I observed last couple of years there was no single concall and no investor facing exercise.

Suresh Venkatachari: Absolutely you are right thank you very much for your feedback Sir we will definitely conduct continuously investor call. We acknowledge this as a key issue and that is the reason we have added a good management team; we will be happy to answer any of your queries in the future Sir. Thank you very much.

Kranti Bathani: Sure. Thank you.

Moderator: Thank you. The next question is from the line of Aniket Dogra from All State Group. Please go ahead.

Aniket Dogra: My question is to Mr. Suresh. Sir the last two quarters our revenue has been flat almost now for the last two, three quarters so like you mentioned that there was some problem in the hospitals, but the life sciences and pharma business did well, when will the Hospital business get back to the pre-COVID levels?

Suresh Venkatachari: We have lost close to Rs 40 Crores of business in the hospital business due to COVID. Otherwise our revenue would have been significantly higher. We have started getting back the contracts right now; US still the COVID situation is the second wave or third wave. US government grants for the hospitals are still pending, but however with our recent interaction with the CIOs of multiple hospitals we anticipate that from January onwards there will be pick up in the Healthcare business. We are doing two or three things for hospital business which we have very successfully done for life sciences. We are now looking at kind of an offshore for hospitals, people understand the new normal, working from home, working remotely etc. We have built security and compliance systems so that our customers can delegate work remotely. I know this last quarter and this quarter the revenue was flat; but we will see improvements in the next one or two quarters. Our goal is to really keep investing on sales and marketing and improve our recurring revenues. The good sign is our recurring revenue started increasing from previous quarter; our current order book is close to Rs 200 Crores and this gives a good initial kickoff for the next year. We will do our best to increase our revenue on a ongoing basis at the same time we also want to have a EBITDA and Profitability.

Aniket Dogra: So what I understand is that we can have around 20% to 25% secular revenue growth from next year onwards next financial year onwards and hospitals may improve from next two quarters onwards hospital business?

Suresh Venkatachari: Correct; we anticipate our hospital business to go back to the pre COVID level in one or two quarters and if the hospital business goes back to the previous levels, our quarterly revenue will increase Rs 10 Crores and with the additional business we can grow 10% - 15% in the Hospital business.

Aniket Dogra: Fantastic Sir. Sir additional question on the same line, on the expenses side we have seen that our major cost is of the employee expenses, which is around 50% of the total revenue approximately, but

there has been this other expenses which are also big chunk of around 25% of the total revenue do you think that in case these ramp up you ramp up your revenues going forward the expenses will rise in proportion or can we see some margin improvement going forward as well?

Thyagarajan R: Brilliant question; yes there will definitely be margin improvement in the P&L; as you rightly pointed out as we grow our revenues, Other expenses which is fixed in nature will come down in % terms. Moreover, as we ramp up our offshore delivery, the margin will start improving further. As Suresh pointed out we have kind of cut down on some of the discretionary spends in Q1 and Q2; we will have to start investing in R&D and sales and marketing. The improvement in gross margins will pay for the investments in R&D and sales and marketing.

Aniket Dogra: So we can expect that in the next financial year at least the efficiency is showing in the P&L account?

Thyagarajan R: Absolutely right yes just to give you a ballpark figure; we were delivering 80% projects from onsite and 20% off-shore. Today, our onsite-offshore ratio is 65%: 35%. We believe that there is another 10% to 15% headroom possible to move delivery to India. As Suresh pointed out we have hired a global delivery officer who has been mandated to quicken the offshore delivery model and over the next three to four quarters we can definitely see improvement at the gross margins.

Suresh Venkatachari: To add another one quick point we are also one is moving offshore second is building our recurring platform revenue because we have already spent significant amount of cost in developing the platform. The additional cost will be lower, but our revenue will be yielding more to the profitability, you will see this improvement from the beginning of next financial year.

Aniket Dogra: Fantastic. Sir one last question you have mentioned about some fund raising around \$50 million when can we expect this thing to happen?

Suresh Venkatachari: Healthcare Triangle our US subsidiary is planning to go for an IPO, we have already appointed a banker and we are in the middle of the IPO process. We anticipate that before the middle of next year we will possibly list ourselves in the NASDAQ. This will help us to improve the valuation because today our stock is not valued correctly; by listing in NASDAQ and getting a good value for our subsidiary will automatically reflect in the Indian stock. In addition, we announced today that we are changing the name of 8K Miles to SecureKloud. The new name reflects our competency and deep expertise in cloud transformation.

