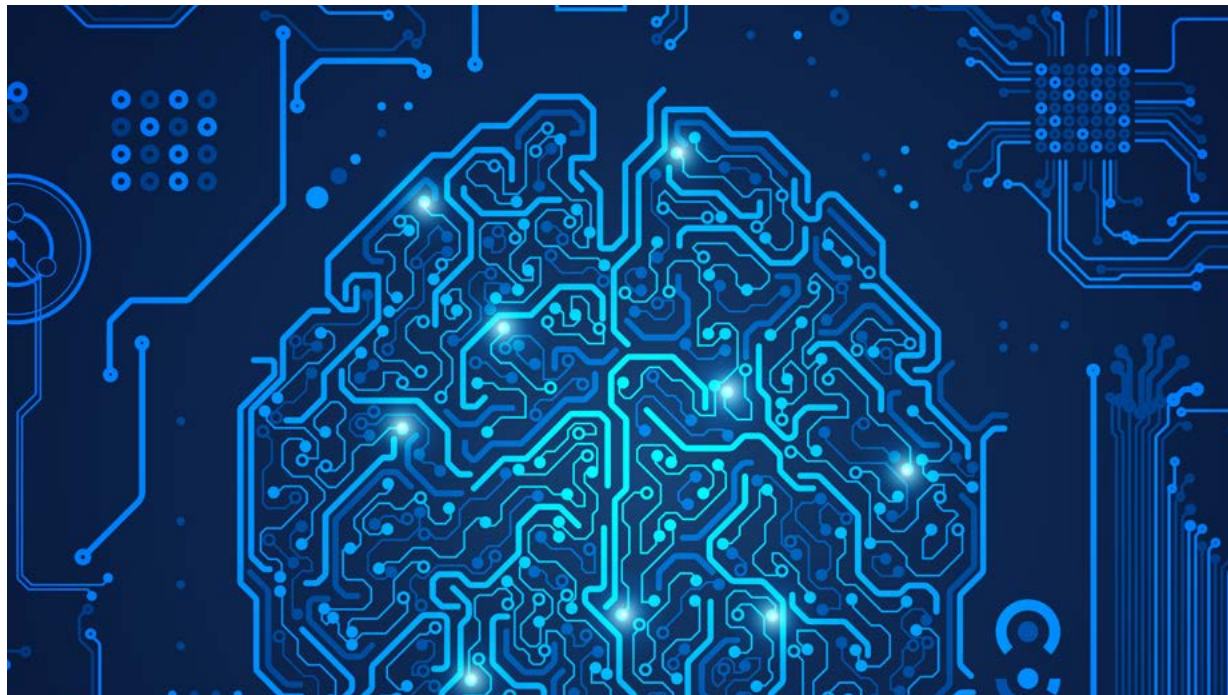


Virinchi Limited
Annual Report 2019-20



Engineer Intelligence

Robotise Process



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.

Contents

02	Virinchi- Know us
04	How Virinchi performed in the last few years
06	Business Overview
22	How we expect to grow these businesses
35	Life and Death battle with Covid
42	Our advanced healthcare infrastructure
44	Management Discussion and Analysis
51	Notice of Annual General Meeting
71	Director's Report
100	Report on Corporate Governance
114	Financial Section



Engineer Intelligence

Robotise Process

The time has come for old data to create new knowledge. This continuous new knowledge is now emerging as a key differentiator for competent and future-facing service providers.

At Virinchi, we are building our entire business – fintech, IT products cum services and health care - around this singular perspective.



Virinchi Limited.

Where we have created a business model around three relevant and completely different businesses.

One, software products and services for global customers

Two, health care services in India.

Three, fintech services in India.

Each of these businesses is woven together by our deep understanding of machine learning and process automation.

Making it possible to service clients with understanding, proficiency and agility.



Pedigree

Virinchi Limited, founded in early 90's, has created a reputation of using knowledge & experience derived out of one business to develop another. The result is that the Company has grown attractively in size, scope and sophistication in the last few years, comprising multiple businesses.

Businesses

Virinchi is engaged in three businesses. These comprise Information technology, Healthcare & Fin-Tech. 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.

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 ongoing innovation in the Healthcare, Fin-Tech and Information technology domains.

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 (with two facilities) is located in Hyderabad at Banjara Hills, Barkatpura and Hayathnagar.

