

SaaS to KaaS

Software as a Service

Knowledge as a Service



KNOWLEDGE MONETIZATION

Disclaimer

In this annual report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions.

The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should kindly bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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SaaS to KaaS.

The global healthcare sector is at an inflection moment.

More people's lives are likely to be saved through informed medical decisions than ever before.

These informed decisions are likely to be derived from the convergence of unprecedented computing capability and the power to accurately interpret the generated data.

This convergence could completely transform how patients are diagnosed and treated – the speed, extent and costs.

At Virinchi, we could have responded to this unprecedented reality with a conventional mindset.

We embarked on courageous future-facing initiatives, transforming our business model yet again instead.

The objective: To build a futuristic knowledge as a service enterprise for the benefit of doctors, patients, stakeholders and the world.



The way to create art is to burn and destroy ordinary concepts and to substitute them with new truths that run down from the top of the head and out of the heart.

- Charles Bukowski

The exciting world of Virinchi Limited

01 Pedigree

Virinchi Limited was founded by Mr. Viswanath Kompella in 1990. The Company has established a respect for leveraging the knowledge derived out of one business to develop another business. The result is that the Company has grown attractively in size, scope and sophistication in the last few years, comprising multiple businesses.

02 Businesses

Virinchi is engaged in two businesses. These comprise information technology and healthcare. The Company has built an IT platform for fintech business - a leading loan management system for the short-term micro-credit industry in the US and healthcare delivery in India. The IT platform is self-earning by way of offering full-scale IT services - enterprise applications as well as mobility solutions. The healthcare vertical comprises a chain of three hospitals in Hyderabad offering seamless services through the unique brick and click model.

03 Ethics

Vision: To be the best in what we do through a combination of vision, service, technology and competence.

Mission: To achieve global benchmarks through the adoption of on-going innovation in the healthcare and information technology domains.

04 Goals

IT vertical: *'To build globally inclusive solutions'*

- Building a suite of fintech products to reach the unserved
- Developing deep specialised technology solutions for the healthcare and fintech domains
- Developing delivery capabilities and client footprint for next-generation technology services including SMAC domains, particularly machine learning and data analytics

Healthcare vertical: *'To serve a billion patients' by 2022-23*

- Securing a robust presence in some of the medically underserved markets in India
- Delivering personalised medicine through data analytics and combinatorics on a single healthcare mobility platform

05 Footprint

Virinchi's headquarters are located in Hyderabad. The Company's off-shore IT businesses are located across two development centres in Hyderabad (Banjara Hills and Hakimpet) and the on-shore facility is located at Edison, New Jersey, USA. The Company's principal healthcare facility along with two other facilities are located in Hyderabad at Banjara Hills, Barkatpura and Hayathnagar respectively.

06 Business offerings

IT-based services: The Company's flagship product QFund has established a global respect in providing IT solutions to the retail micro lending industry in North America, supported by strategic alliances and products. The Company is respected for technical, financial and infrastructural support.

Healthcare services: Virinchi owns and manages three multi specialty hospitals in Hyderabad, leveraging IT and mobility-based systems. The flagship hospital at Banjara Hills (Hyderabad) is

driven by the latest medical technologies and advanced in-house IT / mobility-based systems.

07 Listing

The Company is listed on the Bombay Stock Exchange (BSE: 532372). The market capitalisation of the Company was Rs.252.5 crore as on March 31, 2019.

08 Respect

Virinchi was recognised in the recent past through brand enhancing awards (given below).

- The Times Healthcare Award for Telugu-speaking states (2017 and 2018)

'Emerging Hospital of the Year' in the multi-specialty hospital category

'Best Hospital – Radiology'

'Best Hospital – Nephrology'

5 individual doctor recognitions

- Hyderabad Software Enterprises Association (HYSEA).

Top IT/ITES Exporter: *2018-19 (Rs.200 crore category) by Hyderabad Software Exporters Association*

'Best Indian IT SME' for 2015-16 by Hyderabad Software Exporters Association

09 Certifications

The Company's consistent capability has been secured through ISO 9001:2000 and CMMI Level 3 certifications.