Aniket Dogra: Fantastic Sir. Good luck gentlemen. Thank you.

Moderator: Thank you. The next question is from the line of Ashok Agarwal who an individual investor is. Please go ahead.

Ashok Agarwal: We are planning to change the name of the company 8K Miles to what we have indicated will our names of subsidiaries also change?

Suresh Venkatachari: Yes all companies will be under these two brands: one: Healthcare Triangle, which is focused on healthcare and life sciences industry and second SecureKloud which will be focusing on BFSI, Manufacturing and Other Industries. SecureCloud the plan is actually it was specialized on all the cloud transformation and also like our multifactor authentication like the technology what we acquired future solutions like seven years back those kind of solutions will go in a very structured go for building compliant for the banking financial where we see a great opportunity because even the banks in the US if you see started working very differently. Now since COVID the bank's branches are now one tenth of operations, everything is more into automation, we are now earlier they never moved into the cloud significantly now they start transforming into the cloud and also with our new technology, which we will be announcing in over a period of next quarter or so where which is focus largely on the security technology, which we will be announcing it that will help us speed the whole thing, so all of the company's subsidiary will be called as Secure Cloud. There will be only two brands will be operating one is Secure Cloud and Healthcare Triangle.

Ashok Agarwal: Okay thank you very much.

Moderator: Thank you. The next question is from Rajesh Kataria from 8K Miles. Please go ahead.

Rajesh Kataria: This question is for Suresh. Sir my question is to you I am a little surprised by the financial performance of the company I am also a shareholder for the last two years I think I am quite shocked actually where the performance you given out loans to your related party companies like 8K Miles Media and I think there was another loan given out to the US subsidiary that never came back I also do not understand what is the shareholding structure of this new subsidiary Healthcare Triangle?

Suresh Venkatachari: The 8K Media loan was settled actually two years back that is already reported. In terms of Healthcare Triangle 85% owned by 8K Miles so the company structure is very simple 8K Miles Software Services Limited, which is the parent company in India, which owns 64% of 8K Miles Software Services Inc. and the remaining 36% is held by various shareholders and Healthcare Triangle is a 85% owned by 8K Miles Software Services Inc and thus the entire company is under 8K Miles Software Services Limited.

Rajesh Kataria: Sir I have a couple of questions so all the loans at 8K Miles give out they have all gone bad right from my understanding is that you have written them off basically?

Thyagarajan R: So Rajesh just to reiterate 8K Miles has not written off any loans.

Rajesh Kataria: 8K Miles India.

Thyagarajan R: I do not know if you are talking about our March 31, 2020 financials and just to go back to the previous point we have clearly disclosed all the shareholding as part of the annual report; as Suresh reiterated Healthcare Triangle is owned by 8K Miles Software Services Inc, which is in turn owned by 8K Miles Software Services, India. It is just that we have rebranded Healthcare Triangle to focus more on the healthcare business, so shareholding is transparent, it has been shared multiple times and is part of the annual report as well.

Rajesh Kataria: What about the loans that I think there is a huge problem with loans not coming back for the last two years right?

Thyagarajan R: No, I do know if you are talking about the AR because there is a point which is reported by the auditors. India bills 8K Miles Software Services Inc, which is an intercompany receivable; 8K Miles Software Services, Inc owns the customers so India bills 8K Miles Software Services Inc when we deliver the project from Chennai. These transactions are billed at arm's length price; yes there have been delays in receiving all the money; since this is an inter-company billing, there is no risk of bad debt. In the audit committee meeting today, this was pointed out by the auditors; we have committed to the audit committee that all the old AR from 8K Miles Software Services Inc, which is a subsidiary of the parent company will be received before March 31, 2021.

Rajesh Kataria: So you are saying that none of the receivables will be written off?

Thyagarajan R: No, none of the receivables will be written off because the receivable is from the subsidiary.