Listing

The Company is listed on the Bombay Stock Exchange (BSE: 532372). The market capitalisation of the Company was Rs. 87.27 crores as on March 31, 2020.



Goals



IT vertical: 'To build globally inclusive solutions'

- Building a suite of fintech products to reach the un-served
- 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 patients pan India by 2030'

- 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

Business offerings

IT Products & 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.

Respect

Virinchi was recognised in the recent past through brand enhancing awards:

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

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.

Employees

Virinchi is a responsible employer of 525 employees in IT 95% of employees possessed professional degrees Average age of IT employees is 30 years.

The Company's knowledge capital

Total employees

IT
525

Healthcare
1400

Revenue per
employee (Rs. lakhs)*

40.86

Average age of
employees (years)*

~30

* For the IT business

Consolidated Highlights, 2019-20 Profit & Loss account / Balance Sheet

- Consolidated revenue declined 6.8% to Rs. 383.16 crores
- EBIT declined 23.2% to Rs. 67.78 crores
- Consolidated PAT declined 21.2% to Rs. 46.46 crores
- EPS declined 24.9% to Rs. 14.20
- Consolidated EBIDTA margin declined to 29.3% from 30.2%; PAT margin to 12.1% from 14.3% in the previous year
- Receivables increased from 68 days of turnover equivalent to 71 days

IT Products business

- IT products revenue declined 15.3% to Rs. 151.22 crores compared to Rs. 178.43 crores in the previous year

IT Services

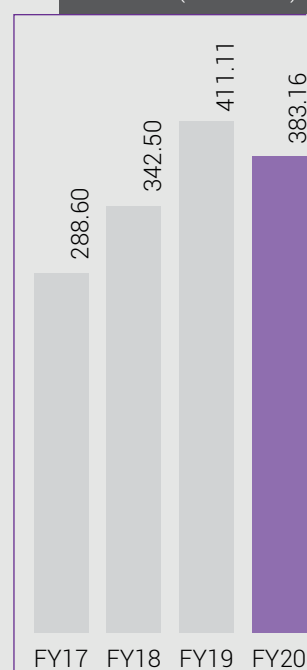
- IT services revenue declined 24.8% to Rs. 63.27 crores compared to Rs. 84.17 crores in the previous year

Healthcare

- YoY revenue growth grew 14.6% to Rs. 162.09 crores with an EBIT of Rs. 19.25 crores
- YoY healthcare EBIT improved 15% to Rs. 19.25 crores with an overall EBIT margin of 11.9%

How Virinchi performed in the last few years

Revenues (Rs. crores)



Definition

Revenue is the income generated by a business from the sale of goods or services before the deduction of costs and expenses, taxes and promotions.

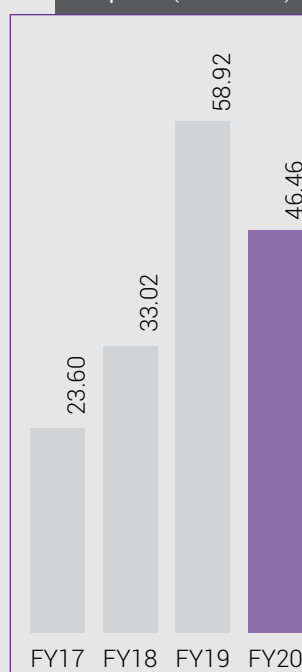
Why is this measured?

This showcases a Company's ability to grow the business through prudent marketing, pricing and awareness building, which can be compared with the Company's retrospective growth average or with sectoral peers.

Virinchi's performance

Revenues declined 6.80% to Rs. 383.16 crores in FY2019-20 on account of a Rs. 26 crores one-time license fee income that had been accounted for in FY19 that did not recur in FY20.

Net profit (Rs. crores)

**Definition**

Profit earned during the year after deducting all expenses and provisions.

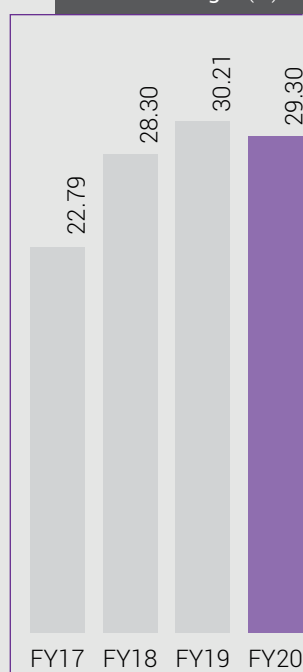
Why is this measured?

