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Dated: 13th June, 2018

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

Dear Sir/Madam

Sub: Transcript of Virinchi Limited Q4 & FY-18 Earnings Conference Call

Ref: Scrip Code# 532372

With reference to the above stated subject, we bring to your kind notice that pursuant to Regulation 30 of SEBI (LODR) Regulations, 2015 read with Schedule-III, please find the enclosed Transcript of Virinchi Limited Q4 & FY-18 Earnings Conference Call , held on 01st June,2018.

This is for your information and record

Thanking You

Yours Truly

For Virinchi Ltd

K. Ravi

K. Ravindranath Tagore
Company Secretary
M. No: A18894

"Virinchi Limited Q4 & FY-18 Earnings Conference Call"

June 01, 2018

MANAGEMENT:
MR. VISHAL RANJAN – GROUP HEAD NEW BUSINESSES
MR. MVS RAO – GROUP PRESIDENT
MS. SANTHI PRIYA – CFO & WHOLE TIME DIRECTOR
MR. RAVINDRANATH TAGORE – COMPANY SECRETARY

Moderator: Ladies and gentlemen, good day and welcome to the Virinchi Limited Q4 & FY2018 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 involve risks and uncertainties that are difficult to predict. 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 conference call, please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Vishal Ranjan – Group Head, New Businesses from Virinchi Limited. Thank you and over to you, sir.

Vishal Ranjan: Thanks a lot. Good evening everybody on the call and hearty greetings from Virinchi in Hyderabad. To begin with, we will focus on the numbers for the year ending 2017-18 and will possibly try to touch upon some of the directional momentum that we see going forward.

Coming to the numbers quickly, we closed the last financial year with revenue of Rs. 342 crores as against Rs. 288 crores last year, which is a growth of 18.6%. This revenue was along with an EBITDA of Rs 96.9 crores vis-a-vis Rs. 65 crores last year. We will possibly talk about the drivers for both revenue and EBITDA and what has been the contribution. Those who have been tracking Virinchi for the last 4 to 5 years, this revenue translate to a CAGR upwards of 25% and EBITDA growth at around 42% to 43%.

But more important, I think the last year was more for us to consolidate our position. When you typically grow 25%-30% year-on-year over a prolonged period of 4 to 5 years, there are times when you either chase revenue at the cost of EBITDA or you chase the quality of revenue with protected EBITDA. I think the last year's performance talks about a fairly good articulation of a stable steady business which was a journey that we undertook around 4 to 5 years back. While the revenue growth was 20% is something which we are anyway successfully presenting, we are also balancing between revenue chase vs EBITDA protection.

If you might possibly see our sectional revenues from the IT product and IT services, both of them have seen a significant improvement in terms of EBITDA as well as EBIT levels which actually creates more cash from the IT business. Hospital growth was pretty much on a smaller base starting on a very low occupancy in the financial year '16-17, has now stabilized over the last 4 to 5 quarters to about 22%-23% kind of occupancy.

Coming back to the numbers as we just spoke:

With Rs. 96 crores EBITDA which is around 28.3% EBITDA margin on the current base of Rs. 340 crores, this EBITDA margin has significantly increased from the 20%-22% in the earlier period. Further, if you go down depreciation which was again a huge component because of our hospital expansion, that is pretty much now in our expected lines of financial

numbers and hence the PAT has grown from Rs. 23.6 crores to Rs. 33 crores which is like a 40% growth in PAT.

Coming to the segment wise analysis:

This year also signifies a very strong milestone in terms of the strategic diversification that we had undertaken around 2-2.5 years back.

So now we are talking about the IT business having a total revenue of Rs. 239.8 crores while the healthcare business having a revenue of about Rs. 101 crores. I would say crossing Rs 100 crores revenue barrier for healthcare business is also meaningful for us as it means that it is no longer a start-up business. Now this is 30%-35% of our topline and which clearly indicates successful diversification .

We are reasonably shielded and in fact that is something which is best manifested both in our product and services business. The IT services business saw a decline in revenue, but put together revenue from the IT business has grown from Rs. 231 crores to Rs. 239.8 crores.

This is something which we are talking about the quality of numbers, the quality of margins. In IT services, in particular, what we have tried to ensure is that we do not pursue those numbers which pull our overall profitability down and while the revenues have been offsetting here and there but the quality of each customer, quality of each account, quality of relationships that we have maintained continued to be high value add.

So the pieces that we are doing in the mobility side and analytics side have been generating better margins for us. The kind of pieces we are doing in offshore -onshore delivery has already been translated into better margin.