Rajesh Kataria: The other question that I think a lot of investors have is that 8K had a lot of subsidiaries in Dubai and I think there was something in Singapore as well and those subsidiaries never got audited by the accountants in India right even I think the even the US subsidiary never got audited and the auditor got changed several times, so what is the plan now, are we now going to audit the financials for all of these subsidiaries by the same auditor or are we going to use the same process we use to follow earlier?

Thyagarajan R: Rajesh sorry; I missed mentioning this point and I have to accept this you asked the right question. We have appointed the local auditor as the Statutory auditor for all the subsidiaries; the financials we have reported today have been audited by the Indian auditor as per Ind-AS consolidation. All the subsidiaries Suresh mentioned about 8K Inc, Healthcare Triangle, have been audited by the local auditor. We have gone through an audit for H1; though it is a limited review, the auditors have gone through the financials completely and there is reasonable assurance that all the audit has been done from Chennai. There is no more Dubai operation and there is no Singapore operation for 8K Miles.

Rajesh Kataria: One more question I understand that you are talking about investing in the company and building more platforms and hiring more sales people can you please help me understand broadly what is the

cash flow going to be for the next let us say two quarters how much do we generate from operations, how much investments are going to be done out of the cash, are we planning to borrow, are we going to be taking on debt, how are we going to fund all those investments, what is going to be the quantum of investments and can you explain the cash flows for me please, how much are we going to earn and how much are we going to spend and how much is going to be the free cash flow approximately?

Thyagarajan R: As of now the company has got about Rs 138 Crores of debt, majority of that is promoter debt. We had two benefits one was the US government gave some COVID loan, which is short-term loan in nature basically to meet some of the payroll related cost. Second is the Healthcare Triangle funding that we are going to raise right now is going to take care of all the cash flow requirements both from an operational standpoint and also from a future investment standpoint. We believe that the IPO will be in the range of \$20 to \$25 million, and this will take care of our growth for the next two to three years and just to the last point on operational cash flow you would have perhaps seen that the DSO has already dropped from what used to be 90 days to about 48 days today. There is a concerted effort, and a program that we are running along with Ravi's team. We believe that there is nothing aged or doubtful and you can be rest assured that everything is under control.

Suresh Venkatachari: Given opportunity to other investors to ask, but before are you an employee of 8K Miles I never heard your name.

Rajesh Kataria: No, no Sir I am individual investor.

Suresh Venkatachari: Okay, because it is 8K Miles I was really confused okay. Thank you Rajesh.

Rajesh Kataria: I wanted to join the call I said 8K Miles.

Suresh Venkatachari: Okay alright thank you.

Moderator: Thank you. The next question is from the line Amit Agrawal who is an individual investor. Please go ahead.

Amit Agrawal: The company has 130 Crores debt so can you bifurcate this between Healthcare Triangle and 8K Miles USA?

Suresh Venkatachari: Healthcare Triangle has zero debt in the book I do not know if you have seen the analyst report Mr. Amit, in the analyst report we have clearly shown the debt so if you go through that there is a promoter debt of about 65 Crores, which is in India. In addition to that there is a term loan, which we have taken with Indian Bank, which is about little of Rs 6 Crores, in addition to that there was working capital overdraft about Rs 10 Crores and then the working capital loan in US is about 37 Crores about \$5 million the entire \$5 million in 8K Inc so there is no debt in HTI.

