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Data Management Solution

Technology Entrepreneurship
Department Of Engineering and Technology Management
Fall 2004
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Agenda

- The Need
- Current Approach
- MIRCHI - Data Management Solutions
- Market Analysis
- Product Overview
- Competitor analysis
- Sales and pricing
- Organizational structure
- Financial Plan
- Exit Strategy
- Q & A

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The Need

- **Security and Privacy of Information**

- **Proactive Threat Protection**

- **Electronic Data Interchange**

- **Outsourcing**
  - **Less or No Control**
  - **Confidence**
  - **Cultural Differences**

- **HIPAA – Healthcare Industry**
  - **HIPAA driver for clinical data security implementations**
  - **Rise in IT budgets to address HIPAA regulation**
  - **Fines - $250K per year and 10 Year imprisonment**
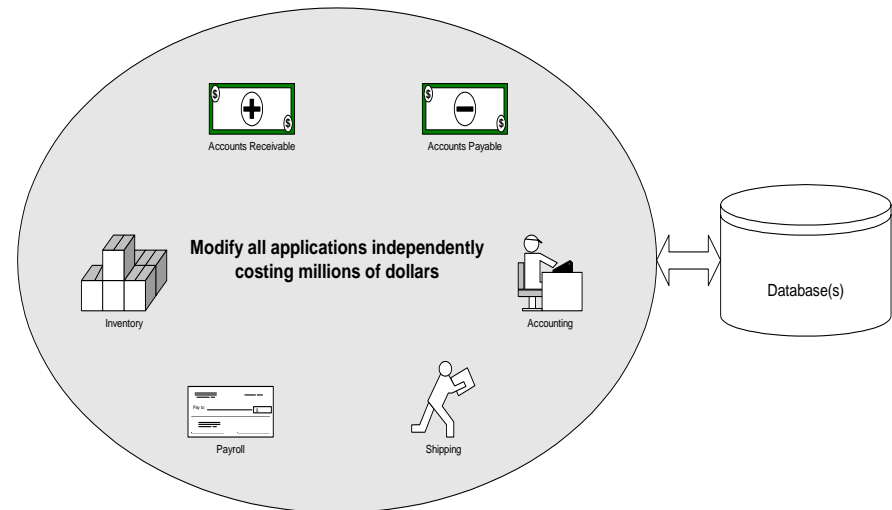 - **Public disclosure of violations – Additional Litigation**

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Current Approach

- **Manual Control**

- **Must Train And Certify in HIPAA**

Current approach / fix to protect Personal Health Information and to comply to HIPAA regulations

Limitations

- **Trust**

- **Manpower Turnaround**

- **Old applications are modified.**

- **No or Less Control**

Accounts Receivable
Accounts Payable
Modify all applications independently costing millions of dollars
Inventory
Accounting
Payroll
Shipping
Database(s)

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- **Protect Sensitive Information by encrypting individual fields**

- **Controlled access through roles and responsibilities**

- **Centralized control with minimal or less changes**

- **A complete solution, compared with existing partial products**

- **Mask data that's displayed by application programs**

- **Outsource(d) users will see encrypted data**

- **Rapidly resolve data problem in production**

Market Analysis - Size

❑ **Healthcare expenditures 1.2 trillion, 1999 to 2.1 trillion by 2007**

❑ **5% goes towards IT infrastructure; i.e., $60 to $110 billion**

❑ **Government Regulation is driving a demand for data confidentiality**

❑ **Most immediate need for data confidentiality is Health care industry – HIPAA**

Insurance companies Top 5 business concerns

Responses by Importance	Rank	When
Compliance and privacy	1	--
Workflow and business rules management (business process)	2	Q1
Policy administration	3	Q1
Self-service exchanges and portals	4	Q1
Claims processing and management	5	Q2