In the last analyst call, around a few weeks back, we discussed about the specific business of QFund.. The clients that we have won in January of 2017 that was QC Holding, we had almost a full year of revenue through them and now again we are seeing a significant upside because of the upselling done at Advance America. This particular new agreement or new contract gives us the visibility of close to 100 crores New Revenue from Advance America alone. While a lot of this revenue is front-loaded, even if we take about a 5-year horizon, we are talking about 20 crore of new revenue coming just from Advance America. Because these revenues are primarily around new license sales, it carries much better contribution, much better EBITDA and hence the IT products business should continue to see better overall numbers both at the revenue as well as EBITDA side of it.

And it will be a good moment for us to reflect back on whatever 3 years back when we spoke about on QFund in particular where we are investing into the new products and the new versions of this business and those new investments has got us the QC clients and has got us upselling at Advance America. The sales cycle takes its own 6 months, but as we speak the

pipeline looks clearly interesting. I think we have shielded ourselves very well on the revenue impact with the kind of billing rate etc. and the quality of revenue increasing because of the kind of customers we have put together, we have seen a very good improvement in the EBITDA cycle.

Coming to the hospitals, obviously it started on a lower base of 50 crores, but I would say 100 crores is kind of annual revenue target, for which, we need to congratulate the entire hospital team which started out pretty much afresh and have reached that kind of a scale in such a short time. The other two facilities continue to improve on occupancy, to around 50% occupancy now. The flagship facility, which a lot of you guys have come down and visited, has comfortably crossed the 22%-23% kind of occupancy as of 1st of April 2018.

And talking about the EBITDA: While the industry is having all sorts of healthcare news in terms of headwinds coming from regulators as well as existing listed companies not performing, I think, for a young company like us continuing to sustain that EBITDA margin of 20% Q-on-Q basis is a positive indicator

I think these counts as one of the better performances in terms of our financial metrics and we will take a moment to commend each and every employee, partners, stakeholders, including the investors like you who have continued to show us the way as well as supported us in the entire journey here.

At this point of time, if you have any inputs, we can just open the floor for questions.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin with the question and answer session. We take the first question from the line of Nikhil Bhargava from Zephyr Financial. Please go ahead.

Nikhil Bhargava: Sir, couple of questions. First is I wanted to know what is the hedging strategy at the company because since the major pie, revenue is coming from software products and what is the hedging strategy and what is the number you can tell me for the quarter and the year**?**

MVS Rao: It is like this Mr. Nikhil, we have been hedging about roughly 50% and that has worked fairly well in the past and you look at the current situation where rupee has been depreciating. We are fairly well protected on that front.

Nikhil Bhargava: So software product revenue out of 34 crores, you hedge around 50% exposure?

MVS Rao: Software exports is 100% that is about roughly 239 crores.

Nikhil Bhargava: I am just talking about the quarter?

MVS Rao: Quarter, it is roughly about that

Nikhil Bhargava: And sir what about the occupancy rate, I could not hear the figure properly is it 25% or something?

MVS Rao: If you look at the current utilization in the flagship hospital, it is around 23%. On average in the last 3-4 months, it is around 22%.

Nikhil Bhargava: What is your view on this occupancy rates, what rate you see the breakeven at any time can you tell me?

MVS Rao: These Occupancy rates have been growing steadily on QoQ basis. We are one of the youngest large hospital in the country to report an operating breakeven – and a 20% EBIDTA so early in our growth journey. Despite the significant depreciation, the cash generated is sufficient to service only part of our debt. Specifically, existing annual EBIDTA needs to service an EMI of 2 odd crores per month – which we hope should be achieved in this financial year – thereafter, the Healthcare business should be generating positive cash for the Group.

We are working towards improving the utilization level which we have shared in the past with you. We have a 40-member strong marketing team with a mix of doctors and non-doctors who are always on the field. They are meeting the local practitioners and they are also conducting these medical camps in a radius of 50 to 60 km around Hyderabad and we get regular patients from these activities. In addition to that, we have a fairly active medical tourism program going on. We have good number of patients coming in from the African countries like Nigeria, Tanzania, and from the Middle East. So we are strengthening these things as well and in addition, we have patients coming in from the other parts of India. So with all these activities, we believe we should be getting into positive PBT this year for the healthcare business in the flagship hospitals.

Nikhil Bhargava: Sir on the Advance America deal, I have just one small doubt. So revenue is going to come in the next 5 quarters, so is it starting from Q1 or it is going to take time for the revenues to come in from the Advance America revenues?

MVS Rao: We have revenues coming in from Q1.

Nikhil Bhargava: From this Q1, so we can expect the revenues coming from there.

MVS Rao: There will be improvement in the revenues in this quarter vis-à-vis the last quarter.

