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Dated: 27th March, 2019

The General Manager
Department of Corporate Services
BSE Limited
Phiroze Jee jeebhoy Towers
Dalal street,
Mumbai-01

Dear Sir/Madam

Sub: Transcript of Virinchi Ltd Q3 FY-19 Earnings Conference Call -Reg.
Ref: Scrip Code# 532372

With reference to the above subject, please find enclosed herewith the transcript of Virinchi Ltd Q3 FY-19 Earnings Conference Call held on 13th February, 2019

The same will also be hosted on the company's website at www.virinchi.com

This is for your information and records.

Thanking you

Yours Truly

For Virinchi Ltd

K. Ravi.

K. Ravindranath Tagore
Company Secretary
M.No. A18894

“Virinchi Limited Q3 & 9M FY-19 Earnings Conference Call”

February 13, 2019

MANAGEMENT: **MR. VISHAL RANJAN – GROUP HEAD (NEW BUSINESSES), VIRINCHI LIMITED;**
MR. M.V. SRINIVASA RAO – GROUP PRESIDENT; VIRINCHI LIMITED.

Moderator: Ladies and gentlemen, good day and welcome to Virinchi Limited Q3 & 9M FY19 Earnings Conference Call. This conference call may contain forward looking statements about the company which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involves risk and uncertainties that are difficult to predict. 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. Vishal Ranjan – Group Head of New Businesses. Thank you and over to you sir.

Vishal Ranjan: Thanks a lot and a very good afternoon to all the listeners. Welcome to the Q3, 9 months FY 19 analyst call today. As you might have seen with our numbers right now, we had a fairly healthy quarter on all operating as well as financial metrics for the last September-December period, and we are going into this last quarter with a strong momentum to improve performance on each of the businesses. I think you know, some of the growth that we have seen possibly were on a long-term bets around hospitals as well as on the QFund product business, and we will also possibly be touching upon revenue as well as steady momentum that we are talking about for the key clients in QFund as well as on the Ksoft side.

So we closed the 9 months ending Q3 last year on a consolidated operating revenue of Rs. 307 crores, this is with a change of 39% on a quarter-on-quarter basis for the last year and if you go by each of the segment revenues, the IT product business has seen a 39% growth on a base of Rs. 34 crores last year to Rs. 47 crores this year. The IT services has seen a revenue decline but we will also possibly dwell into the kind of improvement in margin as well as the quality part latter. In the healthcare business, there is an improved occupancy in our flagship hospital. Healthcare has seen around 46% increase in the revenues from quarter last year to Rs. 37 crores.

We are on track for our consolidated numbers to grow. As of now we have already aggregated Rs. 307 crores of revenue from total operations and we are on track for Rs. 415 to Rs. 420 crores kind of revenue for this financial year. This, compared to Rs. 340 crores last year should be a growth percentage of around 20% on the revenue side; even better is on the continued improvement in the EBITDA margin on a quarter-on-quarter basis. Our EBITDA for this quarter was Rs. 34 crores on a revenue of Rs. 106 crores that translates to around 32% EBITDA and put together we have already aggregated an EBITDA of Rs. 94 crores and are on track for EBITDA of Rs. 125-Rs. 130 crores for this financial year ending. This would be an improvement over Rs. 96 crores EBITDA that we reported last financial year. That is something which translates into better PBT, our PBT has grown on a quarter-on-quarter basis for the last 12 quarters and we have already aggregated a PBT of Rs. 50 crores and we are on track for our PBT to be year ending around Rs. 67-Rs. 68 crores going forward. This compared to a Rs. 45 crores PBT last year would be a significant growth in the operating performance. This quarter per se we had a tax item of Rs. 2 crores which was essentially an adjustment for the deferred tax that we had in the previous quarter. But going forward this quarterly tax of Rs. 2 crores to Rs. 2.5 crores is what we can realistically expect for this kind of PBT going forward. So overall we have aggregated a 9 month PAT of Rs. 42 crores which should by the year end be in the range of around Rs. 55 to Rs. 57 crores PAT for this financial year, compared to Rs. 33 crores PAT that we had last year. This quarter we reported an EPS of Rs. 4.88 and for 9M we have already aggregated a EPS of Rs.13.8 and we are on a track for any EPS between Rs. 18 to Rs. 19 for the year end, compared to Rs. 11.77 EPS last financial year, this will be a jump of around 60% on the EPS side.

Coming to the segment wise, obviously one of the major revenue drivers for this financial year has been the QFund growth. But even if we take away the Advance America large contract which we anticipated giving us Rs. 20 crores of revenue and Rs. 15 crores of EBITDA for this financial year, even without that the other revenue growths or the other customers that we had have shown healthy growth, healthy revenue margins and in addition there are new stores getting added by our existing clients which is leading to more revenue growth without much direct cost increase to us. The good part is the QFund new contract that we did with Advance America is now almost on a steady state And whatever were the new stores and new products that we had talked about, they are being rolled out. We have already aggregated revenues of the tune of Rs. 14-14.5 crores additionally from that contract and we are on track for the Rs. 19 to Rs. 20 crores kind of revenue that we should expect for Advance America over and above the normal revenue momentum.

