



# HEALTH-TECH & LEND-TECH

Virinchi Limited | Annual Report 2022-23

### Forward-looking statement

In this Integrated 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 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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## HEALTH-TECH & LEND-TECH

**At Virinchi Limited, we are poised and prepared to take our business to the next level.**

During the last financial year, the company embarked on two strategic initiatives with long-term implications,

The company started work on Oncology facility in Banjara Hills, Hyderabad and embarked on the process of setting up another facility in Vishakhapatnam. Besides, the company continued to invest in its Payment and Credit services business.

Through these initiatives, the company is poised to report a sharp growth in its revenues across the foreseeable future, enhancing value for all its stakeholders.

## CORPORATE SNAPSHOT

# VIRINCHI LIMITED

The Company is an attractive proxy of four businesses that represent a growing India.

These businesses comprise a complement of SaaS (US fintech), IDC & IT services, Payment and Credit Services (India fintech) and Healthcare.

What makes these businesses synergistic is that they are closely structured around advanced digital technologies like machine learning and process automation.

## 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.

## TARGETS

**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 underserved
- 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, mobile applications and data analytics

**Healthcare vertical:** To serve a Billion patients in a decade from now

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

## TRACK RECORD

During the past three decades, Virinchi Limited has been respected for entering new spaces with the experience derived from its existing businesses. The Company has achieved a track record of growing from one to four businesses, creating multiple revenue engines.

## PRESENCE

The Company's healthcare facilities are situated at Banjara Hills, Barkatpura and Hayathnagar in Hyderabad. The Company possesses two offshore IT development centres in Hyderabad (Banjara Hills and Hakimpet); its onshore facility is situated at Marlboro, New Jersey, USA. The Company's headquarters are located in Hyderabad, India.

## BUSINESS OFFERINGS

**SaaS (US Fintech), IDC & IT services and Payment & Credit Services (India Fintech):** The Company's leading product QFund is a widely recognised global SaaS solution. It is backed by strategic partnerships cum offerings, addressing the retail micro lending sector in North America. The company is respected for technological, financial and infrastructural solutions. Based on this experience, the company entered the payment and credit services sector in India. The Company introduced its fintech platform, vCard, collaborating with partner financial institutions to provide credit to the underserved.

**Healthcare services:** Utilizing its competence in IT and mobility solutions, the Company manages three multi-specialty hospitals in Hyderabad. The flagship hospital situated in Banjara Hills, Hyderabad, comprising state-of-the-art medical equipment, doctors trained in latest advancements in medicine, sophisticated IT and mobility-based frameworks.

## EMPLOYEES

Virinchi employed 460 individuals (SaaS, IDC & IT services and Payment & Credit Services) as on March 31, 2023. Nearly 95% employees possessed professional degrees at the close of FY 2022-23. The average age of the employees in the IT vertical stood at 28 years.

## AWARDS AND RECOGNITIONS

Virinchi was recognised 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

## CONSOLIDATED FINANCIAL HIGHLIGHTS, FY 2022-23

Consolidated operating revenue decreased 14.3% to Rs. 311.94 Crore and total revenue decreased 14% to Rs. 315.57 Crore

Consolidated PAT decreased 9.9% to Rs. 12.72 Crore

Consolidated EBITDA margin increased 685 bps from 27.9% to 34.8%; PAT margin increased 18 bps from 3.8% to 4.0%

EBITDA increased 71% to Rs. 109.86 Crore

EPS decreased 14.6% to Rs. 1.52

Receivables increased from 75.98 days of turnover to 77.44 days

## HEALTHCARE

YoY revenue decreased 24.7% to Rs. 135.16 Crore with an EBIT of Rs. 24.39 Crore YoY healthcare EBITDA decreased 11.2% to Rs. 46.76 Crore with an overall EBITDA margin of 34.6 %

## SAAS (US FINTECH) BUSINESS

SaaS business revenue increased 0.1% to Rs. 122.72 Crore compared to Rs. 122.61 Crore in the previous year.

## IDC & IT SERVICES

IDC & IT services revenue decreased 18.5% to Rs. 45.07 Crore compared to Rs. 55.28 Crore in the previous year.

## PAYMENT & CREDIT SERVICES (INDIA FINTECH)

Payment & Credit services revenue increased 97.3% to Rs. 4.33 Crore compared to Rs. 2.19 Crore in the previous year.