Nikhil Bhargava: And interest payments, how is it? Is it on timely basis, when is the next interest payment, just wanted to know about the interest payment. Is it on timely manners going on or any delays you witness or something?

MVS Rao: Right now, for the last 2 to 3 months, all the interest and principal repayments have been on time. Maybe if you were to go back 5 months back in time, there were a couple of days of

delay, but otherwise in the last 3 months, there has been absolutely no delay. In fact, we have been paying a bit in advance right now. There is no constraint right now.

Nikhil Bhargava: So that should have a positive impact on credit rating then?

MVS Rao: Definitely.

Vishal Ranjan: This is Vishal here. I just like to clarify specifically on that particular down rating if you see the entire statement, it actually talks about the entire delay was not on the ability to pay or comment on our financial health, it was about a 2-day delay in the repayment and that was just coming because of the more about RBI norms about declaring those delays. I think this is something which was episodic thing that came and move fast. And for the last 3-4 months like what MVS was explaining, I think we have been fairly diligent on that.

Nikhil Bhargava: So what is the current rate of interest like?

MVS Rao: On the 68 crores of original borrowing that we have in the books of Virinchi Healthcare Private Limited, the current rate of interest is 12.2% and on the equipment funding which is sitting in the books of Virinchi Limited, the rate of interest is 10.5. So the blended interest rate should be around 11.5 or so.

Moderator: Thank you. We take the next question from the line of Harsh Shah from Dimensional Securities. Please go ahead.

Harsh Shah: Sir, just following up on the interest part. For this year, I am seeing that the interest expenses around 18 crores on a debt of around 120 crores. So it roughly comes to around 16%-17% and you just mentioned that the blended rate is close to 10.5%. So am I missing something here?

MVS Rao: No, the average debt for the last year is around 150 crores, it is not 120 crores, which includes Rs. 108 Cr of term debt and Rs. 49 Cr of short term debt.as on March 31, 2018.

Harsh Shah: Because I am seeing in FY17, it was 118 crores and now it is 108 crores?

MVS Rao: It is a term debt. The moratorium period is over and we have been paying the term debt the last one and half years. Hence, the term debt has come down.

Harsh Shah: What was the requirement for the short-term debt?

Santi Priya: Part of the term loan which is payable in the next 12 months is also included in the short-term borrowings.

Harsh Shah: So the entire short-term borrowing has been paid as of March 18?

Santi Priya: Short-term borrowings include working capital that will continue in the books and in addition part of the short term debt which is repayable in the next 12 months is also included

Vishal Ranjan: Rs. 49.08 Cr is in a row below. The total debt average should be 157.

Harsh Shah: So what is the interest rate we are paying for the short-term borrowing?

MVS Rao: The short-term borrowing is 13% which is mostly working capital and that is something that will stay in the books as we go forward.

Harsh Shah: And another question again relating to the working capital. Sir, our trade receivables and short-term loans and advances have almost doubled while our revenue has grown by 25%, but these are the two components which have shown sharp growth, and this is where our capital is getting blocked. So can you elaborate on the same?

MVS Rao: In the past our receivables were relating mostly to information technology business. Right now, we have a mix of information technology and healthcare receivables. The effective realization period runs is getting longer and we are working on reducing it by moving away from non-prompt clients in IT Services side in particular.

Vishal Ranjan: In healthcare, I would say more and more insurance companies that we are adding up with the more and more noncash patients that come in, the revenue cycle management as well as from our cost of working capital questions, this is something which we will have to focus on. So if we have to look into the average collection from a completely government run scheme like Aarogyasri or CGHS, we are as what the industry is doing.

Harsh Shah: Of the Rs.100 crores revenue which we did in hospital, how much would be from these schemes?

Vishal Ranjan: I think I would give that kind of a quarterly view because what we started the year with and what we ended with the year are two different places. So at a weighted average level, possibly now we are talking about close to 10% to 15% revenue at a weighted average level coming in from the corporates as well as insurance, government and all, but at this stage or possibly going forward, this will stabilize at a weighted average of 25% to 30%. So then the next year when we speak at similar times, we are looking at 30% of the hospital revenue which will be obviously growing much faster. At that base, we would be seeing 30% of our revenue coming from government or insurance or non-cash sources.

Harsh Shah: If the revenue from the scheme related patient is only 15%, then I do not think it should make much of a difference on your payables because for other 85% of your patient, they would be more or less paying in line with the industry like 25-30 days that is what the credit period usually is?

MVS Rao: There are two components. When we say cash, it is cash plus insurance.

Vishal Ranjan: Even the regular TPA related payments, they take on an average about 2 months to realize.

MVS Rao: 45 to 60 days. So it is not that we realize the amount in 15 to 20 days, but even the regular insurance amounts take about 60 days to realize.