In addition, in IT product side we have completed whatever were the corresponding CAPEX that were needed. Our steady state EBITDA margin on QFund is adequately reflected in this quarter's numbers. In Q1 because of new servers, new Oracle licenses etc. a significant amount of CAPEX went there. But now at least whatever we are looking into items are on the OPEX part, so we will see these kinds of margins at least going forward from the IT product side.

The IT services has seen a revenue decline on a quarter-on-quarter basis which we anticipate for this quarter. Also, we are pretty much in the middle of the quarter and we see some of those revenue growths which were pretty much long-term contracts the last year, where which we moved out. These are largely because of either poor quality customers where either the receivables was a problem or either in general the margins were not so good. At times, it was more of a revenue than a margin going in. So what we have done in this financial year, I think we have been saying it in the Q1 itself that we would like to consolidate KSoft for high billing margin, high value added projects for the customers. The kind of work we are doing on image recognition, the kind of work we are doing on the mobility, especially the pieces that we have solved for medical devices, that kind of work is adding not only revenue and the margin but also good strategic value for our customers. We did speak earlier about that KSoft cannot be a, man count into billing rate kind of work because that is typically , a Visa thing and I think that kind of a market has come and gone and its mostly the large guys who would be doing that man count kind of a story. From our perspective we wanted to do projects for which we can get direct billing on things like mobility, or if we are to build products on the artificial intelligence side of it. So happy to inform that now our portfolio has more of those clients in particular for these two verticals. The good part is while there is a decline in KSoft services income, the margins have continued to be protected or at least be in, if not improved at least we have not lost on a dollar value too much and I think once we end this financial year we would be on a much better platform to move forward.

The strongest growth I would say in terms of percentage wise definitely would be our healthcare business. The healthcare business quarter-on-quarter has moved from Rs. 30 crores in the Q1 to Rs. 34 crores in Q2 to Rs. 37 crores in Q3 this year and this is largely driven by our flagship hospital in Banjara Hills. We were in the 25% to 28% kind of occupancy range in the beginning of the financial year and now we are steadily above 30%, 32-34-35% kind of occupancy we are seeing. For the quarter ending December 2018 on an average we are seeing a 32% occupancy on the 350 beds existing capacity. Also, the CAPEX that we had undertaken in the quarter of September to December, in fact it was more from June to December for the expansion of the economy block, has been completed. the economy block is now available and is being used, mostly right now on the OPD but more and more it will start going into the IP part, and if you might recall we did talk about this expansion was driven by our patient mix and our occupancy pressure. So while we always had the head room, the capacity and the funds to grow, we wanted to wait till the occupancy hits a critical limit where it justifies an additional 50 beds or additional 100 beds. So this 50 bed is commissioned, that is something which will increase our capacity from 350 to 400 beds now, and going forward when we talk about a 110 or 120 bed occupancy we would possibly extrapolate on a 400 bed base going forward..

The cancer block about which we have spoken earlier, is moving well in our project planning part, and the linear accelerator and the PET CT both of which should be available in the next financial year, FY20. So these pieces I think are going as per plan, and there is no major surprise that we have got in the quarter ending December or this financial year as we move on.

Coming to the Segmental EBITDA growth on a QoQ basis,; IT products has grown on a quarter-on-quarter basis from Rs. 15.05 crores of EBIDTA in Q1 to Rs. 16.7 crores in Q2 and Rs. 17.89 crores for Q3. Similarly, even IT services, KSoft business has seen an EBITDA growth from Rs. 6.94 crores in Q1 to Rs. 7.2 crores in Q2, to Rs. 8.86 crores in Q3 and this, you might note, is despite the reduction in revenue and that is something which we wanted to pursue going forward. The healthcare business has seen the EBITDA growth quarter-on-quarter from Rs.5.73crs in Q1 to Rs.5.92 crs in Q2 to Rs.6.73 crs for this quarter. This largely is driven by the flagship hospital and higher occupancy as we have seen. Going forward the EBIT part of it is something which again has moved in the expected lines and it has seen a broad growth across all the three business. I think on whatever business drivers we talked - from the revenue, EBITDA or even post-tax where we are talking about PAT and EPS - I believe most of the surprises, if at all, from the risks around new businesses coming in from Advance America or new occupancy seen in the hospital, are pretty much mitigated and this kind of steady growth is something that we can reasonably expect for this quarter and a few quarters going forward.

