



Consolidation

How Virinchi is returning to the basics
to build each of its businesses

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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Virinchi Limited is an exciting multi-business company engaged in leveraging resident competencies in digital technologies.

During the year under review, the Company consolidated its business with the objective to build efficiencies, restructure its operating model, enhance focus and emerge stronger.

This period of consolidation is expected to translate into robust and sustainable growth for the Company across the foreseeable future.

CORPORATE SNAPSHOT

Virinchi Limited.

The Company is an attractive showcase of four businesses - SaaS (US Fintech), IDC & IT Services, Payment & Credit Services (India Fintech) and Healthcare - within one company held together by digital technologies like machine learning and process automation.

The result is a transfer of learnings derived from one business to another, strengthening relevance, competitiveness and brand.

The Company has emerged as a digital technology company with a presence across diverse businesses.

This distinctive positioning is expected to catalyse the Company's growth across the foreseeable future.

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.

Goals

SaaS (US Fintech), Payment & Credit Services (India Fintech) and IDC & IT services: 'To build globally inclusive solutions'

- To build a suite of fintech products to reach the unserved
- To develop deep specialised technology solutions for the healthcare and fintech domains
- To develop 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' in a decade from now

- To secure a robust presence in some medically underserved markets in India
- To deliver personalised medicine through data analytics and combinatorics on a single healthcare mobility platform



Track record

Across the last three decades, Virinchi Limited has established respect for entering new businesses with the knowledge derived from its existing business. In the last few years, the Company has grown into four businesses with potential.

Footprint

The Company's healthcare facilities are located at Banjara Hills, Barkatpura and Hayathnagar in Hyderabad.

The Company has two offshore IT development centres in Hyderabad (Banjara Hills and Hakimpet) while its onshore facility is located at Marlboro, New Jersey, USA.

The Company is headquartered in Hyderabad, India.

Business offerings

SaaS (US Fintech), IDC & IT services and Payment & Credit Services (India Fintech):

The Company's flagship product QFund is a globally renowned SaaS solution, supported by strategic alliances and products, to the retail micro lending industry in North America. The Company is respected for its technical, financial and infrastructural solutions. The Company has forayed into the Payment & Credit Services business in India by offering its Fintech platform vCard to partner financial institutions in dispensing credit to underserved segments of society.

Healthcare services: The Company has leveraged its IT and mobility-based expertise to run three multi-specialty hospitals in Hyderabad. The flagship hospital in Banjara Hills (Hyderabad) is equipped with the latest medical technologies and advanced in-house IT / mobility-based systems.

Certifications

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

Listing

The Company is listed on the Bombay Stock Exchange (BSE: 532372), where its equity shares are actively traded. The market capitalisation of the Company was Rs. 463.23 Crore as on March 31, 2022.

Recognition

Virinchi was felicitated with the following awards:

- The Times Healthcare Award for Telugu-speaking states (2017 and 2018) 'Emerging Hospital of the Year' in the multispecialty 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

Employees

Virinchi had employed 469 individuals (SaaS, IDC & IT services and Payment & Credit Services) as on March 31, 2022. Nearly 95% employees possessed professional degrees at the close of FY 2021-22. The average age of employees in the IT vertical was 28.

Total employees



469

SaaS, IDC & IT services and Payment & Credit Services



965

Healthcare

Revenue per employee (Rs. Lakh)*

37.93

Average employee age (years)*

28

*For the SaaS, IDC & IT services and Payment & Credit Services business

SaaS (US Fintech) business

SaaS business revenue decreased 9.5% to Rs. 122.61 Crore compared to Rs. 135.44 Crore in the previous year.

IDC & IT Services

IDC & IT services revenue increased 0.9% to Rs. 55.28 Crore compared to Rs. 54.77 Crore in the previous year.

Payment & Credit Services (India Fintech)

Payment & Credit services completed a full year's operations and generated a revenue of Rs. 2.19 Crore.