Vishal Ranjan: This again is in line with the healthcare industry in general.

Harsh Shah: And so another question, so IT products, the margins have increased sharply as you ran through. Can we take it as a sustainable base, the margin which has clocked in this year?

Vishal Ranjan: Definitely, that is a kind of target number that we would be pursuing going forward.

Harsh Shah: And last question is on the service part where we saw a decline of around 10 odd percent, so how do we see this segment shaping up moving ahead?

Vishal Ranjan: In fact in my opening conversation, I made the mention about IT services case of business. While there is a revenue dip primarily because of the customer segment or those segments which are not really profitable and often leading to delayed payments and thus increased debtors, we chose to move out of those contracts. Unlike IT products which are like 7 year-8 year' contracts, here these are projects, you do 3 months, 6 months, 12 months projects. So we have tried to focus on only some industries and given the prevailing sentiment in the US is, our prime focus would be consolidate our domains and clients and reduce Debtors than chase new income. So what we have tried to ensure in the last 12 months is that our EBIT margin improve at the cost of new revenues.

Harsh Shah: And just a last question if I can slip in. You mentioned that this year you upscaled one of your products with Advance America; you mentioned something about 20 crores incremental revenue every year and 100 crores revenue which would be front-loaded. Actually, I did not get that part, so how exactly will you be booking those revenues?

Vishal Ranjan: The last analyst call, we had a slightly detailed discussion, so I was presuming that the numbers are available but just to clarify the new revenue because of the upselling at Advance America, primarily it is the new product license that we have sold. That translates to Rs 100 crore of new revenue over 5-year period. Even if you average it out, it is a 20 crores new revenue year-on-year. While the contract has been such that because their license income and all, so it should be by definition be front-loaded, but Rs 20 crores is the safest assumption that we can take for the next 5 years. The contract is on an auto renewal. The client has been with us for last close to 11 years so there is a fair amount of stickiness and this particular client has now pretty much got the entire lock stock and barrel with us in QFund. So this is kind of a relationship which is almost tight for the next 5 years of visible future.

This kind of contracts can easily go to 10-12 years as we speak. That is number one.

Second, this 5 years or Rs.20 crores of new revenue we are talking about does not have a huge cost component in terms of delivery side because these are new licenses or at best a bit of hardware purchase. In the last analyst call, we mentioned that this may translate to almost Rs. 15 crores of new EBITDA. So, Rs. 20 crores of new revenue should translate to Rs. 15 crores of new EBITDA. With 30% tax we are talking about 10 crores of new PAT just from Advance America. While we are seeing IT products' business already doing well, we have visibility of Rs. 20 crores new revenue

Moderator: Thank you. Next question is from the line of Kalpesh from Veda Investment. Please go ahead.

Kalpesh Kothi: Just couple of questions. On the product division, can you give us some guidance in terms of growth as you said your service division, your focus more on margin, but on the products division excluding the order we got, what kind of growth we see or we see in the budgeted from the client, what kind of growth we can achieve in FY19?

Vishal Ranjan: If you see QFund as an industry, obviously it caters to a kind of subprime or a niche area and that has already grown at 8% to 10% year-on-year. The good part for us is that we are having a secure base of income. So every loan that gets out of our client gives us a dollar behind it or whatever is the commercials behind it. So you can safely assume that even if Advance America new revenue was not there, historical growth should be easily replicable of whatever that we have seen earlier.

Kalpesh Kothi: So 15% growth plus you have seen the Rs. 20 crores of additions from the new order right?

Vishal Ranjan: Yeah, 20 crores from the new order every year for the next 5 years.

Kalpesh Kothi: And coming to the service division, is there any scope for how the margins has span out in last 2 years. Is there any more scope to expand more EBITDA margin in service division?

Vishal Ranjan: We think the margins have reached where we would have liked to at this stage. Now at this base, if we are looking at even an industry growth of 8%-10% of IT services, that is something which we should be doing. The reduction in revenue that we saw is more of consolidation in terms of the customer portfolio.

Kalpesh Kothi: Coming to your hospital division, I am seeing Vishal speaking with you for the last 2 years and you also guided for we are expecting 30% occupancy by end of March. I think we fall short of that. Any strategy to what kind of utilization occupancy we are seeing end of FY19?

MVS Rao: We have been from the beginning talking about looking at a longer timeframe say something like a 3-years. Since we are on asset-light model, we would be breaking even faster compared to our peers who would have probably taken 4 to 5 years. So in line with that, we should be

reaching about say 28% to 30% utilization by the end of this financial year. Right now, we are around 23-odd percentage utilization.

Kalpesh Kothi: And the last question, I think in the last concall we also asked about the V-card any update there?