Virinchi has also been certified by Carnegie Mellon's Software Engineering Institution for its Cleanroom.

10 Employees

Virinchi is a responsible employer of 660 individuals (IT vertical). Nearly 90% employees possessed professional degrees at the close of 2018-19. The average age of employees in IT vertical was 28 towards the end of the year under review.

The Company's knowledge capital

Total employees		Revenue per employee (Rs. lakhs)*	Average age of employees (years)*
IT	Healthcare		
660	1400	39.79	~28

* For the IT business

Consolidated highlights, 2018-19

IT Products business



The Products SaaS and Implementation income has grown in line with the industry's growth of 8-10%.

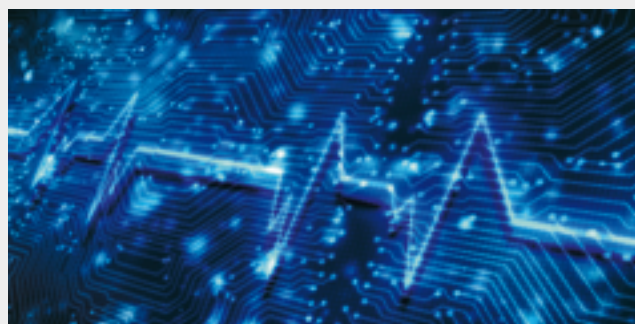
- Y-o-Y IT products revenue grew 38.2% to Rs.178.4 crore compared to Rs.129.4 crore in the previous year owing to the income of a significant one-time license fee.

IT Services



- Significant decline in onshore revenue on account of a challenging visa environment.
- Steady improvement in the offshore revenue mix with a decline in average billing rates but accompanied by higher margins.

Healthcare



- Y-o-Y revenue growth by 40% to Rs.141 crore with an EBIT of Rs.16.7 crore.
- YoY healthcare EBIDTA growth of 43% to Rs.28.74 crore with an overall EBIDTA margin of 20.3%.
- Consolidated PAT grew 78.5% to Rs.58.9 crore. PAT margin improved to 14.3% from 9.6% in the previous year.
- EPS grew 61.5% to Rs.18.9, despite the issue of 30 lakhs additional equity shares during the year.
- Receivables improved from 84 days of turnover equivalent to 68 days.

Consolidated financials

- Consolidated revenues grew 20% to Rs.411.1 crore.
- Consolidated EBIDTA margin improved to 30.2% from 28.3%.
- EBIT grew by 38.8% to Rs.88.2 crore.

Virinchi is disrupting its existing business presence by evolving into a futuristic knowledge as a service enterprise.

Most companies would have focused on a stable business model in a consistent way.

At Virinchi, we have evolved our business model to respond to emerging priorities.

Most IT companies focus on one line of business without diversifying.

At Virinchi, even though we started as an IT company, we progressively extended into healthcare.

Most IT companies focus on IT services or products.

At Virinchi, we have selected to focus on both within our IT vertical.

Most healthcare companies would have focused on conventional service delivery.

Virinchi selected to invest in data with the objective of enhancing healthcare efficiency.

Most healthcare companies would have invested in IT as a business support.

Virinchi emerged as an IT company that extended into the healthcare business instead.

How we have leveraged cutting-edge technologies to enhance business sustainability

Technology is central to human existence today, whether in the form of communication or transactions.

At Virinchi, we have strengthened our business around the core of technology – whether deployed to raise short-term loans with ease (fintech), provide technology-driven services across a range of sectors, provide technology-driven healthcare or leverage the power of Big Data across various applications.