- Amit Agrawal:** So but the fund raising has been done in Healthcare Triangle so that means and the 70% of the business has been transferred to Healthcare Triangle so how you are going to meet this debt and how you are going to reduce this debt that will stay for much longer time than anticipated few quarters back?
- Thyagarajan R:** Today India is billing 8K Miles Software Services Inc; going forward, India will start to bill HTI directly and HTI will pay for the Services to India. As Healthcare Triangle starts growing we will deliver services from India and this will help retire the Indian loans.
- Amit Agrawal:** That is built in last three, four years I think it must be owned by 8K Miles USA and Healthcare Triangle then there will be using that software so how are we going to pay for those royalties where software being developed by Healthcare Triangle over there?
- Suresh Venkatachari:** There is no royalty because today 85% of Healthcare Triangle is owned by 8K Software.
- Amit Agrawal:** Where has been this software being developed like DocuRoute?
- Suresh Venkatachari:** DocuRoute has been currently maintained in 8K Miles Software Services Inc and it is not in HTI. HTI has only two software which is CloudEZ and DataEZ and our CloudEZ and DataEZ for non-healthcare is kept still under 8K Miles Software Services Inc. 8K Miles Software Services Inc can service manufacturing, banking, other industries. What we work is only for healthcare related process.
- Amit Agrawal:** But this billing Healthcare Triangle that will take long time to service this debt 130 Crores or take back this debt, this is huge debt?
- Suresh Venkatachari:** No, it is not a huge debt it is a working capital I think it is not a debt actually it is a working capital because we have AR for the customers it is only a part of it.
- Thyagarajan R:** Amit just to reiterate the \$5 million that I mentioned about in US is mapped against the AR which is in 8K Miles Software Services Inc. 8K Miles Software Services does annual revenues of \$20 million which is a non-healthcare business. India does about \$5 million annual revenues to external customers revenue and intercompany billing of about \$7 - \$8 million. The working capital in India is Rs 10 Crores and the Rs 6 Crores is the term loan. The debt is ballooned because there is a big promoter debt of about 65 Crores if you exclude that rest of them are all working capital only, which is mapped against the respective AR for the businesses.
- Amit Agrawal:** My second question is like in the presentation you mentioned that you are managing 70000 users how big is this order and is this recurring revenue or it is one time order?

- Suresh Venkatachari:** The 70000 users is actually one time project, but the managed services is substantial. DataEZ will generate \$2 million every year on a managed services revenue from this order and this will be recurring revenue.
- Amit Agrawal:** How much of the revenue has been already generated in this quarter like what percentage has been already generated?
- Suresh Venkatachari:** This quarter about 34% is our recurring revenue.
- Amit Agrawal:** One more thing you mentioned about EMR and the implementation of four new hospitals how big is this business?
- Suresh Venkatachari:** One large deal is about a 2 million plus, which is over 2 years period the other deals are actually one deal is around less than 0.5 million, another deal is about 0.5 million each that is only a phased project now for six months, but that could lead into more managed services like Ravi mentioned more recurring revenue will be coming in future.
- Amit Agrawal:** In the times to come how many hospitals can we expect to be part of this EMR implementation and how many companies are doing the same thing like us I think there are many companies who are doing the EMR implementation?
- Suresh Venkatachari:** The EMR is a very specialized area; if you see in the whole market there are two big EMR one is called Epic another is called MEDITECH. We are one of the top four MEDITECH implementation partner from the US and that is what we are trying to now move to India. MEDITECH is implemented in over 2000 hospitals in the US. Epic is another big EMR and we are in the top 10, 15 players, but we are slowly growing in the Epic space. Our DocuRoute has a gateway interface directly on Epic, which will make us grow very significantly in this space.
- Amit Agrawal:** How different is DocuRoute from EMR implementation are this same thing?
- Suresh Venkatachari:** EMR is a software and DocuRoute is a AI machine learning technology. In DocuRoute, the patient record comes in different medium; DocuRoute helps in automation and a lot of human labor, what we are doing is changing to a completely Google based AML, which will give a 99% accuracy. Thus, we do not need to input all the details. EMR is critical because telemedicine, remote patient management, etc gives a huge opportunity. We are currently doing a large POC with one of the major hospitals, already three hospitals are lined up with us if we become successful. We anticipate by January, February the product will be fully launched that is where we see a big opportunity to grow.