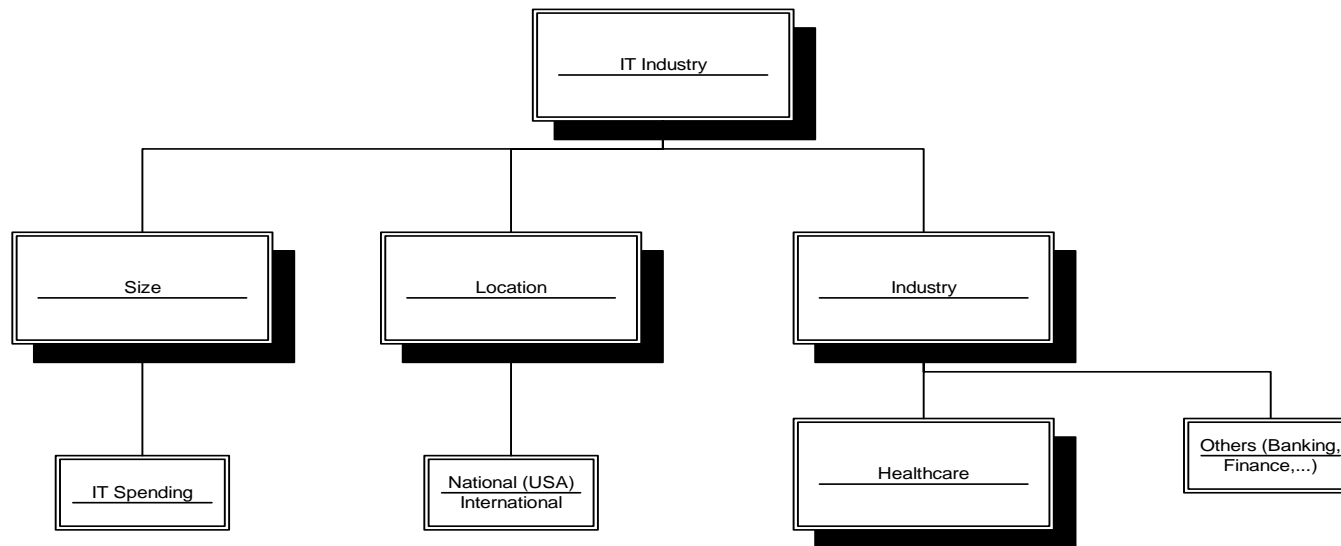**Source: METAGroup Study 2004**

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Market Analysis - Research

- **IDC Group** - "The spending on IT outsourcing will shoot up from a $16 billion, as of 2004, to a whopping $46 billion by year 2007."

- **Cognizant Technology** - "50% of companies understand that there are security issues with OFFSHORING, but the real issues are cultural and in compliance and regulation."

- **GARTNER** – "When it comes to outsourcing IT operations in foreign countries, companies often focus on slashing costs and gaining productivity, but fail to take into account cultural differences that may affect their data security."

- **META Group** – "The offshore outsourcing market will continue to grow nearly 20% annually through 2008"