I would also like to touch upon this discussion on the kind of balance sheet items that we have seen. As you might have noticed, we had seen an increase in the equity base right now to Rs. 3.17 crores due to new preference shares, new ESOP plans coming in and then there are some warrants issued to the promoter which are due for execution.I think in the 6 months' time, and net-net the intent here is with getting larger participation of the key management personnel as well as getting the promoter to possibly have closer to 47-50% kind of holding. We want to ensure that there is sufficient engagement for the management team here. Per se our debt has stabilized around Rs. 168 crores. There was an increase of around Rs. 15 crores of debt and there was a repayment that we saw since last financial year. So we are seeing Rs. 168 crores debt and this debt should stay largely steady at least for next four quarters if not longer and most of the CAPEX that was there for this financial year, in fact this financial year it is kind of interesting because while the big tickets CAPEX of Rs. 175 crores that we did for the flagship hospital was completed, we had multiple small list of investments that we had to do across all businesses. So just for Advance America and the new businesses that we had been doing for QFund we added in the US for Dell and Oracle whatever the servers and the licenses that we are talking about, we had done around $ 2.8 million of CAPEX this year. Similarly in India for the new seats that we have added, our Hakimpet facility had around two more floors added there, that added to our CAPEX there. Our corporate office in Banjara Hills that has a seven floor office, around five floors of them are all now commissioned, around 150 people are sitting there. So that saw some significant CAPEX. Obviously the tower B of the hospital of the economy block is already commissioned. We ordered around Rs. 6 crores of medical equipment because of the new departments that we have added in the hospital, and looks like until we have any new major external investments for this set of businesses we are pretty much done now. Whatever annual CAPEX that we typically do for either replacement CAPEX or one more medical department or new servers etc. that will continue to happen. But I think both on the debt side and on the CAPEX side we should be, in fact even this year-to-date period or even this financial year, we should be stabilizing and that should stay for at least next couple of years until we see a fresh set of investments going in.

Moving from the long-term liability block, the good part on the performance side of the receivables, short-term loans I think we have seen a significant improvement since the last financial year. As of 31st March 2018, we had upwards of 80-85 days of receivables, that has now consistently been around 60-65 days kind of receivables and I think that number still has room for improvement. Mostly it is driven by the hospital business and in the hospital business, we have around 40% of the business on credit, and of that credit business, we are also seeing increased share of government receivables. We have put more feet on the ground to ensure that the quality of receivables are better, and we ensure that this collection does not exceed beyond a limit. But as a revenue mix right now, I think for the next 12 months that is something that we would continue to focus and bring it down to acceptable numbers. In fact our inventory levels have come down significantly, our payables, which was a huge problem, have also improved largely. So I think on the balance sheet metrics also we have seen a much more healthier balance sheet, much more healthier ratios and if we continue to see this kind of a revenue growth and this kind of steady EBIT as well PAT going in these numbers will keep improving as we move forward.

With this financial overview of the business I think there are only two additional pieces on the operating side I wanted to cover. I know quite a few of the new businesses that we have been talking about are around the vCard product. Happy to inform we have completed a beta pilot with 100 odd customers over the last month or so with one of the largest bank here. And whatever the issues that they had on the beta is also resolved and the product is pretty much live. We actually encourage you all to look into the website vcard.ai and also follow us a bit on our Facebook page to keep you updated on how the product performs.Whatever were the regulatory challenges that we talked about in the last financial year, whatever were the questions that our partners were having in terms of business model, we have got the go ahead from their internal teams, I think all of them are well past that stage, the roll-out is going on, the pilots, UAT and all of that technology pieces are going in. We don't expect a huge amount of CAPEX on vCard in the next financial year for sure. So we will talk about the complete vCard business plan in a subsequent call but I wanted to possibly touch upon that topic to give a detail that right now the product is pretty much on track and additionally some solutions we are doing on our analytics part, some products that you are building for the US market again the Payez equivalent, they have seen some traction but you would possibly be sequencing them one after the other and they would come possibly post vCard.

At this point of time I think that would be a fair summary of the financial results as well as the operating health of the business and I would possibly open the floor for questions if any.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. First question is from the line of Nikhil Bhargav from Zephyr Financials. Please go ahead.

Nikhil Bhargav: Sir coming to this 8 lakh convertible equity warrants so what price that would be? What is the price?

Vishal Ranjan: In fact, pretty much they are SEBI determined prices and we will go with the procedure. As of now that number we do not have it handy but should be in the range of last, I think 6 months traded price.

M.V. Srinivasa Rao: Higher of the 6 month or the 2-week average number. The warrants were issued at Rs. 100.

Nikhil Bhargav: Okay. Then the total after conversion the total promoter holding would come to 50%, that is what you are saying, right?

Vishal Ranjan: So as of now we have 3.17 Crore shares floating, this 8 lakh will get added in this period and that will make it 3.25 crore shares and subsequently there are some warrants also

M.V. Srinivasa Rao: 24 lakh warrants…

Vishal Ranjan: Yes 24 lakh warrants which are due for conversion in 6 months' time. So we will end up around 3.50 Crore shares as a net number.

Nikhil Bhargav: Okay. And there is a pledge share of 11% so can you tell me what is the corpus for the pledge share? Is that a company or it is against some any loans you have taken from Edelweiss, like that?

M.V. Srinivasa Rao: This was done about a quarter or 2 quarters before. We have pledged Rs.15 crores equivalent worth of share. So that is roughly about 10 lakh shares of the promoter which have been pledged.

Nikhil Bhargav: Okay, that is for the Edelweiss funds that is for Rs.15 crores, right?

M.V. Srinivasa Rao: That is right.

Nikhil Bhargav: And what are the receivables for the 9 months?