Healthcare

YoY revenue increased 11.5% to Rs. 179.39 Crore with an EBIT of Rs. 31.03 Crore

YoY healthcare EBITDA increased 1.2% to Rs. 50.41 Crore with an overall EBITDA margin of 28.1%

How we have performed over the last few years



Revenues (Rs. Crore)

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 increased 0.5% to Rs. 366.94 Crore in FY 2021-22, a gain of Rs. 1.75 Crore. Total operating revenues increased by Rs. 10.00 Crore, Other income decreased by Rs. 8.24 Crore. Other income last year was high due to a write-off of loans by the US government in the US subsidiary as a part of government support to industry to tide over the liquidity crisis precipitated by the Covid pandemic.

Consolidated Highlights, FY 2021-22 Profit & Loss account / Balance Sheet

Consolidated operating revenue increased 2.8% to Rs. 364.01 Crore and total revenue increased 0.5% to Rs. 366.94 Crore

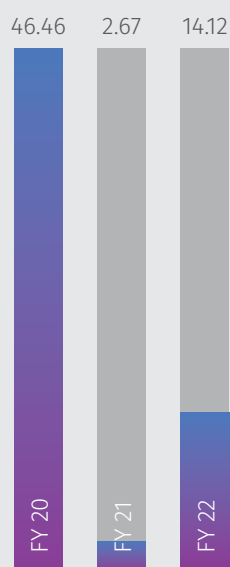
EBITDA decreased 3.8% to Rs. 102.60 Crore

Consolidated PAT increased 428.2% to Rs. 14.12 Crore

EPS increased 146.3% to Rs. 1.78

Consolidated EBITDA margin decreased 126 bps from 29.2%; PAT margin increased 312 bps from 0.73%

Receivables decreased from 79 days of turnover to 76 days

**Net Profit (Rs.Crore)****Definition**

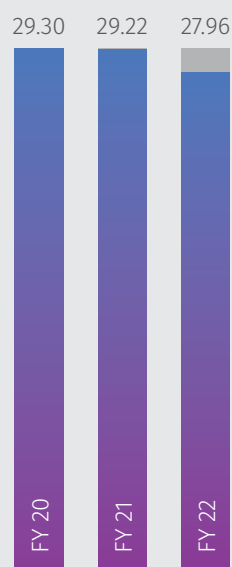
Profit earned during the year after deducting all expenses and provisions.

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 428.2% increase in net profit to Rs. 14.12 Crore in FY 2021-22. The increase in Total Income by Rs. 1.75 Crore and decrease in administrative expenses of Rs. 5.54 Crore were primary reasons for the improvement. Depreciation and amortisation increased by Rs. 0.07 Crore and Finance costs decreased by Rs. 5.87 Crore due to a tapering of the impact of implementation of IND AS116; PBT increased by Rs. 6.55 Crore from Rs. 21.56 in FY 2020-21 to Rs. 28.11 Crore in FY 2021-22. Total taxes were Rs. 13.99 Crore during FY 2021-22 (inclusive of Deferred Taxes of Rs. 7.58 Crore).

**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

EBITDA margin decreased by 126 bps to 27.9%. The margins decline was on account of an overall increase in expenses during the year.

**Debt-equity ratio (x)****Definition**

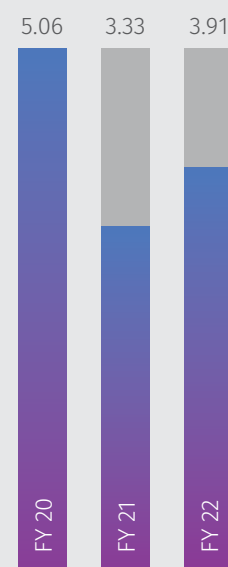
This is calculated by dividing the total debt by the net worth (less revaluation reserves)

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 decreased 4 bps to 0.47 in FY 2021-22 following a marginal increase in debt compared to an increase in net worth.

**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, strengthened from 3.33 during FY 2020-21 to 3.91 during FY 2021-22 due to a fall in finance cost.

BUSINESS OVERVIEW



Consolidation and cautious optimism

How Virinchi is returning back to the basics to build each of its businesses

Overview

The year under review proved challenging as it came in the backdrop of an extended pandemic that threw up unexpected challenges for a diversified company like ours.

Despite the unforeseen developments, the Company reported Rs 366.94 Crore in revenues and a cash profit of Rs 62.39 Crore in FY 2021-22. The strength of the business model was reflected in that we reported a cash profit in every quarter of the year under review. Even during the most challenging quarter (fourth) that the Company encountered during the last year, the Company reported more than Rs 14 Crore in cash profit, an index of the Company's competitiveness across market cycles.