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Market Segment

Market Segmentation

```
                          ┌─────────────────┐
                          │   IT Industry   │
                          └─────────────────┘
          ┌──────────────────────┼──────────────────────┐
  ┌───────────────┐      ┌───────────────┐      ┌───────────────┐
  │     Size      │      │   Location    │      │   Industry    │
  └───────────────┘      └───────────────┘      └───────────────┘
          │                      │                  ┌──────┴──────────┐
  ┌───────────────┐      ┌───────────────┐  ┌───────────────┐ ┌──────────────────┐
  │  IT Spending  │      │ National (USA)│  │   Healthcare  │ │ Others (Banking, │
  └───────────────┘      │ International │  └───────────────┘ │   Finance,...)   │
                         └───────────────┘                    └──────────────────┘
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Customer Value Drivers

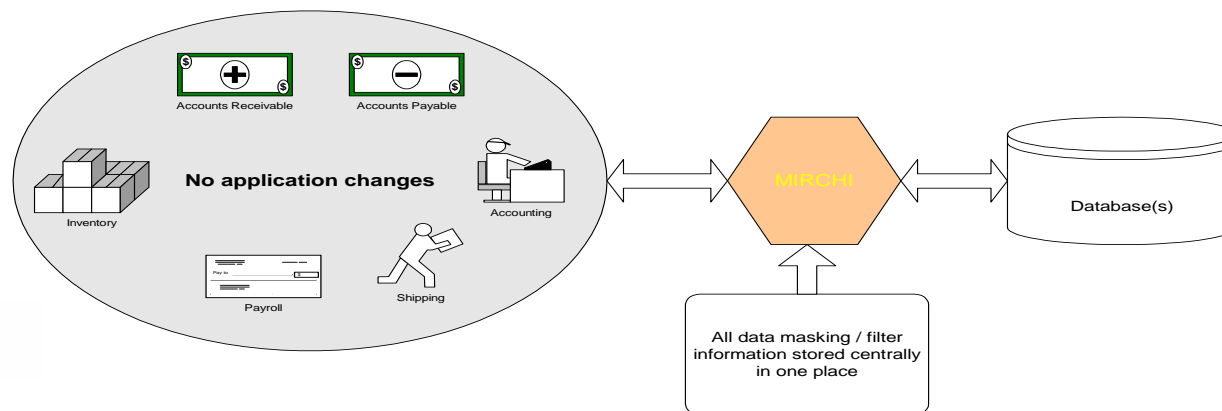**MIRCHI saves time and resources allows companies to focus on their core business**

- Spend less or no time on data management
- Concentrate on core application development
- No need to write new programs or modify existing ones
- Outsource with confidence
- Save money, time and manpower to manage customer privacy
- Maintain customer confidence
- Flexibility
- Protect sensitive production data in tests

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Product Overview

- **Proxy server that provides access to clients database(s)**
- **Rule based protection of various types of data**
- **Protection for various types of databases**
- **Protect all environments**
- **Secured remote connectivity for external clients (outsource)**
- **Tools for protecting sensitive information in documents**
- **Highly scalable server**

Protection of Personal Health Information
& other sensitive information with the help
of MIRCHI

Accounts Receivable
Accounts Payable
No application changes
Inventory
Pay to
Payroll
Accounting
Shipping
MIRCHI
Database(s)
All data masking / filter information stored centrally in one place

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Before MIRCHI

Unprotected data - open to user – noncompliance with HIPAA

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MIRCHI encrypts / masks data to comply with HIPAA

Competitor Analysis

Companies

- COMPUWARE
- TCS
- INFOSYS
- WIPRO
- Others

Competitors Offer

- Focus on project specific needs
- Do not provide a complete solution
- No production support
- No centralized control

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- ## Sales - FOCUS STRATEGY

  - **It is concept of serving a particular target in such an exceptional manner, that others cannot compete.**

- ## Pricing - Market Penetration Strategy

  - **Aid us gain control over the market in the near future.**