# OUR FINANCIAL SNAPSHOT IN 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 decreased 14% to Rs. 315.57 Crore in FY 2022-23, recording a decrease of Rs. 51.37 Crore. Total operating revenues decreased by Rs. 52.07 Crore and other income increased by Rs. 0.71 Crore.



## NET PROFIT (Rs Crore)

### Definition

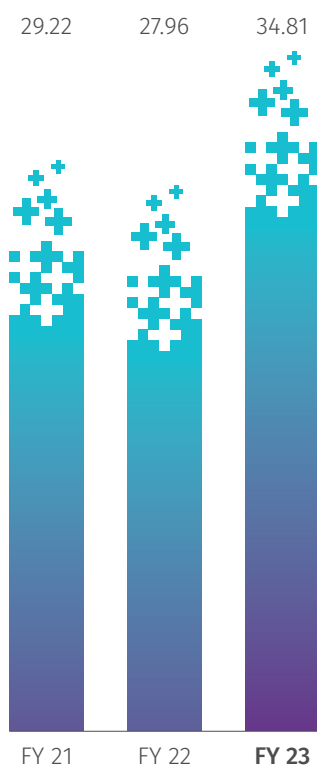
Profit earned during the year after deducting all expenses and provisions.

### 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 11% increase in net profit to Rs. 12.72 Crore in FY 2022-23.



### EBITDA MARGIN (%)

#### Definition

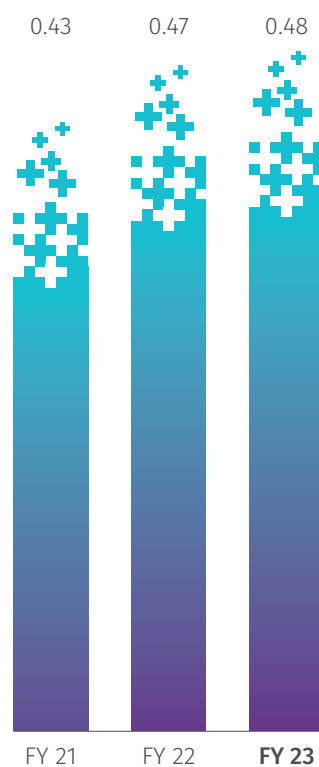
EBITDA margin is a profitability ratio distilled from revenue growth, value-addition and cost management.

#### 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 increased by 685 bps to 34.81%. The margins improvement was on account of an overall decrease in fixed 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 by 1 bps to 0.48x in FY 2022-23 following a marginal percentage increase in debt compared to the percentage 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 the comfort in servicing interest, the higher the better

#### Virinchi's performance

The Company's interest cover decreased from 3.91x during FY 2021-22 to 3.32x during FY 2022-23 due to an increase in finance cost.



## STRATEGIC OUTLOOK



**I AM OPTIMISTIC  
THAT VIRINCHI IS  
POISED TO POST A  
SHARP INCREASE IN  
REVENUES AROUND  
ATTRACTIVE  
MARGINS IN  
FY 2024-25**

### OVERVIEW

When I last communicated to you in the last annual report, the principal theme was one of consolidation in the face of a post-pandemic world, marked by a priority to enhance asset utilisation, manage cash flows, sustain the asset-heavy businesses with inflows from the asset-light segments and grow the overall profit and loss account.

I am pleased to communicate that consolidation priority is over and the company is posed to grow its businesses starting this current financial year. The company reported corresponding financials during the last year: revenues decreased 14% to Rs. 315.57 Crore, EBITDA strengthened by 6.85% to Rs. 109.86 Crore and profit after tax decreased by 9.9% to Rs. 12.72 Crore. The company finished the year under review with a retained

cash profit of Rs. 68.79 Crore, which was reinvested.

My sense of optimism comes from the fact that your company possesses a strategic clarity that is corresponded by national priorities. Following the pandemic, there is a greater commitment to invest in individual health than ever, the result is that patients are investing more in health insurance than ever; in turn, this insurance support is providing them with the incentive to be treated in better hospitals. This is enhancing the bed utilisation of organised and professional health care providers.

This reality represents the principal reason why your company entered negotiations to acquire a 300-bed super-speciality health care facility in Vishakhapatnam during the year under review. At Virinchi, we see an attractive market opportunity





emerging; the country is extensively under-penetrated for organised corporate health care across the country; this under-penetration is evident along Eastern India. As a forward-facing company, our objective is to invest in urban clusters along the eastern coast, moving in a contiguous manner and capitalising on our growing brand recall.