It highlights the strength in the business model in terms of generating value for its shareholders.

Virinchi's performance

The Company reported a 21.15% decline in net profit to Rs. 46.46 crores in FY2019-20. Though total revenue declined by Rs. 27.96 crores, employee expenses and administrative expenditure declined by Rs. 5.84 crores and 10.32 crores respectively, resulting in a fall of Rs. 11.90 crores in EBITDA. Despite the decline, the Company posted its second highest net profit.

EBITDA margin (%)

**Definition**

EBITDA margin is a profitability ratio distilled from revenue growth, value-addition and cost management.

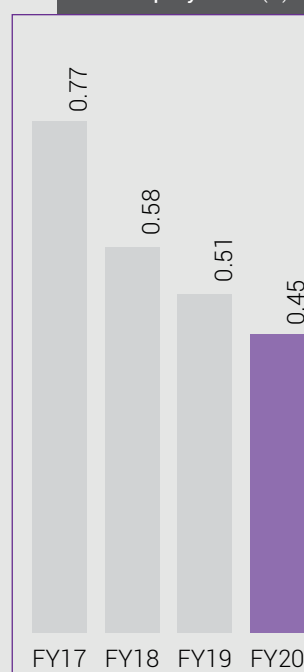
Why is this measured?

The EBITDA margin indicates how much a Company earns (before accounting for interest and taxes) on each rupee of sales.

Virinchi's performance

Despite a reduction in revenues, EBITDA margin declined only marginally by 90 bps to 29.30%, its second highest level. The margins decline was moderated on account of superior margins in the IT business, increased bed occupancy in the health care business and cost moderation.

Debt-equity ratio (X)

**Definition**

This is calculated by dividing the total debt by the net worth (less revaluation reserves)

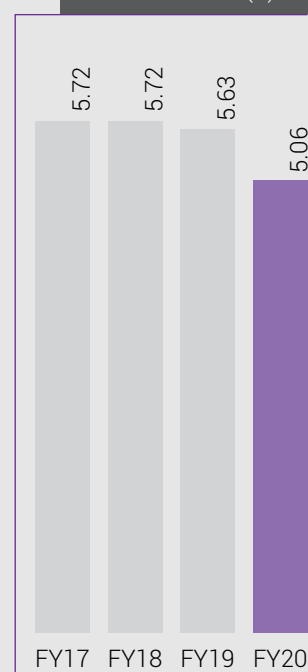
Why this is measured?

This is an indicator of a Company's financial solvency, indicating the Company's ability to remunerate shareholders over debt providers.

Virinchi's performance

The Company's gearing improved 6 bps to 0.45 in FY2019-20 following increased net worth and debt reduction.

Interest cover (X)

**Definition**

This is derived through the division of EBITDA by interest outflow.

Why this is measured?

Interest cover indicates comfort in servicing interest, the higher the better.

Virinchi's performance

The Company's interest cover, though comfortable, weakened from 5.63 during FY2019 to 5.06 during FY2020 following the decline in EBITDA by s. 11.90 crores from Rs. 124.18 crores in FY2019 to Rs. 112.28 crores in FY2020, while interest outflow increased marginally to Rs. 22.20 crores.



Business overview

Virinchi's outlook, challenges and continuity

Overview

I present our performance during the year under review.

Virinchi reported a 6.8% decline in revenue, 9.6% reduction in EBITDA and 21.2% decline in profit after tax in 2019-20. This decline was largely on account of a one-time license fee income that had been credited to our numbers in the previous year, which did not exist in 2019-20.

Economy outlook

These are trying times in the history of our modern world. Even as the global economy was slowing (growth of 3.6% declined to 2.9% in 2019), the outbreak of the Covid-19 pandemic resulted in a series of lockdowns the world over. The result is that the global economy is expected to de-grow sharply for the first time in the living memory of a large number of people.

Business outlook

Even as the economic reality remains grim, there is something else that is transforming our world – for the better. A number of cutting-edge technologies are converging to create unforeseen possibilities. The result is that machine learning is empowering users to derive insights from large data volumes, throwing up new opportunities and empowering companies to design better products and services. Besides, robotic process automation is empowering software to perform routine tasks, making it possible to reduce human engagement on the one hand and reduce human errors over routine functions on the other.