- ## Distribution Strategy

  - **On- premises sales and direct sales**

- ## Advertising and Promotion - Pull Strategy

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Product & Services	Unit Price	Expected # of Users/Client	Net Price
Proxy Server	* $50,000 **$5,000/user/year	100	$525,000.00
Tools	$2000	$2,000 * 100	$200,000.00
Support & Consulting	$200 per hr	640 Hrs * $200	$128,000.00
Training			$ 30,000.00

As per estimate, the expected Gross Net Price for the product   = $ 881,000.00

*   - $ 50,000 for initial five users of a client

**   - $ 5,000 for each additional users after the initial purchase

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Organizational Structure

- **Founding partners during code development**

- **Phase I – Additional resources will be added if required**

- **Near Phase I Completion**

  - **Venture support will be sought**

  - **Support Staff will be added**

SIVAKUMAR THURAIYUR

CEO & LEAD SYSTEM ANALYST

MICHAEL WRIGHT

CFO & MARKETING DIRECTOR

LIJU OOMMEN

CTO & LEAD SYSTEM ANALYST

SAMARJIT SINGH

MANAGER AND LEAD ANALYST

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Financial Plan

- **Expected Break Even Period**   -   **1.5 years**

- **Development Period**   -   **9 Months**

- **Brisk Sales Expected**   -   **after 1.5 years**

- **Software Product**

    - **Low Operational Cost with Large Profits**

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Revenue Model

- Driven by licensed user with access to proxy server

- License is a per user / per year basis

- Year after Year increase in license seats

- After 5 years of sales up to 10,000 licenses

- Yields revenue of $50 million

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Cash Flows

	2005	2006	2007	2008	2009
Total Revenue Generated	$ 1,150,000	$ 8,000,000	$ 22,800,000	$ 37,000,000	$ 55,000,000
Total Expenses	$ 1,400,000	$ 3,500,000	$ 7,800,000	$ 12,000,000	$ 15,000,000
Gross Profit	$ (250,000)	$ 4,500,000	$ 15,000,000	$ 25,000,000	$ 40,000,000
Net income (@33% Corparte tax)	**$ (167,500)**	**$ 3,015,000**	**$ 10,050,000**	**$ 16,750,000**	**$ 26,800,000**

Operating Expenses					
Marketing Promotion	$ 50,000	$ 400,000	$ 500,000	$ 800,000	$ 1,200,000
General & Administrative	$ 25,000	$ 150,000	$ 250,000	$ 500,000	$ 800,000
Equipment	$ 400,000	$ 500,000	$ 500,000	$ 800,000	$ 900,000
Salaries	$ 800,000	$ 2,050,000	$ 5,700,000	$ 8,000,000	$ 9,500,000
Research & Development	$ 50,000	$ 50,000	$ 350,000	$ 900,000	$ 1,400,000
Variable Costs	$ 75,000	$ 350,000	$ 500,000	$ 1,000,000	$ 1,200,000
Total Operational Expense	**$ 1,400,000**	**$ 3,500,000**	**$ 7,800,000**	**$ 12,000,000**	**$ 15,000,000**

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Projected Revenue & Costs

MIRICHI Projected Revenue and Costs
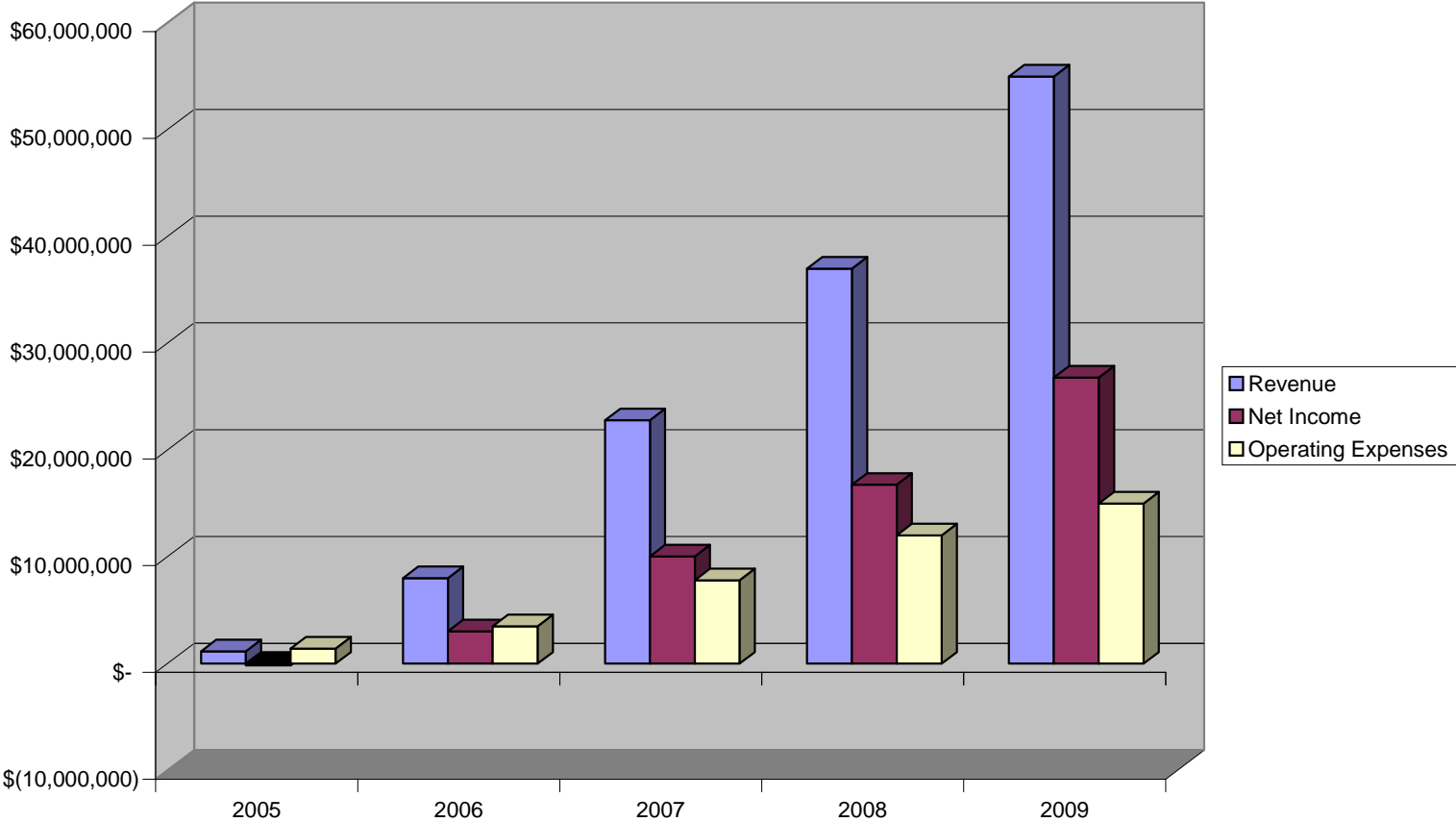