Vishal Ranjan: I just said there are pieces for the partners that we are working with and these are questions on the IT integrations and even in the last call, we mentioned that at this point of time it is still going on we had revived post March and the moment we have a complete closure on the IT integration, the business side of it and whatever the pieces of partnerships or the papers that is required, we are pretty much closed. The IT integration is coming in from a leading partner is something that we are working on a daily basis. The moment the IT integration pieces are done, we will be happy to come back and share the news with you.

Kalpesh Kothi: Any timeframe you have got from your partner?

Vishal Ranjan: I will put it this ways, we know those dates obviously from the internal side, but to give those directional numbers because of the kind of dependencies on the external party right now, it might be prudent to just keep it for a subsequent discussion and I would just leave it at this stage that it is not something that we are talking in quarters or something. We are talking in recent months, but exact date is something which we are possibly one call away. So we will be coming back very soon to tell you what we are doing and how we are going about getting the customers. The go-to-market part or customers partnership, there are lot of many other merchant partners who have already come on board. So those things are moving in well. Once we have the kind of handle on the partners IT integration, we will be reaching out and putting together go-live date shortly.

Moderator: Thank you. Next question is from the line of Varun Ghia from Equity Capital. Please go ahead.

Varun Ghia: I just have one question. What are the loans and advances? Total loans and advances last year was somewhere around 30 crores. They have increased to 60 crores. So just wanted to know? Short term and long term, total?

Vishal Ranjan: Let us just get back to you with specific note on this because we just have to get into the ballpark, typically at a rule of thumb level these are numbers which are also aligning with our ratios.

Varun Ghia: And what will be the tax rate this year?

Vishal Ranjan: Around 24% would be the effective tax rate.

Moderator: Thank you. We take the next question from the line of Bhavesh Jain from Envision Capital. Please go ahead.

Bhavesh Jain: Sir, just few questions on your IT product business. If I look at this FY18, your incremental revenue versus what incremental EBIT you have generated, the margin comes to around 40% for IT products. And you are saying for this Advance America you will be making almost 75% on that. So, whether that incremental business will not require any incremental working capital plus the investment? Any upfront investment will be requiring for that particular business?

Vishal Ranjan: As I said, in the beginning, except for some hardware purchases we do not expect heavy capex and whatever incremental delivery cost that are there. And hence the 75% EBITDA translation is a realistic assumption. QFund as a business right now has seen its EBITDA improving from 29%-30% to 37%. So, I would like to while they are additive for sure but let us keep our average EBITDA margins in the range of 35%-37% that we have already delivered this year which does not have that Advance America revenue and EBITDA.

Bhavesh Jain: And the receivable days will be what 45-60 days for this business also this IT product base?

Vishal Ranjan: Yes, for IT products typically 45 – 60 days is a safe assumption barring a couple of collection issues here and there.

Bhavesh Jain: And sir, second question on this IT services since our revenue have declined we have exited some loss making projects. So, what has been the utilization currently on this business?

Vishal Ranjan: There are 3 components to our IT services, For the onsite part of it the bench time in the US never exceed 30-35 days or maximum 40 days for an entire 12 months period. So, onsite utilization has never been a problem. For the offshore team the bench might be slightly higher but that gives us the ability to deliver those projects. And because Kalpesh just spoke about the V-Card business and other products that we are investing. It may not be a very black and white definition of who in India is working for IT services or is on bench. We keep investing into new products for mobility, new products for analytics we are doing some very interesting stuff in AI we are doing some speech to text, doing some image recognition, video recognition pieces. So, those are the investments on which these people are there. But billable revenue if you talk about we are around industry lines in offshore and we are very good on the onshore side of it. There is no reason why we will keep expensive resource in the US on bench longer than anything that is needed.

Bhavesh Jain: And sir, what has been our attrition rate for this IT piece including full …

Vishal Ranjan: US, attrition has been hardly any and. Offshore we are getting a number around 5% to 8%.

Bhavesh Jain: And sir, what will be our wage revision cycle? Normally what cycle we follow?

Vishal Ranjan: September to September, 12 months.

Bhavesh Jain: And sir, is it possible to share some more operational metrics for hospital like average revenue per occupied bed, average length of stay. So, is it possible to share?