The profitable performance of our Company during this challenging year with no Balance Sheet impairment is an index of the strength of our diversified business model. Our Company addressed all bank obligations and the business model – despite external challenges – remained relevant. The fact that the Company's revenue growth encountered sluggishness is also a reflection of the business complement where a stable performance by one business could be complemented by a sluggishness in another in a volatile world. This complemented reinforced the Company's overall resistance to a sharp decline and protected its ability to deliver long-term shareholder value. Given this reality, the performance of the Company during the last financial year was



credible, marked by systemic liquidity and intrinsic profitability.

The fact that the Company remained profitable and could service its interest and debt obligations indicates the underlying commitment of the Company and its businesses to support 'must run' customer environments.

Economy outlook

The year under review was marked by an extension of the pandemic and the financial stimulus in USA, the country where the Company's IT and micro-loan solutions are offered. The fact that liquidity remained high within that economy meant that fewer individuals turned to micro-loans, affecting the Company's capacity to grow this business. This is a reality that we have seldom

encountered, even though we do believe that a tightening of the US economy through higher interest rates and moderated liquidity should strengthen this business from the current year onwards.

The Indian fintech business is still at a nascent stage, addressing the evolving RBI regulatory environment. The business continues to face a large addressable market with a vast unmet need, and it is only a matter of time before this business is invested with the necessary growth capital that graduates it into the next trajectory.

The healthcare infrastructure business embarked on an ambitious project to commission a new 300 bed facility in Vishakhapatnam that is likely to be commissioned during

FY 2023-24. The facility is being taken across a 30-year lease, moderating the Company's cash outgo and reducing the break-even point. The Rs 85 Crore capital expenditure will be funded through debt and accruals without compromising the Company's overall Balance Sheet integrity. The expansion of our healthcare business represents a decisive initiative to grow this profitable segment of our business. The Company possesses an established competence in this space; the use of the existing brand will inspire patient traction and bed capacity utilisation; the transfer of best practices from our Hyderabad flagship facility to this new facility will strengthen the brand during the gestation period, making it possible for the facility to break even faster.

We believe that this expansion will enable our Company to achieve the critical mass of more than 1,000 healthcare beds across two growing cities. This scale will provide our business with national visibility and create a foundation for cash flows available reinvestment, accelerating the growth of this business.

Relevance of each business

At Virinchi, each of our business continued to remain relevant.

Our healthcare business addresses a growing need for specialised medical intervention, a need to access the best medical care, a positive offshoot of the widening insurance footprint across India, a growing traction for data-based and futuristic healthcare. The healthcare services business reported Rs 179.39 Crore in revenues during the financial year compared to Rs 160.85 Crore in the previous year. Our showpiece facility at Hyderabad reported an average occupancy of 31% during the course of the year which compared with 30% during the previous year.

Our payment & credit services business in India continues to be relevant, backed by a growing smart phone intermediation, need for real-time solutions and widening fin-tech solutions. We strengthened our business following the creation of Virinchi Capital Private Limited in FY 2020-21, a wholly-owned subsidiary that mobilised USD 2 Million to be invested in taking our mobile-driven credit card business ahead.

Our information technology business, which includes the SaaS business and International Data Centers & IT Services business in the US, rides a sweeping digitalisation, marked by growing data volumes, robotic process automation and micro-lending. Our IT business reported Rs 177.89 Crore in revenues during the last financial year compared with Rs 190.20 Crore in FY 2020-21; the contribution of this business to the overall revenues was 48.48% in FY 2021-22 compared with 52.08% in the previous year.

Outlook

Our complement of businesses continues to be relevant and we expect to recover our momentum across the foreseeable future.

We believe that the worst is over as far as the pandemic is concerned. As economies normalise, we see a reinvestment by medium to small players and expect attractive implications for our SaaS and IDC & IT Services businesses.

Our payment and credit services business awaits a wider market acceptance, riding smartphone penetration and online commerce.

The broadbased nature of our businesses will empower us to grow faster from this point onwards in the world's fastest growing major economy.

M V Srinivasa Rao,
Whole Time Director &
Chief Financial Officer