- Amit Agrawal:** So sir do you charge on for a patient?
- Suresh Venkatachari:** DocuRoute is going to be a pay per use model; set-up revenue is going to be around 10% and the balance 90% is going to be subscription revenue.
- Amit Agrawal:** How much revenue you generate by implementing AMR or DocuRoute?
- Suresh Venkatachari:** Earlier we used to do somewhere around Rs 100 Crores on the hospital business. Due to Covid, this has dropped significantly this year. We are confident we can really grow big. One I want to share you is actually we are signed up by the San Francisco government based hospital group and selected as actually Epic implementation vendor for the next two years so we anticipate that will have a more opportunity, the contract only signed now because we have not executed any deal, we are one of the shortlist as a vendor out of 50 vendors they choose 3 vendors one of the vendor is us so which would help us to grow revenue. There is a significant opportunity in the healthcare right now because what we see is COVID is giving now, the telemedicine is another big opportunity what we are doing because conventionally you go and implement in the hospital and do things, now everybody is doing more analytics, machine learning and everything because hospitals are not so advanced like pharma company that is where we have a very huge refund of pharma business, we are now slowly getting into the hospitals, hospitals started adapting AAML and all very recently because if we talk to any vendor who provide to hospital historically they always posted in a private cloud or in the data center, now they are now ready to look at in the cloud model because everything due to the COVID, which is accelerating in the hospitals.
- Amit Agrawal:** Just to understand the technology more Apollo Chain or Max Chain in India do they use the same software?
- Suresh Venkatachari:** For instance Apollo uses Cerner and also Epic. In the US, EMR became successful after Obamacare was implemented; it was mandated by every hospital to have electronic medical record system. And when Obamacare was implemented, Government gave grants to the hospitals to start streamlining into the EMR. There is ample opportunity available in the EMR space not only in the EMR implementation; also on optimization and managed services. We see this as a sweet spot and our DocuRoute solution is going to be automated with the EMR using a AAML, which will be very complementary to any content management system because it will improve the overall efficiency of workflow.
- Amit Agrawal:** But in the last two, three presentations you have stopped talking about block chain platform was it a nonstarter or has been delayed or DocuRoute is a part of blockchain platform only.
- Suresh Venkatachari:** Wonderful question; we will announce it sometime very soon. Currently we are doing a major POC with one of the large Pharma majors. On completion, you will hear about our blockchain platform.

- Amit Agrawal:** How later?
- Suresh Venkatachari:** It could be anytime soon; in addition we are rebranding our company; we will announce it at the right time Sir.
- Amit Agrawal:** Okay thank you. Good luck to you.
- Moderator:** Thank you. The next question is from the line Shrikant Somraj from Yes Bank. Please go ahead.
- Shrikant Somraj:** I just wanted to know what is the valuation we are looking for Healthcare Triangle and what is the percentage of valuation?
- Suresh Venkatachari:** It is a very interesting question. The investment bankers are doing a benchmark; you know recently Majesco was sold to Thoma Bravo at a very substantial valuation. We are in a similar business model; investment bankers are doing different modelling validation on the dilution; we have received investor permission for up to 50 million but our initial plan will be probably to raise about 20, 25 million. This 20, 25 million will help us grow in the healthcare space in the US.
- Shrikant Somraj:** Another thing is like there was last year we have acquired one acquisition and allocated some close to some 35 Crores and it was completely written off can I know the reason why it is completely written off, it is the recent acquisition?
- Suresh Venkatachari:** We entered the acquisition opportunity in 2017 for the 12 months; we faced lot of challenges in India because of which we were unable to complete the acquisition on time and the contract again extended for one more year. Due to COVID their business went down; but based on the original valuation we has to pay substantially more and it was not prudent to go ahead with this transaction. Hence, we took a prudent decision to provide the advance as non-recoverable. We are negotiating as well as taking legal steps to check if we can recover in part or full.
- Shrikant Somraj:** Our company was doing someway close to 200 to 250 Crores business every quarter so now entirely it has come down to 80 Crores so what is the major change happened in the last one or two years?
- Suresh Venkatachari:** It is very simple we cut down the intermediary business, basically we had lot of subcontracting business which we eliminated. This was the first fundamental change and then second one was to focus more on software as a service and revenue model of recurring revenue. I think we are doing now is the right thing; we will go back to the previous level of revenue, but higher operating margins and improve the cash flow. We have also changed our accounting treatment on intangibles and no longer capitalizing.

Shrikant Somraj: But when there is a change in the business model when we are looking at only we will come to know when that is reported till the drop in the revenue, but while there was no future guidance was given that there will be change in the model of the business?

Suresh Venkatachari: We have given the guidance actually we said what are the actions we are doing, but however we will give you more clarity see that is one of the thing is because like one of the earlier investor said there is no investor call and we did not have a platform. But however going forward we would able to give much more detail on our order pipeline and other focus areas. I understand that the investor communication is very, very crucial and we have now created a good team and you will be hearing from us consistently and frequently.

Shrikant Somraj: What is your opinion like the late payments have lost almost 85% of its value so there are lot of retail investors who cannot hold for long time to whatever they invested what is our view point on that because everyone has different commitment?