Vishal Ranjan: Sure, we would not only share, we will possibly put together a simple MIS board to look at for everybody. Before, we go there I just wanted us to also take that small step where this last 12 months we are coming from. I think as Kalpesh clearly mentioned it for us, while on an asset light basis this kind of EBITDA margins and occupancies that we have seen is good. But we continue to pursue occupancy as our first metering. While ALOS or the ARPOBs of our business is typically high because of predominantly high cash business are much above the industry standards, talking about for the flagship hospital the ARPOBs would be around Rs. 27,000 to Rs. 30,000 per day per bed. But that is not something that I would like you to take home as these will not be the typical end state numbers we will see. Right now, we are chasing revenues we are getting more cash patients, more of super specialty patients right now we are doing Cardiac, Ortho, lot of Neuro and Nephrology patients. So, these are typically, you can get as much as Rs. 100,000 per admission from those patients. But I think, these metrics of ARPOBs, ALOS get more relevant once you start hitting that 40% to 50% occupancy. At this stage, so far as I am doing a good job in delivering quality healthcare to the patients and ensuring that we have a healthy EBITDA margin compared to the industry we are doing reasonably good. I think, let us continue to focus on revenues and occupancy this year. And while we have nothing to hide on those numbers, those numbers as I said will be publishing in the MIS report shortly. I think, you should continue to ask or continue to expect more discussions on revenue sources, were the patients coming from, how is our medical tourism doing, what kind of new doctors are coming in. Incidentally we kind of doubled our doctor pool over the last 14 to 15 months. When we started in March - April 2017 to where we are, we are now talking about 180-190 doctors while we were like 70-80 doctors at that time. So, obviously with increasing occupancy, more doctors, more of business development activities that is something which we will intent to continue doing for the next 12 months for this flagship hospital.

Bhavesh Jain: And sir, is it possible to share inpatient versus outpatient mix at least?

MVS Rao: As of now the inpatient is around 80% and the outpatient is 20%.

Vishal Ranjan: Revenue wise.

Bhavesh Jain: And EBITDA for the hospital division, for the whole year?

MVS Rao: 19% roughly.

Bhavesh Jain: Approximate 19 crores?

Vishal Ranjan: It is Rs. 101 crores of hospital revenue and 20 crores of EBITDA. So, on an average it is Rs. 20 crore.

Bhavesh Jain: And sir, final question on CAPEX for FY19 or in FY20?

MVS Rao: There are couple of initiatives that we are working on right now. One is we are working on completion of the balance 150 economy beds and also plan of starting work on the oncology block. There will be capex for the Phase II of the Hospital project. This capex we will do it through a mix of our own accruals and supplier credit and some borrowings from NBFCs/ banks.

Bhavesh Jain: And nothing on IT piece?

Vishal Ranjan: IT CAPEX would be pretty much similar to what we are seeing year-on-year other than new initiatives in Fintech which may require the required CAPEX.

Moderator: Thank you. We take the next question from the line of Mayank Babla from Dalal & Broacha**.** Please go ahead.

Mayank Babla: Just a few questions I had, first was, sir there was, initially plans of launching a health care integration app I believe last year we had interacted. Any updates on the same it was about to get launched in March of 2018. So, could you just throw some light on that?

Vishal Ranjan: The product is called V23 and we have maintained that this is in the June quarter. So, this is the quarter where we are talking about. So, this is related to the projects with the UP government as well as those associated businesses. The good news is the product is pretty much on track and has been completed through UAT and ready for roll out as per the timelines we have set across in the projects. So, June to July is the time in which it should be available to offer this to the UP government users. Beyond the UP government we do want to do it in other partners in our own catchment areas. But these are typically retail businesses which you do possibly from the apps more like Practo's of the world. And that requires its own set of investments in terms of marketing. While the team is stabilizing the product and the UP project is something that we are using it to get that amount of traction and here in Hyderabad there is a bunch of eco system doctors and providers we have already lined up. The commercial launch of V23 will succeed the completion of the UP roll out. So, at this point we would like to leave behind the message that for V23, revenues is something that we should not be counting much for this financial year. But the number of installs should keep growing and once we have a certain amount of critical mass then the necessary amount of marketing effort or marketing push should go behind those products to generate the revenues. At this point of time let us keep the team updated about how the Uttar Pradesh roll out, goes around as per the time line. As of now there are no slippages on the timelines that we had agreed to the Uttar Pradesh government.

Mayank Babla: And sir, second question was although you have explained a lot on margin improvement in the IT products space. Could you categorically give a breakup of what has caused this

improvement in the margins and has been realizations or improvement in utilization or could you just throw some light on that?

Vishal Ranjan: So, let us spend a moment on the business drivers for IT business. So, most of these clients are sticky clients that have been with us at least the large guys we are talking about have been with us for 7 to 8 years and our incremental cost to serve these clients keep coming down with every passing year. While we keep getting custom work, we keep getting service work in that earlier calls we have spoken about it. It is not just the license or the SAAS based income. We keep getting the service work from these clients. Over a period of time, our delta effort to keep a client happy or the delta effort to keep their systems live and going keeps coming down. So, the new revenue will generate its own set of marginal profitability while the existing businesses over a period of time will not require so much of variable cost.