Vishal Ranjan: I can give you the exact number separately but as of now on the MIS side what we are seeing on a weekly basis, it is around, 60-62 days kind of a thing. I can do the calculation and let you know the exact number.

Nikhil Bhargav: I will do that, and the finance cost is like, it is going to be steady for Rs. 641 lakhs for next 3-4 quarters going ahead, right?

M.V. Srinivasa Rao: Yes it would remain the same because we do not foresee a large increase in the borrowing in the next one to two quarters.

Nikhil Bhargav: Okay, and how do you see the IT products in the next coming quarter? I mean, in the last quarter, quarter-on-quarter we had seen a flat growth. So you see, we are expecting the same for the next going one quarter or you are seeing any growth in product side?

Vishal Ranjan: So I think the product growth per se was actually on a higher growth that happened between Q1 to Q2, that is the thing, because it was a QFund new revenue coming from Advance America that led to a kind of a big jump but whatever you are seeing in this quarter definitely this is something which can be sustained for sure and there would be an organic growth from the other customers that we have seen going forward.

Moderator: Thank you. The next question is from the line of Irshan Kavish as an individual investor. Please go ahead.

Irshan Kavish: I just have a question regarding the tax part. Our effective tax rate in this quarter was only 11.6%. Can you please elaborate something on that?

M.V. Srinivasa Rao: I think it was low because of the deferred tax issue in the Q2 but if you look at the tax provided for this quarter, it is in line with the regular tax rates. So for the year it should be around the regular 30% odd tax rate.

Vishal Ranjan: In fact last financial year we reported an average tax rate of 27%. Because of some deferred tax calculations in the Q2 number you are seeing an up and down per se. But for your calculation…and again the Q4 is typically is slightly more loaded on the tax side. But net-net we don't see a very significant change in the average tax rate of 27-28% that we are seeing.

Moderator: Thank you. The next question is from the line of Hemish Shah as an individual investor. Please go ahead.

Hemish Shah: So I would like to ask still, when will this investment stage go on, how much do you foresee like the heavy investments going on from the healthcare side?

Vishal Ranjan: Actually, I tried to touch upon that in the initial discussion I will possibly clarify it in two specific items. As of now this year there was investment but that was spread across all the three businesses, I will touch upon each of them. But health care in particular this year if you see, other than this 50 bed addition which was essentially a Rs. 5 crores kind of new CAPEX that we did per se and the two departments that got added; electrophysiology and ophthalmology each of them were around Rs. 2.5 crores. So this Rs. 10 crores new CAPEX that we did is only in the healthcare business.

Now, the large part of this Rs. 50 crores that we saw in this year CAPEX around $ 2.8 million that's say around Rs. 20 crores kind of it is actually in the US data centers itself. So we had for our Dell and Oracle payoff around $ 2.8 million that is for our new customers or the new licenses that we talked about and we had spoken about it right when we signed the Advance America contract that this will lead to an infrastructure investment. Now these are asset items, these are not something that we will have to do year-on-year. And we don't see a reason unless there is a sudden new revenue like Advance America going in. These things will not attract huge investments.

Similarly, our facilities, Hakimpet, which is our global development center, we added around 200 seats. The corporate office which was pretty much not there, all the 6 floors are now almost ready to commission. Around 110 people- 120 people are already working there. So these are one-time investments that we had to do to ensure that these businesses are sustained. But I think with this financial year you would possibly see that gross block to get steady just barring (+) or (-) Rs. 5-10 crores of annual either replacement CAPEX or you know, one doctor wants a new robotic surgery kind of equipment then we will possibly talk about it but there are no major CAPEX planned.

The last piece which I talked about the cancer block that is something which is in my program, but that will be the only Rs. 20 crores investment that is something which will happen in the next year. There is no other major investment next year.

Moderator: Thank you. The next question is from the line of Imran Khan from RatnaTraya Capital. Please go ahead.

Imran Khan: Can you please tell me a bit into detail about the working capital side of the business? I mean, are we seeing working capital improvement soobviously we would have released some working capital in the case of business if I am not wrong, right?

Vishal Ranjan: So net-net I will give you 2-3 drivers to it but there is again the P&L aspect, it is a balance sheet item so on the operating side, we had some problem on working capital at KSoft. So we talked about some revenue de-growth which was driven by that quality of receivable but I would say as of now at least at executive thought level our bigger headache continues to be the hospital and I think that is more because of the nature of the business and rather than you know, sitting and waiting for it to go out of hands, whether it is inventory, whether it is on the receivables from government, receivables from other insurance companies what is the mix of cash credit, I think those are the levels that we are very proactively tracking, in fact a bunch of IIM grads are sitting with that KRA just with that problem how do we cut down those numbers, rather than you know, we have seen hospitals that these numbers suddenly become so big that you cannot respond to it and it just kills the part. In terms of working capital financing, obviously with the revenue growth we have to keep a certain amount of working capital finance. As of now, the stand-alone books would show you around a Rs. 13 crores of working capital, VHPL the hospital will have around Rs. 8.5 crores of working capital. So we are carrying Rs. 20-22 crores of working capital line, for our size of balance sheet I think it is pretty much desirable. It is something that you need to keep it to be healthy, but I think it is not a funding problem per se, rather than operating problem, and I think there is a significant room for us to keep improving on that and maybe in the next 12 months we could see some further working capital released. But other than hospital I don't think there is something which is showing a red flag or a yellow flag at this stage.