Suresh Venkatachari: I think what we are doing is we are doing a very right thing right now I can say that, right business model and if HTI becomes successful industry that will setup the benchmark validation automatically because 8K Miles is a majority shareholder automatically it will reflect the price here and with our new services launch offering it will bring in and everyone's goals here is actually to bring that the value in the past like what we are in and I think we started showing because of our suspension of security the price has gone down, the price gone down is not because purely because of the company value it is primarily the first is a stock market the people who stole my share they are the ones who dump in the stock market actually, otherwise we would not have got this price. There is a criminal FIR has been launched, if they have got arrested they can go for 10 years imprisonment and everything, but again the court timing in India and also the COVID 7, 8 months the courts have not opened if those things comes and if I started buying the share from the market that will improve the confidence of the investor. I believe as 8K Miles and my senior management has a very continuous focus here. If you see whatever the challenges we have in the past few years we have not lost any of the senior management employees here, more than that we have attracted very top professionals into the organization it shows the faith and the price is only very, very short thing and also all the majority of our customers stayed with us completely with us. I think we are doing the right thing, I think investor will pay off, I think the only challenge what people had in the past I think if people say you are capitalizing lot, your income is not going into the cash flow and then people talk about non-transparency probably we were not under stocked or does not have the effective people, now we have put the whole things so I think the investor confidence will come back because we just opened up the stock from September it is just a month-and-a-half and we went to Rs.20 level, which is very sad stake, but now we are decently trading and I think once the liquidity started coming in and we acquire and then positive thing I think every shareholder will benefit because I want all the retail shareholders to benefit in this whole thing.

Shrikant Somraj: Thank you for the last question. I know that Healthcare Triangle is going publically it will take time and bankers will evaluate and all these things, but if I want to ask you like what is the value you are looking at some ranges I do not want the exact number, but what is the value you want to value for Healthcare Triangle?

Suresh Venkatachari: I do not want to quote a number because it is inappropriate because it will become a forward looking statement lot, but however I say that right we can definitely value I think when we see today very simple if somebody come and ask me whether will you sell this company for X it is a correct value of our market cap I will never say because there is a huge intrinsic value in the company and definitely our value what we will do is a very, very decent validation, which will be justified, which will be a comparable metrics with other industry players people are doing it right now and again IPO pricing will happen on the IPO times, what we are doing is we completed the PCO we audit for the US, we are now working to file the S1 and underwriters and there are hard underwriters and the other two underwriters will come in as well, so everything will get in the next three to four months we will get a much fairer idea. What I believe that will be significant, HTI will have much more significant value than as of today the HTI market capital so that will automatically will bring in more credible investors into the company, which will automatically increase the value I think let us move forward with this value.

Shrikant Somraj: Thank you so much.

Moderator: We take the next question from the line Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Sir just wanted to understand you mentioned about the revenue will grow, but correspondingly your cost is not going to go at the same rate proportionately, so what sort of EBITDA margin levels are we looking at because earlier when we use to do about 250 Crores kind of a topline our EBITDA margin used to be in the range of 30%, 35%?

Suresh Venkatachari: I want to answer two questions here first those days EBITDA margin 30%, 35%, but we also capitalize and performed well, another 10%, 15% goes out from there actually, so now we have decided not to capitalize so if you see in our financials R&D expenses is given separately. Thus, any increase in topline will see an automatic increase in our Gross Margins and EBITDA margins. We are consciously focusing on generating more recurring revenue because just a topline alone does not give the right valuation. Services company gets 1x valuation on topline; but if you have more of recurring revenues, we get valuation of even 5x. Thus, we are driving towards more of a recurring revenue model. We have made significant investments on the product and platform and this will give us a huge advantage. Ravi was mentioned earlier, we have made DataEz available on the AWS market place and have seen lot of queries from a mid market pharma companies, So platform as a service will grow our gross margins in the next three to four years up to 70% - 75% gross margin compared to 35% gross margin what we enjoy on the regular services.