Mayank Babla: And sir, last question was, in the previous question you would have given the ARPOB parameter for the hospital business. Could you please repeat that I could not get it?

MVS Rao: ARPOB is varying between 26,000 to 28,000 right now. Like Vishal has mentioned a while ago we probably cannot take this as a sort of benchmark going forward because when the capacity utilizations stabilizes say beyond 40% the ARPOBs can probably stabilize somewhere between 25,000 to 26,000. Right now, ARPOBs are on the higher side because we have lot of international patients coming in and the realization for patient is very good because of the therapeutic mix also. But as the capacity utilizations go up then we will also have other therapeutic mix coming into picture and the ARPOB could actually stabilize around 25,000 to 26,000 which would be the norm in the industry. Right now, we are there on the higher side.

Moderator: Thank you. We take the next question from the line of Pramod Yellapu, individual investor**.** Please go ahead.

Pramod Yellapu: Just interested in knowing what is the edge that we are building with respect to the medical tourism, with respect to other hospitals that we have in India?

Vishal Ranjan: Medical tourism has been explored for close to, I would say 20 years. It is only in the last 8-10 years these have become sizeable part of hospital occupancy. Having a few segments is one good part but if you say that 10%-15% of your revenues coming on the Dollar income, obviously that becomes a clear strategy which makes things more streamlined. Like everybody else we are focusing more on MENA market, Middle East and North Africa. Incidentally in fact, one of our very senior doctor is based out of Nigeria. So he kind of shuffles there and he is a sales doctor, he is not delivery doctor that we are talking about. So, one of our sales guys who is an MBBS doctor is based out of Nigeria almost like 20 days a month and there we have found of group of doctors - 100 doctor chain who are committing their practice to us. So, we are going forward in two ways.

One, work with the doctor pool in those countries, in Nigeria, in Tanzania, in Kenya we are doing reasonably good and there a bit of Middle East not much in UAE but Qatar, Oman those areas we have got some head start already. So, we will continue to invest in those places we are rather than talking to patients directly we are talking to those doctors who influence.

Second, because of our technology piece lot of these doctors are able to deliver video consultation, mobility and a lot of patient care continuity solutions. I will spend a moment here because what happens is lot of these patients might be screened in Nigeria and then just drop off. For people who want to come, they do not have an idea on where to go to Hyderabad or Bombay or some other hospitals. Because of the technology flow at least we are able to maintain that continuity with the patient. We know who is the patient, the patient knows our doctor and hence the drop off ratios are very low already.

We are facilitating those doctors in Nigeria to use our technology to serve the patient. So either for cross consultation they are doing a bunch of second opinions there and hence this technology piece allows us to create almost an equivalent of a channel partner network in those countries. So, despite having a low feet on street in these countries using technology and channel partners we are creating good funnel very predictable funnel what is happening is not lumpy suddenly you go to a Medical College and get 20 patients, no that is not going on. Almost on a weekly basis we are seeing a continuous flow of patients. That makes that kind of a high ARPOB business predictable part.

Pramod Yellapu: That make sense sir and I here, I am based out of Hyderabad. So, I hear that Virinchi is able to attract very experienced doctors in their respective fields. And like now what are the plans to retain themselves for a longer duration, so that they can grow, and it will be a win-win for both the hospital as well as the doctors as well?

Vishal Ranjan: First of all, coming from you in Hyderabad that couldn't sound much better because I think, that is the message or that is the kind of target or words that we are looking here in this city also. Three things have happened well for us. One, obviously being a city center 90% of the senior doctors have built their practice within that 5 kilometer, 10 kilometer radius. So, their old patients or their reputation is in the city center not in Gachibowli or the new upcoming part of it because they have to go and start up fresh there. So for us and for them it becomes a kind of a natural choice that if they can do their practice in a good facility good location it makes sense.

Second, from day one, even before we started the hospitals we have maintained that the business side is led by different people, while the clinical side is led by experienced Medical Director. Our Medical Director Dr. Murti himself is an entrepreneur. So, that kind of a thought process has allowed us to give the necessary freedom to the doctors. There is a lot of lip service that goes saying that the doctor is important and all but at our side the fact that none of the doctors are at the board level of Virinchi Ltd., or Virinchi hospital, we come with that

humility saying that let the doctor be the best judge of how to run his practice. And in which case we have given them the freedom, we have given them the decisions and not one of our sales guy ever goes to a doctor saying that, sir what is the revenue target or OPD **numbers** do not work in this month, those kind of discussion.