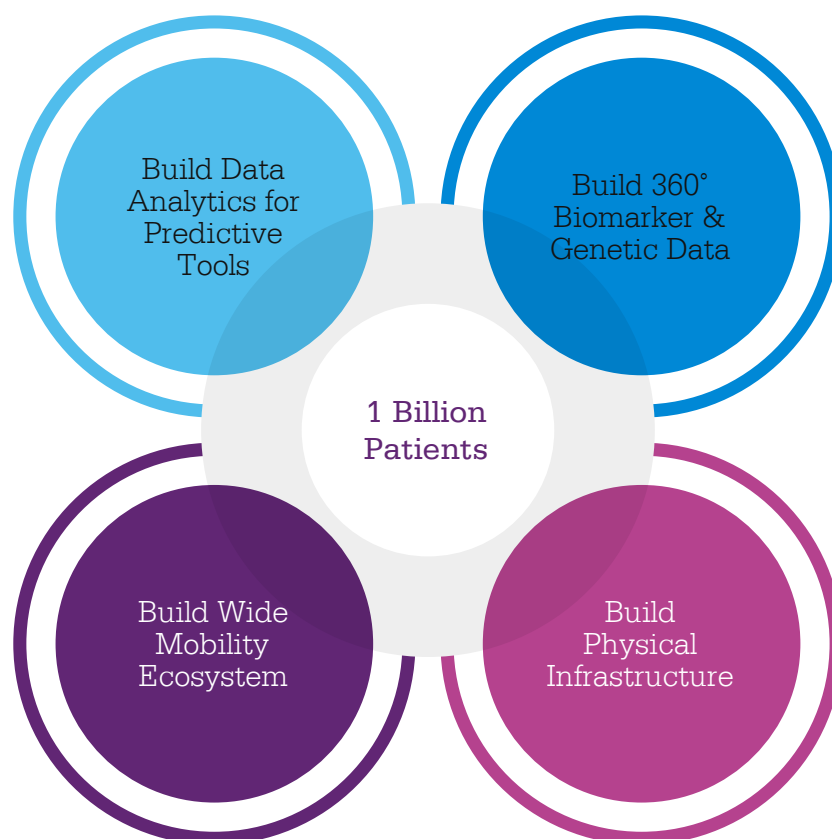
This technology capability has been derived through an IT team equipped with various technology stacks related to the development of web and mobile applications as well as data analytic solutions, reinforced through a CMMI Level 3 certification.

As a result, cutting-edge technology has emerged as the principal recall of the Company. The intensive role of technology has helped the Company grow its IT business, protected the customer profile, helped achieve higher margins and provided adequate cash flows for reinvestment. More importantly, the Company has drawn on years of technology exposure to move from one business to another, providing the second business a technology head-start.

Virinchi's technology product

QFund is a market leader in the short-term loan industry, managing around 5000-plus points of sale and online installations, facilitating the transactions of around USD 20 billion annually.

The other business segment of the Company, where the role of technology has touched lives directly, has been in the healthcare business. The Company's flagship healthcare facility in Banjara Hills, Hyderabad, was arguably the first in India to be commissioned with 100% electronic medical records from day one, establishing a culture of applied technology directed towards an



enhanced stakeholder (employee, patient and doctor) experience.

The Company's IT Platform for healthcare

vHealth, its proprietary hospital information management system, represents a real-time information backbone that seamlessly connects all hospital departments (doctors, nurses, pharmacy, customer relationship management, laboratory, business development and senior management). The effectiveness of vHealth has been showcased through its smartphone compatibility across diagnosis, laboratory reports and medication updates. Besides, doctors can keep abreast of a patient's ongoing progress without requisitioning paper-based reports. The senior management of the hospital accesses business metrics in

real-time. The patient can engage in 30+ activities (comprising appointment bookings, checking diagnostic reports etc.) on the smartphone. Besides, Virinchi offers precision medicine to patients, thanks to the availability of extensive medical data at different price-bands through superior cost management. The ability to access real-time information availability of the referred patient's information is bettering clinical outcomes and enhancing capacity utilisation.

Through the combination of a healthcare facility called vHealth (the Hospital Information Management System) and v23 (proprietary platform to connect all the healthcare providers like diagnostic centers, clinics and pharmacies), Virinchi has been empowered to serve a billion patients across the foreseeable future.

At Virinchi, we have continuously evolved our business model to enhance relevance, respect and competitiveness

How we have progressively transformed our business from one business to two in just three years

IT products (Fintech, OFund)

2002: Entered this business

Rationale: Responded to the need for information technology in the US alternative finance industry, which continues to serve the credit need of sub-prime customers in the US.