Imran Khan: So Vishal, can you quantify I mean, last year our working capital requirement was close to Rs. 50 crores including all three businesses. How much it would be in 2019 I mean, just to have an idea. Would it increase by Rs. 10 crores, Rs. 15 crores, what?

Vishal Ranjan: That number should stabilize around Rs. 32 crores.

Imran Khan: You are saying it will go down from 50 to Rs. 32 crores, is it what you are saying?

Vishal Ranjan: Yes.

Imran Khan: So you will release working capital Rs. 18 crores this year?

Vishal Ranjan: And in fact, the last year the Rs. 50 crores as I said it was 80 to 83 days of receivables if I remember correctly. Now we have a red line of 60, but still we are you know, my friends sitting across are still smiling but we still have to get that number below 60. But 60-62 is something we are hitting very regularly.

Imran Khan: Okay, so that means you would not need further working capital this year, right?

M.V. Srinivasa Rao: Yes, there may not be any further growth in working capital borrowing.

Imran Khan: So the next question is obviously on the same front, this is on a cash flow basis. I think we will clock somewhat around Rs. 85-90 crores of cash in terms of operating cash this year, right?

M.V. Srinivasa Rao: Yes, it will be around that.

Imran Khan: And what would you do with that cash? I mean, any plans?

Vishal Ranjan: There are two items to that, obviously there a debt repayment schedule that we are complying with and that will possibly…so from our side so this cash flow some part of it obviously will go into the debt repayment and again a small part would continue to support the new businesses that we are seeing but they are not CAPEX intensive. So this cash flow would continue to grow the businesses for new investments as we see. So, from our perspective if at all we are talking about a hospital growth or adding new beds per se that is something which we may do through operating cash flows. I think we have also clarified in one of the analysts calls that if at all we go for a major hospital expansion that will not be from this cash. We would possibly wait for a fresh source of cash to come in. But then it will be a mix of external equity, it will be mix of our own cash and the debts that come together. But I think that capital planning right now there is nothing on the table for us to comment upon. But we would look for new avenues of growth in healthcare and fintech and that cash will allow us to support that growth.

Moderator: Thank you. The next question is from the line of Pramod Yellatu as an individual investor. Please go ahead.

Pramod Yellatu: So in the recent AGM it is mentioned that the company is looking at, you have been management consultants to look at various corporate restructuring alternatives. So we just want to know at a high level like what is the goal of restructuring and what are the kind of ideas?

M.V. Srinivasa Rao: We have mentioned that in the past as well, that we plan to concentrate all our healthcare business into a single entity. Right now as you are aware about 200 beds are sitting in the books of Virinchi Limited so we would want to transfer the business related to those 200 beds to Virinchi Healthcare Private Limited. So then the entire healthcare business will be concentrated in Virinchi Healthcare Private Limited. And Virinchi on a stand-alone basis would just have the IT product business and some amount of service business.

Vishal Ranjan: In fact to add a note on that one of the, I think there is definitely a work-in-progress that we are solving in but some of the feedback that we have also tried to incorporate is to allow all these three businesses to appear either as a stand-alone part or at least as schedules in our annual report on a the P&L-balance sheet basis independently. So most likely in the annual report that would possibly you would see for this completed financial year, the entire healthcare business would come into VHPL which will show its own P&L as well its balance sheet, cash flow etc. the entire IT services by and large is already in KSoft. It will have its own P&L and balance sheet for you to see across, and QFund the stand-alone business will largely again except for the few items that we talked about will largely be the QFund business and that allows us to not only keep our asset allocations clean also from by a taxation disclosure perspective it is something that you can possibly use it for peer comparisons etc. so much more clarity should be available in the subsequent months on each of these three businesses independently.

Pramod Yellatu: Yes that will be helpful. I think that will also make it easy to raise any future investments only in the healthcare…

Vishal Ranjan: Absolutely that is the intent.

Moderator: Thank you. The next question is from the line of Nikhil Bhargav from Zephyr Financial. Please go ahead.

Nikhil Bhargav: Sir right now all the loans taken for Virinchi Hospital, it is on the like, it is taken by the parent company or the hospital name itself?

M.V. Srinivasa Rao: Rs. 40 crores was originally sitting in the books of the parent company and the remaining loan was sitting in Virinchi Healthcare Private Limited that is around Rs.68.75 crores

Nikhil Bhargav: Okay so the Rs. 40 crores have taken by then parent company are utilized for Virinchi Hospitals itself, right?

M.V. Srinivasa Rao: Yes.

Nikhil Bhargav: So in case of what you are saying you are probably making the hospital a private business. So in that what would be the scenario? What would happen to debts which is sitting on the parent company?

M.V. Srinivasa Rao: The debt to the extent that relates to healthcare along with the business will also get transferred to the subsidiary company.

Nikhil Bhargav: Okay along with the debt?