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Venture Funding

- **After first 6 months MIRCHI will seek out VC**

- **Seek $1.5 million to fund end of Phase I and Phase II**

  - **Used to hire additional support staff.**

  - **Aid in transition from development to implementation**

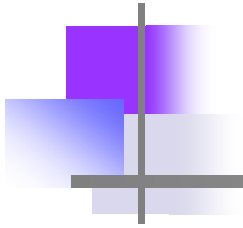## Acquisition

- ❑ **MIRCHI will offer after 3 years of profit making**

Initial Public Offering

- ❑ **Will be considered after gaining market share**

- ❑ **Probably in its 5th year of operation**

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- **Other industries with data privacy issues**
    - **Financial industry – Sarbanes-Oxley Act**
    - **Education**
    - **E-business**
    - **Call Centers**

NPV and ROI

Tooling Cost/Return Analysis Sheet:			MIRCHI CASH FLOW			Number Casting per Quarter:					
Program Development Cost/Return Analysis:						**Dollar Sales per Quarter:**					

Location:		Date:					IRR :	307.99%
BUM:		Cash Flow Time Schedule:	4 Quarters				NPV	45,193,056
Prog. Mgr.		Payback Period Before Taxes:		Qtrs				
Enginner:								

Quarters		0	1	2	3	4	5	6	7	8	9	10	Total
A. INVESTMENTS													
Capitalized Facilities	1	0	0	0	0	0	0	0	0	0	0	0	0
Tooling expenses	2	(350,000)		0	0	0	0	0	0	0	0	0	(350,000)
Tool Proving	3	0	0	0	0	0	0	0	0	0	0	0	0
Development Cost	4	0	0	0	0	0	0	0	0	0	0	0	0
	5												
	6												
Net Project Investment.	7	(350,000)	0	0	0	0	0	0	0	0	0	0	(350,000)
B. NET INCOME (COST)													
Labor Saving (Variable Rate)	8		(250,000)	4,500,000	15,000,000	25,000,000	40,000,000	0	0	0	0	0	84,250,000
Materials	9		0	0	0	0	0	0	0	0	0	0	0
Inventory Reduction Interest (12%)	10												0
Depreciation	11												0
Cont. Margin for Incrased Sales	12												0
	17												
Total Saving (Cost)			(250,000)	4,500,000	15,000,000	25,000,000	40,000,000	0	0	0	0	0	84,250,000
Profit Before Tax	18	0	(250,000)	4,500,000	15,000,000	25,000,000	40,000,000	0	0	0	0	0	84,250,000
****TAXES @ 37%****	19	0	92,500	(1,665,000)	(5,550,000)	(9,250,000)	(14,800,000)	0	0	0	0	0	(31,172,500)
Net Income	20	0	(157,500)	2,835,000	9,450,000	15,750,000	25,200,000	0	0	0	0	0	53,077,500
C. CASH FLOW													0
Depreciation Addback (Line 11)	21	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow (Line 7+20+21)	22	(350,000)	(157,500)	2,835,000	9,450,000	15,750,000	25,200,000	0	0	0	0	0	52,727,500
Cumulative Cash Flow	23	(350,000)	(507,500)	2,327,500	11,777,500	27,527,500	52,727,500	52,727,500	52,727,500	52,727,500	52,727,500	52,727,500	

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Challenges and Risks

❑ **First to Market**

❑ **Funding and Timing**

❑ **Competing with IT leaders**

❑ **Market Penetration**

❑ **Technology and Value**

❑ **Managing People – Employee Turnaround**

❑ **Win Customer Confidence**

❑ **Market Sustenance**

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High Level Architecture