At Virinchi, even as we believe that the health care sector remains extensively under-penetrated, there will be a premium on asset-lightness in a capital-intensive sector. In view of this, your company is engaged in the process of leasing the Vishakapatnam facility – as opposed to outright purchase – and building the half done property. The result is that the company will add this facility to its books without loading

My sense of optimism comes from the fact that your company possesses a strategic clarity that is corresponded by national priorities.



its Balance Sheet. The facility is expected to be commissioned in FY 2024-25, the first significant health care business expansion by the company in seven years.

At Virinchi, we are optimistic of commissioning our 100-bed oncology health care facility during the current financial year. This Rs. 67 Crore facility in Hyderabad will capitalise on the following advantages: it is contiguous to the company's flagship Banjara Hills health care facility; its dedicated oncology focus addresses a growing social priority; a singular vertical will help develop the facility into a centre of excellence that attracts the best professionals; by the nature of its focus, the facility is expected to deepen specialisation over general health care facilities, resulting in superior outcomes.

## STRATEGIC OUTLOOK

When you put these two expansions together, you get a Virinchi that is likely to grow its bed count by 57% across the next year-and-a-half and emerge as a 1100-bed health care organisation by the last quarter of the next financial year. This is expected to enhance the company's scale to be among the ten largest corporate health care companies in the country, enhancing visibility, talent access and quicker ramp up in new centres of the company's presence.

At Virinchi, the key to enhancing the profitability of these facilities lies in the company's contrarian approach.

**One**, the company's approach to acquiring new facilities has been asset-light (leasing), ensuring that the Balance Sheet remains under-borrowed. **Two**, the company invested these facilities with digital interventions, pricing patients with an advanced experience without compromising the personal touch. We believe that this combination – digital yet humane – has emerged as our most effective calling card, inspiring the recall that 'If we are at Virinchi, we are safe.'

The second intervention will be the company's omni-channel approach – a complement of its brick and mortar approach with its telemedicine facility. In an India that is extensively under-penetrated for organised health care, there will be a premium in reaching out to doctors across distances connected through a robust video engagement that makes it impossible for the health

care facility to service patients from outside the city of its presence.

We see attractive headroom in this regard: there is only one organised omni-channel service provider in the country, providing an attractive opportunity for a committed health care company like Virinchi.

We believe that this approach will do four things for our health care business: it will strengthen our brand in locations where we are not present, seeding our brand in those markets for a time when we may enter that location with a brick and mortar presence; it will empower us towards asset-lightness where we deliver a superior return on knowledge and brand; it will strengthen our competence in addressing patients from across regions by cutting across cultural and language barriers, building our multi-regional personality; it will deepen our service orientation using digital technologies, strengthening our recall as a technology-driven organisation.

The third intervention will be in the enhanced use of technology that accelerates patient recovery and makes it possible for them to be discharged around shorter tenures. This will enhance our respect in the following ways: one, it will strengthen our recall as patient-focused and widen our prospective patient reach leading to superior capacity utilisation; two, it will generate attractive billings within shorter timeframes (strengthening our capital efficiency). We are optimistic

that the combination of the two factors will enhance overall value from this business.

While the fintech business will grow through organic means, we believe that the mobile credit business is at an attractive growth opportunity. During the last few years, the company has created a base of 25,000 customers, indicating business understanding. The time has come for the company to grow this business vertical through a capital-light approach. The best way to grow this business is to collaborate with commercial banks who desire digitalised front-end consumer interfaces. Your company is positioned as an attractive front-end partner; it is positioned to provide such banks with a market-responsive-face in exchange for bank respect and a large back-end customer base, the best of both worlds. We are optimistic that there are a number of legacy banks warranting modern, digital and responsive market orientation, which is where a company like ours will come in.

In view of these realities, I am optimistic that Virinchi is poised to post a sharp increase in revenues around attractive margins in FY 2024-25, enhancing value in the hands of all those who own shares in our company.

**Viswanath Kompella**  
Founder and Chairman Emeritus



Healthcare: The time has come for the company to grow this business vertical through a capital-light approach.  
vCard: The best way to grow this business is to collaborate with commercial banks who desire digitalised front-end consumer interfaces.