M.V. Srinivasa Rao: Yes.

Nikhil Bhargav: And what about the credit rating? Any upgrade or anything downgrade happened in the last quarter?

M.V. Srinivasa Rao: Yes the process is on. We should be getting the final rating maybe in about a month or so and we expect an improvement in rating.

Nikhil Bhargav: The prepayments are going on right now, right?

M.V. Srinivasa Rao: Yes, initially we had India Ratings who did our rating. So about two months back they have done an improvement in rating. Now we are in touch with other rating agency Brickworks and, we are expecting an improvement in the final rating.

Nikhil Bhargav: Okay, and what about any large chunk of pre-payments expected in 2019? What is the timeline in 2019?

M.V. Srinivasa Rao: You are saying pre-payments?

Nikhil Bhargav: Yes on the debt pre-payments.

M.V. Srinivasa Rao: No, we wouldn't really want to do any pre-payments, because we have that cash in hand we would rather use it for the growth because like Vishal has explained a while ago in the conversation maybe in about a month or two we should be actually looking at launching vCard to begin with in the Hyderabad market and then depending on how it goes we would go pan India. So that would require good amount of operating cash.

Vishal Ranjan: In fact the way we are seeing this cash generation as in fact during the previous question we just spoke about, we are expecting multiple sources of revenue growth in these three businesses to stabilize and in fact for this financial year one of the major metric was to ensure that the hospital becomes EBIT positive, and happy to inform that we are pretty much on track to ensure EBIT as well as PAT will be positive for the healthcare business per se this financial year. So now all the three businesses generating cash we have obviously that free cash flow to be supported for some of the debt repayments which are as per the schedule but a large part will be helping us to build the cushion for the next set of growth that we are pursuing, and those growth continue to be in fintech and healthcare businesses only and whether it has to be augmented by external sources of capital, it has to be augmented with new capital structure we need to have our own cash flows available to support that growth. So that is the plan that we are pursuing right now.

Nikhil Bhargav: Otherwise any debt payment or principle payments in this year are upcoming for?

Vishal Ranjan: No major except for whatever, we have balloon repayment structure for the VHPL debt and whether you say from DSCR perspective or cash flow perspective we are pretty much powered for that kind of a repayment and plus right now actually our cost of debt has also been slightly high, anyway the debt regime has been on the upward slope so we would possibly at some point of time either restructure the debt, try to bring down our cost of debt etc. So those options do exist but I think that is something which helps us improve the balance sheet but as of now immediately on the next couple of months at least in this financial year there is nothing major that we can pursue.

Nikhil Bhargav: So there is no big balloon payment in 2019 that is what you are saying right?

M.V. Srinivasa Rao: No, because balooning repayment structure, for the first 6-7 years the repayments are fairly low, of the order of Rs. 4 crores, Rs. 4.5 crores. The larger payments are going to happen in the 8^{th}, 9^{th} and 10^{th} year.

Nikhil Bhargav: Okay, so basically which you explained me last quarter that in every September you have to pay around Rs. 8 crores or something. Is that that the same thing as well?

M.V. Srinivasa Rao: Yes, see about Rs. 4 - Rs.4.5 crores is the term-debt repayment that happens from Virinchi Healthcare and in addition to that there is roughly about Rs. 8-8.5 crores of payment that happens on a yearly basis on the supplier credit from Virinchi Limited.

Nikhil Bhargav: Got it so roughly close to Rs. 15-16 crores?

Nikhil Bhargav: Or Rs. 13 crores, got it.

M.V. Srinivasa Rao: Yes Rs. 13-14 crores is the kind of repayment that would happen.

Moderator: Thank you. The next question is from the line of Ankur Vora as an individual investor. Please go ahead.

Ankur Vora: So my question was with all businesses generating good free cash flows are there any plans for announcing a dividend or dividend policy in the next financial year or future?

M.V. Srinivasa Rao: As of now we wouldn't want to commit, but the management is definitely, thinking about dividend. So what we would do is, if we are going to do that maybe in the next quarter or so we may make some announcement in terms of the policy and things like that to begin with. So we are definitely and seriously looking at dividend. But at this stage we wouldn't want to commit on any of this.

Ankur Vora: My next question is you mentioned that debt level will remain stable for next couple of years but is there any timeline of getting rid of debt altogether or will you keep on using this debt for further growth?

Vishal Ranjan: See obviously there is a cost of debt that we would like to improve upon I just mentioned a while back. But rather than pre-paying the debt or reducing that liability as of now we still believe there are multiple growth avenues that we want to pursue, both in healthcare as well on the fintech side and keeping this cash available or keeping these cash flows available would help us pursue those growth avenues with sincerity. But that said I think as of now if you look at our balance sheet size the debt numbers or the debt ratios are pretty much manageable and the kind of cash flows we are generating we don't see at least for the next couple of years any pressure on our debt repayment capability so I think that is something which is being acknowledged by the rating agencies also. So whether it is a cash outflow in terms of dividend or cash outflow in terms of debt repayment or we have to possibly look into growth avenues. It is on optimization that we take at quarter-on-quarter on basis. As of now growth continues to be our priority for us to pursue.