At Virinchi, we are attractively placed to capitalise on these trends. The result is that over the last few years,

Even as the economic reality remains grim, there is something else that is transforming our world – for the better. A number of cutting-edge technologies are converging to create unforeseen possibilities.



Virinchi has not only grown its core businesses of IT products and services but also has leveraged these learnings to create completely new and different businesses. The Company, which was earlier known only as a software services and product Company delivering solutions in USA, has since entered the business of health care services and fintech in India. This disparate presence across diverse spaces has helped the Company de-risk its presence so that no single business is linked to the prospects of another; more importantly, it has empowered the Company to enhance its opportunity-responsiveness in prospecting new businesses where entry was barred for years due to a dearth of technology capability.

On the face of it, an information

technology Company like Virinchi would have never been considered competent to manage a health care business. We felt otherwise; we saw the health care business as essentially an IT business woven around a health care manifestation; the result is that we have positioned ourselves not just as a standalone data science Company but a data science-driven organisation integrated into health care; the health care business provides patient data that is then analysed by our data science protocols to derive disease cum treatment patterns and trends; the learning from these patterns is then relayed back to the consultants to make treatment decisions.

This was our opportunity window when we went into business: doctors based their prognosis on only few dozen

readings while modern medical science was giving few thousand parameters about each patient. Data science has and will continue to revolutionise doctor's engagement: machines now capture patients' medical realities more completely; they cross them across similar patient population data to arrive at a deeper understanding in a fraction of the time with enhanced consistency, empowering doctors to treat with more data at their disposal and with increased confidence.

The result is that IT has graduated from being a back-end support in our health care business to being the process implementor; IT has evolved from being the functional support provider to the experience promoter; from being a passive enabler to a governance-driver.

The result is IT at Virinchi Hospitals is not just about accuracy and reliability; it is about the way a patient is welcomed into our health care facility, how a patient's relatives are put at ease about medical outcomes, how a doctor accesses information on the patient, how doctors consult with patients through tablets, the integrity with which a patient is billed, the speed with which we are able to discharge a patient and the sensitivity with which we are able to provide post-operative care.

The result is that our flagship health care facility in Hyderabad is now a go-to facility not just in the city of its presence; it is drawing patients from across the hinterland. Besides, our facility is not just a local facility demonstrating an improved standard; it is being considered a national showpiece in terms of revolutionary way of approaching the subject of health care through the intensive use of data analytics and machine learning – all within half a decade of launch.

At Virinchi, we are bringing this commitment to our business of fintech as well. We believe that the credit space in India has been extensively under-penetrated for a number of

reasons. We believe that individual credit represents the foundation of a consumption-led economy especially when this credit is provided to the self-employed or low income individuals, which we believe represents a large opportunity to address financial inclusion.

What we have been asked is 'What do you know about the business of credit cards to succeed?' Our answer is that we bring together distinctive competencies: the extensive experience in machine learning and processing the accounts of more than 15 million US customers across more than 100 parameters, providing insights into ascertaining credit worthiness. To this rich experience we bring the power of complementary partners and an eco-system of technology and AI-driven customer service, customer collection and customer acquisition. The result is paperless instant credit limit activation on a UPI-based merchant payment model with machine learning driven origination, service and collection.

Model validated

This model of diverse businesses, held together by cutting-edge technologies,

has already begun to deliver results. Even as the business environment was challenging in the last financial year and revenues declined 6.8%, the Company was able to maintain its EBIDTA margin around the level of the previous year. By the end of the year under review, the outlook was stable for the IT business; the health care business matured and the fintech India business was ready to be launched.

Challenges and continuity

This is a challenging phase for the Company. The demand outlook remains uncertain and there is a premium on revenue visibility. In this environment, we expect to limit our downside to a moderate revenue de-growth. We are optimistic of protecting our financial integrity as we are able to maintain most of the revenue streams while the moratorium that we sought in the first quarter of the current financial year has helped us to maintain adequate cash flows. We are confident that the Company will tide through the COVID pandemic-inflicted crisis and pursue all stated opportunities in 2021.

M. V. Srinivasa Rao
Whole Time Director