I think, that is something which we have maintained and continue to sustain over the last, I would say 2-2.5 years of interaction. And proof of the pudding so far then we are talking about 200 doctors or say even 80-90 senior doctors who have been with us for 2 years. We have seen an attrition of 2-3 doctors so far. One of them went to Dubai, other went for higher education. The other person wanted to do something in Pediatrics which is right now an upcoming speciality for us. So, the point I am making here is that while it is one thing good to say that I will pay the star doctors and get the best. They will bring the money for us, bring the patients for us. From day one we have tried to ensure that we are sensitive to the doctors, we pay them well, give them a fixed salary but do not load them in to marketing or sales kind of roles.

Of course, we market our doctors. We say they are the best doctors in the town. But we do not put the onus of getting the patients on the doctor and by doing which a lot of doctors are gravitating to us, lot of very good doctors who have being watching us for last 2 years are now coming back and saying that they want to join us in the city center and I think that is something which we intend to continue doing it.

Pramod Yellapu: And are there any plans on the future hospital, I heard that Virinchi has an aggressive target of setting up 5,000 beds by year 2022 and I heard read place like Vijayawada and all as the prospective places. So, what are the plans on that? Is it possible for you to share EBITDA on that?

Vishal Ranjan: We have no reason right now revise that 5,000 bed for 2022 part of it. But I think the last year was the kind of a litmus test on our commitment. That if this hospital was not doing well either the revenues not picked up or my EBITDA was bad then that kind of a growth numbers should have to be either revised or you have to think again on what you want to do. I think we are pretty much on whatever we have spoken about. What happens in this quarter, what happens in this financial year, I think it is a bit too early for us to give any direction. But that vision of 5,000 beds is something that we continue to pursue and exact details, I think the moment we have something more tangible to share will be definitely coming back to you guys.

MVS Rao: We are looking at both the medically underserved markets as well as the medically developed markets like you have rightly said we are looking at places like Vijayawada and Vizag. In the case of medically underserved markets we are looking at Odisha, Chhattisgarh and those kinds of places. So, we are trying to balance these in terms of couple of things, if were to go to a medically underserved market there is a requirement but availability of the doctors would be an issue. So, we are just trying to look at all these parameters and then take the next step of expanding.

Vishal Ranjan: So net-net, I think whatever is the process that is required to expand we are in that process. But I do not think we have anything meaningful to share at this stage. But obviously as soon as something comes on the table, not only about locations but also about how do you arrange the fund sources, how do you get the doctors, how do you build the synergies, who are the people who will go and run the show. So, whatever are the processes for the organization's growth we are on to it.

Pramod Yellapu: And given that hospitals are high real estate intensive businesses, and which would need lot of CAPEX investments initially. So, are you looking at some asset light model, yes, I think it is too early to talk but …

Vishal Ranjan: Anyways, I think what you have seen here and if you have visited our location you would had seen that we have done a reasonably good job of our facilities. We are not here to undercut our quality of treatment but a model where we have delivered like 40 lakhs per bed kind of hospital without the land and the building and we do not want to build a very heavy balance sheet behind the hospital. All of the, I think our flagship hospital forms a reasonable template of how we want to do the next set of hospitals.

MVS Rao: We are interested in looking at the Asset light model and wherever opportunities present, we are open to acquisitions as well.

Moderator: Thank you. Well as there are no further questions, I would now like to hand the conference over to the management for their closing comments.

Vishal Ranjan: Thanks a lot everybody who spent the time this evening in this busy earnings season and I thank those who tracked us for the last few years. I think this quarters' earning are very strong, a good place to come and talk that okay, 3 years back when we were talking about building a hospital, and making it financially independent and stand on its feet. I think those things are now visible, those things are manifested well.

And in terms of overall business perspective, I think whether we talk about revenue, whether we talk about our EBITDA margin, whether we talk about protection of that EBITDA margin, whether we talk about US visibility of revenue, hospitals doing well. I think, all of those operating parameters we are doing very comfortable at this stage. But I think at a DNA level we continue to be entrepreneurs. We continue to think that this is something which was launching pad for a much bigger play as we would like to do.

And in that kind of a direction as we go forward at least at a structure level my revenue momentum, my margins if we are able to protect, I think we are up for a better growth going forward. And as you are aware VCard, V23, and in the US we are doing quite a few new investments. So, these investments will continue to help us change orbits, will continue to push us into new territories of growth and value for all of us. We have continued to be a high

growing, high performing business. Lastly, I would thank not only my team here, my employees but each one of you who have invested and have recommended and gone ahead and stuck you neck out saying that Virinchi is a professionally managed good company. We promise to continue to live on your expectations. Thanks a lot.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Virinchi Limited, we conclude today's conference. Thank you for joining, you may disconnect your lines now.