Moderator: Thank you. The next question is from the line of Hemish Shah as an individual investor. Please go ahead.

Hemish Shah: So just to continue on that point, so on the dividend point, so if we have generated like good cash flow every year then what is it that the promoters…does the management look into so we are investing in healthcare, the stock price has hurled from 140-150 to 70 so obviously there is something that is hurting the investor sentiment and investors are waiting I think for that moment when the company starts paying some money so that the confidence increases because at the end of the day wealth creation for investors and promoters is the same thing, everyone wants wealth creation and that is why we are here.

Vishal Ranjan: Absolutely Hemish, I think I must give a qualitative kind of an answer before I give a quantitative number. The way we are right now pursuing in fact in the last 4 year and believe me this dividend discussion has been a recurring theme for at least 4 years if I am not wrong. The way we are seeing it is whether I am doing my CAPEX, whether I am building the hospital business, whether I am pursuing the growth opportunities in the US, they are something which helped us genuinely change our….again in terms of you are looking at the metric of Rs. 140 to Rs. 70 kind of a market cap but if you talk about the revenue, profitability, EPS growing at 50-60% is something that we were pursuing even now, whether we increase the occupancy in the hospital, whether we see a better increase in revenues from the US etc. or we build these new verticals without much of CAPEX, I can generate more free cash flow over the next 2-3 years. That is something which is how the management is pursuing this business. While there are many things which have gone into steady state QFund and many good ways is a cash cow, well protected, not seeing with competition, healthcare whatever the project risks of a new business I think we are well past it. Now you are talking about 30% going to 40%, 40% going to 50% so we understand that there are businesses which have got stabilized but there are places in fintech and healthcare which can move us from one orbit to the next orbit. So I am just giving back that and possibly being consistent in our thought process that it is still a journey which is a high growth journey, which cannot be done on an organic growth, when I say inorganic it doesn't mean acquisition per se what I am just saying that on its own healthcare will now grow from 32 to 35, 35 to 40. 32 will not become 70 next year. So we need to build those launch pads, we need to build those investments which should possibly add new revenue growth going forward and that is something as promoter as shareholders as all of us in it should be looking forward to it. But yes, we understand there is sentiment associated with dividends as well, we understand that their cash should possibly come back to the investors per se, so we are balancing that thought process.

Hemish Shah: We definitely want the company to grow, right, growth is paramount it is just about the sentiments the growth is paramount.

Vishal Ranjan: Absolutely that is the one thing which we will continue to address as we move forward.

Hemish Shah: One more question regarding the disclosure I think you made about you know, appointing some advisors for some reconstruction for some business reconstruction and all. So what are the plans there?

M.V. Srinivasa Rao: Virinchi Limited has got two businesses right now, the IT product business, IT services to an extent and healthcare. So we plan to transfer the healthcare business from Virinchi Limited into Virinchi Healthcare Private Limited the subsidiary company so that the entire 550 beds or 600 beds are concentrated in one legal entity. That way it would be easier for investors and us to follow what is happening on the healthcare business, if you were to just look at one legal entity and also it is easier for us to in future raise funds in the subsidiary company for further expansion.

Hemish Shah: Yes, that makes sense but as such there are no plans for proper demerger of the two businesses and list in both the businesses separately as of now, right?

M.V. Srinivasa Rao: As of now we are not looking at that because we would want to still keep those options open.

Hemish Shah: Okay, so you won't be looking at demerger till you can say the investment stage is over till you know both the businesses reach the par of that where you don't require lot of investment in the healthcare space?

M.V. Srinivasa Rao: Yes that would be one of the reasons.

Vishal Ranjan: In fact the demerger internally again means, people like yourself and lot of our strategic friends as we meet, do have come back with these options that you can unlock value for the promoter as well that shareholders in each of these businesses as separate and so on and so forth. But then we understand that argument it is not something that we want to question at any point but the way we are seeing right now a demerger, rather than putting a date to it is a matter of milestones. The first milestone was to build the healthcare business financially independent, which we know that this financial year all the three businesses start generating cash. So this business becomes financially independent. Now there is certain critical mass before which demerging doesn't make sense. So what we are trying to do is to agree upon in fact this corporate restricting that MVS is taking about is in line with those milestones. So the intent is that yes we create value, we ensure that IT business creates cash flows, creates sustained corporate positioning, healthcare creates its own business we create value and in due time once these milestones are achieved we demerge and create them as two entities. So that thought process I think we are pretty much agreed to that but the timeline for that would depend on how fast we can achieve those milestones.

Hemish Shah: Okay, and one last question. So as you start paying off the debt, as the debt level starts going down probably from next year onwards because as you said for next one year you don't foresee any huge long-term, any huge CAPEX now. So will the interest cost also come down like as you start paying the debt, right?

M.V. Srinivasa Rao: We are in touch with the institutions, so our endeavor has been to reduce the interest rates like a while ago in the conversation we mentioned that we are looking at rerating of the company. Once the rating improves, there will be slight improvement in the interest rates. But the overall debt right now is around Rs. 160-170 Crore with some addition on account of cancer block. So for the next financial year you may expect it to be in the similar range but this 160 becoming 200 is not something we are talking about.