IT services (KSoft)

2006: Entered this business

Rationale: Responded to the opportunity of serving the US market, which started outsourcing its IT solutions requirement in the early 2000's.

Healthcare

2016: Launched a 350-bed state-of-the-art facility in Hyderabad

Rationale: Responded to the need for technology-driven healthcare services.

Machine learning algorithms and AI are being deployed to analyse the creditworthiness of loan seekers (fintech) and medicine personalization through cohort analysis (healthcare).

Overview

At Virinchi, the inflection point in our existence transpired in 2013 when the management resolved to accelerate growth, emerge as a multi-business organisation and enhance shareholder value.

The Company resolved to do so through the following initiatives:

- Build around the India advantage or India growth story
- Seek disproportionately large opportunities through disruption

- Launch new businesses from scratch
- Deepen synergies and complementarities between businesses
- Grow (and broaden) revenues aggressively

The Company resolved that even as it would focus on growing its existing business, it would concurrently extend into new ones without any strategic compromise.

Outcome

The Company has performed creditably in this regard (consolidated growth numbers provided as follows):

Revenue growth

78

Rs. crore, Virinchi's revenues, 2013-14

411

Rs. crore, Virinchi's revenues, 2018-19

PAT growth

4

Rs. crore, Virinchi's PAT, 2013-14

59

Rs. crore, Virinchi's PAT, 2018-19

Number of businesses

1

Virinchi's business, 2013-14

2

Virinchi's businesses, 2018-19



How we intend to enhance value

Start-up mindset

The Company has consistently professed a start-up mindset, validating its willingness to get back to the drawing board and start a new business vertical instead of the conventional practice of growing established businesses in a linear manner.



Early bird

The Company is among the early embracers of the disruptive power of data analytics within the healthcare space in India, transforming the way doctors access information, engage in cohort analysis, strengthen their knowledge and how patients are diagnosed or treated.



Repositioning

The Company has evolved from a conventional health care service company into a data science-driven company integrated forwards to facilitate predictable clinical outcomes.



Aggregating patient data

The Company has created a critical mass of patient data (by integrating bedside monitors into a central monitoring system) that is being used to analyse and predict disease trends rather than merely react to them.



Subsidiary

The Company enhanced its focus on the data-driven business through the creation of a dedicated wholly-owned subsidiary (Virinchi Combinatorics & System Biology).



Annuity revenues

The Company created a prudent combination of businesses where the annuity revenues from one business are deployed in building asset-intensive businesses, moderating debt and enhancing overall viability.



Create multi-decade assets

The Company believes that our long-term competitiveness in the healthcare sector will be driven through modern enduring assets coupled with superior service (showcased in our Virinchi Hospitals facility in Hyderabad).



Establish business differentiation

The Company believes that the healthcare business has been differentiated through a high degree of service supported by a wide range of data on patient health, resulting in predictable clinical outcomes.



Asset lightness

The Company operated out of the modern healthcare facility in Banjara Hills, Hyderabad, by leasing the facility for 30 years at a cost attractively lower than the prevailing city average.



Disruptive brick-and-click model of health care

The Company integrated the brick-and-click healthcare model, integrating efficient in-patient healthcare with futuristic technologies that enhance an understanding of patient realities – a prudent convergence of machine learning and people learning.

How we stitched our diverse businesses into a value-creation model



IT products (Fintech)

Large chunky free cash flows from the IT products business

Periodic annuity revenues from fintech services

Utilisation: Invested in the IT services and healthcare businesses

Launch products; build scale through volumes, client mix and geographies

Enhance user reach and experience



IT services

Utilisation: Invested in the healthcare services business

The bedrock of our IT business

Provides scale; creates opportunities for new technology development

Facilitated deeper understanding of new business verticals

Bench strength allocated for new product development



Healthcare delivery

Steady long-term revenues

Utilisation: Invested in the data management business

Provide quality healthcare; brick & click model

Brick model: For underserved markets

Click model: Mobile app-based ecosystem

Focus: Pan-India quality out-patient care

Growth

Business