- Deepak Poddar:** No so you are talking about in three, four years 70%, 75% kind of a gross margin?
- Suresh Venkatachari:** For the DataEZ product. We want to be very clear, see our model is to drive more into platform right today only 35% of the revenue of the 80 Crores, which is coming from the platform kind of a model, which will start increasing it because see DataEZ still consumes the base cost right your base investing cost, base people cost, but our model is actually in the next four years the DataEZ platform, which will be about 50% of the recurring revenue, which will have a 75% gross margin that is a level what we are really looking, but services will not grow that margin typical services you see number one there is a big challenge if a cost of resource is a major issue in the US because with the Trump recent changes in the H1B rule even average employee if we find in California it will be \$150000 to \$200000 will be coming because we have to put a level two salary they increase to \$150000, you can hire the local, any foreign talent, which will have operator it is going to be a big challenge for every IT company that is what we are pushing lot work to offshore. The second thing is we are trying to eliminate subcontractors because subcontractors again come in a high cost so these were the things the margin we are always under pressure operating at 30% or 25%, 30% margins level is a very big challenge so as we move more into offshore and more into platform based recurring revenue our margins will enhance.
- Deepak Poddar:** Sir I understand that what sort of range we are looking at that is what I wanted to understand?
- Thyagarajan R:** Our gross margins are currently at 36%; we believe that with our focus on building the recurring revenues, multiyear deals and platform model, over the next four to six quarters we should be able to inch up close to 50% on gross margins. We have benchmarked ourselves with some of the competitors we spoke about who are at the high 40's; our objective is over the next four to six quarters we get to 50% gross margin.
- Deepak Poddar:** Understood that is fair enough and when you mentioned about you want to go back to previous level of revenue what is the timeline we are looking at?
- Thyagarajan R:** Two things; as Suresh articulated earlier, our hospital business lost close to about \$5 to \$5.5 million of revenue during the COVID; we will see a bump up coming in the early part of the next year. In addition there will be revenue growth due to DataEZ and other platforms that we spoke about, I do not want to call it a guidance but we believe that we will be able to deliver 20% topline growth year-after-year over a period of time.
- Deepak Poddar:** Okay fair enough. That is it from my side and all the very best.
- Moderator:** Thank you. We will be able to take one last question. We take the last question from the line of Nagarajan who is an individual investor. Please go ahead.

- Nagarajan:** My question to Suresh. Sir a couple of things that there were some talks going on around the enterprise valuation by the banker are you getting any updates on that so that is question number one and the question number two is like where are we with respect to the blockchain innovations, there are some talks going on with the blockchain adoption so where do we stand with respect to blockchain technology right now, what are the plans, do you have any plans for the next year so these are the two questions from my side?
- Suresh Venkatachari:** The enterprise valuation perspective we have initiated that time but due to the market and various other things we have not been able to complete because it was not really helping us. However, with Healthcare Triangle going public, this will set up the benchmark valuation. Secondly, on blockchain innovation etc one investor was asking earlier; we will be announcing this initiative very soon. As mentioned earlier, we are doing currently a POC with one of the large consortia on the blockchain. In the next two quarters you will be hearing a lot of updates on the blockchain initiatives because we have really developed the platform very successfully now and we would be able to demonstrate to clients; couple of more POCs is underway. It is coming up very nicely we would be able to share it very soon.
- Nagarajan:** Thank you Sir. Wish you good luck.
- Suresh Venkatachari:** Thank you so much.
- Moderator:** Thank you very much. We will take that as the last question. I would now like to hand the conference back to the management team for closing comments.
- Suresh Venkatachari:** I want to thank all the investors I think it is a very, very interactive and I hope we could be able to answer some of the concerns and we will continue to hold this investor conference every quarter and also improve our analyst presentation in Q2 with whatever the questions today are come on the people so we will try to address those things in the future and to build more clarity and transparency to all the investors. Thank you so much.
- Vastupal Shah:** Thank you Sir. Thank you we in fact appreciate all the questions that you have answered.
- Suresh Venkatachari:** Thank you very much for participating in this session and we will all continue to do what we are doing and for all your benefit.
- Thyagarajan R:** Thanks for organizing the call today.
- Vastupal Shah:** Thanks everyone for joining the conference call of 8K Miles Software Services Limited. If you have any queries you can write us at vastupal@kirinadvisors.com and once more many thanks to everyone for joining the conference.



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Moderator: Thank you very much. On behalf of Kirin Advisors Private Limited that concludes the conference.
Thank you for joining us ladies and gentlemen and you may now disconnect your lines.