Hemish Shah: Will this revenue run rate, revenue growth run rate continue in the next year also, like 20-25% that we have seen generally the revenues increasing.

Vishal Ranjan: As of now those drivers are still intact, whatever are the revenue growth, again Advance America was a good number to put in but that was still only Rs. 20 crores on a Rs. 340 crores last year number. So the rest of the growth is an organic growth on the current base. The good part is we have good pipelines in the US for both QFund as well as KSoft, the hospital occupancy is already seeing a step jump increase in terms of occupancy percentage if you talk about. So I don't see the growth drivers getting declined in question but exact numbers in the business part of it I think we continue to be optimistic to continue.

Hemish Shah: Okay and do you think vCard would be a game changer if it goes on well like the trial runs and all are going on, it is not the pilot runs but if you are successful in it then can it be a huge growth driver?

Vishal Ranjan: Okay, means, what I will do is to possibly hold on that judgment for you to assess when we do a slightly more detailed business plan discussion on vCard but if we are spending as much time and we are you know, it is almost taking of as much time as building a hospital. So we are investing as much of management commitment to that business obviously we have high hopes on that. But more than revenue growth, to be honest there will be more than revenue growth it is a more of a game changer that happens at the industry level, so it creates revenue, EBITDA as well as you know value for the group. And obviously it is a 100% subsidiary within Virinchi, so all our shareholders are and all promoters and equity holders are all equally benefitted by that. But I think at this point of time rather than putting a revenue projections in fact we have cautioned each of our people who have asked that don't put a revenue stream associated with vCard, but yes once we are able to achieve and build the product which solves a real problem in the industry it creates value at multiple fronts.

Moderator: Thank you. The next question is from the line of Pramod Yellatu as an individual investor. Please go ahead.

Pramod Yellatu: I just wanted to understand so if you look at the outstanding share in September 2017 quarter it is like 2.7 crores share, now I think with the shares that are going to be converted, so I think it will come to 3.25 crores there. It is like a 20% jump in the outstanding shares which will obviously affect the EPS. So I just wanted to understand is it to motivate some key stake holders or like, can you please shed some light on this?

Vishal Ranjan: There are two parts to it, in fact you are correct that most of these increase in the share numbers are through the promoter group or key management personnel for the company. We launched our ESOP program last year which was pretty much done after like 10 years in the company. So that kind of aggregated growth was something which was long due and there are personnels who have been with Virinchi also this growth path from whatever market cap value wise or revenue wise when it was a single product, single geography company to now what it is and we are not only seeing a growth in terms of employee commitment but people who are willing to bet for the next 5 years, next 10 years kind of a growth. Now again it is each individual's program but in terms of benefitting the large management personnel from the ESOP program I think it is something which is you know, important for us to maintain and retain the interest of these larger KMP groups because without which we cannot embark the next growth path that we are chasing. And the good part here is that the promoter himself has brought in cash, promoter himself sees that okay right now at the current market prices we are possibly trading cheaper for whatever reasons, again that is something which we don't want to comment upon but it is good time for us to increase the promoter growth holding and that is something which is going on fine and I think it helps both from 50% mental block also that we ensure that we have that many shares within the KMP as well as promoter group and we stay invested, we stay invested in the growth of the company.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Vishal Ranjan for closing comments. Thank you and over to you sir.

Vishal Ranjan: Thanks again for all of your time and excellent to talk to people who have been attending the call and have been reaching out to us independently for the last 12-24 months. As I possibly mentioned earlier also, that this is the kind of growth trajectory that we are chasing at least from each of the businesses, revenue, EPS etc. I think that financial metrics are something for everybody to see and comment upon. But I think we should also go back home with the message of the strategic diversification that we had embarked two years back and now I think looking into the last quarter of FY 19 we are now having a purely independent healthcare vertical out of theoretically nowhere. So I think that diversification is something that all of us should be happy with, and whether it is asset of 800 beds, whether these revenue streams and the EBITDA that are growing that will create wealth for all the shareholders and promoters. But I think we should also be proud of the fact that there is a diversification which typically could have derailed a lot of companies and let us understand that we are a small-cap or we are small scale company we are not really on the scale of large companies who can afford to do mistakes. So I think that diversification has given us a good track record or a good confidence to build on this base and as I mentioned in one of the question answers here I think we still see that this is a base, this is a launch pad for a trajectory change, for an orbit change rather than saying that okay now that what we have achieved let us sit back and enjoy and relax part of it. So going forward we would continue to measure ourselves and I would ask you guys to keep us on our toes on that question as how is the next growth coming in, what is the net pieces of revenue drivers, next pieces of EPS drivers we are looking in. At the same time what we have achieved is sustainable, what we have achieved are well protected with a very strong management team who are here long-term committed and are going to sustain this kind of a performance yields to you. Thanks a lot for your time and we hope to see you soon possibly again in Hyderabad or in a one-on-one sometime. Thanks a lot for you time.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Virinchi Limited that concludes this conference. Thank you all for joining us and you may now disconnect your lines.